



CHANGE
CHALLENGE
CHANCE

KEY FIGURES

in € millions (unless otherwise stated)	9m 2013	9m 2012	Change in %	Q3 2013	Q3 2012	Change in %
Revenue	701.2	770.6	-9	238.5	257.4	-7
By type						
Products	501.4	515.3	-3	175.1	178.3	-2
Services	199.0	253.7	-22	63.2	78.2	-19
Other	0.8	1.6		0.2	0.9	
By business line						
Business Process Excellence (BPE)	296.1	271.0	9	114.3	96.7	18
Enterprise Transaction Systems (ETS)	199.3	232.3	-14	59.0	77.8	-24
Consulting	205.8	267.3	-23	65.2	82.9	-21
EBIT*	135.1	172.9	-22	49.1	61.1	-20
as % of revenue	19.3	22.4		20.6	23.7	
Net income	87.1	114.0	-24	31.1	40.7	-24
as % of revenue	12.4	14.8		13.0	15.8	
Earnings per share (€, basic)	1.03	1.31	-21	0.37	0.47	-21
Earnings per share (€, diluted)	1.03	1.31	-21	0.37	0.47	-21
Free cash flow	105.6	125.5	-16	33.3	24.6	35
Employees (full-time equivalent)	5,356	5,436				
of which in Germany	1,735	1,783				
R&D	1,005	892				
Balance sheet	Sept. 30, 2013	Dec. 31, 2012				
Total assets	1,994.3	1,771.9				
Cash and cash equivalents	448.4	315.6				
Net debt / net cash	-161.5	49.6				
Shareholders' equity	975.6	1,060.1				
as % of total assets	49	60				

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

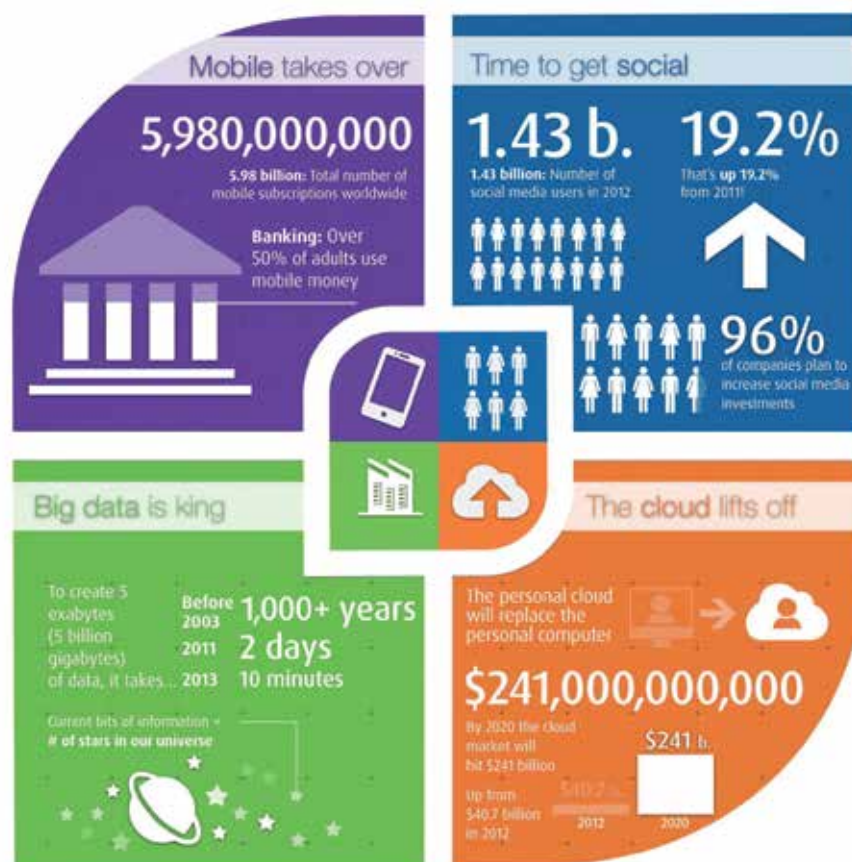
CHANGE CHALLENGE CHANCE

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 in this industry: 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 tablet PCs 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 data. This technology enables direct access to data stored in the main memory (cache). That accelerates data access by up to 1000 times faster than with traditional 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:

- Strengthening its presence in specific markets, such as North America.
- Investing in research and development of new products that will improve its competitive position.
- Expanding its product offering through targeted technology acquisitions.
- Focusing on the big data market in order to generate significant additional growth stimulus.
- Developing solutions that help customers adapt to external changes faster, more flexibly and more efficiently.

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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 September 30, 2013, or the third 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, Alfabet 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).

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INTERIM MANAGEMENT REPORT

1 SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

1.1 MANAGEMENT BOARD APPOINTMENT

CEO Karl-Heinz Streibich's contract renewed until 2018

Software AG's Supervisory Board approved the renewal of Karl-Heinz Streibich's position as CEO and Chairman of the Management Board of Software AG for five more years. The 60-year old will lead Germany's second-largest IT company until July 31, 2018. The Company is relying on continuity with its current growth path and corporate focus.

1.2 PROMISSORY NOTE

Promissory note four times oversubscribed

Software AG began offering promissory notes at the end of June. Early in the third quarter the placement was already able to be concluded successfully. 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, who bought tranches in U.S. dollars. Due to such high demand, the transaction was four times oversubscribed and the original volume

totaling the equivalent of €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.

1.3 TECHNOLOGY ACQUISITION

JackBe: Strengthened expertise in visualization and analytics

Software AG announced on August 21, 2013 its takeover of a further smaller highly specialized technology company. This was the fifth this year. JackBe offers software for real-time data visualization and analysis. The publicly listed company is based in Chevy Chase, Maryland (USA) with R&D facilities in the Silicon Valley and a Latin American subsidiary in Mexico. JackBe was started in 2003. It currently employs 70 people and serves a customer base in the public, finance and manufacturing sectors.

1.4 NEW PRODUCT SUITE

Apama Intelligent Business Operations Platform

JackBe technology enables real-time analysis of data and the integration of heterogeneous sources. This is the foundation for Software AG's new Apama Intelligent Business Operations Platform. Software AG's acquisition of Apama by parent company Progress Software took place on July 16, 2013. The transaction agreement was signed on June 13, 2013 and was communicated by press release (see Q2 2013 report). The new intelligent business platform offers customers simple options for the visualization of different types of data analysis and real-time insight on dynamic processes. Information relevant to decision making can be recognized immediately. Shorter response times and data-driven decisions allow customers to achieve optimal business results.

1.5 CONSISTENT REALIGNMENT OF CONSULTING DIVISION

Sale of SAP service operations in the Czech Republic, Hungary and Slovakia

As a measure to hone the consulting business' focus on high-quality process consulting in German-speaking countries, Software AG sold its SAP service operations in the Czech Republic, Hungary and Slovakia as of August 31, 2013. The division was bought by itelligence AG, which had already acquired Software AG's SAP service operations in Canada and the USA at the beginning of the year.

1.6 EXTERNAL HONORS

Leading products and solutions: Confirmed by industry analysts and market researchers

Independent industry analysts and market researchers again categorized Software AG as a high-quality vendor and positioned its products and services as market leading in the third quarter.

In Gartner's "Magic Quadrant for On-Premises Application Integration Suites" Software AG was placed in the "leader" quadrant and earned the highest position at both ends of the quadrant, which recognizes product innovation and high-quality service. The evaluation was based on the web-Methods Suite 9.0 integration software.

Furthermore, Gartner positioned Software AG in its newly created "Magic Quadrant for Application Services Governance." Vendors were evaluated based on their ability to execute, completeness of vision, and thus their commitment to customer satisfaction. This rating is also based on the BPE product line.

In a study conducted by the Experton Group, Software AG emerged as "Big Data Leader 2013" and a "strategic pace-setter." For the first time in Germany, the analyst and consulting firm examined 68 companies that market their products as big-data solutions. Based on an evaluation of 100 different criteria, the "Big Data Vendor Benchmark" ranked providers by their level of competitiveness and portfolio appeal in various categories. Software AG scored well with its Terracotta in-memory and big data analytics solutions.

2 FINANCIAL PERFORMANCE

Third-quarter results confirm the sustainable effects of the Company's strategic transformation.

2.1 SALES BY REVENUE TYPE

Total revenue

The Software AG Group generated total revenue of €238.5 million (2012: €257.4 million) in the third quarter of 2013. The Company's focus on and consolidation of its consulting business as well as the contraction of ETS revenue led to a 7-percent decline in total business volume. At the same time Software AG was able to significantly expand revenue in its primary business segment, BPE, in which revenue reached an all-time high. At constant currency, the decrease in total revenue was about 2 percent. However, this is a slight increase as compared to revenue in the previous (second) quarter (€237.7 million), contrary to the typical seasonal pattern.

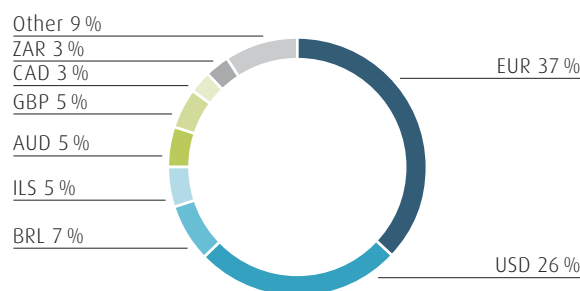
The Group's product revenue (license and maintenance sales) totaled €175.1 million (2012: €178.3 million), which, at constant currency, is 4 percent higher than the previous year. As a percentage of total revenue, product revenue increased to 73 percent (2012: 69 percent), further improving Software AG's revenue mix towards the high-margin license and maintenance revenues.

At €79.9 million (2012: €80.5 million), Group license revenue remained stable year on year. At constant currency, this is a 5-percent increase. Accordingly, global maintenance revenue was €95.2 million (2012: €97.8 million).

Exchange rate effects

CURRENCY SPLIT YTD 2013

37 % revenue in €
 63 % revenue in foreign currency



Currency impact on revenue

in € millions	Q3 2013	Q3 in %	YTD 2013	YTD in %
Licenses	-4.5	-5	-9.3	-4
Maintenance	-6.3	-6	-11.3	-4
Consulting & Other	-1.7	-3	-3.2	-2
Total	-12.5	-5	-23.8	-3

Exchange rates had a more negative impact on revenue and earnings in the third quarter of 2013 than in the two previous quarters. Total currency translation effects on Group revenue worldwide were €-12.5 million.

License and maintenance revenue again suffered the greatest impact, because these revenues are generated globally. Services, on the other hand, are concentrated in Europe. The effects on license and maintenance revenue were €-4.5 million and €-6.3 million respectively.

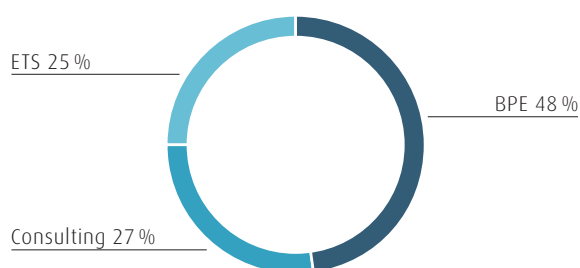
The effect of exchange rates on service revenue was €-1.7 million. The main reason for the substantial exchange rate effects was the continued strength of the euro and Software AG's expansion in North America.

As in the second quarter, the eurozone accounted for 37 percent (2012: 37 percent) of overall revenue. The share of revenue invoiced in U.S. dollars increased to 26 percent (2012: 25 percent).

2.2 REVENUE AND EARNINGS BY BUSINESS LINE (SEGMENT REPORT)

Performance of the three business lines in the third quarter of 2013 illustrates a continued positive shift in revenue distribution. Software AG's total revenue in the third quarter of 2013 was €238.5 million and was distributed as follows:

REVENUE BY BUSINESS LINE



This chart shows that, with 48 percent—or almost half—of Group revenue, the high-growth, profitable BPE business line has clearly become the Company's strongest contributor to revenue. The respective revenue contribution from the two other business lines—ETS and Consulting—dropped to about one-quarter of total revenue in the period under review. In comparison: In last year's third quarter, ETS accounted for more than 30 percent of revenue and Consulting for 32 percent.

This revenue mix confirms: The Company's strategic transformation is producing effects, and the positive shift in revenue toward the high-growth BPE line is a sustainable trend. This speaks for Software AG's successful focus on the quickly growing integration and process software business.

Business Process Excellence (BPE)

Segment report Q3 2013 / YTD 2013 (9 months)

in € millions	Q3 2013	Q3 2012	Δ%	Δ% acc	YTD 2013	YTD 2012	Δ%	Δ% acc
Licenses	61.8	50.0	24	31	146.5	131.3	12	16
Maintenance	52.5	46.7	12	20	149.6	139.7	7	11
Product revenue	114.3	96.7	18	25	296.1	271.0	9	13
Total revenue	114.3	96.7	18	25	296.1	271.0	9	13
Cost of sales	-5.5	-4.7	17	11	-16.3	-14.3	14	11
Gross profit	108.8	92.0	18	26	279.8	256.7	9	13
Sales & marketing	-50.4	-33.1	52	62	-144.5	-99.3	46	51
R & D	-20.2	-18.8	7	9	-59.7	-55.2	8	9
Segment result	38.2	40.1	-5	4	75.6	102.2	-26	-20

Software AG's largest business line, Business Process Excellence (BPE), comprises licenses and maintenance for process optimization, integration and big data solutions. Revenue for this segment grew 18 percent to €114.3 million (2012: €96.7 million). At constant currency this is 25-percent growth year on year. This sets a new record for product revenue in this high-growth segment.

Within BPE product revenue, license sales in particular increased, totaling €61.8 million (2012: €50.0 million), despite the increasingly difficult market environment. This reflects a growth rate of 24 percent, or adjusted for exchange rate effects, 31 percent. From a quarter-on-quarter point of view, growth was even higher. Compared to the previous quarter, license sales rose 44 percent. Maintenance revenue went up 12 percent, or 20 percent at constant currency, to €52.5 million (2012: €46.7 million) in the third quarter.

Growth was propelled mainly by the webMethods products as well as by the ARIS platform for business process optimization and big data solutions, including Terracotta and Apama, the new complex event processing platform. The positive results in both revenue types confirm the impact of the strategic BPE measures initiated in specific markets and the amplified investments in sales and marketing.

North America and EMEA generated particularly dynamic results. After systematically intensifying measures to develop the North American market—the IT industry's most important market—over the past 18 months, Software AG's license revenue increased 50 percent year over year. This is the result of the Company's strategy to amplify investments in the expansion of BPE sales and marketing as well as to establish a Federal Unit for addressing the public sector in the USA. This generated a large deal worth \$17 million in

the USA. In Europe, Software AG won another major order worth a total volume of more than €10 million. The EMEA region posted the highest growth in BPE license revenue at 69 percent; the German-speaking region (DACH) was up 34 percent.

Maintenance revenue performed with double-digit growth in all regions: starting at 12 percent for DACH up to 25 percent for APJ (Asia-Pacific & Japan).

Software AG expanded its customer base and increased its average order volume in the third quarter of 2013, which, fueled by the large new orders, rose to more than €700,000.

Software AG has made five technology acquisitions in the current fiscal year alone. The aim is to lay the foundation for future BPE growth and further expand its technology leadership in this high-growth market. The Company is currently positioned by market analyst firms Gartner and Forrester in the “leader” quadrant in 15 categories. The core of the Company’s innovations is the development of a digital agility layer that gives customers greater flexibility and efficient use of cloud technologies, mobile applications, collaboration platforms as well as big data analytics systems. The portfolio’s strongest growth rates were generated by big data technology. An innovative solutions offering has

been in development based on this technology since the acquisition of Terracotta in 2011. Revenue from big data business more than doubled since the same quarter of last year, contributing €11 million to BPE revenue in the quarter under review.

The cost of sales in the BPE business line rose to €5.5 million (2012: €4.6 million). Because of the strategic decision to intensify marketing in rapidly growing regions and product segments, sales and marketing costs were raised to €50.4 million (2012: €33.1 million). The cost of research and development (R&D) in the same period increased to €20.1 million (2012: €18.9 million) due to technology acquisitions. Because of associated expenses, the BPE segment contribution went down to €38.2 million (2012: €40.1 million). The goal of expanding sales, marketing and development activities is to accelerate growth and attain global technology leadership for the BPE portfolio.

This strategy has laid the foundation for Software AG’s long-term growth. The widespread positive feedback from the international customer event, Innovation World 2013, in the U.S. along with the large new BPE orders in the third quarter reflect the enormous marketing potential of the products for realizing the four IT megatrends, mobile, cloud, social collaboration and big data management.

Enterprise Transaction Systems (ETS)

Segment report Q3 2013 / YTD 2013 (9 months)

in € millions	Q3 2013	Q3 2012	Δ%	Δ% acc	YTD 2013	YTD 2012	Δ%	Δ% acc
Licenses	17.8	30.2	-41	-38	71.4	89.1	-20	-16
Maintenance	41.1	47.4	-14	-7	127.4	142.5	-11	-7
Product revenue	58.9	77.6	-24	-19	198.8	231.6	-14	-10
Other	0.1	0.2	-	-	0.5	0.7	-	-
Total revenue	59.0	77.8	-24	-19	199.3	232.3	-14	-10
Cost of sales	-3.5	-4.5	-22	-18	-10.4	-12.1	-14	-11
Gross profit	55.5	73.3	-24	-19	188.9	220.2	-14	-10
Sales & marketing	-9.9	-15.2	-35	-31	-37.2	-44.9	-17	-14
R & D	-6.0	-6.4	-6	-6	-18.9	-19.5	-3	-4
Segment result	39.6	51.7	-23	-17	132.8	155.8	-15	-10

The Enterprise Transaction Systems (ETS) business line, which includes the traditional database business with the Adabas-Natural product family, generated €58.9 million (2012: €77.6) in the period under review. This reflects a decline of 24 percent, or 19 percent at constant currency. ETS licenses dropped to €17.8 million (2012: €30.2 million) in the third quarter. Maintenance revenue was within the planned range at €41.1 million (2012: €47.4 million).

This quarterly performance is in line with the Company's full-year guidance: In the second quarter of 2013 ETS results were better than expected, particularly because new orders were received early in the year and license revenue grew 16 percent at constant currency. As a result, third-quarter results normalized and returned the expected lower revenue.

In light of the ongoing expectation of a contraction of the traditional mainframe business, Software AG again reduced costs in this line. The cost of sales in the quarter under review dropped by 22 percent to €3.5 million (2012: €4.5 million). Sales and marketing expenses were decreased significantly totaling €9.9 million (2012: €15.2 million) in the third quarter. Due to stringent cost management, R & D expenses fell to €6.0 million (2012: €6.4 million). This led to stability of the already high operating profit margin.

Software AG's goal for the mature mainframe database market is to retain its broad customer base and leverage cross-selling potential with the BPE products. Software AG's database solutions have been established for many years and play a key technological role for a large community of customers.

Consulting

Segment report Q3 2013 / YTD 2013 (9 months)

in € millions	Q3 2013	Q3 2012	Δ%	Δ% acc	YTD 2013	YTD 2012	Δ%	Δ% acc
Licenses	0.3	0.3	-	-	1.3	1.5	-13	-7
Maintenance	1.6	3.7	-57	-57	5.1	11.2	-54	-55
Product revenue	1.9	4.0	-53	-52	6.4	12.7	-50	-49
Services & other	63.3	79.0	-20	-18	199.3	254.6	-22	-20
Total revenue	65.2	83.0	-21	-19	205.7	267.3	-23	-22
Cost of sales	-56.1	-74.9	-25	-24	-175.4	-245.2	-28	-27
Gross profit	9.1	8.1	12	19	30.3	22.1	37	41
Sales & marketing	-8.1	-8.6	-6	1	-26.3	-26.7	-1	3
Segment result	1.0	-0.5	-	-	4.0	-4.6	-	-

The Consulting business line, which has comprised services for the BPE, ETS and IDS Scheer Consulting lines since the beginning of the year, recorded €65.2 million (2012: €83.0 million) in revenue in the third quarter of 2013. This is a 19-percent decline at constant currency.

The consulting business was influenced by a high number of leave days due to vacation season in the quarter under review. In addition, the drop in revenue was a direct consequence of the realignment of the Company's SAP consulting business and the related withdrawal from unprofitable markets. Software AG sold its North American SAP service operations at the beginning of the year. The sale of these operations in the Czech Republic, Hungary and Slovakia followed in the third quarter. This was a consistent step in the Company's focus on process consulting in German-speaking regions.

The trend of positive segment contributions in the first two quarters of the year continued in the third as well. The cost of sales underwent an extreme reduction to €56.1 million (2012: €74.9 million). Sales and marketing costs were slightly down year on year at €8.1 million (2012: €8.6 million). This resulted in an increased segment contribution of €1.0 million (€-0.5 million), which is a further confirmation of the operational turnaround. And it illustrates that the Company's focus on high-margin consulting services in the core DACH market is also having an overall positive impact on the Consulting business.

2.3 EARNINGS PERFORMANCE

Earnings Q3 2013 / YTD 2013 (9 months)

in € millions	Q3 2013	Q3 2012	Δ%	Δ% acc	YTD 2013	YTD 2012	Δ%	Δ% acc
Total revenue	238.5	257.4	-7	-2	701.2	770.6	-9	-6
Cost of sales	-72.6	-90.2	-20	-18	-221.9	-289.5	-23	-23
Gross profit	165.9	167.2	-1	6	479.3	481.1	-	4
Margin in %	69.6	65.0			68.4	62.4		
R&D	-26.1	-25.2	4	6	-78.5	-74.8	5	6
Sales & marketing	-72.5	-60.4	20	27	-219.3	-181.3	21	25
Administration	-17.3	-20.0	-14	-11	-52.5	-54.2	-3	-1
Other income / expense	-0.9	-0.5	-	-	6.1	2.1	-	-
EBIT	49.1	61.1	-20	-10	135.1	172.9	-22	-15
Margin in %	20.6	23.7		22.0	19.3	22.4		20.3

Software AG reduced the cost of sales in the third quarter of 2013 by 20 percent year over year to €72.6 million (2012: €90.2 million). The cause of this decrease was primarily the focus of the Consulting line and the related sale of operations. Software AG's gross profit margin increased to 69.6 percent (2012: 65.0 percent), which is due to the favorable revenue mix shift toward BPE products and the improvement in the Consulting business line.

Research and development costs were slightly above last year's at €26.1 million (2012: €25.2 million). This was affected by the cost of further developing acquired products.

Due to efficiency improvements, general administrative expenses were decreased 14 percent to €17.3 million (2012: €20.0 million). Quarter on quarter, the cost of both R&D and administration stayed relatively stable.

As part of amplified activities in North America, sales and marketing expenses were increased by 20 percent to €72.5 million (2012: €60.4 million). These costs were incurred primarily for accessing new high-growth areas of the BPE market, such as the U.S. public sector.

Despite the considerable exchange rate effects and planned increase in sales and marketing expenses for addressing new high-growth BPE markets, Software AG's EBIT totaled €49.1 million (2012: €61.1 million) with an EBIT margin of 20.6 percent (2012: 23.7 percent). Due to the euro's above-average performance, exchange rate effects alone accounted for 1.4 percentage points.

Non-IFRS Earnings Q3 2013 / YTD 2013 (9 months)

in € millions	Q3 2013	Q3 2012	YTD 2013	YTD 2012
EBIT (before all taxes)	49.1	61.1	135.1	172.9
Share-based payment	0.5	2.2	-0.8	4.2
Amortization on acquisition-related intangible assets	11.5	9.7	31.0	28.4
Product revenue reduction by purchase price allocation	0.9	-	0.9	1.0
Other acquisition-related effects	0.3	0.1	1.6	0.6
Restructuring / severance payment	4.0	0.7	9.2	2.5
EBIT (non-IFRS)	66.3	73.8	177.0	209.6
as % of revenue (non-IFRS)	27.7	28.7	25.2	27.2
Net income (non-IFRS)	43.0	49.6	114.4	139.7
EPS (non-IFRS)*	0.52	0.57	1.36	1.61
Net income (IFRS)	31.1	40.7	87.1	114.0

* Based on average shares outstanding:
 Q3 2013: 83.0 mn / Q3 2012: 86.8 mn
 9m 2013: 84.2 mn / 9m 2012: 86.8 mn

To improve comparability with other software companies in the market, Software AG additionally reported earnings (non-IFRS) adjusted for non-operating factors in the third quarter of 2013. These factors include stock price-based long-term remuneration and restructuring expenses, but also acquisition-related earnings effects such as the amortization cost associated with acquisitions of intangible assets

and the reduction of product revenue through purchase price allocation. Adjusted for these expenses, the majority of which were acquisition-related, EBIT (non-IFRS) totaled €66.3 million.

This represents an operating profit margin of 27.7 percent (2012: 28.7 percent).

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Net income

Net expenses totaling €1.8 million were positively affected by interest payments on a tax repayment.

Software AG's tax rate depends largely on the regional revenue distribution due to widely varying national tax rates. The tax rate in the third quarter of 2013 was 34 percent, which is 1 percent higher than last year. This was impacted by the larger share of earnings generated in the USA (tax rate: 39 percent).

The increased investments in sales and marketing and exchange rate effects had a notable impact on profit in the third quarter. Net income (earning after taxes) fell to €31.1 million (2012: €40.7 million) year over year, but grew 8 percent compared to the second quarter of 2013 (€28.8 million). Earnings per share were €0.37 (2012: €0.47) in the quarter under review.

Nine-month period 2013

Product revenue in the first nine months of 2013 totaled €501.4 million (2012: €515.3 million). Service revenue was €199.0 million (2012: €253.7 million). Software AG's total Group revenue in the first nine months of the current fiscal year was €701.2 million (2012: €770.6 million).

BPE license and maintenance revenue for the period increased to €296.1 million (2012: €271.0 million). ETS product revenue reached €198.8 million (2012: €231.6 million). Due to the realignment and focus of the Consulting business line, total revenue dropped to €205.7 million (2012: €267.3 million).

As a result of increased investments in marketing, sales and research and development in the BPE business line, EBIT for the first nine months of 2013 was €135.1 million (2012: €172.9 million). The EBIT margin was 19.3 percent (2012: 22.4 percent).

3 FINANCIAL POSITION

3.1 CASH FLOW

Cash flow Q3 2013 / YTD 2013 (9 months)

in € millions	Q3 2013	Q3 2012	Δ%	YTD 2013	YTD 2012	Δ%
Operating cash flow	36.6	28.7	28	115.4	133.5	- 14
./.. CapEx*	-3.3	-4.1		-9.8	-8.0	
Free cash flow	33.3	24.6	35	105.6	125.5	- 16
as % of revenue	14.0	9.6		15.1	16.3	
Free cash flow per share**	0.40	0.28	43	1.25	1.45	- 14

* Cash flow from investing activities except acquisitions and except investments in debt instruments

** Based on average shares outstanding:

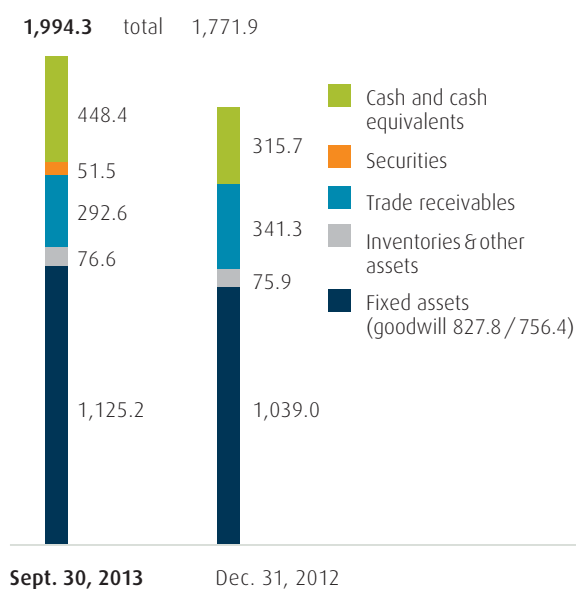
Q3 2013: 83.0 mn / Q3 2012: 86.8 mn

9m 2013: 84.2 mn / 9m 2012: 86.8 mn

Due to the reduction of Software AG's trade receivables and reduced income tax payments, operating cash flow was up by 28 percent to €36.6 million (2012: €28.7 million) in the third quarter of 2013, despite lower net income of €31.1 million (2012: €40.7 million). Free cash flow performed more encouragingly yet, with a 35-percent increase to €33.3 million (2012: €24.6 million). Free cash flow per share rose accordingly to €0.40 (2012: €0.28).

3.2 TOTAL ASSETS

Assets in € millions



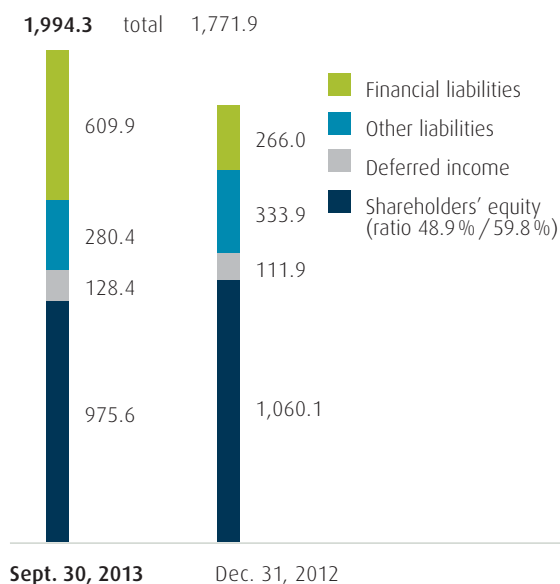
Software AG's total assets reflect its new financing structure, which includes taking advantage of low interest rates to increase liquid assets while keeping costs down. As of September 30, 2013, Software AG's total assets had risen to €1,994.3 million and were thus significantly above the €1,771.9 million at the close of the fiscal year on December 31, 2012.

Shareholders' equity decreased to €975.6 million (December 31, 2012: €1,060.1 million) but was stable as compared with the level on June 30, 2013. As a result, equity ratio fell from 59.8 percent at the end of 2012 to 48.9 percent as of September 30, 2013. The decrease was primarily due to the share buyback plan that was successfully concluded in the first quarter.

In July of the current fiscal year, Software AG successfully placed promissory notes worth a total volume of €300 million. Due to such a high level of interest among investors, the transaction was heavily oversubscribed and the original volume totaling €150 million was increased to €300 million. This result confirms the confidence of promissory note investors in Software AG's business model. A loan from the Software AG Foundation in the amount of €45 million was also paid back. In total, the Company's financial liabilities increased to €609.9 million (2012: €266.0 million).

Cash and cash equivalents grew to €448.4 million (€315.7 million). The Company also held securities worth €51.5 million. This lays a solid foundation for securing the flexibility needed to finance further global expansion.

Liabilities in € millions



4 EMPLOYEES

As of September 30, 2013, the Software AG Group employed 5,356 (2012: 5,436) people. Of those, the number of employees in Sales and Marketing increased to 1,261 (2012: 1,084) and in Research and Development to 1,005 (2012: 892). The total number of employees in Germany was 1,735 (2012: 1,783) as of September 30, 2013.

5 OPPORTUNITIES AND RISKS

There were no changes to the risk situation of the Software AG Group in the third 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

6.1 SHARE BUYBACK PROGRAM APPROVED

Making use of the authorization granted it by the Annual Shareholders' Meeting on May 3, 2013, Software AG announced on October 25, 2013 its decision to repurchase treasury shares with a total maximum value of €110 million (excluding transaction fees) by May 16, 2014 at the latest. The volume of repurchased treasury shares is limited to no more than 10 percent of the share capital as of May 3, 2013 less other treasury shares that the Company has already purchased and still holds or that are attributable to it in accordance with sections 71d and 71e of the German Stock Corporation Act.

As of October 25, 2013, Software AG held a total of 3,966,818 treasury shares representing 4.56 percent of its share capital (entitling the Company to acquire a maximum of 4,724,926 additional treasury shares as of the time of the announcement).

The buyback will be executed exclusively on the stock market through the involvement of a bank that determines the time of the acquisition of shares independently and uninfluenced of Software AG. The repurchased shares may be used for all purposes permissible by the provisions of stock corporation legislation and by the aforementioned authorization. Software AG has obtained approval by the Annual Shareholders' Meeting many times in the past for the repurchase of shares. The last time was on May 3, 2013.

7 OUTLOOK

7.1 OUTLOOK FY 2013

	FY 2012	Outlook FY 2013 (as of Jan. 29, 2013)	9m 2013
Product Revenue BPE	€384 million	+16 % to + 22 %*	+13 %*
Product Revenue ETS	€310 million	- 9 % to - 4 %*	- 10 %*
Earnings per share in €	1.90	1.70 to 1.80**	1.12**

Confirming the update given with Q2 results on July 27, 2013:
 Based on year-to-date business development, the target ranges for product revenue and EPS are expected to be reached, but more likely at the low end.

* Revenue growth or decline at constant currency (currency impact on reported 9m 2013 results: - 4 percentage points)

** Reported EPS before effects from share buyback, restructuring and acquisition related charges 2013.

Software AG confirms its outlook for the full fiscal year, which was released at the beginning of 2013 with the annual results for 2012. Following the end of the third quarter, the Company further specifies its forecast as follows:

The Management Board continues to expect an increase in BPE revenue between 16 and 22 percent (at constant currency) for fiscal year 2013. Revenue in the traditional ETS database business is anticipated to fall by 4 to 9 percent (at constant currency). The forecast for earnings per share was set between €1.70 and €1.80 in January 2013—without taking into account any special effects arising during the year (e.g. share buyback program, restructuring costs, acquisitions and associated costs). Adjusted for these effects, earnings per share should be within the indicated range. Given the increasingly difficult overall market climate and as communicated with the half-year results, Software AG points out that operating earnings could be toward the low end of the projected ranges despite the typically strong fourth quarter.

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the nine months and quarter ended September 30, 2013, IFRS, unaudited

in € thousands	9m 2013	9m 2012	Change in %	Q3 2013	Q3 2012	Change in %
Licenses	219,255	221,792	-1	79,875	80,505	-1
Maintenance	282,091	293,553	-4	95,232	97,776	-3
Services	199,001	253,683	-22	63,210	78,242	-19
Other	812	1,595	-49	183	901	-80
Total revenue	701,159	770,623	-9	238,500	257,424	-7
Cost of sales	-221,877	-289,510	-23	-72,551	-90,202	-20
Gross profit	479,282	481,113	0	165,949	167,222	-1
Research and development expenses	-78,546	-74,766	5	-26,112	-25,210	4
Sales, marketing and distribution expenses	-219,257	-181,346	21	-72,506	-60,437	20
General and administrative expenses	-52,472	-54,215	-3	-17,272	-20,027	-14
Other taxes	-4,825	-5,551	-13	-1,590	-1,920	-17
Operating result	124,182	165,235	-25	48,469	59,628	-19
Other income	32,532	19,780	64	9,859	5,420	82
Other expenses	-26,457	-17,626	50	-10,820	-5,905	83
Financial income / expense, net	-4,582	-5,290	-13	-1,769	-1,358	30
Profit before income taxes	125,675	162,099	-22	45,739	57,785	-21
Income taxes	-38,540	-48,114	-20	-14,636	-17,119	-15
Net income	87,135	113,985	-24	31,103	40,666	-24
Thereof attributable to shareholders of Software AG	87,031	113,863	-24	31,029	40,668	-24
Thereof attributable to non-controlling interest	104	122		74	-2	
Earnings per share (€, basic)	1.03	1.31	-21	0.37	0.47	-21
Earnings per share (€, diluted)	1.03	1.31	-21	0.37	0.47	-21
Weighted average number of shares outstanding (basic)	84,192,182	86,769,635	-	82,950,627	86,775,968	-
Weighted average number of shares outstanding (diluted)	84,395,142	86,919,200	-	82,970,822	86,963,210	-

STATEMENT OF COMPREHENSIVE INCOME

for the nine months and quarter ended September 30, 2013, IFRS, unaudited

in € thousands	9m 2013	9m 2012	Q3 2013	Q3 2012
Net income	87,135	113,985	31,103	40,666
Currency translation differences	-21,984	-1,351	-18,236	-13,757
Net gain/loss on remeasuring financial assets	1,081	-618	168	-343
Net gain/loss arising from translating net investments in foreign operations	-780	5	-1,076	-934
Items that may be subsequently reclassified to profit or loss	-21,683	-1,964	-19,144	-15,034
Net actuarial gain/loss and asset caps on defined benefit plans	36	-54	0	0
Items that will not be subsequently reclassified to profit or loss	36	-54	0	0
Other comprehensive income	-21,647	-2,018	-19,144	-15,034
Total comprehensive income	65,488	111,967	11,959	25,632
Thereof attributable to shareholders of Software AG	65,384	111,845	11,885	25,634
Thereof attributable to non-controlling interests	104	122	74	-2

CONSOLIDATED BALANCE SHEET

as of September 30, 2013, IFRS, unaudited

in € thousands	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2012
ASSETS			
Current assets			
Assets held for sale	0	6,092	0
Cash and cash equivalents	448,389	315,637	274,687
Securities	51,538	0	0
Inventories	748	111	137
Trade receivables	239,291	306,600	288,785
Other receivables and other assets	29,668	24,429	31,948
Income tax assets	27,978	22,959	27,887
	797,612	675,828	623,444
Non-current assets			
Intangible assets	228,147	214,393	226,494
Goodwill	827,843	756,372	759,877
Property, plant and equipment	64,433	64,014	63,841
Financial assets	4,786	4,252	17,004
Trade receivables	53,329	34,674	15,960
Other receivables and other assets	2,644	3,895	3,321
Income tax assets	2,456	1,769	1,994
Deferred taxes	13,061	16,662	15,147
	1,196,699	1,096,031	1,103,638
Total assets	1,994,311	1,771,859	1,727,082

in € thousands	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2012
EQUITY AND LIABILITIES			
Current liabilities			
Liabilities related to assets held for sale	0	3,307	0
Financial liabilities	198,312	52,572	50,802
Trade payables	34,186	47,833	45,094
Other liabilities	66,070	66,721	63,665
Other provisions	63,590	90,319	76,125
Tax liabilities	25,548	30,688	19,043
Deferred income	127,426	110,397	142,122
	515,132	401,837	396,851
Non-current liabilities			
Financial liabilities	411,565	213,440	213,379
Trade payables	9	220	41
Other liabilities	5,611	7,237	5,713
Provisions for pensions	49,273	50,194	37,904
Other provisions	7,033	10,504	11,063
Deferred taxes	29,056	26,829	34,348
Deferred income	1,016	1,532	819
	503,563	309,956	303,267
Equity			
Share capital	86,917	86,917	86,828
Capital reserve	45,318	42,124	38,690
Retained earnings	1,040,525	991,651	941,003
Other reserves	-81,893	-60,246	-39,113
Treasury shares	-116,083	-1,157	-1,176
Share attributable to shareholders of Software AG	974,784	1,059,289	1,026,232
Non-controlling interest	832	777	732
	975,616	1,060,066	1,026,964
Total equity and liabilities	1,994,311	1,771,859	1,727,082

CONSOLIDATED STATEMENT OF CASH FLOWS

for the nine months and quarter ended September 30, 2013, IFRS, unaudited

in € thousands	9m 2013	9m 2012	Q3 2013	Q3 2012
Net income	87,135	113,985	31,103	40,666
Income taxes	38,540	48,114	14,636	17,119
Net financial income / expense	4,582	5,290	1,769	1,358
Amortization / depreciation of non-current assets	40,910	37,889	14,726	12,614
Other non-cash income / expense	-5,707	2,517	-1,416	-301
Operating cash flow before changes in working capital	165,460	207,795	60,818	71,456
Changes in inventories, receivables and other current assets	47,839	4,674	10,561	-2,181
Changes in payables and other liabilities	-43,514	-11,191	-21,363	-19,026
Income taxes paid	-48,419	-61,507	-10,422	-18,692
Interest paid	-12,460	-12,019	-5,210	-4,780
Interest received	6,480	5,780	2,256	1,955
Net cash provided by operating activities	115,386	133,532	36,640	28,732
Proceeds from the sale of property, plant and equipment / intangible assets	1,071	487	735	104
Purchase of property, plant and equipment / intangible assets	-10,766	-7,486	-3,943	-3,068
Proceeds from the sale of financial assets	424	137	0	-654
Purchase of financial assets	-526	-731	-141	-484
Cash outflows from current financial assets	0	-433	0	0
Purchase of securities	-51,538	0	-51,538	0
Proceeds from the sale of disposal group	6,830	0	387	0
Payment for acquisitions, net	-112,846	-16,889	-55,619	0
Net cash used in investing activities	-167,351	-24,915	-110,119	-4,102

in € thousands	9m 2013	9m 2012	Q3 2013	Q3 2012
Proceeds from issue of share capital	0	466	0	466
Purchase of treasury stock (incl. hedge premiums paid)	- 114,926	0	0	0
Dividends paid	- 38,206	- 40,100	- 49	0
Additions to financial liabilities	400,158	10,000	300,158	0
Repayments of financial liabilities	- 48,870	- 21,592	- 45,220	- 18,522
Net cash provided by/used in financing activities	198,156	- 51,226	254,889	- 18,056
Change in cash and cash equivalents from cash relevant transactions	146,191	57,391	181,410	6,574
Currency translation adjustment	- 13,439	817	- 7,307	- 1,900
Net change in cash and cash equivalents	132,752	58,208	174,103	4,674
Cash and cash equivalents at the beginning of the period	315,637	216,479	274,286	270,013
Cash and cash equivalents at the end of period	448,389	274,687	448,389	274,687

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the nine months ended September 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
Comprehensive income	-	-	-	113,863
Transactions with equity holders	-	-	-	-
Dividend payment	-	-	-	-39,913
New shares issued	-	-	-	-
Stock options	-	-	3,007	-
Issue and disposal of treasury stock	19,000	-	-33	-
Purchase of treasury stock	-	-	-	-
Other changes	-	-	-	-
Transactions between shareholders	-	-	-	-
Equity as of September 30, 2012	86,785,468	86,828	38,690	941,003
Equity as of January 1, 2013	86,875,068	86,917	42,124	991,651
Total comprehensive income	-	-	-	87,031
Transactions with equity holders	-	-	-	-
Dividend payment	-	-	-	-38,157
New shares issued	-	-	-	-
Stock options	-	-	3,194	-
Issue and disposal of treasury stock	-3,924,441	-	-	-
Purchase of treasury stock (incl. hedge premiums paid)	-	-	-	-
Other changes	-	-	-	-
Transactions between shareholders	-	-	-	-
Equity as of September 30, 2013	82,950,627	86,917	45,318	1,040,525

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
-1,351	-618	-54	5	-	111,845	122	111,967
-	-	-	-	-	-	-	-
-	-	-	-	-	-39,913	-187	-40,100
-	-	-	-	-	0	-	0
-	-	-	-	-	3,007	-	3,007
-	-	-	-	499	466	-	466
-	-	-	-	-	0	-	0
-	-	-	-	-	0	142	142
-	-	-	-	-	-	-	-
-28,245	-3,672	-11,386	4,190	-1,176	1,026,232	732	1,026,964
-38,731	-3,546	-21,467	3,498	-1,157	1,059,289	777	1,060,066
-21,984	1,081	36	-780	-	65,384	104	65,488
-	-	-	-	-	0	-	0
-	-	-	-	-	-38,157	-49	-38,206
-	-	-	-	-	0	-	0
-	-	-	-	-	3,194	-	3,194
-	-	-	-	-114,926	-114,926	-	-114,926
-	-	-	-	-	0	-	0
-	-	-	-	-	0	-	0
-	-	-	-	-	-	-	-
-60,715	-2,465	-21,431	2,718	-116,083	974,784	832	975,616

NOTES TO THE INTERIM FINANCIAL STATEMENTS

GENERAL

[1] Basis of presentation

Software AG's condensed and unaudited consolidated financial statements (interim financial statements) as of September 30, 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 September 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.

[2] Changes in the consolidated Group

The following changes occurred in the consolidated Group in the first nine months of fiscal 2013.

	Germany	Foreign	Total
January 1, 2013	10	85	95
Additions	3	5	8
Disposals (including mergers)	1	5	6
September 30, 2013	12	85	97

The additions resulted from the acquisitions described in Note 4. The disposal relates to the sale of subsidiaries in the Czech Republic, Hungary and Slovakia as well as to the merger of a subsidiary in Italy, the USA and Germany.

[3] Accounting policies

With the exception of the new or revised standards described as follows, 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 the actuarial gains/losses in equity. Solely the term 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 nine months of fiscal 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 September 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 manager provider)	100 %	100 %	May 31, 2013
JackBe Corp, USA (Software provider for real-time data visualization and analytics)	100 %	100 %	August 21, 2013

Software AG also acquired the Apama complex event processing platform by Progress Software. Initial consolidation took place at the time Software AG gained control of Apama (July 16, 2013). Software AG assumed all assets and liabilities associated with these operations as well as the 105 employees working in this business division (asset deal). The Apama event processing platform is an environment for the design and operation of complex event processing (CEP) applications.

The earnings of the companies and/or operations 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 and/or operations in the first nine months of the year.

in € thousands	Carrying amount prior to acquisition	Remeasurement to fair value	Opening balance
Cash and cash equivalents	6,095	0	6,095
Intangible assets	119	48,167	48,286
Goodwill	0	76,015	76,015
Other assets	5,830	- 305	5,525
Deferred tax assets	0	7,470	7,470
Total assets	12,044	131,347	143,391
Liabilities and provisions	5,691	0	5,692
Deferred tax liabilities	19	12,313	12,332
Deferred income	7,893	- 3,718	4,174
Total equity and liabilities	13,603	8,595	22,198
Acquired assets and assumed liabilities, net	- 1,559	122,752	121,193
Payments to shareholders			115,677
Payments to the company			1,247
Considerations not yet paid			4,269
Acquisition cost, gross			121,193
Cash and cash equivalents			6,095
Net cost of the business combination			115,098

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 as defined by IAS 38. The goodwill arising from the aforementioned acquisitions is not expected to be tax deductible with the exception of an amount between €10 and €20 million.

The companies acquired in the first nine months of the year have contributed a total of €10 million to Software AG's Group revenue and a negative amount at the low end of the single-digit million range 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 nine months of the year.

[5] Disposals

Software AG signed an agreement with itelligence AG on August 30, 2013 to sell its SAP-related service activities in the Czech Republic, Hungary and Slovakia. The transfer took place on August 31, 2013. The transaction covered subsidiaries in the Czech Republic, Hungary and Slovakia (IDS Scheer Slovakia, s.r.o., Software AG s.r.o., IDS Scheer Hungaria Kft.).

This transaction resulted in a minor loss in the third quarter, which is reported under other expenses.

NOTES TO THE CONSOLIDATED BALANCE SHEET

[6] Goodwill

Goodwill amounted to €827,843 thousand as of September 30, 2013, an increase of €71,471 thousand compared to December 31, 2012. Of the rise in goodwill, €-4,544 thousand resulted from currency translation losses, due in particular to the weak U.S. dollar, and €76,015 thousand from the Company's acquisitions described in Note 4.

[7] Shareholders' equity

Share capital

Software AG's share capital totaled €86,917 thousand as of September 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 by April 30, 2013. Software AG thus held a balance of 3,966,818 treasury shares as of September 30, 2013 for a total price of €116,025,780 thousand (excluding transaction costs). This represents 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.

Making use of the authorization granted it by the Annual Shareholders' Meeting on May 3, 2013, Software AG announced on October 25, 2013 its decision to repurchase treasury shares with a total maximum value of €110 million (excluding transaction fees) by May 16, 2014 at the latest. The volume of repurchased treasury shares is limited to no more than 10 percent of the share capital as of May 3, 2013 less other treasury shares that the Company has already purchased and still holds or that are attributable to it in accordance with sections 71d and 71e of the German Stock Corporation Act.

As of October 25, 2013, Software AG held a total of 3,966,818 treasury shares representing 4.56 percent of its share capital (entitling the Company to acquire a maximum of 4,724,926 additional treasury shares as of the time of the announcement).

The buyback will be executed exclusively on the stock market through the involvement of a bank that determines the time of the acquisition of shares independently and uninfluenced of Software AG. The repurchased shares may be used for all purposes permissible by the provisions of stock corporation legislation and by the aforementioned authorization. Software AG has obtained approval by the Annual Shareholders' Meeting many times in the past for the repurchase of shares. The last time was on May 3, 2013.

OTHER DISCLOSURES

[8] Segment reporting

Beginning in fiscal year 2013 Management 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 Annual Report for the 2012 fiscal year.

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

Segment report for the quarter ended September 30, 2013, IFRS, unaudited

in € thousands	Enterprise Transaction Systems (ETS)	
	Q3 2013	Q3 2012
Licenses	17,763	30,228
Maintenance	41,103	47,356
Product revenue	58,866	77,584
Services	0	7
Other	146	184
Total revenue	59,012	77,775
Cost of sales	-3,538	-4,519
Gross profit	55,474	73,256
Sales, marketing & distribution expenses	-9,856	-15,167
Segment contribution	45,618	58,089
Research and development expenses	-5,975	-6,340
Segment result	39,643	51,749
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	
Q3 2013	Q3 2012	Q3 2013	Q3 2012	Q3 2013	Q3 2012	Q3 2013	Q3 2012
61,778	49,973	334	304			79,875	80,505
52,556	46,707	1,573	3,713			95,232	97,776
114,334	96,680	1,907	4,017			175,107	178,281
0	0	63,210	78,235			63,210	78,242
0	0	37	717			183	901
114,334	96,680	65,154	82,969			238,500	257,424
-5,529	-4,646	-56,019	-74,909	-7,465	-6,128	-72,551	-90,202
108,805	92,034	9,135	8,060	-7,465	-6,128	165,949	167,222
-50,446	-33,106	-8,167	-8,573	-4,037	-3,591	-72,506	-60,437
58,359	58,928	968	-513	-11,502	-9,719	93,443	106,785
-20,137	-18,870	0	0	0	0	-26,112	-25,210
38,222	40,058	968	-513	-11,502	-9,719	67,331	81,575
						-17,272	-20,027
						-1,590	-1,920
						48,469	59,628
						-961	-485
						-1,769	-1,358
						45,739	57,785
						-14,636	-17,119
						31,103	40,666

The table below shows the segment data for the first nine months of 2013 and 2012:

Segment report for the nine months ended September 30, 2013, IFRS, unaudited

in € thousands	Enterprise Transaction Systems (ETS)	
	9m 2013	9m 2012
Licenses	71,406	89,069
Maintenance	127,392	142,560
Product revenue	198,798	231,629
Services	0	7
Other	489	672
Total revenue	199,287	232,308
Cost of sales	- 10,421	- 12,065
Gross profit	188,866	220,243
Sales, marketing & distribution expenses	- 37,162	- 44,893
Segment contribution	151,704	175,350
Research and development expenses	- 18,857	- 19,549
Segment result	132,847	155,801
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	
9m 2013	9m 2012	9m 2013	9m 2012	9m 2013	9m 2012	9m 2013	9m 2012
146,501	131,267	1,348	1,456			219,255	221,792
149,620	139,717	5,079	11,276			282,091	293,553
296,121	270,984	6,427	12,732			501,346	515,345
1	0	199,000	253,676			199,001	253,683
1	34	322	889			812	1,595
296,123	271,018	205,749	267,297			701,159	770,623
-16,285	-14,314	-175,448	-245,195	-19,723	-17,936	-221,877	-289,510
279,838	256,704	30,301	22,102	-19,723	-17,936	479,282	481,113
-144,545	-99,276	-26,318	-26,676	-11,232	-10,501	-219,257	-181,346
135,293	157,428	3,983	-4,574	-30,955	-28,437	260,025	299,767
-59,689	-55,217	0	0	0	0	-78,546	-74,766
75,604	102,211	3,983	-4,574	-30,955	-28,437	181,479	225,001
						-52,472	-54,215
						-4,825	-5,551
						124,182	165,235
						6,075	2,154
						-4,582	-5,290
						125,675	162,099
						-38,540	-48,114
						87,135	113,985

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.

[9] Contingent liabilities

As of September 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	Sept. 30, 2013	Dec. 31, 2012	Sept. 30, 2012
Contingent liabilities	2,598	0	0

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)	8,109	54,682	10,890	73,681
Estimated income from subleases	600	5,360	0	5,960
Contractually agreed payments (net amount)	7,509	49,322	10,890	67,721

[10] Seasonal influences

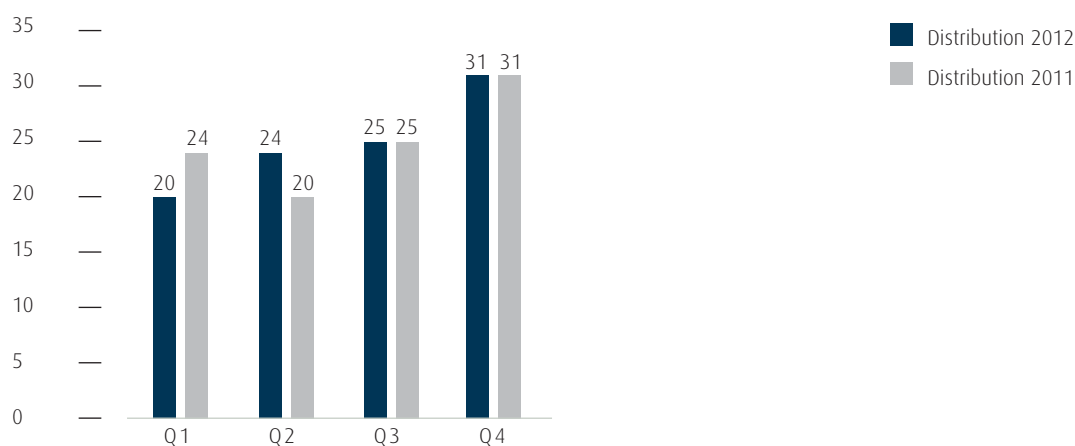
Revenues and pre-tax earnings were distributed over fiscal year 2012 as follows:

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



[11] 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. In response to further legal action brought by the plaintiff, the appellate court referred the case back to the court of first instance. The proceedings against the other defendants are still pending. Software AG assumes that the proceedings will be reopened in the first half of 2014.

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. In September 2013 the court issued an order to hear evidence and requested that Warth & Klein GmbH Wirtschaftsprüfungsgesellschaft provide an opinion on questions concerning valuation in the capacity of expert auditor.

In connection with the merger of IDS Scheer AG and Software AG, a large number of legal challenges were filed with 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.

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.

[12] 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 September 30, 2013 are described in detail on pages 228–233 of our 2012 Annual Report.

The rights granted under Management Incentive Plan 2011 (MIP IV) changed as follows in the first nine months of fiscal 2013:

	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	737,667	41.34		
Forfeited	- 843,833	41.34		
Balance as of Sept. 30, 2013	5,155,834	41.34	7.75	0

The balance of rights granted under Management Incentive Plan 2007 (MIP III) decreased by 27,000 forfeited rights compared to the balance on December 31, 2012.

All rights outstanding under MIP III as of September 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 September 30, 2013.

[13] Employees

In the first nine months of the year 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:

	Ø 9m 2013	Ø 9m 2012
Maintenance and Services	2,438	2,791
Sales and Marketing	1,234	1,048
Research and Development	949	891
Administration	722	735
	5,343	5,465

In absolute terms (i.e., part-time employees are counted in full), the Group employed 5,556 (2012: 5,618) people as of September 30, 2013.

[14] Changes and information regarding corporate bodies

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

[15] Events after the balance sheet date

Software AG announced the decision on the buyback of treasury stock on October 25, 2013. More information on this is presented in Note 12.

Date and authorization for issue

Software AG's Management Board approved the consolidated quarterly financial statements on November 8, 2013.

Darmstadt, November 8, 2013

Software AG



K.-H. Streibich



Dr. W. Jost



A. Zinnhardt

SERVICE

FINANCIAL CALENDAR 2014

January 28	Preliminary financial figures Q4 / FY 2013 (IFRS, unaudited) Darmstadt, Germany
May 2	Preliminary financial figures Q1 2014 (IFRS, unaudited) Darmstadt, Germany
July 24	Preliminary financial figures Q2 / H1 2014 (IFRS, unaudited) Darmstadt, Germany
October 29	Preliminary financial figures Q3 / 9M 2014 (IFRS, unaudited) Darmstadt, Germany

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