Annual Report 2024

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Consolidated Key Figures

		2024	2023	2022	2021
Incoming orders	(EUR million)	70.0	63.7	155.8	104.8
Revenue	(EUR million)	95.1	112.6	98.3	84.7
EBIT (operating)	(EUR million)	2.9	5.6	3.3	3.0
EBITDA (IFRS)	(EUR million)	9.5	13.9	9.7	9.1
EBIT (IFRS)	(EUR million)	0.5	–2.7	0.8	–0.5
Consolidated profit/loss (IFRS)	(EUR million)	–1.6	–5.7	–1.2	–0.1
Earnings per share (IFRS)	(EUR)	–0.17	–0.63	–0.13	–0.01
Non-current assets	(EUR million)	56.8	56.6	64.4	62.5
Current assets	(EUR million)	58.0	46.5	46.1	40.8
Equity	(EUR million)	56.9	54.3	61.8	63.5
Equity ratio	(in %)	49.5	52.7	56.0	61.5
Cash and cash equivalents	(EUR million)	9.3	4.9	6.8	9.6
Number of employees (annual average)		429	432	395	388

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

After a record 2023, the past year was characterized by significant consolidation across the sector, a trend experienced in both the previously high-growth industrial automation segment and by the automotive industry and IT equipment suppliers. Despite its robust international positioning, Softing was unable to escape a development that impacted all three regions in which the Company is doing business – Europe, the USA and Asia.

The Group's revenue declined by around 15% from EUR 112.6 million in the previous year to EUR 95.1 million in 2024. While 2023 revenue was driven by record order intake of EUR 156 million seen in 2022, the drastic decline in order intake in 2023 to EUR 64 million provided an early indication of the revenue consolidation that could be expected in 2024. Encouragingly, order intake rose by around 10% in 2024. Although this suggests that there is potential for revenue growth in 2025, the apparent risks of arbitrary tariffs imposed by the new US administration and the persistent threat to Europe posed by the unremitting brutality of Russia's war of aggression in Ukraine means we can only be cautiously optimistic about this prospect. EBIT totaled EUR 0.5 million, up from a figure of EUR –2.7 million in the previous year that was adversely impacted by write-downs.

Revenue in the Industrial segment declined by around 27% to EUR 61 million, down from EUR 83 million in the previous year. This is more or less in line with the roughly 30% downturn in organic growth experienced across the entire industrial automation sector. On closer inspection, this EUR 22 million drop in revenue reflects the prior-year's extraordinary growth in the US business, while the European business remained stable. There was no growth stimulus from China, which, contrary to state-manipulated statistics, remains embroiled in a huge economic crisis. Despite the sharp decline in revenue, operating EBIT in this segment came in at around EUR 4.3 million, down from EUR 9.8 million in the previous year, thanks to cost discipline and the segment's ability to adjust to the current situation.

Having already recorded revenue growth of around 18% in 2023, the Automotive segment lifted revenue by a further 15% to around EUR 26 million in 2024 (previous year: EUR 23 million), completely bucking the widely-reported slump in the automotive sector. In addition to a robust core business in Europe and

North America, the Company also reported its first revenue from a large multi-year order placed by a premium manufacturer to equip its global production facilities with programming devices. This order will continue to boost revenue during the current year. The expenses associated with this major project are still weighing on earnings, with operating EBIT only roughly breaking even after a loss of around EUR 0.9 million in the previous year. While installing a production-related system with unparalleled technical performance data and guaranteed round-the-clock availability constitutes a major challenge, it opens the door to a vast array of new business with other manufacturers. Our GlobalmatiX subsidiary also significantly improved its revenue and earnings, even though it has yet to break even.

The market for our IT Networks segment changed considerably during the year, as a marked reluctance to invest dominated the agenda for the first three quarters and caused year-on-year revenue to fall. The performance of the North America business was particularly disappointing, just as it was for our industrial automation business in the same region. Poor sales in the first three quarters of the year, combined with high expenses for the new IT Networks flagship, WireXpert MP, resulted in operating EBIT of EUR –2.9 million (previous year: EUR –2.6 million).

In Europe, the IT Networks segment invested heavily in expanding its sales channels, enabling it to reap significant benefits from an increased willingness to invest during the fourth quarter. Combined with a skillful pricing strategy, this created highly encouraging revenue growth momentum that continues today. This momentum also included the market launch of our new WireXpert MP product, which is currently the most powerful product in the premium cable certification segment. WireXpert MP has attracted significant interest and won “Best Product” awards at trade fairs since its launch. By launching this new product and building on its established certification systems, IT Networks can offer customized products in the lower, middle and upper price segments – an offering no competitor can match. While revenue was flat at a low level of EUR 6.9 million (previous year: EUR 7.3 million), we anticipate double-digit revenue growth in 2025.

Softing began reviewing its strategic and operational positioning and implementing a comprehensive optimization program in mid-2024, examining structures in every segment and taking steps to optimize costs. In particular, excessive inventory levels built up in the IT Networks and Industrial segments due to a shortage of components during the COVID-19 pandemic were gradually reduced. This released liquidity that Softing then used to finance its extensive procurement activities and drive growth in the Automotive segment. We created additional financial leeway by selling treasury shares and carrying out a cash capital increase. All of these measures taken together enabled us to end the year with cash and cash equivalents of EUR 9.3 million (previous year: EUR 4.9 million).

The macroeconomic outlook for 2025 remains challenging. The new US President’s decision to turn his back on Europe, his lack of respect for any values or institutions and his pursuit of personal interests that contradict those of his country will only encourage other autocrats, who are using this radical change of course to consolidate their own power. This political upheaval is inevitably creating economic disruption that companies will have to deal with. Germany recently voted out a failed coalition government led by social democrats who, instead of investing long-term in their country, spent excessively huge amounts on social benefits while removing any incentives to perform. Expecting a new coalition containing an SPD that has just suffered such a historic defeat in the polls to deliver the kind of stimulus Germany so urgently needs requires almost superhuman levels of optimism.

Yet, as ever, this crisis also presents an opportunity to do just that. At Softing, we regularly conduct reviews to determine which businesses we should expand, either organically or through acquisitions, and which businesses we should divest as they are no longer considered strategically significant. This process will occupy our attention this year and in the years ahead so that we can create a more focused and significantly more profitable Group.

When it comes to our segments, we expect the factory and process automation market to stabilize. While our program of investment in Europe should provide an initial boost in 2025, we have to anticipate a further decline or, at best, a stagnation in the North American industrial sector during the current year as a result of the Trump administration's erratic approach to policymaking. In the Automotive segment, our major projects are carrying us through the acute crisis unfolding in this sector. At the same time, developing products for customers beyond the major manufacturers offers significant growth potential, particularly when it comes to high-margin software solutions. The Automotive segment will continue to buck the wider industry trend with further growth. In IT Networks, strong demand from the fourth quarter of 2024 continues unabated, and we expect our new products to generate additional growth in this segment.

During the year just ended, we gained new anchor shareholders to give the Company additional stability. After several years of declining performance, Softing's shares made encouraging gains in the first quarter of 2025, with the share price moving towards EUR 4. We believe this is due not only to the boost we have received from our anchor shareholders but also to renewed interest from the market.

As I have already mentioned, 2025 will also be shaped by the exceptionally high degree of uncertainty surrounding any forecasts. At Group level, and assuming the economy develops without any significant disruption, we anticipate revenue of EUR 90 million to EUR 95 million for the current year. We expect the Softing Group to generate operating EBIT of between EUR 3 million and EUR 4 million, with an improved positive EBIT in the range of EUR 0.5 million to EUR 1.5 million. Given the positive push generated by our program of investments in Germany and the European Union, the good delivery capability of our products means there is scope for further improvements.

We hope you will accompany us as we implement our goals.

Sincerely yours,

Dr. Wolfgang Trier
(Chief Executive Officer)

Softing Shares

KEY DATA OF SOFTING SHARES

ISIN/WKN	DE0005178008/517800
Super sector	Information Technology (IT)
Sector	Software
Subsector	IT Services
Ticker symbol	SYT
Bloomberg/Reuters	SYT GR/SYTG
Trading segment	Prime Standard, Official trading, EU-regulated market
Stock exchanges	XETRA, Frankfurt, Stuttgart, Munich, Hamburg, Düsseldorf, Berlin, Bremen, Tradegate
Initial listing (IPO)	May 16, 2000
Indices	Prime All Share Performance Index
Share class	No-par bearer ordinary share with a notional value of EUR 1.00 per share
Share capital	EUR 9,925,881
Authorized Capital	EUR 3,732,190 until May 5, 2027
Contingent Capital	EUR 4,552,690 until May 5, 2027
Designated sponsors	ICF Bank AG Wertpapierhandelsbank
Research coverage	M.M. Warburg & CO (AG & CO.) KGaA Warburg Research

EQUITY MARKETS IN 2024

Chasing records despite the fears of a recession – this is how one could sum up the stock market performance in 2024. Neglecting the fact that the German economy is in crisis, the DAX managed to break the 20,000 point barrier last year and closed the year up 18%. This trend was fueled in particular by the strong performance of companies in the renewable energy, software and defense sectors, which benefited from global megatrends. Overall, 24 of the 40 German blue chips delivered a positive performance last year. Bringing up the rear by a large distance was agricultural chemicals and pharmaceutical company Bayer, which saw its share price drop by around 44%.

SOFTING SHARES

Softing shares started the year at a price of EUR 5.30 before rising to its annual high of EUR 5.80 by mid-January. Softing's share price then hovered around EUR 5.60 until April 10. The impact of global crises and, in particular, the economic situation in Germany left their mark on the business performance of Softing AG in 2024, which was eventually reflected in the share price as well. From mid-April, the price of Softing shares only knew one direction, dropping to EUR 3.66 by early December. After the cash capital increase implemented on December 5, the share price fell sharply again, reaching its annual low of EUR 2.96 on December 11. Since then, Softing shares have recovered in small steps and are currently trading at EUR 4.06 (March 19, 2025).

The shares were trading at EUR 3.06 at year-end on December 30. At the December 31, 2024 reporting date, the market capitalization of Softing AG was EUR 30.4 million, compared with the previous year's figure of EUR 49.2 million. The share capital of Softing AG is EUR 9,925,881 (previous year: EUR 9,105,381), divided into the same number of no-par-value shares.

During the reporting period, the average daily trading volume of Softing shares was 4,564 shares (Xetra, floor trading and other), down 14.7% on the prior-year figure of 5,352 shares. Softing supports the liquidity of its shares by using two designated sponsors, ICF Bank AG Wertpapierhandelsbank and M.M. Warburg & CO (AG & CO.) KGaA.

EARNINGS PER SHARE

Earnings per share (EPS) were EUR –0.17 in 2024, compared with EUR –0.63 in the previous year. Softing AG calculates earnings per share in accordance with IAS 33 on the basis of the average number of shares outstanding.

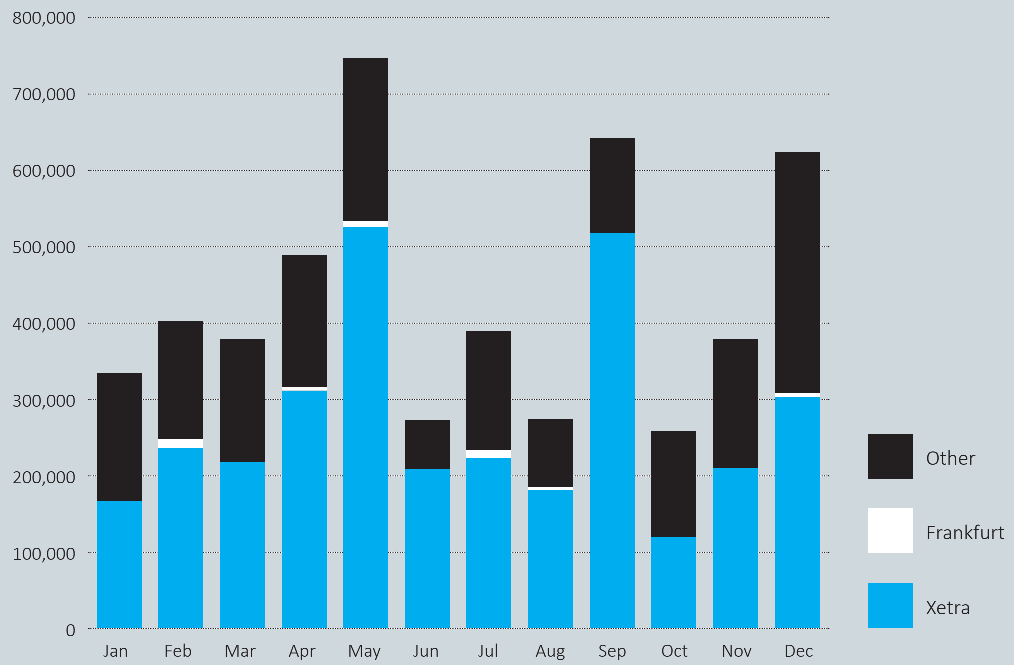
GENERAL SHAREHOLDERS' MEETING RESOLVES TO DISTRIBUTE A DIVIDEND

On May 8, 2024, the General Shareholders' Meeting of Softing AG resolved to distribute a dividend of EUR 0.13 per share based on the earnings generated in the 2023 financial year.

SHAREHOLDER STRUCTURE

As far as the Company is aware, Helm Trust Company Limited, St. Helier, Jersey, UK, remains the single largest investor in Softing's 9,925,881 shares with 2,043,302 shares (20.6%). Further major shareholders are Mr. Rudolf Noser with 1,780,042 shares (17.9%) and Mr. Alois Widmann, Vaduz, Principality of Liechtenstein, with 1,450,000 shares (14.98%), followed by a number of institutional investors and several private anchor investors. The remaining shares are in free float.

TRADING VOLUMES OF SOFTING SHARES IN 2024 IN EUR



ANALYST RECOMMENDATIONS

Warburg Research has analyzed the Softing share regularly for years in research reports and has published five studies and updates on the share in 2024. The most recent update of December 16, 2024 continues to recommend buying the shares and states a price target of EUR 6.50.

Information about analysts' reports on Softing shares is available at www.softing.com under Investor, News & Publications, Research. The Press & Interviews section contains information about the growth prospects of the Softing Group published in a variety of financial newspapers and magazines such as 4investors, Börsengeflüster, Börse Online, Plusvisionen, Börsenradio and others.

CAPITAL MARKET COMMUNICATIONS

Investor relations are a key concern of the Group. To continuously ensure the necessary attention and attractiveness on the capital markets, Softing in 2024 participated in investor conferences, such as the German Equity Forum held in Frankfurt am Main in November and the Munich Capital Market Conference (MKK). In the current year 2025, Softing will again take part in selected analyst conferences to provide ongoing support to investors.

The activities in financial communications were complemented by numerous meetings with institutional and private investors as well as representatives of the press. On the Company's website, investors can find relevant information on the Softing shares (Investor section) and about the Company.

SOFTING SHARE PRICE FROM JANUARY 2, 2024 TO DECEMBER 31, 2024 IN EUR (XETRA)

Combined Management Report of Softing AG and the Softing Group for the 2024 Financial Year

BUSINESS MODEL

The Softing Group's Business Model

The Softing Group is an established international software and systems house in three segments: Industrial, Automotive and IT Networks. The Company develops and markets complex, high-quality software, hardware and complete system solutions. Hardware prototypes are developed by Softing itself; production takes place externally.

Softing's Executive Board is of the opinion that through its Industrial segment the Company is a leading provider worldwide of industrial communications solutions and products for the manufacturing and process industry. The products are tailored to the requirements of system and device manufacturers, machinery and plant engineers as well as end users, and they are known for being extremely user-friendly and offering functional advantages. It focuses on components and tools for fieldbus systems and industrial control systems, as well as on solutions for production automation.

Diagnostics, measurement and testing, the core topics covered by Softing's Automotive segment, represent key technologies in automotive electronics as well as such closely related areas in electronics as the commercial vehicle or agricultural machinery industry. The segment's range of products and services encompasses hardware and software, customized solutions as well as on-site consulting and engineering. Softing specializes in the entire life cycle of electronic control units and systems – from development to production all the way to services. Development work in Automotive is focused on standardization. Softing is an active member in the major standards bodies for automotive electronics such as ASAM and ISO. With the acquisition of GlobalmatiX AG, remote data transmission has taken on a new dimension for the Group in recent years and was brought to market maturity in 2019.

The IT Networks segment is dedicated to testing, qualifying and certifying cabling in IT systems based on worldwide technological standards. Customers use IT Networks' measuring devices for copper, fiber optic and WiFi networks to optimize their daily work processes and create security in data exchange.

Consulting, analyses, studies and training round out the range of services offered by all three operating segments. Softing primarily offers its services and products to the European and North American markets. But the Asian markets such as India, Japan and Korea are becoming more and more important.

Presentation of the Segments

Segmentation of the Softing Group is based on its internal reporting and organizational structure, taking into account the different risks and income structures of each individual division. Segmentation by divisions entails allocating Softing's activities to the Automotive, Industrial and IT Networks segments. Please see the section on segment reporting in the notes to the consolidated financial statements for further details as well as quantitative disclosures on the Softing Group's segments.

The Group's Business Model

Industrial Segment

Softing Industrial Automation GmbH

Softing Industrial Automation GmbH, domiciled in Haar near Munich, in the opinion of the Executive Board is a leading provider worldwide of industrial communications solutions and products for the manufacturing and the process industry. The products are tailored to the requirements of system and device manufacturers, machinery and plant engineers or end users, and they are known for being user-friendly and offering functional advantages. Shaped by well over 30 years of expertise and experience in software and embedded engineering, Softing Industrial Automation and its employees today benefit from a strong Softing brand that is renowned for the excellence of its industrial communications solutions.

The ongoing trend towards all-pervasive digitalization marked by a strong focus on IoT and IIoT ("Industrial Internet of Things") not only strengthens Softing's market position but drives solid demand for the Company's products and services that target applications both at existing manufacturing sites and new production facilities.

Softing Italia s.r.l.

Softing Italia is a subsidiary of Softing Industrial Automation GmbH and supports customers in the manufacturing and process industries locally in Italy and the Southern Balkans.

Online Development Inc. (OLDI) and Softing Inc.

Online Development Inc. and Softing Inc. (both domiciled in Knoxville, TN) are organizationally subsidiaries of Softing North America Holding Inc domiciled in Delaware. A leading Original Design Manufacturer (ODM) for almost 30 years in the opinion of the Executive Board, OLDI offers a portfolio of hardware and software products that supports a large number of industrial market segments. Major brand manufacturers use OLDI's wealth of expertise in industrial data processing and communication to enhance the market launch of both innovative and proven technologies. Softing Inc. is a sales company serving the North American market with products for industrial automation and IT infrastructure diagnostics. Softing Inc. thus manages the majority of Softing's product business in North America.

Buxbaum Automation GmbH

The sales office Buxbaum Automation GmbH, Eisenstadt, serves customers in the manufacturing and process industries locally in Austria and some neighboring countries.

IT Networks Segment

Softing IT Networks GmbH and
Softing Singapore Pte. Ltd.

Softing IT Networks GmbH, domiciled in Haar, near Munich, Germany, provides IT network diagnostic equipment, which is used in office installations, industrial automation and data centers. Softing Singapore, domiciled in Singapore, supplies test and measuring devices for copper, glass fiber and WiFi data networks. This includes both the development and manufacture of ultra-high performance products in this field and accessories to support sales activities. Apart from managing sales and distribution in Asia, Softing Singapore provides technical support and calibration services for the products offered.

Automotive Segment

Softing Automotive Electronics GmbH and Softing Engineering & Solutions GmbH

Softing Automotive Electronics GmbH, domiciled in Haar near Munich, Germany, offers products and services for diagnostics and test automation. The comprehensive process-based approach of the Softing solutions enhances quality and reliability in control unit communications. In the opinion of the Executive Board, Softing holds a leading position in the market for diagnostic and test systems in the field of automotive electronics. Automobile manufacturers and system and control unit suppliers around the world rely on Softing's proven hardware and software tools and solutions.

Softing Engineering & Solutions GmbH domiciled in Kirchentellinsfurt organizationally is a subsidiary of Softing Automotive Electronics GmbH. Softing has successfully engaged in the field of automotive test solutions for more than 20 years and offers extensive expert knowledge on every aspect of automated testing of automotive electronics. The Company has already implemented functional tests and test designs for many control units used in motor vehicles. To offer the best possible support, Softing Engineering & Solutions GmbH provides high-quality services directly on customers' premises if required. Consulting and engineering services focused on the Company's core competence – diagnostics, measurement and testing – are rendered to customers. Its well-trained staff in some cases work directly on site. Establishing close links between all important participants is a hallmark of the approach of Softing Engineering & Solutions GmbH and plays a decisive role in the success of its projects. The products of Softing Messtechnik (SMT) also cover the field of mobile and stationary data logging systems.

GlobalmatiX AG, GlobalmatiX Inc. and GlobalmatiX GmbH

GlobalmatiX AG, domiciled in Liechtenstein and represented with sales companies in the USA and Germany, is a mobile virtual network operator (MVNO) offering mobile data communications for vehicles and machinery in Europe and North America where such technology is needed in the areas of (semi-)autonomous driving and other connected services for vehicles and machinery. Globalmatix supports its customers in managing their fleets more efficiently. As GlobalmatiX offers not only the necessary hardware, but also ongoing data analysis and data collection, GlobalmatiX generates recurring service revenue in addition to device revenue as its customer base grows.

Other Companies

Softing Services GmbH

Softing Services GmbH, domiciled in Haar near Munich, Germany, provides services for Softing AG's operating companies.

SoftingRom s.r.l.

The subsidiary SoftingROM s.r.l. (SoftingROM), which is domiciled in Cluj, Romania, is a subsidiary of Softing Services GmbH. SoftingROM forms an important pool of IT specialists for complex development tasks within the Softing Group and is a strategically important part of the Softing Group.

Softing S.A.R.L

Softing S.A.R.L., domiciled in Paris, France, provides the legal and organizational framework for the sales and marketing activities of the Softing Group in France.

Softing Electronic Science & Technology (Shanghai) Co., Ltd.
Softing Services GmbH and Beijing Windhill Technology Co., Ltd. operate a joint venture concerning the marketing of Softing Group products in the Chinese market.

Softing North America Holding Inc., Delaware/USA
Softing North America Holding Inc. is the central holding company for the North American subsidiaries.

Business Model of Softing AG

Softing AG acts as a management holding company for the Softing Group. It generates revenue from invoicing for management services, legal assistance and quality management services provided to the subsidiaries. Beyond this, the business model is limited to the management of the equity investments.

INTERNAL MANAGEMENT SYSTEM

The Softing Group uses key performance indicators (KPIs) to manage its business; these KPIs include consolidated revenue; earnings before interest and taxes (EBIT), operating EBIT (EBIT adjusted for capitalized development services and their amortization as well as the effects of purchase price allocation), which is derived from EBIT.

Non-financial Key Performance Indicators:
Employee expertise, qualifications, motivation and satisfaction are among the most important resources for the Softing Group's sustained success as a technology and development company. The Group therefore attaches particular importance to its employees and their training. The knowledge, skills, continuing development and dedication of its employees are essential ingredients in the Softing Group's past and future success. The Group therefore sees employee turnover as an important non-financial performance indicator and endeavors to keep it below 10% where possible.

Softing AG:
On account of its business model, internal management at Softing AG is based mainly on the profits or losses under profit transfer agreements and dividends of Group companies. By managing the subsidiaries as explained above, Softing AG also manages the profits or losses under profit transfer agreements in the parent company itself.

Research and Product Development

For years, the Softing Group has invested a large portion of the cash generated by its revenue in research and development. In total, the Softing Group invested EUR 20.1 million (previous year: EUR 18.8 million) in the development of new products and the enhancement of existing ones in connection with customer projects. This corresponds to an investment ratio (ratio of development costs to revenue) of 21.2% (previous year: 16.7%). The Softing Group capitalized 19.4% (previous year: 30.0%) of its development costs.

In the past financial year, amortization of EUR 4.6 million (previous year: EUR 4.2 million) and impairment losses of EUR 0.0 million (previous year: EUR 2.0 million) of capitalized development were recognized.

At year-end, 251 employees were engaged in research and development (previous year: 252). Softing AG itself is not engaged in any research and development activities. These take place exclusively at the operating segments. The focus areas in 2024 are shown below:

Industrial Segment

One important milestone for the Industrial segment in 2024 was the deployment of a new hardware platform, which the Company sees as a key driver of growth in the long term. Thanks to this new platform, containerized software products can now also be offered as gateways, which will work to accelerate the product launch cycle. This opportunity to offer software solutions in a more flexible and adaptable format will allow Softing Industrial to improve its competitiveness while remaining capable of addressing the growing demands of the market. In the medium term, the Company is pursuing the goal of both maintaining and expanding its position as the leading provider of machine and control connectivity in factory automation. Regardless of the customer's specific network architecture, Softing Industrial has the right solution for handling machine networking and controls.

IT Networks Segment

In the reporting year, IT Networks not only focused on product maintenance and improvements to the WireXpert product family but also expanded the CableMaster series by adding three new products – CableMaster FO, CableMaster VFL and CableMaster PoE. Fiber optic splice devices were added as an OEM product to round off the optical fiber product range. A development project for a new generation of certifiers entered beta, with the product launch scheduled for 2025.

Automotive Segment

Development work on the next-generation VCI (Vehicle Communication Interface) was the primary focus here in 2024. The Smart Vehicle Interface (SVI) is a high-performance platform for modern control unit communication that supports the very rapid transfer of high volumes of data. The pilot phases and market entry for SVI are both now complete. Next-generation TDX was also launched successfully on the market in 2024. Development continues in this segment, which comprises a highly scalable cloud technology that permits flexible integration with other customer backend systems.

Work in telematics continued to address the integration of various product segments in high-level customer solutions. Optimizations, including performance and stability enhancements, were made to the core cloud platform for delivery of the new Connected Car applications.

REPORT ON ECONOMIC POSITION

MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT IN 2024

According to the Kiel Institute for the World Economy (IfW), the German economy was unable to escape stagnation in 2024, with few signs of a significant economic recovery. In fact, there were increasing indications that the country's weak economic performance is primarily structural rather than cyclical in nature, which means that economic output is unlikely to rise significantly in the short term. The coming year threatens to bring other headwinds, too. If the new US government puts even some of its protectionist announcements into practice, exports will slow down even further. As it is, Germany's exports have no longer been able to keep pace with global trade due to the declining competitiveness of its companies. The IfW now expects gross domestic product (GDP) to stagnate during the coming year. *(Source: Kiel Institute for the World Economy (IfW), Kiel Institute Economic Report, No. 120, 2024|Q4)*

After a series of setbacks, the business climate in the German electrical and electronic manufacturing industry recovered slightly in November 2024, with both the current situation and general business expectations once again assessed more favorably than in the previous month. Despite this, the overall business climate score remains negative, with 19% of firms in this sector rating their current economic situation as good in November, while 40% said their situation was stable and 41% assessed it as poor.

Looking ahead to the next six months, 14% of electrical firms expected business to pick up, with 61% anticipating unchanging volumes and 25% envisaging a decline in activity. Export expectations rose again in November to move into positive territory, with the balance of companies expecting to make more or fewer deliveries abroad in the next three months increasing from –6 to +2 percentage points. *(Source: ZVEI Economic Barometer, December 2024 edition, www.zvei.org)*

COURSE OF BUSINESS

The impact of global crises and, in particular, the economic situation in Germany left their mark on business performance in 2024. Germany's persistently sluggish economy is affecting all of our business segments, while the instability caused by the change of government in the USA continues to create uncertainty among customers in international markets.

The Softing Group generated revenue of EUR 95.1 million in the 2024 financial year (previous year: EUR 112.6 million), a decline of 15.6%. This fall is attributable to lower revenue in the USA compared to the record year of 2023. The postponement of high-volume orders is also responsible for this deviation from the previous year's forecast. Incoming orders came to EUR 70.0 million after EUR 63.7 million in the previous year. Orders on hand amount to EUR 21.6 million as of December 31, 2024 (previous year: EUR 45.1 million).

EBITDA amounted to EUR 9.5 million in the year under review (previous year: EUR 13.9 million), and the EBITDA margin was 10.0% (previous year: 12.3%).

Operating EBIT (EBIT adjusted for capitalized development services) of EUR 3.9 million and amortization of EUR 4.6 million on these as well as effects from purchase price allocation in the amount of EUR 1.7 million) in 2024 totaled EUR 2.9 million (previous year: EUR 5.6 million), As already communicated in the ad hoc announcement at the beginning of December, the achievement of these targets depended on the realization of individual large-volume and very high-margin transactions, which have been postponed. The forecast adjusted at the beginning of December 2024 for operating EBIT was slightly exceeded.

EBIT in the 2024 previous year was EUR 0.5 million (previous year: EUR –2.7 million). In the 2023 financial year, EBIT was adversely impacted by impairment of indirectly acquired goodwill in the IT Networks segment and GlobalmatiX totaling

EUR 6.2 million and associated loss allowances for internally generated software amounting to EUR 2.0 million.

The financial result was EUR –1.4 million and primarily included interest expense on loans taken out (previous year: EUR –0.5 million). The financial result in the reporting year was adversely impacted by the EUR 0.5 million write-down of the fair value of an unlisted equity instrument (investment in YOMA Solutions GmbH).

The tax burden amounted to EUR 0.7 million after EUR 1.8 million in the previous year, with majority arising in the USA. The decrease is due to lower taxable profits.

Overall, this resulted in consolidated profit after interest and taxes of EUR –1.6 million (previous year: EUR –5.7 million).

Segment development was as follows:

Industrial Segment

Demand for industrial products developed at a calmer after a record 2023. Germany demonstrated a certain degree of resilience as revenue rose slightly despite the economic downturn, while demand in the USA fell back towards 2021 levels.

The Industrial segment generated revenue of EUR 60.8 million (previous year: EUR 82.4 million). EBITDA totaled EUR 6.7 million (previous year: EUR 12.5 million). EBIT amounted to EUR 3.0 million after EUR 8.8 million in the previous year. The segment's operating result fell to EUR 4.3 million after EUR 9.8 million in 2023.

Automotive Segment

New products and services allowed the segment to once again expand its customer base for diagnostic and testing solutions and increase the proportion of business done with software leasing models. We were also able to gain new test bench customers. Overall, the core areas of the Automotive segment continued to a positive contribution to EBIT. A noticeable lack of customer demand continued to weigh on the telematics business. EBIT rose from EUR –4.6 million to EUR 0.6 million in the financial year now ended.

The Automotive segment's revenue increased by 14.6% overall from EUR 22.8 million to EUR 26.0 million, producing EBITDA of EUR 4.2 million after EUR 1.8 million in the previous year, while operating EBIT improved from EUR –0.9 million to EUR 0.0 million in financial year 2024. The increase is due to a one-off license sale of EUR 0.9 million to a major shareholder and more software business.

IT Networks Segment

Driven mainly by the lack of availability of a successor product group for the WireXpert core product, revenue in the IT Networks segment fell slightly from EUR 7.3 million to EUR 6.9 million, resulting in EBITDA of EUR –2.5 million (previous year: EUR –1.3 million), and EBIT of EUR –3.8 million (previous year: EUR –7.4 million). Operating EBIT dropped from EUR –2.6 million to EUR –2.9 million.

Course of Business of Softing AG

In the financial year 2024, there was a net loss of EUR –0.7 million (previous year: EUR –4.2 million). The improvement in Softing AG's earnings was due in particular to a drop in personnel expenses, reduced other operating expenses and significantly lower expenses for loss absorption under profit and loss transfer agreements.

Results of Operations of the Softing Group

The Group's primary financial key performance indicators are revenue, operating EBIT and EBIT.

In the past financial year, consolidated revenue fell by EUR 17.5 million to EUR 95.1 million, a decrease of 15.6%. Own work capitalized (product developments) was EUR 3.9 million, down 32% on the previous year's level. The share of own work capitalized as a percentage of consolidated revenue rose marginally from 4.0% to 4.1% in the 2024 financial year.

Other operating income remained unchanged at EUR 1.7 million, including grants from participation in research programs of EUR 1.3 million.

The Group's expense items developed as follows:	2024 EUR million	2023 EUR million
Cost of materials	35.7	51.9
Employee benefits costs	41.4	40.1
Depreciation, amortization and impairment losses	9.0	16.9
Other operating expenses	14.1	14.1
Operating expenses	**100.2**	**122.7**

Driven by the trend in revenue and a change in the product mix, cost of materials decreased by EUR 16.2 million to EUR 35.7 million. All told, the cost of materials ratio (cost of materials relative to revenue) was 37.6% (previous year: 46.0%), and gross profit (revenue less cost of materials) decreased from EUR 60.8 million to EUR 59.3 million.

Staff costs increased only slightly by 3.2% to EUR 41.4 million. As of the reporting date, the Softing Group had 429 employees (previous year: 432).

Depreciation, amortization and impairment losses on intangible assets, and property, plant and equipment/right-of-use-assets decreased from EUR 16.6 million to EUR 9.0 million. This increase in 2023 was mainly due to the impairment loss on goodwill (EUR 6.2 million) and internally generated software (EUR 2.0 million) adding up to EUR 8.2 million.

Other operating expenses amounted to EUR 14.1 million, as in the previous year.

A key parameter for evaluating and managing results of operations is earnings before interest and taxes (EBIT) of EUR 0.5 million (previous year: EUR –2.7 million), which, although being well below the guidance of EUR 3.2–4.6 million issued in the previous year, was back in the black. Operating EBIT of EUR 2.9 million (previous year: EUR 5.6 million) was also significantly lower than the previous year's forecast of EUR 5.0–7.0 million.

This discrepancy was primarily caused by the rapidly deteriorating economic outlook in Europe and sharp year-on-year fall in revenue in the USA. A significant drop in the cost of materials ratio (from 46% to 37.6%) caused by the higher proportion of software and license sales in the product mix was not enough to offset the loss in volume due to lower demand in the USA. This meant fixed costs made up a smaller proportion of costs than planned, which in turn led to considerably lower EBIT than planned.

The interest result and other finance costs amounted to EUR –1.4 million (previous year: EUR –0.5 million). The increase is due to higher interest rates and working capital financing. The other finance income/finance costs of EUR 0.5 million (previous year: EUR 0 million) related to a reduction of the fair value by EUR 0.5 million of a minority interest in Yoma Solutions GmbH.

Taxes amounted to EUR –0.7 million (previous year: EUR –1.8 million) and were incurred mainly in the USA.

Results of Operations of Softing AG

As a management holding company, Softing AG only generated revenue from performing services for its subsidiaries. These services principally entailed active corporate management of the subsidiaries as well as legal assistance and quality management services. Fixed portions of the costs incurred for these services were charged to the subsidiaries. The costs for general controlling activities were not passed on to the subsidiaries.

Softing AG does not itself operate directly in the market, instead receiving income from equity investments and from profit and loss transfer agreements.

Income from profit transfer is a key control parameter for Softing AG and constitutes the financial key performance indicator. This changed from EUR –3.3 million to EUR 0.8 million in the past financial year. This was due to lower losses incurred by the companies with profit and loss transfer agreements and is therefore in line with the forecast.

Other operating income amounted to EUR 0.1 million, as in the previous year.

Staff costs came to EUR 2.7 million, as in the previous year.

Other operating expenses decreased from EUR 1.1 million to EUR 0.7 million. This drop was mainly caused by lower currency expenses.

Due to slightly lower costs related to the management of subsidiaries, revenue from affiliated companies in 2024 decreased from EUR 3.2 million to EUR 3.1 million.

In the reporting period, no provisions for taxes were recognized for obligations arising from corporation tax and trade tax related to the past financial year (previous year: EUR 0.0 million).

This gives earnings before taxes of EUR –0.7 million, which was below the guidance issued in the previous year. This was due to impairments of investments and reduced income from profit transfers.

The net loss for the year amounts to EUR –0.7 million (previous year: EUR –4.2 million).

FINANCIAL POSITION

Financial Position of the Softing Group

Financial Management

As part of the Group's financial management, the German subsidiaries are included in a cash pooling system managed by Softing AG. Where deemed necessary, the cash flows of companies doing business in foreign currencies are hedged using conventional forwards.

Capital Structure

The equity of the Softing Group at the end of 2024 stood at EUR 56.9 million (previous year: EUR 54.3 million). The increase is due to the capital increase implemented in December 2024.

The equity ratio reached 49.5% (previous year: 52.7%).

Non-current liabilities amounted to EUR 24.5 million (previous year: EUR 21.3 million). The increase is mainly attributable to non-current lease liabilities in connection with IFRS 16 accounting due to a new long-term lease agreement.

Current liabilities rose by EUR 6.1 million to EUR 33.6 million, due mainly to the increase in trade payables triggered by the prepayments made on inventories, the majority of which are accounted for by the Group, and the increase in short-term borrowings of EUR 0.9 million.

Capital Expenditure

In the past financial year, the Softing Group invested EUR 3.9 million (previous year: EUR 6.5 million) in internally and externally generated intangible assets. Investments in other non-current assets amounted to EUR 0.9 million in 2024 (previous year: EUR 1.4 million), not including the increase in right-of-use-assets pursuant to IFRS 16. Please refer to the Research and Development section for information on investments in the specific segments.

Liquidity

Cash flow from operating activities of EUR 7.3 million (previous year: EUR 9.1 million) fell slightly, primarily due to the decrease in cash flow for the period of EUR 8.7 million (previous year: EUR 13.5 million), with the increase in trade payables (EUR 6.7 million) triggered by the prepayments made on inventories mentioned above having an offsetting effect.

Funds used for investing activities amounted to EUR 4.7 million (previous year: EUR 7.9 million), comprising mainly investments in new product development and replacement investments.

Cash flow from financing activities amounted to EUR –1.8 million (previous year: EUR –3.1 million). Repayments of short- and long-term bank loans of EUR 5.4 million were made and new loans of EUR 7.0 million were taken out.

The cash available to the Group amounted to EUR 9.3 million at year-end (previous year: EUR 4.9 million).

Financial Position of Softing AG

Capital Structure

Equity rose by 5.5% from EUR 41.9 million to EUR 44.2 million. The increase is mainly due to the EUR 3.8 million capital increase implemented in December 2024.

The equity ratio was 63.3% (previous year: 61.0%)

The decrease in provisions from EUR 3.4 million to EUR 3.3 million is mostly the result of higher provisions for personnel, with the decrease in variable remuneration having an offsetting effect.

Other liabilities rose slightly from EUR 4.6 million to EUR 4.7 million.

Liabilities to banks increased by EUR 2.7 million due to new loans of EUR 6.0 million on the one hand and scheduled repayments of existing loans of EUR 2.7 million on the other.

The subsidiaries obtained financing mostly from Softing AG’s cash pooling system and its own cash contributions to the operations of subsidiaries not participating in the cash pooling system. Separate bank loans were taken out by subsidiaries only to a minor extent. To finance the fixed purchase price of OLDI and to finance GlobalmatiX AG and product innovations, Softing AG has taken out loans totaling EUR 14.0 million from two German commercial banks in 2019. As of December 31, 2023, these loans were measured at EUR 6.7 million. There is also a bullet loan of EUR 2.5 million that matures in mid-2025. In 2024, further loans of EUR 6.0 million were taken out from the Company’s main banks, with the Company being exempt from making payments of principal until repayment of the 2019 loans. The non-current portion of these loans amounted to EUR 7.1 million as of December 31, 2024 (previous year: EUR 6.4 million).

Funds at year's end were EUR 5.4 million (previous year: EUR 3.0 million). There are unused credit lines in the amount of EUR 5.6 million (previous year: EUR 1.6 million).

NET ASSETS

Net Assets of the Softing Group

Non-current assets comprise items including intangible assets, goodwill, property, plant, and equipment, and deferred tax assets and at the end of 2024 represented 49.5% of total assets (previous year: 54.9%). This was offset by equity and non-current liabilities together representing 70.7% of equity and liabilities (previous year: 73.4%).

Non-current assets are at the previous year's level of EUR 56.8 million (previous year: EUR 56.6 million).

Current assets comprise inventories, trade receivables, and cash and cash equivalents. Current assets rose from EUR 46.5 million to EUR 58.0 million, due to the increase in bank balances, prepayments on deliveries and higher inventories.

Total assets in the reporting year fell to EUR 114.9 million (previous year: EUR 103.1 million).

Net Assets of Softing AG

The total assets of Softing AG rose slightly by EUR 0.9 million year-on-year to EUR 69.7 million (previous year: EUR 68.8 million).

At EUR 22.9 million, equity interests in affiliated companies remained unchanged year-on-year.

Bank loans of EUR 2.7 million were repaid in the 2024 financial year, and new long-term bank loans of EUR 6.0 million were taken out. In the course of obtaining these loans, Softing AG agreed to comply with financial covenants entailing an obligation to maintain certain financial ratios. The financial covenants require Softing to maintain a specified equity ratio and not exceed a maximum debt-to-equity ratio for the Group. During the financial year, Softing AG fulfilled the covenant regarding equity ratio. The maximum debt-to-equity ratio was exceeded in the second and third quarters. After consultation with the banks, the breaches were accepted without consequences; this was also confirmed in writing. In the fourth quarter, both criteria relevant to the covenants were again met, remaining well below the allowed limits.

Cash and cash equivalents decreased to EUR 3.0 million due to repayments of loans.

Receivables from affiliated companies were down from EUR 15.6 million to EUR 14.3 million as a result of a decrease in trade receivables.

REPORTING ON NON-FINANCIAL PERFORMANCE INDICATORS

In the past financial year, employee turnover remained stable at 10% at the German companies. The offices abroad showed similar employee turnover. Initiatives have been introduced to improve this key performance indicator further.

OVERALL ASSESSMENT OF THE COURSE OF BUSINESS AND POSITION OF THE SOFTING GROUP AND OF SOFTING AG

The Executive Board of Softing AG generally considers the course of business and economic position of the Group to be challenging yet stable when taking into consideration the aforementioned impacts, global crises and, in particular, the economic situation in Germany.

This resulted in a decrease in revenue of 15.5% from EUR 112.6 million in 2023 to EUR 95.1 million in the past financial year. The orders on hand brought forward into the new financial year amount to EUR 21.7 million and are the basis for what is a challenging revenue target in 2025 given the difficult macroeconomic situation. For the financial year ended December 31, 2024, the Group is reporting EBIT of EUR 0.5 million (previous year: EUR –2.7 million). The Group's operating EBIT (EBIT adjusted for capitalized development services of EUR 3.9 million and amortization of internally generated and third-party product developments of EUR 4.6 million as well as effects from purchase price allocation in the amount of EUR 1.7 million) amounted to EUR 2.9 million (previous year: EUR 5.6 million). As of December 31, 2024, the Group had net current assets in the amount of EUR 24.5 million. As of January 31, 2024, the Softing Group has cash and cash equivalents of EUR 9.3 million (previous year: EUR 4.9 million), current receivables of EUR 13.2 million (previous year: EUR 12.3 million) and agreed but not yet drawn down credit lines of around EUR 10.5 million (previous year: EUR 3.2 million) at its disposal. This means that the Group has up to EUR 33.0 million (previous year: EUR 20.4 million) in near-cash funds available at short notice to cope with the various continuing economic uncertainties triggered by the volatile global situation. In 2024, Softing also launched new products to counteract these economic uncertainties and placed a capital increase with an anchor investor to bolster its financial position. The Group held positive talks with its banks regarding the granting of an additional loan, with all repayments made on schedule. In fall 2024, Softing also drew up plans to reduce costs and decrease inventories to strengthen its cash flow, and these plans are already being implemented.

REPORT ON OPPORTUNITIES, RISKS AND FORECASTS

REPORT ON OPPORTUNITIES

The information provided applies to the Softing Group and to Softing AG in equal measure. The opportunities and risks arise in the individual subsidiaries of Softing AG. Due to the profit and loss transfer agreements in place and the investment income generated, these also have a direct effect on the single-entity financial statements of Softing AG, possibly with a time lag compared with IFRS accounting.

Industrial Segment

Softing Industrial's strategic partnerships with leading companies in the automation and industrial communication sectors contributed decisively to the expansion of its portfolio of data connectivity solutions while simultaneously enhancing the market presence of the Softing Industrial brand. Deepening these partnerships creates valuable synergies in sales and marketing in particular. These synergies will enable Softing Industrial to maintain its strong market positioning and take advantage of additional growth in 2025. Increasingly digitalized, interconnected production environments also present Softing Industrial with an opportunity to expand its business and make its solutions accessible to wider range of customers. The continuing fusion of operational technology (OT) and information technology (IT) is a major growth driver in this area, paving the way for deeper integration and greater flexibility in automation systems. Softing will also make additional strategic investments in cloud connectivity and continue developing solutions for edge connectivity, opening up new business opportunities and significantly expanding its portfolio. Demand for solutions to digitalize field devices such as sensors and drive elements is expected to rise due to the high investment costs and long lifecycles associated with process automation. This gives Softing Industrial an additional opportunity to market its products for providing data for asset management applications and open up new business opportunities. The aim of introducing an all-new family of APL (Advanced Physical Layer) technology products in the first quarter is to ensure that Softing Industrial continues to expand its portfolio and maintains its position as an expert in industrial communication. Softing Industrial also continued to reinforce its position in the field of technology integration. Its expertise in developing and providing integration solutions, particularly those relating to common industrial communication protocols such as OPC, PROFINET and PROFIBUS, remains crucial to its success. This technology integration allows Softing Industrial to serve a wider range of industrial applications and be recognized as a trusted solution provider in a number of different markets. In addition to expanding its product portfolio, Softing Industrial is also focused on continuing to strengthen its sales and marketing organization. One key aspect of this strategy is to broaden the international scope of the business so that it can continue expanding into dynamic regions of the world where there is significant willingness to invest, such as Asia and South America. There will also be a concerted effort to integrate international Softing Industrial branches to create an even more coherent and efficient sales unit. Softing Industrial's involvement in international trade fairs and conferences has reaffirmed its potential in global markets while simultaneously underscoring opportunities to continue growing in various international markets. This international focus is being further reinforced by enhance Softing Industrial's sales distribution capacity in strategically significant countries such as France, India, Italy and Spain. Softing Industrial will also expand its service capacities in parallel with these sales efforts. The Knoxville site is being strengthened further to ensure a global level of support. This expansion of capacity is the direct result of growing demand for consulting services and solutions in the field of automation. Increasing the range of services on offer will not only help Softing Industrial to meet rising customer demand but will also generate additional sources of income via service level agreements (SLAs) that are crucial in enabling many customers to continue operating their systems.

IT Networks Segment

Over the last few years, Softing IT Networks has refreshed its product portfolio and relocated production for its NetXpert and LinkXpert series from the USA to Germany, the latter also granting greater flexibility in addition to much more efficient and reliable delivery routing. While these activities have significantly strengthened the product portfolio's central segment, The lower portfolio segment has gained the CableMaster 210, CableMaster FO and CableMaster FO products, which round off the overall offering here. The strengthening of sales channels for international business as well as the digital presence have been instrumental in raising the international profile of this business unit. In 2025, Softing IT Networks will launch further own-branded products on the market to continue to accommodate new market trends and standards. Softing IT Networks therefore has a robust opportunity pipeline, due to the stated investments and market activities.

Automotive Segment

Softing Automotive is considered a global technology specialist in the field of onboard and offboard vehicle diagnostics. The Automotive business continues to focus on key strategic clients and its existing customer base. Softing's range of products and services continues to allow our customers to stabilize their processes, minimize defect rates and reach their targets faster. Modular, standards-based products, tailor-made testing and inspection systems that incorporate integration projects via parallel, remote or autonomously operated solutions help customers to achieve their goals.

By deploying the GlobalmatiX telematics solution, we are laying the groundwork for the digitalization of our Connected Vehicle concept. This will improve transparency, cost-effectiveness, and customer orientation for the complex return processes in rental, car-sharing, leasing and fleet services. Keyless access to vehicles also means that these can then be rented from vehicle rental locations outside their normal hours of business. The creation of a digital vehicle file ("Car CV") increases the vehicle's resale value while reducing wait times, as the sale process can start before the fleet vehicle has been returned. The examples mentioned above, along with other use cases, serve to expand business opportunities and take advantage of opportunities to attract new fleet providers.

The fact that our customer base almost exclusively consists of development departments at well-known OEMs gives cause for optimism that the order situation will improve markedly once the current crisis is over, as these development departments are currently being downsized. None of the OEMs can afford to scale back their development efforts for a prolonged period, which means they will soon have sufficient budgets at their disposal once more. Experience suggests that these final phases will then be followed by an above-average wave of inquiries from which management believes the Softing Group will also benefit. There is also a long-term framework agreement in place with a German premium vehicle manufacturer, which will lead to significantly increased revenue as early as 2025. This is why we can already look ahead to next year with confidence.

RISK REPORT

The information provided applies to the Softing Group and to Softing AG in equal measure. The risks arise in the individual subsidiaries of Softing AG. Due to the profit and loss transfer agreements in place and the investment income generated, these also have a direct effect on the single-entity financial statements of Softing AG, possibly with a time lag compared with IFRS accounting. The risks presented affect all segments.

Softing is an internationally operating company involved in industrial automation technology, automotive electronics and network communication.

The Company is exposed to a number of risks that are inextricably linked to its entrepreneurial activities.

In particular, this concerns risks resulting from market development, the positioning of products and services, contractual and non-contractual liability, and business processes. The Group's business policy is to best exploit existing business opportunities. It is the task of risk policy to carefully weigh the risks associated with this. Risk management is therefore an integral component of all business processes and company decisions. The risk management system of the Softing Group and of Softing AG comprises both risks and opportunities in equal measure.

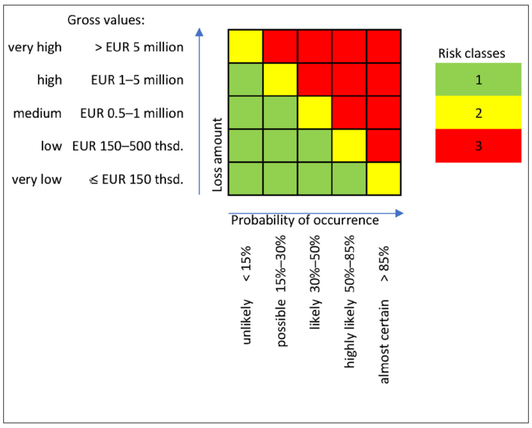
Risk principles are defined by the Executive Board. They include statements on risk strategy, the willingness to take risks and the scope of these principles.

Risk analysis entails assessing identified risks in terms of the probability of their occurring (quantitative dimension) and the potential loss (dimension of intensity). Softing uses the CRISAM risk management software, which applies modern statistical methods (e.g. Monte Carlo simulation) to calculate the impact of losses and thus meets the stricter requirements of IDW AuS 340. Risk assessment is subject to practical limits, however – especially in the area of operating risks – because the number of potential risks is high but, more often than not, the available risk data is incomplete. As a result, subjective risk assessments must be made in many areas exposed to risk because the expenditure for risk management should be reasonable.

Risk-bearing capacity is the maximum level of risk which the Company is able to bear without jeopardizing its going-concern status. This entails a comparison of the aggregate risk with the funds available for risk coverage, the so-called cover funds. The latter comprise the resources available within the scope of the Company's net assets, financial position and results of operations which will be drawn upon to cushion the effects in the event of risks being realized. If the ratio of the cover funds to aggregate risk is not sufficient, a Company's existence might be jeopardized in case of various risks materializing at the same time.

The risk-bearing capacity of EUR 33.0 million defined as the sum total of cash and cash equivalents (EUR 9.3 million), receivables (EUR 13.2 million) and credit lines (EUR 10.5 million) is burdened by around EUR 7.7 million.

To be able to assess the risks, they have been divided into several risk classes. The risk class is the product of multiplying the probability of occurrence by the extent of loss:



The Group differentiates between the following risk classes:

a. Class 1: Minor risks are insignificant for the Company and no action needs to be taken to mitigate the risk.
b. Class 2: The extent of loss in moderate risks is limited and there is a moderate probability of occurrence. There is no immediate need for action. Efficient, effective measures are sufficient to reduce moderate risks or to manage them rapidly in the event of an emergency.

c. Class 3: Major risks including potential going-concern risks cause greater loss and/or have a higher probability of occurrence than moderate risks. These risks should be reduced through appropriate controls or process optimization. Where possible, appropriate measures should be taken to reduce the major gross risk to the moderate or minor level of risk. In case of going-concern risks, measures must be taken immediately to reduce the gross risk.

The Group uses a number of control systems to monitor and control its risks. In addition to the CRISAM software, these include a centralized company planning process, among other things. Softing regularly monitor the achievement of its business goals and the risks that are connected to this.

The risks involved in individual business processes were periodically recorded, analyzed and evaluated in the reporting period. The Group also assessed whether individual risks which are of minor importance when viewed in isolation could develop into a risk threatening the Company's existence when combined.

The risk factors mentioned below could have a strong negative impact on the Company's business performance, cash flows and profit or loss. Risks that are believed to be of little relevance to the Group’s business at this time are not mentioned.

Supply Chain Risk

There remains a greater focus on the longer-term global economic impacts in 2024 and beyond, which result from economic upheaval caused by the Russian war of destruction, among other things. These impacts include a strained supply chain and the associated risk of potential revenue shifts and losses as well as some sharp price increases among the suppliers Softing AG has to deal with. Softing sees a further risk exacerbating the procurement risk in a conflict between China and Taiwan/USA, which could take the procurement crisis for electronic components to new heights and to which Softing would only be partially able to react.

Softing AG is partially addressing the risk of delivery delays by working with new suppliers, replacing specific parts in products and increasing its safety stock wherever possible. In spite of the measures taken, the risks cannot be avoided. There is a possibility of revenue being shifted to later periods. Supply bottlenecks may also result in higher cost prices for Softing if it has to switch to more expensive products in order to ensure its ability to deliver. We counter this risk with price increases and direct consultation with our customers on the subject of price versus delivery time.

Softing AG is addressing some of the risk of delayed supplies and sharp price increases or rising procurement prices for Softing products by increasing its inventories and concluding long-term procurement and cost transfer agreements with its customers.

Supply chain risk is categorized into risk class 2.

Market and Sales Risks

Geopolitical uncertainty is also increased considerably due to factors such as Russian war of destruction in Ukraine. The sanctions adopted may lead to weaker demand. As the Softing Group’s customers are primarily based in Western countries, it does not envisage any direct consequences for the Company; however, any escalation of the conflict could result in energy shortages and an economic downturn that would also impact Softing AG.

As a general precaution, Softing AG pursues a financing and capital management approach that provides a buffer against sudden unexpected risks.

However, there is always a risk both of underutilization of capacities and sustaining pressure on realizable revenues due to factors such as revenue being delayed as a result of supply chain issues with customers or weaker demand. Softing addresses these risks with stricter cost management measures and flexible working hour models so that it can quickly adapt to any changes in demand. Overall, this risk is assigned to risk class 3. If the risk management measures were not effective, this could result in a going-concern risk.

Development / Product Risks

The situation on the market is characterized by a rapid change of the employed technologies. This means that there is a danger that acquired knowhow may prematurely lose value due to an unexpected market development. This may lead to the impairment of capitalized goodwill and development costs and have a negative impact on sales and earnings performance in the long term. Softing address this risk by actively participating in a large number of national and international working groups, which enables it to recognize technological trends early on and help actively shape them.

The automotive parts supplier industry in particular is currently undergoing a prolonged process of transformation. As in previous years, the Group was unable to avoid the effects of these developments in the reporting year, and therefore continues to invest in new development work (especially in telematics) while keeping a close eye on cost levels to increase profitability over the medium to long term.

In the IT Networks segment, Softing has invested heavily in the development of new products and the expansion of its product range, with new products now being successively launched on the market.

Should the sector fail to recover over the medium and long term, however, this would create a lasting impact on the level of earnings overall and compromise the development of the Softing Group. While the Group does not believe this to be a likely scenario, The financial repercussions for the Group's results of operations would be considerable if the scenario did occur because it could result in the impairment of goodwill and capitalized development costs.

Overall, development risk is therefore assigned to risk class 2.

Operational Risks

In certain areas of the Group's business, both in the Industrial and the Automotive segment, Softing is involved in the complex development projects of customers. These projects entail a certain realization risk regarding the planned budgets and time frames. Any deviations could lead to a deterioration of profit and claims for damages. Softing addresses with this risk by planning such projects in accordance with a process model defined by its quality management system, and by carefully monitoring project progress with an alarm controlling system. The Group makes continual investments to further improve its already high quality standard.

The Group's products and services are used in the production of industrial goods. Downtime or malfunction can result in significant damage to persons and property. Softing reduces this risk by following a careful development process which is tailored to the specific scope of application. Significant residual risks are covered through insurance policies. Overall, this risk is assigned to risk class 2.

Financial Risks

Default Risks in the Area of Receivables

Credit risks have not played a significant role in the past. The Group's restrictive credit management process allows it to identify imminent insolvencies faster and thus to counteract them in due time. Together, all of these measures again helped to forestall major defaults on receivables in 2024 despite a subdued economic outlook. Most of the Softing Group's customers are well-known and leading industrial companies. Overall, this risk is classified as a small risk. This risk is assigned to risk class 1.

Use of Financial Instruments

The Group is exposed to a variety of financial risks as a result of its business activities. The aim of risk management is to minimize potential negative effects on the Group's financial position. The Group does not make use of derivative financial instruments. Due to its international scope, the Group is exposed to a currency risk whereby fluctuations in the USD, British pound, Swiss francs and Singapore dollar in particular could have an impact on the assets, liabilities, financial position and results of operations of the Group. The majority of transactions are inherently hedged, as transactions within the euro area are processed by the Group's subsidiaries. The Group considers the residual risks from transactions in foreign currencies to be acceptable, and thus deliberately does not use any currency hedging instruments. The Group can hedge transactions in exceptional cases, for example by entering into short-term foreign currency forwards. The Group relies on fixed lending rates for long-term loans to secure its financing. No interest rate hedging has been agreed for the existing variable-rate overdraft lines of credit. The Group does not hedge against interest rate fluctuations beyond agreeing fixed interest rates.

The Group does not hold any separate financial instruments to protect against defaults on receivables. The risk of defaults on receivables is low due to the high creditworthiness of the customer base. The Group participates in the reverse factoring program of a major customer in the USA to increase its liquidity further. Under this program, receivables are sold to a reputable bank and the Group receives payment immediately following the acquisition.

Other than the financial instruments described here, the Company does not hold any other financial instruments that are relevant for assessing its situation or expected development.

Overall, this risk is assessed as a class 2 risk.

Refinancing Risks

Falling short of covenant agreements may result in all existing credit and financing lines falling due immediately. Softing addresses this risk by remaining in constant communication with its banks and notifying them at an early stage in the event of an impending deterioration in contractually agreed covenants.

Overall, this risk is assessed as a class 2 risk.

Currency Risks

A substantial part of the Group's business activities is located in the USA. In particular, Softing AG has significant foreign currency loans denominated in USD in its single-entity financial statements. This means that currency fluctuations in the USD in particular could have both a positive and a negative impact on the results of operations and net assets of the Group and the parent company. The Group views this as a moderate risk. The Group only hedges against currency risks in individual cases. Overall, this risk is assigned to risk class 2.

Information Security Risks

As in all companies, the smooth functioning of business processes depends on the availability of the IT infrastructure. Attacks from the Internet, as well as other IT failures or damage to the IT infrastructure, pose a serious threat to the Company's ability to function. Softing has taken appropriate measures to protect its IT infrastructure and constantly monitors and reviews their effectiveness. The Group takes the issue of cyber security and the potential widening of hostilities in this area extremely seriously. It has implemented the recommendations issued by authorities, and is currently adjusting them By coordinating and comparing 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. Softing's domestic entities achieved TISAX Level 3 Certification for data security in the automotive sector in December 2024. Overall, this risk is assessed as a class 1 risk.

Personnel Risks

The financial success of the Softing Group is rooted to a large extent in the skills and qualifications of its employees. For this reason, all employees are trained on an ongoing basis to ensure that the quality of their performance corresponds to the requirements of customers.

There is keen competition for highly qualified professionals and executives in the labor market at this time. Qualified staff are a material prerequisite for boosting the Company's shareholder value. Hence Softing always seeks to recruit new, very well trained personnel; integrate them as best as possible; promote them and establish a long-term collaboration with them. In addition to attractive employment conditions, Softing also offers its staff targeted training and continued education. But there is the potential risk that suitable professionals or executives cannot be recruited in the market in due time, and that this might have a negative effect on the Company's results of operations, financial position and net assets. Overall, this risk is assigned to risk class 2.

Compliance Risks

Even though not a single compliance case has so far arisen at Softing, the Executive Board and the legal department continue to take the issue of compliance very seriously. Through workshop participation and a series of presentations, the Group ensures that current trends and issues are taken on board and adapted to the situation at Softing.

In management's view, there are currently no acute risks that would jeopardize the Company's existence as a going concern or negatively impact its development.

Based on the risk policy and the current assessment of the risks, the risk exposure of both the Group and Softing AG is regarded as manageable. Despite a variety of political upheavals, the financial position and net assets are expected to improve in 2025. Regarding financial year 2025, the Executive Board believes that the Group will be able to bear the residual risks not covered by insurance even in the event of unfavorable developments. Overall, this risk is assigned to risk class 2.

The Executive Board ensures that it is familiar at all times with any changes in customs regulations and is able to implement measures at short notice in case of any changes.

REPORT ON EXPECTED DEVELOPMENTS

German Economy Expected to Stagnate in 2025

The German economy is currently stuck in stagnation with no signs of a significant economic recovery. This is the conclusion reached by the Kiel Institute for the World Economy (IfW), in its winter forecast, which expects Germany's gross domestic product (GDP) to remain unchanged in 2025 (0.0%). This forecast was still +0.5% as recently as last autumn. This downward revision is primarily attributable to expected US tariffs and the worsening crisis in the German industrial sector. GDP is expected to have shrunk by 0.2% during the year under review (autumn forecast: –0.1%). In addition, the recession has now reached the labor market, with the unemployment rate likely to rise to 6.3%.

The global economy is expected to grow by 3.2% this year and by 3.1% in each of the next two years. The trade policy of the new US government, the direction of central banks and economic developments in China, where the outlook for exports has deteriorated in light of the geopolitical situation, are likely to be decisive factors. *(Source: Kiel Institute for the World Economy (IfW), Winter forecast, December 12, 2024*

Industrial Segment

Despite continuing economic uncertainty and volatile markets, Softing Industrial remains confident that its technology and solutions portfolio leave it well positioned to at least match the previous year's result in 2025. This positive assessment is based on the structural changes and strategic focus introduced by the Company in recent years, particularly in the areas of sales and marketing.

Creating additional synergies within the Softing Group will provide further support for this growth strategy and enable the Company to bolster its position in international markets.

However, recent supply chain issues are still having tangible consequences and causing a considerable reduction in orders from two long-standing key customers for 2025.

The outlook for Softing's business in the USA remains mixed in 2025. On the one hand, the enlarged product portfolio, continued optimization of sales structures and improved availability of products creates opportunities for this business. On the other hand, however, Softing Industrial expects its revenue and operating result to fall slightly compared to 2024, which is largely attributable to sluggish demand from key customers.

In summary, Softing Industrial is in a strong position to take advantage of opportunities in the industrial automation market, despite the challenges posed by market risks and external economic factors. Continued expansion into international markets, further development of the product portfolio and expanding the range of services on offer are key initiatives designed to transform Softing Industrial into a leading provider of automation solutions in 2025 and beyond.

Automotive Segment

Many customers continue to seek strategic suppliers of efficiency-enhancing tools and solutions in order to be able to successfully master the technological challenges of the future. There is further sales potential here for the Automotive segment. As a number of new technologies and approaches relating to the "test and flash" of vehicles in particular will be introduced in the coming years, the segment's product portfolio means it is well positioned to respond to this trend.

By deploying the GlobalmatiX telematics solution, we are laying the groundwork for the digitalization of our Connected-vehicle-to-cloud concept. The current economic and political market situation is a cause for concern, and projects and investments are being held back. By contrast, one major customer is expanding the camper van rental business it established in Europe into North America and will be adding to its fleet over the next few years; this expansion began in the USA and Canada in 2024.

IT Networks Segment

The combination of new products, new sales positions and expansion of the distribution area will steadily lead the IT Networks segment towards profit and growth. The production situation and overall availability in this segment has steadily improved in 2024. The year 2025 will be dominated by the launch of a new high-end range of certifier products. This new product range will go on sale from the end of the first quarter and complement our existing portfolio.

Outlook for the 2025 Financial Year for the Softing Group

Softing's declared goal remains to further boost the operational excellence of the Group by optimizing market penetration to ensure regional balance in line with our focus. Softing is firmly committed to continuing the pursuit of this goal in 2025. Based on the Softing Group's positioning and customer feedback and the orders on hand brought forward from the previous year, Softing sees good opportunities to generate stable revenue at the prior-year level in financial year 2025. We expect EBIT/operating EBIT to improve slightly due to the cost measures we have initiated. Softing will again face numerous unavoidable uncertainties in 2025 regarding economic developments in Europe as well as in Asia and North America. Softing would not be able to avoid the impact of downturns in the demand markets. External risks are taken into account in the forecast as dampening factors.

As a leading technology group, Softing must and will work to actively shape technical change going forward. The speed of change continues to increase substantially in all segments. For this reason, Softing plans to use the expertise that its current portfolio and acquisitions provide for the extensive development of new products and the extensive refinement of existing ones in financial year 2025. For 2025, Softing is generally assuming that capitalization of development costs will decrease due to a high level of investment in new products seen in 2024. Investment in some product lines will decline due to completions, while new technologies and products will receive a kick-start. We also have opportunities for above-average returns in the existing business, for instance in the process and manufacturing industries, which Softing consolidates in the Industrial segment. We expect strong growth in our own products in the IT Networks segment thanks to new products. In the Automotive segment, the key factor is landing new projects from major customers, even though these will only have a minimal influence on revenue in the current year. However, they will be the foundation for growth in the years to come. We laid the foundations for this in 2024. The limitations triggered by the risks already mentioned continue to apply. The economic upheaval in Germany caused by misguided industrial and energy policies, the ongoing war in Ukraine and other current and impending crises will play a major role in the development of our business in 2025 as well as in the medium term.

The persistently rekindling uncertainty over macroeconomic trends and the effects on important customer segments of Softing AG are difficult to estimate. As a result, there remains a high level of uncertainty in the forecast for future business performance, which is severely limiting the ability to make predictions.

This specific environment must be seen in addition to the transformation process in the automotive industry and makes it difficult to reliably and realistically assess the forecast for the 2025 financial year.

The Executive Board is still planning for a normal procurement situation for electronic components in 2025. However, any increase in the potential for conflict or war between China and Taiwan over the coming year would exacerbate the problems encountered in procuring electronic components from this region during the coronavirus crisis.

At the Group level, revenue of between EUR 90 million and EUR 95 million is expected due to economic considerations, with the segments showing varying trends. We also expect the increased uncertainty surrounding our forecast to continue due to weakness in the German market and negative signals worldwide across the different segments. As a result, the Executive Board anticipates only a slightly improved positive EBIT for the Group in the range of EUR 0.5 million to EUR 1.0 million. The Executive Board expects operating EBIT to come in between EUR 3.0 million and EUR 3.5 million.

In the case of the non-financial performance indicator, the plan is to maintain the levels attained in the 2024 financial year.

Outlook for the 2025 Financial Year for Softing AG

Softing AG is dependent on the results outlined above.

Based on projected earnings, Softing AG is forecasting income from profit and loss transfer agreements and dividends of between EUR 0.5 million and EUR 1.0 million for the 2025 financial year Expected earnings before taxes, assuming income from profit and loss transfer agreements and dividends, will range between EUR 0.5 million and EUR 1.0 million.

INTERNAL CONTROL SYSTEM AND RISK MANAGEMENT SYSTEM RELEVANT FOR THE CONSOLIDATED FINANCIAL REPORTING PROCESS

Definitions and Elements of the Softing Group's Internal Control and Risk Management System

The Softing Group's internal control system comprises all principles, procedures and actions required for ensuring the effectiveness, economy and propriety of the Company's financial reporting as well as compliance with material legal requirements.

The internal control system of the Softing Group comprises an internal management and monitoring system.

Monitoring mechanisms that are process-integrated or uninvolved in business processes constitute the elements of the Softing Group's internal monitoring system. Hence automated IT-based process controls besides manual process controls – such as the two-person integrity (TPI) principle – are an integral part of all process-integrated activities.

As part of the internal control system, those aspects of the risk management system that concern financial reporting are focused on the risk of misstatements in the Group's bookkeeping as well as its external reporting system. Besides risk management at the operating level – which also includes risk transfer to insurance companies through insurance policies serving to limit the risk of loss or liability as well as through suitable hedging transactions serving to limit foreign currency risks – the Softing Group's risk management system also comprises early detection as well as management and monitoring of risks, systematically and groupwide. The Softing Group has established a monitoring system pursuant to Section 91 (2) German Stock Corporation Act that is aimed at early detection of risks that might jeopardize the Company's existence in order to ensure systematic early detection of risk throughout the Group. For additional disclosures on the risk management system, please see the section entitled, “Risk Report.”

As part of the risk reporting system, the Executive Board is regularly informed about risks. Risks are identified at an early stage and assessed. Risks are reported across all companies, with the risks recorded being listed and evaluated. The Executive Board is responsible for defining appropriate risk management measures. Significant individual risks are recorded independently of the regular cycle and reported without delay.

Use of IT Systems

Accounting transactions are recorded in the single-entity financial statements of the German companies' subsidiaries using IFS's bookkeeping system. Our foreign subsidiaries utilize local providers of bookkeeping systems. All subsidiaries supplement their separate financial statements by additional information using standardized reporting packages that are entered into Softing AG's consolidation system in connection with the preparation of the Group's consolidated financial statements. The system from software manufacturer Lucanet is used as the consolidation system. All consolidation processes required to prepare the consolidated financial statements of Softing AG – e.g. acquisition accounting, asset and liability accounting, or elimination of expenses and earnings – are generated and documented in the consolidation system.

Specific Risks Related to the Financial Reporting Process

Specific risks related to the Group’s financial reporting process may arise from unusual or complex transactions that could be treated erroneously in the accounting systems. Transactions that are not routinely processed also entail inherent risks. Additional risks related to the financial reporting process arise from the latitude that employees must be given in regards to the recognition and measurement of assets and liabilities.

Material Control and Monitoring Activities Aimed at Assuring the Propriety and Reliability of the Financial Reporting Process

All facets of the internal control system that serve to provide a proper and reliable financial reporting process ensure complete and timely recording of all transactions in compliance with all requirements under the law and the Company's Articles of Incorporation. It also assures that inventories are taken in proper fashion and that both assets and liabilities are accurately recognized, measured and shown in the consolidated financial statements. These control activities also serve to ensure that the bookkeeping records provide reliable and plausible information. If errors occur and are identified despite these activities, these are corrected without delay.

The monitoring activities serving to ensure that the financial reporting is proper and reliable also comprise the analysis of transactions and developments using specific analyses of key indicators. The separation of functions related to administration, execution, accounting and approval – as well as their perception as such by a variety of individuals – limits the possibilities for engaging in intentional acts. Other requirements also exist, as follows. For example, this also ensures that bookkeeping processes are carried out both in the proper period and in full even if the IT systems that the Group companies use for the underlying accounting are changed.

The internal control system also serves to make sure that changes in the Softing Group's economic or legal environment are duly presented and that new or amended statutory requirements concerning the financial reporting process are applied.

The International Financial Reporting Standards (IFRS) represent the uniform accounting policies applied by the domestic and foreign entities included in Softing's consolidated financial statements. Besides general accounting policies, in particular, this concerns requirements related to the statement of financial position, the income statement, the notes, the management report, the statement of cash flows, the statement of comprehensive income, the statement of changes in equity and segment reporting, taking requirements under EU law into account.

Softing's accounting standards also govern concrete formal requirements that the consolidated financial statements must fulfill. They not only determine which companies to include in consolidation, they also fix the components of the reporting packages that the Group companies must prepare in detail. Among other things, these formal requirements serve to ensure the binding utilization of a standardized and complete set of forms. Softing's accounting standards also contain specific requirements regarding the treatment and settlement of intra-group transactions and the reconciliation of accounts based thereon.

At the Group level, the specific elements of control designed to ensure the propriety and reliability of Group accounting principles comprise analyses and possibly revisions of Group companies' separate financial statements. The centralized execution of impairment tests for the cash generating units from the Group's perspective assures that uniform and standardized measurement criteria are applied. Furthermore, additional data are processed and aggregated at the Group level in regards to external information in both the notes and the management report, including information related to events after the reporting period.

Caveats

The internal control and risk management system makes it possible to record, process and measure all transactions pertaining to the Group as well as their appropriate presentation through the financial reporting process thanks to the Softing Group's organizational, control and monitoring structures.

However, personal discretion, defective controls, criminal acts or other circumstances cannot be precluded by the very nature of the matter at hand and, as a result, may limit the effectiveness and reliability of the internal control and risk management system such that even groupwide application of the systems utilized cannot guarantee with absolute certainty complete, accurate and timely recording of transactions as part of the financial reporting process.

DISCLOSURES IN ACCORDANCE WITH SECTION 289A HGB AND EXPLANATORY REPORT

1. As of December 31, 2024, the share capital of Softing AG was EUR 9,925,881 denominated in the same number of no-par shares, all granting the same rights, specifically voting rights. No shareholder or shareholder group has special rights.

2. Shareholders' voting rights are not restricted by law or the Company's Articles of Incorporation. The voting rights are not limited to a specific number of shares or votes. The Executive Board is not aware of any limitations regarding the voting rights.

   The shareholders of Softing AG are not limited by law or the Company's Articles of Incorporation in their decision to purchase or sell shares. To be effective, the purchase or sale of shares does not require the approval of the Company's boards. The Executive Board is not aware of any limitations regarding the assignability of shares.

3. We have been notified of the following direct or indirect equity interests that exceed 10% of the voting rights:

   Mr. Hugh Alan Durell notified us on September 16, 2020 that all notifications regarding the meeting of thresholds from December 1, 2011 at 24.03%, December 5, 2011 at 26.69% and March 26, 2018 at 22.43% received from Hugh Alan Durell and Helm Trust Company Ltd (last published on July 19, 2018) will be rescinded. These notifications subsequently proved unnecessary because the voting rights were not attributable to the persons named.

   Dr. Dr. Wolfgang Trier notified us on November 24, 2020 that 24.03% of the voting rights have been attributed to him by Trier Vermögensverwaltung GmbH & Co. KG since December 1, 2011.

   Dr. Dr. Wolfgang Trier notified us on November 24, 2020 that 22.43% of the voting rights have been attributed to him by Trier Vermögensverwaltung GmbH & Co. KG since March 26, 2018.

   Dr. Dr. Wolfgang Trier further notified us on November 27, 2020 that no voting rights have been attributed to him by Trier Vermögensverwaltung GmbH & Co. KG since November 24, 2020 because he no longer controls the entity. Trier Vermögensverwaltung GmbH & Co. KG continues to hold 22.43% of the voting rights and no financial instruments as of November 24, 2020.

   Mr. Gerhard Hönig notified us on December 4, 2020 that 22.43% of the voting rights have been attributed to him since December 3, 2020. He obtained control by personally assuming the management function at Trier Familienstiftung.
   Voting rights are attributed via
   - Trier Familienstiftung
   - Trier Asset Management GmbH
   - Trier Vermögensverwaltung GmbH & Co. KG

   Mr. Alois Widmann, Vaduz/Liechtenstein, notified us in accordance with Section 33 (1) German Securities Trading Act (WpHG) that his voting share in our company exceeded the threshold of 15% on March 28, 2018, and was 15.92% on that date (1,450,000 voting shares). Of this amount, 15.92% (1,450,000 voting shares) must be attributed to Mr. Widmann in accordance with Section 34 (1) sentence 1 no. 1. Mr. Alois Widmann notified us on November 5, 2024 in accordance with Section 33 (1) WpHG that his voting share in Softing AG, Haar, Germany, fell below the threshold of 15% on November 5, 2024, and was 14.98% on that date (corresponding to

1,450,000 voting shares). 14.98% of the voting rights (corresponding to 1,450,000 voting shares) must be attributed to Mr. Alois Widmann in accordance with Section 34 (1) sentence 1 no. 6. WpHG

Mr. Rudolf Noser, Switzerland, notified us on May 30, 2023 in accordance with Section 33 (1) WpHG that his voting share in Softing AG, Haar, Germany, exceeded the threshold of 3% on April 13, 2023. On December 14, 2023, Mr. Rudolf Noser notified us that he exceeded the threshold of 5% on December 13, 2023. Mr. Rudolf Noser thus has held an equity interest of 5.0016% since December 13, 2023, which corresponds to 455,413 voting rights. 5.0016% of the voting rights (corresponding to 455,413 voting rights) must be attributed to Mr. Rudolf Noser in accordance with Section 34 (1) sentence 1 no. 6. in conjunction with sentence 2 WpHG

On September 30, 2024, Mr. Rudolf Noser notified us that he exceeded the threshold of 10% on September 25, 2024. Mr. Rudolf Noser thus has held an equity interest of 10.14% since September 25, 2024, which corresponds to 923,000 voting rights. 5.11% of the voting rights (corresponding to 465,413 voting rights) must be attributed directly to Mr. Rudolf Noser in accordance with Section 34 (1) sentence 1 no. 6. in conjunction with sentence 2 WpHG Further voting rights (corresponding to 457,587 voting rights) must be attributed indirectly to Mr. Rudolf Noser via Noser Management AG in accordance with Section 34 (1) sentence 1 no. 6. in conjunction with sentence 2 WpHG

On November 5, 2024, Mr. Rudolf Noser notified us that he exceeded the threshold of 15% on November 5, 2024. Mr. Rudolf Noser thus has held an equity interest of 17.93% since November 5, 2024, which corresponds to 1,780,042 voting rights. 4.69% of the voting rights (corresponding to 465,413 voting rights) must be attributed directly to Mr. Rudolf Noser in accordance with Section 34 (1) sentence 1 no. 6. in conjunction with sentence 2 WpHG Further voting rights (corresponding to 1,314,629 voting rights) must be attributed indirectly to Mr. Rudolf Noser via Noser Management AG in accordance with Section 34 (1) sentence 1 no. 6. in conjunction with sentence 2 WpHG

4. The Company has not issued any shares with special rights conferring powers of control.

5. No employees may directly exercise their control rights in connection with their equity interests.

6. In accordance with § 7 of the Articles of Incorporation of Softing AG, the Executive Board of Softing AG comprises one or more persons. Even if the Company's share capital exceeds EUR 3,000,000, the Executive Board may comprise just one person. Deputy members of the Executive Board may be appointed. The Supervisory Board appoints the members of the Executive Board and determines the number of persons serving on the Executive Board. The Supervisory Board may appoint a chairman of the Executive Board and a deputy chairman of the Executive Board.

   The Supervisory Board is authorized to make amendments to the Articles of Incorporation insofar as they concern only the wording thereof. More comprehensive amendments to the Articles of Incorporation are subject to the requirements of Sections 133 and 179 German Stock Corporation Act.

   An average of 9,178,104 shares were outstanding in the 2024 financial year.

   On May 6, 2022, the General Shareholders' Meeting authorized the Executive Board of

Softing AG to increase the Company's share capital with the approval of the Supervisory Board by a total of EUR 4,552,690 on one or several occasions up to May 5, 2027 by issuing new no-par bearer shares against contributions in cash and/or in kind (Authorized Capital 2022). The existing authorized capital (Authorized Capital 2018) was cancelled based on a resolution adopted by the General Shareholders' Meeting on May 6, 2022.

Based on the authorization granted by the General Shareholders' Meeting on May 6, 2022, the share capital of EUR 9,105,381 was increased by EUR 820,500 upon entry in the commercial register on December 5, 2024. The cash inflow from the capital increase amounted to EUR 3.8 million.

As of the balance sheet date, the fully paid-in share capital of the Company was EUR 9,925,881 (previous year: EUR 9,105,381 thousand). It is divided into 9,925,881 (previous year: 9,105,381) no-par-value bearer shares with a notional value of EUR 1 each.

7. The Executive Board is authorized to contingently increase the Company's share capital with the approval of the Supervisory Board by up to EUR 4,552,690.00 by issuing up to 4,552,690 new no-par bearer shares (Contingent Capital 2022). The contingent capital increase will serve the granting of option rights or obligations to the holders of warrants arising from bonds with warrants under the terms of the respective options or the granting of conversion rights or obligations to the holders of convertible bonds under the terms of the respective convertible bonds issued by the Company up to May 6, 2027 in accordance with the resolution of the General Shareholders' Meeting on May 5, 2022. The new shares will be issued at the respective option or conversion price to be determined in accordance with the above-mentioned authorization resolution. The contingent capital increase will be implemented only in the event that bonds with warrants or convertible bonds are issued and only to the extent that the holders of the bonds with warrants or the convertible bonds make use of their option or conversion right or the holders of bonds obligated to convert or to exercise the option fulfill this obligation and the contingent capital is needed in accordance with the terms and conditions of the bond with warrants or the convertible bond. The new shares issued on the basis of the exercise of the option or conversion right or the fulfillment of the conversion or option obligation have a share in the profit from the beginning of the financial year in which they arise. The Executive Board is authorized, with the approval of the Supervisory Board, to stipulate the further details of the implementation of the contingent capital increase. Said authority was not exercised to date. The existing contingent capital (Contingent Capital 2018) was cancelled based on a resolution adopted by the General Shareholders' Meeting on May 6, 2022.

8. On May 6, 2020, the General Shareholders' Meeting authorized the Executive Board to purchase own shares until May 5, 2025, provided that such purchase is not made for the purpose of trading in treasury shares, and provided that the purchase price of said shares is not more than 10% above or below the share's average closing price at the Frankfurt Stock Exchange during the last ten days preceding the purchase (share repurchase). The closing price shall be determined as the share's closing auction price in electronic trading on the Frankfurt Stock Exchange (XETRA trading) or a system succeeding XETRA trading. The authorization may be exercised once or several times, in whole or in part. It is limited to purchasing shares representing no more than a total

of 10% of the Company's share capital. Any treasury shares acquired under this authorization – together with other treasury shares that the Company has already acquired and still holds – may not exceed 10% of the Company's share capital. The buyback served to create an acquisition currency that is required in the medium term and that is available at a price which the Company believes to be considerably below fair value. On August 12, 2024, a share purchase and transfer agreement was concluded between Softing AG and a Swiss investor for the transfer of 90,000 shares of Softing AG at a price of EUR 4.95 per share.

9. As of December 31, 2024, Softing AG no longer holds any treasury shares (previous year: 90,000)

10. There are no material agreements entered into by the parent company that provide for a change of control following a takeover bid.

11. There are no compensation agreements of the parent company with members of the Executive Board or employees in the event of a takeover bid.

STATEMENT ON CORPORATE GOVERNANCE

The Executive Board of Softing AG reports on issues of corporate governance in this statement – also on behalf of the Supervisory Board – pursuant to both Principle 22 of the German Corporate Governance Code and Sections 289f (1) and 315d of the German Commercial Code (HGB). The statement applies both to Softing AG as the parent and to the Softing Group in equal measure. For the contents of the statement, please see this link on our website at www.softing.com:
https://investor.softing.com/de/corporate-governance-kodex/erkl-zur-unternehmensfuehrung-289f-und-315d-hgb.html

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements and the annual financial statements of Softing AG give a true and fair view of the assets, liabilities, financial position and profit or loss of the Softing Group and of Softing AG, and the combined management report includes a fair review of the development and performance of the business and the position of the Softing Group and of Softing AG, together with a description of the material opportunities and risks associated with the expected development of the Softing Group and of Softing AG."

Haar, Germany, March 18, 2025
Softing AG

The Executive Board

Dr. Wolfgang Trier   Ernst Homolka

Consolidated Income Statement

for the Period from January 1 to December 31, 2024

	Note	Jan. 1, – Dec. 31, 2024 EUR (in thsds.)	Jan. 1 – Dec. 31, 2023 EUR (in thsds.)
Revenue	**D1**	**95,056**	**112,595**
Other own work capitalized	D2	3,891	5,690
Other operating income	D3	1,726	1,713
Operating income		**100,673**	**119,998**
Cost of materials/cost of purchased services	D4	–35,739	–51,857
Staff costs	D5	–41,386	–40,107
Depreciation, amortization and impairment of property, plant and equipment, right-of-use assets and intangible assets	D6	–8,989	–16,643
thereof depreciation/amortization/due to purchase price allocation/impairment of goodwill		–1,667	–7,845
thereof depreciation due to accounting for right-of-use-assets		–1,683	–1,403
Other operating expenses	D7	–14,062	–14,115
Operating expenses		**–100,176**	**–122,722**
Profit/loss from operations (EBIT)		**497**	**–2,724**
Interest income	D8	170	120
Interest expense	D8	–860	–505
Interest expense from lease accounting		–279	–139
Other finance income/finance costs	D8	–435	–
Earnings before income taxes		**–907**	**–3,248**
Income taxes	D9	–662	–2,464
Consolidated profit/loss		**–1,569**	**–5,712**
Consolidated profit attributable to			
Shareholders of Softing AG		–1,823	–5,829
Non-controlling interests		254	117
Consolidated profit/loss		**–1,569**	**–5,712**
Earnings per share (diluted = basic)		–0.17	–0.63
Average number of shares outstanding (basic)		9,178,004	9,015,381

Consolidated Statement of Comprehensive Income

for the Period from January 1 to December 31, 2024

	Jan. 1 – Dec. 31, 2024 EUR (in thsds.)	Jan. 1 – Dec. 31, 2023 EUR (in thsds.)
Consolidated profit/loss	**–1,569**	**–5,712**
Items that will not be reclassified to consolidated comprehensive income		
Remeasurement of pensions	–613	190
Tax effect	134	–31
Remeasurement from pensions, total	–479	159
Items that will be reclassified to consolidated comprehensive income:		
Currency translation differences		
Changes in unrealized gains/losses	1,599	–818
Tax effect	0	0
Total currency translation differences	1,599	–818
Other comprehensive income	**1,120**	**–659**
Consolidated comprehensive income for the period	**–449**	**–6,371**
Consolidated comprehensive income for the period attributable to		
Shareholders of Softing AG	–703	–6,488
Non-controlling interests	254	117
Consolidated comprehensive income for the period	**–449**	**–6,371**

Consolidated Statement of Financial Position

as of December 31, 2024

Assets	Note	Dec. 31, 2024 EUR (in thsds.)	Dec. 31, 2023 EUR (in thsds.)
Non-current assets			
Goodwill	C1/C2	11,428	10,950
Other intangible assets	C3/C4	34,754	36,445
Property, plant and equipment	C6	9,944	8,134
Other financial assets	C5	0	435
Deferred tax assets	D9	718	606
Non-current assets, total		**56,844**	**56,570**
Current assets			
Inventories	C7	26,734	23,679
Trade receivables	C8	13,249	12,270
Other current financial assets	C9	244	341
Contract assets	C10	883	902
Current income tax assets	C11	240	593
Cash and cash equivalents	C12	9,271	4,859
Current non-financial assets	C13	7,420	3,845
Current assets, total		**58,041**	**46,489**
Total assets		**114,885**	**103,059**

Equity and liabilities	Note	Dec. 31, 2024 EUR (in thsds.)	Dec. 31, 2023 EUR (in thsds.)
Equity			
Subscribed capital	C14	9,926	9,105
Capital reserves	C14	34,065	31,111
Treasury shares	C14	0	-485
Retained earnings	C14	11,960	13,875
Equity, shareholders of Softing AG		55,951	53,606
Non-controlling interests	C14	905	689
Equity, total		**56,856**	**54,295**
Non-current liabilities			
Pensions	C15	1,299	891
Long-term borrowings	C16	7,056	6,356
Other non-current financial liabilities	C16	10,804	8,753
Deferred tax liabilities	D 9	5,289	5,314
Non-current liabilities, total		**24,448**	**21,314**
Current liabilities			
Trade payables	C17	13,468	6,750
Contract liabilities	C10	4,863	5,957
Provisions	C18	107	79
Income tax liabilities	C19	458	279
Short-term borrowings	C20	9,351	8,476
Other current financial liabilities	C21	4,339	5,181
Current non-financial liabilities	C22	995	728
Current liabilities, total		**33,581**	**27,450**
Total equity and liabilities		**114,885**	**103,059**

Consolidated Statement of Changes in Equity

for the Period from January 1 to December 31, 2024

	Sub-scribed capital	Capital reserves	Treasury Shares	Retained earnings				Equity, shareholders of Softing AG	Non-controlling interests	Total equity
				Net retained profits and other	Remeasure-ments	Currency translation	Total			
	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)
Balance as of January 1, 2024	**9,105**	**31,111**	**–485**	**13,933**	**–517**	**457**	**13,874**	**53,605**	**690**	**54,295**
Consolidated profit 2024				–1,823			–1,823	–1,823	254	–1,569
Other comprehensive income 2024					–479	1,599	1,120	1,120		1,120
of which from remeasurements					–613		–613	–613		–613
of which currency translation						1,599	1,599	1,599		1,599
of which tax effect					134		134	134		134
Consolidated comprehensive income for the period				**–1,823**	**–479**	**1,599**	**–703**	**–703**	**254**	**–449**
Capital increase	**821**	**2,954**						**3,775**		**3,775**
Dividend payment				–1,172			–1,172	–1,172	–39	–1,211
Purchase of own shares			485					485		485
Transfer to retained earnings				–39			–39	–39		–39
Change in minorities										0
Transactions with owners in their capacity as owners				**–1,211**			**–1,211**	**3,049**		**3,010**
Balance as of December 31, 2024	**9,926**	**34,065**	**0**	**10,899**	**–996**	**2,056**	**11,960**	**55,951**	**905**	**56,856**

	Sub-scribed capital	Capital reserves	Treasury Shares	Retained earnings				Equity, shareholders of Softing AG	Non-controlling interests	Total equity
				Net retained profits and other	Remeasure-ments	Currency translation	Total			
	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)
Balance as of January 1, 2023	**9,105**	**31,111**	**–485**	**20,664**	**–676**	**1,275**	**21,264**	**60,995**	**840**	**61,835**
Consolidated profit 2023				–5,829			–5,829	–5,829	117	–5,712
Other comprehensive income 2023					159	–823	–659	–659		–659
of which from remeasurements					190		190	190		190
of which currency translation						–818	–818	–818		–818
of which tax effect					–31		–31	–31		–31
Consolidated comprehensive income for the period				**–5,829**	**159**	**–818**	**–6,488**	**–6,488**	**117**	**–6,371**
Dividend payment				–902			–902	–902	–267	–1,169
Purchase of own shares										
Change in minorities										0
Transactions with owners in their capacity as owners				**–902**			**–902**	**–902**		**–1,169**
Balance as of December 31, 2023	**9,105**	**31,111**	**–485**	**13,933**	**–517**	**457**	**13,874**	**53,605**	**690**	**54,295**

Consolidated Statement of Cash Flows

for the Period from January 1 to December 31, 2024

	Jan. 1 – Dec. 31, 2024 EUR (in thsds.)	Jan. 1 – Dec. 31, 2023 EUR (in thsds.)
Cash flows from operating activities		
Profit (before tax)	**–907**	**–3,249**
Depreciation, amortization and impairment losses on fixed assets	8,989	16,643
Other non-cash transactions	314	94
Cash flows for the period	**8,396**	**13,488**
Interest income/finance income	–29	–120
Interest expense/finance costs	860	505
Change in other provisions and accrued liabilities	–43	–44
Change in inventories	–3,055	–4,695
Change in trade receivables	–979	4,109
Change in financial receivables and other assets	–3,219	–1,623
Change in trade payables	6,720	–2,516
Change in financial and non-financial liabilities and other liabilities	–1,325	1,803
Interest received	29	120
Income taxes received	353	72
Income taxes paid	–693	–2,002
Cash flows from operating activities	**7,015**	**9,097**
Cash paid for investments in new internal product developments	–3,891	–5,690
Cash paid for investments in new external product developments	–35	–854
Cash paid for investments in other intangible assets	–14	–138
Cash paid for investments in non-current assets	–816	–1,245
Cash flows from investing activities	**–4,756**	**–7,927**
Cash paid for dividends	–1,210	–1,168
Sale of treasury shares	445	0
Cash receipt from capital increase	3,774	0
Repayment of lease liabilities	–1,534	–1,350
Cash received from long-term bank line	6,000	0
Cash received from short-term bank line	1,000	4,060
Cash repayment of bank loans	–5,425	–3,963
Interest, lease accounting	–279	–139
Other interest paid	–690	–505
Total interest paid	–969	–644
Cash flows from financing activities	**2,081**	**–3,065**
Net change in funds	4,339	–1,896
Effects of exchange rate changes on cash and cash equivalents	72	–46
Cash and cash equivalents at the beginning of the period	4,859	6,801
Cash and cash equivalents at the end of the period	**9,270**	**4,859**

For further information, please see item E3 of the Notes.

Changes in Intangible Assets and Property, Plant and Equipment

in Financial Year 2024

	Cost					
	Jan. 1, 2024	Additions	Currency differences	Restatements/ reclassifications	Disposals	Dec. 31, 2024
	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)
Intangible assets						
Goodwill	18,543		478			19,021
Internally generated product developments	58,508	3,891	190			62,589
Externally generated product developments	4,040	35				4,075
Other intangible assets	33,905	15	1,268		–20	35,168
	114,996	**3,941**	**1,936**		**–20**	**120,853**
Property, plant and equipment						
Right-of-use assets, operating and office equipment	120					120
Right-of-use assets, buildings	7,577	3,105	208		–1,207	9,683
Right-of-use assets, vehicles	1,607	139		244	–147	1,843
Other equipment, furniture and fixtures and office equipment	8,254	816	127	5	–73	9,129
	17,558	**4,060**	**335**	**249**	**–1,427**	**20,775**
	132,554	**8,001**	**2,271**	**249**	**–1,447**	**141,628**

In Financial Year 2023

	Cost					
	Jan. 1, 2023	Additions	Currency differences	Restatements/ reclassifications	Disposals	Dec. 31, 2023
	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)
Intangible assets						
Goodwill	18,814		–271			18,543
Internally generated product developments	52,103	5,690	–97	812		58,508
Externally generated product developments	3,998	854		–812		4,040
Other intangible assets	34,517	138	–719		–31	33,905
	109,432	**6,682**	**–1,087**		**–31**	**114,996**
Property, plant and equipment						
Right-of-use assets, operating and office equipment	117	3				120
Right-of-use assets, buildings	7,414	591	–54		–374	7,577
Right-of-use assets, vehicles	393	220		1,114	–120	1,607
Other equipment, furniture and fixtures and office equipment	7,317	1,245	–62	–4	–242	8,254
	15,241	2,059	–116	1,110	–736	17,558
	124,673	**8,741**	**–1,203**	**1,110**	**–767**	**132,554**

Depreciation/amortization/impairment						Carrying amounts
Jan. 1, 2024	Currency differences	Depreciation/ amortization in the financial year	Restatements / transfers	Disposals	Dec. 31, 2024	Dec. 31, 2024
EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)
7,593					7,593	11,428
40,590	19	3,963			44,572	18,017
2,281		630			2,911	1,164
17,137	737	1,741		20	19,595	15,573
67,601	**756**	**6,334**		**20**	**74,671**	**46,182**
42		20			62	58
3,750	63	1,501		1,206	4,108	5,575
237		162		147	252	1,591
5,395	92	972	13	63	6,409	2,720
9,424	**155**	**2,655**	**13**	**1,416**	**10,831**	**9,944**
77,025	**911**	**8,989**	**13**	**1,436**	**85,502**	**56,126**

Depreciation/amortization/impairment						Carrying amounts
Jan. 1, 2023	Currency differences	Depreciation/ amortization in the financial year	Restatements / transfers	Disposals	Dec. 31, 20223	Dec. 31, 2023
EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)
1,416		6,177			7,593	10,950
35,014		5,057	–519		40,590	17,918
1,652		1,148	519		2,281	1,759
15,785	–385	1,767		30	17,137	16,768
53,867	**–385**	**14,149**		**30**	**67,601**	**47,395**
22		20			42	78
2,921	–41	1,244		374	3,750	3,827
219		138		120	237	1,370
4,460	–48	1,090		107	5,395	2,859
7,622	**–89**	**2,492**		**601**	**9,424**	**8,134**
61,489	**–474**	**16,641**		**631**	**77,025**	**55,529**

Notes to the Consolidated Financial Statements for the 2024 Financial Year

A. GENERAL INFORMATION

1. BASIS

The consolidated financial statements of Softing AG were prepared in accordance with all International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) that were applicable on the balance sheet date and all Interpretations of the IFRS Interpretations Committee (IFRS IC) that were binding for the financial year ended and applicable in the European Union in accordance with Regulation No. 1606/2002 of the European Parliament and of the Council on the application of international accounting standards. The term IFRS also includes the applicable International Accounting Standards (IASs). Furthermore, the provisions applicable under German Commercial law as defined in Section 315e (1) German Commercial Code (HGB) were also taken into account.

The consolidated income statement is drawn up using the nature of expense format. The consolidated financial statements are structured in accordance with the provisions of IAS 1. The presentation in the consolidated statement of financial position differentiates between current and non-current assets. Assets are classified as current if they become due within one year. The consolidated statement of financial position also differentiates between current and non-current liabilities. Liabilities are classified as current if they become due within one year.

The reporting currency is the euro (EUR). All amounts are stated in thousands of euros (EUR thousand) unless indicated otherwise. These financial statements cover the 2024 financial year based on the reporting period from January 1 to December 31 of that same year. Due to rounding, it is possible that individual figures and percentages may not precisely add up to the totals shown.

The consolidated financial statements and the Combined management report are published in the electronic Federal Gazette.

The Executive Board of Softing AG released the consolidated financial statements to the Supervisory Board on March 18, 2025. It is the task of the Supervisory Board to examine the consolidated financial statements and declare whether it approves them.

2. PURPOSE OF THE GROUP

Softing AG, headquartered in Haar near Munich, Germany, is the Group's parent company. Softing AG is a stock corporation under German law. It is registered at Munich Local Court (HRB 127604) with the address "Richard-Reitzner-Allee 6, 85540 Haar." Softing AG is also the ultimate parent company of the Group.

The purpose of Softing AG and its subsidiaries is to provide analysis, consulting, development and implementation services in the context of IT projects as well as business studies, expert opinions and training, especially in the areas of process automation and production data acquisition, system and user software for micro- and minicomputer systems, long-distance data transmission, computer networks and commercial IT applications. The results of these activities are incorporated into the products marketed by the Softing Group.

3. PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS ON A GOING CONCERN BASIS

The Executive Board continues to stand by its realistic expectation that the Group has sufficient resources in order to continue to operate for at least a further period of twelve months and that the going concern principle remains appropriate as a basis for its financial reporting. This assessment by the Executive Board is based on the multi-year corporate planning and is supported by the risk early warning system implemented by the Company.

4. NEW AND AMENDED STANDARDS AND INTERPRETATIONS

New and international financial reporting standards (IFRSs) and interpretations effective for the first time in financial year 2024

Standard	Title
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (incl. Deferral of Effective Date) and Non-current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

These changes may require adjustments to our accounting policies. We have carefully considered the impact of these changes on our financial reporting and found that they do not result in any significant changes to Softing AG's consolidated financial statements.

New and amended Standards and Interpretations effective for the first time in future reporting periods

The following new and amended Standards have already been adopted by the IASB and are effective for future financial years:

Standard	Title	Effective for financial years beginning on or after
Amendments to IAS 21	Lack of Exchangeability	January 1, 2025
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments	January 1, 2026*
Amendments to IAS 7, IFRS 1, IFRS 7, IFRS 9 and IFRS 10	Transition for Annual Improvements to IFRSs – Volume 11	January 1, 2026*
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027*
IFRS 19	Subsidiaries without Public Accountability: Disclosures	January 1, 2027*

*EU endorsement still outstanding

These changes may require adjustments to our accounting policies. We will carefully consider the impact of these changes on our financial reporting and adjust our consolidated reporting as necessary.

B. ACCOUNTING POLICIES

The financial statements of Softing AG and its domestic and international subsidiaries have been prepared using uniform accounting policies. The accounting policies were applied consistently for all periods presented in the consolidated financial statements.

1. BASIS OF CONSOLIDATION

The consolidated financial statements as of December 31, 2024 include Softing AG and the following subsidiaries, over which Softing AG directly or indirectly exercises control:

Softing Group as of Dec. 31, 2024	Capital share/voting share	
	2024 %	2023 %
Softing AG, Haar/Germany		
Softing Automotive Electronics GmbH, Haar/Germany	100	100
Softing Services GmbH, Haar/Germany	100	100
Softing Engineering & Solutions GmbH, Kirchentellinsfurt/Germany, formerly Softing Messen und Testen GmbH	100	100
Softing Industrial Automation GmbH, Haar/Germany	100	100
Softing Italia s.r.l., Cesano Boscone/Italy	100	100
SoftingROM s.r.l., Cluj-Napoca/Romania	100	100
Buxbaum Automation GmbH, Eisenstadt/Austria	65	65
Softing Inc., Knoxville/USA	100	100
Softing North America Holding Inc., Delaware/USA	100	100
OLDI Online Development Inc., Knoxville/USA	100	100
Softing IT Networks GmbH, Haar/Germany	100	100
Softing Singapore Pte. Ltd., Singapore	100	100
Softing S.A.R.L., Paris/France	100	100
Softing Electronic Science & Technology (Shanghai) Co., Ltd, Shanghai/China formerly Shanghai Softing software Co., Ltd.	50	50
GlobalmatiX AG Vaduz/Liechtenstein	100	100
GlobalmatiX Inc., Knoxville/USA	100	100
GlobalmatiX GmbH, Haar/Germany	100	100

The share of the profits of Softing Electronic Science & Technology (Shanghai) Co., Ltd., Shanghai/China formerly Shanghai Softing software Co., Ltd. attributable to minority interests amounted to EUR 287 thousand in the financial year now ended (previous year: EUR 115 thousand) and that at Buxbaum Automation GmbH, Eisenstadt/Austria amounted to EUR –33 thousand (previous year: EUR 2 thousand).

Softing Electronic Science & Technology (Shanghai) Co., Ltd. is included in the group of consolidated affiliated companies because Softing is responsible for the company's economic and financial management. Softing holds two of the three seats on its Board of Directors and Softing Electronic Science & Technology (Shanghai) Co., Ltd. is dependent on the marketing of software products developed by subsidiaries of Softing. A dividend of

EUR 76 thousand was paid by Softing Electronic Science & Technology (Shanghai) Co., of which EUR 28 thousand was attributable to the minority shareholder. No dividend was paid by Buxbaum Automation GmbH, Eisenstadt/Austria.

As of December 31, 2024, there were no changes in the basis of consolidation of Softing AG compared to December 31, 2023.

The Group also held an 6.0% equity interest in Yoma Solutions GmbH in Norderstedt. The fair value was written down to EUR 0 thousand in the financial year now ended due to doubtful future business prospects (previous year: EUR 435 thousand). Equity according to the German Commercial Code in 2024 amounted to EUR –144 thousand (previous year: EUR –1,573 thousand) and the loss for the year was EUR 1,356 thousand (previous year: EUR 1,212 thousand).

The following subsidiaries avail themselves of exemption pursuant to Section 264 (3) German Commercial Code:

- Softing Industrial Automation GmbH (Haar)
- Softing Services GmbH (Haar)
- Softing IT Networks GmbH (Haar)

2. PRINCIPLES OF CONSOLIDATION

Subsidiaries are all companies that the Group controls in terms of financial and operating policies. The consolidation of an entity is contingent on the possibility of control. According to IFRS 10, a control relationship requires power over an investee, returns, and the ability to affect those returns through this power. Power is defined as a situation in which the parent has the ability to direct the relevant activities of the investee which significantly affect the investee's returns. Power can be demonstrated by way of voting rights or other contractual rights. A combination of both is also possible. Power is exerted if an entity holds more than 50% of the voting rights in an investee, and no other contradictory agreements or circumstances exist. In assessing control, potential voting rights, economic dependence, the interest held compared with that of the other shareholders, and voting patterns at shareholder meetings must be taken into consideration.

Subsidiaries acquired are accounted for using the purchase method. The consideration for the acquisition is equal to the fair value of the transferred assets, the equity instruments issued by the Group and the liabilities assumed from the previous owners of the acquired subsidiary as of the acquisition date. In addition, the consideration paid includes the fair value of any recognized assets or liabilities arising from agreed contingent consideration. Acquired assets identifiable in the course of a business combination along with liabilities and contingent liabilities assumed are recognized when they are acquired at their fair value at the time of acquisition. For each acquisition of an entity, the Group decides on a case-by-case basis whether the non-controlling interests in the entities acquired are recognized at fair value or in the amount of their proportional share of the net assets of the acquired entity. Historically, the full goodwill method has not been applied.

Any contingent consideration to be paid by the Group is recognized at fair value at the time of acquisition. Future adjustments to the fair value of contingent consideration classified as an asset or a liability are measured in accordance with IFRS 9 and recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and, when settled later, is accounted for in equity.

Transactions involving non-controlling interests without a loss of control are reported as transactions with the owners of the Group acting in their capacity as owners. Any difference between the fair value of the consideration paid and the acquired interest in the carrying amount of the net assets of the subsidiary arising from the acquisition of a non-controlling interest is recognized in equity. Gains and losses arising from the sale to non-controlling interests are also recognized in equity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control begins and until the date on which control ends.

Intragroup sales, expenses and income, receivables and payables as well as the results of intragroup transactions (intercompany profits) are eliminated during consolidation.

3. RECOGNITION OF REVENUE

Revenue is measured at the fair value of the consideration received or rendered, less returns and discounts and volume rebates granted. The following details apply to the recognition of revenue:

Revenue from the Sale of Products

Revenue from the sale of products is recognized when control of distinct goods is transferred to the customer. This means that the customer can direct the use of, and obtain substantially all of the remaining benefits from, the goods. A contract between Softing and the customer provides the basis for this. The parties must have agreed to the contract and the arrangements stipulated therein, the individual obligations of the parties and the payment terms must be identifiable, the contract must have commercial substance, and it must be likely that Softing will receive consideration for the service provided. The transaction price is the amount of consideration Softing AG receives in exchange for the transfer of merchandise or the provision of services. Softing bases its determination of the transfer of control on the Incoterms agreed. A receivable is reported on shipment of the goods because at this time the right to consideration is unconditional, meaning that from this date payment automatically becomes due in time. If the contract contains more than one distinct performance obligation, the transaction price is divided up between the individual performance obligations on the basis of the relative standalone selling prices. If no standalone selling prices can be observed, Softing estimates these. The individual identifiable performance obligations are realized on a specific date.

Revenue from Services

Revenue from services comprises customer-specific software developments. If, based on their specifications, the customer developments do not have an alternative use and there is an enforceable right to payment from the customer at least in the amount of a refund of the costs arising from the performance completed to date, including a reasonable profit margin, revenue is recognized over time. The percentage of completion is calculated using the cost-to-cost method because the costs incurred represent the best indicator for the performance obligation that has already been satisfied. The performance that has been completed at the end of the reporting period is recognized as a proportion of the total performance to be completed. Where contracts include hardware installation, the revenue for the hardware is recognized at the date on which the hardware was delivered, ownership was transferred, and the customer accepted the hardware. Estimates concerning the revenue, cost or order progress are adjusted as soon as circumstances change. Any resulting increases or decreases in the estimated revenue or costs are recognized in profit or loss for the period in which management becomes aware of the circumstances leading to the adjustment. In the case of fixed-price contracts, the customer pays an amount set in a payment schedule. If the services Softing performs exceed the amount paid at that particular time, a contract asset is recognized. If the payments received are higher than the value of the services performed, a contract liability is disclosed.

Revenue from the performance of other services is recognized in the reporting period in which the services are performed. Where the contact stipulates a fixed hourly rate, revenue is recognized in the amount which Softing is entitled to invoice. Services are normally invoiced on a monthly or quarterly basis and payment is due within 30 days of receipt of invoice.

Interest Income

Interest is recognized using the effective interest method. Interest income from bank balances and other financial assets is recognized as income only if the Company is likely to partake of the economic benefit and if the amount of income can be reliably determined.

Income from Government Grants

In accordance with IAS 20, government grants are only recognized if there is reasonable assurance that the Company will comply with the conditions attaching to them and the grants will be received.

4. INTANGIBLE ASSETS

Intangible assets comprise goodwill resulting from acquisition accounting as well as other intangible assets and capitalized development costs. With the exception of goodwill resulting from acquisition accounting, all intangible assets have a finite useful life.

5. DEVELOPMENT COSTS

Development costs for developing new products and for materially refining a product or process are capitalized if the product or process is technically and financially feasible; if there is an intention to complete it; if the development is marketable; if the costs can be reliably determined; and if the Group possesses sufficient resources to complete the development project. All other development costs are immediately recognized as expenses in the income statement. Capitalized development costs for completed projects are reported at cost net of accumulated amortization and impairment. In this context, production costs include labor costs and other directly allocable costs that are necessary to create the development project. The Softing Group amortizes the development costs for new product lines and product versions over their respective useful life of between three and five years using the straight-line method; amortization in the year the product lines or versions are completed is recognized on a pro-rata basis. Amortization is shown in the consolidated income statement under the item “Depreciation of property, plant and equipment and right-of-use-assets, and amortization of intangible assets”. In accordance with IAS 38, research costs cannot be capitalized and are immediately recognized as an expense in the consolidated income statement.

6. GOODWILL

Goodwill arises in conjunction with the acquisition of subsidiaries and equals the total of the consideration paid, the amount of all non-controlling interests in the acquired entity, and the fair value of previously held equity interests in the acquired entity, less the fair value of the net assets acquired. If the fair value of the net assets acquired exceeds the total of the consideration paid, the amount of all non-controlling interests, and the fair value of the previously held equity interests, the difference is recognized directly in profit or loss.

According to IFRS 3, goodwill is not amortized but subjected to an annual impairment test pursuant to IAS 36 if there is an indication of impairment. For the purpose of this impairment test, goodwill is allocated to a cash-generating unit (CGU).

At Softing, the cash-generating units correspond to the individual entities unless an entity’s business activity covers more than one segment. In this case, goodwill is allocated based on segments. The relevant cash-generating units for goodwill are:

- Softing Engineering & Solutions GmbH, Kirchentellinsfurt, Germany together with Softing Automotive Electronics GmbH.
- Softing Industrial Automation GmbH, Haar/Germany
- OLDI Online Development Inc., Knoxville/USA
- GlobalmatiX AG Vaduz/Liechtenstein & GlobalmatiX Inc. Knoxville/USA

An impairment loss is recognized if the carrying amount of the cash-generating unit to which the goodwill is allocated is higher than the recoverable amount. Pursuant to IAS 36, the recoverable amount is the higher of fair value less costs of disposal and value in use. As the fair value less costs to sell cannot be determined with reasonable effort, the value in use is recognized.

The value in use of the cash-generating unit was determined as follows: Based on the bottom-up planning for the next four financial years as approved by the management of Softing AG and the Supervisory Board, the future cash flows (before interest and taxes) of the cash-generating unit were determined. The planning is based on historical data and the best possible estimates of management regarding future developments. In order to carry out the impairment test, the management estimated the cash generated beyond the planning period, assuming that growth of 1.0% (previous year: 1.0%) is recorded in future years.

The value in use of the underlying cash generating unit was determined by applying the discounted cash flow method. The discount rate used is a pre-tax interest rate based on the Weighted Average Cost of Capital (WACC) concept. These comprise the cost of equity and borrowing weighted at fair value. The costs of capital are determined using Capital Asset Pricing Model (CAPM) and comprise the risk-free interest rate and a risk premium calculated as the difference of the average market return and the risk-free interest rate multiplied by the company-specific risk (beta factor). The beta factor for this is derived from a group of comparable companies. The borrowing costs are composed of a base interest rate and a specific credit spread derived from capital market data. When determining the value in use, discount rates before taxes are taken as a basis for each cash-generating unit.

An impairment loss recognized on goodwill is not reversed in future periods.

7. OTHER INTANGIBLE ASSETS

Intangible assets acquired for consideration are carried at amortized cost. They are amortized in accordance with their respective useful life using the straight-line method. Software and technology is amortized over a period of three to seven years in accordance with its respective useful life using the straight-line method. Rights and business relations are amortized over a period of five to twenty years. Amortization is shown in the consolidated income statement under the item "Depreciation of property, plant and equipment and right-of-use-assets, and amortization of intangible assets".

8. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost, less accumulated depreciation, usage-based accumulated depreciation and usage-based accumulated impairment losses.

Property, plant and equipment is depreciated using the straight-line method in accordance with its useful life. Hardware is depreciated over three years; furniture and fixtures are depreciated over five to seven years, and new equipment installed is depreciated over the remaining term of the lease. Amortization is shown in the consolidated income statement under the item "Depreciation of property, plant and equipment and right-of-use-assets, and amortization of intangible assets". If fixed assets are disposed, cost and accumulated depreciation are derecognized; income/loss from the disposal of fixed assets is recognized in the consolidated income statement under other operating income/expenses.

Costs related to repairs and maintenance work are recognized as expenses at the time they are incurred. Significant renovations and improvements are only allocated to the carrying amount of the original asset or capitalized as a separate asset if it is probable that economic benefits will flow to the Group in connection with that asset in the future, and these benefits can be estimated reliably.

9. IMPAIRMENT

The Group reviews the carrying amounts of intangible assets and property, plant and equipment at each reporting date for indications of impairment. If there are indications of impairment, the recoverable amount of the relevant asset is determined for the purpose of determining the scope of the potential impairment loss. The recoverable amount corresponds to the fair value less costs to sell or the value in use, whichever is higher. The value in use corresponds to the present value of the estimated cash flows. An interest rate before taxes that corresponds to market rates is used as the discount rate. If no recoverable amount can be determined for an individual asset, the recoverable amount for the smallest identifiable class of assets (cash-generating unit – CGU), to which the respective asset can be allocated, is determined.

Goodwill resulting from acquisitions are allocated to the CGUs that are to reap the benefits from the synergies arising from the acquisition. Such cash-generating units represent the lowest reporting level in the Group at which management monitors the goodwill for internal control purposes. The recoverable amount of a CGU that contains goodwill is tested for impairment at least once a year. This is also done for development projects that are currently under development and whose costs are capitalized. An impairment loss is recognized for an asset immediately if its recoverable amount is lower than its carrying amount. If the recoverable amount of the asset or the CGU is determined to be higher after an impairment loss has been recognized, the impairment loss recognized on goodwill is not reversed.

10. LEASES

Softing exclusively acts as a lessee in rental and lease agreements. Since January 1, 2019, it has recognized leases in accordance with the guidance of IFRS 16.

Only the accounting policies with relevance for the Group from the perspective of the Softing Group as a lessee are described below. In line with the internal reporting, intercompany leases will also continue to be presented in accordance with IAS 17, as operating leases were in the past, and are eliminated for consolidated reporting purposes.

For all new contracts effective on or after January 1, 2019, Softing examines whether a contract is or contains a lease. However, for this the Group does not apply the guidance of IFRS 16 to right-of-use intangible assets.

A lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. In application of this definition, the Group assesses whether the contract meets the following three preconditions:

- The contract refers to an identified asset which is either expressly indicated in the contract or is implicitly specified and can thus be considered to have been identified.

- The Group has the right to obtain substantially all of the economic benefits from the use of the identified asset throughout the period of use, while taking into consideration its rights within the defined scope of the contract.

- The Group has the right to determine the use of the identified asset throughout the period of use.

In the case of multiple-element arrangements, each separate lease component is accounted for separately, excluding real estate lease agreements for individual sites. Depending on the terms of the contract in question, the surrender of use and benefit of office and storage space as well as parking spaces for each site is accounted for as a single lease component. Non-lease components such as servicing and maintenance are recognized directly as an expense in the period in which the expenses are incurred.

Determination of the relevant lease term includes the contractual term, extension options and termination options. In the Softing Group, the assessment as to whether it is reasonably certain that a termination option, an extension option, or a purchase option will be exercised is generally made by the management of the individual company and is comprehensively determined following an evaluation of all economic advantages and disadvantages and reviewed periodically.

As of the date of provision of the leased asset, the Group recognizes a right-of-use asset and a lease liability in the statement of financial position. The cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability less any initial direct costs incurred by the Group, an estimate of costs to be incurred in dismantling and removing the underlying asset when the lease ends, and any lease payments made before the commencement date, less any lease incentives received. In subsequent periods, the right-of-use asset will be measured at depreciated cost.

The lease liability is measured according to the present value of the lease payments made during the term of the lease, on the basis of the underlying interest rate for the lease or, if this is not available, the incremental borrowing rate of interest. Within the scope of the subsequent measurement, interest will accrue to the carrying amount of the lease liability on the basis of the interest rate used for discounting, while the lease payments made will be deducted from this carrying amount.

Based on Softing's current portfolio of contracts, the lease payments included in the measurement of the lease liability solely comprise fixed payments (including de facto fixed payments) and variable payments coupled to an index or (interest) rate.

In principle, changes to leases and remeasurements of lease liabilities are recognized in other comprehensive income against the right-of-use asset. They are recognized in the consolidated income statement if the carrying amount of the right-of-use asset has already been reduced to zero or this is the result of a partial termination of the lease.

As a rule, the Group depreciates on a straight-line basis the right-of-use assets from the start of the lease up to the end of the period of use of the leased asset or the end of the contract term, whichever is earlier. In addition, the Group tests for impairment in case of relevant indicators.

For short-term leases and leases of low-value assets, the corresponding payments are measured on a straight-line basis over the term of the lease and presented as an expense in the income statement.

In the statement of financial position, right-of-use assets are presented under property, plant and equipment, while lease liabilities are presented under other current and non-current financial liabilities.

11. INVENTORIES

Inventories are recognized at the lower of cost or net realizable value. As a rule, production supplies and goods for resale/finished merchandise are recognized at the weighted average.

Production costs comprise material and production costs overheads directly attributable to the production process as well as reasonable amounts of the production-related overheads. Production costs do not include selling costs and general administration costs. If the net realizable value at the balance sheet date is below cost, for instance because of long periods of storage, damage or reduced marketability, inventories are written down to the lower value. Net realizable value is the estimated selling price of the item in the course of ordinary business less estimated costs incurred until completion and less estimated necessary selling costs.

12. FINANCIAL ASSETS – IFRS 9

Financial assets comprise in particular:

- Equity instruments in other companies held by the Group
- Trade receivables
- Other financial assets
- Cash and cash equivalents

Financial assets with a term of more than twelve months are presented under non-current financial assets.

Financial assets are classified based on the underlying business model and the cash flow characteristics, which stipulate that the contractual cash flows of a financial asset may solely comprise repayments of principal and interest on the principal amount outstanding. The cash flow characteristics are always tested at the level of the individual financial instrument. The business model is assessed based on the question of how financial assets can be managed to generate cash flows. Management can be based on a hold or sell model or a combination of the two.

The Group divides financial assets into one of the following categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income (debt instruments)
- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income (equity instruments)

Financial Assets at Amortized Cost (Debt Instruments)

The most important category of financial assets for the Group is the category of assets measured at amortized cost relating to debt instruments. They are recognized at amortized cost if the following two criteria are met:

- The business model for managing these financial instruments involves holding them to collect the underlying contractual cash flows, and the contractual cash flows generated consist solely of principal and interest.

- These financial assets are subsequently measured using the effective interest method subject to the impairment rules in IFRS 9.5.5 ff. In the Group it is mainly trade receivables, other financial assets and bank deposits that belong to this category.

Financial Assets At Fair Value Through Other Comprehensive Income (Debt Instruments)

Debt instruments are recognized at fair value through other comprehensive income including recycling if the following two criteria are met:

- The business model for managing these financial instruments involves holding them to collect the underlying contractual cash flows, and selling them, and

- The contractual cash flows generated consist solely of principal and interest.

For this category of financial assets, interest, foreign currency measurement effects, and expenses and income are recognized through profit or loss in the income statement in connection with impairment losses. Any changes are recognized in other comprehensive income in accordance with IFRS 9 and reclassified to profit or loss when the assets are sold (recycling).

The Group currently does not have any financial assets that fall in the scope of this measurement category.

Financial Assets at Fair Value Through Profit or Loss

This category comprises financial assets held for trading, financial instruments measured using the fair value option, financial assets mandatorily at fair value and equity instruments not measured at fair value through other comprehensive income. An asset is classified as held for trading if it is acquired or incurred for the purpose of selling or repurchasing it in the near term. Derivatives that are not part of a hedge are always held for trading. Financial assets that do not satisfy the cash flow characteristics are always measured at fair value through profit or loss irrespective of the underlying business model. The same measurement applies to financial instruments that are held within a business model whose objective is to collect contractual cash flows ("sell" model).

The fair value option for financial assets is not used in the Group.

Any changes in the fair value of these instruments are recognized in profit or loss.

Within the Group, only the equity investment in YOMA Solutions GmbH, Norderstedt is currently subject to this measurement.

Financial Assets at Fair Value Through Other Comprehensive Income (Equity Instruments)

When recognizing an equity instrument for the first time, the Group has the irrevocable option to measure this at fair value through other comprehensive income. This is subject to the condition that the instrument is an equity instrument in accordance with IAS 32 that is not held for trading purposes and does not constitute contingent consideration within the meaning of IFRS 3. The option is exercised separately for each individual equity instrument.

On the disposal of such financial assets, any gains or losses are not recycled through profit or loss. Dividends from such instruments are recognized in profit or loss. Equity instruments measured at fair value through other comprehensive income are not subject to the provisions on impairment.

The Group currently does not have any financial assets that fall in the scope of this measurement category.

Derecognition

A financial asset (or part of a financial asset or part of a group of similar financial assets) is derecognized (i.e. removed from the consolidated statement of financial position) mainly if one of the following conditions is met:

- The contractual rights to receive the cash flows of the financial asset have expired.

- The Group has transferred its contractual rights to receive the cash flows of the financial asset to third parties or assumed a contractual obligation to an immediate payment of the cash flow to a third party under a pass-through arrangement, thereby
  (a) transferring substantially all risks and rewards of the ownership of the financial asset or
  (b) neither transferring nor retaining substantially all risks and rewards of the ownership of the financial asset, but transferring the control of the asset.

The Group participates in a customer's reverse factoring program and sells receivables to a bank under this program. When the Group transfers its contractual rights to receive cash flows from an asset or enters into a pass-through arrangement, it assesses whether and to what extent it retains the risks and rewards of ownership.

If the Group neither transfers nor retains substantially all risks and rewards of the ownership of this asset, nor transfers the control of the asset, it continues to recognize the transferred asset to the extent of its continuing involvement. In this case, the Group also recognizes the liability associated with it. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations retained by the entity. If the continuing involvement guarantees the transferred asset, the extent of the continuing involvement corresponds to the lower of the asset's initial carrying amount and the maximum amount of the consideration received which the Group might have to pay back.

Under factoring, the rewards and risks are transferred to the contractual partner and the receivables are derecognized at the time of sale.

Impairment of Financial Assets

Financial assets, except financial assets measured at fair value through profit or loss, contract assets in accordance with IFRS 15, lease receivables, loan commitments and financial guarantees are subject to the impairment model within the meaning of IFRS 9.5.5. According to this approach, the Group must recognize a loss allowance on these assets based on the expected credit loss. The expected credit loss is the difference between the contractually agreed cash flows and the expected cash flows, measured at present value and applying the original effective interest rate. Expected cash flows also include proceeds from short hedges and other loan collateral that is an integral part of the relevant contract.

As a rule, expected credit losses are recognized in three stages. For financial assets which have not experienced a significant increase in credit risk since initial recognition, a loss allowance in the amount of the expected 12-month credit loss is recognized (Level 1). Where a significant increase in credit risk has occurred, the expected credit loss for the remaining lifetime of the asset is determined (Level 2). The Group generally assumes that a significant increase in credit risk has occurred if payments are 30 days past due. This principle can be refuted if reliable and justifiable information indicates in individual cases that credit risk has not increased. If there is objective indication of impairment, the underlying assets must be assigned to Level 3. Objective evidence of impairment is assumed if the assets are more than 90 days past due unless there is reliable, justifiable information in the specific case that longer arrears are acceptable. Moreover, a refusal to make payment and similar are considered objective evidence of impairment.

The class of assets that is relevant for the Group for application of the simplified impairment model comprises trade receivables and contract assets. For these, the Group applies the simplified approach in accordance with IFRS 9.5.15. In this approach, the loss allowance always equals the credit loss expected over the lifetime of the asset.

For other assets subject to the amended impairment model in IFRS 9 and to which the general approach is applied, the expected credit loss is measured by grouping financial assets on the basis of common credit risk characteristics, and considering individual default information. In any case, the calculation is based on current probabilities of default on the respective reporting date.

Softing generally assumes that a default has occurred when contractual payments are more than 360 days past due. In addition, in individual cases, other internal and external information may be considered that indicates that contractual payments cannot be paid in full. Financial assets are derecognized when there is no reasonable expectation that future payments will be made.

13. CONTRACT ASSETS AND CONTRACT LIABILITIES

Contract assets arise from the application of revenue recognition over time. At Softing this is particularly the case when the products, based on their specifications, do not have an alternative use and there is an enforceable right to payment from the customer at least in the amount of a refund of the costs arising from the performance completed to date, including a reasonable profit margin (software development for customers). In such cases, Softing recognizes revenue on the basis of the input-oriented cost-to-cost method. Here, the revenue is recognized in accordance with the stage of completion. The stage of completion is the proportion that contract costs incurred for work performed to date bear to the total contract costs.

Since revenue is required to be recognized before the date on which Softing has received the full consideration, a contract asset is recognized.

Contract liabilities mainly result from advances received from customers where these are in connection with a customer order and the products have not yet been delivered or performance completed.

Contract assets and contract liabilities are netted at the level of the individual contract. The contract balances at Softing generally have a current remaining term.

The provisions of IFRS 9 on impairment are applied to contract assets.

14. CURRENT ASSETS

Current assets are initially measured at fair value and then are recognized at depreciated or amortized cost.

15. CURRENT AND DEFERRED TAXES

The tax expense for the period comprises current and deferred taxes.

Taxes are recognized in the consolidated income statement unless they relate to an item that was recognized directly in equity or in other comprehensive income. In this case, the taxes are also recognized in equity or in other comprehensive income.

The current tax expense is measured based on the tax regulations of the countries in which Softing and its subsidiaries do business and generate taxable income that are applicable on the reporting date (or applicable in the near future). Management regularly reviews tax returns, particularly with regard to circumstances open to interpretation and, where appropriate, recognizes provisions in the amounts the Company is expected to have to pay to the tax authorities. Income taxes are determined using the balance sheet liability method.

As a rule, deferred tax assets and deferred tax liabilities are recognized for all temporary differences between the carrying amount of an asset or liability and its fair value determined for tax purposes. Deferred tax assets are also recognized for tax loss carryforwards and tax credits.

Deferred tax assets on tax loss carryforwards must be recognized to the extent that the future use of these tax loss carryforwards is probable. All deferred tax assets on tax losses were therefore recognized taking their realizability into account.

Deferred taxes are determined on the basis of the tax rates which, based on the current legal situation, apply at the time of realization or which are expected to apply in the individual countries. The effect of changes in tax rates on deferred taxes is recognized in profit or loss, or in equity, at the time the legal changes become effective.

Deferred tax assets are only recognized in the amount in which it is probable that taxable income will be available against which temporary differences can be applied.

Deferred tax liabilities and assets, which arise through temporary differences in the context of investments in subsidiaries are recognized, unless the Group can determine when the temporary differences reverse and it is probable that the temporary differences will not reverse in the foreseeable future as a result of this effect.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

16. PENSION PROVISIONS

Provisions for defined benefit pension plans are measured in accordance with IAS 19 using the projected unit credit method. This method takes into account not only the pensions and benefits accrued but also expected future pension increases based on a prudent assessment of relevant factors. Calculation is based on actuarial expert opinions taking into consideration biometrical assumptions and a discount rate derived from the yield of high-quality corporate bonds with matching maturities. The amount of the provision for defined benefit plans recognized in the statement of financial position corresponds to the present value of the defined benefit obligation on the balance sheet date less the fair value of the plan assets. The present value is calculated by discounting the expected future cash flows at an interest rate applicable to high-quality corporate bonds. Actuarial remeasurements are recognized in other comprehensive income.

17. PROVISIONS

The other provisions are recognized for all other contingent liabilities and risks of the Softing Group toward third parties. They are recognized only if the current obligation (factually or legally) arises from a past event, if utilization is probable, and if the amount of the obligation can be estimated reliably. The amount recognized comprises the present value of the expected expenditure, including interest cost, if any, on non-current provisions, required to settle the present obligation at the balance sheet date.

18. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

Financial liabilities frequently constitute an obligation to return in cash and cash equivalents or another financial asset. Financial liabilities are only recognized if Softing is a party to the agreement governing the financial liabilities. Financial liabilities are removed from the statement of financial position when they have been extinguished, i.e. when the obligations specified in the contract are discharged or canceled or expire.

Upon initial recognition, financial liabilities are measured at fair value after deduction of transaction costs. They are subsequently measured at amortized cost. Any difference between the disbursement amount (after deduction of transaction costs) and the repayment amount is amortized over the term of the loan using the effective interest method and recognized in the consolidated income statement. All financial liabilities held for trading fall into the category of financial liabilities at fair value through profit or loss. These include derivatives that are not part of a hedge and financial instruments for which the fair value option was exercised. Softing does not have any such financial instruments at present.

The Group has not made use of the fair value option for debt instruments in accordance with IFRS 9.

Financial liabilities comprise the statement of financial position items “Short-term and long-term borrowings”, “Trade payables” and “Other current financial liabilities”.

19. SHORT-TERM AND LONG-TERM BORROWINGS

Short-term borrowings include current liabilities to banks that are due within one year. Long-term borrowings include liabilities to banks that are due after more than one year. Short-term and long-term borrowings are initially recognized at fair value.

Borrowings are classified as short-term if Softing does not have the unconditional right to postpone extinguishment of the liability to a point in time at least twelve months after the balance sheet date.

20. CURRENT NON-FINANCIAL LIABILITIES

Non-financial liabilities are carried at the repayment amount.

21. EXERCISE OF JUDGMENT AND ESTIMATE UNCERTAINTIES

The preparation of the consolidated financial statements in accordance with the IFRSs requires forward-looking assumptions to be made and estimates to be used that have an effect on the carrying amounts of recognized assets and liabilities, income, expenses, and contingent liabilities. The forward-looking assumptions and estimates essentially relate to the uniform determination of useful lives throughout the Group, the determination of the term of leases, the determination of the incremental borrowing rate for leases, the recognition and measurement of provisions (in particular pension provisions), and the realizability of future tax benefits as well as the material exercise of judgment with regard to the expected time of occurrence, the amount of the future taxable income, and future tax planning strategies (tax forecasts). As a rule, the forward-looking assumptions and estimates are based on experience and knowledge gained from the past; they also take into account macroeconomic factors which might be used as a reliable basis. Forecasts are intrinsically uncertain and difficult especially because they are forward-looking. In individual cases, the actual values may deviate from the assumptions and estimates. The assumptions and estimates are reviewed regularly. Changes are recognized in profit or loss as of the time better knowledge is obtained, or in the period in which better knowledge is obtained, as well as in future periods if the changes comprise several periods.

The most important forward-looking assumptions and other material sources of estimate uncertainties as of the closing date that could result in a considerable risk of having to make significant adjustments to the recognized assets and liabilities in the next financial year concern the possible impairment of goodwill. The weighted average cost of capital (WACC) and the tax rates are the material parameters for carrying out the annual impairment test of goodwill.

Recognizing revenue over time using the cost-to-cost input method entails recognizing revenue based on the stage of completion. This method requires careful assessment of the stage of completion. Factors such as contract revenue, total contract costs, costs yet to be incurred until completion and contract risks are material to the estimate.

There is discretion in assessing the criteria relevant to the capitalization of development costs and the amount of the hourly rates for personnel used in the capitalization. The following assessments, in particular, are subject to our discretion: whether the given asset possesses technical and commercial utility for sale or own use; whether we plan on and are capable of completing the intangible asset and either using or selling it; and whether the asset will generate a future economic benefit.

22. CURRENCY TRANSLATION

Foreign currencies are translated using the functional currency method as defined in IAS 21. With the exception of Softing IT Networks in Singapore, where the functional currency is the USD, the functional currency of all foreign subsidiaries is the respective local currency because the material foreign companies that are included in the consolidated financial statements operate their businesses independently in financial, economic and organizational terms primarily in their respective economic environment. The exchange rate risk within the Softing Group is essentially restricted to USD, RON and CHF.

At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the exchange rates prevailing at the date when the fair value was determined. Non-monetary items measured at cost are translated using the exchange rate at the date of initial recognition.

For Group companies which do not report in EUR, the assets and liabilities are translated into euros at the exchange rate applicable at the balance sheet date, and expenses and income are translated at the annual average exchange rate for the purpose of preparing consolidated financial statements. Equity is translated at historical rates. Currency translation differences arising from currency translation of foreign operations are recognized in other comprehensive income and accumulated in retained earnings. They are shown separately as a currency reserve in the statement of changes in equity.

Goodwill and fair value adjustments arising during an acquisition of a foreign entity are recognized as assets and liabilities of the foreign entity and translated at the rate of exchange on the closing date. All resulting currency translation differences are recognized in other comprehensive income.

Currency translation differences arising on monetary items receivable from/payable to a foreign operation that are neither planned nor likely to be settled and therefore form part of the net investment in that foreign operation are initially recognized in other comprehensive income and are reclassified from equity to profit or loss on disposal or repayment of loans.

On disposal of a foreign operation or repayment of a long-term loan, all accumulated currency translation differences attributable to the Group from the operation are reclassified to profit or loss. In this context, the following transactions are considered to be disposals of a foreign operation:

The sale of the Group's entire equity interest or the partial sale resulting in loss of control, or partial or full repayments of loans that were originally considered non-repayable.

The euro exchange rates applicable for currency translation changed as follows:

	USD / EUR		RON / EUR		CHF / EUR	
	2024	2023	2024	2023	2024	2023
Closing rate (Dec. 31)	1.04	1.11	4.97	4.98	0.94	0.93
Average exchange rate	1.05	1.08	4.98	4.95	0.95	0.97

Currency gains or losses resulting from foreign currency transactions (transaction in a currency other than a company's functional currency) are reported as other operating income or other operating expenses in the individual financial statements of the Group companies. Currency differences arising from financing are reported under finance income/finance costs.

C. NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

1. CHANGES IN THE BASIS OF CONSOLIDATION

As of December 31, 2024, there were no changes in the basis of consolidation of Softing AG compared to December 31, 2023.

2. GOODWILL

	Dec. 31, 2024 EUR (in thsds.)	Dec. 31, 2023 EUR (in thsds.)
Softing Engineering & Solutions GmbH & Softing Automotive Electronics GmbH	1,055	1,055
Softing Industrial Automation GmbH	384	384
OLDI Online Development Inc.	7,989	7,511
GlobalmatiX AG	2,000	2,000
Goodwill	**11,428**	**10,950**

Softing Engineering & Solutions GmbH and Softing Automotive Electronics GmbH are both active in the Automotive sector and share some customers, even more so now that Softing Engineering & Solutions GmbH is expanding its business portfolio further and its activities are more closely aligned with those of Softing Automotive Electronics. The Group also believes that this will generate sales synergies, which is why it considers the two companies in the Automotive segment to be a single cash-generating unit.

Due to the change in the EUR/USD exchange rate, the goodwill of OLDI Online Development Inc. increased by EUR 478 thousand in 2024.

The 2025 detailed planning period was defined on the basis of short-term revenue and margin expectations.

In the medium term between 2026 and 2028, Softing expects the trend towards new technologies to accelerate and investments in product development to pay off.

Management continues to carefully monitor the ongoing market environment and planning parameters to ensure that any necessary adjustments to the estimates can be made.

The entities' goodwill was tested for impairment pursuant to IAS 36. The recoverable amount of the CGUs was determined based on a calculation of the entities' value in use. The following parameters were used for the items of goodwill:

For Europe:
- Discount rates (WACC) before taxes: 10.1%–11.0% (previous year: 10.6%–13.1%)
- Risk-free interest rate: 2.45% (previous year: 2.31%)
- Market risk premium: 6.5% (previous year: 7.00%)
- Beta factor relevered (weighted average of a group of comparable companies): 1.16 (previous year: 1.24)

For the USA:
- Discount rates (WACC) before taxes: 11.0% (previous year: 13.2%)
- Risk-free interest rate: 4.59% (previous year: 4.14%)
- Market risk premium: 4.5% (previous year: 6.00%)
- Beta factor relevered (weighted average of a group of comparable companies): 1.18 (previous year: 1.24)

Management has planned the cash flows for a period of 4 years (previous year: 4 years), after which a growth rate of 1.0% (previous year: 1.0%) was assumed for extrapolating the cash flow forecasts.

The material planning premises include, in particular, the expected development of the market in relation to the performance of the CGUs, the change in both sales and profits and the weighted average cost of capital. General market forecasts and current developments as well as historical experience are used to establish the assumptions. In particular, the long-term growth rates reflect circumstances specific to the business.

Besides sales, the margin is the material driver of value in the determination of the recoverable amount. The discount rate also has a significant impact on the measurement gain or loss.

The Group recognized impairment losses on goodwill of EUR 0 thousand in 2024 (previous year: EUR 6,177 thousand).

Sensitivity analysis:
An increase in the interest rate by 100 basis points would not lead to further impairment of goodwill in the cash-generating units. Likewise, a 5% decrease in the forecast free cash flow to firm (FCFF) in the terminal value would not lead to a need for further impairment of goodwill.

The sensitivity analysis does not show a need for impairment of the goodwill for all cash-generating units.

Climate-related matters: The Group continuously monitors legislation related to climate change and in financial year 2022 prepared its first voluntary sustainability report. At present, no laws have been adopted that impact negatively on the Group.

3. DEVELOPMENT COSTS

The change in capitalized development costs for product developments is shown in the changes in intangible assets and property, plant and equipment (appendix to the notes to the consolidated financial statements).

Expenses for research and development (without capitalized development costs) in the financial year just ended totaled EUR 16,165 thousand (previous year: EUR 13,127 thousand).

The following overview shows the total expenditures for research and development:

	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Capitalized development costs	3,891	5,690
Expenses not qualifying for capitalization	16,165	13,127
	20,056	**18,817**

4. OTHER INTANGIBLE ASSETS

The development of other intangible assets is shown in the changes in intangible assets and property, plant and equipment (appendix to the notes to the consolidated financial statements). No impairment losses were recognized in addition to amortization.

5. OTHER FINANCIAL ASSETS

At the end of December 2019, Softing acquired a stake in a start-up company by way of a capital increase; this company is allocated to the Automotive segment. The equity interest acquired was less than 10%. An obligation to transfer an additional EUR 1,495 thousand to the capital reserves of the investee was written into the investment agreement; this payment was made in early 2020. For subsequent measurement of the equity investment the Group decided to recognize the effects of changes in the fair value in profit or loss. In 2024, the equity investment (previous year: EUR 435 thousand) was completely written down due to a sharp deterioration of business prospects.

6. PROPERTY, PLANT AND EQUIPMENT

The change in property, plant and equipment is shown in the changes in intangible assets and property, plant and equipment, which is attached to the consolidated financial statements. No impairment losses were recognized in addition to amortization. The Group has entered into leases for several properties, mostly for office space and, to a lesser extent, storage facilities. Other leases have been entered into for vehicles. Rental agreements were concluded with terms of between one and five years and include extension options in some cases.

The rights of use to motor vehicles cover the leased fleet. As of December 31, 2024, approximately 45 leases for vehicles with remaining terms of between one and three years had been concluded.

Please refer to note C16 for information on the corresponding lease liabilities.

7. INVENTORIES

	Dec. 31, 2024 EUR (in thsds.)	Dec. 31, 2023 EUR (in thsds.)
Raw materials and consumables	8,385	9,148
Finished goods	18,349	14,531
Inventories	**26,734**	**23,679**

Loss allowances recognized in 2024 total EUR 620 thousand (previous year: EUR 406 thousand). As in the previous year, no reversals of impairment losses were recognized in profit or loss. The purchased inventories are subject to reservation of title until the purchase price receivable has been settled. One customer made a prepayment of EUR 2,910 thousand to secure their inventory. This amount will be credited to them in the coming years after delivery of finished products.

8. TRADE RECEIVABLES

Trade receivables are non-interest-bearing and are due in less than one year. All trade receivables are receivables from contracts with customers. Receivables management is being monitored more closely than before the coronavirus crisis, and 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.

Softing recognizes loss allowances for general credit losses using the expected loss model in accordance with IFRS 9.5.5. These are initially recognized through allowance accounts unless it can be assumed at the time the reason for the loss allowance arises that the receivable will be unrecoverable in full or in part. In such cases, the carrying amount of the receivables is written down directly through profit or loss.

	Carrying amount	Of which impaired receiv-ables (stage 3)	Of which neither past due nor impaired	Of which not impaired and past due within the following time bands			
				Less than 90 days	91 to 180 days	181 to 360 days	More than 360 days
Dec. 31, 2024	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)
Trade receivables (gross)	13,682	404	11,326	1,859	13	79	0
Risk provision (stage 2)	–29		–6	–1	–5	–17	0
Risk provision (stage 3)	–404	–404					
Trade receivables (net)	**13,249**	**0**	**11,320**	**1,858**	**8**	**62**	**0**

Changes in expected credit losses on trade receiv-ables are shown in the following table:

As of Jan. 1, 2024 EUR (in thsds.)	Use EUR (in thsds.)	Reversal EUR (in thsds.)	Addition EUR (in thsds.)	As of Dec. 31, 2024 EUR (in thsds.)
453	30		9	432

	Carrying amount	Of which impaired receiv-ables (stage 3)	Of which neither past due nor impaired	Of which not impaired and past due within the following time bands			
				Less than 90 days	91 to 180 days	181 to 360 days	More than 360 days
Dec. 31, 2023	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)	EUR (in thsds.)
Trade receivables (gross)	12,723	424	8,934	2,356	983	26	0
Risk provision (stage 2)	–29		–9	–7	–13	0	0
Risk provision (stage 3)	–424	–424					
Trade receivables (net)	**12,270**	**0**	**8,925**	**2,349**	**970**	**26**	**0**

Changes in expected credit losses on trade receiv-ables are shown in the following table

As of Jan. 1, 2023 EUR (in thsds.)	Use EUR (in thsds.)	Reversal EUR (in thsds.)	Addition EUR (in thsds.)	As of Dec. 31, 023 EUR (in thsds.)
251	79		281	453

9. CURRENT OTHER FINANCIAL ASSETS

	Dec. 31, 2024 EUR (in thsds.)	Dec. 31, 2023 EUR (in thsds.)
Creditors with debit balances	226	185
Other financial assets	18	156
	244	**341**

10. CONTRACT ASSETS AND CONTRACT LIABILITIES

	Carrying amount	Of which neither past due nor impaired
Dec. 31, 2024	EUR (in thsds.)	EUR (in thsds.)
Contract assets (gross)	883	883
Risk provision (stage 2)	0	0
Contract liabilities	4,863	4,863
Net amount	**–3,980**	**–3,980**

	Carrying amount	Of which neither past due nor impaired
Dec. 31, 2023	EUR (in thsds.)	EUR (in thsds.)
Contract assets (gross)	902	902
Risk provision (stage 2)	0	0
Contract liabilities	5,957	5,957
Net amount	**–5,055**	**–5,055**

Revenue of EUR 2,624 thousand (previous year: EUR 4,395 thousand) from contracts with customers included in contract liabilities at the beginning of the period was recognized in the current period. A transaction price totaling EUR 6,677 thousand (previous year: EUR 8,564 thousand) is allocated to the performance obligations that were partly or entirely unsatisfied at the end of the reporting period. Softing will recognize EUR 5,969 thousand (previous year: EUR 7,794 thousand) of the transaction price in the next reporting period and EUR 708 thousand (previous year: EUR 770 thousand) in subsequent periods. The transaction prices stated are prices for software maintenance agreements and customer-specific engineering work. For performance obligations with a maximum term of one year or where invoicing is based on fixed hourly rates, the transaction price is not stated in accordance with IFRS 15.

11. CURRENT INCOME TAX ASSETS

The current income tax assets mainly concern corporation tax/federal tax (USA) receivables amounting to EUR 198 thousand (previous year: EUR 391 thousand) and Softing Italy with EUR 40 thousand (previous year: EUR 192 thousand). The Group's taxes are described in detail in section D 9.

12. CASH AND CASH EQUIVALENTS

	Dec. 31, 2024 EUR (in thsds.)	Dec. 31, 2023 EUR (in thsds.)
Cash and cash equivalents	9,271	4,859

Cash and cash equivalents include cash and bank balances and are measured at their nominal value as of the balance sheet date. Bank balances comprise time deposits and current account funds. The time deposits can be liquidated within three months. Cash and cash equivalents are not impacted significantly by foreign currencies. A review of the banks' ratings has not revealed any additional risks to cash. The maximum counterparty credit risk corresponds to the carrying amounts.

13. CURRENT NON-FINANCIAL ASSETS

	Dec. 31, 2024 EUR (in thsds.)	Dec. 31, 2023 EUR (in thsds.)
Receivables from employees	4	0
VAT receivables	31	508
Prepaid expenses/prepayments	872	986
Research grant receivables	1,749	768
Advances paid	4,609	1,237
Receivables from insurers	0	261
Other non-financial assets	155	85
	7,420	**3,845**

14. EQUITY

Subscribed Capital
As of the balance sheet date, the fully paid-in share capital of the Company was EUR 9,925,881 (previous year: EUR 9,105,381 thousand). It is divided into 9,925,881 (previous year: 9,105,381) no-par-value bearer shares with a notional value of EUR 1 each. An average of 9,178,004 shares were outstanding in the reporting year (previous year: 9,015,381). Softing AG holds 0 of its own shares in treasury share (previous year: 90,000 shares)

Based on the authorization granted by the General Shareholders' Meeting on May 6, 2022, the share capital of EUR 9,105,381 was increased by EUR 820,500 upon entry in the commercial register on December 05, 2024. The cash inflow from the capital increase amounted to EUR 3.8 million. All no-par shares grant identical rights, especially identical voting rights. No shareholder or shareholder group has special rights.

Shareholders' voting rights are not restricted by law or the Company's Articles of Incorporation. The voting rights are not limited to a specific number of shares or votes.

For more information, please see the disclosures under Section 315 (4) German Commercial Code in the management report.

Authorized Capital
The Executive Board is authorized to increase the Company's share capital with the approval of the Supervisory Board once or several times by up to EUR 4,552,690.00 by issuing up to 4,552,690 new no-par bearer shares against contributions in cash and/or in kind (authorized capital 2022) until May 5, 2027. The Executive Board is also authorized to disapply shareholders' statutory pre-emptive right with the approval of the Supervisory Board, as necessary for offsetting factional shares; if the shares are issued against in-kind contributions for the purpose of acquiring companies or equity interests in companies or business units or for the purpose of acquiring receivables from the given entity; if a capital increase against cash contributions does not exceed 10% of the share capital and the issue price of the new shares is not substantially lower than the share price pursuant to Section 186 (3) sentence 4 German Stock Corporation Act. Disapplying shareholders' pre-emptive right under other authorizations pursuant to Section 186 (3) sentence 4 German Stock Corporation Act shall be considered in connection with any exercise of this authorization under the aforementioned statute.

The Executive Board is authorized to fix all other details of the capital increase and its implementation. The Supervisory Board is authorized to amend the Articles of Incorporation such that they reflect the extent of each capital increase from authorized capital.

The authorized capital as of December 31, 2024, was EUR 3,732,190 (previous year: EUR 4,552,690).

Profits for the year eligible for distribution were determined based on the net retained profits of Softing AG pursuant to the German Commercial Code.

Contingent Capital
The Executive Board is authorized to contingently increase the Company's share capital with the approval of the Supervisory Board by up to EUR 4,552,690.00 by issuing up to 4,552,690 new no-par bearer shares (Contingent Capital 2022). The contingent capital increase will serve the granting of option rights or obligations to the holders of warrants arising from bonds with warrants under the terms of the respective options or the granting of conversion rights or obligations to the holders of convertible bonds under the terms of the respective convertible bonds issued by the Company up to May 6, 2027 in accordance with the resolution of the General Shareholders' Meeting on May 7, 2022. The new shares will be issued at the respective option or conversion price to be determined in accordance with the above-mentioned

authorization resolution. The contingent capital increase will be implemented only in the event that bonds with warrants or convertible bonds are issued and only to the extent that the holders of the bonds with warrants or the convertible bonds make use of their option or conversion right or the holders of bonds obligated to convert or to exercise the option fulfill this obligation and the contingent capital is needed in accordance with the terms and conditions of the bond with warrants or the convertible bond. The new shares issued on the basis of the exercise of the option or conversion right or the fulfillment of the conversion or option obligation have a share in the profit from the beginning of the financial year in which they arise. The Executive Board is authorized, with the approval of the Supervisory Board, to stipulate the further details of the implementation of the contingent capital increase. Said authority was not exercised to date.

Capital Reserves

The capital reserves contain the premium on the issue of shares less transaction costs.

Treasury Shares

The General Shareholders' Meeting authorized the Executive Board on May 6, 2020 to purchase treasury shares of the Company and to accept treasury shares of the Company in pledge in the period up to May 5, 2025. The treasury shares purchased in 2020 were purchased on the basis of the authorization granted by the General Shareholders' Meeting on May 4, 2016.

	Number of shares	Transaction dates	Proportionate share capital	Interest in share capital	Cost
			EUR (in thsds.)	%	EUR (in thsds.)
Balance on Dec. 31, 2023	90,000		90	0.99	485
Sale	–90,000	Aug. 12, 2024	–90	–0.99	–446
Balance on Dec. 31, 2024	**0**		**0**	**0**	**–39**

On August 12, 2024, a share purchase and transfer agreement was concluded between Softing AG and a Swiss investor for the transfer of 90,000 shares of Softing AG at a price of EUR 4.95 per share.

As of the reporting date, Softing AG held 0 shares in treasury (previous year: 90,000). Until August 11, 2024, Softing reported its treasury shares in its statement of financial position by means of the cost method. The cost of these treasury shares is thus presented within the scope of a separate item within equity as a deductible item.

The changes in consolidated equity including the changes from acquisitions are presented in the "Consolidated Statement of Changes in Equity" 2024/2023.

Retained Earnings

Retained earnings include the accumulated, undistributed profits of the companies included in the consolidated financial statements. A dividend of EUR 0.13 per eligible share (previous year: EUR 0.10) was paid out in the 2024 financial year for 2023. The Executive Board proposes not to pay a dividend for financial year 2024.

Retained earnings also include the differences from the currency translation and the associated deferred taxes of transactions made by foreign subsidiaries, and the remeasurements from pension obligations and their deferred tax effects not recognized through profit or loss.

Non-controlling Interests

The non-controlling interests in the amount of EUR 905 thousand (previous year: EUR 689 thousand) concern other shareholders in Austria and China.

15. PENSIONS

This item concerns the partially reinsured and defined benefit pension commitments granted to the three former members and one current member of the Executive Board, which provide for lifelong retirement and widow's benefits, as well as orphans' benefits in the event one or both parents are lost. There is a variable commitment in addition to a fixed commitment. The amount of benefits is determined individually. The liabilities in connection with the pension plans are determined annually by independent experts in accordance with the projected unit credit method. The fair value of the reinsurance cover of EUR 3,797 thousand (previous year: EUR 3,663 thousand) was offset against pension provisions. Actuarial remeasurements were recognized immediately in retained earnings in accordance with IAS 19.120. The cumulative gains and losses reported in this item were EUR –994 thousand as of December 31, 2024 (previous year: EUR –517 thousand).

The pensions under variable commitments increase or decrease in line with the change in the Consumer Price Index for Germany (2020 = 100). It rose from 121.4 points to 123 points on average between 2023 and 2024.

The actuarial assumptions on which the calculation is based are summarized in the following table:

Basis of calculation	Dec. 31, 2024 %	Dec. 31, 2023 %
Assumed interest rate	3.50	3.85
Salary trend	0.0	0.0
Expected rate of pension increase	2.0	2.0
Anticipated employee turnover rate	0.0	0.0

Development of the obligation	2024 EUR (in thsds.)	2023 EUR (in thsds.)
DBO as of January 1	4,554	4,666
Service cost	115	122
Interest expense	170	146
Pension payments to pensioners	–202	–182
Expected DBO as of December 31	**4,637**	**4,752**
Remeasurements, of which		
Effects from adjusting the assumed interest rate	458	–198
Effects from changes in trend assumptions	0	0
Effects from experience adjustments	0	0
Actual DBO as of December 31	**5,095**	**4,554**

The average remaining life of the obligation is 11.97 years (previous year: 12.14 years).

Calculation of annual income and annual expense	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Interest income	141	114
Interest expense	–170	–147
Service cost	–115	–122
Annual expense	**–144**	**–155**

Development of plan assets	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Plan assets as of January 1	3,662	3,544
Payment from plan assets	–94	–93
Payments into the employer's plan assets	107	107
Interest earned from plan assets	141	114
Adjustment of plan assets	–20	–9
Plan assets as of December 31	**3,796**	**3,663**

Only reinsurance policies not quoted on an active market are taken out to hedge portions of the obligations arising from pensions. Each of these policies relates directly to the underlying pension commitment. The expected contributions to plan assets amount to EUR 107 thousand in 2025 (previous year: EUR 107 thousand). Payments into plan assets of EUR 107 thousand are also expected in the years up to 2027.

Reconciliation with the statement of financial position	Dec. 31, 2024 EUR (in thsds.)	Dec. 31, 2023 EUR (in thsds.)
Present value of the defined benefit obligations (DBO)	5,095	4,554
Fair value of the external plan assets	3,796	3,663
Provision	**1,299**	**891**

Development of the provision	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Provision as of January 1	891	1.121
Service cost	115	122
Net interest expense	29	33
Remeasurements	–438	–189
Pension payments	–202	–182
Benefit payment from plan assets	94	93
Payments into plan assets	–107	–107
Provisions as of December 31	**382**	**891**

The sensitivity of the overall pension obligation to changes in the weighted main assumptions is:

	Effect on the obligation	
	Change Assumption	Change Assumption
Relative effect of interest rate change on DBO 2024	+0.25% pp	–0.25% pp
	–2.79%	2.93%
Relative effect of interest rate change on DBO 2023	+0.25% pp	–0.25% pp
	–2.86%	3.01%

	Effect on the obligation	
	Change Assumption	Change Assumption
Relative effect of a change in the pension trend on DBO 2024	0.25% pp	–0.25% pp
	+0.92%	–0.89%
Relative effect of a change in the pension trend on DBO 2023	0.25% pp	–0.25% pp
	+0.96%	–0.94%

No sensitivity analysis based on life expectancy was presented because participants in question include only three former beneficiaries and one active beneficiary.

The sensitivities were determined by changing one parameter while leaving all other parameters unchanged.

Pension payments of EUR 310 thousand (previous year: EUR 200 thousand) are expected for the 2025 financial year. Contributions to the plan are expected to be EUR 107 thousand (previous year: EUR 107 thousand), and interest income is expected to be EUR 173 thousand (previous year: EUR 141 thousand).

16. LONG-TERM BORROWINGS AND OTHER NON-CURRENT FINANCIAL LIABILITIES

In 2019, the long-term borrowings were renegotiated with the principal banks, the long-term existing debt was extinguished and new loans totaling EUR 14,000 thousand were taken out; these loans were defined as redemption-free for two years and will subsequently be repaid on a straight-line basis/quarterly within five years. Softing AG also received a loan of EUR 2,500 thousand in 2022. This loan has a term of three years and is due for repayment in one lump sum at the end of the term.

In 2024, further loans of EUR 6,000 thousand were taken out from the Company's main banks, with the Company being exempt from making payments of principal until repayment of the 2019 loans. In the course of obtaining these loans, Softing AG agreed to comply with financial covenants entailing an obligation to maintain certain financial ratios. The financial covenants require Softing to maintain a specified equity ratio and not exceed a maximum debt-to-equity ratio for the Group. During the financial year, Softing AG had no problem fulfilling the covenant regarding equity ratio. The maximum debt-to-equity ratio was exceeded in the second and third quarters. After consultation with the banks, the breaches were accepted without consequences; this was also confirmed in writing. In the fourth quarter, both criteria relevant to the covenants were again met. The non-current portion of these loans amounted to EUR 7,056 thousand as of December 31, 2024 (previous year: EUR 6,356 thousand).

There are also loans of EUR 2,500 thousand that mature in 2025 and loans taken out by a subsidiary from a bank in the amount of EUR 6 thousand (previous year: EUR 6 thousand).

Some elements of the Executive Board remuneration were not paid out in recent years due to the economic crises, with payment of those elements deferred. An amount of EUR 4,607 thousand (previous year: EUR 4,493 thousand) is therefore included in other non-current liabilities. The increased cash flow attributable to this waiver was used to support the economic situation.

As of the balance sheet date, the lease liabilities had a carrying amount of EUR 7,663 thousand (previous year: EUR 5,546 thousand), divided into non-current lease liabilities of EUR 6,187 thousand (previous year: EUR 4,260 thousand) and current lease liabilities of EUR 1,475 thousand (previous year: EUR 1,286 thousand).

In financial year 2024, other financial lease liabilities were repaid in the amount of EUR 1,534 thousand (previous year: EUR 1,350 thousand) and an interest portion of EUR 279 thousand (previous year: EUR 139 thousand) on leases was paid. Total cash outflow for leases including variable lease payments and payments in connection with current leases, as well as leases of low-value assets, came to EUR 1,813 thousand in financial year 2024 (previous year: EUR 1,499 thousand). As of the balance sheet date, EUR 7,663 thousand (previous year: EUR 5,904 thousand) was recognized for future cash outflows.

Possible future cash outflows of EUR 65 thousand (previous year: EUR 67 thousand) were not included in the lease liability because it is not reasonably certain that the lease will be extended (or not terminated). As of December 31, 2024, there were future cash outflows of EUR 0 thousand (previous year: EUR 3,915 thousand) for leases that the Softing Group had entered into as the lessee as of the balance sheet date but which have not yet commenced.

As of December 31, 2024, the Group was bound by current leases for which the corresponding exemption option was utilized. The total obligation as of this date approximates the expense incurred in the financial year.

The right-of-use-assets under leases are recognized under property, plant and equipment with carrying amounts of EUR 7,225 thousand (previous year: EUR 5,271 thousand).

Lease liabilities resulting in particular from property leases and vehicle leases are repaid in monthly installments through the end of the lease term.

In the financial year, expenses for current leases for which the Group made use of the practical expedients amounted to EUR 2 thousand (previous year: EUR 12 thousand) and expenses for leases of low-value assets stood at EUR 1 thousand (previous year: EUR 1 thousand).

The outlay for variable lease payments not included in the measurement of the lease liabilities was EUR 0 thousand in the financial year (previous year: EUR 0 thousand).

17. TRADE PAYABLES

The trade payables of EUR 13,470 thousand (previous year: EUR 6,750 thousand) exclusively concern current payables toward non-Group third-parties for supplied goods and services. All trade payables are due and payable within one year. One customer made a prepayment of EUR 7,067 thousand to secure their inventory. This amount will be credited to them in the coming years after delivery of finished products, resulting in a liability to this customer until the contract is fulfilled.

18. PROVISIONS

The other provisions are recognized for all other contingent liabilities and risks of the Softing Group toward third parties. They are recognized only if utilization is probable and the amount of the obligation can be estimated reliably. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

	As of Jan. 1, 2024 EUR (in thsds.)	Use EUR (in thsds.)	Reversal EUR (in thsds.)	Addition EUR (in thsds.)	As of Dec. 31, 2024 EUR (in thsds.)
Warranties	63	63	0	107	107
Other	16	16	0	0	0
Total	**79**	**79**	**0**	**107**	**107**

This exclusively comprises current provisions that are estimated to become due within one year.

19. INCOME TAX LIABILITIES

In the financial year just ended, liabilities of EUR 458 thousand (previous year: EUR 279 thousand) were recognized for expected tax payments. The Group's taxes are described in detail in note D9.

20. SHORT-TERM BORROWINGS

Short-term borrowings amount to EUR 9,351 thousand (previous year: EUR 8,476 thousand), which in the financial year relates to the utilization of overdraft lines of credit.

21. OTHER CURRENT FINANCIAL LIABILITIES

	Dec. 31, 2024 EUR (in thsds.)	Dec. 31, 2023 EUR (in thsds.)
Wages and salaries payable	2,557	3,506
Lease liabilities (< 1 year)	1,475	1,286
Other	307	389
	4,339	**5,181**

22. CURRENT NON-FINANCIAL LIABILITIES

	Dec. 31, 2024 EUR (in thsds.)	Dec. 31, 2023 EUR (in thsds.)
Liabilities related to social security	240	247
Other tax liabilities primarily (sales and wage tax)	399	425
Other	356	56
	995	**728**

D. NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. REVENUE

Revenue by regions:	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Germany	32,662	30,649
USA	32,706	55,468
Other countries	29,688	26,478
	95,056	**112,595**

Revenue by products and services:	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Products	76,501	97,605
Services	18,555	14,990
	95,056	**112,595**

Revenue recognized at a point in time/over time:	2023 EUR (in thsds.)	2022 EUR (in thsds.)
Point in time	76,501	97,605
Of which products:	76,501	97,605
Of which services:	0	0
Over time	18,555	14,990
Of which products:	0	0
Of which services:	18,555	14,990
	95,056	**112,595**

In 2024, one customer in the Industrial Automation segment who was responsible for revenue of EUR 16,100 thousand (previous year: EUR 33,478 thousand) and 17% (previous year: 30%) of consolidated revenue exceeded the revenue threshold of 10%. For detailed information on operating segments, we refer to the segment reporting (see chapter E1).

2. OTHER OWN WORK CAPITALIZED

Other own work capitalized concerns costs for/ investments in the development of new products. Most of these costs are personnel costs of the development departments and the associated costs.

3. OTHER OPERATING INCOME

The other operating income comprises the following items:	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Income from exchange differences	242	289
Income from insurance benefits	54	238
Revenue from the reduction of loss allowances	1	12
Recharged costs	0	0
Research grants	1,237	845
Income from commissions	15	83
Other income	177	246
	1,726	**1,713**

4. COST OF MATERIALS

	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Purchase of components and products	34,306	50,726
Third-party services	1,433	1,131
	35,739	**51,857**

5. STAFF COSTS

	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Current salaries	33,495	32,064
Social security and retirement benefit costs	5,425	5,033
Profit-sharing, royalties	2,028	2,736
Use of company cars by employees	–5	14
Other temporary workers	443	260
	41,386	**40,107**

The statutory pension scheme in Germany is treated as a defined contribution scheme.

Expenses recognized for the statutory pension scheme total EUR 1,780 thousand (previous year: EUR 1,607 thousand). The service cost for pension provisions amounts to EUR 115 thousand (previous year: EUR 122 thousand).

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Depreciation, amortization and impairment losses are listed in detail in the statement of changes in non-current assets (appendix to the notes to the consolidated financial statements). No impairment losses were recognized on goodwill in financial year 2024 (previous year: EUR 6,178 thousand). No impairment losses were recognized on internally generated intangible assets (previous year: EUR 2,000 thousand).

7. OTHER OPERATING EXPENSES

The other operating expenses are as follows:	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Employee-related costs	356	586
Infrastructure costs	3,459	3,475
Distribution costs	3,500	3,208
Consulting costs	1,135	1,129
Third-party services	2,073	1,747
Capital market costs	339	342
Contributions and fees	121	132
Operating costs	445	405
Exchange differences	214	614
Other product development expenses	1,655	1,668
Other costs	535	809
	13,832	**14,115**

8. INTEREST INCOME/INTEREST EXPENSE AND OTHER FINANCE INCOME AND COSTS

The financial result comprises interest expense, interest income and other finance income/costs.

The total interest expense breaks down as follows:	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Other interest expense		
Interest from unwinding of discounts on provisions	170	146
Interest on loans	595	283
Other interest	95	76
Total other interest expense	860	505
Interest from IFRS 16 lease accounting	279	139
	1,139	**644**

Interest income comprises the following items:	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Interest income from pension provisions	141	114
Other interest	29	6
	170	**120**

The other finance income/finance costs of EUR –435 thousand relate to an impairment loss recognized on an equity investment due to a sharp deterioration of future business prospects.

9. INCOME TAXES

The income tax expense breaks down as follows:	2024 EUR (in thsds.)		2023 EUR (in thsds.)	
Deferred taxes on temporary differences	60		–715	
Deferred taxes on tax loss carryforwards	–126		–144	
Total deferred tax expense/income		–238		–859
Current tax expense/income financial year	–1,536		–1,677	
Current tax expense/income previous year	20		72	
Total current tax expense/income		–556		–1,605
		–662		**–2.464**
Effective tax rate		–68.61%		–75.85%

Deferred taxes are recognized for temporary differences between the amounts recognized for financial reporting purposes and the amounts recognized for tax purposes, and for any differences arising from uniform measurement and consolidation within the Group. Deferred taxes are determined based on the applicable country-specific tax rates. The underlying domestic tax rate, which has not changed compared to the previous year, is determined as follows:

	2024 %	2023 %
Corporation tax including solidarity surcharge	15.83	15.83
Trade tax rate	12.25	12.25
	28.08	**28.08**

The deferred tax assets on tax loss carryforwards in Germany and abroad were recognized because in the Group's opinion the loss carryforwards are not impaired in the amount recognized due to positive tax forecasts and a positive market outlook as of the balance sheet date.

The tax loss carryforwards of the individual companies are as follows:

	Dec. 31, 2024 EUR (in thsds.)	Dec. 31, 2023 EUR (in thsds.)	Usable until
Softing AG (trade tax)	3,888	3,673	Unlimited
Softing AG (corporation tax)	2,850	2,604	Unlimited
Softing Singapore	7,424	3,442	Unlimited
Softing North America Holding (State)	0	1,109	Unlimited
GlobalmatiX AG	9,140	6,230	Unlimited

Of the total tax loss carryforwards in the amount of EUR 24,441 thousand (previous year: EUR 22,407 thousand), EUR 7,906 thousand (previous year: EUR 6,753 thousand) was recognized on deferred tax assets. No deferred tax assets were recognized for tax loss carryforwards of EUR 16,535 thousand (previous year: EUR 15,672 thousand).

The current income tax expense is derived as follows from the expected tax expense. As in the previous year, the calculation for the Group is based on the tax rate applicable for Softing AG, as this company is responsible for the main part of the Group's business.

	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Earnings before taxes	–907	–3,249
Expected tax income/expense (28.08%)	–255	–912
Tax additions and deductions	–182	–21
Impairment of goodwill	0	1,580
Different tax rates	577	808
Other deferred taxes, temporary differences, loss carryforwards not recognized	559	961
Taxes, previous years	–37	48
Current tax expense shown in the income statement	**662**	**2,464**

Deferred tax assets and deferred tax liabilities are allocable to the following items:

	2024 EUR (in thsds.)		2023 EUR (in thsds.)	
	Assets	Liabilities	Assets	Liabilities
Intangible assets	201	6,030		5,675
Pension provision	395		322	
(Of which recognized directly in equity)	(366)		(232)	
Contract assets/trade payables and trade receivables	43	456	73	435
Other provisions	0		55	
Current assets				
Future tax benefits from loss carryforwards	1,276		952	
Netting	–1,197	–1,197	–796	–796
Gross amount/carrying amount	**718**	**5,289**	**606**	**5,314**

E. OTHER DISCLOSURES

1. OPERATING SEGMENTS BY PRODUCT AND COMPANY

For the purpose of corporate management, the Group has business units based on the products and services offered. These business units are primarily reflected in individual Group entities. The Group has the following three reportable operating segments:

Industrial Automation Segment
This segment comprises the entities Softing Industrial Automation GmbH, Online Development Inc., Softing Inc., Softing Italia, Buxbaum Automation GmbH, and Holding Softing North America Inc., as these entities mainly develop, manufacture and sell the following industrial products and applications:

Products and services for integrating communication functions in automation systems and devices, specifically for standards such as PROFIBUS, PROFINET, EthernetIP, EtherCAT, Powerlink, Modbus, CAN, CANopen, DeviceNet, FOUNDATION Fieldbus and (wireless) HART;

Interface cards, integration modules, chip solutions and communications software (stacks) for implementing bus links in systems and devices used in process and production automation;

Gateways for linking fieldbuses to Ethernet-based communication systems and groupwide planning and administration systems;

Tools for configuring networks, as well as toolkits for integrating configuration functions into the engineering systems of automation system manufacturers;

Tools and devices for signal and protocol analysis of industrial communication networks; and

OPC servers, OPC middleware and development tools for OPC Clients and Servers (Toolkits);

Development and import of motors and geared motors for various applications, as well as offering specialized expertise in AC, DC, brushless, induction and shielded pole technologies.

Automotive Segment
The segment comprises the entities Softing Automotive Electronics GmbH, Softing Engineering & Solutions GmbH, Globalmatix AG as well as Globalmatix Inc. and GlobalmatiX GmbH, which manufacture and sell the following automotive products and applications:

Vehicle Adapters and Data Bus Interfaces
Interfaces for CAN, K-Line, LIN, Ethernet and FlexRay data bus systems in different form factors with a variety of PC connections such as USB, WLAN, Bluetooth, PCI, PCIexpress, PC/104 and PCMCIA. Programming interfaces compliant with ISO and other standards as well as customized adaptations. Special solutions for development/testing, production and service.

Diagnostic Tools:
Diagnostic solutions for development/testing, production and service. Editors for diagnostic data. Diagnostic servers for the real-time processing of diagnostic data based on ISO and customer standards. Customized and proprietary analytic tools for diagnostic data. ODX and OTX solutions play an important role in this context.

Test Automation:
Software interfaces for connecting diagnostic servers to production systems. Editing and runtime systems for test sequences with connections to numerous third-party products. Customized test stations for development, quality assurance and production. Solutions for the flash programming of control units. Devices for simulating electronic control units and rest bus systems.

Customized Development:
Customer-specific software and hardware developments for data communication/diagnosis/test systems.

Resident Engineering:
On-site customer support in the form of consultation, project management and project participation as well as development activities in the fields of data communication, diagnosis, trade fairs and test systems.

Measurement Technology:
Softing measurement technology (SMT) represents a unique system whose development was driven entirely by automotive developments. This results in a broad range of applications for test rigs or "raw" mobile applications in vehicle testing. Application of this comprehensive measurement and automation system is not limited to automotive technology at all; indeed, it is well suited for applications in any industrial environment.

Remote Diagnostics Telematics Services:
The use of GlobalmatiX telematics solutions creates the prerequisites for the complete digitalization of a connected car concept (connecting the vehicle with the possibilities of cloud technologies). This will simplify complex return processes for rental cars, car sharing models and vehicle subscription provider in a customer-friendly way and make them more cost-effective.

IT Networks Segment
The IT Networks segment comprises the subsidiaries Softing IT Networks GmbH, Softing Singapore and Softing France.

The product portfolio includes diagnostic devices for Ethernet networks in the automation industry and for the diagnosis of copper and optical fiber networks in data centers and office installations.

Other Segment
The Other segment comprises the entities Softing Services GmbH, Softing Romania, Softing China and Softing AG insofar as these do not provide services for other segments and costs are charged to them.

2. SEGMENT REPORTING

Segmentation is primarily along the main product groups and use cases, with these being mainly reflected in the Group companies that manufacture and distribute the respective main products. The activities of the Group are segmented in accordance with IFRS 8 using the management approach. Segmentation is based on the Group's internal reporting and organizational structure, taking into account the different risks and income structures of each individual division. The corporate divisions are shown in the following table in accordance with IFRS 8.

	Industrial		Automotive		IT Networks		Other		Total segments		Other consolidation		Total	
	2024 EUR (in thsds.)	2023 EUR (in thsds.)	2024 EUR (in thsds.)	2023 EUR (in thsds.)	2024 EUR (in thsds.)	2023 EUR (in thsds.)	2024 EUR (in thsds.)	2023 EUR (in thsds.)	2024 EUR (in thsds.)	2023 EUR (in thsds.)	2024 EUR (in thsds.)	2023 EUR (in thsds.)	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Revenues with third parties	60,768	82,414	25,975	22,663	5,274	5,721	3,038	1,797	95,056	112,595	0	0	95,056	112,595
Revenues with other segments	274	591	184	164	1,630	1,612	0	0	2,088	2,367	−2,088	−2,367	0	0
Total revenue	61,042	83,005	26,159	22,827	6,905	7,333	3,038	1,797	97,144	114,962	−2,088	−2,367	95,056	112,595
Depreciation / amortization	−3,736	−3,704	−3,567	−6,454	−1,360	−6,115	−1,631	−1,240	−10,294	−17,513	1,305	871	−8,989	−16,643
Impairment of assets	0	0	0	−3,117	0	−5,061	0	0	0	−8,178	0	0	0	−8,178
Operating segment result	4,257	9,824	−59	−896	−2,910	−2,577	−923	−847	2,211	5,504	676	140	2,887	5,645
EBIT	3,000	8,817	608	−4,606	−3,818	−7,416	998	−763	789	−3,969	−291	1,245	497	−2,724
Segment assets	94,449	86,570	40,748	40,007	11,718	11,580	−6,079	−24,715	140,836	113,443	−25,949	−10,382	114,886	103,059
of which IFRS 16	3,362	564	830	1,020	174	274	2,859	3,413	7,225	5,271	0	0	7,225	5,271
Segment liabilities	23,943	16,833	25,779	24,162	12,422	10,433	54,539	50,819	116,683	102,247	−58,653	−53,482	58,030	48,764
of which IFRS 16	3,117	340	759	907	20	146	2,292	2,867	6,187	4,260	0	0	6,187	4,260
Capital expenditure	4,229	1,571	3,233	4,696	348	1,420	190	1,003	8,001	8,691	0	50	8,001	8,714

Revenue from contracts with customers recognized over time	Industrial		Automotive		IT Networks		Other		Total	
	2024 EUR (in thsds.)	2023 EUR (in thsds.)	2024 EUR (in thsds.)	2023 EUR (in thsds.)	2024 EUR (in thsds.)	2023 EUR (in thsds.)	2024 EUR (in thsds.)	2023 EUR (in thsds.)	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Point in time	57,088	80,824	11,142	9,284	5,233	5,700	3,038	1,797	76,501	97,605
Over time	3,680	1,590	14,834	13,379	41	21	0	0	18,555	14,990
Total	**60,768**	**82,414**	**25,976**	**22,663**	**5,274**	**5,721**	**3,038**	**1,797**	**95,056**	**112,595**

Earnings before interest and taxes (EBIT) and the resulting operating EBIT of EUR 2,887 thousand (previous year: EUR 5,645 thousand) are the key parameters for evaluating and managing a segment's earnings. Operating EBIT corresponds to EBIT shown in the consolidated income statement adjusted for capitalized development costs of EUR 3,891 thousand (previous year: EUR 5,690 thousand) and amortization of internally generated and third-party product developments of EUR 4,613 thousand (previous year: EUR 6,214 thousand), and depreciation and amortization from purchase price allocation of 1,667 thousand (previous year: EUR 7,845 thousand). With the exception of the write-downs, other income and expense items are not regularly reviewed at the segment level by the responsible corporate department, given their secondary importance to the Group, and thus are not presented by segment.

Geographical segments	Revenue		Fixed assets		Additions to fixed assets	
	2023 EUR (in thsds.)	2022 EUR (in thsds.)	2023 EUR (in thsds.)	2022 EUR (in thsds.)	2023 EUR (in thsds.)	2022 EUR (in thsds.)
Germany	32,662	30,694	21,131	22,191	4,500	5,882
USA	32,706	55,454	19,671	16,587	3,257	76
Other countries	29,687	26,447	15,325	17,187	244	2,783
Total	**95,056**	**112,595**	**56,126**	**55,965**	**8,001**	**8,741**

The regional allocation of revenue is based on customer address.

Segment information is based on the same accounting principles as the consolidated financial statements. The segments are assessed on the basis of operating results, with financing and tax effects not taken into account. For a reconciliation from earnings before taxes, please refer to the consolidated income statement.

With regard to information on key customers, please refer to the notes under D.1.

3. STATEMENT OF CASH FLOWS

The statement of cash flows represents the consolidated cash flows of the consolidated companies; it was determined indirectly.

The cash and cash equivalents shown in the statement of cash flows comprise cash on hand and bank balances.

Liabilities from financing activities at Softing include the short-term and long-term borrowings presented separately in the statement of financial position and, since 2019, current and non-current lease liabilities in accordance with IFRS 16. The latter are presented in the statement of financial position under other current and non-current financial liabilities.

For the reconciliation of the change in liabilities from financing activities, Softing does not divide the corresponding amounts by maturity. The reconciliation was as follows:

Changes in liabilities arising from financing activities	EUR (in thsds.)	EUR (in thsds.)
	Borrowings	**Leases**
Liabilities from financing activities as of January 1, 2023	**14,735**	**5,019**
Cash flows	97	–1,348
Acquisitions of leases		814
Exchange rate changes		–10
Changes in fair value		1,071
Liabilities from financing activities as of December 31, 2023	**14,832**	**5,546**
Cash flows	1,575	–1,534
Acquisitions of leases		3,243
Exchange rate changes		158
Changes in fair value		249
Liabilities from financing activities as of December 31, 2024	**16,407**	**7,662**

Borrowings consist of short-term borrowings of EUR 9,351 thousand (previous year: EUR 8,476 thousand) and long-term borrowings of EUR 7,056 thousand (previous year: EUR 6,356 thousand).

Leases consist of non-current leases of EUR 1,475 thousand (previous year: EUR 1,286 thousand) and long-term borrowings of EUR 6,187 thousand (previous year: EUR 4,260 thousand).

4. EARNINGS PER SHARE IAS 33

		2024	2023
Consolidated profit attributable to shareholders of Softing AG (diluted = basic consolidated profit)	EUR (in thsds.)	–1,823	–5,829
Non-controlling interests	EUR (in thsds.)	254	117
Consolidated profit	**EUR (in thsds.)**	**–1,569**	**–5,712**
Weighted average number of shares			
Basic	Number	9,178,004	9,015,381
Diluted	Number	9,178,004	9,015,381
Basic earnings per share	EUR	–0.17	–0.63
Diluted earnings per share	EUR	–0.17	–0.63

As in the previous year, no options rights exist as of December 31, 2024, which could influence diluted earnings per share in the future.

5. RELATED PARTIES

Besides the companies included in the consolidated financial statements, the members of the Executive Board and of the Supervisory Board are considered related parties of the Softing Group as defined in IAS 24, both in their function as members of corporate boards and, in some cases, as shareholders.

In addition, Trier Vermögensverwaltung GmbH & Co. KG, which holds an equity interest of 20.6% (2,042,302) in the Company, is a related party. Since December 7, 2020, the voting rights have been attributed to Trier Asset Management GmbH, Trier Familienstiftung and Mr. Gerhard Hönig.

Mr. Alois Widmann, Managing Director of GlobalmatiX AG, holds 1,450,000 (previous year: 1,450,000) shares, i.e. 16% of Softing's shares.

The dividend payment to the major shareholder amounted to EUR 454 thousand in the 2024 financial year (previous year: EUR 349 thousand).

The key management personnel at Softing in accordance with IAS 24 consists of the Executive Board and the Supervisory Board, and the executive management of GlobalmatiX AG, because that executive management holds 19.3% of the shares in Softing AG and has a material influence on the future strategy of the Company. We refer to notes E12 and E13 for information regarding the remuneration of the Supervisory Board and the Executive Board.

The Chairman of the Company's Executive Board, Dr. Wolfgang Trier, held 166,234 shares in Softing AG as of December 31, 2024 (previous year: 163,234).

The Executive Board member Ernst Homolka held 10,900 shares in Softing AG as of December 31, 2024 (previous year: 10,900 shares).

The Supervisory Board member, Dr. Klaus Fuchs, held 278,820 shares in Softing AG as of December 31, 2024 (previous year: 278,820).

The Supervisory Board member, Andreas Kratzer, held 10,158 shares in Softing AG as of December 31, 2024 (previous year: 10,155).

The managing director of GlobalmatiX AG held 1,450,000 shares in Softing AG as of December 31, 2024 (previous year: 1,450,000).

Dividends totalling EUR 249 thousand (previous year: EUR 191 thousand) were paid to key management personnel in the financial year under review, in each case based on their equity interest held at the time of dividend payment.

The total remuneration of related parties in key positions amounts to EUR 2,146 thousand (previous year EUR 2,166 thousand).

Transactions with Related Parties (Persons):
The Supervisory Board member Dr. Fuchs received a total fee of EUR 38 thousand (previous year: EUR 69 thousand) for providing consulting services in connection with the coordination of Softing IT Networks.

Terms of transactions with Related Parties (Persons):
Group companies acquired assets from xTCU AG in financial year 2024 and 2023 at arm's length conditions. A person in a key position of the Group is a controlling shareholder of xTCU AG. A contract exists between the Group and xTCU AG for the supply of technical components, development services and licensing.

In addition, office and accounting services are procured from a related party.

The transactions were of the following value:

	Value of transactions in EUR thousand		Balances outstanding in EUR thousand	
Purchase of services	**2024**	**2023**	**2024**	**2023**
Other related parties (persons)	116	147	38	100
Company under the control of a related party (person)	350	449	0	0
Sale of goods and purchase of services				
Company under the control of a related party (person)	955	40	955	0

6. CONTINGENT LIABILITIES

As of the balance sheet date, the subsidiaries have provided EUR 14,365 thousand (previous year: EUR 14,365 thousand) in guarantees to collateralize loans of Softing AG and overdraft lines of credit of Softing AG. Most of the guarantees were provided in connection with refinancing carried out.

7. OTHER FINANCIAL OBLIGATIONS

As of the balance sheet date, the Company had incurred purchase commitments in the amount of EUR 18,938 thousand under long-term contracts (previous year: EUR 18,240 thousand). As in the previous year, there were no purchase commitments for intangible assets and property, plant and equipment as of the balance sheet date.

8. GOVERNMENT GRANTS

	2024 EUR (in thsds.)	2023 EUR (in thsds.)
As of January 1, 2024	0	0
Received in the financial year	1,273	845
of which reversed through profit or loss	1,273	845
As of December 31, 2024	0	0

The Group, as in the previous year, also received grants for a research project in the field of autonomous driving amounting to EUR 69 thousand (previous year: EUR 76 thousand) and EUR 184 thousand for further research projects (previous year: EUR 0 thousand). Further grants under research projects from 2022 and 2023, amounting to EUR 1,163 thousand, were approved in 2024 and recognized as receivables in profit or loss.

9. DISCLOSURE OF THE CARRYING AMOUNTS OF THE INDIVIDUAL CATEGORIES OF FINANCIAL INSTRUMENTS ACCORDING TO IFRS 7

Fair Values of Financial Instruments

The following table shows both the carrying amounts and the fair values of all financial instruments recognized in the consolidated financial statements that fall within the scope of IFRS 7. Almost all of the fair values correspond to the carrying amounts because, with the exception of cash, the financial instruments recognized almost solely comprise non-derivative current receivables and liabilities. As in the previous year, there were no financial instruments as of December 31, 2024, for which IFRS 7 is not applicable.

EUR (in thsds.)	Categories acc. to IFRS 9	Carrying amount	Measurement acc. to IFRS 9			Fair value	Hierarchy level
Financial assets by class		Dec. 31, 2024	Amortized cost	Fair value OCI	Fair value PL	Dec. 31, 2024	
Non-current financial assets							
Other investments	FVTPL	0			0	0	Level 3
Current financial assets							
Trade receivables	AC	13,249	13,249			13,249	Level 2
Current other financial assets	AC	244	244			244	Level 2
Cash and cash equivalents	AC	9,271	9,271			9,271	Level 2
Financial liabilities by class							
Non-current financial liabilities							
Long-term borrowings	FLAC	7,056	7,056			6,180	Level 2
Other non-current financial liabilities		10,804					
of which liabilities from lease accounting	n/a	6,187	n/a				
of which long-term repayment obligation	FLAC	4,607	4,667			4,667	
Current financial liabilities							
Trade payables	FLAC	13,648	13,648			13,648	Level 2
Short-term borrowings	FLAC	9,351	9,351			9,176	Level 2
Other current financial liabilities							
of which liabilities from lease accounting	n/a	1,475	n/a				
of which miscellaneous other current financial liabilities	FLAC	2,864	3,859			3,115	Level 2

Carrying amount by category	Category	Dec. 31, 2024 EUR (in thsds.)
Financial assets at amortized cost	AC	22,764
Financial assets at fair value through profit or loss	FVTPL	0
Financial liabilities at amortized cost	FLAC	37,526

EUR (in thsds.)	Categories acc. to IFRS 9	Carrying amount	Measurement acc. to IFRS 9			Fair value	Hierarchy level
Financial assets by class		Dec. 31, 2023	Amortized cost	Fair value OCI	Fair value PL	Dec. 31, 2023	
Non-current financial assets							
Other investments	FVTPL	435			435	435	Level 3
Current financial assets							
Trade receivables	AC	12,270	12,270			12,270	Level 2
Current other financial assets	AC	806	806			806	Level 2
Cash and cash equivalents	AC	4,859	4,859			4,859	Level 2
							Level 2
Financial liabilities by class							
Non-current financial liabilities							
Long-term borrowings	FLAC	6,356	6,356			5,923	Level 2
Other non-current financial liabilities		8,753					
of which liabilities from lease accounting	n/a	4,260	n/a				
of which long-term repayment obligation	FLAC	4,493	4,550			4,550	
Current financial liabilities							
Trade payables	FLAC	6,750	6,750			6,750	Level 2
Short-term borrowings	FLAC	8,476	8,476			8,277	Level 2
Other current financial liabilities							
of which liabilities from lease accounting	n/a	1,286	n/a				
of which miscellaneous other current financial liabilities	FLAC	3,955	4,683			3,955	Level 2

Carrying amount by category	Category	Dec. 31, 2023 EUR (in thsds.)
Financial assets at amortized cost	AC	17,935
Financial assets at fair value through profit or loss	FVTPL	435
Financial liabilities at amortized cost	FLAC	30,030

No further disclosures on the fair value have to be made pursuant to IFRS 7.29a if the carrying amount is a reasonable approximation of fair value.

Financial assets and financial liabilities measured at fair value are allocated to the following levels of the fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1 inputs).
- Observable inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2 inputs).
- Unobservable inputs for the asset or liability (Level 3 inputs).

The fair value of the unquoted equity instruments (equity interest in YOMA Solutions GmbH) was EUR 0 thousand in 2024.

The fair value of the fixed-interest loans has been determined on the basis of currently available euro swap rates with equivalent maturities.

The Group can only enter into foreign currency forwards with investment-grade financial institutions. Present value computation-based forward price models are among the most frequently used valuation methods. These models include various factors, e.g. the credit ratings of business partners, spot and forward exchange rates, yield curves for selected foreign currencies, currency spreads between selected foreign currencies, yield curves and forward curves for the underlying commodities.

Any payment obligations arising from the payment based on the enterprise value are calculated using a formula on the basis of a comparison of Softing's market capitalization at the beginning and end of the financial year and are allocated to Level 2.

The net gains/losses of the respective categories of financial instruments in accordance with IFRS 9 for 2024 and 2023 are shown in the following overview:

Net gains and losses, 2024 (EUR thsds.)		Interest	Impairment	Currency translation gains/losses	Net gain/loss
from financial assets at amortized cost	AC	29	1	–426	–395
from financial liabilities at amortized cost	FLAC	–690			–690

Net gains and losses, 2023 (EUR thsds.)		Interest	Impairment	Currency translation gains/losses	Net gain/loss
from financial assets at amortized cost	AC	6	–281	–303	–578
from financial liabilities at amortized cost	FLAC	–359			–359

There were no net gains/losses from the equity investment, which is measured at fair value, with changes in fair value recognized in profit or loss.

Interest income from financial assets at amortized cost totaled EUR 29 thousand in the current period (previous year: EUR 6 thousand), while interest expense on financial liabilities at amortized cost came to EUR –690 thousand (previous year: EUR –359 thousand).

10. OBJECTIVES AND METHODS OF FINANCIAL RISK MANAGEMENT

Softing AG's capital management aims first and foremost at ensuring that the Company maintains a solid equity ratio to support its business activities. The Group manages its capital structure and makes adjustments, allowing for changes in economic conditions. To maintain or adjust its capital structure, the Group may make repayments of capital to its shareholders or issue new shares. There were no changes in the objectives, guidelines and procedures as of December 31, 2024, and December 31, 2023.

The Group monitors its capital using the equity ratio. But the Executive Board does not define a specific target to that end. The equity ratio in the financial year was 49.5% (previous year: 52.7%).

The capital of the Softing Group relevant for controlling purposes encompasses subscribed capital, capital reserves, retained earnings and non-controlling interests; it therefore corresponds to the equity of EUR 56,856 thousand (previous year: EUR 54,295 thousand) reported at the balance sheet date. Softing AG funds the development of its business to the greatest extent possible from its own cash flow.

As an internationally operating company, Softing is exposed to a variety of risks in the course of its operations. Therefore, the objective of its financial risk management is to detect all material financial risks early on and to take appropriate measures to protect existing and future success potential.

These risks include currency risks resulting from activities in different currency regions; counterparty credit risks involving non-fulfillment of contractual obligations by contracting parties; interest rate risks, where fluctuations in the market interest rate trigger changes in the fair value of a financial instrument; and interest-related cash flow risks that trigger changes in the future cash flow of a financial instrument because of changes in market interest rates.

To evaluate and take into account such risks, Softing has defined principles through a centralized risk management system that serve to identify and evaluate such risks consistently and systematically. Continual reporting is used by Softing to check compliance with all principles. This enables the Company to identify and analyze risks early on.

With the exception of the major customers mentioned under D1., there are no material concentrations of risk in the Group.

Please also see the disclosures on risks and opportunities in the combined management report.

Default Risks

Softing is exposed to default risks if contractual partners fail to meet their obligations. To avoid of risks of this nature, Softing enters into contracts only with contractual partners that have an excellent credit rating. As of the closing dates of December 31, 2024, and December 31, 2023, there was no material counterparty credit risk. While the Executive Board therefore believes the risk of non-fulfillment on the part of its contractual partners to be very low, it cannot completely exclude the risk in the final analysis.

Counterparty credit risks primarily concern trade receivables. Loss allowances are recognized to allow for any discernable counterparty credit risks in connection with individual financial assets. Loss allowances as of December 31, 2024, totaled EUR 433 thousand (previous year: EUR 453 thousand).

Regardless of any existing collateral, the carrying amount of financial assets equals the maximum counterparty credit risk if the contractual partners fail to meet their payment obligations.

Interest Rate Risks

Softing is also exposed to interest rate risks. The assets subject to interest rate fluctuations essentially concern cash and cash equivalents and securities classified as current assets. Bank balances totaling EUR 9,271 thousand (previous year: EUR 4,859 thousand) bear interest of 0.00% (previous year: 0.00%). No material interest rate risks result from subsidiaries' liabilities to banks in the amount of EUR 16,407 thousand (previous year: EUR 14,832 thousand) because these loans in the amount of EUR 12,407 thousand are fixed-interest loans.

An increase of the market interest rate by 50 basis points would have an impact of EUR 20 thousand (previous year: EUR 28 thousand) on interest expense relating to the short-term loans.

Foreign Currency Risk

The Softing Group's foreign currency risk is limited to three currencies: USD, CHF and RON. The foreign currency risk relating to US dollars is hedged naturally, because in the United States and in Singapore (where US dollars are the functional currency), income and expenses are generated/incurred for products. The foreign currency risk associated with the Romanian RON and CHF is minimal because these currencies are linked to the euro, and the agreements with the Romanian subsidiary stipulate euros.

The following sensitivities apply with regard to USD:

In EUR (in thsds.)/USD			USD			
Closing rate: USD 1.105			1.14 +10%	0.94 –10%	Difference	Difference
Financial assets/liabilities	**USD**	**USD in EUR**			**+10%**	**–10%**
Trade receivables	4,414	4,429	3,863	4,721	–386	472
Receivables from affiliated companies	33,926	32,656	29,687	36,284	–2,969	3,628
Other current assets	4,685	4,509	4,099	5,010	–410	501
Cash and cash equivalents	2,962	2,851	2,592	3,168	–259	317
Current liabilities	–12,329	–11,868	–10,789	–13,186	1,079	–1,319
	33,658	**32,398**			**–2,945**	**3,600**

Movements in the USD:EUR exchange rate would in part be reflected in the equity of the Softing Group and in part in the consolidated income statement.

Liquidity Risk

Liquidity risk is the risk that the Group might not have adequate funds to fulfill its payment obligations.

The Group's liquidity requirements are met primarily through its operating business. Softing AG continuously monitors the risk of a potential liquidity bottleneck using its liquidity planning. The Group's goal is to continue meeting its liquidity requirements through its own cash flow.

The Group possesses sufficient liquidity and unused credit lines in the amount of EUR 10.5 million to meet its obligations over the next four years in line with its strategic plans. For disclosures on maturities, please see section C.

Cash and cash equivalents at year's end were EUR 9,271 thousand (previous year: EUR 4,859 thousand), accounting for 8% (previous year: 4.7%) of the Group's total assets.

The following table shows the financial liabilities of the Group by maturity classes based on the remaining life as of the reporting date and based on the contractually agreed maturity. With the exception of the fixed-interest loans, the amounts shown in the table are not discounted cash flows.

Dec. 31, 2024 (EUR thsds.)	Up to 1 year	2–5 years	More than 5 years	Total contractual CF	Total carrying amounts
Financial liabilities					
Loan	9,306	7,101		16,407	14,832
Lease liabilities	1,760	5,207	1,866	8,833	7,663
Trade payables	13,468			13,468	13,468
Other financial liabilities	4,589	4,616		9,205	9,205

Dec. 31, 2023 (EUR thsds.)	Up to 1 year	2–5 years	More than 5 years	Total contractual CF	Total carrying amounts
Financial liabilities					
Loan	8,696	6,456		15,152	14,832
Lease liabilities	1,414	4,175	316	5,905	5,546
Trade payables	6,750			6,795	6,795
Other financial liabilities	5,181	4,493		9,674	9,674

11. HEDGING RELATIONSHIPS AND DERIVATIVES

The Softing Group is exposed to certain risks in its business operations due to its international activities. The Softing Group manages the related currency risk partly by means of the sporadic use of derivative financial instruments.

The Softing Group's risk management strategy and its implementation are explained in Note E10.

Derivatives Not Designated as Hedging Instruments

The Softing Group uses forward exchange contracts to hedge a portion of the transaction risks. These forward exchange contracts are not designated as cash flow hedges. The period for which these forward exchange contracts are entered into corresponds to the period for which a foreign currency risk applies in relation to the hedge, generally up to 3 months. Forward exchange contract are also entered into on a revolving basis.

12. PERSONNEL

The number of employees (exclusively salaried employees) excluding the Executive Board was as follows:

	2024	2023
As of the balance sheet date	429	432
Annual average	442	416
Marketing & Sales	127	117
Research & Development	252	240
Administration & General	51	46
Management	12	13

13. TOTAL REMUNERATION OF THE EXECUTIVE BOARD

The following persons were members of the Executive Board of Softing AG in the reporting period:

Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich, Germany, Chairman of the Executive Board

Mr. Ernst Homolka, Munich, Germany, Executive Board member for Finance and Human Resources

Benefits granted EUR (in thsds.)	Total	
	2024	2023
Fixed remuneration	921	877
Fringe benefits	52	51
Total	973	928
Discretionary bonus	0	15
One-year variable remuneration	681	862
Multi-year variable remuneration	0	33
Multi-year variable remuneration based on enterprise value	0	0
Total	681	910
Pension expense	176	77
Total remuneration	1,830	1,915

All remuneration components are deemed to have been earned in the financial year. A portion of the total remuneration, including that of previous years, is presented under other non-current financial liabilities at the balance sheet date in the amount of EUR 4,493 thousand (previous year: EUR 4,493 thousand).

In addition, unused vacation days in the amount of EUR 17 thousand from the previous year were settled in the financial year (previous year: EUR 8 thousand).

The obligations from non-reinsured pension expenses for the Executive Board amount to EUR 35 thousand (previous year: EUR 135 thousand).

The fringe benefits and the pension expense include flat-rate vehicle allowances and the employer contributions to social security, and contributions to pensions and pension expenses.

Remuneration based on the enterprise value consists of a current variable remuneration component paid in cash. Here, the Executive Board receives a pro-rata share of any increase in market capitalization during Softing AG's financial year. The remuneration component is redefined each year. A payment obligation only arises if the increase in the enterprise value exceeds a predefined rate of increase. If the market capitalization decreases or falls below the rate of increase, the entitlement will expire without compensation. The payment obligation is calculated using a formula on the basis of a comparison of Softing's market capitalization at the beginning and end of the financial year. Staff costs were recognized in the amount of the fixed payment obligation as of the balance sheet date. The obligation had not yet been paid out by the balance sheet date and is reported under financial liabilities.

The total remuneration must be classified as short-term in accordance with IAS 24.17.

Furthermore, service cost of EUR 115 thousand (previous year: EUR 122 thousand) was recognized.

A D&O insurance with a deductible of 10% has been taken out for the members of the Executive Board.

The Executive Board member also holds the Company's key central positions.

Pension obligations for former members of the Executive Board as of December 31, 2024 totaled EUR 2,436 thousand (previous year: EUR 2,228 thousand). The total remuneration of former members of the Executive Board amounted to EUR 202 thousand (previous year: EUR 194 thousand).

All other details are presented in the remuneration report pursuant to Section 162 AktG.

14. TOTAL REMUNERATION OF THE SUPERVISORY BOARD

The following persons were members of the Supervisory Board of Softing AG in the 2024 financial year:

Matthias Weber, business graduate, Baierbrunn, Germany (Chairman)

Andreas Kratzer, certified public accountant, Neuheim, Switzerland (Deputy Chairman)

Dr. Klaus Fuchs, graduate computer scientist und graduate engineer, Helfant, Germany

Mr. Matthias Weber was also a member of the supervisory board of the following companies:
Salutas Pharma GmbH, Barleben, Germany,
chairman of the Supervisory Board
Sandoz GmbH, Kundl, Austria,
chairman of the Supervisory Board
Sandoz Austria GmbH, Austria,
member of the Supervisory Board

Mr. Andreas Kratzer is also a member of one other supervisory board:
Fox e-mobility AG, Munich, Germany
Across Advisory AG, Baar, Switzerland,
chairman of the Board of Directors

Dr. Klaus Fuchs does not hold any offices on other supervisory boards.

In addition to being reimbursed for their expenses and any VAT applicable on their remuneration and expenses, each member of the Supervisory Board receives a fixed remuneration of EUR 15,000.00 for each full financial year of service on the Supervisory Board, payable after the end of the financial year. The Chairman receives EUR 25,000.00 and the Deputy Chairman receives EUR 20,000.00.

In addition, each member receives variable remuneration amounting to 0.5% of Group EBIT before variable Supervisory Board remuneration.

The total remuneration is presented under other current financial assets at the balance sheet date in the amount of EUR 68 thousand (previous year: EUR 60 thousand). The total remuneration for the Executive Board and the Supervisory Board amounts to EUR 1,898 thousand (previous year: EUR 1,976 thousand).

15. AUDITOR’S FEES

The following expenditure (including expenses) was incurred in the financial year just ended for services provided by the auditor, Rödl & Partner GmbH:

	2024 EUR (in thsds.)	2023 EUR (in thsds.)
Audit of annual financial statements	200	191
Other services	0	6
	200	**197**

16. EVENTS AFTER THE REPORTING PERIOD

There are no events after the reporting date to report.

17. STATEMENT PURSUANT TO SECTIONS 289F AND 315D GERMAN COMMERCIAL CODE (HGB)

The declaration pursuant to Section 289f and 315d of the German Commercial Code was issued by the Executive Board and the Supervisory Board of Softing AG and has been made permanently available to shareholders on the Internet at www.softing.com.

Haar, Germany, March 18, 2025

Softing AG

The Executive Board

Dr. Wolfgang Trier

Ernst Homolka

Independent auditor's report

TO SOFTING AG, HAAR

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Softing AG, Haar, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1, 2024 to December 31, 2024, and notes to the consolidated financial statements, including information on accounting policies. In addition, we have audited the combined management report of Softing AG, Haar, for the financial year from January 1, 2024 to December 31, 2024. In accordance with German law, we have not audited the contents of the disclosures made in the section "Statement on corporate governance" of the combined management report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRS Accounting Standards issued by the International Accounting Standards Board (hereinafter "IFRS Accounting Standards" as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2024, and of its financial performance for the financial year from January 1, 2024 to December 31, 2024, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the contents of the aforementioned components of the combined management reports, whose contents we have not audited.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with Section 317 German Commercial Code (HGB) and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

Key Audit Matters in the Audit of the Consolidated Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2024 to December 31, 2024. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

REVENUE RECOGNITION OVER TIME UPON FULFILLMENT OF SERVICE OBLIGATIONS ARISING FROM THE DEVELOPMENT OF CUSTOMER PROJECTS

- Reasons why the matter was determined to be a key audit matter

The consolidated financial statements of Softing AG include revenue of EUR 9,460 thousand from the development of customer projects arising from the fulfillment of service obligations over time. Provided that the criteria of IFRS 15 have been met, the revenue is recognized in accordance with the stage of completion, with the estimate of the stage of completion being based on the ratio of costs actually incurred in relation to the contract to the planned total costs ("cost-to-cost method"). In particular, estimating the planned total costs and appropriately allocating personnel expenses to the projects require the management to use estimates and assumptions.

Due to the complexity of the accounting, the long-term nature of the contracts and the resulting uncertainties relating to the estimates, this matter was of particular significance in the context of our audit.

- Our audit approach

As part of our audit, we assessed and evaluated, among other things, the processes and controls established by the Group in relation to recognizing revenue over time from customer projects taking into account the stage of completion. We examined projects on a sample basis to establish whether the conditions for recognizing revenue over time as set out in IFRS 15 were met. Moreover, we evaluated the determination of the stage of completion of customer-specific contracts on the basis of the cost-to-cost method and the resulting proportion of revenue and profit recognized, bearing in mind the probability of an expected loss to be recognized immediately. In this connection we retraced the calculation of the planned total costs as well as of the costs actually incurred. In addition, we assessed the consistency of the methods used to calculate the costs incurred.

- Reference to related disclosures

The Company's disclosures on recognizing revenue over time are contained in sections B.1, B.13, C.10 and D.1 of the notes to the consolidated financial statements.

RECOVERABILITY OF GOODWILL

- Reasons why the matter was determined to be a key audit matter

In the consolidated financial statements of the Company, goodwill amounting to a total of EUR 11,428 thousand is reported. Goodwill is tested for impairment by the Company once a year or when there are indications of impairment to determine any possible need for write-downs. The impairment test is carried out at the level of the groups of cash-generating units to which the relevant goodwill has been allocated. The carrying amount of the relevant goodwill is compared with the corresponding recoverable amount in the context of the impairment test. The calculation of the recoverable amount generally employs the value in use. The present value of the future cash flows from the respective group of cash-generating units normally serves as the basis of valuation. Present values are calculated using discounted cash flow models. For this purpose, the medium-term business plan adopted by the Group forms the starting point which is extrapolated based on assumptions about long-term rates of growth. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are also taken into account. The discount rate used is the weighted average cost of capital.

The outcome of this valuation is dependent to a large extent on the estimates made by management with respect to the future cash inflows for the respective group of cash-generating units, the discount rate used, the rate of growth and other assumptions, and is therefore subject to considerable uncertainty. Against this background and due to the complex nature of the valuation, this matter was of particular significance in the context of our audit.

- Our audit approach

As part of our audit, we assessed the methodology employed for the purposes of performing the impairment test, among other things. After matching the future cash inflows used for the calculation against the medium-term business plan adopted by the Group, we evaluated the appropriateness of the calculation especially through reconciliation with general and sector-specific market expectations. Furthermore, we also evaluated the proper consideration of the costs for Group functions. In the knowledge that even relatively small changes in the discount rate applied can have a material impact on the value of the entity calculated in this way, we also focused our testing in particular on the parameters used to determine the discount rate applied, and evaluated the valuation model. We assessed the sensitivity analyses performed by the Company, in order to reflect the uncertainty inherent in the projections.

- Reference to related disclosures

The Company's disclosures on impairment testing and goodwill are contained in sections B.6 und C.2 of the notes to the consolidated financial statements.

DEVELOPMENT COSTS FOR INTERNALLY GENERATED PRODUCT DEVELOPMENTS

- Reasons why the matter was determined to be a key audit matter

In the consolidated financial statements of the Company, an amount of EUR 18,017 thousand for internally generated product developments is reported under the “Other intangible assets” item in the statement of financial position. This amount relates to development costs for new products and significant further developments (hereinafter “product developments”), which were capitalized in accordance with IAS 38. The development costs include directly allocable costs. The criteria of IAS 38.57 determine whether internally generated product developments are eligible for capitalization – specifically the technical feasibility of completing the intangible asset, how the intangible asset will generate probable future economic benefits and the ability to measure reliably the expenditure attributable to the intangible asset during its development – and provide considerable scope for judgment. The asset is generally amortized over 5 years once the Company begins consuming the economic benefits from that asset.

The capitalization, recoverability and amortization of development costs is based to a large extent on management estimates and assumptions and is therefore subject to corresponding uncertainties. Against this background, this matter was of particular significance in the context of our audit.

- Our audit approach

As part of our audit, we evaluated, among other things, the capitalization requirements for individual projects, using the criteria set out in IAS 38.57. We also assessed the methodology used to calculate the costs eligible for capitalization. We determined that the process for capitalizing development costs is appropriately designed and evaluated whether the established controls have been properly implemented. We assessed the amount of the capitalized development costs and the recoverability of the product developments on the basis of appropriate evidence (sales forecasts, impairment tests). In so doing, we also inspected project records and talked to technical project managers in order to satisfy ourselves of the respective percentage of completion.

- Reference to related disclosures

The Company’s disclosures on capitalized development costs are contained in sections B.5 and C.3 of the notes to the consolidated financial statements.

Other Information

The Supervisory Board is responsible for the report of the Supervisory Board. In all other respects, the executive directors are responsible for the other information. The other information comprises:

- the components of the combined management report mentioned in the “Audit Opinions” section whose contents we have not audited.
- the statements in accordance with Section 297 (2) sentence 4 HGB and Section 315 (1) sentence 5 HGB on the consolidated financial statements and the combined management report,
- the report of the Supervisory Board,
- the remaining parts of the “annual report”,

but not the consolidated financial statements, not the audited content of the combined management report, and not our auditor’s report thereon.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the aforementioned other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, the audited disclosures of the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of such other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Consolidated Financial Statements and the Combined Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRS Accounting Standards as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB) and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Combined Management Report

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of the Group's internal controls and these arrangements and measures.

- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.

- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRS Accounting Standards as adopted by the EU and with the additional requirements of German commercial law pursuant to Section 315e (1) German Commercial Code (HGB).

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.

- Evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.

- Perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken or safeguards applied to eliminate independence threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on Assurance in accordance with Section 317 (3a) HGB on the Electronic Reproduction of the Consolidated Financial Statements and the Combined Management Report Prepared for Publication Purposes

Opinion

We have performed an assurance engagement in accordance with Section 317 (3a) HGB to obtain reasonable assurance about whether the reproduction of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file SOFTING_AG_KA+LB_ESEF_31-12-2024.zip (SHA 256-hash value: 91fe46dfdefa3135a0f1ec5bf1ec7fe7adf90f8d81242f1c01af0733166aa51e) and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance only extends to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained in this reproduction nor any other information contained in the above-mentioned electronic file.

In our opinion, the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file and prepared for publication purposes complies in all material respects with the requirements of Section 328 (1) HGB for the electronic reporting format. We do not express any opinion on the information contained in this reproduction nor on any other information contained in the above-mentioned file beyond this reasonable assurance opinion and our audit opinion on the accompanying consolidated financial statements and the accompanying combined management report for the financial year from January 1 2024 to December 31, 2024 contained in the "Report on the Audit of the Consolidated Financial Statements and the Combined Management Report" above.

Basis for the Reasonable Assurance Conclusion

We conducted our assurance work on the reproduction of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file in accordance with Section 317 (3a) HGB, and the IDW Assurance Standard: Assurance in accordance with Section 317 (3a) HGB on the Electronic Reproduction of Financial Statements and Management Reports Prepared for Publication Purposes (IDW AuS 410 (06.2022)). Accordingly, our responsibilities are further described below in the "Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents" section. Our audit firm has applied the IDW Standard on Quality Management: Requirements for Quality Management in the Audit Firm (IDW QMS 1 (09.2022)).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with Section 328 (1) sentence 4 item 1 HGB and for the tagging of the consolidated financial statements in accordance with Section 328 (1) sentence 4 item 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of Section 328 (1) HGB for the electronic reporting format, whether due to fraud or error.

The Supervisory Board is responsible for overseeing the process of preparing the ESEF documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Engagement on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of Section 328 (1) HGB. We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material non-compliance with the requirements of Section 328 (1) HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance conclusion.

- Obtain an understanding of internal control relevant to the assurance engagement on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance conclusion on the effectiveness of these controls.

- Evaluate the technical validity of the ESEF documents, i.e. whether the electronic file SOFTING_AG_KA+LB_ESEF_31-12-2024.zip (SHA 256-hash value: 91fe46dfdefa3135a0f1e c5bf1ec7fe7adf90f8d81242f1c01af07331 66aa51e) containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version applicable as at the balance sheet date on the technical specification for this electronic file.

- Evaluate whether the ESEF documents enable an XHTML reproduction with content equivalent to the audited consolidated financial statements and the audited combined management report.

- Evaluate whether tagging the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version applicable at the date of the consolidated financial statements provides an appropriate and complete machine-readable XBRL copy of the XHTML reproduction.

Further Information Pursuant to Article 10 of the EU Audit Regulation

We were elected as group auditor by the General Shareholders' Meeting on May 8, 2024. We were engaged by the chairman of the Supervisory Board on November 25, 2024. We have been the group auditor of the Softing AG, Haar, without interruption since the financial year 2019.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

OTHER MATTER – USE OF THE AUDITOR'S REPORT

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Company Register – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Thomas Gössl.

Munich, Germany, March 24, 2025

Rödl & Partner GmbH
Wirtschaftsprüfungsgesellschaft

Felix Haendel	Thomas Gössl
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Report of the Supervisory Board

for Financial Year 2024

The Supervisory Board of Softing AG carried out its duties as provided by law and the Company's Articles of Incorporation in financial year 2024. The Supervisory Board continuously advised the Executive Board in matters of management and diligently monitored its actions. The Supervisory Board was informed regularly about the situation of Softing AG and the Softing Group and monitored and accompanied the work of the Executive Board as well as compliance with applicable legal provisions and the Company's internal guidelines. The Executive Board informed the Supervisory Board in writing and orally about the business policies, fundamental questions of future business activities, the economic situation and future strategic development, the risk situation and risk management as well as significant business transactions, and discussed these matters with the Supervisory Board. The Supervisory Board was involved in decisions of material significance at all times.

A total of five in-person and one virtual Supervisory Board meetings were held in the 2024 financial year:

On March 20, May 8, July 25, September 12, October 22 and December 18.

Given that the Supervisory Board has three members, the Audit Committee comprises the entire Supervisory Board. The Audit Committee is chaired by Mr. Andreas Kratzer. Several Audit Committee meetings were held in the 2024 financial year:

From the beginning of February, weekly coordination meetings were held with the Executive Board and auditors during the audit procedures. The meeting on September 23 was held at the premises of Rödl & Partner in preparation for the 2024 audit. A meeting was held on December 19 to discuss the results of the preliminary audit.

The regular deliberations during Supervisory Board meetings and between the Executive Board and the Supervisory Board focused on the organizational and strategic development and orientation of the Softing Group, the positioning and financial development of Softing AG, and significant business events for the Company. Between meetings, the Supervisory Board was also informed of plans and developments that were of particular importance. The Supervisory Board thoroughly reviewed, discussed and approved all matters which require approval under legal provisions and the Articles of Incorporation or the Rules of Procedure.

Furthermore, in regular discussions with the Executive Board, the chairman of the Supervisory Board obtained information about important decisions and business transactions of special significance. He also held separate discussions with the Executive Board on strategy to explore the perspectives for and future alignment of each individual business.

Our deliberations and reviews focused on the entire accounting system of Softing AG and the Group, the monitoring of the internal control system as well as the refinement of the internal auditing and risk management system.

COMPOSITION OF THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD

In the reporting year, the Supervisory Board was comprised of Mr. Matthias Weber (Chairman), Mr. Andreas Kratzer (Deputy Chairman) and Dr. Klaus Fuchs.

The duties of the Audit Committee were performed by the entire Supervisory Board, chaired by Mr. Andreas Kratzer. The full Supervisory Board was responsible for all other tasks and decisions. In the year under review, the Executive Board consisted of Dr. Dr. Wolfgang Trier and Ernst Homolka.

KEY POINTS OF DELIBERATION AT THE MEETINGS IN FINANCIAL YEAR 2024

Some parts of the meetings took place without the Executive Board and were used for internal coordination within the Supervisory Board.

During the preparation phase, the Audit Committee provided regular information on the progress of the work and the results, both within the organization and in direct talks with the auditors.

At the Supervisory Board meeting on March 20, 2024, the Supervisory Board dealt with the Company's performance in the 2023 financial year and the first results for 2024, as well as the adoption of the annual financial statements for 2023 and the approval of the consolidated financial statements for 2023.

The Supervisory Board had already received advance drafts of the audit reports via e-mail from Mr. Haendel (auditor at Rödl & Partner) on March 8, 2024. Mr. Kratzer subsequently asked the Supervisory Board's combined questions in a consultation with Mr. Haendel and Mr. Homolka. At this meeting, the Supervisory Board asked the auditors, who were present, for further explanations about the audit reports for the Softing Group and Softing AG, and the remuneration report.

The Supervisory Board then adopted the 2023 annual financial statements of Softing AG and approved the 2023 consolidated financial statements.

The invitation to the 2024 General Shareholders' Meeting on May 8 was also approved at this meeting.

In the Supervisory Board meeting on May 8, 2024 after the General Shareholders' Meeting there was a debriefing of the General Shareholders' Meeting. This meeting was concluded with a report of the Executive Board on the status and outlook of the Company's strategy, operations and financial position.

At the meeting on July 25, 2024, the Executive Board provided detailed commentary on data and background information on the financial figures for the first six months of 2024, the financial planning for the rest of the year, and the risk report for the first half of the year. Further topics included a report on M&A activities and the sale of treasury shares.

At the meeting on September 12, 2024, the Executive Board provided detailed commentary on data and background information on the financial figures for the first eight months of 2024 and the financial planning for the rest of the year. The Management Board presented the CORE efficiency program, which includes items for reducing inventory, generating liquidity, and reducing personnel costs.

At the meeting on October 22, 2024, the Executive Board provided detailed commentary on data and background information on the financial figures for the first nine months of 2024 and the financial planning for the rest of the year. This was followed by an update on the CORE program and a status report on various business units and a review of the approved capital increase.

At the Supervisory Board meeting held on December 18, 2024, the Executive Board presented to the Supervisory Board a first estimate of the 2024 annual results, its business plan for 2025 and its multi-year planning. After careful review, the Supervisory Board approved the two plans. Furthermore, the Declaration of Compliance with the German Corporate Governance Code (GCGC) and the Statement on Corporate Governance pursuant to Sections 289f and 315d of the German Commercial Code (HGB) for 2025 were issued. The Supervisory Board conducted a self-assessment prior to this meeting and the results were discussed. Mr. Homolka presented the risk report for the second half of 2024 and answered the Supervisory Board's follow-up questions.

At the weekly Audit Committee's meetings held during the financial statements audit, the Supervisory Board received a summary of the audit work carried out by audit firm Rödl & Partner for the 2023 annual financial statements.

At the meeting held on September 23, 2024, Rödl & Partner, the audit firm elected at the General Shareholders' Meeting, was engaged as statutory auditor. The focal points of the 2024 preliminary and main audit were also determined, as was the Supervisory Board's approach to assessing the quality of the auditors.

At its meeting on December 19, 2024 the Supervisory Board received a summary of the results of this preliminary audit and agreed a course of action for the main audit with Rödl & Partner.

All members of the Supervisory Board attended all Supervisory Board meetings in 2024. There was no conflict of interest of members of the Supervisory Board in the financial year just ended. The independence of the financial experts on the Supervisory Board was monitored on an ongoing basis and is assured.

ANNUAL FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS FOR 2024

The annual financial statements and the combined management report of Softing AG were prepared in accordance with the German Commercial Code (HGB) and the consolidated financial statements and the Group management report were prepared in accordance with International Financial Reporting Standards (IFRSs). The annual financial statements and the combined management report of Softing AG, and the consolidated financial statements and the combined management report as of December 31, 2024, were audited as required by law by Rödl & Partner GmbH Wirtschaftsprüfungsgesellschaft, Munich, Germany, the auditors appointed by the General Shareholders' Meeting.

The Supervisory Board had already received advance drafts of the audit reports via e-mail from Mr. Gössl (auditor at Rödl & Partner) on March 13, 2025.

The auditors issued an unqualified auditor's opinion each for the annual financial statements and the consolidated financial statements. The auditors performed an audit in accordance with Section 317 (4) German Commercial Code and came to the conclusion that the Executive Board established a monitoring system which fulfills the legal requirements for the early detection of risks jeopardizing the Company's existence as a going concern and that the Executive Board took appropriate measures to detect developments at an early stage and avert risks.

The auditors stated their independence vis-à-vis the Supervisory Board as required by the German Corporate Governance Code and disclosed the audit and consulting fees received in the financial year.

The annual financial statements and the audit reports of the auditors were made available in time to all members of the Supervisory Board. At its financials meeting on March 18, 2025, the Supervisory Board examined the annual financial statements and the combined management report of Softing AG as well as the consolidated financial statements and the combined management report presented by the Executive Board including the audit report prepared by the auditors of the financial statements. The auditors and the Executive Board participated in the meeting.

The auditors reported on their audit in general as well as on individual focal points and the significant results of their audit. They answered the questions raised by the members of the Supervisory Board in detail. The Supervisory Board approved the result of the audit. There was no reason to raise any objections based on the final result of this examination.

The Supervisory Board approved the annual financial statements and the consolidated financial statements for 2024 as well as the combined management report at its meeting on March 24, 2025. The annual financial statements are therefore formally adopted. The Supervisory Board agreed with the appropriation of the net retained profits proposed by the Executive Board.

THANK YOU

The Supervisory Board would like to thank the Executive Board and all employees for their extraordinary efforts for Softing during a difficult 2024 that was again dominated by global events, and for their achievements in the 2024 financial year.

Haar, Germany, March 24, 2025

Matthias Weber
Chairman

Directors’ Holdings – Financial Calendar

CORPORATE BOARDS AND DIRECTORS’ HOLDINGS

Boards	Shares	
	June 30, 2024 Number	Dec. 31, 2024 Number
Supervisory Board		
Matthias Weber (chairman from May 6, 2022), business graduate, Baierbrunn, Germany	–	–
Andreas Kratzer (member), certified public accountant, Neuheim, Switzerland	10,158	10,158
Dr. Klaus Fuchs (member), graduate computer scientist and graduate engineer, Helfant, Germany	278,820	278,820
Executive Board		
Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich, Germany	163,234	166,234
Ernst Homolka, Munich, Germany	10,900	10,900

There are no stock options.

FINANCIAL CALENDAR

March 31, 2025	Consolidated Financial Statements/Annual Report 2024
May 15, 2025	Interim Management Statement Q1/3M 2025
June 18, 2025	General Shareholders’ Meeting 2025
August 14, 2025	Half-yearly Financial Report 2025
November 12, 2025	Interim Management Statement Q3/9M 2025
November 12–13, 2025	Munich Capital Market Conference
November 24–25, 2025	German Equity Forum, Frankfurt/Main

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