

Update



Financial Report Q3/2011



Key performance indicators

Overview Q3	Q3/11 EUR ('000)	Q3/10 EUR ('000)	Change in %
Total sales revenue	8,289	6,480	+28%
EBITDA	589	-109	n.a.
EBIT	455	-235	n.a.
EBT	593	-278	n.a.
EPS (basic)	0.07	-0.02	n.a.
Shareholders' equity	20,394	23,215	-12%
Cash and cash equivalents	10,693	11,563	-8%
Number of employees	293	266	+10%

Overview YTD	1-9/2011 EUR ('000)	1-9/2010 EUR ('000)	Change in %
Total sales revenue	22,873	19,489	+ 17%
EBITDA	418	-1,633 ²	n.a.
EBIT ¹	29	-1,304	n.a.
EBIT ²	29	-2,006	n.a.
EBT	102	-2,013	n.a.
EPS (basic)	0.0	-0.18	n.a.

¹ Before non-recurring item
² After non-recurring item

Group Interim Management Report

Business Performance

The number-one priority at update software AG continues to be the transformation of its business model toward Software-as-a-Service. Despite its focus on this process, the company reported another strong increase in sales revenue for the third quarter, totaling 28% compared to last year's Q3, and positive EBIT of EUR 0.5 million. Aggregate revenue for the first three quarters of 2011 thus totaled EUR 22.9 million, increasing 17% compared to the first three quarters of 2010 (EUR 19.5 million).

The company's management expressed great satisfaction at having closed the second quarter in a row with strong revenue growth and positive earnings. This development confirms that update has chosen the right strategy, and the company will continue to implement it consistently going forward. To update, innovation leadership will always be a top priority. Consequently, the company will continue to invest strongly in both existing and new products in order to offer its clients unique CRM solutions.

New customers

Out of the more than 50 new customers gained in the first three quarters, around 45% chose the hosted SaaS solution of update.revolution.

Also, as part of an international CRM project with the UniCredit Group, update gained the CEE division of the corporate and investment banking, private banking, and SME banking units as a new customer. The subsidiary banks of UniCredit Group in Romania, Bulgaria, and Russia began implementing the update solution in Q3. It is planned to roll out the software in additional branch offices over the next few years. Further new customers in the third quarter include Riso France SA and Genpharma from France as well as Kathrein Privatbank AG and TUI Austria Holding GmbH in Austria, to name just a few.

R & D

A major focus of update's development team in the third quarter of 2011 was on developing the Service Pack 8 generation of update.seven, which will be released in the fourth quarter of this year. As usual, this Service Pack will not only include bug fixes but also a series of new functionalities for all user communities. In particular, the focus was on further enhancing ease of use, allowing end users to add

modifications based on their preferences, and on the other hand on developing the product further according to SaaS requirements. Through several modifications and enhancements in the new release, the solution was also improved for use by large companies.

With update.smartbook, the company will launch a completely new member of the product family at the end of the first quarter of 2012. smartbook is a native application for Apple iPad that provides the sales staff in the field with both online and offline access to the most important CRM processes. update.smartbook is an essential element of the company's mobile strategy and the next step in the development of update's mobile CRM applications. With regard to the available industry processes, the first version of this app will be primarily geared toward the needs of the pharmaceutical/OTC industry. Going forward, solutions will be developed for all areas, with processes tailored specifically to the respective industry. Development of an application for Android phones is also planned but will still take some time.

Financial performance, cash flows, and financial position

Financial performance

Sales revenue in the third quarter increased 27.9% to EUR 8.3 million, compared to EUR 6.5 million in Q3/2010. This growth was mainly driven by a strong license and maintenance business and an increase in SaaS revenue.

Aggregate sales revenue for the first three quarters of 2011 thus totaled EUR 22.9 million, increasing 17.4% compared to the first three quarters of 2010 (EUR 19.5 million). Aggregate EBIT for the first three quarters was at break-even, compared to EUR -2,0 million for the same period one year earlier.

Operating expenditure rose from EUR 13.1 million in the first three quarters of 2010 (including non-recurring items) to EUR 13.5 million in 2011. This increase is mainly due to higher staff costs caused by personnel growth in sales, marketing, and business services.

Contrary to last year, there were no non-recurring items in the current reporting period affecting operating earnings (Q1-Q3 2010: EUR -0.7 million).

Due to an increase in operating earnings (EBIT) by EUR 0.7 million compared to Q3 2010, update was

able to post positive EBIT of EUR 0.5 million in the third quarter of this year, while last year's Q3 EBIT was EUR -0.2 million. Third-quarter EBT was EUR 0.6 million (Q3 2010: EUR -0.3 million). On a nine-month basis, the group's EBIT thus improved from EUR -2.0 million in 2010 to positive earnings in 2011.

Cash flows

Aggregate cash flow from operating activities as of 30 September 2011 was EUR 0.4 million (2010: EUR 1.6 million).

While last year's trade accounts receivable had been reduced by around EUR 2.4 million as of the end of the reporting period, they increased by around EUR 2.1 million in the current reporting period due to the strong increase in sales.

In the reporting period, a positive effect was reported from the change resulting from the deferral of maintenance income, while the change in provisions and other liabilities from last year was affected by non-recurring items (a fixed-price project and a composition agreement with a customer) of EUR 2.8 million.

Cash flow from investing activities was at the same level as last year, EUR -0.4 million (2010: EUR -0.4 million). This item results mainly from capital expenditures for property, plant and equipment and miscellaneous intangible assets.

Cash flow from financing activities includes the change in treasury stock of EUR -50 thousand (compared to EUR -14 thousand one year earlier).

Cash and cash equivalents on 30 September 2011 were EUR 10.7 million, compared to EUR 11.6 million on 30 September 2010.

Financial position

Current assets increased by EUR 2.6 million in the reporting period. This is mainly due to the increase in receivables by EUR 2.3 million as a result of several large-scale projects and accruals of EUR 0.3 million.

Non-current assets as well as non-current liabilities changed only insignificantly in the reporting period.

Current liabilities increased by EUR 2.2 million in the first nine months of 2011. This increase is mainly due to the fact that annual maintenance revenues were recognized as deferred income. The deferral of taxes recognized in the second quarter of 2011 were reversed due to the merger of the German subsidiaries.

Total assets for the reporting period increased by EUR 2.3 million to EUR 28.9 million.

The group's equity ratio as of 30 September 2011 was approx. 70.5% (equity ratio on 31 December 2010: 77%).

Outlook

With its offering of update.revolution, the company has proven to be right on track to leverage the market potential in its target regions and industries. This is also reflected in the number of new customers gained. Going forward, update will continue to focus on the gradual transformation of its business model to Software-as-a-Service (SaaS). The aim of this strategy is to offer customers the best solution on the market while at the same time increase the share of recurring sales revenues for the company. Further investments will therefore be made to create a sustainable foundation for the company's aspired growth.

The overall improvement of the economy has had very positive effects on update's sales revenues in the reporting period. The company expects this trend to continue in the remaining quarter of this year, although the effects of the current situation in the financial markets and within the European Union on the real economy and the company cannot be predicted at this point.

In view of the continued strong pipeline for the fourth quarter, update reiterates its guidance for the 2011 financial year with sales revenue of EUR 31 million and EBIT at around break-even.

Opportunities and risk report

With respect to further opportunities and risks please refer to the corresponding parts of the management report and group management report for the 2010 financial year, since in our current estimation, no material changes have occurred since then.

However, the company points to the current developments in the financial markets and the sovereign debt problems within the European Union, which will affect the real economy going forward and could also affect the demand for update software AG's products.

Material transactions with related parties

There were no material transactions with related parties in the first three quarters of 2011.

Segment Reporting

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

The increase in sales revenue in the DACH region by EUR 2.1 million as well as the improved operating earnings in the third quarter of 2011 are mainly driven by a strong license and maintenance business and an increase in SaaS revenue. The negative developments in EBIT are due to the introduction of a new transfer pricing model within the group, which was accounted for retroactively in Q3 as of 1 January 2011.

Segment Reporting	Q3 2011 EUR (‘000)	Q3 2010 EUR (‘000)	1-9 2011 EUR (‘000)	1-9 2010 EUR (‘000)
Sales revenue				
Holding	0	0	0	0
DACH	6,929	4,814	19,328	15,318
CEE	278	388	1,073	1,139
ROW	1,083	1,278	2,474	3,032
Total sales revenue	8,289	6,480	22,873	19,489
Inter-segment sales revenue				
Holding	6,132	916	11,008	8,242
DACH	1,305	-21	1,307	58
CEE	6	37	70	95
ROW	6	0	61	0
Total inter-segment sales revenue	7,449	932	12,446	8,395
EBIT				
Holding	2,527	286	2,833	-156
DACH	-1,437	-614	-1,054	-1,160
CEE	-413	93	-281	156
ROW	-222	0	-1,469	-846
Total operating income (EBIT)	455	-235	29	-2,006

Consolidated Statement of Comprehensive Income	Q3/2011 EUR ('000)	Q3/2010 EUR ('000)	1-9/2011 EUR ('000)	1-9/2010 EUR ('000)
Sales revenue				
Sales revenue from licenses and maintenance agreements	5,614	4,359	15,521	12,485
Sales revenue from services ¹	2,666	2,111	7,326	6,982
Other sales revenue	9	10	26	22
Total sales revenue	8,289	6,480	22,873	19,489
Cost of goods sold				
Cost of license and maintenance agreements	-307	-275	-978	-945
Cost of services	-2,962	-2,404	-8,387	-7,439
Total cost of goods sold	-3,269	-2,679	-9,365	-8,384
Gross profit	5,020	3,801	13,508	11,105
Operating expenses				
Sales and marketing	-2,373	-1,965	-6,833	-6,117
Research and development	-1,454	-1,400	-4,620	-4,391
General and administrative costs	-736	-568	-2,056	-1,887
Other operating expenses	-3	-103	30	-14
Total operating expenses	-4,566	-4,036	-13,479	-12,409
Earnings before interest and taxes (EBIT) before non-recurring item	455	-235	29	-1,304
One time effects	0	0	0	-702
Earnings before interest and taxes (EBIT) after non-recurring item	455	-235	29	-2,006
Interest income	42	31	125	91
Interest expenses	0	0	0	-1
Other income and expenses, net	96	-74	-51	-97
Earnings before taxes (EBT)	593	-278	102	-2,013
Income taxes	247	0	-2	0
Net result	840	-278	100	-2,013
Other comprehensive income	-188	94	-29	129
Comprehensive income	652	-184	71	1,884
Earnings per share (basic) in EUR	0.07	-0.02	0.00	-0.18
Earnings per share (diluted) in EUR	0.07	-0.02	0.00	-0.18
Average number of issued shares² (basic)	11,265,833	11,256,675	11,271,808	11,259,111
Average number of issued shares² (diluted)	11,265,833	11,256,675	11,271,808	11,259,111

¹ Including SaaS revenues

² Adjusted for the effect of the share buyback program

Consolidated Balance Sheet	30/09/2011	31/12/2010
	EUR ('000)	EUR ('000)
ASSETS:		
A. NON-CURRENT ASSETS		
Intangible assets and goodwill	5,418	5,485
Property, plant and equipment	586	573
Investment securities	63	63
Deferred tax assets	1,479	1,479
Other non-current assets	502	768
Total non-current assets	8,048	8,368
B. CURRENT ASSETS		
Cash and cash equivalents	10,693	10,713
Trade accounts receivable	8,636	6,220
Trade receivables from production or service contracts	699	406
Other current assets	832	895
Total current assets	20,860	18,234
Total assets	28,908	26,602
EQUITY AND LIABILITIES:		
A. SHAREHOLDERS' EQUITY		
Share capital	11,569	11,569
Additional paid-in capital	5,575	5,585
Other reserves	791	820
Treasury stock	-893	-843
Net unappropriated profit	3,352	3,252
Total shareholders' equity	20,394	20,383
B. NON-CURRENT LIABILITIES		
Provisions for non-current personnel liabilities	688	596
Deferred tax liabilities	44	44
Total non-current liabilities	732	640
C. CURRENT LIABILITIES		
Provisions	30	46
Trade accounts payable	729	981
Tax liabilities	45	196
Other liabilities	6,978	4,356
Total current liabilities	7,782	5,579
Total liabilities and shareholders' equity	28,908	26,602

Consolidated Cash Flow Statement	Q3/2011 EUR ('000)	Q3/2010 EUR ('000)	1-9/2011 EUR ('000)	1-9/2010 EUR ('000)
Operating activities:				
Net result	840	-278	100	-2.013
Reconciliation of the net profit for the year to net cash flow from operating activities:				
Depreciation, amortization and write-downs	134	126	389	381
Asset disposals	28	4	29	8
Change in non-current provisions	9	5	93	-30
Unrealized re-measurement gains/losses on currency differences	-188	94	-27	129
Other cash expenses	-12	-4	-10	-1
Changes in assets and liabilities:				
Change in trade accounts receivable	95	767	-2,150	2,362
Change in other assets	289	-134	-230	1,145
Change in trade accounts payable	-50	-91	-253	-563
Change in provisions and other liabilities	-3,019	-3,198	2,453	221
Net cash flow from operating activities	-1,874	-2,709	393	1,639
Cash flow from investing activities:				
Expenditures for the acquisition of interests in businesses less cash and cash equivalents acquired	-69	-2	-83	-170
Investments for intangible assets	-78	-35	-281	-215
Net cash flow from investing activities	-147	-37	-364	-385
Cash flow from financing activities:				
Change in treasury stock	-50	-6	-50	-14
Net cash flow from financing activities	-50	-6	-50	-14
Change in cash and cash equivalents	-2,071	-2,752	-20	1,240
Cash and cash equivalents at beginning of period	12,764	14,315	10,713	10,323
Cash and cash equivalents at end of period	10,693	11,563	10,693	11,563

Consolidated Statement of Changes in Equity (EUR '000)	Share capital	Additional paid-in capital	Other re- serves	Treasury stock	Net un- appropriated result	Total
As of 31 December 2010	11,569	5,585	820	-843	3,252	20,383
Net income / loss			-29		100	71
Capital increase						
Options granted		-10				-10
Treasury stock				-50		-50
As of 30 September 2011	11,569	5,575	791	-893	3,352	20,394

2010 (EUR '000)	Share capital	Additional paid-in capital	Other re- serves	Treasury stock	Net un- appropriated result	Total
As of 31 December 2009	11,569	5,951	692	-841	7,743	25,114
Net income / loss			129		-2,013	-1,884
Capital increase						
Options granted		-1				-1
Treasury stock				-14		-14
As of 30 September 2010	11,569	5,950	821	-855	5,730	23,215

Notes to the consolidated financial statements as of 30 September 2011

Accounting Rules

This report of update software AG has been prepared in EUR, the company's corporate currency, as per IAS 34 "Interim Financial Reporting" in accordance with the International Financial Reporting Standards (IFRS) to be applied as of the end of the reporting period. The accounting principles and calculation methods used in the consolidated financial statements for the year ended 31 December 2010 have not changed. For further details see the consolidated financial statements of update software AG as of 31 December 2010.

Auditor review

This report has not been audited nor reviewed by independent auditors

Guarantees and other commitments

The aggregate amount of cash and cash equivalents pledged for rental deposits and payment guarantees as of 30 September 2011 is approximately EUR 0.3 million (30 September 2010: EUR 0.4 million).

Material events after closing date

The company has decided to temporarily suspend business operations of its subsidiary in the U.S., update CRM Inc., and retain it as an inactive company. Management is currently prioritizing update's business transformation.

Registration of merger agreement

As per a duly notarized merger agreement dated 11 July 2011, the three German subsidiaries of the update group – update software Germany GmbH (registered office: Frankfurt), update Life Sciences International GmbH (registered office: Munich) and update Financial Services International GmbH (registered office: Cologne) – were merged by way of amalgamation by absorption. The absorbing company, update Financial Services International GmbH, will continue to exist as such. It will, however, change its registered name to update software Deutschland GmbH and move its registered office to Munich. The locations in Cologne, Frankfurt, and Munich will remain in operation, and no changes in headcount have been envisaged. Once registered in the Commercial Register, the tax effect of the changes will be effective retroactively as of 1 January 2011.

The merged company was registered in the Commercial Register on 18 August 2011, the tax effect is recognized retroactively as of 1 January 2011.

Stock Option Program

	Number of options	Weighted average exercise price in EUR
Options issued as of 1/1/2011	724,068	2.77
Options granted	-	
Options exercised	-	
Options expired	-	
Options issued as of 31/03/2011	724,068	2.77
Options granted		
Options exercised	2,520	1.99
Options expired		
Options issued as of 30/06/2011	721,548	2.77
Options granted	-	
Options exercised	3,840	1.73
Options expired	-14,380	2.36
Options issued as of per 30/9/2011	703,328	2.79
Exercisable as of the end of the quarter	689,578	
Options available for granting	228,794	
Total options exercised	452,681	

Overview Corporate board members

The table entitled "Corporate board members" shows the number of update software AG securities held by board members as of 30 September 2011.

Corporate board members	Member of	Shares	Options
Frank Hurtmanns	Supervisory Board	4,278	0
Hans Strack-Zimmermann	Supervisory Board	65,715	0
Richard Roy	Supervisory Board	0	0
Josef Blazicek	Supervisory Board	0	0
Gerhard Auer	Supervisory Board	0	0
Helmut Fink	Management Board	0	0
Thomas Deutschmann	Management Board	100,000	300,000
Uwe Reumuth	Management Board	0	0
Arno Huber	Supervisory Board	848,334	100,000

Share buyback

At the ordinary shareholders' meeting on 18 May 2011, the company's board of management was authorized to implement another share buyback program. The buyback program began on 28 June and is expected to end on 18 November 2013. Under this program, the company can buy back ordinary bearer shares of update software AG to an extent of up to 10% of its share capital, including own shares already acquired. If the approved volume is fully exploited, the number of treasury stock would rise to 1.156 million. The price range for the buyback was fixed by the 14th ordinary shareholders' meeting on 18 May 2011 at EUR 1 to EUR 10. 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. Further details will be published on the company's website at www.update.com

Trea- sury stock	Date	Shares	Share capital	Capital share
Balance	31/03/2011	294,405	294,405	2.5 %
Balance	30/06/2011	293,423	293,423	2.5 %
Balance	30/09/2011	312,490	312,490	2.7 %

Headcount HC	Q3/2011	Q3/2010
R&D	95	92
Sales, marketing & business solutions	170	144
Administration	28	30
Total	293	266

The headcount (at the end of the period) also includes update's freelance workers. The increase is mainly due to the need for more capacity in the sales, marketing and business services units.

Annual general meeting

update software AG's ordinary shareholders' meeting took place on 18 May in Vienna, Austria, on the premises of "Wolke 19". Shareholders representing approximately 4.6 million voting shares were present and approved all agenda items either unanimously or with a majority. With regard to agenda item 5, "Elections to the Supervisory Board," the majority of the shareholders approved the re-election of Mr. Josef Blazicek, Mr. Frank Hurtmanns, Mr. Richard Roy, and Mr. Hans Strack Zimmerman as members of the Supervisory Board. Furthermore, the motion made by Shareholder Value Beteiligungen AG to expand the Supervisory Board to six members was approved and Mr. Helmut Fink appointed as an additional member. The ordinary shareholders' meeting also gave their consent to the execution of another share buyback program, details of which have been set out above.

The Management Board



Thomas Deutschmann, CEO



Dipl.-Wirtsch.-Ing. Uwe Reumuth, CFO



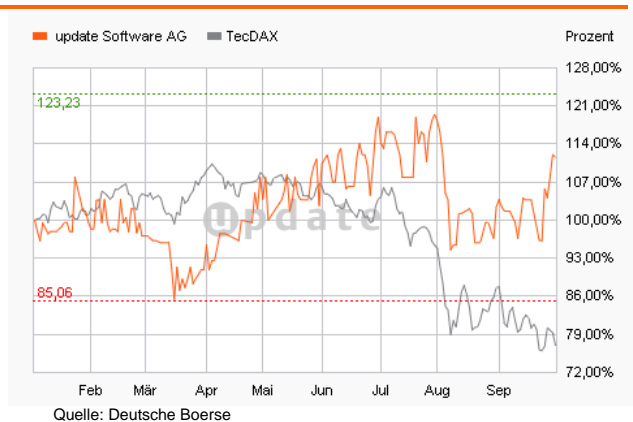
Dipl.-Ing. Arno Huber, CTO

Capital Market

update software AG is listed in the General Standard segment of the Deutsche Börse in Frankfurt am Main, Germany. At a price of EUR 2.69, update's share posted a 6.3% minus in the third quarter of the year. The trading volume in this period was approximately 0.5 million shares (XETRA and Frankfurt).

Taking the last development of the financial markets into account update software has been quite stable. Compared to other German indices update even performed better.

Share price performance YTD (indexed)



Trading system:	XETRA + Frankfurt
Period:	31/12/2010 – 30/09/2011
Price on 30/12/2010:	2.40 EUR
Price on 30/09/2011:	2.69 EUR
Price performance:	12.1 %
Average total volume/day '11:	~ 7,864 Stück
Average total volume/day '10:	~ 13,566 Stück
Total volume 2011 (YTD):	1,250,418 Stück
ISIN:	AT0000747555
WKN (German securities identification number):	934523

update software AG

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 its CRM solutions, update concentrates on the needs of companies in the following segments: Life Sciences, Financial Services, and Industry Solutions. In line with this focus, update has created three competence centers for each of these three industries to ensure customer service geared to actual needs.

The new business model – update.revolution based on SaaS – offers customers many advantages, such as eliminating high procurement costs for implementation. Customers only pay a monthly usage fee based on the number of users, the software modules used, and the service level selected. This ensures that costs are transparent and can be exactly calculated from the onset. The use of standardized processes for update's core industries combined with

extensive ability for customization make the update.revolution model unique on the market.

The Company, founded in Vienna in 1988, concentrates on companies in vertically structured markets and offers up-to-date industry-specific solutions for the following segments: e.g. Industry Solutions, Financial Services and Life Sciences. Among our most renowned customer are ALK Abelló, Bawag P.S.K., Boehringer Ingelheim, Daiichi Sankyo, Danfoss, Demag Cranes AG, Hansgrohe, Kärcher, LBS Nord, MagnaSteyr, Paul Hartmann, Raiffeisen Schweiz, ratiopharm, Reis Robotics, Saint Gobain, Sandoz, UnicreditBank Hungary, Uzin Utz AG as well as Hamburger Sparkasse and 130 other german saving banks. Strategic Partnerships exist with companies like Atos, Hewlett Packard, Sensix, Steria Mummert Consulting and to the Hosting-Partner IBM.

Miscellaneous

Note on rounding: When adding up rounded amounts and data given as a percentage, rounding differences may occur due to the use of automatic calculation methods. Rounding, typing or printing errors cannot be excluded.

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

Further information

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 dialog with analysts and investors.

Up-to-date corporate information is available to interested investors at www.update.com.

Address: update software AG
Operngasse 17 – 21
1040 Vienna, Austria

IR Contact: Ms. Kerstin Schabhüttl
Phone: +43 (1) 878 55 – 512
Fax: +43 (1) 878 55 – 9512
E-mail: investor.relations@update.com

2011 financial calendar

EK-Forum Frankfurt	Nov 22-23 2011
Münchner Kapitalmarkt Konferenz	Dez 7-8 2011