

PRESS RELEASE

Software AG shows strong growth in Q2 revenue and earnings

- EBIT up 33 percent
- Total revenue increases 10 percent on comparable basis
- Product revenue growth of 11 percent
- Maintenance plus 14 percent, surpassing €100 million for the first time in a single quarter
- License sales improved by 7 percent
- Cash flow: Highest quarterly and half-year figure in company's history
- Outlook 2015 confirmed

[All figures are preliminary and rounded.]

Darmstadt, Germany, July 23, 2015 - Software AG (Frankfurt TecDAX: SOW) today released its financial results (IFRS, preliminary) for the second quarter of 2015. The business performance reported reflects the success of the company's value-oriented strategy which is focused on profitable growth. Despite a challenging market environment in the global software industry, the Group's total revenue for the period grew 10 percent to €205.6 million (2014: €187.7 million, adjusted for revenue from the SAP consulting business unit sold in Q2, 2014). Maintenance revenue hit a new record surpassing €100 million in a single quarter for the first time in Software AG's history. At €103.6 million (2014: €91.1 million), this recurring revenue stream increased 14 percent. The company also posted an increase in total license sales, up 7 percent to €53.5 million (2014: €50.2 million). Fueled by the improved high-margin product business (licenses + maintenance), EBIT rose significantly to total €33.2 million (2014: €25.0 million) - this reflects growth of 33 percent year-on-year. Moreover, free cash flow performed very positively reaching €45.9 million (2014: €18.5 million) in the second quarter and €106.2 million (H1/2014: €66.3 million) in the first half of 2015, breaking two new records. Following the conclusion of the first half of the year, Software AG confirmed its outlook for fiscal 2015.

Software AG CEO Karl-Heinz Streibich commented, "One year ago, we started to focus on a value-oriented strategy. Our positive business performance over the last three quarters again confirmed both our ability for fast execution and the value potential of our business". He continued, "In the second half of 2015, we will continue to concentrate on profitable growth through world-class operations and organic growth with our leading digital portfolio."

CFO Arnd Zinnhardt elaborated, "The Q2 results reflect the implementation of targeted structural and operational improvements. Strong growth in maintenance revenues, higher earnings, increased profitability and a cash flow which more than doubled - all these key figures demonstrate our success in efficiency optimization. On this basis, we will further drive the value of our company."

Performance by Business Line

Software AG's largest business line, the **Digital Business Platform (DBP)**, reported revenue growth of 18 percent to a total of €99.8 million (2014: €84.6 million) in the second quarter of

2015. Maintenance revenues increased 21 percent to €62.8 million (2014: €51.9 million). Licenses totaled €37.0 million (2014: €32.7 million), which reflects 13-percent growth year-on-year. The DBP segment earnings improved by 46 percent to reach €19.4 million (2014: €13.3 million); accordingly the DBP segment margin rose to 19.5 percent (15.7 percent).

Software AG's **Adabas & Natural (A&N)** database business posted revenue growth of 3 percent to total €57.5 million (2014: €55.9 million) in the second quarter. Of that amount, €40.9 million (2014: €38.4 million) was generated by A&N's recurring maintenance sales, which were up 7 percent. A&N licenses reach €16.5 million (2014: €17.4 million). A&N segment earnings climbed to €40.6 million (2014: €37.9 million); the segment margin rose to 70.6 percent (67.8 percent).

The **Consulting** business line generated €48.4 million (2014: €47.2 million, adjusted for revenue from the divested SAP consulting business unit) in revenue in the second quarter. Profitability increased significantly following the sale of non-strategic units. Segment earnings in the Consulting line were €3.8 million (2014: €1.5 million); and its margin improved 5.2 percentage points to 7.9 percent (2014: 2.7 percent).

Total Revenue and Earnings Performance

Software AG's **total Q2 revenue** was €205.6 million (2014: €187.7 million, adjusted for revenue from the divested SAP consulting business unit) which equals a 10-percent increase. **Product revenue** from the DBP and A&N lines totaled €157.1 million (2014: €141.3 million), which is 11-percent growth year-on-year. This marks an increase to 76 percent (2014: 72 percent) of total revenue, confirming Software AG's focus on high margin product revenues. The company's **maintenance revenue** hit a new record level at €103.6 million (2014: €91.1 million). **License revenue** increased 7 percent to total €53.5 million (2014: €50.2 million).

Operating income (EBITA, non-IFRS) was up 8 percent to €48.6 million (2014: €45.1 million); accordingly, the **operating profit margin (non-IFRS)** of 23.6 percent exceeded last year's level (2014: 23.0 percent).

Earnings before interest and tax (EBIT) went up 33 percent to €33.2 million (2014: €25.0 million) in the second quarter. This reflects an **EBIT margin** of 16.1 percent (2014: 12.8 percent). **Operating earnings per share** significantly improved 39 percent to €0.25 (2014: €0.18). The strong performance is due to Software AG's value-oriented strategy with a focus on extension of product revenues, increased recurring maintenance revenues and active efficiency management.

Software AG's **equity ratio** increased to 56 percent (December 31, 2014: 55 percent) as of June 30, 2015; **shareholders' equity** rose to €1,079.1 million (December 31, 2014: €1,013.4 million). The company's **balance sheet** showed a net cash position of 5.7 million (December 31, 2014: -70.4 million), which reflects an improvement of plus €76.1 million. Software AG's **free cash flow** broke new quarterly and half-yearly records with €45.9 million in Q2 (June 30, 2014: €18.5 million) and €106.2 million in the first half of 2015 (H1/2014: €66.3 million).

Employees

As of June 30, 2015 Software AG had 4,349 (2014: 4,421) employees worldwide. Of that total, 1,826 (2014: 1,821) worked in Consulting, 942 (2014: 993) in Sales and Marketing, 957 (2014: 968) in Research and Development and 624 (2014: 639) in Administration.

2015 Outlook

Software AG has confirmed its outlook for fiscal 2015. The company anticipates revenue growth in the Digital Business Platform business line between 6 percent and 12 percent and revenue in Adabas & Natural between -8 percent and -14 percent year-on-year (each at constant currency). The operating profit margin (EBITA, non-IFRS) is expected to be between 27.5 and 28.5 percent.

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Key Figures for Q2 2015 (IFRS, unaudited)

| in € millions | Q2/2015 | Q2/2014* | Δ as % rounded |
|--|---------|----------|----------------|
| Total revenue (excluding SAP consulting) | 205.6 | 187.7 | +10% |
| Total revenue (including SAP consulting) | 205.6 | 196.0 | +5% |
| Product revenue | 157.1 | 141.3 | +11% |
| Maintenance revenue | 103.6 | 91.1 | +14% |
| License revenue | 53.5 | 50.2 | +7% |
| Digital Business Platform | 99.8 | 84.6 | +18% |
| as % of total product revenue | 63% | 60% | - |
| DBP maintenance | 62.8 | 51.9 | +21% |
| DBP licenses | 37.0 | 32.7 | +13% |
| Adabas & Natural | 58.0 | 55.9 | +4% |
| as % of total product revenue | 37% | 40% | - |
| A&N maintenance | 40.9 | 38.4 | +7% |
| A&N licenses | 16.5 | 17.4 | -5% |
| Consulting (excluding SAP consulting) | 48.4 | 47.2 | +3% |
| Consulting (including SAP consulting) | 48.4 | 55.5 | -13% |
| Sales & marketing expenses | -70.3 | -64.2 | +10% |
| Research & development expenses | -26.8 | -26.6 | +1% |
| EBIT* | 33.2 | 25.0 | +33% |
| as % of total revenue | 16% | 13% | - |
| Operating income (EBITA, non-IFRS)** | 48.6 | 45.1 | +8% |
| as % of total revenue | 24% | 23% | - |
| Net income (IFRS) | 19.9 | 14.2 | +40% |
| Earnings per share (in €) | 0.25 | 0.18 | +39% |
| Free cash flow | 45.9 | 18.5 | +148% |

| | June 30, 2015 | December 31, 2014 | Δ |
|------------------------------------|---------------|-------------------|-------|
| Net liquidity/debt (in € millions) | 5.7 | -70.4 | +76.1 |
| Equity ratio as % | 56 | 55 | - |
| Employees (FTE) | 4,349 | 4,421 | -1.6% |

* = Consolidated net income + income tax + other tax + financial result

** = EBITA adjusted for reduction of acquisition-related product revenue by purchase price allocation, other acquisition effects, share-based payment, restructuring/severance payments and operating income of divested units (IDS) from Q2 2014

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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 14 market categories, fueled by core product families Adabas-Natural, ARIS, Alfabet, Apama, Terracotta and webMethods. Software AG has around 4,400 employees in 70 countries and had revenues of €858 million in 2014. Learn more at www.softwareag.com.

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