

Process Excellence for the Digital Enterprise



KEY FIGURES 2011

KEY FIGURES on September 30, 2011 IFRS, unaudited

in € millions (unless otherwise stated)	Sept. 30, 2011	Sept. 30, 2010	change in %	Q3 2011	Q3 2010	change in %
Revenue	804.3	792.9	3*	274.6	275.3	2*
Product revenue	484.7	474.8	4*	168.9	166.2	5*
Consulting and services revenue	319.6	318.1	1*	105.7	109.1	-2*
Business line						
Business Process Excellence	376.7	351.1	9*	131.2	119.9	12*
Enterprise Transaction Systems	281.6	286.8	0*	95.1	101.4	-3*
IDS Scheer Consulting	146.0	155.0	-5*	48.3	54.0	-9*
EBIT	191.2	174.6	10	72.0	69.1	4
as % of revenue	23.8	22.0		26.2	25.1	
Net income	125.3	111.0	13	46.6	45.6	2
as % of revenue	15.6	14.0		17.0	16.6	
Earnings per share (€ basic)	1.46	1.30	12	0.54	0.54	0
Earnings per share (€ diluted)	1.44	1.30	11	0.53	0.54	-2
Free cash flow	108.2	138.7	-22	13.3	42.6	-69
Total assets	1,663.2	1,550.8	7			
Cash and cash equivalents	188.0	101.7	85			
Net debt	143.4	249.6	-43			
Shareholders' equity	870.5	679.3	28			
as % of total assets	52	44				
Employees**	5,498	5,708	-4			
of which in Germany	1,920	2,089	-8			
of which R&D	855	822	4			

* At constant currency to reflect business volume in local markets

** Full-time equivalents

PIONEER AND MARKET LEADER

Software AG is the global leader in Business Process Excellence. Our 40 years of innovation include the invention of the first high-performance transactional database, Adabas; the first business process analysis platform, ARIS; and the first B2B server and SOA-based integration platform, webMethods.

We are unique in offering the world's only end-to-end and easiest-to-use business process management (BPM) solutions, with the lowest total cost of ownership. Our industry-leading brands: ARIS, webMethods, Adabas, Natural, CentraSite and IDS Scheer Consulting represent a unique portfolio for: process design, implementation and control, SOA-based integration and data management, process-driven SAP implementation, and strategic process consulting and services.

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INTERIM MANAGEMENT REPORT

Software AG's segment reporting is prepared in accordance with IFRS 8 (Segment Reporting). Segmentation is by business line and corresponds to the Group's internal controlling and reporting lines. Accordingly, Software AG reports on the business lines: Business Process Excellence (BPE, the webMethods integration software and ARIS process software families), Enterprise Transaction Systems (ETS, the Adabas high-performance database and Natural programming development environment product families), and IDS Scheer Consulting (with a focus on SAP consulting).

1 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

1.1 TECHNOLOGY AND PRODUCTS

Software AG's BPE product suite consists of all the components that enterprises need to support the entire lifecycle of their business processes. The portfolio of U.S.-based Terracotta Inc., which Software AG acquired in June, was integrated into the BPE suite this quarter. This enhancement provides Software AG with a sustainable boost to its competitive position in the integration and process software space. Terracotta is widely recognized for innovative caching and in-memory technologies, which will be key to Software AG's goal of delivering a cloud-enabled process platform.

In the quarter under review, Terracotta unveiled a new version of BigMemory with ARC (automatic resource control). The BigMemory product enables enterprises to store more than a terabyte of data in memory.

Software AG presented its mobility offering at Communication World, an industry trade show dedicated to the topic. The acquisition of U.K.-based Metismo Ltd. in May of this year marked Software AG's entry into the mobile-application market with a versatile and multifaceted platform for the development of device-independent mobile apps. The platform enables the design and development of applications that can automatically be converted into a wide array of mobile-device formats. Furthermore, it provides customers anywhere in the world with access to real-time information for controlling and monitoring

processes. With this solution, mobility of business process management has virtually become free of technological restraints.

1.2 AWARDS AND RANKINGS

Software AG was placed in the Leaders Quadrant in governance technologies for service-oriented architectures (SOA) for the third time in a row by a globally recognized industry analyst firm. Software AG has claimed technology leadership of the SOA governance market since 2006 with the CentraSite product.

Software AG was also ranked number one by a leading independent master data management analyst firm, The Information Difference. This was the third year in a row that Software AG's master data management (MDM) solution, webMethods OneData, was awarded first place in technology.

In addition, Software AG was recognized by Financial Times Deutschland, consulting firm Bain & Company, and the WHU-Otto Beisheim School of Management for its future-oriented and sustainable strategy. The strategy prize is awarded each year to the CEOs of large listed companies in Germany.

For the ninth consecutive year, Software AG received the "SWIFTReady Financial EAI" label, which is the highest certification level for SWIFT interoperability. SWIFT is the worldwide standard for secure and reliable message exchange in the financial sector.

Software AG's ARIS product won first place in a process-management tool competition in Vienna held by the Association for Process Management (Gesellschaft für Prozessmanagement). Entries were judged based on the capability to model a specific innovation process. ARIS won in all categories and was elected the "Best Tool of 2011."

1.3 PARTNERSHIPS

Software AG and Trillium Software, a division of Harte-Hanks, began collaborating on master data management in the third quarter of 2011. Software AG's webMethods OneData MDM solution is now seamlessly integrated with Trillium software for cleaning up data and validating global address data. With this offering, Software AG customers can rest assured that their enterprise processes and decisions are based on valid information.

Established in 2009, the ARIS Community grew to more than 100,000 members in the third quarter. It is the largest business process management user group in the world and serves as a network for individuals, companies and academia to analyze, visualize and discuss enterprise information. Its members represent 40 different countries. The platform provides members with not only numerous ways of exchanging information, but with free access to modeling software as well. Process models can then be implemented with Software AG's webMethods BPM Suite, which covers the entire model-to-execute value chain.

Software AG teamed with Deutsche Telekom AG and SAP AG to host this year's OSGi™ (Open Services Gateway initiative) Alliance event. For the first time, the conference took place in Darmstadt, Germany, which is also the heart of Europe's largest software-cluster region. The event focused on topics such as modularity, isolation, multi-tenancy and interoperability of interfaces to IT platforms. The OSGi Alliance is a worldwide consortium of technology innovators that advance a proven and mature process to ensure interoperability of applications and services based on a common component integration platform. The OSGi Alliance offers essential orientation when it comes to standardization of cloud-enabled application platforms.

2 FINANCIAL PERFORMANCE

2.1 REVENUE IN THE THIRD QUARTER OF 2011

Software AG's third-quarter consolidated revenue remained steady year on year at €274.6 (Q3 2010: €275.3) million despite €7.1 million in currency effects due to the ongoing strength of the euro.

Software AG's core product business (licenses and maintenance) returned five-percent growth at constant currency at €168.9 (Q3 2010: €166.2) million. In particular, license revenue rose in the third quarter by a currency-adjusted 11 percent to €74.7 (Q3 2010: €69.6) million. Here, the Company was able to build on solid growth in its integration and process software business. At €94.2 million, maintenance revenue fell just below that of the same quarter last year (Q3 2010: €96.6 million) due to currency effects (+2 percent at constant currency). In favor of an increase in IDS Scheer Consulting income, revenue from services and consulting was down. This resulted in a slight drop to €105.2 (Q3 2010: €108.3) million.

2.2 REVENUE BY BUSINESS LINE

Revenue and earnings contributions from the business lines were as follows:

Business Process Excellence (BPE)

Software AG posted dynamic growth in its business line for integration and process software. Both the technology-leading webMethods and ARIS product lines demonstrated increased demand in the market in spite of an unstable economy. As a result, total revenue rose by 12 percent at constant currency to total €131.2 (Q3 2010: €119.9) million in the quarter under review. Product revenue was €84.2 (Q3 2010: €72.1) million, which represents growth of 21 percent before currency effects. This allowed the third quarter to offset the weaker second quarter. License revenue in the third quarter climbed 37 percent at constant currency to €41.7 (Q3 2010: €31.4) million. Maintenance revenue increased by eight percent at constant currency to reach €42.5 (Q3 2010: €40.7) million. This growth confirms the vitality of the process optimization market. Services revenue remained stable year on

year at €47 (Q3 2010: €47.4) million. Relative to the revenue growth in the BPE business line, the nine-percent increase in the cost of sales is disproportionately low. The business line continued on an increasing profitability track with a total contribution of €37.3 (Q3 2010: €35.8) million to Group earnings.

Enterprise Transaction Systems (ETS)

The ETS business line, which includes revenue from licenses, maintenance and services from both the Adabas and Natural product families, posted total third-quarter revenue of €95.1 (Q3 2010: €101.4) million. As expected, this reflects a slight decline year on year. Product revenue fell by seven percent year on year and at constant currency to total €79.2 (Q3 2010: €88.2) million. In contrast, the maintenance business generated 22-percent growth at constant currency to total €15.6 million.

The cost of sales decreased by six percent, sales and marketing expenses by 11 percent, and R&D expenses by 13 percent year on year. This represents total segment earnings of €55.9 million.

IDS Scheer Consulting (IDSC)

After negative segment results in the previous two quarters, the IDSC business line turned itself around financially in the third quarter with a targeted focus on profitable business areas and significantly improved internal processes. Revenue increased six percent from last quarter to €48.4 (Q2 2011: €45.8) million. Software AG's new management is focusing on profitable consulting business and is prepared for lower revenue growth during the transitional stage. The positive segment result of €3.9 (Q3 2010: €5.3) million nearly compensated for all losses in the first half of 2011.

2.3 EARNINGS PERFORMANCE (EBIT)

Third-quarter operating income (EBIT) was up four percent year on year at €72 (Q3 2010: €69.1) million. Despite the negative exchange-rate trend, Software AG's EBIT margin rose to 26.2 percent in the quarter under review. Optimized costs had a positive impact on this figure. Administrative expenses fell by 29 percent to €15.3 (Q3 2010: €21.7)

million; and R&D expenses dropped four percent to €22 (Q3 2010: €22.9) million. Only in sales and marketing did expenses rise. Here there was a seven-percent increase to €58.5 (Q3 2010: €54.5) million.

2.4 NET INCOME

Software AG's net income grew by two percent to €46.6 (Q3 2010: €45.6) million. Earnings per share were €0.54 on September 30, 2011, which represents a 20-percent increase over the second quarter of 2011 (€0.45).

2.5 THE FIRST NINE MONTHS OF 2011

Software AG's total revenue for the first nine months of 2011 reached an all-time high at €804.3 (2010: €792.9) million.

Product revenue for the nine-month period climbed four percent at constant currency to €484.7 (2010: €474.8) million. Service and consulting revenue improved moderately to total €319.6 (2010: €318.1) million.

The continued growth is primarily a result of the significant revenue rise (nine percent at constant currency) in integration and process software at €376.7 (2010: €351.1) million. Additionally, the Company lowered its administrative expenses in the nine-month period by 20 percent to total €49 (2010: €61.6) million.

Earnings before interest and taxes (EBIT) in the period increased year on year by ten percent to €191.2 (2010: €174.6) million. Software AG's financial results improved progressively over the course of the year, which was reflected in particular by the growth in net income, which was €125.3 (2010: €111.0) million. The Company achieved a decrease in interest expense through consistent debt reduction (net debt was reduced in the last 12 months by 43 percent to €143.4 million, despite acquisitions and dividend payments) as well as through reduced debt financing costs. Net financial income therefore went up 40 percent or €4.5 million to €-6.7 (2010: €-11.2) million. Pre-tax profit was €184.4 (2010: €163.3) million, up 13 percent.

3 FINANCIAL POSITION

3.1 CASH FLOW

Free cash flow in the third quarter of fiscal 2011 totaled €13.3 (Q3 2010: €42.6) million. In the nine-month period free cash flow dropped 22 percent year on year to €108.2 (2010: €138.7) million. Free cash flow per share was €1.26 (2010: €1.63) in the first nine months of 2011. The decline in the third quarter resulted from low second-quarter revenue and a higher tax expenditure.

3.2 TOTAL ASSETS

Software AG's total assets increased from €1,550.8 million on September 30, 2010 to €1,663.2 million one year later. Software AG's liquid assets rose in the quarter under review by €86.3 million to €188 million. Shareholders' equity also went up from €191.2 million the previous year to €870.5 million. The Company's equity ratio on September 30, 2011 was 52 percent (2010: 44 percent).

On September 30, 2011, the Software AG Group employed 5,498 (2010: 5,708) people (full-time equivalents). The total number of employees in Germany was 1,920 (2010: 2,089). The total number of employees in Research & Development (R&D) was 855 (2010: 822).

4 OPPORTUNITIES AND RISKS

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

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

5 EVENTS AFTER THE BALANCE SHEET DATE

There were no relevant events concerning Software AG that took place after the balance sheet date.

6 OUTLOOK

Software AG considers itself to be on course toward achieving its full-year growth targets for 2011 in its core business—the sale and maintenance of software products.

In the first nine months of the year, the BPE business line delivered ten-percent growth in product revenue at constant currency rates. This is within the target range for fiscal 2011. Despite ongoing economic uncertainty, the strong customer interest in cutting-edge integration and process software continues to generate double-digit growth rates in the BPE business line. Software AG therefore reconfirms the original full-year 2011 target for BPE product revenue growth of 10 to 15 percent.

The ETS results also confirm the full-year forecast, which foresees revenue from this business line within two percent above or below that of the previous year.

In the IDS Scheer Consulting business, Software AG will remain focused on high-margin projects in the fourth quarter. This will lead to an increase in the EBIT margin of approximately 200 basis points to around 26 percent (2010: 24 percent) and to consolidated revenue growth of two to five percent at constant currency. Accordingly, net income will rise 10 to 15 percent from last year's €175.6 million.

CONSOLIDATED INCOME STATEMENT for the nine months and third quarter ended September 30, 2011
IFRS, unaudited

in € thousands	Q1 - Q3 2011	Q1 - Q3 2010	change in %	Q3 2011	Q3 2010	change in %
Licenses	203,630	199,693	2	74,679	69,628	7
Maintenance	281,044	275,138	2	94,223	96,578	-2
Consulting and services	316,379	314,960	0	105,236	108,288	-3
Other	3,275	3,075	7	494	815	-39
Total revenue	804,328	792,866	1	274,632	275,309	0
Cost of sales	-332,461	-324,802	2	-106,405	-107,194	-1
Gross profit	471,867	468,064	1	168,227	168,115	0
Research and development expenses	-65,417	-67,978	-4	-21,982	-22,938	-4
Sales, marketing, and distribution expenses	-168,568	-169,703	-1	-58,471	-54,471	7
General and administrative expenses	-49,048	-61,555	-20	-15,314	-21,658	-29
Operating result	188,834	168,828	12	72,460	69,048	5
Other operating income	23,928	34,575	-31	8,348	7,430	12
Other operating expenses	-21,609	-28,843	-25	-8,772	-7,376	19
Earnings before interest and taxes (EBIT)	191,153	174,560	10	72,036	69,102	4
Net financial income/expense	-6,709	-11,224		-3,282	-3,740	-12
Earnings before taxes	184,444	163,336	13	68,754	65,362	5
Income taxes	-53,515	-47,396	13	-20,461	-17,785	15
Other taxes	-5,596	-4,979	12	-1,672	-1,998	-16
Net income	125,333	110,961	13	46,621	45,579	2
Thereof attributable to shareholders of Software AG	125,274	110,815	13	46,634	45,609	2
Thereof attributable to non-controlling interests	59	146		-13	-30	
Earnings per share (€ basic)	1.46	1.30	12	0.54	0.54	0
Earnings per share (€ diluted)	1.44	1.30	11	0.53	0.54	-2
Weighted average number of shares outstanding (basic)	86,015,106	85,140,777	-	86,701,906	84,948,183	-
Weighted average number of shares outstanding (diluted)	87,119,066	85,140,777	-	87,890,090	84,948,183	-

STATEMENT OF COMPREHENSIVE INCOME for the nine months and third quarter ended September 30, 2011
IFRS, unaudited

in € thousands	Q1-Q3 2011	Q1-Q3 2010	Q3 2011	Q3 2010
Net income	125,333	110,961	46,621	45,579
Currency translation differences	-17,584	32,438	14,406	-39,421
Net gain/loss on remeasuring financial assets	-3,101	-1,760	-2,457	350
Net gain/loss arising from translating net investments in foreign operations	2,745	-780	2,239	0
Net actuarial gain/loss from defined benefit plans	0	-1,821	0	10
Other comprehensive income	-17,940	28,077	14,188	-39,061
Total comprehensive income	107,393	139,038	60,809	6,518
Thereof attributable to shareholders of Software AG	107,334	138,892	60,822	6,548
Thereof attributable to non-controlling interests	59	146	-13	-30

CONSOLIDATED BALANCE SHEET as of September 30, 2011
IFRS, unaudited

in € thousands	Sept. 30, 2011	Dec. 31, 2010	Sept. 30, 2010
ASSETS			
Current assets			
Cash and cash equivalents	187,994	102,467	101,661
Inventories	123	1,341	559
Trade receivables	336,711	337,796	309,922
Other receivables and other assets	35,421	43,012	51,398
Prepaid expenses	10,524	9,536	12,772
	570,773	494,152	476,312
Non-current assets			
Intangible assets	251,718	232,631	229,394
Goodwill	736,711	717,297	702,558
Property, plant and equipment	63,390	66,356	65,651
Financial assets	4,859	5,262	6,698
Trade receivables	10,515	13,028	10,264
Other receivables and other assets	2,421	47,836	30,811
Prepaid expenses	1,388	1,596	995
Deferred taxes	21,451	21,452	28,146
	1,092,453	1,105,458	1,074,517
	1,663,226	1,599,610	1,550,829
EQUITY AND LIABILITIES			
Current liabilities			
Financial liabilities	80,038	136,837	163,207
Trade payables	48,318	60,465	44,355
Other liabilities	74,378	68,064	65,930
Other provisions	69,944	139,685	80,203
Provisions for taxes	31,745	53,113	42,853
Deferred income	133,610	127,927	149,754
	438,033	586,091	546,302
Non-current liabilities			
Financial liabilities	251,365	132,871	188,013
Trade payables	22	91	272
Other liabilities	5,858	4,252	2,506
Provisions for pensions	40,133	41,890	34,247
Other provisions	10,274	15,726	28,394
Deferred taxes	46,310	47,388	68,591
Deferred income	744	1,982	3,162
	354,706	244,200	325,185
Equity			
Share capital	86,771	86,148	86,148
Capital reserve	32,186	22,512	17,349
Retained earnings	815,367	727,070	662,471
Other reserves	-62,627	-44,687	-54,427
Treasury shares	-1,675	-22,313	-32,788
Non-controlling interests	465	589	589
	870,487	769,319	679,342
	1,663,226	1,599,610	1,550,829

CONSOLIDATED STATEMENT OF CASH FLOWS for the nine months and third quarter ended September 30, 2011
IFRS, unaudited

in € thousands	Q1 - Q3 2011	Q1 - Q3 2010	Q3 2011	Q3 2010
Net income	125,333	110,961	46,621	45,579
Income taxes	53,515	47,396	20,461	17,785
Net financial income/expense	6,709	11,224	3,282	3,740
Amortization/depreciation of non-current assets	35,116	34,341	13,071	11,479
Other non-cash income/expense	3,394	28	-450	2,169
Operating cash flow before changes in working capital	224,067	203,950	82,985	80,752
Changes in inventories, receivables and other assets	51,510	12,917	3,706	5,450
Changes in payables and other liabilities	-67,138	1,758	-39,470	-13,843
Income taxes paid	-85,710	-62,800	-23,890	-20,098
Interest paid	-12,377	-15,508	-6,882	-8,621
Interest received	5,113	5,086	1,425	1,439
Net cash provided by operating activities	115,465	145,403	17,874	45,079
Proceeds from the sale of property, plant and equipment/intangible assets	647	690	22	404
Purchase of property, plant and equipment/intangible assets	-7,887	-6,801	-4,663	-2,579
Proceeds from the sale of financial assets	293	1,164	249	0
Purchase of financial assets	-276	-1,789	-223	-336
Payments for acquisitions, net	-58,152	-12,311	-73	0
Net cash used in investing activities	-65,375	-19,047	-4,688	-2,511
Proceeds from issue of share capital	33,252	180	362	0
Purchase of treasury stock (incl. hedge premiums paid)	-19,900	-32,758	0	0
Dividends paid	-37,160	-32,834	0	0
Proceeds from financial liabilities	200,000	305	0	0
Repayments of financial liabilities	-138,130	-162,119	-20,444	-72,891
Purchase of non-controlling interests	0	-21,635	0	-19,880
Net cash provided by/used in financing activities	38,062	-248,861	-20,082	-92,771
Change in cash and cash equivalents from cash-relevant transactions	88,152	-122,505	-6,896	-50,203
Currency translation adjustment	-2,625	6,025	256	-3,949
Net change in cash and cash equivalents	85,527	-116,480	-6,640	-54,152
Cash and cash equivalents at beginning of period	102,467	218,141	194,634	155,813
Cash and cash equivalents at end of period	187,994	101,661	187,994	101,661

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the nine months ended September 30, 2011
IFRS, unaudited

in € thousands	Common shares (No.)	Share capital	Capital reserve	Retained earnings
2010				
Equity as of Jan. 1, 2010	86,125,230	86,125	39,406	584,211
Total comprehensive income				110,815
Transactions with shareholders				
Dividend payment				-32,555
New shares issued	22,953	23	157	
Stock options			2,430	
Purchase of treasury shares	-1,200,000			
Transactions between shareholders				
Equity as of September 30, 2010	84,948,183	86,148	17,349	662,471
2011				
Equity as of Jan. 1, 2011	85,330,806	86,148	22,512	727,070
Total comprehensive income				125,274
Transactions with shareholders				
Dividend payment				-36,977
New shares issued	622,600	623	14,395	
Stock options			17,582	
Issue and use of treasury shares	756,000		-2,403	
Purchase of treasury shares (incl. hedge premiums paid)			-19,900	
Transactions between shareholders				
Equity as of September 30, 2011	86,709,406	86,771	32,186	815,367

Other reserves				Treasury shares	Attributable to shareholders of Software AG	Non-controlling interests	Total
Currency translation differences	Fair value measurement of securities and derivatives	Actuarial gains/losses from defined benefit plans	Currency translation gains/losses from net investments in foreign operations				
-78,130	1,769	-6,923	780	0	627,238	19,923	647,161
32,438	-1,760	-1,821	-780		138,892	146	139,038
					0	-279	0
					-32,555		-32,384
					180		180
					2,430		2,430
				-32,788	-32,788		-32,788
					-24,644	-19,201	-43,845
-45,692	9	-8,744	0	-32,788	678,753	589	679,342
-31,440	603	-13,850	0	-22,313	768,730	589	769,319
-17,584	-3,101	0	2,745		107,334	59	107,393
					0		0
					-36,977	-183	-37,160
					15,018		15,018
					17,582		17,582
				20,638	18,235		18,235
					-19,900		-19,900
					0		0
-49,024	-2,498	-13,850	2,745	-1,675	870,022	465	870,487

NOTES TO THE INTERIM FINANCIAL STATEMENTS

GENERAL

1_ BASIS OF PRESENTATION

Software AG's condensed and unaudited consolidated financial statements (interim financial statements) as of September 30, 2011 have been prepared in accordance with the International Financial Reporting Standards (IFRSs) applicable on the balance sheet date, as endorsed by the EU. The IASs/IFRSs applicable as of September 30, 2011 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. It is the parent company of a Group that is globally active in the fields of software development, licensing and maintenance as well as IT services.

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

2_ CHANGES IN THE CONSOLIDATED GROUP

The following changes occurred in the consolidated Group in the first nine months of 2011:

	Germany	Foreign	Total
January 1, 2011	10	107	117
Additions	0	3	3
Disposals (including mergers)	0	15	15
September 30, 2011	10	95	105

The additions relate to the acquisitions made in the second quarter of 2011 as described in Note 4. The disposals relate to internal mergers of wholly owned subsidiaries and the sale of two subsidiaries of itCampus GmbH that are not of material significance.

3_ ACCOUNTING POLICIES

The same accounting policies have been applied to the consolidated interim financial statements as were applicable to the consolidated financial statements as of December 31, 2010. For more detailed information on accounting policies, please see Note 3 of the consolidated financial statements for fiscal 2010.

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

4_ BUSINESS COMBINATIONS

During the first nine months, Software AG achieved control over the following entities and their subsidiaries through the acquisition of shares:

Company and line of business	Ownership interest (in %)	Date of acquisition/ initial consolidation
Terracotta Inc., San Francisco, CA, USA	100	May 11, 2011
Metismo Limited, Hampshire, United Kingdom	100	May 13, 2011

The profits or losses of the companies acquired have been included in the consolidated income statement as of the respective date of acquisition.

The consideration due for the two acquisitions amounted to €58,489 thousand, net of cash acquired, and was paid in cash, with the exception of contingent consideration not yet due (earn outs) in the amount of €337 thousand. The contingent consideration depends primarily on employees remaining in key positions.

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

in € thousands	Carrying amount prior to acquisition	Remeasurement to fair value	Opening balance
Cash and cash equivalents	1,246	0	1,246
Intangible assets	62	44,192	44,254
Goodwill	0	23,981	23,981
Other assets	1,159	8,802	9,961
Assets	2,467	76,975	79,442
Liabilities and provisions	1,683	0	1,683
Deferred tax liabilities	1	17,356	17,357
Deferred income	2,669	-2,002	667
Total equity and liabilities	4,353	15,354	19,707
Acquired assets and assumed liabilities, net	-1,886	61,621	59,735
Payments to shareholders less acquired cash			58,152
Consideration not yet paid			337

All of the goodwill resulting from the preliminary purchase price allocation was assigned to the Business Process Excellence segment.

The share of Software AG Group revenue and net income attributable to these two companies since the date of acquisition is immaterial for the financial position, financial performance or cash flows of the Group as a whole.

NOTES TO THE CONSOLIDATED BALANCE SHEET

5_ GOODWILL

Goodwill amounted to €736,711 thousand as of September 30, 2011, an increase of €19,414 thousand compared to December 31, 2010. The rise in goodwill resulted from the net amount of acquisition-related additions, the acquisitions of Terracotta Inc. and Metismo Ltd. in the total amount of €23,981 thousand, and currency translation losses in the amount of €4,567 thousand, due in particular to the weak Israeli new shekel.

6_ EQUITY

Share capital

The share capital of Software AG amounted to €86,771 thousand as of September 30, 2011. Pursuant to the proposal of the Management Board and the Supervisory Board, the Annual Shareholders' Meeting resolved on May 5, 2011 to restructure the share capital (stock split). Following the 3-for-1 stock split, the Company's share capital was divided into a total of 86,770,783 bearer shares as of September 30, 2011. Each share entitles its holder to one vote.

Dividend payment

Pursuant to the proposal of the Management Board and the Supervisory Board, the Annual Shareholders' Meeting resolved on May 5, 2011 to appropriate €36,977 thousand for a dividend payout and to carry forward €87,583 thousand of the 2010 net retained profits of €124,560 thousand reported by Software AG, the controlling Group company. This corresponded to a dividend of €1.30 per share.

OTHER DISCLOSURES

7_ SEGMENT REPORTING

The table below shows the segment data for the third quarters of 2011 and 2010:

SEGMENT REPORT for the three months ended September 30, 2011 IFRS, unaudited

in € thousands	ETS		BPE		IDSC		Reconciliation		Total	
	Q3 2011	Q3 2010	Q3 2011	Q3 2010	Q3 2011	Q3 2010	Q3 2011	Q3 2010	Q3 2011	Q3 2010
Licenses	31,636	36,646	41,656	31,434	1,387	1,548			74,679	69,628
Maintenance	47,522	51,538	42,500	40,652	4,201	4,388			94,223	96,578
Product sales	79,158	88,184	84,156	72,086	5,588	5,936	0	0	168,902	166,206
Consulting and services	15,642	13,045	46,959	47,440	42,635	47,803			105,236	108,288
Other	284	183	56	366	154	266			494	815
Total revenue	95,084	101,412	131,171	119,892	48,377	54,005	0	0	274,632	275,309
Cost of sales	-15,556	-16,591	-47,133	-43,281	-37,408	-41,878	-6,308	-5,444	-106,405	-107,194
Gross profit	79,528	84,821	84,038	76,611	10,969	12,127	-6,308	-5,444	168,227	168,115
Sales, marketing and distribution expenses	-16,811	-18,912	-31,649	-25,794	-7,010	-6,690	-3,001	-3,075	-58,471	-54,471
Segment contribution	62,717	65,909	52,389	50,817	3,959	5,437	-9,309	-8,519	109,756	113,644
Research and development expenses	-6,841	-7,807	-15,060	-15,024	-81	-107	0	0	-21,982	-22,938
Segment result	55,876	58,102	37,329	35,793	3,878	5,330	-9,309	-8,519	87,774	90,706
General and administrative expenses									-15,314	-21,658
Other operating income/ expenses, net									-424	54
Earnings before interest and taxes									72,036	69,102
Net financial income/expense									-3,282	-3,740
Earnings before taxes									68,754	65,362
Taxes									-22,133	-19,783
Net income									46,621	45,579

The table below shows the segment data for the first nine months of 2011 and 2010:

SEGMENT REPORT for the nine months ended September 30, 2011
IFRS, unaudited

in € thousands	ETS		BPE		IDSC		Reconciliation		Total	
	Q1-Q3 2011	Q1-Q3 2010	Q1-Q3 2011	Q1-Q3 2010	Q1-Q3 2011	Q1-Q3 2010	Q1-Q3 2011	Q1-Q3 2010	Q1-Q3 2011	Q1-Q3 2010
Licenses	87,193	90,248	112,063	104,548	4,374	4,897			203,630	199,693
Maintenance	144,236	148,437	124,387	114,692	12,421	12,009			281,044	275,138
Product sales	231,429	238,685	236,450	219,240	16,795	16,906	0	0	484,674	474,831
Consulting and services	49,389	47,585	139,373	130,122	127,617	137,253			316,379	314,960
Other	740	534	894	1,673	1,641	868			3,275	3,075
Total revenue	281,558	286,804	376,717	351,035	146,053	155,027	0	0	804,328	792,866
Cost of sales	-55,050	-56,058	-134,664	-122,815	-126,895	-130,418	-15,852	-15,511	-332,461	-324,802
Gross profit	226,508	230,746	242,053	228,220	19,158	24,609	-15,852	-15,511	471,867	468,064
Sales, marketing and distribution expenses	-47,951	-52,542	-91,596	-85,432	-20,219	-22,468	-8,802	-9,261	-168,568	-169,703
Segment contribution	178,557	178,204	150,457	142,788	-1,061	2,141	-24,654	-24,772	303,299	298,361
Research and development expenses	-20,453	-23,262	-44,722	-44,177	-242	-539	0	0	-65,417	-67,978
Segment result	158,104	154,942	105,735	98,611	-1,303	1,602	-24,654	-24,772	237,882	230,383
General and administrative expenses									-49,048	-61,555
Other operating income/ expenses, net									2,319	5,732
Earnings before interest and taxes									191,153	174,560
Net financial income/expense									-6,709	-11,224
Earnings before taxes									184,444	163,336
Taxes									-59,111	-52,375
Net income									125,333	110,961

8_ CONTINGENT LIABILITIES

As of September 30, 2011, no provisions had been recognized for the following contingent liabilities, expressed at their nominal amounts, since it appeared unlikely that any claims would be asserted:

in € thousands	Sept. 30, 2011	June 30, 2011	Dec. 31, 2010
	1,467	1,441	1,432

The carrying amount of collateral received was €28 thousand (September 30, 2010: €0 thousand).

Disclosures on leases

The Group's rental agreements and operating leases relate chiefly to office space, vehicles, and IT equipment. Lease payments under operating leases are recognized as an expense over the term of the lease.

in € thousands	Up to 1 year	>1-5 years	> 5 years	Total
Contractually agreed payments (gross amount)	4,576	51,504	9,371	65,451
Estimated income from subleases	642	9,118	0	9,760
Contractually agreed payments (net amount)	3,934	42,386	9,371	55,691

9_ SEASONAL INFLUENCES

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

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

Revenue and pre-tax earnings in individual quarters benefited from several one-time contracts of an above-average volume. A breakdown of the revenue by quarter would therefore not be particularly meaningful with respect to the situation in 2011.

10_ LITIGATION

In February 2010, a software company in Virginia, USA sued Software AG and 11 additional defendants, including IBM and SAP, for infringement of several of its software patents. The lawsuit was filed with a court in Virginia. The proceedings were suspended for Software AG and additional defendants by order of the court and are only being pursued against two of the defendants to set an example. In March 2011, the court dismissed the case against one of the defendants in the test case, upon which the plaintiff filed an appeal. Until a decision is made on the appeal, the proceedings initiated against Software AG will remain suspended.

There were no other changes with respect to the legal disputes reported as of December 31, 2010, nor were there any new legal disputes that could potentially have a significant effect on financial position, financial performance, or cash flows.

11_ STOCK OPTION PLANS AND STOCK APPRECIATION RIGHTS PROGRAM

Software AG has various stock option plans for members of the Management Board, officers, and other Group employees. Our stock price-based remuneration plans as of December 31, 2010 are described in detail on pages 144-146 of our 2010 Annual Report.

A new share-based Management Incentive Plan for members of the Management Board and officers (MIP IV) was launched in the second quarter of 2011. The program provides for virtual stock options (hereinafter: "rights"), with the Company able to settle the rights either in cash or in shares at its discretion. Settling the rights in shares requires the consent of the Annual Shareholders' Meeting. The following parameters are planned for the first tranche of allotments:

Strike price:	€41.34
Earliest exercise date:	May 4, 2016
Term of the rights:	10 years

For the rights to be exercisable, certain revenue and net income targets must be met by no later than the end of 2015. In addition, the share price may not fall below €60.00 during the five days prior to exercise. A total of 5,953,500 rights were issued by September 30, 2011, thereof 1,440,000 to members of the Management Board.

Expenses for stock options accounted for as equity-settled share-based payment transactions pursuant to IFRS 2 amounted to €3,647 thousand in the first nine months of 2011 (2010: €2,430 thousand). Income from stock options accounted for as cash-settled share-based payment transactions under IFRS amounted to €3,549 thousand in the first nine months of 2011 (2010: expense of €15,072 thousand). The income was due primarily to the reduction of the provision for the Performance Phantom Share Plan as a result of the share price trend.

Of the option rights outstanding on March 31, 2011 from the 2007 stock price-based remuneration plan, 1,100,000 rights were accounted for as cash-settled share-based payment transactions in accordance with the provisions of IFRS 2. In the first quarter of 2011, the constructive obligation to a cash settlement expired for a total of 460,000 of these rights, meaning that from such time onward the expense related to such rights was recognized in accordance with the provisions of IFRS 2 relating to equity-settled share-based payment transactions.

The options granted under Management Incentive Plan 2007 (MIP III) changed as follows in the first nine months of 2011:

	Number of rights	Exercise price per right (in €)	Remaining term (in years)	Aggregated intrinsic value (in €)
Balance as of Dec. 31, 2010	1,782,354	72.36	6.5	66,731,334
Impact of the 3:1 stock split on May 13, 2011	1,782,354 x 3	72.36/3		
Balance as of May 13, 2011 (after stock split)	5,347,062*	24.12		
Exercised on May 19, 2011 (closing price: €40.42)	1,566,950**	24.12		
Exercised on May 26, 2011 (closing price: €38.02)	1,716,650	24.12		
Exercised on August 19, 2011 (closing price: €28.10)	15,000	24.12		
Rights forfeited between Jan. 1 and Sept. 30, 2011	30,000	24.12		
Balance as of Sept. 30, 2011	2,018,462	24.12	6	0***

* thereof 1,800,000 by the Management Board

** thereof 450,000 by the Management Board

*** based on the closing price on September 30, 2011

A total of 1,920,000 of the rights exercised in May were settled in cash (810,950 on May 19, 2011 and 1,109,050 on May 26, 2011). The other rights exercised in May or by September 30 were settled in shares. All rights from the MIP III plan still outstanding as of September 30 are exercisable. As no obligation to a cash settlement exists for these rights, they are recognized pursuant to the provisions of IFRS 2 relating to equity-settled share-based payment transactions. Accordingly, no provision was recognized for rights from the MIP III plan as of September 30.

The expense for rights granted under MIP III totaled €5,268 thousand in the first nine months. This expense was offset by income from hedging these commitments in the amount of €7,121 thousand in the same period, which reduced personnel expenses accordingly.

As none of the rights outstanding as of September 30, 2011 will expire nor does an obligation exist to settle them in cash, no future expense will arise from the MIP III plan.

12_ EMPLOYEES

As of September 30, 2011, the average number of employees (i.e., part-time employees are taken into account on a pro-rata basis only) by area of activity was as follows:

	Sept. 30, 2011	Sept. 30, 2010
Maintenance and services	2,899	3,124
Sales and marketing	1,030	1,066
Research and development	840	837
Administration	733	785
	5,502	5,812

In absolute terms (i.e., part-time employees are counted in full), the Group employed 5,629 people as of September 30, 2011 (Sept. 30, 2010: 5,890).

13_ CHANGES AND INFORMATION REGARDING CORPORATE BODIES

No changes occurred on either the Management Board or the Supervisory Board between January 1, 2011 and September 30, 2011.

14_ EVENTS AFTER THE BALANCE SHEET DATE

No significant events occurred between September 30 and the date of release of these interim financial statements.

Date and authorization for issue

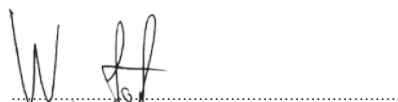
Software AG's Management Board approved the consolidated quarterly financial statements on November 7, 2011.

Darmstadt, November 7, 2011

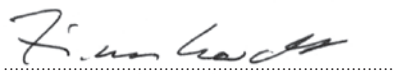
Software AG



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K.-H. Streibich



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Dr. W. Jost



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A. Zinnhardt

FINANCIAL CALENDAR

Financial Calendar

2012

January 24, 2012	Q4/FY 2011 financial figures (IFRS, unaudited)
April 24, 2012	Q1 2012 financial figures (IFRS, unaudited)
July 24, 2012	Q2 2012 financial figures (IFRS, unaudited)
October 23, 2012	Q3 2012 financial figures (IFRS, unaudited)

PUBLICATION CREDITS

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