

Stand Out in the  
**Digital World**

**Interim Report**  
**Q2 | 2015**

# Key Figures

as of June 30, 2015 (IFRS, unaudited)

In € millions (unless otherwise stated)	<b>HY1 2015</b>	HY1 2014	Change in %	<b>Q2 2015</b>	Q2 2014	Change in %
<b>Revenue</b>	<b>399.7</b>	<b>404.9</b>	<b>- 1%</b>	<b>205.6</b>	<b>196.0</b>	<b>5%</b>
<b>By type:</b>						
• Products	303.4	288.7	5%	157.1	141.3	11%
• Services	96.0	115.9	- 17%	48.3	54.6	- 12%
• Other	0.3	0.3		0.2	0.1	
<b>By business line:</b>						
• Digital Business Platform	190.8	179.9	6%	99.8	84.6	18%
• Adabas & Natural	112.9	107.0	6%	57.5	55.9	3%
• Consulting	96.0	118.0	- 19%	48.3	55.5	- 13%
<b>EBIT*</b>	<b>62.5</b>	<b>55.5</b>	<b>13%</b>	<b>33.2</b>	<b>25.0</b>	<b>33%</b>
• as % of revenue	15.6%	13.7%		16.1%	12.8%	
<b>Net income</b>	<b>38.6</b>	<b>32.7</b>	<b>18%</b>	<b>19.9</b>	<b>14.2</b>	<b>40%</b>
• as % of revenue	9.7%	8.1%		9.7%	7.2%	
Earnings per share (€, basic)	0.49	0.41	20%	0.25	0.18	39%
Earnings per share (€, diluted)	0.49	0.41	20%	0.25	0.18	39%
Free cash flow	106.2	66.3	60%	45.9	18.5	148%
<b>Employees (full-time equivalents)</b>	<b>4,349</b>	<b>4,606</b>				
• of which in Germany	1,177	1,251				
• of which in R&D	957	977				
<b>Balance sheet</b>	<b>June 30, 2015</b>	<b>Dec. 31, 2014</b>				
Total assets	1,917.5	1,848.9				
Cash and cash equivalents	423.9	318.4				
Net debt	25.5	125.7				
Shareholders' equity	1,079.1	1,013.4				
• as % of total assets	56.3%	55%				

\*) EBIT: net income + income taxes + other taxes + net financial result



# Stand Out in the **Digital World**

Digitization is changing the world. New technologies are improving the way companies do business. They are bringing about new organizational approaches. They are creating innovative work opportunities. This is happening at a speed that poses huge challenges, because an enormous volume of data is being produced and must be analyzed in mere milliseconds. Those who can utilize their data effectively will harness exciting opportunities and unlock great potential for success .

Innovative products will be unthinkable in the future without digitization. Every company and every organization needs a digital strategy now. Only those who master the massive amounts of data, optimize their use of information as a raw material and completely digitize their business models and processes will be successful.

Software AG provides what businesses and organizations need to grow and stay competitive. Our portfolio of products and services enables customers to fully exploit the opportunities of the digital era. We build on existing IT landscapes, harmonize them and implement digital technologies to create flexible infrastructures that analyze data in real time—including automated decision-making tools. For our customers, this means they can tap into new, agile business models and design running processes even more efficiently. They will be faster, more competitive and ultimately more successful.

Software AG is the global technology leader in application infrastructure and middleware software and drives innovation in real-time analytics products, which have great potential in the rapidly growing Industry 4.0 (Internet of Things) market. We focused on business-critical software solutions early on. Thanks to our products—comprising the most comprehensive and innovative portfolio of its kind—we are a pioneer in addressing key mega trends of information technology. For that reason, Forrester and Gartner have positioned Software AG as a leader in 13 market sectors worldwide.

**SHAPING CHANGE.**  
For a top position in the digital world.

# Significant Events

## During the Reporting Period

### Annual Shareholders' Meeting: **New Supervisory Board Members**



As scheduled, Software AG shareholders elected their new representatives to the Supervisory Board at the company's Annual Shareholders' Meeting on May 13, 2015. The new Supervisory Board of Software AG is now composed of the following members:

- Dr. Andreas Bereczky, director of production, ZDF
- Ms. Eun-Kyung Park, CEO, ProSiebenSat.1 TV Deutschland GmbH
- Mr. Alf Henryk Wulf, chairman of the board, Alstom Deutschland AG
- Mr. Markus Ziener, board member, director of asset management, Software AG Foundation

Software AG employees had elected Mr. Guido Falkenberg and Mr. Christian Zimmermann as their representatives to the Supervisory Board on May 7, 2015. All other resolutions proposed were passed by large majorities at the Annual Shareholders' Meeting. They included a higher dividend in the amount of €0.50 (2014: €0.46) per common share for fiscal 2014. Based on 78.9 million (2014: 78.9 million) dividend-bearing shares, the total payout sum will be approximately €39.5 million (2014: €36.3 million). The dividend ratio—based on Software AG's average net income and free cash flow—will increase to 32 percent (2014: 25 percent). Based on the closing share price for 2014, this corresponds to a dividend yield of about 2.5 percent.

### Hannover Industrial Fair 2015: Industry 4.0 scenario with smart big data



In addition to manufactured goods, today's factories produce massive amounts of data, which continuously flow between self-regulating components, sensors, machines and plants. This data holds enormous productivity-improving potential when evaluated in real time with big data analytics. Software AG demonstrated the implementation of a smart big data concept from the steel industry at the Hannover Industrial Fair on April 13 to 17, 2015 with the help of a simulated Industry 4.0 production process. Software AG's technology enables manufacturing companies to enhance their value creation chain through improvements such as optimizing maintenance intervals and reducing downtime.

## Innovation Day 2015



In cooperation with partners and customers, Software AG discussed strategies and digital technologies for success with presentations and showcases at Innovation Day in Bonn, Germany. This year's highlight was a cutting-edge smart signage solution that enables optimized digital advertising based on demographics not only online but in retail premises as well.

## Software AG redeems treasury shares



Utilizing an authorization granted by the Annual Shareholders' Meeting on May 3, 2013, the Management Board of Software AG resolved on April 28, 2015 to redeem 7,943,945 Software AG shares, which had been acquired by the company through various repurchase authorizations, with the effect of decreasing share capital. That represents 9.14 percent of Software AG's share capital prior to the redemption and capital decrease. Since the shares have been redeemed, Software AG's share capital totals €79,000,000.00, divided into 79.0 million bearer shares with each share representing a pro rata amount of €1 of the share capital. The shares were retired on April 30, 2015.

## IoT Evolution magazine's 2015 product of the year: The Digital Business Platform



IoT Evolution magazine, a leading publication covering the Internet of Things, named Software AG's Digital Business Platform "2015 Product of the Year." The cloud-enabled platform was unveiled in October 2014 and is a bundling of all Software AG solutions. It is a critical technology driver and enabler for enterprises pursuing digital transformation. This agile data, integration and process platform provides customers with the tools necessary to respond to business events and unpredictable market conditions in real-time and adapt their processes as needed.

# Contents

## Software AG Share

- 07 \_ Share Performance
- 07 \_ Redemption of Treasury Shares
- 08 \_ Annual Shareholders' Meeting
- 08 \_ Active Dialog with the Capital Market
- 09 \_ Analysts: Influential Opinion Shapers for the Market
- 09 \_ Shareholder Structure
- 10 \_ New Website

## Interim Management Report

- 11 \_ Financial Performance
- 14 \_ Financial Position
- 14 \_ Assets
- 15 \_ Events After the Balance Sheet Date
- 15 \_ Risks and Opportunities
- 15 \_ Outlook

## Interim Financial Statements

- 16 \_ Consolidated Income Statement
- 17 \_ Statement of Comprehensive Income
- 18 \_ Consolidated Balance Sheet
- 20 \_ Consolidated Statement of Cash Flows
- 22 \_ Consolidated Statement of Changes in Equity

## Notes to the Interim Financial Statements

- 24 \_ General
- 24 \_ Notes to the Consolidated Balance Sheet
- 25 \_ Other Disclosures

## Additional Information

- 35 \_ Financial Calendar, Publication Credits

### Preliminary Remarks

This quarterly report contains forward-looking statements. They are based on plans, estimates and projections that are currently available to Software AG's Management Board. Forward-looking statements therefore apply only to the date on which they were made. Software AG accepts no obligation to develop forward-looking statements based on new information or future events. Forward-looking statements by nature contain factors of risk and uncertainty. A number of important factors can contribute to actual results deviating considerably from forward-looking statements. All of the information in this report that does not represent forward-looking statements relates to the situation

on June 30, 2015, or the first quarter of the current fiscal year ended on that date, unless otherwise stated. Software AG's segment reporting is prepared in accordance with IFRS 8 (Segment Reporting). Segmentation is by business line and corresponds to the Group's internal controlling and reporting lines. Accordingly, Software AG reports on the following business lines: Digital Business Platform (formerly BPE, including the webMethods, ARIS, Alfabet, Apama and Terracotta product families), Adabas & Natural (formerly ETS, including the Adabas and Natural product families) and Consulting (all consulting services associated with Software AG products since Q3 2014).

# Software AG Share

## Share Performance

- Strong performance from Software AG since the beginning of 2015
- Volatile stock markets result in losses mid-year

The current year started off well on the stock market, due in part to positive economic data and continued relaxed monetary policies in the euro zone. Germany's DAX benchmark index broke a new record, hitting 12,375 points on April 10, 2015.

Germany's TecDAX high-tech barometer opened 2015 at 1,382 points and peaked at about 1,737 points on May 21, 2015, reflecting an increase of nearly 26 percent. At the end of the first half of the year, on June 30, 2015, the index had gained some 19 percent (1,642 points).

Software AG's share also performed very well. Opening the year at €20.51, it followed an upward trajectory to peak at €27.38 on May 21, 2015. This was a gain of more than 33 percent.

The mood on the stock market sobered in the second quarter due to disappointing economic data coming from China and

Brazil, the ongoing speculation about Greece's solvency and the possibility of an interest hike in the USA. That ended the momentum on the DAX. After reaching new half-year highs, it ultimately gained only 12 percent during the period.

Software AG ended trading on June 30, 2015 at €24.58, which reflects 20-percent growth for the six-month period.

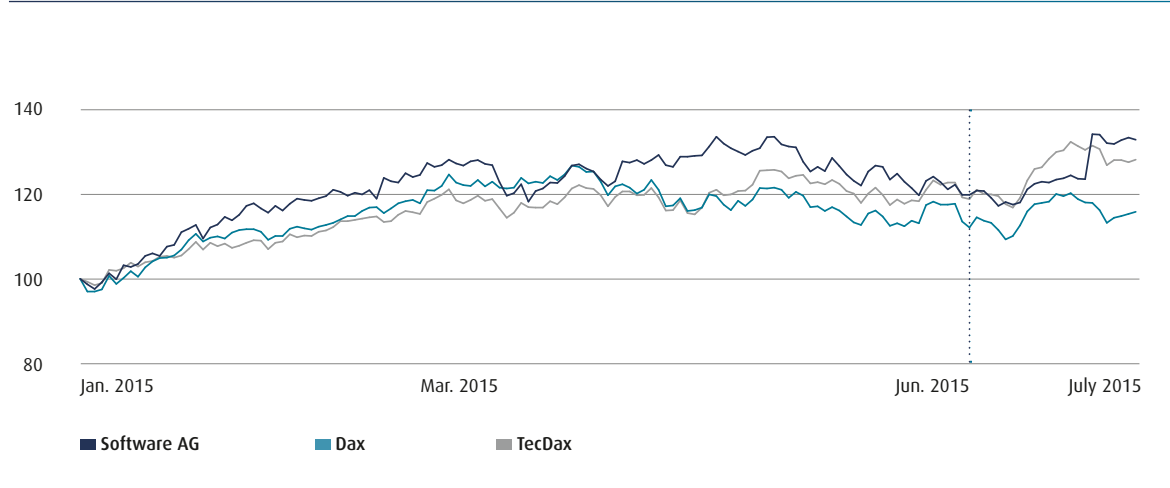
The release of Software AG's second-quarter results on July 23, 2015 was received enthusiastically by the capital market pushing the share price to €27.51—its high for the current year so far.

## Redemption of Treasury Shares

Utilizing the authorization granted by the Annual Shareholders' Meeting on May 3, 2013, the Management Board resolved in April to redeem almost 8 million Software AG shares, which had been acquired by the company based on various repurchase plans. It led to a decrease in share capital. This represents just over 9 percent of Software AG's share capital prior to the redemption and capital decrease.

Software AG's share capital now totals €79 million and is divided into 79 million bearer shares.

Software AG share price performance compared to DAX and TecDax (indexed)



## Annual Shareholders' Meeting

Software AG's Annual Shareholders' Meeting took place on May 13, 2015 in Darmstadt, Germany. There was a positive mood at the meeting; and it ran smoothly and efficiently. Stockholders shared the Management Board's optimism on Software AG's continued upward trend for the future. All items on the agenda were passed with majority votes.

They included the payout of a record-level dividend for fiscal 2014 in the amount of €0.50. Based on the closing share price in 2014, this corresponds to a dividend yield of about 2.5 percent. The total payout sum is approximately €39.5 million (2014: €36.3 million). The dividend ratio, based on average net income and free cash flow, increased to about 32 percent (2014: 25 percent).

Software AG intends to remain a value-oriented investment with a dividend policy geared toward continuity. Dividends are calculated based on Software AG's net income and free cash flow, while also accounting for the general economic climate and the company's liquidity requirements. The range for the dividend ratio, calculated using average net income and free cash flow, increased significantly in 2014 to between 25 and 32 percent. Shareholders were thus able to partake in Software AG's success to an even greater extent.

## Active Dialog with the Capital Market

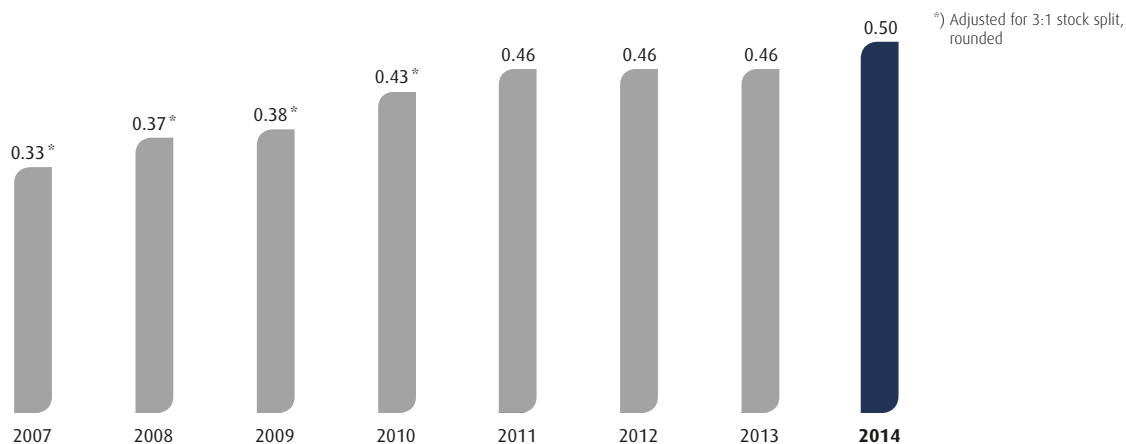
Numerous meetings were conducted with investors and analysts during the first half of 2015. Software AG also participated in many capital market conferences in Germany and abroad during this period of time. In addition, roadshows and analyst visits in Germany, the U.K., France and the U.S. were an important medium for engaging the investor community.

This year's Capital Market Day was held on February 4, 2015 at Software AG's corporate headquarters in Darmstadt, Germany. Investors and financial analysts from Germany, the U.K., France and Switzerland learned about Software AG's strategy and key trends for digital transformation.

At an analyst and media conference in early March in Boston, Software AG introduced the first-ever Digital Business Platform. Investor Relations presented the key financial points of Software AG's equity story.

CeBIT, the world's largest IT fair, was held in mid-March and focused completely on the digital revolution. Investor Relations coordinated tours of Software AG's booth and meetings with members of management during the event. During two days of the event, financial analysts visited the booth to learn about Software AG's current products, primarily focused on the cloud and the Internet of Things.

Dividend by fiscal year since 2007 (in € per share)





## Analysts: Influential Opinion Shapers for the Market

Software AG is currently evaluated and rated by 24 banks. Sixteen of them have issued a neutral “hold” recommendation for Software AG’s share. Three analysts consider the share to be overvalued; and five recommend buying it. Since the release of the company’s half-year results, the average share price has gone up to €27.

## Shareholder Structure

Software AG’s clear positioning as a value-oriented investment is increasingly reflected in its investor structure. A high number of new value-oriented portfolio managers are closely monitoring Software AG’s value drivers.

The shareholdings of Software AG’s investors changed in the period under review due to the redemption of treasury shares and the resulting decrease in share capital. The share of Software AG’s anchor investor, the Software AG Foundation, increased to 31.6 percent as a result of the transaction.

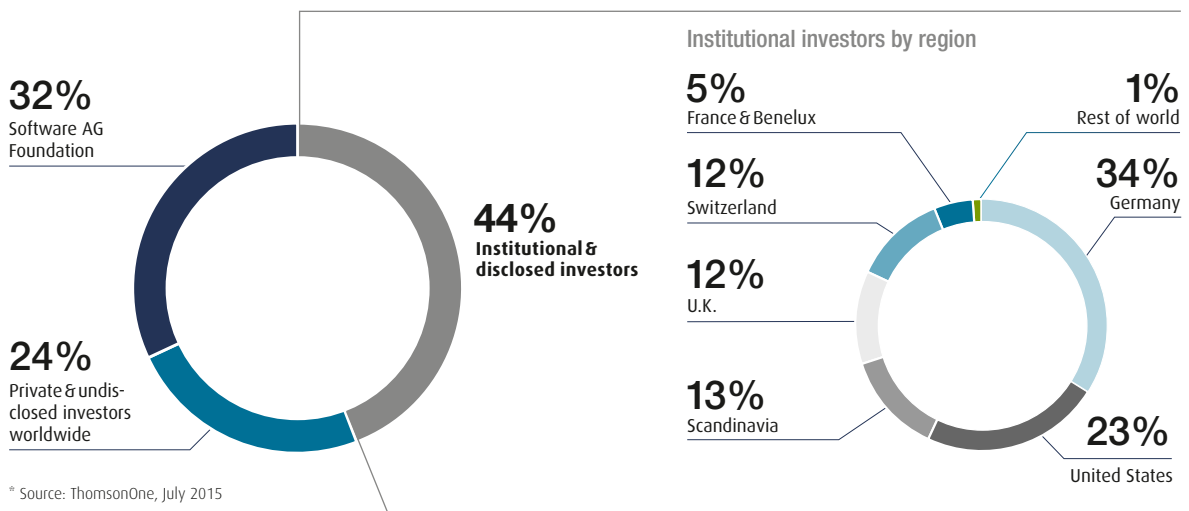
The Software AG Foundation remains the largest shareholder. The Software AG Foundation is an independent, non-profit organization under civil law based in Darmstadt, Germany. It is committed to projects in support of education, training, children, the disabled and the elderly. It also sponsors a wide variety of scientific and environmental fields.

Software AG has a broad investor base consisting of private and institutional investors in Germany and abroad. A regional analysis of the identified free float shows that 35 percent is held in Germany, 24 percent in the USA and 14 percent in Scandinavia. Additionally, there are investors based in France, the U.K and Switzerland.

For more information on Software AG’s shareholder structure, please visit:

[www.softwareag.com/corporate/inv\\_rel/](http://www.softwareag.com/corporate/inv_rel/)

### Shareholder structure



## New Website

Software AG won first place in the TecDAX in this year's Investor Relations website ranking conducted by NetFederation GmbH. Software AG's digital offering for investors scored in the top 30 in the overall ranking of 100 companies.

Interested investors can take advantage of Software AG's revamped website, which went live in Q2. Featuring more interactive content, the new website offers visitors a highly intuitive, straightforward experience. To visit the site, please click here:

[www.softwareag.com/corporate/inv\\_rel/](http://www.softwareag.com/corporate/inv_rel/)

### Key data

ISIN	DE 0003304002
WKN	330400
Symbol	SOW
Reuters	SOWG.DE
Bloomberg	SOW GY
Stock exchange	Frankfurt
Market segment	Prime Standard
Index	TecDAX
IPO on	April 26, 1999
Issue price	€30 *
Stock split	1:3 (2011)

\* Before 3-for-1 stock split (May 2011)

### Indices

CDAX-GESAMTINDEX (PERF)
DAX INTERN.100 TR EUR
DAXPL.MAXIM.DIVI.TR.EUR
DAXPLUS FAM.30 TR EUR
DAXPLUS FAMILY PERF.-IND.
DAXSEC. ALL SOFTWARE TR
DAXSECTOR SOFTWARE TR
DAXSUB. ALL SOFTW.TR
DAXSUBSEC. SOFTWARE.PR
DAXSUPERS.INFOR.TE.TR
HDAX PERFORMANCE-INDEX
MIDCAP MKT TR
Prime ALL SH. TR
TECDAX TR
TECHN. ALL SHARE TR

# Interim Management Report

## Financial Performance

### Total revenue

Software AG reported €205.6 million in **total revenue** for the second quarter of 2015. This is an increase of 10 percent over last year (2014 adjusted for SAP consulting operations sold: €187.7 million). The amount of €196.0 million in revenue reported in 2014 included the company's SAP consulting operations, which Software AG sold in the second quarter of 2014.

Software AG disposed of all SAP consulting units in 2014 in order to focus completely on the development, sale and consulting services for its own leading product portfolio. With this step, the company is transforming to a high-profit product company with a focus on its own software products.

**Group product revenue**—comprising license and maintenance sales from the DBP and A&N product families—rose to €157.1 million (2014: €141.3 million), outperforming last year by 11 percent. As a percentage of total revenue, product sales increased to 76 percent (2014: 72 percent). This lasting positive trend with respect to the revenue mix confirms Software AG's focus on sustainable recurring income.

The company's **maintenance revenue** grew 14 percent to hit a record level at €103.6 million (2014: €91.1 million). Recurring revenue thus again accounted for more than half of total revenue and, for the first time in Software AG's existence, exceeded €100 million in one single quarter. License revenue from the two product families was up 7 percent to total €53.5 million (2014: €50.2 million). This further demonstrates Software AG's intensified focus on sustainable profitability and value-oriented development.

### Exchange rate effects

Exchange rate effects had a positive impact (9 percent) on Software AG's total revenue in the second quarter of 2015, nearly identical to the first quarter of the year. This trend was encouraged by the weak euro against the U.S. dollar and the fact that Software AG generates a large share of its product

revenue outside of the euro zone. Nearly one-third of the company's revenue was generated in U.S. dollars, which is a significant increase over last year (H1/2014: 22 percent). Of the three types of revenue, licenses were most positively affected by exchange rates totaling 10 percent, followed by maintenance revenue totaling 9 percent. At 5 percent, currency translation had a much smaller, nevertheless positive, effect on Consulting. Thus, the company made total gains of €16.3 million from exchange rates in the second quarter of 2015. In contrast, revenue in the same period in 2014 suffered losses of €5.4 million due to exchange rate effects.

Exchange rates also had a positive impact in the amount of 9 percent on the first half of 2015, totaling €32.5 million. Revenue generated in currencies other than the euro increased a solid six percentage points in the first half of the year to 65 percent (2014: 59 percent) of total revenue. The share of total revenue in euros decreased to 35 percent (2014: 41 percent). After the two major currencies (euro and U.S. dollar), notable revenue shares were also generated in in pound sterling (GBP) at 6 percent, the Israeli shekel (ILS) and the Brazilian real (BRL) at 4 percent respectively and the Australian and Canadian dollar at 3 percent respectively.

### Earnings performance

Software AG further reduced its **cost of sales** in the second quarter of 2015. At €54.0 million (2014: €62.9 million), this is a 14-percent drop year-on-year. This led to a significant increase in gross profit margin, from 67.9 percent in the second quarter of 2014 to 73.7 percent in 2015. The main factors fueling profitability were the growth in the high-profit maintenance business and the associated positive revenue mix trend, A&N's strong performance, Consulting's increased margins after the unit's consolidation and the improved efficiency in internal and go-to-market processes.

Research and development (R&D) expenses were equivalent to last year at €26.8 million (2014: €26.6 million). Sales and marketing expenses rose to €70.3 million (2014: €64.2 million), primarily as a result of exchange rate effects and

investments in partner business. These expenses were still disproportionately low in relation to revenue growth. Due to the improved business situation, general administrative expenses relating to variable remuneration and stock option plans increased year-on-year to €18.9 million (2014: €15.9 million). Compared to the first quarter of the year, however, these expenses decreased by €1.2 million.

Software AG's Q2 **earnings before interest and taxes (EBIT)** totaled €33.2 million (2014: €25.0 million). This represents a 33-percent increase. Accordingly, Software AG's EBIT margin with respect to total revenue rose to 16.1 percent (2014: 12.8 percent). The reasons for this robust performance were the company's value-oriented strategy geared toward strengthening product revenue, growing recurring maintenance revenues and its proactive efficiency management.

In order to increase its long-term enterprise value, Software AG wants to continue growing profitably and fortifying its financial strength. To achieve these strategic goals, the company employs an internal control system. Above all, Software AG regards product revenue based on IFRS reporting, operating income (non-IFRS) and operating profit margin (non-IFRS) to be its most relevant performance indicators. Software AG defines operating income as follows:

#### Earnings before all taxes

+ Acquisition-related depreciation of intangible assets
+ Acquisition-related decreases in product revenue by way of purchase price allocations
+ Other acquisition-related effects on earnings
+ Expenses resulting from share price-based remuneration
+ Restructuring/severance expenses
+ Other one-time effects
<hr/>
= Operating income (non-IFRS)

Operating profit margin is calculated by dividing EBITA (non-IFRS) by total Group revenue.

Software AG's **operating income (non-IFRS EBITA)** increased by 8 percent to €48.6 million (2014: €45.1 million) in the second quarter of 2015. Accordingly, the operating profit margin climbed to 23.6 percent (2014: 23.0 percent).

Net financial expense was reduced to –€1.1 million (2014: –€2.6 million) due to a substantial reduction in financial liabilities compared to 2014. Income taxes increased in the

second quarter of 2015 to €10.9 million (2014: €5.8 million). Accordingly, Software AG's tax rate went up to 38.0 percent (2014: 36.6 percent).

As in the first quarter of 2015, Q2 **net income after taxes** increased year-on-year at €19.9 million (2014: €14.2 million), this is 40-percent growth. **Earnings per share** (basic) improved a solid 39 percent, reaching €0.25 (2014: €0.18).

#### Revenue and earnings by business line (segment report)

Software AG's revenue in the amount of €205.6 million (2014 revenue from continued operations: €187.7 million) in the second quarter of 2015 can be broken down by business line as follows:

- Revenue generated by the Digital Business Platform (DBP) line increased to 48 percent (2014: 43 percent) of total revenue.
- Revenue from the Adabas&Natural (A&N) line as a percentage of total revenue decreased slightly to 28 percent (2014: 29 percent).
- The Consulting business line (without SAP consulting) accounted for 24 percent (2014 reported revenue: 28 percent, revenue from continued operations: 25 percent) of total revenue.

DBP is the largest business line and addresses rapidly growing digital transformation issues. DBP's share of total revenue increased again in the second quarter of 2015. This distribution of revenue reflects Software AG's targeted transition to a high-margin product company.

#### Digital Business Platform (DBP)

All Software AG products for enterprise digitization are grouped in the DBP business line. Revenue in Software AG's largest segment increased to €99.8 million (2014: €84.6 million) in Q2 2015. This is 18 percent higher than last year.

DBP maintenance revenue rose to €62.8 million (2014: €51.9 million), which reflects 21-percent growth year-on-year. So nearly two-thirds (63 percent) of the segment's revenue was recurring, highly profitable income. The growth rates in this business line illustrate the sustainable results of past license business and effects of strategic measures.

Totalling €37.0 million (2014: €32.7 million), DBP license revenue clearly outperformed last year. After four quarters

of no expansion, this 13-percent increase is confirmation that the company's long-term license strategy is paying off and it is back on track to growth. Software AG broke a new record for recurring income from digital products with DBP maintenance revenue at €62.7 million (2014: €51.8 million). The DBP segment already accounts for more than 60 percent of maintenance revenues—a trend that reflects the company's medium to long-term value growth strategy.

The cost of sales in the DBP line increased to €6.5 million (2014: €5.5 million). Sales and marketing expenses were €52.3 million (2014: €45.4 million); and research and development expenses (R&D) were €21.5 million (2014: €20.4 million). Software AG continued investing in partnerships in order to leverage economies of scale at a global level. DBP's segment earnings increased 46 percent to €19.4 million (2014: €13.3 million) as a result of improved growth in maintenance and license revenue. In spite of investments made in the partner ecosystem, the DBP segment margin rose 3.7 percentage points to 19.5 percent (2014: 15.7 percent).

#### Adabas & Natural (A&N)

The A&N business line, which encompasses Software AG's traditional database business, continued its strong performance from the first quarter of this year. This illustrates the endurance and customer relevance of the established business model. A&N revenue for the period grew 3 percent to €57.5 million (2014: €55.9 million).

Growth was spurred primarily by the maintenance business, which was up 7 percent to €40.9 million (2014: €38.4 million). Maintenance accounts for 71 percent of this segment's overall revenue. Software AG interprets the growth in these recurring maintenance revenues—fueled in part by strong customer loyalty—as proof of the key relevance of the A&N product portfolio to the customer base.

Although the market for traditional database software is in decline due to its maturity and saturation, A&N license sales dropped only 5 percent to €16.5 million (2014: €17.4 million) in the second quarter. With respect to the first half-year period, this moderate decrease was more than compensated for by the significant increase in the first quarter of 2015. This highlights the degree of customer engagement and loyalty in Software AG's traditional database product line.

The cost of sales for this segment was €3.3 million (2014: €2.9 million) in Q2 and therefore slightly up year-on-year. Sales and marketing expenses, in contrast, were down at €8.3 million (2014: €8.8 million). A decrease was also

reported in R&D expenses, at €5.3 million (2014: €6.3 million). Efficiency optimization in R&D was one result of the company's focus on a value-oriented strategy.

Thanks to the strong results in the maintenance business, A&N's segment earnings climbed to €40.6 million (2014: €37.9 million). And its margin was quite high at 70.6 percent (2014: 68.0 percent).

#### Consulting

The Consulting business line generated €48.4 million in revenue in the second quarter of 2015. This shows a slight revenue increase for consulting related to Software AG products (continued operations) compared to the adjusted result from the previous year (2014 excluding divested SAP consulting operations: €47.2 million). The revenue reported in the amount of €55.5 million in 2014 included the non-strategic SAP service operations, all of which Software AG sold in May 2014. This measure reflects Software AG's strategy of transforming into a highly profitable product company and focusing on sustainable, value-oriented development. As in the first quarter of the year, a considerable drop in the cost of sales was reported for Consulting at €39.5 million (2014: €48.1 million). Sales and marketing expenses were also down at €5.1 million (2014: €5.9 million).

The sale of non-strategic units, efficiency improvements and focusing on profitable projects led to a significant increase in profitability in the Consulting business line. Its segment earnings more than doubled to total €3.8 million (2014: €1.5 million). The segment margin also improved 5.2 percentage points to 7.9 percent (2014: 2.7 percent). The Consulting line's profitability takes explicit priority over revenue growth and is a clearly defined element of the new value-oriented strategy. Furthermore, Consulting serves as an enabler for product sales in both the digital and database lines.

#### First half-year 2015

Software AG's total revenue for the first six months of the current fiscal year was €399.7 million (2014: €404.9 million). Product revenue (licenses and maintenance) rose 5 percent to €303.4 million (2014: €288.7 million). Of that amount, the DBP line accounted for €190.8 million (2014: €179.8 million)—by far the largest contribution—and A&N for €112.6 million (2014: €106.7 million).

Licenses generated €100.1 million (2014: €107.3 million) in the half-year period. Of license revenue, the DBP portfolio accounted for €68.1 million (2014: €76.5 million) and A&N products for €31.9 million (2014: €30.7 million). In the first

half of the year, maintenance revenue increased significantly to €203.3 million (2014: €181.4 million), accounting for more than half of total revenue. This new record set by the high-margin, recurring maintenance revenue is a result of sales successes and license turnover in the past and confirms Software AG's focus on a sustainable, value-oriented corporate strategy. Service revenue fell to €96.0 million (2014: €115.9 million), primarily due to the sale of the SAP consulting operations. Since the realignment in 2014, service revenue is recognized for the Consulting business line only. EBIT in the first half of 2015 was up 13 percent year-on-year at €62.5 million (2014: €55.5 million). Accordingly, the EBIT margin increased to 15.6 percent (2014: 13.7 percent). Earnings per share (basic) for the period rose to €0.49 (2014: €0.41).

## Financial Position

**Net cash provided by operating activities** more than doubled to reach €50.3 million (2014: €22.4 million) in the second quarter. This reflects growth of 124 percent year-on-year.

Improved earnings in the high-margin product business and in the Consulting line factored into this growth. Active receivables management also led to increased cash flows. This continued growth reflects Software AG's commitment to sustainable profitability.

**Cash flows from investing activities** approximated last year's level at €15.7 million (2014: €15.7 million). The sale of property, plant and equipment and intangible assets resulted in higher cash inflows of €2.2 million (2014: €0.4 million), whereas investments in property, plant and equipment and intangible assets led to outflows of €4.4 million (2014: €2.7 million).

The sale of short-term capital investments and/or securities due led to particularly high cash inflows of €20.0 million (2014: €6.0 million). A total of €2.1 million was paid for the purchase of financial assets, about €0.5 more than the year before.

**Cash outflows from financing activities** totaling €38.9 million (2014: €210.1 million) were significantly lower than last year. The considerable decrease is mainly because financial liabilities in the amount of €200.1 million were repaid in the same period of 2014. The total dividend payout sum was €39.5 million (2014: €36.4 million) in 2015, which is €4.1 million higher than in 2014.

As of June 30, 2015, **cash and cash equivalents** were €424.0 million, compared to €253.9 million the same date

one year before and €318.4 million at the beginning of the current fiscal year.

**Free cash flow** in the second quarter performed similarly well to the first quarter. At €45.9 million (2014: €18.5 million) in the second quarter, free cash flow more than doubled year-on-year; and at €106.2 million (H1/2014: €66.3 million) in the first half-year, it increased 60 percent. These are new records for both the second quarter and the first half-year. The ratio of free cash flow to total revenue in the second quarter was 22 percent (2014: 9 percent). In relation to net income, this ratio was 230 percent, compared to 130 percent in the same quarter last year and 120 percent in fiscal 2014. Free cash flow per share increased accordingly to €0.58 (2014: €0.23).

## Assets

Software AG's total assets rose to €1,917.5 million as of June 30, 2015 from €1,730.7 million the year before and from €1,848.9 million as of December 31, 2014 (+6.2 percent). Several factors had an impact on total assets: Software AG's balance sheet again showed a net cash position of €5.7 million (Dec. 31, 2014: –€70.4 million), which reflects a year-on-year improvement of €76.1 million.

On the assets side, a 33-percent increase in cash and cash equivalents was achieved to reach €424.0 million in comparison to the beginning of the year, despite the high dividend payout totaling €39.5 million (2014: €36.4 million). Short and long-term trade receivables were €250.0 million (Dec. 31, 2014: €298.6 million); the decrease of €48.6 million compared to the end of 2014 resulted from Software AG's active working capital management. Income tax receivables and deferred taxes, on the other hand, increased by €5 million compared to the end of fiscal 2014.

On the liabilities side, financial liabilities rose €5.3 million to €449.4 million compared to December 31, 2014. Due to the targeted expansion of the maintenance business, deferred income, which includes the increasing volume of future maintenance revenues, grew to €154.1 million (Dec. 31, 2014: €112.1 million). This represents a 37-percent increase.

Software AG's shareholders' equity increased to €1,079.1 million (Dec. 31, 2014: €1,013.4 million) as of June 30, 2015. Accordingly, the equity ratio climbed to 56 percent (Dec. 31, 2014: 55 percent).

## Employees

As of June 30, 2015 the Software AG Group had 4,349 (2014: 4,421) employees (full-time equivalents). This shows a moderate decrease compared to the same date in 2014 and to March 31, 2015 (4,367). Broken down by department, the number of employees in Service and Consulting was 1,826 (2014: 1,821), in Sales and Marketing 942 (2014: 993), in R&D 957 (2014: 968) and in Administration 624 (2014: 639).

From a regional perspective, the number of employees as of June 30, 2015 in Germany was 1,177 (2014: 1,251) and in the United States 616 (2014: 718). The vast majority of Software AG staff members work in other countries, accounting for 2,556 (2014: 2,637) employees.

## Management's assessment of second-quarter results

Software AG's Management Board considers the company's increasing profitability as well as the positive customer and analyst feedback on its market-leading product portfolio and far-sighted positioning to be confirmation of its strategy. Software AG's financial performance over the last three quarters reflects the success of its value-oriented focus on profitable growth, which was started about twelve months ago. Our performance again confirms our ability to execute quickly and the value potential of our business. We focus on five fundamental value drivers: product business, recurring revenues, efficient processes, an attractive dividend policy and share buybacks.

Despite a challenging market climate in the global software market with mixed trends in different countries, Software AG's Group revenue grew by 10 percent to €205.6 million in the second quarter of 2015. We achieved growth in all segments—both quarter-on-quarter and year-on-year. Maintenance revenue, which is a recurring type of income ensuring profitability, hit a new company record in surpassing 100 million euros in one single quarter. The more than €200 million in recurring maintenance revenue generated in the first half of the year is proof of value creation for customers and shareholders.

Fueled by growth in the highly profitable product business with licenses and maintenance, EBIT increased by 33 percent year-on-year. Free cash flow—also a key financial indicator—broke records both in the second quarter and in the first

half-year of 2015. We consider these results to reflect the rapid implementation of our targeted structural improvements and of sales and process optimization.

We will continue focusing on profitable growth in the second half of 2015—fueled by best-in-class processes and organic growth thanks to our leading digital software portfolio.

Independent industry analysts and customers confirm that Software AG is technologically very well positioned in the global market. We are making large strides in our own transformation to a product provider with growing recurring business. As the foundation of future innovation and earnings-per-share growth, increased profitability will remain Software AG's priority. Based on growth in product revenue—including an increasing percentage of maintenance revenue—and earnings as well as a strong project pipeline, Software AG confirms its outlook for the 2015 fiscal year.

## Events After the Balance Sheet Date

There were no significant events after the balance sheet date.

## Risks and Opportunities

Software AG's 2014 Annual Report contains a comprehensive Risk and Opportunity Report (see pp. 81–89) which describes specific risks that could have a negative impact on business and financial performance or assets and financial position. It also describes key opportunities for Software AG. There were no changes to the risk and opportunity situation of the Software AG Group in the second quarter of 2015 as compared to the risks and opportunities identified in the 2014 Annual Report.

## Outlook

Based on the results from the first half of 2015, Software AG confirms the outlook previously communicated for fiscal 2015. The company anticipates revenue growth in the Digital Business Platform business line at the low end of the projected range between 6 and 12 percent. Furthermore, Software AG expects revenue in the Adabas & Natural business line at the high end of the projected range between –8 and –14 percent. Software AG assumes that further efficiency increases in sales and marketing and across the organization as a whole will have a positive effect on profitability. Software AG therefore expects an operating profit margin (non-IFRS) between 27.5 and 28.5 percent.



# Interim Financial Statements

## Consolidated Income Statement

for the six months and three months ended June 30, 2015 (IFRS, unaudited)

in € thousands	HY1 2015	HY1 2014	Change in %	Q2 2015	Q2 2014	Change in %
Licenses	100,054	107,311	- 7%	53,513	50,207	7%
Maintenance	203,326	181,355	12%	103,624	91,052	14%
Services	95,969	115,864	- 17%	48,333	54,571	- 11%
Other	338	339	0%	160	154	4%
<b>Total revenue</b>	<b>399,687</b>	<b>404,869</b>	<b>- 1%</b>	<b>205,630</b>	<b>195,984</b>	<b>5%</b>
Cost of sales	- 108,823	- 130,903	- 17%	- 54,055	- 62,879	- 14%
<b>Gross profit</b>	<b>290,864</b>	<b>273,966</b>	<b>6%</b>	<b>151,575</b>	<b>133,105</b>	<b>14%</b>
Research and development expenses	- 54,227	- 53,801	1%	- 26,835	- 26,649	1%
Sales, marketing and distribution expenses	- 134,467	- 133,642	1%	- 70,335	- 64,220	10%
General and administrative expenses	- 38,944	- 35,012	11%	- 18,856	- 15,924	18%
Other taxes	- 2,901	- 4,041	- 28%	- 1,330	- 2,403	- 45%
<b>Operating earnings</b>	<b>60,325</b>	<b>47,470</b>	<b>27%</b>	<b>34,219</b>	<b>23,909</b>	<b>43%</b>
Other income	16,577	16,212	2%	650	4,471	- 85%
Other expenses	- 17,290	- 12,221	41%	- 3,014	- 5,760	- 48%
Net financial income /expense	- 2,439	- 5,476	- 55%	- 1,078	- 2,629	- 59%
<b>Earnings before income taxes</b>	<b>57,173</b>	<b>45,985</b>	<b>24%</b>	<b>30,777</b>	<b>19,991</b>	<b>54%</b>
Income taxes	- 18,532	- 13,263	40%	- 10,849	- 5,836	86%
<b>Net income</b>	<b>38,641</b>	<b>32,722</b>	<b>18%</b>	<b>19,928</b>	<b>14,155</b>	<b>41%</b>
Thereof attributable to shareholders of Software AG	38,549	32,621	18%	19,880	14,064	41%
Thereof attributable to non-controlling interests	92	101		48	91	
Earnings per share in € (basic)	0.49	0.41	20%	0.25	0.18	39%
Earnings per share in € (diluted)	0.49	0.41	20%	0.25	0.18	39%
Weighted average number of shares outstanding (basic)	78,918,844	79,538,055		78,918,844	78,889,344	
Weighted average number of shares outstanding (diluted)	78,969,362	79,725,204		79,036,207	79,080,201	



# Statement of Comprehensive Income

for the six months and three months ended June 30, 2015 (IFRS, unaudited)

in € thousands	HY1 2015	HY1 2014	Q2 2015	Q2 2014
<b>Net income</b>	<b>38,641</b>	<b>32,722</b>	<b>19,928</b>	<b>14,155</b>
Currency translation differences	49,700	13,863	- 14,969	11,357
Net gain/loss on remeasuring financial assets	1,399	487	504	353
Net gain/loss arising from translating net investments in foreign operations	3,132	316	- 1,597	308
<b>Items that may be reclassified to profit or loss</b>	<b>54,231</b>	<b>14,666</b>	<b>- 16,062</b>	<b>12,018</b>
Net actuarial gain/loss and asset caps on defined benefit plans	0	81	0	81
<b>Items not to be reclassified to profit or loss</b>	<b>0</b>	<b>81</b>	<b>0</b>	<b>81</b>
<b>Other comprehensive income</b>	<b>54,231</b>	<b>14,747</b>	<b>- 16,062</b>	<b>12,099</b>
<b>Total comprehensive income</b>	<b>92,872</b>	<b>47,469</b>	<b>3,866</b>	<b>26,254</b>
Thereof attributable to shareholders of Software AG	92,780	47,368	3,817	26,163
Thereof attributable to non-controlling interests	92	101	49	91

# Consolidated Balance Sheet

as of June 30, 2015 (IFRS, unaudited)

## Assets

in € thousands	<b>June 30, 2015</b>	Dec. 31, 2014
<b>Current assets</b>		
Cash and cash equivalents	423,936	318,396
Securities	31,183	55,311
Inventories	76	85
Trade receivables	193,842	211,178
Other receivables and other assets	22,602	20,689
Income tax assets	33,008	29,725
	<b>704,647</b>	<b>635,384</b>
<b>Non-current assets</b>		
Intangible assets	172,623	180,196
Goodwill	893,075	857,279
Property, plant and equipment	56,322	61,171
Financial assets	9,293	7,103
Trade receivables	56,140	87,447
Other receivables and other assets	6,848	4,996
Income tax assets	5,276	4,423
Deferred taxes	13,240	10,937
	<b>1,212,817</b>	<b>1,213,552</b>
<b>Total Assets</b>	<b>1,917,464</b>	<b>1,848,936</b>

## Equity and Liabilities

in € thousands	<b>June 30, 2015</b>	Dec. 31, 2014
<b>Current liabilities</b>		
Financial liabilities	104,991	103,646
Trade payables	25,922	32,600
Other liabilities	47,925	56,049
Other provisions	57,942	78,849
Tax liabilities	22,882	32,605
Deferred income	152,821	111,348
	<b>412,483</b>	<b>415,097</b>
<b>Non-current liabilities</b>		
Financial liabilities	344,406	340,499
Trade payables	0	0
Other liabilities	2,267	6,320
Provisions for pensions	43,581	42,566
Other provisions	13,009	13,205
Deferred taxes	21,350	17,131
Deferred income	1,235	738
	<b>425,848</b>	<b>420,459</b>
<b>Equity</b>		
Share capital	79,000	86,944
Capital reserves	55,536	43,195
Retained earnings	946,249	1,161,411
Other reserves	- 304	- 54,535
Treasury shares	- 2,270	- 224,466
<b>Share attributable to shareholders of Software AG</b>	<b>1,078,211</b>	<b>1,012,549</b>
<b>Non-controlling interests</b>	<b>922</b>	<b>831</b>
	<b>1,079,133</b>	<b>1,013,380</b>
<b>Total Equity and Liabilities</b>	<b>1,917,464</b>	<b>1,848,936</b>

# Consolidated Statement of Cash Flows

for the six months and three months ended June 30, 2015 (IFRS, unaudited)

in € thousands	<b>HY1 2015</b>	HY1 2014	<b>Q2 2015</b>	Q2 2014
Net income	38,641	32,722	19,928	14,155
Income taxes	18,532	13,263	10,849	5,836
Net financial income/expense	2,439	5,476	1,078	2,629
Amortization/depreciation of non-current assets	26,457	27,440	12,814	13,431
Other non-cash income/expense	6,542	3,949	-362	3,150
<b>Operating cash flow before changes in working capital</b>	<b>92,611</b>	<b>82,850</b>	<b>44,307</b>	<b>39,201</b>
Changes in inventories, receivables and other current assets	39,558	55,549	27,571	31,169
Changes in payables and other liabilities	10,791	-11,876	-9,601	-9,748
Income taxes paid	-30,473	-48,140	-12,224	-33,718
Interest paid	-4,493	-10,224	-1,614	-6,679
Interest received	3,783	4,334	1,838	2,187
<b>Net cash provided by operating activities</b>	<b>111,777</b>	<b>72,493</b>	<b>50,277</b>	<b>22,412</b>
Proceeds from the sale of property, plant and equipment/intangible assets	2,388	1,335	2,185	369
Purchase of property, plant and equipment/intangible assets	-5,976	-6,002	-4,426	-2,688
Proceeds from the sale of financial assets	138	156	0	50
Purchase of financial assets	-2,130	-1,633	-2,109	-1,619
Proceeds from the sale of current financial assets	24,221	6,000	20,005	6,000
Purchase of current financial assets	-3	-4,754	0	-1,941
Proceeds from the sale of disposal groups	-1,000	18,188	0	18,188
Payment for acquisitions, net	0	-3,667	0	-2,667
<b>Net cash used in investing activities</b>	<b>17,638</b>	<b>9,623</b>	<b>15,655</b>	<b>15,692</b>

## Consolidated Statement of Cash Flows

in € thousands	HY1 2015	HY1 2014	Q2 2015	Q2 2014
Repurchase of treasury stock (including hedge premiums paid)	0	- 70,582	0	0
Sale of treasury stock	0	1,423	0	1,423
Dividends paid	- 39,459	- 36,430	- 39,459	- 36,430
Additions to financial liabilities	4,847	25,000	2,710	25,000
Repayments of financial liabilities	- 2,956	- 202,012	- 2,137	- 200,096
<b>Net cash provided by/used in financing activities</b>	<b>- 37,568</b>	<b>- 282,601</b>	<b>- 38,886</b>	<b>- 210,103</b>
Change in cash and cash equivalents from cash-relevant transactions	91,847	- 200,485	27,046	- 171,999
Valuation-related change in cash and cash equivalents	13,693	4,445	- 6,223	4,527
<b>Net change in cash and cash equivalents</b>	<b>105,540</b>	<b>- 196,040</b>	<b>20,823</b>	<b>- 167,472</b>
Cash and cash equivalents at the beginning of period	318,396	449,984	403,113	421,416
Cash and cash equivalents at the end of period	423,936	253,944	423,936	253,944
<b>Free cash flow</b>	<b>106,197</b>	<b>66,349</b>	<b>45,927</b>	<b>18,524</b>

# Consolidated Statement of Changes in Equity

for the six months ended June 30, 2015 (IFRS, unaudited)

	Common shares outstanding (no.)	Share capital	Capital reserves	Retained earnings
in € thousands				
<b>Equity as of January 1, 2014</b>	<b>81,513,689</b>	<b>86,944</b>	<b>46,144</b>	<b>1,087,328</b>
<b>Comprehensive income</b>				<b>32,621</b>
<b>Transactions with equity holders</b>				
Dividend payment				-36,275
New shares issued				
Stock options			1,570	
Issue and disposal of treasury stock	59,000		-165	
Repurchase of treasury stock	-2,653,845			
Other				
Transactions between shareholders				
<b>Equity as of June 30, 2014</b>	<b>78,918,844</b>	<b>86,944</b>	<b>47,549</b>	<b>1,083,674</b>
<b>Equity as of January 1, 2015</b>	<b>78,918,844</b>	<b>86,944</b>	<b>43,195</b>	<b>1,161,411</b>
<b>Comprehensive income</b>				<b>38,549</b>
<b>Transactions with equity holders</b>				
Dividend payment				-39,459
New shares issued				
Stock options			12,341	
Issue and disposal of treasury stock		-7,944		-214,252
Repurchase of treasury stock				
Other				
Transactions between shareholders				
<b>Equity as of June 30, 2015</b>	<b>78,918,844</b>	<b>79,000</b>	<b>55,536</b>	<b>946,249</b>

## Consolidated Statement of Changes in Equity

	Other reserves				Treasury shares	Attributable to shareholders of Software AG	Non-controlling interests	Total
	Currency translation differences	Fair value measurement of securities and derivatives	Actuarial gains/losses from defined benefit plans	Currency translation gains/losses from net investments in foreign operations				
	<b>-77,111</b>	<b>-2,055</b>	<b>-22,945</b>	<b>2,031</b>	<b>-155,534</b>	<b>964,802</b>	<b>793</b>	<b>965,595</b>
	<b>13,863</b>	<b>487</b>	<b>81</b>	<b>316</b>		<b>47,368</b>	<b>101</b>	<b>47,469</b>
						-36,275	-155	-36,430
						1,570		1,570
					1,650	1,485		1,485
					-70,582	-70,582		-70,582
						0		0
						0		0
	<b>-63,248</b>	<b>-1,568</b>	<b>-22,864</b>	<b>2,347</b>	<b>-224,466</b>	<b>908,368</b>	<b>739</b>	<b>909,107</b>
	<b>-32,299</b>	<b>-1,365</b>	<b>-27,308</b>	<b>6,437</b>	<b>-224,466</b>	<b>1,012,549</b>	<b>831</b>	<b>1,013,380</b>
	<b>49,700</b>	<b>1,399</b>	<b>0</b>	<b>3,132</b>		<b>92,780</b>	<b>92</b>	<b>92,872</b>
								0
						-39,459		-39,459
								0
						12,341		12,341
					222,196	0		0
						0		0
						0	-1	-1
						0		0
	<b>17,401</b>	<b>34</b>	<b>-27,308</b>	<b>9,569</b>	<b>-2,270</b>	<b>1,078,211</b>	<b>922</b>	<b>1,079,133</b>

# Notes to the Interim Financial Statements

## General

### Basis of Presentation

Software AG's condensed and unaudited consolidated financial statements (interim financial statements) as of June 30, 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable on the balance sheet date, as endorsed by the EU. The IASs/IFRSs applicable as of June 30, 2015 were observed, as were the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC—formerly SIC).

Software AG is a registered stock corporation under German law with registered offices in Darmstadt. Software AG is the parent company of a Group that is globally active in the fields of software development, licensing and maintenance as well as IT services.

The consolidated interim financial statements of Software AG are expressed in thousands of euros unless otherwise stated.

Software AG waived a voluntary audit and a review of the consolidated interim financial statements (half-year report).

### Changes in the Consolidated Group

The following changes occurred in the consolidated Group in the first six months of fiscal 2015.

	Germany	Foreign	Total
<b>Jan. 1, 2015</b>	<b>11</b>	<b>70</b>	<b>81</b>
Disposals (including mergers)	2	1	3
<b>June 30, 2015</b>	<b>9</b>	<b>69</b>	<b>78</b>

The disposals resulted from two mergers in Germany and one closure in Singapore.

### Accounting Policies

The same accounting policies have been applied to the consolidated interim financial statements as were applicable to the consolidated financial statements as of December 31, 2014. For more detailed information on these accounting policies, please see Note 3 of the consolidated financial statements for fiscal 2014. These quarterly financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting.

### First-time application of new accounting rules

The new accounting rules to be applied in the first half of 2015 had no significant effect on Software AG's half-year financial statements.

### New but not yet effective accounting rules

For more details on new, not yet effective accounting rules and those for which Software AG has not opted for early application, please refer to Note 3 of the 2014 Annual Report.

### Business Combinations

Software AG did not acquire any companies during the first half of 2015.

## Notes to the Consolidated Balance Sheet

### Intangible Assets and Goodwill

Goodwill amounted to €893,075 thousand as of June 30, 2015, an increase of €35,796 thousand compared to December 31, 2014. This change is due solely to exchange rate fluctuations.



## Equity

### Share capital

Software AG's share capital totaled €79,000 thousand as of June 30, 2015 (Dec. 31, 2014: €86,944 thousand), divided into 79,000,000 bearer shares (Dec. 31, 2014: 86,943,945). Each share entitles its holder to one vote.

The change resulted from the redemption of a total of 7,943,945 treasury shares, which the Management Board of Software AG approved on April 28, 2015. That represents 9.14 percent of Software AG's share capital prior to the redemption and capital decrease.

The decision was passed making use of the authorization granted by the Annual Shareholders' Meeting of May 3, 2013. The shares were retired on April 30, 2015.

### Dividend

Pursuant to the proposal of the Management Board and the Supervisory Board, the Annual Shareholders' Meeting resolved on May 13, 2015 to appropriate €39,459 thousand (2014: €36,275 thousand) for a dividend payout from the net retained profits of €91,144 thousand reported by Software AG, the controlling Group company, in 2014. This corresponded to a dividend of €0.50 (2014: €0.46) per share. A total amount of €51,685 thousand (2014: €99,767 thousand) was carried forward.

### Treasury shares

As of December 31, 2014 Software AG held 8,025,101 (2014: 5,430,256) treasury shares representing an interest of €8,025,101 (2014: €5,430,256) or 9.23 percent (2014: 6.25 percent) of the share capital. Due to the above mentioned redemption of a total of 7,943,945 treasury shares, Software AG's balance of treasury shares as of June 30, 2015 was 81,156 (2014: 8,025,101) representing an interest of €81,156 (2014: €8,025,101), or 0.10 percent (2014: 9.23 percent, before redemption and capital decrease) of the share capital after redemption and capital decrease.

In the first half of 2014 Software AG repurchased 2,653,845 treasury shares (based on a value date) between January 1, 2014 and February 28, 2014 at an average price of €26.59 per share—not including transaction fees (€26.60 including transaction fees)—for a total cost of €70,561 thousand—not including transaction fees (€70,582 thousand including transaction fees). In the second quarter of 2014, 59,000 treasury shares were used to service stock options exercised under MIP III. As of June 30, 2014 Software AG thus held 8,025,101 treasury shares representing an interest in the share capital of €8,025,101 (9.23 percent).

## Other Disclosures

### Segment Reporting

Segmentation is in accordance with the internal control of the Group. Software AG therefore reports on the following three segments:

- Digital Business Platform, formerly Business Process Excellence  
(DBP: integration, business process management and big data with the webMethods, ARIS, Alfabet, Apama and Terracotta product families)
- Adabas & Natural, formerly Enterprise Transaction Systems  
(A&N: data management with the Adabas & Natural products)
- Consulting  
(implementation of Software AG products)

The table below shows the segment data for the second quarters and half-years of 2015 and 2014:

## Segment Report for the six months ended June 30, 2015 (IFRS, unaudited)

	Adabas & Natural	
	HY1 2015	HY1 2014
in € thousands		
Licenses	31,949	30,661
Maintenance	80,653	76,013
<b>Product revenue</b>	<b>112,602</b>	<b>106,674</b>
Services	0	0
Other	290	328
<b>Total revenue</b>	<b>112,892</b>	<b>107,002</b>
Cost of sales	-6,664	-6,216
<b>Gross profit</b>	<b>106,228</b>	<b>100,786</b>
Sales, marketing and distribution expenses	-17,041	-17,933
<b>Segment contribution</b>	<b>89,187</b>	<b>82,853</b>
Research and development expenses	-10,771	-12,484
<b>Segment result</b>	<b>78,416</b>	<b>70,369</b>
General and administrative expenses		
Other taxes		
<b>Operating earnings</b>		
Other income/expense, net		
Financial income/expense, net		
<b>Earnings before income taxes</b>		
Income taxes		
<b>Net income</b>		

Digital Business Platform		Consulting		Reconciliation		Total	
HY1 2015	HY1 2014	HY1 2015	HY1 2014	HY1 2015	HY1 2014	HY1 2015	HY1 2014
68,105	76,458	0	192			100,054	107,311
122,673	103,386	0	1,956			203,326	181,355
<b>190,778</b>	<b>179,844</b>	<b>0</b>	<b>2,148</b>			<b>303,380</b>	<b>288,666</b>
2	0	95,967	115,864			95,969	115,864
7	1	41	10			338	339
<b>190,787</b>	<b>179,845</b>	<b>96,008</b>	<b>118,022</b>			<b>399,687</b>	<b>404,869</b>
-13,561	-11,176	-78,585	-100,014	-10,013	-13,497	-108,823	-130,903
<b>177,226</b>	<b>168,669</b>	<b>17,423</b>	<b>18,008</b>	<b>-10,013</b>	<b>-13,497</b>	<b>290,864</b>	<b>273,966</b>
-98,409	-94,516	-9,818	-13,179	-9,199	-8,014	-134,467	-133,642
<b>78,817</b>	<b>74,153</b>	<b>7,605</b>	<b>4,829</b>	<b>-19,212</b>	<b>-21,511</b>	<b>156,397</b>	<b>140,324</b>
-43,456	-41,317	0	0	0	0	-54,227	-53,801
<b>35,361</b>	<b>32,836</b>	<b>7,605</b>	<b>4,829</b>	<b>-19,212</b>	<b>-21,511</b>	<b>102,170</b>	<b>86,523</b>
						-38,944	-35,012
						-2,901	-4,041
						<b>60,325</b>	<b>47,470</b>
						-713	3,991
						-2,439	-5,476
						<b>57,173</b>	<b>45,985</b>
						-18,532	-13,263
						<b>38,641</b>	<b>32,722</b>

## Segment Report for the three months ended June 30, 2015 (IFRS, unaudited)

	Adabas & Natural	
	Q2 2015	Q2 2014
in € thousands		
Licenses	16,473	17,362
Maintenance	40,885	38,365
<b>Product revenue</b>	<b>57,358</b>	<b>55,727</b>
Services	0	0
Other	131	146
<b>Total revenue</b>	<b>57,489</b>	<b>55,873</b>
Cost of sales	- 3,283	- 2,861
<b>Gross profit</b>	<b>54,206</b>	<b>53,012</b>
Sales, marketing and distribution expenses	- 8,309	- 8,845
<b>Segment contribution</b>	<b>45,897</b>	<b>44,167</b>
Research and development expenses	- 5,332	- 6,276
<b>Segment result</b>	<b>40,565</b>	<b>37,891</b>
General and administrative expenses		
Other taxes		
<b>Operating earnings</b>		
Other income/expense, net		
Financial income/expense, net		
<b>Earnings before income taxes</b>		
Income taxes		
<b>Net income</b>		

Digital Business Platform		Consulting		Reconciliation		Total	
Q2 2015	Q2 2014	Q2 2015	Q2 2014	Q2 2015	Q2 2014	Q2 2015	Q2 2014
37,040	32,739	0	106			53,513	50,207
62,739	51,825	0	862			103,624	91,052
<b>99,779</b>	<b>84,564</b>	<b>0</b>	<b>968</b>			<b>157,137</b>	<b>141,259</b>
2	0	48,331	54,571			48,333	54,571
7	1	22	7			160	154
<b>99,788</b>	<b>84,565</b>	<b>48,353</b>	<b>55,546</b>			<b>205,630</b>	<b>195,984</b>
-6,539	-5,467	-39,457	-48,110	-4,776	-6,441	-54,055	-62,879
<b>93,249</b>	<b>79,098</b>	<b>8,896</b>	<b>7,436</b>	<b>-4,776</b>	<b>-6,441</b>	<b>151,575</b>	<b>133,105</b>
-52,331	-45,448	-5,055	-5,925	-4,640	-4,002	-70,335	-64,220
<b>40,918</b>	<b>33,650</b>	<b>3,841</b>	<b>1,511</b>	<b>-9,416</b>	<b>-10,443</b>	<b>81,240</b>	<b>68,885</b>
-21,503	-20,373	0	0	0	0	-26,835	-26,649
<b>19,415</b>	<b>13,277</b>	<b>3,841</b>	<b>1,511</b>	<b>-9,416</b>	<b>-10,443</b>	<b>54,405</b>	<b>42,236</b>
						-18,856	-15,924
						-1,330	-2,403
						<b>34,219</b>	<b>23,909</b>
						-2,364	-1,289
						-1,078	-2,629
						<b>30,777</b>	<b>19,991</b>
						-10,849	-5,836
						<b>19,928</b>	<b>14,155</b>

## Contingent Liabilities

The carrying amount of collateral received was €13 thousand (2014: €32 thousand).

### Disclosures on leases

The Group's rental agreements and operating leases relate chiefly to office space, vehicles and IT equipment. Lease payments under operating leases are recognized as an expense over the term of the lease.

in € thousands	Up to 1 year	>1 to 5 years	> 5 years	<b>Total</b>
Contractually agreed payments (gross amount)	10,990	46,829	13,104	70,923
Estimated income from subleases	1,780	3,218	0	4,998
Contractually agreed payments (net amount)	9,210	43,611	13,104	65,925

## Seasonal Influences

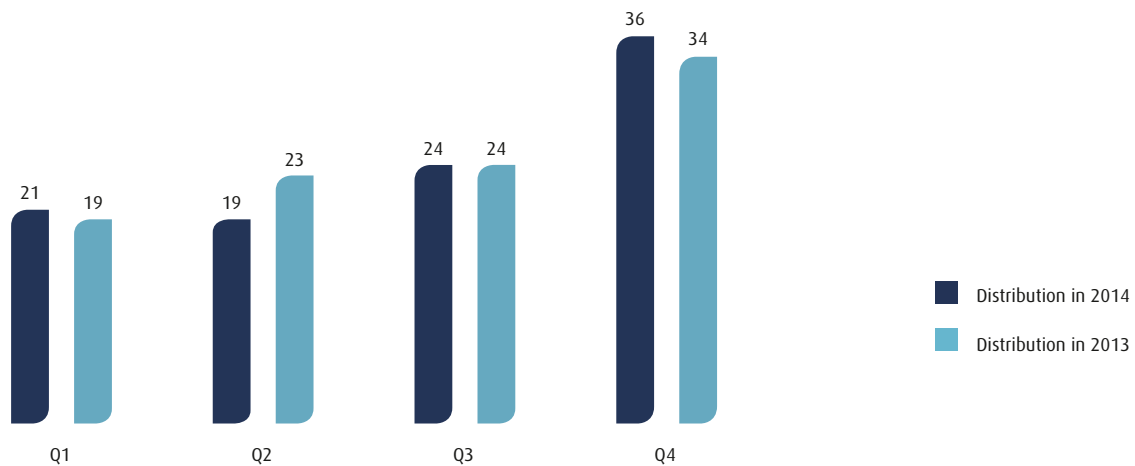
Revenues and pre-tax earnings were distributed over fiscal year 2014 as follows:

in € thousands	Q1 2014	Q2 2014	Q3 2014	Q4 2014	<b>2014</b>
License revenue	57,103	50,207	64,184	98,605	270,099
as % of license revenue for the year	21	19	24	36	100
<b>Total revenue</b>	<b>208,886</b>	<b>195,984</b>	<b>205,641</b>	<b>247,323</b>	<b>857,834</b>
as % of revenue for the year	24	23	24	29	100
Earnings before taxes	25,994	19,991	44,887	67,512	158,384
as % of earnings for the year	16	13	28	43	100

Based on historical data, the revenue and earnings distribution from 2014 is not fully representative. The distribution of revenue and earnings is regularly affected by large individual deals and is thus difficult to predict.

The following graph illustrates the development of license revenues in 2014 and 2013.

As % of total annual license revenue



### Litigation

All litigation that is potentially significant to Software AG has been described in Note 32 of the 2014 consolidated financial statements. There were no substantial changes in the second quarter of 2015 with respect to the legal disputes reported, nor were there any new legal disputes or other legal risks that could potentially have a significant effect on the company's financial position, financial performance or cash flows.

Provisions for litigation totaled €6,914 thousand (Dec. 31, 2014: €3,295 thousand) as of June 30, 2015. In addition, contingent liabilities in the amount of €25,811 thousand existed (Dec. 31, 2014: €25,100 thousand). But since a resource outflow as of June 30, 2015 was not probable, no provisions were set up. These are also related to specific legal disputes, for which accounting provisions were made.

### Stock Option Plans and Stock Appreciation Rights Program

Software AG has various stock option plans for members of the Management Board, managers and other Group employees. Our stock price-based remuneration plans as of March 31, 2015 are described in detail on pages 170–175 of our 2014 Annual Report.

**Management Incentive Plan 2015 – MIP V 2015**

The rights granted under Management Incentive Plan 2015 (MIP V) changed as follows in the first six months of the fiscal year:

	Number of rights	Exercise price per right (in €)	Remaining term (in years)
<b>Balance as of Dec. 31, 2014</b>	<b>555,600</b>	<b>0</b>	<b>3.0</b>
Granted	3,800		
Forfeited	-28,700		
<b>Balance as of June 30, 2015</b>	<b>530,700</b>	<b>0</b>	<b>2.5</b>

Thereof exercisable as of June 30, 2015

**Management Incentive Plan 2011 (MIP IV)  
(2011 – 2016)**

The rights granted under Management Incentive Plan 2011 (MIP IV) changed as follows in the first six months of the fiscal year:

	Number of rights	Exercise price per right (in €)	Remaining term (in years)	Aggregated intrinsic value (in €)
<b>Balance as of Dec. 31, 2014</b>	<b>4,182,500</b>	<b>41.34</b>	<b>6.5</b>	<b>0</b>
Forfeited	170,000			
<b>Balance as of June 30, 2015</b>	<b>4,012,500</b>	<b>41.34</b>	<b>6.0</b>	<b>0</b>

Thereof exercisable as of June 30, 2015



### Management Incentive Plan 2007 (MIP III)

(2007–2011)

The rights granted under Management Incentive Plan 2007 (MIP III) changed as follows in the first six months of the fiscal year:

	Number of rights	Exercise price per right (in €)	Remaining term (in years)	Aggregated intrinsic value (in €)
<b>Balance as of Dec. 31, 2014</b>	<b>1,719,800</b>	<b>24.12</b>	<b>4.5</b>	<b>0</b>
Forfeited	- 11,000			
<b>Balance as of June 30, 2015</b>	<b>1,708,800</b>	<b>24.12</b>	<b>4.0</b>	<b>786<sup>*)</sup></b>

Thereof exercisable as of June 30, 2015

<sup>\*)</sup> Based on the closing price on June 30, 2015

### Employees

As of June 30, 2015, the average number of employees (part-time employees are taken into account on a pro rata basis only) by area of activity was as follows:

	<b>June 30, 2015</b>	June 30, 2014
Maintenance and Services	1,826	2,094
Sales and Marketing	942	1,095
Research and Development	957	986
Administration	624	681
	<b>4,349</b>	<b>4,856</b>

In absolute terms (part-time employees are counted in full), the Group employed 4,511 (2014: 4,753) people as of June 30, 2015.

## Changes and Information Regarding Corporate Bodies

No changes occurred on the Management Board between January 1, 2015 and June 30, 2015.

As scheduled, Software AG shareholders elected their new representatives to the Supervisory Board at the company's Annual Shareholders' Meeting on May 13, 2015. The new Supervisory Board of Software AG is now composed of the following members:

- Dr. Andreas Bereczky, director of production, ZDF
- Ms. Eun-Kyung Park, CEO, ProSiebenSat.1 TV Deutschland GmbH
- Mr. Alf Henryk Wulf, chairman of the board, Alstom Deutschland AG
- Mr. Markus Ziener, board member, director of asset management, Software AG Foundation

Software AG employees had elected their representatives to the Supervisory Board on May 7, 2015 as follows:

- Mr. Guido Falkenberg, employee representative, Software AG
- Mr. Christian Zimmermann, employee representative, Software AG

In its inaugural session on June 15, 2015, the Supervisory Board elected Dr. Bereczky as its new Chairman and Mr. Guido Falkenberg as Deputy Chairman.

The composition of the Supervisory Board's committees as of June 15, 2015 was as follows:

### Committee for Compensation and Succession Issues

Dr. Andreas Bereczky (Chairman)  
Guido Falkenberg  
Alf Henryk Wulf

### Audit Committee

Markus Ziener (Chairman)  
Eun-Kyung Park  
Christian Zimmermann

### Nominating Committee

Dr. Andreas Bereczky (Chairman)  
Alf Henryk Wulf  
Markus Ziener

## Events After the Balance Sheet Date

There were no events that occurred between June 30, 2015 and the date of release of this report that were of significance to the consolidated financial statements.

### Date and authorization for issue

Software AG's Management Board approved the consolidated interim financial statements on August 6, 2015.

### Responsibility statement

To the best of our knowledge, and in accordance with the applicable principles of interim financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Darmstadt/Germany, August 6, 2015

Software AG



K.-H. Streibich



E. Duffaut



Dr. W. Jost



A. Zinnhardt

## Financial Calendar 2015

### October 28

Financial figures Q3/9M 2015 (IFRS, unaudited)

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