

PRESS RELEASE

Software AG Closes 2015 with a Record Quarter

Digital Business Platform license revenue up 23 percent in Q4

- Impact of Go-to-Market transformation drives improvements in all key performance parameters
- Strong Adabas & Natural customer retention leads to stable maintenance revenue
- Highest Group maintenance revenue in company's history, 10 percent up year-on-year
- Digital cloud market gains further relevance
- Operating earnings exceed outlook 2015
- Operating margin sets new historic record in Q4
- 2016 Outlook with strong digital business growth

[If not stated otherwise, all figures rounded including potential currency impacts.]

Darmstadt, 27 January 2016 - Software AG (Frankfurt TecDAX: SOW) today confirmed its preliminary financial figures (IFRS, preliminary) for the fourth quarter and the full year 2015 released on January 19, publishing the full set of its key figures.

The company's new **Go-to-Market** strategy had a positive impact on all key performance parameters. In the fourth quarter of the year, the Group set several new records: The **Digital Business Platform** reported a license increase of 23 percent, while its maintenance improved by 10 percent. Additionally, Software AG increased cloud bookings in 2015 by more than 130 percent.

Adabas & Natural showed the lowest decline in four years as A&N-based applications remained highly relevant for customers, supported by Software AG's strong customer focus and innovative product developments.

With a rise in total revenues of 4 percent in Q4, the Group managed once again to increase its profitability over-proportionately: Both the operating earnings margin (EBITA, non-IFRS) at 36 percent as well as the EBIT margin (IFRS) at 31 percent set two new historic record levels. For the full year, the operating earnings margin reached 30 percent, exceeding the outlook (28 to 29 percent), already raised three months ago.

Driven by the positive developments in the fourth quarter, Software AG successfully closed the 2015 financial year with revenue and earnings growth. For 2016, the company is well positioned to further accelerate this profitable growth.

"The fourth quarter results underscore the huge market potential of our Digital Business Platform and confirm our undisputed technology leadership", said Karl-Heinz Streibich, CEO of Software AG. "Our excellent product portfolio, the great progress in our Go-to-Market transformation, strong Adabas & Natural customer base retention, and continued efficiency improvements are the core reasons for our strong upwards trend, which is expected to continue in 2016 and beyond. The operational improvements and corresponding successes that we have seen over the past year have indeed matured from a quarter-by-quarter development into a real growth trend."

"In the past quarter, we lifted Software AG's profitability to a new level through organic growth and focused process optimization", said CFO Arnd Zinnhardt. "For the future, we are optimally positioned and expect to further increase our company value."

Development of the business divisions

The **Digital Business Platform (DBP)** achieved license revenue of €74.0 million (Q4 2014: €60.2 million) in the fourth quarter, reaching a new record level in Software AG's history - corresponding to significant growth of 23 percent over the previous year. Maintenance revenues amounted to €63.6 million (Q4 2014: €57.9 million), approximately 10 percent over the same period and also setting a new record. Accordingly, total product revenue (licenses and maintenance) amounted to €137.6 million in the fourth quarter (Q4 2014: €118.1 million) up 17 percent. For full year 2015, DBP revenue was at €431.5 million (FY 2014: €394.5 million), up by 9 percent.

The **Adabas & Natural (A&N)** business line recorded revenue of €68.2 million (Q4 2014: €77.0 million). License sales were €28.9 million (Q4 2014: €38.4 million) and maintenance €39.1 million (Q4 2014: €38.4 million). For the full year 2015, A&N revenue of €248.0 million (FY 2014: €245.3 million) was up 1 percent, reflecting the strong commitment of the A&N customer base to continue to run their critical business applications on Software AG's proven technology.

Revenues in the **Consulting** line of business were €51.8 million (Q4 2014: € 522 million). For the full year 2015, revenue was €193.6 million (FY 2014: €195.8 million, adjusted for revenue from the divested SAP consulting business unit). At the same time the segment contribution improved to €21.8 million (FY 2014: €16.9 million) and the segment margin to 11 percent (FY 2014: 8 percent) due to the divestment of non-strategic services.

Total revenue and earnings development

Software AG's **total revenue** in the quarter under review was €257.5 million (Q4 2014: €247.3 million), an increase of 4 percent. For the full year, total revenue was €873.1 million (FY 2014: €857.8 million), up 2 percent.

The company's **product revenue** was up 5 percent for the quarter at €205.6 million (Q4 2014: €195.0 million). For the full year 2015, product revenue was up 6 percent to €678.8 million (FY 2014: €641.4 million).

The **maintenance revenue** reached €102.6 million (Q4 2014: €96.4 million), up 6 percent in the quarter marking a new quarterly record. For the full year, Software AG booked €406.9 million (FY 2014: €371.3 million), a 10 percent rise and also a new record high.

The **license revenue** for the fourth quarter was €103.0 (Q4 2014: €98.6 million), representing a 4 percent rise. For the full year 2015, license reached €271.9 million (FY 2014: €270.1 million).

The **operating earnings** (EBITA, non-IFRS) increased strongly due to a higher product revenue, improved sales mix, higher efficiency and active cost management. Software AG's **operating earnings** (EBITA, non-IFRS) increased to €92.2 million (Q4 2014: €88.4 million) in the quarter reported. Accordingly, the **operating earnings margin** (non-IFRS) reached 36 percent (Q4 2014: 36 percent). For the full year 2015, operating earnings improved by 8 percent to €295.1 million (FY 2014: €239.3 million), the operating profit margin (non-IFRS) jumped to 30 percent (FY 2014: 28 percent).

The company's profit before interest and taxes **EBIT** in the fourth quarter was €80.1 million (Q4 2014: €71.4 million), a plus of 12 percent. EBIT in fiscal 2015 was €209.4 million (FY 2014: €176.0 million), an increase of 19 percent. This corresponds to an **EBIT margin** of 31 percent in Q4 (Q4 2014: 29 percent) and to an EBIT margin for 2015 of 24 percent (FY 2014: 21 percent).

In the fourth quarter, **net income** rose to €56.2 million (Q4 2014: €47.4 million) - this means an increase by 19 percent. **Earnings per share** grew even stronger to €0.73 (Q4 2014: €0.60).

Software AG's **equity ratio** improved to 60 percent (December 31, 2014: 55 percent).

For the full year 2015, the **free cash flow** significantly increased by 28 percent to €170.0 million (FY 2014: €132.7 million). In the fourth quarter, the free cash flow reached €41.2 million (Q4 2014: €47.0 million).

Employees

As of December 31, 2015 Software AG had 4,337 (2014: 4,421) employees worldwide. Of that total, 1,866 (2014: 1,821) worked in Consulting, 862 (2014: 993) in Sales and Marketing, 992 (2014: 968) in Research and Development and 617 (2014: 639) in Administration.

Achieved Goals 2015

With the Q4 financial results, Software AG has achieved its 2015 goals. At constant currency, the DBP revenue grew by 2 percent, which is above the mid-point of the company's guided corridor of between +0 and +3 percent. A&N at constant currency represented a slight decrease of -5 percent for the total year, in-line with the guided -4 to -8 percent corridor. With 30 percent, the operating earnings margin (EBITA, non-IFRS) even exceeded the outlook of 28 to 29 percent.

Outlook 2016

Based on the increasing market relevance of the company's portfolio and the further expected positive impacts of its Go-to-Market strategy, Software AG is now targeting a currency-adjusted increase of DBP product revenue of between +5 and +10 percent for 2016. For A&N, the Group expects currency-adjusted sales to decline between -4 and -8 percent over the previous year. Moreover, the company expects further improvement of its operating profit margin (EBITA, non-IFRS) reaching 30 to 31 percent.

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Key Figures for Q4 2015 (IFRS, unaudited)

in € millions	Q4/2015	Q4/2014	Δ in % as stated
Total revenue	257.5	247.3	+4
Product revenue	205.6	195.0	+5
Maintenance revenue	102.6	96.4	+6
License revenue	103.0	98.6	+4
Digital Business Platform	137.6	118.1	+17
<i>as % of total revenue</i>	53%	48%	
DBP maintenance	63.6	57.9	+10
DBP licenses	74.0	60.2	+23
Adabas & Natural	68.2	77.0	-11
<i>as % of total revenue</i>	27%	31%	
A&N maintenance	39.1	38.4	+2

A&N licenses	28.9	38.4	-25
Consulting	51.8	52.2	-1
<i>as % of total revenue</i>	20%	21%	
Sales & marketing expenses	-71.3	-71.9	-1
Research & development expenses	-27.1	-28.1	-4
EBIT*	80.1	71.4	+12
<i>as % of total revenue</i>	31%	29%	
Operating Earnings (EBITA, non-IFRS)**	92.2	88.4	+4
<i>as % of total revenue</i>	36%	36%	
<i>EPS (non-IFRS, in EUR)</i>	0.84	0.75	+12
Net income (IFRS)	56.2	47.4	+19
Earnings per share (in EUR)	0.73	0.60	+22
Free Cash Flow	41.2	47.0	-12
	December 31, 2015	December 31, 2014	
Net liquidity/debt	-25.7	-132.8	
Equity ratio (in %)	60	55	

* = 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 FY 2015 (IFRS, unaudited)

in € millions	2015	2014	Δ in % as stated
Total revenue	873.1	857.8	+2
Product revenue	678.8	641.4	+6
Maintenance revenue	406.9	371.3	+10
Licenses revenue	271.9	270.1	+1
Digital Business Platform	431.5	394.5	+9
<i>as % of total revenue</i>	49%	46%	
DBP maintenance	248.0	215.6	+15
DBP licenses	183.5	178.9	+3
Adabas & Natural	248.0	245.3	+1
<i>as % of total revenue</i>	28%	29%	
A&N maintenance	158.9	153.7	+3
A&N licenses	88.4	91.0	-3
Consulting	193.6	195.8	-1
<i>as % of total revenue</i>	22%	23%	
Sales & marketing expenses	-268.0	-263.0	+2
Research & development expenses	-106.4	-109.1	-2
EBIT*	209.4	176.0	+19
<i>as % of total revenue</i>	24%	21%	
Operating Earnings (EBITA, non-IFRS)	259.1	239.3	+8
<i>as % of total revenue</i>	30%	28%	
<i>EPS (non-IFRS, in EUR)</i>	2.22	1.96	+13
Net income (IFRS)	139.6	110.1	+26

Earnings per share (in EUR)	1.78	1.39	+28
Free Cash Flow	170.0	132.7	+28
	December 31, 2015	December 31, 2014	
Net liquidity/debt	-25.7	-132.8	
Equity ratio (in %)	60	55	
Employees (FTE)	4,337	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


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.

Software AG | Umlandstraße 12 | 64297 Darmstadt | Germany

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Contact:

Byung-Hun Park
 Senior Vice President Corporate Communications
 Phone: +49 (0) 6151 92 2070
 Mobile: +49 (0) 64 911 317
 E-Mail: byung-hun.park@softwareag.com