

“Corporate governance increases shareholder value.”

High transparency, reliable management and effective corporate monitoring are gaining more significance world-wide. Software AG is one of the companies which comply with the German Corporate Governance Code without reservation. Frank F. Beelitz, Chairman of the Supervisory Board, and Karl-Heinz Streibich, CEO, explain the status of corporate governance within company.

Software AG relies on effective corporate governance. What importance do you place on the principles of the German Corporate Governance Code?

Karl-Heinz Streibich: One characteristic of Software AG is our international orientation. We operate in global markets and address both German and foreign investors. With our commitment to the Corporate Governance Code, we accept internationally recognized standards of good enterprise management. This promotes a lasting trust in our company.

Frank F. Beelitz: In principle, responsible company management is synonymous with providing for the future, and thus nothing new for Software AG. The code makes it possible to place our own activities in a transparent context. It allows comparison and points out optimization potentials. We have used the opportunities this offers right from the start.

Corporate governance is fueled by continuous improvements. What progress was Software AG able to achieve in 2004?

Frank F. Beelitz: In previous years, Software AG already met the obligatory and voluntary regulations of the code with few exceptions. In 2004, the Executive Board and Supervisory Board took the final steps to fulfill the recommendations completely. Therefore, in the last business year, the financial reporting was provided in accordance with IFRS, the International Financial Reporting Standards, for the first time. With international balancing, we increase transparency and comparability. We also implemented the recommendation

to reveal the individual salaries of the members of the Executive and Supervisory Boards. In order to tie executive pay more closely to business success, since the beginning of 2005, two-thirds of this pay have been linked to revenue, profit, and other company goals. Approximately 30 percent of the variable compensation is only paid in the years that follow, which promotes the desired long-term incentive effect.

Do you aspire to be a role model in terms of corporate governance?

Karl-Heinz Streibich: By fulfilling the regulations of the Code as closely as possible, we are documenting our sense of responsibility. A corresponding corporate image occurs automatically, but it is not the main objective. Business administration in the sense of corporate governance is not an end in itself for Software AG. Rather, we regard it as an investment which does demand effort, but also creates additional strengths. Elements such as the world-wide development of a compliance system, or balancing in accordance with international financial reporting, are effective means of securing and consolidating the position of Software AG.

Studies confirm the connection between convincing business administration and positive development of the stock price. Could exemplary corporate governance be called a powerful argument?

Frank F. Beelitz: Corporate governance is never the sole cause of convincing performance, but it can provide an additional positive impulse. Investors hold observance of the rules of conduct in high regard and prefer companies which set an example in this regard. Particularly in the Anglo-American region, fairness towards investors and the quality of the business administration are fundamental criteria.

Karl-Heinz Streibich: Here, the attraction goes far beyond the capital market. Good corporate governance strengthens the company's reputation in every field, including the operating business. The resulting benefits create competitive advantages and thus also help promote market success. The value of the company increases – both on the exchange and in the market.