

Notice of meeting



Annual General Meeting

Formal notice of the twenty-first Annual General Meeting of The Sage Group plc to be held on Tuesday 3 March 2009 is set out below. A form of proxy is enclosed for members who wish to use one. It should be returned so as to be with the Company's registrars no later than 10.00am on 1 March 2009. Shareholders with internet access may register their voting instructions online for the forthcoming Annual General Meeting. They may register their vote electronically by going to www.sharevote.co.uk. They will be required to key in the three security numbers printed on the form of proxy to access the voting site. CREST members may appoint their proxy or proxies electronically via Equiniti (ID RA19).

This notice is important and requires your immediate attention. If you are in any doubt about the action you should take, you should immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your ordinary shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

Notice of meeting

Notice is hereby given that the twenty-first Annual General Meeting of The Sage Group plc will be held at North Park, Newcastle upon Tyne NE13 9AA at 10.00am on 3 March 2009 for the following purposes:

To consider and, if thought fit, to pass the following resolutions, of which resolutions 1 to 7 (inclusive) and 11 will be proposed as ordinary resolutions and resolutions 8 to 10 (inclusive) will be proposed as special resolutions:

- 1** To receive and consider the audited accounts for the year ended 30 September 2008 together with the reports of the directors and the auditors.
- 2** To declare a final dividend recommended by the directors of 4.78p per ordinary share for the year ended 30 September 2008 to be paid on 6 March 2009 to members whose names appear on the register at the close of business on 6 February 2009.
- 3** To re-elect Mr G S Berruyer as a director.
- 4** To re-elect Mr T C W Ingram as a director.
- 5** To re-appoint Messrs PricewaterhouseCoopers LLP as auditors to the Company and to authorise the directors to determine their remuneration.
- 6** To approve the Remuneration report for the year ended 30 September 2008.

7 That:

- Subject to and in accordance with article 6 of the Company's articles of association, the directors be authorised to allot relevant securities up to a maximum nominal amount of £4,365,191;
- All previous authorities under section 80 of the Companies Act 1985 shall cease to have effect; and
- This authority shall expire at the conclusion of the next Annual General Meeting of the Company.

8 That:

- Subject to and in accordance with article 7 of the Company's articles of association, the directors be given power to allot equity securities for cash and that, for the purposes of paragraph 1(b) of article 7, the nominal amount to which this power is limited is £654,778; and
- The power given to directors by this resolution be extended to sales for cash of any shares which the Company may hold as treasury shares.

9 That the Company be and is hereby granted general and unconditional authority to make one or more market purchases (within the meaning of section 166 of the Companies Act 1985) of ordinary shares in the capital of the Company on such terms and in such manner as the directors shall determine PROVIDED THAT:

- The maximum number of ordinary shares which may be acquired pursuant to this authority is 130,955,755 ordinary shares in the capital of the Company;
- This authority shall expire on 31 March 2010, or if earlier, at the conclusion of the next Annual General Meeting; and
- The minimum price which may be paid for each such ordinary share is its nominal value and the maximum price is the higher of 105% of the average of the middle market quotations for an ordinary share as derived from The London Stock Exchange Daily Official List for the five business days immediately before the purchase is made and the amount stipulated by article 5 (1) of the Buy-back and Stabilisation Regulation 2003 (in each case exclusive of expenses).

10 That with effect from the conclusion of the Annual General Meeting the articles of association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association.

11 That the amendment to the rules of the Sage Group Performance Share Plan, summarised in the explanation to this resolution on page 4 and marked up in the copy of the rules produced to the meeting and initialled by the Chairman for identification purposes, be approved and the directors, or a duly authorised committee of them, be authorised to do all such acts and things as they may consider necessary or expedient to carry the amendment into effect.

By Order of the Board

M J Robinson

Secretary

Registered office:
North Park, Newcastle upon Tyne NE13 9AA
10 January 2009

Notes:

(i) A member entitled to attend and to speak and vote at the meeting may appoint one or more proxies to attend and to speak and vote instead of him/her. A proxy need not also be a member. You may appoint more than one proxy provided that each proxy is appointed to exercise rights attaching to different shares. If you wish your proxy to speak on your behalf at the Annual General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

(ii) To be valid, a Form of Proxy and any power of attorney or other authority (if any) under which it is signed (or a duly certified copy thereof) must be lodged with the Company's Registrars, Equiniti, Aspect House, Spencer Road, Lancing, BN99 6LW, or received via the sharevote website, no later than 10.00am on 1 March 2009. The completion and return of a Form of Proxy will not prevent a member who wishes to do so from attending and voting in person. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this notice. In relation to appointing a proxy through the CREST electronic proxy appointment service, please see note (xii) below.

(iii) If you do not have a Form of Proxy and believe you should have one, or if you require additional forms, please contact the Company's registrars, Equiniti, on 0871 384 2859.

(iv) In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that:

- If a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
- If more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described above. These arrangements may, however, be amended (if necessary) in order to reflect any developments in best practice prior to the Annual General Meeting.

(v) Copies of the service contracts and terms of appointment of the directors are available for inspection at North Park, Newcastle upon Tyne NE13 9AA during normal business hours on any weekday (public holidays excepted) and will be available at the Annual General Meeting (for at least 15 minutes prior to and during the meeting).

(vi) The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those members registered in the register of members of the Company as at 6.00pm on 1 March 2009 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after 6.00pm on 1 March 2009 or, in the event that this meeting is adjourned, in the register of members 48 hours before the time of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the meeting.

(vii) Copies of the existing articles of association and proposed new articles of association are available for inspection at the offices of the Company at North Park, Newcastle upon Tyne NE13 9AA and at the offices of Allen & Overy LLP, One Bishops Square, London E1 6AD during normal business hours on any weekday (public holidays excepted) from the date of this notice and at the place of the meeting from 9.00am until the close of the meeting.

(viii) If you return paper and electronic proxy instructions, those received last by the Registrar before the latest time for receipt of proxies will take precedence. You are advised to read the website terms and conditions of use carefully. Electronic communication facilities are available to all shareholders and those who use them will not be disadvantaged.

(ix) Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated (the "Relevant Member"), have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Relevant Member as to the exercise of voting rights. Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

(x) The statement of the rights of shareholders in relation to the appointment of proxies in notes (i), (ii) and (iii) above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

(xi) As at 9 January 2009 (being the last business day prior to the publication of this Notice) the Company's issued share capital consists of 1,310,230,461 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 9 January 2009 are 1,310,230,461.

(xii) CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the Annual General Meeting and any adjournment(s) of that meeting by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in note (ii) above. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his/her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(xiii) If you have sold or otherwise transferred all your shares in The Sage Group plc please forward this document, together with the Form(s) of Proxy as soon as possible to the purchaser or other agent through or to whom the sale or transfer was effected for transmission to the purchaser or transferee.

(xiv) Except as provided above, members who have general queries about the Annual General Meeting should use the following means of communication (no other methods of communication will be accepted): calling our shareholder helpline on 0871 384 2859; or writing to the Company's Registrars, Equiniti, Aspect House, Spencer Road, Lancing, BN99 6DA. You may not use any electronic address provided either in this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.

Explanatory Notes

Resolution 1 is to receive and consider the audited accounts for the year ended 30 September 2008 together with the reports of the directors and auditors. The directors are required to present to the meeting the accounts together with these reports which are contained in the Annual Report 2008.

Resolution 2 recommends a final dividend of 4.78p per ordinary share be declared. The final dividend declared cannot exceed the amount recommended by the directors. The proposed final dividend, which will be payable on 6 March 2009 to holders of ordinary shares registered at the close of business on 6 February 2009, will bring the total dividend for the year to 7.21p per share. Last year the total dividend was 7.00p per share.

Resolutions 3 and 4 relate to the re-election of certain directors to the Board.

In accordance with the Company's articles of association, Mr G S Berruyer and Mr T C W Ingram will be retiring at the Annual General Meeting and, being eligible, will offer themselves for re-election.

Mr G S Berruyer has a service contract with Sage Overseas Limited, terminable on 12 months' notice from the Company or six months' notice from him.

Mr T C W Ingram has a contract for services with the Company for a fixed term of one year from 25 March 2008, terminable within that period by six months' notice from the Company and one month's notice from him.

Resolution 3 relates to the re-election of Mr G S Berruyer. Mr Berruyer joined Sage in 1997 to run the French business and was appointed to the Board in January 2000. He is CEO, Mainland Europe and Asia, being responsible for all Sage operations in those regions.

Resolution 4 relates to the re-election of Mr T C W Ingram. Mr Ingram joined the Board in March 2002 as a non-executive director. He is Chief Executive of Caledonia Investments plc and formerly Managing Director of Business to Business Banking at Abbey National plc. He is a non-executive director of Savills plc and of ANZ Bank (Europe) Limited. He became senior independent director on 25 July 2007.

Further biographical details of Messrs Berruyer and Ingram (and all other directors) are set out on pages 44 and 45 of the Annual Report 2008.

The Nomination Committee, which is the Committee of the Board which considers the balance of the Board and the mix of skills, knowledge and experience of its members, has considered and approved the re-election of Mr Berruyer and of Mr Ingram. Both the proposed appointees have been subject to a formal evaluation procedure in the last 12 months. Following that procedure the Chairman confirms the continuing commitment and contribution of Mr Berruyer and Mr Ingram to their roles and recommends their re-election. He also confirms the continuing independence of Mr Ingram who holds the role of senior independent director.

Resolution 5 relates to the re-appointment of the auditors. PricewaterhouseCoopers LLP have indicated their willingness to continue in office. Further details of the external audit are set out in pages 50 to 51 of the Annual Report 2008.

Resolution 6 is to approve the Remuneration report on pages 54 to 65 of the Annual Report 2008.

The Directors' Remuneration Report Regulations 2002 (the "Regulations") require that a report, prepared in accordance with the Regulations, is put to a vote of shareholders at the Annual General Meeting.

Resolutions 7 and 8 will be proposed to enable the directors to renew their existing power to allot unissued shares in the capital of the Company up to an aggregate nominal amount of £4,365,191 (representing 33.3% of the nominal value of the Company's issued share capital on 9 January 2009, the latest practicable date prior to the printing of this document) and to allot equity securities for cash up to an aggregate nominal amount of £654,778 (representing 5% of the issued ordinary share capital of the Company on 9 January 2009, the latest practicable date prior to the printing of this document). These authorities will expire at the conclusion of the next Annual General Meeting of the Company. The directors do not have any present intention of exercising these authorities other than in connection with the Group's employee share schemes and do not intend to issue more than 7.5% of the issued share capital of the Company under the authority to allot equity securities for cash in any three year period without prior consultation with the relevant investor groups. The Company currently holds no shares in treasury.

Resolution 9 set out in the Notice of Meeting will be proposed to continue to enable the Company to purchase its own shares in accordance with section 166 of the Companies Act 1985 on such terms and in such manner as the directors determine, subject to the following:

- The price which may be paid for each ordinary share will not be less than the nominal value of the share and will not exceed the higher of 5% above the average of the mid-market price of the ordinary shares of the Company (as derived from the London Stock Exchange Daily Official List) for the five business days before the purchase is made and that amount stipulated by Article 5(1) of the Buy-back and Stabilisation Regulation 2003, in each case exclusive of any expenses payable by the Company;
- The maximum aggregate number of shares that may be purchased pursuant to this authority shall be limited to 130,955,755 shares which is equivalent to approximately 10% of the Company's issued share capital as at 30 September 2008;
- The authority will remain in force until the conclusion of the next Annual General Meeting of the Company but will terminate on 31 March 2010 if the Annual General Meeting has not been held by that date.

The Company may agree before the authority terminates to purchase ordinary shares where the purchase will or may be executed after the authority terminates (either in whole or in part). The Company may complete such a purchase even though the authority has ended.

The Company has no present intention to exercise this authority, nor were any shares repurchased in the year to 30 September 2008 under previous authorities. In any event, the power given by the resolution will only be exercised if the directors are satisfied that any purchase will increase the earnings per share of the ordinary share capital in issue after the purchase and, accordingly, that the purchase is in the interests of shareholders. The directors will also give careful consideration to gearing levels of the Company and its general financial position. The purchase price would be paid out of distributable profits.

A listed company may hold shares in treasury, as an alternative to cancelling them, following a purchase of own shares by the Company in accordance with the Companies Act 1985. Shares held in treasury in this manner will be available for resale by the Company or may be transferred for the purpose of or pursuant to an employees' share scheme. Accordingly, if the directors exercise the authority conferred by Resolution 9, the Company will have the option of holding those shares in treasury, rather than cancelling them. Your Board will have regard to any guidelines published by any of the investor groups in force at the time of any such purchase, holding or re-sale of treasury shares.

The total number of options to subscribe for ordinary shares and awards to be satisfied by newly issued ordinary shares under other long-term incentive plans of the Group that were outstanding at 9 January 2009 (being the latest practicable date prior to the printing of this document) was 47,730,061. The proportion of issued share capital that they represented at that time was 3.6% and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 4%.

Resolution 10 will be proposed to adopt new articles of association (the "New Articles") with effect from the conclusion of the Annual General Meeting on 3 March 2009. The Companies Act 2006 received Royal Assent in November 2006 and represents a major reform of UK companies' legislation. It is being brought into force on a staged basis between January 2007 and October 2009. It is proposed that, at this year's Annual General Meeting, the Company updates its current articles of association (the "Current Articles") primarily to take account of changes in English company law brought about by certain provisions of the Companies Act 2006 in force on 1 October 2008.

The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted below.

Conflicts of Interest The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedure for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures are followed.

Copies of the Current Articles and New Articles (and comparison documents showing all the proposed changes to the Current Articles) are available for inspection during normal business hours at the registered office of the Company and at the offices of its solicitors, Allen & Overy LLP (One Bishops Square, London E1 6AD) until 3 March 2009 or upon request from the Company Secretary. Copies will also be available at the Annual General Meeting from 9.00am until its conclusion.

Under **Resolution 11** it is proposed to amend the Sage Group Performance Share Plan (**PSP**), to increase the current individual limit of 150% of salary to 300% of salary. The reason for this increase is to reflect the fact that the Remuneration Committee has decided for the financial year to 30 September 2009, that long-term share incentives should be granted only under the PSP and not under the 1999 Executive Share Option Scheme. It will therefore be necessary to have an increased individual limit under the PSP. This limit will continue to be an annual limit, although if the second operation of the Plan in respect of an eligible employee on or after 3 March 2009 and/or if the first two grants of an award in respect of an eligible employee on or after 3 March 2009 are made within less than 12 months of each other, the 300% limit will apply in each case. This is to take account of the fact that whereas awards will normally be made after preliminary announcements, the first awards to which this measure will apply will be made after the Annual General Meeting on 3 March 2009 and will include awards to new recruits who were made awards on joining less than 12 months ago. Although 300% would be the permitted maximum, in practice awards would be granted below this. For instance, for the year to 30 September 2009, awards to executive directors will be granted to a maximum of 210% of salary.

Further details of directors' remuneration including changes to the performance conditions for the PSP for awards granted in the financial year to 30 September 2009 are set out in the Remuneration report in the Annual report and accounts for the year ended 30 September 2008.

Recommendation

The directors believe that the proposals in resolutions 1 to 11 are in the best interests of shareholders as a whole and, accordingly, they unanimously recommend that you vote in favour of all the resolutions.

M J Robinson
Secretary