Interim Statement
on the 1st Quarter of 2021

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softing

DEAR SHAREHOLDERS, EMPLOYEES, PARTNERS AND FRIENDS OF SOFTING,

At times where the news is full of medical terminology, and restrictions on our freedom of movement are the order of the day, I am particularly pleased to be able to report some entirely good news.

In the first quarter of the year, Softing's revenue rediscovered its previous strength and earnings rose sharply. Consolidated revenue returned to pre-pandemic levels at EUR 20.1 million (previous year: EUR 20.0 million). Operating EBIT reached a highly satisfactory EUR 1.2 million (previous year: EUR 0 million), equivalent to three-quarters of the operating EBIT for the whole of last year.

EBIT amounted to EUR 0.4 million (previous year: EUR –0.7 million), which resulted in operating earnings per share of EUR 0.08 (previous year: EUR –0.06). Although these figures are still low in absolute terms, they represent a major step forward from the previous year for our traditionally weak first quarter. But the good news does not stop there. Incoming orders increased by EUR 3 million to EUR 24 million, providing a solid foundation for further development this year.

Our highly encouraging performance in the first quarter means that Softing has more than EUR 30 million in near-cash funds available at short notice. In addition to providing protection in what remains an extremely volatile environment, this also opens up new opportunities for inorganic growth. At Softing, we are keeping our eyes open and considering what could represent a good strategic and operational fit for the existing business.

Within our company's three segments, Industrial continued to lead the way on revenue and profit. At EUR 14 million, our revenue in this segment was almost exactly equal to the previous year's figure, while earnings increased by around 40%.

While the Automotive segment ended the first quarter with revenue at a similar level to last year at around EUR 3.7 million, its earnings improved significantly. GlobalmatiX AG also succeeded in gaining new customers in the first quarter for field trials that are producing very promising results. The pipeline is well filled and will generate significant revenue during the current year.

The award for the biggest jump in revenue and profit goes to IT Networks, where revenue rose by around 50% to EUR 2.6 million (previous year: EUR 1.7 million). Despite the ongoing lack of trade fairs, the IT Networks team appeared in several webinars and videos described by our distribution partners as 'worthy of Hollywood'. At present, none of our competitors can ignore our products when it comes to visibility. The sharp increase in revenue in our smallest segment led to a year-on-year jump in earnings of around EUR 0.5 million.

Although our year is off to a good start, considerable uncertainty persists over future economic developments and the business environment, particularly in Germany and Europe. Instead of strengthening free market forces, politicians are increasingly governing by issuing anti-business regulations, often without regard for the facts and based on purely ideological motives. In Germany, a politician who has never held a single office is running for election as chancellor – in a country where you have to prove you have years of training just to replace a tap. After all, most people and companies do not want large handouts funded by tax revenue and debt. They simply want to work and offer their services without state restrictions. The idea that freedom and healthy competition without fixed wages and compulsory collective bargaining are not sufficient but certainly necessary prerequisites for prosperity simply seems to have been forgotten.

Yet amid all this frustration about the wider world, the last year has taught us to take things as they come and make the best of them. We can continue to draw strenght from this in 2021 and, despite the restrictions, will search for and find ways to support our customers with innovation and expertise, provide our employees with a safe and motivating environment and create value for our shareholders.

We hope that you stay healthy during this time and continue to accompany us on this journey.

Sincerely yours,

Dr. Wolfgang Trier
(Chief Executive Officer)

Interim statement on the 1st quarter of 2021

REPORT ON NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The measures introduced by the government to contain the COVID-19 pandemic have posed major challenges for citizens and companies, particularly in Europe, the USA and Asia, for the past year. Week after week, we had to decide again and again how we as a company would meet our obligations to our customers, employees and shareholders in this situation.

Risk management remains our top priority

In light of the latest critical developments in the COVID-19 pandemic, we can guarantee that we will continue doing all we can to ensure normal operations and our usual high quality standards in the coming weeks and months.

We have all been living with the COVID-19 crisis for more than a year now. During this time, our customers have been able to reach the Softing Group's companies via the usual contact details and during normal business hours without any restrictions. We are doing our part to contain the spread of the virus and taking great care to align ourselves with the decisions and recommendations made by the relevant federal and state authorities. As a responsible company, the health and safety of our employees is a matter very close to our hearts, which is why we have taken all necessary safety measures at all times. We are proud to report that, to the best of our knowledge, there have been no cases of infection among employees within or outside our company while carrying out their duties.

We began increasing our stock levels and those of our suppliers at an early stage, thus avoiding bottlenecks in delivering goods to our customers. However, the supply chain for our hardware production is still subject to considerable uncertainty. Softing is addressing this by placing early orders for electronic components. 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.

In the first quarter of 2021, despite various lockdowns and other restrictions, Softing managed to bring its revenues back to the level recorded prior to the spread of COVID-19 in the first quarter of 2020 after a significant decline during last year's crisis.

Revenue in the Industrial segment amounted to EUR 13.8 million in the first three months of the year, marginally below the figure of EUR 14.5 million recorded in the prior-year period.

The Automotive segment also recorded a clear recovery trend, with revenue in this area rising by 3.7% to return to the level of the same period last year. Although COVID-19 is still delaying the expansion of the GlobalmatiX AG products business, the business also gained new customers and successfully conducted field trials during the crisis.

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 quarter of 2021. Revenue rose by more than 50% to EUR 2.6 million, well above the figures recorded in the same period for the last five years.

The Softing Group recorded consolidated revenue of EUR 20.1 million in the first three months of 2021 (previous year: EUR 20.0 million).

Our incoming orders increased by almost 15%, from EUR 21 million in the prior-year quarter to EUR 24 million.

The Group's EBITDA rose from EUR 1.3 million in the first three months to EUR 2.3 million, resulting in an EBITDA margin of 11.5% (previous year: 6.5%).

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 1.2 million (previous year: EUR 0.0 million).

The Group's EBIT rose to EUR 0.4 million after EUR -0.7 million in the previous year.

The consolidated profit for the period after the first three months of 2021 came to EUR 0.7 million (previous year: EUR-0.5 million).

Capital expenditure on property, plant, and equipment was insignificant and comprised replacements. The Group's financial position remains healthy. Cash and cash equivalents amounted to EUR 12.6 million on 31 March 2021, while current trade receivables also totaled EUR 12.5 million. The Group also has access to credit lines of around EUR 7.7 million that have already been agreed 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 COVID-19 crisis, but also opens up opportunities for organic and non-organic growth.

RESEARCH AND PRODUCT DEVELOPMENT

In the first three months of 2021, Softing capitalized a total of EUR 0.6 million (previous year: EUR 0.7 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.

EMPLOYEES

As of March 31, 2021, the Softing Group had 392 employees (previous year: 404). 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 March 31, 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 nine months of 2021. For more detailed information, we refer to the Group Management Report in the 2020 Annual Report, page 10 et seq. New risks relating to the COVID-19 crisis are currently being reviewed on an almost daily basis and acted on at short notice as required. This affects the global business activities of the entire Group, in close cooperation with the Executive Board and the management of the individual units. The effects of the global chip crisis 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.

We anticipate both EBIT and operating EBIT to be in the range of EUR 2.0 million to EUR 3.0 million. However, the above revenue and EBIT planning is contingent on a global economic stabilization and recovery in the next nine months of 2021. The earliest update to the forecast can be published after the COVID-19 crisis has subsided in Europe, as the economic uncertainty associated with the pandemic will continue to make it impossible to issue specific statements before that.

EVENTS AFTER THE REPORTING PERIOD

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

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

KEY FIGURES FOR THE 1ST QUARTER OF 2021

All figures in EUR million	Quarterly management statement 1/2021	Quarterly management statement 1/2020
Incoming orders	24.0	21.0
Orders on hand	18.4	19.4
Revenue	20.1	20.0
EBITDA	2.3	1.3
EBIT	0.4	–0.7
EBIT (operating)	1.2	0.0
Net profit/loss for the period	0.7	–0.5
Earnings per share in EUR (operating)	0.08	–0.06

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

from January 1 to March 31, 2021

EUR thousand	1.1.2021 - 31.3.2021	1.1.2020 - 31.3.2020
Revenue	**20,089**	**20,035**
Other own work capitalized	563	687
Other operating income	694	249
Operating income	**21,346**	**20,971**
Cost of materials / cost of purchased services	–8,585	–9,204
Staff costs	–8,366	–8,278
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	–1,965	–1,978
thereof depreciation / amortization due to purchase price allocation	–395	–513
thereof depreciation due to accounting for right-of-use-assets	–312	–335
Other operating expenses	–2,078	–2,197
Operating expenses	**–20,994**	**–21,657**
Profit / loss from operations (EBIT)	**352**	**–686**
Interest expense	–49	–50
Interest expense from lease accounting	–24	–33
Other finance income/finance costs	623	359
Earnings before income taxes	**902**	**–410**
Income taxes	–163	–112
Consolidated profit	**739**	**–522**
Consolidated profit attributable to:		
Shareholders of Softing AG	646	–536
Non-controlling interests	93	14
Consolidated profit	**739**	**–522**
Earnings per share (basic = diluted)	0,08	–0,06
Average number of shares outstanding (basic)	9,015,381	9,105,381

Consolidated profit	**739**	**–522**
Items that will not be reclassified to consolidated profit or loss		
Currency translation differences		
Changes in unrealized gains / losses	477	392
Tax effect	–46	–101
Currency translation differences in total	**431**	**291**
Other comprehensive income	**431**	**291**
Total consolidated comprehensive income for the period	**1,170**	**–231**
Total consolidated comprehensive income for the period attributable to:		
Shareholders of Softing AG	1,076	–245
Non-controlling interests	94	14
Total comprehensive income for the period	**1,170**	**–231**

Consolidated Statement of Assets, Equity and Liabilities

as of March 31, 2021 and December 31, 2020

Assets		
EUR thousand	31.3.2021	31.12.2020
Non-current assets		
Goodwill	17,815	17,500
Other intangible assets	39,381	39,324
Other financial assets	1,500	1,500
Property, plant and equipment	5,285	5,506
Deferred tax assets	784	516
Non-current assets, total	**64,765**	**64,346**
Current assets		
Inventories	13,140	13,671
Trade receivables	12,474	14,321
Current financial assets	61	839
Contract assets	655	442
Current income tax assets	439	556
Cash and cash equivalents	12,597	10,166
Current assets	1,996	850
Current assets, total	**41,362**	**40,845**
Total assets	**106,127**	**105,191**

Equity and liabilities

EUR thousand	31.3.2021	31.12.2020
Equity		
Subscribed capital	9,105	9,105
Capital reserves	31,111	31,111
Treasury shares	–485	–485
Retained earnings	23,927	22,850
Equity attributable to shareholders of Softing AG	63,658	62,581
Non-controlling interests	528	429
Equity, total	**64,186**	**63,010**
Non-current liabilities		
Pensions	2,953	3,060
Long-term borrowings	12,256	12,256
Other non-current financial liabilities	1,363	1,519
Deferred tax liabilities	4,458	4,336
Non-current liabilities, total	**21,030**	**21,171**
Current liabilities		
Trade payables	5,409	5,999
Contract liabilities	2,834	2,717
Provisions	107	103
Income tax liabilities	406	305
Short-term borrowings	4,520	4,678
Other current financial liabilities	6,423	6,120
Current non-financial liabilities	1,212	1,088
Current liabilities, total	**20,911**	**21,010**
Total equity and liabilities	**106,127**	**105,191**

Consolidated Statement of Cash Flows

from January 1 to March 31, 2021

EUR thousand	1.1.2021 - 31.3.2021	1.1.2020 - 31.3.2020
Cash flows from operating activities		
Profit (before tax)	903	–410
Depreciation, amortization and impairment losses on fixed assets	1,965	1,978
Other non-cash transactions	–112	–593
Cash flows for the period	**2,756**	**975**
Interest income	–623	0
Interest expense	73	83
Change in other provisions and accrued liabilities	4	–1
Change in inventories	531	–305
Change in trade receivables	1,842	3,715
Change in financial receivables and other assets	–518	–72
Change in trade payables	–592	–1,891
Change in financial and non-financial liabilities and other liabilities	766	–3,096
Income taxes received	40	0
Income taxes paid	–160	–42
Cash flows from operating activities	**4,119**	**–634**
Cash paid for investments in internally generated intangible assets	–581	–438
Cash paid for investments in internally generated intangible assets	–683	–953
Changes in Right of Use assets (first application of IFRS 16)	0	0
Cash flows from investing activities	**–1,264**	**–1,391**
Repayment of lease liabilities	–304	–316
Cash repayment of bank loans	–159	–1,320
Cash repayment of bank loans	–24	–33
Other interest paid	–49	–50
Total interest paid	–73	–83
Cash flows from financing activities	**–536**	**–1,719**
Net change in funds	2,319	–3,744
Effects of exchange rate changes on cash and cash equivalents	112	48
Cash and cash equivalents at the beginning of the period	10,166	14,917
Cash and cash equivalents at the end of the period	**12,597**	**11,221**

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