

PRESS RELEASE

SOFTWARE AG OUTPERFORMS THE MARKET WITH NEW PRODUCTS IN Q3, 2012

- BPE license revenue up 20 percent
- ETS total revenue stable year on year
- EBIT margin continues to rise over course of the year
- Positive net cash
- Full-year forecast adjusted to reflect growth drivers

Darmstadt/Germany, October 30, 2012 – Software AG (Frankfurt TecDAX: SOW) today announced its financial results (IFRS, preliminary) for the third quarter of 2012. The company had pre-announced its key figures on October 12, 2012, which exceeded market expectations for revenue from new product sales in the Business Process Excellence (BPE) business line. Software AG posted BPE product revenue growth (licenses and maintenance) of around 15 percent at €96.7 million (Q3 2011: €84.2 million). The company's BPE license revenue increased around 20 percent to €50.0 million (Q3 2011: €41.7 million). The high-margin Enterprise Transaction Systems (ETS) business line, the company's traditional database business, demonstrated stability in the quarter under review, remaining about on par with Q3 2012 at €93.8 million (Q3 2011: €95.1 million). Due to the realignment of the company's consulting business, reported total revenue dropped to €257.4 million (Q3 2011: €274.6 million). Targeted increased investments in new products and markets had an impact on operating income (EBIT in accordance with IFRS). At €61.1 million, EBIT was down from last year (Q3 2011: €72.0 million) – which had been positively influenced by non-recurring items – but up from a strong second quarter (Q2 2012: €57.1 million). The EBIT margin was 23.7 percent (Q3 2011: 26.2 percent), which reflects an increase over the course of the year (Q1 2012: 21.5 percent and Q2 2012: 22.1 percent). An equity ratio of 59 percent and net cash of €10.5 million was reported as of September 30, 2012.

Dynamic License Revenue Trend

License revenue is the critical growth factor for a successful software company. Here Software AG reported €80.5 million revenue (Q3 2011: €74.7 million) in the quarter under review, which is about an 8-percent increase year on year. The **BPE business** drove this performance with license revenue growth of 20 percent to total €50.0 million (Q3 2011: €41.7 million). All regions contributed to this positive development with double-digit growth. The sales initiative in North America that was kicked-off at the beginning of the year led to substantial growth for the second consecutive quarter. The positive trend was also sustained in Europe. The **Terracotta Big Data** products continued their dynamic growth as well with a revenue increase of more than 100 percent. Software AG expects this figure to triple or quadruple in fiscal 2012.

Software AG CEO, **Karl-Heinz Streibich**, commented on the results: "The trend in the public and private sector to increase efficiency and competitive advantage through digitization is constant. Our good performance in license revenue confirms the vitality of this market. Our investments in new products, and in marketing and sales, are paving the road to sustained growth."

The traditional ETS business line reported stable revenue of €30.2 million (Q3 2011: €31.7 million) in license revenue, nearly the same as the previous year.

Solid Growth in Maintenance Business

Software AG's maintenance revenue climbed about 4 percent in the third quarter of 2012 to €97.8 million (Q3 2011: €94.2) million. The **BPE** business line contributed €46.7 million (Q3 2011: €42.5 million). This is about 10 percent higher year-on-year. **ETS** contributed a consistent €47.4 million (Q3 2011: €47.5 million) to maintenance revenue.

Services Down Due to Ongoing Consolidation Measures

Service revenue in the third quarter was €78.2 million (Q3 2011: €105.2 million). €25.2 million (Q3 2011: €42.6 million) of that is attributable to **SAP consulting**. Here Software AG's focus is on process consulting in defined core markets. **BPE** and **ETS** contributed a total of €53.0 million (Q3 2011: €62.6 million) to service revenue in the quarter under review. This reflects the new software

products' increasing user-friendliness in that installations require fewer services. As a result, the profitable license business is growing faster than service revenue.

Total Revenue and Earnings for Q3 2012

At €257.4 million, Software AG's **total revenue** was on par with the strong second quarter of 2012 (Q2 2012: €258.6 million) and below last year's figure (Q3 2011: €274.6 million). This is a result of the decrease in revenue from SAP consulting due to the realignment of that business line.

Operating income (EBIT in accordance with IFRS) was €61.1 million, which is up from the previous quarter (Q2 2012: €57.1 million). Due to the currently higher expenses from the expansion of sales (particularly in North America), to increased costs for research and development and to this year's costs from consolidation of the SAP consulting business, operating income was down from the same quarter last year (Q3 2011: €72.0 million) which had also been positively influenced by non-recurring items. The **EBIT margin** for the third quarter of 2012 was 23.7 percent (Q3 2011: 26.2 percent), which reflects an increase over the course of the year (Q1 2012: 21.5 percent and Q2 2012: 22.1 percent). **Net income** was €40.7 million (Q3 2011: €46.6 million).

Software AG's **total assets** as of September 30, 2012 were €1.7 billion, and the **equity ratio** was about 59 percent. With a **surplus** (cash less financial liabilities) of €10.5 million, the company's balance sheet showed net cash.

Arnd Zinnhardt, Chief Financial Officer of Software AG, added: "We are investing in the dynamic growth of Software AG. These investments are already showing success in the short term, and will continually increase the enterprise value."

Nine-Month Performance

The **BPE** business line demonstrated dynamic license performance and reported revenue for the first nine months of the current fiscal year to the amount of €131.3 million (Q3 2011: €112.1 million). This represents about a 17-percent increase. **ETS** license revenue in the same period was slightly above last year at €89.1 million (Q3 2011: €87.2 million). Total **product revenue** (licenses and maintenance) for the group rose some 6 percent to €515.3 million (Q3 2011: €484.7 million). Due to the consolidation of the SAP consulting business, **service revenue** was down year on year at €253.7 million (Q3 2011: €316.4 million). Accordingly, **group revenue** for the nine months ending September 30, 2012 was €770.6 million (Q3 2011: €804.3 million). **Operating income** totaled €172.9 million (Q3 2011: €191.2 million).

Employees

As of September 30, 2012 Software AG had 5,436 (Q3 2011: 5,498) employees, of which 1,084 (Q3 2011: 1,031) worked in Sales and Marketing and 892 (Q3 2011: 855) in Research and Development (R&D). The total number of employees in Germany was 1,783 (Q3 2011: 1,920).

Outlook Adjusted to Reflect Growth Drivers

Software AG's dynamic growth in licenses — driven by its innovative products (BPE & Terracotta) and strengthened by a stable ETS performance — characterized the first nine months of fiscal 2012 and is expected to continue in the fourth quarter of 2012. Software AG considers this to be a confirmation of its strategy and further specifies its forecast as follows:

Group product revenue for fiscal 2011 was approximately €674 million. For fiscal 2012, the company is targeting an increase between 3 and 6 percent (at constant currency) to reach a total of €715 to €735 million.

For the growth-driving **BPE** business division an increase of between 10 and 13 percent (at constant currency) in product revenue is expected for the current fiscal year. Due to low service revenue, which is a result of the improved user-friendliness of the new software products, total BPE revenue growth is anticipated to grow (0 to 3 percent at constant currency rates) to between €540 and €560 million at the end of the year (2011: €528 million).

The **ETS** business line reported some €381 million in revenue in fiscal 2011. For the current year, Software AG anticipates a smaller decline than originally expected for ETS revenue of between 2 and 4 percent (at constant currency) thanks to the stable performance of the traditional database business.

Due to ongoing higher sales investments, the company forecasts an EBIT margin for the year between 23.0 and 24.0 percent.

Key Figures for third quarter 2012 / YTD (9 Months) IFRS, unaudited

in Mio. EUR (unless otherwise stated)	30 September 2012	30 September 2011	Change in %	Q3 2012	Q3 2011	Change in %
Product Revenue	515,3	484,7	8%	178,3	168,9	8%
<i>Licence Revenue</i>	221,8	203,6	9%	80,5	74,7	8%
<i>BPE</i>	131,3	112,1	17%	50,0	41,7	20%
<i>ETS</i>	89,1	87,2	2%	30,2	31,7	-5%
<i>Maintenance Revenue</i>	293,6	281,0	4%	97,8	94,2	4%
<i>BPE</i>	139,7	124,4	12%	48,7	42,5	10%
<i>ETS</i>	142,8	144,2	-1%	47,4	47,5	0%
Consulting und Services	253,7	316,4	-20%	78,2	105,2	-26%
Other	1,8	3,2	-50%	0,9	0,0	n/a
Total Revenue	770,6	804,3	-4%	257,4	274,1	-6%
<i>Business Line</i>						
Business Process Excellence	390,9	376,7	4%	134,3	131,2	2%
Enterprise Transaction Systems	283,1	281,8	1%	93,8	95,1	-1%
IDS Scheer Consulting	96,6	146,0	-34%	29,3	48,3	-39%
EBIT	172,9	191,2	-10%	61,1	72,0	-15%
in % of total revenue	22,4%	23,8%		23,7%	26,3%	
Net income	114,0	125,3	-9%	40,7	46,6	-13%
in % of total revenue	14,8%	15,6%		15,8%	17,0%	
Earnings per share (diluted)	1,31	1,44	-9%	0,47	0,53	-11%
Free Cash Flow	125,5	108,2	16%	24,6	13,3	85%
Employees (Full Time Equivalent)	5.436	5.498				
therof in Germany	1.783	1.920				
Sales & Marketing	1.084	1.031				
R&D	892	855				
Balance Sheet	Sept. 30, 2012	Dez. 31, 2011				
Total assets	1.727,1	1.880,7				
Cash and cash equivalents	274,7	216,5				
Net cash	10,5	-80,9				
Shareholders' equity	1.027,0	951,5				
as % of total assets	59%	57%				

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About Software AG

Software AG (FRA: 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 among the top 10 fastest-growing technology companies in the world and is ranked as a "leader" in fifteen market categories, fueled by core product families Adabas and Natural, ARIS, Terracotta and webMethods. Software AG has more than 5,500 employees in 70 countries and had revenues of €1.1 billion in 2011. Learn more at www.softwareag.com.

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