2011

Annual Report

- Sales increased to EUR 41.1 million
- EBIT reaches new record high of EUR 4.25 million
- Strong base for 2012 performance

softing
your connection to excellence

Consolidated Key Figures

		2011	2010	2009
Revenue	(EUR million)	41,15	31,67	23,66
EBIT	(EUR million)	4,25	1,53	-2,46
Consolidated profit/loss	(EUR million)	3,05	0,99	-1,85
Non-current assets	(EUR million)	9,47	9,98	10,60
Current assets	(EUR million)	21,49	16,27	10,95
Equity	(EUR million)	17,20	14,96	13,62
Cash and cash equivalents	(EUR million)	8,54	6,14	4,17
Number of employees (annual average)		258	224	227
DVFA/SG earnings per share	(EUR)	0,58	0,19	-0,33

Table of Contents

Preface by the Chairman of the Executive Board	**2**
Group Management Report	**4**
Consolidated Financial Statements	**22**
Notes to the Consolidated Financial Statements	**28**
Responsibility Statement	**71**
Changes in Intangible Assets and Property, Plant and Equipment	**72**
Auditors' Opinion	**74**
Report of the Supervisory Board	**75**
Corporate Governance Report	**79**

Preface by the Chairman of the Executive Board

Dear Shareholders, Employees, Partners and Friends of Softing,

I can keep it short: In 2011, we achieved the best results in the Company's history. While 2010 was a very good year for Softing, we clearly surpassed ourselves with an even more successful year in 2011. Our sales climbed to a record high of EUR 41.1 million, while our earnings of EUR 4.25 million were the highest in Softing's history.

Despite the slight cooling of the economy in the second half of the year, all of our key figures such as incoming orders, sales and earnings improved significantly. Our incoming orders increased by around 33%, while our sales climbed no less than 30% to reach EUR 41.1 million. Earnings before interest and taxes (EBIT) rose by 177% to EUR 4.25 million, enabling us to reach our goal of a double-digit EBIT margin much faster than expected. All of our other key figures are also evidence of Softing's success. Details can be found in the overview table inside the cover of this report. In light of this success, the Executive Board and the Supervisory Board will propose an attractive dividend at the Annual General Meeting.

Our success is based on the 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.

We are well equipped to face the years to come. And we will have to be, because the economic situation is not going to get any easier. It would certainly be too drastic to speak of a global recession, even though many euro countries are currently in a recession and the countries in southern Europe have not yet found a way out of their sovereign debt crisis. Fortunately, the newly industrialized economies are still experiencing an upswing and the US economy is showing initial signs of recovery as well. Softing can benefit from this thanks to its international orientation and strengths in the process industry.

However, the sovereign debt crisis must not worsen again. If it does, it would result in a serious loss of confidence that would have a severe impact on the real economy. This can only prevented through courageous actions at the political level - but at the moment we are forced to look on with a mixture of helplessness and anger as Germany's hard-earned assets are pumped straight into the crisis-ridden countries by the European Central Bank and the policymakers. Germany bears the greatest liability for the decisions made by the ECB but has virtually no relevant presence in its decision-making bodies. What's worse, by easing the strain on the crisis-ridden countries in the short term, the ECB has eliminated the only conceivable impetus for the domestic implementation of long-overdue corrective actions in these countries, thus leaving the core problems unsolved.

With its combination of a modern product portfolio, close customer relationships and strong financial reserves, Softing is in a better position than many of its competitors. This enables us to react quickly to opportunities in the market. Consequently, we expect our sales and earnings to increase further in 2012 in both the Automotive Electronics and the Industrial Automation segments. The acquisition of samtec, automotive software & electronics GmbH in 2011 shows that we are systematically pursuing a strategy of combined organic and non-organic growth.

Softing's healthy equity base continues to give us a great competitive advantage. Our recent extremely successful capital increase has ensured that we will be able to take advantage of further opportunities for non-organic growth. It will help to squeeze out our competitors through the ongoing expansion of our product portfolio in 2012. In addition to thanking our shareholders for the confidence they recently expressed in us by oversubscribing our capital increase, I would also like to specially thank our employees whose hard work has helped us achieve these results.

We have set the following main objectives for further development in 2012:

- Increase sales to more than EUR 45 million with EBIT of over EUR 4 million
- Continue to identify and take advantage of opportunities for non-organic growth both nationally and internationally
- Increase our share price through successful business performance in order to offer an attractive dividend yield when interest rates are low

These goals are ambitious, but as Samuel Goldwyn famously said, "The harder I work, the luckier I get." We are claiming the luck of the successful for ourselves. Expectations are high, and Softing - with its growing staff of around 300 employees - intends to meet them with courage, enjoyment and determination.

Sincerely yours,

Dr. Wolfgang Trier
Chief Executive Officer

Group Management Report for the 2011 Financial Year

Business Model and Group Structure

Business Model

Softing is an established international software and systems house in two segments: *Industrial Automation* and *Automotive Electronics*. The Company develops complex, high-quality software, hardware and complete system solutions. Hardware prototypes are developed by Softing itself; production takes place externally.

Through its *Industrial Automation* segment, Softing is a leading provider worldwide of industrial communications solutions and products for the process and manufacturing industry. The products are tailored to the requirements of system and device manufacturers, machinery and plant engineers as well as end users, and they are known for being extremely user-friendly and offering functional advantages. It focuses on components and tools for fieldbus systems and industrial control systems, as well as on solutions for production automation.

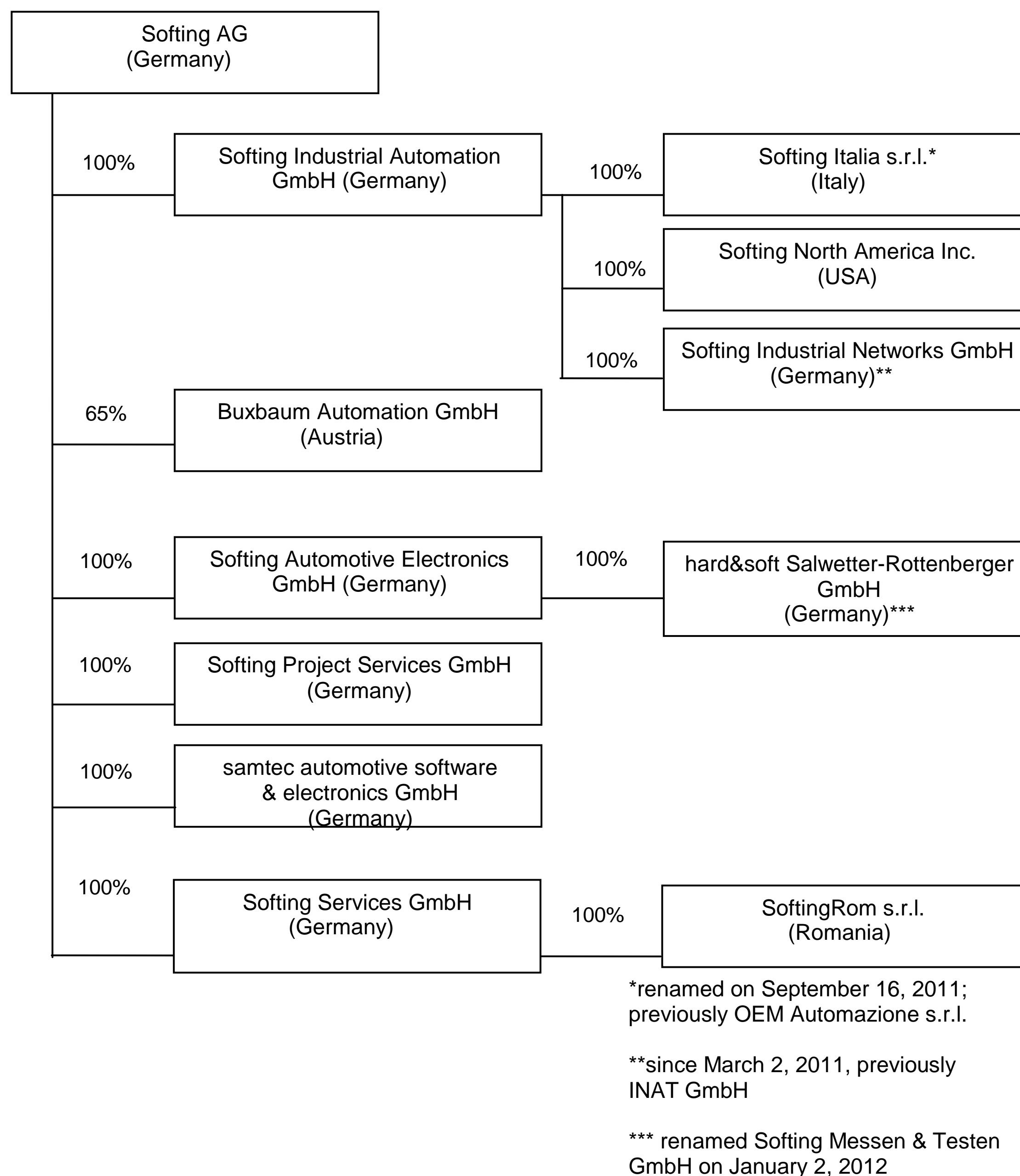
Comprised of the Company's core competence in diagnostics, measurement and testing, Softing's *Automotive Electronics* segment stands for key technologies in automotive electronics as well as such closely related areas in electronics as the commercial vehicle or agricultural machinery industry. The Company's range of products and services encompasses hardware and software, customized solutions as well as on-site consulting and engineering.

Softing specializes in the entire life cycle of electronic control units and systems — from development to production all the way to services.

Development work in *Automotive Electronics* is focused on standardization. Softing is an active member in the major standards bodies for automotive electronics such as ASAM and ISO.

Consulting, analyses, studies and training round out the range of services offered by both operating segments. Softing primarily offers its services and products to the European market, though the North American market is becoming increasingly important. In 2011, we also paid particular attention to the development of Asian markets such as China, Japan and South Korea.

Legal structure of the Group



*renamed on September 16, 2011; previously OEM Automazione s.r.l.

**since March 2, 2011, previously INAT GmbH

*** renamed Softing Messen & Testen GmbH on January 2, 2012

The Softing Group comprises the following entities:

- Softing AG domiciled in Haar near Munich and the following subsidiaries:
  - Softing Industrial Automation GmbH domiciled in Haar near Munich
  - Softing Automotive Electronics GmbH domiciled in Haar near Munich
  - Softing Services GmbH domiciled in Haar near Munich
  - Softing Project Services GmbH domiciled in Haar near Munich
  - Softing Industrial Networks GmbH domiciled in Nuremberg and with branches in Ratingen near Düsseldorf and Karlsruhe
  - hard&soft Salwetter-Rottenberger GmbH, currently named Softing Messen & Testen GmbH in Reutlingen
  - samtec automotive software & electronics GmbH domiciled in Filderstadt

- Softing Italia s.r.l. domiciled in Boscone (Italy)
- SoftingROM s.r.l. domiciled in Klausenburg (Romania)
- Softing North America Inc. domiciled in Newburyport (USA)
- Buxbaum Automation GmbH domiciled in Eisenstadt (Austria)

On the Presentation of the Segments

Segmentation of the Softing Group is based on its internal reporting and organizational structure, taking into account the different risks and income structures of each individual division. Segmentation by divisions entails allocating Softing's activities to the *Automotive Electronics* and *Industrial Automation* segments. Please see the section on "Segment Reporting" in the notes to these consolidated financial statements for further details as well as quantitative disclosures on the Softing Group's segments.

Softing AG

Softing AG is the Group's central management holding company.

Softing Italia s.r.l and Softing North America, Inc.

In 2009, Softing AG acquired all equity interests in OEM Automazione s.r.l., a company domiciled in Cesano Boscone, Italy; it is now named Softing Italia s.r.l. and a subsidiary of Softing Industrial Automation GmbH. The Company's sales office, Softing North America Inc. (Softing North America), which is domiciled in Newburyport, MA, USA, also is a subsidiary of Softing Industrial Automation GmbH. This entity operates in the North American market. Softing's North American subsidiary focuses on the *Industrial Automation* segment. Softing North America has its own development facilities and offers project services in addition to overseeing our product business in North America. In 2011, both companies also made a positive contribution to the overall earnings of the Softing Group.

Softing Industrial Automation GmbH

Softing Industrial Automation GmbH is a leading provider worldwide of industrial communications solutions and products for the process industry and the manufacturing industry. The products are tailored to the requirements of system and device manufacturers, machinery and plant engineers or end users, and they are known for being user-friendly and offering functional advantages.

Softing Industrial Networks GmbH

In January 2011, Softing AG acquired the remaining equity interest of 12.5% in former INAT GmbH, which was renamed Softing Industrial Networks GmbH on March 2, 2011. Softing Industrial Networks has been a subsidiary of Softing Industrial Automation since December 31, 2011. The products of Softing Industrial Networks GmbH are well positioned in industrial automation. The company's focus is on products for industrial communication, OPC software and network diagnostics in the manufacturing and process industry. The acquisition of the additional equity interest in Softing Industrial Networks GmbH further strengthens Softing's *Industrial Automation* segment. At the same time, the sales organizations of both companies will benefit from synergies. In 2011, this company also made a positive contribution to the overall earnings of the Softing Group.

Buxbaum Automation GmbH and Softing Italia s.r.l.

The two sales offices Buxbaum Automation GmbH, Eisenstadt, and Softing Italia s.r.l., Milan, now allow Softing to serve customers in both countries locally. In 2011, our enhanced sales presence had a positive impact on sales.

Softing Automotive Electronics GmbH

Softing Automotive Electronics GmbH offers products and services for diagnostics and test automation. The comprehensive process-based approach of the Softing solutions enhances quality and reliability in

control unit communications.

With over 80,000 installations, Softing holds a leading position in the growth market for diagnostic and test systems in the field of automotive electronics. Automobile manufacturers and system and control unit suppliers around the world rely on Softing's proven hardware and software tools and solutions.

hard&soft Salwetter-Rottenberger GmbH, now named Softing Messen & Testen GmbH

Hard&soft Salwetter-Rottenberger GmbH was renamed Softing Messen & Testen GmbH in January 2012. Softing continues to develop and refine this company's products and services. A measurement technology unit has been added.

Softing has successfully engaged in the field of automotive test solutions for more than 20 years and offers extensive expert knowledge on every aspect of automated testing of automotive electronics. The Company has already implemented functional tests and test designs for many control units used in motor vehicles.

Softing Services GmbH

Softing Services GmbH provides services for Softing AG's operating companies.

SoftingRom s.r.l.

The subsidiary SoftingROM s.r.l. (SoftingROM), which is domiciled Klausenburg, Romania, is a subsidiary of Softing Services GmbH. By now it has grown to more than 30 developers. SoftingROM forms an important pool of IT specialists for complex development tasks within the Softing Group. The company is also strategically important to the Group for competitive reasons.

Softing Project Services GmbH

To offer the best possible support, Softing Project Services GmbH provides high-quality services directly on customers' premises. Competent consulting and engineering services focused on the Company's core competence — diagnostics, measurement and testing — are rendered to customers.

Well-trained staff works directly on site. Establishing close links between all important participants is a hallmark of the approach of Softing Project Services GmbH and plays a decisive role in the success of its projects.

samtec automotive software & electronics GmbH

Samtec automotive software & electronics GmbH (samtec) has been an established automotive diagnostics specialist for the past 25 years. samtec develops hardware and software for communicating with automotive control units on all relevant bus systems. Softing AG acquired all equity interests in samtec in the fall of 2011, having entered into a strategic partnership with the company years earlier. The family of HS interfaces complements Softing's diagnostic interfaces. The companies have already engaged in the joint development of such solutions as TestCUBE2.

These consolidated financial statements were prepared in accordance with Section 315a para 1 German Commercial Code subject to application of the International Financial Reporting Standards (IFRS) as applicable within the European Union.

Management, Goals and Strategy of the Softing Group

Management

The Softing Group uses two key performance indicators (KPI) — sales, as well as earnings before interest and taxes (EBIT) — to manage its business on the whole. Working capital is also managed via KPIs. Working capital mainly comprises inventories as well as trade receivables and trade payables.

Inventories are analyzed on an ongoing basis, and any need for writedowns is determined based on inventory coverage. Short-term sales forecasts are used to manage orders for new goods based on inventory availability. Trade receivables are periodically monitored based on their aging structure and tested for impairment. Receivables are usually subject to internal credit limits. Days sales outstanding (DSO) are also monitored on an ongoing basis and constitute yet another key performance indicator used to manage the Company's working capital. Trade payables are settled using available cash discounts.

Goals

While the Softing Group aims for sustained, profitable growth in both sales and profits, profitability has priority over mere growth. The Company's sustained and long-term goal is to achieve a return on equity of about 10 percent before taxes and interest.

Strategy

The Executive Board established the strategic goals for the Softing Group's next four years in collaboration with the Company's managers. It will oversee the implementation of the strategy at the operating level and continuously monitor it. Expanding Softing's current market positions through ongoing development of existent customer relationships and targeted acquisition of new customers is a key goal.

Economic Environment and Performance

Global Economy Exposed to Several Shocks in 2011

In 2011, the global economy had to deal with several shocks at once. During the year's first half, rising commodities prices diminished the purchasing power of households and companies alike. The natural and nuclear disaster in Japan disturbed international delivery chains, in turn further weakening the global economy. The euro zone's sovereign debt crisis escalated during the year's second half, causing considerable turmoil in the global financial markets.

According to the Institute for the Global Economy (IfW) based in Kiel, Germany, after robust growth of 5.1% in 2010, the global economy expanded by only 3.8% in 2011 on the whole. The IfW stated that in 2011 the gross domestic product (GDP) grew by 1.5% in the euro zone, 1.7% in the United States and 9.5% in China. The economic risks were reflected in the financial markets. In the summer, stock prices plunged the world over and risk premiums for low-rated sovereigns rose considerably, not just for euro zone countries but also for emerging economies.

The German Economy Had a Good Year

Increased capital spending, strong exports and consumers willing to spend their money gave the Federal Republic of Germany its second boom year in a row. According to estimates of the Federal Statistical Office, in 2011 Germany's GDP rose by a total of 3.0% in the aggregate. In 2010, it had expanded by 3.7%. The worldwide downturn put a damper on the German economy only toward year's end. GDP contracted in the fourth quarter for the first time since the financial crisis. According to the Federal Statistical Office, it fell by about 0.25% between October and December compared to the preceding quarter; growth in the third quarter had still been 0.5%.

Especially domestic sources provided the impetus for growth in 2011. Private consumption, in particular, supported the economy: at 1.5% in real terms, it rose as much as it had five years ago. While the export sector played a smaller role in GDP growth than domestic demand, it did not lose its momentum. In 2011,

Germany exported 8.2% more goods and services in real terms than a year earlier. Both the upturn and the simultaneous restraint in government spending helped to substantially lower the government deficit. New government debt rose by 1% in 2011, thus complying with the EU's debt ceiling for the first time in three years.

The German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau - VDMA) reports that the German machinery and plant engineering industry expanded by 14% in 2011 and electrical automation even by 20%. The recovery of the electrical automation sector from the crisis continued through 2010 until mid-2011 almost uninterruptedly. The VDMA's Robotics + Automation Trade Association is projecting that sales in 2011 even reached EUR 10.3 billion, a record. This means that the industry expanded by 37% compared to 2010. According to the aforementioned trade association, all three subsectors will close 2011 with the highest sales ever. Sales in assembly and handling technology are expected to have surpassed the EUR 6 billion mark in 2011 (a plus of 42% compared to 2010). According to the forecast, the robotics sector will reach EUR 2.7 billion (+ 38%). Industrial imaging is said to have risen by 20% to EUR 1.5 billion in 2011.

According to the Electronic Components and Systems unit of the German Electrical and Electronic Manufacturers' Association (ZVEI) , the German market for electronic components grew by a solid 7% to about EUR 18 billion in 2011 — mainly driven by automotive engineering. In Europe, sales of electronic components expressed in US dollars rose by just under 6% to more than USD 66 billion in 2011, thus returning to its 2007 pre-crisis level. According to the estimates of ZVEI's market experts, the global market grew by about 4% to USD 475 billion during this period.

Softing's Earnings in 2011: Record EBIT of EUR 4.25 Million

In 2011, Softing benefitted substantially from Germany's highly stable and solid economy. Not just newly acquired customers but also new products as well as those that have already reached the end of their useful life contributed to the increase in sales. Consolidated sales climbed from EUR 31.7 million by 30% to EUR 41.1 million.

This increase was reflected in both segments. Sales in the *Industrial Automation* segment rose from EUR 20.2 million by 14% to EUR 23.0 million, and in the *Automotive Electronics* segment from EUR 11.5 million even by 58% to EUR 18.1 million. Softing profited, in particular, from rising demand for both hardware and software products. Sales growth in the *Automotive Electronics* segment was also due to increased sales of products that have reached the end of their useful life.

Other income rose substantially. This was due, for one, to a reinstated receivable in the amount of EUR 0.3 million and, for another, to greater income from supported projects.

The cost of materials climbed by EUR 3.0 million, an increase of 33%. This was mainly due to the 30% rise in sales. The cost of materials ratio remained almost unchanged owing to the higher percentage of software used even though product sales account for a rising percentage of total sales; as before, sales from software products account for the lion's share of sales. Projects use fewer goods than product sales. The cost of materials ratio (cost of materials relative to sales) rose from 28.6% to 29.3%.

Payments to employees jumped by EUR 3.3 million or 20.8%, for various reasons. The average number of employees in the Group rose from 224 by 15% to 258 during the financial year. Besides regular salary increases, the performance-based compensation of both non-executive personnel and the members of the Executive Board also contributed to this increase. They increased year on year due to the improvement in profits.

Other expenses climbed by EUR 0.8 million due mainly to the continued growth in the business volume. Earnings before interest and taxes (EBIT), i.e. profit from ordinary business activities, rose from EUR 1.5 million by EUR 2.7 million to EUR 4.2 million largely for the aforementioned reasons.

Consolidated net profit for the year after taxes and interest was EUR 3.1 million (previous year: EUR 1.0 million). Given existing loss carryforwards, the tax expense of EUR 1.2 million largely concerns deferred taxes that will lead to lower tax payments in the future.

Assets, Liabilities and Cash Flows

The Softing Group had equity of EUR 17.2 million at the end of 2011 (previous year: EUR 15.0 million), an increase of EUR 2.2 million or 15%. The consolidated equity ratio was 56% (previous year: 57%) owing to higher total assets.

Among others, the Group's non-current assets comprise capitalized product developments, deferred tax assets, goodwill and other intangible assets. Non-current assets at the end of 2011 represented 30.8% of total assets (previous year: 38.0%). This is offset by equity and non-current liabilities representing 63.1% (previous year: 71.3%) of total equity and liabilities. The increase by EUR 3.0 million in cash and cash equivalents due to growing profits largely accounts for the EUR 4.7 million increase in total assets.

Cash and cash equivalents at year's end were EUR 7.3 million (previous year: EUR 4.3 million). The cash flow from operating activities rose from EUR 3.4 million by 87% to EUR 6.3 million thanks to the positive development of earnings. and consolidated profit, which was EUR 2.1 million higher year on year. We boosted inventories by EUR 1.6 million in order to be able to make rapid deliveries, given rising sales. This has a negative effect on the operating cash flow. Both trade receivables and trade payables have risen due to the increase in sales. The net position rose by EUR 0.4 million, causing an outflow of funds.

Funds used for long-term investing activities were EUR 3.3 million, which is virtually unchanged from the previous year. Capitalization of own product developments fell by EUR 0.5 million in this connection. This stems from the fact that own product developments were increasingly realized as part of specific customer projects. These expenses are not capitalized; instead, they are expensed immediately. The increase in investments in operating and office equipment had a countervailing effect.

We redesigned our offices in Haar near Munich in 2012, creating a new customer conference center in the process. In terms of interior decoration, the offices were reconfigured to enhance the collaboration among our staff.

In sum, it may be stated that the Company's assets, liabilities and cash flows remain very solid and that its profits continued to grow substantially in the financial year just ended.

There were no other events in general, particularly no risks to the company, that deviated materially from the Executive Board's earlier assessments.

Research and Product Development

For years, the Softing Group has invested a large portion of its sales in research and development. In total, Softing invested EUR 2.3 million (previous year: EUR 2.8 million) in the development of new products and the enhancement of existing ones. In addition, non-capitalizable research and development expenses totaled EUR 1.5 million (previous year: EUR 0.6 million).

Investments in the *Industrial Automation* segment totaled EUR 1.5 million (previous year: EUR 1.7 million). Investments in products that offer profit potential in the short and medium term had priority. The main focus was on functional expansions and on supporting tools for select products. Select examples are furnished below.

Version 4 of the PROFIBUS tester concerns the operation of interface and measurement electronics

without being linked to a computer, substantially improving the user's on-site mobility. The product was broadened to include the functionality of continuous data recording. This helps to identify the cause of sporadically occurring errors in PROFIBUS networks.

The OPC Development Toolkit family was expanded by a ".NET" option for OPC Unified Architecture (UA). In addition, new versions of the OPC Classic Toolkits and the OPC UA C++ Toolkits were presented to the market. Equipping the OPC Easy Connect Suite with "StoreAndForward," OPC2File and OPC Server2Server added additional highly functional components for more secure and efficient OPC communication.

The FIM-110-FF offers end users and plant engineers in the process industry a complete solution for linking state-of-the-art FOUNDATION fieldbus devices to existing Modbus networks. Softing's Modbus-on-FOUNDATION fieldbus gateway FG-110-FF is at the heart of this product. It gives Softing access to the installations of a major international manufacturer of control units and devices.

In 2011, the *Automotive Electronics* segment invested a total of EUR 0.8 million (previous year: EUR 1.1 million), thus slightly strengthening the development of new products and the enhancement of existing ones compared to the previous year. In order to promote developments that are in line with market demand and ensure that Softing has suitable solutions in place when the economy is booming, the Company invested in product developments in close coordination with potential customers.

We had started to focus on our core expertise (diagnosis, bus communication and testing) in 2009 and continued in that vein in the financial year just ended. The DTS Monaco and DTS COS projects, in particular, were successfully implemented in 2011 and brought to market. The latest version of DTS-COS — the operating system for all diagnostic applications, as it were — fulfills the requirements of ISO 22900/22901. This creates future opportunities for us with respect to all major manufacturers of passenger cars and commercial vehicles.

Softing *Automotive Electronics* complemented its existing portfolio of products and services through the addition of measurement technology. To this end, Softing entered into a strategic partnership with Dr. Ing. h.c. F. Porsche AG. The new Softing measurement technology (SMT) concerns both mobile and stationary modular measurement systems that are connected via a serial high-speed BUS. SMT also includes a plug 'n play concept, which can be calibrated at any time, as well as a transducer electronic data sheet (TEDS).

As part of the strategic partnership, Porsche is supporting Softing in the ongoing development of measurement technology that has been tested under the most stringent conditions. Aside from joint work on product refinement, Softing is thus taking on responsibility for both production and sales in the international market. The first prototypes of the new SMT Softing measurement technology have been available since October 2011. The official market launch is slated for 2012.

We also launched solutions that go beyond the passenger car segment (the strongest one), for instance for the utility vehicle segment, which requires testing solutions and end-of-line test stands. The Automotive Electronics segment continued to focus on the open diagnostic data exchange ODX standard, as in previous years. Softing offers the entire product range related to it, from the DTS-Venice ODX-Editor, to the DTS-Monaco testing tool along with the DTS-COS D-Server, all the way to test automation solutions using the TestCASE and TestCUBE testing tools.

Softing employees are participating in standardization committees to promote development work in this area. The implementation of the ODX 2.2 standard (ISO 22901) in first products shows that these committees' crucial work in recent years has paid for itself. For one, it guarantees the Softing customer's investment and, for another, warrants that Softing's products are rooted in standards, thus enabling flexible connections to third-party solutions.

In 2011, Softing consolidated its strong position in the segment for vehicle interfaces for communicating with automotive electronic systems and individual control units by taking over samtec automotive software & electronics GmbH. The family of HS interfaces complements Softing's diagnostic interfaces, and the companies have already engaged in the joint development of solutions such as TestCUBE2. Innovative hardware and software solutions that are currently still in development will further increase the benefits for customers.

The quality initiative launched in 2007 known as the SPICE project (Software Process Improvement and Capability Determination) continued in 2011 and led to a further improvement in development processes and an increase in the standard of quality. Innovative software engineering and software quality assurance methods will continue to be important in this context.

Softing continued to raise its profile in 2011 by focusing on its core areas of expertise. This entailed developing the market through partnerships, where Softing's portfolio of products and services was combined with or expanded by the given partner's products and services in targeted ways. The expansion of the portfolio by Schleißheimer GmbH's CanEasy product is an example of such an alliance. CanEasy is a Windows-based, automatically configured simulation, analysis and test environment that provides excellent support for all applications in the development of control units: Specifically, simulation of complex BUS systems and diverse analyses of communications in an environment enabling high productivity from the start thanks to both automation and enormous flexibility.

The strong economy in 2010 and 2011 successfully stabilized our business, especially in the *Automotive Electronics* segment, and laid the foundation for expanding it in 2011. In retrospect, our success in winning key projects from leading companies is largely rooted in our focus on business activities that we are now actively pursuing. It shows that Softing has established itself further as one of the market leaders, especially in automotive diagnostics. The Softing Group continues to secure its technology leadership through technological partnerships, participation in important standardization committees and involvement in innovative research projects. In 2012, the Softing Group will invest in the development of new products and the refinement of existing products in amounts roughly equivalent to 2010.

Employees

At the end of 2011, the Softing Group had a total of 293 full-time employees (previous year: 233). There were 182 employees working in research and development (previous year: 143), and 60 in marketing and sales (previous year: 60).

As always, Softing invested heavily in employee training in 2011. 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 too.

Targeted advertising enabled us to substantially enhance the Company's recognition this past year, also among students. It is an important factor in the success of the revived resident engineering business. It helped us to expand this business in 2011. Recruiting new employees with adequate qualifications is a major challenge.

Opportunities for the Company's Future Development

Softing AG - Positioning of the Operating Segments

Besides the four core companies at its Haar headquarters, the Softing Group also comprises seven subsidiaries. Softing AG acquired all equity interests in samtec automotive software & electronics GmbH in the fall of 2011, having entered into a strategic partnership with the company earlier. In January 2011,

Softing AG acquired the remaining equity interest of 12.5% in former INAT GmbH, which was renamed Softing Industrial Networks GmbH on March 2, 2011. Organizationally speaking, Softing Industrial Networks now is the subsidiary of Softing Industrial Automation. The new structure imposes clear parameters on the subsidiaries, making it easier to generate further growth.

Continued Focus on Automotive Electronics

We continued to focus on our core areas of expertise — data communication, diagnostics and test systems — during the financial year just ended, as we have been doing since 2009, and expanded it by another core area of expertise: measurement. Increased productivity and ongoing quality assurance measures will form a solid foundation for the future improvement of the division's performance. In addition, several deals of strategic importance were closed at the end of 2011, thus firmly anchoring the segment among key customers. In addition, Softing *Automotive Electronics* complemented its existing portfolio of products and services by adding measurement technology.

Product Range in the *Industrial Automation* Segment

Softing has made several organizational and operational adjustments in the *Industrial Automation* segment in recent years, including focusing more heavily on the market by moving away from pure technology-oriented solutions towards products with strategic, market-oriented components that offer customers a direct benefit. We will pursue this realignment in 2012 also. In 2011, our investments served first and foremost to further revamp our portfolio with a focus on our core markets — manufacturing automation and process automation — as well as harmonize all products across individual technologies. The market's response to these Softing solutions has been excellent, and the Company anticipates generating further sales growth in this area.

New Technologies

Softing is continuing to broaden new technologies by refining wireless technologies and developing communication devices for extreme applications. We launched the development of a complex communications system for the oil and gas industry in 2011. Certification for use at sites exposed to high risk of explosions, as well as a new time behavior that opens up completely new applications for users, are the special characteristics of this system. First deliveries of the system are planned for 2012.

Softing Industrial Networks GmbH

In April 2008, Softing acquired a majority stake in the Nuremberg-based INAT GmbH, which has strengthened several key strategic elements of the *Industrial Automation* segment. All equity interests in INAT have been acquired by now. INAT GmbH was renamed Softing Industrial Networks GmbH in March 2011. Softing Industrial Networks specializes in industrial automation with a focus on the manufacturing and process industry. The company offers an attractive product portfolio consisting of OPC software and products for Ethernet network diagnosis and for improving the performance of industrial controllers.

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 relatively quickly and inexpensively from Munich. There are also many well-educated engineers and computer scientists in the region. The company's personnel is expected to grow substantially in 2012. The Romanian subsidiary will thus evolve into an important pillar of the Group.

Softing North America, Inc. Subsidiary

Softing North America generated clearly positive earnings in 2011. The Company's product business is now established in the US market. We see particular potential for further sales growth in 2012. New products will support this development in the medium and long term. Smart alliances and matching product policies will provide good opportunities for gaining market share at the expense of competitors.

Risk Management and Individual Risks

Softing is an internationally operating 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. It is the task of our risk policy to carefully weigh the risks associated with this. 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 as well as the accounting processes.

The risks involved in individual business processes were also 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 that we believe to be of little relevance to our business at this time are not mentioned.

Business Risks

In 2011, both sales and profits substantially improved year on year. The increase was particularly pronounced in the fourth quarter.

Nonetheless, there is a general risk both of underutilization of capacities and 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. We make continual investments 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. Our restrictive credit management process allows us to identify imminent insolvencies faster and thus to counteract them in due time. Together, all of these measures again helped to forestall major defaults on receivables in 2011.

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 2011 financial year, Softing hedged the expected cash flows of Softing North America and SoftingROM by entering into classic foreign currency forward contracts.

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 this 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 damage to our IT infrastructure, pose a serious threat to the Company's ability to function. We addressed these risks by means of systematic risk analysis in 2010, which led to the implementation of a host of individual measures aimed, in particular, at rapid recovery of all stored data. In addition, we implemented IT security measures which so far prevented damage caused by computer viruses and sabotage. This is why we believe that the probability of a threat to the security of our data inventories or information systems is rather low.

Personnel Risks

The financial success of the Softing Group is rooted to a large extent in the skills and qualifications of its employees. For this reason, our employees are trained on an ongoing basis to ensure that the quality of their performance corresponds to the requirements of our customers. There is keen competition for highly qualified professionals and executives in the labor market at this time. Qualified staff are a material prerequisite for boosting the Company’s shareholder value. Hence we always seek to recruit new, very well trained personnel; integrate them as best as possible; promote them and establish a long-term collaboration with them. In addition to attractive employment conditions, we also offer our staff targeted training and continued education. But there is the potential risk that suitable professionals or executives cannot be recruited in the market in due time, and that this might have a negative effect on the Company’s assets, liabilities, cash flows and profit or loss.

Compliance

A broad analysis of conceivable compliance risks was carried out in 2011. The identified risks are currently being analyzed from Softing’s vantage point. In taking this step, Softing is acknowledging the growing sensitivity to this topic even if there were no events relevant to compliance.

In our view, there are no acute risks that would jeopardize the Company's existence as a going concern or negatively impact its development.

Risk Analysis and Risk Assessment

Risk analysis entails assessing identified risks in terms of the probability of their occurring (quantitative dimension) and the potential loss (dimension of intensity). Risk assessment is subject to practical limits, however — especially in the area of operating risks — because the number of potential risks is high but, more often than not, the available risk data is incomplete. As a result, subjective risk assessments must be made in many areas exposed to risk because the expenditure for risk management should be reasonable.

Events of Special Importance after the End of the Financial Year

The renaming of hard&soft Salwetter-Rottenberger GmbH produced Softing Messen & Testen GmbH in January 2012. Measurement technology has been added to the Company's existing product portfolio.

The Executive Board of Softing AG resolved on March 5, 2012, with the approval of the Supervisory Board granted at the same day, to increase the Company's share capital from EUR 5,637,198.00 by up to EUR 805,314.00 to a maximum of EUR 6,442,512.00 by issuing up to 805,314 new no-par bearer shares with a pro-rata interest of EUR 1.00 per share in the Company's share capital at an issue price of EUR 4.40 in return for cash contributions. Shareholders are granted their statutory subscription right. The subscription ratio is 7:1. Shares not subscribed by the shareholders will then again be offered exclusively to the Company's shareholders (extra subscription). Trading in subscription rights will not be offered. The subscription period will be two weeks.

Forecast for the Company's Future Development

Economic Experts Expect Different Growth Rates

It would certainly be too drastic to speak of a global recession even though some euro zone countries are currently in a recession. This is because the emerging economies continue to follow an upward trend, and even the U.S. economy reported surprisingly good news of late although conditions in both the labor market and the public sector remain difficult. Having stalled right now, on the whole the global economy will find back to a moderate upward trend in the course of 2012. The euro zone is likely to expand by a modest 0.6%, after 1.5% in 2011. Thanks to robust domestic demand, the stable labor market and the relatively low need for consolidating state finances, Germany is likely to exceed average growth in the EU by one percent in 2012, after substantial growth of three percent in 2011.

But this will happen only if the sovereign debt crisis does not continue to intensify. If it does, it would result in a serious loss of confidence that would have a severe impact on the real economy. This can only be prevented through courageous actions at the political level. What is essential is a broad political consensus on restructuring the state finances of the highly indebted countries of the European currency union.

According to the Institute for the Global Economy, in 2012 the gross domestic product will decline by 0.1% in the euro zone but grow by 1.9% in the United States and 8.0% in China. Reliable economic forecasts are difficult to come by, given the current fiscal and political environment — specifically, the sovereign debt crisis in the euro zone. After high growth in 2011, both the engineering and the electrical and electronics industry are going into 2012 with an optimistic outlook nonetheless. While German machinery and plant engineers are adopting a more conservative outlook than recently, they are still banking on growth. Thomas Lindner, the president of the German industry trade association VDMA expects growth of 4% in the manufacturing sector in 2012 but adds the caveat that its forecast might require adjustments. The German auto industry produced and exported more cars in 2011 than ever before. The VDMA expects the global automotive market to expand by about 4% as well.

In Technological Terms, Softing Is Perfectly Aligned for 2012

Softing's *Industrial Automation* segment has established itself as a reliable and competent partner thanks to its products for industrial communications and data integration. Based on its broad cross-technology expertise, Softing develops hardware and software products for connecting, linking and diagnosing devices and systems in industrial Ethernet and fieldbus architectures.

The willingness to invest in high-performance communications solutions remains high across various industries and sectors. Softing's *Industrial Automation* segment is perfectly positioned for participating in this growth, which continues unabated, thanks to its range of products and services that covers not just established fieldbuses but also significant state-of-the-art industrial Ethernet and wireless technologies for factory and process automation.

The Company's active participation in the relevant technology organizations enables it to identify changes in specifications early on and thus to make timely investment decisions as necessary.

In terms of devices, in 2011 Softing rounded out its product line for integrating WirelessHART. In terms of systems, it expanded its product range for FPGA-based platforms by the PROFIBUS master. The Company continued to expand its market leadership in mobile PROFIBUS diagnostics. Softing *Industrial Automation* will continue to purposefully expand its market position in network diagnostics across different technologies.

The *Automotive Electronics* segment is equally optimistic about its prospects in 2012. The current financial year will be taken up by the implementation of key customer projects, the expansion of the resident engineer business as well as the development of new products and the refinement of existing ones. Softing *Automotive Electronics* is in a strong position thanks to its focus on its core competence — data communication, diagnosis and test systems.

Past and future investments are expected to yield sustained returns thanks to the global standardization of ODX (ISO 22901) in recent years and the global harmonization of the Modular Vehicle Communication Interface (ISO 22900). Important projects with major customers are now in the start-up phase. This issue has become increasingly significant to Asian markets as well — especially South Korea, India and China — and Softing is pursuing it systematically.

DTS was published in its eighth main version at the start of 2012. The most recent version will once again encompass the DTS Venice ODX data editor, the DTS Monaco development tester and the ASAM MCD-3D DTS COS server. Data will be supplied through OTX, and CANdb data can be integrated into the system for purposes of rest bus simulation and measurement.

Softing Automotive Electronics GmbH will also continue to participate in international working groups for data communication and diagnosis to contribute new ideas and to benefit from the promising concepts which emerge.

Outlook for the 2012 Financial Year

Softing expects to boost both orders and sales in 2012 on the whole given the stable economic climate, higher penetration of the relevant market as well as its customers' estimates. In that connection, Softing expects growth in sales of more than 10% in 2012 and EBIT at the current level of about EUR 4 million. The growth target for sales is forecast for both segments. We expect sales growth to continue unabated and EBIT to rise in 2013.

Our strategy is to systematically strengthen our own activities and expand our worldwide presence through targeted partnerships.

We also believe that the current financial year will offer new opportunities for non-organic growth. Softing will use its shareholder structure, its independence and its solid financial base in targeted ways to that end.

Thanks to a combination of its modern product portfolio, close proximity to customers and good financial reserves, Softing is in a better position than many competitors and thus will be able to benefit from opportunities in the market in the near term.

Of course, Softing's continued development hinges largely on the continued positive development of the global economy. This is why the Company's actual performance might deviate from the Executive Board's expectations.

Disclosures under Section 315 para 4 German Commercial Code

1. In 2011, 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. Sareholders' 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. We have been notified of the following direct or indirect equity interests that exceed 10% of the voting rights:

Helm Trust Company Limited, St. Helier, Jersey, Great Britain, notified us in accordance with Section 21 para 1 German Securities Trading Act that its voting shares in our Company exceeded the threshold of 25% on December 5, 2011, and were 26.69% on that date (1,504,720 voting shares).

Of this amount, 26.69% (1,504,720 voting shares) must be allocated to the aforesaid entity in accordance with Section 22 para 1 sentence 1 no. 1. Attributed voting shares are held by the following companies it controls and whose interest in the voting shares of Softing AG is three percent or more in each case:

- Trier Familienstiftung
- Trier Asset Management GmbH
- Trier Vermögensverwaltung GmbH & Co. KG

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 May 2010, 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 May 30, 2015. Said authority was not exercised to date. In May 2010, the General Shareholders' Meeting authorized the Executive Board to purchase own shares until May 30, 2015, 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 ten 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. The Company held a total of 307,602 treasury shares as of 31 December 2011.

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

9. An agreement with one member of the Executive Board gives him the right to terminate his employment for cause if at least one shareholder or a shareholder group acting in a coordinated way reaches 1.4 million voting shares through possession or attribution. If this Executive Board member exercises this right to terminate his employment for cause, he is entitled to compensation equaling approximately two annual salaries.

Basic Information on 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 components are contingent on both consolidated profit and each individual operating segments earnings in the financial year just ended as well as on personal factors. Likewise, Softing AG's market capitalization is key to the variable component of executive compensation as well. Members of Softing AG's Executive Board are also entitled to a company car. 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 10,000 for each full financial year of service on the Supervisory Board. In addition, they also receive a variable remuneration equaling 0.5% of consolidated EBIT before taking into account the Supervisory Board's variable compensation. The chairman receives 200% of the fixed and variable amount, the deputy chairman 150%. The compensation for the entire Supervisory Board is limited to a total of EUR 200,000 per financial year.

Description of the Main Features of the Internal Control and Risk Management System Relevant to the Financial Reporting Process Section 315 Para 2 No. 5 German Commercial Code

Definitions and Elements of the Softing Group's Internal Control and Risk Management System

The Softing Group's internal control system comprises all principles, procedures and actions required for ensuring the effectiveness, economy and propriety of the Company's financial reporting as well as compliance with material legal requirements. Our internal control system comprises an internal management and monitoring system.

Monitoring mechanisms that are process-integrated or uninvolved in business processes constitute the elements of the Softing Group's internal monitoring system. Hence automated IT process controls besides manual process controls — such as the two-person integrity (TPI) principle — are an integral part of all process-integrated activities.

The audit of the consolidated financial statements by the auditor is a process-independent monitoring activity that is relevant to the Group's financial reporting process.

As part of the internal control system, those aspects of the risk management system that concern financial reporting are focused on the risk of misstatements in the Group's bookkeeping as well as its external reporting system. Besides risk management at the operating level — which also includes risk transfer to insurance companies through insurance policies serving to limit the risk of loss or liability as well as through suitable hedging transactions serving to limit foreign currency risks — the Softing Group's risk management system also comprises early detection as well as management and monitoring of risks, systematically and groupwide. The Softing Group has established a monitoring system pursuant to Section 91 para 2 German Stock Corporation Act that is aimed at early detection of risks that might jeopardize the Company's existence in order to ensure systematic early detection of risk throughout the Group. For additional disclosures on the risk management system, please see the section entitled, "Risk Management and Individual Risks."

Use of IT Systems

Accounting transactions are recorded in the single-entity financial statements of the German companies' subsidiaries using IFS's bookkeeping system. Our foreign subsidiaries utilize local providers of bookkeeping systems. All subsidiaries supplement their separate financial statements by additional information using standardized reporting packages that are entered into Softing AG's consolidation system in connection with the preparation of the Group's consolidated financial statements. Softing AG has been using this consolidation system, which it developed itself on the basis of a Microsoft database system, for many years to draw up its consolidated financial statements. The auditor of Softing AG's consolidated financial statements regularly reviews the interface between the reporting system and the consolidation system as well as the reconciliation between the two. All consolidation processes required to prepare the consolidated financial statements of Softing AG — e.g. acquisition accounting, asset and liability accounting, or elimination of expenses and earnings — are generated and documented in the consolidation system.

Specific Risks Related to the Financial Reporting Process

Specific risks related to the financial reporting process may arise from unusual or complex transactions, for instance. Transactions that are not routinely processed also entail inherent risks. Additional risks related to the financial reporting process arise from the latitude that employees must be given in regards to the recognition and measurement of assets and liabilities.

Material Control and Monitoring Activities Aimed at Assuring the Propriety and Reliability of the Financial Reporting Process

All facets of the internal control system that serve to provide a proper and reliable financial reporting process ensure complete and timely recording of all transactions in compliance with all requirements under the law and the Company's Articles of Incorporation. It also assures that inventories are taken in proper fashion and that both assets and liabilities are accurately recognized, measured and shown in the consolidated financial statements. These control activities also serve to ensure that the bookkeeping records provide reliable and plausible information.

The monitoring activities serving to ensure that the financial reporting is proper and reliable also comprise the analysis of transactions and developments using specific analyses of key indicators. The separation of functions related to administration, execution, accounting and approval — as well as their perception as

such by a variety of individuals — limits the possibilities for engaging in intentional acts. For example, this also ensures that bookkeeping processes are carried out both in the proper period and in full even if the IT systems that the Group companies use for the underlying accounting are changed.

The internal control system also serves to make sure that changes in the Softing Group's economic or legal environment are duly presented and that new or amended statutory requirements concerning the financial reporting process are applied.

The International Financial Reporting Standards (IFRS) represent the uniform accounting policies applied by the domestic and foreign entities included in Softing's consolidated financial statements. Besides general accounting policies, in particular, this concerns requirements related to the balance sheet, the income statement, the notes, the management report, the cash flow statement, the statement of comprehensive income, the statement of changes in equity and segment reporting, taking requirements under EU law into account.

Softing's accounting standards also govern concrete formal requirements that the consolidated financial statements must fulfill. They not only determine which companies to include in consolidation, they also fix the components of the reporting packages that the Group companies must prepare in detail. Among other things, these formal requirements serve to ensure the binding utilization of a standardized and complete set of forms. Softing's accounting standards also contain specific requirements regarding the treatment and settlement of intra-group transactions and the reconciliation of accounts based thereon.

At the Group level, the specific elements of control designed to ensure the propriety and reliability of Group accounting principles comprise analyses and possibly revisions of Group companies' separate financial statements. The centralized execution of impairment tests for the cash generating units from the Group's perspective assures that uniform and standardized measurement criteria are applied. Furthermore, additional data are processed and aggregated at the Group level in regards to external information in both the notes and the management report, including information related to events after the reporting period.

Caveats

The internal control and risk management system makes it possible to record, process and measure all transactions pertaining to the Group as well as their appropriate presentation through the financial reporting process thanks to the Softing Group's organizational, control and monitoring structures.

However, personal discretion, defective controls, criminal acts or other circumstances cannot be precluded by the very nature of the matter at hand and, as a result, may limit the effectiveness and reliability of the internal control and risk management system such that even groupwide application of the systems utilized cannot guarantee with absolute certainty complete, accurate and timely recording of transactions as part of the financial reporting process.

Haar, Germany, March 19, 2012

Softing AG
The Executive Board

Dr. Wolfgang Trier

Maximilian Prinz zu Hohenlohe-Waldenburg

Softing AG, Haar, Germany

Consolidated Balance Sheet as of 31 December 2011

Assets

	Notes	Dec. 31, 2011		Dec. 31, 2010	
		EUR	EUR	EUR	EUR
A. Non-current assets					
I. Intangible assets					
1. Goodwill	C1	2,438,951.51		2,438,951.51	
2. Development Costs	C2	3,569,823.74		3,665,725.31	
3. Other intangible assets	C3	726,858.78	6,735,634.03	966,607.10	7,071,283.92
II. Property, plant and equipment					
Other equipment, furniture and fixtures and office equipment	C4		1,125,472.90		611,257.57
III. Other financial receivables	C9		875,000.00		875,000.00
IV. Deferred tax assets	D9		730,034.31		1,425,622.31
			9,466,141.24		9,983,163.80
B. Current assets					
I. Inventories	C6				
1. Raw materials and consumables		575,295.02		484,707.40	
2. Finished goods		3,067,022.46	3,642,317.48	1,548,059.56	2,032,766.96
II. Trade receivables					
1. Trade receivables	C7	7,417,704.15		6,377,976.20	
2. Receivables from customer-specific construction contracts	C8	877,054.76	8,294,758.91	422,810.76	6,800,786.96
III. Other financial receivables	C9		338,855.47		997,886.53
IV. Tax assets	C11		95,629.38		116,529.17
V. Securities	C12		1,241,780.00		1,864,780.00
VI. Cash and cash equivalents	C12		7,300,619.30		4,274,683.68
VII. Other assets	C10		571,609.54		185,217.00
			21,485,570.08		16,272,650.30
			30,951,711.32		26,255,814.10

Equity and liabilities

	Notes	Dec. 31, 2011	Dec. 31, 2010
		EUR	EUR
A. Equity			
I. Subscribed capital	C13	5,637,198.00	5,637,198.00
II. Capital reserves	C13	1,683,819.62	1,683,819.62
III. Retained earnings	C13	10,639,511.43	8,323,112.43
IV. Treasury shares	C13	-771,735.29	-771,735.29
Attributable to shareholders of Softing AG		17,188,793.76	14,872,394.76
V. Non-controlling interests	C13	10,114.51	90,323.73
		17,198,908.27	14,962,718.49
B. Non-current liabilities			
1. Employee benefits	C14	1,021,966.66	1,146,033.65
2. Other financial liabilities	C15	107,694.81	1,257,177.31
3. Deferred tax liabilities	D9	1,189,591.62	1,355,210.53
		2,319,253.09	3,758,421.49
C. Current liabilities			
I. Other provisions	C16	281,009.00	113,014.00
II. Trade payables			
1. Trade payables	C17	2,668,814.66	1,579,254.68
2. Payables from customer-specific construction contracts	C8	187,179.63	165,130.85
III. Other borrowings	C18	1,655,577.49	392,400.43
IV. Other financial liabilities	C19	5,295,811.10	4,667,726.60
V. Tax liabilities	C20	430,953.00	50,000.00
VI. Other liabilities	C21	914,205.08	567,147.56
		11,433,549.96	7,534,674.12
		30,951,711.32	26,255,814.10

Softing AG, Haar, Germany

Consolidated Income Statement for the Period from January 1 to December 31, 2011

	Notes	2011		2010	
		EUR	EUR	EUR	EUR
1. Revenue	D1		41,147,914.34		31,673,830.92
2. Other own work capitalized	D2		2,046,325.56		2,709,201.57
3. Other income	D3		1,735,828.13		817,916.20
			44,930,068.03		35,200,948.69
4. Cost of materials	D4				
a) Cost of raw materials, consumables and purchased goods		-11,217,653.97		-8,373,034.96	
b) Cost of purchased services		-854,741.01	-12,072,394.98	-679,368.37	-9,052,403.33
5. Employee benefits costs	D5				
a) Wages and salaries		-16,125,503.72		-13,752,467.56	
b) Social security and retirement benefit costs		-3,288,428.16	-19,413,931.88	-2,325,067.06	-16,077,534.62
6. Depreciation and amortization	D6		-3,130,548.02		-3,313,453.65
7. Other expenses	D7		-6,066,185.50		-5,224,052.83
8. Earnings before interest and taxes (EBIT)			4,247,007.65		1,533,504.26
9. Finance income	D8	254,788.49		108,579.80	
10. Finance costs	D8	-253,308.86	1,479.63	-288,191.14	-179,611.34
11. Earnings before taxes (EBT)			4,248,487.28		1,353,892.92
12. Tax expense	D9		-1,194,168.64		-368,117.21
13. Consolidated profit			3,054,318.64		985,775.71

	Notes	2011	2010
Consolidated profit			
Losses attributable to non-controlling interests		-13,014.39	-1,368.51
Profits attributable to equity holders of the parent		3,067,333.03	987,144.22
		3,054,318.64	985,775.71
Earnings per share (diluted = basic)	E4	0.58	0.19

Softing AG, Haar, Germany

Statement of Comprehensive Income for the from January 1 to December 31, 2011

	Notes		2011	2010
			EUR (thsds.)	EUR (thsds.)
Consolidated profit			3,054	986
Currency translation differences				
Changes in unrealized gains/losses			6	-31
Actuarial gains/losses from pensions				
Change in actuarial gains/losses	C14	-22		-146
Tax effect		1		17
Total actuarial gains/losses from pensions			-21	-129
Losses from the measurement of securities				
Changes in unrealized gains/losses			-14	-11
Other changes			1	0
Other comprehensive income			-28	-171
Losses from the sale of treasury shares			0	-34
Consolidated total comprehensive income			3,026	781
Non-controlling interests			-13	-1
Attributable to shareholders of Softing AG			3,039	782
Consolidated total comprehensive income			3,026	781

Softing AG, Haar, Germany

Consolidated Statement of Changes in Equity for the 2011 Financial Year

	No-par bearer shares	Subscribed capital Capital	Capital reserves	Retained earnings			Other comprehensive income			Treasury shares	Shares of equity holders Softing AG	Non-controlling interests	Total equity
				Retained earnings	Revaluation surplus	Total	Currency trans-lation	Available-for-sale financial assets	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.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)
December 31, 2009/ January 1, 2010	5,637,198	5,637	1,684	37	-217	-180	-73	7,795	7,722	-1,336	13,527	91	13,618
Changes in equity 2010													
Consolidated profit 2010	0	0	0	987	0	987	0	0	0	0	987	987	987
Actuarial gains and losses	0	0	0	0	-146	-146	0	0	0	0	-146	0	-146
Tax effect	0	0	0	0	17	17	0	0	0	0	17	0	17
Available-for-sale financial assets	0	0	0	0	0	0	0	-11	-11	0	-11	0	-11
Currency Translation	0	0	0	0	0	0	-31	0	-31	0	-31	-1	-32
Other comprehensive income	0	0	0	0	-129	-129	-31	-11	-42	0	-171	-1	-172
Total comprehensive income	**0**	**0**	**0**	**987**	**-129**	**858**	**-31**	**-11**	**-42**	**0**	**816**	**-1**	**815**
Sale of treasury shares	0	0	0	-34	0	-34	0	0	0	564	530	0	530
	0	0	0	953	-129	824	-31	-11	-42	564	1,346	-1	1,345
December 31, 2010	5,637,198	5,637	1,684	990	-346	644	-104	7,784	7,680	-772	14,873	90	14,963
									0				
Changes in equity 2011									0				
Consolidated profit 2011	0	0	0	3,067	0	3,067	0	0	0	0	3,067	-13	3,054
Actuarial gains and losses	0	0	0	0	-22	-22	0	0	0	0	-22	0	-22
Tax effect	0	0	0	0	1	1	0	0	0	0	1	0	1
Available-for-sale financial assets	0	0	0	0	0	0	0	-14	-14	0	-14	0	-14
Currency Translation	0	0	0	0	1	1	6	0	6	0	7	0	7
Other comprehensive income	0	0	0	0	20	20	6	-14	-8	0	-28	0	-28
Total comprehensive income	**0**	**0**	**0**	**3,067**	**-20**	**3,047**	**6**	**-14**	**-8**	**0**	3,039	**-13**	**3,026**
Change in non-controlling interests	0	0	0	0	0	0	0	0	0	0	0	-67	-67
Dividend payment	0	0	0	-620	0	-620	0	0	0	0	-620	0	-620
Addition from change in non-controlling interests	0	0	0	-103	0	-103	0	0	0	0	-103	0	-103
	0	0	0	2,344	-20	2,324	6	-14	-8	0	2,316	-80	2,236
December 31, 2011	5,637,198	5,637	1,684	3,334	-366	2,968	-98	7,770	7,672	-772	17,189	10	17,199

Softing AG, Haar, Germany
Consolidated Cash Flow Statement for the 2011 Financial Year

	2011 EUR (in thsds.)	2010 EUR (in thsds.)
Consolidated profit	3,054	986
Adjustments		
Interest income	-255	-109
Interest expense	253	288
Income taxes	1,194	368
Depreciation and amortization	3,131	3,313
Exchange differences	0	-1
Changes in provisions	168	13
Change in inventories	-788	192
Change in trade receivables, financial receivables and other assets	-202	-3,450
Change in financial and other liabilities	-188	2,052
Interest received	255	109
Interest paid	-135	-165
Income taxes paid	-178	-217
Cash flow from operating activities	6,309	3,379
Cash receipts from the disposal of intangible assets and property, plant and equipment	2	11
Cash payments for investments in property, plant and equipment	-700	-243
Cash payments for investments in intangible assets	-2,406	-2,909
Cash payments for the acquisition of consolidated companies, less cash and	2	0
Cash flow from non-current investing activities	-3,102	-3,141
Cash receipts from the sale (previous year: cash payments for the purchase) of securitiesclassified as	609	-1,265
Cash flows from investing activities	-2,493	-4,406
Cash receipts from sale of treasury shares	0	530
Cash payments for dividends	-620	0
Payments to owners and non-controlling interests	-170	0
Cash receipts from borrowings	0	1,200
Cash flow from financing activities	-790	1,730
Net change in funds	3,026	703
Cash and cash equivalents at the beginning of the period	4,275	3,572
Cash and cash equivalents at the end of the period	7,301	4,275

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

Softing AG, Haar, Germany

Notes to the Consolidated Financial Statements for the 2011 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 in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. The term IFRS also includes the applicable International Accounting Standards (IAS). 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 consolidated income statement is drawn up using the nature of expense format. The consolidated financial statements are structured in accordance with the provisions of IAS 1. The presentation in the consolidated balance sheet differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they become due within one year.

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 2011 financial year based on the reporting period from January 1 to December 31 of that same year.

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 March 19, 2012. 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. The results of these activities are incorporated into the products marketed by Softing.

3. New and Revised Standards

Changes in Accounting Policies Due to New Standards and Interpretations

In the 2011 financial year, the Company applied the IFRS whose application is mandatory for financial years beginning on or after January 1, 2011. The International Financial Reporting Standards (IFRSs) are applied in the form they were transposed into national law by the European Commission subject to the due process of endorsement. The following Standards and Interpretations were applied by the Company for the first time in 2011 provided they were material to its activities:

- Improvements to IFRS 2010: Eleven amendments were made to six Standards and one Interpretation as part of the annual improvements process. The change in the wording of individual IFRSs is intended to clarify existing guidance. There are also amendments that affect matters of accounting, recognition or measurement. The Standards concerned are IAS 1; IAS 27 (in conjunction with IAS 21, IAS 28 and IAS 31); IAS 34; IFRS 1; IFRS 3; IFRS 7; and IFRIC 13.

- IAS 24 - Related Party Disclosures (revised 2009): The amendment of IAS 24 introduces an exemption from the disclosure requirements in relation to related party transactions. All transactions with a government that has control, joint control or significant influence over the reporting entity, as well as all transactions with other entities that are related parties because the same government has control, joint control or significant influence over the other entities are affected by this exemption. Given the change, detailed disclosures are now only required on individually significant transactions. For transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent shall be disclosed.

  In addition, the amendment of IAS 24 revises the definition of a related company or a related person to achieve symmetry: Two entities which, in the view of one of them, are related, now must also be considered related from the other entity's standpoint.

- Amendments to IAS 32 - Financial Instruments: Presentation - Classification of Rights Issues: The amendment of IAS 32 governs the accounting treatment of rights, options or warrants that are offered pro rata to all existing owners of the same class of non-derivative equity instruments and that entitle them to purchase or receive a fixed number of equity instruments in return for cash in any currency. Accordingly, subject to the aforementioned conditions, IAS 32.11(b)(ii) and IAS 32.16(b)(ii) no longer require distinguishing whether the given instruments were exercised in a currency other than the functional currency. Until this amendment was issued, rights exercised in a currency other than the functional currency had to be recognized as a financial liability whereas now they shall be recognized as equity. This amendment was transposed into European law in December 2009. Retrospective application is mandatory.

- Amendments to IFRIC 14 - Prepayments of a Minimum Funding Requirement: IFRIC 14 modifies the following pronouncement: IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. IFRIC 14 contains guidance on accounting for defined contribution plans in cases where existing plan assets exceed the defined benefit obligation. This amendment is relevant in those cases where an entity is subject to minimum funding requirements and makes prepayments in order to fulfill these minimum funding requirements. The amendment now makes it possible in such cases to take an economic benefit from prepayments on minimum funding requirements into account. This amendment was transposed into European law in July 2010.

- IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments: IFRIC 19 explains how to account for the extinguishment of all or part of a financial liability by issuing equity shares or other equity instruments. This Interpretation clarifies that the equity instruments issued to a creditor to extinguish a financial liability is “consideration paid” in accordance with IAS 39.41. The respective equity instruments shall always be measured at fair value. If the fair value cannot be reliably determined, the equity instruments shall be measured at the fair value of the liability extinguished. The difference between the carrying amount of the financial liability extinguished and the initial recognition of the equity instruments issued shall be recognized in profit or loss. This Interpretation was transposed into European law in July 2010.

Initial application of these Standards and Interpretations does not have any material effects on the consolidated financial statements of Softing AG.

Standards and Interpretations not Applied Early

The Softing Group does not plan to apply the following new or amended Standards and Interpretations that are mandatory only in later reporting years. Unless specified otherwise, the effects of these Standards and Interpretations on the consolidated financial statements of the Softing Group are currently being reviewed.

a) EU Endorsement Completed

- Amendments to IFRS 7 - Disclosures - Transfers of Financial Assets: The amendments to IFRS 7 concern additional disclosure requirements in connection with the transfer of financial assets. This serves to clarify the relationships between financial assets that are not derecognized in their entirety and the associated liabilities. Furthermore, the aim is to better evaluate the nature of, and particularly the risks associated with, the entity's continuing involvement in derecognized financial assets. The amendments also entail additional disclosures if a disproportionately large number of transfers related to continuing involvement are made in the closing days of a reporting period, for instance. This amendment shall be applied for the first time for financial years beginning on or after July 1, 2011.

b) EU Endorsement Pending

- Amendments to IAS 1 - Presentation of Items of Other Comprehensive Income: This amendment changes the presentation of other income in the statement of comprehensive income. In the future, items of OCI shall be classified into items that might be reclassified (recycled) to profit or loss in subsequent periods and items that would not be reclassified subsequently. If the items are presented as gross amounts, i.e. before offsetting against effects from deferred taxes, the deferred taxes shall no longer be presented in a single amount but instead shall be allocated to both groups of items. This amendment shall be applied for the first time for financial years beginning on or after July 1, 2012, with the proviso that the EU has transposed it into EU law by then.

- Amendments to IAS 12 - Deferred Tax on Investment Property: It is often difficult to assess with respect to investment property whether existing temporary tax differences will reverse in connection with the ongoing use of the investment property or in connection with a sale. The amendment of IAS 12 now clarifies that the deferred taxes shall be measured on the basis of the rebuttable presumption that the reversal will occur through a sale. This amendment shall be applied for the first time for financial years beginning on or after January 1, 2012, with the proviso that the EU transposes it into EU law by then.

- IAS 19 - Employee Benefits (revised 2011): The following changes arise from the amended Standard aside from extensive disclosure requirements related to employee benefits: Currently, there are options for presenting unexpected fluctuations in defined benefit obligations, i.e. so-called actuarial gains and losses, in the financial statements. They may (a) be recognized in profit or loss, (b) in other comprehensive income (OCI) or (c) according to the so-called corridor method subject to deferred recognition. The amendment of IAS 19 eliminates these options in favor of a more transparent and comparable presentation such that the actuarial gains and losses now may only be recognized directly in other comprehensive income. In addition, the expected return on plan assets shall be determined based on management's judgment regarding the change in the value of the investment portfolio. Application of IAS 19 (revised 2011) now only allows a typifying return on plan assets equivalent to the discount rate applied to the defined benefit obligations. This amendment shall be applied for the first time for financial years beginning on or after January 1, 2013, with the proviso that the EU transposes it into EU law by then.

- Amendments to IAS 27 - Separate Financial Statements: The regulations governing the principle of control and the requirements governing the preparation of consolidated financial statements were eliminated from IAS 27 in connection with the adoption of IFRS 10, Consolidated Financial Statements, and are now treated in conclusive fashion in IFRS 10 (see the disclosures on IFRS 10). As a result, in the future IAS 27 will only contain guidance on accounting for subsidiaries, joint ventures and associates in separate IFRS financial statements. This amendment shall be applied for the first time for financial years beginning on or after January 1, 2013, with the proviso that the EU transposes it into EU law by then.

- Amendments to IAS 28 - Investments in Associates and Joint Ventures: IAS 28 was also adjusted in connection with the adoption of IFRS 11 Joint Arrangements. As before, IAS 28 governs the application of the equity method. However, the scope of this method was broadened considerably because, in the future, not just investments in associates shall be measured based on the equity method but also joint ventures (see IFRS 11). Application of the proportionate consolidation of joint ventures thus has been eliminated. This amendment shall be applied for the first time for financial years beginning on or after January 1, 2013, with the proviso that the EU transposes it into EU law by then.

- Amendments to IAS 32 and IFRS 7 - Offsetting Financial Assets and Financial Liabilities: This amendment to IAS 32 clarifies the requirements for netting financial instruments. It explains the significance of the current right of set-off and clarifies the procedures whereby gross settlement systems may be considered equivalent to net settlement within the meaning of the Standard. The requirements for the notes disclosures in IFRS 7 were also expanded in connection with these clarifications. The amendment of IAS 32 shall be applied for the first time for financial years beginning on or after January 1, 2014, with the proviso that the EU has transposed it into EU law by then. The amendment of IFRS 7 shall be applied for the first time for financial years beginning on or after January 1, 2013, with the proviso that the EU has transposed it into EU law by then.

- Amendments to IFRS 1 - Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters: This amendment of IFRS 1 replaces the previous references to the January 1, 2004, date as the fixed transition date with the text “date of transition to IFRSs.” In addition, IFRS 1 includes guidance for all those cases where an entity was unable to comply with the IFRS requirements for a while because its functional currency was subject to hyperinflation. This amendment shall be applied for the first time for financial years beginning on or after July 1, 2011, with the proviso that the EU has transposed it into EU law by then.

- IFRS 9 - Financial Instruments: The accounting and measurement of financial instruments pursuant to IFRS 9 will replace IAS 39. In the future, financial assets shall be classified into only two groups and measured accordingly at amortized cost or at fair value. The class of financial assets measured at amortized cost now only comprises financial assets that provide for rights to interest and principal payments on predefined dates and, moreover, are held within a business model whose objective is to hold assets. All other financial assets shall constitute the class of assets measured at fair value. As has been the case to date, under certain conditions financial assets designated as belonging to the first category may be designated as belonging to the fair value category (fair value option). Changes in the value of the financial assets classed as fair value assets shall always be recognized through profit or loss. The option to recognize value changes in other comprehensive income may be exercised with respect to certain equity instruments, however; rights to dividends from these assets shall be recognized through profit or loss. The requirements governing financial liabilities have been taken over from IAS 39 in their entirety. The most important difference concerns the recognition of changes in the value of financial liabilities measured at fair value. In the future, these must be recognized separately: the portion allocable to own credit risks shall be recognized in other comprehensive income whereas the remaining portion of the value change shall be recognized in profit or loss. IFRS 9 shall be applied for the first time for financial years beginning on or after January 1, 2015, with the proviso that the EU has transposed it into EU law by then.

- IFRS 10 - Consolidated Financial Statements: This Standard serves to provide a new and comprehensive definition of the concept of control. If an entity controls another entity, the parent shall consolidate the subsidiary. Under the new approach, control is given if the potential parent has decision-making power over the potential subsidiary based on voting rights or other rights, participates in positive or negative variable returns from the subsidiary and has the ability to affect these returns through its power over the investee. This new Standard may affect which companies are included in the consolidated financial statements, e.g. special purpose entities, among others. This new Standard shall be applied for the first

time for financial years beginning on or after January 1, 2013, with the proviso that the EU has transposed it into EU law by then. IFRS 10 shall be applied retrospectively if an investment is designated a subsidiary pursuant to IAS 27/SIC-12 and thus in a manner that deviates from IFRS 10. Early application is permitted only in conjunction with IFRS 11 and IFRS 12, as well as IAS 27 and IAS 28 (both as amended in 2011).

- IFRS 11 - Joint Arrangements: IFRS 11 revises the accounting for joint arrangements. Under the new approach, an entity must decide whether a joint operation or a joint venture are concerned. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities. The individual rights and duties shall be accounted for in the consolidated financial statements in relation to each party's interest in the arrangement. In a joint venture, in contrast, the parties that have joint control of the arrangement have rights to the net assets of the arrangements. These rights shall be recognized in the consolidated financial statements using the equity method; the option to proportionately consolidate joint ventures thus has been eliminated. This new Standard shall be applied for the first time for financial years beginning on or after January 1, 2013, with the proviso that the EU has transposed it into EU law by then. Specific transition requirements apply to the transition e.g. from proportionate consolidation to the equity method. Early application is permitted only in conjunction with IFRS 10 and IFRS 12, as well as IAS 27 and IAS 28 (both as amended in 2011).

- IFRS 12 - Disclosure of Interests in Other Entities: This Standard governs the disclosure requirements with respect to investments in other entities. The required disclosures have become more extensive compared to those to be made previously under IAS 27, IAS 28 and IAS 31. This new Standard shall be applied for the first time for financial years beginning on or after January 1, 2013, with the proviso that the EU has transposed it into EU law by then.

- IFRS 13 - Fair Value Measurement: This Standard provides uniform rules for fair value measurements in IFRS financial statements. In the future, all fair value measurements required under the IFRSs shall comply with the uniform requirements of IFRS 13; only IAS 17 and IFRS 2 will continue to contain separate rules. IFRS 13 defines the fair value as an exit price, i.e. as the price that would be received for the sale of an asset or as the price that would have to be paid to transfer a liability. A three-level fair value hierarchy is introduced, as previously in connection with the fair value measurement of assets; it is based on observable market prices. The new fair value measurement may give rise to different results compared to the previous requirements. The new Standard shall be applied for the first time for financial years beginning on or after January 1, 2013, with the proviso that the EU has transposed it into EU law by then.

- IFRIC 20 - Stripping Costs in the Production Phase of a Surface Mine: This Interpretation serves to address the diversity in the practice of accounting for overburden removal (stripping) costs in surface mining operations. To the extent that the future economic benefit from the stripping activity is realized in the form of inventory produced, the costs for the stripping activity shall be accounted for in accordance with IAS 2. This also gives rise to an intangible asset that shall be capitalized along with the "surface mine" asset if access to additional ore is improved and the requirements defined in the Interpretation are fulfilled. This asset shall be amortized over its expected useful life. IFRIC 20 shall be applied for the first time for financial years beginning on or after January 1, 2013, with the proviso that the EU has transposed it into EU law by then.

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. Revenue from other services are recognized as soon as the service has been rendered.

Other Income

Other operating income is recognized in profit or loss once the service has been rendered.

Interest Income

Interest income from bank balances and other financial assets is recognized as income using the effective interest method only 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, 2011 include Softing AG and the following subsidiaries, over which Softing AG directly or indirectly exercises control:

Softing Group	Capital share	
	2011	2010
	%	%
Softing AG, Haar/Germany		
Softing Industrial Automation GmbH, Haar/Germany	100	100
Softing Automotive Electronics GmbH, Haar/Germany	100	100
Softing Services GmbH, Haar/Germany	100	100
Softing Project Services GmbH, Haar/Germany	100	100
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
Softing Industrial Networks GmbH, Nuremberg/Germany[1]	100	87.75
Buxbaum Automation GmbH, Eisenstadt/Austria	65	65
samtec automotive software & electronics GmbH, Filderstadt/Germany	100	0
Softing Italia s.r.l., Cesano Boscone/Italy[2]	100	100

On October 28, 2011, Softing acquired all equity interests in samtec automotive software & electronics GmbH (samtec), Filderstadt, Germany. The company was consolidated for the first time effective October 31, 2011.

Samtec offers developments in microcomputer and control technology as well as planning and implementation of all technical applications in this area. Softing expects this business combination to generate synergies from the concentration of development and marketing activities in the *Automotive Electronics* segment.

The acquisition date fair value of the consideration assigned was EUR 756 thsd. Besides cash, it comprises previously existing transactions between Softing and samtec in the amount of EUR 680 thsd., which were settled by means of the acquisition, and a financial asset in the amount of EUR 76 thsd.

[1] formerly INAT GmbH

[2] formerly OEM Automazione s.r.l.

The acquisition had the following effect on the assets and liabilities of the Softing Group immediately prior to initial consolidation:

	Amounts recognized	Carrying amount
	EUR thsd.	EUR thsd.
Intangible assets recognized as part of the purchase price allocation	62	0
Liability recognized as part of the purchase price allocation	365	0
Deferred taxes recognized as part of the purchase price allocation	102	0
Deferred taxes recognized as part of the purchase price allocation	17	0
Other non-current assets	144	144
Current assets	1,911	1,911
Current liabilities	1,761	1,761

The liability recognized concerns a liability under a loan; the shareholders had waived repayment of the loan in 2008 in return for a debtor's warrant. Reinstatement of the liability was deemed highly probable, given current profits and the Company's positive expectations for the combined division.

Receivables of EUR 1,073 thsd. were acquired in connection with the transaction. The fair value of the receivables corresponds to the carrying amount because they concern current receivables from customers with very good credit ratings. None of the receivables have been classified as unrecoverable.

As of the acquisition date, Softing had made EUR 675 thsd. in loans to samtec GmbH; there were also EUR 5 thsd. in receivables. These transactions were reported separately from the business combination and were included in the consideration.

In the financial year just ended, samtec contributed EUR 1,629 thsd. to consolidated sales and a loss of EUR 20 thsd. to EBIT. If we assume that the merger had taken place effective January 1, 2011, the Softing Group would report sales of EUR 45,791 thsd. and EBIT of EUR 4,337 thsd.

In January 2011, Softing also acquired all non-controlling interests equivalent to 12.25% in Softing Industrial Networks GmbH.

The General Shareholders' Meeting on May 31, 2010, resolved to spin off the operating divisions as well as the related services of Softing AG to four German subsidiaries founded in the 2010 financial year. The assets and liabilities attributable to the divisions were transferred to the four subsidiaries as of July 1, 2010, pursuant to the spin off and takeover agreement dated May 31, 2010.

According to Section 264 para 3 German Commercial Code (HGB), the following subsidiaries are exempt from preparing and publishing annual financial statements and a management report:

- Softing Industrial Automation GmbH
- Softing Automotive Electronics GmbH
- Softing Services GmbH
- hard&soft Salwetter-Rottenberger GmbH (Softing Messen & Testen GmbH from 2012)

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.

Government Grants

Government grants are only recognized if there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received. Investment grants are recognized as reductions in the cost of the respective assets and reduce depreciation and amortization in subsequent periods accordingly.

Development Costs

Development costs aimed at a material refinement of a product or process are capitalized if the product or process is technically and financially feasible; if there is an intention to complete it; if the development is marketable; if the costs can be reliably determined; and if the Group possesses sufficient resources to complete the development project. All other development costs are immediately recognized as expenses in the income statement. Capitalized development costs for completed projects are reported at cost net of accumulated amortization. In that connection, the costs also include allocable material and production overheads besides the costs of material and direct production. Administrative costs are capitalized only if there is a direct relationship to production. Softing amortizes the development costs for new product lines and product versions over three years using the straight-line method; for purposes of simplification, six months of amortization are taken in the year the product lines or versions are completed.

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 (CGU).

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 bottom-up planning for the next four financial years as approved by the management of Softing AG, the future cash flows (after 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. Regarding the assumptions, please see the chapter “Forecast for the Company’s Future Development” in the management report. In order to carry out the impairment test, the management estimated the cash flows beyond the planning period, assuming that growth of 1.5% (previous year: 1.5%) is recorded in future years. The value in use of the underlying cash generating unit was determined by applying the discounted cash flow method. Two items of goodwill exist within the Group. They are attributable to hard&soft Salwetter-Rottenberger GmbH and INAT

Industrielle Netze für Automatisierungstechnik GmbH (now Softing Industrial Networks GmbH). The cash flows were discounted at a rate of 9.58% (previous year: 7.42%) after taxes. The discount rate follows from comparative peer group figures.

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.

5. Property, Plant and Equipment

Property, plant and equipment is measured at cost, less usage-based depreciation and impairment losses.

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 Group reviews the carrying amounts of intangible assets and property, plant and equipment at each reporting date for indications of impairment. In this case, the recoverable amount of the relevant asset is determined for the purpose of determining the scope of the potential impairment loss. The recoverable amount corresponds to the fair value less costs to sell or the value in use, whichever is higher. The value in use corresponds to the present value of the estimated cash flows. An interest rate after taxes that corresponds to market rates is used as the discount rate. If no recoverable amount can be determined for an individual asset, the recoverable amount for the smallest identifiable class of assets (cash generating unit - CGU), to which the respective asset can be allocated, is determined. Goodwill resulting from acquisitions are allocated to the CGUs that are to reap the benefits from the synergies arising from the acquisition. Such cash generating units represent the lowest reporting level in the Group at which management monitors the goodwill for internal control purposes. The recoverable amount of a CGU that contains goodwill is tested for impairment on an annual basis. An impairment loss is recognized for an asset immediately if its recoverable amount is lower than its carrying amount. If the recoverable amount of the asset or the CGU is determined to be higher after an impairment loss has been recognized, the write-down of the asset or the CGU is reversed up to no more than the recoverable amount. The reversal of the write-down is limited to the carrying amount that would have applied absent the write-down. The write-up is recognized in profit or loss. Write-downs of goodwill may not be reversed.

7. Leases

The Company has only entered into operating leases. The lease payments are recognized over the relevant term on a straight-line basis. 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 are 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 and general administration 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 using the effective interest method. 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. Objective indications include, for example, a considerable or long-term decline in the fair value of a financial asset to a level lower than the carrying amount, a high probability of insolvency or other types of restructuring, or a breach of contract by the issuer such as considerable payment delays.

Financial assets held for sale are recognized at fair value, with unrealized gains and losses from exchange rate changes being shown in other comprehensive income 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 other comprehensive income 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, securities and other financial receivables.

Softing reverses the accumulated loss recognized in other income and reports it in the consolidated income statement if the fair values of financial assets available for sale are less than the cost and if there are objective indications that the respective asset is impaired. The Company includes all available information such as market conditions and prices, factors specific to the given investment as well as duration and scope of the decline in the fair value below the cost to assess whether the financial assets available for sale are impaired. Softing considers any decline that exceeds 20% of the cost or continues for more than six months as an objective indication of impairment. Softing reverses a write-down in subsequent periods if the reasons for the impairment no longer exist.

Trade Receivables and Other Financial Receivables

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

Securities, Cash and Cash Equivalents

Securities are classified as available-for-sale financial assets. They are recognized at fair value. Unrealized gains and losses are recognized in other comprehensive income as part of the revaluation surplus, allowing for deferred taxes. In case of impairment, the revaluation surplus is adjusted by the amount of the impairment, and the respective amount is recognized in the income statement.

Cash equivalents comprise all liquid assets with remaining maturities of less than three months on the date of acquisition or investment. Cash and cash equivalents are measured at their nominal value.

Classes of Financial Instruments

Classes of financial instruments	Measurement categories of financial instruments
Non-current financial assets	
Other non-current financial assets Other financial receivables (> 1 year)	Loans and receivables
Current financial assets	
Trade receivables	Loans and receivables
Receivables from customer-specific construction contracts	Loans and receivables
Other current financial assets	Loans and receivables
Financial receivables (< 1 year) Securities classified as current assets	Loans and receivables
Cash and cash equivalents	Available-for-sale current financial assets

Non-current liabilities	
Other financial liabilities (> 1 year)	Measured at amortized cost
Current financial liabilities	Measured at amortized cost
Trade payables	Measured at amortized cost
Payables from customer-specific construction contracts	Measured at amortized cost
Other borrowings	Measured at amortized cost
Other financial liabilities (< 1 year) Other	Measured at amortized cost

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 in other comprehensive income.

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 removed from the balance sheet when they have been extinguished, i.e. when the obligations specified in the contract are discharged or canceled or expire.

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," “other borrowings” and "other financial liabilities."

16. Other Borrowings

Other borrowings include current liabilities to banks. The initial recognition of other borrowings is made at fair value.

17. Other Liabilities

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

18. 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. The weighted average cost of capital (WACC) and the tax rates are the material parameters for carrying out the annual impairment test of goodwill. Recognizing sales based on the percentage-of-completion method entails recognizing them based on the stage of completion. This method requires careful assessment of the stage of completion. Factors such as contract revenue, total contract costs, costs yet to be incurred until completion and contract risks are material to the estimate. There is discretion in assessing the

criteria relevant to the capitalization of development costs and the amount of the hourly rates for personnel used in the capitalization. The following assessments, in particular, are subject to our discretion: whether the given asset possesses technical and commercial utility for sale or own use; whether we plan on and are capable of completing the intangible asset and either using or selling it; and whether the asset will generate a future economic benefit.

19. 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 primarily in their respective economic environment.

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 individual 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 in other comprehensive income.

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

USD / EUR			RON / EUR	
	2011	2010	2011	2010
Closing rate (Dec. 31)	1.29	1.33	4.31	4.27
Average exchange rate	1.40	1.32	4.23	4.20

C. Notes to the Consolidated Balance Sheet

1. Goodwill

Of the goodwill amounting to EUR 2,439 thsd. (previous year: EUR 2,439 thsd.), EUR 2,351 thsd. result from the acquisition of all shares in hard&soft Salwetter-Rottenberger GmbH as of July 1, 2005. The goodwill of hard&soft Salwetter-Rottenberger GmbH was written down by EUR 296 thsd. in 2009. In 2008, goodwill increased by EUR 384 thsd. through the acquisition of 51% of the shares in INAT Industrielle Netze für Automatisierungstechnik GmbH (now: Softing Industrial Networks GmbH). The entities' goodwill was tested for impairment pursuant to IAS 36 based on their value in use. The impairment test did not result in any need to write down the goodwill.

A change in the interest rate after taxes by 100 basis points would not lead to a write-down of goodwill, neither would a decrease in the planned revenue by five percent.

The material planning premises include, in particular, the expected development of the market in relation to the performance of Softing AG, the change in both sales and profits and the weighted average cost of capital. Please see the Group management report of Softing AG for the assumptions underlying our planning. General market forecasts and current developments as well as historical experience are used to establish the assumptions. In particular, the long-term growth rates reflect circumstances specific to the business.

Besides sales, the margin is the material driver of value in the determination of the recoverable amount. The discount rate also has a significant impact on the measurement gain or loss.

The margin is adjusted to expected developments in the market during the budgetary period.

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 1,497 thsd. (previous year: EUR 608 thsd.).

In the 2011 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 209 thsd. (previous year: EUR 120 thsd.). The grants are offset against the cost of capitalized development costs. Applications for further government grants were not submitted. No write-downs were recognized in addition to amortization.

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). No write-downs were recognized in addition to amortization.

4. 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). No write-downs were recognized in addition to depreciation.

5. Leases

The other operating expenses contain lease expenses for a building and cars of EUR 964 thsd. (previous year: EUR 1,104 thsd.).

6. Inventories

A valuation allowance of EUR 304 thsd. (previous year: 190 thsd.) was recognized on inventories in 2011. As in the previous year, no reversals of impairment losses were recognized in profit or loss.

7. Trade Receivables

	Dec.31, 2011	De.31,2010
Trade receivables	7,418	6,378
of which:		
Services not yet billed	0	95

Aging structure of financial instruments from trade receivables and other receivables

	Carrying amount	Of which neither past due nor impaired	Of which not impaired and past due within the following periods			
December 31, 2011			Less than 11 days	11 to 60 days	61 to 90 days	More than 90 days

Trade receivables	7,418	6,712	481	177	9	39
Receivables from customer-specific construction contracts	877	877	0	0	0	0
Other financial receivables	339	339	0	0	0	0
Other assets	572	572	0	0	0	0
	9,206	8,500	481	177	9	39
December 31, 2010						
Trade receivables	6,378	3,796	1,733	541	14	294
Receivables from customer-specific construction contracts	423	423	0	0	0	0
Other financial receivables	998	998	0	0	0	0
Other assets	185	185	0	0	0	0
	7,984	5,402	1,733	541	14	294

The maximum default risk corresponds to the receivables' carrying amount. All of the receivables shown are due and fully recoverable.

Impairment losses changed as follows:

	As of Jan. 1	Use	Reversal	Addition	As of Dec. 31
	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)
2011	83	0	22	41	102
2010	96	7	13	7	83

Impairment losses are recognized exclusively on receivables that are past due.

8. Receivables and Payables from Customer-specific Construction Contracts

	Dec. 31, 2011	Dec. 31, 2010
Total construction work in progress	1,773	1,458
Less: Advances received	-1,083	-1,200
Net amount	690	258
Of which reported under:		
Receivables from customer-specific construction contracts	877	423
Payables from customer-specific construction contracts	-187	-165

Anticipated losses from orders are covered by write-downs 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 1,677 thsd. (previous year: EUR 1,168 thsd.) and a result of EUR 96 thsd. (previous year: EUR 290 thsd.). All of the receivables shown are due and fully recoverable.

9. Other Financial Receivables

	Dec. 31, 2011	Dec. 31, 2010
Receivables from employees	40	36
Other receivables	299	962
	339	998
Non-current receivables	875	875
	1,214	1,873

Non-current receivables concern an interest-bearing loan that was granted to a member of the Company's Executive Board and is collateralized through securities. All of the receivables shown are due and fully recoverable. The one exception are the non-current financial receivables, which are due on December 31, 2016.

10. Other Assets

	Dec. 31, 2011	Dec. 31, 2010
Accruals	262	131
Other	310	54
	572	185

11. Current Income Tax Assets

The current income tax assets concern corporation tax receivables amounting to EUR 96 thsd. (previous year: EUR 117 thsd.).

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

	Dec. 31, 2011	Dec. 31, 2010
Securities classified as current assets	1,242	1,865
Cash and cash equivalents	7,301	4,275
	8,543	6,140

Securities essentially concern short-term corporate bonds which are listed on a German stock exchange.

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 significantly by foreign currencies. The maximum default risk corresponds to the carrying amounts.

13. Equity

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. As previously, a total of 5,329,596 shares were outstanding in the reporting year.

In 2011, 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.
Sareholders' 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.
For more information, please see the disclosures under Section 315 para 4 German Commercial Code in the management report.

Capital Management

Softing AG's capital management aims first and foremost at ensuring that the Company maintains a solid equity ratio to support its business activities. The Group manages its capital structure and makes adjustments, allowing for changes in economic conditions. To maintain or adjust its capital structure, the Group may make repayments of capital to its shareholders or issue new shares. There were no changes in the objectives, guidelines and procedures as of December 31, 2011, and December 31, 2010.

The Group monitors its capital using the equity ratio. But the Executive Board does not define a specific target to that end. The equity ratio in the financial year was 56% (previous year: 57%).

The capital of Softing AG relevant for controlling purposes encompasses the subscribed capital, the capital reserves, the retained earnings, the equity from unrealized gains and losses, treasury shares and non-controlling interests. Softing AG funds the development of its business to the greatest extent possible from its own cash flow.

Authorized Capital

The Executive Board is authorized to increase the Company's share capital with the approval of the Supervisory Board once or several times by up to EUR 2,799,000.00 by issuing up to 2,799,000 new no-par bearer shares against contributions in cash and/or in kind (authorized capital) until May 30, 2015. The Executive Board is also authorized to exclude shareholders' statutory subscription right with the approval of the Supervisory Board

- as necessary for offsetting fractional shares;
- if the shares are issued against in-kind contributions for the purpose of acquiring companies or equity interests in companies or business units or for the purpose of acquiring receivables from the given entity;
- if a capital increase against cash contributions does not exceed 10% of the share capital and the issue price of the new shares is not substantially lower than the share price pursuant to Section 186 para 3 sentence 4 German Stock Corporation Act. The exclusion of shareholders' subscription right under other authorizations pursuant to Section 186 para 3 sentence 4 German Stock Corporation Act shall be considered in connection with any exercise of this authorization under the aforementioned statute.

The Executive Board is authorized to fix all other details of the capital increase and its implementation. The Supervisory Board is authorized to amend the Articles of Incorporation such that they reflect the extent of each capital increase from authorized capital.

The authorized capital as of December 31, 2011, was EUR 2,799,000.

Profits for the year eligible for distribution were determined based on the net retained profits of Softing AG pursuant to the German Commercial Code.

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. This position also includes the offsetting of actuarial gains and losses on pension provisions.

Pursuant to Section 150 German Stock Corporation Act, profit distribution is restricted to ten percent of the subscribed capital.

Other Comprehensive Income

Retained earnings 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 from pension commitments, all of which were recognized in other comprehensive income. The other comprehensive income is shown in the statement of comprehensive income.

Non-controlling Interests

The non-controlling interests in the amount of EUR 10 thsd. (previous year: EUR 90 thsd.) concern other shareholders in Austria (previous year: also including INAT GmbH, which now is Softing Industrial Networks GmbH).

Treasury Shares

Based on the authorization of the Executive Board granted by the Annual Shareholders' Meetings, the Company purchased treasury shares as follows:

Purchase date	Number	Price per share (EUR)	Purchase price (In EUR 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
February 19, 2009	25,500	1.92192	49
March 16, 2009	125,000	2.0500	256
April 2, 2009	11,050	1.94094	21
June 16, 2009	-30,000	2.5100	-75
	131,550		251
December 13, 2010	-225,000	2.5100	-564
December 31, 2010	307,602		772
	-	-	-
December 31, 2011	307,602		772

The market price of the treasury shares was EUR 1.403 thsd. as of the balance sheet date, which is EUR 631 thsd. above 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.

14. Employee Benefits

This item concerns the partially reinsured and defined benefit pension commitments granted to the three former members and one current member of the Executive Board, 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 2,285 thsd. (previous year: EUR 1,533 thsd.) was offset against pension provisions in accordance with IAS 19.54. Actuarial gains and losses were recognized immediately in retained earnings in accordance with IAS 19.93D. The cumulative gains and losses reported in this item were EUR -469 thsd. as of December 31, 2011 (previous year: EUR -448 thsd.).

The variable commitments increase or decrease in line with the change in the Consumer Price Index for Germany (2005=100). It rose from 108.5 points to 110.5 points on average between 2010 and 2011.

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

Basis of calculation

	Dec. 31, 2011	Dec. 31, 2010
	%	%
Assumed interest rate	4.50	4.50
Salary trend	0.0	0.0
Expected rate of pension increase	2.0-2.5	2.0
Anticipated employee turnover rate	0.0	0.0

Biometric basis of calculation	Mortality Tables 2005 G / Prof. Dr. Heubeck

Development

	2011	2010
DBO as of January 1	2,679	2,512
Service cost	611	0
Interest expense	118	123
Pension payments to pensioners	-123	-102
Expected DBO as of December 31	3,285	2,533
Actual DBO as of December 31	3,307	2,679
Gain/loss, of which	22	146
Effects from adjusting actuarial assumptions	0	153
Experience assumptions	22	-7

Determination of the annual expense

	2011	2010
Interest expense	118	123
Service cost	611	0
Annual expense	729	123

Development of pension provisions

	2011	2010
DBO as of Jan. 1	2,679	2,512
Annual expense	729	123
Pension payments to pensioners	-123	-102
Actuarial losses	22	146
Expected DBO as of December 31	3,307	2,679

Development

	2011	2010
DBO as of January 1	2,679	2,512
Service cost	611	0
Expense from/return on plan assets	-752	-13
Interest expense	118	123
Actuarial losses	22	146
Pension payments to pensioners	-123	-102
Fair value of the external plan asset as of January 1	-1,533	-1,520
As of December 31	1,022	1,146

Reconciliation with the balance sheet

	Dec. 31, 2011	Dec. 31, 2010
Present value of the defined benefit obligations (DBO)	3,307	2,679
Fair value of the external plan assets as of December 31, 2011	-2,285	-1,533
	1,022	1,146

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

	Present value of the defined benefit obligations (DBO)	Fair value of the external plan assets
December 31, 2007	2,336	1,522
December 31, 2008	2,142	1,541
December 31, 2009	2,512	1,520
December 31, 2010	2,679	1,533
December 31, 2011	3,307	2,285

The Company expects to record an expense of EUR 332 thsd. from additions to pension provisions in the 2012 financial year.

15. Other Financial Liabilities (Non-Current)

The other non-current financial liabilities include financial obligations that are due within more than one 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. 1, 2011	Use	Reversal	Addition	As of Dec. 31, 2011
	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)
Operational provisions	112	112		278	278
Contingent loss	1	0	-1	3	3
	113	112	-1	281	281

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 exclusively concern current liabilities toward non-Group third-parties for supplied goods and services.

18. Other Borrowings

The other borrowings concern EUR 456 thsd. (previous year: EUR 392 thousand) in current liabilities to banks of foreign subsidiaries and the German subsidiaries acquired in 2011. In addition, the other borrowings also include a loan from Postbank AG with an interest rate of 4.05% (EUR 1,200 thsd.; previous year: EUR 1,200 thsd.). Both its maturity and its fixed interest rate expire on December 30, 2012.

19. Other Financial Liabilities (Current)

	Dec. 31, 2011	Dec. 31, 2010
	EUR (in thsds.)	EUR (in thsds.)
Liabilities related to social security	36	58
Wages and salaries payable	2,756	2,317
Other	2,504	2,293
	5,296	4,668

20. Tax Liabilities

In the financial year just ended, liabilities of EUR 431 thsd. (previous year: EUR 50 thsd.) were recognized for expected tax payments.

21. Other Liabilities

	Dec. 31, 2011	Dec. 31, 2010
	EUR (in thsds.)	EUR (in thsds.)
Other tax liabilities	914	567

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

D. Notes to the Consolidated Income Statement

1. Revenue

Revenue by regions:

	2011	2010
Germany	24,742	18,413
Abroad	16,406	13,261
	41,148	31,674

Revenue by products and services:

	2011	2010
Products	34,231	25,171
Services	6,917	6,503
	41,148	31,674

For detailed information operating segments, we refer to the segment reporting.

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:

	2011	2010
Reversal of provisions and liabilities	148	250
Other income not related to the accounting period	29	3
	177	253
Income from exchange differences	220	88
Revenue from the provision of automobiles	154	156
Revenue from a reinstated receivable	294	0
Revenue from subsidized projects	209	120
Income from subsequent claims	163	0
Payments from reinsurance coverage	70	65
Other income	449	136
	1,559	565
	1.736	818

4. Cost of Materials

	2011	2010
Purchase of components and products	11,217	8,373
Third-party services	855	679
	12,072	9,052

5. Employees

	2011	2010
Current salaries	12,977	11,830
Social security and retirement benefit costs	3,288	2,324
Profit-sharing, royalties	2,928	1,503
Provision of automobiles to employees	146	153
Temporary workers	53	64
Other	22	204
	19,414	16,078

The statutory pension scheme in Germany is treated as a defined contribution scheme. Expenses recognized for the statutory pension scheme total EUR 1,038 thsd. (previous year: EUR 929 thsd.).

6. Depreciation and amortization

Depreciation and amortization are listed in detail in the statement of changes in assets (appendix to the notes to the consolidated financial statements). As in the previous year, impairment losses were recognized.

7. Other Expenses

The other operating expenses are as follows:

	2011	2010
Operating expenses	2,521	1,979
Distribution costs	1,457	1,319
Administrative expenses	877	653
Expenses resulting from exchange differences	132	158
Leasing costs	964	1,104
Expenses unrelated to the accounting period	115	11
	6,066	5,224

8. Finance Income/Finance Costs

The financial result is composed of finance costs and finance income.

Finance costs are composed of the following items:

	2011	2010
Pension provisions	118	123
Discounting of corporation tax premium	1	17
Other interest	134	148
	253	288

Finance income is composed of the following items:

	2011	2010
Interest income from securities	6	5
Interest income from corporate bonds	109	4
Interest income from taxes	4	0
Interest income from loans of financial assets	34	32
Other interest	102	68
	255	109

9. Tax Expense

The income tax expense breaks down as follows:

	2011	2010
Deferred taxes on temporary differences	-287	-47
Deferred taxes on tax loss carryforwards	904	433
	617	386
Tax expense financial year	586	112
Tax income from previous years	-9	-130
Tax expense (previous year: tax income)	577	-18
	1,194	368
Effective tax rate	28.10%	27.19%

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, which has not changed compared to the previous year, is determined as follows:

	2011
	%
Corporation tax including solidarity surcharge	15.83
Trade income tax rate	12.25
	28.08

A tax rate of 31.47% was assumed for Softing Industrial Networks GmbH. A tax rate of 29.65% was assumed for samtec automotive software & electronics GmbH.

The tax rate for Softing North America was 25.76% and the tax rate for Softing ROM s.r.l. was 16.0%. The tax rates for the other European entities are 25.0% for Buxbaum Automation GmbH/Austria and 31.40% for Softing Italy s.r.l./Italy.

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 963 thsd. (previous year: EUR 4,195 thsd.), which were fully taken into account at the time the deferred taxes were determined.

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

	Dec. 31, 2011	Dec. 31, 2010	Usable until
Softing AG, trade tax loss carryforward	717	3,582	Unlimited
Softing AG, corporation tax loss carryforward	778	3,712	Unlimited
Buxbaum Automation GmbH, loss carryforward	215	197	Unlimited
Softing Projects Services GmbH Trade tax loss carryforward	0	34	Unlimited
Softing Projects Services GmbH Corporation tax loss carryforward	0	34	Unlimited
INAT GmbH, trade tax loss carryforward	0	352	Unlimited
INAT GmbH, corporation tax loss carryforward	0	283	Unlimited

Deferred tax assets were recognized on tax loss carryforwards in the reporting year. Due to tax profits of Softing AG, a total of EUR 2,976 thsd. (corporation tax) and EUR 3,023 thsd. (trade tax), respectively, of the loss carryforwards could be utilized in the financial year just ended. 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.

	2011	2010
Earnings before taxes	4,249	1,354
Anticipated tax expense (28.08%)	1,192	380
Tax additions and deductions	51	84
Different tax rates	8	-6
Non-recognition of deferred taxes on temporary differences, Group	-68	0
Taxes, previous years	-9	-87
Other	20	-3
Tax expense (previous year: income) disclosed in the income statement	1,194	368

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

Deferred tax assets	Dec. 31, 2011	Dec. 31, 2010
Intangible assets	23	28
Property, plant and equipment	0	17
Pension provision	393	192
(Of which recognized directly in equity	127	128
Trade receivables	0	9
Other provisions	0	0
Current assets	14	11
Deferred income	35	0
Future tax benefits from loss carryforwards	264	1,168
Other	1	1
	730	1,426

Deferred tax liabilities	Dec. 31, 2011	Dec. 31, 2010
Intangible assets	1,071	1,151
Trade receivables	106	200
Other	12	5
	1,189	1,356

No deferred taxes were recognized on EUR 1,277 thsd. in temporary differences related to investments in subsidiaries.

E. Other Disclosures

1. Segment Reporting

Segment reporting aims to furnish information on the Group's material divisions. The activities of the Group are segmented in accordance with IFRS 8 using the management approach. Segmentation is based on the Group's internal reporting and organizational structure, taking into account the different risks and income structures of each individual division.

Since there is only one segment requiring disclosure (European Union), regional segments are not shown. The corporate divisions are shown in the following table in accordance with IFRS 8.

Segmentation	Industrial Automation		Automotive Electronics		Holding, other consolidation		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
External sales	22,996	20,194	18,152	11,451	0	29	41,148	31,674
Depreciation/amortization	2,296	2,357	714	859	121	97	3,131	3,313
Segment assets	10,243	10,088	12,152	8,768	8,557	7,400	30,952	26,256
Segment liabilities	4,075	4,429	4,842	2,411	4,836	4,453	13,753	11,293
Capital expenditure	1,722	1,876	892	1,135	493	140	3,107	3,151

The column entitled "Other consolidation" comprises the business activities of Softing centralized units. Their costs are allocated to the respective operating segments that caused the expenses to be incurred.

Earnings before interest and taxes (EBIT) and revenue are the key parameters for evaluating and managing a segment's earnings. With the exception of the write-downs, other income and expense items are not regularly reviewed at the segment level by the responsible corporate department, given their secondary importance to the Group, and thus are not broken down by segment.

Segment information is based on the same accounting principles as the consolidated financial statements.

2. Segment Allocation of Products

Industrial Automation

Products and services for integrating communication functions in automation systems and devices, specifically for standards such as PROFIBUS, PROFINET, CAN, CANopen, DeviceNet, FOUNDATION Fieldbus, HART;

Interface cards, integration modules, chip solutions and communications software (stacks) for implementing bus links in systems and devices used in process and production automation;

Gateways for linking fieldbuses to Ethernet-based communication systems and groupwide planning and administration systems;

Tools for configuring networks, as well as toolkits for integrating configuration functions into the engineering systems of automation system manufacturers;

Tools and devices for signal and protocol analysis of industrial communication networks; and OPC servers, OPC middleware and development tools for OPC Clients and Servers (Toolkits).

Automotive Electronics

Vehicle adapters and data bus interfaces:

Interfaces for CAN, K-Line, LIN, MOST and FlexRay data bus systems in different form factors with a variety of PC connections such as USB, WLAN, Bluetooth, PCI, PCIexpress, PC/104 and PCMCIA. Programming interfaces compliant with ISO and other standards as well as customized adaptations. Special solutions for development/testing, production and service.

Diagnostic Tools
Diagnostic solutions for development/testing, production and service. Editors for diagnostic data. Diagnostic servers for the real-time processing of diagnostic data based on ISO and customer standards. Customized and proprietary analytic tools for diagnostic data. ODX and OTX solutions play an important role in this context.

Test Automation
Software interfaces for connecting diagnostic servers to production systems. Editing and runtime systems for test sequences with connections to numerous third-party products. Customized test stations for development, quality assurance and production. Solutions for the flash programming of control units. Devices for simulating electronic control units and rest bus systems.

Customized Developments
Customer-specific software and hardware developments for data communication/diagnosis/test systems.

Resident Engineering
On-site customer support in the form of consultation, project management and project participation as well as development activities in the fields of data communication, diagnosis, trade fairs and test systems.

Measurement Technology
Softing measurement technology represents a unique system whose development was driven entirely by automotive developments. This results in a great many applications for test rigs or “raw” mobile applications. The areas where this comprehensive measurement and automation system can be used are not in the least limited to automotive technology; indeed, it is well suited for applications in any industrial environment.

3. Cash Flow Statement

The cash flow statement represents the consolidated cash flows of the consolidated companies. The cash and cash equivalents shown in the cash flow statement comprise cash on hand and bank balances.

4. Earnings per Share IAS 33

		2011	2010
Consolidated profit	EUR (in thsds.)	3,054	986
Minority interest	EUR (in thsds.)	-13	-1
Basic earnings (= diluted earnings)	EUR (in thsds.)	3,067	987
Weighted average number of shares			
Basic	Number	5,329,596	5,115,693
Potential stock options	Number	0	0
Diluted	Number	5,329,596	5,115,693
Basic earnings per share	EUR	0.58	0.19
Diluted earnings per share	EUR	0.58	0.19

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

No options rights exist as of December 31, 2011, 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 4.1% (until December 31, 2010: 3.0%) in 2007 (term: December 31, 2016; collateralized by shares). The interest accrued thereunder in 2011 was EUR 37 thsd (previous year: EUR 29 thsd.)

The Chairman of the Company's Executive Board, Dr. Wolfgang Trier, held 4,528 shares in Softing AG as of December 31, 2011 (previous year: 0).

The Supervisory Board member, Dr. Fuchs, held 225,000 shares in Softing AG as of December 31, 2011 (previous year: 225,000).

One Supervisory Board member rendered tax consulting and accounting services for Samtec GmbH.

Transactions with related parties are carried out at market terms.

6. Contingent Liabilities

As of the balance sheet date, Softing AG has provided EUR 140 thsd. in guarantees for liabilities related to bank overdraft lines of credit. The probability of any outflow of funds in connection with these guarantees is regarded as remote.

7. Other Financial Obligations

As of the balance sheet date, the Company had incurred purchase obligations in the amount of EUR 3,253 thsd. under long-term contracts (previous year: EUR 2,094 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:

	2011	2010
< 1 year	831	910
1 - 5 years	1,936	2,109
> 5 years	1,476	180
Total	4,243	3,199

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

Fair values of financial instruments

The following table shows both the carrying amounts and the fair values of all financial instruments recognized in the consolidated financial statements that fall within the scope of IFRS 7. The fair values correspond to the carrying amounts because, with the exception of the current securities and cash, the financial instruments recognized solely comprise primary current receivables and liabilities. The fair values of the current securities are determined based on their share prices (Level 1; prices quoted on active markets for identical assets). As in the previous year, there were no financial instruments as of December 31, 2011, for which IFRS 7 is not applicable.

	Dec. 31, 2011		Dec. 31, 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)
Non-current financial assets	875	875	875	875
Current financial assets				
Trade receivables	7,418	7,418	6. 378	6. 378
Receivables from customer-specific construction contracts	877	877	423	423
Other current financial assets	339	339	998	998
Financial receivables	1,242	1,242	1,865	1,865
Securities classified as current assets				
Cash and cash equivalents	7,301	7,301	4,275	4,275
Total	17,177	17,177	14,814	14,814
Non-current financial liabilities				

Other non-current financial liabilities	108	108	1,257	1,257
Current financial liabilities				
Trade payables	2,669	2,669	1,579	1,579
Payables from customer-specific construction contracts	187	187	165	165
Other borrowings	1,656	1,656	392	392
Other financial liabilities	5,296	5,296	4,668	4,668
Total	9,916	9,916	8,061	8,061

No further disclosures on the fair value have to be made pursuant to IFRS 7.29a if the carrying amount is a reasonable approximation of fair value.

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 non-fulfillment of contractual obligations by contracting parties; interest rate risks, where fluctuations in the market interest rate trigger changes in the fair value of a financial instrument; and interest-related cash flow risks that trigger changes 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.

Risk analysis entails assessing identified risks in terms of the probability of their occurring (quantitative dimension) and the potential loss (dimension of intensity). Quantitative risk assessment is subject to practical limits, however — especially in the area of operating risks — because the number of potential risks is high but the available risk data is often incomplete. As a result, subjective risk assessments must be made in many areas exposed to risk because the expenditure for risk management should be reasonable.

There are no major concentrations of risk in the Group.

Please also see the disclosures on risks and opportunities in the management report.

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, 2010, and December 31, 2011, 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, 2011, totaled EUR 102 thsd. (previous year: EUR 83 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 subject to interest rate fluctuations essentially concern cash and cash equivalents and securities classified as current assets. Balance with banks totaling EUR 7,301 thsd. (previous year: EUR 4,275 thsd.) and securities totaling EUR 1,242 thsd. (previous year: EUR 1,865 thsd.) bear interest of 0.0% to 1.25% (previous year: 0.0% to 0.25%) and 0.987% to 9.5% (previous year: 0.4% to 7.8%), respectively. No material interest rate risks result from subsidiaries' liabilities to banks in the amount of EUR 456 thsd. (previous year: EUR 392 thsd.). The loan of EUR 1,200 thsd. granted by Postbank has a nominal interest rate of 4.05%, which is fixed until December 30, 2012. An increase of the market interest rate by 50 basis points would have an impact of EUR 8 thsd. on interest expense relating to other borrowings.

Foreign Currency Risk

The Group’s currency risks are limited to the US dollar because almost all other revenue with the exception of that generated in the U.S. is invoiced in euros. Almost all procurement is in euros as well. The Group uses foreign currency forward contracts throughout the year to manage its USD foreign currency risk from its business activities in the United States. All foreign currency forwards had been settled as of the reporting date.

Liquidity risk

Liquidity risk is the risk that the Group might not have adequate funds to fulfill its payment obligations.

The Group’s liquidity requirements are met primarily through its operating business. Softing AG continuously monitors the risk of a potential liquidity bottleneck using its liquidity planning. The Group’s goal is to continue meeting its liquidity requirements through its own cash flow.

The Group possesses sufficient liquidity and credit lines to meet its obligations over the next four years in line with its strategic plans. For disclosures on maturities, please see section C.

Cash and cash equivalents at year’s end were EUR 7,301 thsd. (previous year: EUR 4,275 thsd.), accounting for 23.3% (previous year: 16.3%) of the Group’s total assets. The loan of EUR 1,200 thsd. that was obtained in the 2010 financial year to ensure the Group’s funding in the long term was fully reinvested in securities classified as current assets. Securities classified as current assets account for 4.0% (previous year: 7.1%) of the Group’s total assets.

10. Personnel

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

	2011	2010
As of the balance sheet date	293	233
Annual average	258	224

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 (until January 31, 2011)

Mr. Maximilian Prinz zu Hohenlohe-Waldenburg, Pfaffenhofen (from August 2, 2011)

Compensation of the Executive Board amounted to EUR 1,836 thsd (previous year: EUR 1,254 thsd.). Of this amount, fixed compensation accounts for about one third and variable compensation for two thirds. The amount also contains a one-time recruitment bonus for one Executive Board member. In accordance with the resolution adopted by the General Shareholders' Meeting on August 24, 2007, 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 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 4.1% (until December 31, 2010: 3.0%) in 2007 (term: December 31, 2016; collateralized by shares). The interest accrued thereunder in 2011 was EUR 37 thsd (previous year: EUR 29 thsd.).

An agreement with one member of the Executive Board gives him the right to terminate his employment for cause if at least one shareholder or a shareholder group acting in a coordinated way reaches 1.4 million voting shares through possession or attribution. If this Executive Board member exercises this right to terminate his employment for cause, he is entitled to compensation equaling approximately two annual salaries.

Pension obligations for former members and one current member of the Executive Board as of December 31, 2011 totaled EUR 1,022 thsd. (previous year: EUR 1,146 thsd.). The total compensation of former members of the Executive Board amounted to EUR 123 thsd. (previous year: EUR 102 thsd.).

12. Supervisory Board

The following persons were members of the Supervisory Board of Softing AG in the 2011 financial year:
Dr. Horst Schiessl, attorney at law, Munich, Germany (chairman)

Michael Wilhelm, certified public accountant/tax advisor, Munich, Germany (deputy chairman)

Dr. Klaus Fuchs, graduate computer scientist und graduate engineer, Helfant, Germany

Dr. Schiessl is also a member of the supervisory board and advisory board of the following companies:
Baader Wertpapierhandelsgesellschaft AG, Unterschleißheim (chairman)
Dussmann Stiftung & Co. KGaA, Berlin, Germany (member of the supervisory board)
Dussmann Stiftung, Berlin (member of the foundation council) Dussmann Stiftung & Co. KG, Berlin, Germany (member of the advisory board)
TRION Pharma GmbH, Munich, Germany (chairman of the advisory board)

Mr. Wilhelm is also a member of the supervisory board of the following companies:
mwb fairtrade Wertpapierhandelsbank AG, Gräfelfing, Germany
Kontron AG, Eching, Germany (until June 30, 2011)

Dr. Fuchs does not hold any offices on other supervisory boards.

Each member of the Supervisory Board receives a fixed compensation of EUR 10,000 for each full financial year of service on the Supervisory Board. In addition, each member receives variable compensation amounting to 0.5% of Group EBIT before Supervisory Board compensation. 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 140 thsd. (previous year: EUR 81 thsd.) and is distributed as follows:

Fixed			Variable		Total	
	2011	2010	2011	2010	2011	2010
Dr. Horst Schiessl (chairman)	20	20	42	16	62	36
Michael Wilhelm (deputy chairman)	15	15	32	12	47	27
Dr. Klaus Fuchs	10	0	21	0	31	0
Andreas Kratzer	0	10	0	8	0	18

13. Auditor's Fees

The following expenditure (including expenses) was incurred in the financial year just ended for services provided by the auditor, KPMG Bayerische Treuhandgesellschaft AG:

	2011 EUR (in thsds.)	2010 EUR (in thsds.)
	70	62
Other confirmation services	25	24
Tax consultancy services	14	19
	109	105

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

The Declaration of Compliance pursuant to Section 161 German Stock Corporation Act was issued by the Executive Board and the Supervisory Board of Softing AG and has been made permanently available to shareholders on the Internet at www.softing.com

Haar, Germany, March 19, 2012

Softing AG
The Executive Board

Dr. Wolfgang Trier

Maximilian Prinz zu Hohenlohe-Waldenburg

Softing AG, Haar, Germany

Consolidated Financial Statements

in accordance with International Financial Reporting Standards as of December 31, 2011, 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 material opportunities and risks associated with the expected development of the Group.

Haar, Germany, March 19, 2012

Softing AG
The Executive Board

Dr. Wolfgang Trier

Maximilian Prinz zu Hohenlohe-Waldenburg

Softing AG, Haar, Germany

Changes in Intangible Assets and Property, Plant and Equipment in the 2011 Financial Year

	Cost					
	Jan. 1, 2011	Acquisitions from business combinations	Additions	Currency differences	Disposals	Dec. 31, 2011
I. Intangible assets	EUR	EUR	EUR	EUR	EUR	EUR
1. Goodwill	2,734,952	0	0	0	0	2,734,952
2. Development costs	47,652,270	0	2,264,205	0	0	49,916,475
3. Other intangible assets	4,771,617	61,780	142,485	-90	580	4,975,212
	55,158,839	61,780	2,406,690	-90	580	57,626,639
II. Property, plant and equipment						
Other equipment, furniture and fixtures and office equipment	4,901,256	143,797	700,192	90	8,276	5,737,059
	60,060,095	205,577	3,106,882	0	8,856	63,363,698

Changes in Intangible Assets and Property, Plant and Equipment in the 2010 Financial Year

	Cost					
	Jan. 1, 2010	Acquisitions from business combinations	Additions	Currency differences	Disposals	Dec. 31, 2010
I. Intangible assets	EUR	EUR	EUR	EUR	EUR	EUR
1. Goodwill	2,734,952	0	0	0	0	2,734,952
2. Development costs	44,809,150	0	2,843,120	0	0	47,652,270
3. Other intangible assets	4,708,589	0	65,589	487	-3,048	4,771,617
	52,252,691	0	2,908,709	487	-3,048	55,158,839
II. Property, plant and equipment						
Other equipment, furniture and fixtures and office equipment	4,663,788	0	242,668	3,054	-8,254	4,901,256
	56,916,479	0	3,151,377	3,541	-11,302	60,060,095

	Accumulated depreciation/amortization					Carrying amounts	
Jan. 1, 2011	Acquisitions from business combinations	Currency differences	Depreciation/amortization in the financial year	Disposals	Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2010
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
296,000	0	0	0	0	296,000	2,438,952	2,438,952
43,986,545	0	0	2,360,107	0	46,346,652	3,569,823	3,665,725
3,805,010	0	33	443,259	-50	4,248,352	726,860	966,607
48,087,555	0	33	2,803,366	-50	50,891,004	6,735,635	7,071,284
4,289,999	0	163	327,183	5,759	4,611,586	1,125,473	611,257
52,377,554	0	196	3,130,549	5,709	55,502,590	7,861,108	7,682,541

	Accumulated depreciation/amortization					Carrying amounts	
Jan. 1, 2010	Acquisitions from business combinations	Currency differences	Depreciation/am in financial year	Disposals	Dec. 31, 2010	Dec. 31, 2010	Dec. 31, 2009
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
296,000	0	0	0	0	296,000	2,438,952	2,438,952
41,407,710	0	0	2,578,835	0	43,986,545	3,665,725	3,401,440
3,365,932	0	-2,411	441,489	0	3,805,010	966,607	1,342,657
45,069,642	0	-2,411	3,020,324	0	48,087,555	7,071,284	7,183,049
3,992,915	0	3,954	293,130	0	4,289,999	611,257	670,873
49,062,557	0	1,543	3,313,454	0	52,377,554	7,682,541	7,853,922

Auditors' Opinion

We have issued the following unqualified auditors' opinion:

“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 comprehensive income, the statement of changes in equity, the cash flow statement and the notes as well as the Group management report for the financial year from January 1 to December 31, 2011. 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 German Commercial Code, and in accordance with these provisions give a true and fair view of the net assets, financial position and results of the operations of the Group. 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, March 19, 2012

KPMG Bayerische Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Waubke	Müller
Wirtschaftsprüfer	Wirtschaftsprüfer

Report of the Supervisory Board for the 2011 Financial Year

The Supervisory Board of Softing AG carried out its duties as provided by law and the company's Articles of Incorporation in financial year 2011. The Supervisory Board regularly advised the Executive Board in matters of management and diligently monitored its actions. 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 at all times.

A total of six Supervisory Board meetings were held in the 2011 financial year: on March 14, 2011, March 23, 2011, May 20, 2011, August 2, 2011, September 23, 2011 and December 16, 2011.

The regular deliberations during Supervisory Board meetings and 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 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. He also held separate discussions with the Executive Board on strategy to explore the perspectives for and future alignment of each individual business.

Our deliberations and reviews focused on the entire accounting system of Softing AG and the Group, the monitoring of the internal control system as well as the effectiveness of the internal auditing and risk management system.

Main Focus of the Meetings

The Supervisory Board’s activities in 2011 focused mainly on supporting the Executive Board in reorganizing the Softing Group’s corporate structure. Softing AG acquired the remaining equity interests required for fully owning former INAT GmbH, which was renamed Softing Industrial Networks GmbH on December 1, 2011. As a subsidiary, Softing Industrial Networks GmbH has thus been allocated to Softing Industrial Automation both legally and organizationally. At the end of October 2011, Softing acquired all equity interests in samtec automotive software & electronics GmbH, having maintained a strategic partnership with that entity for quite some time.

Besides the four core companies at its Haar headquarters, the Softing Group now also comprises seven subsidiaries. The new structure enables clear allocation of the subsidiaries, making the work of generating continued growth more effective and sustainable.

At the Supervisory Board meeting on March 14, 2011, following a presentation by the auditor of the Company’s annual financial statements the Supervisory Board dealt with the Company’s performance in the 2010 financial year; risks related, for example, to defaults among key suppliers and customers; as well as the development of business in the first few months of 2011.

The annual financial statements and the consolidated financial statements, both as of December 31, 2010, were adopted and approved, respectively, at the Supervisory Board meeting on March 23, 2011. The Supervisory Board concurred with the Executive Board’s proposal for the appropriation of profits. It also approved the Agenda for the 2011 General Shareholders’ Meeting.

Both the status of and the outlook for the operating business were front and center at the Supervisory Board

meeting on May 20, 2011.

Besides a detailed presentation on the Group's business in the year's first half, the Supervisory Board meeting on August 2, 2011, also focused on appointing Mr. zu Hohenlohe to the Executive Board.

At its meeting on September 23, 2011, the Supervisory Board dealt with the Executive Board's financial and business report as well as the Company's investments in both infrastructure and IT systems.

Among other things, compliance in general and company-specific applications of the general compliance rules as well as the adequacy of the Executive Board's compensation were the main topics at the Supervisory Board meeting on December 16, 2011. In that connection, the Supervisory Board determined that compliance had taken place and that the Executive Board's compensation was adequate. The Supervisory Board reviewed and subsequently adopted both the business plan for 2012 and the multi-year plan that the Executive Board had presented to it at this meeting.

Corporate Governance

All members of the Supervisory Board attended all Supervisory Board meetings in 2011. There was no conflict of interest of members of the Supervisory Board in the financial year just ended. The independence of the financial expert on the Supervisory Board was monitored on an ongoing basis and is assured.

At its meeting on December 16, 2011, the Supervisory Board addressed compliance with the recommendations of the German Corporate Governance Code in detail. It approved the Declaration of Compliance with the German Corporate Governance Code, which it had prepared jointly with the Executive Board; it is permanently available to the public at the Company's website.

The Supervisory Board conducted the efficiency review of its work required under the Corporate Governance Code at its meeting on March 14, 2011, and determined that all requirements applicable to the efficiency of its work had been fulfilled.

Composition of the Supervisory Board and the Executive Board

Again, no committees were established in 2011.

There were personnel changes on the Supervisory Board in the 2011 financial year. Mr. Andreas Kratzer resigned from the Supervisory Board effective January 31, 2011. By ruling dated February 3, 2011, the Munich Registry Court appointed Dr. Klaus Fuchs to the Supervisory Board upon application by the Company's Executive Board. He was elected to the Supervisory Board by the General Shareholders' Meeting on May 20, 2011.

The Executive Board member, Dr. Michael Siedentop, departed from Softing AG upon expiration of his director's contract effective February 1, 2011.
Mr. Maximilian Prinz zu Hohenlohe-Waldenburg has been a member of the Executive Board since August 2, 2011; he is responsible for Finance and Human Resources.
Dr. Wolfgang Trier is currently responsible for the two operating segments, Industrial Automation and Automotive Electronics, as well as Investor Relations.

Annual Financial Statements and Consolidated Financial Statements

The annual financial statements of Softing AG were prepared in accordance with the German Commercial Code and the consolidated financial statements and the Group management report were prepared in accordance with International Financial Reporting Standards (IFRS). The annual financial statements and the management report of Softing AG, and the consolidated financial statements and the Group management report as of December 31, 2011, were audited as required by law by KPMG Bayerische Treuhandgesellschaft AG, Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Munich, Germany, the auditors appointed by the General Shareholders' Meeting. The auditors issued an unqualified auditor's opinion each for the annual financial statements and the consolidated financial statements. The auditors performed an audit in accordance with Section 317 para 4 German Commercial Code and came to the conclusion that the

Executive Board established a monitoring system which fulfills the legal requirements for the early detection of risks jeopardizing the Company's existence as a going concern and that the Executive Board took appropriate measures to detect developments at an early stage and avert risks.

The auditors stated their independence vis-à-vis the Supervisory Board as required by the German Corporate Governance Code and disclosed the audit and consulting fees received in the financial year.

The annual financial statements and the audit reports of the auditors were made available in time to all members of the Supervisory Board. At its financials meeting on March 26, 2012, the Supervisory Board examined the annual financial statements and the management report of Softing AG as well as the consolidated financial statements and the Group management report presented by the Executive Board including the audit report prepared by the auditors of the financial statements. 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 2011 at its meeting on March 26, 2012. The annual financial statements are therefore formally adopted. The Supervisory Board agreed with the appropriation of the net retained profits proposed by the Executive Board.

Thank you

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.

The Supervisory Board wishes to express its special acknowledgement to the Company's management for its consistent actions during and after the 2009 crisis year and its ability to lead the Company to such growth in 2011 and record profits.

Haar/Germany, March 26, 2012

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 will be in compliance in the future with the recommendations regarding conduct contained in the Code's current and applicable version in the 2011 financial year, taking into account the exceptions and comments listed below. The Executive Board and Supervisory Board issued the Declaration of Compliance on December 16, 2011. 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 will not assist shareholders in the use of postal votes (Section 2.3.3 sentence 2 of the Code).

Although the Company's Articles of Incorporation actually allow postal votes, the Company already gives its shareholders the option of appointing a proxy nominated by the Company to exercise their voting rights, which means the additional option of a postal vote ultimately would not simplify the exercise of shareholders' rights.

b. The Company currently has not agreed a deductible for the D&O insurance taken out on behalf of the members of its Supervisory Board (Section 3.8 para 3 of the Code).

The Company does not believe that such a deductible could enhance the motivation and responsibility of the members of the Company's Supervisory Board in carrying out their duties.

c. The Company does not maintain Declarations of Compliance with the German Corporate Governance Code at its website for five years (Section 3.10 sentence 4 of the Code).

It does not believe that it is necessary to store non-current Declarations of Compliance with the German Corporate Governance Code on its website for a full five years. Such postings do not offer new information relevant to the capital market.

d. Severance payment cap (Section 4.2.3 para 4 and para 5 of the Code)

There are no plans to establish a severance payment cap. In the Supervisory Board's view, however, the extant provisions in the director's contracts of the Executive Board members comply with the adequacy requirements such that it does not see any need to amend them. Stipulating a severance payment cap also contradicts the fundamental principle that director's contracts are generally closed for the term of the appointment and cannot be terminated, in principle, except for cause. Early termination of a director's contract absent cause requires that it be mutually rescinded by the parties thereto. Even if a severance payment cap were stipulated, any such stipulation would not preclude including the severance payment cap in the negotiations at the time the given Executive Board member steps down. The Supervisory Board will continue to review implementing the recommendation in future director's contracts.

e. The Company does not prepare a compensation report (Section 4.2.5 of the Code).

The individualized disclosure of Executive Board compensation in the compensation report in accordance with section 4.2.5 of the Code will be omitted because the Company's General Shareholders' Meeting passed a resolution to this effect on August 24, 2007 that is valid for five years.

f. Diversity in the Executive Board (Section 5.1.2 para 1 sent. 2 of the Code)

When appointing the members of the Executive Board, the Supervisory Board cannot also respect diversity because the Company has only two Executive Board members. Given that the Executive Board comprises

just two members – a number the Company currently believes to be adequate and whose positions will be filled for the foreseeable future – the recommendations in the Code to aim for an appropriate consideration of women do not appear feasible for the time being.

g. The Supervisory Board has not set up any committees (Sections 5.3.1, 5.3.2, 5.3.3 of the Code).

Given the size of the Supervisory Board (three members), setting up committees is not considered necessary.

h. No age limit has been specified for members of the Executive Board and the Supervisory Board (section 5.1.2 para 2 and section 5.4.1 para 2 of the Code).

A specific age limit could be an undesired criterion to exclude qualified members of the Executive Board or the Supervisory Board.

i. Specification of concrete objectives regarding the composition of the Supervisory Board (section 5.4.1 para 2 and 3 of the Code).

The Company's Supervisory Board will not specify any concrete objectives regarding its composition. Up to now, the Supervisory Board has exclusively based its proposals for the nomination of Supervisory Board members on the suitability of the male and female candidates with the aim of creating a Supervisory Board whose members as a group possess the knowledge, skills and professional experience required to properly complete its tasks. The Supervisory Board firmly believes that this approach works, which is why it does not see any need to change this practice. As a consequence, the recommendations in Section 5.4.1 para 3 based on this can also not be followed.

j. 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 (Section 5.4.3 of the Code).

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.

k. The Supervisory Board does not discuss quarterly or half-yearly financial reports with the Executive Board prior to publication (Section 7.1.2. sent. 2 of the Code).

The Company believes that a separate discussion of the reports is not necessary because the Supervisory Board is informed regularly of the business transactions.

Since the publication of its previous Declaration of Compliance in December 2010, Softing AG has generally been in compliance with the recommendations contained in the German Corporate Governance Code as amended on May 26, 2010. The Company has not observed the following recommendations: section 2.3.3 sentence 2; section 3.8 para 3; section 4.2.1 sentence 1; section 4.2.3 paras 4 and 5; section 4.2.5; section 5.1.2 para 1 sentence 2 and para 2 sentence 3; section 5.3.1; section 5.3.2; section 5.3.3; section 5.4.1 paras 2 and 3; section 5.4.3; and section 7.1.2 sentence 2.

After Michael Siedentop had left the Executive Board, the Executive Board of Softing AG had only one member between February 1, 2011, and August 2, 2011, when Mr. Maximilian Prinz zu Hohenhole-Waldenburg was appointed to the Executive Board. During the aforementioned period of time, the Supervisory Board had to look for a successor. The Company therefore was not in compliance with the recommendation of item 4.2.1 of the Code for this period of time. The Executive Board of Softing AG has comprised more than one person since August 2, 2011.

Please see the explanations under no. 1 for the reasons for not observing the other recommendations of the Code stated under no. 2.

Compensation for the active members of the Supervisory Board in the 2011 financial year is presented on page 69 of the 2011 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, 2011	Dec. 31, 2012	Sep. 30, 2011	Dec. 31, 2012
	Number	Number	Number	Number
Supervisory Board				
Dr. Horst Schiessl (chairman), attorney at law, Munich	-	-	-	-
Michael Wilhelm (deputy chairman), CPA/tax advisor, Munich	-	-	-	-
Dr. Klaus Fuchs (member), graduate computer scientist und graduate engineer, Helfant	225,000	225,000	-	-
Executive Board				
Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich	4,528	20,328	-	-
Dr.-Ing. Michael Siedentop, Neutraubling (until Feb. 1, 2011)	-	-	-	-
Maximilian zu Hohenlohe, Pfaffenhofen (since Aug. 2, 2011)	-	-	-	-

Executive Board – Allocation of Responsibilities (until Feb. 1, 2011)

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

Executive Board – Allocation of Responsibilities (from Feb. 1, 2011)

Dr. Wolfgang Trier	Industrial Automation Automotive Electronics Investor Relations
Maximilian zu Hohenlohe	Finance, Human Resources

Financial Calendar

March 30, 2012	Annual Report 2011
May 09, 2012	General Shareholders' Meeting in Munich
May 15, 2012	Quarterly Financial Report 1/2012
August 14, 2012	Quarterly Financial Report 2/2012
November 15, 2012	Quarterly Financial Report 3/2012
November 12-14, 2012	German Equity Forum in Frankfurt/Main

Softing AG
Richard-Reitzner-Allee 6
85540 Haar / Germany

Tel. +49 89 4 56 56-0
Fax +49 89 4 56 56-399
investorrelations@softing.com
www.softing.com