

PRESS RELEASE

Software AG in Q3: Revenue increased, earnings significantly improved, FY 2015 outlook updated

- Total revenue increase +5 percent
- Maintenance revenue +8 percent
- License revenue up by +7 percent
- Growth in both product business lines: A&N +9 percent, DBP +7 percent
- Cloud in the digital business starts to get relevance
- EBIT improves around +34 to +36 percent
- Operating margin over 32 percent
- FY outlook 2015 updated

[Please note: All figures are preliminary and rounded.]

Darmstadt, October 13, 2015 – Software AG (Frankfurt TecDAX: SOW) today released its preliminary financial figures (IFRS) for the third quarter of 2015. In the period under review, the company's total revenue increased by 5 percent. Maintenance revenue improved by 8 percent year-on-year. License sales rose by 7 percent. The growth was driven by both product business lines: *Adabas & Natural* increased by 9 percent while *Digital Business Platform* gained 7 percent. Earnings before interest and tax (EBIT) significantly jumped in the third quarter by 34 to 36 percent to €66 to €67 million. Software AG has successfully continued to considerably increase its operating earnings. Beside the operational earnings improvement, the company realized additional positive one-time effects in the net volume of around €7 million. This volume results both from a release of provisions for share-based compensation components (+€15.4 million) and from expenses for the future-oriented alignment of the company's sales organization (-€8 million). Based on the business development of the first nine months and the project pipeline of the fourth quarter, Software AG updated its revenue forecast for fiscal 2015 and increased the expected operating profit margin.

Revenue development

The *total revenue* of Software AG in the reporting period achieved €215.9 million (2014: €205.6 million) and was 5 percent above previous year's level. The company's *product revenue* increased by 8 percent to €169.9 million (2014: €157.8 million). *Maintenance revenue* of the Group was at €101.0 million (2014: €93.6 million) which equals a plus of 8 percent confirming the strong maintenance performance already seen in previous periods. The company's license revenue rose by 7 percent to €68.9 million (2014: €64.2 million)

Performance by Business Line

In the third quarter 2015, the database business line *Adabas & Natural* (A&N) achieved total revenue of €66.9 million (2014: €61.3 million) – this is an increase by 9 percent to previous year's level. This positive development was mainly driven by an extraordinary high license growth of 25 percent to €27.5 million (2014: €21.9 million) also due to capacity extensions of the loyal A&N customer base. This customer loyalty was also reflected in the recurring maintenance development which reached previous year's level with €39.2 million (2014: €39.3 million).

The business line *Digital Business Platform* (DBP) gained a 7-percent revenue increase to €103.2 million (2014: €96.6 million) in the third quarter 2015. By increasing 14 percent to €61.8 million (2014: €54.3 million), maintenance revenue achieved a new Q3 record in Software AG's history. This strong maintenance growth also underlines the sustainable success of the company's value-oriented strategy with focus on recurring profits and profitable growth. DBP license revenue decreased by 2 percent to €41.4 million (2014: €42.2 million). On the other hand, Software AG generated new cloud contracts in a total volume of €3.0 million (+255 percent year-on-year).

In the third quarter, the business line *Consulting* achieved €45.8 million (2014: €47.7 million).

Earnings Performance

Earnings before interest and tax (EBIT) went up reaching a level between €66 and €67 million (2014: €49.1 million). This increase includes a release of provisions for share-based compensation. The provisions were related to a 5-year-program initiated back in 2011. The program's targets which included organic and acquisitive growth are likely to be missed due to the company's value oriented strategy within the past 12 months and the conscious avoidance of acquisitions because of high price levels in the current M&A market environment. Accordingly, the release of provisions increased the EBIT by €15.4 million gross. In the quarter under review, Software AG has further successfully aligned its future-oriented sales organisation. In this context, the company booked charges in the volume of around €8 million for further sales optimizations. Accordingly, the net impact of these two one-time-effects leads to a positive impact on the quarterly earnings of approximately €7 million.

The operating earnings (EBITA, non-IFRS) increased by more than 11 percent year-on-year to approximately €70 million (2014: €62.8 million). This equals an operating margin of over 32 percent (2014: 30.5 percent).

2015 Outlook

Due to the business development of the first nine months and based on the projected pipeline of the fourth quarter, Software AG updated its forecast for fiscal 2015. The company now expects a revenue increase for the *Digital Business Platform* between 0 and +3 percent (before: +6 to +12 percent) and a decrease for *Adabas & Natural* by only 4 to 6 percent (before: 8 to 14 percent) to previous year's level at constant exchange rates. At the same time, Software AG raised the outlook for its operating profit margin (EBITA non-IFRS) by 50 basis points to between 28.0 and 29.0 percent (before: 27.5 to 28.5 percent).

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Please note:

Software AG will release its full financial figures on the corporate website and during its regular quarterly media and analyst calls on October 28, 2015.

Preliminary Key Figures for Q3 2015 (IFRS, unaudited)

in € millions	Q3/2015	Q3/2014	Δ in % rounded
Total Revenue	215.9	205.6	+5%
Product Revenue	169.9	157.8	+8%
Maintenance revenue	101.0	93.6	+8%
License revenue	68.9	64.2	+7%
Adabas & Natural	66.9	61.3	+9%
A&N maintenance	39.2	39.3	+0%
A&N license	27.5	21.9	+25%
Digital Business Platform	103.2	96.6	+7%
DBP maintenance	61.8	54.4	+14%
DBP license	41.4	42.2	-2%
Consulting	45.8	47.7	-4%
EBIT*	66 to 67	49.1	+34 to +36%
Operating income (EBITA, non-IFRS)**	approx. 70	62.8	approx. +11%
<i>as % of total revenue</i>	>32%	30.5%	+1.5 PP

* = 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 middleware 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.

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