

Software AG

2nd Quarter 2014 Results (IFRS, unaudited)

July 24, 2014

Safe harbor

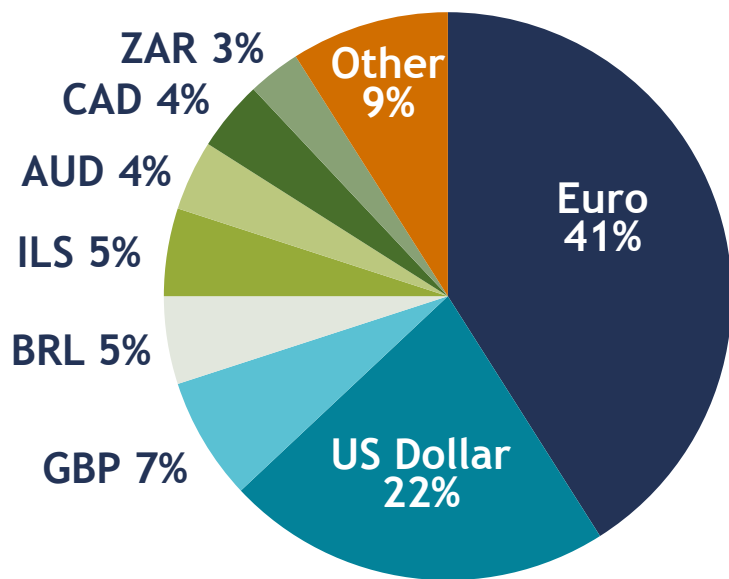
This presentation contains forward-looking statements based on beliefs of Software AG management. Such statements reflect current views of Software AG with respect to future events and results and are subject to risks and uncertainties. Actual results may vary materially from those projected here, due to factors including changes in general economic and business conditions, changes in currency exchange, the introduction of competing products, lack of market acceptance of new products, services or technologies and changes in business strategy. Software AG does not intend or assume any obligation to update these forward-looking statements.

Currency impact on revenue

Q2 2014 / YTD 2014 (6 months)

→ 41% revenue in Euro

→ 59% revenue in foreign currency



Currency split YTD 2014

Currency impact on revenue

<i>(in €m; yoy)</i>	Q2 2014	Q2 in %	YTD 2014	YTD in %
Licenses	-0.5	-1%	-4.2	-4%
Maintenance	-3.9	-4%	-8.8	-5%
Consulting & Other	-1.0	-2%	-2.1	-2%
Total	-5.4	-3%	-15.1	-4%

Segment report Q2 2014 / YTD 2014 (6 months)

Business Process Excellence (BPE)

<i>(in €m)</i>	Q2 2014	Q2 2013	Δ%	Δ% acc	YTD 2014	YTD 2013	Δ%	Δ% acc
Licenses	32.7	42.8	-24%	-22%	76.5	84.7	-10%	-6%
Maintenance	51.9	48.6	7%	11%	103.3	97.1	6%	11%
Total revenue	84.6	91.4	-7%	-5%	179.8	181.8	-1%	3%
Cost of sales	-5.5	-4.9	12%	15%	-11.1	-10.8	3%	8%
Gross profit	79.1	86.5	-9%	-6%	168.7	171.0	-1%	3%
Sales & marketing	-45.4	-48.1	-6%	-2%	-94.5	-94.1	-	4%
R & D	-20.4	-19.8	3%	4%	-41.4	-39.5	5%	6%
Segment result	13.3	18.6	-28%	-27%	32.8	37.4	-12%	-5%

Segment report Q2 2014 / YTD 2014 (6 months)

Enterprise Transaction Systems (ETS)

<i>(in €m)</i>	Q2 2014	Q2 2013	Δ%	Δ% acc	YTD 2014	YTD 2013	Δ%	Δ% acc
Licenses	17.4	32.6	-47%	-47%	30.7	53.6	-43%	-40%
Maintenance	38.3	43.1	-11%	-6%	76.0	86.3	-12%	-7%
Product revenue	55.7	75.7	-26%	-24%	106.7	139.9	-24%	-20%
Other	0.2	0.1	100%	4%	0.3	0.4	-25%	-4%
Total revenue	55.9	75.8	-26%	-24%	107.0	140.3	-24%	-20%
Cost of sales	-2.9	-3.1	-6%	-6%	-6.2	-6.9	-10%	-6%
Gross profit	53.0	72.7	-27%	-25%	100.8	133.4	-24%	-20%
Sales & marketing	-8.8	-13.5	-35%	-32%	-17.9	-27.3	-34%	-32%
R&D	-6.3	-6.4	-2%	-2%	-12.5	-12.9	-3%	-3%
Segment result	37.9	52.8	-28%	-25%	70.4	93.2	-24%	-19%

Segment report Q2 2014 / YTD 2014 (6 months)

Consulting

<i>(in €m)</i>	Q2 2014	Q2 2013	Δ%	Δ% acc	YTD 2014	YTD 2013	Δ%	Δ% acc
BPE/ETS services	47.2	50.4	-6%	-4%	95.9	99.5	-4%	-1%
SAP product revenue	1.0	2.1	-52%	-53%	2.1	4.5	-53%	-52%
SAP services	7.3	18.0	-59%	-59%	20.0	36.6	-45%	-45%
Total revenue	55.5	70.5	-21%	-20%	118.0	140.6	-16%	-15%
Cost of sales	-48.1	-59.2	-19%	-18%	-100.0	-119.4	-16%	-15%
Gross profit	7.4	11.3	-35%	-32%	18.0	21.2	-15%	-13%
Sales & marketing	-5.9	-8.6	-31%	-29%	-13.2	-18.2	-27%	-26%
Segment result	1.5	2.7	-44%	-42%	4.8	3.0	60%	62%

Results Q2 2014 / YTD 2014 (6 months)

<i>(in €m)</i>	Q2 2014	Q2 2013	Δ%	YTD 2014	YTD 2013	Δ%
Total revenue	196.0	237.7	-18%	404.9	462.7	-12%
Cost of sales	-62.9	-73.5	-14%	-130.9	-149.4	-12%
Gross profit	133.1	164.2	-19%	274.0	313.3	-13%
<i>Margin in %</i>	67.9%	69.1%		67.7%	67.7%	
R & D	-26.6	-26.2	2%	-53.8	-52.4	3%
Sales & marketing	-64.2	-73.9	-13%	-133.6	-146.8	-9%
Administration	-15.9	-17.4	-9%	-35.0	-35.2	-1%
Other income/expense	-1.4	-2.3	-39%	3.9	7.1	-45%
EBIT	25.0	44.4	-44%	55.5	86.0	-35%
<i>Margin in %</i>	12.8%	18.7%		13.7%	18.6%	

Non-IFRS Earnings Q2 2014 / YTD 2014 (6 months)

<i>(in €m)</i>	Q2 2014	Q2 2013	YTD 2014	YTD 2013
EBIT (before all taxes)	25.0	44.4	55.5	86.0
Amortization on acquisition related intangible assets	10.4	10.1	21.5	19.5
Reduction acquisition related product revenue by purchase price allocation	0.2	-	0.5	-
Other impacts from M&A activities	1.6	1.2	-1.1	1.3
Share based payment	1.2	-0.7	2.7	-1.3
Restructuring/severances	4.0	3.7	6.3	5.2
Result from sold operations	2.7	-	2.7	-
EBITA (Non-IFRS)	45.1	58.7	88.1	110.7
<i>in % of revenue (Non-IFRS)</i>	<i>23.0%</i>	<i>24.7%</i>	<i>21.8%</i>	<i>23.9%</i>
Net income (Non-IFRS)	28.5	38.9	56.1	73.4
EPS (Non-IFRS)*	0.36	0.46	0.71	0.87
Net income (IFRS)	14.2	28.8	32.7	56.0

* Weighted average shares outstanding (basic) Q2 2014: 78.9m / Q2 2013: 83.8m // 6m 2014: 79.5m / 6m 2013: 84.8m

Cash flow Q2 2014 / YTD 2014 (6 months)

<i>(in €m)</i>	Q2 2014	Q2 2013	Δ%	YTD 2014	YTD 2013	Δ%
Operating cash flow	22.4	13.3	68%	72.5	78.7	-8%
./. CapEx*	-3.9	-3.7		-6.2	-6.4	
Free cash flow	18.5	9.6	93%	66.3	72.3	-8%
<i>as % of revenue</i>	9.5%	4.0%		16.4	15.6%	
Free cash flow per share**	0.23€	0.11€	109%	0.83€	0.85€	-2%

* Cash flow from investing activities except acquisitions and except investments in debt instruments

** Weighted average shares outstanding (basic) Q2 2014: 78.9m / Q2 2013: 83.8m / 6m 2014: 79.5m / 6m 2013: 84.8m

Balance sheet

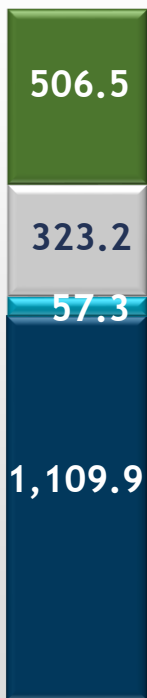
(in €m)

Assets

June 30,
2014



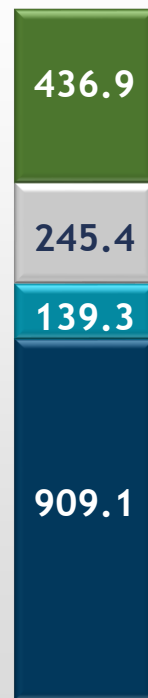
Dec. 31,
2013



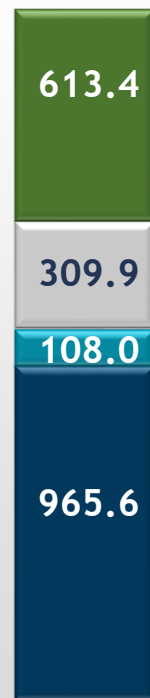
Total

Liabilities

June 30,
2014



Dec. 31,
2013



Total

Outlook FY 2014

	FY 2013 (in €m)	Outlook FY 2014 (as of July 15, 2014)
Product Revenue BPE	422.9	Previous Year's Level
Product Revenue ETS	273.8	-9% to -16%*
Operating Margin (EBITA, Non-IFRS)**	26.8%	26% to 28%

* Revenue growth or decline at constant currency

** Before adjustments for non-operating items (see non-IFRS earnings results)

Appendix

Earnings Q2 2014 / YTD 2014 (6 months)

<i>(in €m)</i>	Q2 2014	Q2 2013	Δ%	YTD 2014	YTD 2013	Δ%
EBIT (before all taxes)	25.0	44.4	-44%	55.5	86.0	-35%
Financial result	-2.6	-1.5	73%	-5.5	-2.8	96%
Profit before taxes	22.4	42.9	-48%	50.0	83.2	-40%
Other taxes	-2.4	-1.4	71%	-4.0	-3.2	25%
Income taxes	-5.8	-12.7	-54%	-13.3	-24.0	-45%
<i>Tax rate in %</i>	36.6%	32.9%		34.6%	32.7%	
Net Income	14.2	28.8	-51%	32.7	56.0	-42%
EPS in €*	0.18€	0.34€	-47%	0.41€	0.66€	-38%

* Weighted average shares outstanding (basic) Q2 2014: 78.9m / Q2 2013: 83.8m / 6m 2014: 79.5m / 6m 2013: 84.8m

Earnings Q2 2014 / YTD 2014 (6 months)

<i>(in €m)</i>	Q2 2014	Q2 2013	Δ%	YTD 2014	YTD 2013	Δ%
Net Income	14.2	28.8	-51%	32.7	56.0	-42%
Income taxes	5.8	12.7	-54%	13.3	24.0	-45%
Other taxes	2.4	1.4	71%	4.0	3.2	25%
Financial result	2.6	1.5	73%	5.5	2.8	96%
EBIT (before all taxes)	25.0	44.4	-44%	55.5	86.0	-35%
<i>Margin in %</i>	<i>12.8%</i>	<i>18.7%</i>		<i>13.7%</i>	<i>18.6%</i>	
Amortization	10.5	10.0	5%	21.5	19.4	11%
EBITA	35.5	54.4	-35%	77.0	105.4	-27%
<i>Margin in %</i>	<i>18.1%</i>	<i>22.9%</i>		<i>19.0%</i>	<i>22.8%</i>	
Depreciation	3.0	3.5	-17%	5.9	6.8	-13%
EBITDA	38.5	57.9	-34%	82.9	112.2	-26%
<i>Margin in %</i>	<i>19.6%</i>	<i>24.4%</i>		<i>20.5%</i>	<i>24.2%</i>	

Amortization / depreciation impact 2014ff (preliminary)

(in €m)

Amortization IDS

Q2
2014

2.6

GJ
2014

10.5

GJ
2015ff*

7.7

Amortization other

7.8

28.9

24.0

Depreciation

3.0

11.9

12.0

* Estimated

Headcount by functional areas* and geography

<i>(in FTE)</i>	June 30, 2014	Dec.31, 2013	Δ% qoq	June 30, 2013	Δ% yoy
Total	4,606	5,238	-12%	5,375	-14%
Consulting & services	1,906	2,347	-19%	2,484	-23%
R & D	977	998	-2%	941	4%
Sales & marketing	1,059	1,180	-10%	1,229	-14%
Administration	664	713	-7%	721	-8%
USA	718	778	-8%	769	-7%
Germany	1,251	1,711	-27%	1,777	-30%
Rest of world	2,637	2,749	-4%	2,829	-7%

* According to P+L structure

Revenue Q2 2014

<i>(in €m)</i>	Q2 2014	Q2 2013	Δ%	Δ% acc
Product	141.3	169.2	-16%	-14%
Licenses	50.2	75.8	-34%	-33%
Maintenance	91.1	93.4	-2%	2%
Consulting & services	54.6	68.3	-20%	-19%
Other	0.1	0.2	-50%	-50%
Total	196.0	237.7	-18%	-15%

Revenue YTD 2014 (6 months)

<i>(in €m)</i>	YTD 2014	YTD 2013	Δ%	Δ% acc
Product	288.7	326.2	-11%	-8%
Licenses	107.3	139.4	-23%	-20%
Maintenance	181.4	186.8	-3%	2%
<hr/>				
Consulting & services	115.9	135.8	-15%	-13%
Other	0.3	0.7	-57%	-46%
Total	404.9	462.7	-12%	-9%

Revenue 2013

excl. IDS Consulting* (pro forma)

<i>(in Mio. €)</i>	Q1	Q2	Q3	Q4	FY
Product	154.6	167.1	173.2	201.7	696.6
Licenses	63.0	75.4	79.5	109.6	327.5
Maintenance	91.6	91.7	93.7	92.1	369.1
Consulting & services	49.0	50.3	47.4	53.0	199.7
Other	0.3	0.3	0.2	0.2	1.0
Total	203.9	217.7	220.8	254.9	897.3

* IDS Consulting (SAP-products and services); business unit was sold in May 2014



Your contact:

Investor Relations
Uhlandstrasse 12
64297 Darmstadt
Germany

phone: +49 (0) 6151 / 92 1900

fax: +49 (0) 6151 / 9234 1900

web: softwareag.com

e-mail: investor.relations@softwareag.com

Follow us on Twitter:

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