

Convenience Translation - only the German version is binding



Invitation  
to the Annual General Meeting of  
SQS Software Quality Systems AG  
on May 26, 2010

*Convenience Translation - only the German version is binding*

# **SQS Software Quality Systems AG**

Cologne, HRB 12764

International Securities Identification Number (ISIN): DE 0005493514

## **Invitation to the Annual General Meeting**

Dear Shareholders,

We are pleased to invite you to our Annual General Meeting to be held at our offices at Sophienstrasse 5 in 51149 Cologne, Federal Republic of Germany, on Wednesday, May 26, 2010 at 10 a.m. (local time).

## Agenda

- 1. Presentation of the adopted annual financial statements and the management report, the approved consolidated financial statements and the group management report, the report of the Supervisory Board of SQS Software Quality Systems AG as well as the proposal of the Management Board for the appropriation of the balance sheet profits for the fiscal year 2009**

The aforesaid documents can be accessed at the Company's registered office at Stollwerckstraße 11, 51149 Cologne, during ordinary business hours. Upon request, each shareholder will be sent a copy of these documents without undue delay and free of charge. Please send any orders to the Company, for the Management Board's attention, by mail to the address SQS Software Quality Systems AG, Stollwerckstraße 11, 51149 Cologne, Germany, per telefax to the telefax number (+49) 02203 91 54 55 or by email to the address investoren@sqqs.de.

- 2. Resolution on the appropriation of balance sheet profits**

The Management Board and the Supervisory Board propose to distribute out of the balance sheet profits of the Company of EUR 4,724,398.48 for the financial year 2009 to each of the 27,263,419 shares carrying dividend rights, an amount of EUR 0.07 as dividend, hence an aggregate amount of EUR 1,908,439.33, and to carry forward the remaining profits in the amount of EUR 2,815,959.15 to the unappropriated balance sheet profits. If the Company holds any own shares on the day of the General Meeting which, pursuant to Sec. 71 b German Stock Corporation Act (AktG), do not carry dividend rights, the resolution proposal shall be modified in a way that the amount attributable to the own shares shall be carried forward to the unappropriated balance sheet profits.

- 3. Resolution on the formal approval of the actions of the Management Board Members**

The Management Board and the Supervisory Board propose to adopt resolutions to formally approve the actions of each member of the Management Board for the fiscal year 2009 as follows:

- a) The actions of Rudolf van Megen in the fiscal year 2009 are formally approved.
- b) The actions of René Gawron in the fiscal year 2009 are formally approved.
- c) The actions of David Cotterell in the fiscal year 2009 are formally approved.

**4. Resolution on the formal approval of the actions of the Supervisory Board Members**

The Management Board and the Supervisory Board propose to adopt resolutions to formally approve the actions of each member of the Supervisory Board for the fiscal year 2009 as follows:

- a) The actions of Prof. Dr. Werner Mellis in fiscal year 2009 are formally approved.
- b) The actions of Jeremy Hamer in fiscal year 2009 are formally approved.
- c) The actions of Matthias Baunach in the fiscal year 2009 are formally approved.
- d) The actions of Scott Hansen in the fiscal year 2009 are formally approved.

**5. Election of auditors for the fiscal year 2010**

The Supervisory Board proposes the election of

**Grant Thornton GmbH**  
Wirtschaftsprüfungsgesellschaft  
Aachener Straße 75  
50931 Cologne  
Germany

as the auditors and the auditors of the group's consolidated financial statements for fiscal year 2010.

**6. Resolution on the authorization to buy back shares as well as the possibility of excluding the subscription right in the case of a subsequent sale of such bought-back shares**

The German Stock Corporation Act (AktG) allows for an authorization of the Management Board to buy back its own shares. The Management Board intends to use this instrument to be able to react appropriately, quickly and flexibly to situations arising in today's economic environment. For instance, the Company would be able to use shares as consideration for the acquisition of companies, parts thereof or interests in companies or other assets or for the purpose of mergers or could pursue other permissible goals where appropriate.

The Management Board and the Supervisory Board propose to adopt the following resolutions:

- a) The Management Board, with the consent of the Supervisory Board, is authorized to acquire own shares ("SQS-Shares") or depositary interests replacing such shares or other securities, which are traded on domestic or foreign markets ("Depositary Interests"), until October 30, 2011 up to an aggregate amount of not more than 10 % of the current share capital of the

**Convenience Translation - only the German version is binding**

Company. Together with any other SQS-Shares and Depositary Interests already acquired by the Company pursuant to Sec. 71 para. 1 no. 1 through 3, 7 and 8 German Stock Corporation Act (AktG) and still being held by it or attributed to the Company pursuant to Sections 71 d and 71 e German Stock Corporation Act (AktG), the SQS-Shares and Depositary Interests acquired by exercising this authorization must not account at any time for more than 10 % of the actual share capital at that time. SQS-Shares or Depositary Interests must not be acquired for the purpose of trading in own shares.

- b) The Management Board may, with the consent of the Supervisory Board, exercise the authorization to acquire SQS-Shares or Depositary Interests in whole or in parts, once or several times. The authorization to acquire SQS-Shares may further be exercised at the choice of the Management Board, with the consent of the Supervisory Board, by group companies of the Company or by third parties on account of the Company or its group companies.
- c) At the choice of the Management Board, with the consent of the Supervisory Board, the acquisition shall take place either on the stock market or by way of a public offer to the holders of SQS-Shares or Depositary Interests. The purchase price per acquired SQS-Share or Depositary Interest (excluding ancillary costs) may not exceed, nor fall below, the average stock market closing price in the 5 trading days preceding the acquisition on the Alternative Investment Market (AIM) of the London Stock Exchange by more than 10 %. In case of a public offer the offered and paid purchase price per acquired SQS-Share or Depositary Interest may not exceed, nor fall below, the average stock market closing price in the 5 trading days preceding the publication of the offer by more than 10 %.
- d) Besides a sale on the stock market or a sales offer to all shareholders or holders of Depositary Interests, the Management Board, with the consent of the Supervisory Board, is authorized to make use of acquired SQS-Shares or Depositary Interests as follows:
  - aa) SQS-Shares may be redeemed without the requirement of a further shareholders' resolution regarding the redemption of the shares or the implementation of the redemption. The authorization for redeeming shares may be exercised in whole or in parts. The redemption will lead to a share capital decrease. In deviation thereof, the Management Board may decide that the share capital shall not be decreased but that the amount of the share capital allocated to each remaining share shall be increased in accordance with Sec. 8 para. 3 German Stock Corporation Act (AktG). In such a case the Management Board is entitled to adjust the information on the number of shares in the Articles of Association;
  - bb) SQS-Shares and Depositary Interests may be offered and assigned, excluding the subscription right of the shareholders, to third parties in connection with a merger or acquisition of companies, parts thereof or interests in companies or other assets, including the contribution of

**Convenience Translation - only the German version is binding**

receivables which relate to the acquisition of companies, parts thereof or interests in companies or other assets; and

- cc) SQS-Shares or Depositary Interests may be sold, excluding the subscription right of the shareholders, in a manner other than through the stock exchange or an offer to all shareholders or holders of Depositary Interests where the shares are sold against a cash consideration and at a price which is not significantly lower than the stock market price of the shares or the Depositary Interests or other instruments substituting the shares which are traded at a domestic or foreign stock market and where the number of shares sold, with the subscription right being excluded, does not exceed 10 % of the share capital at the time when the authorization becomes effective or is executed.
- e) The authorizations under d) may be exercised jointly or individually, once or several times. The shareholders' subscription right may be excluded by the Management Board, with the consent of the Supervisory Board, to the extent that the acquired SQS-Shares or Depositary Interests are used in accordance with the authorization under d) bb) or cc) above.

**Report of the Management Board regarding agenda item 6 pursuant to Sec. 71 para. 1 no. 8 sentence 5 in conjunction with Sec. 186 para. 4 sentence 2 German Stock Corporation Act (AktG)**

Regarding d) bb):

The Company intends to continue to acquire companies, parts thereof or interests in companies or other assets or to participate in mergers. In today's economic environment, the acquisition of companies or parts thereof, the acquisition of interests in companies or other assets and mergers against the sale of shares are a widely applied practice. In many cases, a high consideration has to be paid in such transactions. Often, such consideration could or should - in particular with respect to an optimal financial structure - not be paid in cash. In connection with the acquisition of companies, parts thereof or interests in companies or other assets or with mergers, receivables on the part of the sellers against the Company as the acquirer may arise. Such receivables can arise in the case of an Earn Out for example, i.e. a subsequent increase of the purchase price if certain specified targets are met. In individual cases, it may be appropriate to satisfy such receivables by transferring SQS-Shares or Depositary Interests instead of paying the purchase price in cash. For tax or other purposes, the owners of attractive acquisition targets are often interested in receiving shares of the acquiring company as a consideration for a sale. Furthermore, the Company is interested in the option to offer SQS-Shares or Depositary Interests to the owners of attractive acquisition targets. The owners of attractive acquisition targets in the Company's line of business are often founders or co-founders of the respective target. In many cases, it is in the Company's interest to bind such individuals to the Company even after the acquisition. In this context, the offer of SQS-Shares or Depositary Interests constitutes an attractive instrument with major incentive potential. The possibility of offering shares instead of or in addition to cash payments in the course of a merger or acquisition gives the Company more flexibility

**Convenience Translation - only the German version is binding**

and improves its negotiating position. In this way, the Company is granted an advantage in the competition for interesting acquisition targets. The decision to either use SQS-Shares or Depositary Interests or shares resulting from an authorized capital shall be made in each individual case by the Management Board, with the consent of the Supervisory Board, which shall only pursue the interests of the Company.

The authorization to acquire and sell SQS-Shares and Depositary Interests allows the Company to act quickly and flexibly should the opportunity arise to acquire companies, parts thereof or interests in companies or other assets against the disposal of SQS-Shares or Depositary Interests, to merge with companies and to be able to offer attractive payment arrangements.

The Management Board intends to only utilize, with the consent of the Supervisory Board, the possibility of using SQS-Shares or Depositary Interests, with the subscription right of the shareholders being excluded, if the value of the equivalent consideration, i.e. the value of the companies, parts thereof or interests in companies as well as other assets to be acquired or the company with which a merger is effected, stands in an adequate proportion to the value of the SQS-Shares or the Depositary Interests. The price of the SQS-Shares or Depositary Interests to be sold will in principle align with the stock market price of the SQS-Shares or the Depositary Interests. However, a strict alignment with the stock market price is not intended as this could *inter alia* circumvent an adherence to achieved results of negotiation.

An economic disadvantage for the shareholders which are excluded from the subscription right can thereby be avoided. The exclusion of the subscription right will lead to a reduction of the relative participation ratio and the relative proportion of voting rights of the existing shareholders, but there is often no other possibility to realize the aforementioned advantages for the shareholders derived from an acquisition or merger against shares. Having considered all these facts and circumstances, the Management Board and the Supervisory Board deem the possibility to exclude the subscription right to the described extent both adequate and in the interest of the Company.

Regarding d) cc):

Furthermore, the subscription right can be excluded with the consent of the Supervisory Board in the case where the shares are sold pursuant to Sec. 71 para. 1 no. 8 sentence 5 in conjunction with Sec. 186 para. 3 sentence 4 German Stock Corporation Act (AktG) for a price that is not significantly lower than the stock market price of the shares or the Depositary Interests or other instruments substituting the shares which are traded on a domestic or foreign stock market and, in addition, the shares sold, with the subscription right being excluded, do not exceed the limit of 10 % of the share capital as set out in Sec. 186 para. 3 sentence 4 German Stock Corporation Act (AktG).

The statutory possibility to exclude the subscription right provided by Sec. 186 para. 3 sentence 4 German Stock Corporation Act (AktG) enables the

**Convenience Translation - only the German version is binding**

Management Board with the consent of the Supervisory Board to take advantage of opportunities arising from any situation given on the stock market quickly, flexibly and cost-efficiently. The elimination of the need to spend time and money processing the subscription right makes it possible to take advantage of short-term market opportunities in order to cover the need for equity very promptly and to attract new groups of shareholders in Germany and abroad.

This possibility is of particular importance for the Company as the Company is thus able to quickly and flexibly take advantage of acquisition opportunities. The exclusion of the shareholders' subscription right allows for a quick reaction and a placement near the stock market price of the shares or Depositary Interests or other instruments substituting the shares which are traded at a domestic or foreign stock market. This type of sale shall not exceed 10 % of the existing share capital at the time when this authorization becomes effective or is executed.

Regarding d) aa) through cc):

Currently, there are no concrete plans for the exercise of the authorization to purchase SQS-Shares or Depositary Interests or to sell SQS-Shares or Depositary Interest with the subscription right being excluded. The Management Board will carefully examine in each individual case whether it will utilize the authorization to exclude the subscription right. The authorization shall only be utilized if according to the Management Board's and the Supervisory Board's assessment such utilization will be in the interest of the Company. Together with any other SQS-Shares and Depositary Interests already acquired by the Company pursuant to Sec. 71 para. 1 no. 1 through 3, 7 and 8 German Stock Corporation Act (AktG) and still being held by it or attributed to the Company pursuant to Sections 71 d and 71 e German Stock Corporation Act, the SQS-Shares and Depositary Interests acquired by exercising this authorization must not account at any time for more than 10 % of the actual share capital.

The Management Board shall inform the respective next Annual General Meeting about the utilization of the authorization to purchase and to dispose of SQS-Shares or Depositary Interests.

Commencing with the date when the invitation to the Annual General Meeting is published, this report is available for review by the shareholders in the offices of the Company. It will also be available for review at the Annual General Meeting. Upon request, a copy of the report will be provided to each shareholder without undue delay and free of charge. Please send any orders to the Company, for the Management Board's attention, by mail to the address SQS Software Quality Systems AG, Stollwerckstraße 11, 51149 Cologne, Germany, per telefax to the telefax number (+49) 02203 91 54 55 or by email to the address [investoren@sqs.de](mailto:investoren@sqs.de).

**Participation in the Annual General Meeting**

Shareholders are entitled to attend the Annual General Meeting and to exercise voting rights provided that they are registered on the share register (*Aktienregister*)

**Convenience Translation - only the German version is binding**

on the day of the Annual General Meeting and provided that they registered in time for the Annual General Meeting. The registration must be received by the Company on May 19, 2010, in text form in German or English language at the following address:

SQS Software Quality Systems AG  
c/o Computershare HV-Services AG  
Prannerstrasse 8  
80333 Munich  
Germany  
Telefax: (+49) 089 30 90 37 – 4675  
E-Mail: anmeldestelle@computershare.de

The number registered on the share register on the day of the Annual General Meeting will correspond to the number of shares registered on May 22, 2010, since, for technical handling reasons, applications for the registration of transfers on the share register during the time period from May 23, 2010 through May 26, 2010, may only be processed and considered with a validity date as of May 27, 2010.

**Voting by power of attorney**

Shareholders may have their voting right in the Annual General Meeting exercised by a or several authorized representatives. In case a shareholder authorizes more than one person, the Company may reject one or several of such persons.

The granting of the power of attorney, its revocation and the evidence of the power of attorney vis-à-vis the Company must be made in text form (*text form*) (Sec. 126 b German Civil Code (*BGB*)), unless a bank, a stockholders' association or any other equivalent institution or person pursuant to Sec. 135 para. 8 and 10 of the German Stock Corporation Act (*AktG*) are to be granted a power of attorney to act as a representative.

In text form, the power of attorney may be granted by using the form, which the Company keeps ready for such purpose or in any other discretionary way complying with the form requirement. The form will be sent to the shareholders if they have registered in time.

In case of granting a power of attorney to a bank, a stockholders' association or any other equivalent institution or person pursuant to Sec. 135 para. 8 and 10 of the German Stock Corporation Act (*AktG*), statutory law does not require this to be done in text form. However, we would point out that, in such cases, the institutions or persons to be authorized may require a special form for the power of attorney as Sec. 135 para. 1 sentence 2 of the German Stock Corporation Act (*AktG*) requires them to be able to verifiably establish their authorization. If you would like to authorize a bank, a stockholders' association or any of the other equivalent institutions or persons pursuant to Section 135 para. 8 and 10 of the German Stock Corporation Act (*AktG*), please confer with such institution or person regarding an appropriate possible form for the power of attorney.

**Convenience Translation - only the German version is binding**

We offer our shareholders the opportunity to be represented at the Annual General Meeting by voting representatives designated by the Company. The granting of the power of attorney, its revocation and the evidence of the power of attorney vis-à-vis the Company must be made in text form (*text form*) (Sec. 126 b German Civil Code (*BGB*)). For this purpose, the form which will be sent to the shareholders if they have registered in time, may be used. The voting representative will vote on the shareholder's behalf exclusively on the basis of his/her instructions. In case no instructions are given, the voting representatives will not be entitled to vote. . The granting of instructions to the voting representatives designated by the Company as well as the revocation and the amendment of such instructions must be made in text form (*text form*) (Sec. 126 b German Civil Code (*BGB*)).

The powers of attorney and the instructions to the voting representatives designated by the Company must be issued, revoked (powers of attorney) or amended (instructions) respectively in text form (*text form*) (Sec. 126 b German Civil Code (*BGB*)) at the latest until the expiry of May 25, 2010 at the address

SQS Software Quality Systems AG  
c/o Computershare HV-Services AG  
Prannerstrasse 8  
80333 Munich  
Germany  
Telefax: (+49) 089 30 90 37 – 4675.

The reception at the aforementioned address is crucial.

Please note that the voting representatives designated by the Company will not accept instructions to make statements, file objections against resolutions adopted by the Annual General Meeting, raise questions or motions.

**Special notes for the holders of depositary interests**

Holders of depositary interests should note that they are not entitled to exercise their voting rights in person at the Annual General Meeting, but, pursuant to the corresponding underlying contractual provisions, shall be represented by Computershare Company Nominees Ltd., which is bound by their instructions. In order to exercise the voting right, they should complete the relevant form, which will be made available by

Computershare Company Nominees Ltd.  
The Pavillions – Bridgewater Road  
Bristol BS99 7HN  
Great Britain

The completed form should be returned to Computershare Company Nominees Ltd. at the address indicated above.

**Convenience Translation - only the German version is binding**

To attend the Annual General Meeting, holders of depositary interests are requested to apply in text form for an admission ticket at

SQS Software Quality Systems AG  
c/o Computershare HV-Services AG  
Prannerstrasse 8  
80333 Munich  
Germany  
Telefax: (+49) 089 30 90 37 – 4675  
E-mail: [anmeldestelle@computershare.de](mailto:anmeldestelle@computershare.de)

The admission ticket does not entitle its holder to exercise the voting right or any other shareholder rights.

Please find more details regarding registration and powers of attorney in the documentation sent to the shareholders.

**Questions, counter motions and election proposals**

Inquiries regarding the Annual General Meeting and counter motions and election proposals of shareholders as defined in Sec. 126 para. 1, 127 German Stock Corporation Act (AktG) must be sent to the following address.

SQS Software Quality Systems AG  
Investor Relations  
Stollwerckstrasse 11  
51149 Cologne  
Germany  
Fax: (+49) 02203 91 54 55

Counter motions and election proposals sent to a different address will not be taken into consideration.

Counter motions and election proposals, which are to be made accessible as well as any statements of the management relating thereto will be published on the Internet under [www.sqs.de/investoren\\_hauptversammlung.php](http://www.sqs.de/investoren_hauptversammlung.php).

Cologne, April 2010  
The Management Board