Strategic Realignment of Software AG

Press Conference
5th December 2003

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Strategic Realignment

- **Focus**
  - ◆ Core competencies (Enterprise Transaction Systems and XML-based Integration)
  - ◆ No venture into the software applications market
  - ◆ Products to be bundled into 2 product lines

- **Consolidation within R&D**
  - ◆ Concentration on the core products
  - ◆ Future development of Tamino will require less resources
  - ◆ Stop development of software applications

- **Offshore**
  - ◆ Technical (back office) support will be transferred offshore
  - ◆ Large projects to be managed in a hybrid mode (Offshore / Onshore)
  - ◆ Product development expertise will stay in Germany and the US

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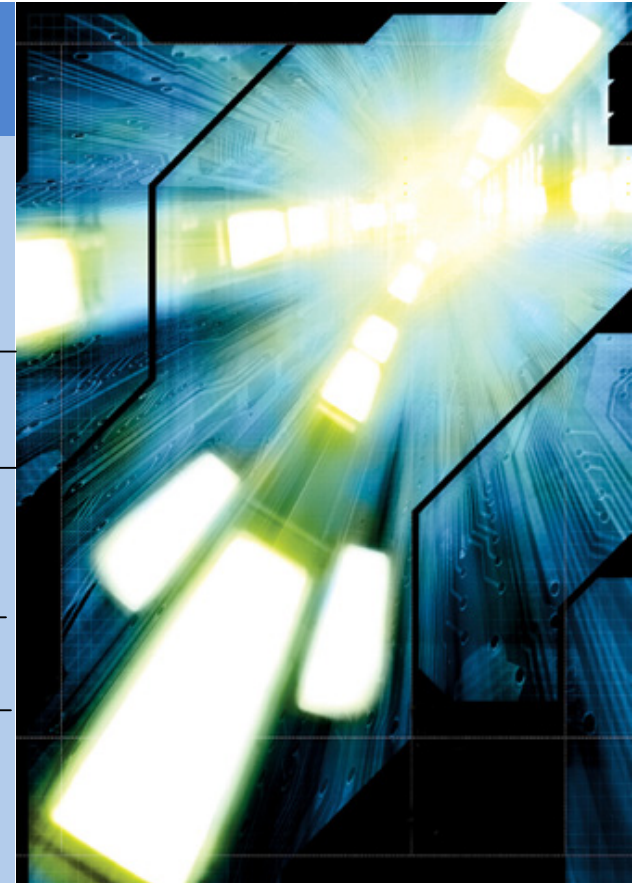
Implementation

- **2 global product lines setup**
  - ◆ Product Management for XML Integration in the US
  - ◆ Product Management for Enterprise Transaction Systems in Germany
- **Country organizations will be aligned to the product line target markets**
- **Professional services will be geared towards large integration projects**
- **Transfer of support functions to India will reduce costs**
- **All measures will be concluded by the end of June 2004**

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Customer Benefits

- **Extended life cycle for Enterprise Transaction Systems applications**

- **Modernization of existing Enterprise Transaction Systems will protect investments**

- **Use of existing systems optimized**

- **Processes optimized with Business Process Integration**

- **Increased efficiencies lead to lower operating costs (TCO)**

- **Increased utilization of existing systems**

- **Existing systems can be opened up to new innovative applications (XML, Web Services)**

- **Modernization of mainframe applications can reduce costs by up to 70% and risk by approximately 30%**

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XML Solutions Increase Productivity

Implementation expenses For sample solutions [1]	SQL	XML
Industry Knowledge Base *KM Project with SAG technology*	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

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IT Decisions

CEO	Business Process Integration (BPI)	60%
CIO	Solutions	30%
DBA	Products and Components	10%

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Benefits for Software AG

- **Focus on Enterprise Transaction Systems processing**
  - ◆ Stabilization of the large international Enterprise Transaction Systems customer base (3,500)
  - ◆ Potential for new business through optimization, integration and migration opportunities

- **Focus on XML Integration**
  - ◆ Growth potential in the key integration areas:
    - ● XML Application Integration
    - ● XML Business Process Integration

- **Clear positioning for customers**

- **Increase in shareholder value**
  - ◆ Long-term safeguard and increase in business volumes
  - ◆ Permanent profit increase
  - ◆ Sustainable cash-flow increase

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Target Positioning

Programmatic Integration Server Magic Quadrant for 2003

Challengers   Leaders

Ability to Execute

IBM
Jacada
Software AG   Seagull   ClientSoft
Micro Focus   Neon   WRQ
GT Software   Attachmate
Red Oak   SEEC
NetManage   Sabratec
Progeni   Mitem
CommerceQuest
InnerAccess

As of March 2003

Niche Players   Visionaries

Completeness of Vision

Source: Gartner Group

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Quotes

Imperative need to provide a single view of information

"Developing an **enterprise view of the customer** is one of the primary requirements of a CRM-based sales and service strategy."

TowerGroup Research, March 2003

Abundance of monolithic, mission-specific, silo systems

"More than 90% of enterprise applications in production are monolithic. Their business logic is **not externally accessible in a modular form that allows easy reuse in other applications**."

Gartner, The Agile Enterprise, October 2003

Inability to effectively aggregate data

"I feel like we are **missing a major opportunity** because our systems aren't integrated. We have to do a **ton of custom coding** right now, and unfortunately no one has shown us a solution that doesn't ask us to change our business model to fit the package."

Insurance Company, Forrester Research

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Conclusion

- **Software AG to focus on 2 strategic product lines**

- **Software AG is *the* partner for modernizing , integrating and optimizing existing IT systems**

- **Global player in the software industry**
    - ◆ Top 3 in Enterprise Transaction Systems
    - ◆ Target: Top 5 in XML-based Integration

- **Product 'know-how' will remain in Germany**
    - ◆ Cutting-edge technology "Made in Germany"

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