

PRESS RELEASE

Software AG shows strong growth in fiscal 2009

- Revenue up 18 percent to €847.4 million
- EBIT up 21 percent to €218.2 million
- EBIT margin of 25.8 percent
- Net income up 22 percent to €140.8 million
- Free Cash Flow rose by 41 percent to €188.4 million
- Fourth quarter 2009: webMethods license up 21 percent
- 2010 outlook: revenue growth of 25-30 percent
- 2010 net income up 8-12 percent

Darmstadt, Germany - 04.02.2010 - Software AG (Frankfurt TecDAX: SOW) reported a significant increase in revenue and net income for fiscal year 2009. In doing so, Germany's second largest software company beat market expectations. Group revenues amounted to €847.4 million, up 18 percent in 2009 (2008: €720.6 million). EBIT increased by 21 percent to €218.2 million for the same period, delivering an EBIT margin of 25.8 percent. License revenues were at €269.9 million reflecting the difficult market conditions in 2009 (2008: €272.0 million). Maintenance was up by 16 percent to €310.6 million (2008: €267.1 million). The acquisition of IDS Scheer drove Services & Consulting revenues up by 48 percent to €262.5 million (€177.8 million). Net income rose by 22 percent to €140.8 million from €115.9 million in 2008. Earnings per share rose 21 percent to €4.92 (€4.05 in 2008). For 2010, Software AG forecasts revenue growth of 25 to 30 percent at constant currency rates and net income up 8 to 12 percent.

Record results in 2009

Most importantly for a software company, total product revenue (license & maintenance) rose by 8 percent to €580.5 million (€539.1 million in 2008). Services & Consulting revenue rose by 48 percent to €262.5 million (€177.8 million in 2008).

Against a backdrop of continuing economic recession, the webMethods business line (integration software) product revenue was up 5 percent to €219.9 million compared to 2008 (€208.0 million) and total revenue by 3 percent to €324.9 million (€315.7 million in 2008). Through an improved sales mix and increased sales efficiency the webMethods business line increased its contribution to earnings by 15 percent to €70.1 million (2008 €60.8 million). webMethods contributed more in 2009 than ever before to Group results.

Product revenue from the data management business ETS amounted to €327.7 million, marginally under the 2008 figure of €330.6 million. An 8 percent increase in maintenance to €187.9 million (2008: €173.8 million) compensated for a decrease in license revenue to €139.8 million (2008: €156.8 million) attributable to difficult ETS trading conditions in Japan.

The consolidation of IDS Scheer, as of August 20, 2009, as a third Software AG business line had added revenue of €126.5 million.

“We reported record numbers again in 2009. The acquisition of IDS Scheer will help us build a leadership position for Business Process Excellence software”, said Software AG CEO, Karl-Heinz Streibich. “In the fourth quarter we closed an increased number of large deals. We are seeing the first signs of an economic recovery. Software AG is an excellent position to benefit from this development.”

Fourth Quarter

The fourth quarter 2009 returned total revenue of €292.1 million, 38 percent up on €212.4 million in 2008. Product revenue was up 11 percent to €181.1 million (2008: 163.2 million) and Services & Consulting up 130 percent to €109.0 million (2008: €47.3 million). The significant rise in Services & Consulting revenue is due to the contribution of IDS Scheer whose results are being consolidated for a full quarter for the first time.

The fourth quarter also saw webMethods license revenue up by 21 percent to €43.5 million (2008: €35.8 million); in comparison to the third quarter this represents doubling of new business. Total business line revenue was €98.9 million, 8 percent up on €91.4 million in 2008. This growth in webMethods sales in combination with an increased number of large deals in the quarter indicated the first signs of an economic recovery.

ETS product revenue at €87.7 was up 6 percent in the fourth quarter compared to the third quarter showing normal seasonal development. It was, however, under the comparable quarter in 2008 (€101.2 Million). This was due to delayed business in Japan. In consequence, total business line revenue of €105.4 million was 13 percent down on €121 million revenue in 2008.

Comparing fourth quarter business development to the third quarter, the IDS Sheer business line showed revenue gains in all areas. Total operating revenue was up 14 percent and contributed €87.9 million to Software AG Group revenues. Services & Consulting revenue was up 9 percent and ARIS license revenue up 83 percent to €11.5 million. This strong growth in license revenue mirrored the development in the webMethods business line and is another indicator of customer investment in new technologies.

Operating results and cash flow

Software AG achieved a revenue increase of 18 percent with only a moderate increase in costs. This demonstrates a further increase in efficiency. This led to an increase of 21 percent in EBIT to €218.2 million (2008 €180.5 million) and an EBIT margin of 25.8 percent (2008: 25.1%).

A reduced tax rate of 32.7% of the consolidated company contributed to a growth in net income of 22 percent to €140.8 million (2008: €115.9 million). Earnings per share rose to €4.92 (2008: €4.05).

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Free cash flow performed extremely well rising 41 percent to €188.4 million from €133.4 million in 2008. In the fourth quarter 2009 free cash flow was up 63% to €68.6 million.

"We have benefited over the full year from cost-cutting measures which we began in 2008. We were able to return an EBIT above our target, increase our EPS by 21 percent and our Free Cash Flow by 41 percent. In the course of integrating IDS Scheer, we will use the efficient processes of Software AG in order to sustainably increase the profit of the Group ",said Arnd Zinnhardt, Chief Financial Officer of Software AG.

Forecast for 2010

Software AG is forecasting for fiscal year 2010, at constant currency rates, total revenue growth of 25 to 30 percent with product revenue growth of 12 to 15 percent. The company also forecasts growth in net income of 8 to 12 percent.

IDS Scheer Acquisition

Software AG now holds 91 percent of IDS Scheer shares. A domination agreement was approved at an extraordinary general meeting of IDS Scheer on January 8, 2010. Software AG therefore expects to realize cost synergies of €25 to €30 million. To accelerate the organizational integration a merger of the two companies is planned. The minority shareholders of IDS Scheer AG would then become shareholders of Software AG. The company plans to buy the required shares on the open market within the next few months.

Key Figures

in € million	2009	2008	Change	Forecast 2009	Forecast 2010
			Δ		
Group revenue	847.4	720.6	+18%	€835-€845	+25-30%*
- Product revenue	580.5	539.1	+8%		+12-15%*
- Licensing revenues	269.9	272.0	-1%		
- Maintenance revenues	310.6	267.1	+16%		
EBIT	218.2	180.5	+21%		
EBIT margin	25.8%	25.1%	+70 BP	25-25.5%	
Net income	140.8	115.9	+22%		+8-12%
Earnings per share (in €)	4.92	4.05	+21%		+8-12%
Free cash flow	188.4	133.4	+41%		
Total employees	6,013	3,526			
- Employees in Germany	2,149	772			
					* At constant currency rates

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Software AG is the world's largest independent provider of [Business Infrastructure Software](#). Our 4,000 global enterprise customers achieve business results faster by modernizing, integrating and automating their IT systems and processes. As a result, they rapidly build measurable business value and meet changing business demands. Based on our solutions, organizations are able to liberate and govern their data, systems, applications, processes and services - achieving new levels of business flexibility.

Our leading product portfolio includes solutions for high performance [data management](#), developing and [modernizing applications](#), enabling [service-oriented architecture](#), and improving [business processes](#). By combining our technology with industry expertise and best practices experience, our customers improve and differentiate their businesses - faster.

Software AG has 40 years of global IT experience and about 3,600 employees serving customers in 70 countries. The company is headquartered in Germany and listed on the Frankfurt Stock Exchange (TecDAX, ISIN DE 0003304002 / SOW). Software AG posted total revenues of €721 million in 2008.

Software AG - Get There Faster

Detailed press information about Software AG including a picture and multimedia database are available under: www.softwareag.com/de/press

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