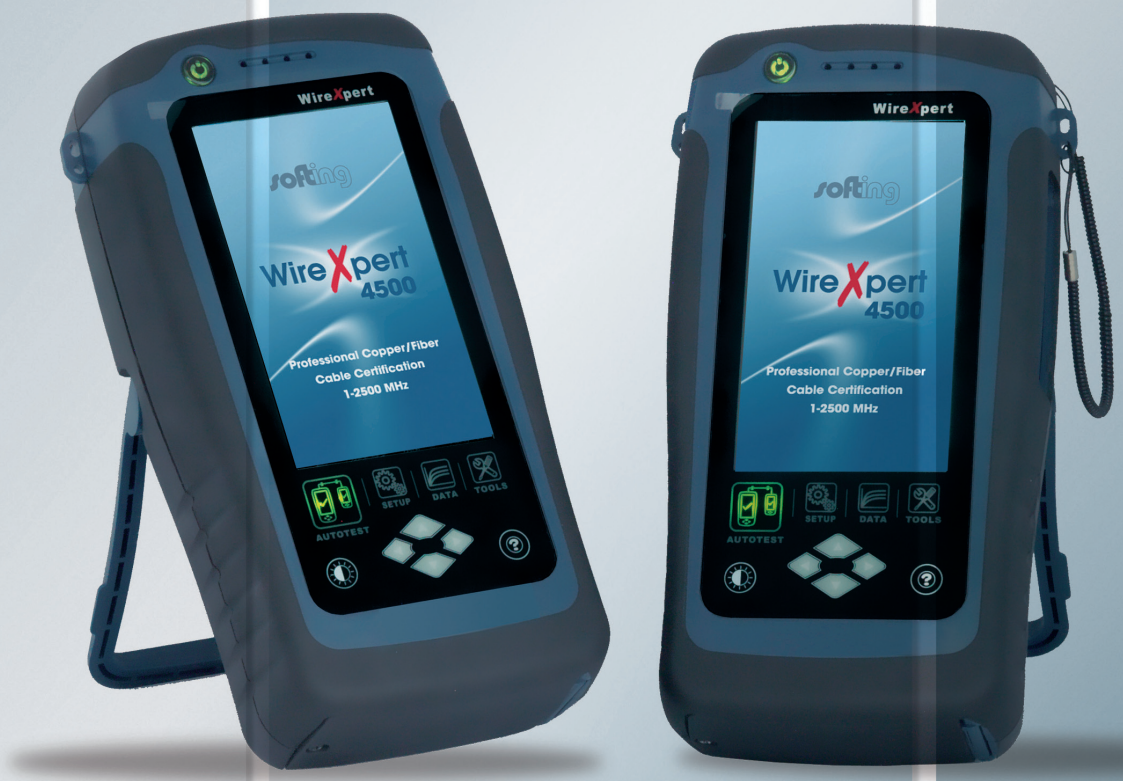
3/2015

Quarterly Financial Report



- Incoming orders at an all-time high of EUR 63.0 million
- Revenue up almost 8 % to EUR 57.3 million
- Guidance for the year confirmed

softing

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

Softing delivered on its growth forecast in the third quarter of the year, setting new records for incoming orders and revenue. All of the increases in this quarter result from organic growth. In the first nine months, Softing's incoming orders were up more than 16 % to EUR 63.0 million, and revenue grew by almost 8 % to EUR 57.3 million.

Operating EBIT (EBIT adjusted for capitalized development services and amortization on these as well as depreciation and amortization from purchase price allocation) for the first nine months of the year amounted to EUR 3.9 million (previous year: EUR 4.3 million).

The table below compares the most important key figures for 2015 and 2014:

All figures in EUR million	Quarterly report III/2015	Quarterly report III/2014	Nine-month report 2015	Nine-month report 2014
Incoming orders	21.9	18.7	63.0	54.2
Revenue	20.8	19.6	57.3	53.2
EBIT (operating)	1.9	2.3	3.9	4.3
EBITDA	2.9	3.5	7.0	7.9
Net profit for the year	1.2	1.7	2.1	3.0
Earnings per share in EUR (operating)	0.27	0.35	0.57	0.66

Due to the switch to new products, revenue in the Automotive Electronics segment decreased as expected by 31 % in the first nine months of 2015 to EUR 14.9 million (previous year: EUR 21.7 million). A number of major projects will be delivered in the fourth quarter, substantially reducing the difference compared with the previous year. The shortfall in sales performance at the beginning of the year caused by the fire at the Company's subsidiary Messen und Testen will be largely made up by the end of the year. Newly developed successor products – mainly

high-margin software applications – are in the final stages of testing and on schedule. These will be reflected in revenue from 2016.

Revenue in the Industrial Automation segment rose by an impressive 35 % to EUR 42.4 million (previous year: EUR 31.5 million), due primarily to the expansion in North America. A number of high-caliber employees have been recruited this year for the site in Knoxville, Tennessee. In addition to successful sales of factory automation products, we succeeded in effectively placing WireXpert, the core product of Psiber Data GmbH, in the US market. This enabled Softing to become the number two player in the field of LAN cable certification, behind the market incumbent. In Europe, we are starting to see signs that demand from the process industry is returning to normal levels.

At the present time, we are unable to say which direction the economy will take in the near future and medium term. There are indications of both further growth and a weakening of the economy. In the political arena, the importance of momentum provided by a positive conclusion of the TTIP agreements between the EU and the United States must be emphasized. Inferring that TTIP would lead to dominance by large corporations is utter nonsense and deliberate politically driven anti-Americanism. To see this we only need to look at who organized the large demonstration in Berlin, which was dominated by red, green, and trade union socialism. Europe and companies like Softing would clearly benefit from a harmonization of regulations and the growth generated on this basis. What is more, safeguarding and adding jobs at Softing depends on free world trade in every sense.

Large orders will be delivered in the fourth quarter, which leads us to expect a further strong contribution to the year as a whole. We are therefore reiterating the target figures we already announced for 2015 and estimate revenue to grow to between EUR 78 million and EUR 80 million and operating EBIT adjusted for the purposes of comparison with the previous year to come in at approximately EUR 7 million.

Bolstered by these key figures, Softing AG will again present itself to numerous analysts and institutional investors at the German Equity Forum in Frankfurt on November 23, 2015. We will take the opportunity to highlight Softing's growth potential in our corporate presentation and in numerous personal discussions with attendees.

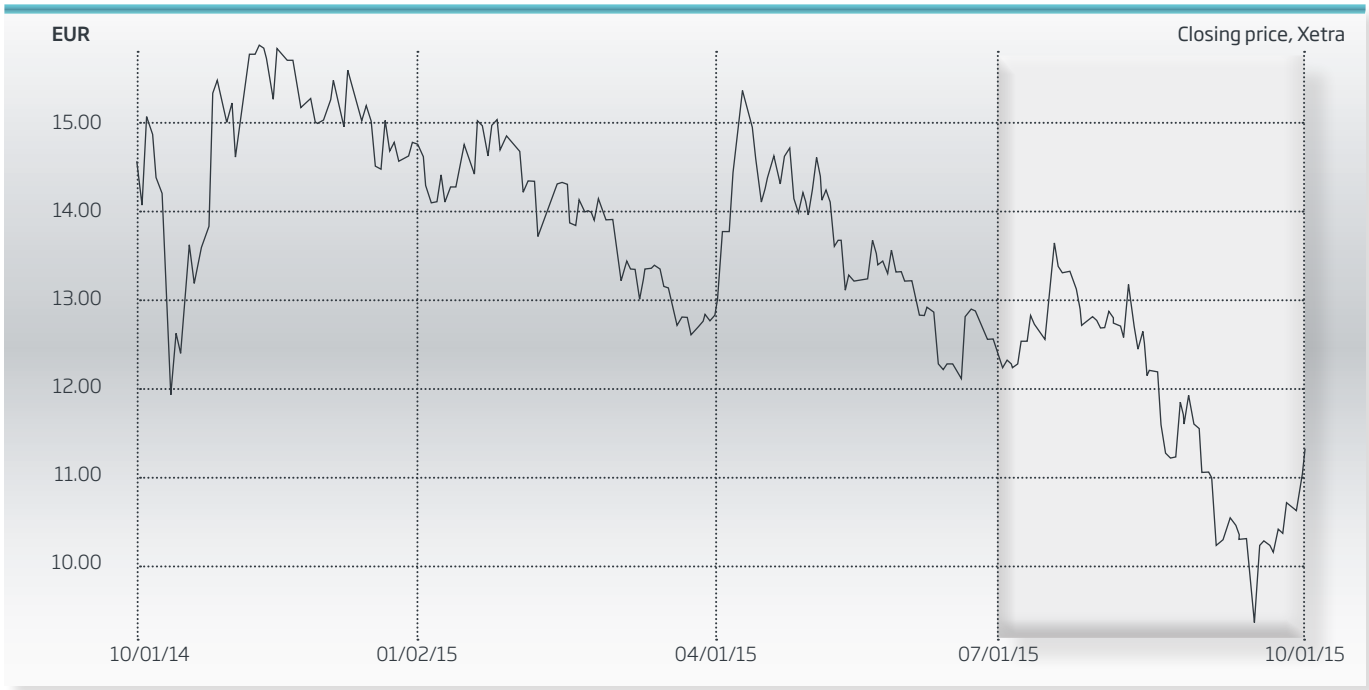
Also on an operational level, November is one of the most important months of the year for us, especially for the Industrial Automation segment. From November 18, Softing will present both new and tried-and-tested factory automation products at an even larger exhibition booth at the Rockwell Automation Fair in Chicago. This will be followed one week later by SPS/IPC/DRIVES in Nuremberg, the most important automation trade fair for us in Europe, at which we will showcase new products and services that we expect to generate further growth for us from 2016.

We hope that you, the friends of Softing, can look forward not only to continually positive financial figures but also to a continued rise in the price of our shares in the months to come. The Company should provide the basis for this.

Sincerely,

Dr. Wolfgang Trier
(Chief Executive Officer)

Stock Price – Directors' Holdings – Financial Calendar



DIRECTORS' HOLDINGS AS OF SEPTEMBER 30, 2015

Boards	Shares		Options	
	09/30/2015 Number	06/30/2015 Number	09/30/2015 Number	06/30/2015 Number
Supervisory Board				
Dr. Horst Schiessl (chairman), attorney at law, Munich	–	–	–	–
Dr. Klaus Fuchs (member), graduate computer scientist / graduate engineer, Helfant	278,820	278,820	–	–
Andreas Kratzer (member), certified public accountant, Zurich, Switzerland	10,155	10,155	–	–
Executive Board				
Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich	103,216	91,000	–	–
Ernst Homolka, Munich	1,300	1,300	–	–

FINANCIAL CALENDAR

November 23, 2015	German Equity Forum in Frankfurt/Main
March 23, 2016	Annual Report 2015
August 12, 2016	Half-yearly Report 2/2016

Group Management Report for the Quarterly Financial Report as of September 30, 2015

Economic Environment

In their latest forecasts, leading German economic research institutes continue to expect the German economy to grow by 1.8 % in 2015 (projection in the previous quarter: 1.8 %).

In the first nine months of the year, the Industrial Automation segment was unable as yet to benefit from this trend in Europe but performed well in the United States and Asia. The Automotive Electronics segment underperformed the very good prior-year quarters. For 2015 as a whole, Softing estimates that the European Group companies in Industrial Automation will see a modest increase in revenue, motivated by the behavior of individual customers rather than the economy. On account of the robust economic development in the United States (2.5 % growth in 2015), the Group companies there continue to report good organic growth. Softing also expects Asia to maintain its good foundations for business.

Earnings

In the Automotive Electronics segment, revenue dropped by 31 % in the first nine months of 2015 to EUR 14.9 million (previous year: EUR 21.7 million), while the Industrial Automation segment's revenue grew by 35 % to EUR 42.4 million (previous year: EUR 31.5 million). The decline in the Automotive segment stems from the fact that products that generated strong revenue in the nine months of 2014 are at the end of their life cycle. Newly developed successor products will drive revenue starting in 2016. The very good performance by OLDI, which was acquired in 2014, boosted the Industrial Automation segment's revenue considerably in the first nine months of the year.

At EUR 57.4 million, the revenue of the Softing Group in the first nine months of 2015 thus was up EUR 4.2 million year on year (previous year: EUR 53.2 million). EBIT in the reporting period came in at EUR 3.1 million (previous year: EUR 4.6 million). A portion of this decline is due to an increase in depreciation and amortization from purchase price allocation to EUR 0.9 million (previous year: EUR 0.2 million) and in the decrease in capitalized development services to EUR 2.3 million (previous year: EUR 3.0 million). EBITDA amounted to EUR 7.0 million (previous year: EUR 7.9 million), and the EBITDA margin was 12 % (previous year: 15 %).

EBITDA in the Industrial Automation segment in the first nine months of the year was bolstered by OLDI's positive results and amounted to EUR 4.7 million (previous year: EUR 3.5 million). The drop in revenue in the Automotive Electronics segment was balanced out only in part by cost savings. EBITDA amounted to EUR 2.1 million in the first nine months (previous year: EUR 4.2 million). As of September 30, 2015, orders on hand in the Group totaled around EUR 11.3 million (previous year: EUR 7.9 million).

Other operating income increased to EUR 2.3 million in the reporting period (previous year: EUR 0.5 million). This is due to insurance payments in connection with the fire at Softing Messen und Testen GmbH. Other operating income is balanced out by a similar level of operating expenses.

Net Assets and Financial Position

The equity ratio as of September 30, 2015 was 53 % (December 31, 2014: 48 %). The share capital of Softing AG as of September 30, 2015 remained unchanged at EUR 6,959,438.

As of September 30, 2015, cash and cash equivalents amounted to EUR 6.4 million. This compares to cash and cash equivalents of EUR 8.8 million as of December 31, 2014. Capital expenditure on property, plant, and equipment was insignificant and comprised only replacements.

Research and Product Development

In the first nine months of 2015, Softing capitalized a total of EUR 2.3 million (previous year: EUR 3.0 million) for the development of new products and the enhancement of existing ones. Other significant amounts were expensed.

Employees

As of September 30, 2015, the Softing Group had 433 employees (previous year: 435). 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, 2015, the Company's risk structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2014. Material changes are also not expected for the remaining three months of 2015. For more detailed information, we refer to our Group Management Report in the 2014 Annual Report, page 9 et seq.

Outlook

Softing confirms the guidance issued in the outlook for financial year 2015 projecting a moderate increase in revenue and EBIT/EBITDA at the same level as last year. Due to the dates scheduled for product release and delivery, the year's second half will contribute disproportionately to revenue and earnings.

Events after the Reporting Period

There were no events of special importance after the reporting date of September 30, 2015.

Consolidated Statement of Financial Position

as of September 30, 2015 and December 31, 2014

Assets	09/30/2015 EUR thousand	12/31/2014 EUR thousand
Non-current assets		
Goodwill	15,028	14,456
Intangible assets	27,178	26,510
	42,206	40,966
Property, plant and equipment	2,279	1,899
	44,485	**42,865**
Deferred tax assets	1,583	1,657
Non-current assets, total	**46,068**	**44,522**
Current assets		
Inventories	9,380	8,737
Trade receivables	11,597	14,086
Receivables from customer-specific construction contracts	1,272	164
	12,869	**14,249**
Other current assets	933	527
Current income tax assets	232	184
Cash and cash equivalents	6,369	8,750
Current assets, total	**29,783**	**32,447**
Total assets	**75,851**	**76,969**

Equity and liabilities	09/30/2015 EUR thousand	12/31/2014 EUR thousand
Equity		
Subscribed capital	6,959	6,959
Capital reserves	12,270	12,270
Treasury shares	0	-223
Retained earnings	20,941	18,014
Equity (Group share)	**40,170**	**37,020**
Minority interests	-39	-32
Equity, total	**40,131**	**36,988**
Non-current liabilities		
Pensions and similar obligations	2,059	2,161
Long-term borrowings	8,215	8,959
Other non-current liabilities	8,002	8,887
Deferred taxes	3,149	3,104
Non-current liabilities, total	**21,425**	**23,110**
Current liabilities		
Trade payables	4,300	4,007
Payables from customer-specific construction contracts	404	185
Provisions and accrued liabilities	634	262
Income tax liabilities	1,029	1,449
Short-term borrowings	1,671	1,825
Current non-financial liabilities	2,367	3,967
Current financial liabilities	3,890	5,176
Current liabilities, total	**14,295**	**16,871**
Total equity and liabilities	**75,851**	**76,969**

Consolidated Income Statement

for the period from January 1 to September 30, 2015

EUR thousand	Quarter III/2015 07/01/2015 – 09/30/2015	Quarter III/2014 07/01/2014 – 09/30/2014	Nine-month report 01/01/2015 – 09/30/2015	Nine-month report 01/01/2014 – 09/30/2014
Revenue	20,843	19,619	57,349	53,209
Other own work capitalized	812	987	2,290	3,017
Other operating income	758	249	2,316	528
Operating income	**22,413**	**20,855**	**61,955**	**56,754**
Cost of materials	-7,736	-7,345	-22,022	-19,293
Staff costs	-8,394	-7,927	-24,478	-23,100
Depreciation, amortization and impairment losses	-1,301	-941	-3,875	-3,287
thereof depreciation / amortization due to purchase price allocation	-311	-79	-930	-236
Other operating expenses	-3,349	-2,087	-8,472	-6,497
Operating expenses	**-20,780**	**-18,300**	**-58,847**	**-52,177**
Profit / loss from operations (EBIT)	**1,633**	**2,555**	**3,108**	**4,577**
Interest income	-	2	-	48
Interest expense	-56	-147	-177	-369
Earnings before income taxes	**1,577**	**2,410**	**2,931**	**4,256**
Income taxes	-405	-687	-835	-1,211
Consolidated profit	**1,172**	**1,723**	**2,096**	**3,045**
Attributable to:				
Owners of the parent	1,169	1,781	2,104	3,010
Minority interests	**3**	**-58**	**-8**	**35**
Consolidated profit	**1,172**	**1,723**	**2,096**	**3,045**
Earnings per share (basic = diluted)	0.17	0.27	0.30	0.46
Average number of shares outstanding (basic)	6,959,438	6,519,574	6,928,122	6,508,242

Consolidated Statement of Comprehensive Income

for the period from January 1 to September 30, 2015

EUR thousand	Quarter III/2015 07/01/2015 – 09/30/2015	Quarter III/2014 07/01/2014 – 09/30/2014	Nine-month report 01/01/2015 – 09/30/2015	Nine-month report 01/01/2014 – 09/30/2014
Consolidated profit	**1,172**	**1,723**	**2,096**	**3,045**
Items that will be reclassified to consolidated total comprehensive income:				
Currency translation differences				
Changes in unrealized gains / losses	230	-15	1,970	0
Other comprehensive income				
Consolidated total comprehensive income	230	-15	1,970	0
Total comprehensive income for the period	1,402	1,708	4,066	3,045
Attributable to:				
Owners of the parent	1,399	1,766	4,074	3,010
Minority interests	3	-58	-8	35
Total comprehensive income for the period	**1,402**	**1,708**	**4,066**	**3,045**

Consolidated Statement of Cash Flows

for the period from January 1 to September 30, 2015

EUR thousand	Nine-month report 01/01/2015 - 09/30/2015	Nine-month report 01/01/2014 - 09/30/2014
Cash flows from operating activities		
Profit (before tax)	2,931	4,256
Depreciation, amortization and impairment losses on fixed assets	3,875	3,287
Other non-cash transactions	0	-143
Cash flows for the period	**6,806**	**7,400**
Interest income	0	-48
Interest expense	177	369
Change in other provisions and accrued liabilities	372	323
Change in inventories	-830	-3,897
Change in trade receivables	1,049	972
Changes in financial receivables and other assets	-401	1,570
Change in trade payables	417	-753
Changes in financial and non-financial liabilities and other liabilities	-1,913	416
Interest received	0	48
Income taxes paid	-1,473	-1,029
Cash flows from operating activities	**4,204**	**5,371**
Investments in fixed assets	-1,188	-1,235
Cash paid for investments in internally generated intangible assets	-2,290	-3,017
Repayment for investments in financial assets	0	833
Cash paid for the acquisition of subsidiaries / variable purchase prices	-1,347	-20,665
Cash flows from investing activities	**-4,825**	**-24,084**
Dividend payment	-1,740	-1337
Cash received from bank loans	0	11000
Repayment of bank loans	-1,020	-185
Cash received from capital increase		7,512
Cash received from the sale of treasury shares	1,078	454
Interest paid	-177	-369
Cash flows from financing activities	**-1,859**	**17,075**
Net change in funds	-2,480	-1,638
Effects of exchange rate changes on cash and cash equivalents	99	36
Cash and cash equivalents at the beginning of the period	8,750	12,116
Cash and cash equivalents at the end of the period	**6,369**	**10,514**

Consolidated Statement of Changes in Equity

for the period from January 1 to September 30, 2015

EUR thousand	Subscribed capital	Capital reserves	Treasury shares	Retained earnings					Attributable to shareholders of Softing AG	Non-controlling interests	Total equity
				Net retained profits and other	Available-for-sale financial assets	Remeasurements	Currency translation	Total			
As of January 1, 2015	**6,959**	**12,270**	**-223**	**17,092**	**0**	**-1,277**	**2,198**	**18,014**	**37,020**	**-32**	**36,988**
Dividend distribution				-1,740				-1,740	-1,740		-1,740
Sale of treasury shares			223	855				855	1,078		1,078
Currency translation							1,709	1,709	1,709		1,709
Net profit for 2015				2,104				2,104	2,104	-8	2,096
As of September 30, 2015	**6,959**	**12,270**	**0**	**18,311**	**0**	**-1,277**	**3,907**	**20,942**	**40,171**	**-40**	**40,131**

EUR thousand	Subscribed capital	Capital reserves	Treasury shares	Retained earnings					Attributable to shareholders of Softing AG	Non-controlling interests	Total equity
				Net retained profits and other	Available-for-sale financial assets	Remeasurements	Currency translation	Total			
As of January 1, 2014	**6,443**	**4,396**	**-287**	**16,497**	**1**	**-759**	**-134**	**15,605**	**26,157**	**-26**	**26,131**
Sale of treasury shares			64	390				390	454		454
Remeasurements						15		15	15		15
Addition from capital increase	516	7,874						0	8,390		8,390
Dividend distribution				-2,215				-2,215	-2,215		-2,215
Measurement of financial instruments				73	-1			72	72		72
Currency translation							2,095	2,095	2,095		2,095
Minority interests								0	0	1,010	1,010
Net profit for 2014				3,011				3,011	3,011	35	3,046
As of September 30, 2014	**6,959**	**12,270**	**-223**	**17,756**	**0**	**-744**	**1,961**	**18,973**	**37,979**	**1,019**	**38,998**

Consolidated Segment Reporting

for the period from January 1 to September 30, 2015

EUR thousand	Quarter III/2015 07/01/2015 – 09/30/2015	Quarter III/2014 07/01/2014 – 09/30/2014	Nine-month report 01/01/2015 – 09/30/2015	Nine-month report 01/01/2014 – 09/30/2014
Automotive Electronics				
Revenue	5,053	6,094	14,941	21,719
Segment result (EBIT)	280	1,285	1,218	3,119
Depreciation / amortization	301	323	875	1,052
Segment result (EBITDA)	581	1,608	2,093	4,171
Segment assets			14,579	13,617
Segment liabilities			4,984	6,328
Capital expenditure (not including long-term investments)	912	587	1,977	13,616
Industrial Automation				
Revenue	15,790	13,525	42,408	31,490
Segment result (EBIT)	1,353	1,267	1,890	1,458
Depreciation / amortization	931	556	2,786	2,053
Segment result (EBITDA)	2,284	1,823	4,676	3,511
Segment assets			57,538	53,965
Segment liabilities			15,900	15,586
Capital expenditure (not including long-term investments)	331	1,174	1,164	31,926
Not allocated				
Revenue				
Segment result (EBIT)				
Depreciation / amortization	69	62	214	182
Segment result (EBITDA)	69	62	214	182
Segment assets			3,737	9,618
Segment liabilities			14,836	16,286
Capital expenditure (not including long-term investments)	98	22	339	19
Total				
Revenue	20,843	19,619	57,349	53,209
Segment result (EBIT)	1,633	2,552	3,108	4,577
Depreciation / amortization	1,301	941	3,875	3,287
Segment result (EBITDA)	2,934	3,493	6,983	7,864
Segment assets			75,851	77,200
Segment liabilities			35,720	38,201
Capital expenditure (not including long-term investments)	1,341	1,783	3,480	33,261

Geographical Segments

	Revenue		Fixed assets		Additions to fixed assets	
EUR thousand	09/30/2015	09/30/2014	09/30/2015	09/30/2014	09/30/2015	09/30/2014
Germany	21,362	30,087	21,121	14,546	3,298	6,877
USA	20,693	9,350	23,145	21,468	20	19,751
Rest of the world	15,294	13,772	219	6,740	162	6,633
Total	**57,349**	**53,209**	**44,485**	**42,754**	**3,480**	**33,261**

Selected Explanatory Notes to the Interim Report of Softing AG as of September 30, 2015

1. General Accounting Policies

The consolidated financial statements of Softing AG as of December 31, 2014 were prepared in accordance with the International Financial Reporting Standards (IFRSs) based on the guidance of the International Accounting Standards Board (IASB) applicable at the reporting date. The condensed interim consolidated financial statements as of September 30, 2015, which were prepared on the basis of International Accounting Standard (IAS) 34 "Interim Financial Reporting", do not contain all of the required information in accordance with the requirements for the presentation of the annual report and should be read in conjunction with the consolidated financial statements of Softing AG as of December 31, 2014. In general, the same accounting policies were applied in the interim financial statements as of September 30, 2015 as in the consolidated financial statements for the 2014 financial year.

2. Change in the Basis of Consolidation

As of September 30, 2015, the following change occurred in the basis of consolidation of Softing AG compared to December 31, 2014:

Establishment of Softing SARL, Paris/France. In the future, Softing SARL will be coordinating the sale of Softing products in France.

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