Interim Statement on the 3rd Quarter and First 9 Months of 2018

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Preface

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

Our third-quarter results for the 2018 financial year clearly show that our efforts to increase incoming orders, revenue and earnings are now paying off. After the first product batches for major orders were successfully completed, the increase in incoming orders in recent quarters resulted in a sharp rise in revenue and EBIT supported by a consistently robust and growing core business. Revenue growth continues to be driven by product innovations in the IT Networks segment as well as an expanding customer base in the Automotive and Industrial segments. A high degree of internal cost discipline boosted results further.

Revenue growth of more than 30% in the IT Networks segment is particularly encouraging, as it affirms the aggressive growth strategy that has enabled us to become the second-largest company worldwide in our sector by new sales. Our strategy is clear: first, we price the basic versions of our products competitively to facilitate their distribution in the market. We then improve our margins by offering a wide range of services with maintenance agreements and software product updates. Softing recently launched three new products. Every new product is designed to ensure that users can activate important additional features throughout the product's lifecycle by purchasing software updates.

One particularly interesting development in the Industrial segment is the integration of our products into our major customers' portfolios. We have made significant progress in this area this year, particularly in the high-margin process manufacturing sector, where we expect the business to grow steadily over the next few years. We are also undertaking interesting factory automation projects with major providers who use Softing's hardware and software products to gain access to the end customers' installed equipment.

In addition to new products, the steady transition to subscription models for our software products is particularly significant for the Automotive segment. We expect the highly-scalable software as a service business to trigger a sharp rise in recurring revenue and income in the future. Our new Chinese subsidiary is well on track to record around EUR 1 million in incoming orders for the Automotive segment in its first year of existence. GlobalmatiX AG, acquired in spring 2018, has cleared several more hurdles. In addition to making technological progress on its service product, GlobalmatiX now boasts three major customers for which it is conducting specific fleet tests. We recently established GlobalmatiX Inc. in the USA to take advantage of promising market opportunities in this market. During the current financial year, the planned expansion of the GlobalmatiX AG business will continue to depress earnings by around EUR 1.2 million due to the forward-looking nature of its investments. Automotive is once again returning to profitability before taking these additional charges into account.

Third-quarter revenue and EBIT benefited disproportionately from products in the Industrial segment, particularly those in the Oil and Gas sector. These customers will be the basis for and driver of profitable revenue growth as early as this year, with significantly stronger growth anticipated for 2019 and subsequent years. The Automotive segment has managed the shift in its traditional business, with marketable new products now lifting revenues, while the advanced progress of our developments has enabled us to lower costs. For detailed information on the performance of the individual segments, please the following pages with the report on net assets, financial position and results of operations.

In step with the progressing repayment of loans for acquisitions made, the equity ratio has also risen to just over 68%. In seasonal terms, we expect that the fourth quarter will prove to be the strongest quarter. We therefore confirm the Group's guidance published in the management report of the 2017 annual report. Overall, we expect both revenue and incoming orders to grow moderately to over EUR 80 million. We anticipate EBIT of EUR 4.0 million, while operating EBIT is expected to come in at EUR 3.7 million. These statements relate to the Softing Group without the acquisition of GlobamatiX AG made in late March.

Sincerely Yours,

Dr. Wolfgang Trier
(Chief Executive Officer)

Interim Statement on the 3rd quarter of 2018

REPORT ON NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

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

The performance of the Industrial segment in the first nine months of the year was stable, with EBIT increasing both in the American and European markets.

In the Automotive segment, initial successes can be seen as a result of the increasing availability of new products and the cost reductions that have been initiated. Business development with products of the acquired GlobalmatiX AG is proceeding according to plan.

The IT Networks segment performed very well in the first nine months. Starting in the fourth quarter, three new product lines will provide the necessary momentum for marketing in 2019.

The Softing Group recorded revenue of EUR 60.5 million in the first nine months of 2018 (previous year: EUR 58.4 million). In the Industrial segment, revenue dropped slightly from EUR 38.6 million to EUR 38.0 million. The Automotive segment showed its first signs of improvement in revenue, with revenue increasing from EUR 12.7 million to EUR 13.1 million. Since the previous year, we have been reporting on the IT Networks business as a separate segment; it was part of the Industrial segment until Q3/2017. IT Networks achieved a strong increase in revenue from EUR 7.1 million to EUR 9.4 million.

Despite the development of several new products across the segments, own work capitalized rose only marginally from EUR 3.1 million to EUR 3.2 million.

The Group's EBITDA totaled EUR 6.0 million in the first nine months (previous year: EUR 3.8 million), resulting in an EBITDA margin of around 10% (previous year: 6%).

The Industrial segment's EBIT rose from EUR 2.4 million to EUR 2.9 million, while operating EBIT increased from EUR 3.0 million to EUR 3.6 million. In the Automotive segment, EBIT improved from EUR –1.2 million to EUR –0.3 million, while operating EBIT rose from EUR –2.7 million to EUR –1.5 million. Forward-looking investments made by the acquired company GlobalmatiX AG, which is in the process of being expanded, have depressed earnings in this segment by EUR 1.2 million. This shows that Automotive has already returned to profitability without taking into account the impact of GlobalmatiX. The IT Networks segment posted a slightly negative EBIT of –0.2 million compared to the previous year's figure of EUR –0.6 million. Operating EBIT came to EUR –0.1 million (previous year: EUR –0.3 million).

The Group's operating EBIT (EBIT adjusted for capitalized development services and amortization on these as well as effects from purchase price allocation) in the reporting period totaled EUR 2.0 million (previous year: EUR –0.1 million). Consolidated EBIT amounted to EUR 2.4 million (previous year: EUR 0.6 million).

Consolidated net profit for the period was EUR 2.0 million after the first nine months (previous year: EUR 0.3 million).

Capital expenditure on property, plant, and equipment was insignificant and comprised replacements. As of September 30, 2018, this results in cash and cash equivalents of EUR 9.3 million after EUR 10.3 million as of December 31, 2017.

The equity ratio as of September 30, 2018 rose to 68% (December 31, 2017: 65%). On March 16, 2018, the Executive Board of Softing AG decided with the approval of the Supervisory Board to increase the Company's share capital by EUR 1,450,000 from EUR 7,655,381 to EUR 9,105,381 shares against contributions in kind by issuing 1,450,000 new no-par bearer at an issue price of EUR 9.43.

RESEARCH AND PRODUCT DEVELOPMENT

In the first nine months of 2018, Softing capitalized a total of EUR 3.2 million (previous year: EUR 3.1 million) for the development of new products and the enhancement of existing ones. Other significant amounts were expensed.

EMPLOYEES

As of September 30, 2018, the Softing Group had 407 employees (previous year: 408). No stock options were issued to employees in the reporting period.

OPPORTUNITIES FOR THE COMPANY'S FUTURE DEVELOPMENT

As of the reporting date of September 30, 2018, the Company's risk structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2017. Material changes are also not expected for the remaining three months of 2018. For more detailed information, we refer to our Group Management Report in the 2017 Annual Report, page 9 et seq.

OUTLOOK

We confirm the Group's guidance published on page 27 of the management report in the 2017 annual report (excluding GlobalmatiX AG). Overall, we expect both revenue and incoming orders to grow moderately to over EUR 80 million.

We anticipate EBIT of EUR 4.0 million, while operating EBIT is expected to come in at EUR 3.7 million. In seasonal terms, we once again expect that the fourth quarter will prove to be the strongest quarter. These statements relate to the Softing Group without the acquisition of GlobalmatiX AG. GlobalmatiX AG is likely to contribute approximately EUR 0.8 million of additional revenue and an EBIT of up to EUR –1.0 million.

At segment level, we expect a slight increase in revenue, EBIT and operating EBIT in both the Industrial and IT Networks segments. We expect EBIT and operating EBIT in the Automotive segment to improve considerably as a result of the cost reduction measures introduced.

EVENTS AFTER THE REPORTING PERIOD

There were no events of special importance after the reporting date of September 30, 2018.

GENERAL ACCOUNTING POLICIES

The consolidated financial statements of Softing AG as of December 31, 2017 were prepared in accordance with the International Financial Reporting Standards (IFRSs) based on the guidance of the International Accounting Standards Board (IASB) applicable at the reporting date. The quarterly management statement as of September 30, 2018, which was prepared on the basis of International Accounting Standard (IAS) 34 „Interim Financial Reporting", does not contain all of the required information in accordance with the requirements for the presentation of the annual report and should be read in conjunction with the consolidated financial statements of Softing AG as of December 31, 2017. In general, the same accounting policies were applied in the quarterly management statement as of September 30, 2018 as in the consolidated financial statements for the 2017 financial year. This quarterly management statement was prepared without an auditor's review.

CHANGES IN THE BASIS OF CONSOLIDATION

As of September 30, 2018, the following changes occurred in the basis of consolidation of Softing AG compared to December 31, 2017:

GlobalmatiX AG

On March 16, 2018, Softing AG acquired all of the interests in GlobalmatiX AG in Vaduz, Liechtenstein.

GlobalmatiX AG 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.

This acquisition enables Softing to significantly extend its capabilities in the megatrends of digitalization and Industrie 4.0 and lays the foundation for new service-focused revenue.

The purchase price of EUR 13.7 million paid in shares of Softing AG was financed based on the authorization granted by the General Shareholders' Meeting of Softing AG on May 6, 2015 (Authorized Capital 2015). On March 16, 2018, the Executive Board of Softing AG decided with the approval of the Supervisory Board to increase the Company's share capital by EUR 1,450,000 from EUR 7,655,381 to EUR 9,105,381 shares against contributions in kind by issuing 1,450,000 new no-par bearer at an issue price of EUR 9.43. Mr. Alois Widmann, Vaduz, Principality of Liechtenstein, was permitted to subscribe to and accept the new shares. Mr. Widmann is transferring all of his shares in GlobalmatiX Aktiengesellschaft, headquartered in Vaduz, Liechtenstein, to the Company. The Company and Mr. Widmann entered into a transfer agreement to this effect on March 16, 2018.

We provided more information on further details and the distribution of the purchase price in this year's half-yearly financial report.

Shanghai Softing software Co., Ltd.

On February 10, 2018, the Company signed an agreement with Beijing Windhill Technology Co., Ltd. on the sale of 50% of the shares in Shanghai Softing software Co., Ltd., Shanghai, China. At the same time, Softing AG and Beijing Windhill Technology Co., Ltd. entered into an agreement on a future joint venture; the purchase price paid for 50% of the shares was EUR 1 thousand.

Softing is thus taking account of the considerable importance of the Chinese automotive market, which is characterized by a rapidly growing need for product and project solutions in Softing's core expertise in the development and diagnostics of control units. Up to 50 experienced sales and development employees are available to Softing Electronic Science & Technology (Shanghai) Co., Ltd. in the Shanghai and Beijing offices.

Softing Electronic Science & Technology (Shanghai) Co., Ltd. will continue to be included in the group of consolidated affiliated companies because Softing is responsible for this 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.

Softing Messen & Testen GmbH and Softing Projekt Services GmbH

Softing Project Services GmbH was merged into Softing Messen & Testen GmbH effective August 1, 2018. At the same time, Softing Messen & Testen GmbH was renamed Softing Engineering & Solutions GmbH domiciled in Kirchentellinsfurt.

Softing Automotive Electronics Services GmbH

Softing Automotive Electronics Services GmbH was renamed Softing Automotive Electronics (Kirchentellinsfurt) GmbH effective August 1, 2018.

KEY FIGURES FOR THE 3RD QUARTER OF 2018

All figures in EUR million	Quarterly statement 3/2018	Quarterly statement 3/2017
Incoming orders	65.7	58.6
Orders on hand	16.3	12.9
Revenue	60.5	58.4
EBITDA	5.9	3.8
EBIT	2.4	0.6
EBIT (operating)	2.0	–0.1
Net profit for the year	2.0	0.3
Earnings per share in EUR (operating)	0.23	0.04

FINANCIAL CALENDAR

November 15, 2018	Interim management statement Q3/9M 2018	softing.com
November 26-28, 2018	Analyst and investor conference German Equity Forum of Deutsche Börse AG	Frankfurt/Main
December 11-12, 2018	MKK Kapitalmarktkonferenz	München
March 2019	Consolidated financial statements/AR 2018	softing.com
May 2019	Interim management statement Q1/3M 2019	softing.com
August 2019	Interim report Q2/6M 2019	softing.com
November 2019	Interim management statement Q3/9M 2019	softing.com

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

from January 1 to September 30, 2018

EUR thousand	9 Months 1/1/2018 – 9/30/2018	9 Months 1/1/2017 – 9/30/2017	3rd Quarter 7/1/2018 – 9/30/2018	3rd Quarter 7/1/2017 – 9/30/2017
Revenue	**60,529**	**58,417**	**20,597**	**19,044**
Other own work capitalized	3,205	3,071	960	851
Other operating income	901	441	244	150
Operating income	**64,635**	**61,929**	**21,801**	**20,045**
Cost of materials / cost of purchased services	–25,785	–23,591	–8,330	–7,926
Staff costs	–24,417	–25,213	–7,961	–7,998
Depreciation, amortization and impairment losses	–3,540	–3,232	–1,285	–1,110
thereof depreciation / amortization due to purchase price allocation	–1,267	–931	–497	–293
Other operating expenses	–8,475	–9,307	–2,889	–3,432
Operating expenses	**–62,218**	**–61,343**	**–20,465**	**–20,466**
Profit / loss from operations (EBIT)	**2,418**	**586**	**1,336**	**–421**
Interest income	21	0	0	0
Interest expense	–128	–112	–46	–34
Currency difference from internal lending	526	0	104	0
Earnings before income taxes	**2,837**	**474**	**1,394**	**–455**
Income taxes	–816	–150	–314	149
Consolidated profit	**2,020**	**324**	**1,080**	**–306**
Attributable to:				
Owners of the parent	2,027	332	1,059	–291
Minority interests	–7	–8	20	–16
Consolidated profit	**2,020**	**324**	**1,079**	**–306**
Earnings per share (basic = diluted)	0,23	0,04	0,10	–0,04
Average number of shares outstanding (basic)	8,659,227	7,316,332	9,105,381	7,655,381
Consolidated profit	**2,020**	**324**	**1,079**	**–306**
Currency translation differences				
Changes in unrealized gains / losses	0	–1,161	0	–35
Tax effect	0	325	0	0
Currency translation differences in total	**0**	**–836**	**0**	**–35**
Consolidated profit	**0**	**–836**	**0**	**–35**
Total comprehensive income for the period	**2,020**	**–512**	**1,079**	**–341**
Total comprehensive income for the period attributable to:				
Owners of the parent	2,020	–504	1,052	–325
Minority interests	–7	–8	20	–16
Total comprehensive income for the period	**2,013**	**–512**	**1,072**	**–341**
Earnings per share (basic = diluted)	0,23	–0,07	0,12	–0,05
Average number of shares outstanding (basic)	8,659,227	7,143,997	9,105,381	7,563,608

Consolidated Statement of Cash Flows

from January 1 to September 30, 2018

EUR thousand	1/1/2018 – 9/30/2018	1/1/2017 – 9/30/2017
Cash flows from operating activities		
Profit (before tax)	2,837	474
Depreciation, amortization and impairment losses on fixed assets	3,540	3,232
Other non-cash transactions	–664	579
Cash flows for the period	**5,713**	**4,285**
Invest income	–21	0
Interest expense	128	112
Change in other provisions and accrued liabilities	–21	16
Change in inventories	–1,412	–170
Change in trade receivables	–304	1,834
Changes in financial receivables and other assets	–399	–938
Change in trade payables	–102	–650
Changes in financial and non-financial liabilities and other liabilities	844	–729
Interest received	21	0
Income taxes received	721	0
Income taxes paid	–197	–1,832
Cash flows from operating activities	**4,969**	**1,927**
Investments in fixed assets	–1,813	–550
Cash paid for investments in internally generated intangible assets	–3,205	–3,071
Cash paid for the acquisition of subsidiaries/variable purchase prices	0	–4,209
Cash flows from investing activities	**–5,018**	**–7,830**
Cash paid for dividends	–995	–1,392
Cash received from short-term bank line	1,473	1,000
Repayment of bank loans	–1,425	–805
Cash received from capital increase	0	7,864
Interest paid	–128	–112
Cash flows from financing activities	**–1,075**	**6,555**
Net change in funds	–1,124	653
Effects of exchange rate changes on cash and cash equivalents	91	–259
Cash and cash equivalents at the beginning of the period	10,276	10,869
Cash and cash equivalents at the end of the period	**9,243**	**11,262**

Consolidated Statement of Assets, Equity and Liabilities

as of September 30, 2018 and December 31, 2017

Assets

EUR thousand	9/30/2018	12/31/2017
Non-current assets		
Goodwill	18,465	14,540
Intangible assets	40,686	27,268
	59,152	41,808
Property, plant and equipment	2,056	2,022
Deferred tax assets	2,479	2,071
Non-current assets, total	**63,687**	**45,901**
Current assets		
Inventories	10,479	9,067
Trade receivables	11,521	12,067
Receivables from customer-specific construction contracts	1,610	760
	13,131	12,827
Other current assets	742	656
Current income tax assets	1,270	1,991
Current financial assets	0	0
Cash and cash equivalents	9,243	10,276
Current assets, total	**34,865**	**34,817**
Total assets	**98,552**	**80,718**

Equity and liabilities

EUR thousand	9/30/2018	12/31/2017
Equity		
Subscribed capital	9,105	7,655
Capital reserves	31,438	19,214
Retained earnings	26,639	25,436
Equity (Group share)	**67,182**	**52,305**
Minority interests	154	– 33
Equity, total	**67,336**	**52,272**
Non-current liabilities		
Pensions and similar obligations	2,081	2,181
Long-term borrowings	2,974	4,153
Other non-current liabilities	50	57
Deferred taxes	6,834	4,748
Non-current liabilities, total	**11,939**	**11,139**
Current liabilities		
Trade payables	4,472	4,574
Payables from customer-specific construction contracts	485	952
Provisions and accrued liabilities	142	163
Income tax liabilities	977	598
Short-term borrowings	6,341	4,788
Current non-financial liabilities	2,349	2,663
Current financial liabilities	4,511	3,569
Current liabilities, total	**19,277**	**17,307**
Total equity and liabilities	**98,552**	**80,718**

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