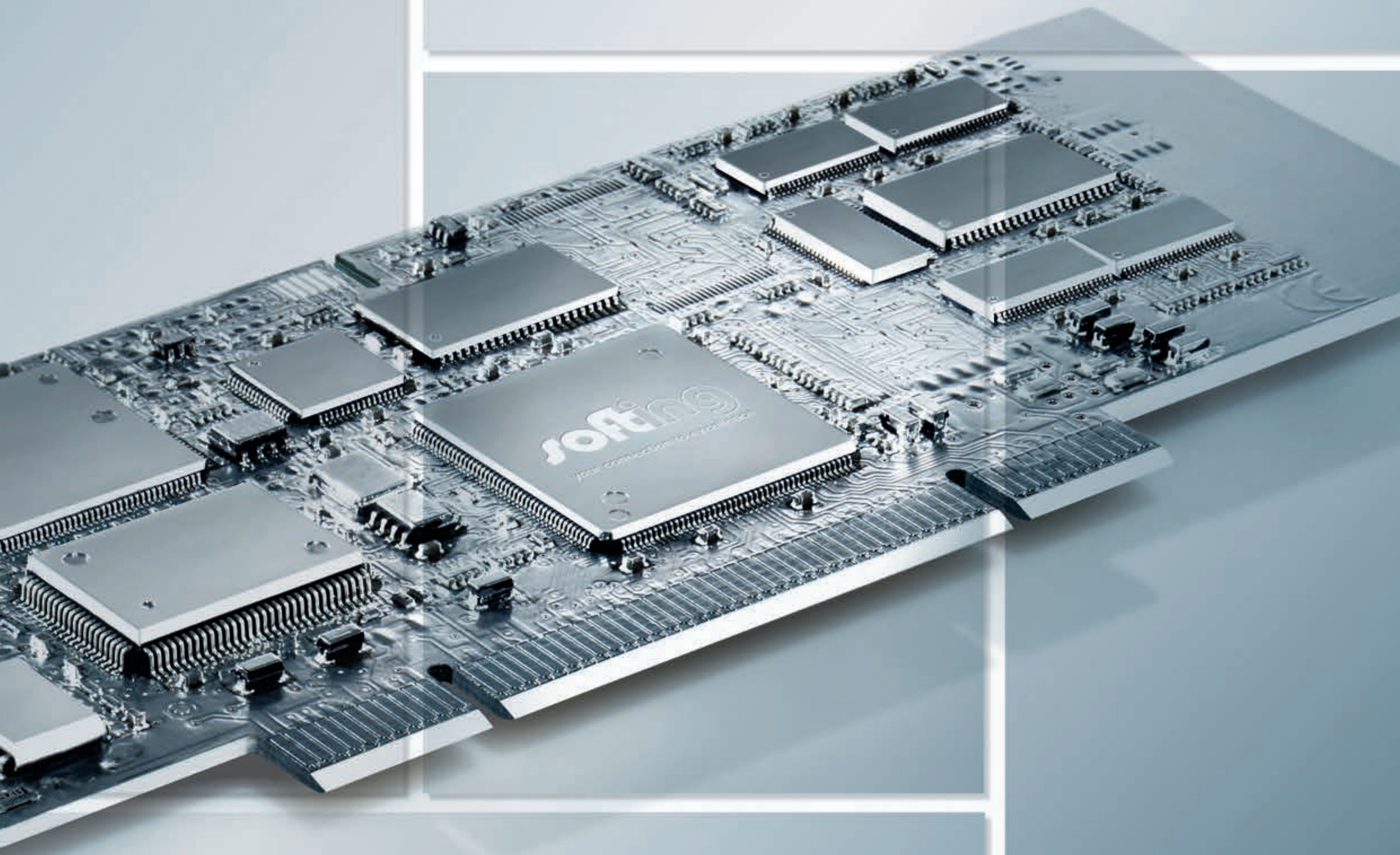
2/2011

Quarterly Financial Report



Excellent first six months of 2011

- Sales up by some 30 % to more than EUR 18 million
- EBIT increased to EUR 2 million
- EBIT guidance raised for the full 2011 financial year

softing
your connection to excellence

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

Softing AG has made excellent use of the market opportunities offered in the first half-year and translated them into profitable sales. We were able to maintain the momentum of the first quarter throughout the outstanding second quarter and can now look back on our most successful half-year ever.

The figures speak for themselves: We achieved double- or even triple-digit growth rates in all of our key figures and reached record values in terms of absolute figures. Incoming orders grew by almost 50 % to EUR 20.5 million in the first six months, while sales rose around 30 % to just over EUR 18 million. EBIT even increased tenfold to EUR 2 million, corresponding to EPS of EUR 0.27.

The table below compares the most important key figures for 2011 and 2010:

All figures in EUR million	Quarterly report II/2011	Quarterly report II/2010	Six-months report 2011	Six-months report 2010
Incoming orders	10.5	7.2	20.5	14.0
Sales	9.3	7.1	18.1	13.9
Earnings (EBIT)	1.1	0.0	2.0	0.2
Net income	0.8	0.0	1.5	0.2
Earnings per share in EUR	0.15	0.00	0.27	0.03

As the segment report shows, the Industrial Automation and Automotive Electronics divisions contributed to this outstanding achievement in almost equal measure. The most powerful earnings driver was the Automotive Electronics division, which generated a positive EBIT of around EUR 1 million in the first half of 2011. The division had made a slight loss in the same period last year. For the first time, the division's earnings were influenced by the large orders reported at the end of the previous year, all of which will last for several years and will continue to drive business in the future.

According to the most recent figures from the Ifo Institute, the business climate index – a leading economic indicator – fell surprisingly sharply in July. The slowdown of the global economy and the disaster surrounding the solution of the sovereign debt problem of the weak euro countries are dampening the optimism of German businesses. However, Hans-Werner Sinn, president of the Ifo Institute, recently said that the German economy is not entering a phase of economic weakness, and we agree with this assessment.

It is not the economy that concerns us, but rather the tremendous political risks currently being taken: There is still no solution to the virtual bankruptcy of Greece, and as the European Central Bank buys bonds, Germany is being called upon to make larger and larger transfer payments to southern European countries and Ireland. The pressure is growing, and governments have not been brave enough to make a dramatic and bold move. However, such a move could be forced upon us very quickly by the markets, for instance if France's credit rating were downgraded, which would effectively eliminate this country as a co-financer of rescue funds. The situation remains highly volatile.

The majority of our business is of a long-term nature. Our customers appreciate and need our services. Softing is tapping new fields of business with products like measurement technology for the R&D departments of the automotive industry. We still believe there are very good opportunities for further growth throughout the Group. For this reason, we have raised our previous profit expectations for 2011 and are now aiming for an EBIT of over EUR 3 million. Our target sales will remain at EUR 35 million for now. All signs indicate that we will continue to experience dynamic growth in 2012.

The current political uncertainties are severely affecting the capital market. The pressure is therefore growing on investors to include companies with sustainable growth and return prospects in their portfolios. Softing has an international focus and is experiencing ongoing growth in sales and disproportionately high growth in earnings. We believe this makes us interesting to investors.

With warm regards,

Dr. Wolfgang Trier
(Chief Executive Officer)

Stock Price – Directors' Holdings – Financial Calendar

CLOSING PRICE, XETRA

DIRECTORS' HOLDINGS AS OF JUNE 30, 2011

Boards	Shares		Options	
	June 30, 2011 Number	March 31, 2011 Number	June 30, 2011 Number	March 31, 2011 Number
Supervisory Board				
Dr. Horst Schiessl (chairman), Attorney at Law, Munich	–	–	–	–
Michael Wilhelm (deputy chairman), CPA/tax advisor, Munich	–	–	–	–
Dr. Klaus Fuchs (member of the Supervisory Board), graduate computer scientist/graduate engineer, Helfant, from February 03, 2011	225,000	225,000	–	–
Executive Board				
Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich	–	–	–	–

FINANCIAL CALENDAR

August 12, 2011	Quarterly Report 2/2011
November 15, 2011	Quarterly Report 3/2011
November 21 – 23, 2011	German Equity Forum in Frankfurt/Main
March 30, 2012	2011 Annual Report
May 15, 2012	Quarterly Report 1/2012
August 14, 2012	Quarterly Report 2/2012
November 15, 2012	Quarterly Report 3/2012

Group Management Report for the 2/2011 Quarterly Financial Report

Economic Environment

The slowdown of the global economy and the financial turbulence surrounding the euro are dampening the optimism of German businesses. According to the most recent figures from the Ifo Institute, the business climate index – a leading economic indicator – fell surprisingly sharply in July from 114.5 points to 112.9 points. However, this does not mean that the German economy is entering a weak phase. Experts continue to expect the German economy to be robust in 2011 and generate growth of approx. 2.5 percent. Industry and the automotive sector in particular will benefit from the excellent state of the economy. Softing therefore anticipates a further increase in incoming orders, sales and earnings both in Automotive Electronics and Industrial Automation for the full 2011 financial year.

Earnings

Sales in the Automotive Electronics segment in the first six months of 2011 rose by 43.5 % to EUR 6.8 million (previous year: EUR 4.8 million). The Industrial Automation segment recorded a sales increase of 22.2 % to EUR 11.2 million (previous year: EUR 9.2 million). The sales of the Softing Group thus rose by more than 29.5 % to EUR 18.1 million in the first half of 2011 (previous year: EUR 13.9 million). EBIT in the reporting period came in at EUR 2.0 million (previous year: EUR 0.2 million). As of June 30, 2011, orders on hand in the Group totaled EUR 8.0 million (March 31, 2011: EUR 6.8 million).

Assets and Financial Position

The equity of the Softing Group rose by EUR 0.6 million to EUR 15.6 million in the first six months of 2011 (December 31, 2010: EUR 15.0 million). Cash and cash equivalents including securities classified as current assets in the first half of 2011 increased by EUR 0.5 million to EUR 6.6 million, compared to EUR 6.1 million as of December 31, 2010.

Research and Product Development

In the first six months of 2011, Softing capitalized a total of EUR 1.6 million (previous year: EUR 1.7 million) for the development of new products and the enhancement of existing ones.

Employees

As of June 30, 2011, the Group had 248 employees (previous year: 216). During the reporting period, no stock options were issued to employees.

Opportunities for the Company’s Future Development

As of the reporting date of June 30, 2011, the Company’s risk structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2010. Material changes are also not expected for the remaining six months of 2011. For more information, please refer to our Group Management Report in the 2010 Annual Report, page 6 et seq.

Outlook

Softing continues to see very good opportunities for future growth throughout the Group. For this reason, the previous profit expectations for 2011 have been raised to a target EBIT of over EUR 3 million. Softing still expects to generate sales of just over EUR 35 million. Sales are forecast to rise to roughly the same extent in both the Automotive Electronics and the Industrial Automation segments.

Events after the Balance Sheet Date

There were no events of special importance after the balance sheet date June 30, 2011.

Consolidated Balance Sheet

According to IFRS as of June 31, 2011, unaudited

Assets	Quarterly report 06/30/2011 EUR	Financial statements 12/31/2010 EUR
Cash and cash equivalents	4,807,382	4,274,684
Marketable securities	1,840,356	1,864,780
Trade accounts receivable	6,168,161	6,800,787
Inventories	2,594,241	2,032,767
Prepaid expenses and other current assets	1,273,248	1,299,632
Total current assets	**16,683,388**	**16,272,650**
Property, plant and equipment	875,107	611,258
Intangible assets	4,351,463	4,632,332
Goodwill	2,438,952	2,438,952
Borrowings	875,000	875,000
Deferred taxes	856,820	1,425,622
Total non-current assets	**9,397,342**	**9,983,164**
Total assets ▸	**26,080,730**	**26,255,814**

Liabilities and equity	Quarterly report 06/30/2011 EUR	Financial statements 12/31/2010 EUR
Other borrowings	264,151	392,400
Trade accounts payable	1,532,338	1,579,255
Liabilities from customer-specific construction contracts	77,508	165,131
Provisions	223,775	113,014
Tax provisions	86,861	50,000
Deferred income and other current liabilities	4,586,961	5,234,874
Total current liabilities	**6,771,594**	**7,534,674**
Deferred tax liabilities	1,273,395	1,355,210
Employee benefits	1,204,968	1,146,034
Other financial liabilities	1,257,177	1,257,177
Total non-current liabilities	**3,735,540**	**3,758,421**
Issued capital	5,637,198	5,637,198
Capital reserves	1,683,819	1,683,820
Treasury shares	-771,735	-771,735
Minority interest	27,082	90,324
Accumulated profit (incl. retained earnings)	8,997,232	8,323,112
Total equity	**15,573,596**	**14,962,719**
Total liabilities and shareholders' equity ▸	**26,080,730**	**26,255,814**

Consolidated Income Statement

According to IFRS as of June 31, 2011, unaudited

	Quarterly report II/2011 04/01/2011 - 06/30/2011 EUR	Quarterly report II/2010 04/01/2010 - 06/30/2010 EUR	Six-months report 2011 01/01/2011 - 06/30/2011 EUR	Six-months report 2010 01/01/2010 - 06/30/2010 EUR
Revenue	9,337,698	7,071,476	18,052,510	13,943,329
Other operating income	523,048	265,486	526,333	425,998
Other own work capitalized	523,754	772,518	1,032,970	1,459,018
Cost of purchased materials/services	-2,733,097	-2,093,249	-4,907,413	-4,127,394
Staff costs	-4,415,474	-3,907,106	-8,441,991	-7,646,598
Depreciation and amortization	-769,276	-781,300	-1,599,001	-1,550,116
Other operating expenses	-1,384,616	-1,286,043	-2,641,724	-2,312,564
Operating income	**1,082,037**	**41,782**	**2,021,684**	**191,673**
Interest income and expenses	19,197	-22,115	19,619	-75,517
Result before income taxes	**1,101,234**	**19,667**	**2,041,303**	**116,156**
Income taxes	-296,426	-18,186	-577,982	44,526
Other taxes	-475	-637	-475	-1,605
Result before minority interest	**804,333**	**844**	**1,462,846**	**159,077**
Minority interest	-8,532	-10,695	-3,953	859
Net income/loss	**795,801**	**-9,851**	**1,458,893**	**159,936**
Earnings per share (basic)	0.15	0	0.27	0.03
Earnings per share (diluted)	0.15	0	0.27	0.03
Average number of shares outstanding (basic)	5,329,596	5,104,596	5,329,596	5,104,596
Average number of shares outstanding (diluted)	5,329,596	5,104,596	5,329,596	5,104,596

Consolidated Cash Flow Statement

According to IFRS as of June 31, 2011, unaudited

		Six-months report 2011 01/01/2011 – 06/30/2011 EUR (in thsds)	Six-months report 2010 01/01/2010 – 06/30/2010 EUR (in thsds)
	Cash flow from operating activities		
	Net income / loss	1,463	159
	Exchange differences recognized in equity	-16	17
+	Depreciation / amortization	1,599	1,550
+	Increase in provisions	88	151
+/-	Change in net working capital	-1,045	-920
=	**Net cash provided by operating activities**	**2,089**	**957**
	Cash flow from investing activities		
-	Payments made for investments in self-produced intangible assets	-1,135	-1,579
-	Payments made for investments in other intangible assets and in property, plant and equipment	-447	-152
=	**Net cash used in investing activities**	**-1,582**	**-1,731**
	Cash flow from financing activities		
-	Buy-back of treasury shares	0	0
=	**Net cash provided by financing activities**	**0**	**0**
-	Increase/decrease in cash and cash equivalents	507	-774
+	Cash and cash equivalents at beginning of period	6,140	4,172
=	**Cash and cash equivalents at end of period** ▸	**6,647**	**3,398**

Changes in Shareholders' Equity

01/01/2011 – 06/30/2011							
EUR (in thsds)	Issued capital	Capital reserves	Retained earnings	Accumu-lated profits	Treasury shares	Minority shares	Total
Balance as of December 31, 2010	5,637	1,684	-458	8,782	-772	90	14,963
Purchase of treasury shares							–
Dividend payment				-620			-620
Measurement of financial instruments			-149				-149
Currency translation			-16				-16
Minority interest						-63	-63
Net income 2011				1,459			1,459
Balance as of June 30, 2011	**5,637**	**1,684**	**-623**	**9,621**	**-772**	**27**	**15,574**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR Q2/2011

This Quarterly Financial Report was prepared using the same accounting policies as in financial year 2010.

Segment Reporting

As of June 30, 2011

	Quarterly report II/2011 04/01/2011 - 06/30/2011 EUR	Quarterly report II/2010 04/01/2010 - 06/30/2010 EUR	Six-months report 2011 01/01/2011 - 06/30/2011 EUR	Six-months report 2010 01/01/2010 - 06/30/2010 EUR
Automotive Electronics				
Revenue	3,649	2,445	6,849	4,774
Segment result (EBIT)	611	40	1027	-82
Depreciation/amortization	155	230	396	432
Segment assets	189	305	8,416	5,350
Segment liabilities	112	126	3,131	2,232
Capital expenditure (not including long-term investments)	209	369	427	574
Industrial Automation				
Revenue	5,689	4,626	11,203	9,169
Segment result (EBIT)	606	2	1,247	274
Depreciation/amortization	594	551	1,159	1,118
Segment assets	191	77	9,660	9,474
Segment liabilities	23	175	4,103	4,013
Capital expenditure (not including long-term investments)	455	530	844	1,140
Not distributed				
Revenue	-	-	-	-
Segment result (EBIT)	-135	-	-252	-
Depreciation/amortization	20	-	44	-
Segment assets	-420	-160	8,005	7,050
Segment liabilities	-341	-78	3,274	1,850
Capital expenditure (not including long-term investments)	240	8	287	17
Total				
Revenue	9,338	7,071	18,052	13,943
Segment result (EBIT)	1,082	42	2,022	192
Depreciation/amortization	769	781	1,599	1,550
Segment assets	-40	222	26,081	21,874
Segment liabilities	-206	222	10,508	8,095
Capital expenditure (not including long-term investments)	904	907	1,558	1,731

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

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