

3/2012

Quarterly Financial Report



- ▶ Sales up by over 27 % to more than EUR 35 million
- ▶ EBIT improved by 20 % to EUR 3.4 million



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

Temperatures have unexpectedly fallen below freezing this fall, and the German economy has followed suit. The ifo Business Climate Index, a leading economic indicator in Germany, dropped again in October. The latest economic survey by the Association of German Chambers of Commerce and Industry tells the same story. Even among German executives, anxiety is growing in the face of the recession in many parts of Europe and the unresolved sovereign debt crisis in the euro zone.

There is no trace of anxiety at Softing, however. The automation and automotive sectors are still growth markets, though extremely high growth

rates and returns are returning to normal levels. Our excellent sales and EBIT figures for the third quarter are visible proof of the stability of our business environment. However, we have geared our plans for 2013 towards securing and stabilizing our growth at least at its current level even in a weaker environment through new products and access to previously untapped markets.

We managed to further improve all significant key financials in the third quarter of 2012. Incoming orders, for instance, were up 20% in the quarter and 26.1% in the first nine months, reaching EUR 38.4 million. Global sales amounted to EUR 35.2 million, reflecting an increase of 15.9% in the third quarter and of around 27% in the first nine months of the year. Our operating result developed just as positively: it improved by

The following table shows the most important key figures at a glance:

All figures in EUR million	Quarterly report III/2012	Quarterly report III/2011	Nine-months report 2012	Nine-months report 2011
Incoming orders	11.9	10.0	38.4	30.4
Sales	11.0	9.5	35.2	27.6
Earnings (EBIT)	1.0	0.8	3.4	2.9
Net income	0.6	0.6	2.2	2.0
Earnings per share in EUR	0.10	0.11	0.38	0.39
Adjusted EPS ^{*)}	0.12	0.11	0.42	0.39

*) Adjusted for the capital increase in March 2012 with a 7:1 ratio

EUR 0.6 million from EUR 2.8 million to EUR 3.4 million year on year in the first nine months. We managed to keep earnings per share (EPS) almost stable despite the capital increase – which in itself corresponds to an improvement of around 10 %.

In the Industrial Automation segment, we can report substantial sales growth of 8.0 % to EUR 18.2 million (previous year: EUR 16.8 million), with earnings improving by EUR 0.4 million to EUR 1.5 million (previous year: EUR 1.1 million) in the first nine months.

In the Automotive Electronics segment, sales rose in the first nine months of 2012 by 58.6 % to EUR 17.0 million (previous year: EUR 10.7 million). This sales leap can be attributed to very high-volume business with existing customers. Automotive Electronics therefore contributed EUR 1.9 million to Softing's overall earnings. This is an increase of EUR 0.2 million over the previous year's excellent result, which was based on extremely high-margin software sales. The margin achieved in 2012 can be explained by the relatively high proportion of hardware products.

The Automotive Electronics segment as a whole comprises products for diagnostics, measurement and testing. These products are used in development, test drives and workshops. This means that the automobile industry's cyclical fluctuations in capacity utilization do not affect Softing nearly as much as they would an automotive supplier.

At the end of November, the companies in the Industrial Automation segment will again participate in SPS/IPC/DRIVES in Nuremberg, the most important automation trade fair for us. There, we will be showcasing new products and services from our industrial automation business and further build and strengthen partnerships. This will enable us to generate further growth over the next years.

Softing has long been on a course of success with its business. For the third year in a row, we are experiencing annual sales growth rates of around 20 % and high dividend payments thanks to healthy earnings. In light of impending and actual national bankruptcies and the low interest rate policies of the central banks, investors are focusing on companies recording sustainable strong growth. This is reflected in the development of Softing's share price, which has continued to rise strongly over the past twelve months. Softing currently has a market capitalization of nearly EUR 50 million with significantly higher daily trading figures – a development which has noticeably spurred the interest of institutional investors.

The global economic slowdown is not just a challenge to future sales, however. As always, there are two sides to this coin: A slump will also help us achieve reasonable purchase prices in our acquisition efforts, and this will support our strategy of both organic and inorganic growth.

We therefore believe there is still a lot of upside in our share price. Our growth targets for the coming years remain ambitious. These targets, along with our key figures from the first three quarters, will be presented to numerous analysts and institutional investors on November 13 and 14 at the German Equity Forum of Deutsche Börse AG. There is so much interest in Softing that we have had to double the amount of time allocated to individual investor meetings.

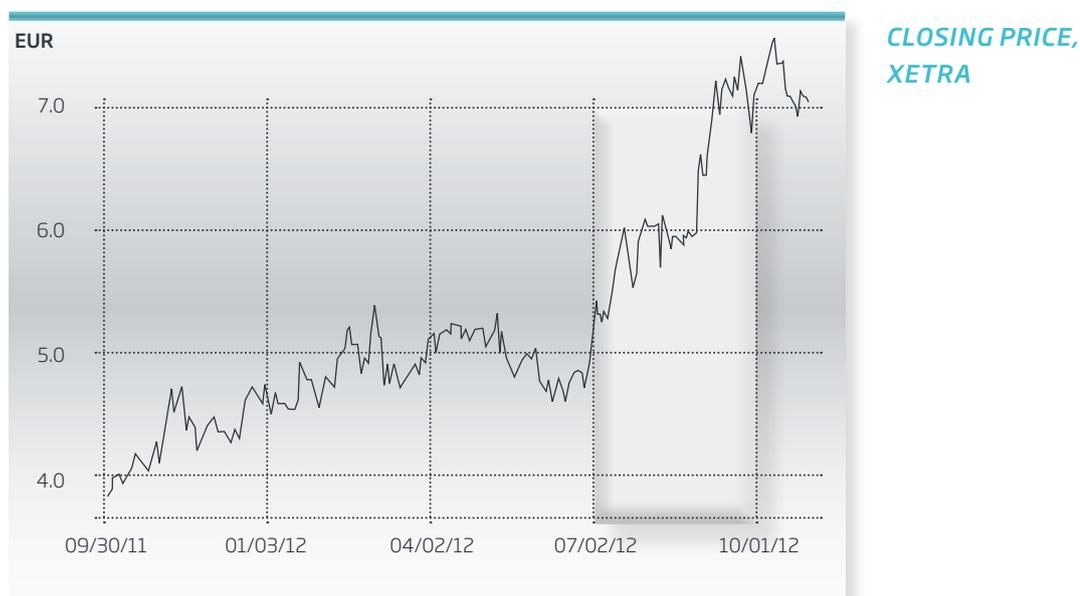
We are confident that Softing's great potential will be apparent even in the worsening economic environment, and we invite you to continue to benefit from this.

With warm regards,



Dr. Wolfgang Trier
(Chief Executive Officer)

Stock Price - Directors' Holdings - Financial Calendar



DIRECTORS' HOLDINGS AS OF SEPTEMBER 30, 2012

Boards	Shares		Options	
	Sep. 30, 2012 Number	June 30, 2012 Number	Sep. 30, 2012 Number	June 30, 2012 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	273,886	273,886	-	-
Executive Board				
Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich	24,663	23,231	-	-
Maximilian Prinz zu Hohenlohe- Waldenburg, Pfaffenhofen	-	-	-	-

FINANCIAL CALENDAR

November 13, 2012	Quarterly Report 3/2012
November 14, 2012	German Equity Forum
March 29, 2013	2012 Annual Report
May 07, 2013	Annual General Meeting in Munich
May 15, 2013	Quarterly Report 1/2013
August 14, 2013	Quarterly Report 2/2013
November 15, 2013	Quarterly Report 3/2013

Group Management Report

for the 3/2012 Quarterly Financial Report

Economic Environment

Experts continue to expect the German economy to lose momentum in the remainder of 2012. The Ifo Business Climate Index, the most important economic indicator, fell for the sixth time in a row in October. Experts forecast growth in excess of 1 percent for the year as a whole. Industry and the automotive sector in particular are still able to benefit from the 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 2012 financial year.

Earnings

Sales in the Automotive Electronics division in the first nine months of 2012 rose by 58.6 % to EUR 17.0 million (previous year: EUR 10.7 million). Industrial Automation recorded a sales increase of 8.0 % to EUR 18.2 million (previous year: EUR 16.8 million). This sales leap can be attributed to very high-volume business with existing customers. The sales of the Softing Group thus rose by 27.7 % to EUR 35.2 million in the first nine months of 2012 (previous year: EUR 27.6 million). EBIT in the reporting period came in at EUR 3.4 million (previous year: EUR 2.8 million). As of September 30, 2012, orders on hand in the Group totaled EUR 11.2 million (December 31, 2011: EUR 8.0 million).

Financial Position and Cash Flows

The equity of the Softing Group rose by EUR 4.3 million to EUR 21.5 million in the first nine months of 2012 (December 31, 2011: EUR 17.2 million). Cash and cash equivalents in reporting period increased by EUR 3.9 million to EUR 11.2 million, compared to EUR 7.3 million as of December 31, 2011.

Research and Product Development

In the first nine months of 2012, Softing capitalized a total of EUR 2.6 million (previous year: EUR 1.8 million) for the development of new products and the enhancement of existing ones. Other significant amounts were expensed.

Employees

As of September 30, 2012, the Softing Group had 311 employees (previous year: 251). During the reporting period, no stock options were issued to employees.

Opportunities for the Company's Future Development

As of the reporting date of September 30, 2012, the Company's risk structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2011. Material changes are also not expected for the remaining three months of 2012. For more information, we refer to our Group Management Report in the 2011 Annual Report, page 4 et seq.

Outlook

Due to the excellent first nine months, Softing confirms its guidance for the current year. The Executive Board assumes that Softing will record sales well in excess of EUR 45 million and earnings before interest and taxes (EBIT) of more than EUR 4.5 million in 2012.

Events after the Reporting Period

There were no events of special importance after the reporting date of September 30, 2012.

Consolidated Balance Sheet

According to IFRS as of September 30, 2012, unaudited

Assets	Quarterly report 09/30/2012 EUR	Financial statements 12/31/2011 EUR
Cash and cash equivalents	11,208,181	7,300,619
Marketable securities	1,021,199	1,241,780
Trade accounts receivable	8,316,319	8,294,759
Inventories	3,930,600	3,642,318
Prepaid expenses and other current assets	1,982,976	1,006,093
Total current assets	26,459,275	21,485,569
Property, plant and equipment	1,212,402	1,125,473
Intangible assets	5,065,654	4,296,683
Goodwill	2,438,952	2,438,952
Borrowings	875,000	875,000
Deferred taxes	362,831	730,034
Total non-current assets	9,954,839	9,466,142
Total assets	▶ 36,414,114	30,951,711
Liabilities and equity	Quarterly report 09/30/2012 EUR	Financial statements 12/31/2011 EUR
Other borrowings	1,660,108	1,655,577
Trade accounts payable	2,064,294	2,668,814
Liabilities from customer-specific construction contracts	313,416	187,180
Provisions	281,009	281,009
Tax provisions	387,246	430,953
Deferred income and other current liabilities	7,285,515	6,210,015
Total current liabilities	11,991,588	11,433,548
Deferred tax liabilities	1,698,437	1,189,592
Employee benefits	1,131,506	1,021,967
Other financial liabilities	107,695	107,695
Total non-current liabilities	2,937,638	2,319,254
Issued capital	6,442,512	5,637,198
Capital reserves	4,396,103	1,683,820
Treasury shares	-771,735	-771,735
Minority interest	-3,584	10,115
Accumulated profit (incl. retained earnings)	11,421,592	10,639,511
Total equity	21,484,888	17,198,909
Total liabilities and equity	▶ 36,414,114	30,951,711

Consolidated Income Statement

According to IFRS as of September 30, 2012, unaudited

	Quarterly report III/2012 07/01/2012 - 09/30/2012 EUR	Quarterly report III/2011 07/01/2011 - 09/30/2011 EUR	Nine-months report 2012 01/01/2012 - 09/30/2012 EUR	Nine-months report 2011 01/01/2011 - 09/30/2011 EUR
Revenue	11,029,677	9,511,960	35,199,416	27,564,470
Other operating income	36,416	315,203	467,834	841,536
Other own work capitalized	863,498	639,371	2,282,376	1,672,341
Cost of purchased materials / services	-3,092,942	-2,823,607	-10,164,803	-7,731,020
Staff costs	-5,516,493	-4,713,545	-17,245,173	-13,155,536
Depreciation and amortization	-831,104	-783,069	-2,482,250	-2,382,070
Other operating expenses	-1,509,987	-1,333,433	-4,670,272	-3,975,157
Operating profit / loss	979,065	812,880	3,387,128	2,834,564
Interest income and expenses	-23,205	6,868	-94,377	26,487
Result before income taxes	955,860	819,748	3,292,751	2,861,051
Income taxes	-322,585	-233,830	-1,051,859	-811,812
Other taxes		-420		-895
Result before minority interest	633,275	585,498	2,240,892	2,048,344
Minority interest	-3,545	-8,151	13,698	4,198
Net income	629,730	593,649	2,254,590	2,052,542
Earnings per share (basic)	0.10	0.11	0.38	0.39
Earnings per share (diluted)	0.10	0.11	0.38	0.39
Average number of shares outstanding (basic)	6,134,910	5,329,596	5,863,522	5,329,596
Average number of shares outstanding (diluted)	6,134,910	5,329,596	5,863,522	5,329,596

Consolidated Cash Flow Statement

According to IFRS as of September 30, 2012, unaudited

	Nine-months report 2012 01/01/2012 - 09/30/2012 EUR (in thsds)	Nine-months report 2011 01/01/2011 - 09/30/2011 EUR (in thsds)
Cash flow from operating activities		
Net income	2,241	2,048
Exchange differences recognized in equity	-8	-7
+ Depreciation/amortization	2,482	2,382
+/- Increase in provisions	618	109
+/- Change in net working capital	-167	-378
= Net cash provided by operating activities	5,166	4,154
Cash flow from investing activities		
- Payments made for the acquisition of consolidated companies		-170
Payments made for investments in self-produced intangible assets	-2,610	-1,809
- Payments made for investments in other intangible assets and in property, plant and equipment	-728	-640
= Net cash used in investing activities	-3,338	-2,619
Cash flow from financing activities		
Dividend payment	-1,439	-620
+ Payments received from capital increase	3,518	
Net cash provided by financing activities	2,079	-620
+ Increase in cash and cash equivalents	3,907	915
+ Cash and cash equivalents at beginning of period	7,301	4,275
= Cash and cash equivalents at end of period	11,208	5,190

Changes in Shareholders' Equity

01/01/2012 - 09/30/2012							
EUR (in thsds)	Issued capital	Capital reserves	Retained earnings	Accumulated profits	Treasury shares	Minority shares	Total
Balance as of December 31, 2011	5,637	1,684	2,968	7,672	-772	10	17,199
Capital increase	806	2,712					3,518
Dividend payment			-1,439				-1,439
Available-for-sale financial assets			-26				-26
Currency translation				-8			-8
Minority interest						-14	-14
Net income 2012				2,255			2,255
Balance as of September 30, 2012	6,443	4,396	1,516	9,906	-772	-4	21,485

01/01/2011 - 09/30/2011							
EUR (in thsds)	Issued capital	Capital reserves	Retained earnings	Accumulated profits	Treasury shares	Minority shares	Total
Balance as of December 31, 2010	5,637	1,684	-458	8,782	-772	90	14,963
Capital increase							-
Dividend payment				-620			-620
Acquisition of consolidated companies			-103			-67	-170
Available-for-sale financial assets			22				22
Currency translation			-7				-7
Minority interest						-4	-4
Net income 2011				2,052			2,052
Balance as of September 30, 2011	5,637	1,684	-546	10,214	-772	19	16,236

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR Q3/2012

This Quarterly Financial Report was prepared using the same accounting policies as in financial year 2011.

Segment Reporting

As of September 30, 2012

	Quarterly report III/2012 07/01/2012 - 09/30/2012 EUR	Quarterly report III/2011 07/01/2011 - 09/30/2011 EUR	Nine-months report 2012 01/01/2012 - 09/30/2012 EUR	Nine-months report 2011 01/01/2011 - 09/30/2011 EUR
Automotive Electronics				
Revenue	5,610	3,867	17,005	10,716
Segment result (EBIT)	828	727	1,912	1,754
Depreciation /amortization	228	177	652	573
Segment assets	-	-	12,345	9,404
Segment liabilities	-	-	5,463	3,362
Capital expenditure (not including long-term investments)	761	345	1,615	772
Industrial Automation				
Revenue	5,420	5,645	18,195	16,849
Segment result (EBIT)	151	-166	1,475	1,081
Depreciation /amortization	553	580	1,697	1,739
Segment assets	-	-	11,915	10,473
Segment liabilities	-	-	4,184	4,352
Capital expenditure (not including long-term investments)	589	398	1,575	1,242
Not distributed				
Revenue	-	-	-	-
Segment result (EBIT)	-	-	-	-
Depreciation /amortization	50	26	133	70
Segment assets	-	-	12,154	7,890
Segment liabilities	-	-	5,282	3,817
Capital expenditure (not including long-term investments)	160	114	225	401
Total				
Revenue	11,030	9,512	35,200	27,565
Segment result (EBIT)	979	813	3,387	2,835
Depreciation /amortization	831	783	2,482	2,382
Segment assets	-	-	36,414	27,767
Segment liabilities	-	-	14,929	11,531
Capital expenditure (not including long-term investments)	1,510	857	3,415	2,415

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

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