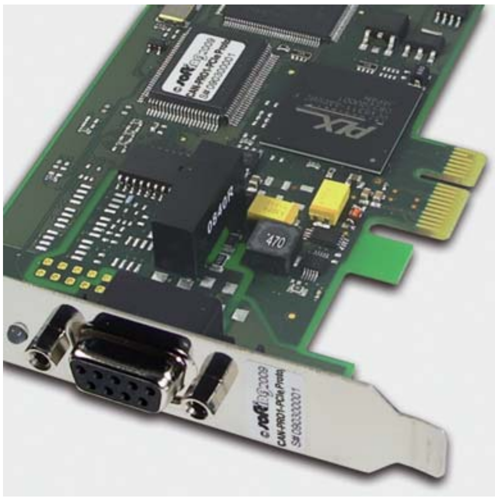
# Quarterly Financial Report 2/2009



Softing:
Second quarter results again
reflect economic crisis

your connection to excellence

**Softing: Second quarter results again reflect economic crisis**

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

From the Ifo Institute to the OECD, many leading economic research organizations say they have seen signs that Germany's most important export markets are already on the road to recovery. The decisive questions for us are whether this is true and, above all, when the investments essential to most of our customers will kick in again after production picks up. However, we do not think anyone can reliably answer these questions right now.

The economic environment in which Softing operates as a provider of hardware and software for industrial automation and automotive electronics continues to be quite difficult. In the second quarter, Softing was unable to make up for the decline in sales and earnings compared to the previous year, and our EBIT is down from EUR 0.8 million last year to EUR −0.7 million.

The year-on-year comparison of our key financial figures is shown in the table below:

| All figures in EUR million | Quarterly report II/2009 | Quarterly report II/2008 | Six-month report 2009 | Six-month report 2008 |
|---|---|---|---|---|
| Incoming orders | 4.4 | 7.6 | 10.8 | 16.4 |
| Sales | 5.2 | 8.9 | 11.4 | 16.0 |
| Earnings (EBIT) | −0.7 | 0.8 | −1.6 | 1.4 |
| Net income/loss | −0.7 | 0.5 | −1.2 | 1.0 |
| Earnings per share in EUR | −0.14 | 0.10 | −0.24 | 0.18 |

Whatever the origins of the crisis, the consequences are clear: Our customers' sales are falling, so they are ordering fewer goods and services from Softing. The first operational response to this external situation must be to promptly adapt our cost structures to the economic environment.

In the first quarter, we decided to focus on business which would be profitable in the medium to long term. This led to unavoidable personnel adjustments in the Automotive Electronics division, which have impacted costs in the first and second quarter. We see no need to make further adjustments in the second half of the year, as we are confident that we can get by using the usual mechanisms to adapt our capacity to the current order situation.

In order to resume profitable growth, entrepreneurial thinking and innovation are just as important as the condition of the market. This is why we are investing more heavily in strengthening our presence in promising foreign markets and intensifying our cooperation with distributors. We are also using our good judgment to expand our product range in key strategic areas. In these difficult times, Softing is positioning itself as an innovative, cost-conscious and effective partner for sophisticated industrial automation and automotive electronics solutions.

I am certain that Softing will make it through this economic crisis successfully, and when investments pick up again in machine and plant construction and the automotive sector, we will be set to gain momentum quickly. The first green shoots of recovery are apparent, though it is still too early to say precisely what course this recovery will take.

Our strong position and the expertise and dedication of our employees give us great staying power and a promising future. Together, we will overcome the challenges currently facing us. I am also aware of the financial concessions our employees have made, and I would like to thank all of Softing's employees for their support!

This year's Annual General Meeting took place on May 26. All resolutions were adopted by a strong majority, which clearly affirms both the management and our corporate strategy. With the backing of our shareholders, we will be able to systematically implement our strategic plans.

You can find out more about the results of the Annual General Meeting on the Investor Relations page of the Softing website under "Annual Shareholders' Meeting."

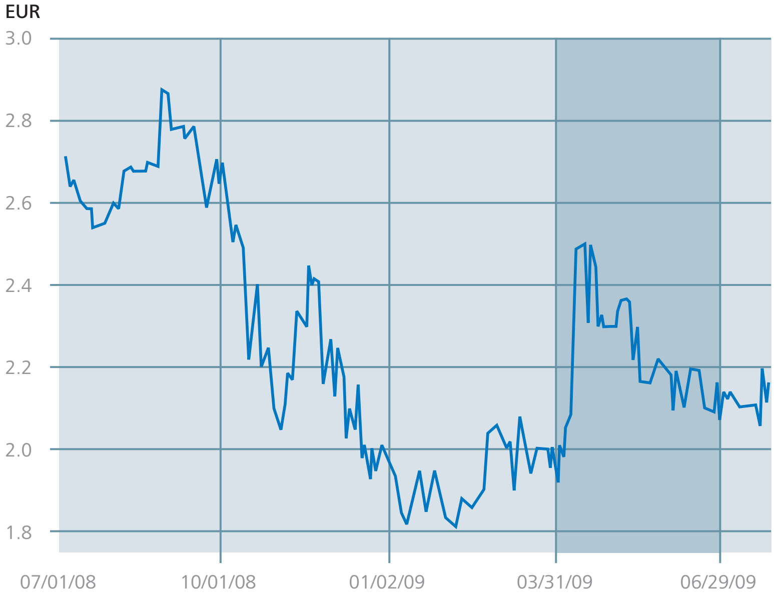
The Supervisory Board members elected at our last Annual General Meeting – Dr. Horst Schiessl, Mr. Andreas Kratzer, and our new member Mr. Michael Wilhelm – have an exciting time in office ahead of them. The Executive Board and Supervisory Board must now tackle the challenges of the present while setting the course for Softing's future technological and economic success – a course which should lead Softing quickly and directly to the light at the end of the tunnel.

We hope that you, dear friends of Softing AG, remain committed to the company and continue to accompany its future development.

With warm regards,

Dr. Wolfgang Trier

# Stock Price – Directors' Holdings – Financial Calendar




Closing price, Xetra

## Directors' Holdings as of 06/30/2009

| Boards | Shares | | Options | |
|---|---|---|---|---|
| | As of 06/30/2009 | As of 03/31/2009 | As of 06/30/2009 | As of 03/31/2009 |
| **Executive Board** | | | | |
| Dr. Trier | 831,205 | 831,205 | – | – |
| Dr. Siedentop | – | – | – | – |
| **Supervisory Board** | | | | |
| Dr. Schiessl | – | – | – | – |
| Butscher (until 05/26/2009) | – | – | – | – |
| Mr. Kratzer | 8,000 | 8,000 | – | – |
| Mr. Wilhelm (since 05/26/2009) | – | – | – | – |

## Financial Calendar

| | |
|---|---|
| Quarterly Report 2/2009 | 08/14/2009 |
| German Equity Forum, Frankfurt/Main | 11/09–11/2009 |
| Quarterly Report 3/2009 | 11/13/2009 |
| 2009 Annual Report | 03/31/2010 |
| Quarterly Report 1/2010 | 05/14/2010 |
| Quarterly Report 2/2010 | 08/13/2010 |
| Quarterly Report 3/2010 | 11/15/2010 |

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# Group Management Report for the 2/2009 Quarterly Financial Report

## Economic Environment

The ongoing global economic crisis has resulted in a sharp decline in growth in the second quarter too. The forecasts for 2009 call for a massive worldwide economic slump. The German economy is expected to shrink by over six percent. 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 six month of 2009 fell by 43 % to EUR 4.2 million (previous year: EUR 7.4 million). Industrial Automation recorded a sales decrease of just 16 % to EUR 7.2 million (previous year: EUR 8.6 million). The consolidated sales of the Softing Group thus decreased by more than 29 % to EUR 11.4 million (previous year: EUR 16.0 million) in the first half of 2009. EBIT in the reporting period came in at EUR – 1.6 million (previous year: EUR 1.4 million). As of June 30, 2009, orders on hand in the Group totaled EUR 3.25 million (March 31, 2009: EUR 3.97 million).

## Assets and Financial Position

The equity of the Softing Group in the first six months of 2009 decreased to EUR 14.2 million (December 31, 2008: EUR 15.9 million). Cash and cash equivalents in the second quarter of 2009 declined by EUR 0.4 million to EUR 4.1 million, compared to EUR 4.5 million as of March 31, 2009.

## Research and Product Development

In the first six months of 2009, Softing capitalized a total of EUR 1.3 million (previous year: EUR 1.1 million) for the development of new products and the enhancement of existing ones. Other significant amounts were expensed.

## Employees

As of June 30, 2009, the Group had 222 employees (previous year: 237). During the reporting period, no stock options were issued to employees.

## Opportunities for the Future Development of the Company

As of the reporting date of June 30, 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 six 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 June 30, 2009.

# Consolidated Balance Sheet

## According to IFRS as of June 30, 2009, unaudited

| Assets | Quarterly report 06/30/2009 EUR | Financial statements 12/31/2008 EUR |
|---|---|---|
| Cash and cash equivalents | 3,499,619 | 4,992,483 |
| Marketable securities | 600,000 | 574,713 |
| Trade accounts receivable | 3,594,454 | 5,451,318 |
| Inventories | 2,554,686 | 2,502,978 |
| Prepaid expenses and other current assets | 1,250,076 | 1,158,696 |
| **Total current assets** | **11,498,835** | **14,680,188** |
| Property, plant and equipment | 774,240 | 807,175 |
| Intangible assets | 4,213,624 | 4,103,382 |
| Goodwill | 3,095,011 | 2,734,952 |
| Borrowings | 3,676 | 0 |
| Deferred taxes | 1,318,614 | 1,111,160 |
| **Total non-current assets** | **9,405,165** | **8,756,669** |
| **Total assets** | **20,904,000** | **23,436,857** |

| Liabilities and shareholders' equity | | |
|---|---|---|
| Liabilities to banks | 437,183 | 0 |
| Trade accounts payable | 937,868 | 772,409 |
| Provisions | 145,558 | 121,440 |
| Income tax liabilities | 177,254 | 293,313 |
| Deferred income and other current liabilities | 2,810,213 | 4,238,543 |
| **Total current liabilities** | **4,508,076** | **5,425,705** |
| Liabilities under long-term construction contracts | 107,431 | 217,715 |
| Deferred taxes | 1,270,075 | 1,284,045 |
| Pension provisions | 732,922 | 601,543 |
| Other non-current liabilities | 82,555 | 0 |
| **Total non-current liabilities** | **2,192,983** | **2,103,303** |
| Issued capital | 5,637,198 | 5,637,198 |
| Capital reserves | 1,683,820 | 1,683,820 |
| Treasury shares | −1,336,284 | −1,084,848 |
| Minority interest | −43,694 | 175,919 |
| Accumulated profits (incl. retained earnings) | 8,261,901 | 9,495,760 |
| **Total equity** | **14,202,941** | **15,907,849** |
| **Total liabilities and shareholders' equity** | **20,904,000** | **23,436,857** |

# Consolidated Income Statement

## According to IFRS as of June 30, 2009, unaudited

| | Quarterly report II/ 2009 04/01/2009 – 06/30/2009 EUR | Quarterly report II/2008 04/01/2008 – 06/30/2008 EUR | Six-month report 2009 01/01/2009 – 06/30/2009 EUR | Six-month report 2008 01/01/2008 – 06/30/2008 EUR |
|---|---|---|---|---|
| Revenue | 5,199,387 | 8,891,856 | 11,402,151 | 16,000,463 |
| Other operating income | 175,517 | 109,604 | 352,523 | 201,697 |
| Other own work capitalized | 575,831 | 487,010 | 1,143,946 | 930,147 |
| Cost of purchased materials and services | –1,322,157 | –2,577,357 | –2,641,100 | –4,497,359 |
| Staff costs | –3,563,518 | –4,180,538 | –8,056,183 | –7,695,284 |
| Depreciation and amortization | –685,760 | –599,431 | –1,372,912 | –1,162,368 |
| Other operating expenses | –1,097,419 | –1,325,706 | –2,389,640 | –2,340,637 |
| **Operating income/loss** | **–718,119** | **805,438** | **–1,561,215** | **1,436,659** |
| Interest income and expenses | –21,676 | –5,474 | –22,323 | –1,063 |
| **Result before income taxes** | **–739,795** | **799,964** | **–1,583,538** | **1,435,596** |
| Income taxes | –25,994 | –232,019 | 184,120 | –424,280 |
| **Result before minority interest** | **–765,789** | **567,945** | **–1,399,418** | **1,011,316** |
| Minority interest | 47,464 | –19,311 | 195,641 | –19,311 |
| **Net income/loss** | **–718,325** | **548,634** | **–1,203,777** | **992,005** |
| Earnings per share (basic) | –0.14 | 0.10 | –0.24 | 0.18 |
| Earnings per share (diluted) | –0.14 | 0.10 | –0.24 | 0.18 |
| Average number of shares outstanding (basic) | 5,023,001 | 5,448,961 | 5,084,000 | 5,465,857 |
| Average number of shares outstanding (diluted) | 5,023,001 | 5,448,961 | 5,084,000 | 5,465,857 |

# Consolidated Cash Flow Statement

## According to IFRS as of June 30, 2009, unaudited

| | | Six-month report 2009 01/01/2009 –06/30/2009 EUR (in thsds) | Six-month report 2008 01/01/2008 –06/30/2008 EUR (in thsds) |
|---|---|---|---|
| | **Cash flow from operating activities** | | |
| | Net income/loss | –1,399 | 1,011 |
| | Exchange differences recognized in equity | –7 | 0 |
| + | Depreciation/amortization | 1,373 | 1,162 |
| + | Increase in provisions | 50 | 184 |
| +/– | Change in net working capital | 343 | –1,373 |
| = | **Net cash provided by operating activities** | **360** | **984** |
| | | | |
| | **Cash flow from investing activities** | | |
| | Acquisition of subsidiaries, less acquired cash and cash equivalents | –348 | –485 |
| – | Payments made for investments in self-produced intangible assets | –1,269 | –1,102 |
| – | Payments made for investments in other intangible assets and in property, plant and equipment | –109 | –369 |
| = | **Net cash used in investing activities** | **–1,726** | **–1,956** |
| | | | |
| | **Cash flow from financing activities** | | |
| – | Buy-back of treasury shares | –251 | –364 |
| + | Cash repayments of amounts borrowed | 148 | 12 |
| = | **Net cash provided by financing activities** | **–103** | **–352** |
| | | | |
| – | Decrease in cash and cash equivalents | –1,469 | –1,324 |
| + | Cash and cash equivalents at beginning of period | 5,567 | 4,927 |
| = | **Cash and cash equivalents at end of period** | **4,098** | **3,603** |

# Changes in Shareholders' Equity

## 01/01/09 – 06/30/09

| EUR (in thsds) | Issued capital | Capital reserves | Retained earnings | Accumulated profits | Treasury shares | Minority interest | Total |
|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2008 | 5,637 | 1,684 | 25 | 9,471 | −1,085 | 176 | 15,908 |
| Purchase of treasury shares | | | | | −251 | | −251 |
| Measurement of financial instruments | | | −23 | | | | −23 |
| Currency translation | | | −7 | | | | −7 |
| Minority interest | | | | | | −220 | −220 |
| Net loss 2009 | | | | −1,204 | | | −1,204 |
| **Balance as of June 30, 2009** | **5,637** | **1,684** | **−5** | **8,267** | **−1,336** | **−44** | **14,203** |

## 01/01/08 – 06/30/08

| EUR (in thsds) | Issued capital | Capital reserves | Retained earnings | Accumulated profits | Treasury shares | Minority interest | Total |
|---|---|---|---|---|---|---|---|
| Balance as of December 31, 2007 | 5,637 | 1,684 | −149 | 7,000 | −314 | 0 | 13,858 |
| Purchase of treasury shares | | | | | −316 | | −316 |
| Measurement of financial instruments | | | −48 | | | | −48 |
| Currency translation | | | | | | | 0 |
| Minority interest | | | | | | 225 | 225 |
| Net income 2008 | | | | 992 | | | 992 |
| **Balance as of June 30, 2008** | **5,637** | **1,684** | **−197** | **7,992** | **−630** | **225** | **14,711** |

## Notes to the Consolidated Financial Statements for Q2/2009

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

# Segment Reporting

## As of June 30, 2009

| | Quarterly report II/ 2009 04/01/2009 –06/30/2009 EUR (in thsds) | Quarterly report II/2008 04/01/2008 –06/30/2008 EUR (in thsds) | Six-month report 2009 01/01/2009 –06/30/2009 EUR (in thsds) | Six-month report 2008 01/01/2008 –06/30/2008 EUR (in thsds) |
|---|---|---|---|---|
| **Automotive Electronics** | | | | |
| Revenue | 1,999 | 4,173 | 4,220 | 7,425 |
| Segment result (EBIT) | –104 | 72 | –1,022 | 63 |
| Depreciation/amortization | 139 | 199 | 333 | 389 |
| Segment assets | – | – | 5,222 | 7,651 |
| Segment liabilities | – | – | 1,848 | 3,092 |
| Capital expenditure (not including long-term investments) | 87 | 170 | 166 | 269 |
| **Industrial Automation** | | | | |
| Revenue | 3,200 | 4,719 | 7,182 | 8,575 |
| Segment result (EBIT) | –614 | 733 | –539 | 1,374 |
| Depreciation/amortization | 547 | 400 | 1,040 | 773 |
| Segment assets | – | – | 8,894 | 8,680 |
| Segment liabilities | – | – | 2,968 | 3,519 |
| Capital expenditure (not including long-term investments) | 588 | 576 | 1,194 | 1,048 |
| **Not distributed** | | | | |
| Revenue | – | – | – | – |
| Segment result (EBIT) | – | – | – | – |
| Depreciation/amortization | – | – | – | – |
| Segment assets | – | – | 6,788 | 6,451 |
| Segment liabilities | – | – | 1,885 | 1,460 |
| Capital expenditure (not including long-term investments) | 6 | 130 | 13 | 150 |
| **Total** | | | | |
| Revenue | 5,199 | 8,892 | 11,402 | 16,000 |
| Segment result (EBIT) | –718 | 805 | –1,561 | 1,437 |
| Depreciation/amortization | 686 | 599 | 1,373 | 1,162 |
| Segment assets | – | – | 20,904 | 22,782 |
| Segment liabilities | – | – | 6,701 | 8,071 |
| Capital expenditure (not including long-term investments) | 681 | 876 | 1,373 | 1,467 |

The division into business segments in accordance with IFRS 8 is shown in the above table.