

SOFTWARE AG: STRONG GROWTH IN MAIN BUSINESS DIVISION INVESTMENTS DRIVE THE SUCCESSFUL EXPANSION OF THE BUSINESS

- BPE license revenue up 31 percent (at constant currency)
- BPE maintenance revenue up 20 percent (at constant currency)
- Big Data product revenue grow more than 100 percent
- ETS performance on target
- Another positive segment contribution from Consulting

Darmstadt, Germany, 24 October 2013 - Software AG (Frankfurt TecDAX: SOW) today released its financial results (IFRS, preliminary) for the third quarter of 2013. The company's performance confirms that its strategic transformation is producing sustainable results. With increases in license revenue of about 31 percent (at constant currency) and in maintenance revenue of about 20 percent (at constant currency), the Business Process Excellence (BPE) division set a new record significantly above the €100 million mark. More than €10 million of that revenue was generated from sales of big data products, which achieved more than 100 percent growth in the quarter. Several large BPE deals were also signed during the period under review.

"Software AG's third-quarter results confirm our successful transformation. The early development and expansion of our BPE business with the necessary investments is already showing a positive impact. With this strategy, we were able to win significant market share and therefore have paved the way to long-term growth for Software AG," stated Karl-Heinz Streibich, Software AG's CEO. "The overwhelmingly positive feedback from our international customer event in the U.S. and the large new BPE deals in the third quarter reflect the enormous market potential for our products in order to realize the four IT megatrends of mobile, cloud, social and big data management."

Business Line Development

The **Business Process Excellence (BPE)** business line set a new record with €114.3 million (2012: €96.7 million) in third quarter. Within BPE product revenue the key area of license sales performed especially well, totaling €61.8 million (2012: €50.0 million) – despite the increasingly difficult market environment. This represents a growth rate of about 31 percent (at constant currency), which confirms the impact of strategic measures – increased investments in sales and marketing in particular—initiated in specific markets. North America and EMEA specifically played a positive role in this development. In addition to the previously announced large BPE order worth \$17 million in the United States, a further BPE deal was signed in Europe with a total volume of more than €10 million in the third quarter. Based on a full project pipeline, Software AG is confident that BPE license revenue will continue to achieve robust growth for the rest of the year.

The traditional **Enterprise Transaction Systems (ETS)** database business generated €58.9 million (2012: €77.6 million) in revenue for the third quarter. This performance is in line with the company's full-year guidance. Following an extraordinarily strong second quarter with above-average ETS license revenue due to early closings of deals, third-quarter revenue showed an expected decrease.

The **Consulting** business line, which has been comprised of BPE, ETS, and IDS Scheer Consulting services since the beginning of 2013, recorded €65.2 million (2012: €83.0 million) in revenue in

Q3. This quarter is typically characterized by a high number of leave days due to the vacation season. The successful realignment of the consulting business and the associated withdrawal from unprofitable markets led to a decline in reported revenue year on year. Software AG sold its North American SAP service activities at the beginning of the year. Disposals followed in Hungary, the Czech Republic and Slovakia in the third quarter. These steps were consistent with the company's strategy to focus the SAP services on process optimization in the German-speaking region. Consulting made a positive segment contribution in the third quarter—continuing its operational turnaround.

Total Revenue and Earnings Performance

Due to a targeted reduction in consulting revenue, Software AG's Group revenue was €238.5 million (2012: €257.4 million) in the third quarter, which is a 2 percent decrease at constant currency. Total license revenue for the Group was €79.9 million (2012: €80.5 million), which is a 5-percent rise at constant currency. At €175.1 million (2012: €178.3 million), product revenue—consisting of licenses and maintenance—was up 4 percent year on year at constant currency. This represents 73.4 percent (2012: 69.3 percent) of total revenue, further improving Software AG's revenue mix towards growth-driving, high-margin license and maintenance revenues. EBIT was €49.1 million (2012: €61.1 million), despite a total of €72.5 million (2012: €60.4 million) in sales expenses, which reflect a planned increase for addressing new high-potential BPE markets. Adjusted for acquisition-related expenses, operating EBIT (non-IFRS) was €66.2 million; this represents an operational 28 percent return on sales.

"Software AG successfully claimed its stake in an intensely competitive environment with negative currency effects in the third quarter. Thanks to financial discipline and dynamic revenue performance, we were able to significantly increase the margin in our BPE business," elaborated CFO Arnd Zinnhardt. "Our financial base provides the ideal conditions for continued growth."

Employees

As of September 30, 2013 the Software AG Group had 5,356 (2012: 5,436) employees, of which 1,261 (2012: 1,084) worked in Sales and Marketing and 1,005 (2012: 892) in Research and Development. The total number of employees in Germany was 1,735 (2012: 1,783).

Outlook 2013

Software AG still expects an increase in BPE revenue between 16 and 22 percent (at constant currency) for fiscal year 2013. Revenue in the traditional ETS database business is anticipated to fall by 4 to 9 percent (at constant currency). The forecast for earnings per share was set between €1.70 and €1.80 in January 2013—without taking into account the impact of business opportunities that presented themselves throughout the year (share buyback program, acquisitions and associated costs). Without taking these into account, earnings per share should be within the indicated range. Given the overall increasingly difficult market climate, Software AG points out that operational results could be rather at the low end of the projected ranges, despite the typically strong fourth quarter.

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Key Figures for Q3 2013
IFRS, unaudited

in € millions	Q3 2013	Q3 2012	Change in % (rounded)	Change in % (at constant currency)
BPE licenses	61.8	50.0	+24	+31
BPE maintenance	52.6	46.7	+13	+20
BPE product revenue	114.3	96.7	+18	+25
<i>as % of total revenue</i>	48	38		
ETS licenses	17.8	30.2	-41	-38
ETS maintenance	41.1	47.4	-13	-7
ETS product revenue	58.9	77.6	-24	-19
<i>as % of total revenue</i>	25	30		
Consulting	65.2	83.0	-22	-19
<i>as % of total revenue</i>	27	32		
Total license revenue	79.9	80.5	-1	+5
Total product revenue	175.1	178.3	-2	+4
Total revenue	238.5	257.4	-7	-2
Research & development expenses	-26.1	-25.2		€+0.9 mn
Sales & marketing expenses	-72.5	-60.4		€+12.1 mn
EBIT*	49.1	61.1		€-12.0 mn
<i>as % of total revenue</i>	21	24		
Operating EBIT (non-IFRS)	66.3	73.8		€-7.5 mn
<i>as % of total revenue</i>	28	29		
Net income	31.1	40.7	-24	-
Earnings per share in €	0.37	0.47	-21	-
Free cash flow	33.3	24.6	+35	-

*EBIT = consolidated net income + income tax + other tax + financial result

Key Figures for the first nine months of 2013
IFRS, unaudited

in € millions	Q1-Q3/2013	Q1-Q3/2012	Change in % (rounded)	Change in % (at constant currency)
BPE licenses	146.5	131.3	+12	+16
BPE maintenance	149.6	139.7	+7	+11
BPE product revenue	296.1	271.0	+9	+13
<i>as % of total revenue</i>	42	35		
ETS licenses	71.4	89.0	-20	-16
ETS maintenance	127.4	142.6	-11	-7
ETS product revenue	198.8	231.6	-14	-10
<i>as % of total revenue</i>	28	30		
Consulting	205.7	267.3	-23	-22
<i>as % of total revenue</i>	29	35		
Total license revenue	219.3	221.8	-1	+3
Total product revenue	501.4	515.3	-3	+1
Total revenue	701.2	770.6	-9	-6
Research & development expenses	-78.5	-74.7		€+3.8 mn
Sales & marketing expenses	-219.3	-181.3		€+38.0 mn
EBIT*	135.1	172.9		€-37.8 mn
<i>as % of total revenue</i>	19	22		
Operating EBIT (non-IFRS)	177.0	209.6		€-32.6 mn
<i>as % of total revenue</i>	25	27		

Net income	87.1	114.0	-24	-
Earnings per share in €	1.03	1.31	-21	-
Free cash flow	105.6	125.5	-16	-
	Sept. 30, 2013	Dec. 31, 2012		
Total assets	1,994.3	1,771.9		
Cash and cash equivalents	448.4	315.7		
Net liquidity/debt	-161.5	+49.7		
Equity ratio as %	49	60		
Employees (FTE)	5,356	5,436		

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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