

Software AG

Company Presentation

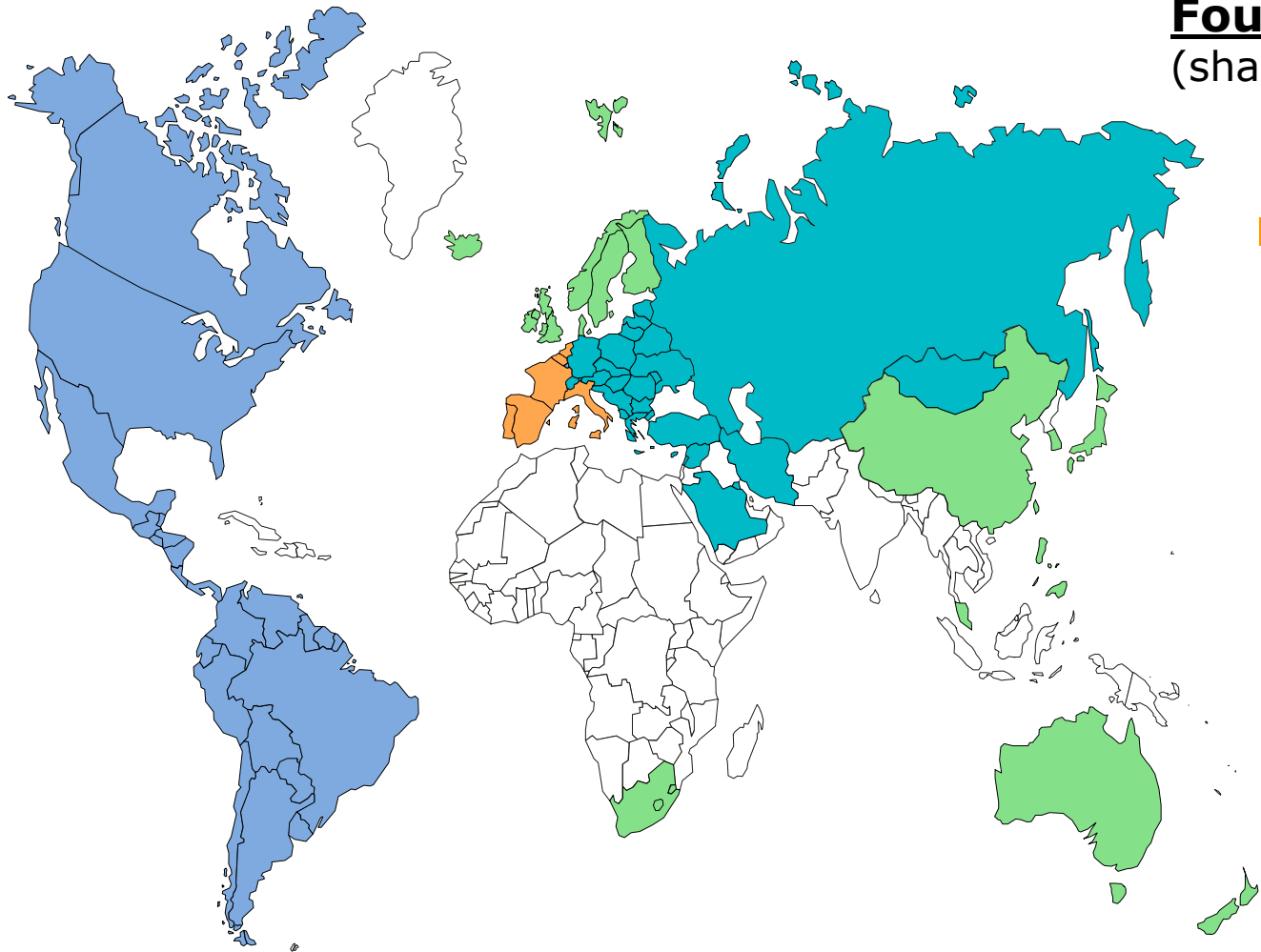
(Last update: September 2003)



Software AG Profile

- **Germany's second largest software vendor**
- **In the high-end, mission-critical IT business since 1969**
- **Worldwide customer base of several thousand blue chip companies and public sector organizations**
- **Leader in XML system technology (DBMS and integration)**
- **System integrator for own products and solutions**
- **Listed at Frankfurt stock exchange (TecDAX)**
- **Market Cap ca. 400 mio. € / Free Float: 68.4%**

Global Business



Four Business Regions

(share of revenue 2002):

- **Americas (35%)**
- **Southern/
Western Europe
(26%)**
- **Central/
Eastern Europe
(24%)**
- **Asia/Northern
Europe (15%)**

First Class Customer Base

Public Administration

European Parliament, State of California, Cities of New York, Munich, Bremen; Aylesbury Vale D.C., Ministerio de defensa (E)

Financial

JP Morgan, Dresdner Kleinwort Benson, Citibank, CSFB, UBS, The Bank of New York, Chase, Swiss Re, Commerzbank

Media & Telecom

Telefonica, ZDF, Bertelsmann, Universal Music, AT&T, Sprint, Deutsche Telekom, BSkyB, RTL, Vodafone

Pharma & Chemicals

Pfizer, Merck, STADA Ciclum Farma, Roche, BASF, Novartis, Repsol

Logistics

Lufthansa, North American Logistics, FedEx, Delta Airlines, Deutsche Post, Hong Kong Airport, Port Authority Singapore

Manufacturing

Philips, DaimlerChrysler, Nestlé, National Gypsum, Henkel, Nissan, Sony, Pepsi, Siemens, Fuji, Nabisco

Core Products

ADABAS

- Extremely fast and reliable database
- Available on all major platforms
- For large and mission-critical applications

NATURAL

- Development platform
- For large-scale (e-)business applications

ENTIREX

- Integration server
- Leveraging legacy systems for use in new (e-)business solutions

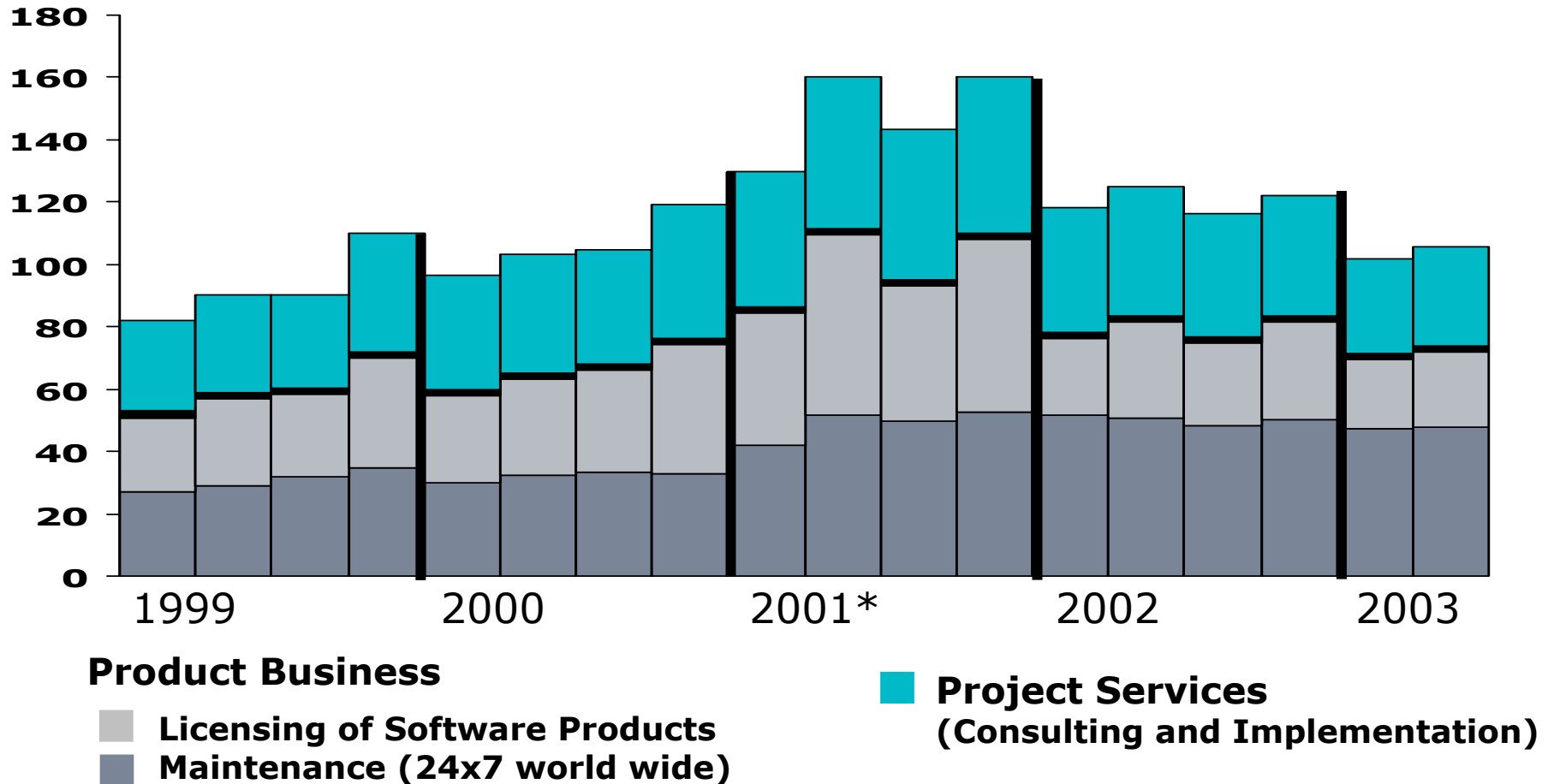
tAMINO

XML Server

- native XML server
- Storage, management, publishing and exchange of XML documents

Source of Revenue / Business Lines

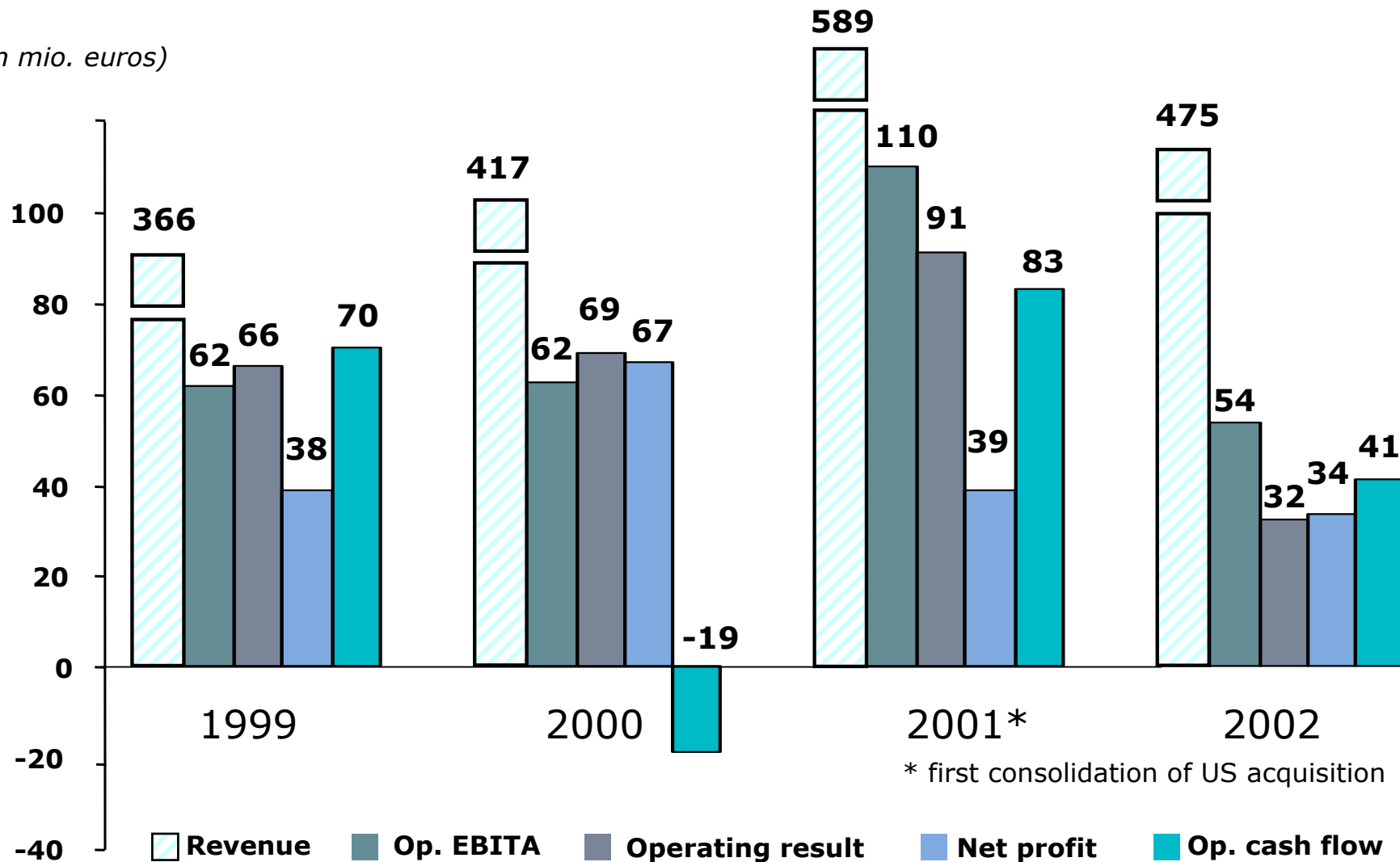
(in mio. euros)



* first consolidation of US acquisition

Full-Year Results

(in mio. euros)



Strategy

Increase Financial Strength

Ensure sustainable profitability

- **Software AG operating profitably in all countries**
- **Product sales and project services have to provide returns that compare well with market average**
- **Adjust cost base to achieve return on sales of 15%**
- **Benefit from globalisation by utilizing low-cost offshore services from India**

Reinforce Customer Loyalty

- **Number 2 worldwide market share for mainframe DBMS**
- **Customers are predominantly blue chip companies and large public authorities**
- **Adabas and Natural currently account for about $\frac{3}{4}$ of product revenue**
- **Further development of Adabas/Natural**
 - ◆ Extended Functionality
(Sysplex, 64 bit architecture, fastpath)
 - ◆ Multiple platforms
(Mainframe, Open Systems, Windows, Linux)

Reinforce New Technology

- **Further development of Tamino and EntireX**
- **Tamino XML Server sold more than 500 times**
- **EntireX Mediator serves as (XML) integration server**
- **Great success with XML technology in projects**
 - ◆ Daimler Chrysler – content management system (xDWS)
 - ◆ Local government in UK – e-government portal (IESD)
 - ◆ Vodafone – document management
 - ◆ North American Logistics – Mobile field service application
 - ◆ California State Board of Equalization – e-filing
 - ◆ Commerzbank – content management system for OTC trading

Increase Focus on Markets and Customers

■ Implementation of regional structure

- ◆ Promote transfer of projects and skills between countries / regions
- ◆ Local management of support functions
- ◆ Executive Board has direct access to information on market requirements

■ Establishment of dedicated Business Development Department

- ◆ Act as interface between Sales and R&D
- ◆ Verify market analysis, define mile stones for R&D and go-to-market plans

Offer Technology and Solutions

■ Reposition XML technology

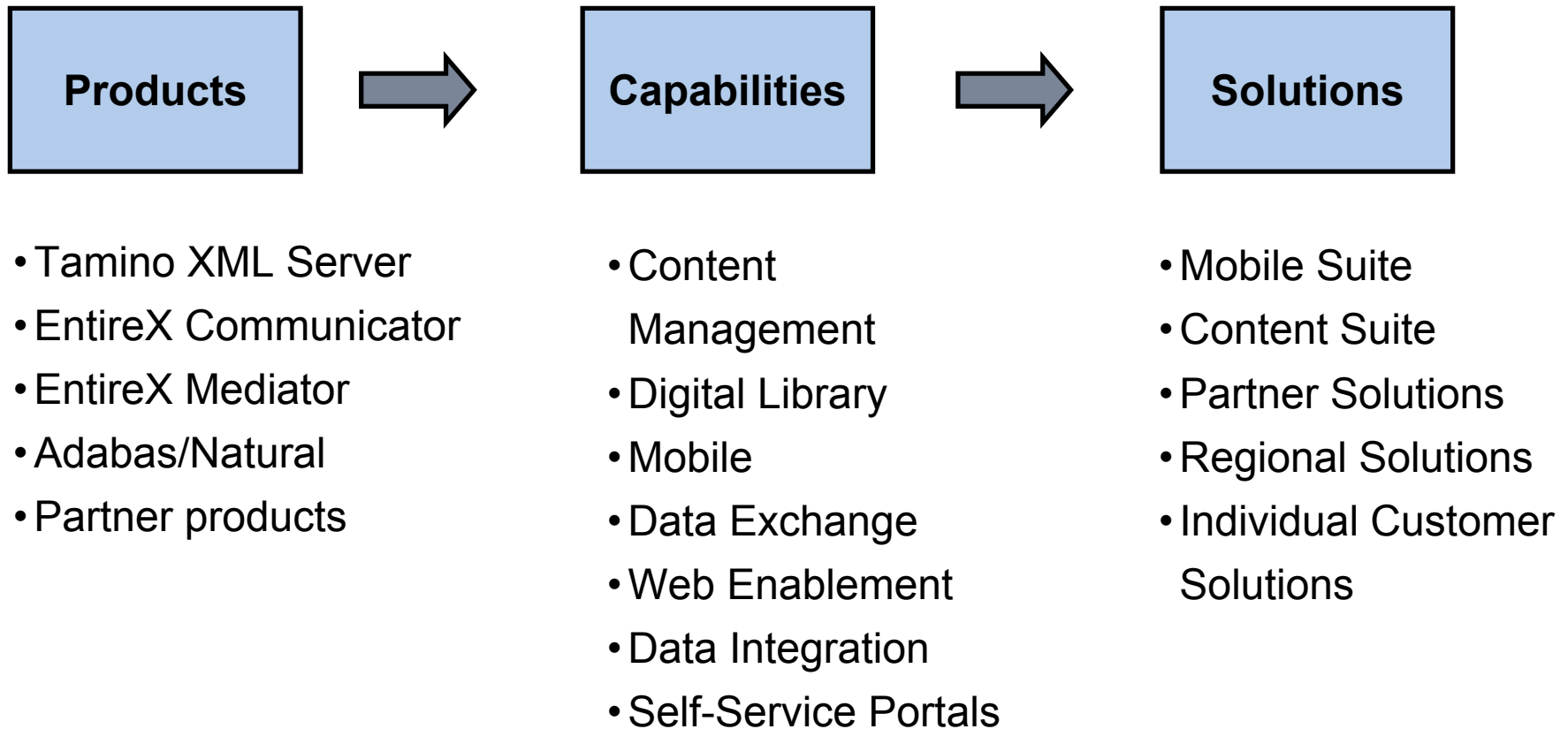
- ◆ XML as integration technology
- ◆ Tamino as a part of solutions

■ Develop standard solutions

- ◆ Horizontal applications
- ◆ Vertical applications

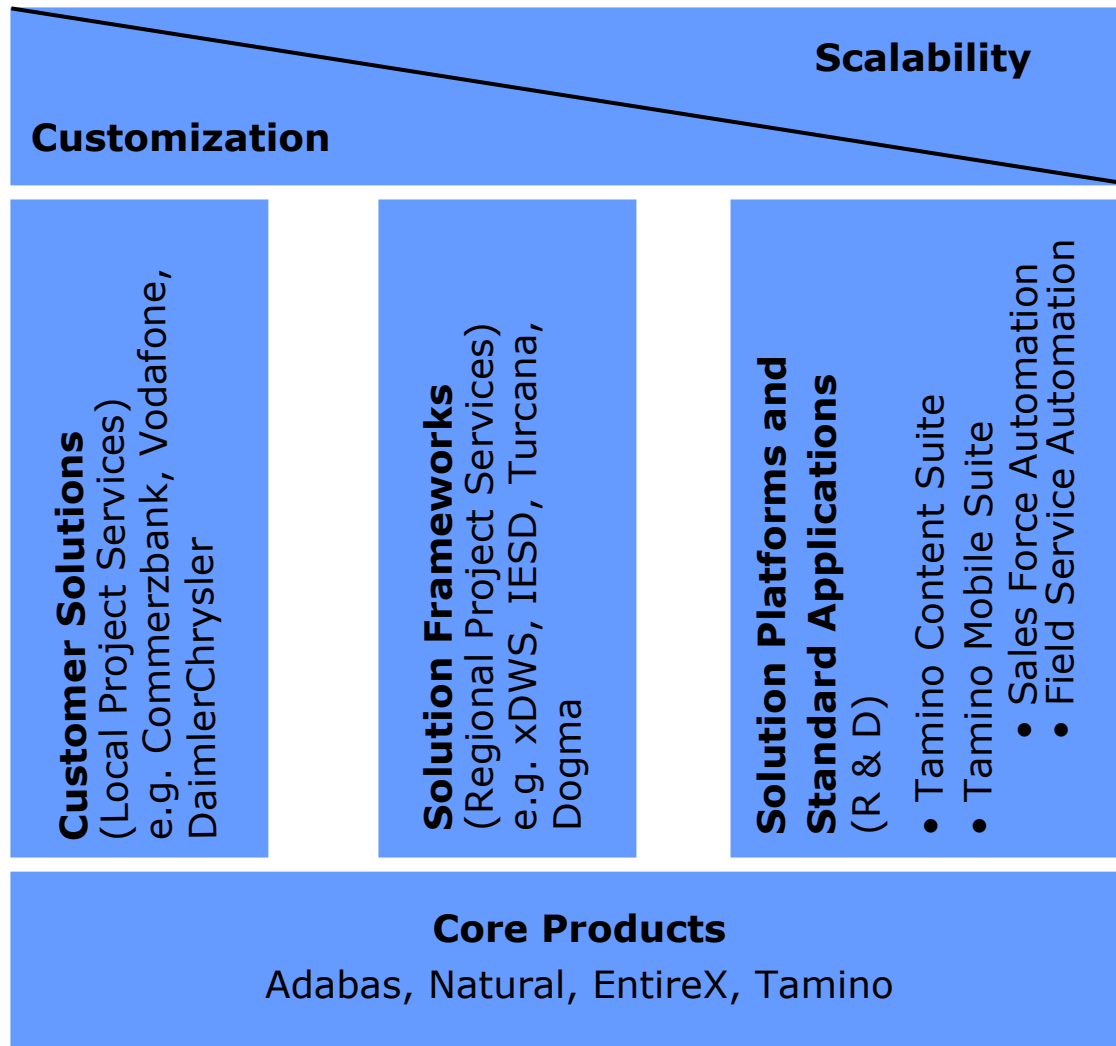
Software AG Portfolio

Evolving from Technology to Solutions



Committed to delivering value for our customers

Software AG Product & Service Portfolio



Mobile Solutions

■ **Tamino Mobile Suite**

= Mobile Integration Platform

- ◆ Available for partners also (initial projects have begun)

■ **Tamino Mobile Applications**

= Components, to be customized for individual projects

- ◆ Horizontal applications (FSA, SFA)
- ◆ Additional industry-specific components (e.g., for pharmaceuticals distribution)

■ **Mobile Applications under development**

- ◆ FSA: Field Service Automation Beta version: Q2
- ◆ SFA: Sales Force Automation Beta version: Q3

■ **Roll out**

- ◆ Q3 2003: Start early-adopter program
- ◆ Q4 2003: Launch in regional market (SWE)

Content Solutions

■ Various areas of application

- ◆ Web Content Management (e.g., portals)
- ◆ Document Management (e.g., archiving)
- ◆ Media Asset Management (e.g., video on demand)
- ◆ Knowledge Management (e.g., self-learning systems)

■ Tamino Content Suite

= Solution platform for applications to process and exchange content

- Software AG has experience with projects in all areas of application
- Consolidate solution expertise in the second half of 2003
- Develop specific applications starting in 2004

Summary

Target profitability

- **Operating margin 15% before tax**

Implementation

- **Manage cost base in line with revenue**
- **Reinforce customer loyalty and protect recurring income**
 - ◆ Further development of core products
 - ◆ Renaissance of Adabas/Natural on open systems and Linux
- **Increase revenue from new (XML) products**
 - ◆ Market penetration via targeted project services
 - ◆ Development of solution platforms

Customer Projects

Based on Software AG technology,
solutions & services

Tamino in Projects: North American Logistics



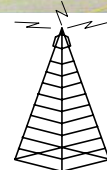
nAL Mobile project

■ Description:

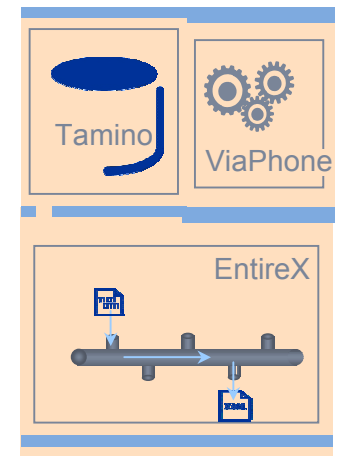
Mobile field service application integrated with SAG and non-SAG backend systems

■ Repeatable Solution

- ◆ Partnering with Extended Systems, Inc. for mobile solution called One Bridge
- ◆ Our Extended System partner brought valuable expertise in mobile and was key to securing this phase of nAL's business
- ◆ Integrated the One Bridge Toolset with EntireX and Tamino



Cellular



LEGACY SYSTEMS

Bill of Lading
Asset Mgmt
Warehouse Mgmt
Product Tracking

Tamino in Projects: DaimlerChrysler, Germany

“Diogenes” / xDWS

■ Problem

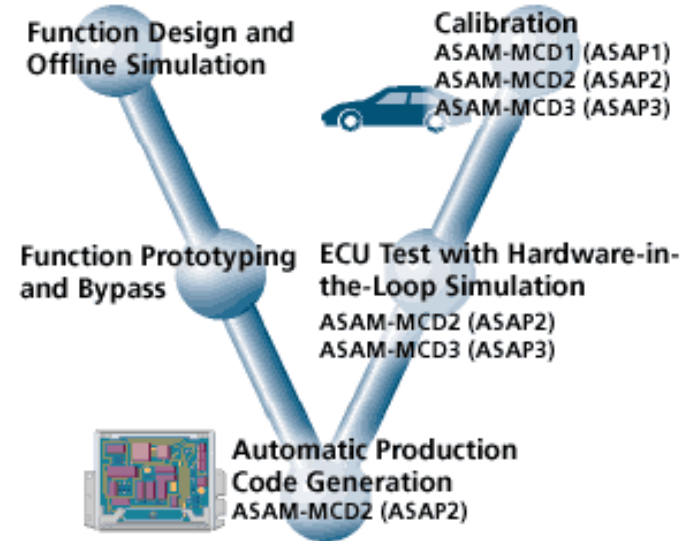
Reduce the effort and expense to maintain and adapt automation and test systems in the areas of development, production and service.

■ Solution

Seamless development of automotive electronic control units with function prototyping, production code generation and hardware-in-the-loop test based on common XML based DTD's (xDWS / Tamino).

■ Benefits

Tight integration of all supply-chain-members. Cost-reduction. Better Quality. FASTER development!



Tamino in Projects: Vodafone Spain

■ Phase 1:

Electronic Bills Presentation:

A system that enables its clients and its internal users to see their invoices and the billing information through Internet, using XML technology (Tamino XML Server).

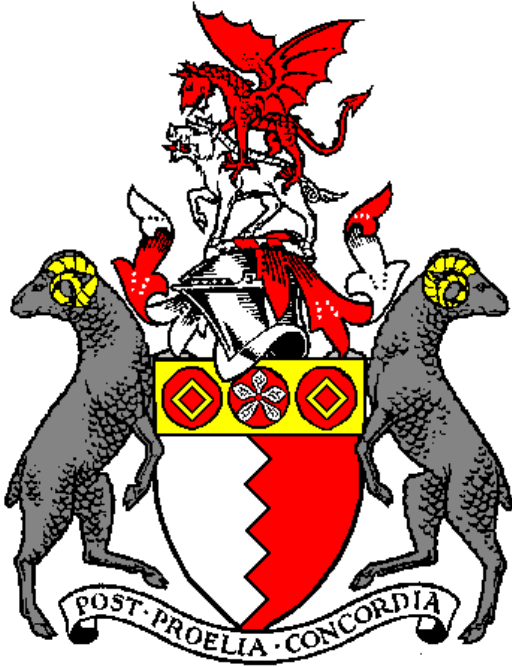


■ Phase 2:

Archiving System:

Prepare a corporate platform to archive different types of documents coming from other applications (SAP, Lotus Notes, MS Exchange,...) using Ixos products.

Tamino in Projects: IESD, UK



Hinckley & Bosworth Borough Council
United Kingdom

Public Sector Applications

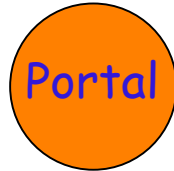
- **Integrated Electronic Service Delivery (IESD) is a powerful framework for building Public Sector applications (Call Centres, CRM Portals, etc.)**
- **Already repeated at**
 - ◆ **Aylesbury Vale District Council**
 - ◆ **Welland**
 - ◆ **Tewkesbury**

IESD Overview

Business Applications



Contact Centre



XML
Gateway



Internet



Vertical
Applications



Call Centre

IESD Components

Content
Management

Management
Reporting

Security &
Audit

C.R.M

Workflow

SAG Products

entireX
XML Mediator

entireX
Communicator

tamino
XML Server

Tamino in Projects: Commerzbank, Germany

Automated OTC Trading

- Rules-based transfer of all trading transactions to a standardized XML-based format
- Support in complying with the minimum requirements for trading transactions as required by German banking regulators (MaH and MaK guidelines)
- Aggregation of OTC (over the counter) trading transactions from 18 different delivery systems
- Database for all departments involved in the trading process (including Risk Management, Back Office and Administration)
- Evaluation of trading transactions (market price risk)
- Identification of the Credit Exposure under consideration of netting (credit risk)
 - ➔ Improved utilization of the liable equity

Automated OTC Trading

■ Automated, transaction-secure system

for reporting and evaluation of OTC trading transactions

■ Utilize resources in a better way, save costs and time

- ◆ Savings of several million Euro p.a.
- ◆ Amortization within 1 – 1.5 years
- ◆ Improved utilization of regulatory liable equity
- ◆ No program changes required when trading transactions change (incl. the administration of so-called “new businesses”)
- ◆ Straightforward maintenance

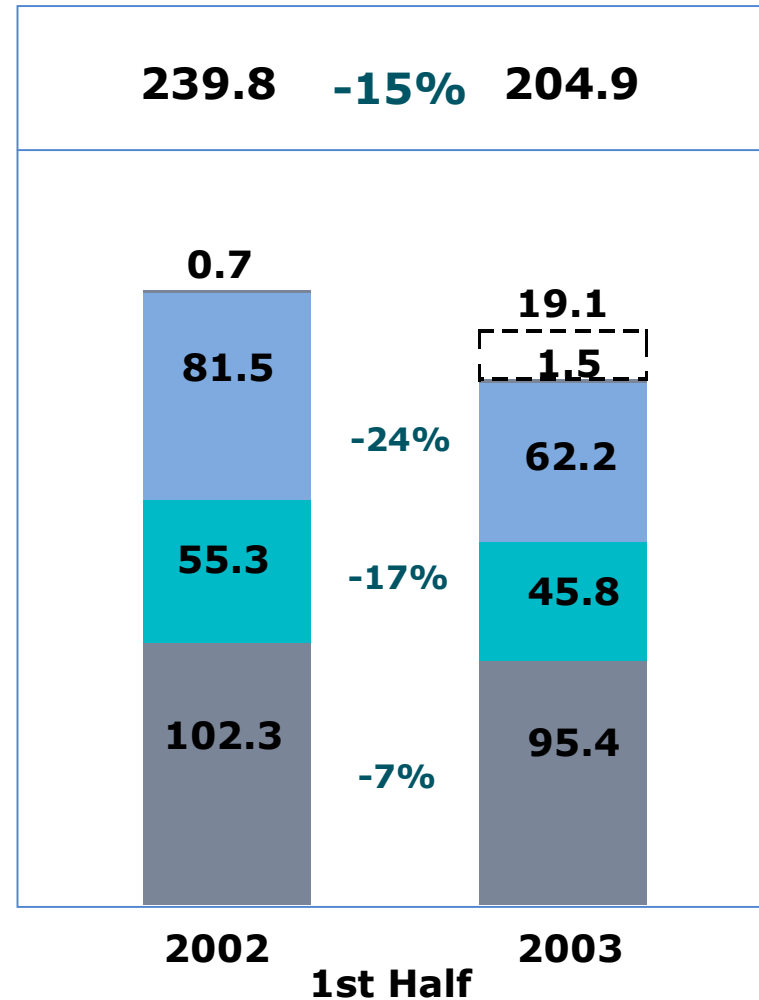
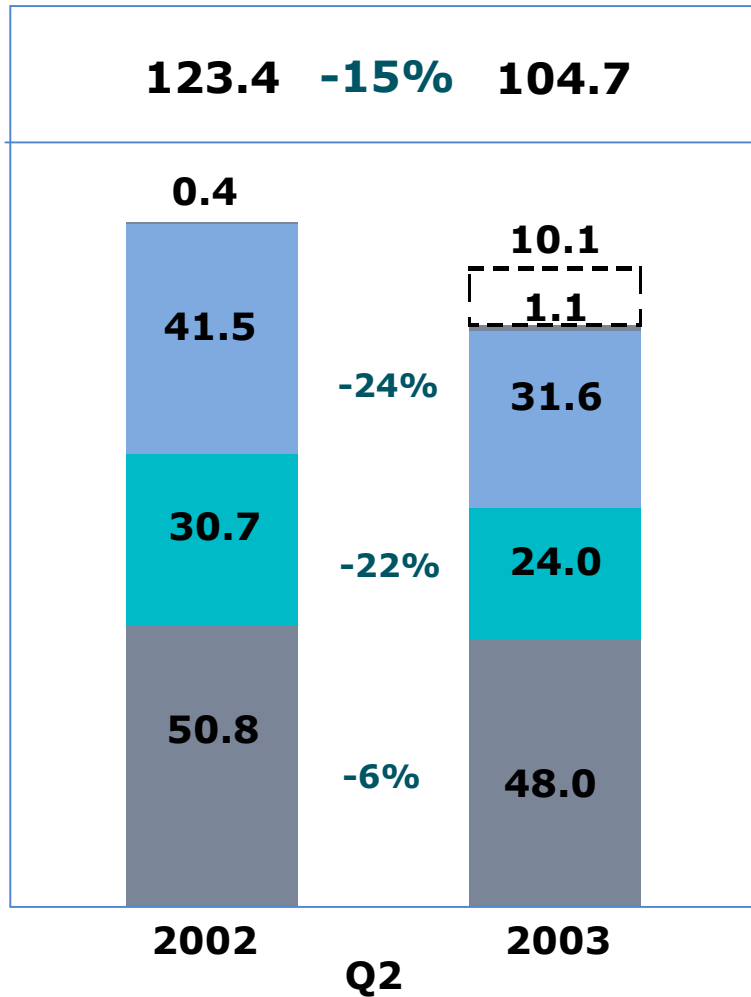
Financial Report

2nd Quarter 2003

1st Half-Year 2003

Revenue

(in mio. euros)

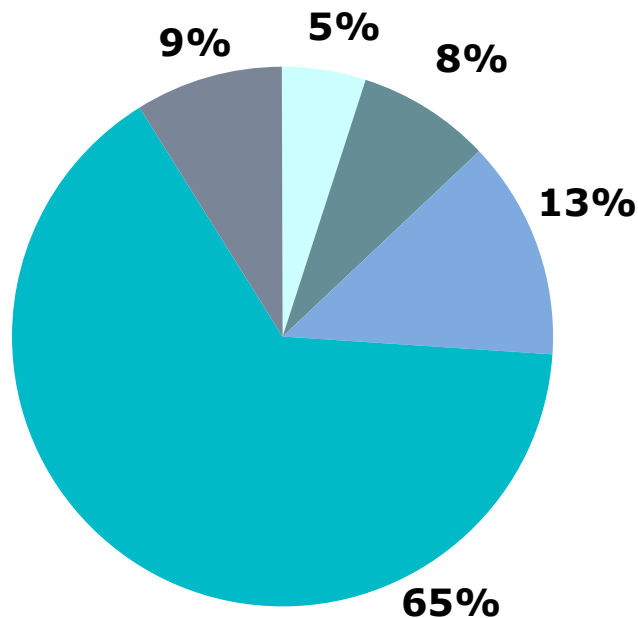


■ Maintenance ■ Licensing ■ Project Services ■ Other

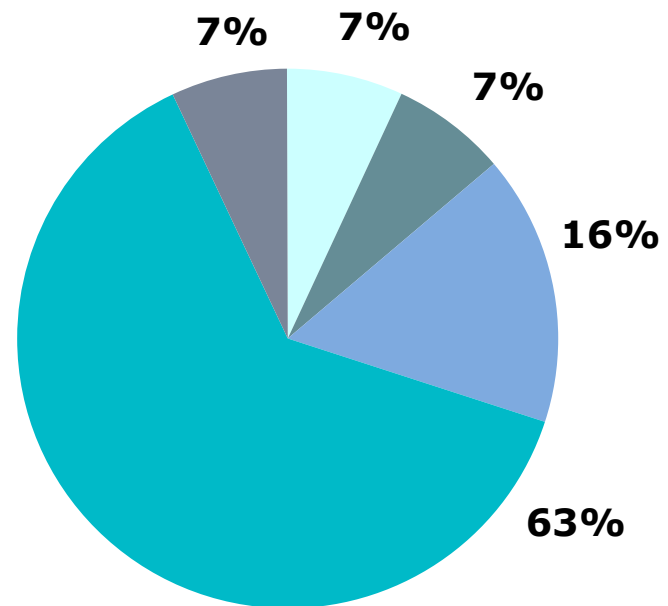
Licensing Revenue by Product Group

(in mio. euros)

1st Half 2002:



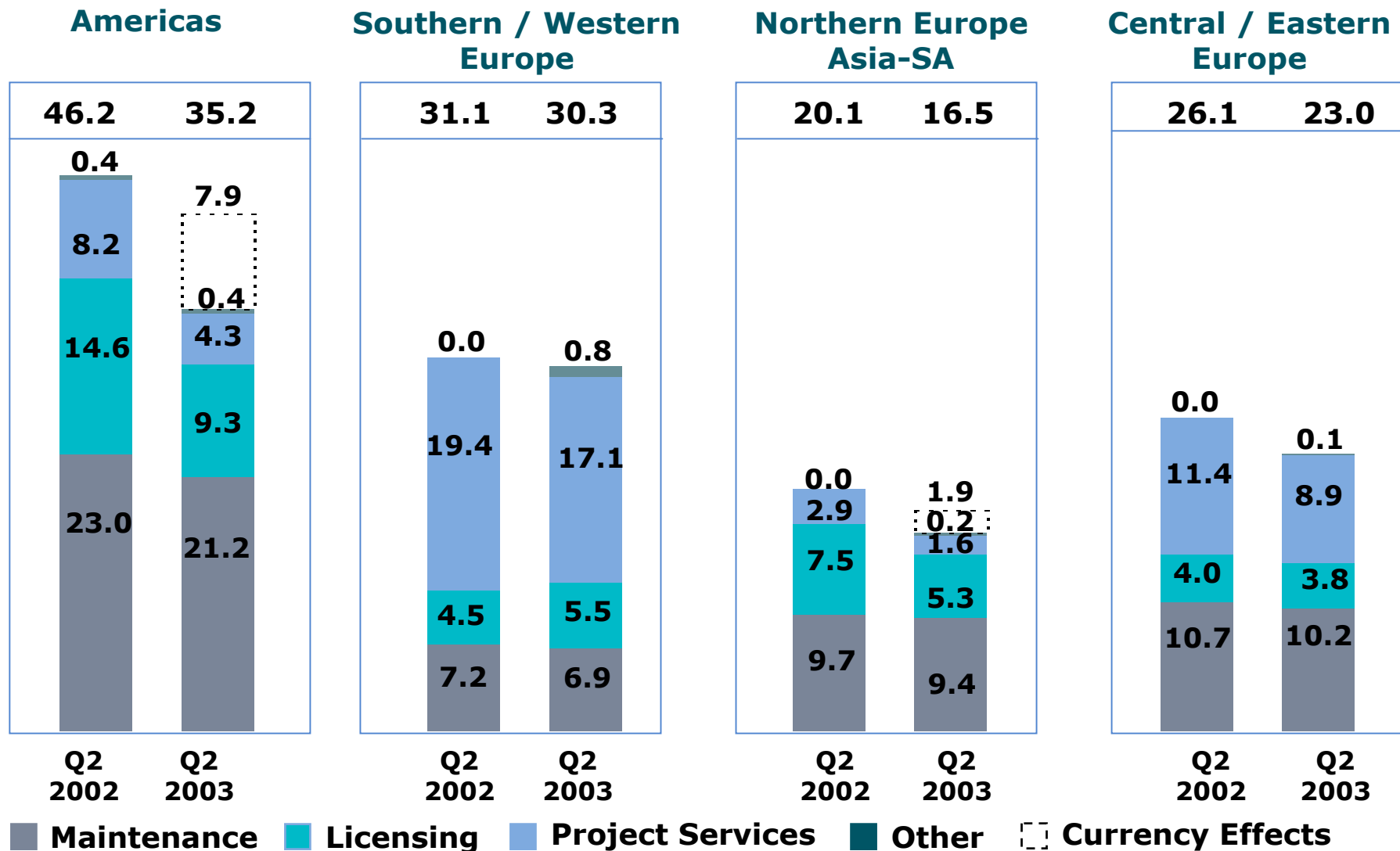
1st Half 2003:



 **Solutions**  **Tamino**  **EntireX**  **Enterprise Transaction**  **Other**

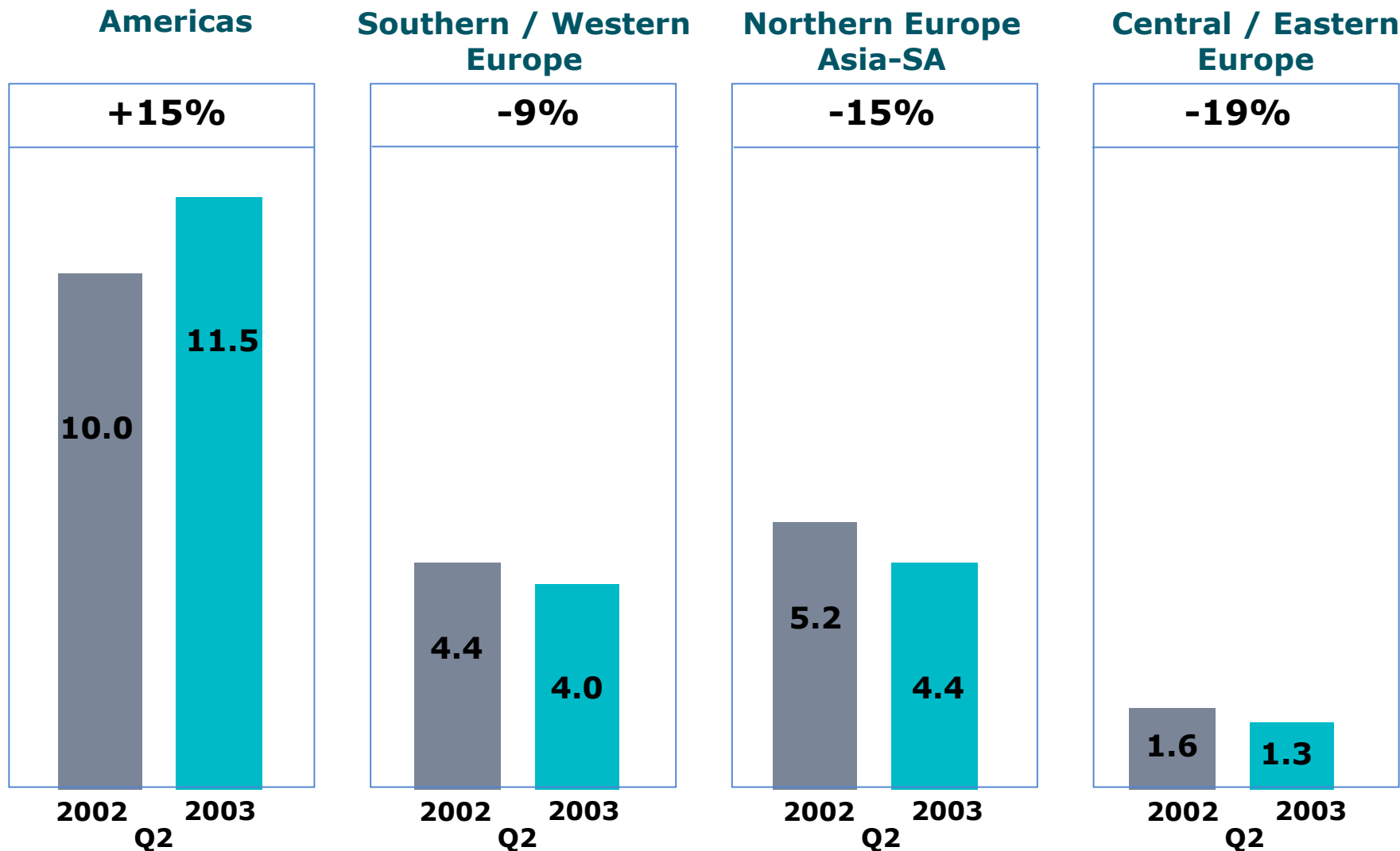
Revenue by Region

(in mio. euros)



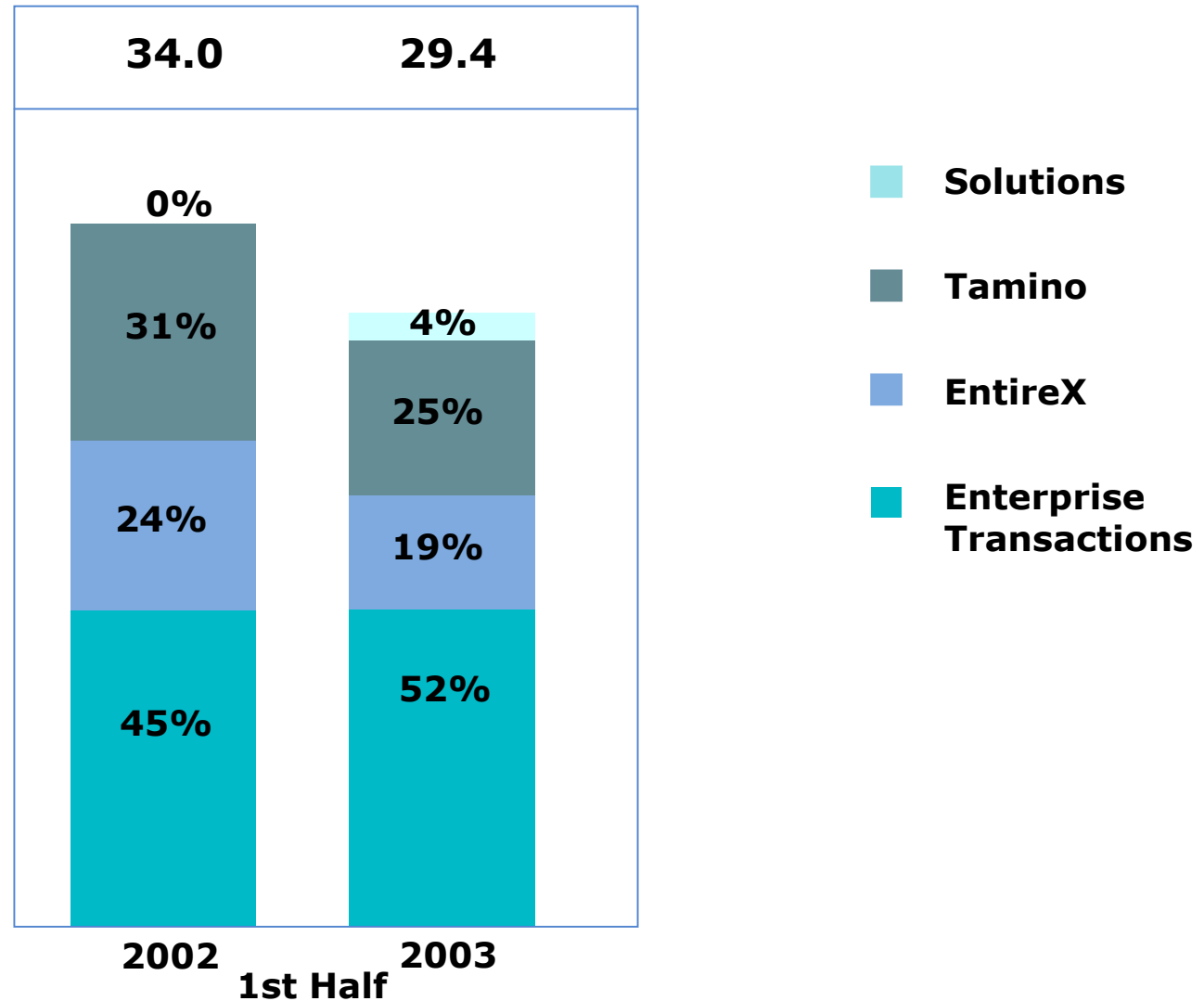
Operating EBITA by Region

(in mio. euros)



Research & Development Expenses by Product Group

(in mio. euros)



Result

(in mio. euros)

	Q2 2003	Q2 2002	1st Half 2003	1st Half 2002
Operating EBITDA	17.2	15.9	26.2	21.5
Depreciation	-2.1	-5.7	-4.3	-8.4
Operating EBITA	15.1	10.2	21.9	13.1
Goodwill	-5.5	-5.5	-10.9	-10.9
Financial income	+1.0	+1.0	+1.9	+1.5
Operating result	10.6	5.7	12.9	3.7
Income from investments	-	+22.3	-	+31.6
Restructuring expenses	-	-1.8	-23.8	-13.1
Profit before tax	10.6	26.2	-10.9	22.2
Taxes	-8.3	-12.1	+3.5	-10.4
Net income	2.3	14.1	-7.4	11.8
Earnings per share (in euro)	0.08	0.52	-0.27	0.43

Balance Sheet

(in mio. euros)

Assets	June 30, 2003	Dec. 31, 2002	Liabilities	June 30, 2003	Dec. 31, 2002
Fixed assets	209.0	221.1	Shareholders' equity	219.7	214.5
Inventories	5.7	4.6	Provisions	116.7	108.7
Trade receivables and other assets	131.5	132.6	Liabilities to banks	0.0	0.0
Cash and cash equivalents	75.1	75.4	Other liabilities	33.9	35.9
Prepaid expenses	36.4	7.1	Deferred income	87.4	81.7
Total	457.7	440.8	Total	457.7	440.8

Cash flow

(in mio. euros)

	Q2 2003	Q2 2002	1st Half 2003	1st Half 2002
Net cash used in / provided by operating activities	-5.1	14.3	6.4	26.4
Net cash used in / provided by investing activities	-1.2	23.1	-3.2	28.8
Net cash used in / provided by financing activities	0.0	-12.7	-2.9	-39.7
Change in cash funds from exchange rate movements, changes in group structure for cash funds	0.5	0.9	-0.6	1.0
Net change in cash and cash equivalents	-5.8	25.6	-0.3	16.5
Cash and cash equivalents as of start of period	80.9	41.1	75.4	50.2
Cash and cash equivalents as of end of period	75.1	66.7	75.1	66.7
Operating cash flow per share	-0.19	0.52	0.24	0.97

Restructuring Program 2003

Status as of June 30, 2003:

- New organizational structure has been implemented at headquarters and in the regions
- 300 jobs (FTE) were cut
- Effects should begin to show in Q4 2003
- Cost-savings excluding one-time restructuring expenses
 - 2003 (over 2002): approx. 25 mil. euro
 - 2004 (over 2002): approx. 55 mil. euro
- Accrual in Q1 2003: 23.8 mil. euros
(covers all restructuring costs)

Outlook for 2003

- Demand for IT is stabilizing gradually
- Product revenues at same level as in 2002 (adjusted for currency effects)
- Maintenance business secures about 45% of revenues
- Positive operating results (at 2002 levels)
- Positive operating cash flow
- Net profit

Software AG

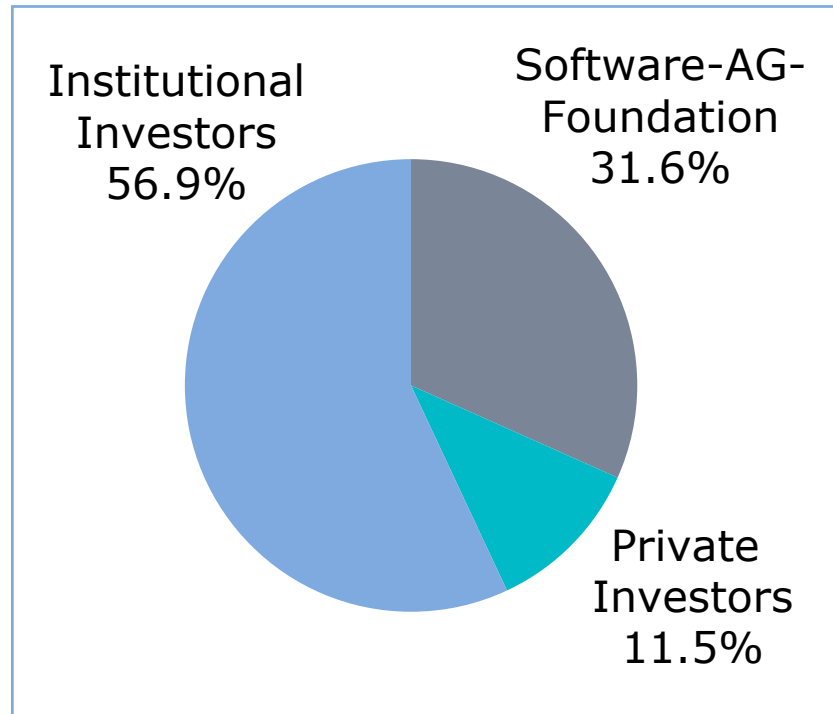
Stock information

(as of June 30, 2003)

Shareholder Structure

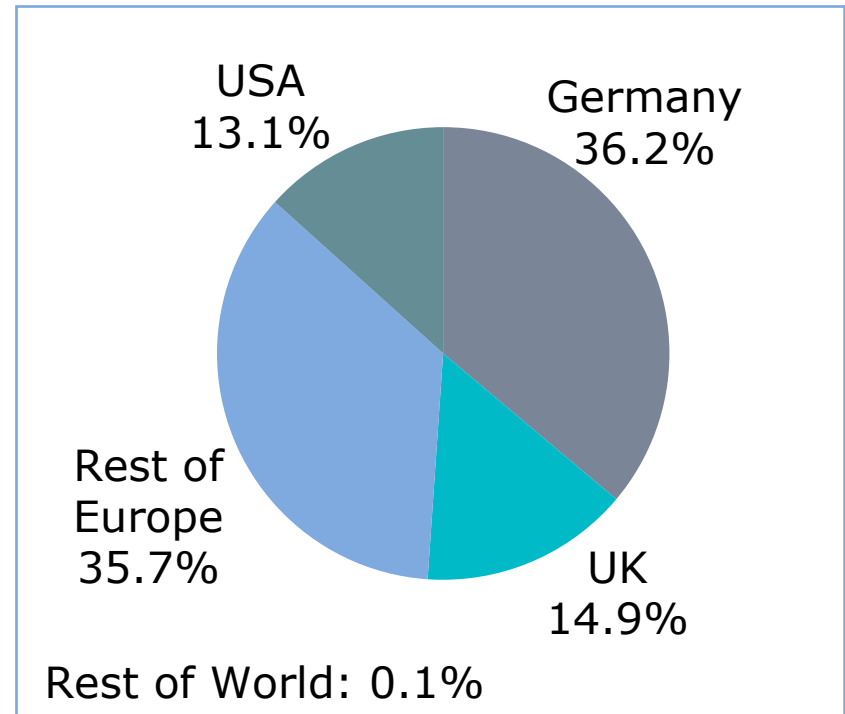
as of June 30, 2003 (Number of Shares: 27,3 mio.)

Shareholder Structure



Major Funds:
Classic Fund Aktiengesellschaft, Liechtenstein
Capital Group Companies, Inc., USA
Fidelity International Ltd., USA

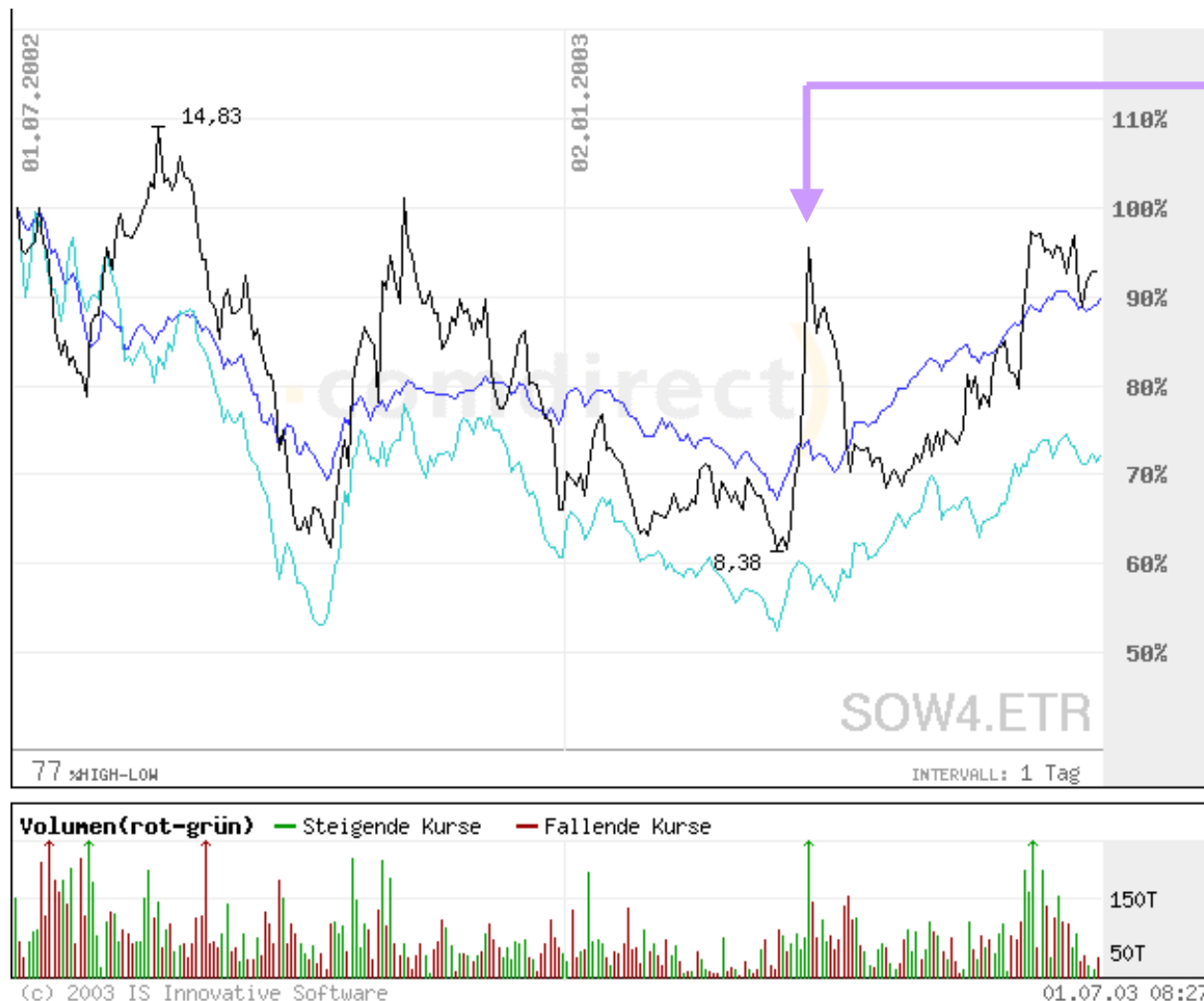
Free Float by Region



Market Cap: 325 mio. euros
Free Float: 68.4%

Share Price

as of June 30, 2002 – June 30, 2003



24.03.03
Entry in TecDAX

— Software AG
— MDAX
— Nemax/
TecDAX

SAG share price:
30.06.02: 14.30 €
30.06.03: 11.90 €

Top Ten TecDAX

as of June 30, 2003

(in euros)

	Stock Turnover (in Euro)	Index Weight (in %)
EPCOS AG	2,491,266,923	7.81
T-ONLINE INTERN.	2,200,613,731	10.93
QIAGEN	1,022,178,127	9.96
SINGULUS	951,385,894	7.92
MOBILCOM AG	690,050,909	2.00
AIXTRON AG	577,685,595	3.14
BB BIOTECH	370,149,580	9.69
UTD.INTERNET AG	239,853,722	5.15
Software AG	235,174,363	3.15
NORDEX	175,905,977	0.48

Key Figures per Share

(in euros)

	2002	2001	2000	1999
Earnings	1.23	1.44	2.55	1.47
Operating cash flow	1.49	3.05	-0.71	2.70
Dividend	0.00	0.43	0.38	0.28
Price High	44.10	87.00	167.00	63.55
Price Low	8.41	35.90	57.00	22.50
Price / earnings ratio at fiscal year-end	7	30	32	41

