

Press Release

SOFTWARE AG 2012: LARGEST BUSINESS LINE (BPE) OUTPERFORMS MARKET WITH 15.5 PERCENT LICENSE REVENUE GROWTH

- BPE product revenue (licenses and maintenance) up 13.9 percent
- Revenue from Terracotta big data products more than quadruple
- Traditional ETS database business better than expected
- Investments in sales and marketing lay foundation for new growth strategy
- BPE product revenue to reach one billion euros in 2018
- Further improvements to balance sheet structure, equity ratio up

Darmstadt, Germany, 1/29/2013 - Software AG (Frankfurt TecDAX: SOW) today released its financial results (IFRS, preliminary) for fiscal year 2012. The company reported €1.05 billion (2011: €1.1 billion) in total group revenue thereby achieving its target for the year. Product revenue (licenses and maintenance) increased 5.7 percent to reach €712.2 million (2011: €673.9 million) in the period under review. Software AG implemented a number of operational and strategic measures in 2012 to set the course for further growth, including intensifying investments by €40 million in sales as well as research and development for the high-growth Business Process Excellence (BPE) division. The implemented growth-generating initiatives began bearing the first fruits during the year. The largest business line achieved a dynamic 15.5 percent growth in license sales. At the same time, the high-margin Enterprise Transaction Systems (ETS) business line developed more solidly than had been projected at the start of 2012. Group EBIT was €248.3 million (2011: €269.2 million) due to targeted investment expenses and lower revenue in the IDS Scheer Consulting (IDSC) line. The company's EBIT margin climbed steadily over the course of the year from 21.5 to 27.2 percent due to better-than-expected ETS performance, continuously increasing BPE license revenues and effective cost management. Software AG plans to make more dedicated investments in the high-growth BPE business and thus lay the foundation for further dynamic growth.

Karl-Heinz Streibich, CEO of Software AG, states, "2012 was a successful year of transformation for Software AG. We consolidated traditional areas of business and strengthened new areas of growth with increased investments. Our financial results, for example our dynamic revenue growth of more than 400 percent with the big data products, are a clear confirmation that we are right on track. Based on these positive experiences, we have developed a new growth strategy with the goal of reaching more than one billion euros in product revenue in the BPE business line in 2018."

Business Line Development

Software AG was able to increase group **product revenue** by 5.7 percent to €712.2 million (2011: €673.9 million) in fiscal 2012. It represents about 68 percent of total revenue, which was €1.05

billion (2011: €1.1 billion). The distribution of revenue thus shifted in favor of the company's growth-driving, high-margin license and maintenance revenue.

The **BPE** business line made the largest contribution with product revenue growth of 13.9 percent to total €384.7 million (2011: €337.8 million). License revenue growth reached 15.5 percent. This dynamic growth was propelled by sales of the big data products by Terracotta, a U.S.-based Software AG subsidiary. Revenue from these products more than quadrupled in 2012, totaling €16.5 million (2011: €3.6 million). About 54 percent of total product revenue was attributable to integration and process software or to innovative in-memory/big data solutions. Software AG's revenue is driven primarily by the BPE business line. This trend confirms the forward-looking direction of the company. Software AG set the course for further long-term, dynamic growth with an additional investment of €40 million in sales and marketing as well as in research and development.

The profitable **ETS business line** surpassed expectations considerably in the period under review. The traditional database business produced fairly stable results year on year with product revenue at €309.6 million (2011: €312.9 million). Total ETS revenue was €375.3 million (2011: €381.3 million) in fiscal 2012, down just 1.6 percent from last year.

Reorganization of the **IDSC** business line continued in 2012. The focal points were the withdrawal from unprofitable markets and an emphasis on the process side of SAP application consulting – particularly in German-speaking countries. These measures led to a decrease in revenue to €125.1 million (2011: €189.2 million). The sale of North American SAP-related service activities in January 2013 was a successful step forward in the realignment of IDSC.

Earnings Performance

Due to expenses associated with the expansion of sales in order to access new high-growth business areas, intensified investments in research and development, and expenses from the consolidation of the SAP consulting business, **EBIT** (earnings before interest and taxes) was down about 8 percent year on year to €248.3 million (2011: €269.2 million). At the same time, the **EBIT margin** improved steadily over the course of the year due to stable ETS performance and continuously increasing BPE revenues (Q1 2012: 21.5 percent; Q2 2012: 22.1 percent; Q3 2012: 23.7 percent; Q4 2012: 27.2 percent). With respect to the full fiscal year, the EBIT margin was 23.7 percent (2011: 24.5 percent) and thus in the top half of the forecast range. **Net income after taxes** totaled €164.7 million (2011: €177.2 million). Based on Software AG's **total assets** of approximately €1.8 billion as of December 31, 2012, the company's **equity ratio** was about 60 percent. Software AG reported net liquidity as of December 31, 2012 with a cash surplus (cash less financial liabilities) of €49.6 million.

According to CFO Arnd Zinnhardt, "Our bold investments, which began paying off in part during the year, enabled us to significantly strengthen the operational side of business in 2012. At the same time, our financial discipline allowed us to increase our EBIT margin over the course of the year and further optimize our balance sheet structure. This positions us ideally for further dynamic growth."

Q4 2012

Software AG increased its **product revenue** by 4.0 percent to €196.8 million (2011: €189.2 million) in the fourth quarter of 2012. The BPE business line made the largest contribution to growth with a 12.2 percent increase in product revenue year-on-year at €113.7 million (2011: €101.3 million). ETS product revenue performed according to expectations with a slight decline of 4.3 percent to total €78.0 million (€81.5 million). As a result of the previously mentioned revenue reduction in SAP consulting (IDSC), total revenue for the Software AG group was down 5.9 percent year on year to €276.7 million (2011: €294.0 million) in the fourth quarter of 2012. Due to increased investments and expenses from the IDSC consolidation, fourth-quarter EBIT was €75.4 million (2011: €78.0 million).

Employees

As of December 31, 2012 Software AG had 5,419 (2011: 5,535) employees, of which 1,131 (2011: 1,023) worked in Sales and Marketing and 887 (2011: 887) in Research and Development. The total number of employees in Germany was 1,768 (2011: 1,881). The total number of employees working in Darmstadt as of December 31, 2012 was 733 (2011: 719).

Outlook for 2013

Software AG's outlook continues to be positive. For fiscal year 2013, it anticipates BPE product revenue growth between 16 and 22 percent (at constant currency) and a revenue decline in the traditional ETS database business between 4 and 9 percent (at constant currency). In light of the average growth forecast of about 10 percent in the promising BPE market, Software AG plans to gain market share and therefore continues investing in sales and marketing in the current fiscal year.

Through the additional investments in sustainable, dynamic growth for the high-potential BPE business, the BPE revenue contribution will account for about 80 percent of the company's total revenue in the year 2018. BPE product revenue is expected to reach €1 billion by that time. The company's early entrance into the future-oriented integration and process software market space as well as the big data market is paying off strategically and thus securing the company's long-term success.

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Key consolidated figures for Q4 2012 / full year, IFRS, unaudited

KEY FIGURES as of December 31, 2012 IFRS, unaudited

| In € millions (unless otherwise stated) | Q4 2012 | | Q4 2011 | | Change in % | December 31, 2012 | | December 31, 2011 | | Change in % |
|--|--------------|--|--------------|--|----------------|----------------------|--|----------------------|--|----------------|
| Product revenue | 196,8 | | 189,2 | | 4% | 712,2 | | 673,9 | | 6% |
| as % of total revenue | 71% | | 64% | | | 68% | | 61% | | |
| Licenses | 97,1 | | 91,6 | | 6% | 319,0 | | 295,2 | | 8% |
| Maintenance | 99,7 | | 97,6 | | 2% | 393,0 | | 378,7 | | 4% |
| Consulting and Services | 79,6 | | 103,4 | | -23% | 333,3 | | 419,8 | | -21% |
| Other | 0,3 | | 1,4 | | | 1,8 | | 4,6 | | |
| Total revenue | 276,7 | | 294,0 | | -6% | 1.047,3 | | 1.098,3 | | -5% |
| Business Process Excellence | 156,1 | | 151,2 | | 3% | 547,0 | | 527,8 | | 4% |
| Product revenue | 113,7 | | 101,3 | | 12% | 385,0 | | 337,8 | | 14% |
| as % of total product revenue | 58% | | 54% | | | 54% | | 50% | | |
| Licenses | 63,5 | | 56,6 | | 12% | 194,7 | | 168,6 | | 15% |
| Maintenance | 50,2 | | 44,8 | | 12% | 190,0 | | 169,1 | | 12% |
| Enterprise Transaction Systems | 92,1 | | 99,7 | | -8% | 375,2 | | 381,3 | | -2% |
| Product revenue | 78,0 | | 81,5 | | -4% | 310,0 | | 312,9 | | -1% |
| as % of total product revenue | 43% | | 43% | | | 44% | | 46% | | |
| Licenses | 32,3 | | 32,9 | | -2% | 121,3 | | 120,1 | | 1% |
| Maintenance | 45,7 | | 48,6 | | -6% | 188,3 | | 192,8 | | -2% |
| IDS Scheer Consulting | 28,5 | | 43,1 | | -34% | 125,1 | | 189,2 | | -34% |
| Research and development expenses | -26,3 | | -22,6 | | 16% | -101,1 | | -88,0 | | 15% |
| Sales, marketing and distribution expenses | -65,6 | | -61,7 | | 6% | -246,9 | | -230,2 | | 7% |
| EBIT* | 75,4 | | 78,0 | | -3% | 248,3 | | 269,2 | | -8% |
| EBIT-margin | 27,2% | | 26,5% | | | 23,7% | | 24,5% | | |
| EBITDA-margin | 32,0% | | 30,3% | | | 28,6% | | 28,7% | | |
| Net income | 50,7 | | 51,9 | | -2% | 164,7 | | 177,2 | | -7% |
| as % of total revenue | 18,3% | | 17,7% | | | 15,7% | | 16,1% | | |
| Earnings per share (€; basic) | 0,58 | | 0,60 | | -3% | 1,90 | | 2,05 | | -7% |
| Free Cash flow | 45,2 | | 79,5 | | -43% | 170,7 | | 187,7 | | -9% |
| Employees (Full time equivalent) | | | | | | 5.419 | | 5.535 | | |
| of which in Germany | | | | | | 1.768 | | 1.881 | | |
| of which in Darmstadt | | | | | | 733 | | 719 | | |
| Sales & Marketing | | | | | | 1.131 | | 1.023 | | |
| Research & Development | | | | | | 887 | | 887 | | |
| Balance sheet | | | | | | Dec. 31, 2012 | | Dec. 31, 2011 | | |
| Total assets | | | | | | 1.771,9 | | 1.680,7 | | |
| Cash and cash equivalents | | | | | | 315,6 | | 216,5 | | |
| Net debt (net cash) | | | | | | -49,6 | | 60,9 | | |
| Shareholders' equity | | | | | | 1.060,1 | | 951,5 | | |
| as % of total assets | | | | | | 60% | | 57% | | |

*EBIT: Net income + Income taxes + other taxes + financial expense, net

About Software AG

Software AG (FRA: SOW) helps organizations achieve their business objectives faster. The company's big data, integration and business process technologies enable customers to drive operational efficiency, modernize their systems and optimize processes for smarter decisions and better service. Building on over 40 years of customer-centric innovation, the company is ranked as a "leader" in fifteen market categories, fueled by core product families Adabas and Natural, ARIS, Terracotta and webMethods. Software AG has more than 5,400 employees in 70 countries and had revenues of €1.05 billion in 2012 (IFRS, unaudited). Learn more at www.softwareag.com.

Software AG - Get There Faster

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