QUARTERLY REPORT NO. 2/2009 April 1 – June 30, 2009

SOFTWARE AG CORPORATE HEADQUARTERS | DARMSTADT, GERMANY

# ENGINEERING THE FUTURE FOR 40 YEARS

# KEY FIGURES 2009

**KEY FIGURES for the six months ended June 30, 2009**
**IFRS, unaudited**

| in € million (unless otherwise stated) | June 30, 2009 | June 30, 2008 | change in % | Q2 2009 | Q2 2008 | change in % |
|---|---|---|---|---|---|---|
| **Total revenue** | **341.7** | **328.2** | **4** | **176.4** | **168.8** | **5** |
| Product revenue | 256.2 | 237.9 | 8 | 133.7 | 123.2 | 9 |
| of which | | | | | | |
| Licenses | 109.1 | 116.8 | −7 | 59.8 | 61.4 | −3 |
| Maintenance | 147.1 | 121.1 | 21 | 73.9 | 61.8 | 20 |
| Professional services | 84.0 | 88.7 | −5 | 41.7 | 44.8 | −7 |
| Other | 1.5 | 1.6 | | 1.0 | 0.8 | |
| **EBITA** | **90.4** | **84.5** | **7** | **48.4** | **44.4** | **9** |
| as % of revenue | 26.5 | 25.7 | | 27.4 | 26.3 | |
| **EBIT** | **82.3** | **77.0** | **7** | **44.2** | **40.9** | **8** |
| as % of revenue | 24.1 | 23.5 | | 25.1 | 24.3 | |
| **Net income** | **54.6** | **49.6** | **10** | **28.9** | **27.1** | **7** |
| as % of revenue | 16.0 | 15.0 | | 16.4 | 16.0 | |
| Earnings per share (€ basic) | 1.92 | 1.74 | 10 | 1.02 | 0.95 | 7 |
| Earnings per share (€ diluted) | 1.91 | 1.73 | 10 | 1.02 | 0.95 | 7 |
| **Total assets** | **1,124.6** | **1,001.2** | | | | |
| **Cash and cash equivalents** | **136.1** | **59.4** | | | | |
| **Shareholders' equity** | **579.4** | **457.3** | | | | |
| as % of total assets | 52.0 | 46.0 | | | | |
| | | | | | | |
| **Employees [1]** | **3,603** | **3,427** | | | | |
| of which in Germany | 863 | 754 | | | | |

[1] Full-time equivalent

# MISSION

Software AG's 4,000 global customers use our software 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 IT with the 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.

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# SOFTWARE AG STOCK

Software AG's stock (ISIN DE 0003304002 / SOW) outperformed all benchmark indices in the first six months of 2009. Software AG's initial share price at the beginning of 2009 was €41.13; it closed at €50.41 on June 30, 2009, gaining almost 23 percent in the first six months.

As benchmark indices, the Nasdaq Composite gained 12 percent and the TecDax gained 19 percent during this six month period, while the DAX lost 3 percent. Software AG stock thus outperformed all benchmark indices, proving that Software AG's business model is robust even in difficult economic times. The current growth drivers of direct sales in Brazil and the maintenance business have contributed in particular to the Company's success and increased investors' confidence in Software AG.

## INVESTOR RELATIONS

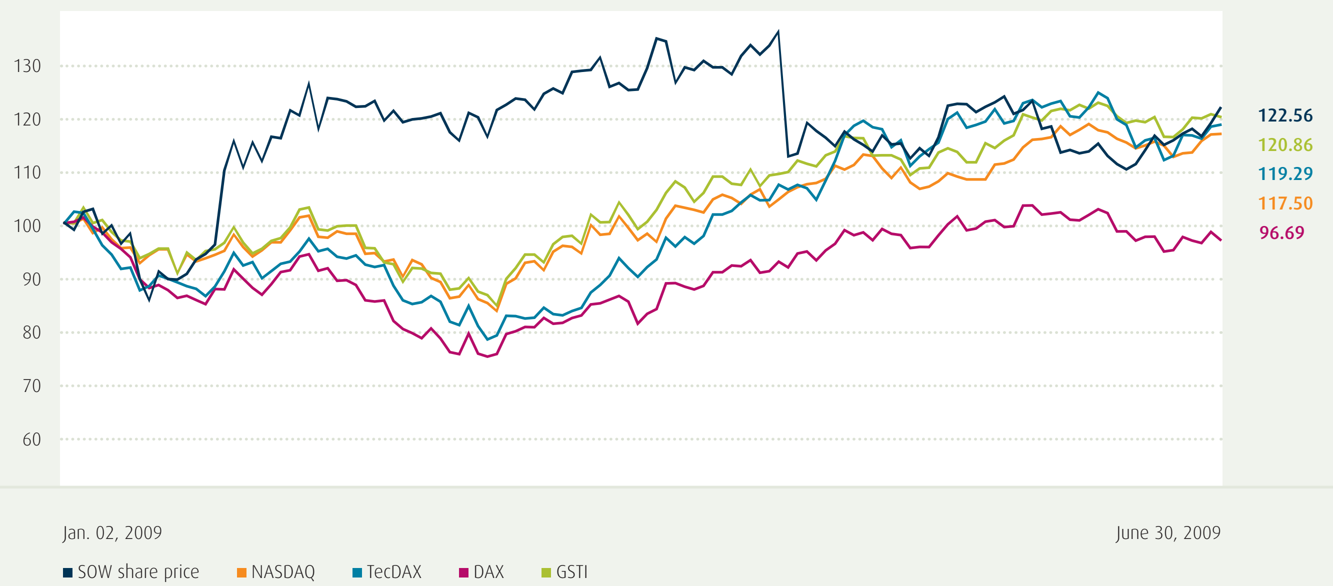
Intensive and constant communication with the capital markets is an inherent component of our investor relations work, and we accordingly engaged in numerous discussions with investors and analysts in the first six months of 2009. In addition to roadshows in Germany and the rest of Europe, we primarily focused on participation in conferences where we efficiently reach a large number of investors and obtain valuable feedback for the optimization of our financial communications.

Our annual shareholders' meeting this year was held in the "darmstadtium" in Darmstadt on April 30, 2009 and about 66% of equity capital entitled to vote was present. Dr. Andreas Bereczky was confirmed in his office as a member of the Supervisory Board. As the new Chairman of the Supervisory Board, he succeeds Frank F. Beelitz who left the Supervisory Board of Software AG after serving for ten years as its chairman and member. A newly elected member of the Supervisory Board is Heinz Otto Geidt who represents the major shareholder Software AG Foundation.

We again received numerous awards for our investor relations work this year. We received the Capital Investor Relations Award 2009 in the TecDax. We were also in first place in the overall rating which includes all German indices as well as the EuroStoxx 50. We were also ranked first in the TecDax for "Best IR" by the Wirtschaftswoche economic journal (carried out by Thomson Reuters Extel), and Net-Federation once again rated our comprehensive online information source as the "Best IR Website" in the TecDax.

Twenty-two brokerage houses currently analyze Software AG's stock. Six of them have issued a "buy" recommendation, eight a "hold" recommendation and seven recommend "sell." One of them did not publish a recommendation. Additional analysts have announced interest in our Company and plan to start coverage sometime during the year.

## Share price development (indexed)




**SHAREHOLDER STRUCTURE**

Software AG Foundation continues to hold about 8.6 million shares. The free float is approximately 71 percent of the outstanding shares and is held by institutional investors and numerous private investors.

Regionally, almost half of the identifiable shareholdings (excluding the Software AG Foundation) are in the hand of German institutional investors. The rest is primarily dispersed among the United Kingdom (about 26%), Continental Europe (about 16%) and the U.S. (about 7%).

# BUSINESS TREND REMAINS STABLE IN Q2 2009

Software AG's segment report is prepared in accordance with IFRS 8 (Operating Segments). Segment reporting is undertaken in accordance with the Group's internal control and reporting lines. Accordingly, Software AG reports information on the following divisions: ETS (data management) and webMethods (integration software and process optimization).

## 1 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Although the economy remained difficult in the second quarter of 2009, Software AG continued to perform well. The Company's growth was driven by its robust business model, which is based on having two different business divisions, a large customer base with long-term maintenance contracts in all sectors, a product portfolio that enables customers to optimize processes and increase efficiency during the recession, and a widespread global presence. The latter is particularly important in light of the fact that the economic crisis has impacted different regions differently. Software AG again experienced profitable growth in the second quarter of 2009, performing better than many companies in its competitive environment in the current difficult economic climate.

Particularly worthy of note in the second quarter was Software AG's 40-year anniversary – the Company was established on May 30, 1969 as Europe's first software-only vendor. This gives Software AG the longest international market experience of any other software company of its size. We are also celebrating 10 years on the stock exchange this year. Another very important milestone in the quarter under review was the introduction of our first fully integrated webMethods product platform (release 8). This completes the integration of webMethods – which was acquired in mid-2007 – on the product side as well.

### 1.1 GROWTH DRIVERS – INNOVATION AND CUSTOMER ORIENTATION

We are constantly working to improve our existing products and develop new products along our value chain. In the second quarter, we introduced webMethods 8, the first fully integrated version since the acquisition of webMethods, Inc. in the U.S.

webMethods 8.0 enables companies to take better advantage of the new open architectures and investments in existing infrastructures, to reduce the time and expense involved in process optimization and system integration, and – thanks to closer cooperation between IT and the operating departments – to substantially increase productivity.

Similar to the previous versions, webMethods 8.0 is also geared toward the demands placed on infrastructure software for business processes by globally operating companies. The new version focuses in particular on harmonizing systems and operating departments as well as automating and optimizing processes that accelerate value creation in a company. In the case of large-scale projects, time and expense can be reduced by at least 25 percent, which enables large companies to save millions.

We also launched another new product on the market – the new Discovery Edition for Natural. The Discovery Edition is a cost-effective method of modernizing Natural applications and represents an expansion of the webMethods Application Modernization Suite. It allows companies to modernize existing systems and advance business innovation without having to replace their current IT systems. Both of these new product developments show that Software AG is continuing to advance as a product house and vendor of its own innovative software products. They also indicate that products in both divisions – webMethods and Enterprise Transaction Systems (ETS) for data management – are undergoing continuous improvement, meaning that all of our clients will be able to keep modernizing their IT systems and increasing the lifecycle of their investments.

The market has also shown its appreciation of our products: Among other achievements, we have been named a leader in SOA governance technologies by an influential IT and market research institute. We are expanding our leading role in the SOA governance market with our new versions of CentraSite ActiveSOA and webMethods Insight. The analyst institute also estimated our share in this market at 13.7 percent – nearly three percentage points ahead of the company in second place. This makes Software AG the world's leading supplier of SOA governance technologies.

In recent months, Software AG has revamped its IT services under the leadership of Executive Board member Ivo Totev. The new business unit is called Global Consulting Services and has a new personnel structure along with a revised strategy.

Software AG has a clear vision: to enable its clients to manage their processes more efficiently by digitizing its IT-supported business processes. This vision has evolved from the general economic trend in which process innovation is becoming increasingly important to companies in addition to pure product innovation. Managing digital business processes involves introducing a process-based, flexible IT structure that optimizes business processes while allowing the costs for IT investments to be recouped quickly.

We again succeeded in gaining enthusiastic new customers for our products in the quarter under review, as we reported in press releases and in case studies on our website. In the field of logistics, for example, we are supporting a pilot project of the Technical University of Hamburg-Harburg and the Kühne School of Logistics and Management with our SOA and BPM technologies. The goal of the research project is to develop methods for increasing process efficiency in maritime container logistics. Another example of practical application comes from Central Banco Universal, one of Venezuela's leading regional banks. The bank is using the webMethods Business Process Management Suite to optimize its business processes, which has resulted in an acceleration of 60 percent in claim processing.

In line with our corporate strategy, we are expanding our network of partners to drive growth even further. In the second quarter, we expanded our existing partnership with Logica, a leading IT service provider, to cover all of Europe. Our plan is to use Logica to gain new contracts and new customers in additional countries. As in every quarter, we participated in several events in the second quarter at which we exchanged ideas in close collaboration with our customers, partners, and other interested parties. These events included numerous SOA/BPM master classes, lead generation events, and Gartner conferences. Software AG's "Trends and Field Reports from the World of BPM" was held for the fourth time.

### 1.2 STEADY COMPANY DEVELOPMENT

This year's Annual Shareholders' Meeting, which was held on April 30, 2009 in Darmstadt, also presented us with an opportunity to demonstrate the sustainability of Software AG's business model: Mr. Heinz Otto Geidt, a representative of the Software AG Foundation, our largest shareholder, was elected to the Company's Supervisory Board. Mr. Geidt is the head of asset management at the Software AG Foundation. Software AG's anchor investor is now more closely connected to the Company. Dr. Andreas Bereczky, production director of the ZDF television station, was elected the new Chairman of the Supervisory Board. He is replacing Mr. Frank F. Beelitz, who has left the Supervisory Board after ten years of service as member and Chairman.

### 1.3 BUILDING INNOVATION NETWORKS

Software AG works to promote Darmstadt and the Rhine-Main-Neckar region as a business location and to build alliances between companies in German-speaking regions. These activities are aimed at establishing an innovation network for corporate software in the region in which the Company's headquarters are located in order to facilitate cooperation between companies, scientific institutes, and policy makers. This benefits companies by making it possible to reduce production depth by facilitating collaboration with partners in processes lending themselves to a division of labor, for example. Other possible benefits are gaining additional public funding for research and avoiding duplicate research activities. Another advantage is the improvement to the region's image as a leading IT location along with international prominence. When the region in which we are based has a good public image, this benefits our corporate image and makes it easier to find specialists interested in working for us.

In a study by the Technical University of Darmstadt that was commissioned by Software AG and presented to the media on June 22, 2009 together with the regional government of Hesse, the authors compared the IT clusters of Silicon Valley, Bangalore, Oulu (Finland), and Dresden with the Rhine-Main-Neckar IT region. According to the study, the region between Frankfurt and Heidelberg is home to some 7,000 IT companies – more than in Silicon Valley. However, the IT companies in the Rhine-Main-Necker area are considerably smaller than those in the California IT cluster, meaning that their contribution to GDP and employment is much less significant. The study by the researchers at the Technical University of Darmstadt states that clusters are one of the most important instruments in strategic economic and growth policy. Particularly in the field of IT, clusters are regarded as necessary for long-term success. Therefore, the goal is to continue developing the Rhine-Main-Neckar IT cluster until it reaches global prominence. Software AG supports this goal.

With funding from the regional government, the Chamber of Industry and Commerce (IHK), the Technical University of Darmstadt, Software AG, SAP AG, and IDS Scheer AG all successfully installed a cluster management program that went into operation at the end of June as part of the 2nd IT forum in Darmstadt. In a competition for the top cluster held by the federal government of Germany, the entry entitled "Corporate Software for Digital Companies of the Future," which was submitted jointly along with institutions in Saarbrücken and Kaiserslautern, passed another hurdle to reach the final. The final decision will be made in January 2010. Approximately 50 million euros in research grants will be awarded for use by the participating companies and scientific institutes when they have research expenditures in corresponding amounts.

At the annual BITKOM conference on June 19, 2009 in Hamburg, Karl-Heinz Steibich, CEO of Software AG, was reelected to the executive committee of BITKOM with the most votes ever received by an elected committee member.

### 1.4 40-YEAR ANNIVERSARY OF SOFTWARE AG

Europe's first software company was founded 40 years ago on May 30, 1969. Today, Software AG is one of the world's largest software houses with a market capitalization of €1.4 billion. A key foundation of the Company's success was laid by Dr. Peter Schnell, one of the Company's founders. He developed the Adabas database, which is still the fastest in the world, and introduced a strategy of internationalization and growth that established Software AG early on as a key supplier in all major IT markets in the world. Dr. Schnell still plays a significant role in the Company as the founder of the Software AG Foundation, which holds approximately 30 percent of the Company's shares. The Foundation protects the Company from hostile takeovers. Some one-third of the dividends are funneled to social projects via the foundation's activities. In recognition of his many achievements, Dr. Schnell was awarded the German Federal Cross of Merit (Bundesverdienstkreuz) in May 2009.

Software AG has achieved much in its 40-year existence. It has steadily and consistently developed and launched innovative products. The Company has expanded geographically and is now at home in a variety of countries all over the world. Wherever we have not been able to expand of our own accord, we have made acquisitions and built up a network of partners for developing and marketing joint solutions. Another important milestone was our IPO in 1999, which represented the largest new issue of shares by a software firm on the Frankfurt Stock Exchange. This year marks the 10-year anniversary of the IPO.

In light of the general economic situation, Software AG has decided to economize by cancelling all events celebrating the Company's anniversary. Instead, this special event will be marked by appropriate press and public relations activities, including numerous press releases, interviews, a film, a webcast for employees, and a description of the origin of the German software industry, which will be presented to employees and the public in the second half of the year.

# 2 FINANCIAL PERFORMANCE

## 2.1 GROUP REVENUE GROWS IN A CHALLENGING ENVIRONMENT

Software AG continued to experience stable growth in the second quarter of 2009 despite the ongoing difficult economic climate. Group revenue increased by 5 percent to €176.4 million (Q2 2008: €168.8 million), buoyed in particular by our high-margin product business.

The effect of exchange rates – especially the U.S. dollar – on revenue was again less in the quarter under review than in the previous years. This was due in part to our broad geographical expansion in recent years. Software AG generated 33 percent of its revenues in euros and 67 percent in foreign currencies in Q2 2009. A total of 27 percent of revenues were generated in U.S. dollars. Currency effects led to a decrease of 2.7 percent in revenues in the second quarter.

## 2.2 SALES BY REVENUE TYPE

### Robust product business

Software AG's profitable growth is attributable in particular to the Company's strong, high-margin product business (licenses and maintenance), which rose by a total of 9 percent to €133.7 million (Q2 2008: €123.2 million). This encouraging performance resulted solely from the renewed expansion of our maintenance business, which increased by 20 percent in the quarter under review to €73.9 million (Q2 2008: €61.8 million). The acquisition of new projects from new clients continued to be more difficult than in previous years in the second quarter. Nonetheless, licensing revenues amounted to €59.8 million, nearly reaching last year's high level (Q2 2008: €61.4 million).

Product revenues accounted for three-quarters of total revenue, as in the previous quarter. Accordingly, Professional Services made up one-fourth of revenue.

### Professional Services business weaker

Revenue from our Professional Services decreased by 7 percent, from €44.8 million to €41.7 million year-on-year. The decline was due to the current economic situation and is in line with the trend in the IT services industry. However, we expect the restructuring of the business unit together with an economic recovery over the next few months to result in fresh potential.

## 2.3 REVENUES BY DIVISION

### Momentum slows for webMethods

As we predicted, it has proved to be more difficult for the webMethods division to win new projects and customers in the current market environment. This is especially the case in certain countries in which an adequate market presence has not yet been established. A critical mass on the part of the supplier and precise knowledge of the customer are of advantage for ensuring sustained project success in the webMethods division. Revenue in the quarter under review reached approximately the previous year's level, decreasing 2 percent to €75.5 million after €76.7 million in the previous year. webMethod's licensing revenues fell 15 percent to €22.6 million (Q2 2008: €26.6 million), while maintenance revenues registered strong growth of 20 percent to €27.1 million (Q2 2008: €22.5 million). Professional Services dropped 7 percent to €25.8 million (Q2 2008: €27.6 million).

The webMethods division contributed €22.1 million to revenue in the second quarter (Q2 2008: €23.4 million). Cost of sales rose by 3 percent to €29.8 million (Q2 2008: €28.9 million). Selling expenses decreased by 3 percent, from €24.4 million to €23.6 million.

### ETS very encouraging

Licensing revenues from the ETS business line rose by 10 percent in the quarter under review to €100.9 million (Q2 2008: €92.1 million). The increase was thanks in part to the division's good performance in Brazil and South Africa. Maintenance revenues represented a particularly positive note, rising 19 percent to €46.7 million (Q2 2008: €39.3 million). However, licensing revenues also performed well with growth of 7 percent, from €34.7 million to €37.3 million. Professional Services declined by 7 percent year-on-year, from €18.1 million to €16.9 million. ETS had a share of 57 percent in revenue and webMethods 43 percent in the quarter under review.

ETS contributed €62.1 million to earnings in Q2 2009, an increase of 7 percent over the prior year (Q2 2008: €57.8 million). Because of the expansion of sales, cost of sales increased by 11 percent to €21.0 million (Q2 2008: €18.9 million). Selling expenses rose by 16 percent to €17.8 million (Q2 2008: €15.4 million).

### EBIT again outperforms revenue

EBITA outperformed revenues and grew by 9 percent in the quarter under review, increasing to €48.4 million (Q2 2008: €44.4 million). EBIT gained 8 percent year-on-year, rising from €40.9 million to €44.2 million. The EBIT margin thus improved to 25.1 percent (Q2 2008: 24.3 percent).

Expenses increased more or less in line with revenues. Research and development expenses rose 4 percent to €19.2 million in the 2nd quarter, up from €18.5 million in Q2 2008. Marketing and selling expenses also increased by 4 percent to €41.3 million (Q2 2008: €39.8 million). We succeeded in reducing general and administrative expenses by 2 percent to €16.3 million (Q2 2008: €16.7 million).

**REVENUES BY DIVISION**
**IFRS, unaudited**

| in € million | Q2 2009 | Q2 2008 | change in % |
|---|---|---|---|
| webMethods | | | |
| Licenses | 22,591 | 26,604 | –15 |
| Maintenance | 27,122 | 22,490 | 20 |
| Professional Services | 24,992 | 27,520 | –9 |
| Other | 820 | 44 | |
| **Total** | **75,525** | **76,658** | **–2** |
| ETS | | | |
| Licenses | 37,260 | 34,748 | 7 |
| Maintenance | 46,733 | 39,290 | 19 |
| Professional Services | 16,698 | 17,261 | –3 |
| Other | 161 | 810 | |
| **Total** | **100,852** | **92,109** | **10** |

**KEY EARNINGS INDICATORS**

| in € million | Q2 2009 | Q2 2008 | change in % |
|---|---|---|---|
| EBIT | 44,232 | 40,936 | 8 |
| EBITA | 48,371 | 44,420 | 9 |
| Financial income / expense, net | –661 | –1,418 | |
| Net income | 28,930 | 27,109 | 7 |
| Earnings per share in (€ basic) | 1.02 | 0.95 | 7 |

## Marked improvement in net income and earnings

Profit after tax rose by 7 percent in the quarter under review to €28.9 million (Q2 2008: €27.1 million), thanks in particular to the improvement in net financial income/expense. Earnings per share increased to €1.02 in the second quarter, up from €0.95 in Q2 2008. This reflects an increase of 7 percent. As of June 30, 2009, 28.7 million shares were in circulation (basic), an increase of approximately 89,000 shares year-on-year.

## Half-year figures confirm stable business trend

Group revenue of Software AG rose by 4 percent to €341.7 million, up from €328.2 million in the first half of 2008. Product revenue increased by 8 percent in the same period to €256.2 million (H1 2008: €327.9 million). Maintenance revenues performed outstandingly with a rise of 21 percent to €147.1 million, up from €121.1 million in the previous period. However, licensing revenues for both divisions fell 7 percent, from €116.8 million to €109.1 million. As a result, revenue from Professional Services also declined, dropping 5 percent from €87.7 million to €84.0 million.

By contrast, profit before tax (EBIT) increased by 7 percent to €82.3 million in the first half of 2009 (H1 2008: €77.0 million) thanks to strict cost management. The EBIT margin rose from 23.5 percent to 24.1 percent.

# 3 FINANCIAL POSITION

### 3.1 STRONG CASH FLOW TREND

Operating cash flow improved 32 percent in the quarter under review to €31.7 million, up from €24.0 million in Q2 2008. Free cash flow also performed very well once again, increasing substantially to €29.8 million. This represented a rise of 30 percent from the €23.0 million generated in the second quarter of 2008. Viewed over 6 months, operating cash flow rose 32 percent over the first half of 2008, from €60.2 million to €79.2 million.

### 3.2 TOTAL ASSETS AND CAPITAL EXPENDITURE

Total assets of Software AG rose from €1,001.2 million as of June 30, 2008 to €1,124.6 million as of June 30, 2009. Cash and cash equivalents grew from €59.4 million to €136.1 million. Equity increased by 27 percent, from €457.3 million to €579.4 million. The equity-to-assets ratio thus improved from 45.7 percent as of mid-year 2008 to 51.5 percent as of mid-year 2009. Non-current liabilities decreased from €273.1 million to €226.0 million. This item includes financial liabilities, which declined from €167.3 million to €106.9 million. Net debt was reduced by approximately €112 million to approximately €32 million thanks to the strong cash flow of the past twelve months. Software AG is therefore well equipped for the planned acquisition of IDS Scheer AG.

# 4 RISKS AND OPPORTUNITIES

Software AG is subject to the risks inherent in company acquisition and integration based on past acquisitions and possible future acquisitions. Apart from this, there were no changes in the second quarter of 2009 to the risk situation of the Software AG Group from that portrayed in the Risk Report of the 2008 Annual Report.

The related opportunities are detailed in the Outlook section of this report and in the Outlook section of the 2008 Annual Report.

# 5 EVENTS AFTER THE BALANCE SHEET DATE

The following events relevant to Software AG occurred after the balance sheet date:

On July 3, 2009, we announced the takeover of Teconomic AG in Switzerland. Teconomic offers comprehensive services and solutions for the European financial market and specializes in SWIFT services. The acquisition is part of our plan to improve our positioning in the global SWIFT market and to continue developing our business activities in Switzerland. Software AG is aiming to become one of the world's top three providers of SWIFT-based IT services and software solutions.

On July 13, 2009, we announced our takeover offer for IDS Scheer AG, Saarbrücken, Germany. In the third quarter currently underway, SAG Beteiligungs GmbH, a fully owned subsidiary of Software AG, made an offer to all IDS Scheer shareholders to buy their stock for €15 per share. A contract has already been concluded with company founders Prof. Scheer and Prof. Pocsay in which they agree to transfer their shares, which together equal approximately 48 percent of all outstanding shares, as part of the takeover offer. Software AG has already acquired more than 10 percent of IDS Scheer AG's shares on the market. The additional shares from the company founders will make Software AG the majority shareholder. The transaction is expected to be completed in the third quarter of 2009, subject to approval from the antitrust authorities. Software AG is now focusing on preparations for integrating the company. For additional information on the planned acquisition, please see our website, which is updated on an ongoing basis (www.softwareag.com), and our next quarterly report.

# 6 OUTLOOK

Software AG plans to continue on its stable growth path despite the present difficult economic climate. Moreover, the planned integration of IDS Scheer AG will create a global manufacturer of infrastructure software and business process management with more than 6,000 employees and revenues of more than €1 billion. The two companies will pursue a joint strategy with a clear focus on growth, driven by increased unit sales of their complementary product offering and IDS Scheer's specialized consulting business.

Software AG has up to now been forecasting revenue growth of between 4 and 8 percent and an EBIT margin of 24.5 to 25.5 percent. However, these projections will change based on the takeover offer announced on July 13, 2009 for IDS Scheer AG, which is also listed on the TecDax, and the consolidation of IDS Scheer into Software AG, which is expected to take three months. Software AG will announce a new outlook for full-year 2009 upon publication of the figures for the third quarter of 2009.

Software AG expects the combination of the two successful business models to lead to an increase in Software AG's operating earnings per share in 2010, the first full year of consolidation.

**CONSOLIDATED INCOME STATEMENT for the six months ended June 30, 2009**
**(January 1 to June 30, 2009 and January 1 to June 30, 2008)**
**IFRS, unaudited**

| in € thousands | June 30, 2009 | June 30, 2008 | change in % | Q2 2009 | Q2 2008 | change in % |
|---|---|---|---|---|---|---|
| Licenses | 109,122 | 116,747 | −7 | 59,851 | 61,352 | −2 |
| Maintenance | 147,058 | 121,136 | 21 | 73,855 | 61,780 | 20 |
| Professional Services | 83,994 | 88,700 | −5 | 41,690 | 44,781 | −7 |
| Other | 1,493 | 1,575 | −5 | 981 | 854 | 15 |
| **Total revenue** | **341,667** | **328,158** | **4** | **176,377** | **168,767** | **5** |
| Cost of sales | −100,700 | −95,513 | 5 | −50,796 | −47,770 | 6 |
| **Gross profit** | **240,967** | **232,645** | **4** | **125,581** | **120,997** | **4** |
| Research and development expenses | −39,373 | −37,324 | 5 | −19,201 | −18,457 | 4 |
| Sales, marketing and distribution expenses | −80,502 | −79,880 | 1 | −41,339 | −39,802 | 4 |
| General and administrative expenses | −32,320 | −32,089 | 1 | −16,258 | −16,676 | −3 |
| **Operating result** | **88,772** | **83,352** | **7** | **48,783** | **46,062** | **6** |
| Other operating income | 20,786 | 14,122 | 47 | 6,333 | 2,638 | 140 |
| Other operating expenses | −19,131 | −12,971 | 47 | −6,745 | −4,280 | 58 |
| **Earnings before interest, taxes and amortization (EBITA)** | **90,427** | **84,503** | **7** | **48,371** | **44,420** | **9** |
| Amortization | −8,081 | −7,536 | | −4,139 | −3,484 | 19 |
| **Earnings before interest and taxes (EBIT)** | **82,346** | **76,967** | **7** | **44,232** | **40,936** | **8** |
| Net financial income/expense | -255 | −2,887 | | −661 | −1,418 | |
| **Earnings before taxes** | **82,091** | **74,080** | **11** | **43,571** | **39,518** | **10** |
| Income taxes | −25,742 | −23,309 | 10 | −13,575 | −11,504 | 18 |
| Other taxes | −1,770 | −1,124 | 57 | −1,066 | −905 | 18 |
| **Net income** | **54,579** | **49,647** | **10** | **28,930** | **27,109** | **7** |
| | | | | | | |
| thereof attributable to shareholders of Software AG | 54,920 | 49,647 | 11 | 29,271 | 27,109 | 8 |
| thereof attributable to minority interest | −341 | 0 | | −341 | 0 | |
| | | | | | | |
| Earnings per share (€ basic) | 1.92 | 1.74 | 10 | 1.02 | 0.95 | 7 |
| Earnings per share (€ diluted) | 1.91 | 1.73 | 10 | 1.02 | 0.95 | 7 |
| Weighted average shares outstanding (basic) | 28,666,174 | 28,573,305 | – | 28,678,158 | 28,589,148 | – |
| Weighted average shares outstanding (diluted) | 28,690,261 | 28,633,623 | – | 28,702,245 | 28,649,466 | – |

## CONSOLIDATED BALANCE SHEET as of June 30, 2009
## IFRS, unaudited

### ASSETS

| in € thousands | June 30, 2009 | Dec. 31, 2008 | June 30, 2008 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 136,109 | 96,925 | 59,410 |
| Inventories | 493 | 85 | 77 |
| Trade receivables | 220,206 | 247,251 | 225,003 |
| Other receivables and other assets | 27,345 | 21,187 | 15,163 |
| Prepaid expenses | 7,443 | 5,945 | 6,611 |
| | **391,596** | **371,393** | **306,264** |
| | | | |
| **Non-current assets** | | | |
| Intangible assets | 148,827 | 150,931 | 142,356 |
| Goodwill | 443,961 | 442,676 | 423,239 |
| Property, plant and equipment | 46,220 | 46,988 | 49,660 |
| Financial assets | 6,994 | 6,456 | 8,179 |
| Trade receivables | 15,339 | 17,208 | 11,869 |
| Other receivables and other assets | 13,712 | 8,563 | 5,041 |
| Prepaid expenses | 5 | 47 | 33 |
| Deferred taxes | 57,988 | 66,729 | 54,546 |
| | **733,046** | **739,598** | **694,923** |
| | **1,124,642** | **1,110,991** | **1,001,187** |

### EQUITY AND LIABILITIES

| in € thousands | June 30, 2009 | Dec. 31, 2008 | June 30, 2008 |
|---|---|---|---|
| **Current liabilities** | | | |
| Financial liabilities | 61,494 | 61,360 | 36,315 |
| Trade payables | 34,906 | 35,824 | 33,418 |
| Other liabilities | 40,713 | 45,151 | 41,838 |
| Other provisions | 46,705 | 69,011 | 37,757 |
| Tax provisions | 20,303 | 36,688 | 7,586 |
| Deferred income | 115,052 | 100,528 | 113,872 |
| | **319,173** | **348,562** | **270,786** |
| | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | 106,875 | 105,841 | 167,347 |
| Trade payables | 66 | 68 | 64 |
| Other liabilities | 333 | 378 | 406 |
| Pension provision | 17,438 | 16,650 | 16,530 |
| Other provisions | 17,114 | 13,959 | 7,928 |
| Deferred taxes | 81,478 | 73,771 | 77,729 |
| Deferred income | 2,727 | 2,623 | 3,122 |
| | **226,031** | **213,290** | **273,126** |
| | | | |
| **Equity** | | | |
| Share capital | 86,060 | 85,917 | 85,808 |
| Capital reserve | 37,512 | 35,810 | 33,739 |
| Retained earnings | 441,283 | 356,953 | 359,368 |
| Net income attributable to shareholders of Software AG | 54,920 | 115,860 | 49,647 |
| Currency translation differences | −74,427 | −76,744 | −102,667 |
| Other reserves | 32,813 | 31,343 | 31,308 |
| Minority interest | 1,277 | 0 | 0 |
| | **579,438** | **549,139** | **457,275** |
| | **1,124,642** | **1,110,991** | **1,001,187** |

**STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD for the six months ended June 30, 2009 (January 1 to June 30, 2009 and January 1 to June 30, 2008) IFRS, unaudited**

| in € thousands | June 30, 2009 | June 30, 2008 | Q2 2009 | Q2 2008 |
|---|---|---|---|---|
| Net income | 54,579 | 49,647 | 28,930 | 27,109 |
| Currency translation differences | 2,317 | −22,659 | 16,692 | 4,179 |
| Change in fair value of securities and derivatives | 2,239 | −5,296 | 4,709 | −1,359 |
| Currency translation differences of net investment loans to foreign operations | −769 | 333 | 640 | −8 |
| Actuarial gain/loss on defined benefit obligations | −27 | 0 | 75 | 0 |
| **Other comprehensive income** | **3,760** | **−27,622** | **22,116** | **2,812** |
| **Comprehensive income (net income plus other comprehensive income) for the period** | **58,339** | **22,025** | **51,046** | **29,921** |
| | | | | |
| thereof attributable to shareholders of Software AG | 58,680 | 22,025 | 51,046 | 29,921 |
| thereof attributable to minority interest | −341 | 0 | −341 | 0 |

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

| in € thousands<br>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 (net income plus other comprehensive income) for the period | | | | 49,647 |
| **Transactions with equity holders** | | | | |
| Dividend payment | | | | –28,539 |
| New shares issued | 63,372 | 190 | 926 | |
| Stock options | | | 880 | |
| Change in minority interests | | | | |
| **Equity as of June 30, 2008** | **28,602,827** | **85,808** | **33,739** | **408,523** |

| in € thousands<br>2009 | Number of shares | Share capital | Capital reserve | Retained earnings |
|---|---|---|---|---|
| **Equity as of January 1, 2009** | **28,638,842** | **85,917** | **35,810** | **474,736** |
| Comprehensive income (net income plus other comprehensive income) for the period | | | | 54,920 |
| **Transactions with equity holders** | | | | |
| Dividend payment | | | | –31,503 |
| New shares issued | 47,935 | 143 | 883 | |
| Stock options | | | 819 | |
| Change in minority interests | | | | |
| **Equity as of June 30, 2009** | **28,686,777** | **86,060** | **37,512** | **498,153** |

| | 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** |
| −22,659 | −5,296 | | 333 | 22,025 | | 22,025 |
| | | | | | | |
| | | | | | | |
| | | | | −28,539 | | −28,539 |
| | | | | 1,116 | | 1,116 |
| | | | | 880 | | 880 |
| | | | | | −669 | −669 |
| **−102,667** | **−3,277** | **492** | **34,657** | **457,275** | **0** | **457,275** |
| | | | | | | |
| | | | | | | |
| **−76,744** | **−5,040** | **−1,923** | **36,383** | **549,139** | **0** | **549,139** |
| 2,317 | 2,239 | −27 | −769 | 58,680 | −341 | 58,339 |
| | | | | | | |
| | | | | | | |
| | | | | −31,503 | | −31,503 |
| | | | | 1,026 | | 1,026 |
| | | | | 819 | | 819 |
| | | | | | | |
| **−74,427** | **−2,801** | **−1,950** | **35,614** | **578,161** | **−341** | **577,820** |

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

| in € thousands | June 30, 2009 | June 30, 2008 | Q2 2009 | Q2 2008 |
|---|---|---|---|---|
| Net income for the year | 54,579 | 49,647 | 28,930 | 27,109 |
| Income taxes | 25,742 | 23,309 | 13,575 | 11,504 |
| Net financial income/expense | 255 | 2,887 | 661 | 1,418 |
| Amortization/depreciation of non-current assets | 13,399 | 12,491 | 7,050 | 6,717 |
| Other non-cash income/expense | 2,445 | 2,496 | 1,061 | 1,368 |
| **Operating cash flow before changes in working capital** | **96,420** | **90,830** | **51,277** | **48,116** |
| Changes in inventories, receivables and other current assets | 39,826 | −18,031 | 14,511 | −12,916 |
| Changes in payables and other liabilities | −10,488 | 18,594 | −11,227 | 539 |
| Income taxes paid | −46,457 | −29,643 | −22,122 | −11,805 |
| Interest paid | −3,962 | −3,618 | −2,214 | −885 |
| Interest received | 3,825 | 2,117 | 1,478 | 953 |
| **Net cash from operating activities** | **79,164** | **60,249** | **31,703** | **24,002** |
| Proceeds from sale of tangible/intangible assets | 117 | 187 | 91 | 10 |
| Purchase of tangible/intangible assets | −5,911 | −3,812 | −1,914 | −1,424 |
| Proceeds from the sale of financial assets | 65 | 1,109 | 9 | 1,101 |
| Purchase of financial assets | −605 | −718 | −49 | −685 |
| Payment for acquisitions, net | −4,512 | −38,819 | 59 | −463 |
| **Net cash used in investing activities** | **−10,846** | **−42,053** | **−1,804** | **−1,461** |
| Proceeds from issue of share capital | 1,026 | 1,116 | 391 | 459 |
| Dividends paid | −31,503 | −28,539 | −31,503 | −28,539 |
| Proceeds from financial liabilities | 0 | 0 | 0 | 0 |
| Repayments of financial liabilities | −1,007 | −10,237 | −159 | −81 |
| Payments for hedging instruments | 0 | −675 | 0 | 0 |
| **Net cash used in financing activities** | **−31,484** | **−38,335** | **−31,271** | **−28,161** |
| Change in cash and cash equivalents from cash relevant transactions | 36,834 | −20,139 | −1,372 | −5,620 |
| Adjustment from currency translation | 2,350 | −1,745 | 741 | 266 |
| **Net change in cash and cash equivalents** | **39,184** | **−21,884** | **−631** | **−5,354** |
| Cash and cash equivalents at the beginning of the period | 96,925 | 81,294 | 136,740 | 64,764 |
| **Cash and cash equivalents at the end of the period** | **136,109** | **59,410** | **136,109** | **59,410** |

# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## GENERAL PRINCIPLES

### 1_ BASIS OF ACCOUNTING

Software AG's condensed and unaudited consolidated financial statements (interim financial statements) as of June 30, 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 June 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 that 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 expressed in thousands of euros unless stated otherwise.

### 2_ CHANGES IN THE CONSOLIDATED GROUP

Software AG gained control over itCampus Software- und Systemhaus GmbH, Leipzig (itCampus) on March 2, 2009 by acquiring 51 percent of its shares. itCampus controls four subsidiaries. Additional information on the acquisition of itCampus can be found under Note 4 (Business Acquisitions). The acquisition resulted in the following additions to the consolidated group:

- itCampus GmbH, Leipzig, Germany
- itCampus UK, Limited, Newcastle Upon Tyne, United Kingdom
- itCampus Schweiz AG, Sursee, Switzerland
- itCampus Sarix Italia s.r.l., Bozen, Italy
- itCampus Informationstechnologie Austria GmbH, Wiener Neudorf, Austria

The subsidiaries itCampus Schweiz AG, Sursee, Switzerland, and itCampus Informationstechnologie Austria GmbH were not consolidated because they are immaterial for the Group's financial position, financial performance, and cash flows. They are recognized at cost.

### 3_ ACCOUNTING POLICIES

The same accounting policies have been applied as were applied to the consolidated financial statements as of December 31, 2008, with the exception of the revisions to IAS 1.
The first-time application of the revised IAS 1 resulted in changes to the presentation of the statement of changes in equity as well as the presentation of the result for the period and the income and expenses recognized in equity during the period. Prior-year figures were adjusted where necessary. Net income and earnings per share have not changed as a result of the change in presentation. These quarterly financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting.

## 4_ BUSINESS ACQUISITIONS

By acquiring 51 percent of its shares, Software AG gained control over itCampus Software- und Systemhaus GmbH, Leipzig (itCampus), a supplier of software and communication solutions for the call center, energy, medicine, and public administration industries.

The purchase price of the acquisition was settled in cash and totaled €4,512 thousand after deducting acquired cash funds. 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. This purchase price allocation was prepared based on preliminary valuations. In contrast to the presentation in our report for the first quarter, there were some minor changes to the carrying amounts before acquisition and hence to the initial carrying amounts on the balance sheet. 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 | 1,488 | | 1,488 |
| Inventories | 431 | | 431 |
| Trade receivables | 1,208 | | 1,208 |
| Other receivables and other assets | 406 | | 406 |
| Prepaid expenses | 48 | | 48 |
| Intangible assets | 97 | 5,992 | 6,089 |
| Goodwill | 76 | | 76 |
| Property, plant and equipment | 410 | | 410 |
| Financial assets | 195 | | 195 |
| **Assets** | **4,359** | **5,992** | **10,351** |
| Financial liabilities | 2,241 | | 2,241 |
| Trade payables | 715 | | 715 |
| Other liabilities | 1,975 | | 1,975 |
| Other provisions | 233 | | 233 |
| Tax provisions | 26 | | 26 |
| Deferred tax liabilities | 0 | 1,858 | 1,858 |
| **Liabilities** | **5,190** | **1,858** | **7,048** |
| **Net assets** | **–831** | **4,134** | **3,303** |
| Minority interest | | | –1,618 |
| Goodwill | | | 4,315 |
| Payments to shareholders | | | 2,900 |
| Payment to the company for capital increase | | | 3,100 |
| **Acquisition costs** | | | **6,000** |
| Acquired cash and cash equivalents | | | 1,488 |
| **Acquisition costs net of acquired cash** | | | **4,512** |

The intangible assets measured at fair value as part of purchase price allocation are comprised of mainly software. The company's innovative employees represent an additional material asset that nevertheless may not be capitalized separately from goodwill in accordance with IFRS 3. The goodwill recognized as an asset within the framework of the acquisition was attributed in full to the webMethods segment.

The operating results of itCampus have been included in the consolidated financial statements since the acquisition date. If Software AG had acquired itCampus as of January 1, revenues generated in the first half of 2009 would have been an estimated €1,254 thousand higher and would thus have amounted to €342,921 thousand. Net income for the same period would have been €635 thousand lower and would thus have amounted to €53,944 thousand. This pro forma data is only provided for comparative purposes.

The share of Software AG's net income that is attributable to itCampus since the acquisition date amounts to €-815 thousand.

**Business acquisitions and proposed business acquisitions after June 30, 2009:**
Software AG gained control over Teconomic AG, Freienbach, Switzerland, on July 1, 2009 by acquiring 100 percent of its shares. Teconomic AG provides advisory services and solutions to the European financial market. It has long-standing experience and in-depth expertise in the financial industry, advising its clients on SWIFT services and IT architectures.

The purchase price for this acquisition will depend on various balance sheet ratios and profitability indicators of the acquired company and is expected to amount to approx. €1 to €2 million. There were no significant costs directly attributable to the acquisition. Due to the short period of time between the acquisition and the authorization to issue this interim financial report, it was not possible to conduct a purchase price allocation. According to Software AG's forecast, the impact of the acquisition on the Group's overall financial position, financial performance and cash flows will be immaterial.

Software AG intends to acquire all of the shares in IDS Scheer AG, Saarbrücken, Germany. The Company announced this intention on July 13, 2009 in the form of a voluntary takeover offer. IDS Scheer AG is listed in the TecDax.

It is planned to acquire the shares at a price of €15.00 per outstanding share, to be paid in cash, via a voluntary public takeover offer to be made by SAG Beteiligungs GmbH, a wholly-owned subsidiary of Software AG, to all shareholders of IDS Scheer during the third quarter of 2009. The offer will be made subject to the terms and conditions yet to be communicated in the offer document and subject to approval by the competent antitrust authorities. Dr. August-Wilhelm Scheer and Dr. Alexander Pocsay have already signed a contract with Software AG agreeing to accept the takeover offer with respect to all of the shares held by them (approx. 47.68 percent of all outstanding shares). In addition, between the date of announcing the takeover offer and publication of the interim report for the second quarter, Software AG acquired 4,665,000 shares in IDS Scheer AG at an average price of €14.97. The acquisition costs for 100 percent of the shares will amount to approx. €490 million (including transaction costs).

## NOTES TO THE CONSOLIDATED BALANCE SHEET

### 5_ GOODWILL
Goodwill totaled €443,961 thousand as of June 30, 2009, an aggregate increase of €1,285 thousand compared to December 31, 2008. Of that amount, a decrease of €3,106 thousand is attributable to exchange rate fluctuations, in particular the strengthening of the U.S. dollar, whereas an increase of €4,391 thousand is attributable to the acquisition of itCampus (for more on this, please see note 4 "Business Acquisitions").

### 6_ EQUITY

#### Share capital
The share capital of Software AG amounted to €86,060 thousand as of June 30, 2009. The exercise of stock options under the second stock option plan increased the number of bearer shares in issue by 47,935 to 28,686,777 shares in the first half of 2009. In response, the Company's share capital rose by €143 thousand and the capital reserve by €883 thousand.

#### Dividend payment
The Annual Shareholders' Meeting resolved on April 30, 2009 to transfer €150 thousand of the accumulated profit for 2008 of €153,060 thousand of Software AG, the controlling group company, to other retained earnings, to appropriate €31,503 thousand for a dividend payout, and 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 six months ended June 30, 2009**
**(January 1 to June 30, 2009 and January 1 to June 30, 2008)**
**IFRS, unaudited**

| | ETS | | webMethods | | Total | |
|---|---|---|---|---|---|---|
| **in € thousands** | **June 30, 2009** | **June 30, 2008** | **June 30, 2009** | **June 30, 2008** | **June 30, 2009** | **June 30, 2008** |
| Licenses | 63,797 | 67,949 | 45,325 | 48,798 | 109,122 | 116,747 |
| Maintenance | 93,083 | 77,632 | 53,975 | 43,504 | 147,058 | 121,136 |
| **Product revenue** | **156,880** | **145,581** | **99,300** | **92,302** | **256,180** | **237,883** |
| Professional services | 34,216 | 36,204 | 49,778 | 52,496 | 83,994 | 88,700 |
| Other | 423 | 1,059 | 1,070 | 516 | 1,493 | 1,575 |
| **Total revenue** | **191,519** | **182,844** | **150,148** | **145,314** | **341,667** | **328,158** |
| Cost of sales | -41,676 | -39,623 | -59,024 | -55,890 | -100,700 | -95,513 |
| **Gross profit** | **149,843** | **143,221** | **91,124** | **89,424** | **240,967** | **232,645** |
| Sales, Marketing & Distribution expenses | -35,763 | -33,755 | -44,739 | -46,125 | -80,502 | -79,880 |
| **Business line contribution** | **114,080** | **109,466** | **46,385** | **43,299** | **160,465** | **152,765** |
| Research and development expenses | | | | | -39,373 | -37,324 |
| General and administrative expenses | | | | | -32,320 | -32,089 |
| Other operating income/expense, net | | | | | 1,655 | 1,151 |
| **EBITA** | | | | | **90,427** | **84,503** |
| Amortization | | | | | -8,081 | -7,536 |
| **Earnings before interest and taxes** | | | | | **82,346** | **76,967** |
| Net financial income/expense | | | | | -255 | -2,887 |
| **Earnings before taxes** | | | | | **82,091** | **74,080** |
| Taxes | | | | | -27,512 | -24,433 |
| **Net income** | | | | | **54,579** | **49,647** |

**SEGMENT REPORT for the three months ended June 30, 2009**
**(April 1 to June 30, 2009 and April 1 to June 30, 2008)**
**IFRS, unaudited**

| | ETS | | webMethods | | Total | |
|---|---|---|---|---|---|---|
| **in € thousands** | **Q2 2009** | **Q2 2008** | **Q2 2009** | **Q2 2008** | **Q2 2009** | **Q2 2008** |
| Licenses | 37,260 | 34,748 | 22,591 | 26,604 | 59,851 | 61,352 |
| Maintenance | 46,733 | 39,290 | 27,122 | 22,490 | 73,855 | 61,780 |
| **Product revenue** | **83,993** | **74,038** | **49,713** | **49,094** | **133,706** | **123,132** |
| Professional services | 16,698 | 17,261 | 24,992 | 27,520 | 41,690 | 44,781 |
| Other | 161 | 810 | 820 | 44 | 981 | 854 |
| **Total revenue** | **100,852** | **92,109** | **75,525** | **76,658** | **176,377** | **168,767** |
| Cost of sales | -21,001 | -18,927 | -29,795 | -28,843 | -50,796 | -47,770 |
| **Gross profit** | **79,851** | **73,182** | **45,730** | **47,815** | **125,581** | **120,997** |
| Sales, Marketing & Distribution expenses | -17,772 | -15,397 | -23,567 | -24,405 | -41,339 | -39,802 |
| **Business line contribution** | **62,079** | **57,785** | **22,163** | **23,410** | **84,242** | **81,195** |
| Research and development expenses | | | | | -19,201 | -18,457 |
| General and administrative expenses | | | | | -16,258 | -16,676 |
| Other operating income/expense, net | | | | | -412 | -1,642 |
| **EBITA** | | | | | **48,371** | **44,420** |
| Amortization | | | | | -4,139 | -3,484 |
| **Earnings before interest and taxes** | | | | | **44,232** | **40,936** |
| Net financial income/expense | | | | | -661 | -1,418 |
| **Earnings before taxes** | | | | | **43,571** | **39,518** |
| Taxes | | | | | -14,641 | -12,409 |
| **Net income** | | | | | **28,930** | **27,109** |

## 8_ CONTINGENT LIABILITIES

| in € thousands | June 30, 2009 | Dec. 31, 2008 | June 30, 2008 |
|---|---|---|---|
| Guarantees | 1,223 | 1,311 | 1,311 |
| Other | 1,594 | 1,252 | 1,426 |
| | **2,817** | **2,563** | **2,737** |

The carrying amount of collateral received amounted to €521 thousand (Q2 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 €6,276 thousand (Q2 2008: €6,006 thousand). Obligations of €35,509 thousand exist for the period up until the end of fiscal year 2014 (Q2 2008: a total of €40,650 thousand until the end of fiscal 2013), and obligations of €8,934 thousand for the period after fiscal 2014 (Q2 2008: a total of €5,943 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 were positively influenced by the expansion of our business in Brazil. For this reason, the quarterly breakdown of revenues and earnings before taxes is only of limited informational value.

## 10_ LITIGATION

In connection with the lawsuit by a small Canadian software company, court-ordered mediation talks were held which led to a settlement and 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 Company's 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 Group employees. 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 in accordance with IFRS 2 as equity-settled stock option programs in the second quarter of 2009 amounted to €240 thousand (Q2 2008: €571 thousand).

The expense for stock options that were accounted for as cash-settled stock option programs in the second quarter of 2009 in accordance with IFRS 2 amounted to €-970 thousand (Q2 2008: €1,810 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 June 30, 2009 | Thereof exercisable as of June 30, 2009 |
|---|---|---|---|---|---|---|
| Stock option program | 77,707 | 0 | −47,935 | −448 | 29,324 | 18,077 |
| Stock price-based remuneration plan from 2007 | 1,919,000 | 199,000 | 0 | −207,000 | 1,911,000 | 0 |

Of the options outstanding on June 30, 2009 from the 2007 stock price-based remuneration program, 1,100,000 options were accounted for as cash-settled stock option programs in accordance with the provisions of IFRS 2.

## 12_ EMPLOYEES

As of June 30, 2009, the effective number of employees (i.e., part-time employees are taken into account on a pro-rata basis only) amounted to 3,603 (June 30, 2008: 3,427), 76 percent of whom were employed abroad (June 30, 2008: 78 percent). In absolute terms (i.e., part-time employees are taken fully into account), the Group employed 3,684 people (June 30, 2008: 3,501) at the end of the second quarter (June 30, 2009).

## 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, who resides in Kelkheim, Germany and is Director of Asset Management at the 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 a member of the Executive Board and took over global responsibility for 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 interim financial statements on August 10, 2009.

## Responsibility statement

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

Darmstadt, August 10, 2009

Software AG

K.-H. Streibich

D. Broadbent

M. Edwards

I. Totev

Dr. P. Kürpick

A. Zinnhardt

# FINANCIAL CALENDAR

## FINANCIAL CALENDAR

| | |
|---|---|
| | **2009** |
| November 5* | Q3 2009 preliminary financial figures |
| | **2010** |
| January 27 | Q4/FY 2009 preliminary financial figures |

* to be confirmed

# PUBLICATION CREDITS

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