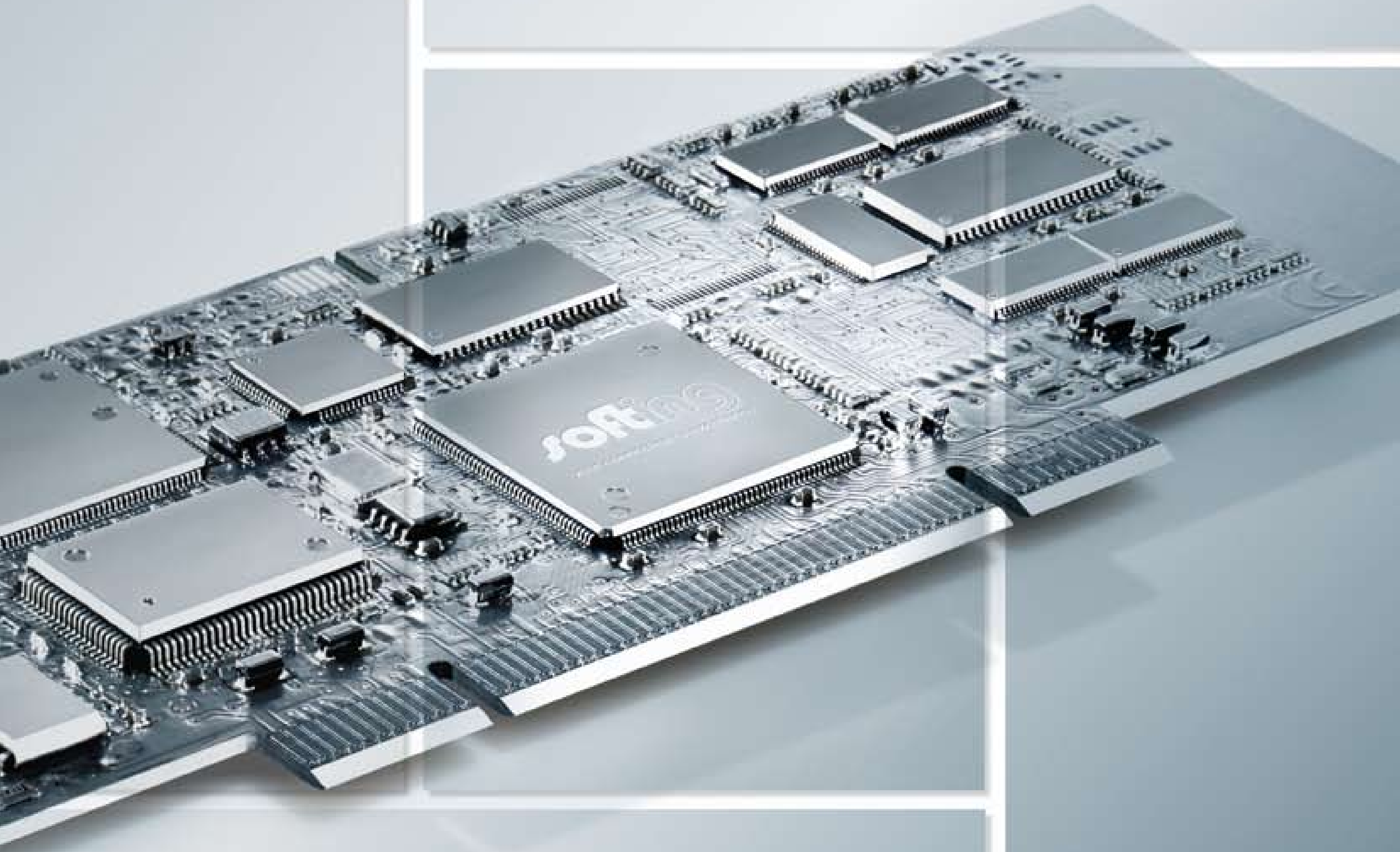
2009

Annual Report



- Economic crisis impacts Softing
- Softing well positioned for future challenges
- Growth and positive earnings expected for 2010

softing
your connection to excellence

Consolidated Key Figures

		2009	2008	2007
Revenue	(EUR million)	23.66	33.36	28.97
EBIT	(EUR million)	- 2.46	3.43	2.31
Consolidated profit / loss	(EUR million)	- 1.85	2.44	1.24
Non-current assets	(EUR million)	9.70	8.76	8.10
Current assets	(EUR million)	11.83	14.68	13.57
Equity	(EUR million)	13.62	15.91	13.86
Cash and cash equivalents	(EUR million)	4.17	5.57	4.93
Number of employees (annual average)		227	235	209
DVFA/SG earnings per share	(EUR)	- 0.33	0.46	0.22

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Dear Shareholders, Employees, Partners and Friends of Softing,

The year covered by this annual report certainly wasn't an easy one. Right after the best year in our Company's history, we have to report a significant correction. Softing's target industries – the engineering and automotive sectors – were hit particularly hard by the global economic crisis we have all heard so much about. Though we did not lose a single key customer, our sales decreased in line with the rest of the industry.

In concrete figures, Softing's sales declined by EUR 9.7 million in the 2009 financial year to EUR 23.7 million, while earnings before interest and taxes (EBIT) fell from EUR 3.4 million to EUR – 2.5 million. Details can be found in the overview table inside the cover of this report.

The market situation prompted the management to focus on a rapid reduction of costs at the start of 2009 to safeguard the Company's medium- and long-term prospects. Only 15 of the around 240 employees in the Softing Group had to leave the Company when individual working groups were closed for operational reasons. All of these working groups were in the Automotive Electronics division, which was impacted particularly hard by the economic crisis. But after just two negative quarters in the year's first half, our operating costs and sales were brought in line again through the systematic use of every available tool and the financial sacrifices made by the entire staff, including, of course, the Executive Board and the Supervisory Board.

Softing was able to overcome the crises of 2009 better than some of our competitors for another reason as well: By forgoing a dividend from the high profits of 2008, our shareholders ensured that Softing had a comfortable liquidity buffer for 2009. This is a tremendous advantage when money is tight.

Of course, every situation brings opportunities as well as challenges. During a crisis, takeovers and equity investments are easier to carry out at very favorable prices. We took this opportunity to massively expand our sales presence in Italy and Austria by purchasing sales companies in these two countries. Softing also strengthened its presence in the growth market of Asia by placing more full-time employees there. This has already resulted in inquiries and long-term orders from Asian companies.

Our strong equity situation also enabled us to continue carrying out development activities to nearly the same extent as before. As a result, we started the year 2010 with completely new products. We developed the BC-600 diagnostic tester for the manufacturing industry and a wireless HART module for the process industry. New OPC-UA software is available for the fields of renewable energy and general automation. Both divisions will offer a variety of additional products for these fields. In terms of their features and costs, all of these products were developed in close coordination with our customers, and they each have significant unique selling points and will set the standard in their respective submarkets.

Despite the ongoing economic uncertainty, we are looking ahead with a great deal of self-confidence. We believe that the crisis bottomed out in the middle of last year. Since the fall, incoming orders from industry have risen slowly but steadily, and we also sense a much greater willingness to invest on the part of our customers.

We are well-equipped to face the coming years, but it is currently difficult to express the outlook for the new financial year in terms of concrete figures. In general, we expect incoming orders and sales to increase significantly in 2010 compared the weak year before. We also expect to post a profit, though the margin will not be comparable to the peak it reached in 2008. A more detailed outlook will not be possible until the second half of the year.

In closing, I want to say a special word of thanks to our employees, as always. Despite feeling the pinch in their salaries, many of them put in an extra effort and thus did their part to help Softing withstand the crisis. I would also like to express my personal gratitude to you, our shareholders, customers and business partners, for the trust and solidarity you have demonstrated towards us.

Paul Achleitner, CFO of the Allianz Group, accurately summed up the economic situation at the start of 2010 when he said: "The patient has been moved from intensive care to a regular room – but he's still in the hospital." With this in mind, we are all waiting impatiently for the chance to throw the crutches out the window and race out of the hospital and back into life with renewed vigor!

Dr. Wolfgang Trier
(Chairman of the Executive Board)

Setting Standards – Serving as a Benchmark

To set the technological standards of the future rather than following established solutions. To serve as a benchmark for innovation, quality and service rather than settling on the norm.

These were the goals upon which Softing was founded in 1979. Over the past 31 years, the engineering firm has evolved into a globally successful, technologically advanced provider of hardware and software for industrial automation and automotive electronics. Today, the Softing Group comprises four subsidiaries and three sales offices in addition to Softing AG. The Company has remained true to its vision: Softing is now the benchmark for innovation, quality and service in its markets. Softing was also instrumental in establishing the current global standards in industrial automation and automotive electronics.

INDUSTRIAL AUTOMATION – ON THE CUTTING EDGE OF TECHNOLOGY

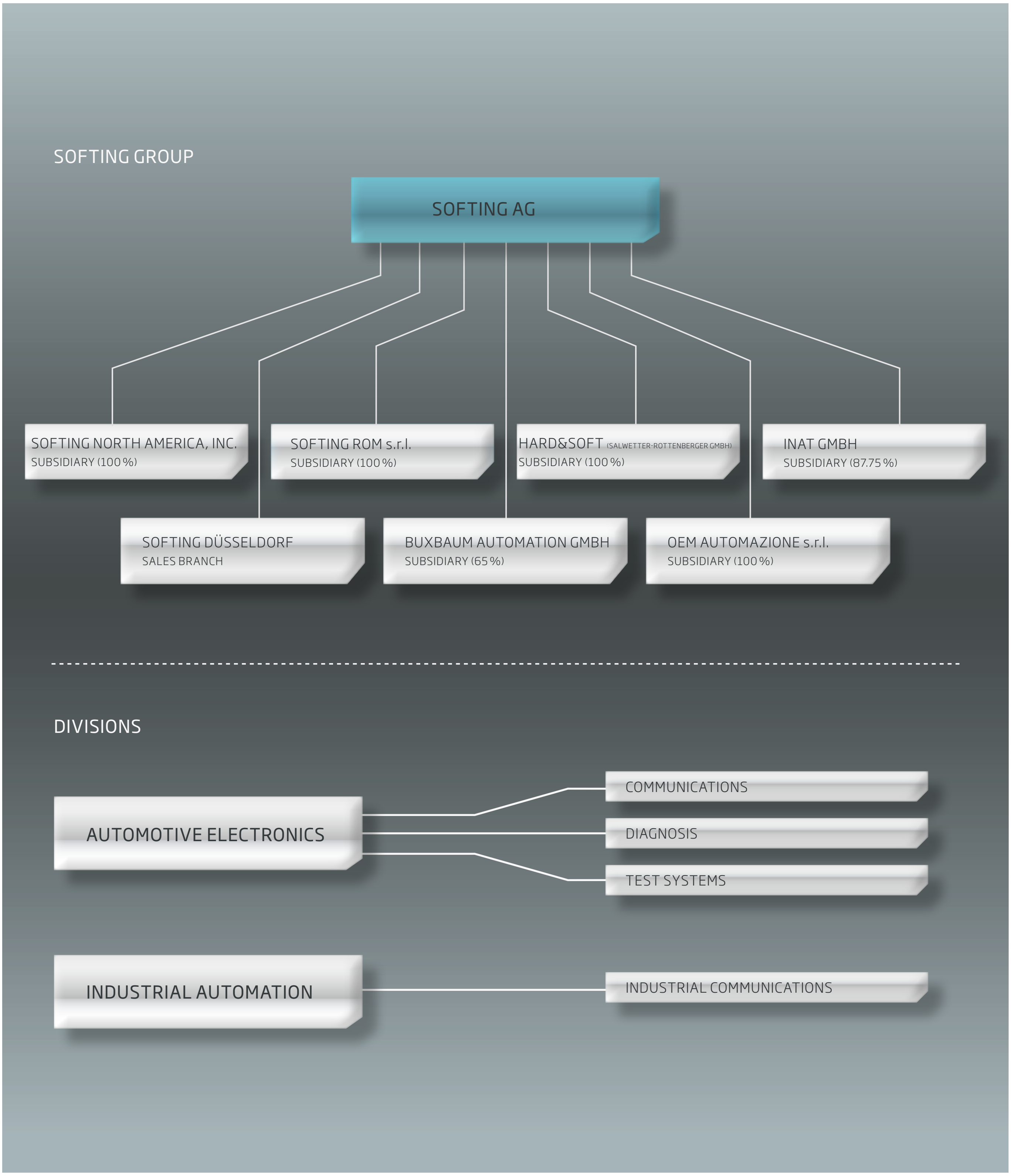
Communication in automation is based on transparent connections between a variety of systems. Softing is a leading provider of industrial communication solutions and products for process and manufacturing technology. Our holistic approach enables us to offer the right solutions for even the most complex requirements.

Wherever technical processes are automated, you can usually find technology from Softing: in manufacturing automation (e. g. component production) and process automation (e. g. petrochemical plants) as well as building automation (e. g. security technology), railway engineering and medical technology. In the field of industrial automation, Softing is both an expert for fieldbus technologies and a competent partner for the networking of automation solutions and for intelligent electronic devices and machines that communicate with each other. Our long-lasting, successful business relationships are a testament to this principle.

AUTOMOTIVE ELECTRONICS – THE DRIVING FORCE IN AUTOMOBILES

Even in medium-size cars, the number of electronic control units (ECUs) has increased considerably in recent years. Premium and luxury cars often feature as many as 70 control units. These electronics must handle increasingly complex tasks and have become indispensable in modern vehicles. Safe communication of these ECUs increasingly depends on faultless communication among the units themselves. Vehicle diagnosis, i. e. access to the individual ECUs in the vehicle and the analysis of data traffic between them, is one of the key technologies in automotive electronics. Softing's comprehensive solution for automotive diagnostic systems improves the quality and reliability of control unit communication from the development stage through testing and production to practical operation. The products and services from Softing also shorten development times. With over 50,000 installations, Softing holds a leading position in the growth market for test and diagnostic systems in the field of automotive electronics. Automobile manufacturers and system and control unit suppliers around the world rely on Softing's proven tools and solutions.

To find out more about Softing and our products and services, please visit our website at www.softing.com. Welcome!


SOFTING GROUP
SOFTING AG
SOFTING NORTH AMERICA, INC.
SUBSIDIARY (100 %)
SOFTING ROM s.r.l.
SUBSIDIARY (100 %)
HARD&SOFT (SALWETTER-ROTTENBERGER GMBH)
SUBSIDIARY (100 %)
INAT GMBH
SUBSIDIARY (87.75 %)
SOFTING DÜSSELDORF
SALES BRANCH
BUXBAUM AUTOMATION GMBH
SUBSIDIARY (65 %)
OEM AUTOMAZIONE s.r.l.
SUBSIDIARY (100 %)
DIVISIONS
AUTOMOTIVE ELECTRONICS
COMMUNICATIONS
DIAGNOSIS
TEST SYSTEMS
INDUSTRIAL AUTOMATION
INDUSTRIAL COMMUNICATIONS

Trade Fairs 2009

INDUSTRIAL AUTOMATION

March	04 - 05	Fieldbus Foundation General Assembly, Yokohama, Japan
March	18 - 20	Automation Conference, Böblingen, Germany
April	20 - 24	Hannover Messe Industrie/Interkama, Hanover, Germany
May	11 - 15	Achema: 29th International Exhibition and Convention on Chemical Engineering, Environmental Protection and Biotechnology, Frankfurt, Germany
November	24 - 26	SPS/IPC/DRIVES, Nuremberg, Germany

AUTOMOTIVE ELECTRONICS

February	10 - 11	13th Annual Euroforum Meeting "Electronic Systems in Vehicles," Munich, Germany
March	17 - 18	International CTI Forum "Automotive Diagnostic Systems," Stuttgart, Germany
June	16 - 18	Automotive Testing Expo Europe 2009, Stuttgart, Germany
July	15 - 16	International mic Convention "Progress in Automotive Electronics," Ludwigsburg, Germany
September	15 - 17	Automotive Testing Expo China, Shanghai, China
October	07 - 08	VDI Conference "Electronic Systems for Vehicles," Baden-Baden, Germany

Trade Fairs 2010

INDUSTRIAL AUTOMATION

March	08 - 11	SPS Industrial Automation Fair, Guangzhou, China
March	23 - 24	Fieldbus Foundation General Assembly, Houston, USA
March	23 - 25	Automation Conference, Böblingen, Germany
April	19 - 23	Process Automation (Interkama), Hanover, Germany
October	19 - 21	SPS/IPC/DRIVES Italia, Parma, Italy
November	23 - 25	SPS/IPC/DRIVES, Nuremberg, Germany

AUTOMOTIVE ELECTRONICS

February	02 - 04	Automotive Testing Expo India, Hyderabad, India
February	09 - 11	14th Annual Euroforum Meeting "Electronic Systems in Vehicles," Munich, Germany
March	17 - 18	International CTI Forum "Automotive Diagnostic Systems," Stuttgart, Germany
May	03 - 04	4th Conference "Diagnosis in mechatronic vehicle systems," Dresden, Germany
June	15 - 16	International mic Convention "Progress in Automotive Electronics," Ludwigsburg, Germany
June	16 - 17	30th Conference "Electronics in Vehicles," Dresden, Germany
June	22 - 24	Automotive Testing Expo Europe 2010, Stuttgart, Germany
September	14 - 16	Automotive Testing Expo China, Beijing, China
October	27 - 28	3rd AutoTest Conference, Stuttgart, Germany

Group Management Report for the 2009 Financial Year

DIVISIONS AND GROUP STRUCTURE

Divisions

Softing has an international presence as a software and systems house in industrial automation and automotive electronics. The Company develops complex, high-quality software, hardware and complete system solutions. Hardware prototypes are developed by Softing itself; production takes place externally.

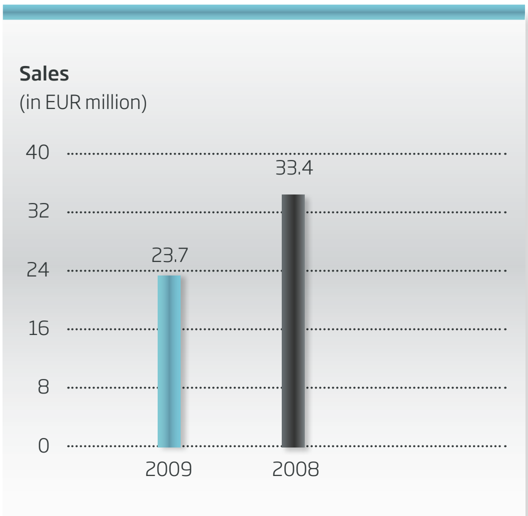
In Industrial Automation, Softing has positioned itself as a leading product and technology supplier in the market. It focuses on components and tools for fieldbus systems and industrial control systems, as well as on solutions for production automation.

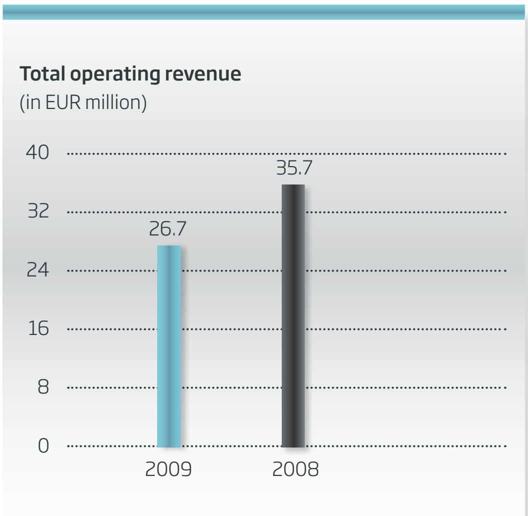
The powerful tools and solutions offered by its Automotive Electronics division have made Softing a systems partner to automobile manufacturers as well as systems and control unit suppliers. Softing specializes in vehicle communication, diagnostics and test systems.

Consulting, analyses, studies and training round out the range of services offered by both divisions. Softing primarily offers its services and products to the European market, though the North American market is becoming increasingly important. Softing is now also entering Asian markets such as Japan.

Legal structure of the Group

The Softing Group consists of Softing AG, based in Haar near Munich; its subsidiary hard&soft Salwetter-Rottenberger GmbH, based in Reutlingen; its subsidiary Softing North America Inc. (Softing North America), based in Newburyport (Massachusetts); its subsidiary SoftingROM s.r.l. (SoftingROM), based in Klausenburg (Romania); INAT GmbH in Nuremberg; and branch offices in Erkrath near Düsseldorf and in Karlsruhe. Furthermore, in 2009 Buxbaum Automation GmbH headquartered in Eisenstadt (Austria) and OEM Automazione s.r.l. headquartered in Milan (Italy) were integrated into the Group as sales offices.





hard&soft Salwetter-Rottenberger GmbH complements and strengthens the Automotive Electronics division in the production and distribution of test systems for ECUs in the automotive manufacturing sector.

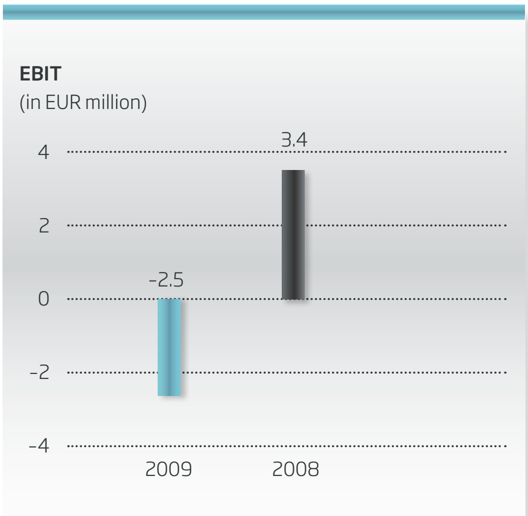
INAT GmbH is known as a strong brand in industrial automation. The company's focus is on products for industrial communication, OPC software and network diagnostics in the manufacturing and process industry. By acquiring INAT GmbH, Softing has strategically strengthened its Industrial Automation division. At the same time, the sales organizations of both companies will benefit from synergies: INAT profits from Softing's good international position in the process and manufacturing industry, while Softing will gain access to new customers and markets through INAT's products and sales channels.

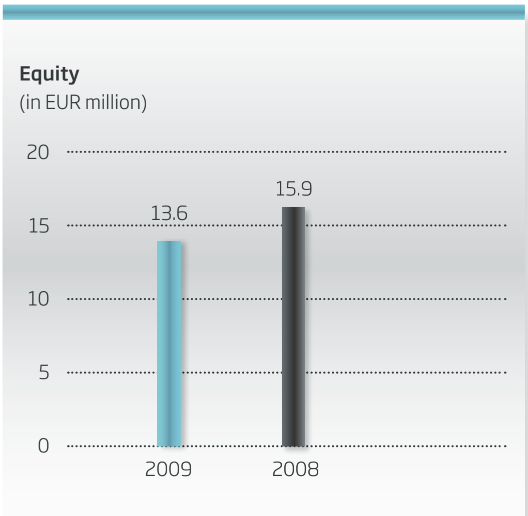
The Softing Group is active in the North American market through its subsidiary Softing North America, which focuses on industrial automation. Softing North America has its own development facilities and offers project services in addition to overseeing our product business in North America. In 2009, Softing North America made a positive contribution to the overall earnings of the Softing Group.

SoftingROM, Softing's Romanian subsidiary for development and project services, was founded in 2005 and now comprises more than 30 developers who form an important pool of IT specialists for complex development tasks within the Softing Group. SoftingROM is also strategically important to the Group for competitive reasons.

The acquisition of majority stakes in two sales offices in 2009 – Buxbaum Automation GmbH, Eisenstadt, and OEM Automazione s.r.l., Milan, now allows us to serve customers in both countries locally. The enhanced sales presence is also intended to generate new revenue in 2010.

The consolidated financial statements for the reporting period were prepared in accordance with the requirements of the International Accounting Standards Board (IASB).





ECONOMIC ENVIRONMENT AND COURSE OF BUSINESS

Global Economy 2009: Bottomed Out

The first half of 2009 saw the peak of an unprecedented economic crisis: a global economic slump that affected nearly every sector and industry but had markedly different consequences from country to country.

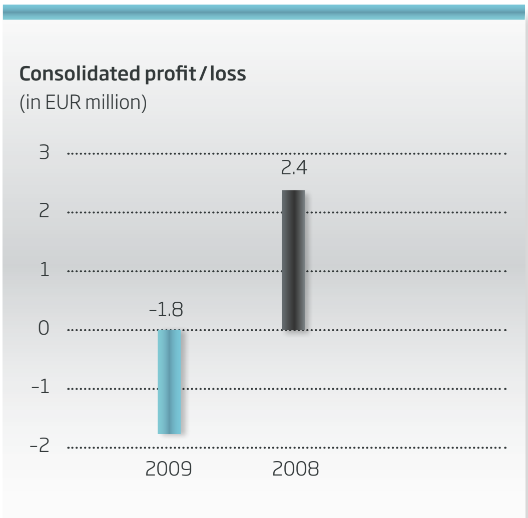
Decisive government intervention warded off the worst effects of the worldwide crisis, but it also led to growing mountains of national debt. As a result of various economic measures and a cheap money policy, the first signs of economic stabilization appeared in the second half of 2009. In total, however, the global economy shrank by around 1.4 % in 2009.

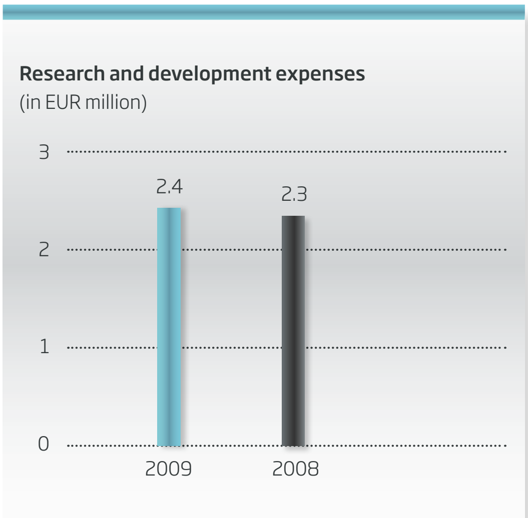
German Economy: Biggest Slump Since the War

According to the German Federal Statistical Office, the German gross domestic product fell by 5 % in real terms in 2009, the biggest decline since World War II. In 2008, GDP had grown by 1.3 %. The deep recession was caused by the drop in exports and investments. Exports plummeted by 17.4 %, while companies invested 20 % less for machinery, vehicles and other capital goods.

The economic crisis began to affect companies in the last quarter of an otherwise positive 2008, and the German Electrical and Electronic Manufacturers' Association (Zentralverband Elektrotechnik- und Elektroindustrie, or ZVEI) has subsequently reported a free fall in incoming orders in 2009. ZVEI and other associations for German automation companies expect a 25–30 % decline in sales for the year 2009 as a whole.

Due to weak sales in the automobile industry, particularly in premium segments, experts anticipate a good 30 % decrease in automotive electronics sales in 2009. Despite the difficult economic environment, the importance of electronic systems for automobiles continues to grow. German car manufacturers actually increased their research and development spending by 4.4 % in 2009. The German Association of the Automotive Industry (Verband der Automobilindustrie, or VDA) noted that the majority of these investments went towards the development of fuel-efficient, low-emission engines and technologies. According to ZVEI, electronics already account for over 22 % of an automobile's production value.





Profit or Loss

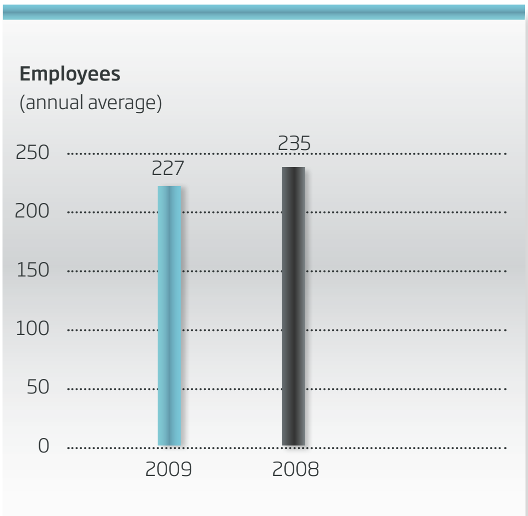
The global economic crisis, which continues unabated – especially the steep slump in the manufacturing sector and the auto industry – also triggered substantial declines in Softing's sales and earnings. Softing's sales revenue dropped by EUR 9.7 million to EUR 23.7 million in the 2009 financial year (previous year: EUR 33.4 million). That corresponds to a decline of 29 %.

In the Industrial Automation segment, sales fell by 17.8 % to EUR 15.0 million (previous year: EUR 18.2 million). In the Automotive Electronics segment, sales dropped by 42.6 % to EUR 8.7 million (previous year: EUR 15.1 million). The decline is due to the worldwide decline in demand in both the industrial and the automotive sector.

The cost of materials fell by EUR 2.3 million or 26.4 % to EUR 6.3 million while the cost of materials relative to revenue rose from 25.7 % to 26.7 % year on year. This development was driven by several countervailing effects that largely offset each other. For one, the newly consolidated companies, Buxbaum Automation GmbH and OEM Automazione s.r.l., are distributors that generate significant portions of their sales through third-party products and thus have much higher inventories. For another, projects now account for a larger share of consolidated sales, and the related inventories are lower than those related to the product business. Moreover, an ever-increasing portion of external project-related services were handled by our own personnel because it was not being used to full capacity in the financial year just ended.

Staff costs fell by EUR 1.4 million to EUR 14.9 million due to the sharp decline in variable compensation and voluntary salary givebacks at various levels of the corporate hierarchy as well as the introduction of short-time work in July 2009. Furthermore, services and costs were aligned with the changed market environment in a restructuring step that was taken in the first quarter of the 2009 financial year. While this also meant that Softing had to dismiss employees, at around 15 the number of terminations remained fairly low.

Depreciation, amortization and impairment losses rose by EUR 0.7 million to EUR 3.1 million in the 2009 financial year. This was mainly due to the impairment of the goodwill of hard&soft Salwetter-Rottenberger GmbH and to the increase in investments in new products.



Other expenses fell by EUR 0.1 million as a result of the Group's disciplined cost management overall despite the initial consolidation of two companies. In sum, earnings before interest and taxes fell by EUR 5.9 million in 2009 to EUR – 2.5 million.

Taking tax income of EUR 0.7 million into account, the consolidated loss was EUR – 1.8 million in 2009 compared to a profit of EUR 2.4 million the previous year.

Earnings per share under IAS 32 in the 2009 financial year were EUR – 0.33 (previous year: EUR 0.46).

Assets, Liabilities and Cash Flows
The Softing Group had equity of EUR 13.6 million at the end of 2009, as compared to EUR 15.9 million the year before. The Group's total assets fell by 8.1 % to EUR 21.5 million, resulting in an equity ratio of 63.3 % (previous year: 67.9 %).

The Group's non-current assets essentially comprise capitalized product developments, deferred tax assets, goodwill and intangible assets from the acquisition of new Group companies. Non-current assets at the end of 2009 represented 45,1 % of total assets. (previous year: 37.4 %). This is offset by equity and non-current liabilities representing 74,8 % (previous year: 75,9 %) of total equity and liabilities.

At the end of 2009, funds (cash and cash equivalents and securities) amounted to EUR 4.2 million, down EUR 1.4 million compared to the previous year. The tax income disclosed in the annual financial statements resulted almost exclusively from deferred tax assets. As a result, this will not lead to an inflow of liquid funds in 2010.

The cash flows from operating activities fell by EUR 3.8 million on account of the decrease in consolidated profit by EUR 4.3 million. This includes the EUR 0.7 million year-on-year increase in depreciation, amortization and impairment losses. The depreciation, amortization and impairment losses also contain an impairment loss on goodwill of EUR 0.4 million. In sum, the decrease in investments by EUR 1.3 million and the decrease in payments for treasury share buybacks by EUR 0.5 million led to a cash outflow of only EUR 1.4 million.

Research and Product Development
For years, the Softing Group has invested more than 10 % of its product sales in research and development. In total, Softing invested EUR 2.4 million (previous year: EUR 2.3 million) in the development of new products and the enhancement of existing ones. As in previous years, these developments were financed exclusively through Softing's own resources.

Investments of EUR 2.1 million were made in the Industrial Automation division (previous year: EUR 1.9 million). The main focus was on the enhancement of existing product lines and the addition of new products as well as the continued clear orientation of all developments on their earnings potential.

Softing made significant investments in the development of a standardized tool for mobile PROFIBUS diagnosis and in new diagnostic hardware for logical and physical PROFIBUS analysis. The wireless HART product range was also expanded, and a hardware module was developed for wireless HART devices.

Other large investments were made in the first version of the OPC Unified Architecture Toolkit, in the expansion of the FF configuration solution for supporting the 61b host standard that comes into effect in mid-2010, and in real-time Ethernet solutions for devices and controllers.

In 2009, the Automotive Electronics section invested a total of EUR 0.3 million (previous year: EUR 0.4 million), thus slightly strengthening the development of new products and the enhancement of existing ones compared to 2008. In order to promote developments that are in line with market demand and ensure that Softing has suitable concepts in place when the economy picks up again, the Company invested in product developments in close coordination with potential customers.

To guarantee the efficient use of available resources, Softing's Automotive Electronics division focused on its core competencies of diagnostic tools and test systems more intensively than in previous years. The established components of the Diagnostic Tool Set (DTS) were enhanced to meet specific customer needs and make them more attractive to new customers. In this context, it is also worth mentioning the DTS COS diagnostic server, a core component of workshop testers, as well as the DTS Monaco diagnostic tool and the DTS Venice diagnostic data editor, which assist development engineers. Additionally, the importance of the Open Diagnostic Data Exchange standard (ODX) for new diagnostic concepts in the automobile industry will continue to grow.

Softing employees are participating in standardization committees to promote developments in this area. Looking ahead to future applications, Softing implemented the new ODX 2.2 standard which corresponds to the worldwide ISO 22901 standard released in 2009. This step will future-proof Softing's existing products and ensure that they can be used internationally, making them very attractive to the emerging markets of India and China. When the economy picks up again, Softing AG will be able to offer attractive products for automobile development and vehicle tests as well as automobile production, after-sales and workshops.

In 2009, Softing consolidated its strong position in the segment for vehicle interfaces for communicating with automotive electronic systems and individual control units by implementing additional functionalities which will make these products even more attractive. Innovative hardware and software solutions that are currently still in development will further increase the benefits for customers.

In 2009, the Test Systems product segment prepared for the Open Test Sequence Exchange (OTX) format which will be codified in the worldwide ISO 13209 standard in 2010. Here, too, Softing is participating in standardization committees. OTX is a description format for test sequences that can run in workshop testers, experimental set-ups or in production automation. The introduction of this format will result in changes as fundamental as those brought about by the ODX standard for describing diagnostic data. Softing has invested in this new technology so that it can offer suitable solutions shortly after the standard is released.

The TestCUBE for simulating automotive control units and sub-networks was fundamentally redesigned, and the second generation of this product is now generating a great deal of customer interest. Softing will strengthen its position in the field of model-based testing through research projects with vehicle manufacturers and research institutes which were agreed upon in 2009.

Despite the economic crisis, and contrary to the general trend in the industry, Softing was able to maintain its extensive resident engineering services. Thanks to their special qualifications, the Softing employees who advise customers on-site or participate in customer development projects have earned an outstanding reputation and were not affected by the downsizing carried out by many of our customers.

The quality initiative launched in 2007 known as a SPICE project (Software Process Improvement and Capability Determination) continued in 2009 and led to a significant improvement in development processes and an increase in the achievable standard of quality. Innovative software engineering and software quality assurance methods will continue to be important in this context.

Softing signed a cooperative agreement with Samtec Automotive Software & Electronics GmbH to ensure that development resources are used efficiently. This agreement will enable the partners to pool their development resources while concentrating on their respective core competencies. The development partnership will involve sharing knowledge and carrying out joint development projects.

To sum up, we can say that despite the noticeable decline in sales in 2009, we pushed ahead with product developments and picked up on new trends. Through technological partnerships, participation in important standardization committees and involvement in innovative research projects, Softing AG is securing its position for the future.

Employees

At the end of 2009, the Softing Group had a total of 219 full-time employees (previous year: 241). There were 135 employees working in research and development (previous year: 151), and 58 in marketing and sales (previous year: 63).

Softing once again invested heavily in employee training in 2009. This training focused on strengthening the sales expertise and expanding the leadership skills of Softing’s employees. Every year, an external ISO certification audit is carried out to ensure the quality of our development processes. Softing successfully passed this audit.

OPPORTUNITIES FOR THE FUTURE DEVELOPMENT OF THE COMPANY

Continued Focus on Automotive Electronics

After a successful 2008, the automobile crisis in 2009 had a significant impact on the Automotive Electronics division. Right at the start of the year, Softing initiated structural and personnel measures to minimize the effects of the crisis. In conjunction with this, the division continued to focus on its core fields of data communication, diagnosis and test systems. Increased productivity and ongoing quality assurance measures will form a solid foundation for the future improvement of the division’s performance.

Use of New Technologies

Wireless communication is gradually gaining a foothold in the market. Softing adopted this technology at an early stage by establishing a wireless HART product range and developing a hardware module for wireless HART devices. Three strategic customers were acquired in the past year, so further growth can be expected in 2010.

INAT GmbH Subsidiary

In April 2008, Softing acquired a majority stake in the Nuremberg-based INAT GmbH, which has strengthened several key strategic elements of the Industrial Automation division. INAT is widely known as a strong industrial automation brand that specializes in the manufacturing and process industry. INAT offers an attractive product portfolio consisting of OPC software and products for Ethernet network diagnosis and for improving the performance of industrial controllers. INAT profits from Softing's good international position in the process and manufacturing industry, while Softing will gain access to new customers and markets through INAT's products and sales channels.

SoftingROM Subsidiary

Softing continually develops new products and technologies in order to address the transition to new technologies, as well as to tap new markets and opportunities for growth. The Romanian subsidiary SoftingROM has the task of boosting the required development services. Romania is an ideal location for Softing since it can be reached quickly and inexpensively from Munich. There are also many well-educated young engineers and computer scientists in the region. The Romanian subsidiary has evolved into a hotbed of technology for Softing.

Softing North America, Inc. Subsidiary

Despite the difficult economic situation, Softing North America showed a profit in 2009. The company's product business is now established in the US market. We believe that there are opportunities for additional revenue growth in 2010, the weak US economy notwithstanding. Some of the new products developed in 2008 and 2009 will sustainably support this development in the medium and long term. Smart alliances and product policies in 2010 will provide a good opportunity for continuing to overtake competitors and evolving into the de facto standard in industrial communication for the process industry.

hard&soft Salwetter-Rottenberger GmbH

hard&soft Salwetter-Rottenberger GmbH, which we acquired in 2005, remains a valuable addition to our activities in the field of test systems and made a positive contribution to earnings in the 2009 crisis year as well. Reasonable application of short-time work allowed us to counteract the steep slump in sales. The easing of budgetary constraints among our regular customers should spark a noticeable rise in demand to work down the backlog even though we cannot predict with any certainty when this might occur.

Sales Offices Acquired in 2009

The acquisition of majority stakes in two sales offices in 2009 – Buxbaum Automation GmbH, Eisenstadt, and OEM Automazione s.r.l., Milan, now allows us to serve customers in both countries locally. Leveraging Softing's expanded and enhanced sales structures is aimed at acquiring new customers and generating new sales in 2010.

RISK MANAGEMENT AND INDIVIDUAL RISKS

Softing is an international company involved in industrial automation technology and automotive electronics. The Company is exposed to a number of risks that are inextricably linked to its entrepreneurial activities.

In particular, this concerns risks resulting from market development, the positioning of products and services, contractual and non-contractual liability, and business processes. Our business policy is to best exploit existing business opportunities . It is the task of our risk policy to carefully weigh the risks associated with this. Risk management is therefore an integral component of our business processes and company decisions.

Risk principles are defined by our Executive Board. They include statements on risk strategy, the willingness to take risks and the scope of these principles.

We use a number of control systems to monitor and control our risks. These include a centralized company planning process, among other things. We regularly monitor the achievement of our business goals and the risks that are connected to this as well as the accounting processes.

The risks involved in individual business processes were also periodically recorded, analyzed and evaluated in the reporting period. We also assessed whether individual risks which are of minor importance when viewed in isolation could develop into a risk threatening the Company's existence when combined.

The risk factors mentioned below could have a strong negative impact on the Company's business performance, cash flows and profit or loss. Risks that we believe to be of little relevance to our business at this time are not mentioned.

Business Risks

Following 2008, the best year in the Softing Group's history, sales and earnings declined significantly in both divisions as a result of the deepening economic crisis in 2009.

In general, there is a risk of underutilization of capacities and the risk of sustaining pressure on realizable revenues. We meet these risks with stricter cost management measures and flexible working hour models so that we can quickly adapt to any changes in demand. We also used short-time work as a tool in 2009 to that end. Short-time work was approved in July 2009 for both Softing AG and INAT GmbH and as early as in April 2009 for hard&soft GmbH. It made it possible for us to react in appropriate ways to the dramatic decline in orders besides reducing both overtime and vacation.

The situation on the market is characterized by a rapid change of the employed technologies. This means that there is a danger that acquired know-how may prematurely lose value due to an unexpected market development. We address this risk by actively participating in a large number of national and international working groups, which enables us to recognize technological trends early on and help shape them ourselves.

Operational Risks

In certain areas of our business, we are involved in the complex development projects of our customers. These projects entail a certain realization risk regarding the planned budgets and time frames. Any deviations could lead to a deterioration of profit and claims for damages. We deal with this risk by planning such projects in accordance with a process model defined by our quality management system, and by carefully monitoring project progress with an alarm controlling system. In addition, the first projects based on the modern SPICE methods have been carried out and audited successfully since 2008. This enabled us to further improve Softing's already high quality standard.

Risk of Damages

Our products and services are used in the production of industrial goods. Downtime or malfunction can result in significant damage to persons and property. We reduce this risk by following a careful development process which is tailored to the specific scope of application. Significant residual risks have been covered through insurance policies.

Credit Risks

Credit risks have not played a significant role in the past. However, in the current economic climate, we expect the risk of bankruptcy to rise among our customers. We have addressed this issue by giving higher priority to credit checks and receivables management. As a precaution, we have further improved our credit management process in order to identify and respond to potential cases of bankruptcy more quickly. We also intensified our efforts to collect receivables outstanding. Together, all of these measures helped to forestall major defaults on receivables in 2009 – even substantially reduce the amount of overdue receivables by year's end.

Currency Risks

The constant expansion of our business with customers in the United States and other dollar countries has increased the significance of assessing currency risks. In the reporting period, we hedged most of the currency risks in connection with our US subsidiary's operating activities. During the 2009 financial year, Softing hedged the expected cash flows of Softing North America by entering into classic forward exchange transactions.

Supplier Risks

When manufacturing products – particularly hardware products – we make considerable use of supplies from external companies. The inclusion of third parties in our value chain naturally reduces the level of influence we have on quality, costs and adherence to schedules. Unexpected price increases can affect the result considerably. We counteract this risk through long-term supplier contracts wherever possible. Supplier failures can lead to delivery bottlenecks. We reduce this risk by regularly auditing our suppliers and consistently limiting the share of deliveries from individual suppliers.

Risks to the Existence of the IT Infrastructure

As in all companies, the smooth functioning of business processes depends on the availability of our IT infrastructure. Attacks from the Internet, as well as other IT failures or damages to our IT infrastructure, pose a serious threat to the Company's ability to function. We have addressed these risks with a number of individual measures, particularly including the rapid recovery of all stored data. In addition, we implemented several IT security measures which so far prevented damage caused by computer viruses and sabotage.

In our opinion, there exist no risks that jeopardize the Group's existence as a going concern.

EVENTS OF SPECIAL IMPORTANCE AFTER THE END OF THE FINANCIAL YEAR

There were no events of special importance after the end of the financial year.

FORECAST FOR THE FUTURE DEVELOPMENT OF THE COMPANY

Economic Experts Expect Global Economic Recovery

Commerzbank's economists expect the German economy to recover in 2010 from its deepest recession since the founding of the Federal Republic of Germany and expand by 2 %, given that the export sector will only post moderate growth because the improvement in the economic situation of Germany's most important trading partners is not deep enough. Economic stimulus packages worth billions, expansionary monetary policies and relatively low oil prices are credited with bringing about the recovery. According to Commerzbank's economists, GDP in the euro zone is expected to grow by 1.5 % and that of the United States by 2.5 %.

Forecasts if the German Electrical and Electronic Manufacturers' Association predict growth of 3 % to 4 % for the German electrical and electronic industry in 2010. But the German Engineering Federation (Verband Deutscher Maschinen- und Anlagenbau – VDMA), in contrast, is going into 2010 with extremely dampened expectations and expects the production of machinery to stagnate this year, after falling by about 20 % on the annual average in 2009.

Softing Expects Its Business to Pick up Moderately in 2010.

Softing has established itself as a competent partner to customers in industrial automation with products for the networking of installations based on relevant fieldbus systems. Drawing on its fieldbus expertise, Softing develops hardware and software products that are an important component of reliable industrial automation, both within individual fieldbus worlds and in the connection of these worlds to one another.

Industrial investments in fieldbus systems have grown at disproportionately high rates in recent years but dropped substantially in 2009. Established standards such as PROFIBUS DP or CAN-based protocols are still being installed in major industrial plants with a useful life in excess of 20 years.

Softing Industrial Automation provides competitive products and services across all industries in connection with all industrial communications technologies – whether based on fieldbus or Ethernet, or wireless. Investments made at an early stage allow us to anticipate potential technological changes in a timely manner.

Softing also worked consistently in 2009 to round out the range of equipment that it offers in Industrial Automation. We also developed conceptual approaches to systems that we developed in 2009 and that we will implement in 2010. Softing has already achieved its goal of becoming the market leader in the field of PROFIBUS fieldbus diagnosis and intends to strengthen and consolidate this position in the years to come.

In prior years, the Company made several organizational and operational adjustments in Industrial Automation – especially with the aim of intensifying its alignment with the market – by moving away from pure technology-oriented solutions toward products whose components are aligned with the market in strategic terms. We will pursue this realignment in 2010 also.

In 2009, Softing expanded its product range of configuration tools, enabling it to make modifications or take special customer needs into account. These Softing solutions have received an outstanding response in the market.

Softing invested heavily in the new OPC Unified Architecture technology in 2008 and 2009, and the Company now intends to strengthen its position as a recognized OPC expert. Its new products will be aimed particularly at embedded solutions. The OPC Unified Architecture has already been delivered to the first key customers.

The use of wireless communication for industrial applications is taking shape as well. The WITECK consortium has emerged as the de facto standard in the field of wireless HART. Softing is a member of WITECK and is basing its first wireless HART products on this standard. There has been a great deal of customer interest in this, and the first products will be ready for serial production in 2010.

Despite its firm technological footing, the Automotive Electronics division is looking towards 2010 with measured optimism on account of the economic environment, which remains uncertain. The implementation of new concepts and product ideas will depend largely on the budgets of Softing's big customers. Softing will not curtail its investments in product development in 2010 despite the uncertain climate. Softing Automotive Electronics is in a strong position thanks to its focus on data communication, diagnosis and test systems and will continue to benefit from the ongoing need for innovation in automotive development, testing, production and services after the economic crisis has bottomed out.

Past and future investments are expected to yield sustained returns thanks to the recent global standardization of ODX (ISO 22901) and the global harmonization of the Modular Vehicle Communication Interface (ISO 22900). Important projects with major customers are now in the start-up phase.

The investment focus in 2010 and the following years will be on further developing the successful automotive adapter range for workshops and on improving the performance of Softing's established diagnostic server and the applications based on it.

The new OTX technology will remain a viable development topic with future potential even though it will not yet generate significant revenue in 2010 because the standardization efforts (ISO/WD 13209) have not yet been completed.

In the field of automated testing, Softing collaborates with renowned automobile manufacturers and research institutes on international research projects. A great deal of attention will be given to so-called model-based testing in the context of simulation-based methods. To tackle very extensive, complex tasks, we plan to pursue innovative concepts in a network made up of customers from the automobile industry, partner companies and universities.

Automotive Electronics will also continue to participate in international working groups for data communication and diagnosis to contribute new ideas and to benefit from the promising concepts which emerge.

Outlook for the 2010 Financial Year

Due to the extremely strained global economic environment, it is difficult to foresee what the new financial year will bring. In general, Softing expects its incoming orders and sales to increase overall in 2010. However, stagnation is more likely in the first half of the year.

In the second half of the year, we can look forward to stronger growth based on our increased market penetration and the assessments of our customers. Softing anticipates posting a profit in 2010.

The medium-term prospects for the Softing Group also remain positive. Business development in 2011 is expected to be stable, resulting in improved profitability.

In the current economic climate, our strategy is to strengthen our own activities and expand our worldwide presence through targeted partnerships.

We also expect new opportunities for non-organic growth in the current financial year, and Softing will use its shareholder structure, its independence and its firm financial position to take advantage of this.

In summary, we can say that the global recovery from the crisis expected in 2010 will result in increased sales and earnings at Softing as well. Furthermore, thanks to a combination of our modern product portfolio, close proximity to customers and good financial reserves, we are in a much better position than many competitors and will be one of the few companies to benefit from opportunities in the market in the near term.

DISCLOSURES UNDER SECTION 315 PARA 4 GERMAN COMMERCIAL CODE

1. In 2009, the share capital of Softing AG was EUR 5,637,198, denominated in the same number of no-par shares, all granting the same rights, specifically voting rights. No shareholder or shareholder group has special rights.

2. Shareholders' voting rights are not restricted by law or the Company's Articles of Incorporation. The voting rights are not limited to a specific number of shares or votes. The Executive Board is not aware of any limitations regarding the voting rights.

   The shareholders of Softing AG are not limited by law or the Company's Articles of Incorporation in their decision to purchase or sell shares. To be effective, the purchase or sale of shares does not require the approval of the Company's boards. The Executive Board is not aware of any limitations regarding the assignability of shares.

3. We have been notified of the following direct or indirect equity interests exceeding 10 % of voting rights:

   Steinbeis GmbH & Co. KG für Technologietransfer, Stuttgart, informed us that its voting share in Softing AG on April 6, 2009, has exceeded the thresholds of 5 %, 10 % and 15 % and is now 17,79 %. In accordance with Section 22 para 2 German Securities Trading Act, 14.75 % of the voting shares of Dr. Wolfgang Trier are attributable to Steinbeis Verwaltungs-GmbH & Co. KG für Technologietransfer.

   Steinbeis Verwaltungs-GmbH, Stuttgart, informed us that its voting share in Softing AG on April 6, 2009, has exceeded the thresholds of 5 %, 10 % and 15 % and is now 17,79 %. In accordance with Section 22 para 1 sentence 1 no. 1 German Securities Trading Act, 3.05 % of the voting shares of Steinbeis GmbH & Co. KG für Technologietransfer are attributable to Steinbeis Verwaltungs-GmbH and in accordance with Section 22 para 2 German Securities Trading Act, 14.75 % of the voting shares of Dr. Wolfgang Trier are attributable to Steinbeis Verwaltungs-GmbH.

   Steinbeis Stiftung für Wirtschaftsförderung, Stuttgart, informed us that its voting share in Softing AG on April 06, 2009, has exceeded the thresholds of 5 %, 10 % and 15 % and is now 17,79 %. In accordance with Section 22 para 1 sentence 1 no. 1 German Securities Trading Act, 3.05 % of the voting shares of Steinbeis GmbH & Co. KG für Technologietransfer are attributable to Steinbeis-Stiftung für Wirtschaftsförderung and in accordance with Section 22 para 2 German Securities Trading Act, 14.75 % of the voting shares of Dr. Wolfgang Trier are attributable to Steinbeis-Stiftung für Wirtschaftsförderung.

   Prof. Dr. Joachim Goll, Esslingen, informed us that his voting share in Softing AG on April 6, 2009, has exceeded the thresholds of 10 %, 15 % and 20 % and is now 20.11 %. In accordance with Section 22 para 2 German Securities Trading Act, 14.75 % of the voting shares of Dr. Wolfgang Trier are attributable to Prof. Dr. Joachim Goll.

   Mr. Ulrich Goll, Esslingen, informed us that his voting share in Softing AG on April 6, 2009, has exceeded the thresholds of 5 %, 10 % and 15 % and is now 16.52 %. In accordance with Section 22 para 2 German Securities Trading Act, 14.75 % of the voting shares of Dr. Wolfgang Trier are attributable to him.

   Dr. Wolfgang Trier, Grünewald, informed us that his voting share in Softing AG on April 6, 2009, has exceeded the thresholds of 15 % and 20 % and is now 24.94 %. In accordance with Section 22 para 2 German Securities Trading Act, 10.19 % of the voting rights of Steinbeis GmbH & Co. KG für Technologietransfer, Prof. Dr. Joachim Goll and Mr. Ulrich Goll are attributable to Dr. Wolfgang Trier.

4. The Company has not issued any shares with special rights conferring powers of control.

5. All employees may directly exercise their control rights in connection with their equity interests.

6. In accordance with § 7 of the Articles of Incorporation of Softing AG, the Executive Board of Softing AG comprises one or more persons. Even if the Company's share capital exceeds EUR 3,000,000, the Executive Board may comprise just one person. Deputy members of the Executive Board may be appointed. The Supervisory Board appoints the members of the Executive Board and determines the number of persons serving on the Executive Board. The Supervisory Board may appoint a chairman of the Executive Board and a deputy chairman of the Executive Board.

The Supervisory Board is authorized to make amendments to the Articles of Incorporation insofar as they concern only the wording thereof. More comprehensive amendments to the Articles of Incorporation are subject to the requirements of Sections 133 and 179 German Stock Corporation Act.

7. In August 2007, the General Shareholders' Meeting authorized the Executive Board of Softing AG to increase the Company's share capital with the approval of the Supervisory Board once or several times by a total of EUR 2,799,000 by issuing new no-par value bearer shares against contributions in cash and/or in kind until August 23, 2012. Said authority was not exercised to date. In May 2009, the General Shareholders' Meeting authorized the Executive Board to purchase own shares until November 25, 2010, provided that such purchase is not made for the purpose of trading in treasury shares, and provided that the purchase price of said shares is not more than 10 % above or below the share's average closing price at the Frankfurt Stock Exchange during the last five days preceding the purchase. The closing price shall be determined as the share's closing auction price in electronic trading on the Frankfurt Stock Exchange (XETRA trading) or a system succeeding XETRA trading. The authorization may be exercised once or several times, in whole or in part. It is limited to purchasing shares representing no more than a total of 10 % of the Company's share capital. Any treasury shares acquired under this authorization – together with other treasury shares that the Company has already acquired and still holds – may not exceed 10 % of the Company's share capital.

   The buy-back serves to create an acquisition currency that is required in the medium term and that is available at a price which the Company believes to be considerably below fair value. The Company held a total of 532,602 treasury shares as of 31 December 2009.

8. There are no material agreements entered into by the parent company that provide for a change of control following a takeover bid.

9. According to an agreement, the chairman of the Executive Board has the right to terminate his employment for cause if a shareholder or shareholder group acting in a coordinated fashion way holds more than 25 % of the voting rights. If the chairman exercises this right to terminate his employment for cause, he is entitled to compensation equaling approximately two annual salaries.

BASIC INFORMATION ON THE COMPENSATION SYSTEMS FOR MEMBERS OF CORPORATE BODIES

Compensation of the Executive Board is divided into a fixed salary component and a performance-based, i. e. variable component. The performance-based components are contingent on both consolidated profit and each individual operating unit's earnings in the financial year just ended as well as on personal factors. Likewise, Softing AG's market capitalization is key to the variable component of executive compensation as well. Members of Softing AG's Executive Board are also entitled to a company car. There is no stock option plan in place. For more details regarding the Executive Board's compensation, please see the notes to the consolidated financial statements.

Each member of the Supervisory Board receives a fixed compensation of EUR 10,000 for each full financial year of service on the Supervisory Board. In addition, each member receives variable compensation amounting to 0.5 % of Group EBIT before deducting the Supervisory Board' variable compensation. The chairman receives 200 % of the fixed and variable amount, the deputy chairman 150 %. The remuneration for all three Supervisory Board members is limited to a total of EUR 200,000.00.

DESCRIPTION OF THE MATERIAL COMPONENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM RELEVANT TO THE GROUP'S FINANCIAL REPORTING PROCESS IN ACCORDANCE WITH SECTION 315 PARA 2 NO. 5 GERMAN COMMERCIAL CODE

Definitions and Elements of the Softing Group's Internal Control and Risk Management System

The Softing Group's internal control system comprises all principles, procedures and actions required for ensuring the effectiveness, economy and propriety of the Company's financial reporting as well as compliance with material legal requirements.

Our internal control system comprises an internal management and monitoring system.

Monitoring mechanisms that are process-integrated or uninvolved in business processes constitute the elements of the Softing Group's internal monitoring system. Hence automated IT process controls besides manual process controls – such as the two-person integrity (TPI) principle – are an integral part of all process-integrated activities.

The activities of both the auditor of the Group's consolidated financial statements and other auditors (such as those tasked with performing comprehensive tax audits) are uninvolved in business processes and, as such, are part and parcel of the controls surrounding the Softing Group. In particular, the audit of the consolidated financial statements – which is performed by an entity uninvolved in business processes – is at the core of the monitoring activities that are relevant to the Group's financial reporting process.

As part of the internal control system, those aspects of the risk management system that concern financial reporting are focused on the risk of misstatements in the Group's bookkeeping as well as its external reporting system. Besides risk management at the operating level – which also includes risk transfer to insurance companies through insurance policies serving to limit the risk of loss or liability as well as through suitable hedging transactions serving to limit foreign currency risks – the Softing Group's risk management system also comprises early detection as well as management and monitoring of risks, systematically and groupwide. The Softing Group has established a monitoring system pursuant to Section 91 para 2 German Stock Corporation Act that is aimed at early detection of risks that might jeopardize the Company's existence in order to ensure systematic early detection of risk throughout the Group. For additional disclosures on the risk management system, please see the section entitled, "Risk Management and Individual Risks."

Use of IT Systems

Accounting transactions are recorded in the single-entity financial statements of the German companies' subsidiaries using IFS's bookkeeping system. Our foreign subsidiaries utilize local providers of bookkeeping systems. All subsidiaries supplement their separate financial statements by additional information using standardized reporting packages that are entered into Softing AG's consolidation system in connection with the preparation of the Group's consolidated financial statements. Softing AG has been using this consolidation system, which it developed itself on the basis of a Microsoft database system, for many years to draw up its consolidated financial statements. The auditor of Softing AG's consolidated financial statements regularly reviews the interface between the reporting system and the consolidation system as well as the reconciliation between the two. All consolidation processes required to prepare the consolidated financial statements of Softing AG – e. g. acquisition accounting, asset and liability accounting, or elimination of expenses and earnings – are generated and documented in the consolidation system.

Specific Risks Related to the Financial Reporting Process

Specific risks related to the financial reporting process may arise from unusual or complex transactions, for instance. Transactions that are not routinely processed also entail inherent risks. Additional risks related to the financial reporting process arise from the latitude that employees must be given in regards to the recognition and measurement of assets and liabilities.

Material Control and Monitoring Activities Aimed at Assuring the Propriety and Reliability of the Financial Reporting Process

All facets of the internal control system that serve to provide a proper and reliable financial reporting process ensure complete and timely recording of all transactions in compliance with all requirements under the law and the Company's Articles of Incorporation. It also assures that inventories are taken in proper fashion and that both assets and liabilities are accurately recognized, measured and shown in the consolidated financial statements. These control activities also serve to ensure, furthermore, that the bookkeeping records provide reliable and plausible information.

The monitoring activities serving to ensure that the financial reporting is proper and reliable also comprise the analysis of transactions and developments using specific analyses of key indicators. The separation of functions related to administration, execution, accounting and approval – as well as their perception as such by a variety of individuals – limits the possibilities for engaging in intentional acts. For example, this also ensures that bookkeeping processes are carried out both in the proper period and in full even if the IT systems that the Group companies use for the underlying accounting are changed. The internal control system also serves to make sure that changes in the Softing Group's economic or legal environment are duly presented and that new or amended statutory requirements concerning the financial reporting process are applied.

The accounting standards of the International Financial Reporting Standards (IFRS) represent the uniform accounting policies applied by the domestic and foreign entities included in Softing's consolidated financial statements. Besides general accounting policies, in particular, this concerns requirements related to the balance sheet, the income statement, the notes, the management report, the cash flow statement and segment reporting, taking requirements under EU law into account.

Softing's accounting standards of also govern concrete formal requirements that the consolidated financial statements must fulfill. They not only determine which companies to include in consolidation, they also fix the components of the reporting packages that the Group companies must prepare in detail. Among other things, these formal requirements serve to ensure the binding utilization of a standardized and complete set of forms. Softing's accounting standards also contain specific requirements regarding the treatment and settlement of intragroup transactions and the reconciliation of accounts based thereon.

At the Group level, the specific elements of control designed to ensure the propriety and reliability of Group accounting principles comprise analyses and possibly revisions of Group companies' separate financial statements. The centralized execution of impairment tests for the cash generating units from the Group's perspective assures that uniform and standardized measurement criteria are applied. Furthermore, additional data are processed and aggregated at the Group level in regards to external information in both the notes and the management report, including information related to events after the reporting period.

Caveats

The internal control and risk management system makes it possible to record, process and measure all transactions pertaining to the Group as well as their appropriate presentation through the financial reporting process thanks to the Softing Group's organizational, control and monitoring structures.

However, personal judgment, defective controls, criminal acts or other circumstances cannot be precluded by the very nature of the matter at hand and, as a result, may limit the effectiveness and reliability of the internal control and risk management system such that even groupwide application of the systems utilized cannot guarantee with absolute certainty complete, accurate and timely recording of transactions as part of the financial reporting process.

Haar, Germany, February 22, 2010

Softing AG

Dr. Wolfgang Trier (Chairman of the Executive Board)	Dr. Michael Siedentop (Member of the Executive Board)

Consolidated Financial Statements of Softing AG

Consolidated Balance Sheet

as of December 31, 2009

Assets		Notes	Dec. 31, 2009 EUR	Dec. 31, 2008 EUR
A.	**Non-current assets**			
	I. Intangible assets			
	1. Goodwill	C 1	2,438,952	2,734,952
	2. Development costs	C 2	3,401,440	3,050,397
	3. Other intangible assets	C 3	1,342,657	1,052,985
			7,183,049	6,838,334
	II. Property, plant and equipment			
	Other equipment, furniture and fixtures and office equipment	C 4	670,873	807,175
	III. Deferred tax assets	D 9	1,845,003	1,111,160
			9,698,925	**8,756,669**
B.	**Current assets**			
	I. Inventories	C 6		
	1. Raw materials and consumables		354,387	201,334
	2. Work in progress		47,644	0
	3. Finished goods		1,823,164	2,301,644
			2,225,195	2,502,978
	II. Trade receivables			
	1. Trade receivables	C 7	3,616,510	4,407,260
	2. Receivables from customer-specific construction contracts	C 8	472,676	1,044,058
			4,089,186	5,451,318
	III. Other financial receivables	C 9	1,148,415	1,023,154
	IV. Tax assets	C 11	42,937	0
	V. Securities	C 12	600,000	574,712
	VI. Cash and cash equivalents	C 12	3,572,317	4,992,483
	VII. Other assets	C 10	151,878	135,542
			11,829,928	**14,680,187**
		►	**21,528,853**	**23,436,857**

Equity and liabilities		Notes	Dec. 31, 2009 EUR	Dec. 31, 2008 EUR
A.	**Equity**			
	I. Issued capital	C 13	5,637,198	5,637,198
	II. Capital reserves	C 13	1,683,820	1,683,820
	III. Retained earnings	C 13	7,541,274	9,495,760
	IV. Treasury shares	C 13	- 1,336,254	- 1,084,848
	Attributable to shareholders of Softing AG		13,526,037	15,731,930
	V. Minority interest		91,692	175,919
			13,617,730	**15,907,849**
B.	**Non-current liabilities**			
	1. Employee benefits	C 14	992,013	601,543
	2. Other financial liabilities		82,554	0
	3. Deferred tax liabilities	D 9	1,406,769	1,284,045
			2,481,336	**1,885,588**
C.	**Current liabilities**			
	I. Other provisions	C 15	99,845	121,440
	II. Trade payables			
	1. Trade payables	C 16	1,403,029	772,409
	2. Payables from customer-specific construction contracts	C 8	161,735	217,715
	III. Other borrowings	C 17	146,640	0
	IV. Other financial liabilities	C 18	3,082,755	3,459,969
	V. Tax liabilities		174,644	293,313
	VI. Other liabilities	C 19	361,139	778,574
			5,429,788	**5,643,420**
		►	**21,528,853**	**23,436,857**

Consolidated Income Statement

for the 2009 Financial Year

		Notes	2009 EUR	2008 EUR
1.	Revenue	D 1	23,664,893	33,355,326
2.	Other own work capitalized	D 2	2,159,435	1,854,854
3.	Other income	D 3	831,838	460,511
			26,656,166	**35,670,691**
4.	Cost of materials	D 4		
	a) Cost of raw materials, consumables and purchased goods		-5,501,333	-7,224,956
	b) Cost of purchased services		-807,687	-1,344,204
			-6,309,020	-8,569,160
5.	Employee benefit costs	D 5		
	a) Wages and salaries		-12,949,340	-14,112,720
	b) Social security and retirement benefit costs		-1,971,168	-2,182,156
			-14,920,508	-16,294,876
6.	Depreciation, amortization and impairment losses	D 6	-3,066,349	-2,410,179
7.	Other expenses	D 7	-4,824,478	-4,969,110
8.	**Earnings before interest and taxes (EBIT)**		**-2,464,189**	**3,427,366**
9.	Finance income	D 8	99,223	186,405
10.	Finance costs	D 8	-165,560	-140,848
			-66,336	45,557
11.	**Earnings before taxes (EBT)**		**-2,530,525**	**3,472,923**
12.	Tax income (previous year: tax expense)	D 9	683,404	-1,028,826
13.	**Consolidated profit / loss**	▸	**-1,847,121**	**2,444,097**
	Distribution of consolidated profit / loss			
	Losses attributable to minority interest		-170,919	-29,635
	Losses (previous year: profits) attributable to the shareholders of the parent company		-1,676,202	2,473,732
		▸	**-1,847,121**	**2,444,097**
	Earnings per share (diluted = basic)	E 4	-0.33	0.46

Consolidated Statement of Comprehensive Income

for the 2009 Financial Year

	2009 EUR (in thsds)	2008 EUR (in thsds)
Consolidated profit / loss	-1,847	2,444
Currency translation differences (changes in unrealized gains / losses)	-24	-20
Loss from the sale of treasury shares	-10	0
Actuarial gains / losses from pension provisions	-340	267
	-374	**247**
Tax items offset directly against equity	96	-75
Income and expense recognized directly in equity (after taxes)	-278	172
Total comprehensive income	**-2,125**	**2,616**
Attributable to minority interests	-171	-29
Attributable shareholders of Softing AG	-1,954	2,645
Total comprehensive income	**-2,125**	**2,616**

Consolidated Statement of Changes in Equity

for the 2009 Financial Year

	No-par bearer shares	Issued capital	Capital reserves	Retained earnings				Treasury shares	Equity before minority interest	Minority interest	Total equity
				Valuation surplus	Currency translation	Other	Total retained earnings				
	Number	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)	EUR (in thsds)
December 31, 2007/ January 1, 2008	5,637,198	5,637	1,684	-118	-29	6,998	6,851	-314	13,858	0	13,858
Changes in equity 2008											
Changes in minority interest	0	0	0	0	0	0	0	0	0	205	205
Purchase / sale of own shares	0	0	0	0	0	0	0	-771	-771	0	-771
Differences from currency translation	0	0	0	0	-20	0	-20	0	-20	0	-20
Income and expense recognized directly in equity (before taxes)	0	0	0	267	0	0	267	0	267	0	267
Tax items offset directly against equity	0	0	0	-75	0	0	-75	0	-75	0	-75
Consolidated profit / loss 2008	0	0	0	0	0	2,473	2,473	0	2,473	-29	2,444
	0	**0**	**0**	**192**	**-20**	**2,473**	**2,645**	**-771**	**1,874**	**176**	**2,050**
December 31, 2008 /January 1, 2009	5,637,198	5,637	1,684	74	-49	9,471	9,496	-1,085	15,732	176	15,908
Changes in equity 2009											
Change in minority interest	0	0	0	0	0	0	0	0	0	86	86
Purchase / sale of own shares	0	0	0	0	0	0	0	-251	-251	0	-251
Differences from currency translation	0	0	0	0	-24	0	-24	0	-24	0	-24
Income and expense recognized directly in equity (before taxes)	0	0	0	-350	0	0	-350	0	-350	0	-350
Tax items offset directly against equity	0	0	0	96	0	0	96	0	96	0	96
Consolidated profit / loss 2009	0	0	0	0	0	-1,676	-1,676	0	-1,676	-171	-1,847
	0	**0**	**0**	**-254**	**-24**	**-1,676**	**-1,954**	**-251**	**-2,205**	**-85**	**-2,290**
December 31, 2009	**5,637,198**	**5,637**	**1,684**	**-180**	**-73**	**7,795**	**7,542**	**-1,336**	**13,527**	**91**	**13,618**

Consolidated Cash Flow Statement

for the 2009 Financial Year

	2009 EUR (in thsds)	2008 EUR (in thsds)
Consolidated profit/loss	-1,847	2,444
Adjustments		
Interest income	-99	-186
Interest expense	166	141
Income tax	-683	1,029
Depreciation and amortization	3,066	2,410
Exchange differences	-1	11
Change in provisions	25	-9
Change in inventories	293	-436
Change in trade receivables, financial receivables and other assets	1,790	628
Change in financial and other liabilities	-885	-644
Interest received	99	186
Interest paid	-35	-20
Income tax paid	-170	-30
Cash flow from operating activities	**1,719**	**5,524**
Cash receipts from the disposal of intangible assets and property, plant and equipment	7	10
Cash payments for investments in property, plant and equipment	-147	-518
Cash payments for investments in intangible assets	-2,449	-2,647
Cash payments for the acquisition of consolidated companies	-264	-958
Cash flow from non-current investing activities	**-2,853**	**-4,113**
Cash receipts from the sale of securities classified as current assets	575	57
Cash payments for the purchase of securities classified as current assets	-600	0
Cash flow from investing activities	**-2,878**	**-4,056**
Cash receipts from capital increase	0	0
Cash receipts from the sale of treasury shares	65	0
Cash payments for the purchase of own shares	-326	-771
Cash flow from financing activities	**-261**	**-771**
Net change in funds	-1,420	697
Cash and cash equivalents at the beginning of the period	4,992	4,295
Cash and cash equivalents at the end of the period ▸	**3,572**	**4,992**
For further information, please see item E3 of the Notes.		

Notes to the Consolidated Financial Statements for the 2009 Financial Year

A. GENERAL INFORMATION

1. BASIS

The consolidated financial statements of Softing AG were prepared in accordance with all International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) that were applicable on the balance sheet date and all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that were binding for the financial year ended and applicable in the European Union. Furthermore, the provisions applicable under German Commercial law as defined in Section 315a para 1 German Commercial Code (HGB) were also taken into account.

The reporting currency is the euro (EUR). All amounts are stated in thousands of euros (EUR thsd.) unless indicated otherwise. These financial statements cover the 2009 financial year based on the reporting period from January 1 to December 31, 2009.

The consolidated financial statements and the Group management report are published in the electronic Federal Gazette.

The Executive Board of Softing AG released the consolidated financial statements to the Supervisory Board on February 22, 2010. It is the task of the Supervisory Board to examine the consolidated financial statements and declare whether it approves them.

2. PURPOSE OF THE GROUP

Softing AG, headquartered in Haar near Munich, Germany, is the Group's parent company. Softing AG is a stock corporation under German law. It is registered at Munich Local Court with the address "Richard-Reitzner-Allee 6, 85540 Haar."

The purpose of Softing AG and its subsidiaries is to provide analysis, consulting, development and implementation services in the context of IT projects as well as business studies, expert opinions and training, especially in the areas of process automation and production data acquisition, system and user software for micro- and minicomputer systems, long-distance data transmission, computer networks and commercial IT applications.

3. NEW AND REVISED STANDARDS

Changes in Accounting Policies Due to New Standards and Interpretations

In the 2009 financial year, the Company applied the IFRSs whose application is mandatory for financial years beginning on or after January 1, 2009. The International Financial Reporting Standards (IFRSs) are applied in the form they were transposed into national law by the European Commission subject to the due process of endorsement. The following standards and interpretations were applied by the Company for the first time in 2009 provided they were material to its activities:

- Amendments to IFRS 4 and 7: The amendments to IFRS 4 and IFRS 7 provide for specific disclosures on the fair value measurement of and the liquidity risk inherent in financial instruments.

- Amendments to IFRIC 9 and IAS 39: The amendments to IFRIC 9 und IAS 39 serve to clarify the treatment of embedded derivatives if a hybrid (combined) contract is reclassified out of the "fair value through profit or loss" category.

- Amendments to IAS 39 and IFRS 7: The amendments to IAS 39 and IFRS 7 provide guidance on effective dates and the transitional provisions applicable to the revisions of these standards that the IASB published on 13 October 2008.

- Improvements: These updates comprise 35 amendments to standards in two parts. The first one entails changes in the accounting principles governing presentation, recognition and measurement while the second one entails terminological and editorial changes.

- Amendments to IFRS 1 and IAS 27: Under the amendment to IFRS 1, a first-time adopter may adjust its cost for investments in subsidiaries, jointly controlled entities or associates by either the fair value at the date of transition to IFRS or the carrying amount determined under previous GAAP in its separate financial statements. The definition of the "cost method" was eliminated from IAS 27 such that a shareholder must recognize all dividends from subsidiaries, jointly controlled entities or associates in its separate financial statements as income even if they were paid from provisions prior to the acquisition. The amendments to IAS 27 also clarify how to determine the cost of investments in subsidiaries if a parent changes the structure of its group by establishing a new entity as its parent and the new parent obtains control of the original parent by issuing equity instruments in exchange for existing equity instruments of the original parent.

- Amendments to IAS 32 and IAS 1: Accordingly, certain financial instruments that were issued by an entity and classified as liabilities – their similarities with ordinary shares notwithstanding – must now be classified as equity. Additional disclosures are required for these instruments, and new requirements should apply to their reclassification.

- Revised version of IAS 1: The revised version of IAS 1 contains changes in some of the requirements applicable to the presentation of financial statements and requires certain additional information in specific cases; a few other accounting standards were also changed.

- IFRIC 14: IFRIC 14 clarifies some of the requirements of IAS 19 concerning the measurement of an asset related to a defined benefit retirement plan that is subject to minimum funding requirements. A defined benefit asset is deemed as such when the fair value of the plan assets exceeds the present value of the defined benefit obligation (DBO). IAS 19 limits the measurement of a defined benefit asset to the present value of any economic benefits that are available in the form of refunds from the plan or reductions in future contributions to the plan and can be affected by minimum funding requirements.

- IFRIC 13: IFRIC 13 eliminated inconsistencies that had arisen in practice in accounting for free or discounted goods and services that are offered or supplied in connection with customer loyalty programs through which companies reward their customers by means of award credits, air miles or other rewards for purchasing their goods or services.

- Amendment of IFRS 2: The amendment of IFRS 2 clarifies the meaning of vesting conditions in share-based payment arrangements, how to account for non-vesting conditions and how to book cancellations of share-based payment arrangements by the entity or the counterparty.

- Revised version of IAS 23: An entity may no longer expense borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. All such borrowings must be recognized and form part of the cost of the asset. Other borrowings are expensed.

- IFRS 8 Operating Segments: IFRS 8 fixes the requirements regarding the disclosure of information about an entity's operating segments. IFRS 8 replaces IAS 14, Segment reporting.

- Newly structured IFRS 1: An amended version of IFRS 1 entailing changes in the standard's structure has replaced the previous version of IFRS 1 with the aim of designing it such that it would be easier to use and amend in the future. The new version of IFRS 1 eliminates obsolete transitional provisions and entails minor editorial changes. The currently applicable requirements were not changed however.

Initial application of these standards and interpretations does not have any material effects on the consolidated financial statements of Softing AG.

Standards and Interpretations Not Applied Early

The following standards and interpretations have already been transposed into EU law but must only be applied to the annual financial statements for financial years beginning after December 31, 2009:

- Amendment to IAS 32: This amendment to IAS 32 clarifies how to account for certain subscription rights if the related instruments were issued in a currency other than the entity's functional currency. If such instruments are offered to the current owners at a fixed amount, then they should also be classified as equity instruments if the subscription price is quoted in a currency other than the entity's functional currency.

- IFRIC 18: IFRIC 18 clarifies and explains the accounting for transfers of items of property, plant and equipment or cash from customers in connection with the acquisition or construction of an item of property, plant, and equipment.

- IFRIC 17: IFRIC 17 clarifies and explains how to account for distributions of non-cash assets to the owners of an entity.

- Amendments to IAS 39: The amendments to IAS 39 clarify the treatment in hedge accounting of the inflation portion of financial instruments and options used as hedging instruments.

- IFRIC 15: This interpretation shows when revenue from the construction of real estate must be recognized in the financial statements and whether or not an agreement concerning the construction of real estate is subject to the scope of IAS 15 Construction Contracts or IAS 11 Revenue.

- IFRIC 16: IFRIC 16 clarifies how to fulfill the requirements of IAS 21 and IAS 39 in those cases where an entity hedges the foreign currency risk arising from a net investment in a foreign operation.

- Revised version of IFRS 3: The revised version of IFRS 3 establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest and the goodwill acquired in a business combination. It also establishes what information to disclose in connection with such a combination.

- Amendments to IAS 27: The amendments to IAS 27 clarify the circumstances in which an entity must prepare consolidated financial statements, a parent must account for changes in the level of ownership interest in a subsidiary and how to distribute the loss of a subsidiary between the controlling and the non-controlling interest.

- IFRIC 12: IFRIC 12 clarifies how to apply the IFRSs that the EU has already adopted to service concession arrangements. IFRIC 12 gives guidance on the accounting by operators for infrastructure underlying such service concession arrangements. It also clarifies that a service concession agreement entails different phases (construction phase and operation services) and how to account for revenue and cost in each case. Accordingly, infrastructure and related revenue and costs can be recognized in two ways – either as a financial asset or an intangible asset – depending on the uncertainty of the operator's future revenue.

The new and revised standards and interpretations are not expected to have any material effects on the future consolidated financial statements of Softing AG.

The Following Standards and Interpretations Have Not Yet Been Adopted By the EU:

- In November 2009, the IASB published IFRS 9 Financial Instruments. IFRS 9 is an integral part of the complete revision of the way financial instruments are accounted for. It uses a new, less complex approach to classify and measure financial assets.

- The IASB published an amendment of IFRIC 14 in November 2009. This change is relevant if entities make prepayments of future contributions to a plan if it is subject to a minimum funding requirement. The amendment of this interpretation enables entities to recognize the economic benefit from these prepayments as an asset.

- In November 2009, the IASB issued IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, which provides guidance on the accounting for transactions referred to as "debt for equity swaps." This interpretation clarifies the requirements in the IFRSs when an entity renegotiates the terms of a financial liability with the creditor, with the result that the debtor extinguishes the liability fully or partially by issuing shares or equity instruments to the creditor.

- In November 2009, the IASB published the revised standard IAS 24 Related Party Disclosures. The revision simplifies the reporting requirements of state-controlled entities. In addition, the definition of related parties was fundamentally revised.

- In July 2009, the IASB issued amendments to IFRS 1 Additional Exemptions for First-time Adopters. These provide for additional exemptions from the mandatory application of all standards and interpretations applicable as of the date on which an entity prepares its first IFRS statements. This concerns the oil and gas industry and first-time adopters that apply the transitional requirements of IFRIC 4. Hence this amendment is not relevant to Softing.

- In June 2009, the IASB issued amendments to IFRS 2 Share-based Payment. The changes clarify the accounting for cash-settled share-based payment transactions in subsidiaries' separate IFRS financial statements if the parent or another group entity makes the payments.

- In April 2009, the IASB published its Improvements to IFRSs. This is the second standard to be issued as part of the Annual Improvement Project (AIP). The Improvements to IFRSs contain 15 different amendments to 12 existing IFRSs. The AIP project aims to carry out of existing IFRSs that are necessary but not urgent and are not made in connection with other major projects.

We are currently reviewing the effects of the new standard and the new interpretations on the Softing Group.

B. ACCOUNTING POLICIES

The financial statements of Softing AG and its domestic and international subsidiaries have been prepared using uniform accounting policies. The accounting policies were applied consistently for all periods presented in the consolidated financial statements.

1. RECOGNITION OF REVENUE

Revenue is measured at the fair value of the consideration received or rendered. The following details apply to the recognition of revenue:

Revenue

Revenue from the sale of products is recognized when ownership or risk has been transferred to the customer, if a price has been agreed or can be determined and if payment of such price can be expected. Revenue is shown net of discounts, including volume discounts, rebates and bonuses.

Revenue from Services

Revenue from services (= customer-specific construction contracts) is recognized using the percentage of completion method. Product sales which are directly related to a service are also recognized using the percentage of completion method in line with IAS 11.9.

Interest Income

Interest income from bank balances and other financial assets is recognized as income if the Company is likely to partake of the economic benefit and if the amount of income can be reliably determined.

2. BASIS OF CONSOLIDATION

The consolidated financial statements as of December 31, 2009 include Softing AG and the following subsidiaries. Softing AG directly owns the majority of voting rights of these subsidiaries and exercises control over the companies:

Softing Group	Capital share	
	2009 %	2008 %
Softing AG, Haar/Germany		
Softing North America Inc., Newburyport/USA	100	100
hard&soft Salwetter-Rottenberger GmbH, Reutlingen/Germany	100	100
SoftingROM s.r.l., Cluj-Napoca/Romania	100	100
INAT Industrielle Netze für Automatisierungstechnik GmbH, Nuremberg/Germany	87.75	51
Buxbaum Automation GmbH, Eisenstadt/Austria	65	0
OEM Automazione s.r.l., Cesano Boscone/Italy	100	0

According to Section 264 para 3 German Commercial Code (HGB), the German subsidiary hard&soft Salwetter-Rottenberger GmbH, Reutlingen, is exempt from preparing and publishing annual financial statements and a management report

On May 7, 2009, INAT Industrielle Netze für Automatisierungstechnik GmbH, Nuremberg, executed a capital increase, as a result of which Softing AG's stake in this entity increased from 51 % to 87.75 %.

On January 23, 2009, Softing AG acquired 65 % of the shares of Buxbaum Automation GmbH, Eisenstadt/Austria. The company was consolidated for the first time effective January 1, 2009. Buxbaum Automation GmbH markets hardware and software and provides services in industrial automation, image processing and image identification. As of May 28, 2009, Softing AG acquired all shares of OEM Automazione s.r.l., Cesano Boscone/Italy. The company was consolidated for the first time effective June 1, 2009. OEM Automazione s.r.l. is a distributor which also markets hardware, software and services in industrial automation.

The cost of both equity investments was EUR 349 thsd. Of this amount, EUR 100 thsd will fall due upon achievement of certain performance indicators in 2012. The second tranche of EUR 100 thsd. included a 7 % discount relative to the date of initial consolidation. The cost is divided into a payment made in 2009 comprising EUR 201 thsd. in cash and 30,000 shares of Softing AG valued at EUR 66 thsd. as well as a payment that will fall due in 2012 comprising EUR 50 thsd. in cash and shares of Softing AG valued at EUR 50 thsd. The number of Softing shares to be issued is contingent on the average daily closing prices on the ten trading days subsequent to the adoption of the consolidated financial statements for 2011.

The acquisition had the following effect on the assets and liabilities of the Softing Group immediately prior to initial consolidation:

	Amounts recognized	Carrying amount
Intangible assets recognized as a result of the purchase price allocation	613	0
Existing goodwill	0	107
Deferred tax assets recognized as a result of the purchase price allocation	39	0
Deferred tax liabilities recognized as a result of the purchase price allocation	171	0
Other non-current assets	68	68
Current assets	687	687
Current liabilities	801	801

Without the acquisition of Buxbaum and OEM, the Group's EBIT in 2009 would have been EUR – 2,224 thsd. If we assume that both mergers had taken place effective January 1, 2009, the Softing Group would report sales of EUR 24,203 thsd. and EBIT of EUR – 2,506 thsd.

3. PRINCIPLES OF CONSOLIDATION

All business combinations are accounted for by using the purchase method, which requires the acquired assets and liabilities to be recognized at fair value. The excess of the share in net fair value over cost is recognized as goodwill and subjected to a regular review for possible impairment. In accordance with IFRS 3, goodwill is not subject to amortization.

Intragroup sales, expenses and income, receivables and payables as well as the results of intragroup transactions (intercompany profits) are eliminated during consolidation.

4. INTANGIBLE ASSETS

Intangible assets comprise capitalized development costs, goodwill resulting from acquisition accounting and other intangible assets.

Development Costs

Expenditures for research and development are recognized as expenses in accordance with IAS 38. The cost of developing new products is capitalized as development costs as of the date on which the products' technical feasibility has been established. In accordance with IAS 38, the Company has also been capitalizing its own development costs for internally generated products, if such development costs result in marketable products and if they translated into commensurate sales revenue in past periods or if the planned or anticipated contribution margins exceed the capitalized expenses. The development costs for new product lines and new product versions are amortized over three years using the straight-line method; for purposes of simplification, a half-year's amortization is charged in the year the products are completed. Government grants are offset against cost. Incomplete and capitalized development projects are subjected to an annual impairment test, taking due account of the impact of future market developments.

Goodwill

According to IFRS 3, goodwill is not amortized but subjected to an annual impairment test pursuant to IAS 36 if there is an indication of impairment. For the purpose of this impairment test, goodwill is allocated to a cash generating unit (CGU).

As a rule, the cash generating units correspond to the individual entities unless an entity's business activity covers more than one segment. In this case, goodwill is allocated based on segments.

An impairment loss is recognized if the carrying amount of the cash generating unit to which the goodwill is allocated is higher than the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. As the fair value cannot be determined, the value in use is recognized.

The value in use of the cash generating unit was determined as follows: Based on the planning for the next four financial years, the future cash flows (before interest and taxes) of the cash generating unit were determined. The planning is based on historical data and the best possible estimates of management regarding future developments. In order to carry out the impairment test, the management estimated the cash generated beyond the planning period, assuming that growth of 1.5 % is recorded in future years. The value in use of the underlying cash generating unit was determined by applying the discounted cash flow method. The cash generated was discounted at a rate of 8.7 %.

Other Intangible Assets

Intangible assets acquired for consideration are carried at amortized cost. They are amortized in accordance with their respective useful life using the straight-line method.

Software is amortized over three years in accordance with its respective useful life using the straight-line method. Rights are amortized over a period of five to eight years. Borrowing costs were not capitalized.

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is measured at cost, less usage-based depreciation and impairment losses.

Property, plant and equipment is depreciated using the straight-line method in accordance with its useful life. Hardware is depreciated over three years; furniture and fixtures are depreciated over five to seven years, and new equipment installed is depreciated over the remaining term of the lease. Fully depreciated property, plant and equipment is shown in the changes of intangible assets and property, plant and equipment until it is given up. If fixed assets are disposed, cost and accumulated depreciation are deducted; income/loss from the disposal of fixed assets is recognized in the income statement under other operating income/expenses.

Costs related to repairs and maintenance work are recognized as expenses at the time they are incurred. Significant renovations and improvements are capitalized.

6. IMPAIRMENT

The recoverable amount of intangible assets and property, plant and equipment is determined if facts or circumstances indicate that they might be impaired. The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount is lower than the carrying amount, an impairment loss is recognized which reduces the respective assets to their recoverable amount.

7. LEASES

The Company has only entered into operating leases. Leasing rates payable are recognized as expenses at the time they are incurred. There are no financing leases which would have to be capitalized under IAS 17.

8. INVENTORIES

Inventories are recognized at cost. As a rule, production supplies and goods for resale are recognized at average cost.

Production costs comprise costs directly attributable to the production process as well as reasonable amounts of the production-related overheads. Production costs do not include selling costs, general administration costs and borrowing costs. If the net realizable value at the balance sheet date is below cost, for instance because of long periods of storage, damage or reduced marketability, inventories are written down to the lower value. Net realizable value is the estimated selling price of the item in the course of ordinary business less estimated costs incurred until completion and less estimated necessary selling costs.

9. FINANCIAL ASSETS

Financial assets are only recognized if Softing is a party to the agreement governing the financial assets. Financial assets are derecognized when the rights to cash flows from a financial asset expire or are transferred to a third party. When transferring rights, the criteria of IAS 39 with regard to the transfer of rewards and risks connected to owning the financial assets must be taken into account.

Financial assets are initially measured at fair value. For subsequent measurement, financial assets are allocated to one of the following categories: "held to maturity", "available for sale" and "loans and receivables." The following applies to subsequent measurement:

Financial assets held to maturity and loans and receivables are recognized at amortized cost. Gains and losses are recognized in profit or loss when the financial asset is derecognized or impaired, and through the amortization process. If there is objective evidence of impairment, an allowance equaling the difference between the carrying amount and present value of estimated future cash flows is recognized.

Financial assets held for sale are recognized at fair value, with unrealized gains and losses from exchange rate changes being shown in equity until realization, taking into account deferred taxes. If there is objective evidence that the financial asset is impaired, the cumulative loss that had been recognized directly in equity is removed from equity and recognized in profit or loss.

Financial assets of all categories are recognized as of their settlement date. Financial assets comprise the balance sheet items cash and cash equivalents, trade receivables, and other financial receivables.

Trade Receivables and Other Financial Receivables

Both trade receivables and other financial receivables are classified as "loans and receivables" and measured accordingly.

Securities Classified as Current Assets, Cash and Cash Equivalents

Securities concern short-term fixed-interest bearer bonds that were issued by a domestic bank.

Cash and cash equivalents include cash on hand and bank balances. They are also available for sale and have been measured accordingly.

10 CUSTOMER-SPECIFIC CONSTRUCTION CONTRACTS

Customer-specific construction contracts (software development for customers) are recognized according to the percentage of completion method under IAS 11, which stipulates that revenue must be recognized in accordance with the stage of completion. Contract revenue in this context is the revenue agreed upon in fixed-price contracts, up to the current stage of completion of such goods and services. The stage of completion is the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs (cost-to-cost method).

Advances received are offset against the degree of completion of the construction contracts. Contract work is recognized under receivables arising from customer-specific construction contracts to the extent that in individual cases the degree of completion exceeds the advances received. Any negative balance remaining after deduction of the advances is recognized under liabilities arising from customer-specific construction contracts.

11. OTHER ASSETS

The other assets comprise non-financial assets. They are initially measured at fair value and then are recognized at depreciated or amortized cost.

12. DEFERRED TAX ASSETS AND LIABILITIES

Income taxes are determined using the balance sheet liability method. As a rule, deferred tax assets and deferred tax liabilities are recognized for all temporary differences between the carrying amount of an asset or liability and its fair value determined for tax purposes. Deferred tax assets are also recognized for tax loss carryforwards and tax credits.

Deferred tax assets on tax loss carryforwards must be recognized to the extent that the future use of these tax loss carryforwards is probable.

All deferred tax assets on tax losses were therefore recognized taking their realizability into account.

Deferred taxes are determined on the basis of the tax rates which, based on the current legal situation, apply at the time of realization or which are expected to apply in the individual countries. The effect of changes in tax rates on deferred taxes is recognized in profit or loss, or in equity, at the time the legal changes become effective.

13. PENSION PROVISIONS

Pension provisions are measured in accordance with IAS 19 using the projected unit credit method. This method takes into account not only the pensions and benefits accrued but also expected future pension increases based on a prudent assessment of relevant factors. Calculation is based on actuarial expert opinions taking into consideration biometrical assumptions. Actuarial gains and losses are recognized directly in equity.

14. OTHER PROVISIONS

The other provisions are recognized for all other contingent liabilities and risks of the Softing Group toward third parties. They are recognized only if the current obligation (factually or legally) arises from a past event, if utilization is probable, and if the amount of the obligation can be estimated reliably. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

15. FINANCIAL LIABILITIES

Financial liabilities are only recognized if Softing is a party to the agreement governing the financial liabilities. Financial liabilities are derecognized when they have been met, i. e. when the obligations mentioned in the agreement have been paid, canceled or have expired.

Financial liabilities are initially measured at their fair value. In subsequent years, all financial liabilities are measured at amortized cost.

Financial liabilities comprise the balance sheet items "trade payables" and "other financial liabilities."

16. OTHER LIABILITIES

The other liabilities concern non-financial liabilities and are recognized at cost.

17. EXERCISE OF JUDGEMENT AND ESTIMATE UNCERTAINTIES

The preparation of the consolidated financial statements in accordance with the provisions of the IASB requires forward-looking assumptions to be made and estimates to be used that have an effect on the carrying amounts of recognized assets and liabilities, income, expenses, and contingent liabilities. The forward-looking assumptions and estimates essentially relate to the uniform determination of useful lives throughout the Group, the recognition and measurement of provisions (in particular pension provisions), and the realizability of future tax benefits. As a rule, the forward-looking assumptions and estimates are based on experience and knowledge gained from the past; they also take into account other factors which might be used as a reliable basis. In individual cases, the actual values may deviate from the assumptions and estimates. The assumptions and estimates are reviewed regularly. Changes are recognized in profit or loss as of the time better knowledge is obtained, or in the period in which better knowledge is obtained, as well as in future periods if the changes comprise several periods.

The most important forward-looking assumptions and other material sources of estimate uncertainties as of the closing date that could result in a considerable risk of having to make significant adjustments to the recognized assets and liabilities in the next financial year concern the measurement of pension provisions, the assumption of future opportunities to use tax loss carryforwards, and the possible impairment of goodwill.

18. CURRENCY TRANSLATION

Foreign currencies are translated using the functional currency method as defined in IAS 21. The functional currency of all foreign subsidiaries is the respective local currency because the material foreign companies that are included in the consolidated financial statements operate their businesses independently in financial, economic and organizational terms.

Currency gains or losses resulting from foreign currency transactions (transaction in a currency other than a company's functional currency) are reported as other operating income or other operating expenses in the individual financial statements of the Group companies.

For Group companies which do not report in euros, the assets and liabilities are translated into euros at the exchange rate applicable at the balance sheet date, and expenses and income are translated at the annual average exchange rate for the purpose of preparing consolidated financial statements. Currency translation differences, including those arising from acquisition accounting, are recognized directly in equity.

The euro exchange rates applicable for currency translation changed as follows:

	USD/EUR		RON/EUR	
	2009	2008	2009	2008
Closing rate (Dec. 31)	1.43	1.41	4.22	3.99
Average exchange rate	1.39	1.48	4.23	3.68

C. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. GOODWILL

Of the goodwill amounting to EUR 2,439 thsd. (previous year: EUR 2,735 thsd.), EUR 2,351 thsd. result from the acquisition of all shares in hard&soft Salwetter-Rottenberger GmbH as of July 1, 2005. In 2008, goodwill increased by EUR 384 thsd. through the acquisition of 51 % of the shares in INAT Industrielle Netze für Automatisierungstechnik GmbH, Nuremberg, Germany. To determine possible impairment losses, an impairment test in accordance with IAS 36 based on the value in use was carried out for the two CGUs, hard&soft Salwetter-Rottenberger GmbH and INAT Industrielle Netze für Automatisierungstechnik GmbH. The impairment test showed that the goodwill of hard&soft Salwetter-Rottenberger GmbH in 2009 had to be written down by EUR 296 thsd.

2. DEVELOPMENT COSTS

The change in capitalized development costs is shown in the changes in intangible assets and property, plant and equipment (appendix to the notes to the consolidated financial statements).

Expenditures for research and development (without capitalized development costs) in the financial year just ended totaled EUR 781 thsd. (previous year: EUR 1.176 thsd.).

In the 2009 financial year, the Company received government grants under the program "Promoting the improvement of the innovative capacities of small and medium-sized enterprises" totaling EUR 90 thsd. (previous year: EUR 125 thsd.). The grants are offset against the cost of capitalized development costs. Applications for further government grants were not submitted.

3. OTHER INTANGIBLE ASSETS

The development of other intangible assets is shown in the changes in intangible assets and property, plant and equipment (appendix to the notes to the consolidated financial statements).

4. PROPERTY, PLANT AND EQUIPMENT

The development of property, plant and equipment is shown in the changes in intangible assets and property, plant and equipment (appendix to the notes to the consolidated financial statements).

5. LEASES

The other operating expenses contain lease expenses of EUR 250 thsd. (previous year: EUR 170 thsd.).

6. INVENTORIES

A valuation allowance of EUR 226 thsd. (previous year: 221 thsd.) was recognized on inventories in 2009. As in the previous year, no reversals of impairment losses were recognized in profit or loss.

7. TRADE RECEIVABLES

In 2009, a valuation allowance of EUR 96 thsd. (previous year: EUR 131 thsd.) was recognized for doubtful debts.

	Dec. 31, 2009 EUR (in thsds)	Dec. 31, 2008 EUR (in thsds)
Trade receivables	3,617	4,407
of which:		
Services not yet billed	0	24

Aging structure of financial instruments from trade receivables and other receivables.

	Carrying amount	Of which neither past due nor impaired	Of which not impaired and due within			
			Less than 11 days	11 to 60 days	61 to 90 days	More than 90 days
December 31, 2009						
Trade receivables	3,617	2,803	449	218	8	28
Receivables from customer-specific construction contracts	473	473	0	0	0	0
Other receivables	1,148	1,148	0	0	0	0
Other assets	152	152	0	0	0	0
	5,390	**4,576**	**449**	**218**	**8**	**28**
December 31, 2008						
Trade receivables	4,407	3,423	411	206	39	179
Receivables from customer-specific construction contracts	1,044	1,044	0	0	0	0
Other financial receivables	1,023	1,023	0	0	0	0
Other assets	136	136	0	0	0	0
	6,610	**5,626**	**411**	**206**	**39**	**179**

The maximum default risk corresponds to the receivables' carrying amount.

8. RECEIVABLES FROM CUSTOMER-SPECIFIC CONSTRUCTION CONTRACTS

	Dec. 31, 2009 EUR (in thsds)	Dec. 31, 2008 EUR (in thsds)
Total construction work in progress	2,003	2,935
Less: Advances received	-1,692	-2,109
Net amount	311	826
Of which reported under:		
Receivables from customer-specific construction contracts	473	1,044
Payables from customer-specific construction contracts	-162	-218

Anticipated losses from orders are covered by writedowns or provisions, the extent of which is determined by taking into account the discernible risks. The total amount of construction work in progress includes expenses of EUR 1,370 thsd. (previous year: EUR 2,229 thsd.) and a profit share of EUR 633 thsd. (previous year: EUR 706 thsd.).

9. OTHER FINANCIAL RECEIVABLES

	Dec. 31, 2009 EUR (in thsds)	Dec. 31, 2008 EUR (in thsds)
Receivables from employees	918	923
Other	230	100
	1,148	1,023

Receivables from employees essentially concern a loan of EUR 875 thsd. bearing interest of 3,60 %, which was granted to a member of the Executive Board under an agreement dated June 22, 2007. The loan has been collateralized by shares. The interest accrued thereunder was EUR 32 thsd. (previous year: EUR 44 thsd.).

10. OTHER ASSETS

	Dec. 31, 2009 EUR (in thsds)	Dec. 31, 2008 EUR (in thsds)
Accruals	80	73
Other	72	63
	152	136

11. CURRENT INCOME TAX ASSETS

The current income tax assets concerned corporation tax receivables amounting to EUR 43 thsd.

12. SECURITIES CLASSIFIED AS CURRENT ASSETS, CASH AND CASH EQUIVALENTS

	Dec. 31, 2009 EUR (in thsds)	Dec. 31, 2008 EUR (in thsds)
Securities classified as current assets	600	575
Cash and cash equivalents	3,572	4,992
	4,172	5,567

Securities concern short-term fixed-interest bearer bonds that were issued by a domestic bank, which become due on October 17, 2011. The last interest rate was 0.74 % (previous year: 5.168 %). Every three months, the issuer adjusts the rate to the market interest rate.

Cash and cash equivalents include cash and bank balances and are measured at their nominal value as of the balance sheet date. Bank balances comprise time deposits and current account funds. Cash and cash equivalents are not impacted by foreign currencies.

13. EQUITY

Subscribed Capital

As of the balance sheet date, the fully paid-in share capital of the Company was EUR 5,637,198.00. It is divided into 5,637,198 no-par-value bearer shares.

Authorized Capital

The Executive Board is authorized to increase the Company's share capital once or several times by up to EUR 2,799,000 until August 23, 2012, by issuing new no-par value bearer shares against contributions in cash or kind (authorized capital), and to determine the conditions for issuing the shares with the approval of the Supervisory Board. Subject to the approval of the Supervisory Board, the Executive Board may exclude shareholders' statutory subscription right. The shareholders' statutory subscription right may be excluded:

- for offsetting fractional amounts;
- for obtaining in-kind contributions, especially in the form of equity interests, companies, or business units;
- if, in case of a capital increase against contributions in cash, the capital increases resolved under this authorization do not exceed 10 % of the Company's share capital, and the share's issue price is not substantially below the stock market price of the Company's share.

The Supervisory Board is authorized to amend the Articles of Incorporation to reflect the volume of the capital increase from authorized capital.

The authorized capital as of December 31, 2009, was EUR 2,799,000.

The accumulated profits available for distribution are determined on the basis of the accumulated profits of Softing AG pursuant to German commercial law.

Capital Reserves

The capital reserves contain the premium on the issue of shares less transaction costs.

Retained Earnings

Retained earnings include the accumulated, undistributed profits of the companies included in the consolidated financial statements. Retained earnings also include the differences from the currency translation of transactions made by foreign subsidiaries, changes in the market value of financial instruments, actuarial gains and losses from pension commitments as well as the gains and losses from the sale of own shares, all of which were directly recognized in equity.

Pursuant to Section 150 German Stock Corporation Act (AktG), profit distribution is restricted to the amount in excess of the statutory reserve, which is ten percent of the issued capital.

Treasury Shares

Based on the authorization of the Executive Board granted by the Annual Shareholders' Meetings, the Company purchased treasury shares as follows:

Purchase date	Number	Price per share (EUR)	Price EUR (in thsds)
November 14, 2007	5,000	3.2000	16
December 17, 2007	100,000	2.9837	298
	105,000		**314**
January 2, 2008	50,000	3.08000	154
May 21, 2008	76,700	2.74815	211
September 10, 2008	34,723	2.63263	91
September 16, 2008	20,000	2.68000	53
October 10, 2008	65,000	2.39300	156
November 6, 2008	22,300	2.22300	50
December 22, 2008	27,329	2.03650	56
	296,052		**771**
February 19, 2009	25,500	1.92192	49
March 16, 2009	125,000	2.05	256
April 02, 2009	11,050	1.94094	21
June 16, 2009	-30,000	2.51	-75
	131,550		**251**
	532,602	▸	**1.336**

The market price of the treasury shares was EUR 1.284 thsd. as of the balance sheet date, which is EUR 52 thsd. below cost.

The shares were purchased in order to offer them as compensation to third parties in business combinations, in the acquisition of companies by means of share or asset deals, or in the acquisition of business units. The disposals in the 2009 financial year were used in connection with the purchase price for the acquisition of shares in OEM Automazione s.r.l., Cesano Boscone/Italy.

14. EMPLOYEE BENEFITS

This item concerns the partially reinsured and defined benefit pension commitments granted to the three former Executive Board members, which provide for retirement and widow's benefits, as well as orphans' benefits in the event one or both parents are lost. There is a variable commitment in addition to a fixed commitment. The amount of benefits is determined individually. The liabilities in connection with the pension plans are determined annually by independent experts in accordance with the projected unit credit method. The capitalized value of the reinsurance cover of EUR 1,520 thsd. (previous year: EUR 1,541 thsd.) was offset against pension provisions in accordance with IAS 19.116. Actuarial gains and losses were recognized directly in equity in accordance with IAS 19.93D.

The variable commitments increase or decrease in line with the change of the Consumer Index for Germany (2005 = 100), which showed an annual average increase from 106,5 points in 2008 to 107.0 points in 2009.

The actuarial assumptions on which the calculation is based are summarized in the following table:

Basis of calculation	Dec. 31, 2009 %	Dec. 31, 2008 %
Assumed interest rate	5.00	6.25
Salary trend	0.0	0.0
Expected rate of pension increase	2.0	2.0

Development	2009 EUR (in thsds)	2008 EUR (in thsds)
DBO as of January 1	2.142	2.336
Expense for / return on plan assets	21	-19
Interest cost	131	121
Actuarial losses	340	-267
Pension payments to pensioners	-102	-47
Fair value of the plan assets as of January 1	-1.541	-1.522
Rounding difference	1	-1
As of December 31 ►	**992**	**601**

Reconciliation with the balance sheet	Dec. 31, 2009 EUR (in thsds)	Dec. 31, 2008 EUR (in thsds)
Present value of the defined benefit obligations (DBO)	2,512	2,142
Fair value of the external plan assets as of December 31, 2008	-1,520	-1,541
►	**992**	**601**

The present value of the DBO and the fair value of external plan assets developed as follows in the past four years:

	Present value of the defined benefit obligations (DBO) EUR (in thsds)	Fair value of the external plan assets EUR (in thsds)
December 31, 2006	2,492	1,354
December 31, 2007	2,336	1,522
December 31, 2008	2,142	1,541
December 31, 2009	2,512	1,520

The Company expects to record an expense of EUR 123 thsd. from additions to pension provisions in the 2010 financial year.

15. OTHER PROVISIONS

The other provisions are recognized for all other contingent liabilities and risks of the Softing Group toward third parties. They are recognized only if utilization is probable and the amount of the obligation can be estimated reliably. The amount recognized is the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

	As of Jan. 01, 2009 EUR (in thsds)	Use EUR (in thsds)	Reversal EUR (in thsds)	Addition EUR (in thsds)	As of Dec. 31, 2009 EUR (in thsds)
Operational provisions	121	-3	-37		81
Contingent loss	0			19	19
	121	**-3**	**-37**	**19**	**100**

The operational provisions comprise provisions for guarantee obligations which were calculated based on historical values. The provisions are due within one year.

16. TRADE PAYABLES

The trade payables almost exclusively concern current liabilities toward non-Group third-parties for supplied goods and services.

17. OTHER BORROWINGS

The other borrowings concern foreign subsidiaries' liabilities to banks in the amount of EUR 147 thsd.

18. OTHER FINANCIAL LIABILITIES (CURRENT)

	Dec. 31, 2009 EUR (in thsds)	Dec. 31, 2008 EUR (in thsds)
Liabilities related to social security	50	42
Wages and salaries payable	1,163	2,148
Other	1,870	1,270
	3,083	3,460

19. OTHER LIABILITIES

	Dec. 31, 2009 EUR (in thsds)	Dec. 31, 2008 EUR (in thsds)
Other tax liabilities	361	779

The other tax liabilities primarily comprise sales tax and wage tax.

D. NOTES TO THE CONSOLIDATED INCOME STATEMENT

1. REVENUE

Revenue by regions	2009 EUR (in thsds)	2008 EUR (in thsds)
Domestic	14,064	23,140
Abroad	9,601	10,215
	23,665	**33,355**

Revenue by products and services	2009 EUR (in thsds)	2008 EUR (in thsds)
Products	16,481	21,172
Services	7,184	12,183
	23,665	**33,355**

2. OTHER OWN WORK CAPITALIZED

Other own work capitalized concerns costs for the development of new software products.

3. OTHER INCOME

The other operating income comprises the following items:

	2009 EUR (in thsds)	2008 EUR (in thsds)
Reversal of provisions and liabilities	122	21
Other income not related to the accounting period	20	39
	142	**60**
Income from exchange differences	7	56
Revenue from the provision of automobiles	182	148
Revenue from subsidized projects	90	125
Other income	411	72
	690	**401**
▸	**832**	**461**

4. COST OF MATERIALS

	2009 EUR (in thsds)	2008 EUR (in thsds)
Purchase of components and products	5,501	7,225
Third-party services	808	1,344
	6,309	**8,569**

5. EMPLOYEE BENEFITS COSTS

	2009 EUR (in thsds)	2008 EUR (in thsds)
Current salaries	11,256	11,234
Social security and retirement benefit costs	1,971	2,181
Profit-sharing, royalties	890	2,556
Provision of automobiles to employees	176	149
Temporary workers	44	20
Other	584	155
	14,921	**16,295**

The statutory pension scheme in Germany is treated as a defined contribution scheme. Expenses recognized for the statutory pension scheme totaled EUR 1,005 thsd. (previous year: EUR 1.064 thsd.). Pension expenses amounted to EUR 102 thsd. (previous year: EUR 47 thsd.).

6. DEPRECIATION, AMORTIZATION AND IMPAIRMENT LOSSES

In the financial year just ended, an impairment loss on the goodwill of hard&soft Salwetter-Rottenberger GmbH totaling EUR 296 thsd. (previous year: EUR 0 thsd.) were recognized in the income statement under the item depreciation, amortization and impairment losses.

7. OTHER EXPENSES

The other operating expenses are as follows:

	2009 EUR (in thsds)	2008 EUR (in thsds)
Operating expenses	2,816	2,581
Distribution costs	1,487	1,515
Administrative expenses	444	796
Expenses resulting from exchange differences	67	56
Expenses unrelated to the accounting period	10	21
	4,824	**4,969**

8. FINANCE INCOME/FINANCE COSTS

During the reporting period, the income from the life insurance taken out to reinsure the company's pension commitments towards the Executive Board were offset against the allocation to pension provisions pursuant to IAS 19.

9. TAX EXPENSE

The current income tax expense breaks down as follows:

	2009 EUR (in thsds)	2008 EUR (in thsds)
Deferred taxes on temporary differences	-54	156
Deferred taxes on tax loss carryforwards	-592	622
Tax income/expense	-37	251
	-683	**1,029**
Of which: current income tax of prior periods	-64	-19

Deferred taxes are recognized for temporary differences between the amounts recognized for financial reporting purposes and the amounts recognized for tax purposes, and for any differences arising from uniform measurement and consolidation within the Group. Deferred taxes are determined based on the applicable country-specific tax rates. The underlying domestic tax rate is determined as follows:

	2009 %
Corporate income tax including solidarity surtax	15.83
Trade income tax rate	12.25
	28.08

The tax rate for Softing North America was 24.5 % and the tax rate for Softing ROM s.r.l. was 16 %, both unchanged from the previous year. The tax rates for the newly acquired entities are 25 % for Buxbaum Automation GmbH/Austria and 31.47 % for OEM Automazione s.r.l./Italy.

Deferred tax assets from losses carried forward were recognized only to the extent that a company will, in all likelihood, achieve taxable income sufficient to utilize the benefit of losses carried forward. The forecasts of the tax results indicate that the loss carryforwards will be realized in the next years. The Company has tax loss carryforwards of EUR 5,681 thsd. (previous year: EUR 3,593 thsd.), which were taken into account at the time the deferred taxes were determined.

The tax loss carryforwards of the individual companies are as follows:

	Dec. 31, 2009	Usable until
Softing AG trade tax loss carryforward	5,104	Unlimited
Softing AG corporate income tax loss carryforward	5,082	Unlimited
INAT GmbH trade tax loss carryforward	407	Unlimited
INAT GmbH corporate income tax loss carryforward	339	Unlimited
Buxbaum Automation GmbH loss carryforward	214	Unlimited

Deferred tax assets on tax loss carryforwards of both INAT GmbH and Buxbaum Automation GmbH were recognized for the first time in the current financial year. Due to tax losses of Softing AG, a total of EUR 0 thsd. of the loss carryforward could be utilized in financial year 2009. The current income tax expense is derived as follows from the expected tax expense. As in the previous year, the calculation for the Group is based on the tax rate applicable for Softing AG, as this company is responsible for the main part of the Group’s business.

	2009 EUR (in thsds)	2008 EUR (in thsds)
Earnings before taxes	–2,531	3,473
Anticipated tax expense (28.08 %)	–711	975
Foreign withholding tax	–1	9
Tax additions and deductions	27	70
Different tax rates abroad	–12	-8
Non-recognition of deferred taxes on permanent differences, Group	83	0
Current taxes, previous years	–64	–19
Other	–5	2
Tax expense (previous year: tax income) disclosed in the income statement	**–683**	**1,029**

Deferred tax assets and deferred tax liabilities are allocable to the following items:

Deferred tax assets	Dec. 31, 2009 EUR (in thsds)	Dec. 31, 2008 EUR (in thsds)
Intangible assets	34	0
Pension provision	194	94
Other provisions	5	0
Current assets	11	8
Future tax benefits from loss carryforwards	1,601	1,009
	1,845	**1,111**

Deferred tax liabilities	Dec. 31, 2009 EUR (in thsds)	Dec. 31, 2008 EUR (in thsds)
Intangible assets	1,112	884
Property, plant and equipment	2	10
Trade receivables	288	381
Other	5	9
	1,407	**1,284**

Deferred tax assets related to intangible assets are EUR 39 thsd. and deferred tax liabilities related to intangible assets are EUR 171 thsd. on initial consolidation of Buxbaum Automation GmbH, Austria, and OEM Automazione s.r.l., Italy.

E. OTHER DISCLOSURES

1. SEGMENT REPORTING

Since there is only one segment requiring disclosure (European Union), geographical segments are not shown. The corporate divisions are shown in the following table in accordance with IFRS 8.

Segmentation	Industrial Automation		Automotive Electronics		Not distributed		Total	
	2009 EUR (in thsds)	2008 EUR (in thsds)	2009 EUR (in thsds)	2008 EUR (in thsds)	2009 EUR (in thsds)	2008 EUR (in thsds)	2009 EUR (in thsds)	2008 EUR (in thsds)
External sales	14,983	18,234	8,682	15,121	-	-	23,665	33,355
Depreciation/amortization	2,161	1,613	609	797	-	-	2,770	2,410
Impairment	0	0	296	0	-	-	296	0
Segment result (EBIT)	-872	2,156	-1,592	1,271	-	-	-2,464	3,427
Segment assets	9,061	8,346	4,965	7,051	7,503	8,040	21,529	23,437
Segment liabilities	3,809	3,126	2,374	2,826	1,728	1,577	7,911	7,529
Capital expenditure	2,193	2,406	361	505	42	254	2,596	3,165

2. SEGMENT ALLOCATION ACCORDING TO PRODUCTS

Industrial Automation

Interface cards (PROFIBUS, PROFINET, CAN, CANopen, DeviceNet), integration modules (Fieldbuskit) and chip solutions (Foundation Fieldbus, PROFINET) for bus interfaces in process and manufacturing technology

Communication gateways (PROFIBUS, Foundation Fieldbus) and network configurations

Products for physical diagnosis and protocol analysis of industrial networks (PROFIBUS, PROFINET, CAN)

OPC servers (OPC, PROFIBUS, CANopen, Modbus), OPC middleware (Connector Tools) and server/client development tools (Toolkits)

Customized hardware and software, development/portation/integration services, system solutions and training

Automotive Electronics

Vehicle adapters and data bus interfaces: Interfaces for CAN, K-Line, LIN, MOST and FlexRay data bus systems in different form factors with a variety of PC connections: USB, WLAN, Bluetooth, PCI, PCIexpress, PC/104 and PCMCIA. Programming interfaces compliant with ISO and other standards as well as customized adaptations. Special solutions for development/testing, production and service.

Diagnostic Tools:
Diagnostic solutions for development/testing, production and service. Editors for diagnostic data. Diagnostic servers for the real-time processing of diagnostic data based on ISO and customer standards. Customized and proprietary analytic tools for diagnostic data.

Test Automation:
Software interfaces for connecting diagnostic servers to production systems. Editing and runtime systems for test sequences with connections to numerous third-party products. Customized test stations for development, quality assurance and production. Solutions for the flash programming of control units. Devices for simulating electronic control units and rest bus systems.

Customized Developments:
Customer-specific software and hardware developments for data communication/diagnosis/test systems.

Resident Engineering:
On-site customer support in the form of consultation, project management and project participation as well as development activities in the fields of data communication, diagnosis and test systems.

3. CASH FLOW STATEMENT

The cash flow statement represents the consolidated cash flows of the consolidated companies. The cash and cash equivalents shown in the cash flow statement comprise cash on hand and bank balances.

4. EARNINGS PER SHARE IAS 33

		2009	2008
Group income	EUR (in thsds)	-1,847	2,444
Minority interest	EUR (in thsds)	171	-29
Basic earnings (= diluted earnings)	**EUR (in thsds)**	**-1,676**	**2,473**
Weighted average number of shares			
Basic	Number	5,123,139	5,381,791
Potential stock options	Number	0	0
Diluted	Number	5,123,139	5,381,791
Basic earnings per share	EUR	-0.33	0.46
Diluted earnings per share	EUR	-0.33	0.46

The change in the number of shares outstanding, which results from the purchase of treasury shares, was calculated on a pro-rated basis (to the day). No options rights exist as of December 31, 2009, which could influence diluted earnings per share in the future.

5. RELATED PARTIES

Besides the companies included in the consolidated financial statements, the members of the Executive Board and of the Supervisory Board are considered related parties of the Softing Group as defined in IAS 24, both in their function as members of corporate boards and, in some cases, as shareholders.

One member of the Executive Board was granted a loan of EUR 875 thsd. at interest of 3.6 % (previous year: 5 %) in 2007 (term: December 31, 2011; collateralized by shares). The interest accrued thereunder in 2009 was EUR 31 thsd (previous year: EUR 44 thsd.).

6. CONTINGENT LIABILITIES

As of the balance sheet date, Softing AG has provided EUR 90 thsd. in guarantees for liabilities related to bank overdraft lines of credit. The probability of any outflow of funds in connection with these guarantees is regarded as remote.

7. OTHER FINANCIAL OBLIGATIONS

As of the balance sheet date, the Company had incurred purchase obligations in the amount of EUR 1,600 thsd. under long-term contracts (previous year: EUR 1,042 thsd.).

There were also liabilities under long-term rental and lease agreements. These liabilities essentially stem from contracts related to buildings, passenger cars and office equipment. The minimum amounts of undiscounted future payments as of the balance sheet date are as follows:

	2009 EUR (in thsds)	2008 EUR (in thsds)
< 1 year	925	1,004
1 - 5 years	562	1,406
> 5 years	0	172
Total	**1,487**	**2,582**

8. DISCLOSURE OF THE CARRYING AMOUNTS OF THE INDIVIDUAL CATEGORIES OF FINANCIAL INSTRUMENTS ACCORDING TO IFRS 7

Balance sheet item 2009

Assets

Measurement:	Nominal value		At amortized cost		Total	
Measurement category:	Cash reserve		Loans and receivables			
Class:			Not from financial services			
	Carrying amount EUR (in thsds)	Fair value EUR (in thsds)	Carrying amount EUR (in thsds)	Fair value EUR (in thsds)	Carrying amount EUR (in thsds)	Fair value EUR (in thsds)
Securities classed as current assets	600	600			600	600
Cash and cash equivalents	3,572	3,572			3,572	3,572
Trade receivables			3,617	3,617	3,617	3,617
Receivables from customer-specific construction contracts			473	473	473	473
Other financial assets			1,148	1,148	1,148	1,148
Other assets			152	152	152	152
Total assets	**4,172**	**4,172**	**5,390**	**5,390**	**9,562**	**9,562**

Equity and liabilities

Measurement:	At amortized cost		Total	
Measurement category:	Other liabilities			
Class:	Not from financial services			
	Carrying amount EUR (in thsds)	Fair value EUR (in thsds)	Carrying amount EUR (in thsds)	Fair value EUR (in thsds)
Trade payables	1,403	1,403	1,403	1,403
Liabilities to banks	147	147	147	147
Payables from customer-specific construction contracts	162	162	162	162
Other financial liabilities	3,083	3,083	3,083	3,083
Other liabilities	361	361	361	361
Total equity and liabilities	**5,156**	**5,156**	**5,156**	**5,156**

Balance sheet item 2008

Assets

Measurement:	Nominal value		At amortized cost		Total	
Measurement category:	Cash reserve		Loans and receivables			
Class:			Not from financial services			
	Carrying amount EUR (in thsds)	Fair value EUR (in thsds)	Carrying amount EUR (in thsds)	Fair value EUR (in thsds)	Carrying amount EUR (in thsds)	Fair value EUR (in thsds)
Securities classed as current assets	575	575			575	575
Cash and cash equivalents	4,992	4,992			4,992	4,992
Trade receivables			4,407	4,407	4,407	4,407
Receivables from customer-specific construction contracts			1,044	1,044	1,044	1,044
Other financial assets			1,023	1,023	1,023	1,023
Other assets			136	136	136	136
Total assets	**5,567**	**5,567**	**6,610**	**6,610**	**12,177**	**12,177**

Equity and liabilities

Measurement:	At amortized cost		Total	
Measurement category:	Other liabilities			
Class:	Not from financial services			
	Carrying amount EUR (in thsds)	Fair value EUR (in thsds)	Carrying amount EUR (in thsds)	Fair value EUR (in thsds)
Trade payables	772	772	772	772
Payables from customer-specific construction contracts	218	218	218	218
Other financial liabilities	3,460	3,460	3,460	3,460
Other liabilities	779	779	779	779
Total equity and liabilities	**5,229**	**5,229**	**5,229**	**5,229**

The Further Categories According to IFRS 7:

For financial assets

- Held-to-maturity investments
- Held for trading
- Fair value options
- Available-for-sale financial assets
- Hedging derivatives in accordance with IAS 39

For financial liabilities

- Financial liabilities held for trading
- Fair value options
- Hedging derivatives in accordance with IAS 39

do not apply in the reporting year, as in the previous year.

9. OBJECTIVES AND METHODS OF FINANCIAL RISK MANAGEMENT

As an internationally operating company, Softing is exposed to a variety of risks in the course of its operations. Therefore, the objective of its financial risk management is to detect all material financial risks early on and to take appropriate measures to protect existing and future success potential.

These risks include currency risks resulting from activities in different currency regions, default risks involving non-fulfillment of contractual obligations by contracting partners, interest rate risks, where fluctuations in the market interest rate lead to a change in the fair value of a financial instrument, and interest-related cash-flow risks, which lead to a change in the future cash flow of a financial instrument because of changes in market interest rates.

To evaluate and take into account such risks, Softing has defined principles through a centralized risk management system that serve to identify and evaluate such risks consistently and systematically. Continual reporting is used by Softing to check compliance with all principles. This enables the Company to identify and analyze risks early on.

Default Risks

Softing is exposed to default risks if contractual partners fail to meet their obligations. To avoid of risks of this nature, Softing enters into contracts only with contractual partners that have an excellent credit rating. As of the closing dates of December 31, 2008, and December 31, 2009, there was no material default risk. While the Executive Board therefore believes the risk of non-fulfillment on the part of its contractual partners to be very low, it cannot completely exclude the risk in the final analysis.

Default risks primarily concern trade receivables. Valuation allowances are recorded to allow for any discernable default risks in connection with individual financial assets. Valuation allowances as of December 31, 2009, totaled EUR 96 thsd. (previous year: EUR 131 thsd.).

Regardless of any existing collateral, the carrying amount of financial assets equals the maximum default risk if the contractual partners fail to meet their payment obligations.

Interest Rate Risks

Softing is also exposed to interest rate risks. The assets subject to interest rate fluctuations essentially concern cash and cash equivalents and securities classified as current assets. Balance with banks totaling EUR 3,572 thsd. (previous year: EUR 4,992 thsd.) and securities totaling EUR 600 thsd. (previous year: EUR 575 thsd.) bear interest of 0.0 % to 0.50 % (previous year: 0.0 % to 4.9 %) and 0.74 % (previous year: 5.2 %), respectively. No material interest rate risks result from subsidiaries' liabilities to banks in the amount of EUR 147 thsd.

10. PERSONNEL

The number of employees (exclusively salaried employees) excluding the Executive Board was as follows:

	2009	2008
As of the balance sheet date	219	241
Annual average	227	235

11. EXECUTIVE BOARD

The following persons are members of the Executive Board of Softing AG:

Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich, Germany
Dr.-Ing. Michael Siedentop, Neutraubling, Germany

Compensation of the Executive Board amounted to EUR 664 thsd. (previous year: EUR 1,100 thsd.). In accordance with the resolution adopted by the General Shareholders' Meeting on August 24, 2007, the compensation of individual members of the Executive Board is not disclosed. All compensation paid to the Executive Board members is of a current nature. The two members of the Executive Board also hold the Company's key central positions.

One member of the Executive Board was granted a loan of EUR 875 thsd. at interest of 3.6 % (previous year: 5 %) in 2007 (term: December 31, 2011; collateralized by shares). The interest accrued thereunder in 2009 was EUR 31 thsd (previous year: EUR 44 thsd.).

According to an agreement, one member of the Executive Board has the right to terminate his employment for cause if a shareholder or shareholder group acting in a coordinated way holds more than 25 % of the voting rights. If this Executive Board member exercises this right to terminate his employment for cause, he is entitled to compensation equaling approximately two annual salaries.

Pension obligations for former members of the Executive Board as of December 31, 2009 totaled EUR 992 thsd. (previous year: EUR 601 thsd.). The total compensation of former members of the Executive Board amounted to EUR 102 thsd. (previous year: EUR 60 thsd.).

12. SUPERVISORY BOARD

The following persons were members of the Supervisory Board of Softing AG in the 2009 financial year:

Dr. Horst Schiessl, attorney at law, Munich, Germany (chairman)
Michael Wilhelm, certified public accountant/ tax advisor, Munich, Germany (deputy chairman); from May 26, 2009
Karlheinz Butscher, graduate engineer, Langenargen, Germany (deputy chairman); until May 26, 2009
Andreas Kratzer, certified public accountant, Zurich, Switzerland

Dr. Schiessl is also a member of the Supervisory Board of the following companies:
Baader Wertpapierhandelsgesellschaft AG, Unterschleißheim, Germany (chairman)
Dussmann AG & Co. KGaA, Berlin, Germany

Dr. Schiessl is also a member of the Advisory Board of the following company:
Trion Pharma GmbH, Munich, Germany (chairman)

Mr. Wilhelm is also a member of the Supervisory Board of the following companies:
mwb fairtrade Wertpapierhandelsbank AG, Gräfelfing, Germany
Kontron AG, Eching, Germany (since July 2009)

Mr. Kratzer is also a member of the Board of Directors of the following companies:
Thor Immobilien AG, Zurich, Switzerland (until October 2009)
azemos partner AG, Zurich, Switzerland (until August 2009)

Mr. Butscher does not hold any offices on other Supervisory Boards.

Each member of the Supervisory Board receives a fixed compensation of EUR 10,000 for each full financial year of service on the Supervisory Board. In addition, each member receives variable compensation amounting to 0.5 % of Group EBIT before Supervisory Board compensation. The chairman receives 200 % of the fixed and variable amount, the deputy chairman 150 %. Compensation for the members of the Supervisory Board in the reporting period totaled EUR 41.6 thsd. (previous year: EUR 158 thsd.) and is distributed as follows:

	Fix	Variabel	Gesamt
Dr. Horst Schiessl (chairman)	18.5	0	18.5
Karlheinz Butscher (deputy chairman) until May 26, 2009	6	0	6
Michael Wilhelm (deputy chairman) from May 26, 2009	7.9	0	7.9
Andreas Kratzer	9.2	0	9.2

The Supervisory Board resolved to waive 15 % of its compensation for the second half of 2009.

13. AUDITOR'S FEES

The following expenses were incurred in the financial year just ended for services provided by the auditor, KPMG Bayerische Treuhandgesellschaft AG:

	2009 EUR (in thsds)	2008 EUR (in thsds)
Audit of annual financial statements	58	58
Tax consultancy services	10	16
	68	**74**

14. DECLARATION REGARDING THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 GERMAN STOCK CORPORATION ACT

The Declaration of Compliance pursuant to Section 161 German Stock Corporation Act was issued by the Executive Board and the Supervisory Board of Softing AG and has been made permanently available to shareholders on the Internet at www.softing.com

Haar, Germany, February 22, 2010

The Executive Board of Softing AG

Dr. Wolfgang Trier   Dr. Michael Siedentop

SOFTING AG, HAAR, GERMANY

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS AS OF DECEMBER 31, 2009, AND GROUP MANAGEMENT REPORT

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Haar, Germany, February 22, 2010

Softing AG

Dr. Wolfgang Trier
(Chairman of the
Executive Board)

Dr. Michael Siedentop
(Member of the
Executive Board)

Changes in Intangible Assets and Property, Plant and Equipment

in the 2009 Financial Year

		Cost					
		Jan. 01, 2009	Changes in the scope of consolidation	Additions	Exchange differences	Disposals	Dec. 31, 2009
		EUR	EUR	EUR	EUR	EUR	EUR
I.	Intangible assets						
	1. Goodwill	2,734,951	1	0	0	0	2,734,952
	2. Development costs	42,441,697	0	2,367,453	0	0	44,809,150
	3. Other intangible assets	3,983,513	645,567	81,390	-873	-1,008	4,708,589
		49,160,161	**645,568**	**2,448,843**	**-873**	**-1,008**	**52,252,691**
II.	Property, plant and equipment						
	Other equipment, furniture and fixtures and office equipment						
	Office equipment	4,199,362	102,011	98,873	-845	-7,551	4,391,850
	Low-value assets	223,579	0	48,359	0	0	271,938
		4,422,941	**102,011**	**147,232**	**-845**	**-7,551**	**4,663,788**
		53,583,102	747,579	2,596,075	-1,718	-8,559	56,916,479

Accumulated depreciation/amortization/impairment losses							Carrying amounts	
Jan. 01, 2009	Changes in the scope of consolidation	Exchange differences	Depreciation/ amortization in the financial year	Impairment loss	Disposals	Dec. 31, 2009	Dec. 31, 2009	Dec. 31, 2008
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
0	0	0	0	296,000	0	296,000	2,438,952	2,734,951
39,391,300	0	0	2,016,411	0	-1	41,407,710	3,401,440	3,050,397
2,930,527	25,800	-701	410,306	0	0	3,365,932	1,342,657	1,052,986
42,321,827	**25,800**	**-701**	**2,426,717**	**296,000**	**-1**	**45,069,642**	**7,183,049**	**6,838,334**
3,516,055	37,348	-2,201	284,962	0	-1,627	3,834,537	557,313	683,307
99,711	0	0	58,669	0	-2	158,378	113,560	123,868
3,615,766	**37,348**	**-2,201**	**343,631**	**0**	**-1,629**	**3,992,915**	**670,873**	**807,175**
45,937,593	**63,148**	**-2,902**	**2,770,348**	**296,000**	**-1,630** ▸	**49,062,557**	**7,853,922**	**7,645,509**

Changes in Intangible Assets and Property, Plant and Equipment

in the 2008 Financial Year

		Cost					
		Jan. 01, 2008	Changes in the scope of consolidation	Additions	Exchange differences	Disposals	Dec. 31, 2008
		EUR	EUR	EUR	EUR	EUR	EUR
I.	Intangible assets						
	1. Goodwill	2,351,125	383,826	0	0	0	2,734,951
	2. Development costs	40,147,289	0	2,294,408	0	0	42,441,697
	3. Other intangible assets	3,477,540	156,197	352,358	-1,681	-901	3,983,513
		45,975,954	**540,023**	**2,646,766**	**-1,681**	**-901**	**49,160,161**
II.	Property, plant and equipment						
	Other equipment, furniture and fixtures and office equipment						
	Office equipment	3,663,997	177,567	408,528	-12,113	-38,617	4,199,362
	Low-value assets	155,751	6,547	109,555	0	-48,274	223,579
		3,819,748	**184,114**	**518,083**	**-12,113**	**-86,891**	**4,422,941**
		49,795,702	724,137	3,164,849	-13,794	-87,792 ►	53,583,102

Accumulated depreciation / amortization / impairment losses							Carrying amounts	
Jan. 01, 2008	Changes in the scope of consolidation	Exchange differences	Depreciation / amortization in the financial year	Impairment loss	Disposals	Dec. 31, 2008	Dec. 31, 2008	Dec. 31, 2007
EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
0	0	0	0	0	0	0	2,734,951	2,351,125
37,582,482	0	0	1,808,818	0	0	39,391,300	3,050,397	2,564,807
2,686,161	10,024	-657	235,864	0	865	2,932,257	1,051,256	791,379
40,268,643	**10,024**	**-657**	**2,044,682**	**0**	**865**	**42,323,557**	**6,836,604**	**5,707,311**
3,159,873	87,943	-2,632	299,687	0	-28,816	3,516,055	683,307	504,124
76,825	5,347	0	65,810	0	-48,271	99,711	123,868	78,926
3,236,698	**93,290**	**-2,632**	**365,497**	**0**	**-77,087**	**3,615,766**	**807,175**	**583,050**
43,505,341	**103,314**	**-3,289**	**2,410,179**	**0**	**-76,222**	**45,939,323**	**7,643,779**	**6,290,361**

Auditors' Opinion

We have issued the following unqualified auditors' opinion:

"Auditors' Opinion

We have audited the consolidated financial statements of Softing AG, Haar, Germany, consisting of the balance sheet, the income statement, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the notes as well as the Group management report for the financial year from January 1 to December 31, 2009. The preparation of the consolidated financial statements in accordance with IFRS as applicable in the EU and the supplementary provisions that are applicable under Section 315a para 1 German Commercial Code (HGB) are the responsibility of the Company's legal representatives. Our responsibility is to express an opinion, based on our audit, on the consolidated financial statements and on the Group management report.

We conducted our audit of the consolidated financial statements in accordance with Section 317 German Commercial Code and the German standards for the proper audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the scope of consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the Group management report. We believe that our audit provides a reasonable basis for our opinion.

The audit has not led to any objections.

In our opinion, which is based on the findings of the audit, the consolidated financial statements are in compliance with IFRS as applicable in the EU and with the supplementary provisions applicable under Section 315a para 1 HGB, and in accordance with these provisions give a true and fair view of the net assets, financial situation and results of the operations of the Company. The Group management report is consistent with the consolidated financial statements, provides a suitable understanding of the Group's situation and suitably presents the risks of future development."

Munich, Germany, February 24, 2010

KPMG Bayerische Treuhandgesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Huber	Diepold
Wirtschaftsprüfer	Wirtschaftsprüfer

Report of the Supervisory Board

for the 2009 Financial Year

In the 2009 financial year, the Supervisory Board was informed regularly about the situation of Softing AG and the Group and monitored and accompanied the work of the Executive Board as well as compliance with applicable legal provisions and the Company's internal guidelines. The Executive Board informed the Supervisory Board in writing and orally about the business policies, fundamental questions of future business activities, the economic situation and future strategic development, the risk situation and risk management as well as significant business transactions, and discussed these matters with the Supervisory Board. The Supervisory Board was involved in decisions of material significance.

A total of four Supervisory Board meetings were held in the reporting year – on March 27, May 26, October 22, and December 21, 2009. The discussions between the Executive Board and the Supervisory Board focused on the organizational and strategic development and orientation of the Group, the positioning and financial development of Softing AG, and significant business events for the Company. Between meetings, the Supervisory Board was also informed of plans and developments that were of particular importance.

Our deliberations and reviews in 2009 – and especially at the financials meeting in 2010 – also focused on the entire accounting system of Softing AG and the Group, the monitoring of the internal control system as well as the effectiveness of the internal auditing and risk management system.

The adjustment of our cost structures to dramatically declining demand in almost all target markets was a key concern in 2009 – a crisis year. The Supervisory Board acknowledges, in particular, that the management succeeded in realigning the cost structures, rapidly and consistently, with operating revenue within two quarters despite the decline in sales of about 30 %. The Executive Board also continually informed the Supervisory Board in its reports on the most important key figures regarding the financial development of Softing AG, especially with regard to development of liquidity. The Supervisory Board thoroughly reviewed, discussed and approved all matters which require approval under legal provisions and the Articles of Incorporation or the Rules of Procedure.

Furthermore, in regular discussions with the Executive Board, the chairman of the Supervisory Board obtained information about important decisions and business transactions of special significance. The Supervisory Board regularly discussed matters of Corporate governance. In principle, the Supervisory Board accepted the recommendations of the German Corporate Governance Code.

At its meeting on December 21, 2009, the Supervisory Board and the Executive Board issued an updated Declaration of Compliance according to Section 161 German Stock Corporation Act and explained the deviations from the recommendations of the German Corporate Governance Code. In this context, the Supervisory Board refers to the publication in the annual report and the on the Website of Softing AG. At its meeting on December 21, 2009, the Supervisory Board also dealt extensively with issues of compliance and the adequacy of the compensation paid to the members of the Management Board. In that connection, the Supervisory Board determined that compliance had taken place and that the Management Board's compensation was adequate.

At its meeting on March 27, 2009, the Supervisory Board conducted a review of the efficiency of its work, which came to a positive conclusion. The Supervisory Board also verified that Softing AG was in compliance with the recommendations of the German Corporate Governance Code in the financial year ended, as stated in its Declaration of Compliance. There was no conflict of interest of members of the Supervisory Board in the financial year just ended.

No committees in the sense of Section 71 para 2 German Stock Corporation Act were established. In particular, Softing AG intentionally dispensed with the creation of an Audit Committee. But the Company does fulfill the statutory requirement calling for an independent financial expert. That person's independence is subject to continuous review.

The annual financial statements and the management report of Softing AG, and the consolidated financial statements as of December 31, 2009, together with the Group management report including the accounting were audited as required by law by KPMG Bayerische Treuhandgesellschaft AG, Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft, the auditors appointed by the General Shareholders' Meeting. The auditors issued an unqualified audit opinion. The consolidated financial statements were prepared in accordance with International Accounting Standards/International Financial Reporting Standards (IAS/IFRS) and audited by the auditors in accordance with Section 317 German Commercial Code (HGB) and by taking into account the German standards for the proper audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). The auditors confirmed that the consolidated financial statements and the Group management report for the financial year from January 1 to December 31, 2009, fulfill the requirements for exempting the Company from its obligation to prepare consolidated financial statements and a Group management report in accordance with German law.

The annual financial statements and the audit reports of the auditors were made available in time to all members of the Supervisory Board. At today's financials meeting, the Supervisory Board examined the annual financial statements presented by the Executive Board and the Group management report of Softing AG as well as the consolidated financial statements including the audit report. The auditors and the Executive Board participated in the meeting. The auditors reported on their audit in general as well as on individual focal points and the significant results of their audit. They answered the questions raised by the members of the Supervisory Board in detail. The Supervisory Board approved the result of the audit. There was no reason to raise any objections based on the final result of this examination.

The Supervisory Board approved the annual financial statements and the consolidated financial statements for 2009 at today's Supervisory Board meeting. The annual financial statements for 2009 are therefore formally adopted.

The Supervisory Board would like to thank the Executive Board and all employees for their responsible and highly successful work in the past financial year.

Haar, Germany, March 4, 2010

Dr. Horst Schiessl
Chairman

Corporate Governance Report

The Executive Board and the Supervisory Board of Softing AG support many suggestions and rules of the German Corporate Governance Code and declare that they were and intend to be in compliance in the future with the recommendations regarding conduct contained in the Code's current and applicable version in the financial year just ended, taking into account the exceptions and comments listed below. The Executive Board and Supervisory Board issued the Declaration of Compliance on December 5, 2008. Below, the Executive Board and the Supervisory Board disclose and explain any deviations from the Code. You can download the full text of the Code from the Investor Relations section of our website at www.softing.com.

a. The Company currently has not agreed a deductible for the D&O insurance taken out on behalf of the members of its Supervisory Board (Code item 3.8 para 3).

   The Company does not believe that such a deductible could enhance the motivation and responsibility of the members of the Supervisory Board of Softing AG in carrying out their duties. Furthermore, Section 116 sentence 1 of the German Stock Corporation Act does not require a deductible for the Supervisory Board to be agreed. Instead the law expressly exempts the Supervisory Board from the requirement to agree a deductible.

b. The Company does not prepare a compensation report (Code item 4.2.5).

   The General Shareholders' Meeting has decided not to disclose the compensation of the members of the Executive Board.

c. The Supervisory Board has not set up any committees (Code items 5.3.1, 5.3.2, 5.3.3).

   Given the size of the Supervisory Board (three members), setting up committees is not considered necessary.

d. No age limit has been specified for members of the Supervisory Board (Code item 5.4.1 sentence 2).

   A specific age limit could be an undesired criterion to exclude qualified members of the Supervisory Board.

e. The Supervisory Board does not discuss quarterly or half-yearly financial reports with the Executive Board prior to publication (Code item 7.1.2., sentence 2).

   The Company believes that a separate discussion of the reports is not necessary because the Supervisory Board is informed regularly of the business transactions.

f. Elections to the Supervisory Board are not carried out on an individual basis. The court appointment of Supervisory Board members is not limited in time until the next General Shareholders' Meeting (Code item 5.4.3).

   The Company reserves the right to elect the Supervisory Board en bloc. The Company does not believe that time limits are appropriate when it is absolutely necessary to fill or refill positions on the Supervisory Board.

Compensation for the active members of the Supervisory Board in the 2009 financial year is presented on page 69 of this annual report.

Disclosures regarding directors' dealings pursuant to Section 15a German Securities Trading Act (WpHG) are published in the Investor Relations section of our website at www.softing.com.

CORPORATE BOARDS AND DIRECTORS' HOLDINGS

Boards	Shares		Options	
	Sep. 30, 2009 Number	Dec. 31, 2009 Number	Sep. 30, 2009 Number	Dec. 31, 2009 Number
Supervisory Board				
Dr. Horst Schiessl (chairman), Attorney at Law, Munich	–	–	–	–
Michael Wilhelm (deputy chairman), CPA / tax advisor, Munich	–	–	–	–
Andreas Kratzer (member of the Supervisory Board)	8,000	8,000	–	–
Executive Board				
Dr.-Ing. Dr. rer. oec. Wolfgang Trier, Munich	831,205	831,205	574,507	574,507
Dr.-Ing. Michael Siedentop, Neutraubling	–	–	–	–

EXECUTIVE BOARD – ALLOCATION OF RESPONSIBILITIES

Dr. Wolfgang Trier	Chairman
	Industrial Automation
	Finance, Human Resources
	Investor Relations
Dr. Michael Siedentop	Automotive Electronics

FINANCIAL CALENDAR

March 26, 2010	2009 Annual Report
May 14, 2010	Quarterly Report 1/2010
August 13, 2010	Quarterly Report 2/2010
November 15, 2010	Quarterly Report 3/2010