

German Equity Forum

November 27, 2003

Arnd Zinnhardt, CFO

Software AG's Assets

Financial Strength

- Long track record of profitability
- Strong, steady cash flow
- Solid balance sheet

Business Potential

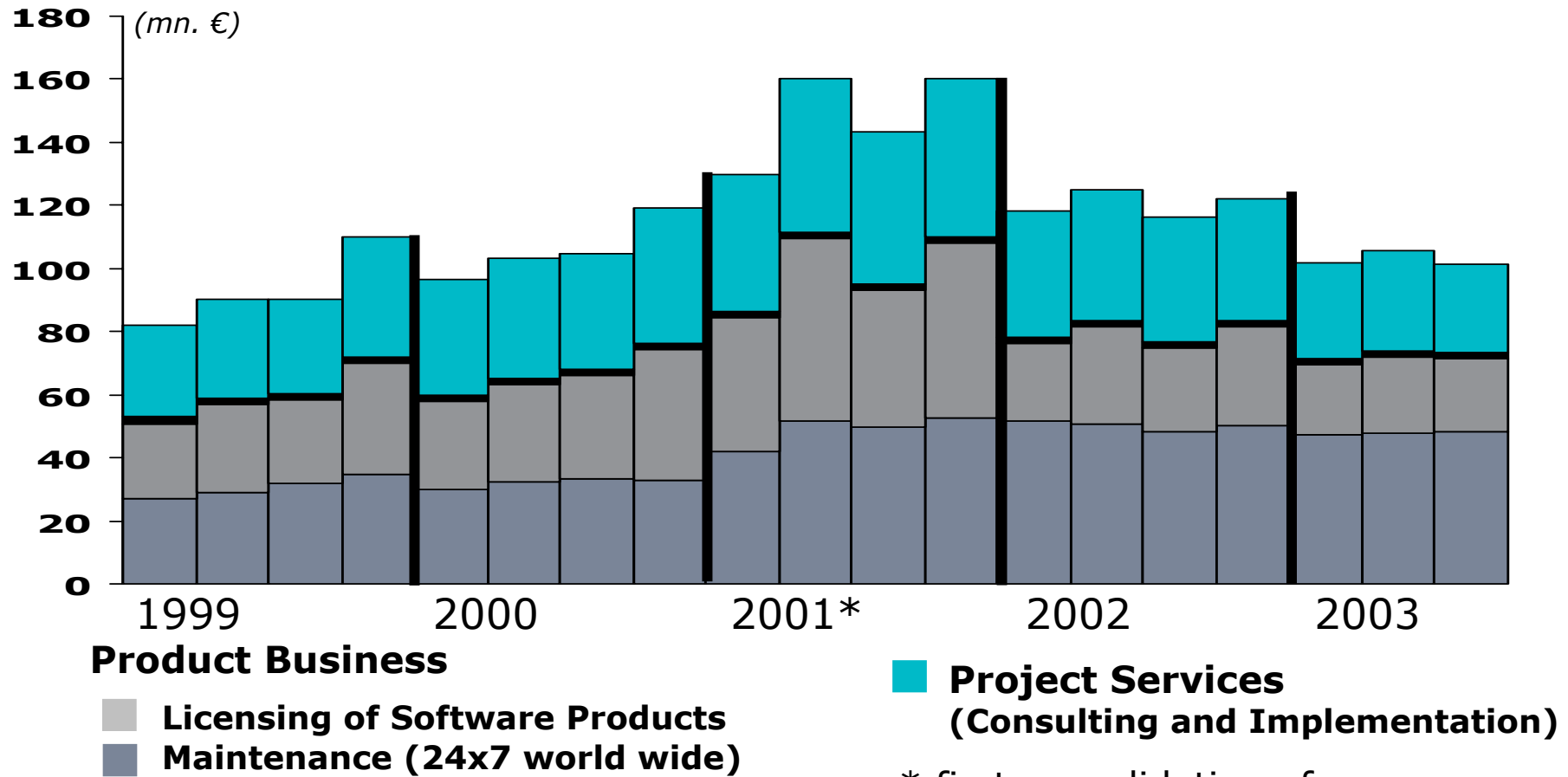
- Customer base
- International presence
- Technology and innovation

Market Potential

- Stable market for enterprise transaction systems
- Dynamic growth potential for XML technology

Financial Stability through Steady Cash Flow

Source of Revenue / Business Lines



* first consolidation of
US acquisition

Business Potential: 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

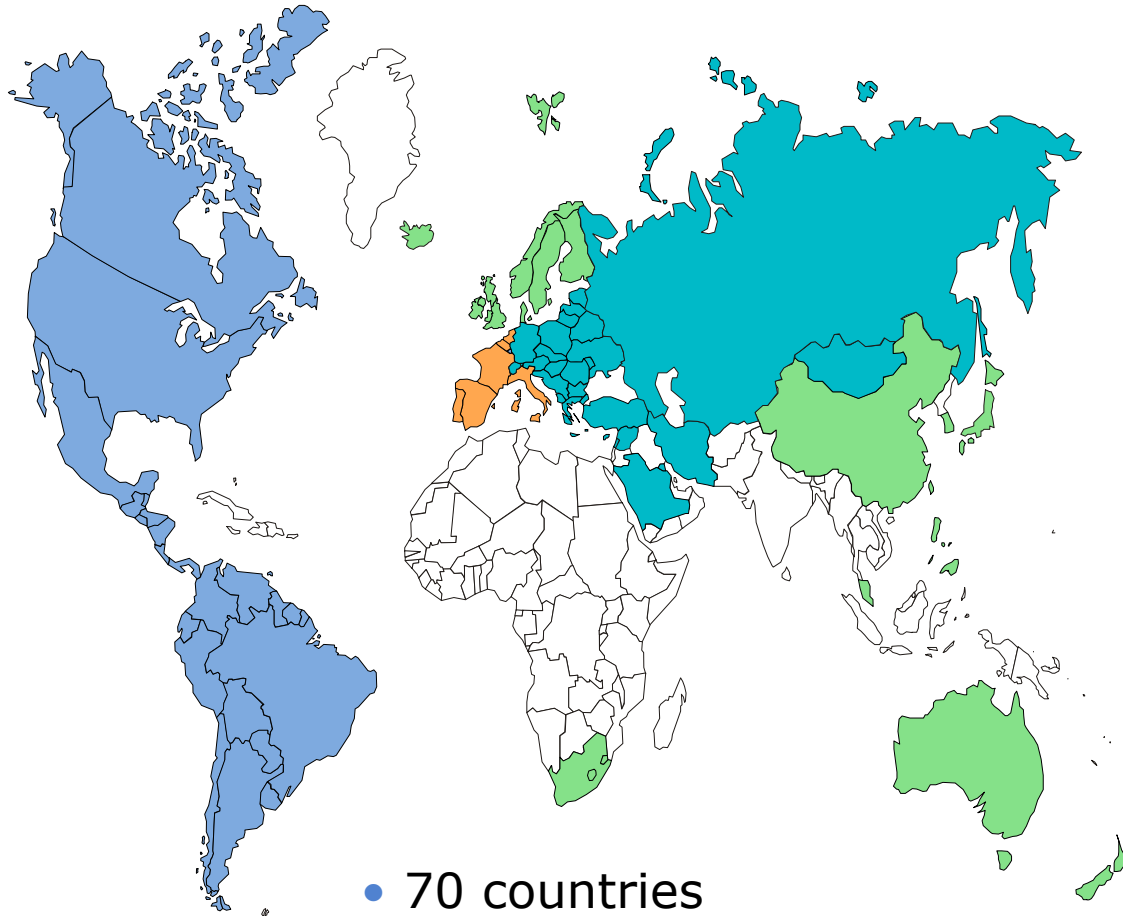
Lufthansa, North American Logistics, FedEx, Delta Airlines, Deutsche Post, Hong Kong Airport, Port Authority Singapore



Manufacturing

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

Business Potential: Global Business



Four Business Regions (revenue 9 months 2003):

- **Americas** (34%)
- **Southern/
Western Europe**
(27%)
- **Central/
Eastern Europe**
(22%)
- **Asia/Northern
Europe** (17%)

- 70 countries
- Global services to global customers
- Well balanced revenue distribution

Business Potential: Technology and Innovation

SAG Product and Services Portfolio

Industry Specific Customized Solutions

- Design & Implementation Services

Lowest TCO
Maximum ROI

Integration Platform

- Infrastructure Software:
XML Enablement & Content, Web Enablement &
Content, Enterprise Information, Mobile Systems

Low cost
standards based
integration

Products

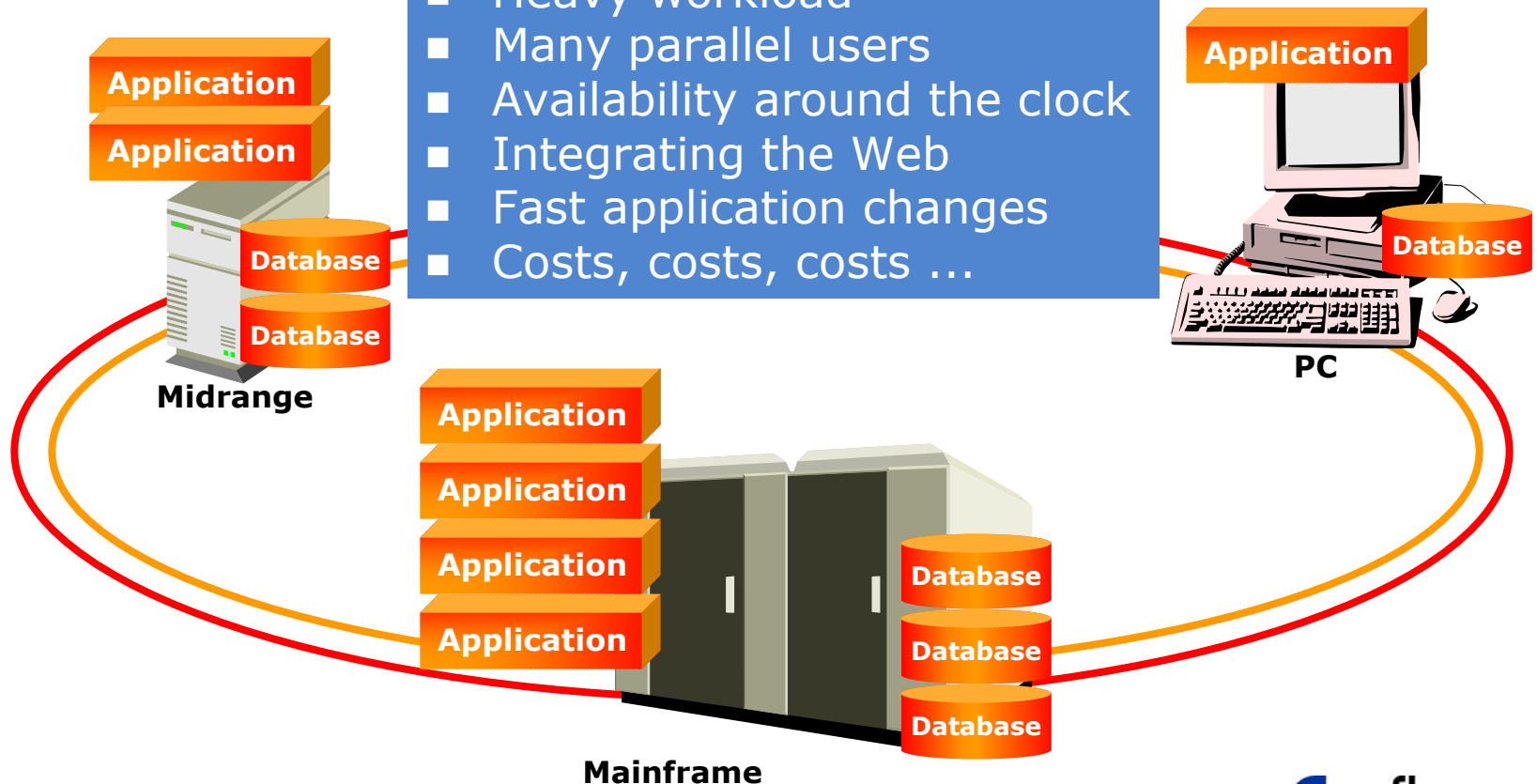
- Enterprise Transaction: Adabas, Natural
- New (XML-based) products:
EntireX, Tamino XML Server

Pioneer technology
High performance
Platform
independent

The IT challenge

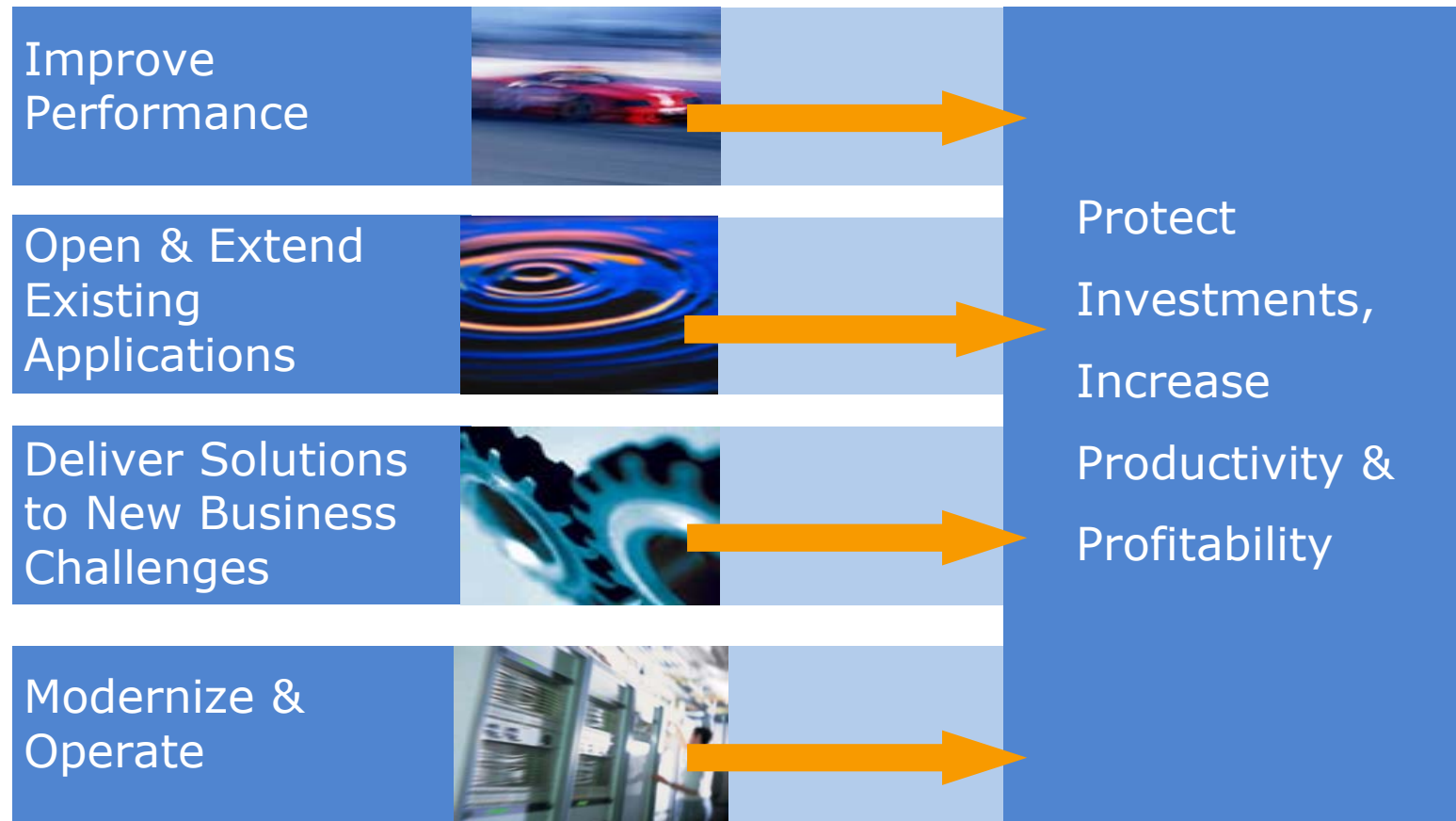
Challenges to customers' IT departments

- Multiple Platforms
- Multiple Operating Systems
- Heavy workload
- Many parallel users
- Availability around the clock
- Integrating the Web
- Fast application changes
- Costs, costs, costs ...



Solution

Technology and innovation leverage existing IT investments



Technology and Innovation

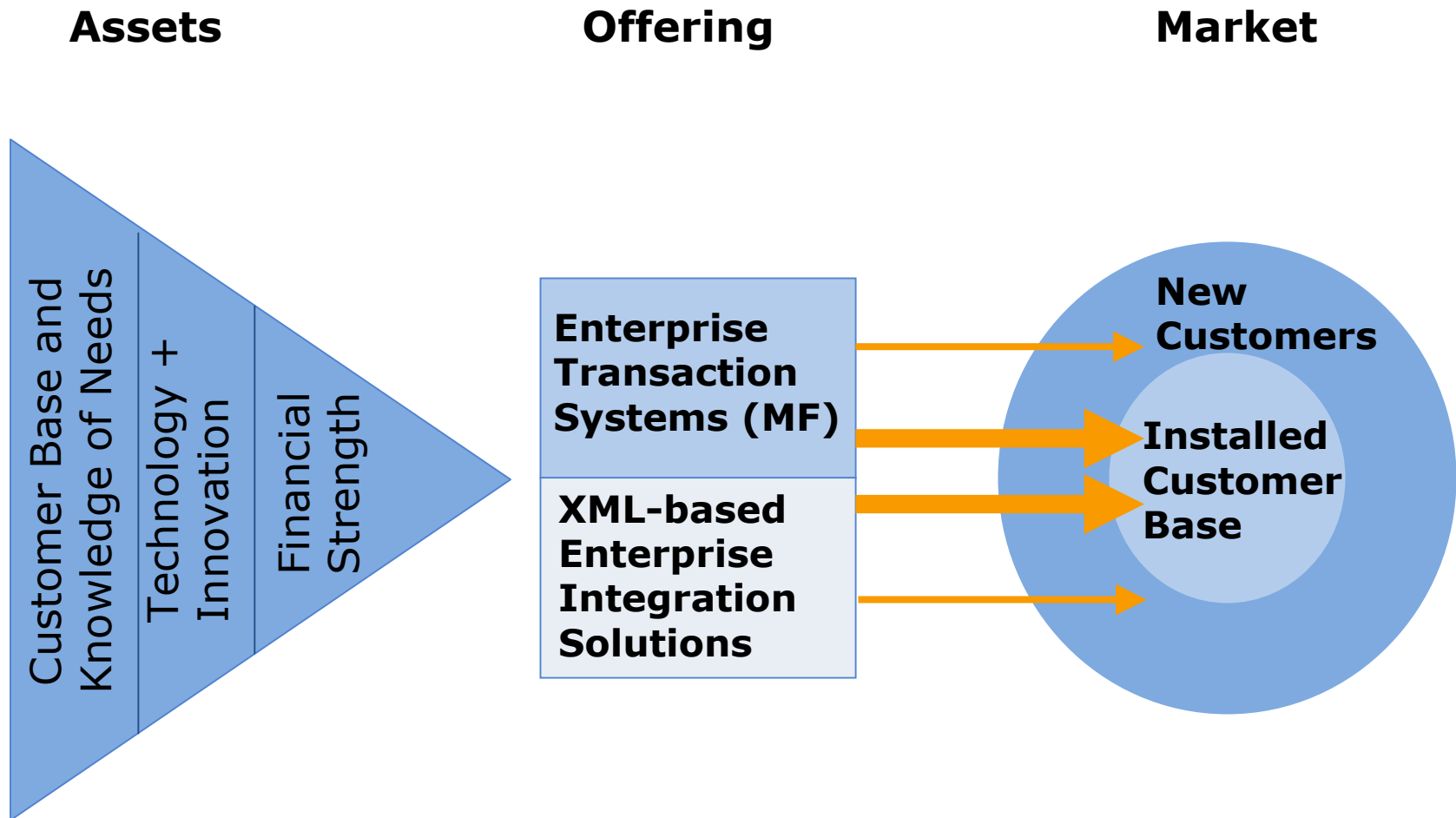
XML solutions increase productivity

Implementation expenses for sample solutions ¹⁾	SQL	XML
Industry knowledge base <i>KM Project with SAG technology</i>	30	5
M&S support in pharma companies	30	10
KM solutions for M&A support	18	6
Law and contracts	15	6
Patent and asset management	9	4



¹⁾ Working months based on average expenses
Source: Arthur D. Little

Market Strategy



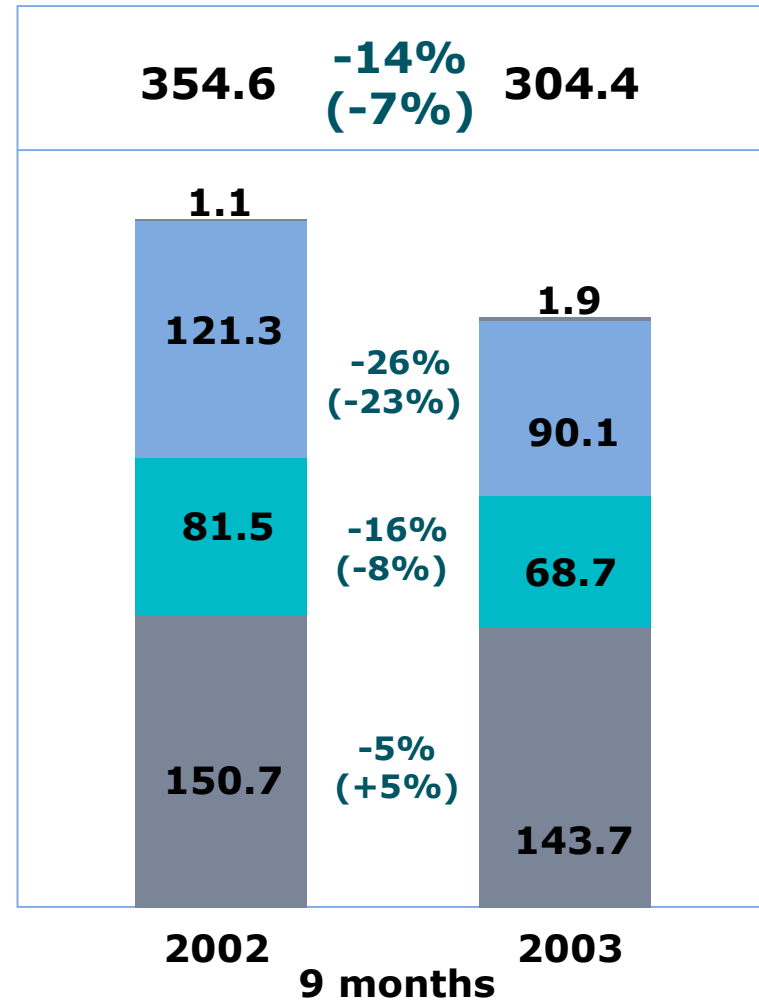
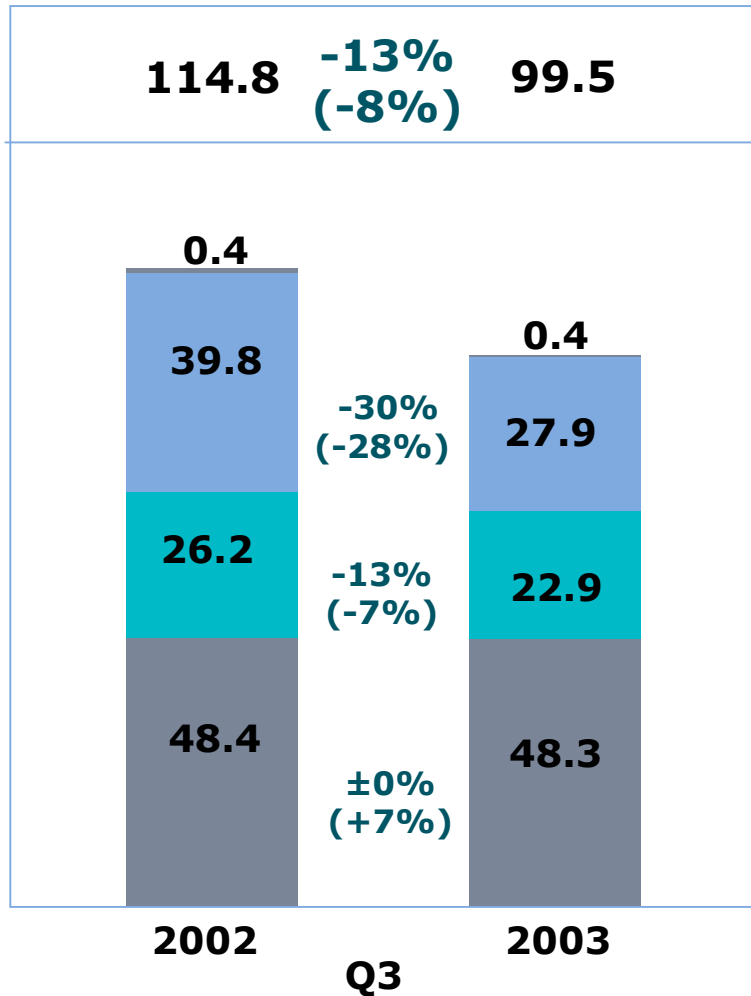
Financial Data

3rd Quarter 2003

9 months 2003

Revenue

(in mn. €)



Maintenance
 Licensing
 Project Services
 Other (net of currency effects)

Result

(in mn. €)

	Q3 2003	Q3 2002	YTD Sept. 2003	YTD Sept. 2002
Operating EBITDA	16.0	15.1	42.2	36.6
Depreciation	-1.7	-2.6	-6.0	-11.0
Operating EBITA	14.3	12.5	36.2	25.6
Goodwill	-5.5	-5.5	-16.4	-16.4
Financial income	+0.8	+0.9	+2.7	+2.4
Operating result	9.6	7.9	22.5	11.6
Income from investments	-	-	-	+31.6
Restructuring expenses	-	-	-23.8	-13.1
Profit before tax	9.6	7.9	-1.3	30.1
Taxes	-5.7	-2.3	-2.2	-12.7
Net income	3.9	5.6	-3.5	17.4
Earnings per share (in euro)	0.14	0.21	-0.13	0.64

Balance Sheet

(in mn. €)

Assets	Sept. 30, 2003	Dec. 31, 2002	Liabilities	Sept. 30, 2003	Dec. 31, 2002
Fixed assets	202.7	221.1	Shareholders' equity	223.8	214.5
Inventories	4.3	4.6	Provisions	101.5	108.7
Trade receivables and other assets	114.8	132.6	Liabilities to banks	0.0	0.0
Cash and cash equivalents	74.8	75.4	Other liabilities	27.9	35.9
Prepaid expenses	30.8	7.1	Deferred income	74.2	81.7
Total	427.4	440.8	Total	427.4	440.8

Cash flow

(in mn. €)

	Q3 2003	Q3 2002	YTD Sept. 2003	YTD Sept. 2002
Net cash used in / provided by operating activities	0.4	5.4	6.9	31.9
Net cash used in / provided by investing activities	-1.1	-5.3	-4.4	23.4
Net cash used in / provided by financing activities	0.0	0.0	-2.9	-39.7
Change in cash funds from exchange rate movements, changes in group structure for cash funds	0.4	0.5	-0.2	1.5
Net change in cash and cash equivalents	-0.3	0.6	-0.6	17.1
Cash and cash equivalents as of start of period	75.1	66.7	75.4	50.2
Cash and cash equivalents as of end of period	74.8	67.3	74.8	67.3
Operating cash flow per share	0.02	0.20	0.25	1.17

Outlook for 2003

- Demand for IT is stabilizing gradually
- Product revenues at same level as in 2002 (adjusted for differences in currency)
- Maintenance business secures about 45% of revenues
- Total revenues 2003: 410-415 mn. €
- Operating results 10-15% higher than previous year's 32 mn. €
- Positive operating cash flow despite cash out for severance payments due to restructuring
- Positive after-tax results

Outlook for 2004

- More optimistic IT business climate
- Price pressure in project services will continue
- No further decline in revenues (adjusted for differences in currency)
- Maintenance business will remain largest revenue segment
- Reduced cost level after restructuring will improve earnings by at least 10 mn. €
- Change to IFRS (IAS) may no longer require amortization of goodwill and will subsequently bolster income by approx. 20 mn. €

Summary

- Despite the difficult and challenging market environment, Software AG
 - ◆ is financially strong with a solid balance sheet
 - ◆ has growing operating results
 - ◆ has a positive operating cash flow
- Strategic agenda for profitable growth within the core areas
 - ◆ Enterprise-wide transaction systems
 - ◆ XML-based data management and integration



Appendix

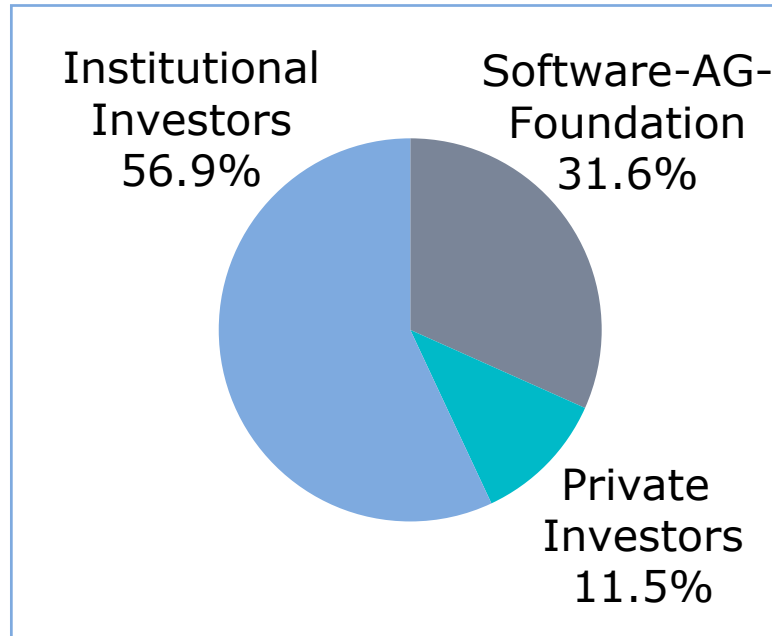
- Stock Information
- Customer Projects
- Additional Information for Business Development

Shareholder Structure

(Number of Shares: 27,3 mn.)

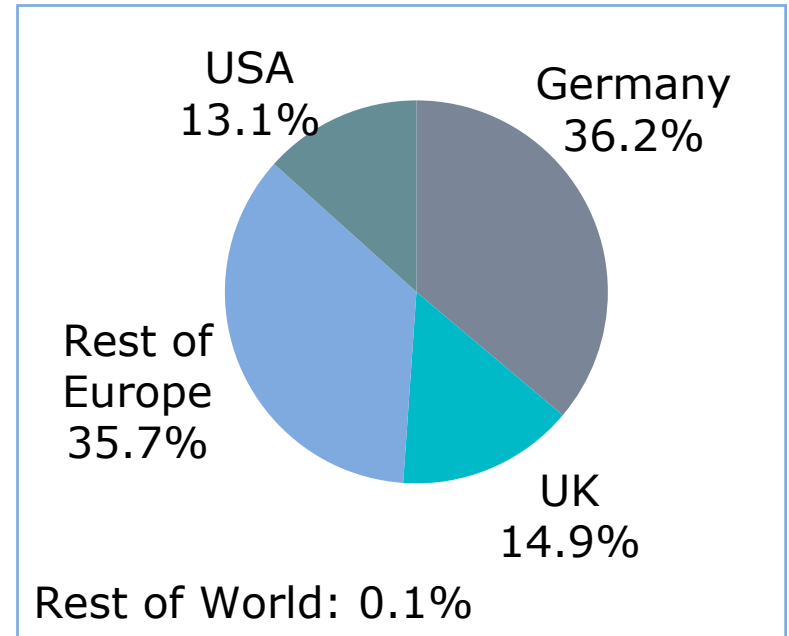
Shareholder Structure

as of June 30, 2003



Free Float by Region

as of June 30, 2003



Major Funds (current Free Float: 68.4%):

Threadneedle Asset Management Ltd., UK
Classic Fund Aktiengesellschaft, Liechtenstein
Capital Group Companies, Inc., USA
Fidelity International Ltd., USA

Share Price

as of October 31, 2002 – October 31, 2003



Quelle: Deutsche Börse

24.03.03
Entry in TecDAX

— Software AG
— MDAX
— Nemax/
TecDAX

SAG share price:
31.10.02: 12.39 €
31.10.03: 20.96 €

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

Customer Projects

based on Software AG technology,
solutions & services

"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!



Project: “dieterPRO”



- Generation of high-quality labels and tags (graphics and text) for products from the plant protection division
- Transition from a legacy application to digital label generation – to be used at BASF worldwide
- Web-based system (remote publishing) with an XML architecture (Tamino) and an integrated design tool
- Workflow-driven control of decentralized label editing

Knowledge Management

Project:

Development of a knowledge management system for Arthur D. Little business consultants all over the world

Results:

- Development and introduction in only five months
- Minimal operating and hardware costs
- Thanks to XML, little additional programming required
- High degree of acceptance by users



Stefan Dietlein, Arthur D. Little

„Using an SQL database would have taken 30 months to complete the project. With XML and Tamino, it took a mere five.“

North American Van Lines

nAL Mobile project

■ Description:

Mobile field service application
integrated with Software AG and
non-Software AG 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



■ Project 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).

■ Project 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.



Commerzbank, Germany

Automated OTC Trading

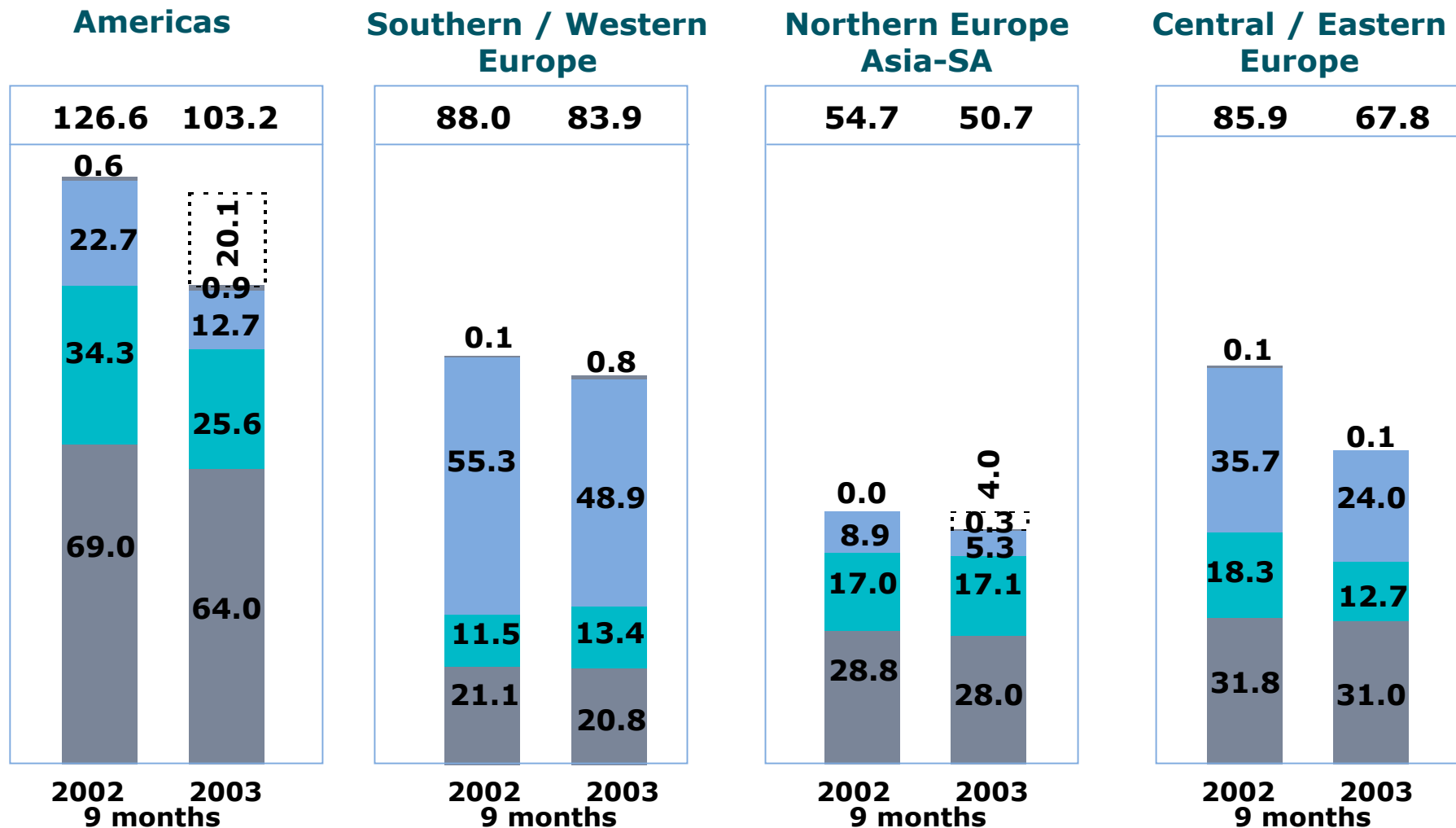
- Rules-based transfer of trading transactions to a standard XML-based format
- Aggregation of OTC (over the counter) trading transactions from 18 different delivery systems
- Database for all departments involved in the trading process (including Risk Management, Back Office and Administration)
- Identification of the Credit Exposure under consideration of netting (credit risk) and market price risk
- Utilize resources in a better way - save costs and time
 - ◆ Saving of several million Euro p.a.
 - ◆ Amortization within 1 – 1.5 years
 - ◆ Improved utilization of regulatory liable equity
 - ◆ Straightforward maintenance



Additional Information for Business Development January – September 2003

Revenue by Region

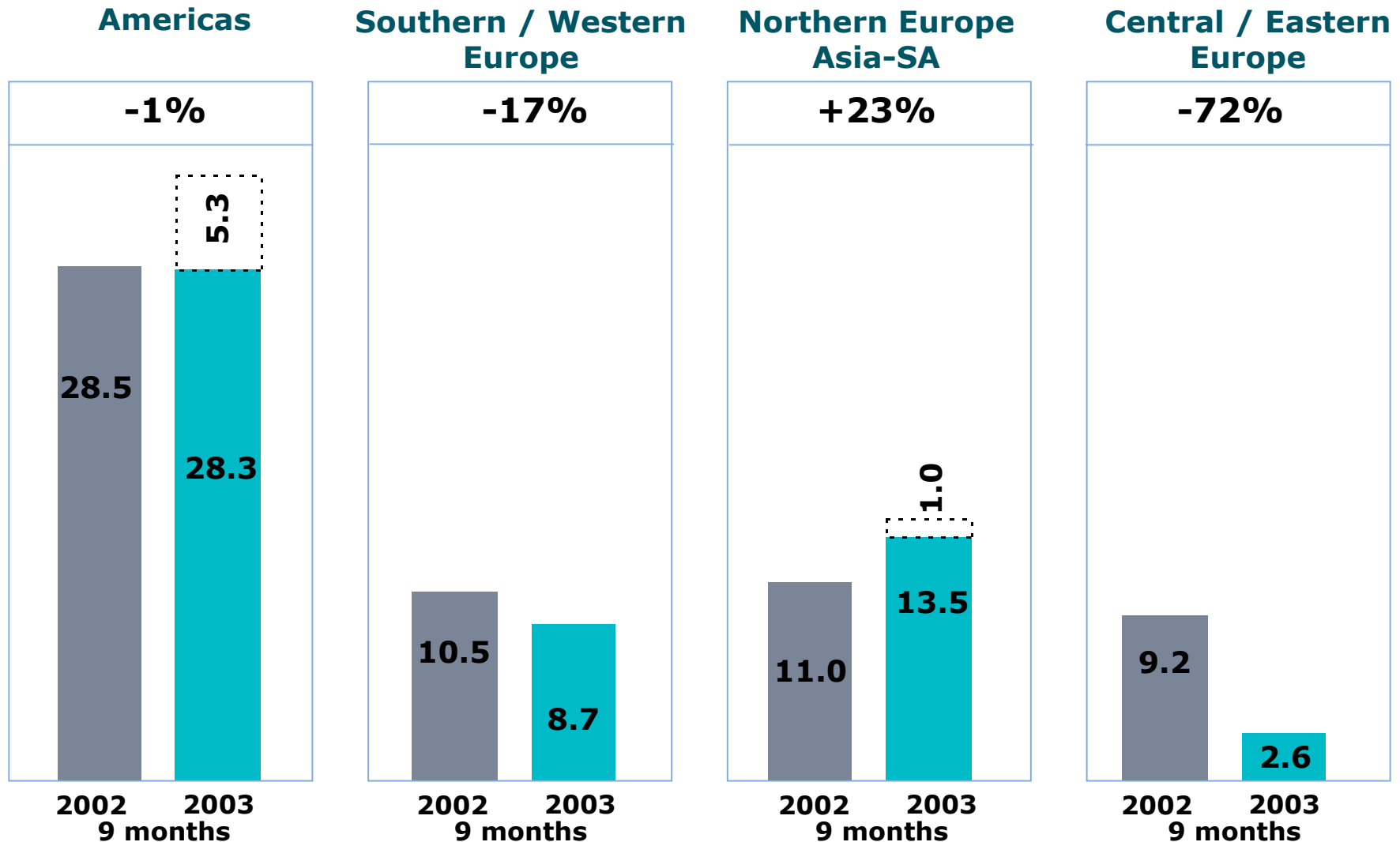
(in mn. €)



■ Maintenance ■ Licensing ■ Project Services ■ Other □ Currency Effects

Operating EBITA by Region

(in mn. €)

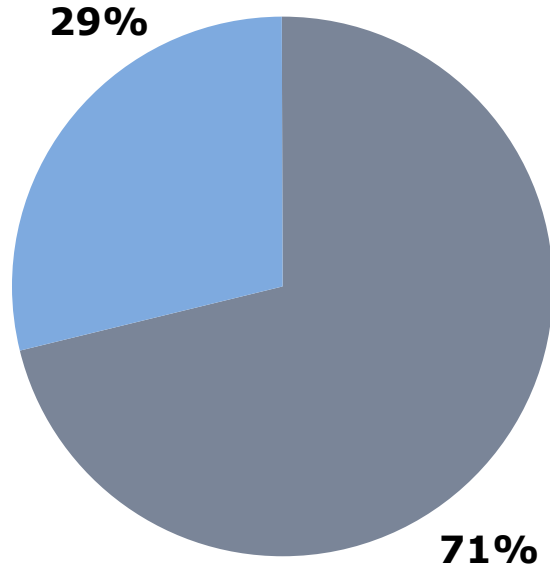


Currency effects

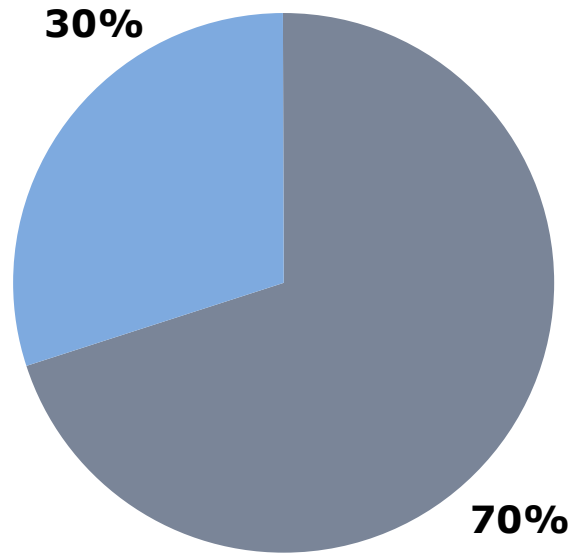
Licensing Revenue by Product Group

(in mn. €)

9 months 2002



9 months 2003



- **New products**
 - EntireX
 - Tamino
 - Solutions
- **Enterprise Transaction**
 - Adabas
 - Natural
 - Other

Product Groups

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
- Leverages legacy systems for use in new (e-)business solutions

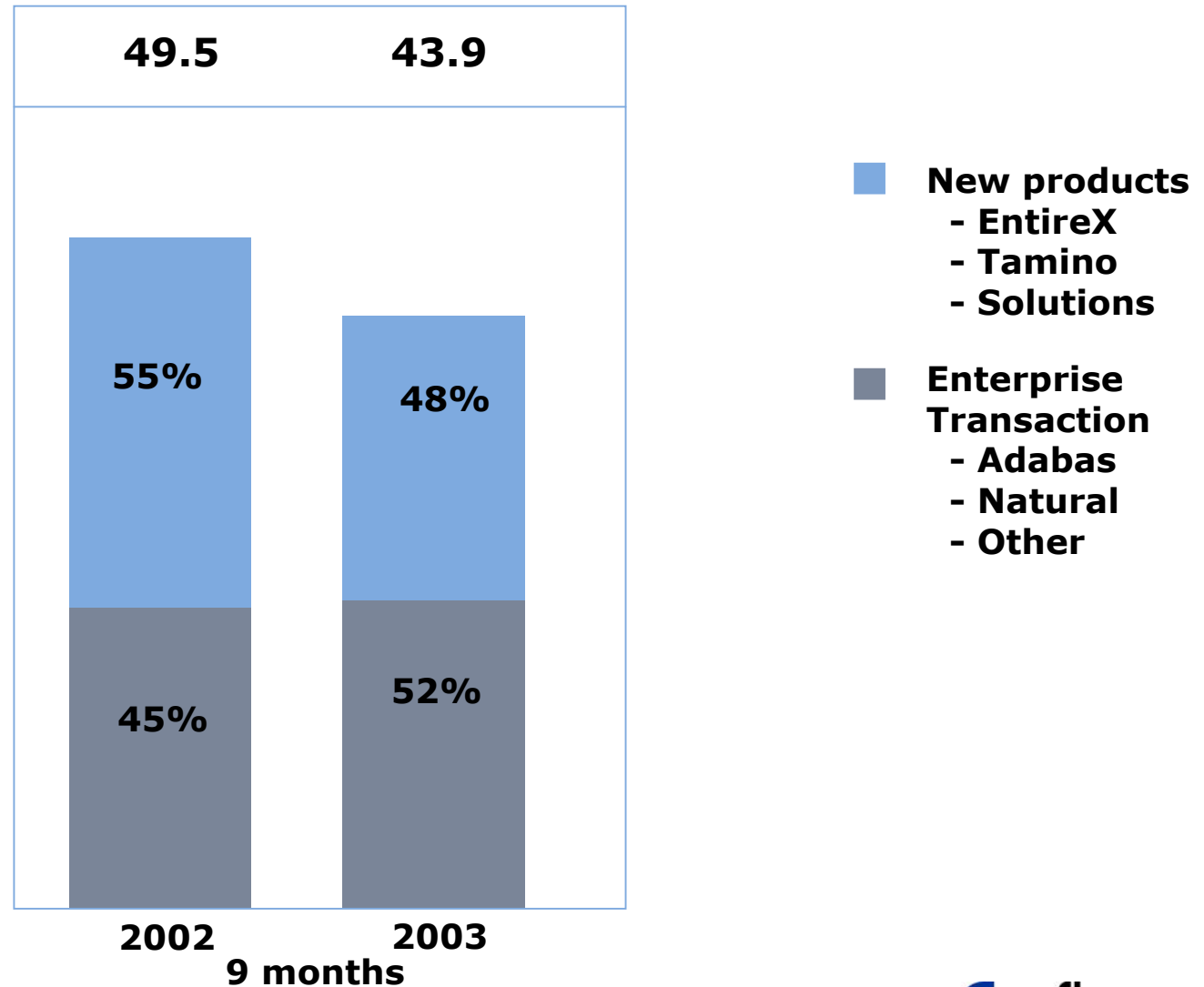
tamino

XML Server

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

Research & Development Expenses by Product Group

(in mn. €)



Software AG Profile

- **Germany's second largest software vendor**
- **400+ mn. € revenue, ~2,800 staff**
- **In the high-end, mission-critical IT business since 1969**
- **More than 5,000 licensing customers, many blue chip companies and public sector organizations**
- **Leader in XML technology (DBMS and integration)**
- **System integrator for own products and solutions**
- **Listed at Frankfurt stock exchange (TecDAX)**
- **Market Cap 500+ mn. € / Free Float: 68.4%**