

SOFTWARE AG: OVERALL RESULTS MATCH MARKET EXPECTATIONS

- Group license revenue up by 5 percent (at constant currency)
- BPE product revenue at same level as the previous year (at constant currency)
- ETS product revenue slightly above previous year (at constant currency)
- Consulting: successful realignment, new orders on the upswing
- Successful start to Q3: large BPE order received from US public sector
- BPE integration portfolio recognized as global technology leader
- Full-year forecast confirmed

Darmstadt, Germany, July 25, 2013 - Software AG (Frankfurt TecDAX: SOW) today released its financial results (IFRS, preliminary) for the second quarter of 2013. Product revenue (license + maintenance) for the Business Process Excellence (BPE) business line held steady (at constant currency) during the reporting period, while that of the Enterprise Transaction Services (ETS) business line grew by two percent at constant currency. License revenue developed atypically in the second quarter. While the ETS database business received customer orders relatively early in the year, a major BPE license agreement was concluded shortly after quarter's end. On the whole, total revenue and earnings met expectations. Investment in organic growth for BPE led to a significant expansion of the sales pipeline. Targeted, more intensive R&D activities made Software AG the global leader in integration software technology, as recognized by a current study by independent industry analysts. It gives Software AG the foundation for above average BPE growth. As for the rest of the fiscal year, the company is optimistic due to the positive start to the third quarter, and it confirms its full-year forecast for 2013, despite an increasingly uncertain market environment in some countries.

“Thanks to a major deal that was scheduled for the second quarter, we started the second half of the year off very well. In addition, we have strengthened our future organic growth in the past three months by making selected small technology acquisitions. This allowed us to expand our customer base and our product portfolio with market-leading components for the cloud and big data. The global leadership of our BPE integration portfolio technology has given us the best conditions for continuing to gain market share,” said Karl-Heinz Streibich, Software AG's CEO.

Business Line Development

The **Business Process Excellence (BPE)** business line made the greatest contribution to Group revenue. The revenue of €91.4 million (2012: €93.8 million) approximated the previous year's level; operationally, at constant currency, it increased slightly. Because of the postponement of the signing of some license agreements worth double-digit millions from the end of the quarter to just days later, BPE product revenue was below expectations for the quarter. Based on the sales successes at the beginning of the third quarter and a full BPE sales pipeline, Software AG is confident of increasing BPE license revenue for the rest of the year, despite the increasingly difficult market environment. The success includes a large order for the newly established *Software AG Government Solutions* sales division in the US. In July, the subsidiary focusing on the public sector concluded its biggest deal yet with a US government agency for a total volume of about US\$17 million. About US\$10 million of that amount is allotted to BPE licenses. The investments in sales and marketing are also beginning to bear fruit in the public sector in the US.

The **Enterprise Transaction Systems (ETS)** database business achieved revenues of €75.8 million (2012: €77.9 million) in the second quarter. At constant currency, revenues were up by about two percent, so the business segment including ADABAS-NATURAL products developed better than expected. This was due in large part to new deals concluded earlier in the year than normal

increasing license revenue by about 16 percent, at constant currency. The positive ETS development underscores that Software AG's database business functions as a key technology for a large customer base.

The **Consulting** business line, which comprises BPE, ETS, and IDS Scheer Consulting services since the beginning of the year, recorded revenues of €70.5 million (2012: €86.9 million). The reduced results can be traced back largely to the realignment of SAP consulting. Software AG began withdrawing from unprofitable markets last year. The sale of Software AG's North American SAP service activities followed at the beginning of this year. The positive development of this segment's contribution, which improved significantly to €2.7 million (2012: €-4.3 million), emphasizes the successful operational turnaround and is leading the business gradually back to profitability and growth. Software AG will proceed with its announced strategy and focus the business on process-optimization for SAP applications in German-speaking countries.

Total Revenue and Earnings Performance

Because of the focused realignment of the Consulting business line, Software AG's **total revenues** in the previous quarter amounted to €237.7 million (2012: €258.6 million). **License revenue** at the Group level totaled €75.8 million (2012: €76.0 million). At constant currency, it grew by five percent during the reporting period. Overall, **product revenue** reached €169.1 million (2012: €175.5 million) and contributed about 71 percent (2012: 68 percent) of total Group revenue, further improving revenue distribution towards the high-margin license and maintenance revenues that drive growth.

The planned increase in sales expenses, which grew by €12.7 million, to a total of €73.9 million (2012: €61.6 million) served essentially to open new BPE growth areas, such as the public sector in the US. As a result of the increased sales expenses, **EBIT** totaled €44.4 million (2012: €57.1 million), meeting expectations. **Net profit** after taxes amounted to €28.8 million (2012: €37.5 million).

"In the second half of the year, we will continue to focus on expanding our promising BPE business line. We are ideally equipped to make more acquisitions in this area. To that end, we have increased our liquidity reserves through a successful promissory note, giving ourselves the room to finance further expansion," said CFO Arnd Zinnhardt.

Acquisitions

Software AG transacted a number of small acquisitions in the second quarter. In April the company bought California-based Cloud Platform vendor LongJump, allowing Software AG's customers to develop flexible, business process driven, situational applications in the cloud. Platform-as-a-Service (PaaS) functionalities allow deployment of applications on the public or private cloud, on-premise or on any mobile device. The acquisition of Berlin-based alfabet AG (Germany) followed in June. Adding to Software AG's presence in the BPE market, alfabet focuses on planning and optimizing IT landscapes. In July, Software AG acquired the Apama CEP platform from Progress Software Corporation. CEP stands for complex event processing and is a technology that allows organizations to analyze business events across multiple data streams in real-time so they can make important business decisions quickly. This is an important step toward further expanding the company's big data BPE activities.

Promissory Note Placement

In July of this year, Software AG successfully placed a promissory note loan worth a total value of €300 million. Due to high investor demand, the transaction was clearly oversubscribed and its

original volume totaling €150 million was increased to €300 million. This outcome confirms the confidence promissory note investors have in Software AG's business model.

Employees

As of June 30, 2013, Software AG had 5,375 (Dec. 2012: 5,419) employees, 1,229 (Dec. 2012: 1,131) of them in sales and marketing and 941 (Dec. 2012: 887) in research and development. Employees in Germany numbered 1,777 (Dec. 2012: 1,768).

Outlook for 2013

Software AG confirms its outlook for the full year, which was announced on January 29, 2013 when the annual figures for 2012 were released. Accordingly, the company is anticipating growth of 16 to 22 percent in BPE revenue for fiscal year 2013 (at constant currency). Revenue in the traditional ETS database business will likely fall by four to nine percent (at constant currency). Taking into account the additional investments for the expansion of sales and marketing, earnings per share this year will amount to €1.70 to €1.80. Given the increasingly difficult market environment influencing the entire software industry and possible postponement of large-volume license agreements, as seen in the second quarter, Software AG points out that the results at the end of the year could be at the low end of the given ranges.

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Key Figures for Q2 2013
IFRS, unaudited

in € millions	Q2/2013	Q2/2012	Change in % (rounded)	Change in % (at constant currency)
BPE licenses	42.8	45.6	-6	-3
BPE maintenance	48.6	48.1	+1	+4
BPE product revenue	91.4	93.7	-2	+1
<i>as % of total revenue</i>	38	36		
ETS licenses	32.6	30.1	+8	+16
ETS maintenance	43.1	47.6	-9	-7
ETS product revenue	75.7	77.7	-3	+2
<i>as % of total revenue</i>	32	30		
Consulting	70.5	86.9	-19	-18
<i>as % of total revenue</i>	30	34		
Total license revenue	75.8	76.0	+0	+5
Total product revenue	169.1	175.5	-4	+0
Total revenue	237.7	258.6	-8	-5
Research & development expenses	-26.2	-25.3		€+0.9m
Sales & marketing expenses	-73.9	-61.6		€+12.3m
EBIT*	44.4	57.1		€-12.7m
<i>as % of total revenue</i>	19	22		
Net income	28.8	37.5	-23	-
Earnings per share in €	0.34	0.43	-21	
Free cash flow	9.6	41.8	-77	

*EBIT = Consolidated net income + income taxes + other taxes + financial result

Key Figures for the First Half of 2013
IFRS, unaudited

in € millions	H1/2013	H1/2012	Change in % (rounded)	Change in % (at constant currency)
BPE licenses	84.7	81.3	+4	+7
BPE maintenance	97.1	93.0	+4	+7
BPE product revenue	181.8	174.3	+4	+7
<i>as % of total revenue</i>	39	34		
ETS licenses	53.6	58.8	-9	-4
ETS maintenance	86.3	95.2	-9	-6
ETS product revenue	139.9	154.0	-9	-6
<i>as % of total revenue</i>	30	30		
Consulting	140.6	184.3	-24	-23
<i>as % of total revenue</i>	30	36		
Total license revenue	139.4	141.3	-1	+2
Total product revenue	326.3	337.1	-3	+0
Total revenue	462.7	513.2	-10	-8
Research & development expenses	-52.4	-49.6		€+2.8m
Sales & marketing expenses	-146.8	-120.9		€+25.9m
EBIT*	86.0	111.9		€-25.9m
<i>as % of total revenue</i>	19	22		
Net income	56.0	73.3	-24	-
Earnings per share in €	0.66	0.84	-21	
Free cash flow	72.3	100.9	-28	

	31.06.2013	31.12.2012
Total assets	1,756.7	1,727.4
Cash and cash equivalents	274.3	270.0
Net debt / liquidity	-83.8	14.8
Equity ratio in %	55	58
Employees (FTE)	5,375	5,461

Outlook for 2013

in € millions	FY 2012	FY 2013
BPE product revenue*	384	+16% to +22%
ETS product revenue*	310	-9% to -4%
EPS**	€1.90	€1.70 to €1.80

* at constant currency

** prior to share buyback

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 approx. 5,300 employees in 70 countries and had revenues of €1.05 billion in 2012. You can find further information at: www.softwareag.com.

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