INTERIM REPORT 2 | 2013

CHANGE
CHALLENGE
CHANCE

KEY FIGURES

in € millions (unless otherwise stated)	**June 30, 2013**	June 30, 2012	Change in %	**Q2 2013**	Q2 2012	Change in %
Revenue	**462.7**	**513.2**	**- 10**	**237.7**	**258.6**	**- 8**
By type						
• Product revenue	326.2	337.1	- 3	169.1	175.5	- 4
• Services	135.8	175.4	- 23	68.3	82.7	- 17
• Other	0.7	0.7		0.3	0.4	
By business line						
• Business Process Excellence (BPE)	181.8	174.4	4	91.4	93.8	- 3
• Enterprise Transaction Systems (ETS)	140.3	154.5	- 9	75.8	77.9	- 3
• Consulting	140.6	184.3	- 24	70.5	86.9	- 19
EBIT*	**86.0**	**111.9**	**- 23**	**44.4**	**57.1**	**- 22**
as % of revenue	18.6	21.8		18.7	22.1	
Net income	**56.0**	**73.3**	**- 24**	**28.8**	**37.5**	**- 23**
as % of revenue	12.1	14.3		12.1	14.5	
Earnings per share (€, basic)	0,66	0.84	- 21	0.34	0.43	- 21
Earnings per share (€, diluted)	0,66	0.84	- 21	0.34	0.43	- 21
Free cash flow	72,3	100.9	- 28	9.6	41.8	- 77
Employees (full-time equivalent)	**5,375**	**5,461**				
of which in Germany	1,777	1,803				
R&D	941	896				
Balance sheet	**June 30, 2013**	**Dec. 31, 2012**				
Total assets	1,756.7	1,771.9				
Cash and cash equivalents	274.3	315.6				
Net debt	83.8	49.6				
Shareholders' equity	962.8	1,060.1				
as % of total assets	**55**	**60**				

* EBIT: Net income + income taxes + other taxes + financial expense, net

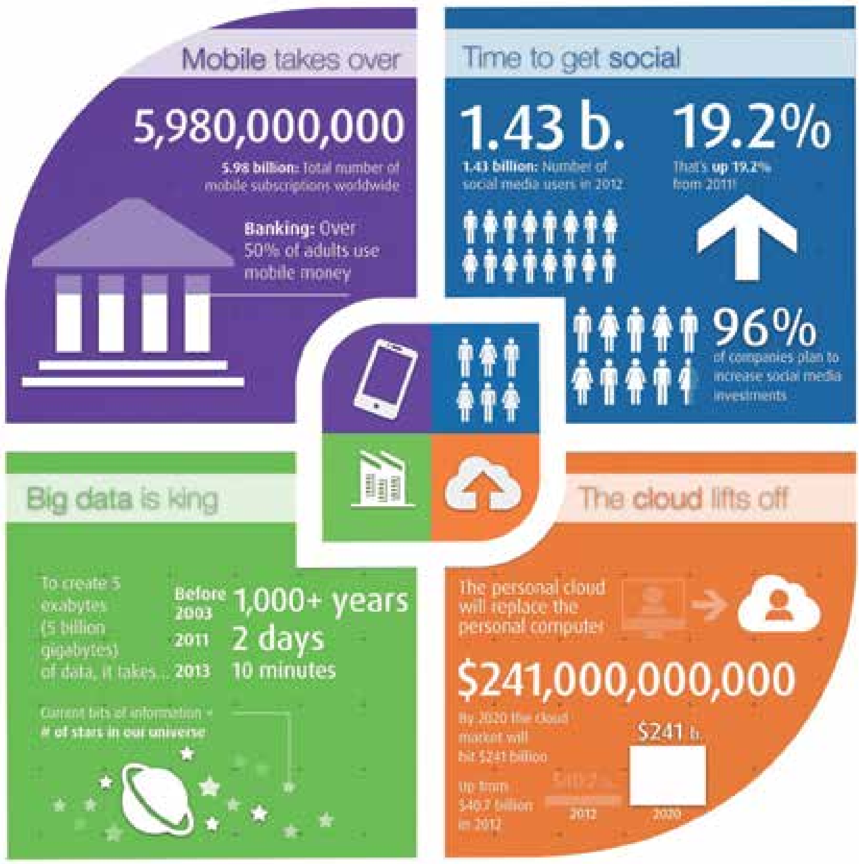
CHANGE
CHALLENGE
CHANCE

FOR THE DIGITAL
ENTERPRISE

Digitization is changing the world and our lives. New technologies change the way companies do business. They bring about new organizational approaches. They create innovative work opportunities. The speed at which this happens is not the only challenge. Software AG helps its customers propel their transformation to becoming a Digital Enterprise and achieve their business goals. We have been setting standards in process automation, data management and system integration for more than 40 years. This innovative power has made us a technology leader. It also presents chances. Chances that we are taking in order to move forward on our path of success.

CHANGE. CHALLENGE. CHANCE: Not just true for our customers, also for us.

TECHNOLOGIES AROUND THE 4 FORCES



Software AG drives innovations for four megatrends: cloud, mobile, social collaboration, big data.

GENERAL TRENDS IN THE IT INDUSTRY

The software sector is currently in a long-term period of upheaval, influenced by the convergence of four megatrends: cloud, mobile, social collaboration and big data.

Companies are increasingly outsourcing data and applications to external providers and paying for IT resources based on usage (Software as a Service). Moreover, cloud computing services (the shift of data and applications to the Internet) offer major savings potential, because organizations no longer need to maintain the cost-intensive computing capacities that were necessary in the past.

All the while, the growing popularity of smart phones and tablets is placing new demands on developers of mobile solutions.

The trend of social collaboration is also impacting the software industry. As in private social networks, the intensified use of social networks for interactive collaboration at a professional level is enabling greater accessibility of information, which facilitates the utilization of existing knowledge and efficient processes.

Big data is another current IT trend. Big data refers to the processing and analysis of the growing amounts of data constantly being produced by companies, websites, social networks, etc. Conventional methods and tools can no longer handle these vast volumes efficiently. But new in-memory technology alleviates this with efficient management of large and, above all, unstructured data. This technology enables direct access to data stored in the main memory (cache). That accelerates data access by up to 1,000 times faster than with databases. Organizations using this technology therefore gain a clear competitive advantage.

Due to the global proliferation of these megatrends and increasingly shorter innovation cycles, software companies currently face the challenges of overhauling their business models, working more closely with other vendors and adapting to the quickly changing needs of customers. The industry's transition also offers major opportunities for innovative companies to position themselves in the market. Software AG recognized the changed requirements early, incorporated them into the development of its product portfolio and is gearing its activities strongly toward the new technology megatrends that are revolutionizing the IT industry.

TO THIS END, SOFTWARE AG IS:

- Expanding its presence in specific markets, such as North America.
- Investing in research and development for new products that will improve its competitive position.
- Focusing on the big data market in order to generate significant growth stimulus.
- Developing solutions with which customers can adapt to external changes faster, more flexibly and more efficiently.

SOFTWARE AG'S SHARE

After a number of attempts, the major stock indices managed to surpass and stay above their historical highs. The Dow Jones hit new highs, along with the DAX, which hovered above 8,000 points for extended periods of time. The DAX, Germany's leading index, ended the first day of trading in 2013 at 7,779 points. Within the first six months of the year, it climbed to 7,959 points. Ultimately the DAX gained 2 percent, while the Dow Jones jumped 11 percent in the first half of the year.

Germany's technology barometer TecDAX kicked off 2013 at 842 points. At the end of the first half of the year, the index had gained a solid 12 percent (plus of 103 points).

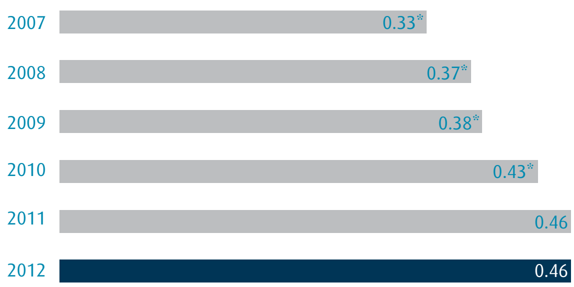
Software AG's stock started out the new year trading at €31.41. It then suffered significant losses following the release of the Company's fourth-quarter 2012 financial results at the end of January 2013. In the following months of the first quarter, the share price recovered its level from the start of the year. The share price closed out the first half-year at €23.

The extreme share price fluctuations in the first half of 2013 are an indication of a larger number of speculative and very short-term-oriented investors. Software AG expects its shareholder structure to continue changing during the transformation of its business model and to attract a growing number of growth-oriented investors.

INVESTOR RELATIONS

Dividend Development Since 2007

in € per share



*Adjusted for 3-for-1 stock split, rounded

Software AG's Investor Relations team conducted numerous meetings with investors and analysts during the first half of 2013. Software AG participated in a total of 12 capital market conferences in Germany and abroad during this period of time. In addition, nine roadshows as well as analyst visits in Germany, the U.K., France and the U.S. were also an important medium for interacting with the investor community.

This year's Capital Market Day was held on February 26 in Darmstadt, Germany. More than 40 investors and analysts from Germany, the U.K., France and Switzerland learned about trends in enterprise digitization, Software AG's strategy, big data offerings, marketing activities and status of winning additional market share.

The CeBIT IT fair took place in early March under the theme "Shareconomy." Investor Relations coordinated tours of Software AG's stand and meetings with members of management. On more than ten different occasions discussions were held on current technology trends and Software AG's strategic positioning.

Software AG's intensified positioning in the big data market was apparent through a number of conferences held on the subject, particularly in the USA. They resonated very well with the investor community. Software AG presented its current strategy for delivering solutions for real-time information and complex event processing at nearly 40 meetings.

SHARE BUYBACK CONCLUDED

Through Software AG's share buyback program, approximately 3.9 million treasury shares were bought at an average price of €29.27 per share for a total price of more than €114.8 million from February through April.

As of April 29, 2013, Software AG held a balance of treasury shares representing 4.56 percent of Software AG's share capital. The share buyback program was ended in account of Software AG's Annual Shareholders' Meeting: Firstly, to ensure that the decision on the appropriation of profits could be made on explicit terms with regard to the number of shares emitted to dividends. And, secondly, a vote was held at the Annual Shareholders' Meeting on new authorizations for purchasing treasury shares and the use of derivatives for acquiring treasury shares.

ANNUAL SHAREHOLDERS' MEETING 2013

The Annual Shareholders' Meeting took place on May 3, 2013 in Darmstadt, Germany. A dividend payout of €0.46 per dividend-bearing share was approved at the meeting. The payout ratio was 23 percent of the Group's net income in 2012. Software AG's treasury shares were not entitled to a dividend.

COVERAGE REMAINS HIGH

Software AG's share is currently analyzed and rated by 22 brokers. Eleven of them have given a "buy" recommendation. Five consider the share to be overvalued; and six have issued a "hold" recommendation. After the release of the Company's Q2 results, the average share price reached €29 on July 31, 2013.

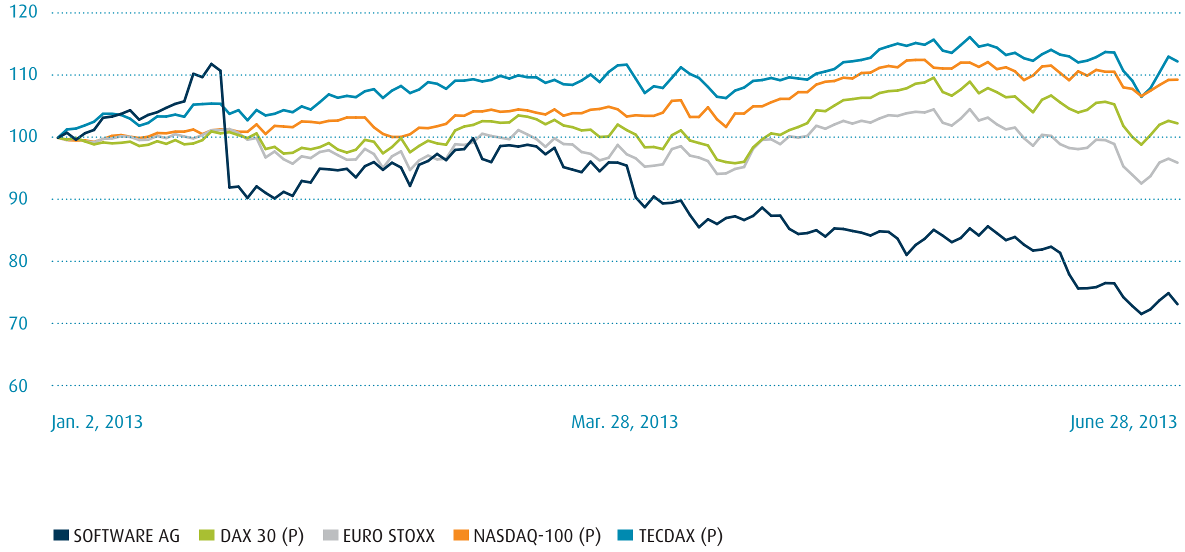
SHAREHOLDER STRUCTURE

Software AG Foundation continues to hold almost 29 percent of Software AG's share capital. Due to the purchase of nearly 4 million treasury shares during the first half of the year, Software AG's free float currently represents about 67 percent of shares outstanding. An analysis of identifiable institutional investors shows that the percentage of investors in Germany has fallen from more than 30 percent to 25 percent. The largest group of investors is now from the USA and represents almost 30 percent of Software AG shareholders. Others come primarily from the U.K. (17 percent), Switzerland (9 percent) and Scandinavia (6 percent).

Investor transactions subject to disclosure also provided insight into the fluctuations within the investor base. While DWS reported falling below the 3-percent threshold in February 2013, Deka exceeded 5 percent of Software AG share capital in the same month making it the investment company with the largest shareholding. Alken Asset Management sold shares and as per the disclosure in May 2013 held less than 3 percent of Software AG stock. In the same month, Fidelity (FMR LLC, Boston, USA) reported having exceeded the threshold with 3.5 percent of Software AG stock. For more information on Software AG's shareholder structure, please visit:

www.softwareag.com/corporate/inv_rel/stockinfo/structure

SHARE PRICE DEVELOPMENT (INDEXED)



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NOTES TO THE INTERIM FINANCIAL STATEMENTS

Preliminary Remarks
This quarterly report contains forward-looking statements. They are based on plans, estimates and projections that are currently available to Software AG's management. Forward-looking statements therefore apply only to the date on which they were made. Software AG accepts no obligation to develop forward-looking statements based on new information or future events. Forward-looking statements by nature contain factors of risk and uncertainty. A number of important factors can contribute to actual results deviating considerably from forward-looking statements. All of the information in this report that does not represent forward-looking statements relates to the situation on June 30, 2013, or the second quarter of the current fiscal year ended on that date, unless otherwise stated. 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 following business lines: Business Process Excellence (BPE—with the webMethods, ARIS and Terracotta product families), Enterprise Transaction Systems (ETS—with the product families associated with Adabas-Natural) and Consulting (all consulting services including IDS Scheer Consulting offered by the Company independent of products as of the 2013 fiscal year).

INTERIM MANAGEMENT REPORT

1 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

TECHNOLOGY ACQUISITIONS

LongJump: Cloud expertise expanded

Software AG announced its acquisition of LongJump on April 25. This strategic step enables Software AG to expand its cloud expertise and product offering. The U.S. company offers customers a digital platform for the independent creation of cloud-based applications without the need for support from the IT department. It will allow Software AG to extend its offering to include IT projects for small and medium-sized companies as well as individual departments. LongJump was founded in 2003 and currently serves a customer base of more than 220 global companies. The company's headquarters are in Santa Clara, California with a research & development center located in Indore (India).

alfabet: Comprehensive transformation of business processes and IT infrastructure

Software AG acquired alfabet AG, a leading provider of Enterprise Architecture Management and IT portfolio management software, on June 24. This company specializes in planning and optimizing IT landscapes. Both companies' customers will reap the benefits of integration with Software AG's ARIS process software: They can now merge and holistically optimize the transformation of their business processes and the ensuing adaptation of their IT infrastructure. alfabet was established in 1997 and now serves more than 70 well-known global companies. alfabet employs about 90 people at its headquarters in Berlin (Germany) and its other locations in Cambridge, Massachusetts and Singapore.

Apama: Enhanced expertise in event-driven applications

Software AG announced on June 13 that it had entered an agreement with Progress Software to buy Apama, a leading platform for event-driven applications and Complex Event Processing (CEP). With Apama, organizations can analyze massive amounts of data containing business activities across multiple data streams in real time to make immediate business decisions. This is valuable in any business area where sub-second response times to events are critical, such as fraud detection, capital market trading or individual customer management. According to the Forrester market research company, Apama is the leading CEP technology used by capital market participants in trading, risk and compliance. In addition to the software platform, Software AG will take over the Apama technology teams based primarily in Cambridge (U.K.), Bedford (USA) and Hyderabad (India). Also included in the acquisition are the global Apama sales and technical support teams.

PRODUCT INNOVATIONS

Software AG Live: The first cloud-based Platform-as-a-Service (PaaS) suite

Software AG launched the new Software AG Live product in mid-May extending its pioneer position in business processes and integration to the cloud segment as well. The first cloud-based PaaS suite unifies process design, agile application development and integration, while enabling customers to utilize hybrid cloud deployments to support their business needs.

Terracotta In-Genius: A recipe for success for Industry 4.0

Software AG presented solutions based on the Terracotta In-Genius software platform to help organizations handle the fundamental change to Industry 4.0 in the manufacturing sector at the Hannover Messe tradeshow in April. The challenge posed by the fourth industrial revolution is how to intelligently cope with the massive amounts of data produced by machine-to-machine communication and between machines and other end devices via Internet. Software AG's data management platform enables real-time analysis of mass amounts of data and offers a flexible way to integrate cutting-edge types of masses of data, for instance information from sensor data streams.

STRATEGY AND TECHNOLOGY PARTNERSHIPS

Strategic partnership with Bristlecone for process-oriented SAP solutions

In early June Software AG entered into a comprehensive long-term partnership with Bristlecone. The collaboration is focused on delivering joint SAP solutions to customers in European companies. Customers will benefit from the combined expertise of the two partners: the process-oriented SAP management approach of Software AG's consulting division, IDS Scheer Consulting, and Bristlecone's extensive experience in supply chain management and SAP solutions. During the first phase of the partnership, Bristlecone will create an SAP consulting, application services, and development competence center for Software AG's services. Thereafter, the partnership will be gradually expanded to include the entire service portfolio of Software AG's global consulting business. The two companies have collaborated successfully in the past on joint SAP-based projects for supply chain optimization in Europe and the Middle East.

Technology partnership with Confiance for cloud-based ARIS training

Software AG and Confiance formed a technology partnership at the end of May. Its scope covers the planning, development and global sales of e-learning courses on ARIS process software by Confiance with incorporation of Software AG's intellectual property. This represents the further expansion of Software AG's training portfolio. In addition to individual on-site customer training, open classroom courses and certification, cloud-based e-learning services organized in cooperation with Confiance are now offered as part of Software AG's portfolio.

EXTERNAL HONORS

Forrester Research and Gartner position Software AG as "leader"

Once again Software AG has been named a leader by independent industry analysts and market researchers.

In its report "The Forrester Wave: Enterprise Architecture Management Suites," Forrester Research named Software AG a "leader," gave it the highest scores in the product strategy category and rated it best vendor for guaranteeing high-quality and efficient business solutions. The evaluation was based on the ARIS 9 process platform.

In Gartner's "Magic Quadrant for On-Premises Application Integration Suites" Software AG was placed in the leader quadrant and earned the highest rating at both ends of the quadrant, which recognizes product innovation, sophisticated services and successful market launch. The evaluation was based on the webMethods Suite 9.0 integration software.

Terracotta products nominated for Stevie American Business Awards 2013

The enthusiastic response to the freemium model shows that Software AG is on the right track with its flagship Terracotta products. It allows customers to download and test solutions in their own environments for free.

A further confirmation of the products' quality and user value was the nomination of the most recent version of BigMemory 4.0 and the upcoming In-Genius platform to the final round of the 2013 Stevie American Business Awards. As part of a multi-stage elimination process, they were selected by industry experts out of more than 3,200 contest entries as a finalist in the category "New Product or Service of the Year - Software - Business or Competitive Intelligence Solution." The winners will be announced in September.

PROMISSORY NOTE

Promissory note four times oversubscribed

Software AG began meeting with investors on June 6 to market its issue of a promissory note. After just a few weeks, at the beginning of the third quarter, the Company had successfully placed the promissory note. The more than 100 investors consisted of private, state, cooperative and savings banks as well as other investors from German-speaking countries and—for the first time—other regions. In addition to tranches in euros, Software AG also placed tranches in U.S. dollars for the first time—with a volume of $65 million. Due to such high demand, the transaction was four times oversubscribed and the original volume totaling €150 million was doubled to €300 million. Various terms of two, three and four years were offered at fixed or variable interest rates. The average interest rate on the fixed interest portion was 1.8 percent.

2 FINANCIAL PERFORMANCE

2.1 SALES BY REVENUE TYPE

Total revenue

Software AG reported total revenue of €237.7 million (2012: €258.6 million) in the second quarter of 2013. This is a 6-percent increase over the first quarter of the year (Q1: €224.9 million).

Group product revenue (licenses plus maintenance) was €169.1 million (2012: €175.5 million) and accounted for about 71 percent (2012: 68 percent) of total revenue. The revenue mix therefore further improved, shifting in favor of growth-driving, high-margin license and maintenance revenue.

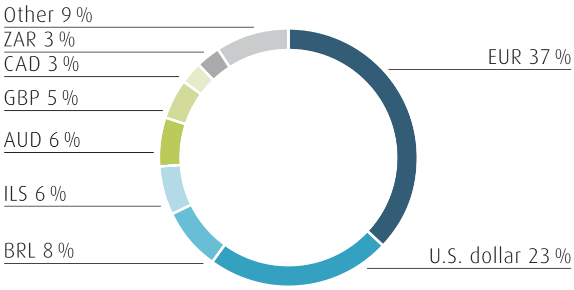
Global license revenue held steady with the same quarter last year at €75.8 million (2012: €76.0 million); at constant currency there was a 5-percent increase. License revenue in the second quarter developed atypically. While the ETS database business received customer orders relatively early in the year, a major BPE license agreement was concluded in the U.S. shortly after quarter's end. Maintenance revenue for the Group was in line with that of the previous quarter (€93.5 million) at €93.4 million (2012: €99.5 million).

Software AG also made further inroads to becoming the market leader of Business Process Excellence (BPE). Intensified R&D activities made Software AG the global leader in integration software in BPE, as recognized by a recent study by independent industry analysts. Software AG laid the foundation in the first half of 2013 for above-average BPE growth in the future.

Exchange rate effects

CURRENCY SPLIT YTD 2013

37 % Revenue in €
63 % Revenue in other currencies



The effect of exchange rates on Software AG's global sales was greater in the second quarter of 2013 than in the first. This was primarily because of the continuing strength of the euro.

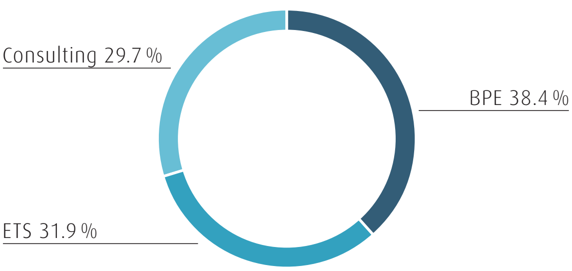
In total, currency effects on Group revenue were €–7.5 million. All three types of revenue were burdened, but license revenue most of all with €–4.1 million. The effects on maintenance and consulting revenue were €–2.6 million and €–0.8 million respectively.

The eurozone's contribution to revenue in the second quarter fell to 37 percent (2012: 38 percent), which shows a slightly decreased dependency on the euro compared to the previous year.

2.2 REVENUE AND EARNINGS BY BUSINESS LINE (SEGMENT REPORT)

Software AG's total revenue in the second quarter of 2013 was €237.7 million and was distributed among the three business lines as follows:

PRODUCT REVENUE



This revenue distribution reflects the sales mix's positive trend toward the BPE line. This is confirmation of the success of Software AG's strategic focus on the growth potential of integration and process software. As a result, the contribution of BPE products to Group revenue rose to 38.4 percent in the quarter under review. ETS contributed 31.9 percent and Consulting 29.7 percent to Group revenue.

Business Process Excellence (BPE)

Investments in future-oriented technologies and focused global market development in the Business Process Excellence (BPE) line began to generate the first results. The BPE business line made the largest contribution to Group revenue again in the second quarter of 2013. At €91.4 million (2012: €93.8 million) this line's revenue approximated the previous year's level; operationally, or at constant currency, this is a slight increase. License revenue for the quarter was €42.8 million (2012: €45.6 million). BPE maintenance revenue at €48.6 million (2012: €48.1 million) was just up from the previous year's strong result. This offset the decline of ETS maintenance.

Due to a delay in the signing of license agreements worth double-digit million sums until just shortly after the second quarter ended, BPE product revenue did not meet expectations for the quarter. BPE sales successes included a large deal for Software AG Government Solutions, a sales unit which was recently established in the USA. The Software AG subsidiary, specialized in the public sector, closed its biggest deal yet in July, shortly after quarter's end, with a U.S. government agency worth a total value of $17 million. Approximately $10 million of that amount is recognized as BPE licenses. This is a positive confirmation of Software AG's strategy of increased investments in sales and marketing, especially in the USA, and creating a Software AG business unit for the U.S. public sector.

The strongest engines for BPE growth in the second quarter proved to be Latin America and the Asia-Pacific & Japan (APJ) region where double-digit growth rates were achieved for the eighth consecutive quarter. Software AG Latin America, for example, secured the largest ARIS order with a volume of more than €5 million. Australia is evolving into a solid anchor for business in the APJ region. These rapidly growing regions achieved faster growth than competitors in the same regions with double-digit growth rates in license revenue.

In order to bolster BPE growth and solidify its technology leadership in the BPE market, Software AG made various small technology acquisitions in the second quarter. This enabled the Company to enhance its product portfolio with market-leading components for cloud computing and big data and to expand its customer base.

The cost of sales in the BPE line went up 2 percent to €4.9 million (2012: €4.8 million). The expansion of sales and marketing activities by 36 percent and of R & D activities by 5 percent with the aim of securing global technology leadership in Business Process Excellence led to decreased segment earnings of €18.6 million (2012: €34.9 million).

Due to a full sales pipeline, Software AG is confident of substantial growth in BPE license revenue for the rest of the year, despite the increasingly difficult market environment.

Business Process Excellence (BPE)

Segment report Q2 2013 / YTD 2013 (6 months)

in € millions	**Q2 2013**	Q2 2012	Δ%	Δ% acc	**YTD 2013**	YTD 2012	Δ%	Δ% acc
Licenses	42.8	45.6	– 6 %	– 3 %	84.7	81.3	4 %	7 %
Maintenance	48.6	48.1	1 %	4 %	97.1	93.0	4 %	7 %
Product revenue	**91.4**	**93.7**	**– 2 %**	**1 %**	**181.8**	**174.3**	**4 %**	**7 %**
Other	–	0.1	–	–	–	–	–	–
Total revenue	**91.4**	**93.8**	**– 3 %**	**1 %**	**181.8**	**174.3**	**4 %**	**7 %**
Cost of sales	– 4.9	– 4.8	2 %		– 10.8	– 9.6	13 %	
Gross profit	**86.5**	**89.0**	**– 3 %**		**171.0**	**164.7**	**4 %**	
Sales & marketing	– 48.1	– 35.3	36 %		– 94.1	– 66.2	42 %	
Research & development	– 19.8	– 18.8	5 %		– 39.5	– 36.3	9 %	
Segment earnings	**18.6**	**34.9**	**– 47 %**		**37.4**	**62.2**	**– 40 %**	

Enterprise Transaction Systems (ETS)

Segment report Q2 2013 / YTD 2013 (6 months)

in € millions	**Q2 2013**	Q2 2012	Δ%	Δ% acc	**YTD 2013**	YTD 2012	Δ%	Δ% acc
Licenses	32.6	30.1	8 %	16 %	53.6	58.8	– 9 %	– 4 %
Maintenance	43.1	47.6	– 9 %	– 7 %	86.3	95.2	– 9 %	– 6 %
Product revenue	**75.7**	**77.7**	**– 3 %**	**2 %**	**139.9**	**154.0**	**– 9 %**	**– 6 %**
Other	0.1	0.2	–	–	0.4	0.5	–	–
Total revenue	**75.8**	**77.9**	**– 3 %**	**2 %**	**140.3**	**154.5**	**– 9 %**	**– 6 %**
Cost of sales	– 3.1	– 3.9	– 21 %		– 6.9	– 7.5	– 8 %	
Gross profit	**72.7**	**74.0**	**– 2 %**		**133.4**	**147.0**	**– 9 %**	
Sales & marketing	– 13.5	– 14.5	– 7 %		– 27.3	– 29.7	– 8 %	
Research & development	– 6.4	– 6.5	– 2 %		– 12.9	– 13.2	– 2 %	
Segment earnings	**52.8**	**53.0**	**0 %**		**93.2**	**104.1**	**– 10 %**	

The traditional Enterprise Transaction Systems (ETS) database business generated €75.8 million (2012: €77.9 million) in revenue for licenses, maintenance and services associated with the Adabas-Natural product families. This is a 2-percent increase at constant currency, which exceeded expectations. This performance resulted mainly from new orders that were placed early in the year leading to higher license revenue. ETS licenses rose to €32.6 million (2012: €30.1 million) in the second quarter. Maintenance revenue was within the projected range at €43.1 million (2012: €47.6 million).

The positive performance of ETS license revenue emphasizes the fact that Software AG's long-standing database solutions represent a key technology to a broad community of customers.

Based on the expectation that development of the traditional mainframe business will continue to decline, Software AG reduced costs in this division. The cost of sales in the quarter under review dropped by 21 percent to €3.1 million (2012: €3.9 million). Sales and marketing expenses decreased by 7 percent and research and development expenses by 2 percent. The positive performance of license sales combined with a stringent cost control policy led to segment earnings on par with the previous year at €52.8 million (2012: €53.0 million). The segment's profit margin improved to 70 percent (2012: 68 percent) in the quarter under review.

Consulting

Segment report Q2 2013 / YTD 2013 (6 months)

in € millions	Q2 2013	Q2 2012	Δ%	Δ% acc	YTD 2013	YTD 2012	Δ%	Δ% acc
Licenses	0.4	0.3	33 %	35 %	1.0	1.2	– 17 %	– 12 %
Maintenance	1.7	3.8	– 55 %	– 57 %	3.5	7.5	– 53 %	– 53 %
Product revenue	**2.1**	**4.1**	**– 49 %**	**– 50 %**	**4.5**	**8.7**	**– 48 %**	**– 48 %**
Services & other	68.4	82.8	– 17 %	– 16 %	136.1	175.6	– 22 %	– 22 %
Total revenue	**70.5**	**86.9**	**– 19 %**	**– 18 %**	**140.6**	**184.3**	**– 24 %**	**– 23 %**
Cost of sales	– 59.2	– 82.8	– 29 %		– 119.4	– 170.3	– 30 %	
Gross profit	**11.3**	**4.1**	**176 %**		**21.2**	**14.0**	**51 %**	
Sales & marketing	– 8.6	– 8.4	2 %		– 18.2	– 18.1	1 %	
Segment earnings	**2.7**	**– 4.3**	**–**		**3.0**	**– 4.1**	**–**	

The Consulting business line, which has comprised the services of BPE, ETS and IDS Scheer Consulting since the beginning of this fiscal year, posted revenue at €70.5 million (2012: €86.9 million). The decrease in revenue is primarily a result of the realignment and consolidation of the Company's SAP consulting business. Software AG began exiting from unprofitable markets last year. That was followed by the successful sale of its North American SAP service activities at the beginning of this year.

In line with the focus of the consulting business, Software AG further reduced costs. The cost of sales dropped 29 percent, which is more than the drop in the business line's revenue, to total €59.2 million (2012: €82.8 million). This resulted in a significant improvement to segment earnings, which grew both year-on-year (€– 4.3 million to €2.7 million) as well as compared to the previous quarter (€2 million). The gross profit margin therefore increased from 14 percent in the first quarter of 2013 to 16 percent in the second due to productivity improvements.

The positive performance of the segment earnings reflects the success of the operational turnaround and of the strategic realignment aimed at returning to profitability and growth. Software AG will continue to implement the communicated strategy and focus its consulting business on process optimization for SAP applications in German-speaking countries.

2.3 EARNINGS PERFORMANCE

Earnings Q2 2013 / YTD 2013 (6 months)

in € millions	**Q2 2013**	Q2 2012	Δ%	**YTD 2013**	YTD 2012	Δ%
Total revenue	**237.7**	**258.6**	**– 8 %**	**462.7**	**513.2**	**– 10 %**
Cost of sales	– 73.5	– 97.6	– 25 %	– 149.4	– 199.3	– 25 %
Gross profit	**164.2**	**161.0**	**2 %**	**313.3**	**313.9 %**	**0 %**
Margin as %	69.1 %	62.3 %		67.7 %	61.2 %	
Research & development	– 26.2	– 25.3	4 %	– 52.4	– 49.6	6 %
Sales & marketing	– 73.9	– 61.6	20 %	– 146.8	– 120.9	21 %
Administration	– 17.4	– 18.7	– 7 %	– 35.2	– 34.2	3 %
Other income / expense	– 2.3	1.7	–	7.1	2.7	163 %
EBIT	**44.4**	**57.1**	**– 22 %**	**86.0**	**111.9**	**– 23 %**
Margin as %	18.7 %	22.1 %		18.6 %	21.8 %	

Software AG lowered its cost of sales in the second quarter of 2013 by 25 percent to €73.5 million (2012: €97.6 million). The reduction is mainly due to the consolidated focus in the Consulting business line. As a result of this targeted cost reduction and the positive development of the revenue mix in favor of BPE licenses and maintenance, Software AG's gross profit margin grew to 69.1 percent (2012: 62.3 percent).

As in the first quarter of the year, research and development expenses totaled €26.2 million (2012: €25.3 million). The cost of further development of acquired products was not recognized in this quarter; it will be accounted for in upcoming quarters. Administrative expenses dropped 7 percent to €17.4 million (2012: €18.7 million) due to efficiency measures to maximize the benefits of the expanded organization.

The planned increase of €12.3 million in sales expenses totaling €73.9 million (2012: €61.6 million) was largely for addressing new high-potential BPE markets such as the public sector in the USA. EBIT was €44.4 million (2012: €57.1 million) and therefore on target; it decreased by the same amount (€12.7 million) by which sales and marketing expenses increased. The EBIT margin was 18.7 percent (2012: 22.1 percent).

Net income

Q2 2013 / YTD 2013 (6 months)

in € millions	Q2 2013	Q2 2012	Δ%	YTD 2013	YTD 2012	Δ%
EBIT	**44.4**	**57.1**	**– 22 %**	**86.0**	**111.9**	**– 23 %**
Net financial income / expense	– 1.5	– 1.9	– 21 %	– 2.8	– 4.0	– 30 %
Earnings before taxes	42.9	55.2	– 22 %	83.2	107.9	– 23 %
Other taxes	– 1.4	– 2.4	– 42 %	– 3.2	– 3.6	– 11 %
Income taxes	– 12.7	– 15.3	– 17 %	– 24.0	– 31.0	– 23 %
Tax rate as %	32.9 %	32.1 %		32.7 %	32.1 %	
Net income	**28.8**	**37.5**	**– 23 %**	**56.0**	**73.3**	**– 24 %**
EPS in €*	**0.34**	**0.43**	**– 21 %**	**0.66**	**0.84**	**– 21 %**

* Weighted average number of shares outstanding (basic)
Q2 2013: 83.8 mn / Q2 2012: 86.8 mn

Software AG's tax rate was 32.9 percent and is largely dependent on regional revenue distribution. Net income (earnings after taxes) fell to €28.8 million (2012: €37.5 million) due to higher investments and exchange rate effects. This reflects a slight increase compared to the previous quarter. Earnings per share were €0.34 (2012: €0.43) in the quarter under review.

First half-year 2013

Product revenue in the first six months of 2013 totaled €326.3 million (2012: €337.1 million). Service revenue was €135.8 million (2012: €175.4 million). Software AG's total Group revenue in the first half of the current fiscal year was €462.7 million (2012: €513.2 million).

BPE license and maintenance revenue for the period increased to €181.8 million (€174.3 million). ETS product revenue reached €140.3 million (2012: €154.5 million). Due to the realignment and new focus of the Consulting business line, consulting revenue dropped to €140.6 million (2012: €184.3 million).

As a result of increased investments in sales, marketing and research and development in the BPE business line, EBIT for the first half-year 2013 was €86.0 million (2012: €111.9 million). Accordingly, the EBIT margin was 18.6 percent (2012: 21.8 percent).

3 FINANCIAL POSITION

3.1 CASH FLOW

Q2 2013 / YTD 2013 (6 months)

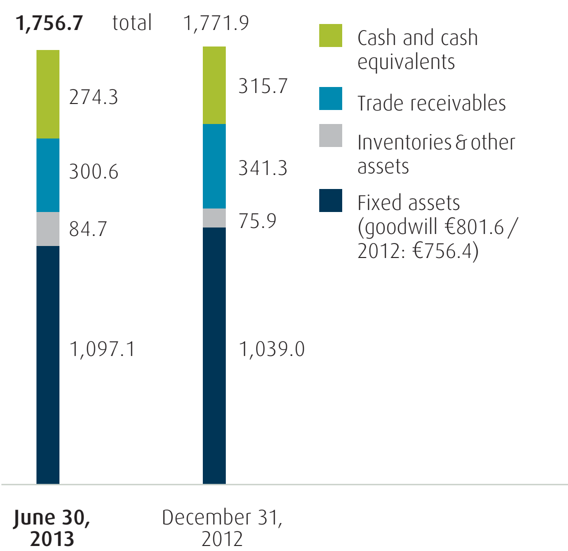
in € millions	Q2 2013	Q2 2012	Δ%	YTD 2013	YTD 2012	Δ%
Operating cash flow	**13.3**	**43.8**	**– 70 %**	**78.7**	**104.8**	**– 25 %**
./. CapEx*	– 3.7	– 2.0		– 6.4	– 3.9	
Free cash flow	**9.6**	**41.8**	**– 77 %**	**72.3**	**100.9**	**– 28 %**
% of revenue	4.0 %	16.2 %		15.6 %	19.7 %	
Free cash flow per share in €**	**0.11**	**0.48**	**– 77 %**	**0.85**	**1.16**	**– 27 %**

* Cash flow from investing activities adjusted for acquisitions
**Weighted average shares outstanding (basic)
Q2 2013: 83.8 mn / Q2 2012: 86.8 mn

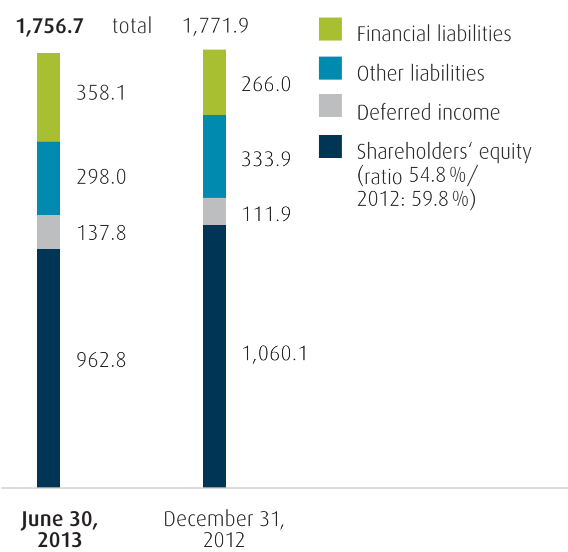
Following strong cash flow in the first quarter of 2013, free cash flow in the second quarter decreased to €9.6 million (2012: €41.8 million). Accordingly, free cash flow per share was €0.11 (2012: €0.48) in the second quarter. This was primarily due to time differences between the recognition of income and payment flows. Free cash flow for the first half-year totaled €72 million (2012: €101 million). Thus, free cash flow developed in line with net income.

3.2 CONSOLIDATED BALANCE SHEET

Assets in € millions



Liabilities in € millions



Total assets as of June 30, 2013 were €1,756.7 million, which is the same approximate level as at the end of last fiscal year (Dec. 31, 2012: €1,771.9 million). Shareholders' equity as of June 30, 2013 fell to €962.8 million (Dec. 31, 2012: €1,060.1 million) due to the successfully concluded share buyback program in the second quarter and to dividend payouts. Accordingly, Software AG's equity ratio declined from 60 percent at the end of 2012 to a still very high 55 percent as of June 30, 2013.

4 EMPLOYEES

As of June 30, 2013, Software AG had 5,375 (Dec. 31, 2012: 5,419) employees, which is 75 more than at the end of the first quarter of 2013. Of those, the number of employees in Sales and Marketing increased to 1,229 (Dec. 31, 2012: 1,131) and in Research and Development to 941 (Dec. 31, 2012: 887). The number of employees in Germany increased to 1,777 (Dec. 31, 2012: 1,768).

5 OPPORTUNITIES AND RISKS

There were no changes to the risk situation of the Software AG Group in the second quarter of 2013 as portrayed in the Risk Report of the 2012 Annual Report. Corresponding opportunities are described in the Outlook section of this report and the 2012 Annual Report.

6 EVENTS AFTER THE BALANCE SHEET DATE

CEO'S CONTRACT RENEWAL

Software AG announced in a press release on July 31, 2013 that its Supervisory Board had approved the renewal of Karl-Heinz Streibich's (60) contract as CEO of Software AG for five more years ending July 31, 2018. With this step, Software AG's Supervisory Board is relying on continuity and stability for the leadership of Germany's second-largest IT company.

7 OUTLOOK

OUTLOOK FY 2013—CONFIRMED

	FY 2012	Outlook FY 2013 (as of Jan. 29, 2013)
Product revenue BPE	384 € millions	+16 % to +22 %*
Product revenue ETS	310 € millions	−9 % to −4 %*
Earnings per share in €**	1.90	1.70 to 1.80

* At constant currency, delta
** Before share buyback

Software AG confirms its outlook for the full year, which was communicated on January 29, 2013 with the release of the annual results for 2012. Accordingly, the Company expects an increase in BPE revenue between 16 and 22 percent (at constant currency) for fiscal year 2013. Revenue in the traditional ETS database business will likely fall by 4 to 9 percent (at constant currency). Taking into account the additional investments for the expansion of sales and marketing, earnings per share should be between €1.70 and €1.80 in 2013. Given the increasingly difficult market environment influencing the entire software industry and possible postponement of large-volume license agreements, as seen in the second quarter, Software AG points out that the results at the end of the year could be at the low end of the given ranges. Total revenue is expected to be slightly down year-on-year.

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the six months ended June 30, 2013, IFRS, unaudited

in € thousands	**1st half 2013**	1st half 2012	Change in %	**Q2 2013**	Q2 2012	Change in %
Licenses	139,380	141,286	– 1	75,799	76,040	0
Maintenance	186,859	195,778	– 5	93,357	99,510	– 6
Services	135,791	175,441	– 23	68,283	82,703	– 17
Other	629	694	– 9	309	392	– 21
Total revenue	**462,659**	**513,199**	**– 10**	**237,748**	**258,645**	**– 8**
Costs of sales	– 149,326	– 199,308	– 25	– 73,551	– 97,616	– 25
Gross profit	**313,333**	**313,891**	**0**	**164,197**	**161,029**	**2**
Research and development expenses	– 52,434	– 49,556	6	– 26,213	– 25,319	4
Sales, marketing and distribution expenses	– 146,752	– 120,909	21	– 73,940	– 61,635	20
General and administrative expenses	– 35,199	– 34,188	3	– 17,355	– 18,692	– 7
Other taxes	– 3,235	– 3,631	– 11	– 1,416	– 2,358	– 40
Operating result	**75,713**	**105,607**	**– 28**	**45,273**	**53,025**	**– 15**
Other income	22,673	14,359	58	6,529	7,964	– 18
Other expenses	– 15,637	– 11,720	33	– 8,862	– 6,290	41
Financial income/expense, net	– 2,813	– 3,932	– 28	– 1,483	– 1,870	– 21
Profit before income taxes	**79,936**	**104,314**	**– 23**	**41,457**	**52,829**	**– 22**
Income taxes	– 23,904	– 30,995	– 23	– 12,638	– 15,373	– 18
Net income	**56,032**	**73,319**	**– 24**	**28,819**	**37,456**	**– 23**
Thereof attributable to shareholders of Software AG	**56,002**	**73,195**	**– 23**	**28,804**	**37,438**	**– 23**
Thereof attributable to non-controlling interests	**30**	**124**		**15**	**18**	
Earnings per share (€, basic)	0.66	0.84	– 21	0.34	0.43	– 21
Earnings per share (€, diluted)	0.66	0.84	– 21	0.34	0.43	– 21
Weighted average number of shares outstanding (basic)	84,812,959	86,766,468	–	83,831,849	86,766,468	–
Weighted average number of shares outstanding (diluted)	85,197,060	86,890,380	–	83,985,820	86,781,331	–

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended June 30, 2013, IFRS, unaudited

in € thousands	**1st half 2013**	1st half 2012	**Q2 2013**	Q2 2012
Net income	**56,032**	**73,319**	**28,819**	**37,456**
Currency translation differences	– 3,748	12,406	– 24,172	24,894
Net gain/loss on remeasuring financial assets	913	– 275	– 623	– 681
Net gain/loss arising from translating net investments in foreign operations	296	939	– 733	2,037
Items that may be subsequently reclassified to profit or loss	**– 2,539**	**13,070**	**– 25,528**	**26,250**
Net actuarial gain/loss and asset caps on defined benefit plans	36	– 54	21	– 17
Items that will not be subsequently reclassified to profit or loss	**36**	**– 54**	**21**	**– 17**
Other comprehensive income	**– 2,503**	**13,016**	**– 25,507**	**26,233**
Total comprehensive income	**53,529**	**86,335**	**3,312**	**63,689**
Thereof attributable to shareholders of Software AG	53,499	86,211	3,297	63,671
Thereof attributable to non-controlling interests	30	124	15	18

CONSOLIDATED BALANCE SHEET

as of June 30, 2013, IFRS, unaudited

in € thousands	**June 30, 2013**	Dec. 31, 2012
ASSETS		
Current assets		
Assets held for sale	0	6,092
Cash and cash equivalents	274,286	315,637
Inventories	111	111
Trade receivables	256,336	306,600
Other receivables and other assets	30,783	24,429
Income tax assets	35,372	22,959
	596,888	**675,828**
Non-current assets		
Intangible assets	225,815	214,393
Goodwill	801,628	756,372
Property, plant and equipment	64,794	64,014
Financial assets	4,811	4,252
Trade receivables	44,293	34,674
Other receivables and other assets	2,642	3,895
Income tax assets	2,684	1,769
Deferred taxes	13,101	16,662
	1,159,768	**1,096,031**
Total assets	**1,756,656**	**1,771,859**

in € thousands	**June 30, 2013**	Dec. 31, 2012
EQUITY AND LIABILITIES		
Current liabilities		
Liabilities related to assets held for sale	0	3,307
Financial liabilities	244,611	52,572
Trade payables	38,723	47,833
Other liabilities	73,543	66,721
Other provisions	59,849	90,319
Tax liabilities	25,046	30,688
Deferred income	136,474	110,397
	578,246	**401,837**
Non-current liabilities		
Financial liabilities	113,456	213,440
Trade payables	9	220
Other liabilities	6,699	7,237
Provisions for pensions	49,073	50,194
Other provisions	6,352	10,504
Deferred taxes	38,698	26,829
Deferred income	1,330	1,532
	215,617	**309,956**
Equity		
Share capital	86,917	86,917
Capital reserve	44,405	42,124
Retained earnings	1,009,496	991,651
Other reserves	– 62,749	– 60,246
Treasury shares	– 116,083	– 1,157
Share attributable to shareholders of Software AG	**961,986**	**1,059,289**
Non-controlling interests	**807**	**777**
	962,793	**1,060,066**
Total equity and liabilities	**1,756,656**	**1,771,859**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended June 30, 2013, IFRS, unaudited

in € thousands	**1st half 2013**	1st half 2012	**Q2 2013**	Q2 2012
Net income	56,032	73,319	28,819	37,456
Income taxes	23,904	30,995	12,638	15,373
Net financial income / expense	2,813	3,932	1,483	1,870
Amortization / depreciation of non-current assets	26,184	25,275	13,485	12,822
Other non-cash income / expense	– 4,291	2,818	– 185	2,732
Operating cash flow before changes in working capital	**104,642**	**136,339**	**56,240**	**70,253**
Changes in inventories, receivables and other current assets	37,278	6,855	11,197	– 4,520
Changes in payables and other liabilities	– 22,151	7,835	– 25,943	10,227
Income taxes paid	– 37,997	– 42,815	– 24,351	– 28,190
Interest paid	– 7,250	– 7,239	– 5,896	– 5,629
Interest received	4,224	3,825	2,047	1,614
Net cash provided by operating activities	**78,746**	**104,800**	**13,294**	**43,755**
Proceeds from the sale of property, plant and equipment/ intangible assets	336	383	274	277
Purchase of property, plant and equipment/intangible assets	– 6,823	– 4,418	– 3,703	– 2,334
Proceeds from the sale of financial assets	424	791	0	305
Purchase of financial assets	– 385	– 247	– 312	– 247
Cash outflows from current financial assets	0	– 433	0	0
Proceeds from the sale of disposal group	6,443	0	0	0
Payment for acquisitions, net	– 57,227	– 16,889	– 57,123	– 16,476
Net cash used in investing activities	**– 57,232**	**– 20,813**	**– 60,864**	**– 18,475**

in € thousands	**1st half 2013**	1st half 2012	**Q2 2013**	Q2 2012
Proceeds from issue of share capital	0	0	0	0
Purchase of treasury stock (incl. hedge premiums paid)	– 114,926	0	– 49,395	0
Dividends paid	– 38,157	– 40,100	– 38,157	– 39,930
Additions to financial liabilities	100,000	10,000	0	10,000
Repayments of financial liabilities	– 3,650	– 3,070	– 1,791	– 1,921
Net cash provided by/used in financing activities	**– 56,733**	**– 33,170**	**– 89,343**	**– 31,851**
Change in cash and cash equivalents from cash-relevant transactions	– 35,219	50,817	– 136,913	– 6,571
Currency translation adjustment	– 6,132	2,717	– 11,602	4,279
Net change in cash and cash equivalents	**– 41,351**	**53,534**	**– 148,515**	**– 2,292**
Cash and cash equivalents at beginning of period	315,637	216,479	422,801	272,305
Cash and cash equivalents at end of period	**274,286**	**270,013**	**274,286**	**270,013**
Free cash flow	**72,298**	**100,876**	**9,553**	**41,756**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended June 30, 2013, IFRS, unaudited

in € thousands	Share capital		Capital reserve	Retained earnings
	Common shares (No.)			
Equity as of January 1, 2012	**86,766,468**	**86,828**	**35,716**	**867,053**
Total comprehensive income	–	–	–	73,195
Transactions with equity holders	–	–	–	–
Dividend payment	–	–	–	–39,913
New shares issued	–	–	–	–
Stock options	–	–	2,009	–
Issue and disposal of treasury stock	–	–	–	–
Purchase of treasury stock	–	–	–	–
Other changes	–	–	–	–
Transactions between shareholders	–	–	–	–
Equity as of June 30, 2012	**86,766,468**	**86,828**	**37,725**	**900,335**
Equity as of January 1, 2013	**86,875,068**	**86,917**	**42,124**	**991,651**
Total comprehensive income	–	–	–	56,002
Transactions with equity holders	–	–	–	–
Dividend payment	–	–	–	–38,157
New shares issued	–	–	–	–
Stock options	–	–	2,281	–
Issue and disposal of treasury stock	–	–	–	–
Purchase of treasury stock (incl. hedge premiums paid)	–3,924,441	–	–	–
Other changes	–	–	–	–
Transactions between shareholders	–	–	–	–
Equity as of June 30, 2013	**82,950,627**	**86,917**	**44,405**	**1,009,496**

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				
–26,894	**–3,054**	**–11,332**	**4,185**	**–1,675**	**950,827**	**655**	**951,482**
12,406	–275	–54	939	–	86,211	124	86,335
–	–	–	–	–	–	–	–
–	–	–	–	–	–39,913	–187	–40,100
–	–	–	–	–	0	–	0
–	–	–	–	–	2,009	–	2,009
–	–	–	–	–	0	–	0
–	–	–	–	–	0	–	0
–	–	–	–	–	0	142	142
–	–	–	–	–	–	–	–
–14,488	**–3,329**	**–11,386**	**5,124**	**–1,675**	**999,134**	**734**	**999,868**
–38,731	**–3,546**	**–21,467**	**3,498**	**–1,157**	**1,059,289**	**777**	**1,060,066**
–3,748	913	36	296	–	53,499	30	53,529
–	–	–	–	–	0	–	0
–	–	–	–	–	–38,157	–	–38,157
–	–	–	–	–	0	–	0
–	–	–	–	–	2,281	–	2,281
–	–	–	–	–	0	–	0
–	–	–	–	–114,926	–114,926	–	–114,926
–	–	–	–	–	0	–	0
–	–	–	–	–	–	–	–
–42,479	**–2,633**	**–21,431**	**3,794**	**–116,083**	**961,986**	**807**	**962,793**

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 June 30, 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable on the balance sheet date, as endorsed by the EU. The IASs/IFRSs applicable as of June 30, 2013 were observed, as were the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC—formerly SIC).

Software AG is a registered stock corporation under German law with registered offices in Darmstadt. Software AG 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.

Software AG waived a voluntary audit and a review of the consolidated interim financial statements (half-year report).

[2] Changes in the consolidated Group

The following changes occurred in the consolidated Group in the first six months of fiscal 2013:

	Germany	Foreign	**Total**
January 1, 2013	**10**	**85**	**95**
Additions	3	3	6
Disposals (including mergers)	0	1	1
June 30, 2013	**13**	**89**	**102**

The additions resulted from the acquisitions described in Note 4. The disposal relates to the merger of a company in Italy.

[3] Accounting policies

With the exception of the new or revised standards described below, 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, 2012. For more detailed information on accounting policies, please see Note 3 of the consolidated financial statements for fiscal 2012.

First-time application of new accounting rules

The retroactive application of the revised IAS 19 as of January 1, 2013 and the resulting elimination of the corridor approach had no significant effect on Software AG, as Software AG had already been recognizing changes in actuarial gains/losses in equity. Solely the wording was changed in the Statement of Comprehensive Income.

In addition, the application of more standards and announcements became mandatory for the first time as of January 1, 2013, but had no effect on Software AG's financial accounting.

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

[4] Business combinations

In the first half of 2013, Software AG achieved control over the following entities and their subsidiaries through the acquisition of equity interests:

Company/Line of business	Ownership interest recognized on the balance sheet as of June 30, 2012	Percentage of acquired shareholders' equity with voting rights	Date of acquisition
metaquark GmbH, Berlin (Provider of mobile solutions)	100 %	16 %	March 4, 2013
LongJump Inc, USA (Cloud platform provider)	100 %	100 %	April 24, 2013
alfabet AG, Berlin (Enterprise architecture and IT portfolio management provider)	100 %	100 %	May 31, 2013

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

The following table shows the provisional allocation of the cost of the business combination to the net assets acquired for acquired companies in the first half-year.

in € thousands	Carrying amount prior to acquisition	Remeasurement to fair value	Opening balance
Cash and cash equivalents	4,824	0	4,824
Intangible assets	119	29,320	29,439
Goodwill	0	41,440	41,440
Other assets	3,272	0	3,272
Total assets	**8,215**	**70,760**	**78,975**
Liabilities and provisions	1,384	0	1,385
Deferred tax liabilities	0	10,554	10,554
Deferred income	4,108	– 2,167	1,941
Total equity and liabilities	**5,492**	**8,387**	**13,880**
Acquired assets and assumed liabilities, net	**2,723**	**62,373**	**65,095**
Payments to shareholders			58,768
Payments to the company			500
Consideration not yet paid			5,827
Acquisition cost, gross			**65,095**
Cash and cash equivalents acquired			4,824
Net cost of the business combination			**60,271**

The full amount of goodwill resulting from the preliminary purchase price allocation was assigned to the Business Process Excellence segment. The recognition of goodwill resulted mainly from the fact that synergies and staff are not separable intangible assets within the meaning of IAS 38. The goodwill arising from the aforementioned acquisitions is not tax deductible.

The companies acquired in the first half of the year have contributed €1.6 million to Software AG's Group revenue and €– 0.3 million to its operating income since the respective date of acquisition.

In addition to the described consideration paid, considerations not yet paid from previous acquisitions in the amount of €2,100 thousand were paid in the first half-year.

Software AG acquired the Apama complex event processing platform by Progress in July and thus after the balance sheet date, but before the release of the half-year financial statements. Software AG assumed all assets and liabilities associated with these operations as well as the 105 employees working in this business segment (asset deal). The Apama event processing platform is an environment for the design and operation of CEP applications. The consideration due for this acquisition is anticipated to amount to approximately €34 million. Due to the short period of time between the time of acquisition and the publication release of this half-year report, a preliminary purchase price allocation could not take place. Software AG considers the impact of this acquisition on the Group's financial position, financial performance and cash flows to be immaterial.

NOTES TO THE CONSOLIDATED BALANCE SHEET

[5] Goodwill

Goodwill amounted to €801,628 thousand as of June 30, 2013, an increase of €45,256 thousand compared to December 31, 2012. Of the rise in goodwill, €3,816 thousand resulted from currency translation gains, due in particular to the strong U.S. dollar, and €41,440 thousand from the Company's acquisitions described in Note 4.

[6] Shareholders' equity

Share capital

Software AG's share capital totaled €86,917 thousand as of June 30, 2013, divided into 86,917,445 bearer shares. 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 3, 2013 to appropriate €38,157 thousand for a dividend payout from the net retained profits of €258,857 thousand reported by Software AG, the controlling Group company, in 2012. This corresponded to a dividend of €0.46 per share. A total amount of €220,700 thousand was carried forward.

Share buyback

As part of the share buyback program, which was approved by the Management Board with the consent of the Supervisory Board on February 7, 2013, 3,924,441 treasury shares were purchased at an average price of €29.27 during the first half of 2013. Software AG thus held a balance of 3,966,818 treasury shares as of June 30, 2013 for a total price of €116,025,780 thousand (excluding transaction costs). This is 4.56 percent of Software AG's share capital. On April 30, 2013 Software AG announced the conclusion of the share buyback program which had been approved on February 7, 2013.

OTHER DISCLOSURES

[7] Segment reporting

Beginning in fiscal year 2013, the Management Board restructured the Company's internal reporting. Consulting services that have until now been incurred in both in the BPE segment and the ETS segment will in the future be consolidated with the IDSC consulting services and product business in a new segment called "Consulting." For further information on the adjustment to the internal reporting structure, please refer to the Forecast section of the Management Report of the 2012 Annual Report.

The table below shows the segment data for the second quarters of 2013 and 2012:

SEGMENT REPORT

for the second quarter 2013 IFRS, unaudited

in € thousands	Enterprise Transaction Systems (ETS)	
	Q2 2013	Q2 2012
Licenses	32,574	30,115
Maintenance	43,082	47,596
Product revenue	**75,656**	**77,711**
Services	0	0
Other	139	232
Total revenue	**75,795**	**77,943**
Cost of sales	–3,118	–3,923
Gross profit	**72,677**	**74,020**
Sales, marketing & distribution expenses	–13,501	–14,454
Segment contribution	**59,176**	**59,566**
Research and development expenses	–6,405	–6,519
Segment result	**52,771**	**53,047**
General and administrative expenses		
Other taxes		
Operating result		
Other income / expense, net		
Financial income / expense, net		
Earnings before income taxes		
Income taxes		
Net income		

Business Process Excellence (BPE)		Consulting		Reconciliation		**Total**	
Q2 2013	Q2 2012	**Q2 2013**	Q2 2012	**Q2 2013**	Q2 2012	**Q2 2013**	Q2 2012
42,805	45,613	420	312			75,799	76,040
48,638	48,134	1,637	3,780			93,357	99,510
91,443	**93,747**	**2,057**	**4,092**			**169,156**	**175,550**
0	– 25	68,283	82,728			68,283	82,703
1	31	169	129			309	392
91,444	**93,753**	**70,509**	**86,949**			**237,748**	**258,645**
– 4,925	– 4,807	– 59,219	– 82,874	– 6,289	– 6,012	– 73,551	– 97,616
86,519	**88,946**	**11,290**	**4,075**	**– 6,289**	**– 6,012**	**164,197**	**161,029**
– 48,092	– 35,255	– 8,556	– 8,403	– 3,791	– 3,523	– 73,940	– 61,635
38,427	**53,691**	**2,734**	**– 4,328**	**– 10,080**	**– 9,535**	**90,257**	**99,394**
– 19,808	– 18,800	0	0	0	0	– 26,213	– 25,319
18,619	**34,891**	**2,734**	**– 4,328**	**– 10,080**	**– 9,535**	**64,044**	**74,075**
						– 17,355	– 18,692
						– 1,416	– 2,358
						45,273	**53,025**
						– 2,333	1,674
						– 1,483	– 1,870
						41,457	**52,829**
						– 12,638	– 15,373
						28,819	**37,456**

Segment Report

for the first half-year 2013, IFRS, unaudited

in € thousands	Enterprise Transaction Systems (ETS)	
	1st half 2013	1st half 2012
Licenses	53,644	58,840
Maintenance	86,288	95,205
Product revenue	**139,932**	**154,045**
Services	0	0
Other	343	488
Total revenue	**140,275**	**154,533**
Cost of sales	–6,882	–7,547
Gross profit	**133,393**	**146,986**
Sales, marketing & distribution expenses	–27,306	–29,726
Segment contribution	**106,087**	**117,260**
Research and development expenses	–12,882	–13,208
Segment result	**93,205**	**104,052**
General and administrative expenses		
Other taxes		
Operating result		
Other income / expense, net		
Financial income / expense, net		
Earnings before income taxes		
Income taxes		
Net income		

The segment contribution does not include the amortization expense associated with acquisitions of intangible assets. These charges are therefore shown separately under "reconciliation." This presentation corresponds with internal control and reporting lines (management approach). The business lines (segments) are managed on the basis of their segment contribution. Research and development costs are subsequently allocated to the business lines and have no impact on internal management.

Business Process Excellence (BPE)		Consulting		Reconciliation		**Total**	
1st half 2013	1st half 2012	**1st half 2013**	1st half 2012	**1st half 2013**	1st half 2012	**1st half 2013**	1st half 2012
84,723	81,294	1,013	1,152			139,380	141,286
97,065	93,010	3,506	7,563			186,859	195,778
181,788	**174,304**	**4,519**	**8,715**			**326,239**	**337,064**
0	0	135,791	175,441			135,791	175,441
1	34	285	172			629	694
181,789	**174,338**	**140,595**	**184,328**			**462,659**	**513,199**
–10,756	–9,667	–119,430	–170,286	–12,258	–11,808	–149,326	–199,308
171,033	**164,671**	**21,165**	**14,042**	**–12,258**	**–11,808**	**313,333**	**313,891**
–94,100	–66,170	–18,151	–18,103	–7,195	–6,910	–146,752	–120,909
76,933	**98,501**	**3,014**	**–4,061**	**–19,453**	**–18,718**	**166,581**	**192,982**
–39,552	–36,348	0	0	0	0	–52,434	–49,556
37,381	**62,153**	**3,014**	**–4,061**	**–19,453**	**–18,718**	**114,147**	**143,426**
						–35,199	–34,188
						–3,235	–3,631
						75,713	**105,607**
						7,036	2,639
						–2,813	–3,932
						79,936	**104,314**
						–23,904	–30,995
						56,032	**73,319**

[8] Contingent liabilities

As of June 30, 2013, 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	**June 30, 2013**	Dec. 31, 2012	June 30, 2012
Contingent liabilities	0	0	1,477

The carrying amount of collateral received was €51 thousand (2012: €28 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 to 5 years	> 5 years	**Total**
Contractually agreed payments (gross amount)	12,636	50,086	8,893	71,615
Estimated income from subleases	1,222	5,394	0	6,616
Contractually agreed payments (net amount)	11,414	44,692	8,893	64,999

[9] Seasonal influences

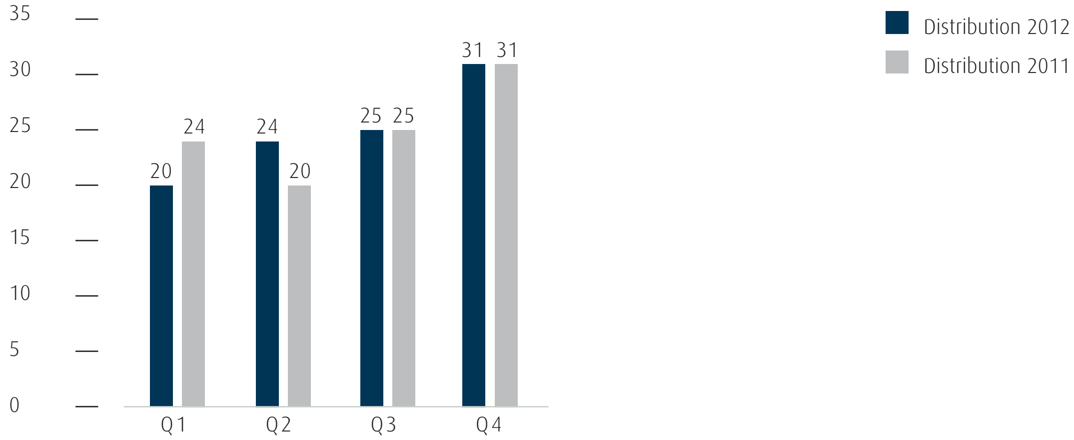
Revenues and pre-tax earnings were distributed over fiscal year 2012 as follows:

in € thousands	Q1 2012	Q2 2012	Q3 2012	Q4 2012	**2012**
License revenue as % of license revenue for the year	65,246 20	76,040 24	80,505 25	97,149 31	318,940 100
Total revenue as % of revenue for the year	254,554 24	258,645 25	257,424 25	276,711 26	1,047,334 100
Earnings before taxes as % of net income for the year	51,485 22	52,829 23	57,785 25	69,398 30	231,497 100

Based on historical data from past years, the revenue and earnings distribution in 2012 was not representative and is therefore useful only to a limited extent for calculating the expected distribution in 2013. The following graph illustrates the development of license revenues in 2012 und 2011.

The distribution of revenue and earnings is regularly affected by large individual contracts and is thus difficult to predict.

As % of total annual license revenue



[10] Litigation

In February 2010, a software company in Virginia, USA sued Software AG together with 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. The proceedings are continuing against only one of the defendants. The verdict of these proceedings will determine if the proceedings against Software AG will be resumed. The court dismissed the test case, upon which the plaintiff filed an appeal. The court of appeals rejected the appeal in January 2012. The plaintiff brought further legal action. The proceedings against the other defendants are still pending.

On February 10, 2012, a non-practicing entity (NPE: a company that solely pursues patent-right violations, rather than manufacturing or using the patented invention) from the U.S. state of Delaware sued Software AG in the District Court of Delaware for violating one of its software patents. This NPE has filed similar parallel lawsuits against other defendants. The lawsuit against Software AG was withdrawn in January 2013. The NPE also filed a new lawsuit for the alleged violation of two of its software patents in January 2013. The proceedings are in an early stage. Hearings are not scheduled to take place until mid-2015.

A number of legal actions have been have been filed with the Regional Court of Saarbrücken in connection with the control and profit transfer agreement with IDS Scheer AG. In these proceedings, the petitioners are seeking an increase in their cash settlements and annual compensatory payments. Software AG considers the objections as to valuation to be groundless. The proceedings were combined into one. The first hearing took place at the end of February 2012 and had no outcome. The proceedings were continued in June 2013. No further dates have been scheduled.

In connection with the merger of IDS Scheer AG and Software AG, a large number of legal challenges were filed with the Regional Court of Saarbrücken, in which the plaintiffs seek a legal review of the set exchange ratio and cash compensation. Software AG considers the objections as to valuation to be groundless. The proceedings were combined into one. The first hearing took place on November 23, 2012. In its decision of March 15, 2013, the Regional Court of Saarbrücken determined that the market value ratio method be employed for valuation and that cash compensation in the amount of €7.22 for every share held by outside shareholders be paid. Software AG appealed the decision.

In connection with the termination of Mr. David Broadbent's Management Board membership, Mr. Broadbent has instituted legal proceedings before the Regional Court of Darmstadt, which the Company considers to be unfounded. After an extensive exchange of briefs, the first hearing was held on May 2012. The court ruled against the Company's arguments and found in favor of Mr. Broadbent on December 21, 2012. Software AG filed an appeal against the ruling. In the meantime the parties have arrived at a mutual agreement outside of court. The agreement stipulates the termination of Mr. Broadbent's appointment to the Managment Board as of July 18, 2011 and the termination of his employment contract as of August 31, 2011 in exchange for payment of 1.25 annual salaries and previously earned but not yet paid entitlements from the period prior to August 31, 2011.

There were no other changes with respect to the legal disputes reported as of December 31, 2012, 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 various stock option plans for members of the Management Board, managers and other Group employees. Our stock price-based remuneration plans as of June 30, 2013 are described in detail on pages 228-233 of our 2012 Annual Report.

Management Incentive Plan 2011 (MIP IV) (2011-2016)

The rights granted under Management Incentive Plan 2011 (MIP IV) changed as follows in the first six months of fiscal 2012:

	Number of rights	Exercise price per right (in €)	Remaining term (in years)	Aggregated intrinsic value (in €)
Balance as of Dec. 31, 2012	**5,262,000**	**41.34**	**8.5**	**0**
Granted	342,667	41.34		
Forfeited	–745,833	41.34		
Balance as of June 30, 2013	**4,858,834**	**41.34**	**8.0**	**0**

Management Incentive Plan 2007 (MIP III) (2007-2011)

The balance of rights granted under Management Incentive Plan 2007 (MIP III) decreased by 6,000 rights compared to the balance on December 31, 2012.

All rights outstanding under MIP III as of June 30, 2013 were exercisable. Because there is no obligation to settle in cash, these rights are still accounted for as an equity-settled stock option program pursuant to IFRS 2. Accordingly, there were no provisions for rights from MIP III as of June 30, 2013.

[12] Employees

As of June 30, 2013, 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:

	June 30, 2013	June 30, 2012
Maintenance and Services	2,470	2,829
Sales & Marketing	1,221	1,031
Research & Development	921	890
Administration	726	730
	5,338	**5,480**

In absolute terms (i.e., part-time employees are counted in full), the Group employed 5,566 (2012: 5,641) people as of June 30, 2013.

[13] Changes and information regarding corporate bodies

No changes occurred on either the Management Board or the Supervisory Board between January 1 and June 30, 2013.

[14] Events after the balance sheet date

Software AG acquired the Apama complex event processing platform by Progress in July. More information on this is presented in Note 4.

Software AG successfully placed a promissory note loan with a total value of €300 million in July. The total volume was divided into tranches with terms of two, three and four years at fixed or variable interest rates. The average interest rate on the fixed interest portion was 1.8 percent. One tranch was placed in dollars ($65 million).

Date and authorization for issue

Software AG's Management Board approved the consolidated financial statements on August 13, 2013.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable principles of interim financial reporting, 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 13, 2013

Software AG

K.-H. Streibich   Dr. W. Jost   A. Zinnhardt

SERVICE

FINANCIAL CALENDAR 2013/2014

2013	
October 24	Preliminary Q3 / 9-month 2013 financial figures (IFRS, unaudited) Darmstadt, Germany

2014	
January 28	Preliminary Q4 / FY 2013 financial figures (IFRS, unaudited) Darmstadt, Germany

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