

SOFTWARE AG'S 2013 LICENSE REVENUE HIGHEST IN COMPANY HISTORY LARGEST BUSINESS LINE AGAIN INCREASED MARKET SHARE

- Group license revenue up 9 percent to €330 million
- License revenue in largest business line (BPE) up 23 percent in Q4
- Big data business nearly doubled
- ETS outperforms expectations
- Consulting: Successful turnaround with a positive segment result

[Note: All percentages contained herein are rounded and at constant currency]

Darmstadt, Germany, 01/28/2014 - Software AG (Frankfurt TecDAX: SOW) today released its financial results (IFRS, preliminary) for the fourth quarter and for the full 2013 fiscal year. The company reached a record level of license sales in the final quarter. Up 23 percent, Business Process Excellence (BPE)—the company's largest business line—significantly outperformed the market and Software AG increased market share considerably. As the Enterprise Transaction Systems (ETS) business line also grew more than 20 percent in the fourth quarter, Group license revenue climbed 22 percent. Fueled by strong business in the second half of 2013, Group license revenue for the full fiscal year likewise rose to a record high, reaching a total of €330 million (2012: €319 million), a 9-percent rise. This positive performance is a result of Software AG's growth strategy of investing in the expansion of its BPE sales and marketing activities in 2013. In addition, the company made five acquisitions in the past year, worth a total of more than €110 million, enhancing its BPE product portfolio with additional innovative technologies.

Karl-Heinz Streibich, CEO of Software AG, states, "2013 wasn't just the strongest year in the history of our company with respect to licenses. It is also proof that we are right on track with our transformation strategy. We will build on our technology leadership and further increase our market share in 2014."

Arnd Zinnhardt, CFO of Software AG, adds, "We strengthened our future-oriented business line by investing in organic growth and five technology acquisitions. At the same time, we maintained our operating profit margin, at a very respectable level, through disciplined cost management. Thanks to sufficient cash reserves, we are ideally positioned for further growth."

Business line development

The **Business Process Excellence (BPE)** business line—consisting of integration and process software and big data solutions—achieved €127 million (2012: €114 million) in revenue, 18 percent growth, in the fourth, and seasonally strongest, quarter of 2013. Revenue for the full fiscal year was up 15 percent year on year at €423 million (2012: €385 million). Within the BPE line the big data products posted an increase to €37 million, nearly doubling revenue from the year before.

The successful expansion of sales had a particularly positive impact on BPE license revenue, which was up 23 percent for the fourth quarter and 18 percent for the fiscal year. License sales in the software sector are considered a key performance indicator for future growth because they produce long-term maintenance revenue. Revenue from maintenance agreements was €53 million (2012: €50 million) in Q4 and €203 million (2012: €190 million) in the fiscal year, reflecting growth of 11 percent year on year.

BPE's strong performance confirms that Software AG's strategic initiatives, such as the expansion of sales and marketing teams and five acquisitions, already had an effect during the year. The Americas and Asia-Pacific were the greatest growth-driving regions. *Software AG Government Solutions*, a U.S. subsidiary, also made a positive contribution to BPE success thanks to a number of high-volume deals.

BPE accounted for about 60 percent (2012: 54 percent) of Group product revenue (licenses + maintenance) and therefore continued to strengthen its role as Software AG's largest business line. The company aims to further increase this share to 80 percent by 2018.

Software AG's traditional **Enterprise Transaction Systems (ETS)** database business reported growth of 3 percent in Q4 due to exceptionally high license revenue. Total fiscal year revenue in this business line was €274 million (2012: €311 million), a decrease of 7 percent year on year. This development is in line with the company's forecast that the traditional database software market in general is in decline because of its maturity and saturation.

The **Consulting** business line recorded €70 million (2012: €85 million) in revenue in Q4 and total revenue of €275 million (2012: €352 million) in fiscal 2013. The decline is due to Software AG's realignment of its Consulting business, which included the sale of SAP service operations in Canada and the USA in Q1 2013. Disposals followed in Hungary, the Czech Republic and Slovakia in Q3. Through these measures, the company successfully focused its SAP service operations on process consulting in the German-speaking region. Consulting made a positive segment contribution again in fiscal 2013—the most notable earnings improvement coming in the final quarter. Software AG therefore achieved its operational turnaround of the Consulting business in the concluded fiscal year.

Total revenue and earnings performance

Fueled by strong BPE business, fourth-quarter Group **license revenue** was up 22 percent to €111 million (2012: €97 million). **Maintenance revenue** remained level year on year and at constant currency. **Product revenue** (licenses + maintenance) was up 10 percent year on year at €204 million (2012: €197 million) in the fourth quarter. All in all, **total revenue** climbed 3 percent to €271 million.

For the full fiscal year, Software AG Group **license revenue** improved 9 percent to €330 million (2012: €319 million) propelled by a dynamic acceleration of business in the second half of the year. This sets a record in the history of Software AG and confirms the success of its transformation measures. At €376 million, **maintenance revenue** in fiscal 2013 was level with the previous year at constant currency. At €706 million, **product revenue** was up 4 percent over the previous year. Its share of total revenue rose to 73 percent (2012: 68 percent). Software AG's revenue mix therefore further improved towards growth-driving, high-margin license and maintenance revenues.

Software AG's **total revenue** for 2013 was €973 million as a result of lower revenue in the Consulting business after the sale of SAP service operations in North America and Eastern Europe. BPE growth more than offset the expected loss in ETS revenue. Exchange rates had an exceptionally negative effect (totaling €38 million) on Group revenue, which, given stable currencies, would have exceeded one billion euros.

Software AG's **EBIT** in fiscal 2013 was €206 million. It was affected by the planned additional expenditures of €53 million for the expansion of sales and marketing and €7 million for research and development activities. Adjusted for acquisition-related expenses, **operating EBIT** (non-

IFRS) was €261 million; this represents an operating **return on sales** of about 27 percent. **Net income** after taxes was €134 million (non-IFRS: €173 million). Reported **earnings per share** were €1.60 (non-IFRS: €2.07) [Please note: For a comparison to the guidance - earnings adjusted for net effects of additional M&A-related expenses and the share buyback 2013 - earnings per share were €1.70.]

Employees

As of December 31, 2013 Software AG had 5,238 (2012: 5,419) employees, of which 1,180 (2012: 1,131) worked in Sales and Marketing and 998 (2012: 887) in Research and Development. The total number of employees in Germany as of that date was 1,711 (2012: 1,768).

Outlook 2014

Software AG anticipates an increase in **BPE revenue** between 12 and 18 percent for fiscal year 2014. **ETS revenue** is expected to drop by 9 to 16 percent. **Operating result** (non-IFRS) for 2014 is estimated to grow between 4 and 10 percent.

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Key figures for Q4 2013
IFRS, unaudited

in € millions	Q4/2013	Q4/2012	Change in % (rounded)	Change in % (at constant currency)
BPE licenses	73.6	63.5	+16	+23
BPE maintenance	53.1	50.2	+6	+11
BPE product revenue	126.7	113.7	+11	+18
as % of total revenue	47	41		
ETS licenses	36.0	32.3	+11	+21
ETS maintenance	39.0	45.7	-15	-9
ETS product revenue	75.0	78.0	-4	-3
as % of total revenue	28	28		
Consulting	69.6	84.8	-18	-16
as % of total revenue	26	30		
Total license revenue	110.9	97.1	+14	+22
Total product revenue	204.4	196.8	+4	+10
Total revenue	271.5	276.7	-2	+3
Research & development expenses	29.4	26.3	12	13
Sales & marketing expenses	80.8	65.6	23	30
EBIT*	70.4	75.4	-7	-
Net income	46.9	50.7	-7	-
Earnings per share in €**	0.57	0.58	-2	-
Free cash flow	53.5	45.2	+18	-
Operating earnings (non-IFRS)				
EBIT	83.8	89.3	-6	
EBIT margin	31	32	-	
Net income	56.6	60.9	-7	
Earnings per Share	0.69	0.70	-1	

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

**Weighted average number of shares outstanding (basic) Q4/2013: 82.2 mn / Q4/2012: 86.6 mn / FY/2013: 83.7 mn / FY/2012: 86.8 mn

Key figures for the fiscal year 2013
IFRS, unaudited

in € millions	FY 2013	FY 2012	Change in % (rounded)	Change in % (at constant currency)
BPE licenses	220.1	194.7	+13	+18
BPE maintenance	202.8	190.0	+7	+11
BPE product revenue	422.9	384.7	+10	+15
as % of total revenue	43	37		
ETS licenses	107.4	121.3	-11	-6
ETS maintenance	166.4	188.3	-12	-7
ETS product revenue	273.8	309.6	-12	-7
as % of total revenue	28	30		
Consulting	275.4	352.1	-22	-20
as % of total revenue	28	34		
Total license revenue	330.1	318.9	+4	+9
Total product revenue	705.7	712.2	-1	+4
Total revenue	972.7	1,047.3	-7	-4
Research & development expenses	107.9	101.1	+7	+8
Sales & marketing expenses	300.1	246.9	+22	+26
EBIT*	205.5	248.3	-17	-
Net income	134.0	164.7	-19	-
Earnings per share in €**	1.60	1.90	-16	-
Free cash flow	159.1	170.7	-7	-
Operating earnings (non-IFRS)				
EBIT	260.7	298.9	-13	
EBIT margin	27	29	-	
Net income	172.9	200.7	-14	
Earnings per Share	2.07	2.31	-10	

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

**Weighted average number of shares outstanding (basic) Q4/2013: 82.2 mn / Q4/2012: 86.6 mn / FY/2013: 83.7 mn / FY/2012: 86.8 mn

in € millions	Dec. 31, 2013	Dec. 31, 2012
Total assets	1,996.9	1,771.9
Cash and cash equivalents	450.0	315.6
Net debt/liquidity	-36.3	14.8
Equity ratio as %	48	60
Employees (FTE)	5,238	5,419

Outlook 2014

in € millions	FY 2013	FY 2014
BPE revenue*	422.9	+12% to +18%
ETS revenue*	273.8	-16% to -9%
Operating earnings (non-IFRS)	260.7	+4% to +10%

* at constant currency

About Software AG

Software AG (Frankfurt TecDAX: 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, webMethods, Alfabet and Apama. Software AG has more than 5,200 employees in 70 countries and had revenues of 973 billion in 2013 (IFRS, unaudited). Learn more at www.softwareag.com

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