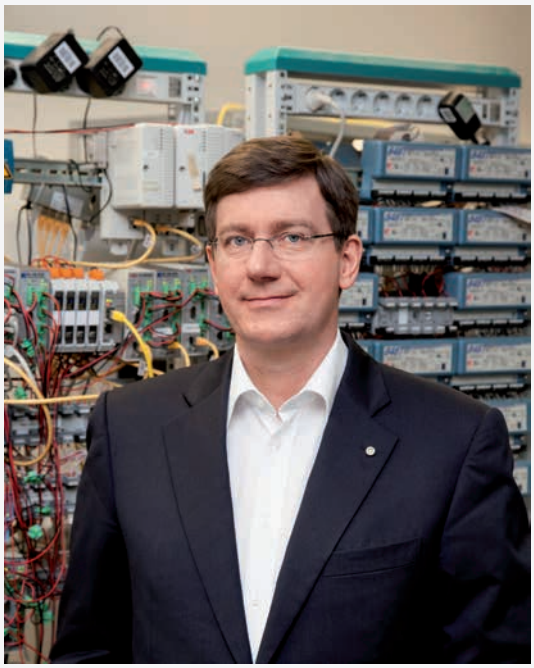
2/2015

Quarterly Financial Report

- Incoming orders grow 40 % to EUR 41.1 million
- Revenue up more than 8 % to EUR 36.5 million
- Strong start to second half-year

softing



Dear Shareholders, Employees, Partners and Friends of Softing AG,

Softing again continues its sustained track record of growth in 2015, boosting incoming orders and revenue to new highs in the first half of the year. Earnings and cash flows both reflect spending on integration and consolidation, which will be a focal point this year.

In the first six months, Softing's incoming orders were up 40 % to EUR 41.1 million, and revenue grew by more than 8 % to EUR 36.5 million. This generated an operating result of EUR 1.5 million and a net profit for the year of EUR 0.9 million. As of June 30, 2015, the Group's orders on hand amounted to around EUR 10.2 million (previous year: EUR 9.2 million). Revenue growth was driven mainly by the new companies acquired in the previous year, while the existing companies provided the primary momentum for the increase in orders on hand.

The table below compares the most important key figures for 2015 and 2014:

All figures in EUR million	Quarterly report II/2015	Quarterly report II/2014	Six-month report 2015	Six-month report 2014
Incoming orders	20.2	12.9	41.1	29.3
Revenue	19.2	17.5	36.5	33.6
EBIT	0.3	1.0	1.5	2.0
EBITDA	1.7	2.0	4.0	4.4
Net profit for the year	0.2	0.6	0.9	1.3
Earnings per share in EUR	0.03	0.09	0.14	0.21

Revenue in the Industrial Automation segment rose by a remarkable 48 % to EUR 26.6 million (previous year: EUR 18.0 million), driven mainly by the positive performance of Online Development and Psiber Data. EBITDA in the first six months stood at EUR 2.4 million (previous year: EUR 1.7 million) and is headed in the right direction despite still falling considerably short of our goal.

In the Automotive Electronics segment, revenue declined as expected in the first six months of 2015 to EUR 9.9 million (previous year: EUR 15.6 million), a decrease caused by the discontinuation of legacy products. These had seen unusually strong demand in the first half of 2014. Our successor products will not boost revenue noticeably until the fourth quarter of 2015, but then will spur substantial growth. In the first half of the year, EBITDA was only EUR 1.5 million (previous year: EUR 2.6 million).

EBIT in the first half-year was burdened by EUR 0.6 million (previous year: EUR 0.2 million) in depreciation and amortization in the context of purchase price allocation (PPA). In addition, a turn toward increasingly recognizing development expenses directly in costs will initially put a damper on EBIT in the current period. Own work capitalized therefore dropped to EUR 1.5 million (previous year: EUR 2.0 million). This currently reduces earnings, but in the coming years will help boost profits.

The integration of our new companies and consolidation of the liabilities acquired in the course of our acquisitions are the still the hallmarks of financial year 2015 as a whole. In operations, this is reflected in the establishment of new, Company-wide technology platforms that will significantly improve cost structures thanks to the elimination of maintenance expenses. The same is true for new management structures, uniform ERP systems and standardized processes. We are also working to aggressively pay down the debt assumed to finance the acquisitions, a move clearly evident in our cash flows. In the first half of the year, we repaid EUR 2.4 million of this debt (previous year: EUR 0.2 million). By the end of the year, we will have paid down the loans for the companies acquired from EUR 11 million to around EUR 9 million. At the same time, we will sharply decrease the capital tied up in warehousing and production. Both of these steps create room to maneuver for the future.

We are developing and rolling out new products according to plan. The Automotive Electronics segment will finish at least three new products this year for which sales have already secured through key accounts. In the Industrial Automation segment, we plan on at least seven products, some of which will be launched this year. At our subsidiary Psiber Data, for instance, which is slated to introduce two completely new products in 2015, this will contribute disproportionally to growth because covering a broader range of applications in this business is increasingly attracting highly profitable, major customers. Our new products are laying the groundwork across the Group for organic growth in the coming years. This is our clear priority in 2015 over optimizing our annual profits.

We confirm our guidance issued at the beginning of the year without reservation and expect revenue to grow to over EUR 75 million with EBITDA remaining at the previous year's level. The third and fourth quarters of 2015 will contribute disproportionately to revenue, and especially to net profit, again this year on account of the delivery dates for large orders. In the second half of the year, we believe the market situation will improve substantially, even across the business overall. As a result, earnings in July alone will far exceed those of the entire second quarter.

We hope that you, Softing's shareholders and friends, will remain associated with us going forward and will continue to profit from the Company's development. Hopefully, we have helped make your summer that much sunnier!

Sincerely,

Dr. Wolfgang Trier
(Chief Executive Officer)

Stock Price – Directors' Holdings – Financial Calendar

CLOSING PRICE, XETRA

DIRECTORS' HOLDINGS AS OF JUNE 30, 2015

Boards	Shares		Options	
	06/30/2015 Number	03/31/2015 Number	06/30/2015 Number	03/31/2015 Number
Supervisory Board				
Dr. Horst Schiessl (chairman), attorney at law, Munich	–	–	–	–
Dr. Klaus Fuchs (member), graduate computer scientist / graduate engineer, Helfant	278,820	278,820	–	–
Andreas Kratzer (member), certified public accountant, Zurich, Switzerland	10,155	10,155	–	–
Executive Board				
Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich	91,000	91,000	–	–
Ernst Homolka, Munich	1,300	–	–	–

FINANCIAL CALENDAR

August 14, 2015	Quarterly Report 2/2015
November 13, 2015	Quarterly Report 3/2015
November 23, 2015	German Equity Forum in Frankfurt/Main
March 30, 2016	Annual Report 2015
May 13, 2016	Quarterly Report 1/2016
August 12, 2016	Quarterly Report 2/2016
November 14, 2016	Quarterly Report 3/2016

Group Management Report for the Quarterly Financial Report as of June 30, 2015

Economic Environment

In their latest forecasts, leading German economic research institutes continue to expect the German to grow by 1.8 % in 2015 (projection in the previous quarter: 1.8 %).

In the first half-year, the Industrial Automation segment was unable as yet to benefit from this trend in Europe but performed well in the United States and Asia. The Automotive Electronics segment underperformed the very good prior-year quarters. For 2015 as a whole, Softing estimates that the European Group companies in Industrial Automation will see a modest increase in revenue, motivated by the behavior of individual customers rather than the economy. On account of the robust economic development in the United States (3 % growth in 2015), the Group companies there report good organic growth. Softing also expects Asia to maintain its good foundations for business.

Results of Operations

In the Automotive Electronics segment, revenue dropped by 47 % in the first six months of 2015 to EUR 9.9 million (previous year: EUR 15.6 million), while the Industrial Automation segment's revenue grew by 48 % to EUR 26.6 million (previous year: EUR 18.0 million). The decline in the Automotive segment stems from the fact that products that generated strong revenue in the first half of 2014 are at the end of their life cycle. Newly developed successor products will drive revenue starting in the fourth quarter of 2015. The very good performance by OLDI, which was acquired in 2014, boosted the Industrial Automation segment's revenue considerably in the half-year.

At EUR 36.5 million, the revenue of the Softing Group in the first six months of 2015 thus was up EUR 2.9 million year on year (previous year: EUR 33.6 million). EBIT in the reporting period came in at EUR 1.5 million (previous year: EUR 2.0 million). A portion of this decline is due to an increase in depreciation and amortization from purchase price allocation to EUR 0.6 million (previous year: EUR 0.2 million). EBITDA amounted to EUR 4.0 million (previous year: EUR 4.4 million), and the EBITDA margin was 11 % (previous year: 13 %).

Earnings in the Industrial Automation segment in the first six months of the year were bolstered by OLDI's positive results and amounted to EUR 0.5 million (previous year: EUR 0.2 million). The drop in revenue in the Automotive Electronics segment was balanced out only in part by cost savings. EBIT amounted to EUR 0.9 million in the first half-year (previous year: EUR 1.8 million). As of June 30, 2015, orders on hand in the Group totaled around EUR 10.2 million (previous year: EUR 9.2 million). At Softing, orders on hand mostly rise in the first half of the year because it is then that customers place blanket orders for the year in question.

Other operating income increased to EUR 1.6 million in the reporting period (previous year: EUR 0.3 million). This is due to insurance payments in connection with the fire at Softing Messen und Testen GmbH. Other operating income is balanced out by a similar level of operating expenses.

Net Assets and Financial Position

The equity ratio as of June 30, 2015 was 53 % (December 31, 2014: 48 %). The share capital of Softing AG as of June 30, 2015 was EUR 6,959,438 (previous year: EUR 6,442,512).

As of June 30, 2015, cash and cash equivalents amounted to EUR 4.5 million. This compares to cash and cash equivalents of EUR 8.8 million as of December 31, 2014. Investments in property, plant, and equipment were insignificant and comprised only replacements.

Research and Product Development

In the first six months of 2015, Softing capitalized a total of EUR 1.5 million (previous year: EUR 2.0 million) for the development of new products and the enhancement of existing ones. Other significant amounts were expensed.

Employees

As of March 31, 2015, the Softing Group had 422 employees (previous year: 438). During the reporting period, no stock options were issued to employees.

Opportunities for the Company's Future Development

As of the reporting date of June 30, 2015, the Company's risk structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2014. Material changes are also not expected for the remaining six months of 2015. For more detailed information, we refer to our Group Management Report in the 2014 Annual Report, page 9 et seq.

Outlook

Softing confirms the guidance issued in the outlook for financial year 2015 projecting a moderate increase in revenue and EBIT/EBITDA at the same level as last year. Due to the dates scheduled for product release and delivery, the third and fourth quarters will contribute disproportionately to revenue and earnings.

Events after the Reporting Period

There were no events of special importance after the balance sheet date June 30, 2015.

Consolidated Statement of Financial Position

as of June 30, 2015 and December 31, 2014

Assets	06/30/2015 EUR (in thsds)	12/31/2014 EUR (in thsds)
Non-current assets		
Goodwill	15,038	14,456
Intangible assets	27,310	26,510
	42,348	40,966
Property, plant and equipment	2,128	1,899
	44,476	**42,865**
Deferred tax assets	1,467	1,657
Non-current assets, total	**45,943**	**44,522**
Current assets		
Inventories	9,187	8,737
Trade receivables	10,251	14,086
Receivables from customer-specific construction contracts	1,466	164
	11,717	**14,249**
Other current assets	1,314	527
Current income tax assets	939	184
Cash and cash equivalents	4,463	8,750
Current assets, total	**27,620**	**32,447**
Total assets	**73,563**	**76,969**

Equity and liabilities	06/30/2015 EUR (in thsds)	12/31/2014 EUR (in thsds)
Equity		
Subscribed capital	6,959	6,959
Capital reserves	12,270	12,270
Treasury shares	0	-223
Retained earnings	19,803	18,014
Equity (Group share)	**39,032**	**37,020**
Minority interests	-42	-32
Equity, total	**38,990**	**36,988**
Non-current liabilities		
Pensions and similar obligations	2,059	2,161
Long-term borrowings	8,418	8,959
Other non-current liabilities	9,362	8,887
Deferred taxes	3,302	3,104
Non-current liabilities, total	**23,140**	**23,110**
Current liabilities		
Trade payables	3,525	4,007
Payables from customer-specific construction contracts	141	185
Provisions and accrued liabilities	635	262
Income tax liabilities	533	1,449
Short-term borrowings	1,677	1,825
Current non-financial liabilities	2,751	3,967
Current financial liabilities	2,171	5,176
Current liabilities, total	**11,433**	**16,871**
Total equity and liabilities	**73,563**	**76,969**

Consolidated Income Statement

for the period from January 1 to June 30, 2015

EUR thousand	Quarter II/2015 04/01/2015 – 06/30/2015	Quarter II/2014 04/01/2014 – 06/30/2014	Six-month report 01/01/2015 – 06/30/2015	Six-month report 01/01/2014 – 06/30/2014
Revenue	19,182	17,523	36,506	33,590
Other own work capitalized	764	1,051	1,478	2,030
Other operating income	1,381	166	1,558	279
Operating income	**21,327**	**18,740**	**39,542**	**35,899**
Cost of materials	-7,710	-6,178	-14,286	-11,948
Staff costs	-8,359	-8,076	-16,084	-15,173
Depreciation, amortization and impairment losses	-1,333	-982	-2,574	-2,346
thereof depreciation / amortization due to purchase price allocation	-312	-78	-619	-157
Other operating expenses	-3,591	-2,483	-5,123	-4,409
Operating expenses	**-20,993**	**-17,719**	**-38,067**	**-33,876**
Profit / loss from operations (EBIT)	**334**	**1,021**	**1,475**	**2,023**
Interest income	-	12	-	46
Interest expense	-60	-177	-121	-223
Earnings before income taxes	**274**	**856**	**1,354**	**1,846**
Income taxes	-90	-269	-430	-524
Consolidated profit	**184**	**587**	**924**	**1,322**
Attributable to:				
Owners of the parent	190	586	935	1,229
Minority interests	**-6**	**1**	**-11**	**93**
Consolidated profit	**184**	**587**	**924**	**1,322**
Earnings per share (basic = diluted)	0.03	0.09	0.14	0.21
Average number of shares outstanding (basic)	6,959,438	6,345,547	6,912,205	6,336,902

Consolidated Statement of Comprehensive Income

for the period from January 1 to June 30, 2015

EUR thousand	Quarter II/2015 04/01/2015 – 06/30/2015	Quarter II/2014 04/01/2014 – 06/30/2014	Six-month report 01/01/2015 – 06/30/2015	Six-month report 01/01/2014 – 06/30/2014
Consolidated profit	**184**	**587**	**924**	**1,322**
Items that will be reclassified to consolidated total comprehensive income:				
Currency translation differences	-979	5	1,740	15
Changes in unrealized gains / losses	-979	5	1,740	15
Other comprehensive income				
Consolidated total comprehensive income	-979	5	1,740	15
Total comprehensive income for the period	-795	592	2,664	1,337
Attributable to:				
Owners of the parent	-789	653	2,675	1,244
Minority interests	-6	92	-11	93
Total comprehensive income for the period	**-795**	**745**	**2,664**	**1,337**

Consolidated Statement of Cash Flows

for the period from January 1 to June 30, 2015

EUR thousand	Six-month report 01/01/2015 – 06/30/2015	Six-month report 01/01/2014 – 06/30/2014
Cash flows from operating activities		
Profit (before tax)	1,354	1,846
Depreciation, amortization and impairment losses on fixed assets	2,574	2,346
Other non-cash transactions	-16	56
Cash flows for the period	**3,912**	**4,248**
Interest income	0	-46
Interest expense	121	223
Change in other provisions and accrued liabilities	373	245
Change in inventories	-523	-3,208
Change in trade receivables	2,145	2,087
Changes in financial receivables and other assets	-852	2,468
Change in trade payables	-482	-691
Changes in financial and non-financial liabilities and other liabilities	-2,349	-185
Interest received	0	46
Income taxes paid	-1,610	-538
Cash flows from operating activities	**735**	**4,649**
Investments in fixed assets	-581	-1,038
Cash paid for investments in internally generated intangible assets	-1,478	-2,030
Repayment for investments in financial assets	0	833
Cash paid for the acquisition of subsidiaries / variable purchase prices	-1,347	-20,665
Cash flows from investing activities	**-3,406**	**-22,900**
Dividend payment	-1,740	-1,337
Cash received from bank loans	0	11,000
Repayment of bank loans	-835	0
Cash received from the sale of treasury shares	1,078	0
Interest paid	-121	-223
Cash flows from financing activities	**-1,618**	**9,440**
Net change in funds	-4,289	-8,811
Effects of exchange rate changes on cash and cash equivalents	102	0
Cash and cash equivalents at the beginning of the period	8,750	12,116
Cash and cash equivalents at the end of the period	**4,563**	**3,305**

Consolidated Statement of Changes in Equity

for the period from January 1 to June 30, 2015

EUR thousand	Subscribed capital	Capital reserves	Treasury shares	Retained earnings					Attributable to shareholders of Softing AG	Non-controlling interests	Total equity
				Net retained profits and other	Available-for-sale financial assets	Remeasure-ments	Currency translation	Total			
As of January 1, 2015	**6,959**	**12,270**	**-223**	**17,092**	**0**	**-1,277**	**2,198**	**18,014**	**37,020**	**-32**	**36,988**
Dividend distribution				-1,740				-1,740	-1,740		-1,740
Sale of treasury shares			223	855				855	1,078		1,078
Currency translation							1,739	1,739	1,739		1,739
Net profit for 2015				935				935	935	-10	924
As of June 30, 2015	**6,959**	**12,270**	**0**	**17,141**	**0**	**-1,277**	**3,937**	**19,803**	**39,032**	**-42**	**38,990**

EUR thousand	Subscribed capital	Capital reserves	Treasury shares	Retained earnings					Attributable to shareholders of Softing AG	Non-controlling interests	Total equity
				Net retained profits and other	Available-for-sale financial assets	Remeasure-ments	Currency translation	Total			
As of January 1, 2014	**6,443**	**4,396**	**-287**	**16,497**	**1**	**-759**	**-134**	**15,605**	**26,157**	**-26**	**26,131**
Measurement of financial instruments	65	812		0				0	877		877
Currency translation				-2,215				-2,215	-2,215		-2,215
Measurement of financial instruments					73			73	73		73
Currency translation							17	17	17		17
Minority interests								0	0	1,011	1,011
Net profit for 2014				1,229				1,229	1,229	93	1,322
As of June 30, 2014	**6,508**	**5,208**	**-287**	**15,511**	**74**	**-759**	**-117**	**14,709**	**26,138**	**1,078**	**27,216**

Consolidated Segment Reporting

for the period from January 1 to June 30, 2015

EUR thousand	Quarter II/2015 04/01/2015 - 06/30/2015	Quarter II/2014 04/01/2014 - 06/30/2014	Six-month report 01/01/2015 - 06/30/2015	Six-month report 01/01/2014 - 06/30/2014
Automotive Electronics				
Revenue	5,472	7,988	9,888	15,625
Segment result (EBIT)	790	1,077	938	1,834
Depreciation / amortization	297	291	575	729
Segment assets			13,366	12,256
Segment liabilities			4,856	6,965
Capital expenditure (not including long-term investments)	601	489	1,065	729
Industrial Automation				
Revenue	13,710	9,535	26,618	17,965
Segment result (EBIT)	-456	-56	537	189
Depreciation / amortization	961	629	1,855	1,497
Segment assets			55,892	49,135
Segment liabilities			15,062	14,876
Capital expenditure (not including long-term investments)	471	24,443	833	30,752
Not allocated				
Revenue				
Segment result (EBIT)				
Depreciation / amortization	75	62	144	120
Segment assets			4,305	3,341
Segment liabilities			14,654	15,675
Capital expenditure (not including long-term investments)	99	-37	242	-3
Total				
Revenue	19,182	17,523	36,506	33,590
Segment result (EBIT)	334	1,021	1,475	2,023
Depreciation / amortization	1,333	982	2,574	2,346
Segment assets			73,563	64,732
Segment liabilities			34,572	37,516
Capital expenditure (not including long-term investments)	1,171	24,895	2,140	31,478

Geographical Segments

	Revenue		Fixed assets		Additions to fixed assets	
EUR thousand	06/30/2015	06/30/2014	06/30/2015	06/30/2014	06/30/2015	06/30/2014
Germany	14,259	20,882	20,923	13,887	2,044	5,302
USA	12,812	2,917	23,391	19,780	18	19,744
Rest of the world	9,435	9,791	161	6,560	77	6,432
Total	**36,506**	**33,590**	**44,475**	**40,227**	**2,139**	**31,478**

Selected Explanatory Notes to the Interim Report of Softing AG as of June 30, 2015

1. General Accounting Policies

The consolidated financial statements of Softing AG as of December 31, 2014 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 condensed interim consolidated financial statements as of June 30, 2015, which were prepared on the basis of International Accounting Standard (IAS) 34 "Interim Financial Reporting", do 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, 2014. In general, the same accounting policies were applied in the interim financial statements as of June 30, 2015 as in the consolidated financial statements for the 2014 financial year.

2. Change in the Basis of Consolidation

As of June 30, 2015, the following change occurred in the basis of consolidation of Softing AG:

- Establishment of Softing SARL, Paris/France. In the future, Softing SARL will be coordinating the sale of Softing products in France.

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