The Power of PROCESS INNOVATION

Quarterly Report | 2/2010

KEY FIGURES 2010

KEY FIGURES for the six months ended June 30, 2010
IFRS, unaudited

in € millions (unless otherwise stated)	June 30, 2010	June 30, 2009	change in %	Q2 2010	Q2 2009	change in %
Revenue	**517.6**	**341.7**	**51**	**267.3**	**176.4**	**52**
Product revenue	308.6	256.2	20	161.9	133.7	21
of which						
Licenses	130.0	109.1	19	68.8	59.8	15
Maintenance	178.6	147.1	21	93.1	73.9	26
Professional Services	206.7	84.0	146	104.4	41.7	150
Other	2.3	1.5		1.0	1.0	
EBIT	**105.5**	**82.3**	**28**	**58.9**	**44.2**	**33**
as % of revenue	20.4	24.1		22.0	25.1	
Net income	**65.4**	**54.6**	**20**	**37.4**	**28.9**	**29**
as % of revenue	12.6	16.0		14.0	16.4	
Earnings per share (€ basic)	2.29	1.92	19	1.32	1.02	29
Earnings per share (€ diluted)	2.29	1.91	20	1.32	1.02	29
Total assets	**1,651.3**	**1,082.6**				
Cash and cash equivalents	**155.8**	**136.1**				
Shareholders' equity	**671.7**	**579.4**				
as % of total assets	41	54				
Employees*	**5,792**	**3,603**				
of which in Germany	2,110	863				

* 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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SOFTWARE AG STOCK

During the first half of 2010, Software AG shares (ISIN DE 0003304002 / SOW) performed substantially better than all benchmark indices. The share price opened the year 2010 at €75.46 and closed on June 30, 2010, at €84.56—nearly a 12-percent increase during the first half of the year.

By contrast, benchmark indices suffered during this period. The technology-driven Nasdaq composite index lost approximately 9 percent during the six-month period, and Germany's technology barometer, the TecDAX, fell by as much as 12 percent. The German DAX benchmark index remained relatively stable, closing at 5965.52 points on June 30, 2010. Software AG shares, therefore, clearly outperformed all benchmark indices, which can be attributed, in part, to the takeover of IDS Scheer AG, which is progressing on schedule, as well as acceleration in demand and noticeable growth in the webMethods division. Innovative products for integrating programs and optimizing business processes are now generating more revenue than ETS, which has been the traditionally dominant business division to date. Accordingly, investor trust in the long-term growth of our Company has been strengthened even further.

INVESTOR RELATIONS

We communicate our corporate strategy and current developments to all capital market stakeholders transparently and comprehensively. A significant part of our investor relations work involves extensive and ongoing communication with investors and analysts, with whom we were able to meet with on numerous occasions during the first half of 2010. We concentrated mainly on attending conferences, and we also held roadshows in Germany and throughout the rest of Europe. This allowed us to reach many investors effectively and to gain valuable feedback on how we can optimize our financial communication.

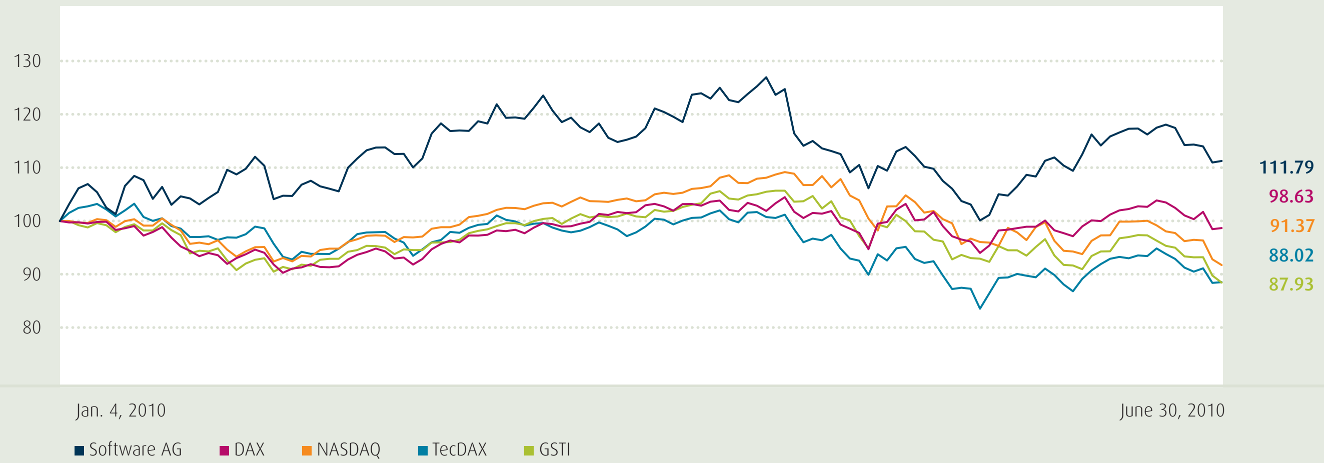
In February, we also organized an investor and analyst event in Darmstadt in order to communicate our Company's strategy and product portfolio in greater detail.

We held this year's shareholders´ meeting on May 21, 2010, at the "darmstadtium" in Darmstadt. Approximately 66.5 percent of our eligible voting share capital was represented at the meeting. Resolutions included a dividend of €1.15 per Software AG share for the past fiscal year 2009. This corresponds to a nominal increase of 5 cents per share compared with the dividend that was paid out for the 2008 fiscal year.

Our investor relations work once again received numerous awards this year. We received the 2010 Capital Investor Relations Award and were ranked second there in the TecDax. In the ranking published by the economic journal Wirtschaftswoche and carried out by Thomson Reuters Extel, we were accorded first place for "Best IR" in the TecDax. Moreover, NetFederation once again named us the "Best IR Website" for the extensive information we offer online.

The number of valuations of our shares by brokerage firms has again increased and currently totals 25—an unusually high number for a TecDAX company. Our shares were rated a "buy" by 12 firms, "hold" by 25 and 3 recommended "sell." We expect a further increase in coverage over the remainder of the year.

Share Price Development (indexed)



SHAREHOLDER STRUCTURE

The Software AG Foundation continues to hold approximately 8.3 million shares or about 29 percent of the share capital of Software AG. Software AG currently holds 400,000 of its own shares (approximately 1 percent of the share capital), which were acquired on the market in February 2010 to be used to compensate minority shareholders during the planned merger of IDS Scheer AG with Software AG. The annual general meeting of IDS Scheer AG resolved the merger agreement with Software AG on July 8, 2010, with about 92 percent of the share capital of IDS Scheer AG voting in favor. The agreement also means that the remaining IDS Scheer minority shareholders will receive shares in Software AG in exchange for their shares in IDS Scheer AG (at an exchange ratio of 33 IDS Scheer AG shares to 4 Software AG shares). Once it is entered in the German commercial register, which is expected to occur during the second half of 2010, the merger agreement will take effect and the share exchange will take place. As a result, Software AG's free float will increase by approximately one percentage point.

At the moment, our free float is about 70 percent of outstanding shares and is held by institutional investors and numerous private investors. Regionally, German institutional investors hold approximately half of our identifiable shareholdings, while the remainder is mainly divided between the UK (around 27 percent), continental Europe (around 22 percent), and the U.S. (around 7 percent).

SOFTWARE AG'S EARNINGS UP 33 PERCENT

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

1 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Software AG continued its successful growth from the previous quarter in the second quarter of 2010. The focus of the Company's activities was on further integrating IDS Scheer AG, expanding market and customer orientation, and broadening technology expertise.

1.1 BUSINESS PERFORMANCE IN THE SECOND QUARTER OF 2010

Software AG continued its solid growth in the second quarter of 2010 with total revenue up 52 percent (44 percent at constant currency rates) at €267.3 million. This considerable growth was propelled by the webMethods business division with license revenue up 31 percent and earnings more than doubled. This confirms the trend of recent quarters that the new webMethods business division is now, in addition to the traditional Enterprise Transaction Systems (ETS) business, a driver of earnings growth as well. At a corporate level, operating earnings, earnings after tax, and earnings per share achieved record levels returning double-digit growth. Free cash flow, up 22 percent at €36.3 million (Q2 2009: €29.8 million), also broke the to-date record.

1.2 IDS SCHEER INTEGRATION ON TRACK

The domination and profit transfer agreement was entered into the commercial register at the district court of Saarbrücken on February 11, 2010, at which time it became legally effective. Subsequently, the Management Board initiated the operational integration of back-office departments at both companies. This was successfully executed during the quarter under review whereby individual administrative functions at Software AG and IDS Scheer AG were merged under the uniform leadership of the respective global organizational units. The responsible project teams handled the harmonization of systems and guidelines. The Company has set synergy goals with regard to integration of the Software AG and IDS Scheer AG back-office departments representing a total volume of 25 to 30 million euros to be met during 2010 and 2011. A global synergy tracking system is in place to monitor the realization of synergies. Regularly submitted reports to the Management Board will ensure achievement of the defined synergy targets.

Software AG expanded operational integration of IDS Scheer AG to its subsidiaries outside of Germany in the second quarter. The sales forces in Austria, Switzerland, and America were merged. Furthermore, research and development departments were also consolidated according to plan.

Integration of IDS Scheer AG reinforces the Company's growth as well as its medium-term earnings trend. The product portfolios are excellent complements to each other. The automatic transfer from process design to operational use in IT applications—known as "model to execution"—is a forward-thinking innovation in the enterprise software space. ARIS and webMethods products will be on the market as an integrated offering by the end of 2010.

Various significant initial cross-selling successes have already been achieved. The innovative technology expertise of both software companies enabled the closure of joint process automation deals. A cross-selling project with French bank Crédit Agricole, for example, had a volume of €3 million for webMethods and €0.6 million for the ARIS product line. The new joint product portfolio was the decisive factor for customers.

Merger instead of squeeze out, company valuations

The second quarter served as a period of preparation for the merger of the two companies with the goal of accelerating the total takeover of IDS Scheer AG by Software AG. Software AG had originally planned a squeeze out of minority IDS Scheer shareholders upon ownership of more than 95 percent of the company's stock. However, when Software AG's acquisition of shares reached a standstill around 92 percent, a merger posed both companies with an acceptable alternative. Minority IDS Scheer shareholders now have the option to trade their IDS Scheer shares for Software AG shares and become stockholders in the merged company.

The management boards of Software AG and IDS Scheer AG agreed on an exchange rate based on separate valuations of both companies. The valuations were derived from a value assessment, which was conducted by Ernst&Young on behalf of Software AG and IDS Scheer AG and in accordance with the capitalized earnings value method based on "Principles of Conducting Capitalized Earnings Valuations" (IDW [Institute of German Public Auditors] S 1 from 2008). The calculation of the preliminary company values (capitalized earnings value plus special items) of Software AG and IDS Scheer AG as of July 8, 2010 (date of the IDS Scheer AG annual general meeting) produced the following results: Software AG company value €4,084.8 million; value per Software AG share €144.25; IDS Scheer AG company value €556.3 million; value per IDS Scheer share €17.24. The management boards agreed on a rate of exchange of 33 IDS Scheer shares to four Software AG shares based on this value assessment.

New parity-based Supervisory Board appointed

Due to the takeover of IDS Scheer AG, it became necessary to enlarge and appoint a parity-based Supervisory Board of Software AG in accordance with the German Co-determination Act. Because the election of the employee representatives could not be completed prior to the Software AG annual shareholders' meeting, interim employee representatives were appointed by court order.

1.3 TECHNOLOGY AND MARKET: CUSTOMERS CHOOSE SOFTWARE AG

As a product provider with a strong consulting component, Software AG's core business is the development and the successful sale of leading software products. To this end, the Company's goal is to become a strategic process innovation partner to customers, and thereby open the door to new opportunities for large-scale projects.

Expansion of research and development (R&D) of software products

Software AG continued to expand its subsidiary, itCampus, a research and development center in Leipzig. The Company plans to strengthen the former spin-off of the University of Leipzig and Halle with the addition of research specialists in 2010. In order to ensure closer contact to Software AG's R&D activities, itCampus became a wholly owned subsidiary of Software AG in April 2010 to take effect retroactivevly as of January 1, 2010.

Technology expertise: continued recognition for innovative products

Software AG maintained its position as the leading provider of governance technologies for service-oriented architectures (SOA). A widely known market research institute rated Software AG as number-one in worldwide SOA governance market share with 14 percent of this market. According to the same institute, the SOA governance market experienced robust growth, despite the weak global economy, expanding 17.5 percent to reach €206 million in total revenue. This was the second consecutive year in which Software AG was listed at first place.

Additionally, in recent studies on business process analysis (BPA) and enterprise architecture (EA) tools, industry analysts placed IDS Scheer AG in the "Leaders" quadrant.

What customers think

A survey commissioned by Software AG in the UK, which quizzed more than 100 IT directors, revealed that businesses are being hampered by poor-quality processes that waste time and money. Seventy-five percent of IT decision makers were of the opinion that keeping these sub-standard processes resulted in too much administration. The findings suggest that businesses need to change in order to fight the recession and pull out of the economic slump. Over 82 percent of survey respondents changed their business processes within the last year in order to cut costs and switch to a flexible infrastructure.

Customers prefer Software AG products

NEC Corporation

The multinational electronics concern NEC Corporation of Japan aims to reduce the cost of its international sales operations by 20 percent through a business process excellence program in cooperation with the Software AG Group. NEC is standardizing business processes for its international operations with the help of the ARIS Platform for Business Process Management. Simplifying its processes will reduce the number of processes by 80 percent. Implementing these simplified processes will allow NEC to meet international accounting standards while shortening the time needed to produce consolidated financial statements to further cut costs. Based on the success of the business process excellence initiative, NEC will offer customers total cloud services that include business service consulting as well as accounting and purchasing applications. NEC Corporation's innovative business approach was recognized with a business process excellence award by IDS Scheer at ProcessWorld in Berlin. NEC was the first company in Japan to receive this award.

DAIICHI SANKYO

IDS Scheer AG of the Software AG Group successfully supported DAIICHI SANKYO, a leading Japan-based global pharmaceuticals company, in its efforts toward process standardization and introduction of SAP logistics functions in all of its affiliates across Europe. Over a mere 13 months, they introduced SAP in 12 subsidiaries in the sales and materials management areas, while implementing an automated interface to centralized logistics service providers at the same time. This was a substantial step forward for DAIICHI SANKYO in standardizing logistics processes throughout Europe and establishing a transparent value chain.

Magdeburg Transit Operator

Magdeburger Verkehrsbetriebe GmbH (MVB), the public transit operator in Magdeburg, Germany, is also relying on streamlined processes and a future-proof IT platform to face up to the challenges of tomorrow. MVB decided to work with IDS Scheer AG and its partner HanseCom GmbH to implement the project. The new high-performance IT platform harmonizes data and process structures in such areas as sales, service, and purchasing. It also allows for ever growing requirements for new business processes, such as the incorporation of a regional fare calculation.

Successful customer events: ProcessWorld in Berlin and Washington

Software AG highlighted business process excellence (BPE) and its potential to drive economic recovery at ProcessWorld in Berlin and Washington D.C. Under the theme "Changing the World—One Process at a Time," the events in Berlin and Washington D.C. welcomed a combined total of 1,300 participants from all over the world, including customers from the public and private sectors as well as partners and members of the press from 15 countries. IDS Scheer AG originally established ProcessWorld as a platform for information exchange. Today, it is the world's only forum of its kind for process managers and IT decision makers. It showcases new concepts in business excellence, such as enterprise BPM, SOA, process intelligence, and performance management.

1.4 OPERATIONAL HIGHLIGHTS

Software AG's image as an employer continues to improve

For the first time ever, Software AG was rated among the 20 most popular employers by computer science students in Germany. The result put Software AG ahead of companies like Cisco Systems, Oracle Germany, and Hewlett-Packard. This was the outcome of a recently published survey conducted by Universum Communications among more than 20,000 college students majoring in computer science, economics, engineering, and natural sciences.

Software AG and software cluster partners launch educational initiative

According to the Fraunhofer Institute for Systems and Innovation Research (ISI), the German software and IT services industry will provide 450,000 new jobs by the year 2030. Based on this, Software AG and its partners in the software cluster known as "Software Innovation for the Digital Company" are focusing on further developing educational programs during upcoming years. By the year 2015, the cluster wants to have created 14,500 trainee positions and spaces in degree programs. The goal of providing education with specific concentrations is to produce young specialists in fields for which there is a dire need in the "European Silicon Valley."

Software AG counteracting the shortage of IT specialists

Not even three years after the launch of its international University Relations Program, Software AG considers it a tremendous success. More than 280 departments at over 100 colleges and universities in 21 countries worldwide have participated in the program to date. 2,800 students have graduated from the program, having acquired specialized know-how in service-oriented architectures (SOA) and business process management (BPM). The Company is optimistic that it will surpass the target of 3,000 students by the end of 2010.

Continuity at the top

The Software AG Supervisory Board renewed Chief Executive Officer Karl-Heinz Streibich's contract until March 31, 2015. This will enable Software AG to continue on the path of expansion that has been laid by Mr. Streibich.

2 FINANCIAL PERFORMANCE

2.1 SIGNIFICANT GROWTH IN GROUP REVENUE

Software AG posted €267.3 million (Q2 2009: €176.4 million) in Group revenue for the second quarter, which was 52 percent (44 percent at constant currency rates) higher than the previous year. This increase was largely a result of dynamic growth in the webMethods business division and the merger with IDS Scheer AG. Group revenue for the first half of fiscal 2010 totaled €517.6 million, which represents a 51-percent jump (H1 2009: €341.7 million) or 47 percent at constant currency rates.

2.2 SALES BY REVENUE TYPE

License business demonstrates gradual growth

Second-quarter license revenue was up 15 percent at €68.8 million (Q2 2009: €59.9 million).

The webMethods division returned €29.6 million euros in license revenues in the second quarter as compared to €22.6 million euros in the same quarter last year. This represents an increase of 31 percent. License revenues from Enterprise Transaction Systems (ETS) were 25 percent lower at €28 million euros (Q2 2009: €37.3 million). The third division—Enterprise Process Innovation (EPI)—formerly IDS Scheer AG, posted €9.5 million euros in license revenues in the quarter under review (IDS Scheer AG was not yet consolidated in Q2 2009).

Maintenance business continues positive trend

The maintenance business achieved a high total contribution again in the second quarter. Revenues grew 26 percent reaching €93.1 million euros (Q2 2009: €73.9 million).

webMethods contributed €30.6 million (Q2 2009: €27.1 million) to maintenance revenues. This represents a 13-percent increase. ETS maintenance revenues climbed to €50.4 million (Q2 2009: €46.7 million). The third division, EPI, contributed €8 million euros to maintenance revenue.

Expansion in the service business

The services unit, which consists of Global Consulting Services and IDS Consulting, experienced a 150-percent revenue increase in the second quarter to €104.4 as a result of consolidation. In the same period of the previous year revenue totaled just €41.7 million. Services for webMethods grew 15 percent to €28.7 million (Q2 2009: €25 million). Services for ETS were slightly up from last year at €17.8 million (Q2 2009: €16.7 million). EPI contributed €58.2 million in service revenue.

2.3 REVENUE BY BUSINESS DIVISION

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

- ETS €96.3 million (36 percent of total revenue)
- webMethods €89.4 million (33 percent of total revenue)
- EPI €81.6 million (31 percent of total revenue)

Sluggish ETS license business

The ETS division generated €96.3 million in revenue as compared to €100.9 million in the same period of the previous year. This is a 5-percent decrease year on year, but an 8-percent increase over the first quarter of 2010. Revenues in Brazil performed extremely well. The Company's strong ETS position was apparent in the mainframe solutions market. The two data management products, Adabas and Natural, are considered to be among the most stable and reliable mainframe products in the world, which results in customer loyalty and constant maintenance revenues.

webMethods demonstrates dynamic growth

The webMethods division comprises service-oriented architectures (SOA) and business process management integration software. Second-quarter revenue for this division grew 18 percent to total €89.4 million as compared to €75.5 million in the previous year. This growth was a result of improved sales efficiency based on the number of deals closed and their average volume. For the first six months of 2010 this division generated a 23-percent increase in average project revenue and an 11-percent rise in the number of large-scale projects. Furthermore, the Company achieved a boost in cross-selling successes. While in the first half of fiscal 2009, nine of 52 projects with ETS customers were converted into major cross-selling deals for webMethods, this number doubled in the first half of 2010.

In the quarter under review webMethods reported €25.8 million (Q2 2009: €10.2 million) in earnings, up 153 percent year-on-year.

EPI burdened by weak demand in IT consulting market

The EPI division, which represents the IDS Scheer business acquired by Software AG in August 2009, contributed a total of €81.6 million to Software AG's revenue growth. Of that figure, €23.4 million came from product revenues, including the ARIS line and third-party products, and €57.9 million from services (IDS Scheer Consulting and product implementation). In the second quarter of the previous year, revenue from IDS Scheer AG had not yet been consolidated. As compared to IDS Scheer AG's financial statements as of June 30, 2009 total revenue declined approximately nine percent. This figure was impacted by special items.

Continued EBIT growth

EBIT increased 33 percent to €58.9 million (Q2 2009: €44.2 million) in the second quarter of 2010. The EBIT margin was 22 percent as compared to that of the previous year's, which was 25.1 percent.

Costs for research and development were €23 million and thus above those of the second quarter of 2009, which totaled €19.2 million. The 20-percent increase was primarily due to consolidation of IDS Scheer AG. The cost ratio, in contrast, decreased from 11 percent to 9 percent, although revenue grew by 51 percent. For the same reason, general administrative costs went up 23 percent to €20.1 million (Q2 2009: 16.3 million), while the cost ratio fell from 9 percent to 7 percent. Marketing and sales costs rose from €43.3 million to €58.5 million, which is 22 percent of total revenue (Q2 2009: 25 percent).

KEY FIGURES
IFRS, unaudited

in € millions	Q2 2010	Q2 2009	change in %
Revenue	267.3	176.4	52
Product revenue (Licenses and Maintenance)	161.9	133.7	21
Service revenue	104.4	41.7	150
EBIT	58.9	44.2	33
Net income	**37.4**	**28.9**	**29**
Earnings per share (€)	1.32	1.02	29
Free cash flow	**36.3**	**29.8**	**22**

Net income grows dynamically

Second-quarter net income climbed 29 percent to €37.4 million (Q2 2009: €28.9 million). An innovative product portfolio and effective cost management resulted in successful business deals. This led to an increase in operating earnings from €44.6 million to €54.4 million in the second quarter. Efficiency indicators continued to improve, with operating costs below those of the fourth quarter of 2009—the first quarter of complete consolidation with IDS Scheer. Earnings per share went up 29 percent to €1.32 (Q2 2009: €1.02).

Half-year results confirm forecast for full year

Group revenue for the first half of 2010 was €517.6 million, which is a 51-percent increase from €341.7 million the previous year. License revenue in this period grew by 19 percent to €130.1 million (H1 2009: €109.1 million). Maintenance revenue was up 21 percent to €178.6 million (H1 2009: €147.1 million). Service revenue was posted at €206.7 million as compared to €84 million year-on-year (+146 percent).

Earnings before interest and tax (EBIT) in the first six months of fiscal 2010 grew by 28 percent to reach €105.5 million (H1 2009: €82.3 million). Free cash flow achieved a record-breaking €96.1 million in this period, which was 32 percent more than on June 30, 2009.

3 FINANCIAL POSITION

3.1 CASH FLOW PERFORMS VERY WELL

Operating cash flow totaled €37.9 million in the quarter under review, which reflects a 20-percent increase over €31.7 million in 2009. Free cash flow was €36.3 million (Q2 2009: €29.8 million).

3.2 INCREASE IN TOTAL ASSETS AND CAPITAL EXPENDITURE

Software AG's total assets rose from €1,082.6 million on June 30, 2009 to €1,651.3 million on June 30, 2010. Cash and cash equivalents decreased by approximately €62 million from the end of fiscal year 2009 due to repayment on the debt incurred by the acquisition of IDS Scheer, to the purchase of 400,000 of the Company's own shares, and to dividend payments in May 2010. The purchase of the Company's own shares was in preparation for the exchange of IDS Scheer AG shares for Software AG shares upon completion of the merger of IDS Scheer AG and Software AG. Goodwill increased €41 million with respect to the end of fiscal 2009 due to currency effects.

4 OPPORTUNITIES AND RISKS

Software AG has participated in acquisitions in the past and does not exclude the possibility of further acquisitions in the future. Software AG is therefore subject to acquisition and integration risks. Apart from this, there were no changes to the risk situation of the Software AG Group in the second 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

IDS Scheer shareholders vote in favor of merger

The merger agreement with Software AG was passed at the IDS Scheer AG annual general meeting on July 8, 2010. This was an important step in the integration of Software AG and IDS Scheer AG.
Dr. Wolfram Jost and Josef Bommersbach will remain members of the IDS Scheer AG Management Board until the merger takes effect legally, making IDS Scheer AG a part of Software AG without its own Management Board. This will happen when the merger is entered into the commercial register. Until then, Dr. Jost will act as spokesman for the IDS Scheer AG Management Board.
In light of the decision to merge the two companies, previous IDS Scheer AG Management Board members Peter Gérard and Rudolf Keul left the company by mutual agreement on conclusion of the IDS Scheer AG annual general meeting on July 8, 2010.

New management structure at Software AG

The Software AG Supervisory Board resolved to establish a new corporate management body known as the Group Executive Board (GEB) on August 2, 2010. Chairman of the Group Executive Board (GEB) is Karl-Heinz Streibich, CEO of Software AG. The GEB has eight members. In addition to the four existing Management Board members, the Company's operational areas will be represented by divisional executive directors. This change results in a smaller Management Board, which previously consisted of six members and has now been reduced to four members in an initial phase.
The Management Board members are Karl-Heinz Streibich, Arnd Zinnhardt, David Broadbent, and Dr. Wolfram Jost, appointed as of August 1, 2010 by the Supervisory Board with responsibility for research and development, product management, and product marketing for all Software AG Group products. Software AG's former Chief Product Officer, Dr. Peter Kürpick, is leaving the Company at his own request.

6 OUTLOOK

The concluded second quarter of 2010 confirmed Software AG's growth strategy. The merger with IDS Scheer AG created a global provider of business process excellence. The joint strategy has a sustainable focus on growth and earnings. The webMethods division, our business with innovative software for integration of business processes and applications, continued on a path of rapid growth. The reason for the success of webMethods was the level of maturity of the process optimization market, which is expected to grow by a double-digit rate. Based on this, Software AG confirms its forecast from February 2010 for fiscal year 2010. The Company expects total revenue growth between 25 and 30 percent and an increase in product revenue between 12 and 15 percent. It foresees 2 to 4-percent growth for ETS product revenue and 25 to 30-percent growth for webMethods/ARIS products. With regard to earnings, Software AG expects a slightly higher increase in net income and earnings per share and therefore raises the respective growth forecasts to the upper margin of the previous forecast to 10 to 12 percent.

CONSOLIDATED INCOME STATEMENT for the six months ended June 30, 2010
IFRS, unaudited

in € thousands	June 30, 2010	June 30, 2009	Q2 2010	Q2 2009
Licenses	130,064	109,122	68,810	59,851
Maintenance	178,561	147,058	93,081	73,855
Professional Services	206,672	83,994	104,410	41,690
Other	2,260	1,493	1,000	981
Total revenue	**517,557**	**341,667**	**267,301**	**176,377**
Cost of sales	–217,608	–104,795	–111,278	–52,963
Gross profit	**299,949**	**236,872**	**156,023**	**123,414**
Research and development expenses	–45,040	–39,373	–23,011	–19,201
Sales, marketing and distribution expenses	–115,232	–84,488	–58,496	–43,311
General and administrative expenses	–39,897	–32,320	–20,081	–16,258
Operating result	**99,780**	**80,691**	**54,435**	**44,644**
Other operating income	27,145	20,786	15,034	6,333
Other operating expenses	–21,467	–19,131	–10,596	–6,745
Earnings before interest and taxes (EBIT)	**105,458**	**82,346**	**58,873**	**44,232**
Financial income/expense net	–7,484	–255	–2,881	–661
Earnings before taxes	**97,974**	**82,091**	**55,992**	**43,571**
Income taxes	–29,611	–25,742	–17,149	–13,575
Other taxes	–2,981	–1,770	–1,442	–1,066
Net income	**65,382**	**54,579**	**37,401**	**28,930**
thereof attributable to shareholders of Software AG	65,206	54,920	37,283	29,271
thereof attributable to non-controlling interest	176	–341	118	–341
Earnings per share (€ basic)	2.29	1.92	1.32	1.02
Earnings per share (€ diluted)	2.29	1.91	1.32	1.02
Weighted average number of shares outstanding (basic)	28,412,358	28,666,174	28,314,271	28,678,158
Weighted average number of shares outstanding (diluted)	28,412,358	28,690,261	28,314,271	28,702,245

STATEMENT OF COMPREHENSIVE INCOME for the six months ended June 30, 2010
IFRS, unaudited

in € thousands	June 30, 2010	June 30, 2009	Q2 2010	Q2 2009
Net income	**65,382**	**54,579**	**37,401**	**28,930**
Currency translation differences	71,859	2,317	34,791	−12,058
Net gain/loss marketable securities and derivatives	−2,110	2,239	−1,301	−231
Net gain/loss arising from translating net investments in foreign operations	−780	−769	110	−898
Net actuarial gain/loss from defined benefit plans	−1,831	−27	−1,831	21
Other comprehensive income	**67,138**	**3,760**	**31,769**	**−13,166**
Total comprehensive income	**132,520**	**58,339**	**69,170**	**15,764**
thereof attributable to shareholders of Software AG	132,273	58,680	69,052	16,105
thereof attributable to non-controlling interest	247	−341	118	−341

CONSOLIDATED BALANCE SHEET as of June 30, 2010
IFRS, unaudited

in € thousands	June 30, 2010	Dec. 31, 2009	June 30, 2009
ASSETS			
Current assets			
Cash and cash equivalents	155,813	218,141	136,109
Inventories	636	748	493
Trade receivables	310,095	328,543	220,206
Other receivables and other assets	47,925	38,192	27,345
Prepaid expenses	15,418	9,616	7,443
	529,887	**595,240**	**391,596**
Non-current assets			
Intangible assets	250,688	236,567	148,827
Goodwill	729,698	688,425	443,961
Property, plant and equipment	66,722	67,064	46,220
Financial assets	6,564	5,692	6,994
Trade receivables	11,730	11,427	15,339
Other receivables and other assets	30,823	26,231	13,712
Prepaid expenses	685	758	5
Deferred taxes	24,478	23,297	15,899
	1,121,388	**1,059,461**	**690,957**
	1,651,275	**1,654,701**	**1,082,553**
EQUITY AND LIABILITIES			
Current liabilities			
Financial liabilities	182,694	198,516	61,494
Trade payables	48,092	62,030	34,906
Other liabilities	69,392	73,101	40,713
Other provisions	73,148	92,395	46,705
Provisions for taxes	33,659	45,097	20,303
Deferred income	162,153	117,309	115,052
	569,138	**588,448**	**319,173**
Non-current liabilities			
Financial liabilities	265,150	291,410	106,875
Trade payables	286	260	66
Other liabilities	2,511	1,067	333
Provisions for pensions	34,939	29,562	17,438
Other provisions	28,288	27,548	17,114
Deferred taxes	76,585	66,711	39,389
Deferred income	2,654	2,765	2,727
	410,413	**419,323**	**183,942**
Equity			
Share capital	86,148	86,125	86,060
Capital reserve	16,299	39,406	37,512
Retained earnings	616,860	584,211	498,152
Other reserves	−15,437	−82,504	−43,563
Reasury shares	−32,788	0	0
Minority interest	642	19,692	1,277
	671,724	**646,930**	**579,438**
	1,651,275	**1,654,701**	**1,082,553**

CONSOLIDATED STATEMENT OF CASH FLOWS for the six months ended June 30, 2010
IFRS, unaudited

in € thousands	June 30, 2010	June 30, 2009	Q2 2010	Q2 2009
Net income for the year	65,382	54,579	37,401	28,930
Income taxes	29,611	25,742	17,149	13,575
Net financial income/expense	7,484	255	2,881	661
Amortization/depreciation of non-current assets	22,862	13,399	12,449	7,050
Other non-cash income/expense	–2,111	2,445	–96	1,061
Operating cash flow before changes in working capital	**123,228**	**96,420**	**69,784**	**51,277**
Changes in inventories, receivables and other current assets	7,467	39,826	–15,339	14,511
Changes in payables and other liabilities	15,601	–10,488	5,682	–11,227
Income taxes paid	–42,702	–46,457	–20,800	–22,122
Interest paid	–6,887	–3,962	–3,340	–2,214
Interest received	3,647	3,825	1,880	1,478
Net cash provided by operating activities	**100,354**	**79,164**	**37,867**	**31,703**
Proceeds from the sale of property, plant and equipment/intangible assets	286	117	212	91
Purchase of property, plant and equipment/intangible assets	–4,222	–5,911	–2,597	–1,914
Proceeds from the sale of financial assets	1,164	65	836	9
Purchase of financial assets	–1,453	–605	0	–49
Payments for acquisitions, net	–14,066	–4,512	–10,333	59
Net cash used in investing activities	**–18,291**	**–10,846**	**–11,882**	**–1,804**
Proceeds from issue of share capital	180	1,026	84	391
Dividends paid	–32,834	–31,503	–32,834	–31,503
Purchase of treasury stock	–32,788	0	0	0
Proceeds from financial liabilities	305	0	0	0
Repayments of financial liabilities	–89,228	–1,007	–4,345	–159
Payments for hedging instruments	0	0	0	0
Net cash provided by/used in financing activities	**–154,365**	**–31,484**	**–37,095**	**–31,271**
Change in cash and cash equivalents from cash-relevant transactions	–72,302	36,834	–11,110	–1,372
Currency translation adjustment	9,974	2,350	6,332	741
Net change in cash and cash equivalents	**–62,328**	**39,184**	**–4,778**	**–631**
Cash and cash equivalents at the beginning of the period	218,141	96,925	160,591	136,740
Cash and cash equivalents at the end of period	**155,813**	**136,109**	**155,813**	**136,109**

STATEMENT OF CHANGES IN EQUITY for the six months ended June 30, 2010
IFRS, unaudited

in € thousands	Common shares	Share capital	Capital reserve	Retained Earnings
2009				
Equity as of Jan. 1, 2009	**28,638,842**	**85,917**	**35,810**	**474,735**
Total comprehensive income				54,920
Transactions with shareholders				
Dividend payment				−31,503
New shares issued	47,935	143	883	
Stock options			819	
Transactions between shareholders				
Equity as of June 30, 2009	**28,686,777**	**86,060**	**37,512**	**498,152**

in € thousands	Common shares	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				65,206
Transactions with shareholders				
Dividend payment				−32,557
New shares issued	7,651	23	157	
Stock options			1,611	
Purchase of treasury stock	−400,000			
Transactions between shareholders			**−24,875**	
Equity as of June 30, 2010	**28,316,061**	**86,148**	**16,299**	**616,860**

Other reserves				Treasury shares	Equity attributable to shareholders of Software AG	Equity attributable to non-controlling interest	Total
Currency translation differences	Net gain/loss on marketable securities and derivatives	Actuarial gains/ losses from defined benefit plans	Currency translation gains/ losses from net investments in foreign operations				
−76,744	**−5,040**	**−1,922**	**36,383**	**0**	**549,139**	**0**	**549,139**
2,317	2,239	−27	−769		58,680	−341	58,339
					0		**0**
					−31,503		−31,503
					1,026		1,026
					819		819
					0	**1,618**	**1,618**
−74,427	**−2,801**	**−1,949**	**35,614**	**0**	**578,161**	**1,277**	**579,438**
−78,130	**1,769**	**−6,923**	**780**	**0**	**627,238**	**19,692**	**646,930**
71,778	−2,110	−1,821	−780		132,273	247	132,520
					0		**0**
					−32,557	−278	−32,835
					180		180
					1,611		1,611
				−32,788	−32,788		−32,788
					−24,875	**−19,019**	**−43,894**
−6,352	**−341**	**−8,744**	**0**	**−32,788**	**671,082**	**642**	**671,724**

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 June 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 June 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. The Company is the parent company of a group which is globally active in the fields of development, licensing, and maintenance of software, 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

The following changes in the consolidated Group took place in the first six months of 2010:

	Germany	Abroad	Total
January 1, 2010	11	108	119
Additions	1	-	1
Disposals (including mergers)	1	-	1
June 30, 2010	**11**	**108**	**119**

The addition resulted from the acquisition of the company RTM Realtime Monitoring GmbH, Marburg, which is 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 for the consolidated interim financial statements as 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 for the first time applies IFRS 3R (Business Combinations (IFRS 3 (2008)) as well as the amendments to IAS 27 (revised). The major changes to IFRS 3 and IAS 27 are outlined on page 92 of our 2009 Annual Report.

Further changes result from "Improvements to IFRSs (2009)" as part of the IASB's annual improvements project, amendments to IAS 39 as well as from the interpretations IFRIC 12, IFRIC 15, IFRIC 16, IFRIC 17 and IFRIC 18, which are required to be applied for the first time in 2010. These changes do not have any material effects on the consolidated interim financial statements, if at all.

These quarterly financial statements have been prepared in accordance with IAS 34, Interim Financial reporting.

4_ BUSINESS ACQUISITIONS

The registration of the domination and profit transfer agreement concluded on November 24, 2009 between IDS Scheer AG and SAG Beteiligungs GmbH as the controlling enterprise in the commercial register on February 11, 2010, effectively gave rise to a put option for the shareholders of IDS Scheer AG to sell the shares at a price of €15.10. According to IAS 32 in conjunction with IFRS 3, this made it necessary to recognize 100 percent of the shares of IDS Scheer in the balance sheet. Accordingly, the carrying amount of the minority interests (€18.6 million) existing on this date was derecognized against the financial liability to be recognized in the amount of €43.0 million (number of the shares still outstanding multiplied by €15.10). The difference (€24.4 million) was charged to the capital reserve. The recognition of the financial liability arising from the put option in connection with the recognition of 100 percent of the shares in the balance sheet was performed retrospectively in the second quarter.

In the first six months of 2010, Software AG acquired another 0.3 percent of the shares in IDS Scheer AG for a consideration of €1,755 thousand. Accordingly, the ownership interest increased from 91.0 percent as of December 31, 2009 to 91.3 percent as of June 30, 2010. The shares acquired before February 11 resulted in a reduction of the carrying amount of the minority interests by €0.4 million and of the capital reserve by €0.5 million. The acquisitions transacted after February 11 reduced the originally recognized financial liability for the remaining IDS Scheer shareholders.

The original purchase price allocation was adjusted in the first six months of 2010. We present the preliminary allocation of the purchase price to the acquired net assets as of August 20, 2009 and the effects resulting from changes in shareholdings as well as the transaction of IDS Scheer using treasury shares until December 31, 2009 based on information from June 30, 2010 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 taxes	8,557	−4,654	3,903		3,903
Assets	**345,476**	**304,472**	**649,948**	**−15,354**	**634,594**
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
Equity and liabilities	**132,133**	**36,231**	**168,364**		**168,364**
Net assets	**213,343**	**268,241**	**481,584**	**−15,354**	**466,230**
Thereof attributable to minority interest			−1,214	−19,539	−20,753
Acquisition costs			**480,369**	**−34,893**	**445,477**
Acquired cash and cash equivalents			120,328	7,527	127,855
Net purchase price			**360,041**	**−42,420**	**317,622**

The changes of the carrying amounts of the acquired receivables (reduction by €1,922 thousand) and the tax provisions (increase by €2,800 thousand) and the adjustment of the deferred taxes (by €1,786 thousand) had no effects on earnings for the period between the acquisition and the reporting date. The changes were made retrospectively. Accordingly, goodwill increased retroactively by €6,508 thousand as of August 20, 2009. Due to the retrospective increase in goodwill by €6,508 thousand, the effect from changes in shareholdings also changed between August 20 and December 31, 2009 by €585 thousand. The net effect of the retrospective adjustment to the goodwill reported on December 31 thus amounts to €5,923 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, in 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 analyzing 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 purchase price of this acquisition is expected to amount to approximately €7.3 million. Of that amount, €6 million was paid as a fixed purchase price. Furthermore, a purchase price of up to €4 million linked to the achievement of predefined sales targets was agreed. The contingent acquisition cost was set at €1.3 million for the preliminary purchase price allocation.

The table below shows the preliminary allocation of the purchase price to the acquired net assets:

OVERVIEW OF THE PURCHASE PRICE ALLOCATION as of April 1, 2010

in € thousands	Carrying amount before acquisition	Adjustment to fair value	Opening balance sheet value
Intangible assets	4	10,626	10,630
Other assets	137	0	137
Assets	**141**	**10,626**	**10,767**
Deferred tax liabilities	0	3,294	3,294
Other equity and liabilities	129	0	129
Equity and liabilities	**129**	**3,294**	**3,423**
Net assets	**12**	**7,332**	**7,344**
Payments to shareholders			6,000
Preliminary estimation of sales-dependent contingent acquisition costs			1,344
Acquisition costs			**7,344**
Acquired cash and cash equivalents			81
Net purchase price			**7,263**

The group revenue and net income of Software AG attributable to RTM (since the date of acquisition) is immaterial for the financial position, financial performance or cash flows 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 in the 2010 Annual Report, Software AG had assumed an ownership interest of 100 percent as of December 31, 2010 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.

NOTES TO THE CONSOLIDATED BALANCE SHEET

5_ GOODWILL

Goodwill amounted to €729,698 thousand as of June 30, 2010, an increase of €41,273 thousand over December 31, 2009. This change resulted from exchange rate fluctuations, in particular of the strong U.S. dollar. Based on the changes of the opening balance sheet described above and the subsequent changes in the changes in shareholdings, the goodwill as of December 31, 2009 was increased by €5,923 thousand to €688,425 thousand.

6_ EQUITY

Share capital

The share capital of Software AG amounted to €86,148 thousand as of June 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 six months 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 an amount of €104 thousand from the €321,719 thousand in accumulated profit of the controlling Group company Software AG for 2009 to other retained earnings, to appropriate €32,555 thousand for a dividend payout, and to carry forward €289,060 thousand to a new account. This corresponded to a dividend of €1.15 per share.

OTHER DISCLOSURES

7_ SEGMENT REPORTING

The segment information for the second quarter of 2010 and 2009 is as follows:

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

in € thousands	ETS		webMethods		Enterprise Process Innovation		Reconciliation		Total	
	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009	Q2 2010	Q2 2009
Licenses	27,995	37,260	29,621	22,591	11,194	0			68,810	59,851
Maintenance	50,359	46,733	30,565	27,122	12,157	0			93,081	73,855
Product sales	**78,354**	**83,993**	**60,186**	**49,713**	**23,351**	**0**	**0**	**0**	**161,891**	**133,706**
Professional Services	17,811	16,698	28,659	24,992	57,940	0			104,410	41,690
Other	164	161	523	820	313	0			1,000	981
Total revenue	**96,329**	**100,852**	**89,368**	**75,525**	**81,604**	**0**	**0**	**0**	**267,301**	**176,377**
Cost of sales	-21,002	-21,001	-29,299	-29,795	-55,689	0	-5,288	-2,167	-111,278	-52,963
Gross profit	**75,327**	**79,851**	**60,069**	**45,730**	**25,915**	**0**	**-5,288**	**-2,167**	**156,023**	**123,414**
Sales, marketing and distribution expenses	-16,950	-17,772	-22,072	-23,567	-16,218	0	-3,256	-1,972	-58,496	-43,311
Business line contribution	**58,377**	**62,079**	**37,997**	**22,163**	**9,697**	**0**	**-8,544**	**-4,139**	**97,527**	**80,103**
Research and development expenses	-7,815	-7,212	-12,190	-11,989	-3,006	0	0	0	-23,011	-19,201
Business line result	**50,562**	**54,867**	**25,807**	**10,174**	**6,691**	**0**	**-8,544**	**-4,139**	**74,516**	**60,902**
General and administrative expenses									-20,081	-16,258
Other operating income/expenses, net									4,438	-412
Earnings before interest and taxes									**58,873**	**44,232**
Net financial income/expense									-2,881	-661
Earnings before taxes									**55,992**	**43,571**
Taxes									-18,591	-14,641
Net income									**37,401**	**28,930**

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

SEGMENT REPORT as of June 30, 2010
IFRS, unaudited

in € thousands	ETS		webMethods		Enterprise Process Innovation		Reconciliation		Total	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
Licenses	53,601	63,797	54,539	45,325	21,924	0			130,064	109,122
Maintenance	96,900	93,083	59,264	53,975	22,397	0			178,561	147,058
Product sales	**150,501**	**156,880**	**113,803**	**99,300**	**44,321**	**0**	**0**	**0**	**308,625**	**256,180**
Professional Services	34,540	34,216	55,658	49,778	116,474	0			206,672	83,994
Other	351	423	1,278	1,070	631	0			2,260	1,493
Total revenue	**185,392**	**191,519**	**170,739**	**150,148**	**161,426**	**0**	**0**	**0**	**517,557**	**341,667**
Cost of sales	-39,466	-41,676	-56,970	-59,024	-111,105	0	-10,067	-4,095	-217,608	-104,795
Gross profit	**145,926**	**149,843**	**113,769**	**91,124**	**50,321**	**0**	**-10,067**	**-4,095**	**299,949**	**236,872**
Sales, marketing and distribution expenses	-33,629	-35,763	-42,810	-44,739	-32,607	0	-6,186	-3,986	-115,232	-84,488
Business line contribution	**112,297**	**114,080**	**70,959**	**46,385**	**17,714**	**0**	**-16,253**	**-8,081**	**184,717**	**152,384**
Research and development expenses	-15,455	-15,073	-22,721	-24,300	-6,864	0	0	0	-45,040	-39,373
Business line result	**96,842**	**99,007**	**48,238**	**22,085**	**10,850**	**0**	**-16,253**	**-8,081**	**139,677**	**113,011**
General and administrative expenses									-39,897	-32,320
Other operating income/expenses, net									5,678	1,655
Earnings before interest and taxes									**105,458**	**82,346**
Net financial income/expense									-7,484	-255
Earnings before taxes									**97,974**	**82,091**
Taxes									-32,592	-27,512
Net income									**65,382**	**54,579**

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

8_ CONTINGENT LIABILITIES

As of June 30, 2010, no provisions were recognized for the following contingent liabilities, expressed at nominal value, since it appeared unlikely that claims would be asserted:

in € thousands	June 30, 2010	Dec. 31, 2009	June 30, 2009
Guarantees	0	0	1,223
Other	1,389	1,368	1,581
	1,389	**1,368**	**2,804**

No collateral received existed as of the reporting date (H1 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	11,266	63,348	5,370	**79,984**
Estimated income from subleases	-942	-9,096	-2,781	**-12,819**

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 acquisition of IDS Scheer, the revenue and earnings trend for 2009 does not have any great significance for predicting the trend in 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 continued against only two of the defendants. The manner in which the suspended proceedings will be continued will depend on the outcome of these two exemplary proceedings. The order is not expected to be rescinded before year-end 2010.

A large number of award proceedings have been initiated at the district court of Saarbrücken in connection with the domination and profit transfer agreement with IDS Scheer AG. In these proceedings, the petitioners seek an increase of the cash settlement and the annual compensatory payment. Software AG considers the objections as to valuation as groundless. The proceedings are in an early stage; as yet there have been no oral hearings before the court.

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 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, officers, and other Group employees. Our share-based compensation programs are described in detail on pages 117 – 119 of our 2009 Annual Report.
The expense for stock options that were accounted for in accordance with IFRS 2 as equity-settled stock option programs in the first six months of 2010 amounted to €1,611 thousand (H1 2009: €819 thousand).
The expense for stock options that were accounted for in accordance with IFRS as cash-settled stock option programs in the first six months of 2010 amounted to €4,032 thousand (H1 2009: €2,337 thousand).

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

	Balance as of Dec. 31, 2010	Granted	Exercised	Forfeited	Balance as of June 30, 2010	Thereof exer-cisable as of June 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	–99,500	**1,782,354**	0

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

12_ EMPLOYEES

As of June 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:

	June 30, 2010	June 30, 2009
Maintenance and service	3,143	1,644
Sales and marketing	1,077	757
Research and development	844	660
Administration	800	542
	5,864	**3,603**

In absolute terms (i.e., part-time employees are counted in full), the Group employed 5,963 people as of June 30, 2010 (June 30, 2009: 3,684), of which 2,376 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 of the one-third participation in accordance with the One-third Employee Representation Act for equal participation in 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 office of the previous members of the Supervisory Board expired as of the end of the annual shareholders' meeting on May 21, 2010 as a consequence of the conversion to the composition of the Supervisory Board according to the provisions of the German Co-determination Act. Upon the conclusion of the annual shareholders' meeting, the Supervisory Board was to be composed in accordance with Section 96 (1) 101, and Section 1 German Stock Corporation Act, Section 1 (1) and Section 7 (1) sentence 1 No. 1 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 be members of the Supervisory Board as representatives of the shareholders to take effect as of the end of the annual shareholders' meeting on May 21, 2010 and until the end of the annual shareholders' meeting which decides on the actions of the members of the Supervisory Board for fiscal year 2014:

- Dr. Andreas Bereczky, Director of Production of ZDF, a resident of Eschweiler,
- Willi Berchtold, Graduate in Economics, private consultant, a resident of Überlingen,
- Heinz Otto Geidt, Director of Asset Management at Software AG Foundation, a resident of Kelkheim,
- Prof. Dr. Hermann Requardt, Dr. phil. nat., Member of the Management Board of Siemens AG, Sector CEO Healthcare, Head of Corporate Technology, a resident of Erlangen,
- Anke Schäferkordt, MBA, Managing Director, RTL Television GmbH, a resident of Cologne,
- Alf Henryk Wulf, Graduate in engineering, CEO, Alcatel-Lucent Deutschland AG, a resident of Stuttgart.

In a decision dated April 23, 2010, the Local Court of Darmstadt appointed the following persons to be members of the Supervisory Board as employee representatives to take effect as of the end of the annual shareholders' meeting of Software AG on May 21, 2010:

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

In a further decision dated May 11, 2010, the Local Court of Darmstadt made the following appointment to the Supervisory Board to take effect as of the end of the annual shareholders' meeting of Software AG on May 21, 2010:

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

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

There were no changes in the Management Board between January and June 2010.

14_ EVENTS AFTER THE BALANCE SHEET DATE

IDS Scheer shareholders approve merger

On July 8, 2010, the annual general meeting of IDS Scheer approved the merger agreement with Software AG. 29,701,961 valid votes were cast, reflecting 92 percent of the share capital of IDS Scheer AG. The votes in favor of the proposed merger totaled 29,514,402 or 99 percent of the votes cast. Dr. Wolfram Jost and Josef Bommersbach will continue as members of the Management Board of IDS Scheer AG until the merger takes effect legally, making IDS Scheer AG a part of Software AG and eliminating its Management Board. This will take effect when the merger is recorded in the Commercial Register. Until then, Dr. Jost will act as spokesman for the IDS Scheer AG Management Board.
After the merger resolution, former IDS Scheer AG Management Board members Peter Gérard and Rudolf Keul resigned from the company by mutual agreement on conclusion of the IDS Scheer AG annual general meeting on July 8, 2010.

New management structure within Software AG

The Supervisory Board of Software AG resolved to establish the new executive body of Software AG, the Group Executive Board (GEB), on August 2, 2010. The Chairman of the Group Executive Board (GEB) is Karl-Heinz Streibich, CEO of Software AG. In addition to the CEO, the eight-member body combines the operating management divisions with divisional directors at the top. This is accompanied by a reduction in size of the Management Board which previously had six members and will be reduced to four members in a first step. The Management Board now includes Karl-Heinz Streibich, Arnd Zinnhardt, David Broadbent, and Dr. Wolfram Jost, who was appointed by the Supervisory Board to be a member of the Management Board as of August 1, 2010. He is responsible for research and development as well as product management and product marketing for all products of the Software AG Group. The former Chief Product Officer of Software AG, Dr. Peter Kürpick, is leaving the Company at his own request.

Date and authorization for issue

Software AG's Management Board approved the consolidated quarterly financial statements on August 11, 2010.

Responsibility statement

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

Darmstadt, August 11, 2010

Software AG

K.-H. Streibich	D. Broadbent
Dr. W. Jost	A. Zinnhardt

FINANCIAL CALENDAR

Financial Calendar	2010
October 26, 2010	Q3 2010 preliminary financial figures
	2011
End of January 2011	Q4/FY 2010 preliminary financial figures

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