

# reporting



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

Softing continued to record impressive growth in the third quarter. In the first nine months of the year, we increased consolidated revenue by more than 24% year-on-year to EUR 87.2 million. This growth was mainly driven by our Industrial and Automotive segments.

Revenue in the Industrial segment rose by a striking 29.5% to EUR 66.2 million in the first nine months of the year (previous year: EUR 51.1 million). Operating EBIT, our key financial performance indicator, improved from EUR 2.8 million in the prior-year period to EUR 9.6 million, which corresponds to an operating EBIT margin of 14.5%. The successful clearance of our large backlog had a noticeable impact, with most of these orders processed during the current year. The order book is normalizing considerably, relieving tension in our relationships with key customers who had to endure long waits for their orders to be delivered. During the current month of November, Europe and the USA are hosting several key trade fairs for the Industrial segment. We will be unveiling new product innovations and are looking forward to meeting our customers in person and gaining an insight into the current state of the market.

Our traditional the Automotive segment generated revenue growth of almost 18% to reach EUR 16.0 million. In addition to our regular customers, this business was also supported by the significant expansion of our customer base. On the cost side, business was adversely impacted by preparation for a major multi-year project which is expected to generate considerable seven-digit product reve-

nues from 2024 onwards. In contrast to the mood of crisis among automotive manufacturers being communicated in the media, we are seeing a great deal of interest in our solutions. This highlights the advantageous positioning of Softing Automotive, which supports the automotive industry with the development, manufacturing and servicing of digital communication solutions for vehicles, regardless of their powertrain. As a result, we see robust growth opportunities for the Automotive segment over the coming years.

Over the past nine months, telematics specialist GlobalmatiX has recorded only sluggish growth in activating new telematics solutions. While proof-of-concept phases have been extended with new high-potential customers, they have not yet resulted in volume business to the extent originally planned. The resulting losses adversely affected earnings in the Automotive segment, with operating EBIT at EUR -0.9 million despite a year-on-year improvement of EUR 0.9 million.

In the IT Networks segment, we were unable to supply two key revenue products due to the unexpected collapse of a contract manufacturer. Following immediate initiation of relocating manufacture for both products, we managed to reestablish production for one product from mid-year on. The second product is scheduled to restart shipping in December. As a result, IT Networks has missed out on a seven-digit revenue figure during the year with additional costs for relocating production. Fortunately, customer interest in these devices remains high despite the dramatic de-

livery delays. This caused revenue to decline to EUR 5.2 million in the first nine months of the year, down from EUR 5.7 million in the prior-year period, with operating EBIT remaining at dissatisfactory EUR –1.7 million (previous year: EUR –1.6 million).

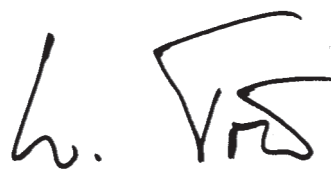
At Group level, the commented strong revenue performance in both the Industrial and Automotive segments helped to generate operating EBIT of EUR 5.8 million, up from EUR 2.1 million in the same period last year. Consequently, consolidated profit rose to EUR 2.8 million (previous year: EUR –1.6 million), with earnings per share improving to EUR 0.31 after EUR –0.17 in the previous year.

Cashflow from operating activities rose sharply to EUR 10.3 million after EUR 2.4 million in the prior-year period. Incoming orders normalized to EUR

67.9 million after customers placed orders with a combined value of EUR 128.3 million in the prior-year period trying to shorten long delivery times by ordering products earlier than needed. The order book also fell to a normal level of EUR 52.7 million. This includes around EUR 14 million withdrawn from long-term orders and returned to the usual order cycle by key customers as a result of normalized delivery times.

We are proud of the improvements we have made during the current year. We have our sights firmly set on leading every company in the Group back into the black. Despite the subdued economic outlook, the revenue and earnings growth we have already achieved plus a high level of interest from our customers puts us in a good position to face the upcoming quarters.

Sincerely yours,

A handwritten signature in black ink, appearing to be 'W. Trier', written in a cursive style.

Dr. Wolfgang Trier  
(Chief Executive Officer)

## Interim statement on the 3rd quarter/first 9 months of 2023

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

Softing performed very well in the first nine months of 2023, with revenue rising from EUR 70 million by 24.6% to EUR 87.2 million. This development was driven primarily by product deliveries from the Industrial segment's large delivery backlog, as Softing was able to manufacture products and deliver them to customers during the 2023 thanks to unexpectedly fast deliveries of previously unavailable electronic components. High-margin products in our order book were given priority in this context. Despite good progress made in the first nine months of 2023, supply bottlenecks for certain electronic components remain an issue. Such components continue to be available from manufacturers only in reduced quantities, later than requested or not at all. Sourcing them through brokers is also difficult and usually much more expensive.

Incoming orders, which were inflated especially last year by customers placing earlier orders, were back at a more normal level of EUR 67.9 million, down from EUR 128.3 million. The aforementioned figures do not take into account a single order on hand of around EUR 4.5 million that will affect the periods after 2023. A range of initiatives started in 2022, such as strengthening our purchasing departments, accepting higher purchase prices, supporting our contract manufacturers and sensibly redesigning some of our products, will enable us to reduce this high level of orders on hand of EUR 52.7 million. Our greatest challenge here is to ensure the availability of electronic components that are essential for production. Customers are accepting most of the justified price increases we pass on to them. Our current pricing policies also reflect the high level of inflation compared with previous years.

Due to the initiatives mentioned above, orders on hand at the end of the first three quarters of 2023 were EUR 52.7 million, EUR 38.5 million lower than at the same time last year. Low-margin mass products worth EUR 14.0 million were returned to the short-term order cycle by customers, thus eliminating them from medium- and long-term orders on hand.

Other operating income in 2022 included currency gains of EUR 2.8 million, which explains the decrease in other operating income from EUR 3.4 million to a more normal level of EUR 0.5 million. Due to the revenue situation and crisis, inventories grew by 17.4% from EUR 34.5 million in the previous year to EUR 40.5 million in 2023. Driven by inflation and the ensuing wage increases, but also as a result of hiring 30 new members of staff, personnel expenses rose from EUR 26.8 million in 2022 to EUR 29.7 million during the current year. Expanding our workforce enables us to create the personnel prerequisites for continued growth in the years to come.

Revenue in Softing's largest segment, Industrial, rose by around 29.5% from EUR 51.1 million to EUR 66.2 million in the first nine months of the year. EBIT rose from EUR 2.1 million to EUR 8.8 million, while operating EBIT improved from EUR 2.8 million to EUR 9.6 million. This increase is largely due to the fact that the procurement crisis has largely been overcome and order books have returned to more normal levels.

The traditional business in the Automotive segment continues to show trends of improved revenue and earnings figures, despite the sense of crisis prevailing in the automotive industry, with revenue rising by 17.6% from EUR 13.6 million to EUR 16.0 million. Business at the Globalmatix subsidiary was

sluggish in the first nine months of the year due to delays with new key customers and was unable to continue the sometimes highly positive trends witnessed in 2022. EBIT in the Automotive segment amounted to EUR 0.0 million after EUR –2.8 million in the previous year. EBIT was hampered by the sluggish performance of Globalmatix's business, which saw income unable to cover costs. This caused the Automotive segment's operating EBIT to remain negative at EUR –0.9 million despite an EUR 0.9 million improvement year-on-year.

In the IT Networks segment, the third quarter was still dominated by production issues concerning the two new product lines. Great efforts were made, which were reflected in an initial improvement of revenue during the quarter. Nevertheless, the necessary gross profit is missing from EBIT. Revenue decreased from EUR 5.7 million to EUR 5.2 million in the first nine months of 2023. EBIT fell slightly from EUR –1.4 million to EUR –1.5 million, while operating EBIT dropped from EUR –1.6 million to EUR –1.7 million. The situation is expected to ease, once the production problems have been finally resolved, as one of the two bottleneck products is now available.

The Group's EBITDA rose from EUR 6.3 million to EUR 11.8 million in the first nine months of 2023, with the EBITDA margin increasing from 9.0% in 2022 to 13.5% during that time.

Operating EBIT (EBIT adjusted for capitalized development services and amortization on these as well as effects from purchase price allocation), the Group's main performance indicator, more than doubled to EUR 5.8 million as of September 2023, up from EUR 2.1 million in the previous year. EBIT also surged from EUR –1.5 million to EUR 5.5 million.

This resulted in higher consolidated profit of EUR 2.8 million after EUR –1.6 million in the third quarter of 2022. Accordingly, earnings per share were EUR 0.31 in the first nine months of 2023, compared with EUR –0.17 in the previous year.

The Group had cash of EUR 7.5 million as of September 30, 2023, compared with EUR 6.8 million as of December 31, 2022. This recovery is very clearly reflected in cash flow. Cash flow from operating activities after nine months totaled EUR 10.3 million after EUR 2.4 million in the prior-year period. Capital expenditure on property, plant, and equipment was made for replacement purposes and to strengthen network security in connection with the increased threat of cybercrime. Please refer to the Research and Development section for information on investments in products. Cash flow from financing activities in the amount of EUR –4.4 million was driven by the payment of the 2023 dividend of EUR 0.9 million and the scheduled net repayment of loans of EUR 2.1 million.

Overall, this translates into an equity ratio of 57.3% as of September 30, 2023 (56.0% as of December 31, 2022).

## RESEARCH AND PRODUCT DEVELOPMENT

In the first nine months of 2023, Softing capitalized internal and external expenses of EUR 4.6 million (after EUR 3.3 million in the previous year) for the development of new products and the enhancement of existing ones. Globalmatix AG also continued to invest in its future mobile communications infrastructure. New and improved products have been launched by all segments in 2023. Further development services for product maintenance were expensed.

## EMPLOYEES

As of September 30, 2023, the Softing Group had 426 employees (previous year: 391). No stock options were issued to employees in the reporting period.

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

The Company's risk structure as of the September 30, 2023 reporting date and looking ahead to the remaining three months of 2023 has improved somewhat, particularly with regard to the procurement crisis. The cloudy economy in Germany and Europe has not changed much compared to the description in the consolidated financial statements for the year ended December 31, 2022. According to estimates from many institutions (ECB, World Bank, ifo Institute, etc.) the high level of inflation, which is being further fueled by rising energy prices, is expected to ease only slightly in the final quarter of the year. In risk management terms, this means implementing measures aimed at improving profitability. In spite of the steps taken, the risks cannot be controlled completely. We do not anticipate a significant loss of revenue that is not directly realizable because most of our products cannot be easily replaced in our customers' value chains.

Geopolitical uncertainty caused by Russia's war of aggression and, most recently, terror and war in the Middle East remains a concern. Because Softing AG's customer base is essentially limited to Western countries, we do not fear any direct negative impacts on our business model. Even in the past,

direct business relations with Russia accounted for less than 2% of revenue. However, were the conflict to drag out further or even escalate, Germany and Europe could continue to experience major shortages of energy, leading to economic slowdowns, which would also affect Softing AG. We do not currently see a triggering event necessitating an unscheduled impairment test, but we, too, are monitoring the situation closely nonetheless.

The economic risks of the procurement crisis, such as revenue shifts and supply bottlenecks, have been managed using the following package of measures:

- Forecast scenarios based on different models for the economic development of the impact of the difficult procurement situation
- Stepping up the efforts of the purchasing departments and making flexible use of short-term opportunities while taking cost-benefit analysis into account
- Redesigning highly popular hardware products and making corresponding changes to software
- Supporting our producers by helping to finance stock levels of existing components
- Negotiating with customers on flexible pricing due to higher purchase prices
- Continuously exchanging information with relevant managers and providing mutual support between Group companies in procuring components

Despite the current economic and political environment, we anticipate a further improvement in the procurement situation for the remainder



of 2023. While the smoldering energy crisis may have a major effect on production, it is not currently possible to assess its impact. However, as a development and distribution company, Softing is directly dependent on sufficient electricity supplies. Prolonged electricity supply outages would bring its business activities to a standstill. This is why Softing is among those who find it completely incomprehensible that the remaining nuclear power plants, which were fully functional technically to provide a basic supply of electricity in Germany, were switched off.

The Group takes the issue of cyber security and the potential widening of hostilities in this area extremely seriously. The current recommendations of the authorities are being reviewed and implemented taking into account the situation at Softing. Softing is in the process of liaising with other companies to determine its own position. Softing has invested substantial sums in cyber security and provides its staff with regular training on the subject. As no company is immune from a cyber attack, it is essential to ensure that resilience and recoverability are built into IT systems and that all employees remain vigilant. As a result of its efforts, Softing successfully obtained IEC62443 certification in industrial cyber security for its German subsidiary, Softing Industrial Automation GmbH, in the first half of 2023.

Overall, we are currently still expecting results of operations to be stable in the final three months of the year. For information on other risks and opportunities, we refer to the Group Management Report in the 2022 Annual Report, page 10 et seq.

## **NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS:**

As of September 30, 2023, the Softing Group had cash and cash equivalents of EUR 7.5 million, current receivables of EUR 12.0 million and agreed but not yet drawn down credit lines of around EUR 6.3 million at its disposal. This means that the Group has up to EUR 25.8 million in near cash funds available at short notice to meet the challenges in these times of crisis.

In this reporting period, there were again no breaches of loan agreements and Softing fully complied with all of the covenants.

Softing continues to closely monitor its receivables management, and, with one exception, no deterioration in customer payment behavior has been observed so far. This is also due to the fact that most of Softing's customers are large international corporations with sufficient funds.

We are currently confirming the Group's revenue guidance for 2023 of EUR 110 million to EUR 115 million as published in the management report of the 2022 Annual Report (p. 30).

On the back of an excellent first nine months of the year, we now expect operating EBIT in full-year 2023 to amount to EUR 6.5 million. EBIT before any special items is now also anticipated to come in higher than planned at more than EUR 6.0 million. The aforementioned revenue and EBIT projections are based on an assessment of risks and opportunities that has not changed compared to the management report in the 2022 Annual Report.

Due to the Group's financial strength, high level of orders on hand, strict cost discipline at all levels, additional financing options not yet utilized, and global positioning, the Executive Board continues to see no danger of developments threatening the continued existence of the Group as going concern.

#### EVENTS AFTER THE REPORTING PERIOD

There were no events of special importance after the reporting date of September 30, 2023.

#### GENERAL ACCOUNTING POLICIES

The consolidated financial statements of Softing AG as of December 31, 2022 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 con-

densed quarterly report as of September 30, 2023, which were 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, 2022. In general, the same accounting policies were applied in the quarterly financial statements as of September 30, 2023 as in the consolidated financial statements for the 2022 financial year. This interim report as of September 30, 2023 was prepared without an auditor's review.

#### CHANGES IN THE BASIS OF CONSOLIDATION

As of September 30, 2023, no changes occurred in the basis of consolidation compared to December 31, 2022.

#### KEY FIGURES FOR THE 3RD QUARTER OF 2023

All figures in EUR million	Quarterly management statement 3/2023	Quarterly management statement 3/2022
Incoming orders	67.9	128.3
Orders on hand	52.7	91.2
Revenue	87.2	70.0
EBITDA (IFRS)	11.8	6.3
EBIT (IFRS)	5.5	-1.5
EBIT (operating)	5.8	2.1
Profit for the period (IFRS)	2.8	-1.6
Earnings per share in EUR (IFRS)	0.31	-0.17

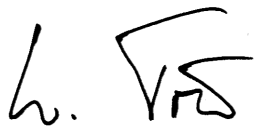


**RESPONSIBILITY STATEMENT**

The condensed Group interim financial statements for the first nine months of 2023 were released for publication on November 14, 2023 by resolution of the Executive Board.

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, November 14, 2023  
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, 2023

EUR thousand	1/1/ – 9/30/2023	1/1/ – 9/30/2022	7/1/ – 9/30/2023	7/1/ – 9/30/2022
<b>Revenue</b>	<b>87.180</b>	<b>69.960</b>	<b>29.070</b>	<b>24.367</b>
Other own work capitalized	4,022	2,395	1,966	645
Other operating income	487	3,437	162	404
<b>Operating income</b>	<b>91,688</b>	<b>75,792</b>	<b>31,197</b>	<b>25,416</b>
Cost of materials / cost of purchased services	–40,471	–34,530	–13,422	–12,456
Staff costs	–29,733	–26,845	–9,921	–8,822
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible assets	–6,208	–7,800	–2,080	–3,345
thereof depreciation/amortization due to purchase price allocation/impairment of goodwill	–1,250	–2,326	–416	–1,497
thereof depreciation due to accounting for right-of-use-assets	–1,039	–982	–361	–336
Other operating expenses	–9,730	–8,074	–3,300	–2,680
<b>Operating expenses</b>	<b>–86,142</b>	<b>–77,249</b>	<b>–28,722</b>	<b>–27,303</b>
<b>Profit / loss from operations (EBIT)</b>	<b>5,546</b>	<b>–1,457</b>	<b>2,475</b>	<b>–1,887</b>
Interest income	4	5	2	1
Interest expense	–254	–152	–84	–57
Interest expense from lease accounting	–102	–95	–38	–35
Other finance income/finance costs	–	100	–	–
<b>Earnings before income taxes</b>	<b>5,194</b>	<b>–1,599</b>	<b>2,355</b>	<b>–1,978</b>
Income taxes	–2,357	29	–1,217	208
<b>Consolidated profit</b>	<b>2,837</b>	<b>–1,570</b>	<b>1,138</b>	<b>–1,770</b>
Consolidated profit attributable to:				
Shareholders of Softing AG	2,725	–1,793	1,047	–1,696
Non-controlling interests	112	223	91	–74
<b>Consolidated profit</b>	<b>2,837</b>	<b>–1,570</b>	<b>1,138</b>	<b>–1,770</b>
Earnings per share (basic = diluted)	0.31	–0.17	0.13	–0.20
Average number of shares outstanding (basic)	9,015,381	9,015,381	9,015,381	9,015,381
<b>Consolidated profit</b>	<b>2,837</b>	<b>–1,570</b>	<b>1,138</b>	<b>–1,770</b>
<b>Items that will be reclassified to consolidated profit or loss:</b>				
<b>Currency translation differences</b>				
Changes in unrealized gains	55	1,178	654	1,797
Tax effect	0	555	0	0
<b>Total currency translation differences</b>	<b>55</b>	<b>1,733</b>	<b>654</b>	<b>1,797</b>
<b>Other comprehensive income</b>	<b>55</b>	<b>1,733</b>	<b>654</b>	<b>1,797</b>
<b>Total consolidated comprehensive income for the period</b>	<b>2,892</b>	<b>163</b>	<b>1,792</b>	<b>27</b>
<b>Total consolidated comprehensive income for the period attributable to:</b>				
Owners of the parent	2,780	–59	1,701	102
Minority interests	112	223	91	–74
<b>Total consolidated comprehensive income for the period</b>	<b>2,892</b>	<b>163</b>	<b>1,792</b>	<b>27</b>

## Consolidated Statement of Cash Flows

from January 1 to September 30, 2023

EUR thousand	1/1/2023 - 9/30/2023	1/1/2022 - 9/30/2022
<b>Cash flows from operating activities</b>		
<b>Profit (before tax)</b>	5,194	-1,599
Depreciation and amortization of fixed assets	6,208	7,800
Other non-cash transactions	-65	-1,658
<b>Cash flows for the period</b>	<b>11,337</b>	<b>4,543</b>
Interest income / Finance income	-4	-105
Interest expense / Finance costs	254	152
Change in other provisions and accrued liabilities	-97	-195
Change in inventories	-4,202	-5,272
Change in trade receivables	5,290	-1,563
Change in financial receivables and other assets	-562	962
Change in trade payables	-2,550	1,864
Change in financial and non-financial liabilities and other liabilities	2,089	2,256
Interest received	4	5
Income taxes received	9	158
Income taxes paid	-1,290	-372
<b>Cash flow from operating activities</b>	<b>10,277</b>	<b>2,433</b>
Cash paid for investments in new internal product developments	-3,975	-2,479
Cash paid for investments in new external product developments	-583	-831
Cash paid for investments in other intangible assets	-89	-53
Cash paid for investments in non-current assets	-630	-662
<b>Cash flow from investing activities</b>	<b>-5,277</b>	<b>-4,025</b>
Cash paid for dividends	-902	-902
Repayment of lease liabilities	-1,001	-915
Cash received from long-term loans	0	2,500
Cash received from short-term bank line	1,000	927
Cash repayment of bank loans	-3,100	-2,100
Interest from lease accounting	-102	-95
Other interest paid	-254	-152
Total interest paid	-356	-247
<b>Cash flow from financing activities</b>	<b>-4,358</b>	<b>-737</b>
Net change in cash funds	642	-2,329
Effects of exchange rate changes on cash funds	16	422
Cash funds at beginning of period	6,801	9,613
<b>Cash funds at end of period</b>	<b>7,459</b>	<b>7,706</b>

## Consolidated Statement of Assets, Equity and Liabilities

as of September 30, 2023 and December 31, 2022

### Assets

EUR thousand	9/30/2023	12/31/2022
<b>Non-current assets</b>		
Goodwill	17,451	17,398
Other intangible assets	38,524	38,166
Property, plant and equipment	7,947	7,620
Other financial assets	435	435
Deferred tax assets	1,192	753
<b>Non-current assets, total</b>	<b>65,549</b>	<b>64,372</b>
<b>Current assets</b>		
Inventories	23,186	18,984
Trade receivables	10,206	16,756
Current financial assets	320	318
Contract assets	1,785	524
Current income tax assets	315	324
Cash and cash equivalents	7,459	6,802
Current non-financial assets	2,497	2,368
<b>Current assets, total</b>	<b>45,769</b>	<b>46,076</b>
<b>Total assets</b>	<b>111,318</b>	<b>110,448</b>

## Equity and liabilities

EUR thousand	9/30/2023	12/31/2022
<b>Equity</b>		
Subscribed capital	9,105	9,105
Capital reserves	31,111	31,111
Treasury Shares	–485	–485
Retained earnings	23,143	21,264
Equity attributable to shareholders of Softing AG	62,874	60,995
Non-controlling interests	952	840
<b>Equity, total</b>	<b>63,826</b>	<b>61,835</b>
<b>Non-current liabilities</b>		
Pensions	1,014	1,121
Long-term borrowings	7,158	9,258
Other non-current financial liabilities	8,950	8,287
Deferred tax liabilities	4,801	4,537
<b>Non-current liabilities, total</b>	<b>21,924</b>	<b>23,203</b>
<b>Current liabilities</b>		
Trade payables	6,716	9,266
Contract liabilities	6,011	4,999
Provisions	62	52
Income tax liabilities	1,603	334
Short-term borrowings	5,478	5,477
Other current financial liabilities	4,960	4,157
Current non-financial liabilities	737	1,125
<b>Current liabilities, total</b>	<b>25,568</b>	<b>25,410</b>
<b>Total equity and liabilities</b>	<b>111,318</b>	<b>110,448</b>

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