Interim Statement on the 3rd Quarter and First 9 Months of 2017

Revenue first nine month at previous year's level

Orders on hand up 16 %

Revised guidance for 2017

optimize!
softing

Preface

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

In the third quarter of 2017, Softing's performance continued the trend seen in previous quarters. The Industrial segment delivered strong growth in revenue and earnings. The Automotive segment's revenue was again weaker year-over-year, and earnings were negative.

Revenue in the first nine months amounted to EUR 58.4 million (previous year: EUR 58.9 million). EBIT declined to EUR 0.6 million (previous year: EUR 2.5 million). Capital expenditure on property, plant, and equipment was incurred for customary replacements. As of September 30, 2017, cash and cash equivalents rose slightly to EUR 11.3 million (as of December 31, 2016: EUR 10.9 million). Orders on hand rose by 16% to EUR 12.8 million (previous year: EUR 11.0 million).

The Industrial segment showed very positive performance year-over-year. Revenue was 9% to EUR 45.8 million (previous year: EUR 42.1 million), while earnings rose to EUR 1.8 million (previous year: EUR 0.4 million). The main driver of this development was the classic business of selling products aimed at both the process industry and the manufacturing industry. As expected, business returned to its previous strength in both US subsidiaries, which therefore contributed substantially to the improvement in earnings. Activities in southern Europe also played a major part in this trend, whereas Germany / Austria / Switzerland lagged behind this development.

The Softing IT Networks companies included in the Industrial segment's figures boosted revenue by a double-digit percentage. The main push behind this increase was widespread expansion of the proprietary product business in North America and Europe. Since the entire proprietary product value chain is housed at Softing AG, this is also reflected in earnings. For the year as a whole, our business in North America is expected to see revenue doubled year-over-year. In 2017, operations in Europe expanded sales and marketing staff considerably. However, the increase in costs was not yet offset by the effects of revenue growth. We do not expect this dynamic to flip until the fourth quarter, traditionally the strongest quarter for revenue at IT Networks.

The Automotive segment is making progress but is still depressed by negative earnings, as expected. Revenue amounted to EUR 12.6 million (previous year: EUR 16.8 million) and EBIT came in at EUR-1.2 million (previous year: EUR +2.2 million).

We delivered a new family of interfaces and the related software to a key customer, reaching a milestone in the development of this product. Moreover, Softing's technology has proven its worth in the parameterization of premium-segment vehicles in the start-up of a new production line. The manufacturer plans to retool other assembly lines to leverage this technology. At one of our key accounts, the next generation of our Diagnostic Tool Set (DTS) with new remote ("over the air") functions was launched successfully.

Currently, Automotive is negotiating orders from manufacturers valued at several million euros – all new business. In addition, our forecast for 2018 projects around EUR 2 million in cost savings over 2017.

Unfortunately, we suffered a setback regarding our forecast for the year as a whole. A major client had expressed the intention to acquire the product rights for a proprietary product that Softing AG finished developing at the beginning of the year. After making an initial high five-digit payment in the second quarter of this year, the customer was expected to acquire the remaining rights and make a final payment of approximately EUR 2 million in Q4 2017. This payment was unexpectedly delayed to 2018. Projections indicate that we cannot offset the delay of such a large EBIT contribution in the fourth quarter of 2017, especially since exchange rate movements in the euro/US dollar pair put further pressure on our financials. For this reason, we immediately revised our guidance for 2017 as a whole (see our ad hoc announcement dated October 27, 2017).

Reducing our 2017 earnings guidance is a very painful step, particularly because all other major trends point in the right direction. In the course of the fourth quarter of 2017, we anticipate promising projects to generate a series of positive announcements. Unfortunately, these will not be reflected in our financials until the following year.

Dear Softing shareholders and friends: rest assured that the entire Softing team is putting forth every effort to make fourth quarter a successful one. We look forward to your continued support!

Sincerely Yours,

Dr. Wolfgang Trier
(Chief Executive Officer)

Interim Statement on the 3rd Quarter and First 9 Months of 2017

REPORT ON RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Global economic conditions in the markets most important to Softing are again giving positive signals despite an uneasy political environment.

The performance of the Industrial segment in the first nine months of the year was very good in the US and in Asia, while stable market performance in Europe also contributed to the segment's healthy result.

Results in the Automotive segment continued to be marked by a high level of development expenses. Delays in development have shifted the launch of new products into the fourth quarter of 2017 and early 2018.

The Softing Group recorded largely stable revenue of EUR 58.4 million in the first nine months of 2017 (previous year: EUR 58.9 million). The segments turned in a mixed performance. Whereas revenue in the Industrial segment increased by 9% in the first nine months of 2017 to EUR 45.8 million (previous year: EUR 42.1 million), revenue in the Automotive segment fell from EUR 16.8 million to EUR 12.6 million.

Other operating income in the reporting period fell to EUR 0.4 million (previous year: EUR 1.0 million) due to positive one-off effects of insurance payments (EUR 0.6 million) in connection with the fire at Softing Messen und Testen GmbH in the previous year.

The Group's EBITDA totaled EUR 3.8 million in the first nine months (previous year: EUR 6.1 million), resulting in an EBITDA margin of 6% (previous year: 10%).

EBIT in the Industrial segment rose from EUR 0.4 million to EUR 1.8 million, with operating EBIT increasing from EUR 2.0 million to EUR 2.7 million. In the Automotive segment, EBIT fell from EUR 2.2 million to EUR -1.2 million while operating EBIT declined from EUR 0.7 million to EUR-2.7 million.

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-0.1 million (previous year: EUR 2.7 million). As described above, the decline is due to the lower earnings contribution generated by the Automotive segment. Consolidated EBIT amounted to EUR 0.6 million (previous year: EUR 2.5 million).

The consolidated net profit for the year was EUR 0.3 million compared with EUR 1.6 million in the first nine months of the previous year.

Capital expenditure on property, plant, and equipment was incurred for customary replacements. As of September 30, 2017, cash and cash equivalents rose slightly to EUR 11.3 million (December 31, 2016: EUR 10.9 million).

In May, the dividend of EUR 1.4 million was distributed (previous year: EUR 1.0 million).

The equity ratio as of September 30, 2017 rose to 65% (December 31, 2016: 57%). Based on the authorization granted by the General Shareholders' Meeting on May 6, 2015, upon entry in the commercial register on June 12, 2017 the share capital of EUR 6,959,438 was increased by EUR 695,943 from the successful capital increase in return for cash contributions. This resulted in share capital of EUR 7,655,381 for Softing AG as of September 30, 2017. The cash inflow from the capital increase amounted to EUR 7.9 million.

RESEARCH AND PRODUCT DEVELOPMENT

In the first nine months of 2017, Softing capitalized a total of EUR 3.1 million (previous year: EUR 2.7 million) for the development of new products and the enhancement of existing ones. The increase is mainly due to the development of a new generation of communication interfaces (VCI) and related software components in the Automotive segment. Other significant amounts were expensed.

EMPLOYEES

As of September 30, 2017, the Softing Group had 408 employees (previous year: 430). No stock options were issued to employees in the reporting period.

OPPORTUNITIES FOR THE COMPANY'S FUTURE DEVELOPMENT

As of the reporting date of September 30, 2017, the Company's risk structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2016. Material changes are also not expected for the remaining three months of 2017. For more detailed information, we refer to our Group Management Report in the 2016 Annual Report, page 7 et seq.

OUTLOOK

Softing AG is adjusting its previously forecast EBIT for the 2017 financial year of slightly more than EUR 5 million to a figure of between EUR 2.0 and 2.5 million. Revenue is expected to come in at the previous year's level of EUR 80 million. At segment level, we anticipate the Industrial segment to see a strong increase and the Automotive segment to see a strong decrease in revenue, EBIT and operating EBIT for the year as a whole.

Revenue in the current financial year developed largely as expected during the first nine months. However, a subsidiary that works for a major international automation electronics manufacturer reported that revenue recognition of just under EUR 2 million for the use of a completed Softing product development expected for this year will be delayed beyond the end of the year. This revenue is now expected to be recognized in full or in part in 2018.

Furthermore, the considerable currency translation effects seen in the balance sheet as a result of the development of the euro-US dollar exchange rate will have a negative impact on earnings for the year. This impact could add up to EUR 1 million by the end of the year.

Despite its positive performance seen and expected in the fourth quarter, Softing AG does not expect to be able to compensate for the negative factors described above in 2017.

EVENTS AFTER THE REPORTING PERIOD

One significant event that occurred after the September 30, 2017 reporting date resulted in the adjustment of the guidance for the full 2017 financial year as explained in the Outlook above and has already been published in an ad hoc announcement dated October 27, 2017.

GENERAL ACCOUNTING POLICIES

The consolidated financial statements of Softing AG as of December 31, 2016 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 quarterly management statement as of September 30, 2017, 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, 2016. In general, the same accounting policies were applied in the quarterly management statement as of September 30, 2017 as in the consolidated financial statements for the 2016 financial year. This quarterly management statement was prepared without an auditor's review.

CHANGE IN THE BASIS OF CONSOLIDATION

As of September 30, 2017, the following change occurred in the basis of consolidation of Softing AG compared to December 31, 2016: Merger of Samtec automotive software electronics GmbH, Kirchentellinsfurt/Germany into Automotive Communications Kirchentellinsfurt GmbH, Kirchentellinsfurt/Germany.

KEY FIGURES FOR THE 3RD QUARTER/FIRST 9 MONTHS OF 2017

All figures in EUR million	9M/2017	9M/2016
Incoming orders (09/30)	58.6	59.4
Orders on hand (09/30)	12.8	11.0
Revenue	58.4	58.9
EBITDA	3.8	6.2
EBIT	0.6	2.5
EBIT (operating)	–0.1	2.7
Net profit for the period	0.3	1.6
Earnings per share in EUR (operating)	0.00	0.38

FINANCIAL CALENDAR

November 2, 2017	Interim management statement Q3/9M 2017	softing.com
November 27-29, 2017	Analyst and investor conference German Equity Forum of Deutsche Börse AG	Frankfurt/Main
March 2018	Consolidated financial statements/AR 2017 Analyst and investor conference	softing.com Frankfurt/Main
May 2018	Interim management statement Q1/3M 2018	softing.com
August 2018	Interim report Q2/6M 2018	softing.com
November 2018	Interim management statement Q3/9M 2018	softing.com

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

from January 1 to September 30, 2017

EUR thousand	3rd Quarter 7/1/2017 – 9/30/2017	3rd Quarter 7/1/2016 – 9/30/016	9 Months 1/1/2017 – 9/30/2017	9 Months 1/1/2016 – 9/30/2016
Revenue	**19,044**	**20,518**	**58,417**	**58,863**
Other own work capitalized	851	899	3,071	2,665
Other operating income	150	122	441	1,000
Operating income	**20,045**	**21,539**	**61,929**	**62,528**
Cost of materials / cost of purchased services	– 7,926	– 8,483	– 23,591	– 22,580
Staff costs	– 7,998	– 8,299	– 25,213	– 25,903
Depreciation, amortization and impairment losses	– 1,110	– 1,254	– 3,232	– 3,625
thereof depreciation / amortization due to purchase price allocation	– 293	– 309	– 931	– 928
Other operating expenses	– 3,432	– 2,493	– 9,307	– 7,891
Operating expenses	**– 20,466**	**– 20,529**	**– 61,343**	**– 59,999**
Profit / loss from operations (EBIT)	**– 421**	**1,010**	**586**	**2,529**
Interest income	0	1	0	1
Interest expense	– 34	– 36	– 112	– 114
Earnings before income taxes	**– 455**	**975**	**474**	**2,416**
Income taxes	149	– 207	– 150	– 784
Consolidated profit	**– 306**	**768**	**324**	**1,632**
Attributable to:				
Owners of the parent	– 291	763	332	1,620
Minority interests	– 16	5	– 8	12
Consolidated profit	**– 306**	**768**	**324**	**1,632**
Earnings per share (basic = diluted)	– 0.04	0.11	0.04	0.23
Average number of shares outstanding (basic)	7,655,381	6,959,438	7,316,332	6,959,438

Consolidated profit	**– 306**	**768**	**324**	**1,632**
Currency translation differences				
Changes in unrealized gains / losses	– 35	– 125	– 1,161	– 619
Tax effect	0	27	325	127
Currency translation differences in total	**– 35**	**– 98**	**– 836**	**– 492**
Consolidated profit	**– 35**	**– 98**	**– 836**	**– 492**
Total comprehensive income for the period	**– 341**	**670**	**– 512**	**1,140**
Total comprehensive income for the period attributable to:				
Owners of the parent	– 325	665	– 504	1,128
Minority interests	– 16	5	– 8	12
Total comprehensive income for the period	**– 341**	**670**	**– 512**	**1,140**
Earnings per share (basic = diluted)	– 0.05	0.10	– 0.07	0.16
Average number of shares outstanding (basic)	7,563,608	6,959,438	7,316,332	6,959,438

Consolidated Statement of of Assets, Equity and Liabilities

as of September 30, 2017 and December 31, 2016

Assets

EUR thousand	9/30/2017	12/31/2016
Non-current assets		
Goodwill	14,650	15,494
Intangible assets	26,964	28,262
	41,614	43,756
Property, plant and equipment	2,159	2,257
Deferred tax assets	2,283	2,864
Non-current assets, total	**46,056**	**48,877**
Current assets		
Inventories	9,384	9,214
Trade receivables	9,202	11,742
Receivables from customer-specific construction contracts	1,553	848
	10,756	12,590
Other current assets	537	712
Current income tax assets	2,319	626
Current financial assets	0	0
Cash and cash equivalents	11,262	10,869
Current assets, total	**34,259**	**34,011**
Total assets	**80,315**	**82,888**

Equity and liabilities

EUR thousand	9/30/2017	12/31/2016
Equity		
Subscribed capital	7,655	6,959
Capital reserves	19,295	12,270
Retained earnings	25,128	28,355
Equity (Group share)	**52,078**	**47,584**
Minority interests	– 25	– 17
Equity, total	**52,053**	**47,567**
Non-current liabilities		
Pensions and similar obligations	2,137	2,237
Long-term borrowings	5,171	6,596
Other non-current liabilities	50	57
Deferred taxes	4,775	4,859
Non-current liabilities, total	**12,133**	**13,749**
Current liabilities		
Trade payables	4,206	4,856
Payables from customer-specific construction contracts	518	1,027
Provisions and accrued liabilities	303	287
Income tax liabilities	919	2,166
Short-term borrowings	4,224	2,660
Current non-financial liabilities	1,984	2,965
Current financial liabilities	3,974	7,611
Current liabilities, total	**16,129**	**21,572**
Total equity and liabilities	**80,315**	**82,888**

Consolidated Statement of Cash Flows

from January 1 to September 30, 2017

EUR thousand	1/1/2017 – 9/30/2017	1/1/2016 – 9/30/2016
Cash flows from operating activities		
Profit (before tax)	474	2,415
Depreciation, amortization and impairment losses on fixed assets	3,232	3,625
Other non-cash transactions	579	218
Cash flows for the period	**4,285**	**6,258**
Interest expense	112	114
Change in other provisions and accrued liabilities	16	– 140
Change in inventories	– 170	– 291
Change in trade receivables	1,834	2,506
Changes in financial receivables and other assets	– 938	– 437
Change in trade payables	– 650	– 1,617
Changes in financial and non-financial liabilities and other liabilities	– 729	– 1,533
Income taxes paid	– 1,832	– 211
Cash flows from operating activities	**1,927**	**4,649**
Investments in fixed assets	– 550	– 812
Cash paid for investments in internally generated intangible assets	– 3,071	– 2,665
Cash paid for the acquisition of subsidiaries/variable purchase prices	– 4,209	– 914
Cash flows from investing activities	**– 7,830**	**– 4,391**
Cash paid for dividends	– 1,392	– 1,044
Cash received from short-term bank line	1,000	1,000
Repayment of bank loans	– 805	– 805
Cash received from capital increase	7,864	0
Interest paid	– 112	– 114
Cash flows from financing activities	**6,555**	**– 963**
Net change in funds	653	– 705
Effects of exchange rate changes on cash and cash equivalents	– 259	– 83
Cash and cash equivalents at the beginning of the period	10,869	9,186
Cash and cash equivalents at the end of the period	**11,262**	**8,398**

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