



Software AG

Financial Information

Q3 / 2016

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(unaudited)

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KEY FIGURES as of September 30, 2016 (IFRS, unaudited)

in EUR millions (unless otherwise stated)	9M 2016	9M 2015	Change in %	Q3 2016	Q3 2015	Change in %
<i>Revenue</i>	607,9	615,6	-1%	198,3	215,9	-8%
Products	461,5	473,3	-2%	150,9	169,9	-11%
Services	145,3	141,7	3%	47,1	45,7	3%
Other	1,1	0,6		0,3	0,3	
<i>Business Line</i>						
Digital Business Platform	297,0	294,0	1%	101,9	103,2	-1%
Adabas & Natural	165,1	179,8	-8%	49,1	66,9	-27%
Consulting	145,8	141,8	3%	47,3	45,8	3%
EBIT*	138,8	129,3	7%	50,1	66,8	-25%
as % of revenue	22,8%	21,0%		25,3%	30,9%	
Net income	90,1	83,4	8%	32,5	44,8	-27%
as % of revenue	14,8%	13,5%		16,4%	20,8%	
EPS € basic [diluted]	1,18 [1,18]	1,06 [1,06]	12% [12%]	0,43 [0,43]	0,57 [0,57]	-25% [-25%]
Free cash flow	145,4	128,8	13%	31,1	22,6	38%
Employees (Full-time equivalents)	4.435	4.384				
of which in Germany	1.144	1.176				
R&D	1.076	992				
Balance sheet	Sep. 30, 2016	Dec. 31, 2015				
Total assets	1.800,2	1.814,8				
Cash and cash equivalents	349,0	300,6				
Net cash / (Net debt)	78,1	-25,7				
Shareholders' equity	1.114,6	1.089,7				
as % of total assets	61,9%	60,0%				

*EBIT: Net income + Income taxes + other taxes + financial expense, net

CONSOLIDATED INCOME STATEMENT for the nine months ended September 30, 2016 and for the third quarter 2016 (IFRS, unaudited)

in EUR thousands	9M 2016	9M 2015	Change in %	Q3 2016	Q3 2015	Change in %
Licenses	155.515	168.950	-8%	46.871	68.897	-32%
Maintenance	305.981	304.328	1%	103.986	101.002	3%
Services	145.332	141.705	3%	47.083	45.736	3%
Other	1.061	575	85%	360	236	53%
Total revenue	607.889	615.558	-1%	198.300	215.871	-8%
Costs of sales	-157.522	-157.857	0%	-47.007	-49.034	-4%
Gross profit	450.367	457.701	-2%	151.293	166.837	-9%
Research and development expenses	-82.566	-79.350	4%	-27.676	-25.123	10%
Sales, marketing and distribution expenses	-170.640	-197.529	-14%	-50.663	-63.062	-20%
General and administrative expenses	-56.442	-50.079	13%	-18.101	-11.135	63%
Other taxes	-3.925	-4.449	-12%	-1.056	-1.548	-32%
Operating earnings	136.794	126.294	8%	53.797	65.969	-18%
Other income / expenses, net	-1.955	-1.408		-4.748	-695	
Financing expenses, net	-2.523	-2.793	-10%	-1.976	-354	458%
Earnings before income taxes	132.316	122.093	8%	47.073	64.920	-27%
Income taxes	-42.175	-38.657	9%	-14.596	-20.125	-27%
Net income	90.141	83.436	8%	32.477	44.795	-27%
Thereof attributable to shareholders of Software AG	89.992	83.269	8%	32.445	44.720	-27%
Thereof attributable to non-controlling interests	149	167		32	75	
Earnings per share (EUR, basic)	1,18	1,06	12%	0,43	0,57	-25%
Earnings per share (EUR, diluted)	1,18	1,06	12%	0,43	0,57	-25%
Weighted average number of shares outstanding (basic)	76.231.631	78.816.237	-	76.231.631	78.611.023	-
Weighted average number of shares outstanding (diluted)	76.254.063	78.885.704	-	76.257.133	78.715.932	-

CONSOLIDATED BALANCE SHEET as of September 30, 2016 (IFRS, unaudited)

ASSETS (in EUR thousands)	Sep. 30, 2016	Dec. 31, 2015
Current assets		
Cash and cash equivalents	348.951	300.567
Other financial assets	15.335	11.840
Trade receivables and other receivables	189.287	232.576
Other non-financial assets	16.684	14.794
Income tax receivables	21.480	24.406
	591.737	584.183
Non-current assets		
Intangible assets	137.212	157.438
Goodwill	894.746	899.954
Property, plant and equipment	57.530	56.221
Other financial assets	42.128	24.547
Trade receivables and other receivables	58.095	75.090
Other non-financial assets	289	82
Income tax receivables	6.315	6.215
Deferred tax receivables	12.184	11.039
	1.208.499	1.230.586
Total Assets:	1.800.236	1.814.769
EQUITY AND LIABILITIES (in EUR thousands)		
Current liabilities		
Financial liabilities	70.782	113.033
Trade payables and other liabilities	31.915	33.016
Other non-financial liabilities	89.440	112.932
Other provisions	55.838	28.329
Income tax liabilities	26.148	28.626
Deferred income	135.485	123.606
	409.608	439.542
Non-current liabilities		
Financial liabilities	200.061	213.247
Trade payables and other liabilities	0	90
Other non-financial liabilities	1.580	1.719
Other provisions	22.515	17.897
Provisions for pensions and similar obligations	33.673	35.644
Deferred tax liabilities	9.002	16.723
Deferred income	9.182	178
	276.013	285.498
Equity		
Share capital	79.000	79.000
Capital reserves	23.682	40.504
Retained earnings	1.095.210	1.047.145
Other reserves	-12.179	-5.808
Treasury shares	-71.596	-71.596
Attributable to shareholders of Software AG	1.114.117	1.089.245
Non-controlling interests	498	484
	1.114.615	1.089.729
Total Equity and Liabilities:	1.800.236	1.814.769

CONSOLIDATED STATEMENT OF CASH FLOWS for the nine months ended September 30, 2016 and for the third quarter 2016 (IFRS, unaudited)

in EUR thousands	9M 2016	9M 2015	Q3 2016	Q3 2015
Net income	90.141	83.436	32.477	44.795
Income taxes	42.175	38.657	14.596	20.125
Net financial income/expense	2.523	2.793	1.976	354
Amortization/depreciation of non-current assets	30.014	37.957	10.077	11.500
Payments for the settlement of share based payment rights with a choice of settlement	-16.320	0	-8.029	0
Other non-cash income/expense	-12.854	-8.890	-8.301	-15.432
Operating cash flow before changes in working capital	135.679	153.953	42.796	61.342
Changes in receivables and other assets	41.912	34.131	14.934	-5.427
Changes in payables and other liabilities	34.128	2.012	2.648	-8.779
Income taxes paid/received	-50.695	-45.901	-18.858	-15.428
Interest paid	-10.866	-10.195	-7.162	-5.702
Interest received	7.086	5.944	2.611	2.161
Net cash provided by operating activities	157.244	139.944	36.969	28.167
Proceeds from the sale of property, plant and equipment/intangible assets	336	2.388	114	0
Purchase of property, plant and equipment/intangible assets	-8.582	-9.174	-3.780	-3.198
Proceeds from the sale of non-current financial assets	1.425	144	10	6
Purchase of non-current financial assets	-5.042	-4.503	-2.213	-2.373
Proceeds from the sale of current financial assets	16.818	49.232	1.801	25.011
Purchase of current financial assets	-16.951	-3	-48	0
Proceeds/payments from the sale of disposal groups	0	-1.000	0	0
Payment for acquisitions, net	-11.546	0	-11.133	0
Net cash used in investing activities	-23.542	37.084	-15.249	19.446
Repurchase of treasury shares (including option premiums paid)	0	-16.291	0	-16.291
Use of treasury shares	0	466	0	466
Dividends paid	-42.105	-39.633	-178	-174
New financial liabilities	78.624	6.170	280	1.323
Repayment of financial liabilities	-122.432	-106.201	-117.785	-103.245
Acquisition of non controlling interest	-460	-500	0	-500
Net cash provided by/used in financing activities	-86.373	-155.989	-117.683	-118.421
Change in cash and cash equivalents from cash relevant transactions	47.329	21.039	-95.963	-70.808
Currency translation adjustment	1.055	-2.480	-43	-16.173
Net change in cash and cash equivalents	48.384	18.559	-96.006	-86.981
Cash and cash equivalents at the beginning of the period	300.567	318.396	444.957	423.936
Cash and cash equivalents at the end of the period	348.951	336.955	348.951	336.955
Free Cash Flow	145.381	128.799	31.100	22.602

SEGMENT REPORT for the nine months ended September 30, 2016 (IFRS, unaudited)

in EUR thousands	Adabas & Natural		Digital Business Platform		Consulting		Reconciliation		TOTAL	
	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015	9M 2016	9M 2015
Licenses	47.360	59.456	108.155	109.494	0	0			155.515	168.950
Maintenance	117.195	119.893	188.786	184.435	0	0			305.981	304.328
Product revenue	164.555	179.349	296.941	293.929	0	0			461.496	473.278
Services	0	0	0	2	145.332	141.703			145.332	141.705
Other	520	445	35	8	506	122			1.061	575
Total revenue	165.075	179.794	296.976	293.939	145.838	141.825			607.889	615.558
Cost of sales	-8.570	-10.037	-22.067	-20.996	-118.477	-112.913	-8.408	-13.911	-157.522	-157.857
Gross profit	156.505	169.757	274.909	272.943	27.361	28.912	-8.408	-13.911	450.367	457.701
Sales, Marketing & Distribution expenses	-24.177	-24.981	-120.306	-144.630	-12.811	-14.215	-13.346	-13.703	-170.640	-197.529
Segment contribution	132.328	144.776	154.603	128.313	14.550	14.697	-21.754	-27.614	279.727	260.172
Research and development expenses	-16.393	-15.377	-66.173	-63.973	0	0	0	0	-82.566	-79.350
Segment earnings	115.935	129.399	88.430	64.340	14.550	14.697	-21.754	-27.614	197.161	180.822
General and administrative expenses									-56.442	-50.079
Other taxes									-3.925	-4.449
Operating earnings									136.794	126.294
Other operating income/expenses, net									-1.955	-1.408
Net financial income/expenses									-2.523	-2.793
Earnings before income taxes									132.316	122.093
Income Taxes									-42.175	-38.657
Net income									90.141	83.436

SEGMENT REPORT for the third quarter 2016 (IFRS, unaudited)

in EUR thousands	Adabas & Natural		Digital Business Platform		Consulting		Reconciliation		TOTAL	
	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015	Q3 2016	Q3 2015
Licenses	9.325	27.507	37.546	41.390	0	0			46.871	68.897
Maintenance	39.615	39.240	64.371	61.762	0	0			103.986	101.002
Product revenue	48.940	66.747	101.917	103.152	0	0			150.857	169.899
Services	0	0	0	0	47.083	45.736			47.083	45.736
Other	173	154	13	1	174	81			360	236
Total revenue	49.113	66.901	101.930	103.153	47.257	45.817			198.300	215.871
Cost of sales	-2.397	-3.374	-6.702	-7.435	-35.079	-34.327	-2.829	-3.898	-47.007	-49.034
Gross profit	46.716	63.527	95.228	95.718	12.178	11.490	-2.829	-3.898	151.293	166.837
Sales, Marketing & Distribution expenses	-5.193	-7.939	-36.794	-46.222	-4.207	-4.397	-4.469	-4.504	-50.663	-63.062
Segment contribution	41.523	55.588	58.434	49.496	7.971	7.093	-7.298	-8.402	100.630	103.775
Research and development expenses	-5.344	-4.606	-22.332	-20.517	0	0	0	0	-27.676	-25.123
Segment earnings	36.179	50.982	36.102	28.979	7.971	7.093	-7.298	-8.402	72.954	78.652
General and administrative expenses									-18.101	-11.135
Other taxes									-1.056	-1.548
Operating earnings									53.797	65.969
Other operating income/expenses, net									-4.748	-695
Net financial income/expenses									-1.976	-354
Earnings before income taxes									47.073	64.920
Income Taxes									-14.596	-20.125
Net income									32.477	44.795

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY for the nine months ended September 30, 2016 (IFRS, unaudited)

in EUR thousands												
	Share capital		Capital reserves	Retained earnings	Other reserves				Treasury shares	Attributable to shareholders of Software AG	Non-controlling interests	Total
	Common shares outstanding (no.)				Currency translation differences from foreign operations	Net gain/loss on remeasuring financial assets	Net actuarial gain/loss on pension obligations	Currency translation gain/loss from net investments in foreign operations				
Equity as of January 1, 2015	78.918.844	86.944	43.195	1.161.411	-32.299	-1.365	-27.308	6.437	-224.466	1.012.549	831	1.013.380
Total comprehensive income				83.269	22.240	1.709	0	3.082		110.300	167	110.467
Transactions with shareholders												0
Dividend payment				-39.459						-39.459	-174	-39.633
Stock options			-3.287							-3.287		-3.287
Issue and use of treasury shares	19.300	-7.944		-214.252					222.736	540		540
Purchase of treasury shares (including option premiums paid)	-634.943								-16.291	-16.291		-16.291
Other changes										0		0
Transactions between shareholders			-167							-167	-333	-500
Equity as of September 30, 2015	78.303.201	79.000	39.741	990.969	-10.059	344	-27.308	9.519	-18.021	1.064.185	491	1.064.676
Equity as of January 1, 2016	76.231.631	79.000	40.504	1.047.145	9.628	571	-26.684	10.677	-71.596	1.089.245	484	1.089.729
Total comprehensive income				89.992	-9.421	3.423	635	-1.008		83.621	149	83.770
Transactions with shareholders												0
Dividend payment				-41.927						-41.927	-178	-42.105
Stock options			-16.319							-16.319		-16.319
Other changes										0		0
Transactions between shareholders			-503							-503	43	-460
Equity as of September 30, 2016	76.231.631	79.000	23.682	1.095.210	207	3.994	-26.049	9.669	-71.596	1.114.117	498	1.114.615

STATEMENT OF COMPREHENSIVE INCOME for the nine months ended **September 30, 2016** (IFRS, unaudited)

in EUR thousands	9M 2016	9M 2015	Q3 2016	Q3 2015
Net income	90.141	83.436	32.477	44.795
Currency translation differences from foreign operations	-9.421	22.240	-1.882	-27.460
Net gain/loss on remeasuring financial assets	3.423	1.709	1.859	310
Currency translation gain/loss from net investments in foreign operations	-1.008	3.082	-213	-50
Items to be reclassified to the income statement if certain conditions are met	-7.006	27.031	-236	-27.200
Net actuarial gain/loss on pension obligations	635	0	846	0
Items not to be reclassified to the income statement	635	0	846	0
Other comprehensive income	-6.371	27.031	610	-27.200
Total comprehensive income	83.770	110.467	33.087	17.595
Thereof attributable to shareholders of Software AG	83.621	110.300	33.055	17.520
Thereof attributable to non-controlling interests	149	167	32	75

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