

Quartely Report 1/2006



Sales rise over 20 percent in
first quarter of 2006

Sales rise over 20 percent in first quarter of 2006 – Earnings still lagging behind

Dear shareholders, employees, partners and friends of Softing AG,



There has been a revival this spring. It has been a long time since Germany started a new year with a feeling of optimism. Though the positive signs from the economy are still lingering just over the horizon, their effect can already be felt: Spirits are rising.

We also view the first quarter of the new year favorably. The first three months of the financial year are traditionally rather weak – which makes the considerable upturn in sales all the more remarkable. Sales rose by more than 20 percent compared to the previous year. There was a substantial increase even without the acquisition of hard&soft GmbH. At the same time, however, the EBIT and operating result remained weak.

What are the reasons for this seeming contradiction? Besides the short-term deferral of project revenues until April, the weak EBIT was primarily due to contractual obligations arising from the change to the Executive Board in February of this year. The operating performance of the divisions - particularly the Industrial Automation division - improved as planned.

The charges resulting from these obligations were taken into account in the plans for 2006. We therefore still expect to achieve our goals for this year – namely, a lasting increase in sales to a good EUR 24 million with earnings of over EUR 1,5 million.

We have good reason to expect this. Our participation in this year's "Hannover Messe" industrial trade fair in April was a great success. Numerous discussions and negotiations confirm that demand for our products and services continues to

grow in a sustainable manner. With our new products, we are in an outstanding position to take advantage of the positive prospects for economic revival and growth in the automation and process industry. Our growing number of incoming orders confirms this as well.

Moving on to the figures in detail, the Softing Group had incoming orders worth EUR 5,7 million in the first quarter of 2006, which was higher than the previous year (2005: EUR 5,3 million). Global sales in the past quarter rose to EUR 5,4 million (2005: EUR 4,4 million), while the operating result amounted to EUR -0,3 million (2005: EUR -0,2 million).

This year's Annual Shareholders' Meeting will take place on July 26, before the publication of our next quarterly report. I am already looking forward to presenting the figures from a successful first half-year and to introducing other new developments in the Softing Group on this date.

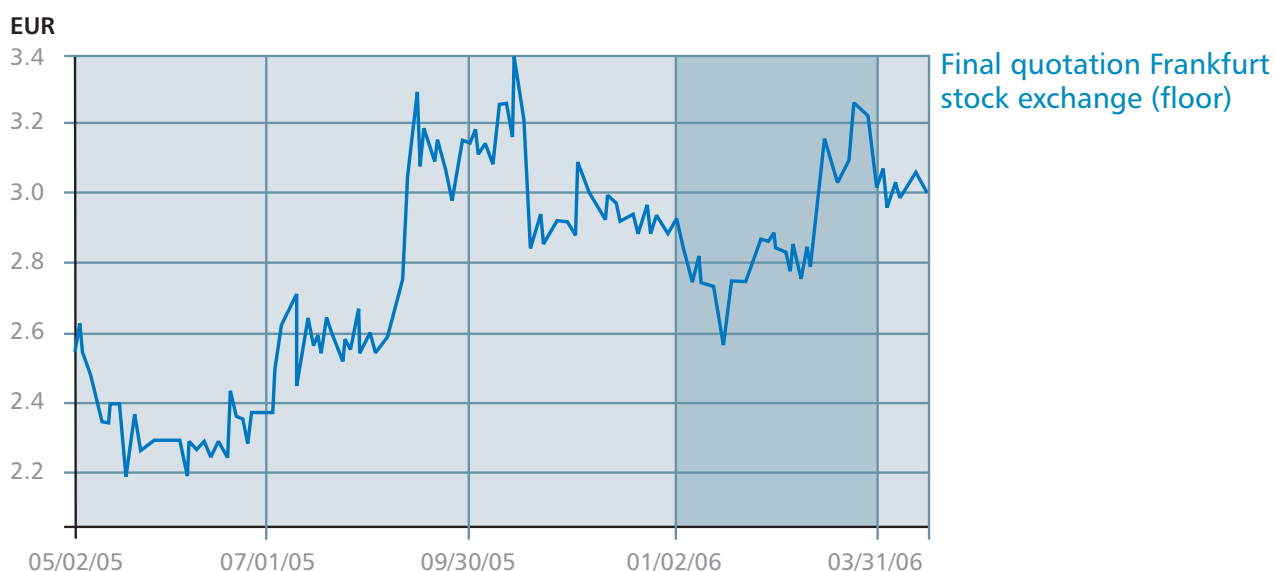
We hope that you, dear friends of Softing AG, remain devoted to the company, and we warmly welcome you to take part in our Annual Shareholders' Meeting.

Sincerely,



Dr. Wolfgang Trier

Stock Price – Directors’ Holdings Financial Calendar



Directors' Holdings as of 03/31/2006

Boards	Number of shares		Number of options	
	As of 03/31/2006	As of 12/31/2005	As of 03/31/2006	As of 12/31/2005
Executive Board				
Dr. Trier	90,000	44,753	37,200	37,200
Dr. Siedentop	–	–	–	–
Supervisory Board				
Dr. Schiessl	–	–	–	–
Mr. Butscher	–	–	–	–
Dr. Patz	404,250	404,250	–	–

Financial Calendar

Annual Shareholders' Meeting in Munich	07/26/2006
Quarterly Report 2/2006	08/11/2005
Quarterly Report 3/2006	11/14/2006
German Equity Forum in Frankfurt	11/27/2006

Contact: Softing AG

Investor Relations
 Phone: +49 (89) 4 56 56-0
 Fax: +49 (89) 4 56 56-492
 InvestorRelations@softing.com
 www.softing.com

Consolidated Balance Sheet

According to IFRS as of March 31, 2006, unaudited

Assets	Quarterly report 03/31/2006 EUR	Financial statements 12/31/2005 EUR
Cash and cash equivalents	2,052,081	2,873,752
Marketable securities	1,854,868	1,854,868
Trade accounts receivable	4,161,744	4,395,633
Inventories	1,479,906	1,700,258
Prepaid expenses and other current assets	638,956	553,204
Total current assets	10,187,555	11,377,715
Property, plant and equipment	598,820	608,533
Intangible assets	5,428,825	5,459,510
Goodwill	2,351,125	2,351,125
Borrowings	403	0
Deferred taxes	2,824,150	2,820,072
Total non-current assets	11,203,323	11,239,240
Total assets	21,390,878	22,616,955
Liabilities and shareholders' equity		
Trade accounts payable	1,120,260	1,195,319
Provisions	111,800	111,800
Income tax liabilities	204,543	205,407
Deferred income and other current liabilities	2,782,783	3,621,598
Total current liabilities	4,219,386	5,134,124
Deferred tax liability	1,941,701	2,030,808
Pension provisions	1,248,020	1,223,871
Other non-current liabilities	674,593	660,722
Total non-current liabilities	3,864,314	3,915,401
Share capital	5,499,998	5,499,998
Capital reserves	1,475,785	1,475,728
Accumulated profits (incl. retained earnings)	6,331,395	6,591,704
Total shareholders' equity	13,307,178	13,567,430
Total liabilities and shareholders' equity	21,390,878	22,616,955

Consolidated Income Statement

According to IFRS as of March 31, 2006, unaudited

	Quarterly report I/ 2006 01/01/2006 – 03/31/2006 EUR	Quarterly report I/2005 01/01/2005 – 03/31/2005 EUR
Revenue	5,350,358	4,396,295
Other operating income	97,198	235,610
Other own work capitalized	594,007	512,041
Cost of purchased materials and services	– 1,241,830	– 952,689
Staff costs	– 3,331,097	– 2,836,072
Depreciation and amortization	– 818,376	– 741,149
Other operating expenses	– 945,174	– 835,842
Operating loss	– 294,914	– 221,806
Interest income and expense	– 40,821	7,668
Result before income taxes	– 335,735	– 214,138
Income tax	97,386	69,564
Other taxes	– 7,652	– 4,740
Net loss	– 246,001	– 149,314
Earnings per share (basic)	– 0.04	– 0.03
Earnings per share (diluted)	– 0.04	– 0.03
Average number of shares outstanding (basic)	5,499,998	5,249,999
Average number of shares outstanding (diluted)	5,524,502	5,272,199

Consolidated Cash Flow Statement

According to IFRS as of March 31, 2006, unaudited

	Quarterly report I/ 2006 01/01/2006 – 03/31/2006 TEUR	Quarterly report I/2005 01/01/2005 – 03/31/2005 TEUR
Cash flows from operating activities		
Net profit/loss for the period	– 246	– 149
+ Depreciation and amortization of fixed assets	818	741
– Decrease in provisions	– 65	– 193
+/- Decrease/increase in net working capital	– 553	59
Net cash provided by operating activities	– 46	458
Cash flow from investing activities		
– Payments made for investments in self-produced intangible assets	– 703	– 570
– Payments made for investments in other intangible assets and in property, plant and equipment	– 73	– 98
= Net cash used in investing activities	– 776	– 668
Cash flows from financing activities		
+ Proceeds from capital increase	0	1,110
= Cash receipts from capital increase	0	1,110
Increase/decrease in cash and cash equivalents	– 822	900
Cash and cash equivalents at beginning of period	4,729	6,338
Cash and cash equivalents at end of period	3,907	7,238

Changes in Shareholders' Equity

01/01 – 03/31/2006

Thsd. EUR	Share capital	Capital reserves	Accumulated profits incl. retained earnings	Total
Balance as of December 31, 2005	5,500	1,476	6,591	13,567
Valuation of financial instruments			– 18	– 18
Currency translation			4	4
Net loss 2006			– 246	– 246
Balance as of March 31, 2006	5,500	1,476	6,331	13,307

01/01 – 03/31/2005

Thsd. EUR	Share capital	Capital reserves	Accumulated profits incl. retained earnings	Total
Balance as of December 31, 2004	5,000	879	6,541	12,420
Capital increase	500	609		1,109
Valuation of financial instruments			– 23	– 23
Net loss 2005			– 149	– 149
Balance as of March 31, 2005	5,500	1,488	6,369	13,357

Notes to the Consolidated Financial Statements for Q1/2006

This quarterly report was prepared using the same accounting policies as in financial year 2005.

The German economy showed clear signs of recovery in early 2006. The economic environment is expected to improve further in the course of the year. Based on existing market studies and our own estimates, we believe that economic growth of around 1,8 percent is possible in the Federal Republic of Germany in 2006. We anticipate even stronger growth for the euro area as a whole. We therefore expect Softing's sales to increase further. Investments in self-constructed intangible assets amounted to EUR 0,7 million in the first three months of 2006 (2005: EUR 0,6 million).

As of 03/31/2006, orders on hand in the Group amounted to EUR 3,1 million (12/31/2005: EUR 2,8 million).

As of 03/31/2006, the Group had 202 employees (2005: 158). During the reporting period, no stock options were issued to employees.

On 01/18/2006, the Supervisory Board of Softing AG appointed Dr.-Ing. Michael Siedentop to the company's Executive Board. Dr. Siedentop has assumed his responsibilities at Softing AG as of 02/01/2006. Bernd Häußler and the Supervisory Board mutually agreed to relieve Mr. Häußler from his duties as a member of the Executive Board and as the head of the Automotive Electronics division effective immediately.

Segment Reporting

As of March 31, 2006

	Quarterly report I/ 2006 01/01/2006 – 03/31/2006	Quarterly report I/2005 01/01/2005 – 03/31/2005
Automotive Electronics		
Revenue	2,578	1,876
Segment result (EBIT)	– 439	– 354
Depreciation/amortization	507	463
Segment assets	8,494	4,413
Segment liabilities	2,977	2,029
Capital expenditure (not including long-term investments)	463	410
Industrial Automation		
Revenue	2,772	2,520
Segment result (EBIT)	144	132
Depreciation/amortization	311	278
Segment assets	5,574	4,089
Segment liabilities	2,960	2,030
Capital expenditure (not including long-term investments)	298	222
Not distributed		
Revenue	–	–
Segment result (EBIT)	–	–
Depreciation/amortization	–	–
Segment assets	7,323	10,750
Segment liabilities	2,146	1,837
Capital expenditure (not including long-term investments)	16	34
Total		
Revenue	5,350	4,396
Segment result (EBIT)	– 295	– 222
Depreciation/amortization	818	741
Segment assets	21,391	19,252
Segment liabilities	8,083	5,896
Capital expenditure (not including long-term investments)	777	666

The division into business segments in accordance with IAS 14 is shown in the above table