

## PRESS RELEASE

# Software AG Announces Strong License Growth in the Second Quarter

- Total license revenue was up by 32 percent in Q2
- Business Process Excellence (BPE) license revenue rose by 46 percent, Enterprise Transaction Systems (ETS) license sales up by 20 percent
- Total second quarter product revenue up by 16%
- Total Group revenue up slightly to €258.6 million
- Software AG confirms its full year BPE forecast and raises its ETS forecast

Darmstadt, Germany, July 24, 2012 - Software AG (Frankfurt TecDAX: SOW) today announced significantly increased customer demand for its Business Process Excellence (BPE) products with license revenue up by 46 percent to €45.6 million in the second quarter of 2012 (2011: €31.3 million). The company's Enterprise Transaction Systems (ETS) business line reported license revenue growth of 20 percent to €30.1 million (2011: €25.1 million). With ETS maintenance stable at €47.6 million and BPE maintenance significantly up to €48.1 million, Software AG is reporting a total product revenue increase of 16 percent to €175.5 million (2011: €151.5 million). Software AG also reported total revenue of €258.6 million (2011: €257.1 million).

## Group revenue for Q2 2012

Software AG cited significantly increasing demand across its product portfolio with total license sales up by 32 percent to €76.0 million (2011: €57.7 million). The BPE license growth was primarily driven by dynamic development in Europe, South Africa and the Americas. The North America organization benefited from the implementation of reorganizational measures and is back to double digit BPE license growth. A further major contributor to the revenue growth was Software AG's subsidiary Terracotta, based in Silicon Valley, and its technology for the management of Big Data.

Software AG CEO, Karl-Heinz Streibich commented on the results: "It is clear that there is a growing global demand for integration and process management software that increases business efficiency and competitiveness. Business Process Excellence is playing a strategic role in customers achieving their growth targets."

Software AG generated services revenues of €82.7 million (2011: €104.8 million) in the second quarter. Thereof, the SAP consulting business delivered €27.3 million (2011: €40.2 million), as Software AG continued to exit from unprofitable markets. The remaining €55.4 million (2011: €64.6 million) was generated in the BPE and ETS services area. Whereas ETS service revenue showed a modest increase, BPE services revenues were down due to the lower level of BPE license sales in previous quarters.

## Group results for Q2 2012

Total Group turnover was slightly up to €258.6 million (2011: €257.1 million). The company reported an EBIT of €57.1 million and a margin of 22.1 percent (€58.9 million and 22.9 percent in Q2, 2011). Software AG invested in BPE sales and marketing in the US and other key markets. Investment in Research and Development is also higher than in the previous year. As a result, with the tax rate unchanged, net income was €37.5 million for the quarter (2011: €38.7 million)

Arnd Zinnhardt, Chief Financial Officer of Software AG added: "Our investment in sales and marketing is driving sustainable growth and showing the first successes in North America. Therefore, we will continue our investment in sales and marketing activities in the coming quarters."

## First half of 2012

Product revenue for the first six months also grew, by 7 percent to €337.1 million (2011: €315.8 million). Revenues from the services business during the reporting period were €175.4 million (2011: €211.1 million). Group revenue amounted to €513.2 million (2011: €529.7 million) during the first six months of the current fiscal year.

The EBIT in the first half of 2012, reflecting increased investments in BPE business development, was €111.9 million (2011: €119.1 million). The EBIT margin was 21.8 percent compared to 22.5 in 2011. Net income was €73.3 million (2011: €78.7 million). Cash and cash equivalents increased by €53.5 million to €270.0 million, and the equity ratio climbed to 58 percent (2011: 49 percent).

## Business Lines Development

The Business Process Excellence business line, which includes the product groups webMethods (IT integration), ARIS (business process software) and Terracotta products (Big Data), achieved total revenue of €256.6 million in the first half of 2012, an increase of 4 percent (2011: €245.6 million). Product revenues for Business Process Excellence grew by 14 percent to €174.3 million (2011: €152.3 million). Service revenues were €82.1 million (2011: 92.4 million) in the first half of 2012.

The Enterprise Transaction Systems business line (high-transaction database software) was up in the first half of 2012 with reported revenue of €189.3 million (2011: €186.4 million). The ETS product revenue rose to €154.0 million (2011: €152.3 million). This increased is primarily due to increased demand in the EMEA region.

The SAP consulting business line contributed €67.3 million (2011: €97.7 million) to Software AG's revenues in the first six months of this fiscal year.

## More Employees in Research & Development

As of June 30, 2012, Software AG had 5,461 (2011: 5,478) full-time employees, of which 896 (2011: 845) work in Research and Development (R&D). Employees in Germany numbered 1,803 (2011: 1,946).

## Outlook for fiscal 2012: the forecast for BPE and EBIT margin confirmed

Looking at the individual product business lines: The Business Process Excellence forecast remains unchanged at plus five to plus fifteen percent while Enterprise Transaction Systems has been

increased to minus six to minus three percent (the original forecast corridor was minus twelve to minus seven percent). Software AG is forecasting total product revenue growth of plus two to plus seven percent. The EBIT margin range remains at 23 percent to 24.5 percent. All revenue growth forecasts are at constant currency rates.

**KEY FIGURES for second Quarter 2012 / YTD (6 months)**  
IFRS, unaudited

In € millions (unless otherwise stated)	June 30, 2012	June 30, 2011	Change in %	Q2 2012	Q2 2011	Change in %
<b>Revenue</b>	513.2	529.7	-3%	258.6	257.1	1%
Product revenue	337.1	315.8	7%	175.5	151.5	16%
Consulting and Services	175.4	211.1	-17%	82.7	104.8	-21%
Other	0.7	2.8		0.4	0.8	
<b>Business Line</b>						
Business Process Excellence	256.6	245.6	4%	132.2	121.6	9%
Enterprise Transaction Systems	189.3	186.4	2%	94.9	89.7	6%
IDS Scheer Consulting	67.3	97.7	-31%	31.5	45.8	-31%
<b>EBIT</b>	<b>111.9</b>	<b>119.1</b>	<b>-6%</b>	<b>57.1</b>	<b>58.9</b>	<b>-3%</b>
as % of revenue	21.8%	22.5%		22.1%	22.9%	
<b>Net income</b>	<b>73.3</b>	<b>78.7</b>	<b>-7%</b>	<b>37.5</b>	<b>38.7</b>	<b>-3%</b>
as % of revenue	14.3%	14.9%		14.5%	15.1%	
Earnings per share (€, basic)	0.84	0.92	-9%	0.43	0.45	-4%
Earnings per share (€, diluted)	0.84	0.91	-8%	0.43	0.44	-2%
Free Cash flow	100.9	95.0	6%	41.8	45.9	-9%
Employees (Full time equivalent)	5,461	5,478				
of which in Germany	1,803	1,946				
R&D	896	845				
<b>Balance sheet</b>	<b>Jun. 30, 2012</b>	<b>Dec. 31, 2011</b>				
Total assets	1,727.4	1,680.7				
Cash and cash equivalents	270.0	216.5				
Net debt	14.8	60.9				
Shareholders' equity	999.9	951.5				
as % of total assets	58%	57%				

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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 a variety of end-to-end solutions delivering low Total-Cost-of-Ownership and high ease of use. Our industry-leading brands, ARIS, webMethods, Adabas, Natural, CentraSite, Terracotta 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 2011 and has more than 5,500 employees serving about 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**

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