

## PRESS RELEASE

## Software AG Again Reports Increased Earnings in the Second Quarter of 2007 and Integration of webMethods According to Plan

- Group operating revenue grows by 28 percent to €154.8 million
- Licensing revenues increase 39 percent to €57.3 million
- Operating result (EBITA) increases by 36 percent to €40.5 million
- Earnings per share (EPS) improves by 25 percent to €0.86
- Integration of webMethods, Inc. proceeds according to plan

Darmstadt, Germany, July 27, 2007 - In the second quarter of 2007, Software AG (Frankfurt TecDAX: SOW) again reported significant growth in revenue and earnings as it extended its business success of recent quarters. Corporate revenue grew by 28 percent year-on-year to €154.8 million in the second quarter of 2007 (according to IFRS €152.2 million or 30 percent currency adjusted). During the quarter, license revenue increased year-on-year by 39 percent to €57.3 million. Operating results (EBIT) grew by 32 percent over the second quarter of 2006 to €39.3 million. Profit after taxes also grew by 27 percent year-on-year to €24.6 million. The acquisition of US software company webMethods, Inc. on May 25, 2007 had a positive impact on revenue and earnings. The business of Software AG excluding webMethods also continued on a stable growth track.

### Revenue

Total revenue for Software AG rose 28 percent (currency-adjusted: 32 percent) to €154.8 million in the second quarter of 2007 over the same period in 2006. The webMethods (formerly: Crossvision) business line accounted for 41 percent of revenue while Enterprise Transaction Systems (ETS) accounted for 59 percent. Total product revenue, encompassing both licenses and maintenance revenue, reached a high of €111.3 million. License revenue increased by 39 percent year-on-year to €57.3 million. In the Professional Services business, the company generated revenues totaling €41.7 million, up from €32.7 million in the second quarter of 2006.

The operating revenue for the webMethods business line increased 107 percent year-on-year to €64.2 million in the second quarter of 2007. A key contributor was the recently acquired US company, where total operating revenue grew 13 percent while licensing revenue increased 31 percent over the comparable first quarter of 2007 for webMethods, Inc.

Total revenue from the data management business ETS amounted to €90.9 million, exceeding after currency adjustment the prior year's level by 4 percent (Q2 2006: €90.6 million). Total product revenue amounted to €72.4 million (Q2 2006: €71.0 million) with

Software AG Again Reports Increased Earnings in the Second Quarter of 2007 and Integration of webMethods According to Plan

services and other revenue representing €18.2 million (Q2 2006: €19.1 million).

Karl-Heinz Streibich, Chief Executive Officer of Software AG reported, “The acquisition of webMethods has been the largest acquisition in our company’s history. It has made Software AG one of the world’s leading providers of infrastructure software for service-oriented architectures and for business process automation.”

## Earnings

Operating results (EBITA) grew by 36 percent year-on-year to €40.5 million. Contributors to this improved performance included the continued optimization of business processes and increased sales efficiency. At €39.3 million, earnings after acquisition-related write-downs and before interest and taxes (EBIT) were 32 percent higher than in 2006.

“We were able to maintain our EBIT margin at the targeted high level in the second quarter. By increasing our business volume, realizing scale effects and leveraging potential synergies, we intend to increase our earnings per share by more than 20 percent for the year as a whole,” said Arnd Zinnhardt, CFO of Software AG.

## Net income and earnings per share

In the second quarter of 2007, profit after taxes reached €24.6 million, which represents 27 percent growth over the comparable 2006 period. Earnings per share improved to €0.86. In the second quarter, the average number of shares outstanding amounted to 28.5 million.

## Financial position and cash flow

On June 30, 2007, shareholders’ equity amounted to €441.1 million, representing an 11 percent increase from June 30, 2006. The equity-to-assets ratio was 40 percent. At the end of the quarter, operational cash flow was €11.0 million while free cash flow was €11.8 million. For the quarter just ended, this represents 8 percent of the revenue generated, or €0.41 per share. Cash and cash equivalents amounted to €114.5 million.

## Employees

On June 30, 2007, Software AG employed 3,719 persons. This reflects the acquisitions of SPL Software Israel and webMethods, Inc., which resulted in significant growth in employee headcount in the second quarter. Compared to the second quarter of 2006, the number of employees outside of Germany increased 60 percent to 2,956. At 763, the number of employees in Germany was roughly at the level of 2006.

## Integration of webMethods, Inc.

On May 25, 2007, Software AG assumed control of US software company webMethods, Inc. following the successful completion of its tender offer to webMethods shareholders. The company is a leading supplier of software for business integration, service-oriented

architecture (SOA) and business process management (BPM). With a deal value of approximately \$550 million, the acquisition was one of the largest transactions in the history of the European software industry. Following the merger, Software AG now has more than 4,000 customers in over seventy countries.

The integration of webMethods has proceeded on plan. Software AG has already debuted for customers a shared product roadmap with all significant integration activities for the business expected to conclude by year-end.

“Based on its performance to date, it is clear that our acquisition was the right decision. As a result, we have been able to strengthen our market position as we have become the industry’s third largest integration vendor. As we proceed with the integration of webMethods, we will follow clear principles aimed at a sustained increase in value for Software AG,” commented Karl-Heinz Streibich.

### **First half of 2007**

In the first six months of 2007, corporate operating revenue amounted to €279.5 million (according to IFRS €276.9 million), up 19 percent (currency adjusted: 23 percent) over the 2006 figure of €234.8 million.

License revenue for the entire first half of 2007 came to €104.2 million, exceeding the 2006 figure of €74.7 million by 39 percent (currency-adjusted: 47 percent). Operating maintenance revenue amounted to €98.4 million. This represents a gain of 5 percent (currency-adjusted: 10 percent) over the first half of 2006. Service revenue amounted to €74.3 million, exceeding the first six months of 2006 by 14 percent.

Operating result (EBITA) rose by 28 percent to €65.5 million in the first half of 2007 from €51.2 million a year earlier. EBIT margin improved to 23.4 percent in the first six months of 2007, up from 21.8 percent a year earlier. Operational cash flow reached €34.3 million, 35 percent more than in H1 2006.

### **Outlook**

The acquisition of webMethods, Inc. prompted Software AG to raise its projection for 2007 on June 1, 2007. The company expects annual cost savings of up to \$50 million with approximately \$15 million realized in the first year.

In the current fiscal year, corporate operating revenue should climb 30 to 35 percent compared to 2006 with license revenue increasing by 45 to 50 percent. In addition, a positive impact on earnings per share is anticipated for 2007. Software AG confirms earnings per share of €3.10 to €3.25.

Please visit us on the Internet: [www.softwareag.com](http://www.softwareag.com)

Software AG technology increases the value of enterprise IT systems. Our 4,000 customers achieve measurable business results by modernizing and automating their IT systems and rapidly building new systems to meet growing business demands. Our industry-leading product portfolio includes best-in-class solutions for managing data, enabling service oriented architecture, and improving business processes. By combining proven IT technology with industry expertise and best practices, we help our customers to improve and differentiate their businesses - faster.

Software AG has more than 37 years of global IT experience and approximately 3,700 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 €483 million in 2006.

Contact:

**Norbert Eder** <Norbert.Eder@softwareag.com>  
Vice President Corporate Communications  
Tel: +49 (0) 6151 92-1146 Fax: +49 (0) 6151 92-1444

**Paul Hughes** <Paul.Hughes@softwareag.com>  
Director Media Relations  
Tel: +49 (0) 6151 92-1787 Fax: +49 (0) 6151 92-1444