Process Excellence
for the Digital Enterprise

Quarterly Report | 1/2011

KEY FIGURES 2011

KEY FIGURES for the three months ended March 31, 2011
IFRS, unaudited

in € millions (unless otherwise stated)	**Q1 2011**	**Q1 2010**	**change in %**
Revenue	**272.6**	**250.3**	**9**
Product revenue	164.2	146.7	12
of which			
Licenses	71.2	61.2	16
Maintenance	93.0	85.5	9
of which BPE product revenue (webM/ARIS)	79.4	69.5	14
Services	106.4	102.3	4
Other	2.0	1.3	
EBIT	**60.2**	**46.6**	**29**
as % of revenue	22.1	18.6	
Net income	**40.0**	**28.0**	**43**
as % of revenue	14.7	11.2	
Earnings per share (€ basic)	1.41	0.98	44
Earnings per share (€ diluted)	1.39	0.98	42
Total assets	**1,616.0**	**1,606.9**	**1**
Cash and cash equivalents	**144.2**	**160.6**	**–10**
Net debt	**121.6**	**247.7**	**–51**
Shareholders' equity	**800.0**	**635.7**	**26**
as % of total assets	50	40	
Employees*	**5,534**	**5,936**	**–7**
of which in Germany	1,990	2,185	–9

* Full-time equivalent

PIONEER AND MARKET LEADER

Software AG is the global 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, CentraSite, and IDS Scheer Consulting, represent a unique portfolio for: process design, implementation, and control; SOA-based integration and data management; process-driven SAP implementation; and strategic process consulting and services.

CONTENTS

INTERIM MANAGEMENT REPORT

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 business lines: Enterprise Transaction Systems (with the Adabas and Natural product families), Business Process Excellence (with the webMethods and ARIS product families), and IDS Scheer Consulting (with a focus on SAP consulting).

GENERAL ECONOMIC CONDITIONS

The global economy continued to recover in the early part of 2011. Growth in emerging economies was still strong and remained a driving force of expansion worldwide. According to established market research firms, the economic situation in Europe and other industrial nations stabilized. It is still too early to determine the extent of the economic impact of the natural disaster in Japan or of the political turmoil in the Middle East. The enduring high price of energy and raw materials posed an additional threat to the economy as stated recently by the European Central Bank. Expansion in Germany is expected to be around three percent higher than in the rest of Europe with exports and rising domestic demand having the most significant effect on growth.

SITUATION IN THE IT AND SOFTWARE MARKETS

According to U.S.-based International Data Corporation (IDC), global IT expenditure increased considerably in the first quarter of 2011. As a result, the hardware sector posted an unexpectedly high two-digit growth rate; and the software sector also reported growth above original forecasts.

Revenue in the German information technology, telecommunications, and consumer electronics market posted a one-digit growth rate, according to a recent study carried out by BITKOM, a German high-tech association. This confirms BITKOM's growth prognosis for 2011 for the German IT market of two percent with a total volume of €148 billion. BITKOM expects the creation of approximately 10,000 new jobs in the IT industry in 2011, as compared to 8,000 in 2010.

1 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

1.1 GROUP ORGANIZATION AND STRUCTURE

Software AG restructures consulting unit and appoints Dr. Hans Kraus to Group Executive Board for consulting unit in DACH region

Software AG announced in the first quarter of 2011 the appointment of Dr. Hans Kraus to the Group Executive Board. In this capacity, he is responsible for the new Consulting & Services Delivery unit in the DACH region (Germany, Austria, and Switzerland). The new unit combines the consulting business of the former IDS Scheer AG with the existing product services of Software AG. The consulting and services units outside the DACH region are headed by Group Executive Board member Ivo Totev.

1.2 SOFTWARE AG TECHNOLOGY

Software AG launches new process solutions and cloud computing

Software AG presented its new positioning at CeBIT 2011 including an expanded product portfolio, which will focus on software and solutions for enterprise business process management. This cutting-edge concept, based on independent process and integration platforms, enables businesses to overcome the limitations of conventional software applications. It delivers an unparalleled level of flexibility, scalability, and rapid adaptation while maintaining the highest level of process quality. Software AG demonstrated its fully integrated product portfolio (webMethods and ARIS), for the first time since its acquisition of IDS Scheer, under the name Enterprise BPM and established itself as the world's only provider of this innovative platform technology. Numerous new product innovations in business processes, integration, IT modernization, and process intelligence underscore Software AG's claim to leadership in this technology sector. In addition, new products for master data management and complex event processing were presented at CeBIT. Software AG also unveiled its cloud solution, which seamlessly connects new cloud applications with established corporate IT. For more information on the event, please visit Software AG's website at: http://www.softwareag.com/corporate/res/ events/cebit-2011/review.asp

1.3 CORPORATE RESPONSIBILITY

Software AG expands University Relations Program

Software AG announced the expansion of its University Relations Program to include innovation support, research partnerships, start-up funding, and process excellence training centers. These enhancements will help bring university and student ideas and research to global IT markets. Now active in over 20 countries, the Company's University Relations Program provides students at participating educational institutions with access to valuable hands-on experience. The program is built around preparing students to develop creative and innovative solutions to real business challenges. Software AG will further develop the best of these student solutions through thesis support and seed capital.

Software AG establishes House of IT with partners from government, business, and research

In cooperation with partners from government, business, and research communities, Software AG established the House of IT (HIT) in the first quarter of 2011. The goal is to build a better network for the information technology sector in Germany's Rhine-Main region that will leverage the partners' economic and scientific strengths and enable them to collaborate closely and engage in a trusting exchange.

2 FINANCIAL PERFORMANCE

2.1 GROUP REVENUE GROWS ACCORDING TO PLAN

In the first quarter of 2011 Software AG reported nine-percent growth in Group revenue at €272.6 (Q1 2010: €250.3) million. This result is due largely to the Company's robust product business, which also expanded in the quarter under review.

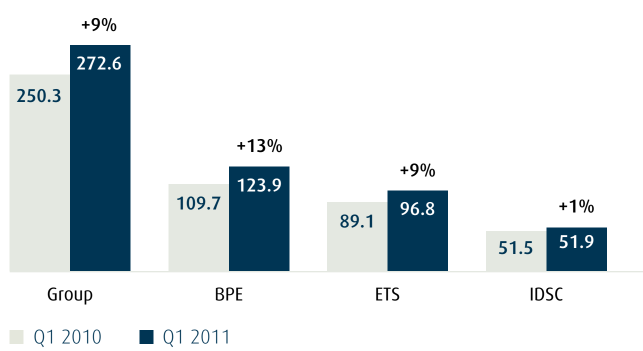
License revenue rose 16 percent to total €71.2 (Q1 2010: €61.2) million. Maintenance revenue was up nine percent at €93 (Q1 2010: €85.5) million in the first quarter. Services, which include Global Consulting Services and IDS Scheer Consulting, posted a revenue increase at €106.4 (Q1 2010: €102.3) million.

2.2 Revenue and earnings by business line (Segment Report)

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

SOLID START TO 2011—BUSINESS LINES ON TARGET

Revenue
in € millions



Business Process Excellence (BPE)

Since the merger with IDS Scheer AG, the Business Process Excellence (BPE) business line has consisted of revenue from licenses, maintenance, and services from all integration and process software products (webMethods and ARIS). In the first quarter of 2011 this business line reported €123.9 (Q1 2010: €109.7) million in total revenue, which represents 13-percent growth. The product business, which developed especially well in the USA, Brazil, and Germany, grew 14 percent (11 percent at constant currency) to total €79.4 (Q1 2010: €69.5) million. This is a notable increase compared to growth in the fourth quarter of 2010 (six percent). License revenue was up to €39.1 (Q1 2010: €34.0) million. Maintenance revenue from this business line rose 14 percent to €40.3 (Q1 2010: €35.5) million. Services grew 12 percent to €44.1 (Q1 2010: €39.4) million.

Operating income before general administrative expenses was €33.7 (Q1 2010: €28.0) million in the first quarter.

Enterprise Transaction Systems (ETS)

The Enterprise Transaction Systems (ETS) business line consists of the Adabas and Natural product families. In the quarter under review ETS achieved a major revenue boost totaling €79.1 (Q1 2010: €72.2) million. Revenue from licenses was €30.4 million, which is 19 percent higher than in the first quarter of 2010 (€25.6 million). Maintenance revenue from this business line climbed to €48.6 (Q1 2010: €46.5) million. Service revenue was up five percent year-on-year at €17.5 (Q1 2010: €16.7) million.

In total, the ETS business line contributed €53.3 (Q1 2010: € 46.3) million to Group operating income.

IDS Scheer Consulting (IDSC)

The IDS Scheer Consulting (IDSC) unit stabilized at last year's level with €51.9 (Q1 2010: €51.5) million. Product revenue was €5.8 (Q1 2010: € 4.1) million in the quarter under review.

The segment contribution of this business line rose by €1.3 million year-on-year to total €-0.1 million.

EBIT confirms successful acquisition strategy

The increased volume in product sales and the greater percentage of product revenue in total revenue compared to the previous year had a positive impact on earnings. Economies of scale as well as cost synergies from the merger with IDS Scheer AG also had a bolstering effect. Whereas in 2010 synergies were lessened due to restructuring costs, Software AG was able to take full advantage of these synergies in the first quarter of 2011.

As a result, first-quarter operating earnings (EBIT) increased by 29.2 percent to total €60.2 (Q1 2010: €46.6) million.

Research and development expenses were €21.5 million and thus on par with those of the same period last year (€22.0 million). The Company successfully decreased the cost ratio from 15.0 percent to 13.1 percent of product revenue. Effective cost management and the realization of cost synergies resulted in a successful reduction of administrative expenses by nine percent to €18.1 (Q1 2010: €19.8) million. The cost ratio improved to 6.6 (Q1 2010: 7.9) percent of total revenue. Marketing and sales expenses remained stable at €56.5 (Q1 2010: €56.7) million, although revenue grew by nine percent. The cost ratio was therefore 20.7 (Q1 2010: 22.7) percent of total revenue.

Net income and earnings

Software AG's Group net income jumped from €28 million to €40 million in the first quarter of 2011, which represents growth of 43 percent. Earnings per share increased 43 percent to total €1.41 (Q1 2010: €0.98). Decreased interest expenses due to the repayment of bank loans had a positive effect on earnings.

3 FINANCIAL POSITION

3.1 CASH FLOW

Operating cash flow fell to €51.0 (Q1 2010: €62.5) million due to higher taxes in the quarter. This effect, which also reduced free cash flow to €49.1 (Q1 2010: €59.8) million, will be balanced out in the second half of the year.

3.2 HIGHER TOTAL ASSETS AND INVESTMENTS

Software AG's total assets increased from €1,606.9 million on March 31, 2010 to €1,616.0 million on March 31, 2011. Net debt in the first quarter was €121.6 (Q1 2010: €247.7) million. This is a year-on-year improvement of €126 million. Shareholders' equity rose 26 percent to €800 (Q1 2010: €635.7) million. The Company's equity ratio on March 31, 2011 was 50.0 percent and thus nearly ten percent higher than one year ago.

4 OPPORTUNITIES AND RISKS

There were no changes to the risk situation of the Software AG Group in the first quarter of 2011 as portrayed in the Risk Report of the 2010 Annual Report.

Corresponding opportunities are described in the Outlook section of this Quarterly Report and the 2010 Annual Report.

5 EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the proposal of Software AG's Management and Supervisory Boards, the Annual Shareholders' Meeting resolved on May 5, 2011 to restructure the share capital by way of a share split. The Company's share capital will be divided into a total of 86,148,183 bearer shares at a one-to-three ratio. Accordingly, one non-par share with a proportionate value of share capital equaling €3 will be replaced by three non-par shares with the legal minimum proportionate value of share capital equaling €1.

6. OUTLOOK

The Company's operating business started off the year on a good note with revenue growth in both product areas underpinning its full-year growth targets. Earnings in the first quarter of 2011 benefited considerably from economies of scale and cost synergies that resulted from the merger with IDS Scheer. Based on these factors, Software AG confirms the forecast published in January for fiscal year 2011, whereby total revenue will increase by five to seven percent at constant currency and net income by ten to 15 percent. Software AG expects product revenue from the Enterprise Transaction Systems business line to remain stable (-2 to +2 percent). The Company is targeting a product-revenue increase in the high-growth Business Process Excellence line between 10 and 15 percent year-on-year.

CONSOLIDATED INCOME STATEMENT for the three months ended March 31, 2011
IFRS, unaudited

in € thousands	Q1 2011	Q1 2010	change in %
Licenses	71,226	61,255	16
Maintenance	93,039	85,480	9
Services	106,372	102,261	4
Other	1,989	1,260	58
Total revenue	**272,626**	**250,256**	**9**
Cost of sales	−115,098	−106,330	8
Gross profit	**157,528**	**143,926**	**9**
Research and development expenses	−21,517	−22,029	−2
Sales, marketing, and distribution expenses	−56,470	−56,735	0
General and administrative expenses	−18,071	−19,816	−9
Operating result	**61,470**	**45,346**	**36**
Other operating income	3,601	12,111	−70
Other operating expenses	−4,873	−10,871	−55
Earnings before interest and taxes (EBIT)	**60,198**	**46,586**	**29**
Net financial income/expense	−1,449	−4,603	−69
Earnings before taxes	**58,749**	**41,983**	**40**
Income taxes	−17,276	−12,462	39
Other taxes	−1,426	−1,540	−7
Net income	**40,047**	**27,981**	**43**
Thereof attributable to shareholders of Software AG	40,024	27,973	43
Thereof attributable to non-controlling interests	23	8	
Earnings per share (€ basic)	1.41	0.98	44
Earnings per share (€ diluted)	1.39	0.98	42
Weighted average number of shares outstanding (basic)	28,443,602	28,510,446	–
Weighted average number of shares outstanding (diluted)	28,848,418	28,512,292	–

STATEMENT OF COMPREHENSIVE INCOME for the three months ended March 31, 2011
IFRS, unaudited

in € thousands	Q1 2011	Q1 2010
Net income	**40,047**	**27,981**
Currency translation differences	–27,023	36,742
Net gain/loss on remeasuring financial assets	155	–810
Net gain/loss arising from translating net investments in foreign operations	1,396	–890
Other comprehensive income	**–25,472**	**35,042**
Total comprehensive income	**14,575**	**63,023**
Thereof attributable to shareholders of Software AG	14,552	62,948
Thereof attributable to non-controlling interests	23	75

CONSOLIDATED BALANCE SHEET as of March 31, 2011
IFRS, unaudited

in € thousands	Mar. 31, 2011	Dec. 31, 2010	Mar. 31, 2010
ASSETS			
Current assets			
Cash and cash equivalents	144,239	102,467	160,591
Inventories	822	1,341	736
Trade receivables	334,740	337,796	299,379
Other receivables and other assets	45,445	43,012	41,445
Prepaid expenses	13,051	9,536	15,889
	538,297	**494,152**	**518,040**
Non-current assets			
Intangible assets	217,515	232,631	237,584
Goodwill	702,120	717,297	704,853
Property, plant, and equipment	64,758	66,356	66,789
Financial assets	5,071	5,262	7,176
Trade receivables	15,456	13,028	10,477
Other receivables and other assets	54,200	47,836	34,518
Prepaid expenses	1,696	1,596	730
Deferred taxes	16,923	21,452	26,689
	1,077,739	**1,105,458**	**1,088,816**
	1,616,036	**1,599,610**	**1,606,856**
EQUITY AND LIABILITIES			
Current liabilities			
Financial liabilities	136,929	136,837	141,508
Trade payables	61,532	60,465	56,834
Other liabilities	79,387	68,064	119,850
Other provisions	92,433	139,685	60,362
Provisions for taxes	39,252	53,113	31,207
Deferred income	174,992	127,927	158,397
	584,525	**586,091**	**568,158**
Non-current liabilities			
Financial liabilities	128,934	132,871	266,822
Trade payables	73	91	254
Other liabilities	4,115	4,252	1,111
Provisions for pensions	41,045	41,890	30,543
Other provisions	9,715	15,726	28,369
Deferred taxes	45,932	47,388	72,703
Deferred income	1,663	1,982	3,168
	231,477	**244,200**	**402,970**
Equity			
Share capital	86,148	86,148	86,137
Capital reserve	38,814	22,512	17,172
Retained earnings	767,094	727,070	612,134
Other reserves	−70,159	−44,687	−47,529
Treasury shares	−22,313	−22,313	−32,788
Non-controlling interests	450	589	602
	800,034	**769,319**	**635,728**
	1,616,036	**1,599,610**	**1,606,856**

CONSOLIDATED STATEMENT OF CASH FLOWS for the three months ended March 31, 2011
IFRS, unaudited

in € thousands	Q1 2011	Q1 2010
Net income	40,047	27,981
Income taxes	17,276	12,462
Net financial income/expense	1,449	4,603
Amortization/depreciation of non-current assets	10,950	10,413
Other non-cash income/expense	−1,258	−2,015
Operating cash flow before changes in working capital	**68,464**	**53,444**
Changes in inventories, receivables, and other assets	−2,974	22,806
Changes in payables and other liabilities	16,456	9,919
Income taxes paid	−30,712	−21,902
Interest paid	−2,532	−3,547
Interest received	2,311	1,767
Net cash provided by operating activities	**51,013**	**62,487**
Proceeds from the sale of property, plant, and equipment/intangible assets	164	74
Purchase of property, plant, and equipment/intangible assets	−2,077	−1,625
Proceeds from the sale of financial assets	0	328
Purchase of financial assets	−21	−1,453
Payments for acquisitions, net	0	−2,753
Net cash used in investing activities	**−1,934**	**−5,429**
Proceeds from issue of share capital	0	96
Payments for share repurchase	0	−32,788
Dividends paid	−162	0
Additions to financial liabilities	0	305
Repayments of financial liabilities	−4,424	−84,883
Purchase of non-controlling interests	0	−980
Net cash provided by/used in financing activities	**−4,586**	**−118,250**
Change in cash and cash equivalents from cash-relevant transactions	44,493	−61,192
Currency translation adjustment	−2,721	3,642
Net change in cash and cash equivalents	**41,772**	**−57,550**
Cash and cash equivalents at beginning of period	102,467	218,141
Cash and cash equivalents at end of period	**144,239**	**160,591**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the three months ended March 31, 2011
IFRS, unaudited

in € thousands	Common shares (No.)	Share capital	Capital reserve	Retained earnings
2010				
Equity as of Jan. 1, 2010	**28,708,410**	**86,125**	**39,406**	**584,211**
Total comprehensive income				27,923
Transactions with shareholders				
Dividend payment				
New shares issued	4,071	12	84	
Stock options			2,326	
Purchase of treasury shares	–400,000			
Transactions between shareholders			**–24,644**	
Equity as of Mar. 31, 2010	**28,312,481**	**86,137**	**17,172**	**612,134**

in € thousands				
2011				
Equity as of Jan. 1, 2011	**28,443,602**	**86,148**	**22,512**	**727,070**
Total comprehensive income				40,024
Transactions with shareholders				
Dividend payment				
New shares issued				
Stock options			16,302	
Issue and use of treasury shares				
Purchase of treasury shares				
Transactions between shareholders				
Equity as of Mar. 31, 2011	**28,443,602**	**86,148**	**38,814**	**767,094**

Other reserves				Treasury shares	Attributable to shareholders of Software AG	Non-controlling interests	Total
Currency translation differences	Fair value measurement of securities and derivatives	Actuarial gains/ losses from defined benefit plans	Currency translation gains/losses from net investments in foreign operations				
−78,130	**1,769**	**−6,923**	**780**	**0**	**627,238**	**20,277**	**647,515**
36,675	−810	0	−890		62,898	75	62,973
					0		**0**
					0	−256	−256
					96		96
					2,326		2,326
				−32,788	−32,788		−32,788
					−24,644	**−19,494**	**−44,138**
−41,455	**959**	**−6,923**	**−110**	**−32,788**	**635,126**	**602**	**635,728**
−31,440	**603**	**−13,850**	**0**	**−22,313**	**768,730**	**589**	**769,319**
−27,023	155	0	1,396		14,552	23	14,575
					0		**0**
					0	−162	−162
					0		0
					16,302		16,302
					0		0
					0		0
					0		**0**
−58,463	**758**	**−13,850**	**1,396**	**−22,313**	**799,584**	**450**	**800,034**

NOTES TO THE INTERIM FINANCIAL STATEMENTS

GENERAL PRINCIPLES

1_ BASIS OF PRESENTATION

Software AG's condensed and unaudited consolidated financial statements (interim financial statements) as of March 31, 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable on the balance sheet date, as endorsed by the EU. The IASs/IFRSs applicable as of March 31, 2011 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. 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 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 quarter of 2011:

	Domestic	Foreign	Total
January 1, 2011	10	107	117
Additions	–	–	–
Disposals (including mergers)	–	5	5
March 31, 2011	10	102	112

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, 2010. For more detailed information on accounting policies, please see Note 3 of the consolidated financial statements for fiscal 2010.

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

4_ BUSINESS COMBINATIONS

Software AG did not acquire any companies during the first quarter. For information on business combinations in fiscal 2010, please see pages 117 – 120 of the consolidated financial statements for fiscal 2010.

NOTES TO THE CONSOLIDATED BALANCE SHEET

5_ GOODWILL

Goodwill amounted to €702,120 thousand as of March 31, 2011, a decrease of €15,177 thousand compared to December 31, 2010. This decline resulted from exchange rate fluctuations, in particular the weak U.S. dollar.

6_ EQUITY

Share capital

As of March 31, 2011, Software AG's share capital totaled €86,148 thousand and was divided into 28,716,061 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 5, 2011 to appropriate €36,977 thousand for a dividend payout and to carry forward €87,583 thousand of the 2010 net retained profits of €124,560 thousand reported by Software AG, the controlling Group company. This corresponded to a dividend of €1.30 per share.

OTHER DISCLOSURES

7_ SEGMENT REPORTING

SEGMENT REPORT for the three months ended March 31, 2011
IFRS, unaudited

in € thousands	ETS		BPE		IDSC		Reconciliation		Total	
	Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010	Q1 2011	Q1 2010
Licenses	30,414	25,606	39,078	34,031	1,734	1,618			71,226	61,255
Maintenance	48,633	46,541	40,291	35,450	4,115	3,489			93,039	85,480
Product sales	**79,047**	**72,147**	**79,369**	**69,481**	**5,849**	**5,107**	**0**	**0**	**164,265**	**146,735**
Services	17,518	16,729	44,078	39,422	44,776	46,110			106,372	102,261
Other	230	187	495	762	1,264	311			1,989	1,260
Total revenue	**96,795**	**89,063**	**123,942**	**109,665**	**51,889**	**51,528**	**0**	**0**	**272,626**	**250,256**
Cost of sales	−20,023	−18,465	−45,227	−38,301	−45,362	−44,785	−4,486	−4,779	−115,098	−106,330
Gross profit	**76,772**	**70,598**	**78,715**	**71,364**	**6,527**	**6,743**	**−4,486**	**−4,779**	**157,528**	**143,926**
Sales, marketing, and distribution expenses	−16,662	−16,679	−30.357	−29,312	−6,541	−7,814	−2,910	−2,930	−56,470	−56,735
Segment contribution	**60,110**	**53,919**	**48,358**	**42,052**	**−14**	**−1,071**	**−7,396**	**−7,709**	**101,058**	**87,191**
Research and development expenses	−6,819	−7,640	−14,616	−14,030	−82	−359	0	0	−21,517	−22,029
Segment result	**53,291**	**46,279**	**33.742**	**28,022**	**−96**	**−1,430**	**−7,396**	**−7,709**	**79,541**	**65,162**
General and administrative expenses									−18,071	−19,816
Other operating income/ expenses, net									−1,272	1,240
Earnings before interest and taxes									**60,198**	**46,586**
Net financial income/expense									−1,449	−4,603
Earnings before taxes									**58,749**	**41,983**
Taxes									−18,702	−14,002
Net income									**40,047**	**27,981**

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

8_ CONTINGENT LIABILITIES

As of March 31, 2011, 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	Mar. 31, 2011	Dec. 31, 2010	Mar. 31, 2010
	1,441	1,432	1,378

The carrying amount of collateral received was €24 thousand (March 31, 2010: €521 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)	37,191	49,227	5,678	92,096
Estimated income from subleases	−3,583	−6,637	0	−10,220
Contractually agreed payments (net amount)	33,608	42,590	5,678	81,876

9_ SEASONAL INFLUENCES

Revenues and pre-tax earnings were distributed over fiscal year 2010 as follows:

in € thousands	Q1 2010	Q2 2010	Q3 2010	Q4 2010	2010
Total revenue	250,256	267,301	275,309	326,661	1,119,527
in % of annual revenue	22	24	25	29	100
Earnings before taxes	41,983	55,991	65,362	91,034	254,370
in % of net income for the year	17	22	26	36	100

In the fourth quarter, revenues and pre-tax earnings benefited from several individual contracts of an above-average volume, for which reason a breakdown of revenue by quarter would not be particularly meaningful with respect to the situation in 2011.

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 were suspended for Software AG and additional defendants by order of the court and are only being pursued against two of the defendants to set an example. In March 2011, the court dismissed the case against one of the defendants in the test case, upon which the plaintiff filed an appeal. Until a decision is made on the appeal, the proceedings initiated against Software AG will remain suspended. There were no other changes with respect to the legal disputes reported at the end of 2010, 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 144 – 146 of our 2010 Annual Report. Expenses for stock options accounted for as equity-settled share-based payment transactions pursuant to IFRS 2 amounted to €2,170 thousand in the first quarter of 2011 (March 31, 2010: €2,326 thousand). Expenses for stock options accounted for as cash-settled share-based payment transactions under IFRS amounted to €3,188 thousand in the first quarter of 2011 (March 31, 2010: €11,460 thousand).

The number of outstanding stock options on the basis of Software AG shares changed as follows after December 31, 2010:

	Balance as of Dec. 31, 2010	Granted	Exercised	Expired	Balance as of Mar. 31, 2011	Thereof exercisable as of Mar. 31, 2011
Stock price-based remuneration plan from 2007	1,765,354	0	0	0	1,765,354	0

Of the stock options outstanding on March 31, 2011 from the 2007 stock price-based remuneration plan, 1,100,000 options were accounted for as cash-settled share-based payment transactions in accordance with the provisions of IFRS 2. In the first quarter of 2011, the constructive obligation to a cash settlement expired for a total of 460,000 of these stock options, meaning that from such time the expense related to such options was recognized in accordance with the provisions of IFRS 2 relating to equity-settled share-based payment transactions. Accordingly, as of March 31, 2011 only 640,000 stock options were still accounted for as cash-settled share-based payment transactions.
The expense for stock options accounted for as cash-settled share-based payment transactions under IFRS was offset in the first quarter against income from hedging these commitments in the amount of €7,351 thousand (March 31, 2010: €11,110 thousand), which reduced personnel expenses accordingly.

12_ EMPLOYEES

As of March 31, 2011, 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:

	Mar. 31, 2011	Mar. 31, 2010
Maintenance and services	2,957	3,183
Sales and marketing	1,025	1,084
Research and development	822	849
Administration	730	820
	5,534	**5,936**

In absolute terms (i.e., part-time employees are counted in full), the Group employed 5,694 people as of March 31, 2011 (March 31, 2010: 6,098).

13_ CHANGES AND INFORMATION REGARDING CORPORATE BODIES

No changes occurred on either the Management Board or the Supervisory Board between January and March 2011.

14_ EVENTS AFTER THE BALANCE SHEET DATE

Pursuant to the proposal of the Management Board and the Supervisory Board, the Annual Shareholders' Meeting resolved on May 5, 2011 to restructure the share capital (stock split). Following the 3-for-1 stock split, the Company's share capital will be divided into a total of 86,148,183 bearer shares. One share with a notional interest of €3.00 in the share capital will be converted into three shares with the lowest possible notional interest in the share capital allowed by law of €1.00.

Date and authorization for issue

Software AG's Management Board approved the consolidated quarterly financial statements on May 11, 2011.

Darmstadt, May 11, 2011

Software AG

K.-H. Streibich

D. Broadbent

Dr. W. Jost

A. Zinnhardt

FINANCIAL CALENDAR

Financial Calendar	2011
July 28, 2011	Q2/H1 2011 financial figures (IFRS, unaudited)
October 27, 2011	Q3 2011 financial figures (IFRS, unaudited)
	2012
End of January 2012	Q4/FY 2011 financial figures (IFRS, unaudited)

PUBLICATION CREDITS

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