



The Power of PROCESS INNOVATION

KEY FIGURES 2010

KEY FIGURES for the three months ended March 31, 2010 IFRS, unaudited

in € millions (unless otherwise stated)	Q1 2010	Q1 2009	change in %
Revenue	250.3	165.3	51
Product revenue	146.7	122.5	20
of which			
Licenses	61.2	49.3	24
Maintenance	85.5	73.2	17
Professional Services	102.3	42.3	142
Other	1.3	0.5	
EBIT	46.6	38.1	22
as % of revenue	18.6	23.1	
Net income	28.0	25.6	9
as % of revenue	11.2	15.5	
Earnings per share (€ basic)	0.98	0.90	10
Earnings per share (€ diluted)	0.98	0.89	10
Total assets	1,604.4	1,113.4	
Cash and cash equivalents	160.6	136.7	
Shareholders' equity	678.9	595.0	
as % of total assets	42	53	
Employees*	5,936	3,640	
of which in Germany	2,185	851	

* 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 CONTINUES SIGNIFICANT GROWTH IN THE FIRST QUARTER OF 2010

Software AG's segment reporting is prepared in accordance with IFRS 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 ETS (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 started off the year 2010 on a strong note, continuing the growth path it began in 2003. First-quarter Group revenue grew year-on-year by 51 percent to €250.3 million as a result of acquisitions and organic growth. Product revenue rose 20 percent to €146.7 million. Free cash flow, which had been growing dynamically over the past few quarters, climbed 39 percent in the first quarter. The slight upswing in IT demand that had become apparent early in the year had a positive impact on the first quarter. The Company expects an increased volume in large-scale projects in the Enterprise Process Innovation division during the course of the year and confirms its outlook for the full fiscal year.

1.1 TRANSFORMATION TO BUSINESS PROCESS EXCELLENCE

The Company's strategic refocus and transformation into the leading provider of business process excellence software in fiscal 2009 continued to take shape in the first quarter of 2010. The new business process excellence product and solution portfolio was unveiled and the consolidation timeline for Software AG and IDS Scheer AG products and consulting services was presented at CeBIT 2010. Furthermore, the first steps toward operational integration of the two companies were taken in the first quarter.

This positioning is Software AG's response to customers' need for efficient and flexible business processes. Process innovation is becoming more important to enterprises than product innovation. Therefore, the ability to design internal processes efficiently is already a critical factor in gaining an edge over competitors in many industries. Software AG estimates that the software market for process innovation will become larger than for ERP. Positioning itself as a business process excellence provider, which was enabled by the acquisition of IDS Scheer, has thus unleashed great growth potential and opportunities for Software AG. The latest data on software products in the application infrastructure and middleware (AIM) market segment confirm this. According to a study conducted by a well-known market analyst firm, Software AG grew 9 percent in this market (IBM: 8 percent, AIM software market overall 3 percent). This makes us the fourth-largest vendor after IBM,

Oracle, and Microsoft, and the largest specialized infrastructure provider. Software AG's technology leadership is further illustrated by the fact that we are operating internationally and successfully in three of the four fastest growing software market segments: SOA governance, message-oriented middleware, and business process management (BPM) suites.

At CeBIT 2010, where the two companies made their first joint industry appearance, customers and members of the international press were presented with Software AG's future offering. The merged company will enable a new level of quality in the interplay between BPM and IT. Business-oriented process management, such as that which is enabled by ARIS software, focuses solely on the operational needs of a particular department. Its objective is to ascertain what the business benefits of a process are. With ongoing business process enhancement, management of these processes becomes a process in and of itself, which is implemented and executed at the organization. All phases of a process are modeled from both a departmental and business point of view—from strategy definition and process design to model implementation and control. In contrast, when BPM has a more technical focus, such as that which our webMethods software supports, IT solutions automatically execute process models at an IT infrastructure level. The tight coupling of business and technical levels makes it necessary for business units to discuss their process requirements in detail with their internal IT department. Software AG and IDS Scheer now have the unique opportunity to expand the concept of the BPM lifecycle to encompass phases (strategy, design, implementation, composition, execution, monitoring, and control) at the technical implementation level. Process-driven development, in which IT is automatically adjusted to reflect modeling modifications, and vice versa, will become possible. This type of closed loop is a huge advantage when it comes to enabling continuous BPM as a management and control system.

What are the advantages of business process excellence?

Business process excellence equips organizations for global competition. Excellent, digital processes enable them to stake a claim as long-term competitive, cost-efficient enterprises in the global market. Companies of tomorrow must therefore prioritize process management with a view to improving existing processes and developing and quickly implementing new business models.

1.2 CORE BUSINESS: OPERATIONAL HIGHLIGHTS

New software products and solutions are the backbone of our long-term growth strategy. Because we offer our customers the latest and best technologies, the decision to sign license and service agreements with us is logical. The following additions to our product portfolio took place in the first quarter of 2010:

webMethods 8 GA (General Availability)

Software AG shipped webMethods 8, the latest release of the webMethods platform, in the quarter under review. With webMethods 8, customers can capitalize on open architectures and their existing infrastructures and reduce time and cost to optimize processes and integrate systems. More than 200 companies worldwide participated in the first customer shipment (FCS) program for webMethods 8.

NaturalOne

Another new Software AG product in the first quarter was the NaturalONE™ development environment. NaturalONE™ is an integrated Eclipse-based toolset for enterprise application development. NaturalONE™ lets developers code and test applications using the Natural language, expose Natural objects as Web services, and create rich Web interfaces for their applications.

ARISalign

Software AG unveiled ARISalign, the first cloud solution for social BPM, at CeBIT 2010. This marked the establishment of a social network for business process management (BPM) specialists. The new cloud product will be available as part of Amazon Web Services. ARISalign offers an open, global community platform for project participants dealing with business processes. Anyone with a stake within or beyond an enterprise can participate in the process discovery phase to collaborate, gather information, share goals, and reach a consensus design.

ARISMashZone

ARIS MashZone's innovative mashup technologies enable the user-friendly creation of business dashboards. Non-expert users can combine, analyze, and visualize data in the form of attractive, interactive mashups without the need for programming skills. The burden on the IT department is reduced, while a new level of transparency leads to faster, better decisions.

Awards for Software AG's innovative leadership

In the first quarter of 2010 our products were again recognized by independent market analysts. The ARIS Platform by IDS Scheer of the Software AG Group was ranked as a leader in business process analysis (BPA) tools. ARIS has been known as a market-leading BPA solution since 1996.

A further highlight in the first quarter was winning the "Excellent Cluster Competition," sponsored by the German Ministry of Education and Research. The national competition awards top regional technology hubs, which subsequently receive considerable project funding. Software AG and its partners in business, science, and government together form Europe's largest software cluster, known as "Software Innovation for

the Digital Enterprise." Their victory makes the area around Software AG headquarters the leading regional software hub in Germany. The cluster is considered the Silicon Valley of Europe, spanning centers located in Darmstadt, Kaiserslautern, Karlsruhe, Saarbrücken, and Walldorf. Its goal is to become a world leader in the research and development, and eventually distribution, of software solutions for the digital enterprises of tomorrow.

1.3 CUSTOMERS AND PARTNERS

It is Software AG's goal to realize an increasing number of large-scale, strategic customer projects. For customers, we evolve from a project partner into a long-term, strategic process-innovation partner with comprehensive expertise for sustainable transformation. We achieved this in the first quarter of the year (for more details, go to: <http://www.softwareag.com/corporate/Customers/default.asp>).

1.4 INTEGRATION WITH IDS SCHEER

Integration of operations with IDS Scheer began in the first quarter of 2010. At an IDS Scheer extraordinary shareholders' meeting, on January 8, 2010 in Saarbrücken, a domination and profit transfer agreement was approved. Four weeks later, after being entered into the commercial register, it became legally effective. Operations of central administrative departments at both companies were consolidated under uniform leadership in February. To further accelerate the integration process, the merger of the companies is being prepared and will be voted on at the IDS Scheer annual shareholders' meeting in July 2010. If the merger passes, IDS Scheer AG shares will be exchanged for Software AG shares. The exchange rate will be derived from a value recommendation by financial auditing company, Ernst & Young. Based on the current status of Ernst & Young's assessment of the five-year plans of both companies, a preliminary value per share has been calculated at €138.96 per Software AG share and €16.74 per IDS Scheer share. Software AG released this information in an ad-hoc statement on April 26, 2010.

2 FINANCIAL PERFORMANCE

2.1 SIGNIFICANT INCREASE IN GROUP REVENUE AGAIN

In the first quarter of 2010, Group revenue increased to €250.3 million (2009 €165.3 million), surpassing the previous year's figure by 51 percent. This rise was due to the acquisition of IDS Scheer AG and to organic growth. In this quarter, we felt the initial effects of a recovering economy and a rise in IT demand, in particular in the USA, Brazil, Australia, and South Africa.

In period under review, there were again only marginal currency effects of 1.4 percent on revenue. This is partially the result of integrating IDS Scheer, as most of its revenue is generated in the euro zone. In the first quarter of 2010, 43 percent of revenue was attributable to the euro and 22 percent to the U.S. dollar. Overall, the impact of exchange rates on revenue was positive in the quarter, amounting to €3.6 million.

2.2 SALES BY REVENUE TYPE

Software AG's profitable growth is due to a large extent to its strong, margin-enhancing product business (licenses and maintenance). In the first quarter of 2010, product revenue increased by 20 percent to €146.7 million (2009 €122.5 million). License revenues (included in product revenue) rose by 24 percent to €61.2 million (2009 €49.3 million). Maintenance revenue grew by 17 percent to €85.5 million (2009 €73.2). Service business generated €102.3 million, which represents growth of 142 percent over the previous year, as a result of consolidation (2009 €42.3 million).

Encouraging growth in license business

In view of the continuing economic difficulties in many markets, our license business is developing extremely well. Thus, licensing revenues increased by 24 percent to €61.2 million (2009 €49.3 million).

In the webMethods business division, license revenue was €24.9 million, compared to €22.7 million in the previous year (+10 percent). In the ETS business division, license revenue of €25.6 million remained at almost the same level as 2009 (€26.5 million). The third business division, Enterprise Process Innovation, from IDS Scheer, posted license sales of €10.7 million in the first quarter.

Maintenance business makes large overall contribution

The maintenance business again developed well in Q1. Revenue increased by 17 percent to €85.5 million (2009 €73.2 million). The strategy of focusing more on the maintenance business, implemented as a result of the economic crisis, is thus having a long-term positive effect. In the webMethods business division, we were able to increase maintenance revenue by 7 percent to €28.7 million (2009 €26.9 million). The ETS business division kept its revenue stable at €46.5 million (2009 €46.4 million). The third business division, Enterprise Process Innovation, contributed €10.2 million to maintenance revenue.

Service business makes solid contribution to earnings

The services unit, which comprises Global Consulting Services and IDS Consulting, achieved a significant increase of 142 percent on its 2009 value, a result of IDS Scheer's contribution. Revenue amounted to €102.3 million (with IDS Scheer contributing €58.8 million), compared to €42.3 million in the previous year (without IDS Scheer).

In the webMethods business division, service revenue increased by 9 percent from €24.8 million in the first quarter of 2009 to €27 million in the first quarter of 2010. The ETS business division was able to keep its service business fairly stable at €16.7 million (2009 €17.5 million).

2.3 REVENUE BY BUSINESS DIVISION

Revenue by business division was distributed as follows: ETS €89.1 million (35 percent of total revenue), webMethods €81.4 million (33 percent), and Enterprise Process Innovation €79.8 million (32 percent).

ETS stable overall

In the first quarter, revenue in the ETS business division amounted to €89.1 million (2009 €90.7 million). Product revenue in the USA and South Africa developed particularly well with very high growth rates. Overall, the ETS business division contributed €46.3 million to the Group operating result.

webMethods particularly strong

The webMethods business division for integration software, service-oriented architectures (SOA), and business process management (BPM) achieved a growth rate of 9 percent to reach €81.4 million in the first quarter of 2010. In the same quarter of 2009, revenue was €74.6 million. Growth was generated in particular through an 8-percent increase in average order volume to approximately €440,000 and an 11-percent rise in the number of orders. webMethods license business achieved the greatest growth rate in the Group with 10 percent. A significant increase was seen in the USA in particular. With €22.4 million (2009 €11.9 million), webMethods was able to increase its contribution to the Group operating result by 88 percent.

Enterprise Process Innovation

The Enterprise Process Innovation business division (IDS Scheer) contributed €79.8 million in total to Software AG's growth. In the first quarter of 2009, no IDS Scheer revenues were consolidated. Product business (ARIS products and third-party products) made up €21.0 million of revenue, services (IDS Scheer Consulting and product implementation) €58.8 million.

KEY FIGURES IFRS, unaudited

in € millions	Q1 2010	Q1 2009	change in %
Revenue	250.3	165.3	51
Product revenue	146.7	122.5	20
of which			
Licenses	61.2	49.3	24
Maintenance	85.5	73.2	17
EBIT	46.6	38.1	22
Net income	28.0	25.6	9
Earnings per share (€)	0.98	0.90	10
Free cash flow	59.8	43.0	39

Significant EBIT growth

Despite the ongoing challenging economic climate, EBIT rose significantly in the first quarter of 2010 by 22 percent to €46.6 million (2009 €38.1 million). This demonstrates that process efficiency has continued to grow as planned.

Costs for research and development were €22 million and thus exceeded costs in the first quarter of 2009 by 9 percent (2009 €20.2 million). As a result of the crisis prevention program initiated in 2009, the cost ratio was successfully reduced from 17 to 15 percent. Other cost ratios were also decreased, although revenue increased 51 percent. Marketing and sales costs rose to €56.7 million (2009 €41.2 million), while the cost ratio fell from 25 percent to 23 percent. In the reporting period, general administrative costs totaled €19.8 million (2009 €16.0 million) and the cost ratio was reduced from 10 to 8 percent.

Further increase in net income and earnings

In the first quarter, consolidated income rose from €25.7 million to €28 million, an increase of 9 percent. Earnings per share achieved the excellent value of €0.98; in the first quarter of 2009, earnings per share were €0.90. On March 31, 2010, there were 28.5 million shares in circulation (basic), around 400,000 shares fewer year-on-year. This reduction was the result of the Company purchasing its own shares in preparation for the merger with IDS Scheer.

3 FINANCIAL POSITION

3.1 CONSIDERABLE GROWTH IN OPERATING CASH FLOW

Operating cash flow totaled €62.5 million (2009: €47.5) in the quarter under review, which reflects better performance than that of earnings. The repeated growth in free cash flow was particularly encouraging, up 39 percent to €59.8 million year-on-year. This positive development was a result of effective working capital management facilitated by more efficient internal business processes.

3.2 INCREASE IN TOTAL ASSETS AND CAPITAL EXPENDITURE

Software AG's total assets rose from €1,113.4 million on March 31, 2009 to €1,604.4 million on March 31, 2010. Cash and cash equivalents decreased by about €58 million from the end of fiscal year 2009 due to the first repayment on the debt incurred by the acquisition of IDS Scheer and to the purchase of 400,000 of the Company's own shares.

4 OPPORTUNITIES AND RISKS

We are subject to acquisition and integration risks based on acquisitions already implemented and possible new acquisitions. Apart from this, there were no changes to the risk situation of the Software AG Group in the first quarter of 2010 as portrayed in the Risk Report of the 2009 Annual Report.

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

5 EVENTS AFTER THE BALANCE SHEET DATE

Software AG acquired software company RTM GmbH, based in Marburg, Germany, after the close of the first quarter of 2010. RTM originated as a research project of the University of Marburg with funding from the German Research Foundation and the German Federal Ministry of Economics and Technology to conduct research projects. The company currently employs four people.

Through the acquisition, Software AG will gain access to cutting-edge research in the field of real-time data processing and analysis.

In addition to the abovementioned technology acquisition, Software AG also increased its majority share in Leipzig-based itCampus Software- und Systemhaus GmbH (itCampus) from 51 percent to 100 percent retroactively as of January 1, 2010. itCampus will continue operating as an independent subsidiary of the Software AG Group.

6 OUTLOOK

Operating results showed the normal seasonal effects. In light of the persistently difficult economic climate, this can be considered a very positive indication of upcoming business development. Customers at CeBIT expressed strong interest in innovative IT solutions to optimize business processes. The merger of IDS Scheer and Software AG will generate cost benefits and competitive advantages in both the product and consulting businesses. The Company therefore confirms the outlook for fiscal year 2010, which was published in February, with total revenue growth between 25 and 30 percent and product revenue growth between 12 and 15 percent, at constant currency rates. Accordingly, an increase in net income and earnings per share is expected between 8 and 12 percent.

CONSOLIDATED INCOME STATEMENT for the three months ended March 31, 2010
IFRS, unaudited

in € thousands	Q1 2010	Q1 2009	change in %
Licenses	61,255	49,271	24
Maintenance	85,480	73,203	17
Professional Services	102,261	42,304	142
Other	1,260	512	146
Total revenue	250,256	165,290	51
Cost of sales	-106,330	-51,831	105
Gross profit	143,926	113,459	27
Research and development expenses	-22,029	-20,172	9
Sales, marketing and distribution expenses	-56,735	-41,177	38
General and administrative expenses	-19,816	-16,062	23
Operating result	45,346	36,048	26
Other operating income	12,111	14,452	-16
Other operating expenses	-10,871	-12,386	-12
Earnings before interest and taxes (EBIT)	46,586	38,114	22
Financial income/expense net	-4,603	406	
Earnings before taxes	41,983	38,520	9
Income taxes	-12,462	-12,167	2
Other taxes	-1,540	-704	119
Net income	27,981	25,649	9
thereof attributable to shareholders of Software AG	27,973	25,649	9
thereof attributable to minority interest	8	0	
Earnings per share (€ basic)	0.98	0.90	10
Earnings per share (€ diluted)	0.98	0.89	10
Weighted average number of shares outstanding (basic)	28,510,446	28,654,191	-
Weighted average number of shares outstanding (diluted)	28,512,292	28,695,711	-

STATEMENT OF COMPREHENSIVE INCOME for the three months ended March 31, 2010
IFRS, unaudited

in € thousands	Q1 2010	Q1 2009
Net income	27,981	25,649
Currency translation differences	36,742	14,375
Net gain/loss marketable securities and derivatives	-810	2,470
Net gain/loss arising from translating net investments in foreign operations	-890	129
Net actuarial gain/loss from defined benefit plans	0	-48
Other comprehensive income	35,042	16,926
Total comprehensive income	63,023	42,575
thereof attributable to shareholders of Software AG	62,948	42,575
thereof attributable to minority interest	75	0

CONSOLIDATED BALANCE SHEET as of March 31, 2010
IFRS, unaudited

in € thousands	March 31, 2010	Dec. 31, 2009	March 31, 2009
ASSETS			
Current assets			
Cash and cash equivalents	160,591	218,141	136,740
Inventories	736	748	486
Trade receivables	301,301	330,465	228,312
Other receivables and other assets	41,445	38,192	22,239
Prepaid expenses	15,889	9,616	8,337
	519,962	597,162	396,114
Non-current assets			
Intangible assets	237,584	236,567	160,638
Goodwill	701,270	682,502	452,871
Property, plant and equipment	66,789	67,064	46,975
Financial assets	7,176	5,692	7,344
Trade receivables	10,477	11,427	16,824
Other receivables and other assets	34,518	26,231	15,834
Prepaid expenses	730	758	0
Deferred taxes	25,904	25,083	16,796
	1,084,448	1,055,324	717,282
	1,604,410	1,652,486	1,113,396
EQUITY AND LIABILITIES			
Current liabilities			
Financial liabilities	141,508	198,516	63,289
Trade payables	56,834	62,030	29,952
Other liabilities	76,996	73,101	46,149
Other provisions	60,362	92,395	43,271
Provisions for taxes	28,407	42,297	25,873
Deferred income	158,397	117,309	135,668
	522,504	585,648	344,202
Non-current liabilities			
Financial liabilities	266,822	291,410	104,912
Trade payables	254	260	68
Other liabilities	1,111	1,067	382
Provisions for pensions	30,543	29,562	16,762
Other provisions	28,369	27,548	18,590
Deferred taxes	72,703	66,711	31,116
Deferred income	3,168	2,765	2,426
	402,970	419,323	174,256
Equity			
Share capital	86,137	86,125	86,009
Capital reserve	41,242	39,406	36,933
Retained earnings	612,184	584,211	500,384
Other reserves	-47,529	-82,504	-30,397
Reasury shares	-32,788	0	0
Minority interest	19,690	20,277	2,009
	678,936	647,515	594,938
	1,604,410	1,652,486	1,113,396

CONSOLIDATED STATEMENT OF CASH FLOWS for the three months ended March 31, 2010
IFRS, unaudited

in € thousands	Q1 2010	Q1 2009
Net income for the year	27,981	25,649
Income taxes	12,462	12,167
Net financial income/expense	4,603	-406
Amortization/depreciation of non-current assets	10,413	6,349
Other non-cash income/expense	-2,015	1,384
Operating cash flow before changes in working capital	53,444	45,143
Changes in inventories, receivables and other current assets	22,806	25,315
Changes in payables and other liabilities	9,919	739
Income taxes paid	-21,902	-24,335
Interest paid	-3,547	-1,748
Interest received	1,767	2,347
Net cash provided by operating activities	62,487	47,461
Proceeds from the sale of property, plant and equipment/intangible assets	74	26
Purchase of property, plant and equipment/intangible assets	-1,625	-3,997
Proceeds from the sale of financial assets	328	56
Purchase of financial assets	-1,453	-556
Payments for acquisitions, net	-3,733	-4,571
Net cash used in investing activities	-6,409	-9,042
Proceeds from issue of share capital	96	635
Dividends paid	-32,788	0
Additions to financial liabilities	305	0
Repayments of financial liabilities	-84,883	-848
Payments for hedging instruments	0	0
Net cash provided by/used in financing activities	-117,270	-213
Change in cash and cash equivalents from cash-relevant transactions	-61,192	38,206
Currency translation adjustment	3,642	1,609
Net change in cash and cash equivalents	-57,550	39,815
Cash and cash equivalents at the beginning of the period	218,141	96,925
Cash and cash equivalents at the end of period	160,591	136,740

STATEMENT OF CHANGES IN EQUITY for the three months ended March 31, 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				25,649
Transactions with shareholders				
Dividend payment				
New shares issued	30,697	92	543	
Stock options			580	
Transactions between shareholders				
Equity as of March 31, 2009	28,669,539	86,009	36,933	500,384
2010				
in € thousands				
Equity as of Jan. 1, 2010	28,708,410	86,125	39,406	584,211
Total comprehensive income				27,973
Transactions with shareholders				
Dividend payment				
New shares issued	4,071	12	84	
Stock options			2,326	
Purchase of treasury stock	-400,000			
Transactions between shareholders				
			-574	
Equity as of March 31, 2010	28,312,481	86,137	41,242	612,184

Other reserves				Treasury shares	Attributable to shareholders of Software AG	Attributable to minority interest	Total
Currency translation differences	Net gain/loss on marketable securities and derivative	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
14,375	2,470	-48	129		42,575	0	42,575
					0		0
					0		0
					635		635
					580		580
					0	2,009	2,009
-62,369	-2,570	-1,970	36,512	0	592,929	2,009	594,938
-78,130	1,769	-6,923	780	0	627,238	20,277	647,515
36,675	-810		-890		62,948	75	63,023
					0		0
					0	-256	-256
					96		96
					2,326		2,326
				-32,788	-32,788		-32,788
					-574	-406	-980
-41,455	959	-6,923	-110	-32,788	659,246	19,690	678,936

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 March 31, 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 March 31, 2010, were observed, as were the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC—formerly SIC).

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

There were no changes in the consolidated group in the first quarter 2010.

	Germany	Abroad	Total
January 1, 2010	11	108	119
Additions	-	-	-
Disposals (including mergers)	-	-	-
March 31, 2010	11	108	119

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

In the first quarter of 2010, Software AG acquired another 0.2 percent of the shares in IDS Scheer AG for a consideration of €980 thousand. Accordingly, the ownership interest increased from 91.0 percent as of December 31, 2009 to 91.2 percent as of March 31, 2010. In response, the carrying amount of the minority interests was reduced by €406 thousand and the capital reserve declined by €574 thousand. The reduction by €406 thousand corresponds to the portion of the carrying amount of the interest held by minority shareholders attributable to the acquired shares as of the date of acquisition.

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 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 currently has four employees. The purchase price for this acquisition is expected to amount to approx. €6-10 million, of which €4 million depend on the delivery against a revenue target. Due to the short time between the acquisition period and the authorization for issue of this interim financial report, it was not possible to conduct a purchase price allocation. According to Software AG's forecast, the impact of this acquisition on the overall Group's financial position, financial performance, and cash flows will be immaterial.

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 2009 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 €701,270 thousand as of March 31, 2010, an increase of €18,768 thousand over December 31, 2009. This change resulted from exchange rate fluctuations, in particular of the strong U.S. dollar.

6_ EQUITY

Share capital

The share capital of Software AG amounted to €86,137 thousand as of March 31, 2010. The exercise of stock options under the second stock option plan increased the number of bearer shares in issue by 4,071 to 28,312,481 shares in the first quarter of 2010. In response, the Company's share capital rose by €12 thousand and the capital reserve by €84 thousand.

Dividend payment

The Executive Board and the Supervisory Board will propose to the Annual Shareholders' Meeting to distribute the net retained profits of €321,719 thousand for 2009 of Software AG, the controlling Group company, as follows: to transfer €104 thousand to other retained earnings, to use €32,555 thousand for the payment of dividends—corresponding to a dividend of €1.15 per share—and to carry forward €289,060 thousand.

OTHER DISCLOSURES

7_ SEGMENT REPORTING

SEGMENT REPORT for the three months ended March 31, 2010 IFRS, unaudited

in € thousands	ETS		webMethods		Enterprise Process Innovation		Reconciliation		Total	
	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009	Q1 2010	Q1 2009
Licenses	25,606	26,537	24,918	22,734	10,731	0			61,255	49,271
Maintenance	46,541	46,350	28,699	26,853	10,240	0			85,480	73,203
Product sales	72,147	72,887	53,617	49,587	20,971	0	0	0	146,735	122,474
Professional Services	16,728	17,518	26,999	24,786	58,534	0			102,261	42,304
Other	187	262	755	250	318	0			1,260	512
Total revenue	89,062	90,667	81,371	74,623	79,823	0	0	0	250,256	165,290
Cost of sales	-18,465	-20,675	-27,670	-29,229	-55,416	0	-4,779	-1,927	-106,330	-51,831
Gross profit	70,597	69,992	53,701	45,394	24,407	0	-4,779	-1,927	143,926	113,459
Sales, marketing and distribution expenses	-16,678	-17,991	-20,738	-21,172	-16,389	0	-2,930	-2,014	-56,735	-41,177
Business line contribution	53,919	52,001	32,963	24,222	8,018	0	-7,709	-3,941	87,191	72,282
Research and development expenses	-7,639	-7,861	-10,531	-12,311	-3,859	0	0	0	-22,029	-20,172
Business line result	46,280	44,140	22,432	11,911	4,159	0	-7,709	-3,941	65,162	52,110
General and administrative expenses									-19,816	-16,062
Other operating income/expenses, net									1,240	2,066
Earnings before interest and taxes									46,586	38,114
Net financial income/expense									-4,603	406
Earnings before taxes									41,983	38,520
Taxes									-14,002	-12,871
Net income									27,981	25,649

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 internal control.

8_ CONTINGENT LIABILITIES

As of March 31, 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	Mar. 31, 2010	Dec. 31, 2009	Mar. 31, 2009
Guarantees	0	0	1,223
Other	1,378	1,368	1,581
	1,378	1,368	2,804

The carrying amount of collateral received was €521 thousand (Q1 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	13,713	57,762	7,027	78,102
Estimated income from subleases	-1,281	-7,803	-2,323	-11,407

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 still in a very early stage. No date for the main proceedings has been set. 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 Executive 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 quarter of 2010 amounted to €2,326 thousand (Q1 2009: €579 thousand). The expense for stock options that were accounted for in accordance with IFRS 2 as cash-settled stock option programs in the second quarter of 2010 amounted to €350 thousand (Q1 2009: €3,307 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, 2009	Granted	Exercised	Forfeited	Balance as of Mar. 31, 2010	Thereof exer- cisable as of Mar. 31, 2010
Stock option program MIP II	7,691	0	-4,071	-227	3,393	3,393
Stock price-based remuneration plan from 2007	1,881,854	0	0	-88,000	1,793,854	0

Of the options outstanding on March 31, 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 87,339 stock options outstanding as of March 31, 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 March 31, 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:

	Mar. 31, 2010	Mar. 31, 2009
Maintenance and service	3,183	1,656
Sales and marketing	1,084	743
Research and development	849	694
Administration	820	547
	5,936	3,640

In absolute terms (i.e., part-time employees are counted in full), the Group employed 6,098 people as of March 31, 2010 (March 31, 2009: 3,720), of which 2,487 were from IDS Scheer.

13_ CHANGES AND INFORMATION REGARDING CORPORATE BODIES

There were no changes in the Supervisory Board and the Executive Board in the first quarter of 2010.

14_ EVENTS AFTER THE BALANCE SHEET DATE

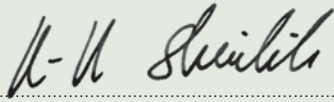
Except for the events mentioned in Note 4 (Business acquisitions), no material events occurred between the balance sheet date and the date of release of these quarterly financial statements.

Date and authorization for issue

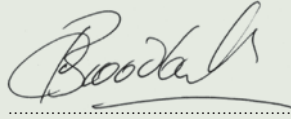
Software AG's Executive Board approved the consolidated quarterly financial statements on May 12, 2010.

Darmstadt, May 12, 2010

Software AG



K.-H. Streibich



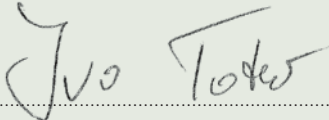
D. Broadbent



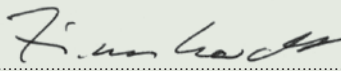
M. Edwards



Dr. P. Kürpick



I. Totev



A. Zinnhardt

FINANCIAL CALENDAR

Financial Calendar	2010
May 21, 2010	Annual Shareholders' Meeting, Darmstadt, Germany
July 29, 2010	Q2/HY 2010 preliminary financial figures
October 26, 2010	Q3 2010 preliminary financial figures
	2011
End of January 2011	Q4/FY 2010 preliminary financial figures

PUBLICATION CREDITS

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