

PRESS RELEASE

Software AG in Q1: Strong start into 2016

Increase in Revenue, Earnings and Profitability

- Total license growth by +31 percent
- Product revenue +11 percent
- Total revenue up +9 percent
- Adabas & Natural business +20 percent
- Digital Business Platform grows +6 percent
- Cloud order entry +155 percent
- Profitability increased substantially: EBIT +55 percent
- Operating earnings (EBITA, non-IFRS) +23 percent
- Operating earnings margin at 29 percent
- Outlook 2016 confirmed

[Please note: All revenue-related percentage figures in the text are net of currency]

Darmstadt, Germany, April 12, 2016 - Software AG (Frankfurt TecDAX: SOW) today announced its preliminary financial figures (IFRS, preliminary) for the first quarter 2016. The company continued its successful transformation reaching further improvements on all key performance parameters. Total revenue improved by +9 percent, driven by strong total license sales of +31 percent. Product revenue (Licenses + Maintenance) increased by +11 percent, while Services improved by +2 percent. The company's database business Adabas & Natural (A&N) grew by +20 percent due to early contract closings and driven by Software AG's announcement in Q4 last year to support its A&N customer base with innovative product developments beyond 2050. The Digital Business Platform (DBP) improved by +6 percent with licenses increasing by +7 percent and maintenance by +5 percent. Along with a positive revenue development, the Group also managed to materially increase its profitability again, also due to operational efficiency improvements: the earnings before interest and taxes (EBIT) increased by +55 percent and operating earnings (EBITA, non-IFRS) by +23 percent. Accordingly, the operating earnings margin (EBITA, non-IFRS) was at 29 percent. Based on the positive business development in the first quarter, Software AG confirmed its outlook for the full year 2016.

“The Q1 financial results underline our total customer focus, our high operational efficiency standards and the success of our value strategy. Our commitment to support our A&N client base beyond 2050, announced in Q4 last year, is perceived very well in the market. Additionally, our leading position with our digital product portfolio results in organic growth and a strong project pipeline,” said Karl-Heinz Streibich, CEO of Software AG. “Our value-oriented strategy for the hybrid software market - on premise and in the cloud - shows stunning results”.

“We are smoothly continuing the journey in Q1 that we ended in Q4 last year: Organic growth, process optimization and financial discipline”, said CFO Arnd Zinnhardt. “The financial figures display only once a quarter what we constantly execute in our everyday operations: We drive profitable growth in the long-term interest of our employees, customers and shareholders”.

Development of the business divisions

The **Digital Business Platform (DBP)** achieved license revenue of EUR 32.7 million (Q1 2015: EUR 31.1 million) in the first quarter – a plus of 7 percent over the previous year. Maintenance revenues amounted to EUR 61.9 million (Q1 2015: EUR 59.9 million), approximately +5 percent over the same period. Accordingly, total DBP product revenue (Licenses + Maintenance) amounted to EUR 94.6 million in the first quarter (Q1 2015: EUR 91.0 million), up +6 percent.

Additionally, Software AG's cloud order entry increased by +155 percent in the reporting period. Including the substantial growth in the cloud business area, total DBP licenses showed double-digit growth.

The **Adabas & Natural (A&N)** business line recorded revenue of EUR 63.6 million (Q1 2015: EUR 55.4 million) – a plus of 20 percent. License sales increased to EUR 26.4 million (Q1 2015: EUR 15.5 million) which equals a significant improvement of +79 percent, reflecting early closing of deals and the strong commitment of the A&N customer base to continue to run their critical business applications on Software AG's proven technology. A&N maintenance reached EUR 37.0 million (Q1 2015: EUR 39.8 million).

Revenues in the **Consulting** line of business were EUR 48.0 million (Q1 2015: EUR 47.7 million) which equals an improvement of +2 percent.

Total revenue and earnings development

Software AG's **total revenue** in the quarter under review was EUR 206.2 million (Q1 2015: EUR 194.1 million), an increase of +9 percent. The company's **product revenue** (Licenses + Maintenance) was up +11 percent for the quarter at EUR 158.0 million (Q1 2015: EUR 146.2 million). The **license revenue** for the reporting quarter was EUR 59.1 (Q1 2015: EUR 46.5 million), representing a +31 percent rise. The Group's **maintenance revenue** reached EUR 98.9 million (Q1 2015: EUR 99.7 million).

The company's earnings before interest and taxes **EBIT** in the first quarter was EUR 45.3 million (Q1 2015: EUR 29.3 million), a plus of 55 percent. The **operating earnings** (EBITA, non-IFRS) increased strongly due to a higher product revenue, improved sales mix, higher efficiency and active cost management reaching EUR 59.1 million (Q1 2015: EUR 48.1 million) in the quarter reported – an improvement by +23 percent. Accordingly, the **operating earnings margin** (non-IFRS) reached 29 percent (Q1 2015: 25 percent).

Outlook 2016

Based on the positive Q1 business development, Software AG confirmed its full year outlook 2016. The company expects a currency-adjusted increase of DBP product revenue 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 Q1 2016 (IFRS, unaudited)

in € millions	Q1/2016	Q1/2015	Δ in % as stated	Δ in % net of currency
Total revenue	206.2	194.1	+6	+9
Product revenue	158.0	146.2	+8	+11
Maintenance revenue	98.9	99.7	-1	+2
License revenue	59.1	46.5	+27	+31
Digital Business Platform	94.6	91.0	+4	+6
<i>as % of total revenue</i>	46%	47%		
DBP maintenance	61.9	59.9	+3	+5
DBP licenses	32.7	31.1	+5	+7
Adabas & Natural	63.6	55.4	+15	+20
<i>as % of total revenue</i>	31%	29%		
A&N maintenance	37.0	39.8	-7	-4
A&N licenses	26.4	15.5	+70	+79
Consulting	48.0	47.7	+1	+2
<i>as % of total revenue</i>	23%	25%		
EBIT*	45.3	29.3	+55	
<i>as % of total revenue</i>	22%	15%		
Operating Earnings (EBITA, non-IFRS) **	59.1	48.1	+23	
<i>as % of total revenue</i>	29%	25%		

* = 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

The full set of key figures will be published on April 26, 2016 on Software AG's corporate website.

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 4,300 employees in 70 countries and had total revenues of €873 million in 2015.

Learn more at www.softwareag.com.

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