QUARTERLY REPORT NO. 3/2009 July 1 – September 30, 2009

SOFTWARE AG CORPORATE HEADQUARTERS | DARMSTADT, GERMANY

ENGINEERING THE FUTURE FOR 40 YEARS

KEY FIGURES 2009

KEY FIGURES for the nine months ended September 30, 2009
IFRS, unaudited

in € millions (unless otherwise stated)	Sept. 30, 2009	Sept. 30, 2008	change in %	Q3 2009	Q3 2008	change in %
Total revenue	**555.3**	**508.2**	**9.0**	**213.6**	**180.1**	**19**
Product revenue	399.4	375.9	6.0	143.2	138.0	4
of which						
Licenses	171.2	184.5	−7.0	62.1	67.8	−8
Maintenance	228.2	191.4	19.0	81.1	70.2	16
Professional Services	153.5	130.5	18.0	69.5	41.8	66
Other	2.4	1.8		0.9	0.3	
EBITA	**154.2**	**136.8**	**12.7**	**63.8**	**52.3**	**22**
as % of revenue	27.8	26.9		29.9	29.0	
EBIT	**138.8**	**125.6**	**10.5**	**56.4**	**48.7**	**16**
as % of revenue	25.0	24.7		26.4	27.0	
Net income	**92.7**	**80.6**	**15.0**	**38.1**	**31.0**	**23**
as % of revenue	17.0	16.0		18.0	17.0	
Earnings per share (€ basic)	3.27	2.82	16.0	1.35	1.08	25
Earnings per share (€ diluted)	3.26	2.82	16.0	1.35	1.08	25
Total assets	**1,698.2**	**1,073.9**				
Cash and cash equivalents	**194.4**	**83.1**				
Shareholders' equity	**612.1**	**524.7**				
as % of total assets	36.0	49.0				
Employees [1]	**6,086**	**3,466**				
of which in Germany	2,196	759				

[1] Full-time equivalent

MISSION

Companies and institutions the world over use Software AG's technology to improve business processes and drive an agile IT infrastructure. Our customers' goals are to reduce costs and increase flexibility and efficiency. We help them do this by governing and optimizing their operations and aligning their IT with their business goals.

Our leading business infrastructure software portfolio is used for data and system integration and modernization. It fosters new levels of IT agility through service-oriented architecture (SOA) and allows the rapid creation of new business processes with business process management (BPM). Our 40-year history of success ensures our customers have a reliable platform for driving future business results – faster.

CONTENTS

SOFTWARE AG CONTINUES PROFITABLE GROWTH IN THE THIRD QUARTER

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 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 continued to grow very profitably again in the third quarter of 2009. Third-quarter performance for the first time included consolidated financial results following the Company's takeover bid for IDS Scheer. Consolidated results showed 19 percent revenue growth, a 26 percent EBIT margin and a 23 percent profit increase. The revenue growth in combination with the high EBIT margin was particularly encouraging. Our profitable growth was the basis for the raised forecast for revenue and our EBIT margin for full year 2009. Software AG's standalone third-quarter financial performance was good in spite of the ongoing economic recession and in comparison with the industry as a whole.

Of particular note for the third quarter of 2009 was Software AG's takeover bid of IDS Scheer AG, a software company based in Saarbrücken, Germany. The merger with IDS Scheer will create a global player in business process excellence solutions, with approximately one billion euros in total annual revenue and 6,000 employees. Software AG's strengths – technology leadership in middleware products, financial power and a global presence – and IDS Scheer's expertise in analytics, modeling and business process controlling, its solid partnerships and widespread service relationships with 7,500 customers are excellent complements to each other. IDS Scheer also brings to the table profound industry-specific know-how, direct access to vertical markets and a strong market position in SAP consulting.

Software AG acquired Teconomic AG on July 1, 2009. The Swiss software company is based in Freienbach, near Zurich, providing comprehensive financial services and solutions, particularly associated with SWIFT, to the European market.

Among the highlights of our market presence and customer relations activities was an international webMethods 8 conference series for new and existing customers as well as a customer Business Innovation Forum (BIF) in Darmstadt. webMethods 8 was released last quarter and is the newest version of our webMethods integration software product suite.

1.1 ACQUISITION OF IDS SCHEER AG

Software AG announced its intention to acquire IDS Scheer AG of Saarbrücken, Germany on July 13, 2009. The acceptance period for the bid made to IDS Scheer AG shareholders began on August 17, 2009 with the publication of the official takeover offer document. According to the offer, IDS Scheer shareholders could sell their shares to Software AG for €15 in cash per share. This represented a purchase price for the total share capital, plus transaction fees, of about €490 million. To finance the purchase, Software AG raised €340 million in outside funds through bank loans, promissory note loans and a subordinated loan with favorable terms from majority shareholder Software AG Foundation. The takeover transaction is through SAG Beteligungs GmbH, a wholly-owned Software AG subsidiary.

As of the end of the first acceptance period on September 18, 2009, Software AG had acquired about 88 percent of IDS Scheer shares. This included the approximately 48 percent of those shares previously owned by the company's founders and majority shareholders, Professor Scheer and Professor Pocsay. To date, Software AG has acquired about 90 percent of all shares.

Professor Scheer and Professor Pocsay relinquished their seats on the IDS Scheer AG supervisory board as of September 30, 2009. Karl-Heinz Streibich, CEO of Software AG, and Arnd Zinnhardt, CFO of Software AG, have since been appointed to the supervisory board of IDS Scheer AG. As part of the next stage of integration, a domination and profit transfer agreement between IDS Scheer AG and SAG Beteiligungs GmbH will be drafted. An extraordinary shareholders' meeting of IDS Scheer AG is thus likely to convene in the first quarter of 2010. The agreement will facilitate integration of both companies' operations and the exploitation of cost and sales synergies.

The two technology-leading product portfolios are ideal complements to each other. They cover the entire business-process-excellence value chain, from business process analytics and modeling to implementation, controlling and monitoring. The combination will be one of a kind in the global marketplace. Furthermore, it will ensure for the joint company a strengthened long-term competitive position in the software sector, which is currently characterized by continued consolidation. By reaching a critical mass in additional core European regions, our market access will be notably greater. Thanks to IDS Scheer's consulting expertise, we will be optimally qualified to implement our products in large-scale, industry-specific projects. The integrated company will enhance its global status in the high-growth business process management (BPM/BPA) market. In addition, the merger will create a new and highly competitive integrator of SAP solutions in heterogeneous application environments. These solutions enable more efficient, Web-based systems, which, in turn, offer customers significant competitive advantages.

We expect the joining of the two successful business models to lead to an increase in Software AG's operational earnings per share as early as 2010, which will be the first full fiscal year of consolidation.

The merger is an opportunity for the IDS Scheer business segment to bolster growth, to secure the long-term future of ARIS, to expand globally and to secure its consulting expertise and market presence. Both companies have strong brands, excellent global images and consistent corporate cultures. For employees of IDS Scheer and Software AG, the merger will mean working for a larger employer – the technology leader in infrastructure software and business process management – that can offer numerous attractive long-term international career opportunities.

IDS Scheer's widely established name as a consulting specialist as well as the ARIS software brand are not expected to change. IDS Scheer will continue to be used as a consulting brand, known for know-how excellence in this segment.

1.2 CORE BUSINESS – INNOVATION AND CUSTOMER ORIENTATION

Software AG concluded a second corporate acquisition in the third quarter of 2009. The acquired company, Swiss Teconomic AG, provides the European financial sector with comprehensive IT consulting and solutions. Seven of Switzerland's top ten financial institutes, such as UBS AG, Crédit Suisse and Zürich Financial Services, use Teconomic's consulting services. With the takeover of Teconomic, Software AG plans to strengthen its position in the global market for worldwide exchange of financial data (SWIFT) and to further expand its operations in Switzerland. Financial institutes currently face enormous challenges that can be overcome with flexible IT infrastructures, which equip them for the sector's imminent worldwide re-regulation.

Teconomic AG was established in 2002 by Rudolf Gunz. It is a certified SWIFTReady services and software partner and offers IT consulting to the European financial sector. The team has more than 100 man years of experience in banking services.

Software AG was awarded the SWIFTReady Financial EAI label for 2009 by the Society for Worldwide Interbank Financial Telecommunications (SWIFT) in mid-September. This is SWIFT's highest level of recognition for interoperability. The certification exemplifies Software AG's leadership in connecting systems within and between banks and is a result of our improved position in the SWIFT solutions space following the recent acquisition of Teconomic AG.

Software AG combines high-performance enterprise software with industry-specific expertise. In this way, we enable our customers to achieve their business goals faster and reduce their operating costs. Our IT services division, renamed as Global Consulting Services as part of a relaunch in recent quarters, plays an important role here. Changes in the quarter under review included new global service offerings with international points of contact and a Web portal intended to serve as a hub for efficient communication and intensive knowledge exchange around the world.

At CeBIT 2009 we announced AlignSpaceTM , which is the first social BPM platform and will enable the development of the largest social network for business process management (BPM) specialists. This new product is a platform through which all parties of a BPM environment can collaborate. Data, documents, and services generated in such an environment are provided across organization boundaries and can be reused in this manner. Social networks can also be integrated. Development of the product was concluded in recent months, which means that the product is now ready to go to market. All Software AG employees will gain access in the fourth quarter. The platform will be introduced to the public at CeBIT 2010 at which time all external users will also be granted access.

The quarter under review was also very successful in terms of customers and markets. Announced sales included software solutions purchased for connecting government agencies in different municipalities in Germany. The state of Brandenburg began employing Software AG solutions in order to implement European service directives. With Software AG's webMethods business process management, the state of Brandenburg significantly cut costs and time necessary for establishing new businesses, thus further opening its economy to international investors. Penn State University, a long-standing customer in Pennsylvania, USA, publicized a joint project in the third quarter. A Software AG customer for 27 years, Penn State decided to modernize its Adabas and Natural applications. This helped the university meet the needs of its students, faculty and staff by building a platform that is equipped to grow and expand.

We held our second German Business Innovation Forum (BIF) on September 23, 2009 in Darmstadt. It was opened with a presentation of the "Digital Company of the Future." High-ranking corporate executives spoke to more than 500 attendees from industry and the public sector on topics such as current and future trends in the German and global software industry. During numerous meetings with users, customers and partners, we illustrated the benefits of process-oriented information technology and how it can be implemented using real customer scenarios. We met with representatives of the states of Hesse and Saarland to discuss trends in e-government. The talks concentrated on agile e-government based on a service-oriented architecture (SOA) and business process management (BPM). The use of AlignSpace, Software AG's social community for BPM, in the public sector was also a focal point.

Software AG unveiled webMethods 8.0 in the third quarter of this year. It is the first fully integrated version of this software platform since the acquisition of webMethods, Inc. We also kicked off a series of customer events in eight cities, primarily in the U.S.A. We will introduce the latest areas of application of webMethods 8.0, while raising awareness on the benefits of employing Adabas and Natural in combination with webMethods. The first event took place in September, a half-day workshop in Atlanta with almost 100 attendees. Upcoming host cities will be Boston, Chicago, Toronto, Washington, D.C., Paris and Amsterdam.

In cooperation with our itCampus subsidiary and trade publication TeleTalk, Software AG successfully co-hosted the well-known CC Science 2009 conference in Leipzig on September 15-16, 2009. The motto of the two-day conference was "Stay in touch with the future," addressing executives from small and medium-sized businesses and ITC industry decision-makers from Germany, Austria and Switzerland. At the event, itCampus introduced the latest communications solutions from its ELSBETH product suite, which helps communication-intensive organizations significantly improve the quality and efficiency of their customer contact. itCampus will unveil a new IT solution at our joint CeBIT booth in 2010.

1.3 CORPORATE RESPONSIBILITY

In honor of its 40th birthday, Software AG published its first report on corporate responsibility. Entitled *Corporate Social Responsibility – Sustainability and Responsibility*, the 48-page report describes the values and projects that define our Company's operations. Business accomplishment combined with sustainable, responsible action is the foundation of our Company's success. To us at Software AG, sustainable and responsible action means being a successful company. We define business success as the following: enabling our customers around the world to be successful, researching and developing our own solutions, setting standards, developing patents, being a credible and reliable technology partner, helping employees grow with the Company, growing and staying profitable, creating added value for society, respecting exemplary values and social standards in our daily operations, promoting education and innovation – globally and locally.

Further education and supporting young members of the IT community as well as social commitment play particularly important roles. We invest millions of euros each year in our Software AG Corporate University and our University Relations Program, started in 2007. As part of our "Move Your Feet" campaign, Software AG, the two supervisory board employee representatives, and Software AG Foundation donate money for every kilometer run by any staff member worldwide at official races. This money goes toward social causes around the world. Research and development is also an essential component of our efforts, with investments totaling several hundred million euros in recent years.

For more information on the topic of corporate social responsibility or to read the CSR report, please visit www.softwareag.com/de/Press/csr/

2 FINANCIAL PERFORMANCE

2.1 GROUP REVENUE GROWS WITH IDS SCHEER AG

Software AG continued its profitable growth in Q3 2009 despite the ongoing challenging economic environment. Group revenue rose by 19 percent to €213.6 million (2008: €180.1 million). For the first time, this included revenues from IDS Scheer AG, which were consolidated as of August 20, 2009. These revenues are being presented in this interim management report for the first time as a third business division.

In the quarter under review, there were no significant currency translation effects on the revenue, which is why they are not being listed separately. The consolidation of IDS Scheer AG contributed to this, because its revenues are largely earned in the euro zone. In the third quarter, 36 percent of revenue was attributable to euros and 26 percent to U.S. dollars. The total currency translation effect on revenues amounted to -0.6 percent in the quarter under review and +1.2 percent for the first nine months of the year.

2.2 SALES BY REVENUE TYPE

Renewed growth for product business

Software AG's margin-enhancing product business (licenses and maintenance) grew by 4 percent to €143.2 million (2008: €138.0 million). Once again, the revenue driver in the quarter under review was the maintenance business, which was up 16 percent to €81.1 million (2008: €70.2 million). As in previous quarters, customers' reluctance to close new projects was reflected in the licensing business. Thus, licensing revenues fell by 8 percent to €62.1 million. In Q3 2008, they amounted to €67.8 million. Products accounted for 67 percent of the total revenue during the quarter under review. The services business contributed 33 percent to Group revenues, also via the consolidation of IDS Scheer Consulting.

Services business expanded significantly

Revenue from services amounted to €69.5 million in the third quarter of 2009. This corresponds to a rise of 66 percent over the previous year's figure of €41.8 million, which can be traced back to the contribution of IDS Scheer AG.

2.3 REVENUE BY BUSINESS DIVISION

The business divisions' shares of the revenue are distributed approximately as follows: ETS 46 percent, webMethods 36 percent, IDS Scheer 18 percent (since August 20, 2009).

ETS still robust

The ETS (data management) division's revenues amounted to €99.2 million in the quarter under review, which was only slightly lower than the previous year's strong figure of €101.1 million. At €83.1 million, product revenue remained on par with the previous year's value (€83.8 million). This is due to continued strong expansion of the data management business in Brazil, as well as our customers' continual investment in operational business. Our maintenance revenues improved by 4 percent, reaching €48.6 million (2008: €46.7 million). Licensing revenues fell 7 percent, to €34.5 million, from the previous year's figure of €37.1 million. However, last year's figure included the largest individual order in the history of the Company, from Brazil, which had the one-time effect of increasing the previous year's basis of comparison. Services, at €16.0 million, also came out 6 percent lower than in 2008 (€17.0 million).

The contribution of the ETS segment to operating Group results before administrative costs, as well as research and development, amounted to €61.7 million in the third quarter, 3 percent less than in the previous year (€63.4 million). Production costs rose by 5 percent to €20.6 million (2008: €19.6 million), while sales costs diminished by 7 percent to €16.9 million (2008: €18.1 million) thanks to optimized sales efficiency.

webMethods restrained

As expected, the webMethods business division is operating in a more difficult market environment than ETS because of the recession. Revenues amounted to €75.8 million in the quarter under review, as opposed to €79.0 million in 2008, a decrease of 4 percent. This substantiates the current difficult market situation for new projects. A comparison with the second quarter of 2009 (€75.5 million) shows that the situation is already improving slightly, however. In normal years, revenues from the third quarter are subject to seasonal influences and below those of the second quarter. webMethods licensing revenues, at €21.4 million, came in 30 percent lower than in 2008 (€30.6 million). Maintenance revenues, in contrast, grew by 21 percent, from €23.5 million to €28.4 million. And services picked up over the previous year (€24.8 million) by 3 percent to €25.5 million. If basic economic conditions improve as expected, the webMethods business division will profit considerably thanks to its leading technologies.

The increased contribution of webMethods to Group earnings is especially encouraging. That business division's operating margin continued to improve in the third quarter of 2009. In consequence of greater sales efficiency as well as larger closed deals, the business division's segment contribution climbed by 7 percent to €29.8 million (2008: €28.0 million). Production costs, at €26.7 million, were about the same as in the previous year (€26.9 million). Sales costs fell significantly by 20 percent to €19.3 million (2008: €24.1 million).

IDS Scheer consolidated for the first time

Since consolidation on August 20, IDS Scheer AG has contributed €38.6 million to Group revenues. Of that, €10.4 million is attributable to product revenues, including €6.1 million for licensing and €4.2 million for maintenance. The services business brought in €28.0 million in revenues. Production costs amounted to €26.1 million, and sales costs to €6.7 million. This resulted in a segment contribution from IDS Scheer of €5.8 million, which had a net impact of €0.4 million on quarterly results.

EBIT exceeds expectations

In the third quarter of 2009, EBITA increased disproportionately to revenue growth by 22 percent to €63.8 million (2008: €52.3 million). EBIT improved by 16 percent to €56.4 million; in the same quarter of the previous year, it amounted to €48.7 million. The EBIT margin in the third quarter of 2009 (26.4 percent) almost reached the record 27 percent achieved in the third quarter of 2008. The standalone EBIT margin would have amounted to more than 30 percent for the first time in the Company's history. By significantly lowering (standalone) operating costs by a total of 11 percent, we succeeded in absorbing the acquisition costs and consolidation effects for the third quarter of 2009 and maintaining the EBIT margin at the previous year's level.

KEY FIGURES
IFRS, unaudited

in € millions	Q3 2009	Q3 2008	change in %
Total revenue	213.6	180.1	19
Product revenue (Licenses & maintenance)	143.2	138.0	4
Professional Services revenue	69.5	41.8	66
Revenue ETS	99.2	101.1	–2
Revenue webMethods	75.8	79.0	–4
Earnings before interest and taxes (EBIT)	**56.4**	**48.7**	**16**
in % of margin	26.4	27.0	
Net income	**38.1**	**31.0**	**23**
Earnings per share (€)	1.35	1.08	25
Free cash flow	**47.0**	**34.2**	**37**

Software AG laid the foundation for this extraordinarily good margin development in October 2008. A "crisis response program" was developed at an early stage, with the goal of avoiding layoffs and cutting costs during the recession. Proceeding proactively and retaining employees will enable us to come out strongly after the recession. We achieved savings in all areas of the Company. Stricter requirements for new hires and resource procurement, as well as tightened travel guidelines, are having an effect. In addition, some large-scale events were skipped. Global meetings were replaced by videoconferences, and employee training was often conducted via more efficient e-learning programs. This not only cut costs, but it also further reduced our Group's carbon footprint.

Expenditures for research and development were not reduced. R&D spending totaled €19.6 million in the quarter under review, which equals the previous year's level (€19.4 million). We do not wish to relinquish our technological lead just for short-term and disproportionate profits when the economy starts up. The remaining cost ratios, on the other hand, were lowered considerably. Thus, marketing and sales costs grew by only 2 percent to €45.2 million (2008: €44.1 million), while revenues climbed by 19 percent. General administrative costs, at €16.2 million, amounted to only 7.6 percent of revenues, after 8.7 percent in the same quarter of the previous year.

Further increase in net income and earnings

In the quarter under review, Software AG achieved after-tax profits of €38.1 million – an increase of 23 percent over the €31.0 million in 2008. Strong operating results and an improved tax rate contributed to this. In the reporting period, earnings per share climbed 25 percent from €1.08 to €1.35. As of the end of the quarter, there were 28.7 million shares in circulation (undiluted), an increase of almost 76,000 shares year on year.

Nine-month figures confirm robust business model

Software AG reported strong growth rates in the first nine months of 2009, in which the consolidation of IDS Scheer played only a small part. Revenues amounted to €555.3 million, 9 percent more than in 2008 (€508.2 million). Product revenues totaled €399.4 million, a 6 percent uptick over the previous year's figure of €375.9 million. Maintenance revenues included in product revenues climbed by 19 percent to €228.2 million (2008: €191.4 million). Licensing revenues, in contrast, decreased from €184.5 million to €171.2 million, by 7 percent. In comparison to the rest of the industry, this is a good figure, as many software manufacturers had two-digit decreases in licensing revenues due to the economic crisis. The services business grew strongly due to acquisitions; it was up by 18 percent to €153.5 million (2008: €130.5 million).

EBIT grew by 11 percent in the first nine months of 2009 to €138.8 million (2008: €125.6 million). The EBIT margin improved slightly from 24.7 percent to 25.0 percent. Operating cash flow during the first nine months of the year amounted to €126.9 million, which is 32 percent higher than at the end of the third quarter of 2008 (€96.3 million).

3 FINANCIAL POSITION

3.1 CASH FLOW PROVIDES ADDITIONAL STRONG MAINSTAY

Software AG's operating cash flow in the third quarter amounted to €47.8 million. This increase of 33 percent was significantly higher than the previous year's value of €36.0 million, which was attributable primarily to the Company's effective accounts receivable management. Free cash flow development was likewise especially pleasing: It increased by 37 percent, from €34.2 million in Q3 2008 to €47.0 million in Q3 2009. The percentage of free cash flow in the Group revenue therefore amounted to an excellent 22 percent (2008: 19 percent).

3.2 TOTAL ASSETS AND CAPITAL EXPENDITURE

Due to the consolidation of IDS Scheer AG, Software AG's total assets rose from €1,073.9 million as of September 30, 2008 to €1,698.2 million on September 30, 2009. Cash and cash equivalents increased from €83.1 million to €194.4 million. Equity climbed 16 percent to €612.1 million (2008: €524.7 million). In contrast, the equity-to-assets-ratio sank from 49 percent to 36 percent at the end of the quarter. On the liabilities side, non-current liabilities grew from €284.2 million to €507.2 million. The financial liabilities increased to €334.2 million as a result of the inclusion of acquisition financing totaling €166.2 million. Likewise, current liabilities climbed from €265.1 million to €578.9

million. The terms for the increased debt due to the takeover are good, and the debt is to be paid off by the end of 2013 with the help of our strong cash flow.

4 RISKS AND OPPORTUNITIES

We are subject to acquisition and integration risks based on the acquisitions already implemented and possible new acquisitions. We initiated the takeover of German company IDS Scheer AG in the third quarter of 2009; this transaction entails general acquisition and integration risks. Apart from this, there were no changes to the risk situation of the Software AG Group as portrayed in the Risk Report of the 2008 Annual Report.
Corresponding opportunities will be described in the Outlook section of this report and the 2008 Annual Report.

5 EVENTS AFTER THE BALANCE SHEET DATE

The following relevant events took place at Software AG after the end of the reporting period. On November 5, we announced a strategic webMethods partnership with T-Systems, a global leader in IT services. This expands our existing partnership and reinforces it with a large order. As part of this partnership, T-Systems is developing an IT governance methodology with Software AG's SOA portfolio, with the goal of increasing efficiency and flexibility while cutting costs. This will be achieved through the transparent implementation and reuse of Web services within T-Systems' IT.

6 OUTLOOK

Based on the pipeline for the fourth quarter of 2009, Software AG is expecting a seasonal increase in licensing and services in comparison to the third quarter. Taking the acquisition of IDS Scheer AG and its planning into account, we anticipate revenues of €835 to €845 million for 2009, an increase of more than 16 percent over the previous year. Originally, the forecast for the full year included a revenue increase of 4 to 8 percent with an EBIT margin between 24.5 and 25.5 percent. Following the consolidation of IDS Scheer, we expect an EBIT margin between 25 and 25.5 percent for the full year and have raised the forecast accordingly. With that, the earnings per share would show double-digit growth.

Software AG anticipates the first stimulus for growth in 2010, but then a continuing weakness in demand. If the global economy should improve over the course of the year, we expect accelerated demand, particularly for business process optimization software. This applies primarily to the private sector, while the public sector is signaling more restraint following the global recession. The extent to which Software AG's revenues are likely to grow in 2010 cannot be quantified until customers have finished planning their budgets. Specific profit planning for the next fiscal year is also impossible before the acquisition is concluded. The conclusion of a domination agreement between Software AG and IDS Scheer AG, planned for January 2010, is especially significant, as it will allow organizational consolidation at operational levels. In any case, sales efficiency should have a positive effect on revenues and earnings.

CONSOLIDATED INCOME STATEMENT for the nine months ended September 30, 2009 (January 1 to September 30, 2009 and January 1 to September 30, 2008) IFRS, unaudited

in € thousands	Sept. 30, 2009	Sept. 30, 2008	change in %	Q3 2009	Q3 2008	change in %
Licenses	171,193	184,518	−7	62,071	67,771	−8
Maintenance	228,195	191,333	19	81,137	70,197	16
Professional Services	153,498	130,463	18	69,504	41,763	66
Other	2,366	1,891	25	873	316	176
Total revenue	**555,252**	**508,205**	**9**	**213,585**	**180,047**	**19**
Cost of sales	−183,325	−147,332	24	−78,530	−48,273	63
Gross profit	**371,927**	**360,873**	**3**	**135,055**	**131,774**	**2**
Research and development expenses	−58,996	−56,721	4	−19,623	−19,397	1
Sales, marketing and distribution expenses	−129,672	−127,957	1	−45,184	−44,086	2
General and administrative expenses	−48,565	−47,773	2	−16,245	−15,684	4
Operating result	**134,694**	**128,422**	**5**	**54,003**	**52,607**	**3**
Other operating income	28,524	21,742	31	7,738	7,576	2
Other operating expenses	−24,442	−24,535	0	−5,311	−11,521	−54
Earnings before interest and taxes (EBIT)	**138,776**	**125,629**	**10**	**56,430**	**48,662**	**16**
Net financial income/expense	−1,912	−4,459		−1,657	−1,572	
Earnings before taxes	**136,864**	**121,170**	**13**	**54,773**	**47,090**	**16**
Income taxes	−42,021	−38,899	8	−16,279	−15,590	4
Other taxes	−2,149	−1,622	32	−379	−498	−24
Net income	**92,694**	**80,649**	**15**	**38,115**	**31,002**	**23**
thereof attributable to shareholders of Software AG	93,627	80,649	16	38,707	31,002	25
thereof attributable to minority interest	−933	0		−592	0	
Earnings per share (€ basic)	3.27	2.82	16	1.35	1.08	25
Earnings per share (€ diluted)	3.26	2.82	16	1.35	1.08	25
Weighted average shares outstanding (basic)	28,674,821	28,587,447	–	28,692,115	28,615,731	–
Weighted average shares outstanding (diluted)	28,688,234	28,621,957	–	28,705,528	28,650,241	–

CONSOLIDATED BALANCE SHEET as of September 30, 2009
IFRS, unaudited

ASSETS

in € thousands	Sept. 30, 2009	Dec. 31, 2008	Sept. 30, 2008
Current assets			
Cash and cash equivalents	194,376	96,925	83,114
Inventories	554	85	90
Trade receivables	315,489	247,251	232,335
Other receivables and other assets	41,189	21,187	21,073
Prepaid expenses	12,404	5,945	8,405
	564,012	**371,393**	**345,017**
Non-current assets			
Intangible assets	253,054	150,931	151,179
Goodwill	705,490	442,676	443,667
Property, plant and equipment	72,518	46,988	49,935
Financial assets	7,001	6,456	8,687
Trade receivables	13,772	17,208	11,708
Other receivables and other assets	18,920	8,563	7,715
Prepaid expenses	543	47	46
Deferred taxes	62,910	66,729	55,931
	1,134,208	**739,598**	**728,868**
	1,698,220	**1,110,991**	**1,073,885**

EQUITY AND LIABILITIES

in € thousands	Sept. 30, 2009	Dec. 31, 2008	Sept. 30, 2008
Current liabilities			
Financial liabilities	180,284	61,360	26,165
Trade payables	65,107	35,824	28,143
Other liabilities	117,116	45,151	41,524
Other provisions	74,851	69,011	45,960
Tax provisions	25,325	36,688	11,156
Deferred income	116,250	100,528	112,116
	578,933	**348,562**	**265,064**
Non-current liabilities			
Financial liabilities	334,183	105,841	166,200
Trade payables	65	68	69
Other liabilities	1,197	378	342
Pension provision	20,223	16,650	16,464
Other provisions	20,758	13,959	11,778
Deferred taxes	127,679	73,771	86,232
Deferred income	3,068	2,623	3,069
	507,173	**213,290**	**284,154**
Equity			
Share capital	86,092	85,917	85,886
Capital reserve	38,439	35,810	34,336
Retained earnings	441,283	356,953	359,368
Net income attributable to shareholders of Software AG	93,628	115,860	80,649
Currency translation differences	−83,716	−76,744	−66,815
Other reserves	34,489	31,343	31,243
Minority interest	1,899	0	0
	612,114	**549,139**	**524,667**
	1,698,220	**1,110,991**	**1,073,885**

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE for the nine months ended September 30, 2009
(January 1 to September 30, 2009 and January 1 to September 30, 2008)
IFRS, unaudited

in € thousands	Sept. 30, 2009	Sept. 30, 2008	Q3 2009	Q3 2008
Currency translation differences	−6,972	13,193	−9,289	35,852
Net gain/loss from fair value measurement of financial instruments	3,707	−6,056	1,468	−760
Net gain/loss from fair value measurement of net investments in foreign operations	−561	956	208	623
Net acturial gain/loss on pension obligations	−26	0	1	0
Total income and expense recognized directly in equity	**−3,852**	**8,093**	**−7,612**	**35,715**
Net income	92,694	80,649	38,115	31,002
Comprehensive income	**88,842**	**88,742**	**30,503**	**66,717**

STATEMENT OF CHANGES IN EQUITY for the nine months ended September 30, 2009 (January 1 to September 30, 2009 and January 1 to September 30, 2008) IFRS, unaudited

in € thousands 2008	Number of shares	Share capital	Capital reserve	Retained earnings
Equity as of January 1, 2008	**28,539,455**	**85,618**	**31,933**	**387,415**
Comprehensive income for the period				80,649
Transactions with equity holders				
Dividend payment				−28,539
New shares issued	89,180	268	1,327	
Stock options			1,076	
Transactions between shareholders				
Equity as of September 30, 2008	**28,628,635**	**85,886**	**34,336**	**439,525**
in € thousands				
2009				
Equity as of January 1, 2009	**28,638,842**	**85,917**	**35,810**	**474,736**
Comprehensive income for the period				93,627
Transactions with equity holders				
Dividend payment				−31,503
New shares issued	58,610	175	1,100	
Stock options			1,529	
Changes due to acquisitions				
Equity as of September 30, 2009	**28,697,452**	**86,092**	**38,439**	**536,860**

Accumulated other comprehensive income				Equity attributable to equity holders of the parent company	Minority interests	
Currency translation differences	Change in fair value of securities and derivatives	Actuarial gain/loss on defined benefit obligations	Currency translation differences of net investment loans to foreign operations			Total
−80,008	**2,019**	**492**	**34,324**	**461,793**	**669**	**462,462**
13,193	−6,056		956	88,742		88,742
				−28,539		−28,539
				1,595		1,595
				1,076		1,076
				0	−669	−669
−66,815	**−4,037**	**492**	**35,280**	**524,667**	**0**	**524,667**
−76,744	**−5,040**	**−1,923**	**36,383**	**549,139**	**0**	**549,139**
−6,972	3,707	−26	−561	89,775	−933	88,842
				−31,503		−31,503
				1,275		1,275
				1,529		1,529
				0	2,832	2,832
−83,716	**−1,333**	**−1,949**	**35,822**	**610,215**	**1,899**	**612,114**

CONSOLIDATED STATEMENT OF CASH FLOWS for the nine months ended September 30, 2009
(January 1 to September 30, 2009 and January 1 to September 30, 2008)
IFRS, unaudited

in € thousands	Sept. 30, 2009	Sept. 30, 2008	Q3 2009	Q3 2008
Net income for the year	92,694	80,649	38,115	31,002
Income taxes	42,021	38,899	16,279	15,590
Net financial income/expense	1,912	4,459	1,657	1,572
Amortization/depreciation of non-current assets	22,879	18,431	9,480	5,940
Other non-cash income/expense	3,941	3,359	1,496	863
Operating cash flow before changes in working capital	**163,447**	**145,797**	**67,027**	**54,967**
Changes in inventories, receivables and other current assets	39,450	−28,809	−376	−10,778
Changes in payables and other liabilities	−6,735	22,837	3,753	4,243
Income taxes paid	−62,241	−39,121	−15,784	−9,478
Interest paid	−12,316	−7,621	−8,354	−4,003
Interest received	5,315	3,192	1,490	1,075
Net cash from operating activities	**126,920**	**96,275**	**47,756**	**36,026**
Proceeds from sale of tangible/intangible assets	814	1,463	697	1,276
Purchase of tangible/intangible assets	−7,591	−6,812	−1,680	−3,000
Proceeds from the sale of financial assets	284	1,217	219	108
Purchase of financial assets	−605	−916	0	−198
Payment for acquisitions, net	−311,100	−38,854	−306,588	−35
Net cash used in investing activities	**−318,198**	**−43,902**	**−307,352**	**−1,849**
Proceeds from issue of share capital	1,275	1,595	249	479
Dividends paid	−31,503	−28,539	0	0
Proceeds from financial liabilities	321,124	0	321,124	0
Repayments of financial liabilities	−3,562	−20,937	−2,555	−10,700
Payments for hedging instruments	0	−2,542	0	−1,867
Net cash used in financing activities	**287,334**	**−50,423**	**318,818**	**−12,088**
Change in cash and cash equivalents from cash relevant transactions	96,056	1,950	59,222	22,089
Adjustment from currency translation	1,395	−130	−955	1,615
Net change in cash and cash equivalents	**97,451**	**1,820**	**58,267**	**23,704**
Cash and cash equivalents at the beginning of the period	96,925	81,294	136,109	59,410
Cash and cash equivalents at the end of the period	**194,376**	**83,114**	**194,376**	**83,114**

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

GENERAL PRINCIPLES

1_ BASIS OF ACCOUNTING

Software AG's condensed and unaudited consolidated financial statements (interim financial statements) as of September 30, 2009, have been prepared in accordance with the International Financial Reporting Standards (IFRS) applicable on the balance sheet date, as endorsed by the EU. The IASs/IFRSs applicable as of September 30, 2009, 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 active in the fields of development, licensing, and maintenance of software, as well as IT services.

The consolidated financial statements of Software AG are prepared in thousands of euros unless stated otherwise.

2_ CHANGES IN THE CONSOLIDATED GROUP

During the first nine months of fiscal 2009, the consolidated group changed as follows:

	Germany	Abroad	Total
January 1, 2009	4	79	83
Additions	5	42	47
Disposals (including mergers)	0	1	1
September 30, 2009	9	120	129

The additions result from the acquisitions described in note 4. The disposal refers to the merger of consolidated companies.

3_ ACCOUNTING POLICIES

The same accounting policies have been applied as in the consolidated financial statements as of December 31, 2008, except for the revised IAS 1. The first-time application of the revised IAS 1 results in changes to the presentation of the statement of changes in equity as well as to the presentation of net income for the period and income and expenses recognized in equity during the period. Prior-year figures were adjusted where necessary. In connection with harmonizing the presentation of the income statement with IDS Scheer, amortization is no longer reported separately, but as part of the related functional costs. The prior-year figures were adjusted accordingly. The new mode of presentation did not result in any changes in either net income or earnings per share. These quarterly financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting.

4_ BUSINESS ACQUISITIONS

In the first nine months of fiscal 2009, Software AG gained control over the following companies by way of share purchases:

Company and Business area	Recognized investment in % as of Sept. 30, 2009	Date of acquisition/initial consolidation
itCampus Software- und Systemhaus GmbH, Leipzig, Germany (itCampus) Supplier of software and communication solutions for the call center, energy, medical, and public administration industries	51	March 2, 2009
Teconomic AG, Freienbach, Switzerland (Teconomic) Consulting services and solutions for the European financial market	100	July 1, 2009
SAG Beteiligungs GmbH Acquisition, management, administration and disposal of companies	100	July 9, 2009
IDS Scheer AG, Saarbrücken, Germany (IDS Scheer) Software and consulting firm; development of BPA (business process analysis) solutions	100*	August 20, 2009

*) On September 30, Software AG held 89.44 percent of all outstanding shares (excluding those shares held by IDS Scheer) on that date. For accounting purposes, however, 100 percent ownership has been assumed in accordance with IAS 32 in conjunction with IFRS 3 (please refer to the section on "Acquisition of IDS Scheer AG" for further information).

The profit or loss of the acquired companies has been included in the consolidated income statement since the date of acquisition.

In contrast to the acquisition of IDS Scheer, the acquisitions of itCampus and Teconomic were jointly and separately of immaterial significance to the financial position, financial performance, and cash flows of the Software AG Group.

The purchase prices of all acquisitions (excluding the acquisition of IDS Scheer) were settled in cash – except for the contingent purchase price payments not yet due ("earn-out payments") in the amount of €480 thousand, which were recognized as liabilities – and totaled €5,444 thousand after deducting acquired cash. There were no significant directly attributable costs in connection with the acquisition.

The following table shows the preliminary allocation of the purchase price to net assets acquired in accordance with IFRS 3.62. This purchase price allocation was prepared based on preliminary valuations. As a result of information not yet available and reviews yet to be conducted, the assumptions and estimates used have not been finalized.

in € thousands	Carrying amount before acquisition	Adjustment to fair value	Initial carrying amount on the balance sheet
Cash and cash equivalents	1,755	0	1,755
Inventories	431	0	431
Trade receivables	1,517	0	1,517
Other receivables and other assets	406	0	406
Prepaid expenses	79	0	79
Intangible assets	97	6,385	6,482
Goodwill	76	4,889	4,965
Property, plant and equipment	436	0	436
Financial assets	195	0	195
Deferred tax assets	0	50	50
Assets	**4,992**	**11,324**	**16,316**
Financial liabilities	2,241	0	2,241
Trade payables	801	0	801
Other liabilities	1,975	0	1,975
Other provisions	282	231	513
Deferred tax liabilities	0	1,943	1,943
Deferred income	26	0	26
Liabilities	**5,325**	**2,174**	**7,499**
Net assets	**–333**	**9,150**	**8,817**
of which attributable to minority interests	0	0	1,618
of which attributable to shareholders of Software AG			7,199
Purchase price payments to shareholders	0	0	4,099
Payment to the company for capital increase	0	0	3,100
Acquisition costs			**7,199**
Less acquired cash and cash equivalents			–1,755
Acquisition costs net of acquired cash			**5,444**

Goodwill recognized as an asset within the framework of these acquisitions was fully attributed to the webMethods segment.

Due to company mergers within the Group, the share in the Software AG's Group revenues and net income attributable to these acquisitions since the date of acquisition cannot be determined with exactitude. It is, however, of immaterial significance to the Group's financial position, financial performance, and cash flows.

Acquisition of IDS Scheer AG:

IDS Scheer Group is a software and consulting firm operating worldwide. The company generates its revenue from licensing its technologically leading software solutions and related maintenance services as well as from industry-specific, method-based consulting services.
Its core business is the development of BPA (business process analysis) solutions on the basis of the ARIS platform for process excellence. BPA is a sub-sector of the business process management (BPM) industry.

In addition, the IDS Scheer Group offers industry-specific, method-based consulting services and implementation, operation, and maintenance of its software solutions. Based on the "business process excellence" approach, the IDS Scheer Group supports its customers across the entire process life cycle, from strategic process consulting and design and implementation services to the management of business processes in day-to-day operations.

Until September 30, 2009, Software AG, via SAG Beteiligungs GmbH (a wholly-owned subsidiary of Software AG), had acquired 89.44 percent of the shares in IDS Scheer AG. The acquisition of 69.20 percent or 21,986,748 shares was effected by way of a takeover offer published on August 17, 2009 for the acquisition of shares at a price of €15 per share. A further 20.25 percent or 6,432,877 shares were purchased outside the takeover offer.

The takeover offer existing as of August 20, 2009 (the date of initial consolidation) was equivalent to a put option for the IDS Scheer shareholders to sell their shares at a price of €15 per share. In accordance with IAS 32 in conjunction with IFRS 3, a liability was recognized in the amount of €405.3 million (27,021,580 shares multiplied by €15), which was taken into account as an increase of the purchase price. Accordingly, the purchase price for all the shares was as follows (as of August 20, 2009):

in € thousands	
Costs for 4,665,000 shares acquired before August 20, 2009 outside the takeover offer	69,845
Fair value of the liability to shareholders as a result of the put option as of August 20, 2009	405,324
Directly attributable transaction costs	5,201
Total	**480,370**
Less acquired cash and cash equivalents	–120,328
Acquisition costs net of acquired cash	**360,042**

The following table shows the preliminary allocation of the purchase price to net assets acquired in accordance with IFRS 3.62. This purchase price allocation was based on preliminary valuations. As a result of information not yet available and reviews yet to be conducted, the assumptions and estimates used have not been finalized.

in € thousands	**Carrying amount before acquisition**	**Adjustment to fair value**	**Initial carrying amount on the balance sheet**
Cash and cash equivalents	120,328	0	120,328
Inventories	138	0	138
Trade receivables	95,715	–1,980	93,735
Other receivables and other assets	15,126	0	15,126
Prepaid expenses	6,241	0	6,241
Intangible assets	2,398	113,524	115,922
Goodwill	78,098	188,262	266,360
Property, plant and equipment	21,839	5,465	27,304
Financial assets	52	0	52
Deferred taxes	8,557	–2,133	6,424
Assets	**348,492**	**303,138**	**651,630**
Financial liabilities	33,001	483	33,484
Trade payables	22,532	0	22,532
Other liabilities	23,443	2,040	25,483
Other provisions	20,517	1,500	22,017
Pension provision	720	2,500	3,220
Tax provisions	4,742	0	4,742
Deferred tax liabilities	10,352	38,528	48,880
Deferred income	15,358	–5,670	9,688
Liabilities	**130,665**	**39,381**	**170,046**
Net assets	**217,827**	**263,757**	**481,584**
of which attributable to minority interest			–1,214
Acquisition costs			**480,370**
Less acquired cash and cash equivalents			–120,328
Acquisition costs net of acquired cash			**360,042**

In the period between the date of initial consolidation and September 30, 2009, the exercise of employee stock options led to a capital increase at IDS Scheer. This resulted in an increase of our liability in connection with the offer by €1,317 thousand and an increase of goodwill by €914 thousand. The difference is equivalent to the receipt of payments from the exercise of the employee stock options.

Goodwill increased by €30 thousand as a result of share purchases at an average price slightly higher than €15 in the period between the date of initial consolidation and September 30, 2009.
All shares acquired by September 30, 2009 were purchased at a maximum price of €15. Due to transaction fees being included in the purchase price, the price was sometimes over €15 per share.

Accordingly, goodwill resulting from the acquisition of IDS Scheer amounted to €267,304 thousand as of September 30, 2009. This goodwill was provisionally allocated to the "IDS" segment. The segmentation as presented in these quarterly financial statements is provisional as the future Group structure has not been defined yet.

Since the date of acquisition, the IDS Group has contributed €38,569 thousand to Software AG's Group revenue and €396 thousand to its net income. These figures take into account the effects from the amortization of the acquired intangible assets as well as the revaluation of deferred income.

If all the acquisitions during the period under review had been conducted as of January 1, 2009, Group revenues for the first nine months of fiscal 2009 would have been approx. €220,916 thousand higher and would have amounted to €776,168 thousand. Net income for the same period would have been €4,787 thousand lower and would have totaled €87,907 thousand.

NOTES TO THE CONSOLIDATED BALANCE SHEET

5_ GOODWILL

Goodwill amounted to €705,490 thousand as of September 30, 2009, an increase of €262,814 thousand over December 31, 2008. The increase was a result of changes in currency exchange rates, particularly the weak U.S. dollar, which had an negative impact on goodwill in the amount of €9,455 thousand. The acquisition of itCampus resulted in goodwill of €4,391 thousand, the acquisition of Teconomic AG in goodwill of €574 thousand, and the acquisition of IDS Scheer AG in goodwill of €267,304 thousand (please refer to note 4 "Business Acquisitions" for further information).

6_ EQUITY

Share capital

The share capital of Software AG amounted to €86,092 thousand as of September 30, 2009. The exercise of stock options under the second stock option plan led to an increase in the number of bearer shares in issue by 58,610 to 28,697,452 shares in the first three quarters of 2009. In response, the Company's share capital rose by €175 thousand and the capital reserve by €1,100 thousand.

Dividend payment

The Annual Shareholders' Meeting on April 30, 2009 resolved to transfer an amount of €150 thousand from the €153,060 thousand in accumulated profit of the Software AG controlling group company for 2008 to other retained earnings, and to appropriate €31,503 thousand for a dividend payout, as well as to carry forward €121,407 thousand to a new account. This corresponded to a dividend of €1.10 per share.

OTHER DISCLOSURES

7_ SEGMENT REPORTING

SEGMENT REPORT for the nine months ended September 30, 2009
(January 1 to September 30, 2009 and January 1 to September 30, 2008)
IFRS, unaudited

in € thousands	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Licenses	98,336	105,066	66,720	79,452	6,137	-			171,193	184,518
Maintenance	141,618	124,341	82,342	66,992	4,235	-			228,195	191,333
Product revenue	**239,954**	**229,407**	**149,062**	**146,444**	**10,372**	**-**			**399,388**	**375,851**
Professional Services	50,168	53,185	75,330	77,278	28,000	-			153,498	130,463
Other	590	1,341	1,578	550	198	-			2,366	1,891
Total revenue	**290,712**	**283,933**	**225,970**	**224,272**	**38,570**	**-**			**555,252**	**508,205**
Cost of sales	−62,265	−59,193	−85,771	−82,786	−26,111	-	−9,178	−5,353	−183,325	−147,332
Gross profit	**228,447**	**224,740**	**140,199**	**141,486**	**12,459**	**-**	**−9,178**	**−5,353**	**371,927**	**360,873**
Sales, marketing & distribution expenses	−52,692	−51,888	−63,999	−70,226	−6,701	-	−6,280	−5,843	−129,672	−127,957
Business line contribution	**175,755**	**172,852**	**76,200**	**71,260**	**5,758**	**-**	**−15,458**	**−11,196**	**242,255**	**232,916**
Research and development expenses									−58,996	−56,721
General and administrative expenses									−48,565	−47,773
Other operating income/expense, net									4,082	−2,793
Earnings before interest and taxes									**138,776**	**125,629**
Net financial income/expense									−1,912	−4,459
Earnings before taxes									**136,864**	**121,170**
Taxes									−44,170	−40,521
Net income									**92,694**	**80,649**

SEGMENT REPORT for the three months ended September 30, 2009
(July 1 to September 30, 2009 and July 1 to September 30, 2008)
IFRS, unaudited

	ETS		webMethods		IDS		Reconciliation		Total	
in € thousands	**Q3 2009**	**Q3 2008**	**Q3 2009**	**Q3 2008**	**Q3 2009**	**Q3 2008**	**Q3 2009**	**Q3 2008**	**Q3 2009**	**Q3 2008**
Licenses	34,539	37,117	21,395	30,654	6,137	-			62,071	67,771
Maintenance	48,536	46,709	28,366	23,488	4,235	-			81,137	70,197
Product revenue	**83,075**	**83,826**	**49,761**	**54,142**	**10,372**	**-**			**143,208**	**137,968**
Professional Services	15,952	16,981	25,552	24,782	28,000	-			69,504	41,763
Other	167	281	508	35	198	-			873	316
Total revenue	**99,194**	**101,088**	**75,821**	**78,959**	**38,570**	**-**			**213,585**	**180,047**
Cost of sales	−20,589	−19,570	−26,746	−26,896	−26,111	-	−5,084	−1,807	−78,530	−48,273
Gross profit	**78,605**	**81,518**	**49,075**	**52,063**	**12,459**	**-**	**−5,084**	**−1,807**	**135,055**	**131,774**
Sales, marketing & distribution expenses	−16,930	−18,133	−19,260	−24,101	−6,701	-	−2,293	−1,852	−45,184	−44,086
Business line contribution	**61,675**	**63,385**	**29,815**	**27,962**	**5,758**	**-**	**−7,377**	**−3,659**	**89,871**	**87,688**
Research and development expenses									−19,623	−19,397
General and administrative expenses									−16,245	−15,684
Other operating income/expense, net									2,427	−3,945
Earnings before interest and taxes									**56,430**	**48,662**
Net financial income/expense									−1,657	−1,572
Earnings before taxes									**54,773**	**47,090**
Taxes									−16,658	−16,088
Net income									**38,115**	**31,002**

8_ CONTINGENT LIABILITIES

in € thousands	Sept. 30, 2009	Dec. 31, 2008	Sept. 30, 2008*
Guarantees	1,223	1,311	1,608
Other	1,906	1,252	1,459
	3,129	**2,563**	**3,067**

*) The prior-year figures were adjusted.

The carrying amount of collateral received amounted to €521 thousand (2008: €521 thousand).

Other financial commitments

The Company has entered into rent and lease agreements for buildings, land, computer and telephone equipment, and vehicles. The obligations under these agreements for their remaining non-cancelable terms up until the end of fiscal 2009 amount to €3,475 thousand (2008: €3,233 thousand). Obligations of €27,192 thousand exist for the period up until the end of fiscal year 2014 (2008: a total of €46,506 thousand until the end of fiscal 2013), and obligations of €7,090 thousand for the period after fiscal 2014 (2008: a total of €6,658 thousand for the period after fiscal 2013). The lease agreements are operating leases as defined in IAS 17.

9_ SEASONAL INFLUENCES

Revenues and pre-tax earnings per quarter were as follows in fiscal 2008:

in € thousands/in %	Q1 2008	Q2 2008	Q3 2008	Q4 2008	2008
Total revenue	159,391	168,767	180,047	212,405	720,610
in % of annual revenue	22.1	23.4	25.0	29.5	100.0
Earnings before taxes	34,562	39,518	47,090	54,256	175,426
in % of net income for the year	19.7	22.5	26.9	30.9	100.0

Revenues and earnings before taxes for the third and fourth quarters of fiscal 2008 were positively influenced by the expansion of business in Brazil; as a result, the quarterly breakdown of revenues and earnings before taxes has only limited informational value. Due to the acquisition of IDS Scheer described in note 4, revenues and earnings reported in 2008 are only of limited informational value for revenues and earnings in 2009.

10_ LITIGATION

In connection with the lawsuit by a small Canadian software company due to an alleged patent infringement, court-ordered mediation talks were held which led to a settlement and a resolution of the lawsuit.
There were no other changes with respect to the legal disputes reported at the end of 2008, 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 two different stock option plans for members of the executive board, upper management, and employees of the Group. Our share-based compensation programs are described in detail on pages 103–106 of our 2008 Annual Report.
The expense for stock options that were accounted for as equity-settled stock option programs in the third quarter of 2009 in accordance with IFRS 2 amounted to €707 thousand (Q3 2008: €197 thousand).
The expense for stock options that were accounted for as cash-settled stock option programs in the third quarter of 2009 in accordance with IFRS 2 amounted to €870 thousand (Q3 2008: €1,392 thousand).

The number of outstanding stock options has changed as follows since Dec. 31, 2008:

in € thousands	Balance as of Dec. 31, 2008	Granted	Exercised	Forfeited	Balance as of Sept. 30, 2009	Thereof exercisable as of Sept. 30, 2009
Stock option program	77,707	0	–58,610	–448	18,649	13,413
Stock price-based remuneration plan from 2007	1,919,000	204,000	0	–245,000	1,878,000	0

Of the options outstanding on September 30, 2009 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.
Moreover, as part of employee stock option programs, 88,589 stock options, each of which entitles its bearer to 10 IDS Scheer shares, were outstanding as of September 30, 2009.

12_ EMPLOYEES

As of September 30, 2009, the effective number of employees (i.e., part-time employees are taken into account on a pro-rata basis only) amounted to 6,086 (September 30, 2008: 3,466), 64 percent of whom were employed abroad (September 30, 2008: 78 percent). The increase of 2,620 employees over the prior year is largely attributable to the acquisition of IDS Scheer AG which contributed 2,497 employees. In absolute terms (i.e., part-time employees are taken fully into account), the Group employed 6,221 people (September 30, 2008: 3,606) at the end of the third quarter on September 30, 2009. The increase of 2,615 employees over the prior year is largely attributable to the acquisition of IDS Scheer AG which contributed 2,574 employees.

13_CHANGES AND INFORMATION REGARDING CORPORATE BODIES

Supervisory Board

Frank F. Beelitz, who had been a member of the supervisory board since January 1, 2000, stepped down from his position as Chairman and member of the board as of the end of the Annual Shareholders' Meeting held on April 30, 2009.
Heinz Otto Geidt, domiciled in Kelkheim, Germany and Director of Asset Management at Software AG Foundation, was elected to the supervisory board as a new member by the Annual Shareholders' Meeting on April 30, 2009.
On April 30, 2009, Dr. Ing. Andreas Bereczky, the former Deputy Chairman, was elected Chairman, and Alf Henryk Wulf was elected Deputy Chairman by the members of the supervisory board.

Executive Board

Holger Friedrich left the Company on March 13, 2009.
As of March 13, 2009, Ivo Totev was appointed as member of the executive board and took over responsibility for the area of Global Consulting Services.

14_ EVENTS AFTER THE BALANCE SHEET DATE

Except for the events mentioned in note 4 (Business Acquisitions), no significant events occurred between the balance sheet date and the date of release of these interim financial statements.

Date of release of the interim financial statements

Software AG's executive board approved the consolidated quarterly financial statements on November 12, 2009.

Darmstadt, November 12, 2009

Software AG

K.-H. Streibich

D. Broadbent

M. Edwards

I. Totev

Dr. P. Kürpick

A. Zinnhardt

FINANCIAL CALENDAR

FINANCIAL CALENDAR

	2010
February 4	Q4/FY 2009 preliminary financial figures
April 28	Q1 2010 preliminary financial figures
July 29	Q2 2010 preliminary financial figures
October 27	Q3 2010 preliminary financial figures

PUBLICATION CREDITS

PUBLISHER

Software AG
Corporate Communications
Uhlandstrasse 12
64297 Darmstadt, Germany

Tel: +49 61 51 92-0
Fax: +49 61 51 92-1191
E-Mail: norbert.eder@softwareag.com

CONTACT

Software AG
Headquarters
Uhlandstrasse 12
64297 Darmstadt
Germany
Tel: +49 61 51 92-0
Fax: +49 61 51 92-1191
www.softwareag.com