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

In the third quarter of 2016, Softing largely compensated for weaker sales in the US market by significantly growing the business in Europe and Asia. Third-quarter revenue stood at EUR 20.5 million, almost matching the previous year’s figure of EUR 20.8 million. As expected, EBIT was impacted by an absence of extremely high-margin orders in the US market, despite good earnings performance in other regions. EBIT for the quarter amounted to EUR 1.0 million (previous year: EUR 1.6 million), with operating EBIT of EUR 1.1 million (previous year: EUR 2.3 million) more severely affected by extensive new developments.

Sales for the first nine months of the year increased to EUR 58.9 million (previous year: EUR 57.3 million), while EBIT declined to EUR 2.5 million (previous year: EUR 3.1 million). Cash holdings increased by almost EUR 2 million to EUR 8.4 million, thanks in part to strong cash flows in the current year.

The underlying trend of the first half of the year continued in the third quarter. While we continue to see improvement in the US business, the economy has not yet recovered to the record levels of the previous year. Nevertheless, we are optimistic about the prospects for 2017 and beyond. The company received the first major order for a new customer during the third quarter, while another customer is expected to decide in favor of Softing products in the fourth quarter. The new business expected from this has the potential to shape the development of the US business for years to come.

Softing IT Networks GmbH increased revenue significantly in the third quarter and the development of the business is peaking during the current fourth quarter. In Europe, we have been focusing on considerably intensifying our business and were able to strengthen our team with outstanding new staff in several roles that will be key to our success. We
are also continuing to expand our product portfolio with new devices. Although this generates costs in the short term, it will also fuel our growth over the next few years.

The Automotive segment continued to improve its visibility and positioning in the heavy duty diesel market during the third quarter. We participated in four trade fairs and conferences where we reinforced our diagnostics and security expertise by giving specialist presentations. This enabled us to establish contact with several vehicle manufacturers, particularly in the USA, that will generate new business in 2017. We are placing a similar focus on Asia in the current fourth quarter by giving seminars and training sessions to existing and future major customers.

We also want to continue expanding our market position through the acquisition of suitable target companies. While doing this, we will also let ourselves be guided by the overriding strategic importance of taking business risks into consideration when structuring these acquisitions. Our third-quarter checks revealed that some individual takeover candidates were unable to meet these criteria. They were replaced with new opportunities that are currently under review. Based on current information, we anticipate that these transactions will take place in the first quarter of 2017 rather than the current year.

We confirm our existing guidance of annual revenue of between EUR 80 and 85 million and EBIT within a range of EUR 7 and 8 million. While the timely delivery of several major orders in December poses a residual risk to our forecasts, this primarily affects sales as a result of advance payments. Nevertheless, we are currently confident of being able to process these deliveries on schedule.

We hope that you, Softing’s shareholders and friends, will remain associated with us going forward and will continue to participate in the Company’s development.

Sincerely Yours,

Dr. Wolfgang Trier
(Chief Executive Officer)
Q3 2016 Statement

The quarterly management statement as of September 30, 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 September 30, 2016 as in the consolidated financial statements for the 2015 financial year. As of the reporting date of September 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 three months of 2016. For more detailed information, we refer to our Group Management Report in the 2015 Annual Report, page 9 et seq. There was one change in the basis of consolidation of Softing AG as of September 30, 2016. Shanghai Softing software Co., Ltd, which was founded by Softing, commenced operations effective August 1 and is now responsible for distributing Softing products in China.

In the first nine 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:

<table>
<thead>
<tr>
<th>All figures in EUR million</th>
<th>Quarterly report 3/2016</th>
<th>Quarterly report 3/2015</th>
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</thead>
<tbody>
<tr>
<td>Incoming orders</td>
<td>59,4</td>
<td>63,0</td>
</tr>
<tr>
<td>Revenue</td>
<td>58,9</td>
<td>57,3</td>
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<tr>
<td>EBITDA</td>
<td>6,2</td>
<td>7,0</td>
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<tr>
<td>EBIT (operating)</td>
<td>2,7</td>
<td>3,9</td>
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<tr>
<td>Net profit for the year</td>
<td>1,6</td>
<td>2,1</td>
</tr>
<tr>
<td>Earnings per share in EUR (operating)</td>
<td>0,38</td>
<td>0,57</td>
</tr>
</tbody>
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RESULTS OF OPERATIONS
In the Automotive Electronics segment, revenue rose by 13% in the first nine months of 2016 to EUR 16.8 million (previous year: EUR 14.9 million), while the Industrial Automation segment saw virtually stable revenue of EUR 42.1 million (previous year: EUR 42.4 million).

EBIT (operating) in the Automotive segment was up from EUR 0.4 million to EUR 0.7 million. In the Industrial segment, EBIT (operating) declined from EUR 3.7 million to EUR 2.0 million.

Despite the weakness of the US market, the total revenue of the Softing Group amounted to EUR 58.9 million in the first nine months of 2016, increasing EUR 1.6 million year on year (previous year: EUR 57.3 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 2.7 million (previous year: EUR 3.9 million). The decline is largely due to the lower gross profit generated on the US market. EBIT amounted to EUR 2.5 million (previous year: EUR 3.1 million). EBITDA was EUR 6.2 million in the first nine months (previous year: EUR 7.0 million), and the EBITDA margin was 10% (previous year: 12%).

RESEARCH AND PRODUCT DEVELOPMENT
In the first three months of 2016, Softing capitalized a total of EUR 2.7 million (previous year: EUR 2.3 million) for the development of new products and the enhancement of existing ones. Other significant amounts were expensed.

EMPLOYEES
As of September 30, 2016, the Softing Group had 430 employees (previous year: 433). 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. Since the third quarter of 2016, we have seen a reversal in the trend for the US Group companies due to the launch of new products and delivery deadlines. Our specified revenue guidance for the full 2016 year is EUR 80-85 million. The EBIT forecast is in a range of EUR 7-8 million.

NET ASSETS AND FINANCIAL POSITION
The equity ratio as of September 30, 2016 was 53% (December 31, 2015: 51%); the share capital of Softing AG remained unchanged at EUR 6,959,438 as of September 30, 2016.

Cash and cash equivalents as of September 30, 2016 amounted to EUR 8.4 million (December 31, 2015: EUR 9.2 million). Capital expenditure on property, plant, and equipment was insignificant and comprised only replacements.