Half-Yearly Report 2016

- Revenue expanded 5 % to EUR 38.3 million in first six months
- Orders on hand up 15 % to EUR 11.8 million
- Marked upturn in the second quarter

optimize!
softing

DEAR SHAREHOLDERS, EMPLOYEES, PARTNERS AND FRIENDS OF SOFTING,

Softing's performance in the second quarter 2016 was as expected. After a slower first quarter, the increased momentum we had previously expected is clearly evident. This was reflected in an increase in revenue to EUR 20.4 million (previous year: EUR 19.2 million) and an increase in EBIT to EUR 0.8 million (previous year: EUR 0.3 million). Incoming orders, an early indicator of performance in subsequent months, rose to EUR 21.9 million (previous year: EUR 20.2 million). This suggests the kind of growth for the second half of the year that we are anticipating.

The main drivers for growth in revenue at Softing were the European Group companies in both segments, which grew significantly compared to last year. The strong performance of the European Group companies in the Industrial segment is remarkable in an industry environment in which the global sales of the major market leaders, such as Rockwell and Siemens, have fallen in some cases by over 10% in the areas in which we compete. Business in the Industrial segment in North America and Asia, however, was down on the previous year, even though Softing did not lose any relevant revenue to competitors. The weak business environment in these markets continued to dampen customer demand.

Despite the weak first quarter, revenue in the first six months grew by almost 5% to EUR 38.3 million (previous year: EUR 36.5 million). This is based entirely on organic growth. Orders on hand were EUR 11.8 million (previous year: EUR 10.2 million), significantly higher than the previous year. EBIT and net profit for the period remained close to last year's figures.

The table below compares the most important key figures for 2016 and 2015:

All figures in EUR million	Quarterly report 2/2016	Quarterly report 2/2015	Half-yearly report 2016	Half-yearly report 2015
Incoming orders	21.9	20.2	39.6	41.1
Revenue	20.4	19.2	38.3	36.5
EBIT	0.8	0.3	1.5	1.5
EBIT (operating)	0.8	0.7	1.7	2.2
EBITDA	2.0	1.7	3.9	4.0
Net profit for the year	0.4	0.2	0.9	0.9
Operating earnings per share in EUR	**0.11**	**0.09**	**0.23**	**0.30**

In the Industrial segment, the European Group companies managed to increase both revenue and earnings thanks to their strong position with regard to "Industry 4.0." At the same time, however, revenue and earnings from the US business remained well below the level of the previous year. In terms of sales, although not EBIT, the European Group companies were able to offset the decrease in the US.

Despite the fact that the US Group companies were clearly unable to match the previous year's results, we still consider ourselves to be in very good shape in this market. OLDI is expecting some significant orders from major customers in the second half-year. Because of its close relationship with American market leaders, OLDI was able to develop a number of products with quite distinctive and unique characteristics, which will be launched later this year. They will provide us with significant high-margin revenue for years to come. Furthermore, we expect the US economy to pick up again after the presidential election.

Psiber Data GmbH, which we acquired two-and-a-half years ago, has been renamed IT Networks GmbH with effect from July 1. This completes the integration and repositioning of this subsidiary, which manufactures and markets tools and measuring equipment for IT networks. We plan to expand the market share of this business by introducing new products, expanding sales territories, increasing the emphasis on our own marketing and pursuing a more aggressive marketing approach. The fourth quarter is traditionally IT Networks' busiest and most profitable period.

In the Automotive segment, revenue in the first six months of 2016 rose by 25% to EUR 12.4 million (previous year: EUR 9.9 million). This does not even include the medium-term growth in revenue expected from new products. Much of this growth is due to the success of sales activities in the HDD (Heavy Duty Diesel) market in both Europe and North America. Another important factor is our regular business with existing customers in the car sector. Despite significant achievements in the field of measurement technology, revenue has increasingly come from software products. The improved earnings quality is also reflected in the operating profit (EBIT), which almost tripled in the first half-year to EUR 1.6 million (previous year: EUR 0.6 million). As a result, the Automotive segment is now achieving an (operating) EBIT margin of almost 13%. With the expansion of the software share of the product portfolio, this margin will continue to rise in the medium term.

The segment is particularly proud of the successful launch of the automotive diagnostics app "Car Asyst," which Softing developed with its partner Audi for their workshops. This app allows the workshops to access the entire diagnostic data of the new Audi models. It also slashes the time it takes to read the complete vehicle data from 3 to 5 minutes to just 5 seconds. Another software package – "Analytics" – which tracks down the causes of faults in "problem vehicles," will follow shortly. To distribute the app, Softing has set up its first complete online shop in English and German and tailored it to the needs of the target market. The shop offers text- and video-based documentation, which has already received positive comments from our customers. To get an idea of what's on offer, visit: www.car-asyst.com.

Softing AG's equity ratio further improved to 53% (previous year: 51%) in the first half-year. This reflects the Group's commitment to repaying the loans borrowed to finance acquisitions. The stronger equity ratio improves the options open to us for financing potentially interesting takeover targets.

We continue to see good opportunities to expand our market position through the acquisition of suitable target companies. However, our guiding principle remains: to pay only reasonable prices and to carefully evaluate business risk when structuring the acquisition. Although talks are still at an early stage, transactions could be concluded at relatively short notice.

We confirm the forecast we made at the beginning of the year, particularly for EBIT. Once again, we expect to see the biggest surge in the fourth quarter, during which a number of major orders are pending in the currently weak North American market as well. Due to the margin structure of the business expected toward the end of the year and as a result of individual factors we are confident of achieving our goals.

We hope that you, Softing's shareholders and friends, will remain associated with us going forward and will continue to profit from the Company's development. Hopefully, we have helped make your summer that much sunnier!

Sincerely Yours,

Dr. Wolfgang Trier
(Chief Executive Officer)

Group Management Report for the 2016 Half-Yearly Financial Report

ECONOMIC ENVIRONMENT

Industry was unable to sustain the high production output seen at the beginning of the year. This caused growth to drop to approx. 0.3% according to the DIW, which is considerably below the strong start to the year. Even prior to the United Kingdom's decision to leave the EU, signs had pointed to just a moderate growth trend, which the DIW expects to lose yet more steam in the year's second half. Growth in Germany is expected to reach about 1.5% in 2016.

Although the performance of the Industrial segment in the first six months of the year was weak in the US and in Asia, stable market performance in Europe was almost able to compensate for the decline in revenue.

The Automotive segment saw extremely positive performance in the first half of 2016 in terms of revenue and, as a result, also in terms of its operating earnings (EBIT).

Softing therefore anticipates business for the full 2016 financial year to more or less reflect the development witnessed in 2015. The business affected by the decline in the oil and gas production in the US could show increasing signs of recovery in the year's second half. Softing estimates that the European Group companies in the Industrial segment will post a modest increase in revenue, driven by the actions of individual customers rather than the economy.

EARNINGS

In the Automotive segment, revenue rose by 25% in the first six months of 2016 to EUR 12.4 million (previous year: EUR 9.9 million), while the Industrial segment's revenue decreased slightly by 2% to EUR 25.9 million (previous year: EUR 26.6 million).

The decline in the Industrial segment's operating EBIT to EUR 0.1 million (previous year: EUR 1.6 million) is due to the fact that orders for high-margin products in the US market were down. Furthermore, the segment was unable to sustain the high level of orders recorded in 2015.

In contrast, the operating EBIT in the Automotive segment almost tripled to EUR 1.6 million (previous year: EUR 0.6 million) in the first half of the year.

EBITDA in the Industrial segment in the first six months of the year amounted to EUR 0.6 million (previous year: EUR 2.4 million). The increase in revenue in the Automotive segment was reflected positively in the segment's EBITDA, which in the first six months of 2016 came to EUR 3.2 million (previous year: EUR 1.5 million).

As of June 30, 2016, orders on hand in the Group totaled around EUR 11.8 million (previous year: EUR 10.2 million).

At EUR 38.3 million, the revenue of the Softing Group in the first six months of 2016 thus was up EUR 1.8 million year on year (previous year: EUR 36.5 million). EBIT in the reporting period came in at EUR 1.5 million (previous year: EUR 1.5 million). EBITDA amounted to EUR 3.9 million (previous year: EUR 4.0 million), and the EBITDA margin was 10% (previous year: 11%).

Other operating income in the reporting period fell to EUR 0.9 million (previous year: EUR 1.5 million) due to insurance payments in connection with the fire at Softing Messen und Testen GmbH in 2015.

NET ASSETS AND FINANCIAL POSITION

The equity ratio as of June 30, 2016 was 53% (December 31, 2015: 51%). The share capital of Softing AG as of June 30, 2016 remained unchanged at EUR 6,959,438.

Cash and cash equivalents as of June 30, 2016 totaled EUR 6.4 million, compared with EUR 9.2 million as of December 31, 2015. Capital expenditure on property, plant, and equipment was insignificant and comprised only replacements.

RESEARCH AND PRODUCT DEVELOPMENT

In the first six months of 2016, Softing capitalized a total of EUR 1.8 million (previous year: EUR 1.5 million) for the development of new products and the enhancement of existing ones. The slight increase is due to the development of a new generation of communication interfaces (VCI) in the Automotive segment. Other significant amounts were expensed.

EMPLOYEES

As of June 30, 2016, the Group had 428 employees (previous year: 422). 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, 2016, the Company's risk structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2015. Material changes are also not expected for the remaining six months of 2016. For more detailed information, we refer to our Group Management Report in the 2015 Annual Report, page 9 et seq.

OUTLOOK

Softing confirms the guidance issued in the outlook for financial year 2016 projecting a moderate increase in revenue and a slight increase in EBIT/EBITDA. Due to the dates scheduled for product release and delivery, as in the previous year the second half of 2016 will contribute disproportionately to revenue and earnings.

EVENTS AFTER THE REPORTING PERIOD

There were no events of special importance after the reporting date of June 30, 2016.

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 16, 2016
Softing AG

The Executive Board

Dr. Wolfgang Trier

Ernst Homolka

Consolidated Statement of Financial Position

as of June 30, 2016 and December 31, 2015

Assets	06/30/2016 EUR thousand	12/31/2015 EUR thousand
Non-current assets		
Goodwill	15,096	15,243
Intangible assets	26,754	27,126
	41,850	42,369
Property, plant and equipment	2,236	2,362
Deferred tax assets	2,772	2,395
Non-current assets, total	**46,858**	**47,126**
Current assets		
Inventories	9,965	9,313
Trade receivables	11,877	14,976
Receivables from customer-specific construction contracts	1,478	431
	13,355	15,407
Other current assets	935	815
Current income tax assets	467	504
Current financial assets	90	124
Cash and cash equivalents	6,428	9,186
Current assets, total	**31,240**	**35,349**
Total assets	**78,098**	**82,475**

Equity and liabilities	06/30/2016 EUR thousand	12/31/2015 EUR thousand
Equity		
Subscribed capital	6,959	6,959
Capital reserves	12,270	12,270
Retained earnings	22,554	23,136
Equity (Group share)	41,783	42,365
Minority interest	–23	–30
Equity, total	**41,760**	**42,335**
Non-current liabilities		
Pensions and similar obligations	1,760	1,860
Long-term borrowings	6,823	7,480
Other non-current liabilities	8,157	8,223
Deferred taxes	4,292	4,323
Non-current liabilities, total	**21,032**	**21,886**
Current liabilities		
Trade payables	3,617	5,698
Payables from customer-specific construction contracts	704	617
Provisions and accrued liabilities	543	683
Income tax liabilities	1,725	1,529
Short-term borrowings	2,090	1,737
Current non-financial liabilities	3,246	4,203
Current financial liabilities	3,380	3,787
Current liabilities, total	**15,305**	**18,254**
Total equity and liabilities	**78,097**	**82,475**

Consolidated Income Statement

from January 1 to June 30, 2016

EUR thousand	04/01/16 – 06/30/16	04/01/15 – 06/30/15	01/01/16 – 06/30/16	01/01/15 – 06/30/15
Revenue	**20,437**	**19,182**	**38,345**	**36,506**
Other own work capitalized	949	764	1,766	1,478
Other operating income	145	1,381	878	1,558
Operating income	**21,531**	**21,327**	**40,989**	**39,542**
Cost of materials / cost of purchased services	–7,648	–7,710	–14,097	–14,286
Staff costs	–9,058	–8,359	–17,604	–16,084
Depreciation, amortization and impairment losses	–1,196	–1,333	–2,371	–2,574
thereof depreciation / amortization due to purchase price allocation	–306	–312	–619	–619
Other operating expenses	–2,819	–3,591	–5,398	–5,123
Operating expenses	**–20,721**	**–20,993**	**–39,470**	**–38,067**
Profit / loss from operations (EBIT)	**810**	**334**	**1,519**	**1,475**
Interest income	-	-	-	-
Interest expense	–40	–60	–78	–121
Earnings before income taxes	**770**	**274**	**1,441**	**1,354**
Income taxes	–333	–90	–577	–430
Consolidated profit	**437**	**184**	**864**	**924**
Attributable to:				
Owners of the parent	431	190	857	935
Minority interests	6	–6	7	–11
Consolidated profit	**437**	**184**	**864**	**924**
Earnings per share (basic = diluted)	0.06	0.03	0.12	0.14
Average number of shares outstanding (basic)	6,959,438	6,959,438	6,959,438	6,912,205

Consolidated Statement of Comprehensive Income

from January 1 to June 30, 2016

EUR thousand	04/01/16 – 06/30/16	04/01/15 – 06/30/15	01/01/16 – 06/30/16	01/01/15 – 06/30/15
Consolidated profit	**437**	**184**	**864**	**924**
Items that will be reclassified to consolidated total comprehensive income:				
Currency translation differences				
Changes in unrealized gains / losses	599	–979	–494	1,740
Tax effect	–184	0	100	0
Currency translation	415	–979	–394	1,740
Total comprehensive income for the period	**852**	**–795**	**470**	**2,664**
Attributable to:				
Owners of the parent	845	–789	463	2,675
Minority interests	7	–6	7	–11
Total comprehensive income for the period	**852**	**–795**	**470**	**2,664**
Earnings per share (basic = diluted)	0.12	–0.11	0.07	0.39
Average number of shares outstanding (basic)	6,959,438	6,959,438	6,959,438	6,912,205

Consolidated Statement of Changes in Equity

from January 1 to June 30, 2016

	Subscribed capital	Capital reserves	Treasury shares	Retained earnings				Attributable to shareholders of Softing AG	Non-controlling interests	Total equity
	Capital			Net retained profits and other	Remeasurements	Currency translation	Total	Share	Share	
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
As of January 1, 2016	**6,959**	**12,270**	**0**	**20,684**	**–1,072**	**3,524**	**23,136**	**42,365**	**–30**	**42,335**
Dividend distribution				–1,044			–1,044	–1,044		–1,044
Tax effect						100	100	100		100
Currency translation						–494	–494	–494		–494
Net profit for 2015				856			856	856	7	863
As of June 30, 2016	**6,959**	**12,270**	**0**	**20,496**	**–1,072**	**3,130**	**22,554**	**41,783**	**–23**	**41,760**

	Subscribed capital	Capital reserves	Treasury shares	Retained earnings				Attributable to shareholders of Softing AG	Non-controlling interests	Total equity
	Capital			Net retained profits and other	Remeasurements	Currency translation	Total	Share	Share	
	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand	EUR thousand
As of January 1, 2015	**6,959**	**12,270**	**–223**	**17,092**	**–1,277**	**2,199**	**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						1,739	1,739	1,739		1,739
Net profit for 2015				935			935	935	–10	925
As of June 30, 2015	**6,959**	**12,270**	**0**	**17,142**	**–1,277**	**3,938**	**19,803**	**39,032**	**–42**	**38,990**

Consolidated Statement of Cash Flows

for the period from January 1 to June 30, 2016

	01/01/16 – 06/30/16 EUR thousand	01/01/15 – 06/30/15 EUR thousand
Cash flows from operating activities		
Profit (before tax)	1,441	1,354
Depreciation, amortization and impairment losses on fixed assets	2,371	2,574
Other non-cash transactions	189	–16
Cash flows for the period	**4,001**	**3,912**
Interest income	77	121
Change in other provisions and accrued liabilities	–140	373
Change in inventories	–652	–523
Change in trade receivables	2,052	2,145
Changes in financial receivables and other assets	–426	–852
Change in trade payables	–2,081	–482
Changes in financial and non-financial liabilities and other liabilities	–997	–2,349
Income taxes paid	–128	–1,610
Cash flows from operating activities	**1,706**	**735**
Investments in fixed assets	–458	–581
Cash paid for investments in internally generated intangible assets	–1,766	–1,478
Cash paid for the acquisition of subsidiaries / variable purchase prices	–414	–1,347
Cash flows from investing activities	**–2,638**	**–3,406**
Dividend payment	–1,044	–1,740
Repayment of bank loans	–620	–835
Cash received from the sale of treasury shares	0	1,078
Interest paid	–77	–121
Cash flows from financing activities	**–1,741**	**–1,618**
Net change in funds	–2,673	–4,289
Effects of exchange rate changes on cash and cash equivalents	–85	102
Cash and cash equivalents at the beginning of the period	9,186	8,750
Cash and cash equivalents at the end of the period	**6,428**	**4,563**

Consolidated Segment Reporting

from January 1 to June 30, 2016

EUR thousand	04/01/16 – 06/30/16	04/01/15 – 06/30/15	01/01/16 – 06/30/16	01/01/15 – 06/30/15
Automotive				
External revenue	7,065	5,472	12,393	9,889
Segment result (EBIT)	1,464	791	2,633	938
Depreciation / amortization	275	297	527	575
Segment result (op. EBIT)	1,005	612	1,581	569
Segment result (EBITDA)	1,739	1,088	3,160	1,512
Segment assets			18,117	13,366
Segment liabilities			6,089	4,856
Capital expenditure	729	601	1,525	1,065
Industrial				
External revenue	13,372	13,710	25,942	26,617
Segment result (EBIT)	–654	–459	–1,115	536
Depreciation / amortization	843	961	1,688	1,854
Segment result (op. EBIT)	–174	77	88	1,603
Segment result (EBITDA)	189	502	574	2,390
Segment assets			55,705	55,893
Segment liabilities			16,522	15,061
Capital expenditure	86	1,174	563	833
Not allocated				
External revenue				
Segment result (EBIT)				
Depreciation / amortization	79	74	157	145
Segment result (op. EBIT)				
Segment result (EBITDA)	79	74	157	145
Segment assets			4,276	4,305
Segment liabilities			13,726	14,654
Capital expenditure	70	99	143	242
Total				
External revenue	20,437	19,182	38,335	36,506
Segment result (EBIT)	810	332	1,518	1,474
Depreciation / amortization	1,197	1,332	2,372	2,574
Segment result (op. EBIT)	831	689	1,669	2,172
Segment result (EBITDA)	2,007	1,664	3,891	4,047
Segment assets			78,098	73,564
Segment liabilities			36,337	38,201
Capital expenditure	884	1,172	2,231	2,140

Geographical Segments

EUR thousand	Revenue		Fixed assets		Additions to fixed assets	
	06/30/16	06/30/15	06/30/16	06/30/15	06/30/16	06/30/15
Germany	15,146	14,259	21,091	20,923	2,131	2,044
USA	12,235	12,813	22,779	23,391	50	18
Rest of the world	10,964	9,434	215	161	50	77
Total	38,345	36,506	44,085	44,475	2,231	2,139

Selected Explanatory Notes to the Interim Report of Softing AG as of June 30, 2016

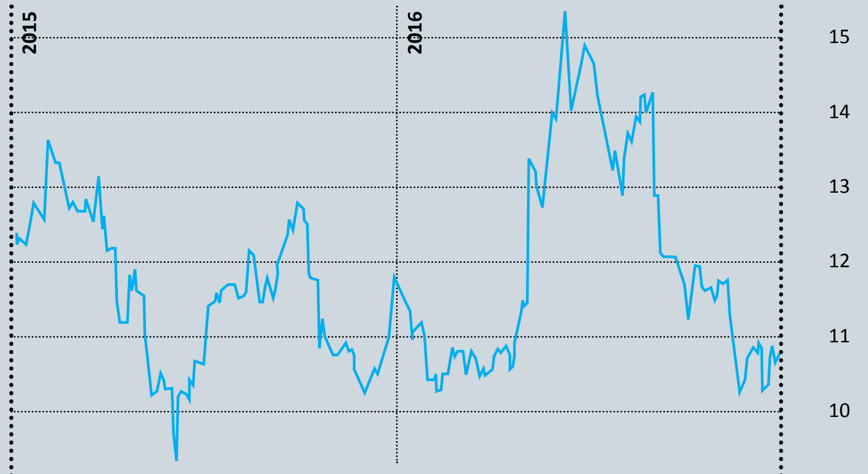
1. GENERAL ACCOUNTING POLICIES

The consolidated financial statements of Softing AG as of December 31, 2015 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 June 30, 2016, 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, 2015. In general, the same accounting policies were applied in the interim financial statements as of June 30, 2016 as in the consolidated financial statements for the 2015 financial year.

2. CHANGE IN THE BASIS OF CONSOLIDATION

As of June 30, 2016, there were no changes in the basis of consolidation of Softing AG compared to December 31, 2015.

Softing Share



Price of the Softing share from 07/01/2015 to 07/01/2016 (Xetra)

CORPORATE BOARDS OF THE COMPANY AND DIRECTORS' HOLDINGS

Boards	Shares		Options	
	06/30/2016 Number	12/31/2015 Number	06/30/2016 Number	12/31/2015 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	112,716	103,216	–	–
Ernst Homolka, Munich	1,800	1,300	–	–

FINANCIAL CALENDAR

08/12/2016	Half-Yearly Report 2016
11/02/2016	Interim Statement on Q3-2016
11/21–23/2016	German Equity Forum in Frankfurt/Main
03/23/2017	Annual Report 2016
05/02/2017	Interim Statement on Q1-2017
05/03/2017	Annual General Meeting 2017
08/14/2017	Half-Yearly Report 2017
11/02/2017	Interim Statement on Q3-2017

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

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