Interim Statement
on the 1st Quarter of 2023

reporting

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DEAR SHAREHOLDERS, EMPLOYEES, PARTNERS AND FRIENDS OF SOFTING,

I am pleased to report that 2023 got off to an excellent start for Softing. Very briefly, revenue and earnings surged to record highs, sustaining the growth momentum we had seen in the previous year (+16%).

We lifted our revenue by a respectable 38%, from EUR 20.6 million in the same period of the previous year to EUR 28.5 million. This is a level of revenue which just recently took us six months to achieve. Revenue was driven in particular by the healthy order book in the Industrial segment.

There was never any doubt in our minds that we would turn orders on hand into revenue, but the speed at which this happened in the first quarter took even us by surprise. Sourcing electronic components early on ties up considerable financial resources. However, once we received the final missing components, it didn't take long for us to manufacture the products and deliver them to our customers. The first quarter shows that this strategy pays off.

Despite soaring personnel and procurement costs, we generated EBIT of EUR 2 million in the first quarter of the year (previous year: EUR –1.5 million), which was EUR 3.5 million higher than in the previous year. Operating EBIT, our primary key performance indicator, reached EUR 2.5 million, up from EUR –0.8 million in the prior-year period. This in turn lifted earnings per share from EUR –0.13 to EUR +0.13.

At EUR 69.8 million (previous year: EUR 48.3 million), orders on hand was at a far higher level than in the previous year. Incoming orders returned to normal levels at EUR 23.5 million after jumping to EUR 34.7 million in the previous year on account of the long delivery times. We are currently in discussions with multiple customers in the Industrial and Automotive segments that collectively have the potential to generate seven-digital annual revenues with Softing. At trade shows like the Hanover Industrial Fair that has just ended, customers showed keen interest in what we have to offer, based on very specific requirements. Fresh momentum also came from Asia. Softing China, for example, expects demand for project services to climb by up to 50% fueled by manufacturers of electric vehicles in this country.

Despite these very encouraging prospects on the whole, we believe the market will remain highly volatile. A few geopolitical or fiscal policy events could radically change the demand side very quickly. The slow improvement in the electronic components market provides grounds for optimism, but could reverse immediately were a war for Taiwan to break out. We are still confident, even though recent years have shown that the situation can change completely in no time. This is why we remain cautious and prudent in our approach.

As we started the current fiscal year on such a strong footing, we expect revenue for full-year 2023 to be up more than 10%, exceeding EUR 110 million. We are raising our EBIT guidance to a target of more than EUR 3 million and now expect operating EBIT, our main KPI, to top EUR 4.5 million.

However, these projections are based on the assumption that no further global disasters arise this year. We could all do with a year without new wars and epidemics. May we be granted this wish!

Sincerely yours,

Dr. Wolfgang Trier
(Chief Executive Officer)

Interim statement on the 1st quarter of 2023

REPORT ON NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS

Softing performed very well in the first quarter of 2023. Consolidated revenue rose from EUR 20.6 million by 38% to EUR 28.5 million. This development was driven by product deliveries from the large order backlog, as Softing was able to manufacture products and deliver them to customers before the end of March thanks to unexpectedly fast deliveries of previously unavailable electronic components. High-margin products in our order book were given particular priority in this context. Despite good progress made in the first quarter of 2023, supply bottlenecks for electronic components continue to cause problems. Such components continue to be available from manufacturers only in reduced quantities, later than requested or not at all. Sourcing them through brokers is also difficult and in some cases much more expensive than before.

Risk management remains our top priority

Softing addressed the increased delays in delivery by stocking up on available components, pre-financing its manufacturers/suppliers and stepping up the efforts of its purchasing managers in sourcing materials. However, the aforementioned delivery bottlenecks are also driving up the cost prices for Softing's products, which we are countering with price increases in close consultation with our customers as regards delivery time and the final price. Softing, too, will have to incur higher labor costs if it is to remain competitive in the labor market. According to estimates from several institutions (ECB, World Bank, ifo Institute) the currently rising inflation, which is being further fueled by surging energy prices, is expected to decline slightly during the year. In risk management terms, this means that the aforementioned measures will continue during the 2023 financial year. In spite of the steps taken, the risks cannot be controlled completely. We continue to expect to see revenue shifting to later periods.

Geopolitical uncertainty in the first quarter of 2023 has not abated compared to the end of 2022. In fact, it has become more pronounced due to the Russian war of aggression and China's aggressive saber-rattling against Taiwan. The sanctions Western nations have imposed on Russia could continue to soften demand. As Softing AG's customer base is essentially limited to Western countries, we do not fear any direct negative impacts on our business model. However, were the conflicts to drag out further or even escalate, Germany and Europe could experience major shortages component supply and energy, leading to economic slowdowns, which would also affect Softing AG. We do not currently see a triggering event necessitating an unscheduled impairment test, but are monitoring the situation closely nonetheless.

In view of the challenges facing us, we at Softing adopted a forward-looking financing and capital management approach early on to be able to cushion any impending losses in the future. We will continue to pursue this approach.

Incoming orders at EUR 23.5 million returned to normal levels in the first quarter, compared to EUR 34.7 million in the previous year. Orders on hand, a portion of which is for the medium and long term, amount to EUR 69.8 million (previous year: EUR 48.3 million). Low-margin mass products worth EUR 13.6 million were returned to the short-term order cycle by customers and withdrawn from medium- and long-term orders on hand.

Softing succeeded in lifting revenue significantly in the first quarter of 2023. The level of orders on hand, which remains high, makes Softing confident of achieving its revenue targets in the course of 2023.

Revenue in the Industrial segment stood at EUR 22.5 million in the first quarter, an impressive 58% increase over the prior-year figure of EUR 14.7 million.

The Automotive segment at EUR 4.5 million saw its revenue stabilize at the prior-year level (previous year: EUR 4.4 million).

The IT Networks segment continues to be impacted considerably by the chip and production crisis, because in almost all products our software is sold in conjunction with the hardware in the device. The production crisis will only be resolved in the coming months once Softing has turned to new production partners. The order situation and demand continued to be positive. Revenue in the first quarter of 2023 matched the prior-year figure of EUR 1.8 million, despite the delivery difficulties.

The Softing Group recorded consolidated revenue of EUR 28.5 million in the first three months of 2023 (previous year: EUR 20.6 million).

The Group's EBIT rose sharply to EUR 2.0 million after EUR –1.5 million in the previous year.

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 2.5 million (previous year: EUR –0.8 million).

The Group's EBITDA increased from EUR 0.7 million in the first quarter of 2022 to EUR 4.0 million in 2023, resulting in an EBITDA margin of 14.0% (previous year: 3.9%).

The consolidated profit for the period after the first three months of 2023 came to EUR 1.2 million (previous year: loss of EUR –1.1 million).

Capital expenditure on property, plant and equipment was insignificant and comprised replacements. The Group's financial position remains healthy. Cash and cash equivalents amounted to EUR 10.7 million on 31 March 2023, while current trade receivables also totaled EUR 13.2 million. The Group also has access to credit lines of around EUR 6.4 million that have already been agreed but not yet drawn down. This means that the Group has around EUR 30.3 million in near-cash funds available at short notice. This not only guarantees that Softing will be able to cope with the continuing procurement crisis, but also opens up opportunities for organic and non-organic growth.

RESEARCH AND PRODUCT DEVELOPMENT

In the first three months of 2023, Softing capitalized a total of EUR 1.1 million (previous year: EUR 1.2 million) for the development of new products, with services to build the business playing a role in all segments. Other significant amounts for the enhancement of existing products were expensed.

EMPLOYEES

As of March 31, 2023, the Softing Group had 400 employees (previous year: 383). No stock options were issued to employees in the reporting period.

RISKS AND OPPORTUNITIES FOR THE COMPANY'S FUTURE DEVELOPMENT

As of the reporting date of March 31, 2023, the Company's risk and opportunity structure had not deviated significantly from the description in the consolidated financial statements for the year ended December 31, 2022. Material changes are also not expected for the remaining nine months of 2023. For more detailed information, we refer to the Group Management Report in the 2022 Annual Report, page 10 et seq. The risks and challenges resulting from the procurement crisis are monitored and evaluated on a daily basis to ensure that we can act immediately if necessary. This applies to the global business activities of the entire Group, in close cooperation with the Executive Board and the executive management.

OUTLOOK

We are currently confirming the Group's revenue guidance for 2023 of EUR 110 to EUR 115 million as published in the management report of the 2022 Annual Report (p. 30).

Based on new information and the excellent first quarter, we now expect operating EBIT in full-year 2023 to exceed EUR 4.5 million. EBIT is now also anticipated to come in higher than planned at more than EUR 3.0 million. The aforementioned revenue and EBIT projections are based on an assessment of risks and opportunities that has not changed compared to the management report in the 2022 Annual Report.

KEY FIGURES FOR THE 1ST QUARTER OF 2023

All figures in EUR million	Quarterly management statement 1/2023	Quarterly management statement 1/2022
Incoming orders	23.5	34.7
Orders on hand	69.8	48.3
Revenue	28.5	20.6
EBITDA	4.0	0.7
EBIT	2.0	–1.5
EBIT (operating)	2.5	–0.8
Net profit/loss for the period	1.2	–1.1
Earnings per share in EUR (operating)	0.13	–0.13

If, however, the electronic components procurement crisis unexpectedly persists or even deteriorates due to political developments (Taiwan), the Executive Board anticipates a course of business for the final 9 months of the year similar to that observed in financial year 2022. We aim to further update our guidance in our half-yearly report.

EVENTS AFTER THE REPORTING PERIOD

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

GENERAL ACCOUNTING POLICIES

The consolidated financial statements of Softing AG as of December 31, 2022 were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the guidance of the International Accounting Standards Board (IASB) applicable at the reporting date. The quarterly management statement as of March 31, 2023, 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, 2022. In general, the same accounting policies were applied in the quarterly management statement as of March 31, 2023 as in the consolidated financial statements for the 2022 financial year. This quarterly management statement was prepared without an auditor's review.

CHANGES IN THE BASIS OF CONSOLIDATION

As of March 31, 2023, no changes occurred in the basis of consolidation of Softing AG compared to December 31, 2022.

Consolidated Income Statement

from January 1 to March 31, 2023

EUR thousand	1.1.20223 - 31.3.2023	1.1.2022 - 31.3.2022
Revenue	**28,529**	**20,638**
Other own work capitalized	919	934
Other operating income	153	260
Operating income	**29,601**	**21,832**
Cost of materials / cost of purchased services	–12,572	–9,610
Staff costs	–9,587	–8,998
Depreciation and amortization of property, plant and equipment, right-of-use assets and intangible assets	–2,072	–2,204
thereof depreciation/amortization/due to purchase price allocation/impairment of goodwill	–419	–409
thereof depreciation due to accounting for right-of-use-assets	–341	–313
Other operating expenses	–3,414	–2,493
Operating expenses	**–27,645**	**–23,305**
Profit / loss from operations (EBIT)	**1,956**	**–1,473**
Interest income	1	
Interest expense	–78	–49
Interest expense from lease accounting	–34	–24
Other finance income/finance costs	–	213
Earnings before income taxes	**1,845**	**–1,333**
Income taxes	–640	186
Consolidated profit	**1,205**	**–1,147**
Consolidated profit attributable to:		
Shareholders of Softing AG	1,193	–1,225
Non-controlling interests	12	77
Consolidated profit	**1,205**	**–1,148**
Earnings per share (basic = diluted)	0.13	–0.13
Average number of shares outstanding (basic)	9,015,381	9,015,381

Consolidated Statement of Comprehensive Income

from January 1 to March 31, 2023

EUR thousand	1.1.2023 - 31.3.2023	1.1.2022 - 31.3.2022
Consolidated profit	**1,205**	**–1,148**
Items that will not be reclassified to consolidated profit or loss		
Currency translation differences		
Changes in unrealized gains / losses	–569	218
Tax effect	0	23
Currency translation differences in total	–569	241
Other comprehensive income	**–569**	**241**
Total consolidated comprehensive income for the period	**636**	**–907**
Total consolidated comprehensive income for the period attributable to:		
Shareholders of Softing AG	624	–984
Non-controlling interests	12	77
Total comprehensive income for the period	**636**	**–907**

Consolidated Statement of Assets, Equity and Liabilities

as of March 31, 2023 and December 31, 2022

Assets

EUR thousand	31.3.2023	31.12.2022
Non-current assets		
Goodwill	17,248	17,398
Other intangible assets	37,596	38,166
Property, plant and equipment	7,598	7,620
Other financial assets	435	435
Deferred tax assets	913	753
Non-current assets, total	**63,790**	**64,372**
Current assets		
Inventories	18,803	18,984
Trade receivables	13,176	16,756
Current financial assets	319	318
Contract assets	967	524
Current income tax assets	–368	324
Cash and cash equivalents	10,728	6,802
Current assets	3,144	2,368
Current assets, total	**46,769**	**46,076**
Total assets	**110,559**	**110,448**

Equity and liabilities

EUR thousand	31.3.2023	31.12.2022
Equity		
Subscribed capital	9,105	9,105
Capital reserves	31,111	31,111
Treasury shares	–485	–485
Retained earnings	21,889	21,264
Equity attributable to shareholders of Softing AG	61,620	60,995
Non-controlling interests	851	840
Equity, total	**62,471**	**61,835**
Non-current liabilities		
Pensions	1,014	1,121
Long-term borrowings	8,558	9,258
Other non-current financial liabilities	8,400	8,287
Deferred tax liabilities	4,556	4,537
Non-current liabilities, total	**22,528**	**23,203**
Current liabilities		
Trade payables	8,468	9,266
Contract liabilities	6,858	4,999
Provisions	52	52
Income tax liabilities	369	334
Short-term borrowings	5,294	5,477
Other current financial liabilities	3,388	4,157
Current non-financial liabilities	1,131	1,125
Current liabilities, total	**25,560**	**25,410**
Total equity and liabilities	**110,559**	**110,448**

Consolidated Statement of Cash Flows

from January 1 to March 31, 2023

EUR thousand	1.1.2023 - 31.3.2023	1.1.2022 - 31.3.2022
Cash flows from operating activities		
Profit (before tax)	1,844	–1,334
Depreciation, amortization and impairment losses on fixed assets	2,072	2,204
Other non-cash transactions	–126	56
Cash flows for the period	**3,790**	**926**
Interest income/financial income	–1	–213
Interest expense	78	50
Change in other provisions and accrued liabilities	–107	–169
Change in inventories	181	–1,434
Change in trade receivables	3,138	1,245
Change in financial receivables and other assets	–245	540
Change in trade payables	–798	169
Change in financial and non-financial liabilities and other liabilities	–961	86
Interest received	1	0
Income taxes received	15	26
Income taxes paid	–229	–22
Cash flows from operating activities	**4,862**	**1,204**
Cash paid for investments in new internal product developments	–1,078	–934
Cash paid for investments in new external product developments	–41	–259
Cash paid for investments in other intangible assets	–25	–9
Cash paid for investments in non-current assets	–206	–233
Cash flows from investing activities	**–1,350**	**–1,435**
Cash paid for dividends	0	0
Repayment of lease liabilities	–317	–301
Cash received from long-term bank line	0	0
Cash received from short-term bank line	0	325
Cash repayment of bank loans	883	–700
Cash repayment of bank loans	–34	–24
Other interest paid	–78	–50
Total interest paid	112	–74
Cash flows from financing activities	**454**	**–750**
Net change in funds	3,966	–981
Effects of exchange rate changes on cash and cash equivalents	–39	54
Cash and cash equivalents at the beginning of the period	6,801	9,613
Cash and cash equivalents at the end of the period	**10,728**	**8,686**

Softing AG
Richard-Reitzner-Allee 6
85540 Haar/Germany

Tel. +49 89 4 56 56-0
Fax +49 89 4 56 56-399
investorrelations@softing.com
www.softing.com