

**THE TOP 100
EUROPEAN
SOFTWARE INDEX**



NAVIGATING TURBULENT WATERS

Software players continue
to ride the waves

DESPITE THE ECONOMIC STORM, EUROPEAN SOFTWARE CUTS A DASH THROUGH CHOPPY WATERS

The European Software market is larger and more profitable than you might think – the Top 100 companies account for over €52bn of revenue and €14bn in operating profit – an industry average of over 25% margin

The sector has also performed resiliently through the recession, with most companies maintaining growth – unlike the battered broader TMT sectors, especially Media, or the adjacent IT hardware and services sectors.

Our European Top 100 list is dominated by US owned companies – 44 of them accounting for €34bn in sales, almost two thirds of the total. Outside these, there are also a number of large European owned players generating significant revenues – Germany has the second most valuable set of Software companies in the Top 100 with 11 German companies accounting for approximately €7bn annual revenue. UK and France come next, housing the headquarters of companies representing approximately €3bn of European software revenue each. However, the UK’s influence on the Software market is larger than it appears as it plays host to the European

headquarters of a significant number of the US owned players.

At a high level the sector is highly concentrated, with the top 10 players accounting for 58% of the revenues of the Top 100. The largest companies are familiar names, with Microsoft, IBM, Oracle and SAP dominant from a revenue perspective. However, this macro picture masks a strong set of robust “beyond the top 10” European headquartered companies, representing over €22bn of revenues.

Despite the significant global economic slowdown, the Top 100 saw only a slight year-on-year revenue decline of c.0.6%, while overall EBITDA margins actually saw a slight increase of 1%pt within these aggregate figures. However there were clear winners and losers, both at an individual and sector levels.

Revenues of Top 100 European Software Companies by HQ Country (€bn)



1. Includes Denmark, Germany, Norway, Poland, Spain, Sweden and Switzerland

New license sales may have been challenging during the recession, but the overall impact has been dampened by the breadth of revenue types that many software players have. In particular, some of the more recurring revenue streams are resilient to the economic cycle.



Revenue Type	Description
Subscription Fee	<ul style="list-style-type: none"> • (Typically for SaaS) ongoing fee, usually monthly, for continued use of software and support
Maintenance and Support	<ul style="list-style-type: none"> • Maintenance Fee required for continued use of software (typically 15% to 40% of initial fee per year) • Day-to-day support typically included within maintenance fee
FM / Hosting	<ul style="list-style-type: none"> • Facilities Management fees for remote hosting under ASP model
Development and Consultancy	<ul style="list-style-type: none"> • Bespoke development of additional functionality • Customisation of software to needs of individual company
Training	<ul style="list-style-type: none"> • Training of staff in software use
Installation	<ul style="list-style-type: none"> • Fees relating to installation of software and integration with other systems
Upfront Licence Fee	<ul style="list-style-type: none"> • Licence fee paid on initial installation of software • Either perpetual licence (subject to continued payment of maintenance fee) or fixed term (eg, 5 years)
Hardware and Other	<ul style="list-style-type: none"> • Additional hardware sold in bundle with software

The Top 100 comprises players from across the software spectrum, although the greatest number are focused on multi-sector enterprise software. Unlike some other major categories, these ‘Enterprise’ companies have seen revenue decline in the past year, alongside the ‘Industrial’ sector. One reason for this is the greater maturity of these sectors, with accompanying high levels of existing software penetration, allowing many customers to defer upgrades during the recent downturn in favour of making do with existing systems.

The 21 firms that offer ‘Sector Specific’ software have performed well above the average, growing revenues year on year by 6%. This is typically because such software is highly embedded and critical to company processes associated with how the sector functions, so removing the software or deferring an upgrade becomes impossible

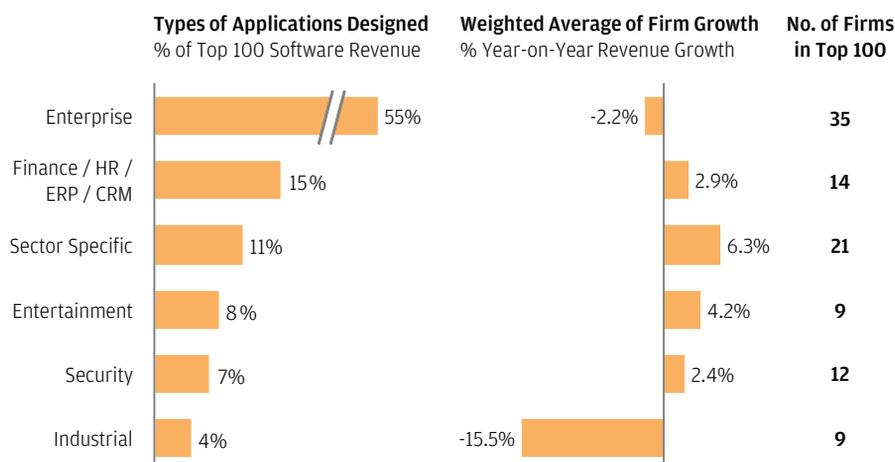
in this situation. Examples include Wincor Nixdorf, Asseco, Cegecim and Amadeus. This sector also includes software platforms supporting Financial Services who are profiting from increasingly stringent compliance requirements.

‘Back Office’ software (Finance / HR / ERP / CRM) has also performed strongly driven by a range of factors, most importantly the increasing pressure for companies to run transparent and reliable reporting processes that stay compliant to the latest local regulations (eg, accounting and HR). Consequently a number of robust national champions have emerged such as Sage, UNIT4, DATEV, TeamSystem and Visma.

Similarly, the ‘Security’ software sector has remained a growth market due to the ever increasing importance placed on data and system security, a trend unaffected by recessionary pressures.

RESILIENT PERFORMANCE DRIVEN BY ROBUST REVENUE MODELS AND STICKY CUSTOMER RELATIONSHIPS

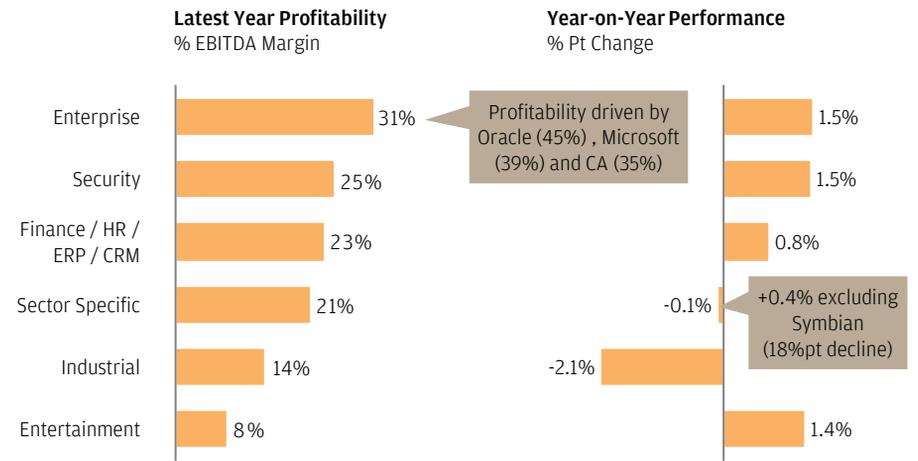
Segmentation of Firms by Application Type



Finally, Entertainment Software has, maybe surprisingly, also seen growth. Performance has been driven by some key underpinning positive trends such as the steady rise in discretionary time spent gaming plus a widening demographic profile. In this ‘hit-driven’ sector, the companies reaching the Top 100 have benefited from successfully developing consumer franchises which continued to perform well despite the recession.

In terms of profitability trends, a slightly different picture emerges. Enterprise software remains the highest margin sub-sector (driven in no small part by the presence of the global giants Microsoft and Oracle) and despite a net decline in revenues has seen a small rise in profitability of c.1.5 %pts of EBITDA.

European Software Average Profitability by Application Type¹



1. Pre-exceptional items

FLEXIBLE OPERATING MODELS ENABLE MARGINS TO BE MAINTAINED DESPITE TOUGH ECONOMIC CONDITIONS DRIVING REVENUE DECLINES

Industrial focused companies exhibited 2%pt EBITDA margin decline, however when taken in the context of 16% revenue decline such a modest fall in profitability illustrates the cost-base flexibility of the industry and its ability to 'weather the storm'.

Entertainment companies are among the most volatile, driven by the "hit" nature of their markets, with Activision Blizzard benefiting from Modern Warfare and Guitar Hero and Take-Two Interactive struggling due to reduced demand and some delays in its product release schedule.

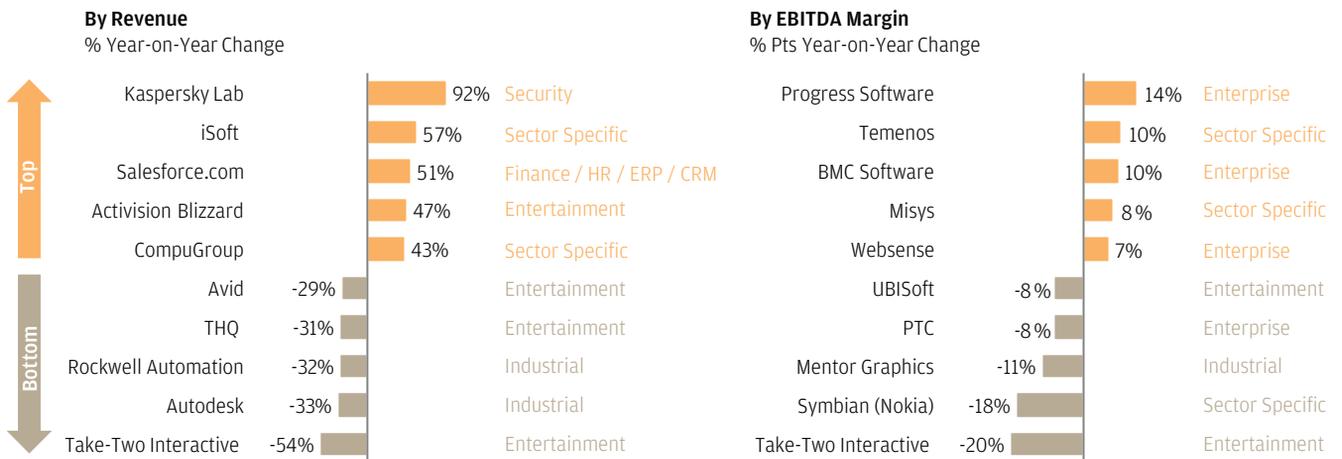
At a company specific level, the key message is that most companies have been stable and resilient, especially given macro trends, largely driven by the stability of maintenance and support contracts.

Symbian also struggled due to a revenue model based on unit shipments of hand-sets rather than a recurring revenue model - albeit still with strong potential upside as the market recovers.

However, as is to be expected during such periods of economic uncertainty, there are a number of notable exceptions to the rule, with some interesting take-aways.

The winners also highlight some of the macro trends occurring in the market, for example the growth of Security (Kaspersky Lab) and the rise of SaaS (Salesforce).

Top Five Winners and Losers¹



1. Excludes companies with significant M&A activity

OC&C AND ROTHSCHILD TOP 100 EUROPEAN SOFTWARE INDEX

Rank	Rank Change vs Previous	Year	Business Name	Country	Ownership	Primary Software Application	Latest Available Accounts (FY Ending)	Estimated European Software-Led Revenues (€m)	YoY Revenue Growth (%)	EBITDA Margin Pre-exceptionals (%)	YoY EBITDA Margin %pt	European Software as % of Total Revenues
1	-		Microsoft	USA	Public	Enterprise	30/06/09	9,111	5%	39%	-1%	22%
2	-		IBM	USA	Public	Enterprise	31/12/09	5,236	-8%	25%	3%	8%
3	-		Oracle	USA	Public	Enterprise	31/05/09	4,697	2%	45%	3%	28%
4	-		SAP	Germany	Public	Finance / HR / ERP / CRM	31/12/09	4,336	-5%	29%	1%	41%
5	-		Electronic Arts	USA	Public	Entertainment	31/03/09	1,589	3%	-4%	2%	38%
6	+1		Symantec	USA	Public	Security	03/04/09	1,301	-2%	31%	4%	29%
7	-1		NCR	USA	Public	Enterprise	31/12/09	1,186	-20%	5%	-3%	36%
8	-		HP	USA	Public	Enterprise	31/10/09	1,002	-22%	15%	2%	1%
9	+7		Activision Blizzard	USA	Public	Entertainment	31/12/09	954	47%	8%	6%	31%
10	-1		CA	USA	Public	Enterprise	31/03/09	910	-3%	35%	6%	30%
11	-		Sage	UK	Public	Finance / HR / ERP / CRM	30/09/09	856	8%	26%	1%	53%
12	+1		Wincor Nixdorf	Germany	Public	Sector Specific	30/09/09	771	2%	10%	0%	34%
13	+1		SAS	USA	Private	Finance / HR / ERP / CRM	31/12/09	748	2%	n/a	n/a	45%
14	-2		Siemens	Germany	Public	Industrial	30/09/09	742	-3%	12%	5%	1%
15	+2		Asseco Poland SA	Poland	Public	Sector Specific	31/12/09	708	9%	21%	0%	100%
16	-6		Adobe Systems	USA	Public	Enterprise	27/11/09	668	-24%	32%	-4%	32%
17	+2		Cegecim	France	Public	Sector Specific	31/12/09	638	3%	21%	0%	73%
18	+3		UBISoft Entertainment SA	France	Public	Entertainment	31/03/09	626	33%	33%	-8%	59%
19	-1		SunGard	USA	Private (PE)	Enterprise	31/12/09	619	-4%	25%	0%	16%
20	-		Dassault Systemes	France	Public	Enterprise	31/12/09	508	-5%	25%	0%	41%
21	-6		Autodesk	USA	Public	Industrial	31/01/10	483	-33%	14%	-7%	39%
22	-		Amadeus IT Group SA	Spain	Public	Sector Specific	31/12/09	448	-2%	36%	1%	18%
23	+1		VMWare	USA	Public	Enterprise	31/12/09	435	10%	21%	-4%	30%
24	+7		Centric	Netherlands	Private	Enterprise	31/12/08	417	34%	9%	-3%	43%
25	+9		EDB Business Partner	Norway	Public	Enterprise	31/12/09	398	33%	16%	4%	46%
26	+1		McAfee	USA	Public	Security	31/12/09	382	6%	19%	-1%	28%
27	+2		BMC Software	USA	Public	Enterprise	31/03/09	364	3%	31%	10%	27%
28	-		UNIT4	Netherlands	Public	Finance / HR / ERP / CRM	31/12/09	357	0%	20%	2%	94%
29	No data		Northgate	UK	Private (PE)	Finance / HR / ERP / CRM	30/04/09	356	n/a	14%	n/a	49%
30	-4		Citrix Systems	USA	Public	Security	31/12/09	346	-8%	20%	1%	30%
31	+1		Wolters Kluwer	Netherlands	Public	Sector Specific	31/12/09	324	7%	21%	-4%	9%
32	+6		NDS	UK	Private (PE)	Sector Specific	30/06/08	301	16%	27%	0%	49%
33	+3		Sopra	France	Public	Enterprise	31/12/09	298	11%	7%	-3%	27%
34	+1		Software AG	Germany	Public	Enterprise	31/12/09	296	8%	30%	2%	35%
35	+2		Check Point Software	Israel	Public	Security	31/12/09	291	13%	47%	-3%	44%
36	-11		Amdocs	USA	Public	Enterprise	30/09/09	284	-28%	20%	1%	14%
37	-14		Rockwell Automation	USA	Public	Industrial	30/09/09	275	-32%	11%	-6%	9%
38	+25		iSoft	UK	Public	Sector Specific	30/06/09	239	57%	25%	-2%	78%
39	+2		Sybase (being acquired by SAP)	USA	Public	Enterprise	31/12/09	238	-2%	33%	5%	28%
40	+4		Konami	Japan	Public	Entertainment	31/03/09	236	5%	23%	2%	13%
41	+32		Kaspersky Lab	UK	Private	Security	31/12/08	234	92%	24%	7%	87%
42	-2		Torex Retail	UK	Private (PE)	Sector Specific	30/06/09	230	-8%	44%	57%	100%
43	-13		THQ	USA	Public	Entertainment	31/03/09	226	-31%	25%	7%	38%
44	+17		CompuGroup	Germany	Public	Sector Specific	31/12/09	226	43%	21%	3%	77%
45	-		Cegid	France	Public	Finance / HR / ERP / CRM	31/12/09	217	0%	22%	0%	87%
46	+1		DATeV	Germany	Private	Sector Specific	31/12/08	217	6%	12%	0%	33%
47	-5		TietoEnator	Finland	Public	Finance / HR / ERP / CRM	31/12/09	213	-9%	9%	-2%	13%
48	-		Open Text	USA	Public	Enterprise	30/06/09	204	1%	26%	1%	36%
49	-10		PTC	USA	Public	Enterprise	30/09/09	204	-19%	11%	-8%	30%
50	-1		Bull	France	Public	Security	31/12/09	192	0%	4%	0%	17%
51	-5		Novell	USA	Public	Security	31/10/09	190	-9%	15%	6%	31%
52	+10		Mentor Graphics	USA	Public	Industrial	31/01/09	188	19%	4%	-11%	33%
53	-3		TIBCO Software	USA	Public	Enterprise	30/11/09	185	-1%	21%	3%	41%
54	+1		Visma	Norway	Private (PE)	Finance / HR / ERP / CRM	31/12/09	185	6%	20%	2%	48%
55	-1		Convergys	USA	Public	Enterprise	31/12/09	176	-2%	6%	-2%	9%
56	+9		Murex	France	Private	Sector Specific	30/09/08	175	16%	9%	-3%	80%
57	-6		Temenos	Switzerland	Public	Sector Specific	31/12/09	169	-9%	34%	10%	63%
58	-1		MICROS Systems	USA	Public	Sector Specific	30/06/09	162	-5%	19%	1%	25%
59	-7		msg systems	Germany	Private	Enterprise	31/12/08	162	-12%	15%	6%	100%
60	-17		Avid	USA	Public	Entertainment	31/12/09	160	-29%	-2%	0%	35%
61	+6		Zucchetti	Italy	Private	Finance / HR / ERP / CRM	31/12/08	158	10%	20%	-2%	100%
62	-4		Quest Software	USA	Public	Enterprise	31/12/09	157	-7%	22%	4%	31%
63	-10		TrendMicro	Japan	Public	Security	31/12/09	155	-16%	31%	-6%	21%
64	-8		Exact Holdings	Netherlands	Public	Finance / HR / ERP / CRM	31/12/09	153	-12%	23%	1%	66%
65	+3		Synopsys	USA	Public	Industrial	31/10/09	142	0%	23%	-1%	14%
66	-6		Symbian (owned by Nokia)	UK	Private (Subsidiary)	Sector Specific	31/12/08	141	-11%	4%	-18%	74%
67	-34		Take-Two Interactive	USA	Public	Entertainment	31/10/09	139	-54%	-10%	-20%	20%
68	-4		Progress Software	USA	Public	Enterprise	30/11/09	138	-9%	21%	14%	37%
69	-		ANSYS	USA	Public	Industrial	31/12/09	137	-3%	48%	2%	37%
70	-4		Compuware	USA	Public	Security	31/03/09	136	-9%	23%	3%	17%

Rank Change vs Previous		Primary Software				Latest Available Accounts	Estimated European Software-Led Revenues	YoY Revenue Growth	EBITDA Margin Pre-exceptionals	YoY EBITDA Margin %opt	European Software as % of Total Revenues
Rank	Year	Business Name	Country	Ownership	Application	(FY Ending)	(€m)	(%)	(%)	Change	
71	-12	Cadence Design Systems	USA	Public	Industrial	03/01/10	136	-18%	-4%	-1%	22%
72	+10	Fidessa	UK	Public	Sector Specific	31/12/09	135	26%	26%	1%	50%
73	-1	Xchanging	UK	Public	Sector Specific	31/12/09	134	10%	13%	1%	15%
74	+9	IRIS	UK	Private (PE)	Finance / HR / ERP / CRM	30/04/09	129	n/a	36%	n/a	100%
75	-5	Linedata Services	France	Public	Sector Specific	31/12/08	127	-4%	14%	-5%	79%
76	+13	Salesforce.com	USA	Public	Finance / HR / ERP / CRM	31/01/09	125	51%	9%	3%	16%
77	+1	Misys	UK	Public	Sector Specific	31/05/09	123	7%	27%	8%	16%
78	-7	Digia	Finland	Public	Enterprise	31/12/09	120	-2%	17%	2%	100%
79	+1	Namco Bandai Games	Japan	Public	Entertainment	31/03/09	113	0%	11%	0%	3%
80	-5	IBS AB	Sweden	Public	Enterprise	31/12/09	109	-9%	12%	5%	64%
81	-	Integralis	Germany	Public	Security	31/12/09	108	-3%	-1%	-6%	62%
82	-5	Nemetschek	Germany	Public	Industrial	31/12/00	106	-10%	22%	2%	78%
83	-7	Lawson	USA	Public	Enterprise	31/05/09	102	-14%	15%	2%	19%
84	+4	F-Secure	Finland	Public	Security	31/12/09	101	10%	22%	-2%	81%
85	-11	ACI Worldwide	USA	Public	Finance / HR / ERP / CRM	31/12/09	99	-19%	15%	3%	34%
86	+6	Autonomy Group	UK	Public	Enterprise	31/12/09	98	24%	55%	7%	19%
87	-	PSI AG	Germany	Public	Industrial	31/12/09	97	4%	8%	1%	66%
88	-9	National Instruments	USA	Public	Industrial	31/12/09	96	-15%	13%	-4%	20%
89	-3	SimCorp	Denmark	Public	Sector Specific	31/12/09	95	1%	24%	0%	53%
90	+3	TeamSystem	Italy	Private (PE)	Sector Specific	31/12/07	90	14%	42%	1%	100%
91	+7	SSP	UK	Private (PE)	Sector Specific	31/03/09	86	19%	23%	0%	100%
92	+4	Informatica	USA	Public	Enterprise	31/12/09	85	12%	23%	4%	24%
93	-2	MicroStrategy	USA	Public	Finance / HR / ERP / CRM	31/12/09	85	4%	25%	5%	31%
94	+7	Red Hat	USA	Public	Enterprise	28/02/09	85	23%	19%	-1%	18%
95	+11	GFI Informatique	France	Public	Enterprise	31/12/08	84	40%	7%	0%	11%
96	-2	Kofax	UK	Public	Enterprise	30/06/09	83	9%	9%	-5%	40%
97	-7	Aareon	Germany	Private	Sector Specific	31/12/08	82	-1%	20%	3%	54%
98	-3	IFS	Sweden	Public	Enterprise	31/12/09	78	3%	14%	0%	32%
99	+3	Micro Focus	UK	Public	Enterprise	30/04/09	78	18%	44%	4%	39%
100	+3	Websense	USA	Public	Enterprise	31/12/09	78	19%	17%	7%	35%
101	-17	Sega Sammy Holdings	Japan	Public	Entertainment	31/03/09	77	-25%	8%	-1%	2%
102	-3	Sophis	France	Private (PE)	Sector Specific	31/12/08	77	7%	47%	-4%	100%
103	+9	Sophos	UK	Private (PE)	Security	31/03/09	71	46%	-1%	-1%	51%
104	+10	Sword	France	Public	Sector Specific	31/12/08	71	73%	20%	2%	34%
105	+3	Intec Telecom Systems	UK	Public	Enterprise	30/09/09	64	9%	18%	4%	34%
106	-9	BrainLab	Germany	Private	Sector Specific	30/09/08	64	-15%	3%	-2%	40%
107	+3	Playtech	UK	Public	Entertainment	31/12/09	62	15%	62%	-5%	54%
108	+1	Nuance	USA	Public	Enterprise	30/09/09	62	8%	15%	3%	9%
109	-24	DST Systems	USA	Public	Sector Specific	31/12/09	59	-42%	25%	-3%	5%
110	+1	Corel	Canada	Public	Enterprise	30/11/08	57	9%	21%	3%	30%
111	-11	Intuit	USA	Public	Finance / HR / ERP / CRM	31/07/09	57	-18%	30%	2%	2%
112	-8	Avanquest	France	Public	Enterprise	31/03/09	56	-9%	1%	1%	54%
113	-8	Aspen Technology	USA	Public	Sector Specific	30/06/09	54	-11%	16%	4%	22%
114	-7	Anite	UK	Public	Enterprise	30/04/09	54	-11%	26%	-1%	53%
115	-2	JDA Software	USA	Public	Enterprise	31/12/08	45	3%	24%	2%	16%
116	+1	Atari SA	France	Public	Entertainment	30/09/09	42	14%	-45%	10%	31%
117	-2	QAD	USA	Public	Sector Specific	31/01/09	42	n/a	1%	n/a	22%
118	+4	Orc Software	Sweden	Private	Sector Specific	31/12/09	37	18%	34%	17%	56%
119	-3	Epicor	USA	Public	Finance / HR / ERP / CRM	31/12/09	37	-10%	16%	2%	12%
120	-2	Serena Software	USA	Public	Finance / HR / ERP / CRM	30/06/09	34	-2%	34%	5%	18%
121	-1	Mamut	Norway	Public	Enterprise	31/12/09	34	0%	17%	1%	59%
122	-1	IDOX	UK	Public	Finance / HR / ERP / CRM	31/10/09	32	-4%	23%	-2%	88%
123	+1	Aveva	UK	Public	Sector Specific	31/03/09	29	21%	37%	0%	16%
124	New Entrant	SDL	UK	Public	Enterprise	31/12/08	29	61%	17%	1%	16%
125	-2	Enea	Sweden	Public	Enterprise	31/12/09	28	-10%	8%	-3%	38%

METHODOLOGY

Our Software Index includes the largest 100 European Software providers (by revenue). In a world where the line between Software, Services, and Solutions is increasingly blurred, we have included only companies which sell their own software IP, either standalone or as a key part of a wider IT/hardware solution.

Revenue and EBITDA figures relate to the most

recent year of publicly available accounts, with YoY changes relative to the previous full year where available.

Where not quoted in available accounts, European software revenues were estimated based on a scaling of total revenues using a combination of:

- (i) European (or closest classification eg EMEA) share of worldwide revenues
- (ii) Software and software related services share of worldwide revenues

Where it has not been possible to split out the software revenues from a more broadly based company, they have been excluded from our analysis.

Exceptional Items have been excluded from profitability (EBITDA) figures where possible, as these are one-off P&L items which are not reflective of the firms underlying performance, such as restructuring costs and impairment of goodwill.

ABOUT OC&C

OC&C Strategy Consultants is a global consulting firm with extensive expertise in the Technology and Software sector. Over recent years we have worked with numerous software industry participants and investors in the sector.

Our clients include not only many of the leading European and Global Software Players, but a wide range of major Systems Integrators, IT Services Players, Hardware OEMs, Component Manufacturers and support services including EMS and ODM. We advise on group-level and business unit strategy, profit improvement and a range of transaction support including Commercial Due Diligence.

OC&C Offices



Abu Dhabi
Boston
Dubai
Dusseldorf
Hamburg
Hong Kong
London
Mumbai
New Delhi
New York
Paris
Rotterdam
Shanghai

We intend to continue publishing on key issues facing the software industry, including the rise of SaaS, the shift in balance between national champions and major international players, the convergence of software and information services and other topics.

If you would like to contact OC&C regarding this document or on other issues facing the industry or your organisation please contact technology@ocstrategy.com.

ABOUT ROTHSCHILD

Rothschild is a worldwide financial advisory firm which is family controlled and independent. Rothschild Global Financial Advisory provides impartial, expert advisory and execution services to corporations, governments, institutions and individuals.

Senior bankers lead every assignment from start to finish, so all clients benefit from our collective intellectual capital, specialist expertise and wealth of experience.

Today, with over 1,000 advisors based in 40 countries around the world, our scale, reach and local knowledge enable us to develop relationships and deliver effective

solutions to support our clients wherever their business takes them.

We deliver more transactions than any other adviser, while remaining only as good as our last assignment. This has been true for more than 200 years; and it is why we are the leaders in financial advice, worldwide.

