Quarterly Financial Report 3/2009

Successful turnaround:
Softing back in the black

your connection to excellence

Successful turnaround:
Softing back in the black

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

To be up front about it, the global market in which Softing operates as a provider of hardware and software for industrial automation and automotive electronics remains difficult. The manufacturing and automotive sectors, which have been hit hardest by the global economic crisis, are expecting a 30 to 40 percent decline in orders and sales for 2009.

However, it appears that we passed the low point this summer. Activity has picked up again in the sector since the middle of the year, and Softing's incoming orders have risen steadily as well, although it will take some time for them to recover from the low level to which they fell.

Though there is reason for confidence, one thing is clear: the crisis is not over yet. But it is in difficult times that a company shows its true qualities – particularly when that company can swiftly adapt its cost structures to new market conditions. Softing managed to do this after just two quarters. This enabled us to achieve a positive EBIT in third quarter. The gain may be modest, but our efforts were successful!

Our key financial figures are currently as follows:

All figures in EUR million	Quarterly report III/2009	Quarterly report III/2008	Nine-month report 2009	Nine-month report 2008
Incoming orders	6.7	8.6	17.5	25.5
Sales	5.8	8.7	17.2	24.7
Earnings (EBIT)	0.03	1.0	−1.5	2.4
Net income/loss	0.1	0.7	−1.1	1.7
Earnings per share in EUR	0.02	0.14	−0.21	0.32

We expect this positive trend to continue so that we can end the fourth quarter with an operating profit as well. However, this will probably not be enough for us to report a profit for the year as a whole.

Even in the crisis-ridden year 2009, we positioned ourselves among our customers as an innovative partner for advanced solutions. This year we won several "design-in" contracts for integrating our solutions as permanent components in our customers' products and applications. This will positively affect Softing's sales and earnings as soon as the market picks up and our customers are able to place more of their products in it.

In the year immediately following the crisis, the whole industry will have difficulty attaining the sales and earnings figures it achieved before. In fact, this process will probably take several years. Softing expanded its worldwide presence this year and opened two new sales offices in Austria and Italy. With a broader footing in the market, we will be able to edge closer to our peak results from the year 2008 faster than other companies, even if the industry itself recovers slowly. This step also enabled us to establish important relationships and receive valuable orders this year.

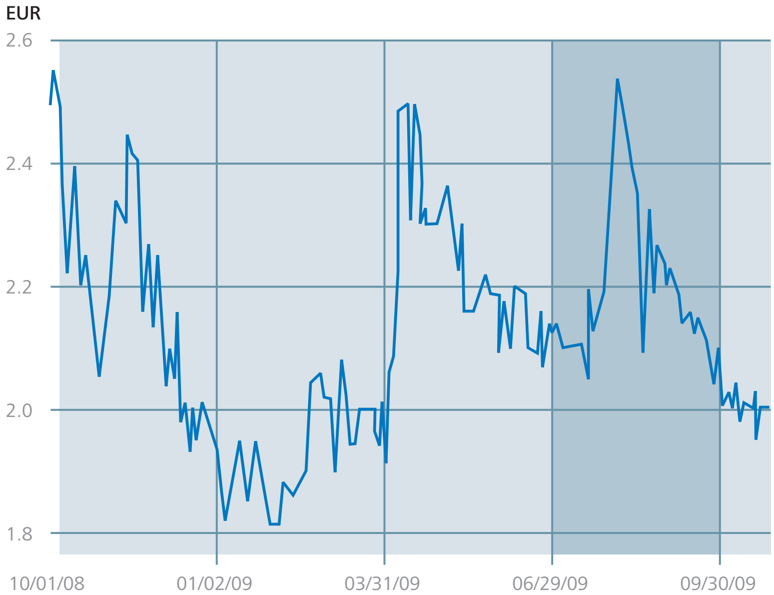
We will continue to strengthen our market presence by demonstrating our innovative capabilities at SPS/IPC/DRIVES, the world's most important automation trade fair, in Nuremberg from November 24–26, 2009. We will also present the opportunities offered by the Softing share to the capital market at the German Equity Forum of Deutsche Börse AG.

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



Directors' Holdings as of 09/30/2009

Boards	Shares		Options	
	As of 09/30/2009	As of 06/30/2009	As of 09/30/2009	As of 06/30/2009
Executive Board				
Dr. Trier	831,205	831,205	–	–
Dr. Siedentop	–	–	–	–
Supervisory Board				
Dr. Schiessl	–	–	–	–
Mr. Kratzer	8,000	8,000	–	–
Mr. Wilhelm	–	–	–	–

Financial Calendar

German Equity Forum, Frankfurt/Main	11/09 – 11/2009
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 3/2009 Quarterly Financial Report

Economic Environment

The ongoing global economic crisis has resulted in a sharp decline in growth in the third quarter of 2009 too. The forecasts for 2009 continue to call for a massive worldwide economic slump, even though they have been adjusted upwards slightly. The German economy is expected to shrink by around five percent. The manufacturing and automotive sectors, which have been hit hardest by the global economic crisis, are expecting a 30 to 40 percent decline in orders and sales for 2009. Softing therefore anticipates a considerable decline in sales and earnings both in Automotive Electronics and Industrial Automation for 2009.

Earnings

Sales in the Automotive Electronics division in the first nine month of 2009 fell by 44,2 % to EUR 6.3 million (previous year: EUR 11.3 million). Industrial Automation recorded a sales decrease of just 18,7 % to EUR 10.9 million (previous year: EUR 13.4 million). The consolidated sales of the Softing Group thus decreased by more than 30 % to EUR 17.2 million (previous year: EUR 24.7 million) in the first nine months of 2009. EBIT in the reporting period came in at EUR – 1.5 million (previous year: EUR 2.4 million). As of September 30, 2009, orders on hand in the Group totaled EUR 4.11 million (June 30, 2009: EUR 3.25 million).

Assets and Financial Position

The equity of the Softing Group in the first nine months of 2009 decreased to EUR 14.3 million (December 31, 2008: EUR 15.9 million). Cash and cash equivalents in the third quarter of 2009 declined by EUR 0.9 million to EUR 3.2 million, compared to EUR 4.1 million as of June 30, 2009.

Research and Product Development

In the first nine months of 2009, Softing capitalized a total of EUR 1.9 million (previous year: EUR 1.9 million) for the development of new products and the enhancement of existing ones. Other significant amounts were expensed.

Employees

As of September 30, 2009, the Group had 223 employees (previous year: 247). 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 September 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 three months of 2009. For more information, please refer to our Group Management Report in the 2008 Annual Report, page 19 et seq.

Outlook

Since the economic environment continues to be volatile and uncertain, 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 September 30, 2009.

Consolidated Balance Sheet

According to IFRS as of September 30, 2009, unaudited

Assets	Quarterly report 09/30/2009 EUR	Financial statements 12/31/2008 EUR
Cash and cash equivalents	2,593,892	4,992,483
Marketable securities	600,000	574,713
Trade accounts receivable	4,580,023	5,451,318
Inventories	2,470,003	2,502,978
Prepaid expenses and other current assets	1,465,506	1,158,696
Total current assets	**11,709,424**	**14,680,188**
Property, plant and equipment	704,802	807,175
Intangible assets	4,352,020	4,103,382
Goodwill	3,089,626	2,734,952
Borrowings	3,691	0
Deferred taxes	1,526,614	1,111,160
Total non-current assets	**9,676,753**	**8,756,669**
Total assets	**21,386,177**	**23,436,857**

Liabilities and shareholders' equity		
Liabilities to banks	489,542	0
Trade accounts payable	1,276,473	772,409
Provisions	128,986	121,440
Income tax liabilities	205,575	293,313
Deferred income and other current liabilities	2,644,126	4,238,543
Total current liabilities	**4,744,702**	**5,425,705**
Liabilities under long-term construction contracts	124,326	217,715
Deferred taxes	1,358,943	1,284,045
Pension provisions	767,765	601,543
Other non-current liabilities	82,555	0
Total non-current liabilities	**2,333,589**	**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	−46,388	175,919
Accumulated profits (incl. retained earnings)	8,369,540	9,495,760
Total equity	**14,307,886**	**15,907,849**
Total liabilities and shareholders' equity	**21,386,177**	**23,436,857**

Consolidated Income Statement

According to IFRS as of September 30, 2009, unaudited

	Quarterly report III/2009 07/01/2009 –09/30/2009 EUR	Quarterly report III/2008 07/01/2008 –09/30/2008 EUR	Nine-month report 2009 01/01/2009 –09/30/2009 EUR	Nine-month report 2008 01/01/2008 –09/30/2008 EUR
Revenue	5,782,190	8,685,985	17,184,341	24,686,448
Other operating income	179,769	164,553	532,292	366,250
Other own work capitalized	599,472	563,049	1,743,418	1,493,196
Cost of purchased materials and services	–1,717,327	–2,077,174	–4,358,427	–6,574,533
Staff costs	–3,200,433	–4,550,510	–11,256,616	–12,245,794
Depreciation and amortization	–666,027	–650,562	–2,038,939	–1,812,930
Other operating expenses	–943,794	–1,157,731	–3,333,434	–3,498,368
Operating income/loss	**33,850**	**977,610**	**–1,527,365**	**2,414,269**
Interest income and expenses	–36,015	–2,399	–58,338	–3,462
Result before income taxes	**–2,165**	**975,211**	**–1,585,703**	**2,410,807**
Income taxes	112,510	–222,536	296,630	–646,816
Other taxes	–762	–6,316	–762	–6,316
Result before minority interest	**109,583**	**746,359**	**–1,289,835**	**1,757,675**
Minority interest	2,694	–12,180	198,335	–31,491
Net income/loss	**112,277**	**734,179**	**–1,091,500**	**1,726,184**
Earnings per share (basic)	0.02	0.14	–0.21	0.32
Earnings per share (diluted)	0.02	0.14	–0.21	0.32
Average number of shares outstanding (basic)	5,104,596	5,382,476	5,091,132	5,438,064
Average number of shares outstanding (diluted)	5,104,596	5,382,476	5,091,132	5,438,064

Consolidated Cash Flow Statement

According to IFRS as of September 30, 2009, unaudited

		Nine-month report 2009 01/01/2009 – 09/30/2009 EUR (in thsds)	Nine-month report 2008 01/01/2008 – 09/30/2008 EUR (in thsds)
	Cash flow from operating activities		
	Net income/loss	–1,290	1,758
+/–	Exchange differences recognized in equity	–12	12
+	Depreciation/amortization	2,039	1,813
+	Increase in provisions	175	318
–	Change in net working capital	–782	–1,142
=	**Net cash provided by operating activities**	**130**	**2,759**
	Cash flow from investing activities		
	Acquisition of subsidiaries, less acquired cash and cash equivalents	–348	–585
–	Payments made for investments in self-produced intangible assets	–1,937	–1,928
–	Payments made for investments in other intangible assets and in property, plant and equipment	–170	–498
=	**Net cash used in investing activities**	**–2,455**	**–3,011**
	Cash flow from financing activities		
	Buy-back of treasury shares	–251	–510
+	Proceeds from borrowings	201	8
=	**Net cash provided by financing activities**	**–50**	**–502**
–	Decrease in cash and cash equivalents	–2,375	–754
+	Cash and cash equivalents at beginning of period	5,567	4,927
=	**Cash and cash equivalents at end of period**	**3,192**	**4,173**

Changes in Shareholders' Equity

01/01/09 – 09/30/09

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
Purchase of treasury shares					−251		−251
Measurement of financial instruments			−23				−23
Currency translation			−12				−12
Minority interest						−222	−222
Net loss 2009				−1,092			−1,092
Balance as of September 30, 2009	**5,637**	**1,684**	**−10**	**8,379**	**−1,336**	**−46**	**14,308**

01/01/08 – 09/30/08

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	0	13,858
Purchase of treasury shares		−41			−411		−425
Measurement of financial instruments			−59				−59
Currency translation			12				12
Minority interest						237	237
Net income 2008				1,726			1,726
Balance as of September 30, 2008	**5,637**	**1,643**	**−196**	**8,726**	**−725**	**237**	**15,322**

Notes to the Consolidated Financial Statements for Q3/2009

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

Segment Reporting

As of September 30, 2009

	Quarterly report III/2009 07/01/2009 – 09/30/2009 EUR (in thsds)	Quarterly report III/2008 07/01/2008 – 09/30/2008 EUR (in thsds)	Nine-month report 2009 01/01/2009 – 09/30/2009 EUR (in thsds)	Nine-month report 2008 01/01/2008 – 09/30/2008 EUR (in thsds)
Automotive Electronics				
Revenue	2,092	3,884	6,312	11,309
Segment result (EBIT)	74	426	–948	488
Depreciation/amortization	145	202	478	591
Segment assets	–	–	5,555	7,701
Segment liabilities	–	–	1,905	3,306
Capital expenditure (not including long-term investments)	121	135	287	404
Industrial Automation				
Revenue	3,690	4,802	10,872	13,377
Segment result (EBIT)	–40	552	–579	1,926
Depreciation/amortization	521	449	1,561	1,222
Segment assets	–	–	9,568	9,361
Segment liabilities	–	–	3,119	3,837
Capital expenditure (not including long-term investments)	599	761	1,793	1,809
Not distributed				
Revenue	–	–	–	–
Segment result (EBIT)	–	–	–	–
Depreciation/amortization	–	–	–	–
Segment assets	–	–	6,263	7,063
Segment liabilities	–	–	2,054	1,660
Capital expenditure (not including long-term investments)	9	62	22	212
Total				
Revenue	5,782	8,686	17,184	24,686
Segment result (EBIT)	34	978	–1,527	2,414
Depreciation/amortization	666	651	2,039	1,813
Segment assets	–	–	21,386	24,125
Segment liabilities	–	–	7,078	8,803
Capital expenditure (not including long-term investments)	729	958	2,102	2,425

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