Quarterly Financial Report 1/2009

Economic Crisis Negatively Impacts First Quarter

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Economic Crisis Negatively Impacts First Quarter

Dear Shareholders, Employees, Partners
and Friends of Softing,

We all hope that the economy bottoms out soon, but it would be illusory to think the subsequent recovery will come quickly. Beyond that, there isn't much to say about the current crisis which hasn't already been said many times over.

This quarterly report illustrates what I referred to in the foreword to the 2008 Annual Report: Even Softing cannot entirely escape the effects of the troubled economy. Our sales and, above all, our earnings in the first quarter fell well short of their targets. It is apparent that Softing will need one or two quarters for our business to become profitable again at lower sales levels. After several quarters of rising earnings, Softing reported a loss for the first quarter of 2009.

Our incoming orders fell to EUR 6.4 million (previous year: EUR 8.8 million), while our sales declined to EUR 6.2 million (previous year: EUR 7.1 million). Our earnings in the first three months were negative at EUR –0.8 million (previous year: EUR 0.6 million), largely on account of one-time restructuring costs of a good EUR 0.5 million. The previous year's net income of EUR 0.4 million turned into a loss of EUR –0.5 million in the first quarter of 2009.

As the segment report shows, the Automotive Electronics division has been hit hardest by the weak economy. Since there was no guarantee that some departments of this division would return to profitability in the short to medium term, we restructured to adapt our services and costs to the changing market environment. This also meant that we were forced to part with some of our employees. While these measures had a one-time negative impact on quarterly earnings of around EUR 0.5 million, they will have a noticeably positive effect on the cost side in the coming quarters.

From a strategic viewpoint, we must intensively pursue every marketing opportunity which arises. We will also expand our presence in the industrial communication sector in strong foreign markets. Our structures will be adapted to the new sales situation in the first quarters of this year. The necessary personnel measures have already been carried out on the cost side. Over the course of the year, we will make full use of any savings potential available to us. Our goal is to maintain the financial latitude we need both to bear the brunt of this crisis and take advantage of the opportunities it generates.

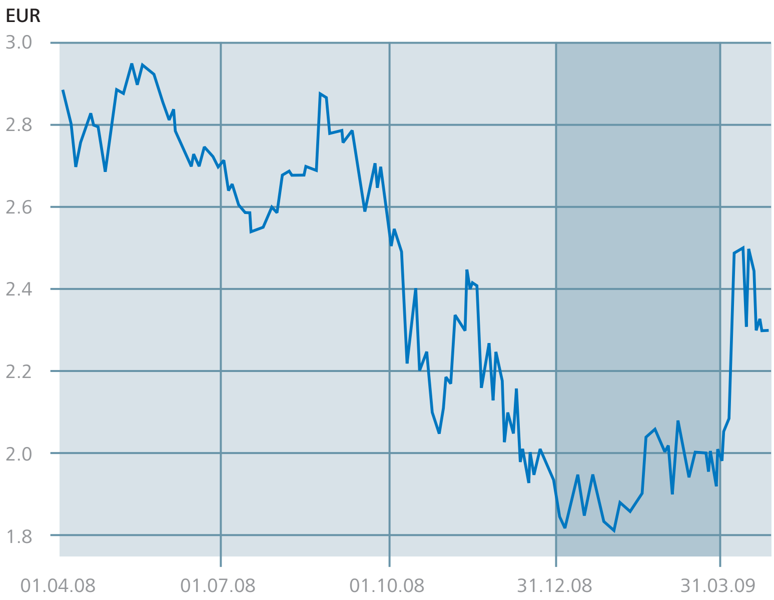
This year's Annual General Meeting will take place on May 26, when we will review the very successful year behind us and look ahead to 2009. Despite the current economic headwind, Softing's position is so strong that I am certain the Company will weather this storm and begin moving forward again soon.

We hope that you, the friends of Softing AG, remain committed to the Company, and we look forward to seeing you at our Annual General Meeting in Munich.

With warm regards,

Dr. Wolfgang Trier

Stock Price – Directors' Holdings – Financial Calendar



Closing price, Xetra

Directors' Holdings as of 03/31/2009

Boards	Number of shares		Number of options	
	As of 03/31/2009	As of 12/31/2008	As of 03/31/2009	As of 12/31/2008
Executive Board				
Dr. Trier	831,205	481,205	–	–
Dr. Siedentop	–	–	–	–
Supervisory Board				
Dr. Schiessl	–	–	–	–
Mr. Butscher	–	–	–	–
Mr. Kratzer	8,000	8,000	–	–

Financial Calendar

Quarterly Report 1/2009	05/14/2009
Annual General Meeting in Munich	05/26/2009
Quarterly Report 2/2009	08/14/2009
Quarterly Report 3/2009	11/13/2009

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Group Management Report for the 1/2009 Quarterly Financial Report

Economic Environment

The ongoing global economic crisis has led to the most dramatic decline in growth in the history of the Federal Republic of Germany. The forecasts for 2009 call for a massive worldwide economic slump. The German economy is expected to shrink by over six percent. Considering the high government share of the GDP and economically independent services such as health care, this corresponds to a decrease in the provision of industrial services of around 30 % or more. Softing therefore anticipates a decline in sales and earnings both in Automotive Electronics and Industrial Automation for 2009.

Earnings

Sales in the Automotive Electronics division in the first three months of 2009 fell by more than 30 % to EUR 2.2 million (previous year: EUR 3.3 million). Industrial Automation recorded a slight year-on-year sales increase to EUR 3.98 million (previous year: EUR 3.86 million). The consolidated sales of the Softing Group thus decreased by more than 13 % to EUR 6.2 million (previous year: EUR 7.1 million). EBIT in the reporting period came in at EUR −0.84 million (previous year: EUR 0.63 million). As of March 31, 2009, orders on hand in the Group totaled EUR 3.97 million (December 31, 2008: EUR 3.68 million).

Assets, Liabilities and Cash Flows

The equity of the Softing Group in the first three months of 2009 decreased to EUR 14.9 million (December 31, 2008: EUR 15.9 million. Cash and cash equivalents in the first quarter declined by EUR 1.1 million to EUR 4.5 million, compared to EUR 5.6 million as of December 31, 2008.

Research and Product Development

In the first three months of 2009, Softing capitalized a total of EUR 0.6 million (previous year: EUR 0.5 million) for the development of new products and the enhancement of existing ones. Other significant amounts were expensed.

Employees

As of March 31, 2009, the Softing Group had 238 employees (previous year: 214). During the reporting period, no stock options were issued to employees.

Opportunities for the Future Development of the Company

As of the reporting date of March 31, 2009, the Company's risk structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2008. Material changes are also not expected for the remaining nine months of 2009. For more information, please refer to our Group Management Report in the 2008 Annual Report, page 19 et seq.

Outlook

Due to the volatile and uncertain economic environment, it is currently not possible to forecast specific sales and earnings figures for the Softing Group for the year 2009.

Events after the Balance Sheet Date

There were no events of special importance after the balance sheet date of March 31, 2009.

Consolidated Balance Sheet

According to IFRS as of March 31, 2009, unaudited

Assets	Quarterly report 03/31/2009 EUR	Financial statements 12/31/2008 EUR
Cash and cash equivalents	3,953,579	4,992,483
Marketable securities	574,712	574,713
Trade accounts receivable	4,291,061	5,451,318
Inventories	2,559,077	2,502,978
Prepaid expenses and other current assets	1,282,528	1,158,696
Total current assets	**12,660,957**	**14,680,188**
Property, plant and equipment	799,491	807,175
Intangible assets	4,155,263	4,103,382
Goodwill	2,935,890	2,734,952
Borrowings	3,650	0
Deferred taxes	1,361,159	1,111,160
Total non-current assets	**9,255,453**	**8,756,669**
Total assets	**21,916,410**	**23,436,857**

Liabilities and shareholders' equity		
Liabilities to banks	50,762	0
Trade accounts payable	860,857	772,409
Provisions	130,916	121,440
Income tax liabilities	180,387	293,313
Deferred income and other current liabilities	3,679,953	4,238,543
Total current liabilities	**4,902,875**	**5,425,705**
Liabilities under long-term construction contracts	138,445	217,715
Deferred taxes	1,314,741	1,284,045
Pension provisions	637,047	601,543
Total non-current liabilities	**2,090,233**	**2,103,303**
Issued capital	5,637,198	5,637,198
Capital reserves	1,683,820	1,683,820
Treasury shares	– 1,390,107	– 1,084,848
Minority interest	3,770	175,919
Accumulated profits (incl. retained earnings)	8,988,621	9,495,760
Total equity	**14,923,302**	**15,907,849**
Total liabilities and shareholders' equity	**21,916,410**	**23,436,857**

Consolidated Income Statement

According to IFRS as of March 31, 2009, unaudited

	Quarterly report I/2009 01/01/2009 – 03/31/2009 EUR	Quarterly report I/2008 01/01/2008 – 03/31/2008 EUR
Revenue	6,202,764	7,108,607
Other operating income	177,006	92,093
Other own work capitalized	568,115	443,137
Cost of purchased materials and services	– 1,318,943	– 1,920,002
Staff costs	– 4,492,665	– 3,514,746
Depreciation and amortization	– 687,152	– 562,937
Other operating expenses	– 1,292,221	– 1,014,931
Other operating income/loss	**– 843,096**	**631,221**
Interest income and expenses	– 647	4,411
Result before income taxes	**– 843,743**	**635,632**
Income taxes	210,114	– 192,261
Result before minority interest	**– 633,629**	**443,371**
Minority interest	148,177	0
Net income/loss	**– 485,452**	**443,371**
Earnings per share (basic)	– 0.09	0.08
Earnings per share (diluted)	– 0.09	0.08
Average number of shares outstanding (basic)	5,145,800	5,498,865
Average number of shares outstanding (diluted)	5,145,800	5,498,865

Consolidated Cash Flow Statement

According to IFRS as of March 31, 2009, unaudited

		Quarterly report I/2009 01/01/2009 – 03/31/2009 EUR (in thsds)	Quarterly report I/2008 01/01/2008 – 03/31/2008 EUR (in thsds)
	Cash flow from operating activities		
	Net income/loss	– 634	443
–	Exchange differences recognized in equity	– 3	0
+	Depreciation/amortization	687	563
+	Increase in provisions	63	10
+	Change in net working capital	13	25
=	**Net cash provided by operating activities**	**126**	**1,041**
	Cash flow from investing activities		
–	Acquisition of subsidiaries, less acquired cash and cash equivalents	– 161	0
–	Payments made for investments in self-produced intangible assets	– 629	– 497
–	Payments made for investments in other intangible assets and in property, plant and equipment	– 69	– 94
=	**Net cash used in investing activities**	**– 859**	**– 591**
	Cash flow from financing activities		
–	Buy-back of treasury shares	– 305	– 154
–	Cash repayments of amounts borrowed	– 1	0
=	**Net cash provided by financing activities**	**– 306**	**– 154**
–/+	Decrease/increase in cash and cash equivalents	– 1,039	296
+	Cash and cash equivalents at beginning of period	5,567	4,927
=	**Cash and cash equivalents at end of period**	**4,528**	**5,223**

Changes in Shareholders' Equity

01/01/09 – 03/31/09

EUR (in thsds)	Issued capital	Capital reserves	Retained earnings	Accumu-lated profits	Treasury shares	Minority interest	Total
Balance as of December 31, 2008	5,637	1,684	25	9,471	– 1,085	176	15,908
Capital increase							0
Purchase of treasury shares					– 305		– 305
Measurement of financial instruments			– 20				– 20
Currency translation			– 3				– 3
Minority interest						– 172	– 172
Net loss 2009				– 485			– 485
Balance as of March 31, 2009	**5,637**	**1,684**	**2**	**8,986**	**– 1,390**	**4**	**14,923**

01/01/08 – 03/31/08

EUR (in thsds)	Issued capital	Capital reserves	Retained earnings	Accumu-lated profits	Treasury shares	Minority interest	Total
Balance as of December 31, 2007	5,637	1,684	– 149	7,000	– 314	–	13,858
Capital increase				– 2			– 2
Sale of treasury shares					– 154		– 154
Measurement of financial instruments							0
Currency translation							0
Minority interest							0
Net income 2008				443			443
Balance as of March 31, 2008	**5,637**	**1,684**	**– 149**	**7,441**	**– 468**	**–**	**14,145**

Notes to the Consolidated Financial Statements for Q1/2009

This Quarterly Financial Report was prepared using the same accounting policies as in financial year 2008.

Segment Reporting

As of March 31, 2009

	Quarterly report I/2009 01/01/2009 – 03/31/2009 EUR (in thsds)	Quarterly report I/2008 01/01/2008 – 03/31/2008 EUR (in thsds)
Automotive Electronics		
Revenue	2,221	3,252
Segment result (EBIT)	– 918	– 9
Depreciation/amortization	194	190
Segment assets	5,548	6,475
Segment liabilities	2,045	2,750
Capital expenditure (not including long-term investments)	79	99
Industrial Automation		
Revenue	3,982	3,856
Segment result (EBIT)	75	640
Depreciation/amortization	493	373
Segment assets	9,091	6,535
Segment liabilities	3,403	3,202
Capital expenditure (not including long-term investments)	606	472
Not distributed		
Revenue	–	–
Segment result (EBIT)	–	–
Depreciation/amortization	–	–
Segment assets	7,277	8,207
Segment liabilities	1,545	1,182
Capital expenditure (not including long-term investments)	7	20
Total		
Revenue	6,203	7,108
Segment result (EBIT)	– 843	631
Depreciation/amortization	687	563
Segment assets	21,916	21,217
Segment liabilities	6,993	7,134
Capital expenditure (not including long-term investments)	692	591

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