

PRESS RELEASE

Software AG reports Q1 2011 growth according to plan

- Group revenue grew organically by 9 percent to €272.6 million
- Operating income (EBIT) climbed by 29 percent to €60.2 million
- Earnings per share (EPS) increased by 44 percent to €1.41
- Annual forecast for 2011 fully confirmed

Darmstadt, Germany, April 27, 2011 - Software AG (Frankfurt TecDAX: SOW) further increased revenue and earnings according to plan in the first quarter of 2011, reconfirming the company's sustained growth path. Product revenue in the first three months climbed year-over year by 12 percent, to €164.3 million, while Group revenue grew by 9 percent to €272.6. Operating income (EBIT) surged by 29 percent to €60.2 million. The cost synergies arising from the merger with IDS Scheer AG have had a particularly positive effect. Net income jumped by 43 percent to €40.0 million, and earnings per share were up to €1.41. The revived demand for IT, noted at the CeBIT trade show, was confirmed in the first quarter. During the year, the company expects an increase in process innovation projects and affirms the growth forecast for the full year 2011, published in January.

“The successful integration of IDS Scheer AG is reflected in every aspect, not least in the Q1 2011 results. As a technology leader in IT-based business process optimization, we have established a sustainable position in the global market, which we will continue to expand through organic growth and targeted acquisitions,” stated Karl-Heinz Streibich, CEO of Software AG.

Business lines see growth in product business

The **Business Process Excellence (BPE)** business line—which encompasses revenue from licenses, maintenance, and services for all integration and process software products (webMethods and ARIS) since the merger with IDS Scheer AG—achieved growth of 13 percent (10 percent at constant currency) in Q1 2011, with total revenue of €123.9 million. The pure product business revenue climbed 14 percent to €79.4 million, 11 percent at constant currency rates. This is a significantly above the 6 percent growth rate reported in the fourth quarter 2010. Customer interest in IT solutions for business process optimization rose substantially at this year's CeBIT trade show, affirming Software AG's strategy of positioning itself as an innovative market leader in the growth market of process software. Software AG maintained high growth rates in the innovation friendly U.S. market and could extend this above average sales performance to Brazil and Germany.

During the quarter under review, the **Enterprise Transaction Systems (Adabas, Natural)** business line showed a substantial increase in sales. In the product business, revenue of €79.1 million for licenses and maintenance exceeded that of the previous year by 10 percent.

Licensing revenues achieved €30.4 million, an increase of 19 percent over Q1 2010 (€25.6 million). In the first quarter, the business line's total revenue amounted to €96.8 million—9 percent (5 percent at constant currency) higher than the previous year's total of €89.1 million. This has laid a solid foundation for the business line to achieve its objectives for the full year 2011.

Revenues for the **IDS Scheer Consulting** business stabilized at the previous year's level with €51.9 million. Utilization of the consultants has improved over the previous year as has the business line's contribution to earnings. More expert process consultants are being hired to handle the increased orders.

Operating results confirm successful acquisition strategy

The increased business volume in product sales and the greater contribution of products to total revenue in comparison to the previous year have positively influenced earnings. Above all, the cost synergies from the merger with IDS Scheer AG are becoming obvious in fiscal year 2011; in 2010, they were still affected by restructuring costs. Furthermore, Q1 2011 earnings, in comparison to the previous year, continued to benefit from a weaker Euro—an advantage that is not likely to repeat itself in the remaining quarters of 2011. This has led to a 29.2 percent increase in operating results (EBIT) to €60.2 million (2010: 46.6 million). Profit after tax jumped by 42.9 percent — an even more significant growth rate. Interest expenses decreased after rapid debt reduction, according to plan, and financial results improved by €3.1 million to €-1.5 million (2010: -4.6 million). A tax rate of 31.8 percent likewise was lower than that of the previous year (33.4 percent). Therefore, net income increased in the quarter under review to €40.0 million (2010: 28.0 million) and earnings per share climbed to €1.41 (2010: €0.98).

“One year after the merger with IDS Scheer AG, the new corporate structure's impact on profit is becoming fully apparent. Economies of scale and internal process optimization are reflected in much improved cost ratios,” declared Arnd Zinnhardt, Software AG's CFO. “The EBIT margin is much higher than last year, supporting our goal of continual improvement toward a margin of 30 percent. “

In the first quarter of 2011, the company generated free cash flow of €49.1 million (2010: €59.8 million). Net debt was reduced in the quarter under review by €45.6 million to €121.6 million; a year ago this figure stood at €247.7 million. As of March 31, 2011, the equity ratio amounted to 49.5 percent (previous year: 39.6 percent).

Annual Shareholders' Meeting, May 5, 2011

A total dividend payout of €37.0 million or €1.30 per share (2010: €1.15) for fiscal year 2010 will be proposed at the shareholders' meeting on May 5, 2011. Moreover, a motion has been proposed recommending a 3-for-1 stock split (each existing share will be converted to three new ones). The share price has continued to increase since 2003 and is now well over the €100

mark and the stock split is intended to achieve a more convenient trading level for the retail investor.

Outlook

The operating business demonstrated a good start to the new fiscal year with sales increases in both product areas underpinning the full year growth targets. The increase in profit in the first quarter of 2011 was due largely to the cost synergies resulting from the merger with IDS Scheer and the continuing weakness of the euro (compared to the previous year). On this basis, the company affirms the forecast for the full year 2011 that was published in January, according to which total revenue will grow by 5 to 7 percent, at constant currency, and net income will climb by 10 to 15 percent.

Key figures *

	Q1 2011	Q1 2010	Change Δ in %
in millions of Euros			
Total revenue	272.6	250.3	+9%
- Product revenues	164.2	146.7	+12%
- BPE business line	123.9	109.7	+13%
- ETS business line	96.8	89.1	+9%
EBIT	60.2	46.6	+29%
Net income	40.0	28.0	+43%
Earnings per share (EPS) (in €)**	1.41	0.98	+44%
Free cash flow	49.1	59.8	-18%
Net debt	121.6	247.7	-51%
Employees ***	5,534	5,936	-7%
- Employees in Germany	1,990	2,185	-9%

* IFRS unaudited

** Weighted average number of shares outstanding (basic) 28.443.602

*** Full time equivalent

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About Software AG

Software AG is the global leader in Business Process Excellence. Our 40 years of innovation include the invention of the first high-performance transactional database, Adabas; the first business process analysis platform, ARIS; and the first [B2B](#) server and [SOA](#)-based integration platform, webMethods.

We offer our customers end-to-end [business process management \(BPM\)](#) solutions delivering low Total-Cost-of-Ownership and high ease of use. Our industry-leading brands, ARIS, webMethods, Adabas, Natural, CentraSite and IDS Scheer Consulting, represent a unique portfolio encompassing: process strategy, design, integration and control; SOA-based integration and data management; process-driven SAP implementation; and strategic process consulting and services.

Software AG had revenues of €1.1 billion in 2010 and has more than 5,600 employees serving 10,000 enterprise and public institution customers across 70 countries. Our comprehensive software and services solutions allow companies to continuously achieve their business results faster. The company is headquartered in Germany and listed on the Frankfurt Stock Exchange (TecDAX, ISIN DE 0003304002 / SOW).

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