

# Interim Statement on the 3rd Quarter and First 9 Months of 2021

# reporting



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

Softing increased its revenue from EUR 55.7 million to EUR 60.3 million in the first nine months of this year, despite various restrictions resulting from the pandemic and their consequences. A clear upward trend is still apparent.

Incoming orders across the Group, a key indicator of business performance in the months to follow, rose by an impressive 40% from EUR 53.6 million in the prior-year period to EUR 74.6 million. Orders on hand amount to EUR 28.8 million, up from EUR 17.2 million at the same time last year. There is considerable potential in this figure that we would already have converted into additional sales growth in the first nine months had precursors been available under normal circumstances.

The Industrial segment lifted its order intake by no less than 40% to EUR 56.6 million. The order book doubled at the same time to EUR 22.0 million. At EUR 42.5 million, revenue was up 4.3% year-on-year. Operating EBIT rose by nearly 30% from EUR 3.1 million to EUR 4.0 million.

Automotive increased revenue by 7% from EUR 9.9 million to EUR 10.6 million. Due to delays in the availability of components, a series of large orders will not be delivered until the fourth quarter. Attractive projects and product deliveries are on the horizon for 2022 that will give a large boost to revenue and earnings in the coming year.

At our Globalmatix subsidiary, we expect further substantial volume deals and deliveries of our telematics boxes in the fourth quarter on the back of burgeoning interest from fleet operators in our services. However, the economic rewards of this year's deals and deliveries will not be seen until the coming year. Globalmatix is still weighing on earnings. For example, operating EBIT for the entire Automotive segment improved only slightly to EUR -2.0 million from EUR -2.3 million in the prior-year period. Globalmatix's growth still has priority over its earnings contribution.

The IT Networks segment has been delivering a very strong performance, particularly in the European and North American markets. New sales channels and innovative customer approaches continued the growth trend in the first three quarters of 2021. Revenue rose by a substantial 41% to EUR 7.2 million. Operating EBIT turned positive again at EUR 0.2 million after just three quarters, up from a negative EUR -1.0 million in the same period of the previous year, although the highest revenues tend to be generated in the fourth quarter. In addition to developing new products to test copper and fiber data cables, we are currently investing heavily in expanding our sales organization. One new product has already come onto the market, with four more to follow in spring 2022.

The Group's 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 2.2 million (previous year: EUR 0.0 million).

The Group's financial position remains very healthy with cash and cash equivalents of EUR 13.0 million on September 30, 2021. Together with current trade receivables and credit lines that have already been agreed but not yet drawn down, the Group has more than EUR 30 million in near-cash funds available at short notice. This not only ensures that Softing will be able to cope with the continuing crises, but also opens up opportunities for organic and non-organic growth.

Dear shareholders, employees, partners and friends of Softing AG, we expect some more good news in the remaining weeks of the year. Be sure not to miss these announcements and follow how Softing will make the most of the opportunities that present themselves and position itself for the coming year.

Sincerely yours,

A handwritten signature in black ink, appearing to read 'W. Trier', with a stylized flourish at the end.

Dr. Wolfgang Trier  
(Chief Executive Officer)

## Interim statement on the 3rd quarter/first 9 months of 2021

### REPORT ON NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

After the measures introduced by governments to contain the COVID-19 pandemic posed major challenges for citizens and companies, particularly in Europe, the USA and Asia, this has now been followed by an unprecedented crisis in the sourcing of electronic components and other precursors. Components ordered are not delivered, and orders are sometimes not confirmed at all or only with lead times of more than a year. Week after week, we have to decide again and again how we as a company can meet our obligations to our customers.

#### Material sourcing is a high priority

We began increasing our stock levels and those of our suppliers/manufacturers at an early stage to avoid bottlenecks in delivering goods to our customers. While we were able to use these inventory levels for customer deliveries until mid-year, the supply chain for our hardware production became subject to more considerable uncertainty after that time. Softing is addressing this by placing early orders for electronic components and assessing delivery delays or price adjustments together with its customers. Despite our best efforts, it cannot be ruled out that the highly strained global situation regarding the supply of active and passive electronic components could cause Softing to be delayed in delivering products during the course of the year. Neither can price increases be ruled out to counteract the rising cost of sales.

The COVID-19 situation has eased for Softing as all employees have been able to return to their workplaces in compliance with hygiene regulations since early July. Softing created flexible solutions for mobile working while emphasizing that mobile working cannot be the primary solution for wor-

king in a team. No virtual presence will be able to replace face-to-face exchange in the workplace as even professional chats in the cafeterias or in the hallway contribute to team success.

Softing succeeded in increasing its revenue from EUR 55.7 million to EUR 60.3 million in the first nine months of 2021, despite various lockdowns in the divisions and other restrictions.

The largest segment, Industrial, generated revenue of EUR 42.5 million in the first nine months of 2021, up 4.3% on the previous year's figure of EUR 40.7 million despite the problems mentioned above. EBITDA rose from EUR 3.1 million to EUR 4.0 million. Incoming orders increased from EUR 41.1 million to EUR 56.6 million, with the order book almost doubling to EUR 22.0 million.

The Automotive segment displayed signs of recovery as revenue rose by 7% from EUR 9.9 million to EUR 10.6 million. Operating EBIT came to EUR -2.0 million after EUR -2.3 million in the same period of the previous year. Business development with GlobalmatiX AG products is proceeding. The third quarter saw GlobalmatiX AG complete its first major orders, find new customers and carry out successful field tests that are expected to result in further volume deals in the fourth quarter.

The IT Networks segment was the business unit most rapidly and severely impacted by the COVID-19 crisis in 2020. This was equally true of the markets in Europe, the USA and Asia. New sales channels, innovative customer approaches and spirited commitment from the entire team enabled the segment to make up ground in the second half of 2020. This successful trend reversal continued in the first three quarters of 2021 as revenue rose by a substantial 41% to EUR 7.2 million. Ope-

rating EBIT turned positive at EUR 0.2 million, after a negative EUR –1.0 million in the same period of the previous year, although the traditionally strongest fourth quarter is not yet included.

Order intake in the Group grew by an impressive 40%, from EUR 53.6 million in the prior-year period to EUR 74.6 million in 2021. Orders on hand amount to EUR 28.8 million compared to EUR 17.2 million at the same time last year. While this figure clearly shows the effects of the current procurement crisis, the order book is a good foundation for future revenue.

The Group's EBITDA rose from EUR 4.8 million in the first nine months to EUR 5.6 million, resulting in an EBITDA margin of 9.3% (previous year: 8.6%).

This trend is most clearly reflected in the Group's operating EBIT (EBIT adjusted for capitalized development services and amortization on these as well as effects from purchase price allocation), which came to EUR 2.2 million (previous year: EUR 0.0 million) in the reporting period.

The Group's EBIT rose to EUR –0.3 million after EUR –1.2 million in the previous year.

Consolidated profit for first nine months of 2021 was EUR 0.2 million (previous year: EUR –2.3 million).

The Group recognized a normal level of capital expenditure on property, plant and equipment for replacements. The Group's financial position remains healthy. Cash and cash equivalents amounted to EUR 13.0 million on September 30, 2021, while current trade receivables totaled EUR 10.3 million. The Group also has access to credit lines of around EUR 9.2 million that have already been ag-

reed but not yet drawn down. This means that the Group has more than EUR 30 million in near-cash funds available at short notice. This not only ensures that Softing will be able to cope with the continuing crises, but also opens up opportunities for organic and non-organic growth.

## RESEARCH AND PRODUCT DEVELOPMENT

In the first nine months of 2021, Softing capitalized a total of EUR 1.7 million (previous year: EUR 3.0 million) for the development of new products, with services to build the business of IT Networks and Globalmatix playing a significant role. Other significant amounts for the enhancement of existing products were expensed. Softing focused more on enhancing existing products in 2021.

## EMPLOYEES

As of September 30, 2021, the Softing Group had 388 employees (previous year: 397). No stock options were issued to employees in the reporting period.

## RISKS AND OPPORTUNITIES FOR THE COMPANY'S FUTURE DEVELOPMENT

As of the reporting date of September 30, 2021, the Company's risk and opportunity structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2020. Material changes are also not expected for the remaining three months of 2021. For more detailed information, we refer to the Group Management Report in the 2020 Annual Report, page 10 et seq. Any new risks relating to the COVID-19 crisis are currently being reviewed and acted on at short notice as required. This applies to the global business activities of the enti-

re Group, in close cooperation with the Executive Board and the management of the individual units. The full scale of effects of the global chip crisis on the fourth quarter and 2022 are not yet fully foreseeable. Softing is currently responding to it as described above.

### OUTLOOK

We are currently confirming the Group's guidance for 2021 published in the management report of the 2020 Annual Report (p. 33). Overall, we continue to anticipate an increase in both revenue and incoming orders for the 2021 financial year. The global shortage of electronic components is having a negative impact. While Softing's incoming orders in the first nine months of 2021 approximately equal total revenue posted in 2020, it is becoming increasingly challenging to work off the orders on hand of EUR 28.8 million in a timely manner.

We continue to anticipate operating EBIT to be in the range of EUR 2.0 million to EUR 3.0 million. Consolidated EBIT will be around EUR 2.0 million lower. This is mainly due to the reduced level of capitalization of new product developments. Softing used 2021 to focus more on enhancing existing products.

As already described on several occasions, this revenue and EBIT guidance is largely dependent on the timely supply of electronic components and other precursors important for our products. This presents opportunities for improvement and entails risks for achieving the targets at the same time.

### EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date of the quarterly management statement to report.

### KEY FIGURES FOR THE 3RD QUARTER OF 2021

| All figures in EUR million       | Quarterly<br>management statement<br>9/2021 | Quarterly<br>management statement<br>9/2020 |
|----------------------------------|---|---|
| Incoming orders                  | 74.6  | 53.6  |
| Orders on hand                   | 28.8  | 17.2  |
| Revenue                          | 60.3  | 55.7  |
| EBITDA (IFRS)                    | 5.6   | 4.8   |
| EBIT (IFRS)                      | -0.3  | -1.2  |
| EBIT (operating)                 | 2.2   | -0.0  |
| Consolidated profit (IFRS)       | 0.2   | -2.3  |
| Earnings per share in EUR (IFRS) | 0.02  | -0.25                                       |

### GENERAL ACCOUNTING POLICIES

The consolidated financial statements of Softing AG as of December 31, 2020 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the guidance of the International Accounting Standards Board (IASB) applicable at the reporting date. The quarterly management statement as of September 30, 2021, 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, 2020. In general, the same accounting policies were applied in the quarterly management statement as of September 30, 2021 as in the consolidated financial statements for the 2020 financial year. This quarterly management statement was prepared without an auditor’s review.

### CHANGES IN THE BASIS OF CONSOLIDATION

As of September 30, 2021, no changes occurred in the basis of consolidation of Softing AG compared to December 31, 2020.

Haar, Germany, November 15, 2021  
Softing AG



Dr. Wolfgang Trier  
Chief Executive Officer



Ernst Homolka  
Executive Board member

# Consolidated Income Statement and Consolidated Statement of Comprehensive Income

from January 1 to September 30, 2021

| EUR thousand   | 1/1 –<br>9/30/2021 | 1/1 –<br>9/30/2020 | 7/1 –<br>9/30/2021 | 7/1 –<br>9/30/2020 |
|--|--------------------|--------------------|--------------------|--------------------|
| <b>Revenue</b>   | <b>60,260</b>      | <b>55,711</b>      | <b>20,800</b>      | <b>19,900</b>      |
| Other own work capitalized   | 1,669              | 3,039              | 246                | 1,049              |
| Other operating income   | 2,180              | 670                | 583                | 178                |
| <b>Operating income</b>  | <b>64,109</b>      | <b>59,420</b>      | <b>21,629</b>      | <b>21,127</b>      |
| Cost of materials / cost of purchased services                                 | -27,347            | -24,908            | -9,625             | -8,842             |
| Staff costs  | -24,712            | -23,744            | -8,337             | -7,582             |
| Depreciation, amortization and impairment losses                               | -5,941             | -5,996             | -2,000             | -2,022             |
| thereof depreciation / amortization due to purchase price allocation           | -1,188             | -1,519             | -399               | -492               |
| thereof depreciation due to accounting for right-of-use-assets                 | -936               | -995               | -314               | -331               |
| Other operating expenses   | -6,401             | -5,928             | -1,739             | -2,000             |
| <b>Operating expenses</b>  | <b>-64,401</b>     | <b>-60,576</b>     | <b>-21,701</b>     | <b>-20,446</b>     |
| <b>Profit / loss from operations (EBIT)</b>                                    | <b>-292</b>        | <b>-1,156</b>      | <b>-72</b>         | <b>681</b>         |
| Interest income  | 1                  | 24                 | 0                  | 0                  |
| Interest expense   | -157               | -149               | -51                | -50                |
| Interest expense from lease accounting   | -67                | -94                | -22                | -29                |
| Other finance income/finance costs   | 812                | -551               | 329                | -599               |
| <b>Earnings before income taxes</b>  | <b>297</b>         | <b>-1,926</b>      | <b>184</b>         | <b>3</b>           |
| Income taxes   | -112               | -344               | 213                | -333               |
| <b>Consolidated profit</b>   | <b>185</b>         | <b>-2,270</b>      | <b>398</b>         | <b>-330</b>        |
| Consolidated profit attributable to:   |                    |                    |                    |                    |
| Shareholders of Softing AG   | 97                 | -2,356             | 410                | -358               |
| Non-controlling interests  | 88                 | 86                 | -12                | 28                 |
| <b>Consolidated profit</b>   | <b>185</b>         | <b>-2,270</b>      | <b>398</b>         | <b>-330</b>        |
| Earnings per share (basic = diluted)   | 0,02               | -0,25              | -0,04              | -0,04              |
| Average number of shares outstanding (basic)                                   | 9,015,381          | 9,092,047          | 9,015,381          | 9,073,239          |
| <b>Consolidated profit</b>   | <b>185</b>         | <b>-2,270</b>      | <b>398</b>         | <b>-330</b>        |
| <b>Items that will be reclassified to consolidated profit or loss:</b>         |                    |                    |                    |                    |
| <b>Currency translation differences</b>  |                    |                    |                    |                    |
| Changes in unrealized gains/losses   | 711                | -563               | 214                | -569               |
| Tax effect   | -199               | -22                | -153               |                    |
| <b>Total currency translation differences</b>                                  | <b>512</b>         | <b>-585</b>        | <b>61</b>          | <b>-569</b>        |
| <b>Other comprehensive income</b>  | <b>512</b>         | <b>-585</b>        | <b>61</b>          | <b>-569</b>        |
| <b>Total consolidated comprehensive income for the period</b>                  | <b>697</b>         | <b>-2,855</b>      | <b>459</b>         | <b>-899</b>        |
| <b>Total consolidated comprehensive income for the period attributable to:</b> |                    |                    |                    |                    |
| Owners of the parent   | 609                | -2,941             | 470                | -927               |
| Minority interests   | 88                 | 86                 | -11                | 28                 |
| <b>Total consolidated comprehensive income for the period</b>                  | <b>697</b>         | <b>-2,855</b>      | <b>459</b>         | <b>-899</b>        |

# Consolidated Statement of Cash Flows

from January 1 to September 30, 2021

| EUR thousand  | 1/1/2021<br>- 9/30/2021 | 1/1/2020<br>- 9/30/2020 |
|---|-------------------------|-------------------------|
| <b>Cash flows from operating activities</b>                             |                         |                         |
| <b>Profit (before tax)</b>  | 296                     | -1,926                  |
| Depreciation and amortization of fixed assets                           | 5,941                   | 5,996                   |
| Other non-cash transactions   | -4                      | -164                    |
| <b>Cash flows for the period</b>  | <b>6,233</b>            | <b>3,906</b>            |
| Interest income / Finance income  | -813                    | -24                     |
| Interest expense / Finance costs  | 224                     | 243                     |
| Change in other provisions and accrued liabilities                      | 10                      | -35                     |
| Change in inventories   | 311                     | -1,648                  |
| Change in trade receivables   | 3,700                   | 3,866                   |
| Change in financial receivables and other assets                        | 355                     | -246                    |
| Change in trade payables  | -625                    | -939                    |
| Change in financial and non-financial liabilities and other liabilities | 2,049                   | -1,030                  |
| Interest received   | 1                       | 24                      |
| Income taxes received   | 363                     | 654                     |
| Income taxes paid   | -617                    | -245                    |
| <b>Cash flow from operating activities</b>                              | <b>11,191</b>           | <b>4,526</b>            |
| Cash payments for investments in non-current assets                     | -1,686                  | -647                    |
| Cash paid for investments in new internal/external product developments | -2,264                  | -3,603                  |
| Cash paid for acquisition in 2019                                       | 0                       | -1,500                  |
| <b>Cash flow from investing activities</b>                              | <b>-3,950</b>           | <b>-5,750</b>           |
| Cash paid for dividends   | -361                    | -364                    |
| Repayment of lease liabilities  | -936                    | -1,032                  |
| Cash received from short-term bank line                                 | 186                     | 2,200                   |
| Cash repayment of bank loans  | -3,159                  | -1,557                  |
| Cash paid for purchase of own shares                                    | 0                       | -225                    |
| Interest from lease accounting  | -67                     | -94                     |
| Other interest paid   | -157                    | -149                    |
| Total interest paid   | -224                    | -243                    |
| <b>Cash flow from financing activities</b>                              | <b>-4,494</b>           | <b>-1,221</b>           |
| Net change in cash funds  | 2,747                   | -2,445                  |
| Effects of exchange rate changes on cash funds                          | 113                     | 83                      |
| Cash funds at beginning of period                                       | 10,166                  | 14,917                  |
| <b>Cash funds at end of period</b>                                      | <b>13,026</b>           | <b>12,555</b>           |

## Consolidated Statement of Assets, Equity and Liabilities

as of September 30, 2021 and December 31, 2020

| <b>Assets</b>                    |                |                |
|----------------------------------|----------------|----------------|
| EUR thousand                     | 9/30/2021      | 12/31/2020     |
| <b>Non-current assets</b>        |                |                |
| Goodwill                         | 17,904         | 17,500         |
| Other intangible assets          | 38,427         | 39,324         |
| Other financial assets           | 1,500          | 1,500          |
| Property, plant and equipment    | 5,167          | 5,506          |
| Deferred tax assets              | 308            | 516            |
| <b>Non-current assets, total</b> | <b>63,306</b>  | <b>64,346</b>  |
| <b>Current assets</b>            |                |                |
| Inventories                      | 13,360         | 13,671         |
| Trade receivables                | 10,278         | 14,321         |
| Current financial assets         | 67             | 839            |
| Contract assets                  | 783            | 442            |
| Current income tax assets        | 243            | 556            |
| Cash and cash equivalents        | 13,026         | 10,166         |
| Current assets                   | 1,426          | 850            |
| <b>Current assets, total</b>     | <b>39,183</b>  | <b>40,845</b>  |
| <b>Total assets</b>              | <b>102,489</b> | <b>105,191</b> |

**Equity and liabilities**

| EUR thousand                                      | 9/30/2021      | 12/31/2020     |
|---|----------------|----------------|
| <b>Equity</b>                                     |                |                |
| Subscribed capital                                | 9,105          | 9,105          |
| Capital reserves                                  | 31,111         | 31,111         |
| Treasury Shares                                   | -485           | -485           |
| Retained earnings                                 | 23,033         | 22,850         |
| Equity attributable to shareholders of Softing AG | 62,764         | 62,581         |
| Non-controlling interests                         | 522            | 429            |
| <b>Equity, total</b>                              | <b>63,286</b>  | <b>63,010</b>  |
| <b>Non-current liabilities</b>                    |                |                |
| Pensions  | 2,953          | 3,060          |
| Long-term borrowings                              | 10,156         | 12,256         |
| Other non-current financial liabilities           | 1,272          | 1,519          |
| Deferred tax liabilities                          | 3,357          | 4,336          |
| <b>Non-current liabilities, total</b>             | <b>17,738</b>  | <b>21,171</b>  |
| <b>Current liabilities</b>                        |                |                |
| Trade payables                                    | 5,375          | 5,999          |
| Contract liabilities                              | 3,959          | 2,717          |
| Provisions  | 113            | 103            |
| Income tax liabilities                            | 451            | 305            |
| Short-term borrowings                             | 3,804          | 4,678          |
| Other current financial liabilities               | 6,715          | 6,120          |
| Current non-financial liabilities                 | 1,048          | 1,088          |
| <b>Current liabilities, total</b>                 | <b>21,465</b>  | <b>21,010</b>  |
| <b>Total equity and liabilities</b>               | <b>102,489</b> | <b>105,191</b> |

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