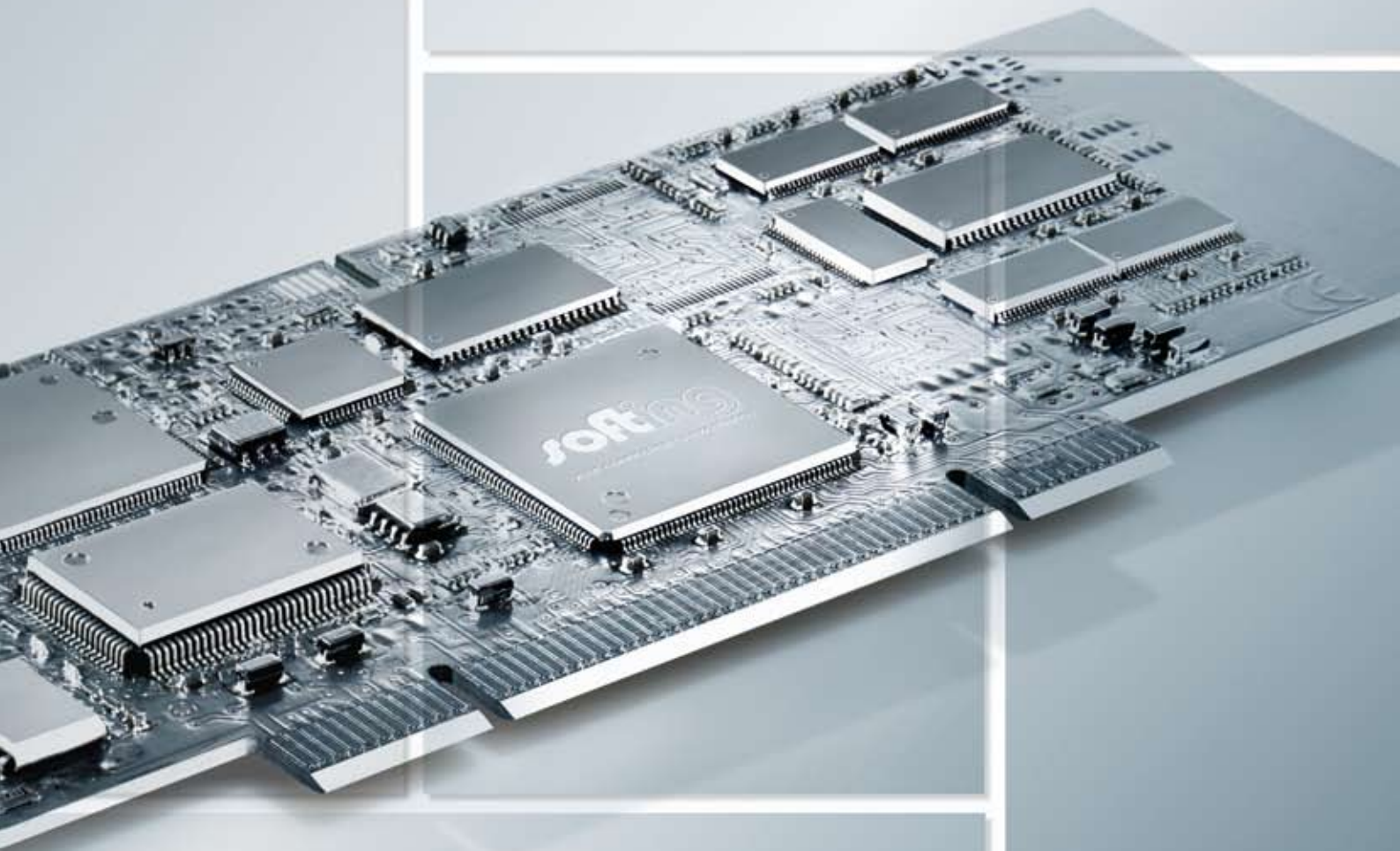


2/2010

Quarterly Financial Report



- ▶ Economic Skies Begin to Clear:
Softing is Back on Course of Growth



*Dear Shareholders, Employees,
Friends and Partners of Softing AG,*

By mid-year, the mood in the German economy was better than it has been for a long time. Hans-Werner Sinn, president of the Ifo Institute for Economic Research, even spoke of a “party atmosphere” when the most recent Ifo business climate index was released. The index surprisingly climbed 4.4 points in July to reach 106.2 points - the highest level in three years. “Surprisingly” is the key word here since the sovereign debt crises and growing economic risks of some of our most important trade partners hinted that the economic barometer may have fallen slightly. There are many indications that the lows were exaggerated during the crisis, which has now led to overcorrection in the other direction. However, this is a balancing process that will not take forever. Even though the experts expect a considerable slowdown in the second half of the year, we should still be pleased with the economic environment.

The economic upturn has had a noticeable impact on Softing’s business as well. In the second quarter, Softing recorded a very welcome growth of 36%. All of our key figures indicate a definite upward trend: The figures for both the second quarter and the entire first half of 2010 are significantly higher than in the same period last year. Our EBIT rose by around EUR 1.8 million, but the overall Group EBIT of EUR 200 thousand is just above the zero line. This is due to one-off costs and the development of the Automotive Electronics division, which remains weak.

The table below compares the most important key figures for 2010 and 2009:

All figures in EUR million	Quarterly report II/2010	Quarterly report II/2009	Six-months report 2010	Six-months report 2009
Incoming orders	7.2	4.4	14.0	10.8
Sales	7.1	5.2	13.9	11.4
Earnings (EBIT)	0.0	-0.7	0.2	-1.6
Net income/loss	0.0	-0.7	0.2	-1.2
Earnings per share in EUR	0.00	-0.14	0.03	-0.24

At the moment, only suppliers are benefiting from the very good development in the automobile industry. Manufacturers are keeping their costs low, thus taking advantage of strong returns. The recovery will not affect contracts for development and service activities until the budgets for 2011. Therefore, it is critical for us to take steps now to ensure that we have even more attractive high-quality products and services in place in 2011 that will make us the ideal partner to the automobile industry.

We anticipate slowing but stable growth in the second half of the year. Softing's market environment has recovered well and will benefit from the economic upswing in the coming months. I therefore expect Softing to continue on its solid course of growth, and I anticipate a positive net profit for the Company as a whole at the end of the year.

This year's General Shareholders' Meeting took place on May 31. The resolutions for restructuring the Group passed with an overwhelming majority of votes. The General Shareholders' Meeting has therefore laid the foundation for Softing's sustainable growth. You can find more information, particularly about the new structure of the Group, on the Investor Relations pages of the Softing website under "General Shareholders' Meeting."

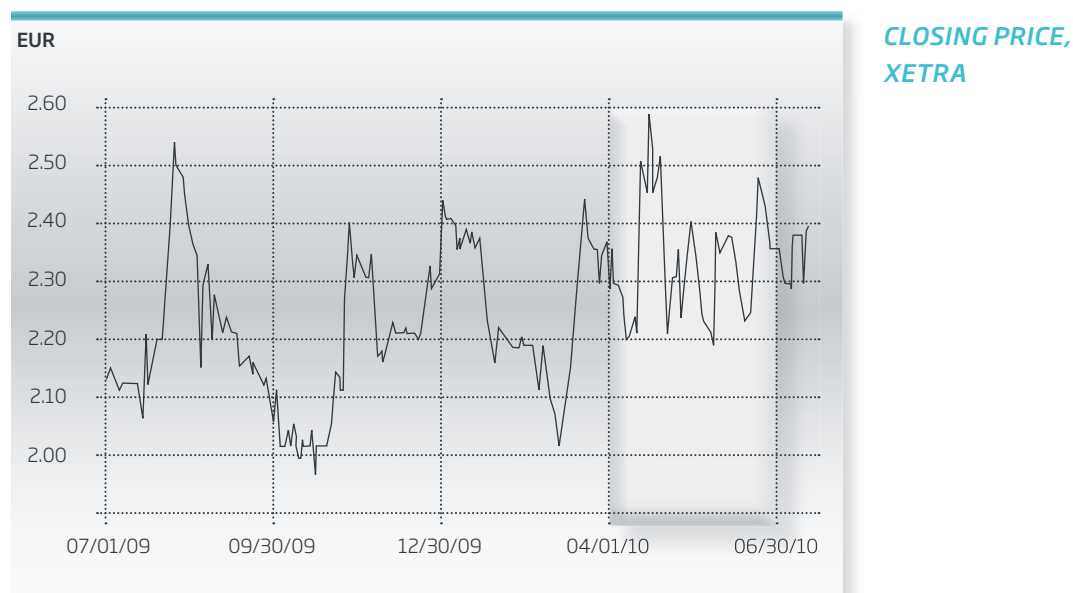
I hope that you, the friends of Softing AG, remain committed to the Company and continue to accompany us as we evolve.

With warm regards,

A handwritten signature in black ink, appearing to read 'W. Trier', with a stylized flourish at the end.

Dr. Wolfgang Trier
(Chairman of the Executive Board)

Stock price - Directors' Holdings - Financial calendar



DIRECTORS' HOLDINGS AS OF JUNE 30, 2010

Boards	Shares		Options	
	06/30/2010 Number	03/31/2010 Number	06/30/2010 Number	03/31/2010 Number
Supervisory Board				
Dr. Horst Schiessl (chairman), Attorney at Law, Munich	-	-	-	-
Michael Wilhelm (deputy chairman), CPA/tax advisor, Munich	-	-	-	-
Andreas Kratzer (member of the Supervisory Board)	8,000	8,000	-	-
Executive Board				
Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich	-	888,205	-	574,507
Dr.-Ing. Michael Siedentop, Neutraubling	-	-	-	-

FINANCIAL CALENDAR

August 13, 2010 Quarterly Report 2/2010
 November 15, 2010 Quarterly Report 3/2010
 November 22 – 24, 2010 German Equity Forum in Frankfurt/Main

Group Management Report

for the 2/2010 Quarterly Financial Report

Economic Environment

Experts expect the German economy to recover from its deepest recession since 1949 and record growth of around 2.0% in 2010. There were also signs of recovery in the manufacturing and automotive sectors, which were hit hardest by the global economic crisis. Softing therefore anticipates an increase in incoming orders and sales as well as positive earnings both in Automotive Electronics and Industrial Automation for 2010.

Earnings

Sales in the Automotive Electronics division in the first six months of 2010 rose by 13.1% to EUR 4.8 million (previous year: EUR 4.2 million). Industrial Automation even recorded a sales increase of 27.7% to EUR 9.2 million (previous year: EUR 7.2 million). The sales of the Softing Group thus rose by more than 22% to EUR 13.9 million in the first six months of 2010 (previous year: EUR 11.4 million). EBIT in the reporting period came in at EUR 0.2 million (previous year: EUR -1.6 million). As of June 30, 2010, orders on hand in the Group totaled EUR 4.5 million (March 31, 2010: EUR 4.4 million).

Assets and Financial Position

The equity of the Softing Group rose by EUR 0.1 million to EUR 13.7 million in the first six months of 2010 (December 31, 2009: EUR 13.6 million). Cash and cash equivalents in the second quarter of 2010 declined by EUR 0.3 million to EUR 3.4 million, compared to EUR 3.7 million as of March 31, 2010.

Research and Product Development

In the first six months of 2010, Softing capitalized a total of EUR 1.6 million (previous year: EUR 1.3 million) for the development of new products and the enhancement of existing ones. Other significant amounts were expensed.

Employees

As of June 30, 2010, the Group had 216 employees (previous year: 222). 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, 2010, the Company's risk structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2009. Material changes are also not expected for the remaining six months of 2010. For more information, please refer to our Group Management Report in the 2009 Annual Report, page 7 et seq.

Outlook

In summary, we can say that Softing's market environment has recovered well and will benefit from the economic upswing in the coming months. Softing therefore expects to continue on its solid course of growth and to achieve a clearly positive net profit at year's end.

Events after the Balance Sheet Date

There were no events of special importance after the balance sheet date June 30, 2010.

Consolidated Balance Sheet

According to IFRS as of June 30, 2010, unaudited

Assets	Quarterly report 06/30/2010 EUR	Financial statements 12/31/2009 EUR
Cash and cash equivalents	2,797,627	3,572,317
Marketable securities	600,000	600,000
Trade accounts receivable	4,650,509	4,089,186
Inventories	2,125,542	2,225,195
Prepaid expenses and other current assets	1,824,461	1,343,230
Total current assets	11,998,139	11,829,928
Property, plant and equipment	629,732	670,873
Intangible assets	4,961,612	4,744,097
Goodwill	2,438,952	2,438,952
Borrowings	3,535	0
Deferred taxes	1,757,093	1,845,003
Total non-current assets	9,790,924	9,698,925
Total assets	21,789,063	21,528,853
Liabilities and shareholders' equity	Quarterly report 06/30/2010 EUR	Financial statements 12/31/2009 EUR
Other borrowings	452,048	146,640
Trade accounts payable	1,014,963	1,403,029
Liabilities arising from customer-specific construction contracts	223,917	161,735
Provisions	238,276	99,845
Income tax liabilities	20,592	174,644
Deferred income and other current liabilities	3,656,926	3,443,894
Total current liabilities	5,606,722	5,429,787
Deferred taxes	1,358,033	1,406,769
Employee benefits	1,053,524	992,013
Other non-current liabilities	57,107	82,554
Total non-current liabilities	2,468,664	2,481,336
Issued capital	5,637,198	5,637,198
Capital reserves	1,683,820	1,683,820
Treasury shares	-1,336,254	-1,336,254
Minority interest	90,834	91,692
Accumulated profit (incl. retained earnings)	7,638,079	7,541,274
Total equity	13,713,677	13,617,730
Total liabilities and shareholders' equity	21,789,063	21,528,853

Consolidated Income Statement

According to IFRS as of June 30, 2010, unaudited

	Quarterly report II/2010 04/01/2010 - 06/30/2010 EUR	Quarterly report II/2009 04/01/2009 - 06/30/2009 EUR	Six-months report 2010 01/01/2010 - 06/30/2010 EUR	Six-months report 2009 01/01/2009 - 06/30/2009 EUR
Revenue	7,071,476	5,199,387	13,943,329	11,402,151
Other operating income	265,486	175,517	425,998	352,523
Other own work capitalized	772,518	575,831	1,459,018	1,143,946
Cost of purchased materials / services	-2,093,249	-1,322,157	-4,127,394	-2,641,100
Staff costs	-3,907,106	-3,563,518	-7,646,598	-8,056,183
Depreciation and amortization	-781,300	-685,760	-1,550,116	-1,372,912
Other operating expenses	-1,286,043	-1,097,419	-2,312,564	-2,389,640
Operating income/loss	41,782	-718,119	191,673	-1,561,215
Interest income and expenses	-22,115	-21,676	-75,517	-22,323
Result before income taxes	19,667	-739,795	116,156	-1,583,538
Income taxes	-18,186	-25,994	44,526	184,120
Other taxes	-637	0	-1,605	0
Result before minority interest	844	-765,789	159,077	-1,399,418
Minority interest	-10,695	47,464	859	195,641
Net income/loss	-9,851	-718,325	159,936	-1,203,777
Earnings per share (basic)	0.00	-0.14	0.03	-0.24
Earnings per share (diluted)	0.00	-0.14	0.03	-0.24
Average number of shares outstanding (basic)	5,104,596	5,023,001	5,104,596	5,084,400
Average number of shares outstanding (diluted)	5,104,596	5,023,001	5,104,596	5,084,400

Consolidated Cash Flow Statement

According to IFRS as of June 30, 2010, unaudited

	Six-months report 2010 01/01/2010 - 06/30/2010 EUR (in thsds)	Six-months report 2009 01/01/2009 - 06/30/2009 EUR (in thsds)
Cash flow from operating activities		
Net income / loss	159	-1,399
Exchange differences recognized in equity	17	-7
+ Depreciation / amortization	1,550	1,373
+ Increase in provisions	151	50
+/- Change in net working capital	-920	491
= Net cash provided by operating activities	957	508
Cash flow from investing activities		
- Acquisition of subsidiaries, less acquired cash and cash equivalents	0	-348
- Payments made for investments in self-produced intangible assets	-1,579	-1,269
- Payments made for investments in other intangible assets and in property, plant and equipment	-152	-109
= Net cash used in investing activities	-1,731	-1,726
Cash flow from financing activities		
- Buy-back of treasury shares	0	-251
= Net cash provided by financing activities	0	-251
- Decrease in cash and cash equivalents	-774	-1,469
+ Cash and cash equivalents at beginning of period	4,172	5,567
= Cash and cash equivalents at end of period	3,398	4,098

Changes in Shareholders' Equity

01/01/2010 - 06/30/2010							
EUR (in thsds)	Issued capital	Capital reserves	Retained earnings	Accumulated profits	Treasury shares	Minority shares	Total
Balance as of December 31, 2009	5,637	1,684	-253	7,795	-1,336	91	13,618
Purchase of treasury shares							-
Measurement of financial instruments			-80				-80
Currency translation			17				17
Minority interest							-
Net income 2010				159			159
Balance as of June 30, 2010	5,637	1,684	-316	7,954	-1,336	91	13,714

01/01/2009 - 06/30/2009							
EUR (in thsds)	Issued capital	Capital reserves	Retained earnings	Accumulated profits	Treasury shares	Minority shares	Total
Balance as of December 31, 2008	5,637	1,684	25	9,471	-1,085	176	15,908
Sale 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR Q2/2010

This Quarterly Financial Report was prepared using the same accounting policies as in financial year 2009.

Segment Reporting

As of June 30, 2010

	Quarterly report II/2010 04/01/2010 - 06/30/2010 EUR	Quarterly report II/2009 04/01/2009 - 06/30/2009 EUR	Six-months report 2010 01/01/2010 - 06/30/2010 EUR	Six-months report 2009 01/01/2009 - 06/30/2009 EUR
Automotive Electronics				
Revenue	2,445	1,999	4,774	4,220
Segment result (EBIT)	40	-104	-82	-1,022
Depreciation /amortization	230	139	432	333
Segment assets	-	-	5,350	5,222
Segment liabilities	-	-	2,232	1,848
Capital expenditure (not including long-term investments)	369	87	574	166
Industrial Automation				
Revenue	4,626	3,200	9,169	7,182
Segment result (EBIT)	2	-614	274	-539
Depreciation /amortization	551	547	1,118	1,040
Segment assets	-	-	9,474	8,894
Segment liabilities	-	-	4,013	2,968
Capital expenditure (not including long-term investments)	530	588	1,140	1,194
Not distributed				
Revenue	-	-	-	-
Segment result (EBIT)	-	-	-	-
Depreciation /amortization	-	-	-	-
Segment assets	-	-	7,050	6,788
Segment liabilities	-	-	1,850	1,885
Capital expenditure (not including long-term investments)	8	6	17	13
Total				
Revenue	7,071	5,199	13,943	11,402
Segment result (EBIT)	42	-718	192	-1,561
Depreciation /amortization	781	686	1,550	1,373
Segment assets	-	-	21,874	20,904
Segment liabilities	-	-	8,095	6,701
Capital expenditure (not including long-term investments)	907	681	1,731	1,373

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

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