

Software AG reports further profitable growth in the third quarter 2009

- Revenue up 19% to €214 million in Q3
- Operating results (EBIT) up 16 percent in Q3 to €56 million
- EBIT margin of 26.4 percent in the third quarter
- Third quarter net income up 23 percent to €38 million
- Free Cash Flow up 37 percent to €47 million
- Earnings per share up 25 percent from €1.08 to €1.35
- Software AG raises its 2009 outlook: Revenue in the €835-€845 million range, EBIT margin between 25 and 25.5 percent

Paris, le 5 novembre 2009 – Software AG (Frankfurt TecDAX: SOW) again reported an increase in revenue and earnings for the third quarter of 2009. Group revenue grew during the quarter by 19 percent year-on-year to €214 million. In the same period, product revenue increased by 4 percent to €143 million and Consulting by 66 percent to €70 million. Operating results (EBIT) grew by 16 percent to €56 million and net income to €38 million, up 23 percent. The EBIT margin for the third quarter at 26.4 percent closely matched the record 27 percent reported in Q3, 2008. Earnings per share in the quarter rose 25 percent to €1.35 (€1.08 in 2008). The consolidation of IDS Scheer, as of August 20 2009, had a positive net impact on revenue; €39 million and net income; €0.4 million.

Revenue

Software AG continued its stable performance despite the persistently difficult economic environment. The third quarter did however show the normal business development seasonal effects and this indicates an overall improvement in market outlook.

Total revenue for Software AG rose 19 percent to €214 million in the third quarter of 2009 over the same period in 2008 (€180 million). Total product revenue was up 4 percent to €143 million (€138 million in 2008) and Consulting at €70 million (€42 million in 2008) up 66%, reflecting a significant contribution from IDS Scheer.

Total revenue from the data management business ETS amounted to €9 million, marginally under the third quarter 2008 figure of €101 million, which included a major contract in Brazil. Product revenue was stable at €33.1 million (Q3 2008: €33.9 million) reflecting further strong growth in Brazil and continuing customer investments in their running businesses.

The webMethods business line further raised the Group EBIT margin in Q3 2009; raising its segment contribution by 7% to €29.8 million (28 million in 2008) through increased sales efficiencies. Q3 product revenue, down by 8% compared to the previous year's quarter, reflects the difficult market conditions for new projects. A sequential comparison however, with the previous quarter (Q2 2009), shows a normal seasonal impact on license revenue, signaling an encouraging improvement in the business environment. With a continuing level of R&D investment and the potential cross-selling opportunities offered by over 7,000 customers of IDS Scheer, the webMethods business line will significantly benefit from a future upturn in business sentiment.

“We are proud of our performance in the face of a continuing difficult market”, said Software AG CEO, Karl-Heinz Streibich. “We continue to increase our efficiency, protecting and

improving our profitability. Recent large and strategic customer deals give grounds for cautious optimism as does the significant cross-selling opportunities presented by the acquisition of IDS Scheer.”

Earnings and cash flow

Software AG standalone reported a 11 percent drop in total operating costs in Q3 2009. This significantly contributed to the increase in EBIT to €56.0 million, an increase of 15 percent (€48.6 million in 2008) and a margin of 32 percent. This enabled the consolidated company to absorb the acquisition costs and consolidation effects for the quarter while keeping the EBIT margin at the previous year’s level.

The EBIT of the consolidated company at €56.4 million represents a 16 percent increase over 2008 (€48.7 million) delivering a 25 percent increase in earnings per share of €1.35 (€1.08 in 2008).

Free cash flow performed very well in the third quarter, rising 37 percent to €47.0 million from €34.2 million in the third quarter of 2008. Free cash flow for the first nine months of 2009 reached €19.8 million – a 31 percent increase compared to the figure for the first nine months of 2008.

“In the past quarter we were able to reap the benefits of the cost measures we launched in December 2008. We were able to maintain our EBIT margin at the targeted high level in the third quarter and for the first nine months, increase our EPS by 25 percent and our Free Cash Flow by 37 percent. Our sustainable business model has proven itself in the crisis. Building on this financial strength, we will now focus on realizing the business opportunities presented by the acquisition of IDS Scheer and the growth potential of the Business Process Excellence market”, said Arnd Zinnhardt, CFO of Software AG.

Employees

As of September 30, 2009, Software AG had 6,086 employees (full-time equivalents) compared with 3,466 in the previous year. The number of employees in Germany was 2,196 (Q3 2008: 759), and the number of employees outside of Germany 3,140 (Q3 2008: 2,707). These numbers reflect the acquisitions of IDS Scheer which resulted in significant growth in employee headcount in the third quarter. A standalone comparison of Software AG headcount would show a moderate growth of 4 percent year-on-year.

IDS Scheer acquisition

Software AG’s acquisition of IDS Scheer AG, Germany’s third-largest software company, is on track. Following approval by the relevant supervisory bodies and a six-week acceptance period for shareholders, Software AG had acquired more than 90 percent of IDS Scheer AG shares. Karl-Heinz Streibich and Arnd Zinnhardt have also assumed positions on the IDS Scheer AG supervisory board. The planned next step is a domination and profit transfer agreement.

Revised forecast for 2009

Originally, Software AG’s forecast for the full year anticipated an increase in revenue of between 4 and 8 percent and an EBIT margin of between 24.5 and 25.5 percent. Following the acquisition of IDS Scheer the EBIT margin forecast has been raised to the 25 to 25.5 percent range and the revenue forecast to between €835 and €845 million.

Key Figures

IFRS, unaudited

€million (unless otherwise stated)	Q3 2009	Q3 2008	Change in %
Total revenue	213.6	180.1	19
- Product revenue (License & maintenance)	143.2	138.0	4
- Consulting revenue	69.5	41.8	66
Revenue ETS business division	99.2	101.1	-2
Revenue webMethods business division	75.8	79.0	-4
EBIT	56.4	48.7	16
EBIT Margin (in %)	26.4	27.0	
Net income	38.1	31.0	23
Earnings per share (EUR)	1.35	1.08	25
Free Cash Flow	47.0	34.2	37

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A propos de Software AG

[Software AG](#) est le premier fournisseur mondial indépendant de [logiciels d'infrastructure métier](#). Nous permettons à nos 4 000 clients du monde entier d'obtenir rapidement des résultats en modernisant, en intégrant et en automatisant leurs processus et leurs systèmes informatiques. Cela leur donne les moyens de créer de la valeur de façon concrète et rapide et de répondre à une demande en pleine évolution. Nos solutions permettent aux entreprises de libérer et de gérer leurs données, systèmes, applications, processus et services, pour disposer d'une souplesse inégalée. À la pointe du secteur, notre portefeuille de produits se compose de solutions pour une [gestion des données](#) hautes performances, le développement et la [modernisation des applications](#), la mise en place d'une [architecture orientée services](#) et l'amélioration des [processus métier](#). En conjuguant nos technologies à leur expertise métier et aux meilleures pratiques, nos clients gagnent en efficacité et se démarquent plus vite de la concurrence. Forte de près de 40 années d'expérience dans le secteur des technologies de l'information à l'échelle du globe, la société Software AG compte plus de 3 600 collaborateurs au service de clients présents dans 70 pays. Son siège se situe en Allemagne et elle est cotée à la Bourse de Francfort (TecDAX, ISIN DE 0003304002 / SOW). En 2008, elle a annoncé un chiffre d'affaires de 721 millions d'euros.