Interim Statement on the 3rd Quarter and First 9 Months of 2020

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DEAR SHAREHOLDERS, EMPLOYEES, PARTNERS AND FRIENDS OF SOFTING,

The current economic situation is having a considerable impact on our customers both directly and indirectly as a result of the COVID-19 pandemic. A strong first quarter was followed by a serious slump in the second quarter. The good news is that the resulting significant declines in incoming orders and revenue were at least partially offset by the emerging recovery in the third quarter, even though the rapid "V-shaped" economic recovery that was originally hoped for did not materialize. This is also no longer expected to happen in 2020 in light of the new series of lockdowns across Europe.

As a result, strict control of cost structures remains the order of the day to ensure that we can continue steering the Company through this ongoing crisis without endangering it. The key parameter in this economic situation is operating EBIT, which comes closest to cash flow and provides an indicator for preserving healthy liquidity. Income in the third quarter compensated for the losses recorded in the first half of the year. As a result, the Group's operating EBIT broke even in the first nine months of the year (EUR 0.0 million) compared with EUR 2.8 million in the prior-year period. Consolidated revenue amounted to EUR 55.7 million, which corresponds to a decline of EUR 8.4 million or 13%.

Even in these difficult times dominated by the COVID-19 pandemic, the Group's largest segment – Industrial – remains its anchor of stability. After the first nine months of the year, Industrial revenue was just 4% down on the prior-year figure at EUR 40.7 million. The operating EBIT generated by this segment was EUR 3.1 million, just short of the previous year's figure of EUR 3.4 million. Revenue even increased slightly in the third quarter of this year, while operating EBIT rose by 50% to EUR 1.8 million compared to the same quarter last year. The process industry is also proving robust despite the challenging market environment, even though it is suffering from weak demand at present. Softing benefits from having key components in its portfolio that our customers in this industry cannot and do not wish to do without, even during the crisis. Softing Industrial also has a strategic focus on products and solutions that protect our customers' existing investments. While the construction of new plant systems grinds to a halt in times of crisis, protecting and modernizing the installed base is significantly more resilient to crises.

At present, the Automotive segment is the business most strongly affected by both the consequences of coronavirus as well as tremendous political pressure to radically and unilaterally convert to electric motors. Politicians are simply ignoring environmental facts and industrial policy safeguards for this industry, which is vital for Germany. Automobile manufacturers (OEMs) are ailing, with some suppliers already fighting for survival. Revenue at Softing Automotive slumped by almost one-third in the first nine months of the year from EUR 14.8 million to EUR 9.9 million, resulting in operating EBIT that was almost EUR 2 million weaker than the prior-year period at EUR –2.2 million. A review of cost structures is required here, even though these figures still include around EUR 1.8 million in start-up charges for the newest subsidiary GlobalmatiX.

GlobalmatiX focused on 2-3 core products and brought them to the market. A whole range of high-caliber customers tested prototypes of these products and then transferred them into broader field trials. However, the impact of the COVID-19 pandemic stalled the transition from field tests to final application among our customers. The breakthrough to seven-digit revenues originally expected for 2020 will now only happen in 2021. GlobalmatiX consistently expanded its customer base during the first nine months of this year, which means that revenue expectations for 2021 and beyond are based on a much broader customer base than ever before. As a result, we are expecting the business to receive a significant earnings boost and achieve profitability in 2021.

The IT Networks segment was impacted even by the early stages of the coronavirus crisis. Due to the short-cycle nature of the business and the cancellation of all trade fairs, revenue fell immediately by just under 40% in the first half of the year. We were able to establish that the drops in revenue were primarily attributable to the abrupt cessation of direct customer contact. Our teams had to find completely new ways to reach our customers. We are proud and relieved to say that we have since succeeded in doing this. Segment revenue increased significantly in the third quarter, even slightly exceeding the prior-year figure. The operating result (EBIT) also improved year-on-year to EUR –170 thousand (previous year: EUR –213 thousand). Nevertheless, revenue fell to EUR 5.1 million in the first nine months of the year after around EUR 7 million in the previous year, with an operating EBIT of EUR –1 million (previous year: EUR –0.25 million). We expect the recovery to continue in the fourth quarter, which is always crucial for IT Networks, even though we no longer expect the segment to reach the annual revenue levels of 2019.

We were able to resume in-person work for our employees around the middle of the year by developing appropriate hygiene protocols. To date, individual quarantine and infection cases among employees in their personal environment have not had any impact on our operations.

At the start of October this year, Softing was the target of a cyberattack as part of what appeared to be a series of large-scale attacks on medium-sized German companies. This paralyzed the Company for around two weeks. Our entire IT structure was redesigned and rebuilt with the help of external experts. No financial losses are expected as we have insurance and coverage has been approved. We do not expect any lasting adverse impact due to our farsighted data backup approach. In addition, there is no evidence of any direct losses for our customers.

For the full year, we expect consolidatedrevenue of just under EUR 80 million (previous year: EUR 92 million) with operating EBIT breaking even or being slightly positive. Softing will be presenting and conducting numerous one-on-one discussions with interested shareholders during the virtual German Equity Forum from November 16 to 18 and at the Munich Capital Markets Conference on December 8 and 9, 2020.

We hope that you stay healthy during this time and watch to see how Softing will seize and realize the opportunities presented by this time.

Sincerely yours,

Dr. Wolfgang Trier
(Chief Executive Officer)

Interim statement on the 3rd quarter/first 9 months of 2020

REPORT ON NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

The deterioration and upheaval in economic conditions in the most important global markets for Softing due to the COVID-19 pandemic continued to left their mark on Softing in the third quarter of 2020 – although a trend towards recovery is discernible.

Incoming orders of EUR 16.4 million in the third quarter (previous year: EUR 20.9 million) as a result of the COVID-19 pandemic significantly reduced incoming orders to EUR 53.6 million as of September 30, 2020 compared to the previous year's figure of EUR 72.0 million. However, it should be noted that the strong order intake in the first nine months of 2019 was only recognized as revenue in the income statement in the final quarter of 2019. At EUR 17.2 million, orders on hand at the end of the third quarter of 2020 were EUR 5.6 million below the comparable prior-year figure.

Consolidated revenue totaled EUR 55.7 million until September 2020 – a decline of EUR 8.4 million or 13% in the first nine months of 2020.

Despite the crisis, revenue in our largest segment, Industrial, only decreased slightly by around 4% from EUR 42.3 million to EUR 40.7 million in the first nine months of the year, with EBIT remaining positive.

Revenue in the Automotive segment contracted by EUR 4.9 million year-on-year, primarily between May and September. The segment was still showing slight revenue growth by the end of April. Although business development with products from the GlobalmatiX AG business continues even amid the crisis, this has not year resulted in significant revenue in the reporting period.

The IT Networks segment was severely affected from the start of the crisis, as contact with customers was virtually impossible. However, IT Networks began showing signs of recovery as early as April and May – a trend that continued in the third quarter. Revenue dropped by around 27% or EUR 1.9 million to EUR 5.1 million in the first nine months of 2020.

The decrease in the Group's EBITDA from EUR 8.9 million to EUR 4.8 million in the first nine months of the year resulted in a significantly reduced EBITDA margin of around 9% compared with 14% in the prior-year period.

The Group's operating EBIT (EBIT adjusted for capitalized development services and amortization on these as well as effects from purchase price allocation) broke even in the first nine months of the year (EUR 0.0 million), compared with EUR 2.8 million in the prior-year period. In line with the significant decline in revenue from May to September, consolidated EBIT (IFRS) for the first nine months of the year fell from EUR 3.2 million to EUR -1.2 million. A considerable recovery began in the third quarter of 2020. For the first time in 2020,, the Group generated positive EBIT of EUR 0.7 million.

EBIT in the Industrial segment decreased to EUR 2.7 million (previous year: EUR 3.8 million), whereas operating EBIT stabilized at EUR 3.1 million, roughly on a par with the previous year's figure of EUR 3.4 million. EBIT in the Automotive segment decreased year-on-year, from EUR 0.1 million to EUR -2.7 million, while operating EBIT contracted from EUR-0.4 million to EUR-2.3 million. Forward-looking investments made by the acquired company GlobalmatiX AG, which is in the process of being expanded, depressed earnings in this segment by EUR 1.8 million. The IT Networks segment posted negative EBIT of EUR -1.1 million (previous year: EUR-0.7 million). Operating EBIT was EUR-1.0 million, also below the prior-year figure of EUR-0.2 million. Operating EBIT in the third quarter improved clearly and was even slightly higher than in the previous year.

Consolidated profit was pushed into the red, coming in at EUR -2.3 million after the first nine months of 2020 (previous year: profit of EUR 2.4 million). Accordingly, earnings per share were EUR -0.25 after the first nine months of 2020, compared with EUR 0.26 in the previous year.

Cash flow from operating activities after nine months totaled EUR 4.5 million (previous year: EUR 7.7 million). Capital expenditure on property, plant, and equipment was insignificant and comprised replacements. Please refer to the Research and Development section for information on investments in products. Cash flow from financing activities in the amount of EUR-1.2 million was dominated by the payment of the 2020 dividend of EUR 0.4 million and the repayment of lease liabilities in the amount of EUR 1.0 million. As a result, the Group had cash of EUR 12.6 million as of September 30, 2020 (previous year: EUR 15.0 million), compared with EUR 14.9 million as of December 31, 2019.

The Group continues to have a stable equity ratio of 60% as of September 30, 2020.

RESEARCH AND PRODUCT DEVELOPMENT

In the first nine months of 2020, Softing capitalized a total of EUR 3.0 million after EUR 4.2 million in the previous year for the development of new products and the enhancement of existing ones, both internally and externally. GlobalmatiX has continually invested in its future mobile infrastructure. New and improved products in the Industrial and IT Networks segments will be launched before the end of 2020 and in early 2021. Other significant development services in connection with existing products were expensed.

EMPLOYEES

As of September 30, 2020, the Softing Group had 397 employees (previous year: 399). No stock options were issued to employees in the reporting period.

OPPORTUNITIES AND RISKS FOR THE COMPANY'S FUTURE DEVELOPMENT

As of the reporting date of September 30, 2020, the Company's risk structure has deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2019, particularly with regard to the COVID-19 pandemic. Material changes are also expected for the remaining three months of 2020. For more detailed information, please also refer to our statements on the COVID-19 pandemic. The following initial protective measures have been taken based on the risk analysis:

Our aim was to protect the Company, its employees and other stakeholders, to manage risk and thus ensure long-term operations. The following protective measures were also introduced in the short term:

- Making disinfectant available at entrances and in washrooms as well as the building cleaning company regularly disinfecting door handles, desks etc.
- Distributing protective masks to all employees
- Keeping business trips and trade fairs to a necessary minimum

- Conducting meetings at a sufficiently safe distance and/or via video conferencing
- Holding the General Shareholders' Meeting virtually without the physical presence of shareholders and shareholder representatives
- Making it possible for employees to work from home by providing laptops and VPN access
- Preparing appropriate working plans for each company (in-person attendance/working from home/using outstanding vacation and reducing overtime/short-time work)
- Increasing inventories at Softing and its suppliers to improve reliability of supply

These safety measures continue to apply across all Softing companies, even after the easing of government restrictions.

The commercial risks of the COVID-19 pandemic, including revenue shifts and losses, supply bottlenecks due to the shutdown at customers and suppliers, changes to purchasing behavior during and after the crisis, and customer and supplier losses caused by business closures are being managed using the following packages of measures:

- Forecast scenarios based on different models for the economic development of the impact of the pandemic
- Cost savings made by reducing overtime and vacation as well as short-time work and general review of purchases and investments
- Additional general cost reductions in other expenses
- Use of government support both in Germany and abroad, such as the option of short-time work in Europe or the Job Support Scheme (JSS) in Singapore
- Risk analysis of the different effects of the pandemic (e.g. spread) and measures (e.g. shutdown, planned economic aid, opening of borders) on various regions and customers by continuously exchanging information with relevant managers

Generally speaking, however, we do not expect the results of operations to improve considerably until 2021. For information on other risks and opportunities, we refer to the Group Management Report in the 2019 Annual Report, page 10 et seq.

COVID-19 PANDEMIC

Impact on net assets, financial position and results of operations:

To date, the Softing Group has only taken advantage of government support measures in the form of temporary short-time work. We have taken up this form of support in all countries that offer this instrument. In markets where this was not possible, we have implemented wage cuts and, to a limited extent, reduced staff numbers.

As of September 30, 2020, the Softing Group had cash and cash equivalents of EUR 12.6 million, current receivables of EUR 12.0 million and agreed but not yet drawn down credit lines of around EUR 7.0 million at its disposal. This means that the Group has more than EUR 30 million in near cash funds available at short notice to tackle the crisis.

Discussions held with our main banks at an early stage during the COVID-19 pandemic resulted in a positive signal to enable any necessary funding beyond the short-term financial resources outlined above.

There have been no breaches of credit agreements and we have complied with all of the covenant rules.

Receivables management is being monitored more closely than before the 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.

The impairment tests conducted at the end of 2019 have also been reviewed and adjusted to fit the new situation. Long-term trends and assumptions remain intact. The investments we have made in recent years have been investments in future technologies, and their market success will be accelerated rather than slowed down by the coronavirus crisis. At the end of the financial year, the assumptions will be reviewed again, taking into account the findings obtained since the 2020 half-yearly report.

The share buyback program announced by Softing AG in an ad hoc disclosure on April 3, 2020, started on April 15, 2020 and is to be completed no later than April 30, 2021. A bank was instructed to buy back a maximum of 90,000 Company shares, with the buyback being limited to either that number of shares or to a total purchase price of EUR 500,000. The acquired shares are to be used primarily as acquisition currency. The Executive Board is thus exercising the authorization granted by the Annual General Meeting dated May 4, 2016 to repurchase treasury shares in accordance with Section 71 (1) no. 8 of the German Stock Corporation Act (Aktiengesetz – AktG). By September 30, 2020, Softing AG had acquired 42,000 own shares.

After the COVID-19 pandemic began, the Executive Board of Softing AG determined that the outlook for the 2020 financial year set out in the 2019 Annual Report and the modified outlook for consolidated revenue, consolidated EBIT and operating EBIT at the previous year's level as stated in the Q1/2020 Interim Statement cannot be achieved. Several of the product and project requests from key customers that formed the basis for the original outlook are being stretched out into 2021 or could be completely postponed until 2021. As a result, the assumption of a rapid and significant recovery of the global economy in the second half of the year contained in the Q1/2020 Interim Statement must be revised.

The economic uncertainty caused by the coronavirus crisis means it is still impossible to issue specific statements. Given the recovery trends that are discernible, our aim for the second half of the year is to increase revenue compared to the first half and to end the year with clearly positive consolidated EBITDA and positive operating EBIT.

Due to the Group's financial strength, strict cost discipline at all levels, additional financing options not yet utilized, and global positioning, the Executive Board sees no danger of developments threatening the continued existence of the Group as going concern.

EVENTS AFTER THE REPORTING PERIOD

On October 20, 2020, the German companies of the Softing Group became victims of a cyberattack. According to our own fact-finding work, a number of German manufacturers also reported similar kinds of cyberattacks. Despite the professional countermeasures we had put in place, we were not able to prevent unlawful access to our IT infrastructure. Our German organization is currently working on rebuilding the IT infrastructure. The resulting financial loss is covered by insurance. We therefore do not expect this attack to have an effect on our year-end bottom line.

GENERAL ACCOUNTING POLICIES

The consolidated financial statements of Softing AG as of December 31, 2019 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, 2020, 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, 2019. In general, the same accounting policies were applied in the quarterly management statement as of September 30 as in the consolidated financial statements for the 2019 financial year. This quarterly management statement as of September 30, 2020 was prepared without an auditor's review.

CHANGES IN THE BASIS OF CONSOLIDATION

There were no changes in the basis of consolidation in the first nine months of 2020.

Haar, Germany, November 13, 2020
Softing AG

Dr. Wolfgang Trier
Chief Executive Officer

Ernst Homolka
Executive Board member

KEY FIGURES FOR THE 3RD QUARTER OF 2020

All figures in EUR million	Quarterly management statement 3/2020	Quarterly management statement 3/2019
Incoming orders	53.6	72.0
Orders on hand	17.2	22.8
Revenue	55.7	64.1
EBITDA	4.8	8.9
EBIT	–1.2	3.2
EBIT (operating)	0.0	2.8
Net profit/loss for the period	–2.3	2.4
Earnings per share in EUR (operating)	–0.25	0.26

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

from January 1 to September 30, 2020

EUR thousand	1/1/ – 9/30/2020	1/1/ – 9/30/2019	7/1/ – 9/30/2020	7/1/ – 9/30/2019
Revenue	**55,711**	**64,113**	**19,900**	**22,273**
Other own work capitalized	3,039	4,248	1,049	1,213
Other operating income	670	599	178	186
Operating income	**59,420**	**68,960**	**21,127**	**23,672**
Cost of materials / cost of purchased services	–24,908	–27,337	–8,842	–9,244
Staff costs	–23,744	–25,366	–7,582	–8,571
Depreciation, amortization and impairment losses	–5,996	–5,799	–2,022	–1,988
thereof depreciation / amortization due to purchase price allocation	–1,519	–1,522	–492	–511
thereof depreciation / amortization due to purchase price allocation	–995	–1,125	–331	–346
Other operating expenses	–5,928	–7,303	–2,000	–2,556
Operating expenses	**–60,576**	**–65,805**	**–20,446**	**–22,359**
Profit / loss from operations (EBIT)	**–1,156**	**3,155**	**681**	**1,313**
Interest income	24	1	0	0
Interest expense	–149	–121	–50	–61
Interest expense from lease accounting	–94	–124	–29	–37
Other finance income/finance costs	–551	770	–599	630
Earnings before income taxes	**–1,926**	**3,681**	**3**	**1,845**
Income taxes	–344	–1,318	–333	–644
Consolidated profit	**–2,270**	**2,363**	**–330**	**1,201**
Consolidated profit attributable to:				
Shareholders of Softing AG	–2,356	2,298	–358	1,197
Non-controlling interests	86	65	28	4
Consolidated profit	**–2,270**	**2,363**	**–330**	**1,201**
Earnings per share (basic = diluted)	–0.25	0.26	–0.04	0.13
Average number of shares outstanding (basic)	9,092,047	9,105,381	9,073,239	9,105,381

Consolidated profit	**–2,270**	**2,363**	**–330**	**1,201**
Items that will be reclassified to consolidated profit or loss:				
Currency translation differences				
Changes in unrealized gains/losses	–563	627	–569	552
Tax effect	–23	–176		–156
Total currency translation differences	**–585**	**451**	**–569**	**396**
Other comprehensive income	**–585**	**451**	**–569**	**396**
Consolidated comprehensive income for the period	**–2,855**	**2,814**	**–899**	**1,597**
Total comprehensive income for the period attributable to:				
Owners of the parent	–29,413	2,749	–927	1,594
Minority interests	86	65	28	4
Total consolidated comprehensive income for the period	**–2,855**	**2,814**	**–899**	**1,597**

Consolidated Statement of Assets, Equity and Liabilities

as of September 30, 2020 and December 31, 2019

Assets

EUR thousand	9/30/2020	12/31/2019
Non-current assets		
Goodwill	17,825	18,124
Other intangible assets	43,804	44,291
Equity investments	1,500	1,500
Property, plant and equipment	5,278	5,949
Deferred tax assets	1,073	787
Non-current assets, total	**69,480**	**70,651**
Current assets		
Inventories	14,244	12,596
Trade receivables	11,294	15,380
Contract assets	752	533
Current income tax assets	1,226	1,864
Cash and cash equivalents	12,555	14,917
Current assets	1,009	855
Current assets, total	**41,080**	**46,145**
Total assets	**110,560**	**116,796**

Equity and liabilities

EUR thousand	9/30/2020	12/31/2019
Equity		
Subscribed capital	9,105	9,105
Capital reserves	31,111	31,111
Treasury Shares	–225	0
Retained earnings	25,829	29,119
Equity attributable to shareholders of Softing AG	65,820	69,335
Non-controlling interests	358	269
Equity, total	**66,178**	**69,604**
Non-current liabilities		
Pensions	2,977	3,085
Long-term borrowings	14,006	14,006
Other non-current financial liabilities	2,670	2,259
Deferred tax liabilities	6,012	6,160
Non-current liabilities, total	**25,665**	**25,510**
Current liabilities		
Trade payables	5,537	6,476
Contract liabilities	2,689	2,641
Provisions	66	101
Income tax liabilities	1,617	1,255
Short-term borrowings	2,225	1,581
Current financial liabilities	5,599	7,691
Current non-financial liabilities	984	1,937
Current liabilities, total	**18,717**	**21,682**
Total equity and liabilities	**110,560**	**116,796**

Consolidated Statement of Cash Flows

from January 1 to September 30, 2020

EUR thousand	1/1/2020 - 9/30/2020	1/1/2019 - 9/30/2019
Cash flows from operating activities		
Profit (before tax)	–1,926	3,681
Depreciation and amortization of fixed assets	5,996	5,799
Other non-cash transactions	–164	–48
Cash flows for the period	**3,906**	**9,432**
Interest income	–24	–1
Interest expense	243	244
Change in other provisions and accrued liabilities	–35	–44
Change in inventories	–1,648	–2,166
Change in trade receivables	3,866	1,979
Change in financial receivables and other assets	–246	–351
Change in trade payables	–939	–1,229
Change in financial and non-financial liabilities and other liabilities	–1,030	205
Interest received	24	1
Income taxes received	654	0
Income taxes paid	–245	–414
Cash flow from operating activities	**4,526**	**7,656**
Cash payments for investments in non-current assets	–647	–836
Cash paid for investments in new internal/external product developments	–3,603	–5,736
Cash paid for acquisition in 2019	–1,500	0
Cash flow from investing activities	**–5,750**	**–6,572**
Cash paid for dividends	–364	–1,184
Repayment of lease liabilities	–1,032	–1,033
Cash received from short-term bank line	2,200	0
Cash received from long-term loans	0	14,000
Cash repayment of bank loans	–1,557	–7,547
Cash paid for purchase of own shares	–225	0
Interest from lease accounting	–94	–121
Other interest paid	–149	–123
Total interest paid	–243	–244
Cash flow from financing activities	**–1,221**	**3,992**
Net change in cash funds	–2,445	5,076
Effects of exchange rate changes on cash funds	83	259
Cash funds at beginning of period	14,917	9,682
Cash funds at end of period	**12,555**	**15,017**

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