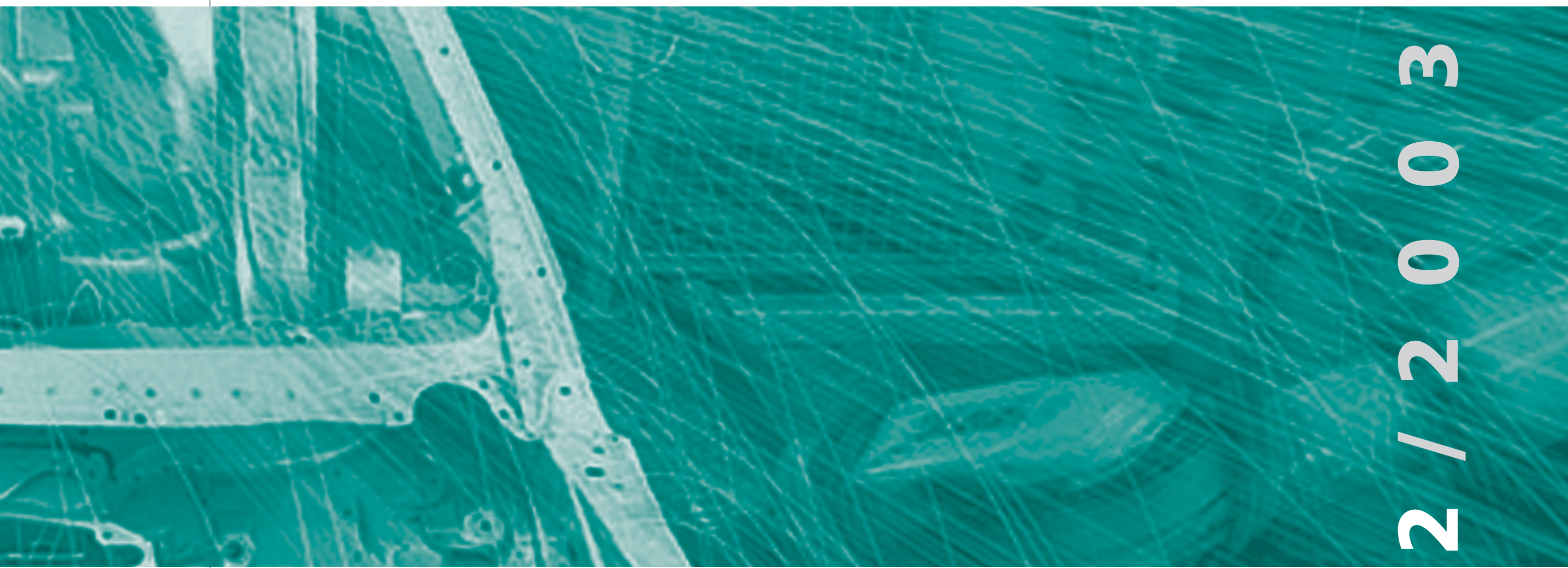
Quarterly Report



Competence in

Industrial Automation and

Automotive Electronics

softing

Turnaround success story continues

Ladies and gentlemen,
dear friends,

Once again, we can look back on three successful months. In the second quarter, the Softing Group achieved sales revenues of EUR 4.6 million. This brings our sales revenues for the first half-year to EUR 9.4 million (2002: EUR 8.2 million), an increase of considerably more than 10 percent. Our operating loss in the second quarter came in at EUR -0.6 million; in the first two quarters of the current fiscal year, the operating loss totaled EUR -0.7 million (2002: EUR -2.2 million). This figure includes what are probably the last charges from our restructuring measures, amounting to around EUR 0.4 million, which resulted from the reduction of the executive board and the reorganization of personnel.

The incoming orders in the Softing Group amounted to EUR 4.5 million in the second quarter of 2003 and totaled EUR 9.3 million overall in the first half-year (2002: EUR 9.8 million). Softing is therefore ahead of its own target, particularly as the second quarter of last year was positively affected by the receipt of a one-off major order from Bruneck.

At EUR 5.1 million, cash and cash equivalents were EUR 0.3 million higher than in the year before as of June 30, 2003. This means that, despite an economic environment which remains difficult, we were able to increase the cash and cash equivalents in the Softing Group for the third time in a row. The combination of improved sales performance and a reduction of costs has had the effect we anticipated. Softing is therefore entering the third quarter, which is typically somewhat weaker in this industry, with a great deal of momentum. We therefore continue to anticipate a nearly balanced operating result and positive cash flow after restructuring effects.

These considerable improvements in the core factors of sales and operating income demonstrate that Softing's course has been successful in a persistently difficult overall economic environment. But overall success is not illustrated by the bare figures alone. In the past quarter, the Softing Group was able to establish significant and strategically important partnerships and push ahead with design-in agreements relating to the integration of Softing products into their own products.

In the Automotive Electronics division, the cooperation with the Bosch subsidiary ETAS GmbH in Stuttgart is a significant step. In the future, ETAS will sell products in which tools from Softing's "Diagnostic Tool Set" product family have been integrated. With several thousand installations each, products from Softing and ETAS are already successfully represented in many areas of the automobile industry. This cooperation has allowed Softing to expand the prospects for growth and earnings in this segment. Other international multipliers have shown concrete interest as well. We expect this segment of business to contribute several million Euros to Softing's sales in the coming years. Furthermore, it has emerged that Softing will be involved in a number of larger projects in the automobile industry. However, these will not take effect in the form of incoming orders or sales until later in the year.

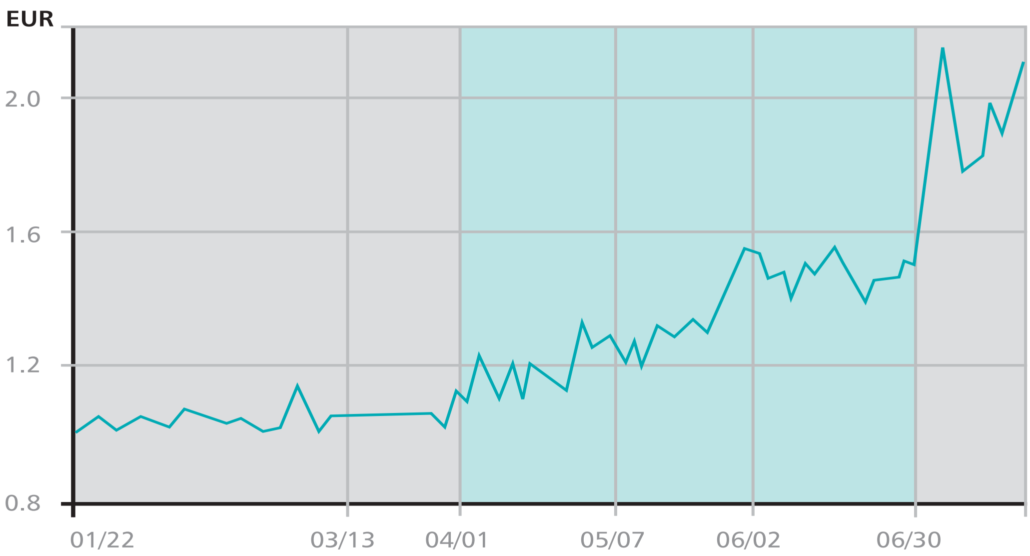
In the Industrial Automation division, in addition to the general domestic and foreign sales success, the efforts made in the area of fieldbus technology in the past quarters with regard to the design-in of Softing products are beginning to bear fruit. Additional design-in agreements are close to being finalized and will begin contributing towards profitable sales growth as of next year. Technologically, Softing is benefiting from the broader use of the "4CONTROL" control system as a stand-alone product or as the key to creating increasingly intelligent and flexible components in communications technology.

For you, our shareholders, the performance of the Softing shares will also be cause for rejoicing. It is a clear indicator that the capital market has recognized and is increasingly rewarding the potential and the successful development of Softing. For us, the executive board and employees, this provides additional motivation for carrying on full speed ahead along the course that we have chosen.

Sincerely,

Stock Price – Directors' Holdings

Company Schedule



Final quotation Frankfurt stock exchange (floor)

Directors' Holdings as of 06/30/2003

	Number of shares		Number of options	
	As of 06/30/2003	As of 03/31/2003	As of 06/30/2003	As of 03/31/2003
Dr. Trier	28,692	28,692	37,200	37,200
Himmelsdorfer	414,450	410,450	3,500	3,500
Dr. Schießl	–	–	–	–
Mr. Faltenbacher	1,000	1,000	–	–
Prof. Dr. Färber	500	500	–	–

Quarterly Report 3/2003	11/14/2003
Analyst conference, Frankfurt	11/26 - 11/27/2003
Publication financial statements 2003	03/31/2004
Press conference on financial statements	04/01/2004
Quarterly Report 1/2004	05/14/2004
Quarterly Report 2/2004	08/13/2004
Quarterly Report 3/2004	11/12/2004

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Consolidated Balance Sheet

According to IAS as of June 30, 2003, unaudited

	Quarterly Report 06/30/2003	Financial statements 12/31/2002
Assets	EUR	EUR
Cash and cash equivalents	2,352,580	2,180,931
Short-term investments/marketable securities	2,748,625	2,748,625
Trade accounts receivable	3,256,272	4,023,584
Inventories	967,624	1,002,020
Prepaid expenses and other current assets	190,702	325,298
Total current assets	9,515,803	10,280,458
Property, plant and equipment	459,774	551,051
Intangible assets	4,217,134	4,551,090
Notes receivable/loans	–	2,013
Deferred taxes	3,605,755	3,474,754
Total non-current assets	8,282,663	8,578,908
Total assets	17,798,466	18,859,366

Liabilities and shareholders' equity		
Liabilities due to banks	–	28,809
Trade accounts payable	344,041	484,881
Advance payments received	150,485	350,692
Accrued expenses	2,085,323	1,949,698
Deferred income and other current liabilities	479,164	875,949
Total current liabilities	3,059,013	3,690,029
Accounts payable, long-term production contracts	459,549	436,053
Deferred tax liability	1,701,000	1,805,000
Pension accrual	598,614	490,704
Total non-current liabilities	2,759,163	2,731,757
Share capital	5,000,000	5,000,000
Additional paid-in capital	10,326,278	10,326,278
Consolidated retained earnings/accumulated deficit	-3,345,988	-2,888,698
Total shareholders' equity	11,980,290	12,437,580
Total liabilities and shareholders' equity	17,798,466	18,859,366

Consolidated Income Statement

According to IAS as of June 30, 2003, unaudited

	Quarterly report II/2003 04/01/2003 - 06/30/2003	Quarterly report II/2002 04/01/2002 - 06/30/2002	Six-month report 2003 01/01/2003 - 06/30/2003	Six-month report 2002 01/01/2002 - 06/30/2002
	EUR	EUR	EUR	EUR
Revenues	4,576,700	4,826,579	9,433,401	8,175,376
Other operating income	52,532	83,246	90,728	456,723
Change in inventories of finished goods and work in progress	–	3,505	–	40,998
Production of own fixed assets capitalized	501,674	840,378	935,645	1,743,372
Cost of purchased materials and services	-926,028	-764,828	-1,868,091	-1,405,644
Personnel expenses	-3,083,309	-3,543,199	-6,011,083	-6,754,134
Depreciation and amortization	-780,927	-1,046,009	-1,546,636	-1,991,466
Other operating expenses	-924,313	-1,310,110	-1,712,641	-2,432,267-
Operating income/loss	-583,671	-910,438	-678,677	-2,167,042
Interest income and expense	-866	44,802	7,354	99,451
Result before income taxes (and minority interest)	-584,537	-865,636	-671,323	-2,067,591
Income tax	152,044	453,507	160,181	907,029
Other taxes	57,763	–	53,852	–
Result before minority interest	-374,730	-412,129	-457,290	-1,160,562
Minority interest	–	422	–	9,708
Net income/loss (-)	-374,730	-411,707	-457,290	-1,150,854
Retained earnings, brought forward			-2,888,698	1,395,060
Consolidated net income/ loss (-)			-3,345,988	244,206
Undiluted earnings per share pursuant to IAS 33	-0,07	-0,08	-0,09	-0,23
Diluted earnings per share pursuant to IAS 33	-0,07	-0,08	-0,09	-0,23

Changes in Shareholders' Equity

01/01 - 06/30/2003

Thsd. EUR	Share capital	Additional paid-in capital	Retained earnings	Total
Balance as of December 31, 2002	5,000	10,326	-2,889	12,437
Net loss for 2003			-457	-457
Balance as of June 30, 2003	5,000	10,326	-3,346	11,980

01/01 - 06/30/2002

Thsd. EUR	Share capital	Additional paid-in capital	Retained earnings	Total
Balance as of December 31, 2001	5,000	10,435	1,395	16,830
IPO costs offset against additional paid-in capital		-97		-97
Net loss for 2002			-1,151	-1,151
Balance as of June 30, 2002	5,000	10,338	244	15,582

Consolidated Cash Flow Statement

According to IAS as of June 30, 2003, unaudited

	01/01/2003 - 06/30/2003	01/01/2002 - 06/30/2002
	TEUR	TEUR
Cash flows from operating activities		
Net profit/loss for the period	-457	-1,151
Adjustments for		
Minority interest	–	-10
Depreciation and amortization of fixed assets	1,547	1,991
Increase in provisions and accruals	139	380
Increase/decrease in net working capital	92	-977
Decrease in net liabilities	–	-198
Net cash provided by operating activities	1,321	35
Cash flows from investing activities		
Payments made for investments in self-produced intangible assets	-1,020	-2,029
Payments made for investments in other intangible and tangible assets	-100	-271
Payments made for investments in financial assets	–	-2
Net cash used in investing activities	-1,120	-2,302
Cash flows from financing activities		
Change in the reserves from capital consolidation	–	-97
Cash repayments of amounts borrowed	-29	–
Cash flow provided by financing activities	-29	-97
Increase/decrease in cash and cash equivalents	172	-2,364
Cash and cash equivalents at beginning of period	4,930	7,174
Cash and cash equivalents at end of period	5.102	4,810

Notes to the Consolidated Financial Statements for Q2/2003

This quarterly report was prepared using the same accounting and valuation methods as in fiscal year 2002.

The recession tendencies which were already evident in fiscal year 2002, continued during the reporting period. As a result, business development was characterized by a persistent investment restraint

As of 06/30/2003, orders on-hand in the Group amounted to EUR 3.2 million (2002: EUR 3.4 million).

As of 06/30/2003, the Group had 144 employees (2002: 181). During the reporting period, no stock options were issued to employees.

Dr. Rainer Mittmann, chief financial officer of Softing AG, left the executive board effective 04/30/2003.
Dr. Mittmann will continue to actively support Softing AG with his expertise and commitment. His tasks are assumed by the chairman of the executive board, Dr. Wolfgang Trier.

Group Division Before Consolidation

Thsd. EUR	Quarterly report II/2003 04/01/2003 - 06/30/2003	Quarterly report II/2002 04/01/2002 - 06/30/2002	Six-month report 2003 01/01/2003 - 06/30/2003	Six-monthreport 2002 01/01/2002 - 06/30/2002
Subsidiary (before consolidation) Softing Industrial Solutions Italia S.r.l., Bozen, Italy				
Incoming orders	41	86	116	169
Revenues	154	67	210	137
EBIT	-53	-74	-75	-140
Subsidiary (before consolidation) Softing North America, Inc., Massachusetts, USA				
Incoming orders	219	605	471	713
Revenues	236	293	343	385
EBIT	-62	79	-205	72
Softing AG (before consolidation)				
Incoming orders	4,251	5,593	8,728	9,605
Revenues	4,473	4,645	9,266	7,974
EBIT	-480	-939	-403	-2,128

Segment Reporting

As of June 30, 2003

Thsd. EUR	Quarterly report II/2003 04/01/2003 - 06/30/2003	Quarterly report II/2002 04/01/2002 - 06/30/2002	Six-month report 2003 01/01/2003 - 06/30/2003	Six-monthreport 2002 01/01/2002 - 06/30/2002
Automotive Electronics				
Incoming orders	1,810	2,357	3,800	3,937
Revenues	1,932	2,548	4,110	4,162
EBIT	-68	639	118	579
Book value of capitalized product developments (assets)	–	–	2,085	2,029
Investments (without financial assets)	511	487	713	1,141
Depreciation/amortization	365	340	708	670
Industrial Automation				
Incoming orders	2,682	3,709	5,478	5,788
Revenues	2,615	2,188	5,261	3,910
EBIT	-516	-1,284	-797	-2,426
Book value of capitalized product developments (assets)			1,674	5,577
Investments (without financial assets)	56	559	364	1,084
Depreciation/amortization	346	639	701	1,190
Not distributed				
Incoming orders	19	21	37	36
Revenues	30	91	62	103
EBIT	–	-265	–	-320
Book value of capitalized product developments (assets)	–	–	–	–
Investments (without financial assets)	22	40	43	75
Depreciation/amortization	70	66	138	131
Restructuring expenses	–	320	–	320
Total				
Incoming orders	4,511	6,087	9,315	9,761
Revenues	4,577	4,827	9,433	8,175
EBIT	-584	-910	-679	-2,167
Book value of capitalized product developments (assets)	–	–	3,759	7,606
Investments (without financial assets)	589	1,086	1,120	2,300
Depreciation/amortization	781	1,045	1,547	1,991
Other assets	–	–	14,039	14,914

The division into business segments in accordance with IAS 14 (revised 1997) is shown in the above table.