Annual Report 2008

Record sales of EUR 33.4 million

Best EBIT in company history
EUR 3.4 million

Strong position to cope with
the challenges of 2009

softing

your connection to excellence

Consolidated Key Figures

		2008	2007	2006
Revenue	(EUR million)	33.36	28.97	23.60
EBIT	(EUR million)	3.43	2.31	– 1.99
Group income	(EUR million)	2.44	1.24	– 1.32
Non-current assets	(EUR million)	8.76	8.10	9.61
Current assets	(EUR million)	14.68	13.57	9.34
Equity	(EUR million)	15.91	13.86	12.48
Cash and cash equivalents	(EUR million)	5.57	4.93	2.74
Number of employees (annual average)		235	209	198
DVFA / SG earnings per share	(EUR)	0.46	0.22	– 0.25

Table of Contents

Dr. Wolfgang Trier
Chairman of the Executive Board

Dear Shareholders, Employees, Partners and Friends of Softing,

Softing gave itself the nicest present for its 30-year anniversary in 2009: the best figures ever in the company's history. 2007 was a good year for Softing, but we clearly surpassed ourselves in 2008. Our sales climbed to a record EUR 33.4 million, while our earnings of EUR 3.4 million were the highest since Softing was founded.

Despite the economic downturn in the second half of the year, all of our key figures – incoming orders, sales and earnings – improved significantly. Our incoming orders increased by around 7 %, while our sales climbed 15 % to reach EUR 33.4 million. EBIT rose by over 40 % to EUR 3.4 million, enabling us to reach our long-term goal of a double-digit EBIT margin. All of our other figures, too, clearly show how successful the past year was for Softing. Details can be found in the overview table inside the cover of this report.

Thanks are due first to our employees whose hard work made these achievements possible. But the trust which you – our shareholders, customers and business partners – have placed in us was also critical to our success, and I would like to thank you personally for it.

Our success is based on the consistent, long-term corporate strategy we have pursued over the past years. We continually strive to increase the benefit of our products for our customers through targeted analysis and innovative approaches, and we systematically tap additional customer groups by developing new products and solutions tailored to each customer's specific needs.

We are well-equipped to face the coming years – as we will have to be. As you know, all three of the world's key economic areas are in a deep crisis at the moment, and neither the capital markets nor the real economy have hit bottom yet. The governments of industrialized nations are trying to counteract the downturn with economic stimulus programs on a scale never seen before. But even if these measures have any positive effect, it will not be apparent for some time. Many nations run the risk of slipping into state-planned economies as a result of failures in the free market, and all of this is having a growing effect on the investment decisions of our customers.

As a result of these pressures, we expect a shakeout of competing companies with weak finances or high financing costs. Softing's healthy equity base is going to become a stronger competitive advantage. In due course, Softing will seize the opportunity for non-organic growth, so the anticipated market shakeout will bring new sales prospects with it.

In this unsettled and uncertain environment, it would be dubious to announce specific company targets for the year 2009. No one can currently say when or how quickly the economic turnaround will come, but it would not surprise us if the downturn lasted until well into 2010.

Realistically, we must accept that the weakness of the economy will have an impact on the growth and profitability of Softing. Our foremost strategic goal will be to maintain our room to maneuver even if the economic crisis persists for a longer time. At the same time, we will ensure that our sales channels and technologies are optimized for the period after the crisis.

Rest assured that, come what may, we will tackle the new challenges facing us, and together we will master them!

Dr. Wolfgang Trier

Highlights 2008

1st quarter

- Agreements signed with new distribution partners in Japan and India
- Release of new FOUNDATION™ fieldbus field device software with considerably expanded functions
- Master agreement signed with US customer for supply of automotive diagnostic adapters
- Successful ISO 9000 re-audit

2nd quarter

- Softing strengthens wireless expertise by expanding wireless development team to eight developers
- Linux 2.6 support added to CAN and PROFIBUS interfaces
- Participation in the Safety Integrated Functionality Demo of FOUNDATION™ fieldbus at Shell in Amsterdam
- Softing acquires majority share of INAT GmbH, Nuremberg, and begins cooperation on OPC and gateways
- Lenze integrates Softing's OPC Tunnel into its new L-force product line
- First version of the OPC UA Toolkit from Softing is successfully tested by the OPC Foundation

3rd quarter

- Softing joins the Board of Directors of the Wireless Industrial Technology Konsortium (WITECK, www.witeck.org)
- Softing releases the world's smallest module (FBK-2) for connecting field devices to FOUNDATION™ fieldbus and PROFIBUS PA
- Softing sets up a new environmental management system
- Successful completion of a large-scale project for automotive workshops
- Softing delivers a new automotive diagnostic adapter to an OEM customer after just three months of development
- Another renowned automobile manufacturer uses the VENICE ODX data editor as a standard tool
- A consortium of several automobile manufacturers asks Softing and its partner jambit GmbH to develop a consumer electronics reference platform

4th quarter

- Softing is certified following its SPICE process assessment
- Softing launches a Japanese website (www.softing.jp)
- Softing joins the HART COMMUNICATION FOUNDATION (HCF) in order to tap a new product segment
- Market launch of the diagnostic early-warning system for PROFIBUS (BC-502 PB)
- Conformance Class B certification for PROFITNET IO software stacks
- Market launch of new PCIexpress interface cards for PROFIBUS and CAN

Softing in Use

A Question of Internal Safety: Softing Develops Innovative Test Station for Automotive Control Units

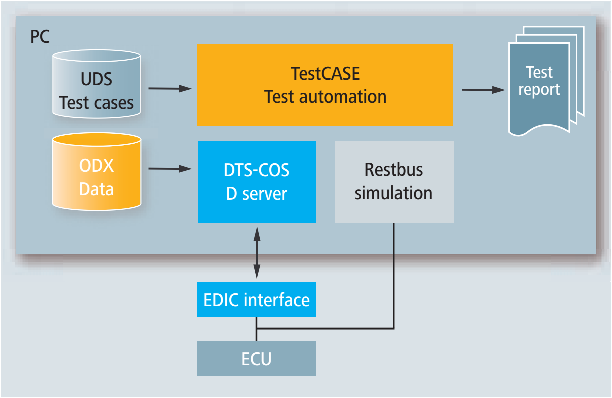
Electronics currently account for an average of 22 % of an automobile's production value. These electronics must handle increasingly complex tasks and have become indispensable in modern vehicles. Like all parts of an automobile, electronic control units (ECUs) must be tested and serviced, and faults must be diagnosed and corrected.

This is done using UDS (Unified Diagnostic Services, or the ISO 14229-1 standard), a transmission protocol for diagnosing automotive electronics. All of the control units installed in a vehicle can be contacted, diagnosed and serviced with the help of this protocol. Automobiles have a diagnostic interface for sending messages to each of the control units in the vehicle. The control units respond by providing the service requested. UDS defines binding diagnostic services but leaves automobile manufacturers enough leeway to adapt the diagnostic functionality to their own requirements.

Softing has developed an innovative UDS test station for a large European automobile manufacturer which automatically tests the functionality of electronic control units in a vehicle and reliably detects faults.

What Does This Test Involve?

The test first checks whether an electronic control unit's physical and functional addresses are correct and whether the unit behaves properly in all diagnostic modes.



For testing purposes, an error condition is raised to examine whether and how an error is logged in the unit's internal error memory. Depending on its severity, the error will be stored in the error memory for a certain period of time after its most recent occurrence. The test checks whether the control unit is observing the right period of time to "unlearn" the error.

Emission-related functions are also checked during the test. The measurements which are recorded must correspond to the expected values which have been externally imposed on the "naked" control unit in simulations. A control unit must be able to handle both correct and incorrect diagnostic requests. Control units are therefore provoked with faulty requests or data so that their response can be evaluated. However, since number of so-called bad-case tests is practically unlimited, there is no requirement for a test to cover every eventuality.

Advantages of the Softing Solution

- The Softing test station speeds up testing: Once specified, test procedures can be carried out largely automatically and repeated any number of times. Test procedures can be created quickly using a simple graphical user interface.
- The Softing test station is flexible: It can be adapted to new tasks at any time.
- The Softing test station creates transparency: Test reports are generated automatically and provide a fast, thorough overview of the test results.
- The Softing test station increases reliability: The primary advantage over manual testing is a much higher level of process reliability. Thanks to faster, more frequent tests with verifiable results, the quality of control units can be improved in a considerably shorter period of time.
- The Softing test station is universally applicable: Softing's solution is relevant not just to automobile manufacturers, but also to the suppliers of electronic control units who want to validate their development results on the highest possible technological level with the least effort.

Technology for Greatest Flexibility during Continuous Operation: Bühler AG, the Global Leader in Milling Technology, Relies on OPC Technology from Softing with the S7/S5 OPC Server

Bühler AG, a Swiss-based global technology company with around 6,900 employees, has spent over 140 years optimizing grinding techniques and grain processing procedures.

Bühler is the global leader in this sector, with a market share of 60 %. Bühler technology and equipment is used throughout the grain milling process chain for everything from grain reception, cleaning, and grinding, to bagging and shipment.

Bühler is a long-established company, but it uses the latest technology. The company developed an automation solution which autonomously plans its various product lines. To connect the individual systems, Bühler uses OPC, an open interface which allows data to be exchanged between systems from different manufacturers.

Bühler chose the S7/S5 OPC server from Softing to establish its OPC connections. This Softing solution has a number of advantages: In addition to offering high performance, the Softing OPC server is extraordinarily stable, ensuring faultless continuous operation over long periods of time. This is necessary because Bühler plants often run around the clock, seven days a week, for months on end. The S7/S5 OPC server also enables programs to be modified easily at runtime. This means that formulations can be changed in individual S7 controllers without having to shut down operations entirely. Yet another benefit is the fast, solution-oriented support which Softing provides for all of Bühler's needs.

When Time Is Tight: Softing Develops Customized Fieldbus Communication Based on Standard Modules for MTL GmbH

MTL Instruments GmbH, a specialist for intrinsically safe interface components, surge protection solutions and fieldbus technology based in Kaarst near Düsseldorf, was asked to construct a power supply system for a refinery. There was one condition: The plant needed a diagnostic functionality with fieldbus communication to ensure the best possible overview of the plant's status. The time frame for developing and implementing the system was extremely tight – the complex system had to be delivered just three months after the contract was signed.

The only way to meet this ambitious deadline was to use prefabricated fieldbus modules which could be adapted to the plant's requirements.

In Softing, MTL found a partner who not only had the technical fieldbus communication expertise, but could also meet the special requirements of the project in a short period of time. In several workshops, engineers from Softing and specialists from MTL devised a concept for the fieldbus modules which were then developed in just a few weeks using Softing's Fieldbus Kit (FBK). This long-established Softing solution makes it much easier to plan projects and establish a fieldbus communication system.

Thanks to the Softing Fieldbus Kit, MTL was able to deliver its system to the customer on time – without the FBK, it would have taken at least three months longer – and to develop an impressive, economical and high-quality solution which is now being used in several other plants as well.

The Data Prospector: The PROFIBUS Solution from Softing Improves Production Processes at Daimler AG

How can production processes be improved to shorten cycle times, reduce operating costs and increase the quality of processes and products – all without having to make expensive, complex changes to a production plant? The answer can be found in the plant itself. At runtime, a plant produces a wealth of data which can be used to detect shortcomings and room for improvement in the manufacturing process. The challenge is to acquire these data seamlessly, in real time and, above all, in a chronologically correlated form.

For its paint shop in Sindelfingen, Germany, Daimler AG wanted to add this complex type of data acquisition and analysis to Primas, its established process diagnosis and management information system from Techno-Step. The problem is that the PLC data supplied by controllers and visualization systems represent only a part of the process parameters needed for optimization. Furthermore, since these data come from different sources, the data acquisition times are not synchronized.

The solution is to tap directly into the fieldbus communication. For automobile manufacturers, this usually involves PROFIBUS (or, in the future, PROFINET). This approach avoids the bottleneck of the controller and enables independent access to "pure" process data in real time. However, an operational plant produces an incredible amount of data which are unmanageable if they are not compressed. This hurdle was overcome by reducing the data to a reasonable amount. The acquired data are then processed, filtered and graphically displayed using the appropriate software.

To analyze and visualize its process data, Daimler AG uses the Primas process diagnosis and management information system from Techno-Step AG, a company based in Böblingen, Germany. For the complex procedure of acquiring process data via fieldbus communication, Techno-Step called upon Softing, whose PROFIBUS interface cards are being used as powerful data trackers.

The use of Softing's PROFIBUS interface cards in the Primas system enables both comprehensive quality control and process optimization during the entire life cycle of a plant as well as efficient error diagnosis and preventive maintenance. Even when several thousand parameters must be taken into account, Daimler AG can optimize cycle times, lower operating costs and improve the quality of its products.

All of Daimler AG's manufacturing units use the Primas system. The extended version of this system was first implemented in the new paint shop of the Mercedes Benz plant in Sindelfingen and can now be found in several other Daimler AG plants.

Business Structure

Softing Group

Softing AG
Haar near Munich

Softing North America, Inc.	SoftingRom s.r.l.	hard&soft Salwetter-Rottenberger GmbH	INAT GmbH	Softing Düsseldorf
Subsidiary (100%)	Subsidiary (100%)	Subsidiary (100%)	Subsidiary (51%)	Sales branch

Divisions

Industrial Automation

- Industrial Communications

Automotive Electronics

- Communications
- Diagnosis
- Test Systems

Trade Fairs 2008

Industrial Automation

February	27 – 29	Fieldbus Foundation General Assembly, Antwerp, The Netherlands
March	11 – 13	PROFINET Developers Conference, Tokyo and Nagoya, Japan
March	12 – 14	Automatisierungstreff, Böblingen, Germany
April	21 – 25	Hannover Messe Industrie / INTERKAMA, Hanover, Germany
September	25 – 28	Automation 2008, Mumbai, India
November	25 – 27	SPS / IPC / DRIVES, Nuremberg, Germany

Automotive Electronics

February	05 – 08	Annual Euroforum Meeting "Elektronik-Systeme im Automobil," Munich, Germany
March	04 – 05	International CTI Forum "Automotive Diagnostic Systems," Stuttgart, Germany
May	06 – 08	Automotive Testing Expo Europe 2008, Stuttgart, Germany
June	17 – 18	International mic Convention "Fortschritte in der Automobil-Elektronik," Ludwigsburg, Germany
September	14 – 19	FISITA 2008 World Automotive Congress, Munich, Germany
September	17 – 19	Automotive Testing Expo China 2008, Shanghai, China
October	22 – 23	FKFS AutoTest Conference "Test von Hard- und Software in der Automobilentwicklung, Stuttgart, Germany
November	04 – 06	International Conference "driveIT – Automotive Software & Electronics", Stuttgart, Germany
December	09 – 10	International CTI Conference On-Board Diagnosis on the European Market, Stuttgart, Germany

Trade Fairs 2009

Industrial Automation

March	04 – 05	Fieldbus Foundation General Assembly, Yokohama, Japan
March	18 – 20	Automatisierungstreff, Böblingen, Germany
April	20 – 24	Hannover Messe Industrie / INTERKAMA, Hanover, Germany
May	11 – 15	Achema: 29th International Exhibition and Convention on Chemical Engineering, Environmental Protection and Biotechnology, Frankfurt, Germany
November	24 – 26	SPS / IPC / DRIVES, Nuremberg, Germany

Automotive Electronics

February	10 – 11	Annual Euroforum Meeting "Elektronik-Systeme im Automobil," Munich, Germany
March	17 – 18	International CTI Forum "Automotive Diagnostic Systems," Stuttgart, Germany
June	16 – 18	Automotive Testing Expo Europe 2009, Stuttgart, Germany
July	15 – 16	International mic Convention "Fortschritte in der Automobil-Elektronik," Ludwigsburg, Germany
September	15 – 17	Automotive Testing Expo China 2009, Shanghai, China
October	07 – 08	International VDI Convention and Exhibition "Electronic Systems for Vehicles," Baden-Baden, Germany

Group Management Report for the 2008 Financial Year

Legal Structure of the Group and Divisions

The Softing Group consists of Softing AG, based in Haar near Munich; its subsidiary hard&soft Salwetter-Rottenberger GmbH, based in Reutlingen; its subsidiary Softing North America Inc. (Softing North America), based in Newburyport (Massachusetts); its subsidiary SoftingROM s.r.l. (SoftingROM), based in Klausenburg (Romania); INAT GmbH in Nuremberg; and branch offices in Ratingen near Düsseldorf and Karlsruhe.

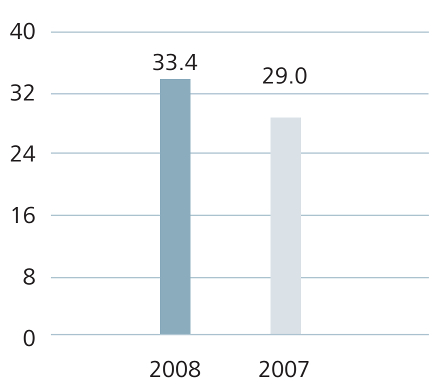
On April 17, 2008, Softing AG acquired a majority stake in INAT GmbH, Nuremberg. INAT GmbH is known as a strong brand in industrial automation. The company's focus is on products for industrial communication, OPC software and network diagnostics in the manufacturing and process industry. By acquiring INAT GmbH, Softing has strategically strengthened its *Industrial Automation* division. At the same time, the sales organizations of both companies will benefit from synergies: INAT will profit from Softing's good international position in the process and manufacturing industry, while Softing will gain access to new customers and markets through INAT's products and sales channels.

hard&soft Salwetter-Rottenberger GmbH complements and strengthens the *Automotive Electronics* division in the production and distribution of test systems for ECUs in the automotive manufacturing sector.

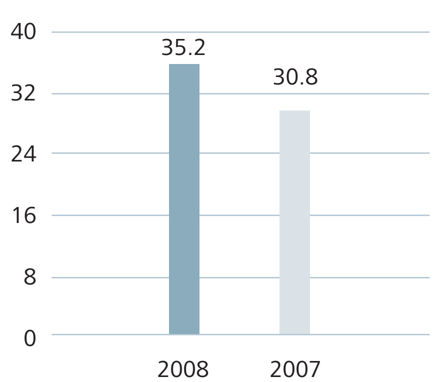
The Softing Group is active in the North American market through its subsidiary Softing North America, which focuses on industrial automation. Softing North America has its own development facilities and offers project services in addition to overseeing our product business in North America. In 2008, Softing North America contributed to the positive overall earnings of the Softing Group with significant growth in its product business.

SoftingROM, Softing's Romanian subsidiary for development and project services, was founded in 2005 and now comprises around 30 developers who form an important pool of IT specialists for complex development tasks within the Softing Group. SoftingROM is also strategically important to the Group for competitive reasons.

Sales
(in EUR million)



Total operating revenue
(in EUR million)



Softing has an international presence as a software and systems house in industrial automation and automotive electronics. The company develops complex, high-quality software, hardware and complete system solutions. Hardware prototypes are developed by the Company itself; production takes place externally.

In *Industrial Automation*, Softing has positioned itself as a leading product and technology supplier in the market. It focuses on components and tools for fieldbus systems and industrial control systems, as well as on solutions for production automation.

The powerful tools and solutions offered by its *Automotive Electronics* division have made Softing a systems partner to automobile manufacturers as well as systems and control unit suppliers. Softing specializes in vehicle communication, diagnostics and test systems.

Consulting, analyses, studies and training round out the range of services offered by both divisions. Softing primarily offers its services and products to the European market, though the North American market is becoming increasingly important. Softing is now also entering Asian markets such as Japan.

The consolidated financial statements for the reporting period were prepared in accordance with the requirements of the International Accounting Standards Board (IASB).

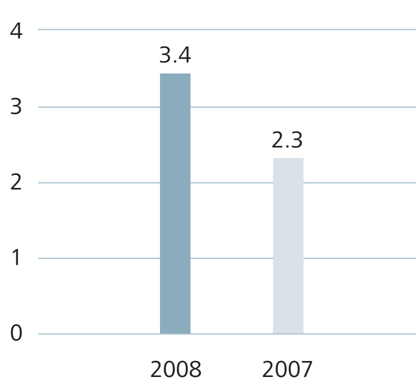
General Information

Economic Environment and Course of Business

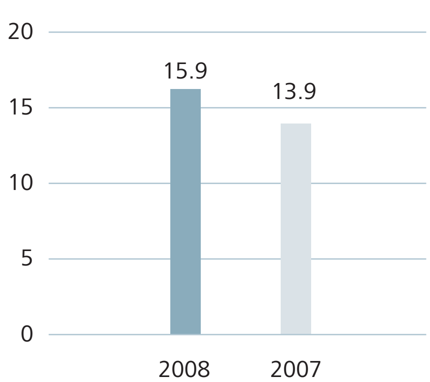
According to the Hamburg Institute of International Economics (Hamburgisches Weltwirtschaftsinstitut, or HWWI), global economic growth slowed down noticeably in 2008. All major industrialized countries were in a recession by the end of 2008, while growth rates decreased significantly in emerging nations as well. Figures from the HWWI show that the German economy started off well in 2008 thanks in part to the mild winter. However, dampening effects became increasingly apparent in the spring as a result of an extraordinary rise in energy prices, the strong euro and, above all, the intensification and expansion of the mortgage and financial crisis. By the end of 2008, it was clear that the economic recession had hit Germany.

The German Federal Statistical Office reported that the German gross domestic product in real terms grew by just 1.3 % in 2008, compared to 2.5 % in 2007. According to the Federal Statistical Office and the Deutsche Bundesbank, companies increased their investments in machines, equipment and vehicles by a good 4 % in 2008 compared to the year before, while consumption among private households was much more restrained. Eurostat therefore foresees just under 1 % growth in the euro countries in 2008 while growth in the USA is expected to be 1.4 % due to the good first half of the year.

EBIT
(in EUR million)



Equity
(in EUR million)



The German Electrical and Electronic Manufacturers' Association (Zentralverband Elektrotechnik- und Elektroindustrie, or ZVEI) reported positive growth for the year 2008 after a strong 2007 (growth of 9 % to EUR 42.8 billion). Following nearly double-digit growth in the first three quarters, ZVEI lowered its growth forecast to 5 % – 6 % for the year as a whole on account of the current slowdown. Growth of nearly 2 % is expected in the automotive electronics segment in 2008. According to ZVEI, electronics already account for over 22 % of an automobile's production value.

Profit or Loss

Softing's sales revenues rose by EUR 4.4 million, or 15 %, to reach EUR 33.4 million in the 2008 financial year (previous year: EUR 29.0 million). This growth was driven both by the good economic situation in the markets relevant to Softing in the first half of the year and by new products. INAT GmbH, which was consolidated for the first time, contributed 6 % to annual sales.

In the *Industrial Automation* segment, sales rose by 25 % to reach EUR 18.2 million (previous year: EUR 14.6 million). In addition to the generally stronger demand, INAT GmbH also made a significant contribution EUR 2.0 million to the increase in sales.

Sales in the *Automotive Electronics* segment grew by 5 % to EUR 15.1 million (previous year: EUR 14.3 million), driven mainly by after-sales revenue generated with major customers.

Softing's product mix, which changed from the previous year, drove up the cost of materials by EUR 1.6 million, from 24.1 % to 25.7 % of sales revenue.

Staff costs increased by EUR 1.3 million to reach EUR 16.3 million. This is essentially due to the higher number of employees, which rose from 209 in 2007 to 235 in 2008, and increases in wages.

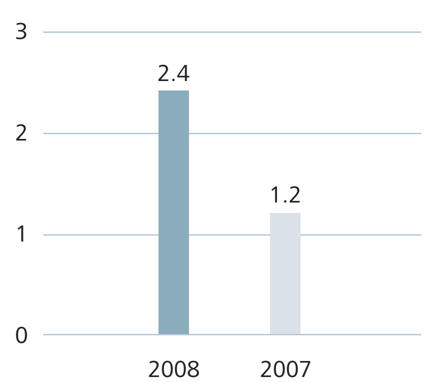
Depreciation, amortization and impairment losses decreased by EUR 0.4 million to EUR 2.4 million in 2008. This is essentially the result of the lower investments made in 2007 and a decrease in depreciation.

Other expenses were up EUR 1.0 million, driven mainly by INAT GmbH, which was consolidated for the first time.

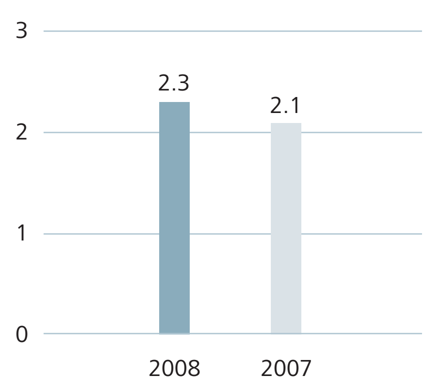
As a result, EBIT again improved by EUR 1.1 million in 2008 to reach EUR 3.4 million.

Accordingly, earnings per share in accordance with IAS 32 also rose to EUR 0.46 in 2008 (previous year: EUR 0.22).

Group income
(in EUR million)



Research and development expenses
(in EUR million)



Assets, Liabilities and Cash Flows

The Softing Group had equity of EUR 15.9 million at the end of 2008, as compared to EUR 13.9 million the year before. The Group's non-current assets essentially comprise capitalized product developments, deferred tax assets and the goodwill from the acquisition of hard&soft Salwetter-Rottenberger GmbH. As in the previous year, non-current assets at the end of 2008 represent 37 % of total assets. This is offset by non-current liabilities and equity representing 76 % (previous year: 73 %) of total equity and liabilities.

At the end of 2008, funds (cash and cash equivalents and securities) amounted to EUR 5.6 million, up EUR 0.6 million compared to the previous year. The tax expense disclosed in the annual financial statements resulted almost exclusively from deferred tax expenses and will therefore not lead to an outflow of liquid funds in 2009.

The cash flow from operating activities increased only slightly by EUR 0.4 million, mainly on account of a decrease in liabilities. Investments in the financial year just ended rose by EUR 1.2 million compared to the previous year. Taking into account the outflow of funds from the buyback of shares in the amount of EUR 0.8 million, Softing's cash and cash equivalents rose by EUR 0.6 million to reach EUR 5.6 million.

Research and Product Development

For years, the Softing Group has invested more than 10 % of its product sales in research and development. The development activities are coordinated by a Technical Steering Committee, which meets regularly so that the Company can react to trends and opportunities in the market and bring marketable new products to serial production status as quickly as possible.

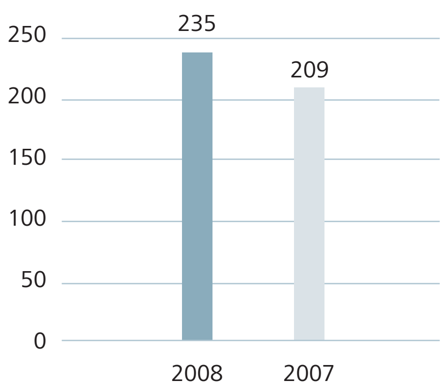
In total, Softing invested EUR 2.3 million (previous year: EUR 2.1 million) in the development of new products and the enhancement of existing ones. As in previous years, these developments were financed exclusively through our own resources.

Investments of EUR 1.9 million were made in the *Industrial Automation* division (previous year: EUR 1.2 million). The main focus was on the enhancement of existing product lines and the addition of new products as well as the continued clear orientation of all developments on their earnings potential.

Softing made significant investments in the development of hardware and software products for operating and maintaining industrial communication solutions. New versions of the mobile and stationary PROFIBUS diagnosis tools were readied for the market, as were optimized hardware modules with integrated PROFINET and FOUNDATION fieldbus support.

Softing also invested heavily in a new version of its OPC Toolkits, an important step towards meeting the requirements of the new OPC Unified Architecture standard.

Employees
(annual average)



In 2008, the *Automotive Electronics* division benefited greatly from product developments initiated in previous years. Around half of its product sales were attributed to products Softing began developing in 2006 or later. Vehicle adapters for workshops featuring innovative radio technology made a significant contribution here, while new products based on Bluetooth and WLAN technology were also received positively by the market. Softing has established a leading position in this field and intends to strengthen it through new developments in the future. Revenues from vehicle adapters with radio technology grew considerably both in Europe and overseas. Softing expanded its range of workshop products to include a wired adapter which was developed for a large European customer in a record time of just 12 weeks from the project launch to the pilot series.

The importance of the ODX (Open Diagnostic Data Exchange) standard continues to grow in the automobile industry. After focusing on the development of products with this technology for several years, Softing is now achieving growing revenues with diagnostic tools, so-called diagnostic servers, and tools for generating data. One large German automobile manufacturer is already using the DTS-Venice data editor as its standard authoring tool, and Softing expects such tools to become more widely used among suppliers as well. Thanks to its standardized interfaces, the proven DTS-COS diagnostic server for workshops is now also being used more frequently in test bed and production technology.

Softing expanded its activities in the test systems segment in 2008. The focus here is on test systems for electronic control units. In addition to offering the established CheckRack system from its subsidiary hard&soft-Rottenberger GmbH, Softing provides turnkey test systems for validating the implementation of diagnostic standards such as UDS (Unified Diagnostic Services) and ODX.

The popularity of mobile consumer electronic devices such as cell phones and music players has increased continually in recent years, and customers now expect such systems to be automatically integrated into the infrastructure of their vehicles for in-car use. Large automobile manufacturers are working hand in hand to develop complete, standardized solutions for this. As customer demands grow, this will become an important area of application for Softing's profound knowledge of data communication. Together with another high-tech company, Softing was able to position itself as a partner in a consortium consisting of several different European automobile manufacturers.

In response to requests from important automobile manufacturers for on-site development support, Softing expanded its "resident engineering" program for its customers. Close cooperation with customers has proven beneficial for quickly and precisely implementing projects and developing new ideas and concepts together.

Softing has achieved the initial goals of the SPICE project (Software Process Improvement and Capability Determination) launched in 2007. Our software development process has matured measurably, which will lead to improved software quality, shorter development times, and reduced development costs. Bolstered by our success so far, Softing intends to continue this project with more ambitious goals for the time being. In 2008, the *Automotive Electronics* division invested around EUR 0.4 million in the development of new products (previous year: EUR 0.9 million).

Employees

At the end of 2008, the Softing Group had a total of 241 full-time employees (previous year: 214). There were 151 employees working in research and development (previous year: 145), and 63 in marketing and sales (previous year. 48).

Softing once again invested heavily in employee training in 2008. This training focused on strengthening the sales expertise and expanding the leadership skills of Softing's employees. Every year, an external ISO certification audit is carried out to ensure the quality of our development processes. Softing successfully passed this audit.

No stock options were issued to employees in the past financial year.

Disclosures under Section 315 Para 4 German Commercial Code

1. In 2008, the share capital of Softing AG was EUR 5,637,198, denominated in the same number of no-par shares, all granting the same rights, specifically voting rights. No shareholder or shareholder group has special rights.

2. Shareholders' voting rights are not restricted by law or the Company's Articles of Incorporation. The voting rights are not limited to a specific number of shares or votes. The Executive Board is not aware of any limitations regarding the voting rights.

   The shareholders of Softing AG are not limited by law or the Company's Articles of Incorporation in their decision to purchase or sell shares. To be effective, the purchase or sale of shares does not require the approval of the Company's boards. The Executive Board is not aware of any limitations regarding the assignability of shares.

3. To the best of our knowledge, there were no direct or indirect equity interests exceeding 10 % of voting rights as of the balance sheet date.

4. The Company has not issued any shares with special rights conferring powers of control.

5. All employees may directly exercise their control rights in connection with their equity interests.

6. In accordance with § 7 of the Articles of Incorporation of Softing AG, the Executive Board of Softing AG comprises one or more persons. Even if the Company's share capital exceeds EUR 3,000,000, the Executive Board may comprise just one person. Deputy members of the Executive Board may be appointed. The Supervisory Board appoints the members of the Executive Board and determines the number of persons serving on the Executive Board. The Supervisory Board may appoint a chairman of the Executive Board and a deputy chairman of the Executive Board.

   The Supervisory Board is authorized to make amendments to the Articles of Incorporation insofar as they concern only the wording thereof. More comprehensive amendments to the Articles of Incorporation are subject to the requirements of Sections 133 and 179 German Stock Corporation Act.

7. In August 2007, the General Shareholders' Meeting authorized the Executive Board of Softing AG to increase the Company's share capital with the approval of the Supervisory Board once or several times by a total of EUR 2,799,000 by issuing new no-par value bearer shares against contributions in cash and / or in kind until August 23, 2012. Said authority was not exercised to date.

In May 2008, the General Shareholders' Meeting authorized the Executive Board to purchase own shares until November 8, 2009, provided that such purchase is not made for the purpose of trading in treasury shares, and provided that the purchase price of said shares is not more than 10 % above or below the share's average closing price at the Frankfurt Stock Exchange during the last five days preceding the purchase. The closing price shall be determined as the share's closing auction price in electronic trading on the Frankfurt Stock Exchange (XETRA trading) or a system succeeding XETRA trading. The authorization may be exercised once or several times, in whole or in part. It is limited to purchasing shares representing no more than a total of 10 % of the Company's share capital. Any treasury shares acquired under this authorization – together with other treasury shares that the Company has already acquired and still holds – may not exceed 10 % of the Company's share capital.

The buy-back serves to create an acquisition currency that is required in the medium term and that is available at a price which the Company believes to be considerably below fair value. A total of 401,052 own shares were purchased under this provision until December 31, 2008.

8. There are no material agreements entered into by the parent company that provide for a change of control following a takeover bid.

9. According to an agreement, the chairman of the Executive Board has the right to terminate his employment for cause if a shareholder or shareholder group acting in a coordinated fashion way holds more than 25 % of the voting rights. If the chairman exercises this right to terminate his employment for cause, he is entitled to compensation equaling approximately two annual salaries.

Basic Information Regarding the Compensation Systems for Members of Corporate Bodies

Compensation of the Executive Board is divided into a fixed salary component and a performance-based, i. e. variable component. The performance-based component is determined based on goals that were defined in advance. There is no stock option plan in place. For more details regarding the Executive Board's compensation, please see the notes to the consolidated financial statements.

Each member of the Supervisory Board receives a fixed compensation of EUR 5,000 for each full financial year of service on the Supervisory Board. In addition, they also receive a variable compensation of EUR 7,500 per million euros of EBIT (rounded up to the next full million) reported in the consolidated financial statements. The chairman receives 200 % of the fixed and variable amount, the deputy chairman 150 %.

Forecast for the Future Development of the Company

Economists Foresee Dark Year for the Global Economy

The EU Commission foresees a massive economic slump in the European Union in 2009. The economy is expected to shrink by 1.8 % throughout the EU and by 2.3 % in Germany in the current year. The Kiel Institute for the World Economy predicts an economic downturn of 2.7 % in Germany and is anticipating the worst recession in 50 years in 2009. To explain this downturn compared to 2008, the institutes point out that several large companies – particularly those in the automobile industry – have stopped production, and that surveys among companies have been extremely negative and export expectations have reached nearly historic lows.

Forecasts from the German Electrical and Electronic Manufacturers' Association predict growth of 2 % – 4 % for the German automation industry in 2009. According to the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau – VDMA), total revenues in the German automation industry are expected to fall by 3 % in the current year compared to 2008.

Softing Anticipates Stable Business Development in 2009

Softing has established itself as a competent partner to customers in industrial automation with products for the networking of installations based on relevant fieldbus systems. Drawing on its fieldbus expertise, Softing develops hardware and software products that are an important component of reliable industrial automation, both within individual fieldbus worlds and in the connection of these worlds to one another.

Industrial investments in fieldbus systems have grown at disproportionately high rates over the past years. Established communication standards like PROFIBUS DP and CAN-based protocols are nowhere near the end of their life cycle, and the number of new installations continues to rise. On account of what are still high energy prices worldwide, communications technologies have become even more important in some sectors of the process industry. New areas of application are continually opening up for technological innovations which use Ethernet or radio to transmit data.

Softing's *Industrial Automation* division provides competitive products and services for all relevant technologies in the fieldbus market. Softing addresses potential technological changes to Ethernet or radio-based communication networks by investing in developments at an early stage.

Softing consistently expanded its *Industrial Automation* product portfolio in 2008. It has already achieved its goal of market leadership in the field of PROFIBUS fieldbus diagnosis, and it intends to strengthen and consolidate this position in the years to come.

Softing has made several organizational and operational adjustments in *Industrial Automation*, including focusing more heavily on the market by moving away from pure technology-oriented solutions towards products with strategic, market-oriented components.

In 2008, Softing extended its range of real-time Ethernet (RTE) products for its customers by adding interfaces, gateways and ports. The technology developed by Softing is based on FPGA (Flexible Programmable Gate Arrays) and offers customers a number of advantages. Softing can make modifications or take special customer needs into account even for lot sizes of just one. Since the technical standards are still evolving, Softing provides its customers the latest versions of the protocols without the high redesign costs usually associated with ASICS, for example. Softing solutions have received an outstanding response in the market. A number of new customers have already been acquired, and the first customer projects have been successfully completed. This will enable Softing to increase its visibility in the RTE market.

Two new Softing products for FOUNDATION fieldbus became ready for the market in 2008: FBK-2 and FFusb. FBK-2 is the world's smallest module for connecting field devices to FOUNDATION™ fieldbus H1 and PROFIBUS PA, while FFusb is an interface which enables access to FOUNDATION Fieldbus from any PC.

Softing invested heavily in the new OPC Unified Architecture technology in 2008, and the Company now intends to strengthen its position as a recognized OPC expert. Softing's new products are aimed particularly at the field of so-called embedded solutions, and customer projects have already been carried out here.

The use of wireless communication for industrial applications is taking shape as well. The WITECK consortium has emerged as the de facto standard in the field of wireless HART. Softing is a member of WITECK and is basing its first wireless HART products on this standard. There has been a great deal of customer interest in this, and the first products will be introduced in spring 2009.

Despite its firm technological footing, the *Automotive Electronics* division is looking towards 2009 with measured optimism on account of the uncertain economic environment. The implementation of new concepts and product ideas will depend largely on the budgets of Softing's big customers. In spite of this difficult situation, Softing expects the investment budget for product development in 2009 to exceed that of the previous year. With its focus on data communication, diagnosis and test systems, Softing's *Automotive Electronics* is in a strong position and will continue to benefit from the need for innovation in development, testing, production and service.

An ongoing return flow on current and future investments can be expected thanks to the recent global standardization of ODX (ISO 22901) and the imminent global harmonization of the Modular Vehicle Communication Interface (ISO/DIS 22900). Extensive projects with large customers have already been confirmed or are in preparation.

The investment focus in 2009 and the following years will be on further developing the successful automotive adapter range for workshops and on improving the performance of Softing's established diagnostic server and the applications based on it.

Automotive Electronics will also continue to participate in international working groups for AUTOSAR, LIN, MOST, FlexRay, ODX and MVC, to contribute new ideas and to benefit from the promising concepts which emerge.

In the field of automated testing, Softing will work together with renowned automobile manufacturers on international research projects. A great deal of attention will be given to so-called model-based testing in the context of simulation-based methods. To tackle very extensive, complex tasks, we plan to pursue innovative concepts in a network made up of customers from the automobile industry, partner companies and universities.

The activities launched in 2009 to integrate mobile consumer electronic devices into automobile infrastructures will be expanded. They offer great opportunities both for customer-specific projects and for future product developments. Based on the sustainability of the issues mentioned, Softing expects largely stable business development in 2009, despite the uncertain economic situation. Furthermore, since Softing's expertise is highly esteemed throughout the industry, the Company anticipates ongoing positive development as the economy recovers.

Outlook for the 2009 Financial Year

Due to the extremely strained global economic environment, it is very difficult to foresee what the new financial year will bring. In general, Softing expects its incoming orders and sales to increase overall in 2009. However, stagnation or even a slight decline can be expected in the first half of the year. In the second half of the year, we can look forward to stronger growth based on our increased market penetration and the assessments of our customers. But it is impossible to reliably quantify this growth at this point in time.

In the current economic climate, our strategy is to strengthen our own activities and expand our worldwide presence through targeted partnerships.

We also expect new opportunities for non-organic growth in the current financial year, and Softing will use its solid shareholder structure, its independence and its firm financial position to take advantage of this.

In summary, we can say that the global crisis expected in 2009 will not leave Softing unaffected. However, thanks to a combination of our modern product portfolio, close proximity to customers and good financial reserves, we are in a much better position than many of our competitors and will be one of the few companies to benefit from opportunities in the market in the near term.

Opportunities for the Future Development of the Company

Repositioning of Automotive Electronics

The year 2008 was a successful one for *Automotive Electronics*. Over the past years, we have gone to great lengths to ensure the sustained forward momentum of the division. The program for increasing productivity and focusing on high-growth services and products has been especially effective. It has played a key role in enabling *Automotive Electronics* to demonstrate its excellent performance and potential. Parallel to the measures for improving earnings, we also launched an ambitious quality project at the start of 2007. This should continue to significantly improve our software development processes and products.

Use of New Technologies

Although PROFIBUS is by far the most dominant fieldbus protocol in Europe, additional customers in 2008 began to prepare their devices and installations for its successor technologies: real-time Ethernet protocols. Softing succeeded in acquiring additional strategic customers in 2008, which sends out a signal to the market. We therefore expect considerable growth in this field for 2009 as well.

Newly Acquired Subsidiary INAT GmbH

In April, Softing 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 profit from Softing's good international position in the process and manufacturing industry, while Softing will gain access to new customers and markets through INAT's products and sales channels.

SoftingROM Subsidiary

Softing continually develops new products and technologies in order to address the transition to new technologies, as well as to tap new markets and opportunities for growth. The Romanian subsidiary SoftingROM has the task of boosting the required development services. Romania is an ideal location for Softing since it can be reached quickly and inexpensively from Munich. There are also many well-educated young engineers and computer scientists in the region. The Romanian subsidiary has evolved into a hotbed of technology for Softing.

Softing North America, Inc.

In 2008, Softing North America grew its product sales and generated positive earnings despite an economic downturn that began earlier than in other parts of the world. The company's product business is now established in the US market. We believe there are opportunities for sales growth in 2009 despite the deepening economic crisis in the United States. Some of the new products developed in 2008 will sustainably support this development in the medium and long term. Smart alliances and product policies in 2009 will provide a good opportunity for continuing to overtake competitors and evolving into the de facto standard in industrial communication for the process industry.

hard&soft Salwetter-Rottenberger GmbH

hard&soft, acquired in 2005, is a valuable addition in the field of test systems that contributes to sales and earnings as planned. The use of the company's sales structures, which were expanded trough Softing, results in tangible synergies, i. e. additional customer contacts for hard&soft. In return, hard&soft facilitates Softing's access to the automobile manufacturing sector.

Risk Management and Individual Risks

Softing is an international company involved in industrial automation technology and automotive electronics. The Company is exposed to a number of risks that are inextricably linked to its entrepreneurial activities.

In particular, this concerns risks resulting from market development, the positioning of products and services, contractual and non-contractual liability, and business processes. Our business policy is to best exploit existing business opportunities. However, our risk policy also involves the careful weighing of the related risks. Risk management is therefore an integral component of our business processes and company decisions.

Risk principles are defined by our Executive Board. They include statements on risk strategy, the willingness to take risks and the scope of these principles.

We use a number of control systems to monitor and control our risks. These include a centralized company planning process, among other things. We regularly monitor the achievement of our business goals and the risks that are connected to this.

The risks involved in individual business processes were periodically recorded, analyzed and evaluated in the reporting period. We also assessed whether individual risks which are of minor importance when viewed in isolation could develop into a risk threatening the Company's existence when combined.

The risk factors mentioned below could have a strong negative impact on the Company's business performance, cash flows and profit or loss. Risks which we believe to be of little relevance to our business at this time are not mentioned.

Business Risks

Sales and earnings increased considerably year on year in the reporting period. Both *Industrial Automation* and *Automotive Electronics* performed very well.

In general, there is a risk of underutilization of capacities and the risk of sustaining pressure on realizable revenues. We meet these risks with stricter cost management measures and flexible working hour models so that we can quickly adapt to any changes in demand.

The situation on the market is characterized by a rapid change of the employed technologies. This means that there is a danger that acquired know-how may prematurely lose value due to an unexpected market development. We address this risk by actively participating in a large number of national and international working groups, which enables us to recognize technological trends early on and help shape them ourselves.

Operational Risks

In certain areas of our business, we are involved in the complex development projects of our customers. These projects entail a certain realization risk regarding the planned budgets and time frames. Any deviations could lead to a deterioration of profit and claims for damages. We deal with this risk by planning such projects in accordance with a process model defined by our quality management system, and by carefully monitoring project progress with an alarm controlling system. In addition, the first projects based on the modern SPICE methods were carried out and audited successfully in 2008. This enabled us to further improve Softing's already high quality standard.

Risk of Damages

Our products and services are used in the production of industrial goods. Downtime or malfunction can result in significant damage to persons and property. We reduce this risk by following a careful development process which is tailored to the specific scope of application. Significant residual risks have been covered through insurance policies.

Credit Risks

Credit risks have not played a significant role in the past. However, in the current economic climate, we expect the risk of bankruptcy to rise among our customers. We have addressed this issue by giving higher priority to credit checks and receivables management. As a precaution, we have further improved our credit management process in order to identify and respond to potential cases of bankruptcy more quickly. There were no major bad debt losses to report in 2008.

Currency Risks

The constant expansion of our business with customers in the United States and other dollar countries has increased the significance of assessing currency risks. In the reporting period, we hedged most of the currency risks in connection with our US subsidiary's operating activities. During the 2008 financial year, Softing hedged the expected cash flows of Softing North America by entering into classic forward exchange transactions.

Supplier Risks

When manufacturing products – particularly hardware products – we make considerable use of supplies from external companies. The inclusion of third parties in our value chain naturally reduces the level of influence we have on quality, costs and adherence to schedules. Unexpected price increases can affect the result considerably. We counteract this risk through long-term supplier contracts wherever possible. Supplier failures can lead to delivery bottlenecks. We reduce the risk by regularly auditing our suppliers and consistently limiting the share of deliveries from individual suppliers.

Risks to the Existence of the IT Infrastructure

As in all companies, the smooth functioning of business processes depends on the availability of our IT infrastructure. Attacks from the Internet, as well as other IT failures or damages to our IT infrastructure, pose a serious threat to the Company's ability to function. We have addressed these risks with a number of individual measures, including the rapid recovery of all stored data. In addition, we implemented several IT security measures which so far prevented damage caused by computer viruses and sabotage.

In our opinion, there exist no risks which jeopardize the Group's as a going concern.

Events of Special Importance after the End of the Financial Year

There were no events of special importance after the end of the financial year.

Haar, Germany, February 20, 2009

Softing AG

Dr. Wolfgang Trier (Chairman of the Executive Board)	Dr. Michael Siedentop (Member of the Executive Board)

Consolidated Balance Sheet

as of December 31, 2008

Assets	Notes	Dec. 31, 2008 EUR	Dec. 31, 2007 EUR
A. Non-current assets			
I. Intangible assets			
1. Goodwill	C1	2,734,952	2,351,125
2. Development costs	C2	3,050,397	2,564,807
3. Other intangible assets	C3	1,052,985	791,379
		6,838,334	**5,707,311**
II. Property, plant and equipment			
Other equipment, furniture and fixtures and office equipment	C5	807,175	583,050
III. Deferred tax assets	D8	1,111,160	1,811,276
		8,756,669	**8,101,637**
B. Current assets			
I. Inventories	C7		
1. Raw materials and consumables		201,334	527,696
2. Finished goods		2,301,644	1,361,728
		2,502,978	**1,889,424**
II. Trade receivables			
1. Trade receivables	C8	4,407,260	4,000,424
2. Receivables from customer-specific construction contracts	C9	1,044,058	1,546,483
		5,451,318	**5,546,907**
III. Other financial receivables	C10	1,023,154	986,082
IV. Tax assets	C12	0	51,983
V. Securities	C13	574,712	631,705
VI. Cash and cash equivalents	C13	4,992,483	4,295,211
VII. Other assets	C11	135,542	164,694
		14,680,187	**13,566,006**
		23,436,857	**21,667,643**

Equity and Liabilities	Notes	Dec. 31, 2008 EUR	Dec. 31, 2007 EUR
A. Equity			
I. Issued capital		5,637,198	5,637,198
II. Capital reserves		1,683,820	1,683,820
III. Retained earnings		9,495,760	6,850,876
IV. Treasury shares		– 1,084,848	– 314,370
Attributable to shareholders of Softing AG		**15,731,930**	**13,857,524**
V. Minority interest		175,919	0
	C14	**15,907,849**	**13,857,524**
B. Non-current liabilities			
1. Employee benefits	C15	601,543	813,835
2. Other financial liabilities	C16	0	0
3. Deferred tax liabilities	D8	1,284,045	1,097,884
		1,885,588	**1,911,719**
C. Current liabilities			
I. Other provisions	C16	121,440	115,043
II. Trade payables			
1. Trade payables	C17	772,409	973,999
2. Payables from customer-specific construction contracts	C9	217,715	274,962
III. Other financial liabilities	C18	3,459,969	3,993,164
IV. Tax liabilities		293,313	99,822
V. Other liabilities	C19	778,574	441,410
		5,643,420	5,898,400
		23,436,857	21,667,643

Consolidated Income Statement

for the 2008 Financial Year

	Notes	2008 EUR	2007 EUR
1. Revenue	D1	33,355,326	28,968,394
2. Other own work capitalized	D2	1,854,854	1,826,724
3. Other income	D3	460,511	314,297
		35,670,691	**31,109,415**
4. Cost of materials	D4		
a) Cost of raw materials, consumables and purchased goods		– 7,224,956	– 6,138,395
b) Cost of purchased services		– 1,344,204	– 856,998
		– 8,569,160	**– 6,995,393**
5. Employee benefits costs	D5		
a) Wages and salaries		– 14,112,720	– 13,073,519
b) Social security and retirement benefit costs		– 2,182,156	– 1,910,494
		– 16,294,876	**– 14,984,013**
6. Depreciation, amortization and impairment losses	C4	– 2,410,179	– 2,835,345
7. Other expenses	D6	– 4,969,110	– 3,981,647
8. Earnings before interest and taxes (EBIT)		**3,427,366**	**2,313,017**
9. Finance income	D7	186,405	121,240
10. Finance costs	D7	– 140,848	– 140,204
		45,557	**– 18,964**
11. Earnings before taxes (EBT)		**3,472,923**	**2,294,053**
12. Tax expense	D8	– 1,028,826	– 1,057,115
13. Group income (= attributable to the shareholders of the parent company)		**2,444,097**	**1,236,938**
Distribution of Group income			
Losses attributable to minority interest		– 29,635	0
Profits attributable to the shareholders of the parent company		2,473,732	1,236,938
		2,444,097	**1,236,938**
Earnings per share (diluted = basic)	E4	0.46	0.22

Consolidated Cash Flow Statement

for the 2008 Financial Year

	2008 EUR (in thsds)	2007 EUR (in thsds)
Group income	2,444	1,237
Adjustments		
Interest income	– 186	– 97
Interest expense	141	140
Income tax	1,029	1,057
Depreciation and amortization	2,410	2,835
Exchange differences	11	4
Change in provisions	– 9	– 28
Change in inventories	– 436	– 294
Change in trade receivables, financial receivables and other assets	628	– 1,719
Change in financial and other liabilities	– 644	1,926
Interest received	186	97
Interest paid	– 20	– 35
Income tax paid	– 30	– 30
Cash flow from operating activities	5,524	5,093
Cash receipts from the disposal of intangible assets and property, plant and equipment	10	44
Cash payments for investments in property, plant and equipment	– 518	– 360
Cash payments for investments in intangible assets	– 2,647	– 2,260
Cash payments for the acquisition of consolidated companies	– 958	– 375
Cash flow from non-current investing activities	– 4,113	– 2,951
Sale of securities classified as current assets	57	0
Cash flow from investing activities	– 4,056	– 2,951
Cash receipts from capital increase	0	38
Cash receipts from the sale of treasury shares	0	321
Cash payments for the purchase of own shares	– 771	– 314
Cash flow from financing activities	– 771	45
Net change in funds	697	2,187
Cash and cash equivalents at the beginning of the period	4,295	2,108
Cash and cash equivalents at the end of the period	4,992	4,295

For further information, please see item E3 of the Notes.

Consolidated Statement of Recognized Income and Expense

for the 2008 Financial Year

	2008 EUR (in thsds)	2007 EUR (in thsds)
Currency translation differences		
(Change in unrealized gains/losses)	– 20	2
Income from the sale of treasury shares	0	47
Actuarial gains/losses from pension provisions and other obligations	267	238
	247	**287**
Tax effects	– 75	– 110
Income and expense recognized directly in equity (after taxes)	**172**	**177**
Group income	2,444	1,237
Total recognized income and expense	**2,616**	**1,414**
Minority interest	– 29	0
Attributable to the shareholders of Softing AG	2,645	1,414
Total recognized income and expense	**2,616**	**1,414**

Notes to the Consolidated Financial Statements

for the 2008 Financial Year

A. General Information

1. Basis

The consolidated financial statements of Softing AG were prepared in accordance with all International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) that were applicable on the balance sheet date and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were binding for the financial year ended and applicable in the European Union. Furthermore, the provisions applicable under German Commercial law as defined in Section 315a para 1 German Commercial Code (HGB) were also taken into account.

The reporting currency is the euro (EUR). All amounts are stated in thousands of euros (EUR thsd.) unless indicated otherwise. These financial statements cover the 2008 financial year based on the reporting period from January 1 to December 31, 2008.

The consolidated financial statements and the Group management report are published in the electronic Federal Gazette.

The Executive Board of Softing AG released the consolidated financial statements to the Supervisory Board on February 20, 2009. It is the task of the Supervisory Board to examine the consolidated financial statements and declare whether it approves them.

2. Purpose of the Group

Softing AG, headquartered in Haar near Munich, Germany, is the Group's parent company. Softing AG is a stock corporation under German law. It is registered at Munich Local Court with the address "Richard-Reitzner-Allee 6, 85540 Haar."

The purpose of Softing AG and its subsidiaries is to provide analysis, consulting, development and implementation services in the context of IT projects as well as business studies, expert opinions and training, especially in the areas of process automation and production data acquisition, system and user software for micro- and minicomputer systems, long-distance data transmission, computer networks and commercial IT applications.

3. New and Revised Standards

Changes in Accounting Policies Due to New Standards and Interpretations

In the 2008 financial year, the Company applied the IFRS whose application is mandatory for financial years beginning on or after January 1, 2008.

Of these standards and interpretations – insofar as they are relevant for the business of our Company – the following were applied for the first time in the 2008 financial year:

- Amendment to IAS 39 and IFRS 7 – Reclassification of Financial Instruments. The amendment of these standards concerns the option of reclassifying non-derivative financial instruments out of the fair value through profit and loss category (to the extent they were not initially allocated to this category because the fair value option was exercised) as well as out of the available-for-sale category into other categories.

- IFRIC 11 – IFRS 2 – Group and Treasury Share Transactions. IFRIC 11 concerns the recognition of share-based payment arrangements where the entity must purchase the shares to be granted as well as the recognition of share-based transactions based on shares issued by the shareholder.

- IFRIC 14 – IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. IFRIC 14 provides guidance with respect to determining the extent to which any surplus may be recognized as an asset under IAS 19 and with respect to the effects of a legal obligation to make a minimum contribution on the measurement of assets and liabilities under defined benefit plans.

Initial application of these standards and interpretations does not have any effects on the consolidated financial statements of Softing AG.

Standards / Interpretations not Applied Early

As outlined below, the IASB (International Accounting Standards Board) and the IFRIC (International Financial Reporting Interpretations Committee) have published standards, interpretations, and amendments of existing standards and interpretations that are not yet subject to mandatory application. There has been no voluntary early application of these requirements on the part of the Softing Group.

Amendments to IAS 1 – Presentation of Financial Statements: A Revised Presentation. The basic objective of the revision of this standard is to improve the ability of users of financial statements to analyze and compare the data provided. This is intended to separate changes in equity resulting from transactions with shareholders (in their capacity as owners) from other changes in equity. Application of the revised standard is mandatory for financial years beginning on or after January 1, 2009. Possible effects on the consolidated financial statements of Softing AG are currently being examined.

Amendments to IFRS 2 – Share-based Payment – Vesting Conditions and Cancellations. The revisions to this standard concern certain definitions regarding the exercise terms and the cancellation of share-based payment arrangements. Application of the amendments to IFRS 2 is mandatory for financial years beginning on or after January 1, 2009. Initial application of the revised standard is not expected to have any effects on the future consolidated financial statements of Softing AG.

IFRS 8 – Operating Segments. IFRS 8 entails changes with regard to the identification of segments in segment reporting. This standard completes the shift from a risk and reward approach to a management approach, which also entails shifting from a financial accounting approach to a management approach in the measurement of segments. Its mandatory application for financial years beginning on or after January 1, 2009, is planned. Initial application of IFRS 8 will not have any significant effects on the future consolidated financial statements of Softing Group AG.

IASB IFRS 3 – Business Combinations (revised 2008). The material change in the standard from the 2004 version of IFRS 3 concerns the shift from the purchase price allocation principle to the principle of measuring both the net assets acquired and the non-controlling interests at fair value. Application of IFRS 3 Revised is mandatory for financial years beginning on or after July 1, 2009. IFRS 3 (revised 2008) has not yet been endorsed by the European Union. Initial application of IFRS 3 (revised 2008) is not expected to have any direct effects on the future consolidated financial statements of Softing AG.

Amendments to IAS 23 – Borrowing Costs (revised) The current option to expense borrowing costs (benchmark treatment) or to capitalize them if they are directly attributable to the acquisition, construction, or production of a qualifying asset (alternative treatment) will be replaced by the obligation to capitalize interest on borrowings. This also entailed adopting a narrower definition of the qualifying asset. Application of this amended standard is mandatory for financial years beginning on or after January 1, 2009. Application of the revised standard will not have any significant effects on the future consolidated financial statements of Softing AG.

Amendments to IAS 27 – Consolidated and Separate Financial Statements (amended 2008). The amendments require recognizing changes in an ownership interest within equity if there is no loss of control. If disposals of ownership interests result in the loss of control over the subsidiary, the remaining ownership interest shall be measured at fair value, and profits or losses shall be recognized in income. Application of this revised standard is mandatory for financial years beginning on or after July 1, 2009. This standard has not yet been endorsed by the European Union. Initial application of the revised standard is not expected to have any effects on the future consolidated financial statements of Softing AG.

Amendments to IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation. These amendments require some puttable financial instruments and some financial instruments with an obligation to deliver to another party a pro rata share of the net assets (only) on liquidation to be classified as equity. Application of this revised standard is mandatory for financial years beginning on or after January 1, 2009. Initial application of the revised standard is not expected to have any effects on the future consolidated financial statements of Softing AG.

Amendments to IFRS 1 and IAS 27 – Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate. These amendments introduced yet another rule for simplifying the measurement of ownership interests in subsidiaries, jointly controlled entities and associates in separate IFRS financial statements. Application of the amendments to IFRS 1 is mandatory for financial years beginning on or after January 1, 2009. The amendments to these standards have not yet been endorsed by the European Union. Initial application of the revised standard is not expected to have any effects on the future consolidated financial statements of Softing AG.

IFRIC 12 – Service Concession Arrangements. IFRIC 12 addresses the question how entities that offer public services such as the construction of roads, airports, jails or energy supply infrastructure on behalf of public sector entities shall account for the rights and obligations arising from the contractual arrangements. Application of IFRIC 12 is mandatory for financial years beginning on or after January 1, 2008. This interpretation has not yet been endorsed by the European Union. IFRIC 12 is not expected to have any effects on the future consolidated financial statements of Softing AG.

IFRIC 13 – Customer Loyalty Programs. IFRIC 13 concerns the method of accounting for customer loyalty programs. Pursuant to this interpretation, award credits granted in connection with a customer loyalty program shall be recognized separately from the underlying transaction (current sale) as a future sale transaction. Overall, this concerns a multiple-component transaction pursuant to IAS 18.13. Application of IFRIC 13 is mandatory for financial years beginning on or after January 1, 2009. IFRIC 13 is not expected to have any effects on the future consolidated financial statements of Softing AG.

IFRIC 15 – Agreements for the Construction of Real Estate – concerns the accounting by entities that develop real estate and, in this capacity, sell units such as apartments or houses before they are completed. IFRIC 15 defines criteria pursuant to which the accounting falls within the scope of either IAS 11 Construction Contracts or IAS 18 Revenue. Application of IFRIC 15 is mandatory for financial years beginning on or after January 1, 2009. Earlier application is recommended. IFRIC 15 is not expected to have any effects on the future consolidated financial statements of Softing AG.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation – concerns hedge accounting of the foreign currency risk arising from net investments in a foreign operation. The interpretation clarifies that only foreign exchange differences between the foreign operation's functional currency and the parent company's functional currency may be subject to hedge accounting. The foreign operation's net assets that are recognized in the consolidated financial statements may be hedged. Any group entity (excepting the entity whose foreign exchange risks are being hedged) may hold the hedging instrument. Upon deconsolidation of the foreign operation, the changes in the value of the hedging instrument that were taken directly to equity as well as the foreign exchange gains or losses of the foreign operation recognized in currency reserves shall be reclassified to current income. The amount of the cumulative foreign exchange gain or loss attributable to the foreign operation being deconsolidated may be determined using the step-by-step or direct method of consolidation. Application of IFRIC 16 is mandatory for financial years beginning on or after October 1, 2008. IFRIC 16 is not expected to have any effects on the future consolidated financial statements of Softing AG.

B. Accounting Policies

The financial statements of Softing AG and its domestic and international subsidiaries have been prepared using uniform accounting policies. The accounting policies were applied consistently for all periods presented in the consolidated financial statements.

1. Recognition of Revenue

Revenue is measured at the fair value of the consideration received or rendered. The following details apply to the recognition of revenue:

Revenue

Revenue from the sale of products is recognized when ownership or risk has been transferred to the customer, if a price has been agreed or can be determined and if payment of such price can be expected. Revenue is shown net of discounts, including volume discounts, rebates and bonuses.

Revenue from Services

Revenue from services (= customer-specific construction contracts) is recognized using the percentage of completion method. Product sales which are directly related to a service are also recognized using the percentage of completion method in line with IAS 11.9.

Interest Income

Interest income from bank balances and other financial assets is recognized as income if the Company is likely to partake of the economic benefit and if the amount of income can be reliably determined.

2. Basis of Consolidation

The consolidated financial statements as of December 31, 2008 include Softing AG and the following subsidiaries. Softing AG directly owns the majority of voting rights of these subsidiaries and exercises control over the companies:

Softing Group	Capital share 2008 %	2007 %
Softing AG, Haar / Germany		
Softing North America, Inc., Newburyport / USA	100	100
hard&soft Salwetter-Rottenberger GmbH, Reutlingen / Germany	100	100
SoftingROM s.r.l., Cluj-Napoca / Romania	100	100
INAT Industrielle Netze für Automatisierungstechnik GmbH, Nuremberg / Germany	51	0

According to Section 264 para 3 German Commercial Code, the German subsidiary hard&soft Salwetter-Rottenberger GmbH, Reutlingen, is exempt from preparing and publishing annual financial statements and a management report.

On April 17, 2008, Softing AG took over 51 % of the shares in INAT Industrielle Netze für Automatisierungstechnik GmbH, Nuremberg, Germany. The company was consolidated for the first time effective April 30, 2008. INAT Industrielle Netze für Automatisierungstechnik GmbH is concerned with the development and sale of automation hardware, software and services and thus strengthens Softing's presence in this field. The acquisition cost was EUR 600 thsd. It was paid in cash in two tranches. The second tranche of EUR 100 thsd. included a 7 % discount relative to the date of initial consolidation. The acquisition had the following effect on the assets and liabilities of the Softing Group immediately prior to initial consolidation on April 30, 2008:

	Amounts recognized	Carrying amount
Goodwill	384	0
Customer-related intangible assets	106	0
Other non-current assets	98	98
Current assets	643	643
Cash	15	15
Current liabilities	441	441
Minority interest	205	0

The measurement of goodwill is essentially due to the fact that Softing AG is able to serve new customers and markets with its own products using additional sales channels through INAT. Without the acquisition of INAT, the Group's EBIT in 2008 would have been EUR 3,477 thsd. If we assume that the merger had takes place effective January 1, 2008, the Softing Group would report sales of EUR 34,575 thsd. and EBIT of EUR 3,472 thsd.

3. Principles of Consolidation

All business combinations are accounted for by using the purchase method, which requires the acquired assets and liabilities to be recognized at fair value. The excess of the share in net fair value over cost is recognized as goodwill and subjected to a regular review for possible impairment. In accordance with IFRS 3, goodwill is not subject to amortization.

Intragroup sales, expenses and income, receivables and payables as well as the results of intragroup transactions (intercompany profits) are eliminated during consolidation.

4. Intangible Assets

Intangible assets comprise capitalized development costs, goodwill resulting from acquisition accounting and other intangible assets.

Development Costs

Expenditures for research and development are recognized as expenses in accordance with IAS 38. The cost of developing new products is capitalized as development costs as of the date on which the products' technical feasibility has been established. In accordance with IAS 38, the Company has also been capitalizing its own development costs for internally generated products, if such development costs result in marketable products and if they translated into commensurate sales revenue in past periods or if the planned or anticipated contribution margins exceed the capitalized expenses.

The development costs for new product lines and new product versions are amortized over three years using the straight-line method; for purposes of simplification, a half-year's amortization is charged in the year the products are completed. Government grants are offset against cost. Incomplete and capitalized development projects are subjected to an annual impairment test, taking due account of the impact of future market developments.

Goodwill

According to IFRS 3, goodwill is not amortized but subjected to an annual impairment test pursuant to IAS 36 if there is an indication of impairment. For the purpose of this impairment test, goodwill is allocated to a cash generating unit.

As a rule, the cash generating units correspond to the individual entities unless an entity's business activity covers more than one segment. In this case, goodwill is allocated based on segments.

An impairment loss is recognized if the carrying amount of the cash generating unit to which the goodwill is allocated is higher than the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. As the fair value cannot be determined, the value in use is recognized.

The value in use of the cash generating unit was determined as follows:

Based on the planning for the next three financial years, the future cash flows (before interest and taxes) of the cash generating unit were determined. The planning is based on historical data and the best possible estimates of management regarding future developments. In order to carry out the impairment test, the management estimated the cash generated beyond the planning period, assuming that no growth is recorded in future years. The value in use of the underlying cash generating unit was determined by applying the discounted cash flow method. The cash generated was discounted at rate of 9 %.

No impairment occurred in the reporting period.

Other Intangible Assets

Intangible assets acquired for consideration are carried at amortized cost. They are amortized in accordance with their respective useful life using the straight-line method.

Software is amortized over three years in accordance with its respective useful life using the straight-line method. Rights are amortized over a period of five to eight years. Interest costs were not capitalized.

5. Property, Plant and Equipment

Property, plant and equipment is measured at cost, less usage-based depreciation and impairment losses. Interest costs are not capitalized.

Property, plant and equipment is depreciated using the straight-line method in accordance with its useful life. Hardware is depreciated over three years; furniture and fixtures are depreciated over five to seven years, and new equipment installed is depreciated over the remaining term of the lease. Fully depreciated property, plant and equipment is shown in the changes of intangible assets and property, plant and equipment until it is given up. If fixed assets are disposed, cost and accumulated depreciation are deducted; income/loss from the disposal of fixed assets is recognized in the income statement under other operating income/expenses.

Costs related to repairs and maintenance work are recognized as expenses at the time they are incurred. Significant renovations and improvements are capitalized.

6. Impairment

The recoverable amount of intangible assets and property, plant and equipment is determined if facts or circumstances indicate that they might be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying amount, an impairment loss is recognized which reduces the respective assets to their recoverable amount.

7. Leases

The Company has only concluded operating leases. Leasing rates payable are recognized as expenses at the time they are incurred. There are no financing leases which would have to be capitalized under IAS 17.

8. Inventories

Inventories are recognized at cost. As a rule, production supplies and goods for resale recognized at average cost.

Production costs comprise costs directly attributable to the production process as well as reasonable amounts of the production-related overheads. Production costs do not include selling costs, general administration costs and borrowing costs. If the net realizable value at the balance sheet date is below cost, for instance because of long periods of storage, damage or reduced marketability, inventories are written down to the lower value. Net realizable value is the estimated selling price of the item in the course of ordinary business less estimated costs incurred until completion and less estimated necessary selling costs.

9. Financial Assets

Financial assets are only recognized if Softing is a party to the agreement governing the financial assets. Financial assets are derecognized when the rights to cash flows from a financial asset expire or are transferred to a third party. When transferring rights, the criteria of IAS 39 with regard to the transfer of rewards and risks connected to owning the financial assets must be taken into account.

Financial assets are initially measured at fair value. For subsequent measurement, financial assets are allocated to one of the following categories: "held to maturity", "available for sale" and "loans and receivables." The following applies to subsequent measurement:

Financial assets held to maturity and loans and receivables are recognized at amortized cost. Gains and losses are recognized in profit or loss when the financial asset is derecognized or impaired, and through the amortization process. If there is objective evidence of impairment, an allowance equaling the difference between the carrying amount and present value of estimated future cash flows is recognized.

Financial assets held for sale are recognized at fair value, with unrealized gains and losses from exchange rate changes being shown in equity until realization, taking into account deferred taxes. If there is objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity is removed from equity and recognized in profit or loss.

Financial assets of all categories are recognized as of their settlement date. Financial assets comprise the balance sheet items cash and cash equivalents, trade receivables, and other financial receivables.

Trade Receivables and Other Financial Receivables

Both trade receivables and other financial receivables are classified as "loans and receivables" and measured accordingly.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and securities. They are classified as "held for sale" and are therefore measured at their fair value as of the balance sheet date.

10. Customer-specific Construction Contracts

Customer-specific construction contracts (software development for customers) are recognized according to the percentage of completion method under IAS 11, which stipulates that revenue must be recognized in accordance with the stage of completion. Contract revenue in this context is the revenue agreed upon in fixed-price contracts, up to the current stage of completion of such goods and services. The stage of completion is the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs (cost-to-cost method). Advances received are offset against the degree of completion of the construction contracts. Contract work is recognized under receivables arising from customer-specific construction contracts to the extent that in individual cases the degree of completion exceeds the advances received. Any negative balance remaining after deduction of the advances is recognized under liabilities arising from customer-specific construction contracts.

11. Other Assets

The other assets comprise non-financial assets. They are initially measured at fair value and then are recognized at depreciated or amortized cost.

12. Deferred Tax Assets and Liabilities

Income taxes are determined using the balance sheet liability method. As a rule, deferred tax assets and deferred tax liabilities are recognized for all temporary differences between the carrying amount of an asset or liability and its fair value determined for tax purposes. Deferred tax assets are also recognized for tax loss carryforwards and tax credits.

Deferred tax assets on tax loss carryforwards must be recognized to the extent that the future use of these tax loss carryforwards is probable. All deferred tax assets on tax losses were therefore recognized taking their realizability into account.

Deferred taxes are determined on the basis of the tax rates which, based on the current legal situation, apply at the time of realization or which are expected to apply in the individual countries. The effect of changes in tax rates on deferred taxes is recognized in profit or loss, or in equity, at the time the legal changes become effective.

13. Pension Provisions

Pension provisions are measured in accordance with IAS 19 using the projected unit credit method. This method takes into account not only the pensions and benefits accrued but also expected future pension increases based on a prudent assessment of relevant factors. Calculation is based on actuarial expert opinions taking into consideration biometrical assumptions. Actuarial gains and losses are recognized directly in equity.

14. Other Provisions

The other provisions are recognized for all other contingent liabilities and risks of the Softing Group toward third parties. They are recognized only if the current obligation (factually or legally) arises from a past event, if utilization is probable, and if the amount of the obligation can be estimated reliably. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

15. Financial Liabilities

Financial liabilities are only recognized if Softing is a party to the agreement governing the financial liabilities. Financial liabilities are derecognized when they have been met, i. e. when the obligations mentioned in the agreement have been paid, canceled or have expired.

Financial liabilities are initially measured at their fair value. In subsequent years, all financial liabilities are measured at amortized cost.

Financial liabilities comprise the balance sheet items ”trade payables” and ”other financial liabilities.”

16. Other Liabilities

The other liabilities concern non-financial liabilities and are recognized at cost.

17. Exercise of Judgment and Estimate Uncertainties

The preparation of the consolidated financial statements in accordance with the provisions of the IASB requires forward-looking assumptions to be made and estimates to be used that have an effect on the carrying amounts of recognized assets and liabilities, income, expenses, and contingent liabilities. The forward-looking assumptions and estimates essentially relate to the uniform determination of useful lives throughout the Group, the recognition and measurement of provisions (in particular pension provisions), and the realizability of future tax benefits. As a rule, the forward-looking assumptions and estimates are based on experience and knowledge gained from the past; they also take into account other factors which might be used as a reliable basis. In individual cases, the actual values may deviate from the assumptions and estimates. The assumptions and estimates are reviewed regularly. Changes are recognized in profit or loss as of the time better knowledge is obtained, or in the period in which better knowledge is obtained, as well as in future periods if the changes comprise several periods.

The most important forward-looking assumptions and other material sources of estimate uncertainties as of the closing date that could result in a considerable risk of having to make significant adjustments to the recognized assets and liabilities in the next financial year concern the measurement of pension provisions, the assumption of future opportunities to use tax loss carryforwards, and the possible impairment of goodwill.

18. Currency Translation

Foreign currencies are translated using the functional currency method as defined in IAS 21. The functional currency of all foreign subsidiaries is the respective local currency because the material foreign companies that are included in the consolidated financial statements operate their businesses independently in financial, economic and organizational terms.

Currency gains or losses resulting from foreign currency transactions (transaction in a currency other than a company's functional currency) are reported as other operating income or other operating expenses in the single-entity financial statements of the Group companies.

For Group companies which do not report in euros, the assets and liabilities are translated into euros at the exchange rate applicable at the balance sheet date, and expenses and income are translated at the annual average exchange rate for the purpose of preparing consolidated financial statements. Currency translation differences including those arising from acquisition accounting, are recognized directly in equity.

The euro exchange rates applicable for currency translation changed as follows:

	USD / EUR 2008	USD / EUR 2007	RON / EUR 2008	RON / EUR 2007
Closing rate (Dec. 31)	1.41	1.47	3.99	3.60
Average exchange rate	1.48	1.38	3.68	3.34

C. Notes to the Consolidated Balance Sheet

1. Goodwill

Of the goodwill amounting to EUR 2,735 thsd. (previous year: EUR 2,351 thsd.), EUR 2,351 thsd. result from the acquisition of all shares in hard&soft Salwetter-Rottenberger GmbH as of July 1, 2005. In 2008, goodwill increased by EUR 384 thsd. through the acquisition of 51 % of the shares in INAT Industrielle Netze für Automatisierungstechnik GmbH, Nuremberg, Germany. To determine possible impairment losses, an impairment test in accordance with IAS 36 based on the value in use was carried out for the two CGUs, hard&soft Salwetter-Rottenberger GmbH and INAT Industrielle Netze für Automatisierungstechnik GmbH.

2. Development Costs

The change in capitalized development costs is shown in the changes in intangible assets and property, plant and equipment (appendix to the notes to the consolidated financial statements).

Expenditures for research and development (without capitalized development costs) in the financial year just ended totaled EUR 1,176 thsd. (previous year: EUR 934 thsd.).

In the 2008 financial year, the Company received government grants under the program "Promoting the improvement of the innovative capacities of small and medium-sized enterprises" totaling EUR 125 thsd. (previous year: EUR 92 thsd.). The grants are offset against the cost of capitalized development costs. Applications for further government grants were not submitted.

3. Other Intangible Assets

The development of other intangible assets is shown in the changes in intangible assets and property, plant and equipment (appendix to the notes to the consolidated financial statements).

4. Impairment

In the financial year just ended, an impairment loss on intangible assets totaling EUR 0 thsd. (previous year: EUR 185 thsd.) was recognized in the income statement under the item depreciation, amortization and impairment losses.

5. Property, Plant and Equipment

The development of property, plant and equipment is shown in the changes in intangible assets and property, plant and equipment (appendix to the notes to the consolidated financial statements).

6. Leases

The other operating expenses contain lease expenses of EUR 170 thsd. (previous year: EUR 127 thsd.).

7. Inventories

A valuation allowance of EUR 221 thsd. (previous year: 166 thsd.) was recognized on inventories in 2008. As in the previous year, no reversals of impairment losses were recognized in profit or loss.

8. Trade Receivables

In 2008, a valuation allowance of EUR 131 thsd. (previous year: EUR 152 thsd.) was recognized for doubtful debts.

	Dec. 31, 2008 EUR (in thsds)	Dec. 31, 2007 EUR (in thsds)
Trade receivables	4,407	4,000
of which: services not yet billed	24	31

9. Receivables from Customer-specific Construction Contracts

	Dec. 31, 2008 EUR (in thsds)	Dec. 31, 2007 EUR (in thsds)
Total construction work in progress	2,935	2,617
Less: advances received	– 2,109	– 1,345
Net amount	826	1,272
Of which reported under:		
Receivables from customer-specific construction contracts	1,044	1,547
Payables from customer-specific construction contracts	– 218	– 275

Anticipated losses from orders are covered by writedowns or provisions, the extent of which is determined by taking into account the discernible risks. The total amount of construction work in progress includes expenses of EUR 2,229 thsd. (previous year: EUR 1,822 thsd.) and a profit share of EUR 706 thsd. (previous year: EUR 795 thsd.).

10. Other Financial Receivables

	Dec. 31, 2008 EUR (in thsds)	Dec. 31, 2007 EUR (in thsds)
Receivables from employes	923	899
Other	100	87
	1,023	986

Receivables from employees essentially concern a loan of EUR 875 thsd. bearing interest of 5 %, which was granted to a member of the Executive Board under an agreement dated June 22, 2007. The interest accrued thereunder EUR 44 thsd (previous year: EUR 19 thsd.).

11. Other Assets

	Dec. 31, 2008 EUR (in thsds)	Dec. 31, 2007 EUR (in thsds)
Accruals	73	69
Other	63	96
	136	165

12. Current Income Tax Assets

The current income tax assets in the previous year concerned corporation tax receivables.

13. Securities Classified as Current Assets, Cash and Cash Equivalents

	Dec. 31, 2008 EUR (in thsds)	Dec. 31, 2007 EUR (in thsds)
Securities classified as current assets	575	632
Cash and cash equivalents	4,992	4,295
	5,567	4,927

Securities essentially concern short-term fixed-interest bearer bonds that were issued by a domestic bank, which become due on April 17, 2009. The last interest rate was 5.168 % (previous year: 4.659 %). Every three months, the issuer adjusts the rate to the market interest rate.

Cash and cash equivalents include cash and bank balances and are measured at their nominal value as of the balance sheet date. Bank balances comprise time deposits and current account funds.

Cash and cash equivalents are not impacted by foreign currencies.

14. Equity

	No-par bearer shares	Issued capital	Capital reserves	Retained earnings				Treasury shares	Minority interest	Total equity
				Valu-ation surplus	Currency trans-tions	Other	Total			
	Number	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)
December 31, 2006/ January 1, 2007	5,599,998	5,600	1,683	– 293	– 31	5,761	5,437	– 273	0	12,447
Changes in equity 2007										
Income and expense recognized in equity	0	0	0	238	0	0	238	0	0	238
Group income 2007	0	0	0	0	0	1,237	1,237	0	0	1,237
Purchase/sale of own shares	0	0	0	47	0	0	47	– 41	0	6
Addition from capital increase	37,200	37	1	0	0	0	0	0	0	38
Currency changes	0	0	0	0	2	0	2	0	0	2
Changes in deferred taxes recognized in equity	0	0	0	– 110	0	0	– 110	0	0	– 110
December 31, 2007/ January 1, 2008	5,637,198	5,637	1,684	– 118	– 29	6,998	6,851	– 314	0	13,858
Changes in equity 2008										
Change in minority interest	0	0	0	0	0	0	0	0	205	205
Income and expense recognized in equity	0	0	0	267	0	0	267	0	0	267
Group income 2008	0	0	0	0	0	2,473	2,473	0	– 29	2,444
Purchase/sale of own shares	0	0	0	0	0	0	0	– 771	0	– 771
Currency changes	0	0	0	0	– 20	0	– 20	0	0	– 20
Changes in deferred taxes recognized in equity	0	0	0	– 75	0	0	– 75	0	0	– 75
December 31, 2008	**5,637,198**	**5,637**	**1,684**	**74**	**– 49**	**9,471**	**9,496**	**– 1,085**	**176**	**15,908**

Subscribed Capital

As of the balance sheet date, the fully paid-in share capital of the Company was EUR 5,637,198.00. It is divided into 5,637,198 no-par-value bearer shares.

Authorized Capital

The Executive Board is authorized to increase the Company's share capital once or several times by up to EUR 2,799,000 until August 23, 2012, by issuing new no-par value bearer shares against contributions in cash or kind (authorized capital), and to determine the conditions for issuing the shares with the approval of the Supervisory Board. Subject to the approval of the Supervisory Board, the Executive Board may exclude shareholders' statutory subscription right. The shareholders' statutory subscription right may be excluded:

- for offsetting fractional amounts;
- for obtaining in-kind contributions, especially in the form of equity investments in companies or business units;
- if, in case of a capital increase against contributions in cash, the capital increases resolved under this authorization do not exceed 10 % of the Company's share capital, and the share's issue price is not substantially below the stock market price of the Company's share.

The Supervisory Board is authorized to amend the Articles of Incorporation to reflect the volume of the capital increase from authorized capital.

The authorized capital as of December 31, 2008, was EUR 2,799,000.

The accumulated profits available for distribution are determined on the basis of the accumulated profits of Softing AG pursuant to German commercial law.

Capital Reserves

The capital reserves contain the premium on the issue of shares less transaction costs.

Retained Earnings

Retained earnings include the accumulated, undistributed profits of the companies included in the consolidated financial statements. Retained earnings also include the differences from the currency translation of transactions made by foreign subsidiaries, changes in the market value of financial instruments, and actuarial gains and losses, as well as the sale of treasury shares for EUR 47 thsd. in 2007 (previous year: EUR 47 thsd.), all of which were directly recognized in equity.

Pursuant to Section 150 German Stock Corporation Act (AktG), profit distribution is restricted to the amount in excess of the statutory reserve, which is ten percent of the issued capital.

Treasury Shares

Based on the authorization of the Executive Board granted by the Annual Shareholders' Meeting on August 24, 2007, and May 9, 2008, and based on the resolution of the Executive Board of November 8, 2007, and July 18, 2008, the Company purchased treasury shares as follows:

Purchase date	Number	Price per share EUR	Price EUR (in thsds)
November 14, 2007	5,000	3.2000	16
December 17, 2007	100,000	2.9837	298
	105,000		**314**
January 2, 2008	50,000	3.08000	154
May 21, 2008	76,700	2.74815	211
September 10, 2008	34,723	2.63263	91
September 16, 2008	20,000	2.68000	53
October 10, 2008	65,000	2.39300	156
November 6, 2008	22,300	2.22300	50
December 22, 2008	27,329	2.03650	56
	296,052		**771**
	401,052		**1,085**

The market price of the treasury shares was EUR 782 thsd. as of the balance sheet date, which is EUR 303 thsd. below cost.

The shares were purchased in order to offer them as compensation to third parties in business combinations, in the acquisition of companies by means of share or asset deals, or in the acquisition of business units.

15. Employee Benefits

This item concerns the partially reinsured and defined benefit pension commitments granted to the three former Executive Board members, which provide for retirement and widow's benefits, as well as orphans' benefits in the event one or both parents are lost. There is a variable commitment in addition to a fixed commitment. The amount of benefits is determined individually. The liabilities in connection with the pension plans are determined annually by independent experts in accordance with the projected unit credit method. The capitalized value of the reinsurance cover of EUR 1,541 thsd. (previous year: EUR 1,522 thsd.) was offset against pension provisions in accordance with IAS 19.116. Actuarial gains and losses were recognized directly in equity in accordance with IAS 19.93D.

The variable commitments increase or decrease in line with the change of the Consumer Index for Germany (2005 = 100), which showed an annual average increase from 105 points in 2007 to 106.5 points in 2008.

The actuarial assumptions on which the calculation is based are summarized in the following table:

Basis of calculation	Dec. 31, 2008 %	Dec. 31, 2007 %
Assumed interest rate	6.25	5.25
Salary trend	0.0	0.0
Expected rate of pension increase	2.0	2.0

Development	2008 EUR (in thsds)	2007 EUR (in thsds)
DBO as of January 1	2,336	2,492
Service cost	–	–
Return on plan asset	– 19	– 134
Interest cost	121	105
Interest earned from plan asset	0	– 34
Actuarial losses	– 267	– 239
Pension payments to pensioners	– 47	– 23
Fair value of the plan assets as of January 1	– 1,522	– 1,354
Rounding difference	– 1	1
As of December 31	**601**	**814**

Reconciliation with the balance sheet	Dec. 31, 2008 EUR (in thsds)	Dec. 31, 2007 EUR (in thsds)
Present value of the defined benefit obligations (DBO)	2,142	2,336
Fair value of the external plan assets as of December 31, 2008	– 1,541	– 1,522
	601	**814**

The present value and the fair value of external plan assets developed as follows in the past four years:

	Present value of the defined benefit obligations (DBO)	Fair value of the external plan assets
December 31, 2005	2,426	1,202
December 31, 2006	2,492	1,354
December 31, 2007	2,336	1,522
December 31, 2008	2,142	1,541

The service and interest cost resulting from the increase in pension provisions was offset against the return on plan assets pursuant to IAS 19. The remaining interest cost is shown as interest expense.

The Company expects to record an expense of EUR 131 thsd. from additions to pension provisions in the current financial year.

16. Other Provisions

The other provisions are recognized for all other contingent liabilities and risks of the Softing Group toward third parties. They are recognized only if utilization is probable and the amount of the obligation can be estimated reliably. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

	As of Jan. 01, 2008 EUR (in thsds)	Use EUR (in thsds)	Reversal EUR (in thsds)	Addition EUR (in thsds)	As of Dec. 31, 2008 EUR (in thsds)
Operational provisions	94	–	–	27	121
Contingent loss	21	–	21	–	–
	115	**–**	**21**	**27**	**121**

The operational provisions comprise provisions for guarantee obligations which were calculated based on historical values. The provisions are due within one year.

17. Trade Payables

The trade payables totaling EUR 218 thsd. (previous year: EUR 275 thsd.) result from customer-specific construction contracts. (See receivables from customer-specific construction contracts).

18. Other Financial Liabilities (Current)

	Dec. 31, 2008 EUR (in thsds)	Dec. 31, 2007 EUR (in thsds)
Liabilities related to social security	42	40
Wages and salaries payable	2,148	2,812
Other	1,270	1,141
	3,460	3,993

19. Other Liabilities

	Dec. 31, 2008 EUR (in thsds)	Dec. 31, 2007 EUR (in thsds)
Other tax liabilities	779	441

The other tax liabilities primarily comprise sales tax and wage tax.

D. Notes to the Consolidated Income Statement

1. Revenue

Revenue by regions	2008 EUR (in thsds)	2007 EUR (in thsds)
Domestic	23,140	18,695
Abroad	10,215	10,273
	33,355	28,968

Revenue by products and services	2008 EUR (in thsds)	2007 EUR (in thsds)
Products	21,172	19,105
Services	12,183	9,863
	33,355	28,968

2. Other Own Work Capitalized

Other own work capitalized concerns costs for the development of new software products.

3. Other Income

The other operating income comprises the following items:

	2008 EUR (in thsds)	2007 EUR (in thsds)
Reversal of provisions	21	11
Other income not related to the accounting period	39	0
	60	11
Income from exchange differences	56	4
Revenue from the provision of automobiles	148	111
Revenue from subsidized projects	125	92
Other income	72	96
	461	314

4. Cost of Materials

	2008 EUR (in thsds)	2007 EUR (in thsds)
Purchase of components and products	7,224	6,138
Third-party services	1,345	857
	8,569	6,995

5. Employee Benefits Costs

	2008 EUR (in thsds)	2007 EUR (in thsds)
Current salaries	11,234	10,186
Social security and retirement benefit costs	2,181	1,910
Profit-sharing, royalties	2,556	2,543
Provision of automobiles to employees	149	114
Termination benefits	28	21
Temporary workers	20	31
Other	127	179
	16,295	14,984

The statutory pension scheme in Germany is treated as a defined contribution scheme. Expenses recognized for the statutory pension scheme total EUR 1,064 thsd. (previous year: EUR 870 thsd.). Pension expenses amounted to EUR 47 thsd. (previous year: EUR 57 thsd.).

6. Other Expenses

The other operating expenses are as follows:

	2008 EUR (in thsds)	2007 EUR (in thsds)
Operating expenses	2,581	2,023
Distribution costs	1,515	1,095
Administrative expenses	796	769
Expenses resulting from exchange differences	56	62
Expenses unrelated to the accounting period	21	33
	4,969	3,982

7. Finance Income / Finance Costs

During the reporting period, the income from the life insurance taken out to reinsure the Company's pension commitments towards the Executive Board were offset against the allocation to pension provisions pursuant to IAS 19.

8. Tax Expense

The current income tax expense breaks down as follows:

	2008 EUR (in thsds)	2007 EUR (in thsds)
Deferred taxes on temporary differences	156	– 126
Deferred taxes on tax loss carryforwards	622	1,078
Tax income / expense	251	105
	1,029	**1,057**
Of which: current income tax of prior periods	– 19	0

Deferred taxes are recognized for temporary differences between the amounts recognized for financial reporting purposes and the amounts recognized for tax purposes, and for any differences arising from uniform measurement and consolidation within the Group. Deferred taxes are determined based on the applicable country-specific tax rates. The underlying domestic tax rate is determined as follows:

	2008 %
Corporate income tax including solidarity surtax	15.83
Trade income tax rate	12.25
	28.08

The tax rate for Softing North America was 24.5 % and the tax rate for Softing ROM s.r.l. was 16 %, both unchanged from the previous year.

Deferred tax assets from losses carried forward were recognized only to the extent that a company will, in all likelihood, achieve taxable income sufficient to utilize the benefit of losses carried forward. The forecasts of the tax results indicate that the loss carryforwards will be realized in the next years. The Company has tax loss carryforwards of EUR 3,593 thsd. (previous year: EUR 5,811 thsd.), which were taken into account at the time the deferred taxes were determined.

The tax loss carryforwards of the individual companies are as follows:

	Dec. 31, 2008	Usable until
Softing AG, trade tax loss carryforwards	3,670	Unlimited
Softing AG, corporate income tax loss carryforwards	3,516	Unlimited

In the financial year just ended, Softing AG utilized tax losses of EUR 2,199 thsd. (previous year: EUR 1,340 thsd.), taking into account minimum taxation. The current income tax expense is derived as follows from the expected tax expense.

As in the previous year, the calculation for the Group is based on the tax rate applicable for Softing AG, as this company is responsible for the main part of the Group's business.

	2008 EUR (in thsds)	2007 EUR (in thsds)
Earnings before taxes	3,473	2,294
Anticipated tax expense (28.08%)	975	857
Foreign withholding tax	9	0
Tax additions and deductions	70	– 9
Different tax rates abroad	– 8	– 38
Effects of legal tax rate changes	0	214
Non-recognition of deferred taxes on temporary differences, Group	0	27
Current taxes, previous years	– 19	0
Other	2	6
Tax expense disclosed in the income statement	1,029	1,057

Deferred tax assets and deferred tax liabilities are allocable to the following items:

Deferred tax assets	Dec. 31, 2008 EUR (in thsds)	Dec. 31, 2007 EUR (in thsds)
Equity	0	7
Pension provision	94	166
Other provisions	0	6
Current assets	8	0
Future tax benefits from loss carryforwards	1,009	1,632
	1,111	**1,811**

Deferred tax liabilities	Dec. 31, 2008 EUR (in thsds)	Dec. 31, 2007 EUR (in thsds)
Trade receivables	381	348
Intangible assets	884	720
Property, plant and equipment	10	22
Equity	0	5
Other liabilities	0	3
Other	9	0
	1,284	**1,098**

The amount recognized as deferred tax liabilities includes EUR 34 thsd. in non-current assets from the initial consolidation of INAT Industrielle Netze für Automatisierungstechnik GmbH, Nuremberg, Germany.

E. Other Disclosures

1. Segment Reporting

Since there is only one segment requiring disclosure (European Union), geographical segments are not shown. The corporate divisions are shown in the following table in accordance with IAS 14.

Segmentation	Industrial Automation		Automotive Electronics		Not distributed		Total	
	2008 EUR (in thsds)	2007 EUR (in thsds)	2008 EUR (in thsds)	2007 EUR (in thsds)	2008 EUR (in thsds)	2007 EUR (in thsds)	2008 EUR (in thsds)	2007 EUR (in thsds)
External sales	18,234	14,634	15,121	14,334	–	–	33,355	28,968
Depreciation/amortiz.	1,613	1,333	797	1,317	–	–	2,410	2,650
Impairment	0	185	0	0	–	–	0	185
Segment result (EBIT)	2,156	1,630	1,271	683	–	–	3,427	2,313
Segment assets	8,346	6,520	7,051	7,140	8,040	8,008	23,437	21,668
Segment liabilities	3,126	3,117	2,826	3,495	1,577	1,198	7,529	7,810
Capital expenditure	2,406	1,462	505	1,067	254	91	3,165	2,620

2. Segment Allocation According to Products

Industrial Automation

Interface cards (PROFIBUS, PROFINET, CAN, CANopen, DeviceNet), integration modules (Fieldbuskit) and chip solutions (FOUNDATION Fieldbus, PROFINET) for bus interfaces in process and manufacturing technology

Communication gateways (PROFIBUS, FOUNDATION Fieldbus) and network configurations

Products for physical diagnosis and protocol analysis of industrial networks (PROFIBUS, PROFINET, CAN)

OPC servers (OPC, PROFIBUS, CANopen, Modbus), OPC middleware (Connector Tools) and server/client development tools (Toolkits)

Automation system 4CONTROL, technology libraries, communication connectivity (PROFIBUS, Modbus, M-Bus, BACnet), control hardware (PanelPC, FieldController)

Customized hard and software, development/portation/integration services, system solutions and training

Automotive Electronics
Analytic tools for vehicle communication (Diagnostic Tool Set (DTS), CANalyzer, MOST activities)

Data logger (EDICmobil)

EDIC and CAN products (interface hardware) with protocol software for (diagnostic) communication, DTS Base System API and electronic diagnosis interface system as a diagnostic communication platform, e. g. for after-sales testers, production systems in vehicle manufacturing with connection to the vehicle ECUs and end user projects (e. g. test systems for ECUs such as interface converters)

Customized developments in vehicle communication: testing of vehicle electronics (ELDI, test systems), belt end coding and programming of ECUs

Development of OPC Products

3. Cash Flow Statement

The cash flow statement represents the consolidated cash flows of the consolidated companies.

The funds disclosed in the cash flow statement correspond to the balance sheet item "Cash and cash equivalents" and comprise cash on hand and cash in banks.

4. Earnings per Share IAS 33

		2008	2007
Group income	EUR (in thsds)	2,444	1,237
Minority interest	EUR (in thsds)	−29	0
Basic earnings (= diluted earnings)	**EUR (in thsds)**	**2,473**	**1,237**
Weighted average number of shares			
Basic	Number	5,381,791	5,549,702
Potential stock options	Number	0	0
Diluted	Number	5,381,791	5,549,702
Basic earnings per share	EUR	0.46	0.22
Diluted earnings per share	EUR	0.46	0.22

The change in the number of shares outstanding, which results from the purchase of treasury shares, was calculated on a pro-rated basis (to the day).

No options rights exist as of December 31, 2008, which could influence diluted earnings per share in the future.

5. Related Parties

Besides the companies included in the consolidated financial statements, the members of the Executive Board and of the Supervisory Board are considered related parties of the Softing Group as defined in IAS 24, both in their function as members of corporate boards and, in some cases, as shareholders.

One member of the Executive Board was granted a loan of EUR 875 thsd. at interest of 5 % in the previous year (term: December 31, 2011; collateralized by shares). The interest accrued thereunder in 2008 is EUR 44 thsd (previous year: EUR 19 thsd.).

6. Contingent Liabilities

There were no contingent liabilities in the 2008 reporting period.

7. Other Financial Obligations

As of the balance sheet date, the Company had incurred purchase commitments in the amount of EUR 1,042 thsd. under long-term contracts (previous year: EUR 1,609 thsd.).

There were also liabilities under long-term rental and lease agreements. These liabilities stem primarily from contracts related to buildings, passenger cars and office equipment. The minimum amounts of undiscounted future payments as of the balance sheet date are as follows:

	2008 EUR (in thsds)	2007 EUR (in thsds)
< 1 year	1,004	686
1 – 5 years	1,406	1,459
> 5 years	172	244
Total	2,582	2,389

8. Disclosure of the Carrying Amounts of the Individual Categories of Financial Instruments According to IFRS 7

Balance sheet item 2008	Measurement:	Nominal value		At amortized cost		Total	
	Measurement category:	Cash reserve		Loans and receivables			
	Class:			Not from financial services			
Assets		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents							
Securities classified as current assets		575	575			575	575
Cash and cash equivalents		4,992	4,992			4,992	4,992
Trade receivables				4,407	4,407	4,407	4,407
Receivables from customer-specific construction contracts				1,044	1,044	1,044	1,044
Other financial assets				1,023	1,023	1,023	1,023
Other assets				136	136	136	136
Total assets		5,567	5,567	6,610	6,610	12,177	12,177

Equity and liabilities	Measurement:	At amortized cost		Total	
	Measurement category:	Other liabilities			
	Class:	Not from financial services			
		Carrying amount	Fair value	Carrying amount	Fair value
Trade payables		772	772	772	772
Payables from customer-specific construction contracts		218	218	218	218
Other financial liabilities		3,460	3,460	3,460	3,460
Other liabilities		779	779	779	779
Total equity and liabilities		5,229	5,229	5,229	5,229

Balance sheet item 2007	Measurement: / Measurement category: / Class:	Nominal value		At amortized cost		Total	
		Cash reserve		Loans and receivables			
				Not from financial services			
Assets		Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents							
Securities classified as current assets		632	632			632	632
Cash and cash equivalents		4,295	4,295			4,295	4,295
Trade receivables				4,000	4,000	4,000	4,000
Receivables from customer-specific construction contracts				1,546	1,546	1,546	1,546
Other financial assets				986	986	986	986
Other assets				165	165	165	165
Total assets		4,927	4,927	6,697	6,697	11,624	11,624

Equity and liabilities	Measurement: / Measurement category: / Class:	At amortized cost		Total	
		Other liabilities			
		Not from financial services			
		Carrying amount	Fair value	Carrying amount	Fair value
Trade payables		974	974	974	974
Payables from customer-specific construction contracts		275	275	275	275
Other financial liabilities		3,993	3,993	3,993	3,993
Other liabilities		441	441	441	441
Total equity and liabilities		5,683	5,683	5,683	5,683

The Further Categories According to IFRS 7:

For financial assets

- Held-to-maturity investments
- Held for trading
- Fair value options
- Available-for-sale financial assets
- Hedging derivatives in accordance with IAS 39

For financial liabilities

- Financial liabilities held for trading
- Fair value options
- Hedging derivatives in accordance with IAS 39

do not apply in the reporting year, as in the previous year.

9. Objectives and Methods of Financial Risk Management

As an internationally operating company, Softing is exposed to a variety of risks in the course of its operations. Therefore, the objective of its financial risk management is to detect all material financial risks early on and to take appropriate measures to protect existing and future success potential.

These risks include currency risks resulting from activities in different currency regions, default risks involving nonfulfillment of contractual obligations by contracting partners, interest rate risks, where fluctuations in the market interest rate lead to a change in the fair value of a financial instrument, and interest-related cash-flow risks, which lead to a change in the future cash flow of a financial instrument because of changes in market interest rates.

To evaluate and take into account such risks, Softing has defined principles through a centralized risk management system that serve to identify and evaluate such risks consistently and systematically. Continual reporting is used by Softing to check compliance with all principles. This enables the Company to identify and analyze risks early on.

Default Risks

Softing is exposed to default risks if contractual partners fail to meet their obligations. To avoid of risks of this nature, Softing enters into contracts only with contractual partners that have an excellent credit rating. As of the closing dates of December 31, 2007, and December 31, 2008, there was no material default risk. While the Executive Board therefore believes the risk of non-fulfillment on the part of its contractual partners to be very low, it cannot completely exclude the risk in the final analysis.

Default risks primarily concern trade receivables. Valuation allowances are recorded to allow for any discernable default risks in connection with individual financial assets. Valuation allowances as of December 31, 2008, totaled EUR 131 thsd. (previous year: EUR 152 thsd.).

Regardless of any existing collateral, the carrying amount of financial assets equals the maximum default risk if the contractual partners fail to meet their payment obligations.

Interest Rate Risks

Softing is also exposed to interest rate risks. The assets and liabilities subject to interest rate fluctuations essentially concern cash and cash equivalents. Balances of Softing totaling EUR 4,992 thsd. (previous year: EUR 4,295 thsd.) and securities totaling EUR 575 thsd. (previous year: EUR 632 thsd.) bear interest of 0.0 % to 4.9 % (previous year: 0.0 % to 2.5 %) and 5.2 % (previous year: 4.5 %), respectively.

10. Personnel

The number of employees (exclusively salaried employees) excluding the Executive Board was as follows:

	2008	2007
As of the balance sheet date	241	214
Annual average	235	209

11. Executive Board

The following persons are members of the Executive Board of Softing AG:

Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich, Germany
Dr.-Ing. Michael Siedentop, Neutraubling, Germany

Compensation of the Executive Board amounted to EUR 1,100 thsd. (previous year: EUR 1,320 thsd.). In accordance with the resolution adopted by the General Shareholders' Meeting on May 9, 2008, the compensation of individual members of the Executive Board is not disclosed. All compensation paid to the Executive Board members is of a current nature.

The two members of the Executive Board also hold the Company's key central positions.

One member of the Executive Board was granted a loan of EUR 875 thsd. at interest of 5 % in the previous year (term: December 31, 2011; collateralized by shares). The interest accrued thereunder in 2008 is EUR 44 thsd (previous year: EUR 19 thsd).

Pension obligations for former members of the Executive Board as of December 31, 2008 totaled EUR 601 thsd. (previous year: EUR 814 thsd.). The total compensation of former members of the Executive Board amounted to EUR 60 thsd. (previous year: EUR 13 thsd.).

12. Supervisory Board

The following persons were members of the Supervisory Board of Softing AG in the 2008 financial year:

Dr. Horst Schiessl, attorney at law, Munich, Germany (chairman)
Karlheinz Butscher, graduate engineer, Langenargen, Germany (deputy chairman)
Andreas Kratzer, certified public accountant, Zurich, Switzerland

Dr. Schiessl is also a member of the Supervisory Board of the following companies:
Baader Wertpapierhandelsgesellschaft AG, Unterschleißheim, Germany (chairman)
SPAG St. Petersburg Immobilien und Beteiligungs AG, Mörfelden-Walldorf, Germany (deputy chairman)
Dussmann AG & Co. KGaA, Berlin, Germany

Dr. Schiessl is also a member of the Advisory Board of the following company:
Trion Pharma GmbH, Munich, Germany (chairman)

Mr. Butscher does not hold any offices on other Supervisory Boards.

Mr. Kratzer is also a member of the Board of Directors of the following companies:
Thor Immobilien AG, Zurich, Switzerland
azemos partner AG, Zurich, Switzerland

Each member of the Supervisory Board receives a fixed compensation of EUR 5,000 for each full financial year of service on the Supervisory Board. In addition, they also receive a variable compensation, which amounts to EUR 7,500 per million euros of EBIT (rounded up to the next full million) as stated in the consolidated financial statements. The chairman receives 200 % of the fixed and variable amount, the deputy chairman 150 %.

Compensation for the members of the Supervisory Board in the reporting period totaled EUR 158 thsd. (previous year: EUR 124 thsd.) and is distributed as follows:

	Fixed EUR (in thsds)	Variable EUR (in thsds)	Total EUR (in thsds)
Dr. Horst Schiessl (chairman)	10	60	70
Karlheinz Butscher (deputy chairman)	8	45	53
Andreas Kratzer	5	30	35

13. Auditor's Fees

The following expenses were incurred in the financial year just ended for services provided by the auditor, Bayerische Treuhandgesellschaft AG:

	2008 EUR (in thsds)	2007 EUR (in thsds)
Audit of annual financial statements	58	53
Tax consultancy services	16	21
Other services	0	6
	74	80

14. Declaration Regarding the German Corporate Governance Code Pursuant to Section 161 German Stock Corporation Act

The Management Board and the Supervisory Board on June 6, 2008, issued the Declaration of Compliance in accordance with Section 161 of the German Stock Corporation Act and made this declaration available to its shareholders on the Company's website.

Haar, Germany, February 20, 2009

The Executive Board of Softing AG

Dr. Wolfgang Trier   Dr. Michael Siedentop

Softing AG, Haar, Germany

Consolidated Financial Statements in Accordance with International Financial Reporting Standards as of December 31, 2008, and Group Management Report

Responsibility Statement

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

Haar, Germany, February 20, 2009

Softing AG

Dr. Wolfgang Trier (Chairman of the Executive Board)	Dr. Michael Siedentop (Member of the Executive Board)

Changes in Intangible Assets and Property, Plant and Equipment

in the 2008 Financial Year

	Cost					
	Jan. 1, 2008 EUR	Changes in the scope of consolidation EUR	Additions EUR	Exchange differences EUR	Disposals EUR	Dec. 31, 2008 EUR
I. Intangible assets						
1. Goodwill	2,351,125	383,826	0	0	0	2,734,951
2. Development costs	40,147,289	0	2,294,408	0	0	42,441,697
3. Other intangible assets	3,477,540	156,197	352,358	– 1,681	901	3,983,513
	45,975,954	540,023	2,646,766	– 1,681	901	49,160,161
II, Property, plant and equipment						
Other equipment, furniture and fixtures and office equipment						
Office equipment	3,663,997	177,567	408,528	– 12,113	38,617	4,199,362
Low-value assets	155,751	6,547	109,555	0	48,274	223,579
	3,819,748	184,114	518,083	– 12,113	86,891	4,422,941
	49,795,702	724,137	3,164,849	– 13,794	87,792	53,583,102

Accumulated depreciation / amortization							Carrying amounts	
Jan. 1, 2008 EUR	Changes in the scope of consolidation EUR	Exchange differences EUR	Depreciation / amortization in the financial year EUR	Impairment loss EUR	Disposals EUR	Dec. 31, 2008 EUR	Dec. 31, 2008 EUR	Dec. 31, 2007 EUR
0	0	0	0	0	0	0	2,734,951	2,351,125
37,582,482	0	0	1,808,818	0	0	39,391,300	3,050,397	2,564,807
2,686,161	10,024	− 657	235,864	0	865	2,930,527	1,052,986	791,379
40,268,643	10,024	− 657	2,044,682	0	865	42,321,827	6,838,334	5,707,311
3,159,873	87,943	− 2,632	299,687	0	28,816	3,516,055	683,307	504,124
76,825	5,347	0	65,810	0	48,271	99,711	123,868	78,926
3,236,698	93,290	− 2,632	365,497	0	77,087	3,615,766	807,175	583,050
43,505,341	103,314	− 3,289	2,410,179	0	77,952	45,937,593	7,645,509	6,290,361

Changes in Intangible Assets and Property, Plant and Equipment

in the 2007 Financial Year

	Cost					
	Jan. 1, 2007 EUR	Changes in the scope of consolidation EUR	Additions EUR	Exchange differences EUR	Disposals EUR	Dec. 31, 2007 EUR
I. Intangible assets						
1. Goodwill	2,351,125	0	0	0	0	2,351,125
2. Development costs	38,140,341	0	2,083,393	0	76,445	40,147,289
3. Other intangible assets	3,308,989	0	176,393	– 1,826	6,016	3,477,540
	43,800,455	0	2,259,786	– 1,826	82,461	45,975,954
II. Property, plant and equipment						
Other equipment, furniture and fixtures and office equipment						
Office equipment	3,388,881	0	309,484	– 6,037	28,331	3,663,997
Low-value assets	150,036	0	50,949	0	45,234	155,751
	3,538,917	0	360,433	– 6,037	73,565	3,819,748
	47,339,372	0	2,620,219	– 7,863	156,026	49,795,702

Accumulated depreciation / amortization								
							Carrying amounts	
Jan. 1, 2007 EUR	Changes in the scope of consolidation EUR	Exchange differences EUR	Depreciation / amortization in the financial year EUR	Impairment loss EUR	Disposals EUR	Dec. 31, 2007 EUR	Dec. 31, 2007 EUR	Dec. 31, 2006 EUR
0	0	0	0	0	0	0	2,351,125	2,351,125
35,521,707	0	0	2,095,917	0	35,142	37,582,482	2,564,807	2,618,634
2,264,228	0	– 1,341	238,136	185,138	0	2,686,161	791,379	1,044,761
37,785,935	0	– 1,341	2,334,053	185,138	35,142	40,268,643	5,707,311	6,014,520
2,932,785	0	– 3,493	265,193	0	34,612	3,159,873	504,124	456,096
68,132	0	0	50,961	0	42,268	76,825	78,926	81,904
3,000,917	0	– 3,493	316,154	0	76,880	3,236,698	583,050	538,000
40,786,852	0	– 4,834	2,650,207	185,138	112,022	43,505,341	6,290,361	6,552,520

Auditors’ Opinion

We have audited the consolidated financial statements of Softing AG, Haar, Germany, consisting of the balance sheet, the income statement, the statement of recognized income and expense, the cash flow statement and the notes as well as the Group management report for the financial year from January 1 to December 31, 2008. The preparation of the consolidated financial statements in accordance with IFRS as applicable in the EU and the supplementary provisions that are applicable under Section 315a para 1 German Commercial Code (HGB) are the responsibility of the Company’s legal representatives. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and on the Group management report.

We conducted our audit of the consolidated financial statements in accordance with Section 317 German Commercial Code and the German standards for the proper audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

The audit has not led to any objections.

In our opinion, which is based on the findings of the audit, the consolidated financial statements are in compliance with IFRS as applicable in the EU and with the supplementary provisions applicable under Section 315a para 1 HGB, and in accordance with these provisions give a true and fair view of the net assets, financial situation and results of the operations of the Company. The Group management report is consistent with the consolidated financial statements, provides a suitable understanding of the Group’s situation and suitably presents the opportunities and risks of future development.

Munich, Germany, February 20, 2009

Bayerische Treuhandgesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Huber	Waubke
Wirtschaftsprüfer	Wirtschaftsprüfer

Report of the Supervisory Board

for the 2008 Financial Year

In the past financial year, the Supervisory Board was informed regularly about the situation of Softing AG and the Group and monitored and accompanied the work of the Executive Board as well as compliance with applicable legal provisions and the Company's internal guidelines. The Executive Board informed the Supervisory Board in writing and orally about the business policies, fundamental questions of future business activities, the economic situation and future strategic development, the risk situation and risk management as well as significant business transactions, and discussed these matters with the Supervisory Board. The Supervisory Board was involved in decisions of material significance.

A total of four Supervisory Board meetings were held in the reporting year – on March 10, June 30, September 24 and December 5, 2008. The discussions between the Executive Board and the Supervisory Board focused on the organizational and strategic development and orientation of the Group, the positioning and financial development of Softing AG, and significant business events for the Company. Between meetings, the Supervisory Board was also informed of plans and developments that were of particular importance.

The Supervisory Board was closely involved in the strategic orientation of the Automotive Electronics division that is aimed at generating additional income and in the commencement of new activities. Besides reducing costs, the primary goal was to create a solid foundation for further sales growth. The Executive Board also continually informed the Supervisory Board in its reports on the most important key figures regarding the financial development of Softing AG. The Supervisory Board thoroughly reviewed, discussed and approved all matters which require approval under legal provisions and the Articles of Incorporation or the Rules of Procedure.

Furthermore, in regular discussions with the Executive Board, the chairman of the Supervisory Board obtained information about important decisions and business transactions of special significance. The Supervisory Board regularly discussed matters of corporate governance. In principle, the Supervisory Board accepted the recommendations of the German Corporate Governance Code. At its meeting on December 5, 2008, the Supervisory Board and the Executive Board issued an updated Declaration of Compliance according to Section 161 German Stock Corporation Act and explained the deviations from the recommendations of the German Corporate Governance Code. In this context, the Supervisory Board refers to the publication in the annual report and the Internet pages of Softing AG.

At its meeting on March 27, 2008, the Supervisory Board conducted a review of the efficiency of its work, which came to a positive conclusion. The Supervisory Board also verified that Softing AG was in compliance with the recommendations of the German Corporate Governance Code in the financial year ended, as stated in its Declaration of Compliance. There was no conflict of interest of members of the Supervisory Board in the financial year ended.

The annual financial statements and the management report of Softing AG, and the consolidated financial statements as of December 31, 2008, together with the Group management report including the accounting were audited as required by law by Bayerische Treuhandgesellschaft AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, the auditors appointed by the General Shareholders' Meeting. The auditors issued an unqualified audit opinion. The consolidated financial statements were prepared in accordance with International Accounting Standards / International Financial Reporting Standards (IAS / IFRS) and audited by the auditors in accordance with Section 317 German Commercial Code (HGB) and by taking into account the German standards for the proper audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW).

The auditors confirmed that the consolidated financial statements and the Group management report for the financial year from January 1 to December 31, 2008, fulfill the requirements for exempting the Company from its obligation to prepare consolidated financial statements and a Group management report in accordance with German law.

The annual financial statements and the audit reports of the auditors as well as the proposal of the Executive Board for the appropriation of accumulated profits were made available in time to all members of the Supervisory Board. At today's financials meeting, the Supervisory Board examined the annual financial statements presented by the Executive Board and the Group management report of Softing AG as well as the consolidated financial statements including the audit report. The auditors and the Executive Board participated in the meeting. The auditors reported on their audit in general as well as on individual focal points and the significant results of their audit. They answered the questions raised by the members of the Supervisory Board in detail. The Supervisory Board approved the result of the audit. There was no reason to raise any objections based on the final result of this examination.

The Supervisory Board approved the annual financial statements and the consolidated financial statements for 2008 at today's Supervisory Board meeting. The annual financial statements for 2008 are therefore formally adopted.

The Supervisory Board would like to thank the Executive Board and all employees for their responsible and highly successful work in the past financial year.

Haar, Germany, March 27, 2009

Dr. Horst Schiessl
Chairman

Corporate Governance Report

The Executive Board and the Supervisory Board of Softing AG support many suggestions and rules of the German Corporate Governance Code and declare that they were and intend to be in compliance in the future with the recommendations regarding conduct contained in the Code's current and applicable version in the financial year just ended, taking into account the exceptions and comments listed below. The Executive Board and Supervisory Board issued the Declaration of Compliance on December 5, 2008. Below, the Executive Board and the Supervisory Board disclose and explain any deviations from the Code. You can download the full text of the Code from the Investor Relations section of our website at www.softing.com.

a. The Company currently has not agreed a deductible for the D&O insurance taken out on behalf of the members of its Executive Board and Supervisory Board (Code item 3.8 para 2).
The Company believes the agreeing such a deductible is not necessary given the Company's current compensation scheme.

b. The structure of the Executive Board's compensation system including the main contract elements is not reviewed regularly (Code item 4.2.2, sentence 1).
The Company believes that a regular review is not necessary given the structure of the contract elements.

c. The Supervisory Board has not set up any committees (Code items 4.2.2, 5.3.1, 5.3.2, 5.3.3).
Given the size of the Supervisory Board (three members), setting up committees is not considered necessary.

d. No cap has been agreed to account for extraordinary, unforeseen developments with regard to the variable compensation of the Executive Board (Code items 4.2.3 para 3 sentence 3).
The Company believes that such a cap is currently not necessary.

e. The Company does not prepare a compensation report (Code item 4.2.5).
The General Shareholders' Meeting has decided not to disclose the compensation of the members of the Executive Board.

f. No age limit has been specified for members of the Supervisory Board (Code item 5.4.1 sentence 2).
A specific age limit could be an undesired criterion to exclude qualified members of the Supervisory Board.

g. Elections to the Supervisory Board are not carried out on an individual basis. The court appointment of Supervisory Board members is not limited in time until the next General Shareholders' Meeting (Code item 5.4.3 sentence 2).
The Company reserves the right to elect the Supervisory Board en bloc. The Company does not believe that time limits are appropriate when it is absolutely necessary to fill or refill positions on the Supervisory Board.

h. The Supervisory Board does not discuss quarterly or half-yearly financial reports with the Executive Board prior to publication (Code item 7.1.2., sentence. 2).
The Company believes that a separate discussion of the reports is not necessary because the Supervisory Board is informed regularly of the business transactions.

Compensation for the active members of the Supervisory Board in the 2008 financial year is presented on page 63 of this annual report.

Disclosures regarding directors' dealings pursuant to Section 15a German Securities Trading Act (WpHG) are published in the Investor Relations section of our website at www.softing.com.

Corporate Boards and Directors' Holdings

Boards	Shares		Options	
	Sep. 30, 2008 Number	Dec. 31, 2008 Number	Sep. 30, 2008 Number	Dec. 31, 2008 Number
Supervisory Board				
Dr. Horst Schiessl (chairman), Attorney at Law, Munich	–	–	–	–
Dipl.-Ing. Karlheinz Butscher (deputy chairman), Langenargen	–	–	–	–
Andreas Kratzer (member of the Supervisory Board)	8,000	8,000	–	–
Executive Board				
Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich	481,205	481,205	–	–
Dr.-Ing. Michael Siedentop, Neutraubling	–	–	–	–

Executive Board – Allocation of Responsibilities

Dr. Wolfgang Trier	Chairman Industrial Automation Finance, Human Resources Investor Relations
Dr. Michael Siedentop	Automotive Electronics

Financial Calendar

March 31, 2009	2008 Annual Report
May 14, 2009	Quarterly Report 1/2009
May 26, 2009	General Shareholders' Meeting in Munich, Germany
August 14, 2009	Quarterly Report 2/2009
November 13, 2009	Quarterly Report 3/2009

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