



# The Power of PROCESS INNOVATION

# KEY FIGURES 2010

## KEY FIGURES for the nine months ended September 30, 2010 IFRS, unaudited

| in € millions<br>(unless otherwise stated) | Sept. 30, 2010 | Sept. 30, 2009 | change<br>in % | Q3 2010      | Q3 2009      | change<br>in % |
|--|----------------|----------------|----------------|--------------|--------------|----------------|
| <b>Revenue</b>                             | <b>792.9</b>   | <b>555.3</b>   | <b>43</b>      | <b>275.3</b> | <b>213.6</b> | <b>29</b>      |
| Product revenue                            | 474.8          | 399.4          | 19             | 166.2        | 143.2        | 16             |
| of which                                   |                |                |                |              |              |                |
| Licenses                                   | 199.7          | 171.2          | 17             | 69.6         | 62.1         | 12             |
| Maintenance                                | 275.1          | 228.2          | 21             | 96.6         | 81.1         | 19             |
| BPE product revenue (webM/ARIS)            | 219.3          | 156.2          | 40             | 72.1         | 56.9         | 27             |
| Professional Services                      | 315.0          | 153.5          | 105            | 108.3        | 69.5         | 56             |
| Other                                      | 3.1            | 2.4            |                | 0.8          | 0.9          |                |
| <b>EBIT</b>                                | <b>174.6</b>   | <b>138.8</b>   | <b>26</b>      | <b>69.1</b>  | <b>56.4</b>  | <b>23</b>      |
| as % of revenue                            | 22.0           | 25.0           |                | 25.1         | 26.4         |                |
| <b>Net income</b>                          | <b>111.0</b>   | <b>92.7</b>    | <b>20</b>      | <b>45.6</b>  | <b>38.1</b>  | <b>20</b>      |
| as % of revenue                            | 14.0           | 16.7           |                | 16.6         | 17.8         |                |
| Earnings per share (€ basic)               | 3.90           | 3.27           | 19             | 1.61         | 1.35         | 19             |
| Earnings per share (€ diluted)             | 3.90           | 3.26           | 20             | 1.61         | 1.35         | 19             |
| <b>Total assets</b>                        | <b>1,550.8</b> | <b>1,674.2</b> | <b>-7</b>      |              |              |                |
| <b>Cash and cash equivalents</b>           | <b>101.7</b>   | <b>194.4</b>   | <b>-48</b>     |              |              |                |
| <b>Net debt</b>                            | <b>249.6</b>   | <b>320.1</b>   | <b>-22</b>     |              |              |                |
| <b>Shareholders' equity</b>                | <b>679.3</b>   | <b>612.1</b>   | <b>11</b>      |              |              |                |
| as % of total assets                       | 44             | 37             |                |              |              |                |
| <b>Employees*</b>                          | <b>5,708</b>   | <b>6,086</b>   | <b>-6</b>      |              |              |                |
| of which in Germany                        | 2,089          | 2,196          | -5             |              |              |                |

\* Full-time equivalent

# MISSION

Software AG is the global technology leader in business process excellence. Our 40 years of innovation include the invention of the first high-performance transactional database, Adabas; the first business process analysis platform, ARIS; and the first B2B server and SOA-based integration platform, webMethods.

We are unique in offering the world's only end-to-end—and easiest to use—business process management (BPM) solutions, with the lowest total-cost-of-ownership. Our industry-leading brands, ARIS, webMethods, Adabas, Natural and IDS Scheer Consulting, represent a unique portfolio for: process strategy, design, integration and control; SOA-based integration and data management; process-driven SAP implementation; and strategic process consulting and services.

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# GOOD BUSINESS PERFORMANCE IN THE FIRST NINE MONTHS OF 2010

**Preliminary Remarks:** Software AG's segment reporting is prepared in accordance with IFRS 8 (Segment Reporting). Segmentation is by business division and corresponds to the Group's internal controlling and reporting lines. Accordingly, Software AG reports on the business divisions: Enterprise Transaction Systems (data management), webMethods (integration software and process optimization) and Enterprise Process Innovation (IDS Scheer AG).

## GLOBAL ECONOMIC SITUATION

Due to the expiration of government-implemented economic stimulus packages, the global economy showed slower momentum with slightly lower growth rates in the third quarter. However, similar to past quarters, emerging markets spearheaded the economic upswing around the world.

Expansion of the German economy in the third quarter was more pronounced than had been predicted by respected economic research institutes. The job market continued to improve compared to the first half of the year. Corporate investment activities and private consumption also increased.

## SITUATION IN THE ICT MARKET

According to U.S.-based market research firm, International Data Corporation (IDC), global ICT investment during the first nine months of the year was above expectations. This was largely due to the rapid recovery of the global economy. Europe, the Middle East, and Africa (EMEA) reported stronger growth in the third quarter than had been projected. In contrast, the Americas is the only region, according to IDC, in which ICT expenditure since the beginning of the year has stayed below estimates. Despite IDC's forecast, the U.S., which is traditionally Software AG's largest single market, performed very well, contributing 23 percent to revenue. The emerging Brazilian market generated 7 percent of Software AG's revenue. Software AG signed several major deals in the Asian-Pacific region in the quarter under review, while Japan again remained below expectations. Business in Germany and the Middle East picked up speed in the third quarter.

## 1 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

### 1.1 TECHNOLOGY AND CONSULTING

#### Product for business dashboard generation

Software AG introduced the new ARIS MashZone generation in the third quarter. ARIS MashZone 2.0 supports users in creating their own management dashboards for evaluating a wide variety of data from different sources. Information from heterogeneous systems can be combined and visualized within a few minutes. This gives customers a better overview of the interconnections between existing data and allows them greater flexibility in using key indicators and figures to control businesses.

#### New solutions for agile supply chain management

A new consulting offering from Software AG allows businesses to transition quickly into agile supply chain management (SCM). This enables them to react immediately to changes in the market and increase their liquidity without endangering production or delivery capabilities. The solution is based on a four-step method that determines the best alignment of disposition parameters. Customers receive proposals for improving their supply chain within a few days.

In this new offering, Software AG combines its process knowledge in the area of supply chain management with its data analysis expertise. The methodology includes an in-depth quantitative and qualitative analysis of relevant SCM data and processes, the identification of forecasting and disposition parameters that impact a company's inventory levels and determining the optimal parameter values and processes.

**1.2 MARKET AND CUSTOMER-DRIVEN**

**New archiving system boosts cost-efficiency for Adabas customers**

Software AG announced in the quarter under review the availability of Data Archiving for Adabas—a feature-rich tool that further lowers the operating costs of Adabas on any platform. It achieves this by extracting infrequently used data from the production database and storing it into a long-term archive. Data Archiving for Adabas provides automated archiving functions and robust tools for search, verification, extraction, restore, and recovery. In this way, Data Archiving for Adabas helps organizations meet current and emerging data retention requirements such as HIPAA, Sarbanes-Oxley, Basel II, and others while reducing the load on the production database.

**Software AG is one of the top 10 fastest growing large software companies in the world**

American “Software Magazine” published its ranking of the world’s largest software and service providers, now in its 28th year. Software AG has been moving up for a number of years in the revenue and growth category. Based on total software and services revenue for 2009, Software AG is among the 50 largest software companies and the 10 fastest growing in the world.

**Industry analysis confirms dynamism of the European software sector**

The “Truffle 100 Europe” is the leading ranking of the top 100 European software companies. Software AG is currently ranked as fourth largest in Europe. The survey shows that the software industry dynamically increased investment in research, employment, and revenue, above the European Union industrial averages, despite the global recession. Of particular significance was the rise in investment and employment in research within the software industry at a time when overall employment was shrinking. The report shows that a larger software sector in Europe would provide a buffer to economic contraction and provide an earlier return to growth.

**1.3 COMPANY STRUCTURE AND ORGANIZATION**

**Software AG implements new management structure**

The Software AG Supervisory Board resolved, in the third quarter, to implement a new corporate managing body. The Group Executive Board (GEB) consists of divisional executive directors who represent the Company’s operational areas of management. The GEB is an operationally focused body that can incorporate top executives flexibly in the event of organizational changes or future acquisitions. The Management Board according to the German Stock Corporation Act was reduced to four members with Group-level responsibility.

**IDS Scheer AG’s annual general meeting approves merger agreement with Software AG**

IDS Scheer AG’s annual general meeting approved the merger agreement with Software AG by a majority of 92.03 percent of its share capital on July 8, 2010. This is another important step in the integration of Software AG and IDS Scheer AG. All requirements have been met for the merger to be completed in fiscal 2010.

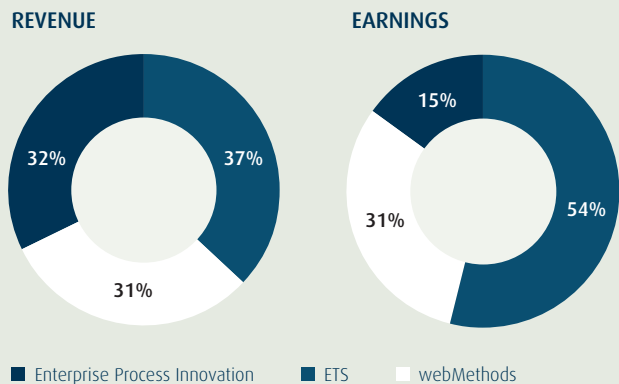
**2 FINANCIAL PERFORMANCE**

**2.1 TWO-DIGIT GROWTH RATE FOR TOTAL REVENUE**

Software AG posted €275.3 million (Q3 2009: €213.6 million) in total revenue for the third quarter, which was 29 percent (22 percent at constant currency rates) higher year-on-year. This growth was largely a result of the expansion of the services business, which even surpassed the second quarter of 2010 contrary to normal seasonal development. License revenue went up by 12 percent to €69.6 million (Q3 2009: €62.1 million) in the third quarter. The maintenance business yielded a large contribution again in the third quarter with revenue up 19 percent to €96.6 million (Q3 2009: €81.1 million). The services unit, which consists of Global Consulting Services and IDS Scheer Consulting, posted 56-percent revenue growth to €108.3 million, due in part to consolidation effects. In the same period of the previous year, IDS Scheer Consulting was only accounted for as of August 20, 2009; revenue totaled €69.5 million.

**2.2 REVENUE AND EARNINGS BY BUSINESS DIVISION (SEGMENT REPORT)**

Revenue and earnings contributions according to business division in the quarter under review was distributed as follows:



**ETS on track**

The ETS division consists of the two data management products: Adabas and Natural. This division achieved €101.4 million in revenue, up from last year's €99.2 million (+2 percent). This is a sequential growth of five percent compared to previous quarter of this year (Q2 2010: €96.3 million). License revenue totaled €36.6 million as compared to €28.0 million in the second quarter of 2010, a 31-percent increase notwithstanding the normal seasonal effects. This was on a par with the record results from 2009. Maintenance revenue in this division increased to €51.5 million (Q3 2009: €48.5 million). As expected, services were lower than in the same quarter last year at €13.0 million (Q3 2009: €16.0 million).

The ETS segment earnings contribution in the quarter under review was €58.1 million (Q3 2009: €54.4 million).

**Success with webMethods**

The webMethods division comprises integration software for service-oriented architectures (SOA) and business process management. This division's revenues grew 14 percent to €86.6 million over €75.8 million from the same quarter last year. License revenue increased to €22.6 million (Q3 2009: €21.4 million). Maintenance revenue rose to €32.1 million (Q3 2009: €28.4 million), which represents 13-percent growth. Services showed particularly robust growth of 24 percent, totaling €31.6 million (Q3 2009: €25.6 million), as a result of new projects.

Segment earnings from the webMethods division in the quarter under review totaled €26.5 million (Q3 2009: €18.8 million), which represents a 41-percent increase. This growth is a result of improved sales efficiencies and economies of scale due to an increased business volume.

**Enterprise Process Innovation benefits from scale economies**

The Enterprise Process Innovation division, representing the IDS Scheer business and which has been consolidated since August 20, 2009, contributed a total of €87.3 million to Software AG's revenue (Q3 2009: €38.6 million). License revenue totaled €10.4 million in the quarter under review, compared to €6.1 million the year before. Maintenance revenue was €13.0 million—up from €4.2 million year-on-year. Revenue from products—including the ARIS product line—accounted for €23.4 million (Q3 2009: €10.4 million). Services (IDS Scheer Consulting and product implementation) generated €63.7 million (Q3 2009: €28 million) or 127 percent growth.

The Enterprise Process Innovation division contributed €14.6 million (Q3 2009: €4.5 million) to total third-quarter earnings.

**EBIT increases again**

The higher business volume, particularly in the services area, the realization of cost synergies and economies of scale from the merger with IDS Scheer, and advantageous foreign exchange rates led to a 23-percent increase in operating earnings (EBIT), which totaled €69.1 million (Q3 2009: €56.4 million) in the third quarter of 2010. The resulting EBIT margin was 25 percent.

Costs for research and development in the third quarter were €22.9 million (Q3 2009: €19.6 million). This 17-percent increase was primarily due to the consolidation of IDS Scheer AG. For the same reason, general administrative costs went up to €21.7 million (Q3 2009: €16.2 million). Marketing and sales costs rose from €45.2 million to €54.5 million, or 20 percent of total revenue (Q3 2009: 21 percent).

### Dynamic growth for net income

Net income increased 20 percent to €45.6 million (Q3 2009: €38.1 million). Earnings per share were also up at €1.61 (Q3 2009: €1.35).

### Nine-month period reinforces second rise in earnings forecast

Total revenue for the first nine months of 2010 was the highest it has ever been in the Company's history at €792.9 million. This is 43 percent higher than the €555.3 million in the same period of the previous year. License revenue climbed 17 percent to €199.7 million (2009: €171.2 million). The maintenance business improved 21 percent to €275.1 million (2009: €228.2 million). Service revenues in the nine-month period doubled to €315 million as a result of consolidation, compared to €153.5 million the previous year.

EBIT in the first nine months of 2010 grew 26 percent to €174.6 million (2009: €138.8 million).

## 3 FINANCIAL POSITION

### Cash flow grows with business volume

Free cash flow for the third quarter was €42.6 million (Q3 2009: €47.0 million). Free cash flow for the nine-month period increased 16 percent to €138.7 million (2009: €119.8 million).

### Total assets marked by higher Group equity ratio

Software AG's total assets decreased from €1,674 million on September 30, 2009 to €1,551 million on September 30, 2010. This was the result of a reduction in financial liabilities to €351.2 million (2009: €514.5 million). Net debt was reduced in the quarter under review by €42.5 million to €249.6 million. At the end of last year, this figure was €320.1 million. Shareholders' equity on September 30, 2010 was €679.3 million (2009: €612.1 million). The Group equity ratio was 44 percent on September 30, 2010, compared to 37 percent on September 30, 2009.

The Software AG Group had a total of 5,708 full-time equivalents (2009: 6,086 full-time equivalents) as of September 30, 2010. Of those, 2,089 were employed in Germany. The comparative figure from 2009 (2,196) was calculated prior to the operational integration of IDS Scheer AG.

## 4 OPPORTUNITIES AND RISKS

There were no changes to the risk situation of the Software AG Group in the third quarter of 2010 as portrayed in the Risk Report of the 2009 Annual Report.

Corresponding opportunities are described in the Outlook section of this report and the 2009 Annual Report.

## 5 EVENTS AFTER THE BALANCE SHEET DATE

### Software AG acquires Data Foundations Inc.

Software AG announced on October 18, 2010 the incorporation of process-driven master data management (MDM) into its customer offering through the acquisition of Data Foundations Inc. New Jersey based Data Foundations is a leading provider of master data management software, used to optimize an organization's business performance. MDM gives organizations consistent and reliable master data from differing data sources which can be utilized by virtually any system, service-oriented architecture (SOA) application, or automated business process. The availability of consistent data across the organization maximizes process quality and enables faster more precise business decisions. Organizations with a single and reliable view of business-critical data will have laid a key foundation for strategic control of the business. Software AG chose Data Foundations to extend its webMethods product portfolio based on its strategic fit with key corporate strengths including: ease-of-use, superior customer satisfaction, a strong governance focus, deep integration capabilities, and high transaction volumes.

## 6 OUTLOOK

The Management Board confirms the revenue forecast as previously announced for fiscal year 2010 with total revenue well over one billion euros. Compared to 2009, total revenue at constant currency rates is estimated to grow between 25 and 30 percent and product revenue between 12 and 15 percent. This includes revenue growth for ETS products between 2 and 4 percent and for webMethods/ARIS products between 25 and 30 percent. Based on the results of the first nine-month period, Software AG increased the full year growth forecast for net profit and earnings per share to between 18 to 20 percent (revised from 10 to 12 percent). The business process management market is developing extremely well. We have logged an increasing number of large-scale projects, particularly in the ARIS area. We expect the good utilization of our Consulting capacities to continue and therefore plan new hires. We consider the addition of master data management and the bundling of ARIS and webMethods to have further strengthened Software AG's offering and sustainably improved our competitive position.

**CONSOLIDATED INCOME STATEMENT for the nine months ended September 30, 2010**  
**IFRS, unaudited**

| in € thousands   | Sept. 30, 2010 | Sept. 30, 2009 | change in % | Q3 2010        | Q3 2009        | change in % |
|--|----------------|----------------|-------------|----------------|----------------|-------------|
| Licenses   | 199,693        | 171,193        | 17          | 69,628         | 62,071         | 12          |
| Maintenance  | 275,138        | 228,195        | 21          | 96,578         | 81,137         | 19          |
| Professional Services                                      | 314,960        | 153,498        | 105         | 108,288        | 68,504         | 56          |
| Other  | 3,075          | 2,366          | 30          | 815            | 873            | -7          |
| <b>Total revenue</b>                                       | <b>792,866</b> | <b>555,252</b> | <b>43</b>   | <b>275,309</b> | <b>213,585</b> | <b>29</b>   |
| Cost of sales  | -324,802       | -183,325       | 77          | -107,194       | -78,530        | 37          |
| <b>Gross profit</b>  | <b>468,064</b> | <b>371,927</b> | <b>26</b>   | <b>168,115</b> | <b>135,055</b> | <b>24</b>   |
| Research and development expenses                          | -67,978        | -58,996        | 15          | -22,938        | -19,623        | 17          |
| Sales, marketing and distribution expenses                 | -169,703       | -129,672       | 31          | -54,471        | -45,184        | 21          |
| General and administrative expenses                        | -61,555        | -48,565        | 27          | -21,658        | -16,245        | 33          |
| <b>Operating result</b>                                    | <b>168,828</b> | <b>134,694</b> | <b>25</b>   | <b>69,048</b>  | <b>54,003</b>  | <b>28</b>   |
| Other operating income                                     | 34,575         | 28,524         | 21          | 7,430          | 7,738          | -4          |
| Other operating expenses                                   | -28,843        | -24,442        | 18          | -7,376         | -5,311         | 39          |
| <b>Earnings before interest and taxes (EBIT)</b>           | <b>174,560</b> | <b>138,776</b> | <b>26</b>   | <b>69,102</b>  | <b>56,430</b>  | <b>22</b>   |
| Financial income/expense net                               | -11,224        | -1,912         | -           | -3,740         | -1,657         | -           |
| <b>Earnings before taxes</b>                               | <b>163,336</b> | <b>136,864</b> | <b>19</b>   | <b>65,362</b>  | <b>54,773</b>  | <b>19</b>   |
| Income taxes   | -47,396        | -42,021        | 13          | -17,785        | -16,279        | 9           |
| Other taxes  | -4,979         | -2,149         | 132         | -1,998         | -379           | 427         |
| <b>Net income</b>  | <b>110,961</b> | <b>92,694</b>  | <b>20</b>   | <b>45,579</b>  | <b>38,115</b>  | <b>20</b>   |
| <b>thereof attributable to shareholders of Software AG</b> | <b>110,815</b> | <b>93,627</b>  | <b>18</b>   | <b>45,609</b>  | <b>38,707</b>  | <b>18</b>   |
| <b>thereof attributable to non-controlling interest</b>    | <b>146</b>     | <b>-933</b>    | <b>-</b>    | <b>-30</b>     | <b>-592</b>    | <b>-</b>    |
| Earnings per share (€ basic)                               | 3.90           | 3.27           | 19          | 1.61           | 1.35           | 19          |
| Earnings per share (€ diluted)                             | 3.90           | 3.26           | 20          | 1.61           | 1.35           | 19          |
| Weighted average number of shares outstanding (basic)      | 28,380,259     | 28,674,821     | -           | 28,316,061     | 28,692,115     | -           |
| Weighted average number of shares outstanding (diluted)    | 28,380,259     | 28,688,234     | -           | 28,316,061     | 28,705,528     | -           |

**STATEMENT OF COMPREHENSIVE INCOME for the nine months ended September 30, 2010**  
**IFRS, unaudited**

| in € thousands   | Sept. 30, 2010 | Sept. 30, 2009 | Q3 2010        | Q3 2009       |
|--|----------------|----------------|----------------|---------------|
| <b>Net income</b>  | <b>110,961</b> | <b>92,694</b>  | <b>45,579</b>  | <b>38,115</b> |
| Currency translation differences   | 32,438         | -6,972         | -39,421        | -9,289        |
| Net gain/loss marketable securities and derivatives                          | -1,760         | 3,707          | 350            | 1,468         |
| Net gain/loss arising from translating net investments in foreign operations | -780           | -561           | 0              | 208           |
| Net actuarial gain/loss from defined benefit plans                           | -1,821         | -26            | 10             | 1             |
| <b>Other comprehensive income</b>  | <b>28,077</b>  | <b>-3,852</b>  | <b>-39,061</b> | <b>-7,612</b> |
| <b>Total comprehensive income</b>  | <b>139,038</b> | <b>88,842</b>  | <b>6,518</b>   | <b>30,503</b> |
| <b>thereof attributable to shareholders of Software AG</b>                   | <b>138,892</b> | <b>89,775</b>  | <b>6,548</b>   | <b>31,095</b> |
| <b>thereof attributable to non-controlling interest</b>                      | <b>146</b>     | <b>-933</b>    | <b>-30</b>     | <b>-592</b>   |

**CONSOLIDATED BALANCE SHEET as of September 30, 2010**  
**IFRS, unaudited**

| in € thousands                     | Sept. 30, 2010   | Dec. 31, 2009    | Sept. 30, 2009   |
|------------------------------------|------------------|------------------|------------------|
| <b>ASSETS</b>                      |                  |                  |                  |
| <b>Current assets</b>              |                  |                  |                  |
| Cash and cash equivalents          | 101,661          | 218,141          | 194,376          |
| Inventories                        | 559              | 748              | 554              |
| Trade receivables                  | 309,922          | 328,543          | 313,567          |
| Other receivables and other assets | 51,398           | 38,192           | 41,189           |
| Prepaid expenses                   | 12,772           | 9,616            | 12,404           |
|                                    | <b>476,312</b>   | <b>595,240</b>   | <b>562,090</b>   |
| <b>Non-current assets</b>          |                  |                  |                  |
| Intangible assets                  | 229,394          | 236,567          | 253,054          |
| Goodwill                           | 702,558          | 686,085          | 709,427          |
| Property, plant and equipment      | 65,651           | 67,064           | 72,518           |
| Financial assets                   | 6,698            | 5,692            | 7,001            |
| Trade receivables                  | 10,264           | 11,427           | 13,772           |
| Other receivables and other assets | 30,811           | 26,231           | 18,920           |
| Prepaid expenses                   | 995              | 758              | 543              |
| Deferred taxes                     | 28,146           | 25,868           | 36,875           |
|                                    | <b>1,074,517</b> | <b>1,059,692</b> | <b>1,112,110</b> |
|                                    | <b>1,550,829</b> | <b>1,654,932</b> | <b>1,674,200</b> |
| <b>EQUITY AND LIABILITIES</b>      |                  |                  |                  |
| <b>Current liabilities</b>         |                  |                  |                  |
| Financial liabilities              | 163,207          | 198,516          | 180,284          |
| Trade payables                     | 44,355           | 62,030           | 65,107           |
| Other liabilities                  | 65,930           | 73,101           | 117,116          |
| Other provisions                   | 80,203           | 92,395           | 74,851           |
| Provisions for taxes               | 42,853           | 45,097           | 28,125           |
| Deferred income                    | 149,754          | 117,309          | 116,250          |
|                                    | <b>546,302</b>   | <b>588,448</b>   | <b>581,733</b>   |
| <b>Non-current liabilities</b>     |                  |                  |                  |
| Financial liabilities              | 188,013          | 291,410          | 334,183          |
| Trade payables                     | 272              | 260              | 65               |
| Other liabilities                  | 2,506            | 1,067            | 1,197            |
| Provisions for pensions            | 34,247           | 29,562           | 20,223           |
| Other provisions                   | 28,394           | 27,548           | 20,758           |
| Deferred taxes                     | 68,591           | 66,711           | 100,859          |
| Deferred income                    | 3,162            | 2,765            | 3,068            |
|                                    | <b>325,185</b>   | <b>419,323</b>   | <b>480,353</b>   |
| <b>Equity</b>                      |                  |                  |                  |
| Share capital                      | 86,148           | 86,125           | 86,092           |
| Capital reserve                    | 17,349           | 39,406           | 38,439           |
| Retained earnings                  | 662,471          | 584,211          | 536,860          |
| Other reserves                     | -54,427          | -82,504          | -51,176          |
| Reasury shares                     | -32,788          | 0                | 0                |
| Non-controlling interest           | 589              | 19,923           | 1,899            |
|                                    | <b>679,342</b>   | <b>647,161</b>   | <b>612,114</b>   |
|                                    | <b>1,550,829</b> | <b>1,654,932</b> | <b>1,674,200</b> |

**CONSOLIDATED STATEMENT OF CASH FLOWS for the nine months ended September 30, 2010**  
**IFRS, unaudited**

| in € thousands  | Sept. 30, 2010  | Sept. 30, 2009 | Q3 2010        | Q3 2009         |
|---|-----------------|----------------|----------------|-----------------|
| Net income for the year   | 110,961         | 92,694         | 45,579         | 38,115          |
| Income taxes  | 47,396          | 42,021         | 17,785         | 16,279          |
| Net financial income/expense  | 11,224          | 1,912          | 3,740          | 1,657           |
| Amortization/depreciation of non-current assets                           | 34,341          | 22,879         | 11,479         | 9,480           |
| Other non-cash income/expense   | 58              | 3,941          | 2,169          | 1,496           |
| <b>Operating cash flow before changes in working capital</b>              | <b>203,980</b>  | <b>163,447</b> | <b>80,752</b>  | <b>67,027</b>   |
| Changes in inventories, receivables and other current assets              | 12,917          | 39,450         | 5,450          | -376            |
| Changes in payables and other liabilities                                 | 1,758           | -6,735         | -13,843        | 3,753           |
| Income taxes paid   | -62,800         | -62,241        | -20,098        | -15,784         |
| Interest paid   | -15,508         | -12,316        | -8,621         | -8,354          |
| Interest received   | 5,086           | 5,315          | 1,439          | 1,490           |
| <b>Net cash provided by operating activities</b>                          | <b>145,433</b>  | <b>126,920</b> | <b>45,079</b>  | <b>47,756</b>   |
| Proceeds from the sale of property, plant and equipment/intangible assets | 690             | 814            | 404            | 697             |
| Purchase of property, plant and equipment/intangible assets               | -6,801          | -7,591         | -2,579         | -1,680          |
| Proceeds from the sale of financial assets                                | 1,164           | 284            | 0              | 219             |
| Purchase of financial assets  | -1,789          | -605           | -336           | 0               |
| Payments for acquisitions, net  | -33,946         | -311,100       | -19,880        | -306,588        |
| <b>Net cash used in investing activities</b>                              | <b>-40,682</b>  | <b>318,198</b> | <b>-22,391</b> | <b>-307,352</b> |
| Proceeds from issue of share capital                                      | 180             | 1,275          | 0              | 249             |
| Dividends paid  | -32,834         | -31,503        | 0              | 0               |
| Purchase of treasury stock  | -32,788         | 0              | 0              | 0               |
| Proceeds from financial liabilities                                       | 305             | 321,124        | 0              | 321,124         |
| Repayments of financial liabilities                                       | -162,119        | -3,562         | -72,891        | -2,555          |
| <b>Net cash provided by/used in financing activities</b>                  | <b>-227,256</b> | <b>287,334</b> | <b>-72,891</b> | <b>318,818</b>  |
| Change in cash and cash equivalents from cash-relevant transactions       | -122,505        | 96,056         | -50,203        | 59,222          |
| Currency translation adjustment   | 6,025           | 1,395          | -3,949         | -955            |
| <b>Net change in cash and cash equivalents</b>                            | <b>-116,480</b> | <b>97,451</b>  | <b>-54,152</b> | <b>58,267</b>   |
| Cash and cash equivalents at the beginning of the period                  | 218,141         | 96,925         | 155,813        | 136,109         |
| <b>Cash and cash equivalents at the end of period</b>                     | <b>101,661</b>  | <b>194,376</b> | <b>101,661</b> | <b>194,376</b>  |

**STATEMENT OF CHANGES IN EQUITY for the nine months ended September 30, 2010**  
**IFRS, unaudited**

| in € thousands                           | Number of shares  | Share capital | Capital reserve | Retained Earnings |
|--|-------------------|---------------|-----------------|-------------------|
| <b>2009</b>                              |                   |               |                 |                   |
| <b>Equity as of Jan. 1, 2009</b>         | <b>28,638,842</b> | <b>85,917</b> | <b>35,810</b>   | <b>474,735</b>    |
| Total comprehensive income               |                   |               |                 | 93,628            |
| <b>Transactions with shareholders</b>    |                   |               |                 |                   |
| Dividend payment                         |                   |               |                 | -31,503           |
| New shares issued                        | 58,610            | 175           | 1,100           |                   |
| Stock options                            |                   |               | 1,529           |                   |
| <b>Transactions between shareholders</b> |                   |               |                 |                   |
| <b>Equity as of September 30, 2009</b>   | <b>28,697,452</b> | <b>86,092</b> | <b>38,439</b>   | <b>536,860</b>    |
| <b>2010</b>                              |                   |               |                 |                   |
| <b>Equity as of Jan. 1, 2010</b>         |                   |               |                 |                   |
| <b>Equity as of Jan. 1, 2010</b>         | <b>28,708,410</b> | <b>86,125</b> | <b>39,406</b>   | <b>584,211</b>    |
| Total comprehensive income               |                   |               |                 | 110,815           |
| <b>Transactions with shareholders</b>    |                   |               |                 |                   |
| Dividend payment                         |                   |               |                 | -32,555           |
| New shares issued                        | 7,651             | 23            | 157             |                   |
| Stock options                            |                   |               | 2,430           |                   |
| Purchase of treasury stock               | -400,000          |               |                 |                   |
| <b>Transactions between shareholders</b> |                   |               |                 |                   |
|  |                   |               | <b>-24,644</b>  |                   |
| <b>Equity as of September 30, 2010</b>   | <b>28,316,061</b> | <b>86,148</b> | <b>17,349</b>   | <b>662,471</b>    |

| Accumulated other comprehensive income |  |  |  | Treasury shares | Equity attributable to shareholders of Software AG | Equity attributable to non-controlling interest | Total   |
|--|--|--|--|-----------------|--|---|---------|
| Currency translation differences       | Change in fair value of securities and derivatives | Actuarial gain/loss on defined benefit obligations | Currency translation differences of net investment/loans to foreign operations |                 |  |   |         |
| -76,744                                | -5,040   | -1,922   | 36,383   | 0               | 549,139  | 0   | 549,139 |
| -6,972                                 | 3,707  | -27  | -561   |                 | 89,775   | -933  | 88,842  |
|  |  |  |  |                 | 0  |   | 0       |
|  |  |  |  |                 | -31,503  |   | -31,503 |
|  |  |  |  |                 | 1,275  |   | 1,275   |
|  |  |  |  |                 | 1,529  |   | 1,529   |
|  |  |  |  |                 | 0  | 2,832   | 2,832   |
| -83,716                                | -1,333   | -1,949   | 35,822   | 0               | 610,215  | 1,899   | 612,114 |
|  |  |  |  |                 |  |   |         |
|  |  |  |  |                 |  |   |         |
| -78,130                                | 1,769  | -6,923   | 780  | 0               | 627,238  | 19,923  | 647,161 |
| 32,438                                 | -1,760   | -1,821   | -780   |                 | 138,892  | 146   | 139,038 |
|  |  |  |  |                 | 0  |   | 0       |
|  |  |  |  |                 | -32,555  | -279  | -32,834 |
|  |  |  |  |                 | 180  |   | 180     |
|  |  |  |  |                 | 2,430  |   | 2,430   |
|  |  |  |  | -32,788         | -32,788  |   | -32,788 |
|  |  |  |  |                 | -24,644  | -19,201   | -43,845 |
| -45,692                                | 9  | -8,744   | 0  | -32,788         | 678,753  | 589   | 679,342 |

## NOTES TO THE INTERIM FINANCIAL STATEMENTS

### GENERAL PRINCIPLES

#### 1\_ BASIS OF ACCOUNTING

Software AG's condensed and unaudited consolidated financial statements (interim financial statements) as of September 30, 2010 have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date, as endorsed by the EU. The IASs/IFRSs applicable as of September 30, 2010 were observed, as were the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC, formerly SIC). The interim financial statements and the interim management report have neither been audited nor subjected to an auditor's review.

Software AG is a joint stock corporation under German law with registered offices in Darmstadt. It is the parent company of a Group that is globally active in the fields of software development, licensing, and maintenance as well as IT services.

The consolidated financial statements of Software AG are expressed in thousands of euros (€ thousand) unless stated otherwise.

#### 2\_ CHANGES IN THE CONSOLIDATED GROUP

There were no changes in the consolidated group in the first nine months of 2010

|                               | Germany   | Abroad     | Total      |
|-------------------------------|-----------|------------|------------|
| January 1, 2010               | 11        | 108        | 119        |
| Additions                     | 1         | -          | 1          |
| Disposals (including mergers) | 1         | -          | 1          |
| <b>September 30, 2010</b>     | <b>11</b> | <b>108</b> | <b>119</b> |

The addition resulted from the acquisition of RTM Realtime Monitoring GmbH, Marburg as described in Note 4. The disposal resulted from the merger of SAG Beteiligungs GmbH with Software AG.

#### 3\_ ACCOUNTING POLICIES

The same accounting policies have been applied to the consolidated interim financial statements as were applicable to the consolidated financial statement as of December 31, 2009, except for the application of the financial reporting standards and interpretations (as detailed below) required to be applied for the current fiscal year. In 2010, Software AG is applying IFRS 3R (Business Combinations [IFRS 3 (2008)]) and the amendments to IAS 27 (revised) for the first time. The major changes to IFRS 3 and IAS 27 are outlined on page 92 of our 2009 Annual Report.

Further changes have resulted from the "Improvements to IFRSs (2009)" as part of the IASB's annual improvements project, the amendments to IAS 39, and from IFRIC 12, IFRIC 15, IFRIC 16, IFRIC 17, and IFRIC 18, which are interpretations required to be applied for the first time in 2010. However, these changes have either not affected or not materially affected the consolidated interim financial statements.

These interim financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting.

#### 4\_ BUSINESS ACQUISITIONS

The February 11, 2010 entry in the Commercial Register of the control and profit transfer agreement concluded on November 24, 2009 between IDS Scheer AG and SAG Beteiligungs GmbH as the controlling enterprise effectively gave the shareholders of IDS Scheer AG a put option to sell their shares at a price of €15.10. According to IAS 32 in conjunction with IFRS 3, this made it necessary to allocate 100 percent of the IDS Scheer shares to the balance sheet of Software AG. In compliance with IAS 27, the non-controlling interest in IDS Scheer that had previously been recognized (€19.2 million) was derecognized. In addition, a financial liability of €43.0 million was recognized for the put options. The difference between the financial liability and the decrease in the non-controlling interest was recognized in the equity allocable to Software AG as a reduction in the capital reserve in the amount of €23.8 million. The recognition of the financial liability arising from the put option in connection with the recognition of 100 percent of the shares on the balance sheet was performed retroactively in the second quarter.

In the first nine months, Software AG acquired another 4.4 percent of the shares in IDS Scheer AG for €21,636 thousand. Accordingly, the ownership interest increased from 91.0 percent as of December 31, 2009 to 95.4 percent as of September 30, 2010. The shares acquired prior to registration of the control and profit transfer agreement on February 11 resulted in a reduction in the carrying amount of non-controlling interests of €0.4 million and a reduction in the capital reserve of €0.5 million. The acquisitions transacted after February 11 reduced the originally recognized financial liability for the remaining IDS Scheer shareholders.

The original allocation of the cost of the business combination was adjusted during the first three quarters of fiscal 2010. Based on the information available as of September 30, 2010, we have presented the allocation of the cost of the business combination to the net assets acquired as of August 20, 2009, the effects resulting from changes in shareholdings, and IDS Scheer treasury share transactions on or before December 31, 2009 as follows:

| in € thousands                                      | Overview of the purchase price allocation as of August 20, 2009 |                          |                             | Changes until December 31, 2009   |                |
|---|---|--------------------------|-----------------------------|---|----------------|
|   | Carrying amount before acquisition                              | Adjustment to fair value | Opening balance sheet value | Effects resulting from changes in shareholdings and transaction of IDS Scheer using treasury shares | Total          |
| Cash and cash equivalents                           | 120,328   | 0                        | 120,328                     | 7,527   | 127,855        |
| Inventories   | 138   | 0                        | 138                         |   | 138            |
| Trade receivables                                   | 91,813  | 0                        | 91,813                      |   | 91,813         |
| Other receivables and other assets                  | 16,012  | 0                        | 16,012                      |   | 16,012         |
| Prepaid expenses                                    | 6,241   | 0                        | 6,241                       |   | 6,241          |
| Intangible assets                                   | 2,398   | 110,524                  | 112,922                     |   | 112,922        |
| Goodwill  | 78,098  | 197,727                  | 275,825                     | -22,881   | 252,944        |
| Property, plant and equipment                       | 21,839  | 875                      | 22,714                      |   | 22,714         |
| Financial assets                                    | 52  | 0                        | 52                          |   | 52             |
| Deferred tax assets                                 | 8,557   | -4,654                   | 3,903                       |   | 3,903          |
| <b>Assets</b>                                       | <b>345,476</b>  | <b>304,472</b>           | <b>649,948</b>              | <b>-15,354</b>  | <b>634,594</b> |
| Financial liabilities                               | 33,001  | 0                        | 33,001                      |   | 33,001         |
| Trade payables                                      | 22,532  | 0                        | 22,532                      |   | 22,532         |
| Other liabilities                                   | 23,443  | 1,851                    | 25,294                      |   | 25,294         |
| Other provisions                                    | 19,185  | 1,900                    | 21,085                      |   | 21,085         |
| Provisions for pensions                             | 720   | 1,574                    | 2,294                       |   | 2,294          |
| Tax provisions                                      | 7,542   | 0                        | 7,542                       |   | 7,542          |
| Deferred tax liabilities                            | 10,352  | 35,576                   | 46,928                      |   | 46,928         |
| Deferred income                                     | 15,358  | -5,670                   | 9,688                       |   | 9,688          |
| <b>Equity and liabilities</b>                       | <b>132,133</b>  | <b>36,231</b>            | <b>168,364</b>              |   | <b>168,364</b> |
| <b>Acquired assets and assumed liabilities, net</b> | <b>213,343</b>  | <b>268,241</b>           | <b>481,584</b>              | <b>-15,354</b>  | <b>466,230</b> |
| Thereof attributable to non-controlling interests   |   |                          | -1,214                      | -19,539   | -20,753        |
| <b>Total consideration</b>                          |   |                          | <b>480,369</b>              | <b>-34,893</b>  | <b>445,477</b> |
| Cash and cash equivalents acquired                  |   |                          | 120,328                     | 7,527   | 127,855        |
| <b>Acquisition cost net of cash acquired</b>        |   |                          | <b>360,041</b>              | <b>-42,420</b>  | <b>317,622</b> |

The changes to the carrying amounts of acquired receivables (reduction of €1,922 thousand) and tax provisions (increase of €2,800 thousand) and the adjustment to deferred tax assets compared to the original allocation of the cost of the business combination (increase of €785 thousand) had no effect on earnings for the period between the acquisition and the reporting date. These changes were made retroactively. Accordingly, goodwill increased retroactively by €3,937 thousand as of August 20, 2009. Due to the retroactive increase in goodwill by €3,937 thousand, the effects resulting from changes in shareholdings decreased by €354 thousand between August 20 and December 31, 2009. The net effect of the aforementioned retroactive adjustment to the goodwill reported as of December 31 thus amounted to €3,583 thousand. The balance sheets prepared since the first-time consolidation of IDS Scheer were adjusted accordingly.

In April 2010, Software AG achieved control over RTM Realtime Monitoring GmbH, Marburg, Germany through the acquisition of 100 percent of its shares. RTM is a spin-off from the University of Marburg. The company conducts research projects in the field of real-time processing and analysis of time-critical data, which are endorsed by the German Research Foundation and the German Federal Ministry of Economics and Technology. The company had four employees on the date of acquisition. The consideration due for this acquisition is expected to amount to approximately €7.3 million. Of this amount, €6 million has already been paid as fixed consideration. In addition, it has been agreed that consideration of up to €1.3 million will be linked to the achievement of predefined revenue targets. For the purpose of provisional allocation of the cost of the business combination, the revenue-dependent cost components were set at €1.3 million.

The table below shows the provisional allocation of the cost of the business combination to acquired net assets:

| <b>OVERVIEW OF THE PURCHASE PRICE ALLOCATION as of April 1, 2010</b> |   |                                 |                                    |
|--|---|---------------------------------|------------------------------------|
| <b>in € thousands</b>  | <b>Carrying amount before acquisition</b> | <b>Adjustment to fair value</b> | <b>Opening balance sheet value</b> |
| Intangible assets  | 4   | 10,626                          | 10,630                             |
| Other assets   | 137                                       | 0                               | 137                                |
| <b>Assets</b>  | <b>141</b>                                | <b>10,626</b>                   | <b>10,767</b>                      |
| Deferred tax liabilities   | 0   | 3,294                           | 3,294                              |
| Other equity and liabilities   | 129                                       | 0                               | 129                                |
| <b>Equity and liabilities</b>  | <b>129</b>                                | <b>3,294</b>                    | <b>3,423</b>                       |
| <b>Acquired assets and assumed liabilities, net</b>                  | <b>12</b>                                 | <b>7,332</b>                    | <b>7,344</b>                       |
| Payments to shareholders   |   |                                 | 6,000                              |
| Provisional estimate of revenue-dependent contingent consideration   |   |                                 | 1,344                              |
| <b>Total consideration</b>   |   |                                 | <b>7,344</b>                       |
| Cash and cash equivalents acquired                                   |   |                                 | 81                                 |
| <b>Acquisition cost net of cash acquired</b>                         |   |                                 | <b>7,263</b>                       |

The Group revenue and net income of Software AG attributable to RTM (since the date of acquisition) had no material impact on the financial position, cash flows, or profit or loss of the Group as a whole.

In April, Software AG acquired the remaining 49 percent of its majority shareholding in itCampus Software- und Systemhaus GmbH, Leipzig (itCampus). As a result, Software AG has held 100 percent of the shares in itCampus since April 2010. As described on page 92 of the 2009 Annual Report, Software AG had assumed an ownership interest of 100 percent as of December 31, 2009 for accounting purposes due to an existing call and put option. Therefore, the purchase of the remaining shares had no material impact on the financial statements.

In October 2010, Software AG acquired a 100-percent stake in Data Foundations Inc. and thus achieved control over this company. Data Foundations is a leading provider of software for master data management (MDM) and is domiciled in New Jersey, USA. MDM optimizes companies' performance and supplies consistent, reliable information from various data sources, which can be used by nearly any system or application in a service-based architecture or any automated business process. Software AG purchased Data Foundations to expand its webMethods product portfolio. The company currently has 36 employees, of which 29 are employed at the development center in India. The consideration due for this acquisition is expected to amount to approximately €16 million. Of this amount, approximately €2 million will depend on reaching a revenue target. Due to the short time span between the acquisition period and the authorization for issue of this interim financial report, it was not possible to conduct an allocation of the cost of the business combination. According to Software AG's forecast, the impact of this acquisition on the financial position, cash flows, and profit or loss of the Group as a whole will be immaterial.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 5\_ GOODWILL

Goodwill amounted to €702,558 thousand as of September 30, 2010, an increase of €16,473 thousand over December 31, 2009. This change resulted from exchange rate fluctuations and in particular the strong U.S. dollar. Due to the changes in the opening balance and the subsequent changes in shareholdings related to the acquisition of IDS Scheer AG as described in Note 4, goodwill as of December 31, 2009 increased by €3,583 thousand to €686,085 thousand compared with the €682,502 thousand reported in the published Annual Report.

### 6\_ EQUITY

#### Share capital

The share capital of Software AG amounted to €86,148 thousand as of September 30, 2010. The exercise of stock options under the second stock option plan increased the number of bearer shares in issue by 7,651 to 28,316,061 shares in the first three quarters of 2010. In response, the Company's share capital rose by €23 thousand and the capital reserve by €157 thousand.

#### Dividend payment

The Annual Shareholders' Meeting resolved on May 21, 2010 to transfer €104 thousand of the 2009 net retained profits of Software AG, the controlling Group company, in the amount of €321,719 thousand to other retained earnings, to appropriate €32,555 thousand for a dividend payout, and to carry forward €289,060 thousand. This corresponded to a dividend of €1.15 per share.

## OTHER DISCLOSURES

### 7\_ SEGMENT REPORTING

The segment information for the third quarters of 2010 and 2009 is as follows:

#### SEGMENT REPORT for the three months ended September 30, 2010 IFRS, unaudited

| in € thousands                             | ETS            |               | webMethods    |               | Enterprise Process<br>Innovation |               | Reconciliation |               | Total          |                |
|--|----------------|---------------|---------------|---------------|----------------------------------|---------------|----------------|---------------|----------------|----------------|
|  | Q3 2010        | Q3 2009       | Q3 2010       | Q3 2009       | Q3 2010                          | Q3 2009       | Q3 2010        | Q3 2009       | Q3 2010        | Q3 2009        |
| Licenses                                   | 36,647         | 34,539        | 22,568        | 21,395        | 10,413                           | 6,137         |                |               | 69,628         | 62,071         |
| Maintenance                                | 51,538         | 48,536        | 32,084        | 28,366        | 12,956                           | 4,235         |                |               | 96,578         | 81,137         |
| <b>Product sales</b>                       | <b>88,185</b>  | <b>83,075</b> | <b>54,652</b> | <b>49,761</b> | <b>23,369</b>                    | <b>10,372</b> | <b>0</b>       | <b>0</b>      | <b>166,206</b> | <b>143,208</b> |
| Professional Services                      | 13,045         | 15,952        | 31,586        | 25,552        | 63,657                           | 28,000        |                |               | 108,288        | 69,504         |
| Other                                      | 183            | 167           | 352           | 508           | 280                              | 198           |                |               | 815            | 873            |
| <b>Total revenue</b>                       | <b>101,413</b> | <b>99,194</b> | <b>86,590</b> | <b>75,821</b> | <b>87,306</b>                    | <b>38,570</b> | <b>0</b>       | <b>0</b>      | <b>275,309</b> | <b>213,585</b> |
| Cost of sales                              | -16,591        | -20,589       | -30,872       | -26,746       | -54,287                          | -26,111       | -5,444         | -5,084        | -107,194       | -78,530        |
| <b>Gross profit</b>                        | <b>84,822</b>  | <b>78,605</b> | <b>55,718</b> | <b>49,075</b> | <b>33,019</b>                    | <b>12,459</b> | <b>-5,444</b>  | <b>-5,084</b> | <b>168,115</b> | <b>135,055</b> |
| Sales, marketing and distribution expenses | -18,913        | -16,930       | -17,283       | -19,260       | -15,201                          | -6,701        | -3,074         | -2,293        | -54,471        | -45,184        |
| <b>Business line contribution</b>          | <b>65,909</b>  | <b>61,675</b> | <b>38,435</b> | <b>29,815</b> | <b>17,818</b>                    | <b>5,758</b>  | <b>-8,518</b>  | <b>-7,377</b> | <b>113,644</b> | <b>89,871</b>  |
| Research and development expenses          | -7,807         | -7,287        | -11,916       | -11,054       | -3,215                           | -1,282        | 0              | 0             | -22,938        | -19,623        |
| <b>Business line result</b>                | <b>58,102</b>  | <b>54,388</b> | <b>26,519</b> | <b>18,761</b> | <b>14,603</b>                    | <b>4,476</b>  | <b>-8,518</b>  | <b>-7,37</b>  | <b>90,706</b>  | <b>70,248</b>  |
| General and administrative expenses        |                |               |               |               |                                  |               |                |               | -21,658        | -16,245        |
| Other operating income/expenses, net       |                |               |               |               |                                  |               |                |               | 54             | 2,427          |
| <b>Earnings before interest and taxes</b>  |                |               |               |               |                                  |               |                |               | <b>69,102</b>  | <b>56,430</b>  |
| Net financial income/expense               |                |               |               |               |                                  |               |                |               | -3,740         | -1,657         |
| <b>Earnings before taxes</b>               |                |               |               |               |                                  |               |                |               | <b>65,362</b>  | <b>54,773</b>  |
| Taxes                                      |                |               |               |               |                                  |               |                |               | -19,783        | -16,658        |
| <b>Net income</b>                          |                |               |               |               |                                  |               |                |               | <b>45,579</b>  | <b>38,115</b>  |

The segment information for the first nine months of fiscal 2010 and 2009 is as follows:

**SEGMENT REPORT as of September 30, 2010**  
**IFRS, unaudited**

| in € thousands                             | ETS               |                   | webMethods        |                   | Enterprise Process<br>Innovation |                   | Reconciliation    |                   | Total             |                   |
|--|-------------------|-------------------|-------------------|-------------------|----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
|  | Sept. 30,<br>2010 | Sept. 30,<br>2009 | Sept. 30,<br>2010 | Sept. 30,<br>2009 | Sept. 30,<br>2010                | Sept. 30,<br>2009 | Sept. 30,<br>2010 | Sept. 30,<br>2009 | Sept. 30,<br>2010 | Sept. 30,<br>2009 |
| Licenses                                   | 90,248            | 98,336            | 77,107            | 66,720            | 32,338                           | 6,137             |                   |                   | 199,693           | 171,193           |
| Maintenance                                | 148,438           | 141,618           | 91,348            | 82,342            | 35,352                           | 4,235             |                   |                   | 275,138           | 228,195           |
| <b>Product sales</b>                       | <b>238,686</b>    | <b>239,954</b>    | <b>168,455</b>    | <b>149,062</b>    | <b>67,690</b>                    | <b>10,372</b>     | <b>0</b>          | <b>0</b>          | <b>474,831</b>    | <b>399,388</b>    |
| Professional Services                      | 47,585            | 50,168            | 87,244            | 75,330            | 180,131                          | 28,000            |                   |                   | 314,960           | 153,498           |
| Other                                      | 534               | 590               | 1,630             | 1,578             | 911                              | 198               |                   |                   | 3,075             | 2,366             |
| <b>Total revenue</b>                       | <b>286,805</b>    | <b>290,712</b>    | <b>257,329</b>    | <b>225,970</b>    | <b>248,732</b>                   | <b>38,570</b>     | <b>0</b>          | <b>0</b>          | <b>792,866</b>    | <b>555,252</b>    |
| Cost of sales                              | -56,057           | -62,265           | -87,842           | -85,771           | -165,392                         | -26,111           | -15,511           | -9,178            | -324,802          | -183,325          |
| <b>Gross profit</b>                        | <b>230,748</b>    | <b>228,447</b>    | <b>169,487</b>    | <b>140,199</b>    | <b>83,340</b>                    | <b>12,459</b>     | <b>-15,511</b>    | <b>-9,178</b>     | <b>468,064</b>    | <b>371,927</b>    |
| Sales, marketing and distribution expenses | -52,542           | -52,692           | -60,092           | -63,999           | -47,808                          | -6,701            | -9,261            | -6,280            | -169,703          | -129,672          |
| <b>Business line contribution</b>          | <b>178,206</b>    | <b>175,755</b>    | <b>109,395</b>    | <b>76,200</b>     | <b>35,532</b>                    | <b>5,758</b>      | <b>-24,772</b>    | <b>-15,458</b>    | <b>298,361</b>    | <b>242,255</b>    |
| Research and development expenses          | -23,262           | -22,360           | -34,636           | -35,354           | -10,080                          | -1,282            | 0                 | 0                 | -67,978           | -58,996           |
| <b>Business line result</b>                | <b>154,944</b>    | <b>153,395</b>    | <b>74,759</b>     | <b>40,846</b>     | <b>25,452</b>                    | <b>4,476</b>      | <b>-24,772</b>    | <b>-15,458</b>    | <b>230,383</b>    | <b>183,259</b>    |
| General and administrative expenses        |                   |                   |                   |                   |                                  |                   |                   |                   | -61,555           | -48,565           |
| Other operating income/expenses, net       |                   |                   |                   |                   |                                  |                   |                   |                   | 5,732             | 4,082             |
| <b>Earnings before interest and taxes</b>  |                   |                   |                   |                   |                                  |                   |                   |                   | <b>174,560</b>    | <b>138,776</b>    |
| Net financial income/expense               |                   |                   |                   |                   |                                  |                   |                   |                   | -11,224           | -1,912            |
| <b>Earnings before taxes</b>               |                   |                   |                   |                   |                                  |                   |                   |                   | <b>163,336</b>    | <b>136,864</b>    |
| Taxes                                      |                   |                   |                   |                   |                                  |                   |                   |                   | -52,375           | -44,170           |
| <b>Net income</b>                          |                   |                   |                   |                   |                                  |                   |                   |                   | <b>110,961</b>    | <b>92,694</b>     |

The segments are managed on the basis of the business line contributions. The research and development expenses incurred are allocated subsequently to the different segments, but do not have an impact on internal segment management.

## 8\_ CONTINGENT LIABILITIES

As of September 30, 2010, no provisions had been recognized for the following contingent liabilities, expressed at their nominal amounts, since it appeared unlikely that any claims would be asserted:

| in € thousands | Sept. 30, 2010 | Dec. 31, 2009 | Sept. 30, 2009 |
|----------------|----------------|---------------|----------------|
| Guarantees     | 0              | 0             | 1,223          |
| Other          | 1,389          | 1,368         | 1,581          |
|                | <b>1,389</b>   | <b>1,368</b>  | <b>2,804</b>   |

No collateral received existed as of the reporting date (Sept. 30, 2009: €521 thousand).

## Disclosures on leases

The Group's rental agreements/operating leases relate chiefly to office space, vehicles, and IT equipment. Lease payments under operating leases are recognized as an expense over the term of the lease.

| in € thousands                  | Up to 1 year | 1-5 years | > 5 years | Total          |
|---------------------------------|--------------|-----------|-----------|----------------|
| Contractually agreed payments   | 24,661       | 45,628    | 4,355     | <b>74,644</b>  |
| Estimated income from subleases | -2,518       | -6,749    | -2,631    | <b>-11,898</b> |

## 9\_ SEASONAL INFLUENCES

Revenues and pre-tax earnings were distributed over fiscal year 2009 as follows:

| in € thousands                  | Q1 2009 | Q2 2009 | Q3 2009 | Q4 2009 | 2009    |
|---------------------------------|---------|---------|---------|---------|---------|
| Total revenue                   | 165,290 | 176,377 | 213,585 | 292,124 | 847,376 |
| in % of annual revenue          | 20      | 21      | 25      | 34      | 100     |
| Earnings before taxes           | 38,520  | 43,571  | 54,773  | 72,412  | 209,276 |
| in % of net income for the year | 18      | 21      | 26      | 35      | 100     |

Due to the inclusion of IDS Scheer in the consolidated financial statements as of August 20, 2009, the revenue and earnings trend for 2009 is not of any great significance with respect to predicting the trend for 2010.

## 10\_ LITIGATION

In February 2010, a software company in Virginia, USA sued Software AG and 11 additional defendants, including IBM and SAP, for infringement of several of its software patents. The lawsuit was filed with a court in Virginia. The proceedings are in a very early stage and have been suspended for Software AG and additional defendants by order of the court. The proceedings are being actively pursued against only two of the defendants. The manner in which the suspended proceedings will be continued will depend on the outcome of the two exemplary proceedings. The suspension order is not expected to be rescinded before year-end 2010.

A large number of arbitration proceedings have been initiated at the Regional Court of Saarbrücken in connection with the control and profit transfer agreement with IDS Scheer AG. In these proceedings, the petitioners are seeking an increase in their cash settlements and annual compensatory payments. Software AG considers the objections as to valuation to be groundless. The proceedings are in an early stage; as yet there have been no hearings before the court.

In connection with the merger of IDS Scheer AG with Software AG, three shareholders have filed a complaint contesting the validity of the resolution of the Annual Shareholders' Meeting of IDS Scheer on July 8, 2010 consenting to the merger. IDS Scheer AG does not regard this objection as founded and has filed an answer to the claim with the court. No court hearing has been scheduled as yet. IDS Scheer AG has petitioned the Higher Regional Court of Saarbrücken to rule that the complaint filed does not stand in the way of the merger. Software AG assumes that the petition will be successful. It is expected that the Higher Regional Court, as the court of first and last instance, will decide on the matter at the end of 2010 or beginning of 2011. If the Higher Regional Court of Saarbrücken allows the petition, we expect the merger to take effect shortly thereafter. Regardless of the outcome of the petition, arbitration proceedings may be opened afterwards to review the merger relationship.

There were no other changes with respect to the legal disputes reported at the end of 2009, nor were there any new legal disputes that could potentially have a significant effect on the Company's financial position, cash flows, or profit or loss.

## 11\_ STOCK OPTION PLANS AND STOCK APPRECIATION RIGHTS PROGRAM

Software AG has various stock option plans for members of the Management Board, officers, and other Group employees. Our stock price-based remuneration plans are described in detail on pages 117 – 119 of our 2009 Annual Report.

Expenses for stock options accounted for as equity-settled plans pursuant to IFRS 2 amounted to €2,531 thousand in the first nine months of fiscal year 2010 (Sept. 30, 2009: €1,526 thousand).

Expenses for stock options accounted for as cash-settled plans under IFRS amounted to €6,049 thousand in the first nine months of fiscal 2010 (Sept. 30, 2009: €3,207 thousand).

The number of outstanding stock options on the basis of Software AG shares changed as follows after December 31, 2009:

|   | Balance as of<br>Dec. 31, 2010 | Granted | Exercised | Forfeited | Balance as of<br>Sept. 30, 2010 | Thereof exer-<br>cisable as of<br>Sept. 30, 2010 |
|---|--------------------------------|---------|-----------|-----------|---------------------------------|--|
| Stock option program MIP II                   | 7,691                          | 0       | -7,651    | -40       | 0                               | 0  |
| Stock price-based remuneration plan from 2007 | 1,881,854                      | 0       | 0         | -109,000  | 1,772,354                       | 0  |

Of the options outstanding on September 30, 2010 from the 2007 stock price-based remuneration program, 1,100,000 options were accounted for as cash-settled stock option plans in accordance with the provisions of IFRS 2.  
In addition, 82,027 options to purchase shares in IDS Scheer were outstanding as of September 30, 2010 as part of IDS Scheer's employee stock ownership plans. The option holders are entitled to purchase 10 IDS Scheer shares per option.

## 12\_ EMPLOYEES

As of September 30, 2010, the average number of employees (i.e., part-time employees are taken into account on a pro-rata basis only) by area of activity was as follows:

|                          | Sept. 30, 2010 | Sept. 30, 2009 |
|--------------------------|----------------|----------------|
| Maintenance and service  | 3,124          | 1,890          |
| Sales and marketing      | 1,066          | 798            |
| Research and development | 837            | 695            |
| Administration           | 785            | 588            |
|                          | <b>5,812</b>   | <b>3,971</b>   |

In absolute terms (i.e., part-time employees are counted in full), the Group employed 5,890 people as of September 30, 2010 (Sept. 30, 2009: 6,221), of which 2,284 (Sept. 30, 2009: 2,574) were from IDS Scheer.

## 13\_ CHANGES AND INFORMATION REGARDING CORPORATE BODIES

The size and composition of the Supervisory Board has changed as a result of the change from one-third participation in accordance with the One-Third Employee Representation Act to equal participation of the Supervisory Board in accordance with the German Co-Determination Act. In accordance with Section 97 (2) Sentence 3 of the German Stock Corporation Act, the term of the previous members of the Supervisory Board expired as of the end of the Annual Shareholders' Meeting of May 21, 2010 as a consequence of changing the composition of the Supervisory Board to conform with the German Co-Determination Act. Upon the conclusion of the Annual Shareholders' Meeting, the Supervisory Board was to be formed in accordance with Sections 96 (1) and 101 (1) of the German Stock Corporation Act, Sections 1 (1) and 7 (1) Sentence 1 No. 1 of the German Co-Determination Act, and Section 9 of the Articles of Incorporation of Software AG, and was to consist of twelve members, six of whom were to be elected by the Annual Shareholders' Meeting. On May 21, 2010, the Annual Shareholders' Meeting of Software AG elected the following persons to the Supervisory Board as members representing the shareholders, effective from the end of the Annual Shareholders' Meeting on May 21, 2010 until the end of the Annual Shareholders' Meeting that decides on ratification of the actions of the Supervisory Board members for fiscal year 2014:

- Dr. Andreas Berezcky, Director of Production of ZDF, resident of Eschweiler;
- Mr. Willi Berchtold, graduate in economics, private consultant, resident of Überlingen;
- Mr. Heinz Otto Geidt, Director of Asset Management at Software AG Foundation, resident of Kelkheim;
- Prof. Hermann Requardt, PhD, graduate in physics, member of the Management Board of Siemens AG, Sector CEO Healthcare, Director of Corporate Technology, resident of Erlangen;
- Ms. Anke Schäferkordt, MBA, Managing Director of RTL Television GmbH, resident of Cologne; and
- Mr. Alf Henryk, graduate in engineering, CEO of Alcatel-Lucent Deutschland AG, resident of Stuttgart.

In a decision of April 23, 2010, the Local Court of Darmstadt appointed the following persons as replacement members of the Supervisory Board to represent the employees, effective from the end of the Annual Shareholders' Meeting of Software AG on May 21, 2010 until completion of the employee representative election process:

- Mr. Rainer Buckhardt, employee of SAG Deutschland GmbH and Chair of the Darmstadt Works Council of Software AG, resident of Darmstadt;
- Ms. Monika Neumann, employee of SAG Deutschland GmbH and Chair of the General Works Council of Software AG, resident of Schliersee;
- Mr. Manfred Otto, employee of IDS Scheer AG, resident of Kaiserslautern;
- Mr. Roland Schley, employee of IDS Scheer AG, resident of Ottweiler;
- Mr. Martin Sperber-Tertsunen, trade union secretary of IG Metall, resident of Glashütten.

In a further decision of May 11, 2010, the Local Court of Darmstadt appointed the following person as a replacement member of the Supervisory Board to represent the employees, effective from the end of the Annual Shareholders' Meeting of Software AG on May 21, 2010 until completion of the employee representative election process:

- Mr. Peter Gallner, trade union secretary of Vereinte Dienstleistungsgewerkschaft (ver.di) (United Services Union), resident of Koblenz.

In its constitutive meeting on May 21, 2010, the Supervisory Board elected Dr. Bereczky as Chairman of the Supervisory Board.

On August 27, 2010, the employees of Software AG and IDS Scheer AG elected the following persons to the Supervisory Board as employee representatives:

- Mr. Peter Gallner, trade union secretary of Vereinte Dienstleistungsgewerkschaft (ver.di) (United Services Union), resident of Koblenz;
- Mr. Dietlind Hartenstein, employee of IDS Scheer AG, resident of Zweibrücken;
- Ms. Monika Neumann, employee representative and Chair of the General Works Council of Software AG, resident of Schliersee;
- Mr. Manfred Otto, executive employee of IDS Scheer AG, resident of Kaiserslautern;
- Mr. Roland Schley, employee of IDS Scheer AG and employee representative on the Supervisory Board of IDS Scheer AG, resident of Ottweiler;
- Mr. Martin Sperber-Tertsunen, trade union secretary of IG Metall, resident of Glashütten.

Mr. Rainer Burckhardt's position as employee representative on the Supervisory Board of Software AG ended effective August 27, 2010.

The following changes occurred on the Management Board between January and September 2010:

Mr. Mark Edwards and Mr. Ivo Totev resigned their seats on the Management Board effective July 31, 2010 in order to join the newly formed Group Executive Board of Software AG.

Dr. Peter Kürpick left the Company as of August 4, 2010 by mutual agreement.

Dr. Wolfram Jost was appointed Chief Technology Officer and Management Board member responsible for Product Management effective August 1, 2010.

#### 14\_ EVENTS AFTER THE BALANCE SHEET DATE

Other than the acquisition of Data Foundations described in Note 4, no significant events occurred between the balance sheet date and the date of release of these quarterly financial statements.

#### Date and authorization for issue

Software AG's Management Board approved the consolidated quarterly financial statements on November 5, 2010.

Darmstadt, November 5, 2010

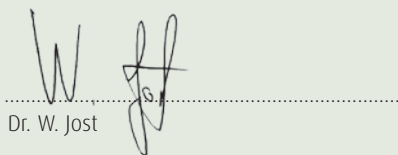
Software AG



K.-H. Streibich



D. Broadbent



Dr. W. Jost



A. Zinnhardt

## FINANCIAL CALENDAR

Financial Calendar

2011

January 27, 2011

Q4/FY 2010 preliminary financial figures

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