

## PRESS RELEASE

**Software AG: Profit and Margin Increased in the 3rd Quarter 2011**

- EBIT margin raised to 26 percent; EBIT up to €72 million
- Growth driven by the IT Integration and Process Optimization business (BPE)
- Net profit after 9 months increased by 13 percent to €125 million
- The 9-month results confirm the full-year forecast for product revenue and earnings

**Darmstadt, 27.10.2011 - Software AG (Frankfurt TecDAX: SOW) today announced the full results for the third quarter and the first 9 months of 2011. The figures confirm the preliminary quarterly results, published on October 18, 2011, and the significantly strong growth in BPE license revenue, up 37 percent at constant currency rates. Both the associated increase in product revenue and the financial turnaround in the IDS Scheer Consulting business raised the EBIT margin by 110 basis points to 26.2 percent in the third quarter. In the first nine months, Software AG's operating profit (EBIT according to IFRS) was increased by 10 percent to €191.2 million (previous year €174.6 million). Reduced interest expenses and a constant tax rate increased net earnings during the year by 13 percent to €125.3 million (previous year €111.0 million). Based on the 9-month results Software AG confirms its annual forecast for product revenue and profit growth.**

**"The BPE business division's role as the Group growth driver was again confirmed and we recorded the most successful third quarter in company's history", CEO Karl-Heinz Streibich commented on the financial results.**

**Group Earnings**

Software AG's third quarter and nine month financial results again demonstrated further improvement, reflected particularly in the increase in operating and net earnings. A decrease in interest expense was also achieved through continuous debt reduction (net debt was reduced in the last 12 months by 26 percent to €143.4 million, despite acquisitions and dividend payments) as well as through reduced debt financing costs. In the first nine months the financial result was improved by 40 percent (i.e. €4.5 million) to -€6.8 million (previous year -€11.3 million). The pre-tax profit was increased by 13 percent and amounted to €184.4 million (previous year €163.3 million). Shareholder's equity was increased by 28 percent to €870.5 million (in comparison to 30.09.2010). The equity ratio was raised to 52.3 percent (43.8 percent on the 30.09.2010).

## Group revenue

Consolidated revenue of €274.6 million (previous year €275.3 million) in the third quarter was at almost the same level as 2010. Reported revenue was negatively affected by currency effects of €7.1 million due to the continuing strength of the Euro. The same effect was seen in the nine-month period in which total revenue of €804.3 million (previous year €792.9 million) was reported despite a currency effect of -€10.7 million. At constant currency, growth was 3 percent. The focus of the IDS Scheer Consulting division on more profitable projects led to lower growth in total Group revenue. In its core product business (licenses and maintenance), Software AG returned growth of 4 percent at constant currency to €484.7 million in the first nine months (previous year €474.8 million). In particular, license revenue grew in the third quarter by a very positive, currency-adjusted 11 percent, to €74.7 million (previous year €69.6 million).

## Revenue by Segment

The BPE business division (IT integration and process optimization) that includes the webMethods product suite and ARIS delivered significantly high license revenue growth in the third quarter, exceeding the forecast. The growth in the BPE product business demonstrates that the demand for process optimization is undiminished even in times of economic uncertainty. Overall BPE revenue rose in the third quarter by 12 percent, at constant currency rates, to €131.2 million (previous year €119.9 million). Product revenue reached €84.2 million (previous year €72.1 million), an increase of 21 percent before currency effects. The strong third quarter could therefore offset the weaker second quarter. Overall, BPE product revenue after 9 months was €236.5 million (previous year €219.3 million), a currency-adjusted increase of 10 percent and within the full-year forecast. With total revenue of €376.7 million (previous year 351.1 million) the BPE business delivered ca. 47 percent of Group revenue and was the largest revenue contributor in the company. The profit contribution could also be increased during the same period by 7 percent to €105.7 million (previous year €98.6 million).

As expected, total Enterprise Transaction Systems (ETS - database software) revenue of €95.1 million in the third quarter was, at constant currency, slightly below the previous year's €101.4 million. ETS product revenue during the year showed a more normal business development to €231.4 million (previous year €238.7 million) after strong increases in recent years in Brazil. Overall, the traditional business of Software AG was stable with total revenue of €281.6 million after nine months (previous year €286.8 million), no change to the previous year after currency adjustments. The ETS business division accounted for about 35 percent of total Group revenue. The segment result improved further in the third quarter to €158.1 million (previous year €154.9 million).

After a number of quarters of declining sales and earnings, the IDS Scheer Consulting business division (mainly SAP consulting) was financially turned around in the third quarter. In addition, the third quarter showed a revenue increase of 6 percent compared to the second quarter, despite the summer holiday season. IDS Scheer Consulting segment revenue for the third quarter totaled €48.4 million (Q2 2011: €45.8 million). With revenue of €146.1 million (previous year €155.0 million) in the first nine months, the IDS Scheer Consulting business contributed about 18 percent of total Software AG revenue. The positive contribution in the third quarter almost offset the losses from

the first half of the year.

"The consistent focus on profitable consulting business delivered its first successes. We expect that this positive earnings trend will continue in the fourth quarter", said CFO Arnd Zinnhardt.

### **Employees**

Software AG had a total of 5,498 employees as of September 30, 2011 (previous year 5,708), of whom 855 (previous year 822) were in Research and Development (R&D). The number of employees in Germany was 1,920 (previous year 2,089).

### **Outlook**

After the first nine months of fiscal year 2011, Software AG considers itself to be well on the way to achieving its ambitious full year growth targets in its core business: the sale of software licenses and maintenance, as announced on October 18, 2011. The BPE business division has in the first nine months delivered 10 percent product revenue growth at constant currency rates. The ongoing strong customer interest in integration and process optimization software continues to generate double digit growth in this business division. Therefore, Software AG reaffirms the original full year 2011 target growth in BPE product sales of 10 to 15 percent in constant currency. The company expects the ETS revenue to be 2 percent above or below the previous year's total, in line with the full year forecast. In the IDS Scheer Consulting business, Software AG will remain focused on high-margin projects in the fourth quarter. This will lead on one hand to an increase in the Group EBIT margin of approximately 200 basis points to around 26 percent (previous year: 24.0 percent) and to revenue growth of the group of 2 to 5 percent, at constant currency, on the other. Profit after tax remains unchanged with expected growth of 10 to 15 percent over the previous year's €175.6 million.

**Key figures \***

in € millions	9M 2011	9M 2010	Δ in %	Δ in %**	Q3 2011	Q3 2010	Δ in %	Δ in %**
Total revenue	804.3	792.9	+1	+3	274.6	275.3	0	+2
Product revenue	484.7	474.8	+2	+4	168.9	166.2	+2	+5
Consulting and Services	316.4	315.0	0	+1	105.2	108.3	-3	-2
BPE Business Line revenue	376.7	351.1	+7	+9	131.2	119.9	+9	+12
ETS Business Line revenue	281.6	286.8	-2	0	95.1	101.4	-6	-3
IDSC Business Line revenue	146.1	155.0	-6	-5	48.4	54.0	-10	-9
EBIT	191.2	174.6	+10		72.0	69.1	+4	
- as percentage of revenue	23.8%	22.0%			26.2%	25.1%		
Net income	125.3	111.0	+13		46.6	45.6	+2	
- as percentage of revenue	15.6%	14.0%			17.0%	16.6%		
Earnings per share (EPS) (in €) basic	1.46	1.30	+12		0.54	0.54	0	
Earnings per share (EPS) (in €) diluted	1.44	1.30	+11		0.53	0.54	-2	
Free cash flow	108.2	138.7	-22		13.3	42.6	-69	
	<b>Sept. 30, 2011</b>	<b>Sept. 30, 2010</b>	<b>Δ in %</b>					
Total Assets	1,663.2	1,550.8	+7					
Cash & Cash equivalents	188.0	101.7	+85					
Net debt	143.4	249.6	-43					
Shareholder's equity - Equity ratio	870.5 52.3%	679.3 43.8%	+28					
Employees ***	5,498	5,708	-4					
- Employees in Germany	1,920	2,089	-8					
- Employees in R&D	855	822	+4					

\* IFRS unaudited | \*\* Net of currency effects | \*\*\* Full time equivalent

###

#### 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 5,400 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).

#### Software AG - Get There Faster

Software AG | Uhlandstraße 12 | 64297 Darmstadt | Germany

Detailed press information about Software AG including a picture and multimedia database are available under: [www.softwareag.com/press](http://www.softwareag.com/press)

Follow us on Twitter 

[Software AG Germany](#) | [Software AG USA](#)

Contact:

**Otmar F. Winzig**

Senior Vice President

Corporate Communications | Investor Relations & Compliance

Phone: +49 6151 92-1669

Email: [otmar.winzig@softwareag.com](mailto:otmar.winzig@softwareag.com)