

PRESS RELEASE

## Software AG confirms Q3 results: revenue up, earnings significantly improved, FY 2015 updated

- Total revenue up 5 percent
- Maintenance revenue up 8 percent
- License revenue up 7 percent
- Growth in both product lines: A&N +9 percent, DBP +7 percent
- Digital cloud market gains relevance
- EBIT increases 36 percent
- Operating margin rises to 32.5 percent
- FY 2015 outlook updated

*[All figures are preliminary and rounded.]*

Darmstadt/Germany, October 28, 2015 – Software AG (Frankfurt TecDAX: SOW) today confirmed and precised its pre-released key financials (IFRS, preliminary) from October 13, 2015 for the third quarter of 2015. Group revenue increased by 5 percent in the period under review. Maintenance revenue improved by 8 percent compared the same period last year. License revenue rose 7 percent. Both product business lines played a part in fueling this growth: *Adabas & Natural* grew 9 percent and *Digital Business Platform* 7 percent. Earnings before interest and taxes (EBIT) leaped 36 percent in Q3 to total €66.8 million. Software AG continued to improve its operating income in the third quarter, while also netting positive one-time effects worth approximately €7.3 million. This amount is the balance of the cancellation of share-based remunerations (€15.6 million) and expenses related to the company's forward-looking Sales strategy (-€8.3 million). Based on its performance in the first nine months of the year and its project pipeline for Q4, Software AG has updated its revenue forecast for fiscal 2015 and increased its expected operating margin.

Karl-Heinz Streibich, Software AG CEO, commented, “We are on the right track in extending our technology leadership with the *Digital Business Platform*. This leadership and our early market entry into the digitization area are showing their first successes. On this basis and in combination with profitable growth, we plan to further increase Software AG's value.”

CFO Arnd Zinnhardt elaborated, „In the past quarter, we successfully continued to further improve our earnings per share and our operational earnings. With a margin of over 32 percent, we have reached a value among the best in our industry. At the same time, we increased our free cash flow by 50 percent in the first nine months. With these results, Software AG is well equipped and positioned for the future and able to react quickly to changing market conditions.”

### Revenue

Software AG's **total revenue** in Q3 was €215.9 million (2014: €205.6 million), which marks a 5-percent increase year-on-year. **Product revenue** was posted at €169.9 million (2014: €157.8 million), which is 8-percent growth year-on-year. **Maintenance revenue** was up 8 percent at €101.0 million (2014: €93.7 million), confirming the strong performance seen over previous quarters. **License revenue** was up 7 percent to total €68.9 million (2014: €64.1 million).

## Performance by Business Line

The **Adabas & Natural** (A&N) database business line generated €66.9 million (2014: €61.3 million) in revenue in Q3, which reflects a 9-percent increase over last year. This performance was boosted by the exceptional 25-percent growth in license revenue totaling €27.5 million (2014: €21.9 million), due in part to upgrades among the long-standing A&N base. This customer loyalty is also reflected in the business line's recurring maintenance revenue, which approximated last year's level at €39.2 million (2014: €39.3 million).

Software AG's **Digital Business Platform** (DBP) business line demonstrated growth of 7 percent with revenue totaling €103.2 million (2014: €96.6 million) in the third quarter of 2015. The business line's maintenance revenue performed especially well, up a solid 14 percent to €61.8 million (2014: €54.4 million). This is a third-quarter record for Software AG and growth highlights the sustainable success of Software AG's value-oriented strategy, focusing on recurring income and profitable growth. DBP license revenue dropped 2 percent to €41.4 million (2014: €42.2 million). On top of license sales, Software AG also closed new cloud deals worth a total of €3.0 million (+255 percent).

The **Consulting** business line generated €45.8 million (2014: €47.7 million) in revenue in the third quarter of 2015. Profitability increased significantly due to higher utilization. Segment earnings in the Consulting improved to €7.1 million (2014: €5.3 million) due to a stronger focus on profitable projects; accordingly the segment margin rose to 15.5 percent (2014: 11.1 percent).

## Earnings performance

**EBIT** in Q3 went up to €66.8 million (2014: €49.1 million). This rise includes a positive effect from the cancellation of share-based remunerations. These were related to a 5-year stock option plan from 2011 that defined revenue targets based on organic and acquisitive growth. These targets are likely to be missed due to the company's value-oriented strategy of the last 12 months and its deliberate avoidance of acquisitions due to high prices in the M&A market. The cancellation thus increased Software AG's EBIT by €15.6 million. Furthermore, Software AG continued to successfully align its future-oriented Sales organization in the quarter under review. As a result, Software AG accrued expenses totaling €8.3 million in Q3. The net result of the two one-time effects led to an increase in quarterly earnings of €7.3 million.

Software AG's **operating income** (EBITA, non-IFRS) increased by more than 11 percent year-on-year to €70.2 million (2014: €62.8 million). This represents an operating profit margin of 32.5 percent (2014: 30.5 percent). In the third quarter, **net income** achieved €44.8 million (2014: €30.4 million) while **earnings per share** increased over proportionally by 50 percent to €0.57 (2014: €0.38).

Software AG's **equity ratio** improved to 59 percent (December 31, 2014: 55 percent) as of September 30, 2015.

The **free cash flow** was up by 16 percent to €22.6 million (2014: €19.4 million) year-on-year and by 50 percent in a nine-month comparison to €128.8 million (2014: €85.8 million).

## Employees

As of September 30, 2015 Software AG had 4,384 (2014: 4,553) employees worldwide. Of that total, 1,853 (2014: 1,884) worked in Consulting, 919 (2014: 1,026) in Sales and Marketing, 992 (2014: 989) in Research and Development and 620 (2014: 654) in Administration.

## 2015 Outlook

Based on its performance in the first nine months of the year and its project pipeline for Q4, Software AG updated its forecast for fiscal 2015. The company now anticipates revenue growth in the Digital Business Platform business line between 0 and +3 percent (previously +6 to +12 percent) and a revenue decline in Adabas & Natural between -4 and -6 percent (previously -8 to -14 percent) year-on-year and at constant currency. Furthermore, Software AG has raised its target operating profit margin (EBITA, non-IFRS) by 50 basis points to between 28.0 and 29.0 percent (previously 27.5 to 28.5 percent).

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### Key Figures for Q3 2015 (IFRS, unaudited)

in € millions	Q3 2015	Q3 2014	Δ as % rounded
<b>Total revenue</b>	215.9	205.6	+5%
<b>Product revenue</b>	169.9	157.8	+8%
<b>Maintenance revenue</b>	101.0	93.7	+8%
<b>License revenue</b>	68.9	64.1	+7%
<b>Adabas &amp; Natural</b>	66.9	61.3	+9%
<i>as % of total revenue</i>	31%	30%	-
<b>A&amp;N maintenance</b>	39.2	39.3	+0%
<b>A&amp;N licenses</b>	27.5	21.9	+25%
<b>Digital Business Platform</b>	103.2	96.6	+7%
<i>as % of total revenue</i>	48%	47%	-
<b>DBP maintenance</b>	61.8	54.4	+14%
<b>DBP licenses</b>	41.4	42.2	-2%
<b>Consulting</b>	45.8	47.7	-4%
<i>as % of total revenue</i>	21%	23%	-
<b>EBIT*</b>	66.8	49.1	+36%
<i>as % of total revenue</i>	31%	24%	-
<b>Operating income (EBITA, non-IFRS)**</b>	70.2	62.8	+12%
<i>as % of total revenue</i>	32.5%	30.5%	+ 2 PP
<b>Net income (IFRS)</b>	44.8	30.4	+47%
<b>Earnings per share (in EUR)</b>	0.57	0.38	+50%
<b>Free Cashflow</b>	22.6	19.4	+16%
	<b>September 30, 2015</b>	<b>December 31, 2014</b>	<b>Δ</b>
<b>Net liquidity/debt (in € millions)</b>	-1.6	-70.4	+68.8
<b>Equity ratio (in %)</b>	59	55	+4

\* = 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

**Key Figures for the First Nine Months of 2014 (IFRS, unaudited)**

in € millions	9M/2015	9M/2014	Δ in % rounded
<b>Total revenue</b>	615.6	610.5	+1%
<b>Product revenue</b>	473.2	446.5	+8%
<b>Maintenance revenue</b>	304.2	275.0	+11%
<b>License revenue</b>	169.0	171.5	-1%
<b>Adabas &amp; Natural</b>	179.8	168.3	+7%
<i>as % of total revenue</i>	29%	28%	-
<b>A&amp;N maintenance</b>	119.8	115.3	+4%
<b>A&amp;N license</b>	59,5	52.6	+13%
<b>Digital Business Platform</b>	293.9	276.4	+6%
<i>as % of total revenue</i>	48%	45%	-
<b>DBP maintenance</b>	184.4	157.7	+17%
<b>DBP license</b>	109.5	118.7	-8%
<b>Consulting</b>	141.8	143.5	-1%
<i>as % of total revenue</i>	23%	29%	-
<b>Sales &amp; marketing expenses</b>	-197.5	-191.1	+3%
<b>Research &amp; development expenses</b>	-79.4	-81.0	-2%
<b>EBIT*</b>	129.3	104.6	+24%
<i>as % of total revenue</i>	21%	17%	-
<b>Operating income (EBITA, non-IFRS)**</b>	166.9	150.9	+11%
<i>as % of total revenue</i>	27%	25%	-
<b>Net income (IFRS)</b>	83.4	63.1	+32%
<b>Earnings per share (in EUR)</b>	1.06	0.79	+34%
<b>Free Cashflow</b>	128,8	85,8	+50%
	<b>September 30, 2015</b>	<b>December 31, 2015</b>	
<b>Net liquidity/dept (in € millions)</b>	-1.6	-70.4	
<b>Equity ratio (in %)</b>	59	55	
<b>Employees (FTE)</b>	4,384	4,421	

\* = 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

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**About [Software AG](#)**

Software AG empowers customers to innovate, differentiate and win in the digital world. Its products help companies combine existing systems on-premise and in the cloud into a single platform to optimize and digitize their businesses. The combination of process management, data integration and real-time analytics in one *Digital Business Platform* enables customers to drive operational efficiency, modernize their systems and optimize processes for smarter decision-making. Building on over 45 years of customer-centric innovation, Software AG is ranked a leader in many innovative IT categories. Software AG has more than 4,400 employees in 70 countries and had total revenues of €858 million in 2014.

Learn more at [www.softwareag.com](http://www.softwareag.com).

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