Quarterly information 1/2016

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DEAR SHAREHOLDERS, EMPLOYEES, PARTNERS AND FRIENDS OF SOFTING AG,

The year has gotten off to a mixed start. While business in Germany and Europe improved considerably in both segments compared to the year before, our largest subsidiary in North America experienced declining demand for industrial automation products in the first quarter as compared to the excellent previous year. This reflects a clear weakness of demand in North America, which can also be seen in the IT Networks division, where a large customer in the American market reported weak sales of our cable tester to end customers in the first quarter. The sluggish US economy therefore also affected our Asian subsidiary in Singapore, which produces the cable tester.

Expressed in figures, the first quarter looks as follows: While revenue rose to EUR 17.9 million (previous year: EUR 17.3 million), the operating EBIT fell to EUR 0.8 million (previous year: EUR 1.4 million), which is considerably lower than the previous year on account of the move towards less high-margin business. As a result, the operating EPS also decreased to EUR 0.12 (previous year: EUR 0.21). Softing's orders on hand remained strong at EUR 9.7 million (previous year: EUR 9.2 million). The Group is also currently working to full capacity on customer projects.

In the Industrial segment, business in Germany and Europe improved significantly compared to the previous year. We have also noticed a marked increase in new projects in connection with Industry 4.0. Although these projects will not make a substantial contribution to revenue until 2017, they confirm that our technology is right for the market. An entirely new technology will have been developed in the USA by the fall, one which none of our competitors will be able to offer in the foreseeable future. Furthermore, opportunities are opening up for products in the area of analytics, which involves deriving statements and guidelines from the rapidly growing volume of production data. This is currently one of the hottest topics in our industry.

In the Automotive segment, we will realize a number of extensive product and project deliveries in the coming weeks. In the second quarter, we will ship measurement technology products with sales in the seven-digit range and successfully complete several strategic projects. The third and fourth quarters will see further extensive shipments of new products for large automotive customers who urgently need our solutions. Our diagnostics app is a special strategic highlight here. This app was adapted for our large customer Audi, and it has been available to Audi and independent workshops under the brand name of Car Asyst since the end of April. Visit our professional web shop at www.carasyst.com for pictures and videos that explain the concept behind the diagnostics app. We are currently receiving a tremendous amount of interest in this topic from various manufacturers. The professional diagnostics app, which is aimed at workshops on a subscription basis, will start boosting margins in the Automotive segment in 2017 and help smooth out the course of business through the year.

The unveiling of our new corporate identity and updated logo in March of this year was well-received all around. Now the outside world can also see that our segments are off to a fresh start with shorter names: Industrial, Automotive and IT Networks. Countless web pages and catalogs were updated to clearly reflect that the companies are part of the Softing Group. The final step in this initiative will be taken this summer when Psiber Data is incorporated into the Group by name as well. In the IT Networks segment, the expansion of business in France and Italy is already bearing fruit.

Demand has also improved noticeably in the USA since April. We therefore remain confident about the year as a whole. The weaknesses in the first quarter will strengthen the seasonality which will basically reflect the course of 2015 this year as well. We expect the second quarter to be stronger than the first. Based on known customer receivables and requirements, it is already clear that the most revenue in 2016 will again be generated in the third and fourth quarters. We therefore confirm our previous forecast.

Dear shareholders and friends of Softing, our whole team is absolutely committed to making this year a success. We hope that you remain loyal to us in the future and continue to profit from Softing's development!

Sincerely Yours,

Dr. Wolfgang Trier
(Chief Executive Officer)

Q1 2016 Statement

The quarterly management statement as of March 31, 2016, which was prepared on the basis of International Accounting Standard (IAS) 34 „Interim Financial Reporting", does 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 (which were prepared in accordance with the International Financial Reporting Standards (IFRSs) of the International Accounting Standards Board (IASB) applicable as of the reporting date). In general, the same accounting policies were applied in the quarterly management statement as of March 31, 2016 as in the consolidated financial statements for the 2015 financial year. As of the reporting date of March 31, 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 nine months of 2016. For more detailed information, we refer to our Group Management Report in the 2015 Annual Report, page 9 et seq. There were no changes in the basis of consolidation of Softing AG as of March 31, 2016.

In the first three months, the Industrial segment's growth trajectory in Europe was strong, but performance in the United States and Asia was weaker year on year. Compared with the prior-year period, growth in the Automotive segment was very good, and performance going forward looks positive as well.

Key Figures of the Softing Group at a Glance:

	Quarterly report 1/2016	Quarterly report 1/2015
Orders on hand	9.7	9.2
Revenue	17.9	17.3
EBITDA	1.9	2.4
EBIT (operating)	0.8	1.4
Net profit for the year	0.4	0.7
Earnings per share in EUR (operating)	0.12	0.21

RESULTS OF OPERATIONS

In the Automotive Electronics segment, revenue rose by 21% in the first three months of 2016 to EUR 5.3 million (previous year: EUR 4.4 million), while the Industrial Automation segment saw revenue of EUR 12.6 million, slightly underperforming last year (previous year: EUR 12.9 million). EBIT (operating) in the Automotive segment was up from EUR-0.1 million to EUR 0.5 million. In the Industrial segment, EBIT (operating) declined from EUR 1.5 million to EUR 0.3 million.

Despite the weakness of the US market, the total revenue of the Softing Group amounted to EUR 17.9 million in the first three months of 2016, increasing EUR 0.6 million year on year (previous year: EUR 17.3 million). Operating EBIT (EBIT adjusted for capitalized development services and amortization on these as well as effects from purchase price allocation) in the reporting period totaled EUR 0.8 million (previous year: EUR 1.4 million). The decline is largely due to the lower gross profit generated on the US market. EBIT amounted to EUR 0.7 million (previous year: EUR 1.2 million). EBITDA was EUR 1.9 million in the first three months (previous year: EUR 2.4 million), and the EBITDA margin was 11% (previous year: 14%).

NET ASSETS AND FINANCIAL POSITION

The equity ratio as of March 31, 2016 was 54% (December 31, 2015: 51%); the share capital of Softing AG remained unchanged at EUR 6,959,438.

As of March 31, 2016, cash and cash equivalents amounted to EUR 8.9 million (December 31, 2015: EUR 9.2 million). Capital expenditure on property, plant, and equipment was insignificant and comprised only replacements.

RESEARCH AND PRODUCT DEVELOPMENT

In the first three months of 2016, Softing capitalized a total of EUR 0.8 million (previous year: EUR 0.7 million) for the development of new products and the enhancement of existing ones. Other significant amounts were expensed.

EMPLOYEES

As of March 31, 2016, the Softing Group had 426 employees (previous year: 427). During the reporting period, no stock options were issued to employees.

OUTLOOK

For 2016 as a whole, Softing estimates that the European Group companies in the Industrial and Automotive segments will see a moderate increase in revenue, motivated for now by the behavior of individual customers rather than the economy. From the third quarter of 2016 onward, we expect the trend in the US Group companies to turn around due to the launch of new products and delivery times, although the second quarter of 2016 may still reflect weakness in the market. Softing also expects the market situation in Asia to improve in the third quarter of 2016. Softing confirms the guidance issued in the outlook for financial year 2016 projecting a moderate increase in revenue to over EUR 85 million and an increase in operating EBIT to EUR 7.5 million.

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