

Update



# Half-year Financial Report 2009



## Group Interim Management Report

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### Business Performance

update software AG posted sales revenue totaling EUR 7.715 million in the second quarter of 2009, down 17.86% compared to the same period in 2008 (EUR 9.392 million). Revenue was materially affected by customers holding off purchases due to the current macroeconomic climate. EBIT decreased to EUR -0.612 million (Q2 2008: EUR 1.314 million). The corresponding EBT was EUR -0.477 million (Q2 2008: EUR 1.415 million).

Aggregate revenue for the first half of 2009 totaled EUR 15.608 million, compared to EUR 17.831 million for the first 6 months of 2008. This corresponds to a decline of 12.47%. For the same period, Group EBIT was EUR -0.900 million (compared to EUR 1.689 million in H1 2008). Aggregate EBT for the first two quarters was EUR -0.745 million (H1 2008: EUR 1.861 million).

The Group's cash position as of 30 June 2009 was EUR 12.689 million, down 6.8% from the balance at the end of Q2 2008 (EUR 13.612 million). update software AG's equity capital as of 30 June 2009 totaled EUR 25.691 million, compared to EUR 26.255 million on 30 June 2008. This corresponds to a decrease of 2.1%.

### Customers and Partners

In the quarter just ended, update continued to gain renowned new customers, among them GEZE GmbH in Germany and Gebro Pharma GmbH in Austria. Other companies that opted for update's CRM solution in the second quarter of 2009 included Sunstar Germany GmbH, Dr. Grandel GmbH, and the savings bank Sparkasse Mainfranken Würzburg, to mention but a few examples.

### Research and Development

The main theme of the second quarter of 2009 was the Service Pack 5 generation of update.seven; the first products of this release were launched in early July.

The Web version, for example, offers users extensive simplifications in campaign management, such as quick-campaign features.

Another focus of the Web-based solution was on enabling easier administration of international projects. To this end, virtual language support was introduced to meet the requirements of languages with regional differences, such as between South-

American and European Spanish. As always, usability was an important consideration. Consequently, in update.seven web SP5 it is possible, for example, to open any view from within the application's internal index cards. This gives users greatly enhanced flexibility, in that they can, for example, view details of a search result's individual data records in a new index card without having to exit the original query. In addition, many processes, such as working with documents or within the application, were further optimized.

Early May saw the new release of update.seven cockpit – the enhancements in terms of transporting configurations or creating target group specific documentation contribute to significantly improved efficiency in implementation projects.

The development team in Cologne also concluded their work on the integration of "generic supplementary data" in the WebKBP application package in the second quarter of 2009. This means that user institutes now have the possibility to flexibly integrate their own data into the dialogues within the various sub-applications. This applies both to data that is already available in the CRM core software and to data that is to be stored in addition to the CRM core software.

The WebKBP application package was also further upgraded and expanded particularly with regard to customer files for specific types of customers, additional product detail templates for specific subject areas, integration of informational media into campaign management and of other topics into the Customer Profile.

In all financial planning applications, integration of product information sheets into the Customer Portfolio was included to meet legal requirements for improved investor protection. In addition, as part of the development team's software maintenance work, customer-specific needs were implemented that further improve the quality of the financial planning applications.

Work on further modularization of the advisory applications, which began in the first quarter of 2009, was continued in the second quarter.

The advisory processes, modeled by merging Web-Service-based components, help customer-facing account managers to efficiently satisfy customer needs. For example, they automatically take the account manager to the appropriate product closings, and they fully cover the legal requirements with regard to documentation of the account manager's advisory process.

## Capital Market

In the first six months of 2009, update's ordinary shares fell by 5,93%. On 30 June 2009, its share price closed at EUR 2.54. Trading volume totaled more than 0.8 million shares (XETRA and Frankfurt).

The ordinary shareholders' meeting was held on 26 May 2009. Around 2.9 million voting shares were present. All items on the agenda were approved un-animously or by a majority. As such, the shareholders voted in favor of a dividend payout of EUR 0.10 per share. The dividend was paid out on 29 May 2009.

## Miscellaneous

No significant transactions were conducted with related persons in the first six month of 2009.

Additional information regarding update software AG is presented in the notes to the financial statements.

The Risk Report is presented in the notes to the financial statements.

## Outlook

In the second quarter just ended, sales revenue was heavily affected by the ongoing difficult market situation. It is, therefore, not possible at this point to foresee for how long the restrained capital spending policies will continue in the market segments targeted by update. Under these circumstances, update software AG no longer expects a positive full-year result for 2009. Still, by intensifying the cost-cutting program that has already begun on the one hand, and in view of the stable and loyal customer base and strong cash position on the other hand, update considers itself well prepared to cope with the upcoming challenges.

<b>Consolidated Income Statement</b>	<b>Q2/2008 EUR(000)</b>	<b>Q2/2009 EUR(000)</b>	<b>01-06/2008 EUR(000)</b>	<b>01-06/2009 EUR(000)</b>
<b>Sales revenue</b>				
Sales revenue from licences and maintenance agreements	5,844	4,352	11,020	9,275
Sales revenue from licence rental agreements	22	0	25	18
Sales revenue from implementation and service	3,525	3,347	6,761	6,272
Other sales revenue	1	16	25	43
<b>Total sales revenue</b>	<b>9,392</b>	<b>7,715</b>	<b>17,831</b>	<b>15,608</b>
<b>Cost of goods sold</b>				
Cost of licences and maintenance agreements	286	321	975	657
Cost of implementation and service	2,983	3,336	5,587	6,548
<b>Total cost of goods sold</b>	<b>3,269</b>	<b>3,657</b>	<b>6,562</b>	<b>7,206</b>
<b>Gross profit</b>	<b>6,123</b>	<b>4,057</b>	<b>11,269</b>	<b>8,402</b>
<b>Operating expenses</b>				
Sales and marketing	2,255	2,212	4,600	4,397
Research and development	1,746	1,677	3,437	3,430
General and administrative costs	808	740	1,543	1,429
Other operating expenses	0	41	0	46
<b>Total operating expenses</b>	<b>4,809</b>	<b>4,670</b>	<b>9,580</b>	<b>9,302</b>
<b>Earnings before interest and taxes (EBIT)</b>	<b>1,314</b>	<b>-612</b>	<b>1,689</b>	<b>-900</b>
Interest income	166	62	278	156
Interest expenses	-14	-2	-14	-8
Other income and expenses, net	-50	75	-92	8
<b>Earnings before taxes (EBT)</b>	<b>1,415</b>	<b>-477</b>	<b>1,861</b>	<b>-745</b>
Income taxes	-32	-118	-64	-165
<b>Net profit</b>	<b>1,383</b>	<b>-595</b>	<b>1,797</b>	<b>-910</b>
<b>Basic earnings per share<sup>1</sup> (in EUR)</b>	<b>0.12</b>	<b>-0.05</b>	<b>0.16</b>	<b>-0.08</b>
<b>Diluted earnings per share<sup>1</sup> (in EUR)</b>	<b>0.12</b>	<b>-0.05</b>	<b>0.15</b>	<b>-0.08</b>
<b>Average number of shares issued<sup>2</sup> (basic)</b>	<b>11,427,623</b>	<b>11,175,420</b>	<b>11,427,282</b>	<b>11,202,483</b>
<b>Average number of shares issued<sup>2</sup> (diluted)</b>	<b>11,624,588</b>	<b>11,040,433</b>	<b>11,610,306</b>	<b>11,084,227</b>

<sup>1</sup> Before taxes

<sup>2</sup> Includes effect of share buyback program

Consolidated Balance Sheet	30/06/2008 EUR(000)	31/12/2008 EUR(000)	31/03/2009 EUR(000)	30/06/2009 EUR(000)
<b>ASSETS</b>				
A. CURRENT ASSETS				
Cash and cash equivalents	13,612	12,064	15,777	12,689
Trade accounts receivable	10,300	10,078	11,146	9,823
Unbilled work	1,483	1,684	2,061	2,345
Other current assets	2,876	694	828	1,308
<b>Total current assets</b>	<b>28,271</b>	<b>24,520</b>	<b>29,812</b>	<b>26,165</b>
B. NON-CURRENT ASSETS				
Intangible assets and goodwill	7,994	8,216	8,179	8,113
Property, plant and equipment	699	810	767	722
Investment securities	64	59	59	59
Deferred tax assets	3,082	3,380	3,379	3,379
Other non-current assets	0	634	634	634
<b>Total non-current assets</b>	<b>11,839</b>	<b>13,099</b>	<b>13,018</b>	<b>12,907</b>
<b>Total assets</b>	<b>40,111</b>	<b>37,619</b>	<b>42,830</b>	<b>39,072</b>
<b>EQUITY AND LIABILITIES</b>				
A. CURRENT LIABILITIES				
Trade accounts payable	915	1,641	1,131	1,936
Provisions and other liabilities	12,219	7,315	13,619	10,825
<b>Total current liabilities</b>	<b>13,134</b>	<b>8,956</b>	<b>14,750</b>	<b>12,761</b>
B. NON-CURRENT LIABILITIES				
Non-current liabilities	129	0	0	0
Non-current provisions	593	604	617	620
<b>Total non-current liabilities</b>	<b>722</b>	<b>604</b>	<b>617</b>	<b>620</b>
C. SHAREHOLDERS' EQUITY				
Share capital	11,440	11,464	11,464	11,466
Additional paid-in capital	5,841	5,937	5,936	5,940
Other reserves	697	646	632	650
Treasury stock	0	-479	-746	-829
Net unappropriated profit	8,277	10,491	10,176	8,464
<b>Total shareholders' equity</b>	<b>26,255</b>	<b>28,059</b>	<b>27,463</b>	<b>25,691</b>
<b>Total liabilities and shareholders' equity</b>	<b>40,111</b>	<b>37,619</b>	<b>42,830</b>	<b>39,072</b>

<b>Consolidated Statement of Changes in Equity (in EUR 000)</b>	<b>Share capital</b>	<b>Additional paid-in capital</b>	<b>Additional paid-in capital (Options)</b>	<b>Net un-appropriated profit</b>	<b>Treasury stock</b>	<b>Other reserves</b>	<b>Total</b>
Balance on 31 December 2008	11,464	4,962	975	10,491	-479	646	28,059
Net profit for the six months ended 30/06/2009	-	-	-	-910	-	-	-910
Remeasurement gains/losses on financial instr.	-	-	-	-	-	-	-
Currency translation adjustments	-	-	-	-	-	0	0
Capital increase	-	-	-	-	-	-	-
Options granted	2	1	7	-	-	-	10
Treasury stock	-	-	-	-	-350	-	-350
Dividend 2008	-	-	-	-1,117	-	-	-1,117
<b>Balance on 30 June 2009</b>	<b>11,466</b>	<b>4,963</b>	<b>982</b>	<b>8,464</b>	<b>-829</b>	<b>646</b>	<b>25,691</b>

<b>2008 (in EUR(000))</b>	<b>Share capital</b>	<b>Additional paid-in capital</b>	<b>Additional paid-in capital (Options)</b>	<b>Net un-appropriated profit</b>	<b>Treasury stock</b>	<b>Other reserves</b>	<b>Total</b>
Balance on 31 December 2007	11,427	4,901	874	7,623	-	530	25,355
Net profit for the six months ended 30/06/2008	-	-	-	1,797	-	-	1,797
Remeasurement gains/losses on financial instr.	-	-	-	-	-	-	-
Currency translation adjustments	-	-	-	-	-	167	167
Capital increase	-	-	-	-	-	-	-
Options granted	13	15	51	-	-	-	79
Treasury stock	-	-	-	-	-	-	-
Dividend 2007	-	-	-	-1,143	-	-	-1,143
<b>Balance on 30 June 2008</b>	<b>11,440</b>	<b>4,916</b>	<b>925</b>	<b>8,277</b>	<b>-</b>	<b>697</b>	<b>26,255</b>

<b>Consolidated Cash Flow Statement</b>	<b>Q2/2008 EUR(000)</b>	<b>Q2/2009 EUR(000)</b>	<b>01-06/2008 EUR(000)</b>	<b>01-06/2009 EUR(000)</b>
<b>Operating activities:</b>				
Net profit	1,383	-595	1,797	-910
<b>Reconciliation of the net profit for the year to net cash flow from operating activities:</b>				
Depreciation and amortisation	150	153	293	306
Asset disposals	0	-2	0	5
Change in non-current provisions	38	3	58	15
Change in deferred tax assets	0	0	0	0
Unrealised re-measurement gains/losses on currency differences	62	22	169	3
Other cash expenses	25	2	51	7
<b>Changes in assets and liabilities:</b>				
Change in trade accounts receivable	-430	1,323	972	255
Change in other assets	532	-764	-2,608	-1,274
Change in trade accounts payable	-518	805	-1,302	294
Change in provisions and other liabilities	-3,325	-2,794	5,254	3,510
<b>Net cash flow from operating activities</b>	<b>-2,083</b>	<b>-1,847</b>	<b>4,684</b>	<b>2,211</b>
<b>Cash flow from investing activities:</b>				
Expenditures for the acquisition of interests in businesses less cash and cash equivalents acquired	69	0	69	0
Capital expenditures for intangible assets	-17	-2	-57	-37
Capital expenditures for property, plant and equipment	-77	-39	-191	-83
<b>Net cash flow from investing activities</b>	<b>-25</b>	<b>-41</b>	<b>-179</b>	<b>-120</b>
<b>Cash flow from financing activities:</b>				
Change in loans	0	0	0	0
Dividend distribution	-1,143	-1,117	-1,143	-1,117
Proceeds from capital increase	28	0	28	0
Change in treasury stock	0	-83	0	-350
<b>Net cash flow from financing activities</b>	<b>-1,115</b>	<b>-1,200</b>	<b>-1,115</b>	<b>-1,467</b>
Change in cash and cash equivalents	-3,222	-3,088	3,390	625
Cash and cash equivalents at beginning of period	16,834	15,777	10,222	12,064
<b>Cash and cash equivalents at end of period</b>	<b>13,612</b>	<b>12,689</b>	<b>13,612</b>	<b>12,689</b>

## Notes to the Consolidated Financial Statements as of 30 June 2009

Since 1 January 2005, update software AG has been preparing its accounts under IFRS/IAS principles. EU Regulation 1606/2002 requires publicly traded companies, with some exceptions, to prepare and publish their consolidated accounts in accordance with International Financial Reporting Standards (IFRS), formerly International Accounting Standards (IAS), for each financial year starting on or after 1 January 2005.

This financial report of update software AG for the first six month of 2009 complies with International Accounting Standard No. 34 (IAS 34).

The same accounting policies were applied as were used in preparing the consolidated financial statements under IAS for the 2008 financial year. This report has not been audited.

**Guarantees and other commitments:** The aggregate amount of cash and cash equivalents pledged for rental deposits and guarantees as of 30 June 2009 totaled approximately EUR 0.413 million (31 December 2008: 0.413 million).

**Material events:** The Berghuis/ABASE proceedings pending against update Benelux B.V. since 2000 is now entering its 9<sup>th</sup> year. As before, update Benelux's legal counsel in the action considers the probability of the plaintiff prevailing as very low. For this reason no provision was set up in the second quarter of 2009 with respect to these proceedings.

In the second quarter of 2009, there has still not been any judicial ruling with regard to the action for damages in the amount of EUR 0.705 million brought against update software AG in July 2002 for alleged failure to perform pre-contractual disclosure duties. Although the result of the continued evidentiary hearing naturally cannot be anticipated at the current time, based on information available to our legal counsel, update considers the Company's prospects in the case as favorable. Therefore, no provisions were set up in the second quarter of 2009 either.

The Management Board is of the opinion that the Company is not involved in any further legal dispute as of 30 June 2009 which could have a material effect on the Company's earnings or financial position.

**Dividend:** At the 12<sup>th</sup> ordinary shareholders' meeting held on 26 May 2009, update software AG's shareholders resolved to distribute a dividend of EUR 0.10 per authorized no-par share for the 2008 financial year. (2007 dividend: EUR 0.10)

**Segment reporting:** Segment reporting is based on location or region (DACH = Germany, Austria, Switzerland; CEE = Central and Eastern Europe; ROW = Rest of World). The holding company is the Group headquarters and is responsible for strategic activities such as planning, research & development, marketing, corporate finance, human resources and investor relations.

<b>Segment Reporting</b> (in EUR (000))	<b>Q2 2008</b>	<b>Q2 2009</b>	<b>01-06 2008</b>	<b>01-06 2009</b>
<b>Sales revenue</b>				
Holding	0	0	0	0
DACH	7,767	6,319	14,875	12,617
CEE	567	465	991	1,072
ROW	1,057	931	1,964	1,919
<b>Total sales revenue</b>	<b>9,391</b>	<b>7,715</b>	<b>17,830</b>	<b>15,608</b>
<b>EBIT</b>				
Holding	-78	-139	-181	-861
DACH	1,091	-67	1,222	585
CEE	149	25	260	128
ROW	153	-414	389	-735
<b>Total earnings before interest and taxes (EBIT)</b>	<b>1,315</b>	<b>-595</b>	<b>1,690</b>	<b>-883</b>

The decline in sales revenue in the DACH region from EUR 7.767 million in Q2 2008 to EUR 6.319 million in Q2 2009 is due to a significant drop in licensing revenue, caused by difficult market dynamics and the current recession. Operating income in the DACH segment also decreased from EUR 1.091 million to EUR -0.067 million.

The CEE region posted a relatively stable revenue of EUR 0.465 million for the second quarter of 2009. Operating income decreased from EUR 0.149 million to EUR 0.025 million as a result of higher royalty transfers.

In the ROW region, sales revenue in the second quarter of 2009 dropped from EUR 1.057 million to EUR 0.931 million. This decline is due, on the one hand, to a decrease in the Company's high-margin licensing revenue and, on the other hand, to an increase in its less profitable services – which are comprised both of services provided by the Compa-

ny and of services provided by subcontractors. Operating income in the ROW region decreased from EUR 0.153 million to EUR -0.414 million.

Share option plan	Options still available	Options granted	Range in EUR	Price in EUR*
<b>Balance at 31/12/2008</b>	119,410	949,848	1.00-18.69	3.08
Options granted	-	-	-	-
Options expired	3,378	(3,378)	1.99-6.00	3.62
Options exercised	-	-	-	-
<b>Balance at 31/03/2009</b>	122,788	946,470	1.00-18.69	3.09
Options granted	-	-	-	-
Options expired	7,397	(7,397)	1.99-3.67	3.27
Options exercised	-	(1,587)	1.99	1.99
<b>Balance at 30/06/2009</b>	<b>130,185</b>	<b>937,486</b>	<b>1.00-18.69</b>	<b>3.09</b>

\*weighted average exercise price

The table entitled "Corporate board member holdings" lists the number of update software AG securities held by the members of the company's corporate boards on 30 June 2009.

Corporate board member holdings	Member of	Shares	Options
Frank Hurtmanns	Supervisory Board	4,278	-
Hans Strack-Zimmermann	Supervisory Board	65,715	-
Richard Roy	Supervisory Board	-	-
Josef Blazicek	Supervisory Board	-	-
Thomas Deutschmann	Management Board	-	400,000
Monika Fiala	Management Board	10,000	125,939
Arno Huber	Management Board	848,334	100,000

Share buyback started: Since July 2008, update software AG has been carrying out the share buyback program approved at the ordinary shareholders' meeting in June 2008. Specifically, the buyback began on 3 July 2008 and is expected to end on 10 December 2010. Under this program, the company buys back ordinary bearer shares of update software AG to an extent of up to 10% of its share capital. If the approved volume is fully exploited, the number of own shares would rise to 1.142 million. The price range for the buyback was fixed by the 11<sup>th</sup> ordinary shareholders' meeting on 11 June 2008 at EUR 2 to EUR 5. update software AG reserves the right to use the shares so bought back, if need be, to serve employee stock options and to finance the acquisition of companies in Austria and abroad.

Treasury stocks	Date	Shares	Share capital	Capital share
Balance	31/12/2008	175,739	175,739	1.53 %
Balance	31/03/2009	270,476	270,476	2.36 %
<b>Balance</b>	<b>30/06/2009</b>	<b>301,661</b>	<b>301,661</b>	<b>2.64 %</b>

Number of Employees	Q2/2008	Q2/2009
R&D, Product Management, Help Desk	96	104
Sales, marketing & services	155	164
Administration	29	29
<b>Total</b>	<b>280</b>	<b>297</b>

The headcount (at the end of the period under review) includes freelance contractors. The increase in headcount relates exclusively to the revenue-generating positions in sales and service as well as in product management and R&D.

## Risk Report

In connection with its business activities related to developing, selling and implementing software, update software AG is exposed to a number of risks that are inextricably linked with its business conduct. Risk management is an integral component of the Company's development and comprises both operational and strategic risks, as well as financial, market and economic risks. The Company's risk management policy consists of an ongoing reporting requirement of division and country heads to the Management Board as well as a consulting and monitoring function of Corporate Controlling and the internal legal department. Furthermore, the members of the Management Board discuss operational and strategic business development in regular meetings. The Supervisory Board is also informed about developments in the Company in regular meetings. Insurance has been taken out to minimise damage and liability risks.

With regard to the following risk overview it must be noted that every single risk cannot be listed, but rather that this is an overview of the most important potential risks.

### General and Industry Risks

#### Economic Risks

A long-term downturn in general macroeconomic conditions, particularly in Europe, our primary target market, could have a negative impact on update software AG's assets, liabilities, financial position and profit or loss. Such market conditions could delay or hinder the Company's potential customers from buying and implementing software products or capital spending on such items. In view of the current macroeconomic situation, the economic risk is a realistic threat. If the weak demand continues to persist on the revenue side, impairment losses may have to be considered in the second half of 2009. However, the Company is well prepared for the coming reporting year as a result of its high equity ratio and large cash cushion.

#### Market Risks

In addition, the strong competition places continuing price pressure on the market, which update is also unable to elude. In addition to the general industry risks already described, it must also be added that update software AG is very strongly anchored in the German-speaking region. This means that a negative market development in this region could negatively impact the Company in its overall development. However, update software AG attempts to minimise this risk by positioning itself in other markets and regions.

### Corporate Risks

#### Strategic Planning Risks

Strategic planning includes past, current and future factors and developments, from which risks may derive. These risks are subject to unforeseeable developments and events at the market and company level. In spite of the use of strategic control mechanisms, ongoing communication and dialog with the market and industry experts, the close collaboration of the Management Board with the operating company units and the departments, as well as the use of external specialists, update software AG cannot completely avoid these risks.

#### Customer Risks

update software AG is not materially dependent on any single customer because the Company has a broad customer base. As a result of the current macroeconomic situation there is a risk that the number and size of customer orders could decline. The risk for more frequent pilot projects or an unforeseeable shift of orders to subsequent periods is also a threat scenario for the Company.

#### Product and Project Risks

When developing new or enhancing existing software products, there is the risk that developmental goals will not be attained or only partially attained, which may result in delays in planned market rollouts. In addition, products already introduced on the market may contain unrecognised errors. update software AG counters this risk by closely co-operating with customers and applying a highly advanced quality management system.

The Company uses structured project management to counter risks that arise in connection with implementing software solutions. This applies in particular to risks during the installation process that may entail a protraction of projects, which can negatively impact project costs and customer satisfaction. Furthermore, implementing software solutions also requires that customers provide resources on which update software AG has only limited influence. Possible warranty and liability risks must also be mentioned in this connection.

#### IT Risks

This risk arises from the use of computer-based data processing, information and communications programs, from which damage can result through breakdowns, user errors, viruses and hackers. update minimises this risk by using state-of-the-art firewalls, encryption and authentication technologies as well as back-up systems.

### Personnel Risks

The software and services sector is very personnel-intensive. A company's success is therefore also dependent on access to highly qualified specialists and managers. update software AG attempts to gain and integrate qualified personnel and create long-time loyalty through various measures such as the employee share option plan, attractive compensation systems or training and continuing education activities. The risk is also currently minimised by the situation in the labour market in that no personnel shortage is apparent.

### Legal Risks

update software AG is exposed to various national legal standards, which give rise to risks for legal transactions. Based on information currently available, the respective legal representatives deem the outcome of the material legal disputes currently pending against update as favourable to the Company.

### Acquisition Risks

The company is also following an inorganic growth course, i.e., other companies are purchased or acquired, which entails various risks. This concerns risks with regard to the purchase decision as well as the integration of the acquired company. In addition, update cannot exclude the possibility that the expectations placed in an acquired company are not met. update software AG attempts to minimise these risks through an extensive and careful due diligence, as well as through structured preparation, implementation and monitoring of the take-over and integration process. Given the current macroeconomic environment, no acquisitions have been planned for the near future.

### Financial Management Risks

#### Liquidity Risks

In order for update software AG to be able to fulfil its payment obligations at all times, appropriate liquidity must be available. The liquidity risk is limited thanks to the Company's current financial position (earnings performance, cash on hand and the positive cash flow from operating activities), but could intensify as a result of the current macroeconomic situation.

### Default Risks

update software AG delivers its products on account. This can result in bad debts arising if the customer is unable to pay. This risk increased significantly due to the current macroeconomic situation and the crisis in the financial markets. Appropriate receivables and risk management work to reduce this risk.

### Foreign currency risks

update software AG is an internationally active company and is therefore subject to foreign currency risks. The most important currencies in this connection are the Swiss franc, Hungarian forint, Polish zloty, US-Dollar and Czech crown. However, the majority of transactions are settled in euros.

### Opportunities for companies

The opportunities for companies to increase efficiency and effectiveness by using CRM systems become especially important in a difficult market environment, in fact, significantly more important than in "good times." One scarce resource during a recession is the customer.

If one considers the gains in effectiveness from the deployment of a CRM system, two achievable effects are apparent. On the one hand, caring for existing customers is of particularly decisive significance in difficult times, and on the other hand, all options must be used to offer these customers additive products or services. This gives rise to opportunities for a greater use of a CRM system.

In summary, it can be said that the total risk to which update software AG is exposed, taking the risk management it applies into account, can be viewed in principle as manageable. As of the date this report was prepared, the risk from the current macroeconomic situation and crisis in the financial markets increased significantly compared to the previous year. As of the date this report was prepared, there were no risks jeopardizing update's continued existence.

## Responsibility Statement

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To the best of our knowledge, and in accordance with the applicable reporting principles, the half-year financial report give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the 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, risks and uncertainties associated with the expected development of the Group.

Vienna, 5 August 2009

### The Board of Management



Thomas Deutschmann, CEO



Monika Fiala, MBA, CFO



Arno Huber, CTO

### Capital Market

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update software AG is listed in the General Standard segment of the Deutsche Boerse in Frankfurt am Main, Germany.

#### Share price performance (indexed)

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Trading system:	XETRA
Periode:	31/12/2008 – 30/06/2009
Price on 31/12/2008:	EUR 2.70
Price on 30/06/2009:	EUR 2.54
Price performance:	- 5.93 %
Average total volume/day '09:	~ 6,762 Stück
Average total volume/day '08:	~ 14,471 Stück
Year-on-year change of liquidity:	- 53.3 %
Total volume '09 (YTD):	~ 845,277 Stück
ISIN:	AT0000747555
WKN (German securities identification number):	934523

## update software AG

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With more than 160,000 users in over 1,400 companies, update software AG is one of the leading international producers of systems for customer relationship management (CRM). The Company is headquartered in Vienna, Austria. It has subsidiaries in Germany, Switzerland, the Netherlands, France, Hungary, the Czech Republic, Poland, and the U.S.A. In addition, update is represented by established partners throughout the world.

With update.seven, its current CRM suite, update software AG focuses on the needs of companies in life sciences, financial services, and manufacturing, including construction companies and building component suppliers. In line with this focus, and to ensure optimum customer service geared to actual needs, update has created competence centers for each of these three industries, i.e. "Life Sciences International" (LSI), "Financial Services International" (FSI), and "Industry Solutions International" (ISI).

The update.seven product suite is composed of various applications and is offered as a flexible CRM standard solution for operational, collaborative and analytical CRM. The product is available in 25 languages.

<b>Key performance indicators I:</b>	<b>Q2/2008</b> EUR(000)	<b>Q2/2009</b> EUR(000)	<b>Change in %</b>
Total sales revenue	9,392	7,715	-17.9%
EBIT	1,314	-612	-
EBITDA	1,464	-459	-
EBT	1,415	-477	-
EPS (basic) <sup>1</sup>	0.12	-0.05	-

<sup>1</sup> Before taxes

<b>Key performance indicators II:</b>	<b>1-6/2008</b> EUR(000)	<b>1-6/2009</b> EUR(000)	<b>Change in %</b>
Total sales revenue	17,831	15,608	-12.5%
EBIT	1,689	-900	-
EBITDA	1,982	-594	-
EBT	1,861	-745	-
EPS (basic) <sup>1</sup>	0.15	-0.08	-
Equity	26,255	25,691	-2.1%
Cash and cash equivalents	13,612	12,689	-6.8%
Number of employees	280	297	6.1%

<sup>1</sup> Before taxes

## Miscellaneous

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Given the short period of time between order placement and invoicing, the quarterly report doesn't contain any order lists.

Note on rounding: When adding up rounded amounts and information given as a percentage, rounding differences may occur due to the use of automatic calculation methods.

No information contained herein constitutes or shall be construed as an offer or recommendation to subscribe for or buy securities or financial instruments in update software AG.

## Further Information

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The Investor Relations objective of update software AG is to provide the financial community with comprehensive information based on openness and transparency, which is achieved through an ongoing dialogue with analysts and investors. The ordinary shareholders' meeting took place on 26 May 2009 in Vienna, Austria.

Up-to-date corporate information are available to interested investors at all times at [www.update.com](http://www.update.com).

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## 2009 financial calendar

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3<sup>rd</sup> quarter 2009 results                      20 October 2009