

# Process Innovation for the Digital Enterprise



# KEY FIGURES 2012

## KEY FIGURES as of September 30, 2012 IFRS, unaudited

in € millions (unless otherwise stated)	Sept. 30, 2012	Sept. 30, 2011	Change in %	Q3 2012	Q3 2011	Change in %
<b>Revenue</b>	<b>770.6</b>	<b>804.3</b>	<b>-4</b>	<b>257.4</b>	<b>274.6</b>	<b>-6</b>
<b>By type</b>						
Product revenue	515.3	484.7	6	178.3	168.9	6
Consulting and Services	253.7	316.4	-20	78.2	105.2	-26
Other	1.6	3.2		0.9	0.5	
<b>By business line</b>						
Business Process Excellence (BPE)	390.9	376.7	4	134.3	131.2	2
Enterprise Transaction Systems (ETS)	283.1	281.6	1	93.8	95.1	-1
IDS Scheer Consulting (IDSC)	96.6	146.0	-34	29.3	48.3	-39
<b>EBIT</b>	<b>172.9</b>	<b>191.2</b>	<b>-10</b>	<b>61.1</b>	<b>72.0</b>	<b>-15</b>
as % of revenue	22.4	23.8		23.7	26.2	
<b>Net income</b>	<b>114.0</b>	<b>125.3</b>	<b>-9</b>	<b>40.7</b>	<b>46.6</b>	<b>-13</b>
as % of revenue	14.8	15.6		15.8	17.0	
Earnings per share in € (basic)	1.31	1.46	-10	0.47	0.54	-13
Earnings per share in € (diluted)	1.31	1.44	-9	0.47	0.53	-11
Free cash flow	125.5	108.2	16	24.6	13.3	85
Total assets	1,727.1	1,663.2				
Cash and cash equivalents	274.7	188.0				
Net debt	10.5	143.4				
Shareholders' equity	1,027.0	870.5				
as % of total assets	59	52				
<b>Employees (full-time equivalents)</b>	<b>5,436</b>	<b>5,498</b>				
of which in Germany	1,783	1,920				
of which in R&D	892	855				

# PIONEER AND MARKET LEADER

Software AG helps organizations achieve their business objectives faster. The company's big data, integration and business process technologies enable customers to drive operational efficiency, modernize their systems and optimize processes for smarter decisions and better service. Building on over 40 years of customer-centric innovation, the company is among the top 10 fastest-growing technology companies in the world and is ranked as a "leader" in fifteen market categories, fueled by core product families Adabas and Natural, ARIS, Terracotta and webMethods.

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# INTERIM MANAGEMENT REPORT

## PRELIMINARY REMARKS

This quarterly report contains forward-looking statements. They are based on plans, estimates and projections that are currently available to Software AG's management. Forward-looking statements therefore apply only to the date on which they were made. Software AG accepts no obligation to develop forward-looking statements based on new information or future events.

Forward-looking statements by nature contain factors of risk and uncertainty. A number of important factors can contribute to actual results deviating considerably from forward-looking statements. All of the information in this report that does not represent forward-looking statements relates to the situation on September 30, 2012, or the third quarter of the current fiscal year ended on that date, unless otherwise stated.

Software AG's segment reporting is prepared in accordance with IFRS 8 (Segment Reporting). Segmentation is by business line and corresponds to the Group's internal controlling and reporting lines. Accordingly, Software AG reports on the following business lines: Business Process Excellence (with the webMethods, ARIS and Terracottawproduct families), Enterprise Transaction Systems (with the Adabas and Natural product families), and IDS Scheer Consulting (with a focus on SAP consulting).

## 1 GENERAL TRENDS IN THE IT INDUSTRY

The software sector is in an ongoing period of transition. The growing trend among companies is to outsource data and applications to external providers and to pay for IT resources based on usage (software as a service). Moreover, cloud computing services offer major savings potential as organizations no longer need to maintain cost-intensive computing capacities that were necessary in the past.

Simultaneously, the increasing popularity of smart phones and tablet PCs is placing new demands on developers of mobile solutions.

Social collaboration is also impacting the software industry. Similar to private social networks, interactive collaboration in a professional context is enabling greater information accessibility. This, in turn, allows better utilization of existing knowledge and more efficient processes.

Big data is also a current IT trend. The ever growing volume of data coming out of organizations, websites, social networks, etc. can no longer be processed optimally with customary methods and tools. New in-memory technology alleviates this through the efficient management of large and, above all, unstructured data. This technology enables

direct access to data stored in main memory (cache), which makes data access up to 1,000 times faster than with traditional databases. Thus, organizations using this technology gain a clear competitive advantage.

More than ever before software companies face the challenges of revising their business models, working more intensively with other vendors and adapting to the quickly changing needs of customers. The industry's transition also offers major opportunities for innovative companies to position themselves in the market.

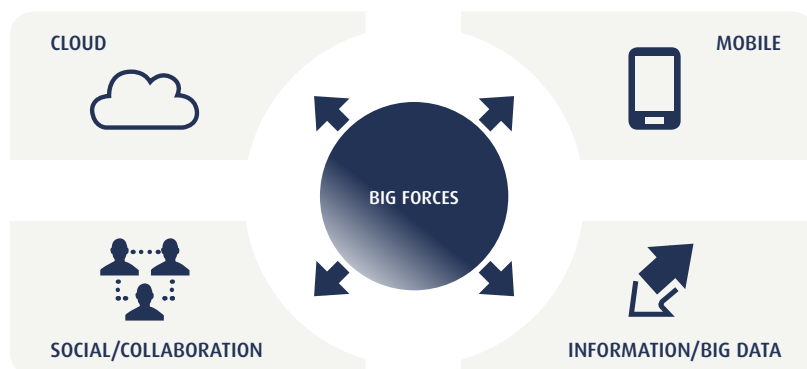
Software AG is targeting its activities more heavily to the new technological mega trends that are revolutionizing the IT industry.

Therefore, Software AG is:

- Expanding its presence in specific markets, such as North America
- Investing in research and development of new products to improve its competitive position
- Focusing on the big data market to generate significant additional growth stimulus
- Developing solutions that help customers adapt to external changes faster, more flexibly and more efficiently

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### MAIN TECHNOLOGY DRIVERS



## 2 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

### Sales Initiative Bears Fruit and Accelerates Growth

In an effort to improve its competitive position in the Business Process Excellence (BPE) business line, Software AG announced that it would step up its sales and marketing activities at the beginning of 2012. The planned investments include all important regions. In particular, the company will more strongly address the North American market with business process optimization software. As part of this go-to-market strategy, Software AG appointed John (Jay) Johnson as President of U.S. operations and member of the Group Executive Board in August.

Software AG consistently and successfully implemented its strategic announcements during the first nine months of the year. Following a successful second quarter, the strategic sales and marketing measures produced positive results for the second quarter in a row. BPE license revenue in the third quarter of the current fiscal year rose 20 percent to €50.0 million (2011: €41.7 million). As this result was clearly above external market expectations, Software AG issued its preliminary key figures for the third quarter already on October 12, 2012 by an ad hoc release.

### Continuing Demand for Terracotta's Big Data Technology

Software AG's dedicated expansion of sales and marketing activities during the first nine months of the current fiscal year led not only to growth in specific regions, but also

drove a dynamic development of its U.S. subsidiary, Terracotta Inc. Thanks to new large-scale projects in the big data market, where fast access and processing of huge amounts of data plays a critical role, Terracotta repeated last quarter's record sales with some €5 million in the third quarter.

The success of Software AG's big data technology has received a great deal of external attention and affirmation as well. Terracotta's BigMemory product won the 2012 DataWeek Award for Top Innovator in the "Big Data Technology" category in San Francisco on September 9, 2012. Software AG considers its strategy of actively shaping the big data market to be confirmed and expects the growth trend in the BPE business line to continue. Organizations have only just begun analyzing and utilizing the enormous amount of data stored in archives and databases, which is constantly growing due to new information, for example, from the Internet.

### New Terracotta CEO

Software AG appointed Robin Gilthorpe as new Chief Executive Officer (CEO) of Terracotta Inc. in September 2012. With this step, the company continues to address the rapidly growing market for big data. Robin Gilthorpe is also a Member of Software AG's Group Executive Board.

Terracotta license sales demonstrated robust growth in the third quarter of 2012. Revenue for the year is expected to triple or quadruple year-on-year. Market researchers at IDC estimate that the market for big data technology and services

will grow annually by 40 percent, which is seven times faster than the IT industry average. This market is forecast to reach a sales volume of nearly \$17 billion in the year 2015, following sales of about \$3 billion in 2010.

#### ProcessWorld 2012: Value-Adding Innovations

Software AG's international customer event, ProcessWorld, was held in Orlando, Florida in the third quarter of 2012. From October 15-17, the company presented more than 700 attendees from 30 countries with the latest trends in IT that its product innovations are addressing. Topics included the four mega trends in technology: cloud, big data, mobile and social collaboration. The event's highlight was the premier of version 9.0 of webMethods and ARIS.

The new product suite features greater data transparency, flexibility and enhanced functionality and therefore reflects changing customer requirements in technology. The new versions of webMethods and ARIS also mark an important milestone in Software AG's cloud and big data strategy. Under the slogan "Get There Faster," IT solutions were discussed that organizations need — in times of increasing competition — to identify new, more efficient ways of achieving their business goals faster. A select group of customers representing the public and private sectors, such as Coca-Cola Enterprises, Estee Lauder, Heineken and Nielsen, attested to how Software AG products have added real value to their businesses.

For more information on ProcessWorld, please visit:

<http://www.softwareag.com/corporate/Press/ProcessWorld.asp>



Software AG CEO Karl-Heinz Streibich at ProcessWorld 2012 in Orlando

**Expanded Partner Management**

Software AG continued to expand its partner business with the aim of propelling its global sales activities. Accordingly, the company placed its partner sales under new leadership and will significantly step up its activities in this area.

Global partner management is a component of Software AG's growth strategy for accessing important markets and industries. The company's goal is to globally expand business relationships and attract new partners.

**Recognition from Market Research Firm Gartner**

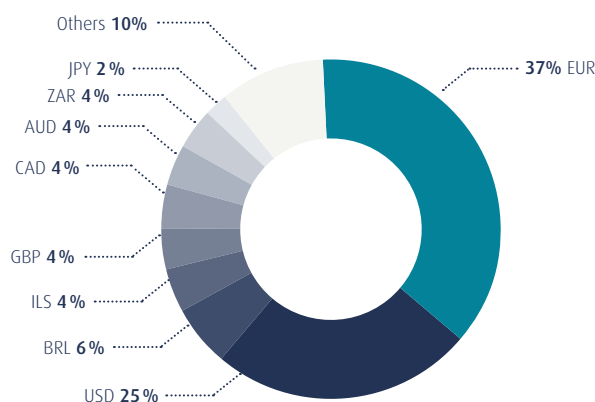
Software AG was positioned by industry analyst firm Gartner, Inc. in the Leaders Section of the Magic Quadrant for Enterprise Governance, Risk and Compliance Platforms, which was published in October. The study commended Software AG's ARIS Risk and Compliance Manager because it provides businesses with holistic control of their compliance activities and the ability to analyze and assess risks. This combines risk and compliance management into one strategic management tool.

**3 FINANCIAL PERFORMANCE**

**3.1 SALES BY REVENUE TYPE**

Group revenue was impacted positively by currency translation effects totaling €9.6 million. Exchange rates had the greatest effect on maintenance revenue, followed by licenses. In contrast, the effect on consulting revenue was minimal, as these services are invoiced mainly in euros.

**CURRENCY EFFECT ON REVENUE IN 2012 YTD (9 MONTHS)**



- 37% of revenue in EUR
- 63% of revenue in foreign currencies

**CURRENCY EFFECT ON REVENUE**

in € millions	Q3 2012	Q3 in %	Q1-Q3 2012	Q1-Q3 in %
Licenses	3.1	4	7.6	4
Maintenance	4.8	5	10.7	4
Consulting & other	1.7	2	4.2	2
<b>Total</b>	<b>9.6</b>	<b>4</b>	<b>22.5</b>	<b>3</b>

The contribution of the euro zone to revenue in the nine-month reporting period dropped to 37 percent (2011: 41 percent). The company's dependence on the euro thus continued to diminish, which Software AG considers to be positive in light of the ongoing euro crisis and its associated risks. At the same time, revenue was more widely distributed among various other currencies.



The dynamic development of the innovative and profitable BPE business line continued as did the stabilization of the traditional ETS division in the third quarter of 2012. Service revenue in the same quarter declined further due to targeted consolidation measures. As a result, the revenue mix continued to shift favorably toward the two profitable product lines. Due to the decline in the service business, total revenue for the Group was down year-on-year to €257.4 million (2011: €274.6 million). It did however remain constant from the seasonally strong second quarter's €258.6 million.

Bolstered by robust license growth, total product revenue (consisting of licenses and maintenance) increased six percent to €178.3 million (2011: €168.9 million). License sales are an important growth indicator for software companies. Here, Software AG generated €80.5 million (2011: €74.6 million), which is an eight-percent increase year-on-year. The integration and process software segment (BPE) achieved growth of 20 percent. This positive development shows early results from the sales and marketing initiative focused on North America that was launched at the beginning of 2012.

Total maintenance revenue increased by four percent to €97.7 million (2011: €94.2 million). The BPE business line contributed €46.7 million (2011: €42.5 million) to that amount, which is about 10 percent more than last year. The ETS contribution to maintenance revenue remained constant at €47.4 million (2011: €47.5 million).

Service revenue decreased to €78.2 million (2011: €105.2 million). This drop is due to consolidation measures in the consulting unit as well as its focus on process consulting for SAP solutions in defined core markets, particularly German-speaking countries (Germany, Austria and Switzerland). BPE and ETS together contributed €53.8 million (2011: €62.9

million) to total service revenue in the quarter under review. While service revenue in the ETS business line increased slightly, BPE service revenue was down year-on-year. This reflects the increasing user-friendliness of new software products where installations require fewer services.

### 3.2 REVENUE AND EARNINGS BY BUSINESS LINE (SEGMENT REPORT)

Total third-quarter revenue reached €257.4 million and was distributed among the three business lines as follows:

- Business Process Excellence: €134.3 million (52.2 percent)
- Enterprise Transaction Systems: €93.8 million (36.4 percent)
- IDS Scheer Consulting: €29.3 million (11.4 percent)

#### Business Process Excellence (BPE)

The Business Process Excellence (BPE) business line consists of the innovative webMethods (IT integration), ARIS (business process software) and Terracotta (big data) product families. BPE reported growth of two percent to €134.3 million (2011: €131.2 million) year-on-year. Product revenue (licenses and maintenance) in particular showed substantial growth (15 percent) totaling €96.7 million (2011: €84.2 million). This growth was fueled by BPE license revenue, which at €50.0 million (2011: €41.7 million), was up 20 percent. In sequential comparison to the second quarter of 2012, license revenue rose some 10 percent over €45.6 million. This result is more encouraging as the typical seasonal development would have seen a weaker third quarter than the second. Moreover, it proves that Software AG is well positioned in a high-growth market.

Software AG's BPE maintenance revenue went up 10 percent to €46.7 million (2011: €42.5 million). All regions contributed to BPE's product performance with double-digit growth rates.

The sales initiative in North America, in which Software AG has been investing heavily since the beginning of the year, has already led to substantial business expansion for two consecutive quarters. A positive sales trend was also sustained in Europe for technology-leading software products. Moreover, Teracotta's big data products continued their dynamic growth with a revenue increase of more than 100 percent to total about €5 million. Software AG expects these sales to triple or quadruple for fiscal year 2012. These results confirm that demand for increasing efficiency and competitive advantage through the use of integration, process and big data software has remained constant.

BPE services in contrast fell to €37.6 million (2011: €47.0 million). This reflects the increasing user-friendliness of new software product where installations require fewer services. As a result, the profitable license business is growing faster than service revenue.

The BPE business line's two-percent revenue growth to €134.3 million (2011: €131.2 million) was offset by a targeted increase in sales and marketing expenses for high-growth products and markets of 16 percent or €36.5 million. Research and development expenses increased by 25 percent to €18.8 million. This rise is primarily the result of Software AG's expansion of its innovative technologies. This includes the enhancement of the big data products by the U.S.-based subsidiary, Terracotta Inc., and the myChannels messaging middleware platform, acquired in April 2012. This technology enables organizations to rapidly and securely transfer their data streams to cloud and mobile applications.

In spite of significant investments in the BPE business model, Software AG was able to improve the segment's earnings, which reached €40.7 million (2011: €37.3 million).

### Enterprise Transaction Systems (ETS)

The Enterprise Transaction Systems (ETS) business line consists of revenues from licenses, maintenance and services from the traditional Adabas and Natural product families. In the third quarter of 2012, ETS remained nearly stable with respect to last year with revenue totaling €93.8 million (2011: €95.1 million). License revenue for the business line was €30.2 million (2011: €31.7 million) and thus contributed to the further stabilization of this highly profitable traditional business. At €47.4 million (2011: €47.5 million), ETS maintenance revenue also remained constant. ETS service revenue exceeded last year's performance by two percent to reach €16.2 million (2011: €15.9 million).

At the same time, overhead costs were optimized such that central sales, marketing and development expenses could be reduced. Sales and marketing expenses decreased by five percent to €15.9 million. The cost of research and development was also improved by seven percent to €6.3 million in the quarter under review. ETS segment earnings were €53.4 million (2011: €55.9 million), which reflects a profit margin of 57 percent.

### IDS Scheer Consulting (IDSC)

Software AG has continued to exit unprofitable service markets and SAP consulting projects since the beginning of 2012. As a result, revenue from IDS Scheer Consulting decreased to €29.3 million (2011: €48.4 million). The consulting business' focus is on process consulting for SAP solutions in defined core markets, particularly German-speaking countries (Germany, Austria and Switzerland)

Revenue from external products, primarily SAP products, generated €4.0 million (2011: €5.6 million). Organizational restructuring enabled a decrease in the cost of sales by 26 percent to €27.6 million (2011: €37.4 million) and in sales and marketing expenses to €4.4 million (2011: €7.0 million).

**EARNINGS****Q3 2012 / Q1-Q3 2012 (9 months)\*\***

in € millions	Q3 2012	Q3 2011	Change in %	Q1-Q3 2012	Q1-Q3 2011	Change in %
<b>Product revenue</b>	<b>178.3</b>	<b>168.9</b>	<b>6</b>	<b>515.3</b>	<b>484.7</b>	<b>6</b>
<b>Total revenue</b>	<b>257.4</b>	<b>274.6</b>	<b>-6</b>	<b>770.6</b>	<b>804.3</b>	<b>-4</b>
Cost of sales	-90.2	-106.4	-15	-289.5	-332.4	-13
<b>Gross profit</b>	<b>167.2</b>	<b>168.2</b>	<b>-1</b>	<b>481.1</b>	<b>471.9</b>	<b>2</b>
Margin (in %)	65.0	61.3		62.4	58.7	
R & D	-25.2	-22.0	15	-74.8	-65.4	14
Sales & marketing	-60.4	-58.5	3	-181.3	-168.6	8
Administration	-20.0	-15.3	31	-54.2	-49.1	10
Other income/expense	-0.5	-0.4	25	2.1	2.4	-13
<b>EBIT</b>	<b>61.1</b>	<b>72.0</b>	<b>-15</b>	<b>172.9</b>	<b>191.2</b>	<b>-10</b>
Margin (in %)	23.7	26.2		22.4	23.8	
EBITDA (pro forma*)	73.7	85.1	-13	210.8	226.3	-7
Margin (in %)	28.6	31.0		27.4	28.1	

\* Depreciation & amortization are included in functional areas in accordance with IFRS

\*\*As of September 30, 2012

**Group Earnings**

Software AG lowered its cost of sales in the third quarter by 15 percent to €90.2 million (2011: €106.4 million). This is largely a result of consolidation measures in the consulting division. The company's gross margin therefore also grew from 61.3 percent to 65.0 percent.

Software AG's operating expenses rose by €9.8 million to €105.6 million. Investments in sales and marketing increased to €60.4 million (2011: €58.5 million) and led to a cost ratio of 23.5 percent of total revenue. Research and development expenses totaled €25.2 million (2011: €22.0 million). Thus, the cost ratio remained stable year-on-year at 14.1 percent of product revenue.

Due to higher expenses for sales and marketing for high-growth products and markets, particularly in the U.S., and due to costs this year from the consolidation of the consulting business, Earnings Before Interest and Taxes (EBIT) were €61.1 million (2011: €72.0 million). This is a decline of 15 percent compared to the same quarter last year, which was impacted by non-recurring effects. It is however an increase of five percent over the strong second quarter of 2012 (Q2 2012: €57.1 million). The EBIT margin was 23.7 percent (2011: 26.2 percent), which reflects an increase over the course of the year (Q1 2012: 21.5 percent and Q2 2012: 22.1 percent).

Third-quarter Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) were €73.7 million (2011: €85.1 million). Accordingly, the EBITDA margin was 28.6 percent.

### Net Income

The reduction of debts led to noticeably lower interest expenses totaling €1.4 million (2011: €3.2 million) in the third quarter of 2012. The tax rate of 31.8 percent (2011: 32.3 percent) improved slightly year-on-year. Because of increased investments as part of the company's sales initiative, Software AG's net income for the quarter under review was €40.7 million (2011: €46.6 million). Earnings per share (basic) were consequently €0.47 (2011: €0.54).

### First Nine Months of 2012

Software AG's product revenue (licenses and maintenance) in the first nine months of 2012 grew six percent to €515.3 million (2011: €484.7 million), which is attributable to the dynamic growth of the BPE business line. License revenue for this division totaled €131.3 million (2011: €112.1 million). This represents a 17.1-percent increase. ETS license revenue in the same period was slightly above last year at €89.1 million (2011: €87.2 million). Heavily impacted from consolidation of the consulting division, service revenue fell to €253.7 million (2011: €319.6 million). Total Group revenue for the nine-month period was thus €770.6 million (2011: €804.3 million). Earnings Before Interest and Taxes (EBIT) in the first nine months of fiscal 2012 were €172.9 million (2011: €191.2 million) due to increased investments in high-growth products and markets. This reflects an EBIT margin of 22.4 percent (2011: 23.8 percent).

## 4 FINANCIAL POSITION

### 4.1 CASH FLOW

Free cash flow in the third quarter of fiscal 2012 rose 85 percent to €24.6 million (2011: €13.3 million). In the nine-month period free cash flow grew 16 percent to total

€125.5 million. Free cash flow per share was thus higher both for the quarter and the nine-month period at €0.28 (2011: €0.15) and €1.45 (2011: €1.26) respectively.

### 4.2 TOTAL ASSETS

Software AG's total assets increased by €46.4 million compared to the end of fiscal 2011 to total €1,727.1 million as of September 30, 2012. Shareholders' equity for the same period was eight percent higher and totaled €1,027.0 million (Dec. 31, 2011: €951.5 million). This represents an equity ratio of 59.5 percent. Software AG reported net liquidity as of September 30, 2012 with a cash surplus (cash less financial liabilities) of €10.5 million.

## 5 EMPLOYEES

As of September 30, 2012, Software AG had 5,436 (2011: 5,498) full-time employees, of which 1,084 (2011: 1,031) worked in Sales and Marketing and 892 (2011: 855) in Research and Development. The total number of employees in Germany was 1,783 (2011: 1,920). Software AG will be hiring additional sales staff during the upcoming months as part of its growth initiative.

## 6 OPPORTUNITIES AND RISKS

There were no changes to the risk situation of the Software AG Group in the third quarter of 2012 as portrayed in the Risk Report of the 2011 Annual Report. Corresponding opportunities are described in the Outlook section of this report and the 2011 Annual Report.



## 7 EVENTS AFTER THE BALANCE SHEET DATE

There were no significant events concerning Software AG's business or overall strategy that took place after the balance sheet date.

## 8 OUTLOOK

Software AG's dynamic growth in licenses — propelled by its innovative products (process optimization and integration technology such as Terracotta) and sustained by stable ETS performance — influenced the first nine months of fiscal 2012 and is expected to continue through the fourth quarter. Neither negative economic factors nor consumer reluctance were apparent as of October 2012. Software AG considers this to be a confirmation of its growth strategy and further specifies its outlook as follows:

### 1. PRODUCT REVENUE

The first nine months of the year exhibited a notable difference in growth between product and service revenue. The profitable product business, which fueled growth and earnings, grew six percent to €178.3 million (2011: €168.9 million). Given that, the core product business is the focus of Software AG's revenue forecast.

Group product revenue for fiscal 2011 was around €674 million. For fiscal 2012, the company is targeting an increase between three and six percent (at constant currency) to reach a total of €715 to €735 million (previously two to seven percent).

### 2012 FULL-YEAR OUTLOOK

in € millions, IFRS

	FY 2011	Outlook 2012 ** (in %)	Q1-Q3 2012 (in %)
Group product revenue	674	+3 to +6*	+3*
thereof BPE	338	+10 to +13*	+10*
Total revenue, BPE	528	0 to +3*	0*
Total revenue, ETS	381	-4 to -2*	-2*
Group EBIT margin (in %)	24.5	23.0 to 24.0	22.4

\*At constant currency, delta

\*\* As of October 30, 2012

### 2. BPE REVENUE

For the growth-driving BPE business line, an increase in product revenue of between 10 and 13 percent (at constant currency) is expected for the current fiscal year. Due to low service revenue, less growth is anticipated for total BPE revenue (0 to 3 percent).

### 3. ETS REVENUE

The ETS business line posted some €381 million in revenue in fiscal 2011. For the current fiscal year, Software AG expects a smaller decline in ETS revenue between two and four percent (at constant currency) thanks to the stable performance of its traditional database business.

### 4. EBIT MARGIN

Due to ongoing higher sales investments, the company forecasts an EBIT margin for the year between 23.0 and 24.0 percent (previously 23.0 to 24.5 percent).

**CONSOLIDATED BALANCE SHEET as of September 30, 2012**  
**IFRS, unaudited**

in € thousands	Sept. 30, 2012	Dec. 31, 2011	Sept. 30, 2011
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	274,687	216,479	187,994
Inventories	137	505	123
Trade receivables	288,785	304,736	336,711
Other receivables and other assets	48,216	43,909	35,421
Prepaid expenses	11,619	8,656	10,524
	<b>623,444</b>	<b>574,285</b>	<b>570,773</b>
<b>Non-current assets</b>			
Intangible assets	226,494	248,202	251,718
Goodwill	759,877	752,223	736,711
Property, plant and equipment	63,841	65,365	63,390
Financial assets	17,004	3,446	4,859
Trade receivables	15,960	13,197	10,515
Other receivables and other assets	4,371	3,990	2,421
Prepaid expenses	944	1,256	1,388
Deferred taxes	15,147	18,731	21,451
	<b>1,103,638</b>	<b>1,106,410</b>	<b>1,092,453</b>
	<b>1,727,082</b>	<b>1,680,695</b>	<b>1,663,226</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current liabilities</b>			
Financial liabilities	50,802	26,088	80,038
Trade payables	45,094	58,066	48,318
Other liabilities	63,665	88,656	74,378
Other provisions	76,125	83,315	69,944
Tax liabilities	19,043	20,171	31,745
Deferred income	142,122	105,269	133,610
	<b>396,851</b>	<b>381,565</b>	<b>438,033</b>
<b>Non-current liabilities</b>			
Financial liabilities	213,379	251,278	251,365
Trade payables	41	453	22
Other liabilities	5,713	8,798	5,858
Provisions for pensions	37,904	38,200	40,133
Other provisions	11,063	11,495	10,274
Deferred taxes	34,348	36,745	46,310
Deferred income	819	679	744
	<b>303,267</b>	<b>347,648</b>	<b>354,706</b>
<b>Equity</b>			
Share capital	86,828	86,828	86,771
Capital reserve	38,690	35,716	32,186
Retained earnings	941,003	867,053	815,367
Other reserves	-39,113	-37,095	-62,627
Treasury shares	-1,176	-1,675	-1,675
Non-controlling interests	732	655	465
	<b>1,026,964</b>	<b>951,482</b>	<b>870,487</b>
	<b>1,727,082</b>	<b>1,680,695</b>	<b>1,663,226</b>

**CONSOLIDATED INCOME STATEMENT for the nine months and quarter ended September 30, 2012**  
IFRS, unaudited

in € thousands	Q1 - Q3 2012	Q1 - Q3 2011	Change in %	Q3 2012	Q3 2011	Change in %
Licenses	221,792	203,630	9	80,505	74,679	8
Maintenance	293,553	281,044	4	97,776	94,223	4
Services	253,683	316,379	-20	78,242	105,236	-26
Other	1,595	3,275	-51	901	494	82
<b>Total revenue</b>	<b>770,623</b>	<b>804,328</b>	<b>-4</b>	<b>257,424</b>	<b>274,632</b>	<b>-6</b>
Costs of sales	-289,510	-332,461	-13	-90,202	-106,405	-15
<b>Gross profit</b>	<b>481,113</b>	<b>471,867</b>	<b>2</b>	<b>167,222</b>	<b>168,227</b>	<b>-1</b>
Research and development expenses	-74,766	-65,417	14	-25,210	-21,982	15
Sales, marketing and distribution expenses	-181,346	-168,568	8	-60,437	-58,471	3
General and administrative expenses	-54,215	-49,048	11	-20,027	-15,314	31
<b>Operating result</b>	<b>170,786</b>	<b>188,834</b>	<b>-10</b>	<b>61,548</b>	<b>72,460</b>	<b>-15</b>
Other operating income	19,780	23,928	-17	5,420	8,348	-35
Other operating expenses	-17,626	-21,609	-18	-5,905	-8,772	-33
<b>Earnings before interest and taxes (EBIT)</b>	<b>172,940</b>	<b>191,153</b>	<b>-10</b>	<b>61,063</b>	<b>72,036</b>	<b>-15</b>
Financial income/expense net	-5,290	-6,709	-21	-1,358	-3,282	-59
<b>Earnings before taxes</b>	<b>167,650</b>	<b>184,444</b>	<b>-9</b>	<b>59,705</b>	<b>68,754</b>	<b>-13</b>
Income taxes	-48,114	-53,515	-10	-17,119	-20,461	-16
Other taxes	-5,551	-5,596	-1	-1,920	-1,672	15
<b>Net income</b>	<b>113,985</b>	<b>125,333</b>	<b>-9</b>	<b>40,666</b>	<b>46,621</b>	<b>-13</b>
Thereof attributable to shareholders of Software AG	113,863	125,274	-9	40,668	46,634	-13
Thereof attributable to non-controlling interests	122	59		-2	-13	
Earnings per share in € (basic)	1.31	1.46	-10	0.47	0.54	-13
Earnings per share in € (diluted)	1.31	1.44	-9	0.47	0.53	-11
Weighted average number of shares outstanding (basic)	86,769,635	86,015,106	-	86,775,968	86,701,906	-
Weighted average number of shares outstanding (diluted)	86,919,200	87,119,066	-	86,963,210	87,890,090	-

**CONSOLIDATED STATEMENT OF CASH FLOWS for the nine months and quarter ended September 30, 2012  
IFRS, unaudited**

in € thousands	Q1 - Q3 2012	Q1 - Q3 2011	Q3 2012	Q3 2011
Net income	113,985	125,333	40,666	46,621
Income taxes	48,114	53,515	17,119	20,461
Net financial income/expense	5,290	6,709	1,358	3,282
Amortization/depreciation of non-current assets	37,889	35,116	12,614	13,071
Other non-cash income/expense	2,517	3,394	-301	-450
<b>Operating cash flow before changes in working capital</b>	<b>207,795</b>	<b>224,067</b>	<b>71,456</b>	<b>82,985</b>
Changes in inventories, receivables and other current assets	4,674	51,510	-2,181	3,706
Changes in payables and other liabilities	-11,191	-67,138	-19,026	-39,470
Income taxes paid	-61,507	-85,710	-18,692	-23,890
Interest paid	-12,019	-12,377	-4,780	-6,882
Interest received	5,780	5,113	1,955	1,425
<b>Net cash provided by operating activities</b>	<b>133,532</b>	<b>115,465</b>	<b>28,732</b>	<b>17,874</b>
Proceeds from the sale of property, plant and equipment/ intangible assets	487	647	104	22
Purchase of property, plant and equipment/intangible assets	-7,486	-7,887	-3,068	-4,663
Proceeds from the sale of financial assets	137	293	-654	249
Purchase of financial assets	-731	-276	-484	-223
Cash inflows/outflows from current financial assets	-433	0	0	0
Payments for acquisitions, net	-16,889	-58,152	0	-73
<b>Net cash used in investing activities</b>	<b>-24,915</b>	<b>-65,375</b>	<b>-4,102</b>	<b>-4,688</b>
Proceeds from issue of share capital	466	33,252	466	362
Purchase of treasury stock (incl. hedge premiums paid)	0	-19,900	0	0
Dividends paid	-40,100	-37,160	0	0
Additions to financial liabilities	10,000	200,000	0	0
Repayments of financial liabilities	-21,592	-138,130	-18,522	-20,444
<b>Net cash provided by/used in financing activities</b>	<b>-51,226</b>	<b>38,062</b>	<b>-18,056</b>	<b>-20,082</b>
Change in cash and cash equivalents from cash relevant transactions	57,391	88,152	6,574	-6,896
Currency translation adjustment	817	-2,625	-1,900	256
<b>Net change in cash and cash equivalents</b>	<b>58,208</b>	<b>85,527</b>	<b>4,674</b>	<b>-6,640</b>
Cash and cash equivalents at beginning of the period	216,479	102,467	270,013	194,634
<b>Cash and cash equivalents at end of period</b>	<b>274,687</b>	<b>187,994</b>	<b>274,687</b>	<b>187,994</b>
<b>Free cash flow</b>	<b>125,506</b>	<b>108,242</b>	<b>24,630</b>	<b>13,259</b>



**STATEMENT OF COMPREHENSIVE INCOME for the nine months and quarter ended September 30, 2012**  
**IFRS, unaudited**

in € thousands	Q1 - Q3 2012	Q1 - Q3 2011	Q3 2012	Q3 2011
<b>Net income</b>	<b>113,985</b>	<b>125,333</b>	<b>40,666</b>	<b>46,621</b>
Currency translation differences	-1,351	-17,584	-13,757	14,406
Net gain/loss on remeasuring financial assets	-618	-3,101	-343	-2,457
Net gain/loss arising from translating net investments in foreign operations	5	2,745	-934	2,239
Net actuarial gain/loss and asset caps on defined benefit plans	-54	0	0	0
<b>Other comprehensive income</b>	<b>-2,018</b>	<b>-17,940</b>	<b>-15,034</b>	<b>14,188</b>
<b>Total comprehensive income</b>	<b>111,967</b>	<b>107,393</b>	<b>25,632</b>	<b>60,809</b>
Thereof attributable to shareholders of Software AG	111,845	107,334	25,634	60,822
Thereof attributable to non-controlling interests	122	59	-2	-13

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the nine months ended September 30, 2012**  
**IFRS, unaudited**

in € thousands	Common shares (No.)	Share capital	Capital reserve	Retained earnings	Currency translation differences
<b>Equity as of January 1, 2011</b>	<b>85,330,806</b>	<b>86,148</b>	<b>22,512</b>	<b>727,070</b>	<b>-31,440</b>
Comprehensive income				125,274	-17,584
Transactions with equity holders					
Dividend payment				-36,977	
New shares issued	622,600	623	14,395		
Stock options			17,582		
Issue and disposal of treasury stock	756,000		-2,403		
Purchase of treasury stock			-19,900		
Transactions between shareholders			0		
<b>Equity as of September 30, 2011</b>	<b>86,709,406</b>	<b>86,771</b>	<b>32,186</b>	<b>815,367</b>	<b>-49,024</b>
<b>Equity as of January 1, 2012</b>	<b>86,766,468</b>	<b>86,828</b>	<b>35,716</b>	<b>867,053</b>	<b>-26,894</b>
Total comprehensive income				113,863	-1,351
Transactions with equity holders					
Dividend payment				-39,913	
New shares issued					
Stock options			3,007		
Issue and disposal of treasury stock	19,000		-33		
Purchase of treasury stock (incl. hedge premiums paid)					
Other changes					
Transactions between shareholders					
<b>Equity as of September 30, 2012</b>	<b>86,785,468</b>	<b>86,828</b>	<b>38,690</b>	<b>941,003</b>	<b>-28,245</b>

Other reserves			Treasury shares	Attributable to shareholders of Software AG	Non-controlling interests	Total
Fair value measurement of securities and derivatives	Actuarial gains/losses from defined benefit plans	Currency translation gains/losses from net investments in foreign operations				
603	-13,850	0	-22,313	768,730	589	769,319
-3,101	0	2,745		107,334	59	107,393
				0		0
				-36,977	-183	-37,160
				15,018		15,018
				17,582		17,582
			20,638	18,235		18,235
			0	-19,900		-19,900
				0	0	0
-2,498	-13,850	2,745	-1,675	870,022	465	870,487
-3,054	-11,332	4,185	-1,675	950,827	655	951,482
-618	-54	5		111,845	122	111,967
				0		0
				-39,913	-187	-40,100
				0		0
				3,007		3,007
			499	466		466
				0		0
				0	142	142
				0		0
-3,672	-11,386	4,190	-1,176	1,026,232	732	1,026,964

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## GENERAL

### 1 BASIS OF PRESENTATION

Software AG's condensed and unaudited consolidated financial statements (interim financial statements) as of September 30, 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable on the balance sheet date, as endorsed by the EU. The IASs/IFRSs applicable as of September 30, 2012 were observed, as were the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC – formerly SIC).

Software AG is a registered stock corporation under German law with registered offices in Darmstadt. Software AG 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 interim financial statements of Software AG are expressed in thousands of euros unless otherwise stated.

### 2 CHANGES IN THE CONSOLIDATED GROUP

The following changes occurred in the consolidated Group in the first nine months of fiscal 2012:

in € thousands	Germany	Foreign	Total
January 1, 2012	10	94	104
Additions	0	1	1
Disposals (including mergers)	0	3	3
September 30, 2012	10	92	102

The addition relates to the acquisition of the U.K.-based company, my-Channels, as described in Note 4. The disposals relate to the sale of a subsidiary (FACT Unternehmensberatung Schweiz AG), which is not of material significance, to the merger of a subsidiary in Singapore and to the closing of a non-operational subsidiary in Sweden.

### 3 ACCOUNTING POLICIES



The same accounting policies have been applied to the consolidated interim financial statements as were applicable to the consolidated financial statements as of December 31, 2011. For more detailed information on accounting policies, please see Note 3 of the consolidated financial statements for fiscal 2011.

These quarterly financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting.

#### 4 BUSINESS COMBINATIONS

During the second quarter, Software AG acquired British technology provider, my-Channels. The acquisition complements and extends Software AG's existing integration technology with an extremely fast (low latency) messaging software. The company has 10 employees. The consideration due for this acquisition amounted to €15.2 million.

The following table shows the provisional allocation of the cost of the business combination to the net assets acquired.

in € thousands	Carrying amount prior to acquisition	Remeasurement to fair value	Opening balance
Cash and cash equivalents	977	0	977
Intangible assets	0	7,522	7,522
Goodwill	0	8,159	8,159
Other assets	909	0	909
<b>Total assets</b>	<b>1,886</b>	<b>15,681</b>	<b>17,567</b>
Liabilities and provisions	207	0	207
Deferred tax liabilities	23	1,881	1,904
Deferred income	405	- 103	302
<b>Total equity and liabilities</b>	<b>635</b>	<b>1,778</b>	<b>2,413</b>
<b>Acquired assets and assumed liabilities, net</b>	<b>1,251</b>	<b>13,903</b>	<b>15,154</b>
<b>Acquisition cost, gross</b>			<b>15,154</b>
Cash and cash equivalents acquired			977
<b>Acquisition cost net of cash acquired</b>			<b>14,177</b>

The full amount of goodwill resulting from the preliminary purchase price allocation was assigned to the Business Process Excellence segment.

The share of Software AG Group revenue and net income attributable to the acquired company since the date of acquisition is immaterial for the financial position, financial performance or cash flows of the Group as a whole.

In addition to the consideration paid for my-Channels in the amount of €14,177 thousand (net), considerations not yet paid from previous acquisitions in the amount of €2,712 thousand were paid in the first nine months of 2012.

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 5 GOODWILL

Goodwill amounted to €759,877 thousand as of September 30, 2012, an increase of €7,654 thousand compared to December 31, 2011. Of the rise in goodwill, a loss of €505 thousand resulted from currency translation fluctuations in particular due to the weak Israeli shekel and a gain of €8,159 thousand from the company's acquisition of the London-based company, my-Channels.

### 6 EQUITY

#### Share capital

Software AG's share capital totaled €86,828 thousand as of September 30, 2012, divided into 86,827,845 bearer shares. Each share entitles its holder to one vote.

#### Dividend payment

Pursuant to the proposal of the Management Board and the Supervisory Board, the Annual Shareholders' Meeting resolved on May 4, 2012 to appropriate €39,913 thousand for a dividend payout, to transfer €1,965 thousand to other retained earnings and to carry forward €153,735 thousand of the net retained profits of €195,613 thousand reported by Software AG, the controlling Group company, in 2011. This corresponded to a dividend of €0.46 per share.

## OTHER DISCLOSURES

### 7 SEGMENT REPORTING

The table below shows the segment data for the third quarters of 2012 and 2011:

#### SEGMENT REPORT for three months ended September 30, 2012 IFRS, unaudited

in € thousands	ETS		BPE		IDSC		Reconciliation		Total	
	Q3 2012	Q3 2011	Q3 2012	Q3 2011	Q3 2012	Q3 2011	Q3 2012	Q3 2011	Q3 2012	Q3 2011
Licenses	30,228	31,636	49,973	41,656	304	1,387			80,505	74,679
Maintenance	47,356	47,522	46,707	42,500	3,713	4,201			97,776	94,223
<b>Product revenue</b>	<b>77,584</b>	<b>79,158</b>	<b>96,680</b>	<b>84,156</b>	<b>4,017</b>	<b>5,588</b>	<b>0</b>	<b>0</b>	<b>178,281</b>	<b>168,902</b>
Consulting and Services	16,058	15,642	36,954	46,959	25,230	42,635			78,242	105,236
Other	184	284	695	56	22	154			901	494
<b>Total revenue</b>	<b>93,826</b>	<b>95,084</b>	<b>134,329</b>	<b>131,171</b>	<b>29,269</b>	<b>48,377</b>	<b>0</b>	<b>0</b>	<b>257,424</b>	<b>274,632</b>
Cost of sales	-18,197	-15,556	-38,321	-47,133	-27,556	-37,408	-6,128	-6,308	-90,202	-106,405
<b>Gross profit</b>	<b>75,629</b>	<b>79,528</b>	<b>96,008</b>	<b>84,038</b>	<b>1,713</b>	<b>10,969</b>	<b>-6,128</b>	<b>-6,308</b>	<b>167,222</b>	<b>168,227</b>
Sales, marketing and distribution expenses	-15,939	-16,811	-36,455	-31,649	-4,452	-7,010	-3,591	-3,001	-60,437	-58,471
<b>Segment contribution</b>	<b>59,690</b>	<b>62,717</b>	<b>59,553</b>	<b>52,389</b>	<b>-2,739</b>	<b>3,959</b>	<b>-9,719</b>	<b>-9,309</b>	<b>106,785</b>	<b>109,756</b>
Research and development expenses	-6,340	-6,841	-18,870	-15,060	0	-81	0	0	-25,210	-21,982
<b>Segment earnings</b>	<b>53,350</b>	<b>55,876</b>	<b>40,683</b>	<b>37,329</b>	<b>-2,739</b>	<b>3,878</b>	<b>-9,719</b>	<b>-9,309</b>	<b>81,575</b>	<b>87,774</b>
General and administrative expenses									-20,027	-15,314
Other operating income/expenses, net									-485	-424
<b>Earnings before interest/taxes</b>									<b>61,063</b>	<b>72,036</b>
Net financial income/expense									-1,358	-3,282
<b>Earnings before taxes</b>									<b>59,705</b>	<b>68,754</b>
Taxes									-19,039	-22,133
<b>Net income</b>									<b>40,666</b>	<b>46,621</b>

The table below shows the segment data for the first nine months of 2012 and 2011:

**SEGMENT REPORT for the nine months ended September 30, 2012**  
IFRS, unaudited

in € thousands	ETS		BPE		IDSC		Reconciliation		Total	
	Q1 - Q3 2012	Q1 - Q3 2011	Q1 - Q3 2012	Q1 - Q3 2011	Q1 - Q3 2012	Q1 - Q3 2011	Q1 - Q3 2012	Q1 - Q3 2011	Q1 - Q3 2012	Q1 - Q3 2011
Licenses	89,069	87,193	131,265	112,063	1,458	4,374			221,792	203,630
Maintenance	142,560	144,236	139,717	124,387	11,276	12,421			293,553	281,044
<b>Product revenue</b>	<b>231,629</b>	<b>231,429</b>	<b>270,982</b>	<b>236,450</b>	<b>12,734</b>	<b>16,795</b>	<b>0</b>	<b>0</b>	<b>515,345</b>	<b>484,674</b>
Consulting and Services	50,836	49,389	119,091	139,373	83,756	127,617			253,683	316,379
Other	672	740	809	894	114	1,641			1,595	3,275
<b>Total revenue</b>	<b>283,137</b>	<b>281,558</b>	<b>390,882</b>	<b>376,717</b>	<b>96,604</b>	<b>146,053</b>	<b>0</b>	<b>0</b>	<b>770,623</b>	<b>804,328</b>
Cost of sales	-54,073	-55,050	-124,497	-134,664	-93,004	-126,895	-17,936	-15,852	-289,510	-332,461
<b>Gross profit</b>	<b>229,064</b>	<b>226,508</b>	<b>266,385</b>	<b>242,053</b>	<b>3,600</b>	<b>19,158</b>	<b>-17,936</b>	<b>-15,852</b>	<b>481,113</b>	<b>471,867</b>
Sales, marketing and distribution expenses	-47,734	-47,951	-109,353	-91,596	-13,758	-20,219	-10,501	-8,802	-181,346	-168,568
<b>Segment contribution</b>	<b>181,330</b>	<b>178,557</b>	<b>157,032</b>	<b>150,457</b>	<b>-10,158</b>	<b>-1,061</b>	<b>-28,437</b>	<b>-24,654</b>	<b>299,767</b>	<b>303,299</b>
Research and development expenses	-19,549	-20,453	-55,217	-44,722	0	-242	0	0	-74,766	-65,417
<b>Segment earnings</b>	<b>161,781</b>	<b>158,104</b>	<b>101,815</b>	<b>105,735</b>	<b>-10,158</b>	<b>-1,303</b>	<b>-28,437</b>	<b>-24,654</b>	<b>225,001</b>	<b>237,882</b>
General and administrative expenses									-54,215	-49,048
Other operating income/expenses, net									2,154	2,319
<b>Earnings before interest/taxes</b>									<b>172,940</b>	<b>191,153</b>
Net financial income/expense									-5,290	-6,709
<b>Earnings before taxes</b>									<b>167,650</b>	<b>184,444</b>
Taxes									-53,665	-59,111
<b>Net income</b>									<b>113,985</b>	<b>125,333</b>



The segment contribution does not include the amortization expense associated with acquisitions of intangible assets. These charges are therefore shown separately under "reconciliation." This presentation corresponds with internal control and reporting lines (management approach). The business lines (segments) are managed on the basis of their segment contribution. Research and development costs are subsequently allocated to the business lines and have no impact on internal management.

#### 8 CONTINGENT LIABILITIES

As of September 30, 2012, 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	Sep. 30, 2012	Dec. 31, 2011	Sep. 30, 2011
	0	1,477	1,467

The carrying amount of collateral received was €28 thousand (2011: €0 thousand).

#### Disclosures on leases

The Group's rental agreements and 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 (gross amount)	4,435	54,728	5,516	64,679
Estimated income from subleases	616	2,423	5,412	8,451
<b>Contractually agreed payments (net amount)</b>	<b>3,819</b>	<b>52,305</b>	<b>104</b>	<b>56,228</b>

## 9 SEASONAL INFLUENCES

Revenues and pre-tax earnings were distributed over fiscal year 2011 as follows:

in € thousands	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Total
License revenue	71,226	57,725	74,679	91,604	295,234
as % of license revenue for the year	24	20	25	31	100
Total revenue	272,626	257,069	274,632	294,007	1,098,334
as % of revenue for the year	25	23	25	27	100
Earnings before taxes	58,749	56,940	68,754	74,850	259,294
as % of net income for the year	23	22	26	29	100

Based on experience from past years, the revenue and earnings distribution in 2011 was not representative and is therefore not useful for calculating the expected distribution in 2012. The following image depicts the development of license revenues in 2011 and 2010 in comparison to normal license revenue development, which is expected for 2012.

The distribution of revenue and earnings is regularly affected by large individual contracts and is thus difficult to predict.

### TOTAL ANNUAL LICENSE REVENUE



## 10 LITIGATION

In February 2010, a software company in Virginia, USA sued Software AG together with 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 were suspended for Software AG and additional defendants by order of the court. The proceedings are continuing against only one of the defendants. The verdict of these proceedings will determine if the proceedings against Software AG will be resumed. The court dismissed the test case, upon which the plaintiff filed an appeal. The court of appeals rejected the appeal in January 2012. The plaintiff brought further legal action. The proceedings against the other defendants are still pending.

In February 2012, a non-practicing entity (NPE: a company that solely pursues patent-right violations, rather than manufacturing or using the patented invention) from the U.S. state of Delaware sued Software AG in the District Court of Delaware for violating one of its software patents. This NPE has filed similar parallel lawsuits against other defendants. The proceedings are in an early stage. Hearings are currently scheduled to take place in June 2014.

A number of legal actions have been filed with 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 were combined into one. The first hearing took place at the end of February 2012 and had no outcome. A new date has not yet been rescheduled.

In connection with the merger of IDS Scheer AG and Software AG, a large number of legal challenges were filed with Regional Court of Saarbrücken, in which the plaintiffs seek a legal review of the set exchange ratio and cash compensation. Software AG considers the objections as to valuation to be groundless. The proceedings were combined into one. The proceedings are in an early stage; as yet there have been no hearings before the court.

In connection with the termination of David Broadbent's Management Board membership, Mr. Broadbent has instituted legal proceedings before the Darmstadt Regional Court, which the company considers to be unfounded. After an extensive exchange of briefs, evidence was taken in May 2012 and September 2012. The exchange of briefs has not yet been concluded.

There were no other changes with respect to the legal disputes reported as of December 31, 2011, nor were there any new legal disputes that could potentially have a significant effect on the company's financial position, financial performance or cash flows.



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

Software AG has various stock option plans for Members of the Management Board, managers and other Group employees. Our stock price-based remuneration plans as of September 30, 2012 are described in detail on pages 164-167 of our 2011 Annual Report.

The rights granted under Management Incentive Plan 2011 (MIP IV) changed as follows in the first nine months of fiscal 2012:

	Number of rights outstanding	Exercise price per right  (in €)	Remaining term  (in years)	Aggregated intrinsic value  (in € thousands)
<b>Balance as of Dec. 31, 2011</b>	<b>5,596,667</b>	<b>41.34</b>	<b>9.5</b>	<b>0</b>
Granted	542,000	41.34		
Forfeited	-750,500	41.34		
<b>Balance as of September 30, 2012</b>	<b>5,388,167</b>	<b>41.34</b>	<b>8.75</b>	<b>0</b>

The rights granted under Management Incentive Plan 2007 (MIP III) changed as follows in the first nine months of fiscal 2012.

	Number of rights outstanding	Exercise price per right  (in €)	Remaining term  (in years)	Aggregated intrinsic value  (in € thousands)
<b>Balance as of Dec. 31, 2011</b>	<b>1,961,400</b>	<b>24.12</b>	<b>4.5</b>	<b>8,709</b>
Exercised	19,000	24.12		
<b>Balance as of Sept. 30, 2012</b>	<b>1,942,400</b>	<b>24.12</b>	<b>3.75</b>	<b>7,575</b>

All rights outstanding under MIP III as of September 30, 2012 were exercisable. Because there is no obligation to settle in cash, these rights are still accounted for as an equity-settled stock option program pursuant to IFRS 2. Accordingly, there were no provisions for rights from MIP III as of September 30, 2012.

**12 EMPLOYEES**

As of September 30, 2012, 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, 2012	Sept. 30, 2011
Maintenance and Services	2,791	2,899
Sales and Marketing	1,048	1,030
Research and Development	891	840
Administration	735	733
	<b>5,465</b>	<b>5,502</b>

In absolute terms (i.e., part-time employees are counted in full), the Group employed 5,618 people as of September 30, 2012 (Sept. 30, 2011: 5,629).

**13 CHANGES AND INFORMATION REGARDING CORPORATE BODIES**

No changes occurred on either the Management Board or the Supervisory Board between January 1 and September 30, 2012.

**14 EVENTS AFTER THE BALANCE SHEET DATE**

No significant events occurred between September 30 and the date of release of these interim financial statements.

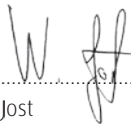
**Date and authorization for issue**


Software AG's Management Board approved the consolidated quarterly financial statements on November 2, 2012.

Darmstadt, November 2, 2012

Software AG

  
K.-H. Streibich

  
Dr. W. Jost

  
A. Zinnhardt

# FINANCIAL CALENDAR

**2013**

January 29, 2013	Q4/FY 2012 preliminary financial figures (IFRS, unaudited)
April 25, 2013	Q1 2013 preliminary financial figures (IFRS, unaudited)
May 3, 2013	Annual Shareholders' Meeting
July 25, 2013	Q2/HY 2013 preliminary financial figures (IFRS, unaudited)
October 24, 2013	Q3/9M 2013 preliminary financial figures (IFRS, unaudited)

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