2/2013

Quarterly Financial Report

- EBIT up almost 30 % to EUR 3.1 million
- Net income for the year increases by over 33 % to EUR 2.2 million
- Guidance for 2013 raised substantially

your connection to excellence

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

Softing started 2013 in excellent shape, and we maintained our outstanding performance during the first half-year. In the second quarter, Softing once again posted record earnings. Expressed in figures, this means that Softing increased its sales to EUR 25.5 million, generating an operating result of EUR 3.1 million and a net income of EUR 2.2 million. Despite the dilutive effect of the 2012 capital increase, earnings per share rose by just over 16.67 % to EUR 0.35 (previous year: EUR 0.30). Based on this development, we are raising our guidance for 2013.

The table below compares the most important key figures for 2013 and 2012:

All figures in EUR million	Quarterly report II/2013	Quarterly report II/2012	Six-month report 2013	Six-month report 2012
Incoming orders	11.7	13.5	27.5	27.0
Sales	13.3	11.6	25.5	24.2
Earnings (EBIT)	1.7	1.2	3.1	2.4
Net income	1.1	0.8	2.2	1.6
Earnings per share in EUR	0.17	0.14	0.35	0.30

As the segment report shows, the Industrial Automation and the Automotive Electronics divisions both contributed to Softing's success. Automotive Electronics did particularly well. Its clear focus on high-margin products and projects was partly responsible for our excellent result. We expect to maintain our excellent margins in the future as we have recently developed new versions of our key revenue-generating devices and software. We are currently working on several interesting project queries from new customers which would result in sales of mid-seven digits Euros in 2014 and 2015.

The Industrial Automation segment is currently noticing that demand from German engineering companies for factory automation systems is shifting to the second half of the year. However, the segment (our Italian subsidiary, for example) already benefited from a strong international demand for factory automation products in the first half of the year, as well as from a significant increase in demand for process automation in the USA and Asia. Industrial Automation anticipates further significant orders and sales within the third and fourth quarters, which is expected to result in a noticeable increase in sales for this segment compared with last year. Our technical positioning has also been validated. The development dynamics of the highly flexible FPGAs (Field Programmable Gate Arrays) compared with those of the inflexible ASICs (Application Specific Integrated Circuits) show that we are perfectly positioned with our focus on FPGA-based solutions. The performance increases combined with sharp cost reductions will put competitors' ASIC-based solutions under severe pressure and open the door to the "embedded" solutions market, which we previously did not cover.

Our strategic reviews on growth through acquisitions are increasingly leading us away from Germany. Softing's commitment to a sales target of EUR 100 million in four to five years – and our concerns about the German political situation – require that we loosen our ties to our German home market and become more international. Business needs freedom and space to develop, not political nannying, higher taxes and no growing amount of red tape and regulations. We are horrified by preelection promises to distribute checks that are bound to bounce later. No political party has any serious policies in its platform for strengthening Germany as a business location – with the exception of the liberal FDP, which is unfortunately not strong enough to push through against all others.

The governing conservative CDU recently all too rarely supports the business sector; the last remaining advocates of a market economy in the Bundestag are too busy bending to the will of the left-wing populist parties. Having been robbed of their core anti-nuclear policy, the Greens are now seeking salvation in paternalism and a restriction of citizens' rights reminiscent of the GDR dictatorship: arbitrary speed limits on Europe's safest streets, a tax on shopping bags and obligatory vegetarian days in canteens, to mention but a few. Even in the 21st century, some people still have the unparalleled arrogance to believe that they must prohibit and interfere with private decisions in order to bring people around to their point of view. Non-dogmatic, realistic policy approaches with genuine entrepreneurial components, such as in Baden-Württemberg, are strangled right from the outset by the Green Party's left wing leaders. The Social Democrats (SPD) can come up with nothing better than a long-outdated class struggle, job-destroying minimum wages and empty dirigisme.

If only a fraction of these policies were to be implemented after the election, not only would our economy continue to lose its momentum but we would also risk losing our personal freedom. In spite of many statements to the contrary, we can most certainly expect to be governed by a red-red-green administration in the fall after the elections, assuming that voting arithmetic would permit this constellation. The successors to the communist SED party are on the campaign trail advocating this day by day and no one doubts that SPD leaders Gabriel and Nahles would be ready for this without a moment's hesitation. Along with the successors to the SED, we would get "Stop the sanctions for the long-term unemployed (if they don't follow job offers)" – thereby giving unlimited support to them whether or not they even try to find work, something that would ultimately establish and cement an under-class in the long term. Let us hope that the common sense of the voters prevails. Otherwise, the countries with which we compete on a daily basis will be celebrating the self-destruction of Germany for weeks to follow.

In view of the above, Softing intends to expand its business through acquisitions not only in Germany but also in countries such as the United Kingdom, Italy, the USA as well as in Asia. Despite the fact that audit requirements and other country-specific barriers may make it more time consuming to carry out our plans in these countries, we must push ahead with the internationalization of the Group in order to secure our growth. Softing has the necessary cash available for this purpose and, thanks to our excellent credit rating, we are able to access a wide range of funding options from financial institutions. However, we must remain prudent about selecting and discussing corporate acquisitions because of the high purchase price expectations of some sellers. If in doubt, we will continue to turn down opportunities rather than paying prices that are not financially justified.

We expect to be able to maintain our growth rate in the second half of the year and even increase our sales growth. We are especially pleased about the active interest and orders from new customers in connection with longer-term projects. This will be the foundation for growth in the year 2014 and beyond. We therefore raise our guidance for 2013 and are now aiming for sales of more than EUR 55 million and EBIT of EUR 6 million or more for the full year.

We wish you an enjoyable and sunny summer and hope that you will all continue to share in the success of our endeavors.

Dr. Wolfgang Trier
(Chief Executive Officer)

Stock Price – Directors' Holdings – Financial Calendar

CLOSING PRICE, XETRA

DIRECTORS' HOLDINGS AS OF JUNE 30, 2013

Boards	Shares		Options	
	June 30, 2013 Number	March 31, 2013 Number	June 30, 2013 Number	March 31, 2013 Number
Supervisory Board				
Dr. Horst Schiessl (chairman), Attorney at Law, Munich	–	–	–	–
Michael Wilhelm (deputy chairman), CPA / tax advisor, Munich, left the Supervisory Board on May 07, 2013	–	–	–	–
Dr. Klaus Fuchs (member of the Supervisory Board), graduate computer scientist / graduate engineer, Helfand, deputy chairman from May 07, 2013	273,886	273,886	–	–
Andreas Kratzer, CPA , Switzerland, since May 07, 2013 (member of the Supervisory Board)	9.976	–	–	–
Executive Board				
Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich	84,085	31,063	–	–
Maximilian zu Hohenlohe, Pfaffenhofen	–	–	–	–

FINANCIAL CALENDAR

November 11, 2013	Equity Forum in Frankfurt/Main
November 15, 2013	Quarterly Report 3/2013
March 28, 2014	2013 Annual Report
May 14, 2014	Quarterly Report 1/2014
August 14, 2014	Quarterly Report 2/2014
November 14, 2014	Quarterly Report 3/2014

Group Management Report

Economic Environment

Experts continue to expect only subdued growth for the German economy in 2013, anticipating an increase of around 0.5 percent. Nevertheless, industry and the automotive sector will record higher growth although the economic situation in the automobile industry remains strained. Softing therefore anticipates a further increase in incoming orders, sales and earnings both in Automotive Electronics and Industrial Automation for the full 2013 financial year.

Earnings

Sales in the Automotive Electronics division in the first six months of 2013 rose by 11 % to EUR 12.7 million (previous year: EUR 11.4 million). Industrial Automation recorded a slight year-on-year sales increase to EUR 12.84 million (previous year: EUR 12.77 million). At EUR 25.5 million, the sales of the Softing Group in the first half of 2013 thus were up EUR 1.3 million year on year (previous year: EUR 24.2 million). EBIT in the reporting period amounted to a healthy EUR 3.1 million (previous year: EUR 2.4 million), an increase of just under 30 percent. As of June 30, 2013, orders on hand in the Group totaled EUR 11.6 million (December 31, 2012: EUR 9.67 million).

Assets and Financial Position

The equity of the Softing Group rose by EUR 1.7 million to EUR 23.9 million in the first six months of 2013 (December 31, 2012: EUR 22.2 million). Supported by a continued high cash flow despite an increase of almost 25 % in terms of product development, cash and cash equivalents in the first half of 2013 increased by EUR 0.7 million to EUR 12.2 million, although variable annual bonuses to employees and the dividend for 2012 were paid during that period. As of December 31, 2012, cash and cash equivalents amounted to EUR 11.5 million.

Research and Product Development

In the first six months of 2013, Softing capitalized a total of EUR 2.0 million (previous year: EUR 1.5 million) for the development of new products and the enhancement of existing ones. Other significant amounts were expensed. The increase in product development expenses by 25 % are part of the growth strategy for the next years.

Employees

As of June 30, 2013, the Softing Group had 332 employees (previous year: 300). With the exception of temporary replacements of employees on leave, Softing continues to hire new staff based on permanent contracts. No stock options were issued to employees in the quarter under review.

Opportunities for the Company's Future Development

As of the reporting date of June 30, 2013, the Company's risk structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2012. Material changes are also not expected for the remaining six months of 2013. For more information, we refer to our Group Management Report in the 2012 Annual Report, page 4 et seq.

Outlook

Based on the knowledge available after the first months of the year, Softing raises its guidance for 2013. We now expect sales to amount to more than EUR 55 million and EBIT to come in at EUR 6 million or more. Sales growth in the Industrial Automation segment could be slightly stronger than in the Automotive Electronics segment, which should be able to benefit from a more profitable product mix in 2013.

Softing is engaged in talks with different companies with the aim of adding them to the Softing Group and/or acquiring products and licenses. However, the Executive Board remains committed to its goal of making acquisitions only if the company's value justifies the purchase price in the long term.

Events after the Balance Sheet Date

There were no events of special importance after the balance sheet date June 30, 2013.

Consolidated Balance Sheet

According to IFRS as of June 30, 2013, unaudited

Assets	Quarterly report 06/30/2013 EUR	Financial statements 12/31/2012 EUR
Cash and cash equivalents	12,166,155	11,515,761
Marketable securities	1,035,138	1,063,758
Trade accounts receivable	8,893,407	9,847,748
Inventories	4,072,680	3,345,209
Prepaid expenses and other current assets	982,149	1,646,273
Total current assets	**27,149,529**	**27,418,749**
Property, plant and equipment	1,421,793	1,380,196
Intangible assets	6,047,087	5,343,237
Goodwill	2,438,951	2,438,951
Borrowings	300,000	695,000
Deferred taxes	309,669	624,208
Total non-current assets	**10,517,499**	**10,481,592**
Total assets ▸	**37,667,028**	**37,900,341**

Liabilities and equity	Quarterly report 06/30/2013 EUR	Financial statements 12/31/2012 EUR
Other borrowings	263,330	368,498
Trade accounts payable	1,848,211	2,667,424
Liabilities from customer-specific construction contracts	200,672	283,459
Provisions	296,731	296,731
Tax provisions	92,755	925,415
Deferred income and other current liabilities	7,363,843	7,720,926
Total current liabilities	**10,065,543**	**12,262,453**
Deferred tax liabilities	1,792,361	1,589,836
Employee benefits	1,752,239	1,750,311
Other financial liabilities	107,177	107,695
Total non-current liabilities	**3,651,777**	**3,447,842**
Issued capital	6,442,512	6,442,512
Capital reserves	4,396,103	4,396,103
Treasury shares	-286,906	-771,735
Minority interest	-9,139	-3,075
Accumulated profit (incl. retained earnings)	13,407,138	12,126,241
Total equity	**23,949,708**	**22,190,046**
Total liabilities and equity ▸	**37,667,028**	**37,900,341**

Consolidated Income Statement

According to IFRS as of June 30, 2013, unaudited

	Quarterly report II/2013 04/01/2013 – 06/30/2013 EUR	Quarterly report II/2012 04/01/2012 – 06/30/2012 EUR	Six-month report 2013 01/01/2013 – 06/30/2013 EUR	Six-month report 2012 01/01/2012 – 06/30/2012 EUR
Revenue	13,344,344	11,639,544	25,498,709	24,169,739
Other operating income	139,622	205,796	226,408	431,418
Other own work capitalized	1,139,127	722,826	2,040,825	1,418,878
Cost of purchased materials / services	-3,716,528	-3,590,499	-6,728,935	-7,071,861
Staff costs	-6,458,883	-5,523,112	-12,846,120	-11,728,680
Depreciation and amortization	-842,914	-860,821	-1,686,404	-1,651,146
Other operating expenses	-1,895,534	-1,388,637	-3,398,780	-3,160,285
Operating profit / loss	**1,709,234**	**1,205,097**	**3,105,703**	**2,408,063**
Interest expenses	-1,993	-22,581	-13,432	-71,172
Result before income taxes	**1,707,241**	**1,182,516**	**3,092,271**	**2,336,891**
Income taxes	-637,356	-418,986	-927,429	-729,274
Other taxes				
Result before minority interest	**1,069,885**	**763,530**	**2,164,842**	**1,607,617**
Minority interest	3,282	-1,037	6,064	17,243
Net income ▸	**1,073,167**	**762,493**	**2,170,906**	**1,624,860**
Earnings per share (basic)	0.17	0.14	0.35	0.30
Earnings per share (diluted)	0.17	0.14	0.35	0.30
Average number of shares outstanding (basic)	6,304,541	5,391,425	6,219,725	5,360,510
Average number of shares outstanding (diluted)	6,304,541	5,391,425	6,219,725	5,360,510

Consolidated Statement of Comprehensive Income

According to IFRS as of June 30, 2013, unaudited

	Quarterly report II/2013 04/01/2013 – 06/30/2013 EUR (in thsds.)	Quarterly report II/2012 04/01/2012 – 06/30/2012 EUR (in thsds.)	Six-month report 2013 01/01/2013 – 06/30/2013 EUR (in thsds.)	Six-month report 2012 01/01/2012 – 06/30/2012 EUR (in thsds.)
Consolidated profit / loss	1,070	764	2,165	1,608
Currency translation differences (changes in unrealized gains / losses)	17	-15	17	-7
Gains / losses from the measurement of securities (changes in unrealized gains / losses)	-21	-18	-24	-11
Other comprehensive income	**-4**	**-33**	**-7**	**-18**
Gains from the sale of treasury shares	832	0	832	0
Consolidated total comprehensive income	1,898	731	2,990	1,590
Non-controlling interests	3	-1	6	17
Attributable to shareholders of Softing AG	1,895	732	2,984	1,573
Consolidated total comprehensive income ▸	**1,898**	**731**	**2,990**	**1,590**

Consolidated Cash Flow Statement

According to IFRS as of June 30, 2013, unaudited

		Six-month report 2013 01/01/2013 – 06/30/2013 EUR (in thsds)	Six-month report 2012 01/01/2012 –06/30/2012 EUR (in thsds)
	Cash flow from operating activities		
	Net income	2,165	1,608
	Exchange differences recognized in equity	17	-7
+	Depreciation/amortization	1,686	1,652
+/-	Increase/decrease in provisions	204	-2
+/-	Change in net working capital	-992	2,028
=	**Net cash provided by operating activities**	**3,080**	**5,279**
	Cash flow from investing activities		
-	Payments made for investments in self-produced intangible assets	-2,041	-1,544
-	Payments made for investments in other intangible assets and in property, plant and equipment	-391	-361
	Repayment of investments in financial assets	395	-
=	**Net cash used in investing activities**	**-2,037**	**-1,905**
	Cash flow from financing activities		
	Dividend payments	-1,709	-1,439
	Sale of treasury shares	1,317	-
+	Payments received from capital increase		3,518
=	**Net cash provided by financing activities**	**-392**	**2,079**
	Increase/decrease in cash and cash equivalents	651	5,453
	Cash and cash equivalents at beginning of period	11,516	7,301
	Cash and cash equivalents at end of period ▸	**12,167**	**12,754**

Changes in Shareholders' Equity

01/01/2013 – 06/30/2013							
EUR (in thsds)	Issued capital	Capital reserves	Retained earnings	Other comprehen-sive income	Treasury shares	Minority shares	Total
Balance as of December 31, 2012	6,443	4,396	4,455	7,671	-772	-3	22,190
Sale of treasury shares			832		485		1,317
Dividend payment				-1,709			-1,709
Available-for-sale financial assets				-24			-24
Currency translation			17				17
Minority interest						-6	-6
Net income 2013			2,165				2,165
Balance as of June 30, 2013	**6,443**	**4,396**	**7,469**	**5,938**	**-287**	**-9**	**23,950**

01/01/2012 – 06/30/2012							
EUR (in thsds)	Issued capital	Capital reserves	Retained earnings	Other comprehe-sive income	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				-11			-11
Currency translation			-7				-7
Minority interest						-17	-17
Net income 2012			1,625				1,625
Balance as of June 30, 2012	**6,443**	**4,396**	**4,586**	**6,222**	**-772**	**-7**	**20,868**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR Q2/2013

This Quarterly Financial Report was prepared using the same accounting policies as in financial year 2012.

Segment Reporting

As of June 30, 2013

	Quarterly report II/2013 04/01/2013 – 06/30/2013 EUR	Quarterly report II/2012 04/01/2012 – 06/30/2012 EUR	Six-month report 2013 01/01/2013 – 06/30/2013 EUR	Six-month report 2012 01/01/2012 – 06/30/2012 EUR
Automotive Electronics				
Revenue	7,079	5,168	12,656	11,395
Segment result (EBIT)	957	440	1,729	1,084
Depreciation/amortization	300	213	619	424
Segment assets			12,621	10,555
Segment liabilities			5,814	5,257
Capital expenditure (not including long-term investments)	511	459	999	854
Industrial Automation				
Revenue	6,265	6,472	12,843	12,775
Segment result (EBIT)	752	785	1,377	1,324
Depreciation/amortization	488	576	956	1,144
Segment assets			12,117	11,023
Segment liabilities			4,372	4,345
Capital expenditure (not including long-term investments)	742	493	1,308	986
Not distributed				
Revenue	–	–	–	–
Segment result (EBIT)	–	–	–	–
Depreciation/amortization	55	72	111	83
Segment assets			12,929	13,383
Segment liabilities			3,531	4,490
Capital expenditure (not including long-term investments)	58	36	125	65
Total				
Revenue	13,344	11,640	25,498	24,170
Segment result (EBIT)	1,709	1,225	3,106	2,408
Depreciation/amortization	843	861	1,686	1,651
Segment assets			37,667	34,961
Segment liabilities			13,717	14,092
Capital expenditure (not including long-term investments)	1,311	988	2,432	1,905

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

Softing AG, Haar
Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Company, together with a description of the material opportunities and risks associated with the expected development of the Company.

Haar, Germany, August 14, 2013

Softing AG

The Executive Board

Dr. Wolfgang Trier

Maximilian Prinz zu Hohenlohe-Waldenburg

Softing AG
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