

Top performer in the technology sector

The increase in value of the world stock markets during the past year was average at best. However, Software AG stock defied the subdued climate with a 46 percent price increase. Positive business trends and favorable perspectives for 2005 drove this extraordinary performance.

The year 2004 was characterized by volatile oil prices, a weak US dollar, and low interest rates in the capital market. There was a mostly restrained performance in the first half of the year, but dividend announcements were more prevalent in the autumn. This moderate upswing enabled the Dow Jones to gain 3 percent over the year; the Dax rose by a solid 7 percent.

Average daily sales in Xetra: 111,161 shares (2003: 82,100)

Software AG stock – a pearl in the TecDAX

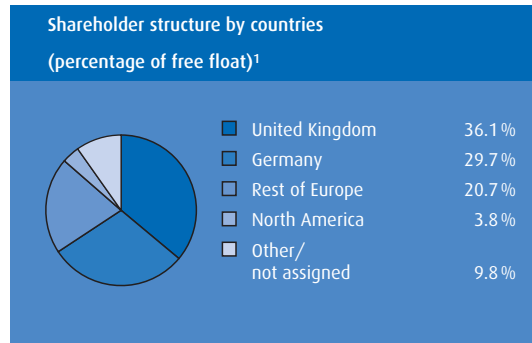
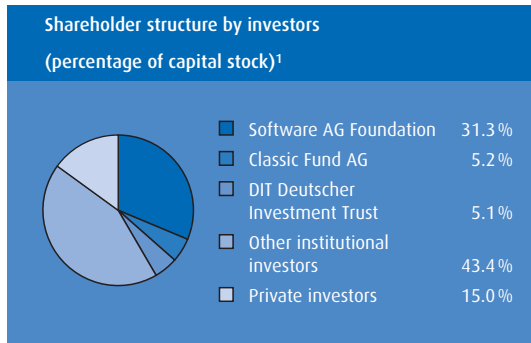
In the USA, technology shares managed to outperform the market. With a 10 percent increase, the Nasdaq 100 did much better than the standard. Not so in Germany: The TecDAX index lost some ground in 2004, and closed down by just under 4 percent. Software AG stock, which is traded on the TecDAX, clearly distanced itself from the pack. By meeting or exceeding market expectations in every quarter, it generated a price increase of 46 percent, to 23.80 Euro. In terms of shareholder value, this corresponds to a gain of €204.5 million.

Key stock figures		
	2004	2003
2004 high*	28.17	20.19
2004 low*	17.30	8.38
2004 closing price*	23.80	16.30
Total number of shares (Dec 31)	27,266,752	27,266,752
Market capitalization (Dec 31), € millions	648,9	444,4
Diversified holdings (free float), %	68.4	68.4
Average daily trading volume (Xetra)	111,161	82,100

* Xetra closing price in Euros

Resumption of dividend payment planned

In light of the satisfying performance of Software AG, the Executive Board and Supervisory Board recommended paying a dividend of € 0.75 per share for the 2004 business year. In relation to the average share price for the year of € 23.09, this would result in a dividend price ratio of 3.25 percent.



¹ as of: 30 Nov 2004, sources: Thomson Financial, publications according to § 25 WpHG, own estimates

*Diversified
holdings
68.4 percent*

Transparency for private investors

The core principle of our investor relations activities is up-to-date, open communication, addressing all relevant target groups equally. Private investors are integrated through special services. With the publication of the quarterly figures, for example, they can participate directly in the analyst conference via the Internet, or refer to its minutes later. The shareholders' meeting is also carried live and later made available as a video clip. Those who do not wish to participate in the shareholders' meeting personally can entrust their vote to a proxy from the company.

First roadshow in Spain

One of the central investor relations goals of the past year was to broaden the investor base. Investor conferences and roadshows in international financial centers generated opportunities for investor contact. The dialog with the capital markets convinced institutional investors and, in particular, public funds of the stock potential.

Software AG makes use of innovative channels to additional capital markets. For example, investors with local support we addressed targeted Spanish investors. Spain and Germany are the highest-volume single markets in Europe for Software AG. The high popularity of our products provides favorable conditions for building awareness in these capital markets. This awareness Therefore and precise structural analysis ensured that the road show was a complete success.

Coverage further expanded

Software AG's new strategic direction the company's resulting potential were the main investor relation issues. A stable business volume, increasing income, and a stronger cash flow positioned our stock as a value share. In addition, there is the prospect of profitable growth

Visibility in the capital market reinforced

as of 2005. All of this led to an increase in the upside targets, along with higher valuations by financial analysts. Therefore, the already good overall coverage was further improved. This included globally and locally operating analyst firms in Germany and London and resulted in Software AG's stock moving even further into the focus of private and institutional investors.

Dedicated to the capital market in Germany

In the framework of our investor relations, Software AG is committed to promoting the professionalization of the German capital market. This contribution includes collaboration in national and international committees, as well as the effort to implement the relevant standards in an exemplary fashion. The legal innovations for improving investor protection, for example in ad hoc publicity, the obligation to report securities transactions (director's dealings), and the obligation to maintain insider directories, were implemented early by Software AG.

XBRL Initiative strengthens the financial position of Germany

The XBRL initiative of the Deutsche Börse AG also aims at higher transparency and efficiency. We supported this pilot project in two ways. From a content perspective, Software AG now also provides its quarterly reports in the eXtensible Business Reporting Language (XBRL) format. From a technology perspective, we provided the data management software and operate the portal under contract with the Deutsche Börse. Thanks to the XBRL data format, which is based on XML, financial data can be exchanged without difficulty. Key figures are available faster, are easier to process and easier to compare. Issuers, analysts, and investors all benefit from this.

