

## Q3 / 9M 2016 QUARTERLY STATEMENT

### Software AG Confirms 2016 Outlook

#### Revenue

- **Licenses:** Revenue down 8 percent to €155.5 million
- **Products:** Revenue down 2 percent at €461.5 million
- **Total revenue:** On par with last year at €607.9 million (-1 percent)

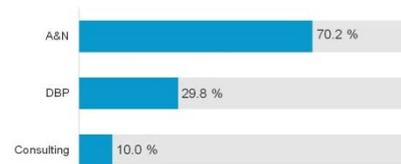
**607.9**  
MILLION EURO  
**REVENUE**



#### Segments

- **Adabas & Natural:** €165.1 million in revenue and 70.2 percent segment margin
- **Digital Business Platform:** €297.0 million in revenue and 29.8 percent segment margin
- **Consulting:** €145.8 million in revenue and 10.0 percent segment margin

#### SEGMENT MARGIN



#### Earnings

- **EBIT:** Up 7 percent to €138.8 million
- **Operating income:** Up 9 percent to €181.8 million
- **Operating profit margin (EBITA, non-IFRS):** 29.9 percent, increase of 280 basis points

**29.9%**  
OPERATING PROFIT  
**MARGIN**



#### Management's Assessment of Nine-Month Results

The Internet of Things (IoT) and Industry 4.0 will be essential growth-drivers in the future for Software AG. New strategic partnerships and the current pipeline as well as the growing market relevance of Software AG's Digital Business Platform confirm this. We gained a great deal of momentum with this business in Germany and the USA during the first nine months of 2016. Our Digital Business Platform (DBP) is a long-term solution that helps customers strategically align their business model with the opportunities of the Digital Transformation and sustainable success.

Our market relevance is illustrated by our recently signed strategic partnerships with industry-leading corporations like Bosch. We are focusing on establishing long-term partnerships with large strategic customers. Preparation of these agreements takes place over a time span of several quarters. As part of this process we place greater weight on mutual agreement with our customers about the value Software AG products can deliver than on the timing of closing a deal.

We benefit from a very high degree of loyalty among our Adabas & Natural (A&N) customers. This was clearly reflected in the early renewal of contracts in the first half of the year—a direct result of our A&N 2050 plan announcement. Following an exceptionally strong first half of the year, A&N licenses showed curbed performance in the third quarter, as expected. All in all, results in the first nine months of the year were within the forecast range for fiscal 2016.

The Consulting segment performed well with 3 percent growth. Our Global Consulting Services (GCS) serve increasingly as a market enabler for our products in that they offer our customers groundbreaking strategic added value. Our focus in this business line continues to be on profitability.

Software AG's operating profit margin (EBITA, non-IFRS) for the first nine months of the year was 29.9 percent, which is an increase of 280 basis points year-on-year. Free cash flow for the first nine months of 2016 hit a new record at €145.4 million (2015: €128.8 million). These key performance indicators confirm our outlook and optimism for meeting our targets for fiscal 2016.

## 2016 Outlook

Based on current business development and projections for the fourth quarter, Software AG confirms its outlook, which was raised after the first half of 2016. Software AG expects its operating profit margin (EBITA, non-IFRS) for fiscal 2016 to be between 30.5 and 31.5 percent (29.9 percent as of Sept. 30). The forecast for product revenue growth in the Digital Business Platform (DBP) line for fiscal 2016 remains unchanged at 5 to 10 percent at constant currency (3 percent as of Sept. 30). Based on Adabas & Natural deals expected to close late in the year, Software AG foresees a decline in product revenue for the database business between 2 and 6 percent at constant currency and year-on-year (5 percent as of Sept. 30).

| <b>2016 Outlook</b>                            | <b>FY 2015</b><br>(in € millions) | <b>FY 2016 Outlook</b><br><b>confirmed</b><br>(as of July 13, 2016) | <b>9 Months 2016</b> |
|--|-----------------------------------|---|----------------------|
| Product revenue<br>Digital Business Platform   | 431.5                             | +5% to +10%*  | +3%*                 |
| Product revenue<br>Adabas & Natural            | 247.3                             | -2% to -6%*   | -5%*                 |
| Operating profit margin<br>(EBITA, non-IFRS)** | 29.7%                             | 30.5% to 31.5%  | 29.9%                |

\* At constant currency

\*\* Before adjusting for non-operating factors (see non-IFRS results)

## Key Figures as of September 30, 2016

(IFRS, unaudited)

| in €millions (unless otherwise stated)   | 9 Months 2016        | 9 Months 2015        | Δ as %     |
|--|----------------------|----------------------|------------|
| <b>Revenue</b>                           | <b>607.9</b>         | <b>615.6</b>         | <b>-1%</b> |
| <b>By Type</b>                           |                      |                      |            |
| Products                                 | 461.5                | 473.3                | -2%        |
| Services                                 | 145.3                | 141.7                | 3%         |
| Other                                    | 1.1                  | 0.6                  |            |
| <b>By Revenue Line</b>                   |                      |                      |            |
| Digital Business Platform                | 297.0                | 294.0                | 1%         |
| Adabas & Natural                         | 165.1                | 179.8                | -8%        |
| Consulting                               | 145.8                | 141.8                | 3%         |
| <b>EBIT*</b>                             | <b>138.8</b>         | <b>129.3</b>         | <b>7%</b>  |
| as % of revenue                          | 22.8%                | 21.0%                |            |
| <b>Net income</b>                        | <b>90.1</b>          | <b>83.4</b>          | <b>8%</b>  |
| as % of revenue                          | 14.8%                | 13.5%                |            |
| Earnings per share (€, basic)            | 1.18                 | 1.06                 | 12%        |
| Earnings per share (€, diluted)          | 1.18                 | 1.06                 | 12%        |
| Free cash flow                           | 145.4                | 128.8                | 13%        |
| <b>Employees (Full-time equivalents)</b> | <b>4,435</b>         | <b>4,384</b>         |            |
| of which in Germany                      | 1,144                | 1,176                |            |
| of which in R&D                          | 1,076                | 992                  |            |
| <b>Balance sheet</b>                     | <b>Sep. 30, 2016</b> | <b>Dec. 31, 2015</b> |            |
| 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

## Key Developments in the Third Quarter

**Digital Business Platform (DBP):** The focus of Software AG's Digital Business Platform business line is on strategic partnerships and large deals valued over €1 million. Through these partnerships, Software AG guides its customers during the transformation of their business models into the new digital world to ensure sustainable success in their respective markets. We both prepared and entered multiple new strategic partnerships in the high-growth IoT business with big-name, market-leading companies in the third quarter. However, a number of these large-scale deals were not signed until just after September 30. A sales-related focus on the third quarter, consisting of the period until October 11, is therefore more indicative of Software AG's most recent progress.

Taking into account the new successfully signed partnerships produces a positive overall picture:

### DBP License Revenue / Sales Performance

| in € millions | IFRS (unaudited) |         | Sales Performance (pro forma)    |                                  |        |                                   |
|---------------|------------------|---------|----------------------------------|----------------------------------|--------|-----------------------------------|
|               | Q3 2016          | Q3 2015 | July 1 until<br>Oct. 11,<br>2016 | July 1 until<br>Oct. 11,<br>2015 | Δ as % | Δ as %<br>at constant<br>currency |
| DBP Licenses  | 37.5             | 41.4    | 44.7                             | 41.7                             | +7%    | +8%                               |

**Adabas&Natural (A&N):** Software AG's announcement of its A&N 2050 plan resulted in early contract renewals in the first half of the year. License revenue in the amount of €9.3 million (2015: €27.5 million) in the third quarter was modest as expected, particularly after the extremely strong first quarter (license revenue +79% at constant currency) and the good second quarter. Maintenance revenue was €39.6 million (2015: €39.2 million), illustrating very solid performance—a trend we have been observing for two years confirming customer loyalty.

**Consulting:** Revenue in the Consulting segment continued to grow, up 3 percent to €47.3 million (2015: €45.8 million). The segment's profit margin was excellent at 16.9 percent (2015: 15.5 percent) in the third quarter of 2016.

**Margin:** Operating expenses continued to fall in the third quarter. In particular, sales optimization measures taken in the third quarter of 2015 produced positive effects. A special one-time charge due to a lawsuit in the USA had a negative impact on IFRS earnings. A court of appeals reaffirmed the original court decision in favor of compensation of damages in the amount of \$15 million. Increasing the necessary provisions by €5.4 million to \$15 million reduced Software AG's third-quarter EBIT (IFRS). This special effect was eliminated as a special charge in the calculation of the operating profit margin (EBITA, non-IFRS).

Software AG posted an excellent operating profit margin for the third quarter at 33.7 percent (2015: 32.5 percent). The company's operating income for the first nine months of 2016 was thus €181.8 million, a 9 percent increase. Accordingly, the nine-month margin rose from 27.1 percent (2015) to 29.9 percent.

Free cash flow performed very well in the third quarter, increasing 38 percent to €31.1 million (2015: €22.6 million). This resulted in free cash flow growth of 13 percent for the nine-month reporting period, a record-breaking high.

## Consolidated Income Statement for the 9 Months Ended September 30, 2016

(IFRS, unaudited)

| in € thousands   | 9M 2016        | 9M 2015        | Δ as %     |
|--|----------------|----------------|------------|
| Licenses   | 155,515        | 168,950        | -8%        |
| Maintenance  | 305,981        | 304,328        | 1%         |
| Services   | 145,332        | 141,705        | 3%         |
| Other  | 1,061          | 575            | 85%        |
| <b>Total revenue</b>                                       | <b>607,889</b> | <b>615,558</b> | <b>-1%</b> |
| Costs of sales   | -157,522       | -157,857       | 0%         |
| <b>Gross profit</b>  | <b>450,367</b> | <b>457,701</b> | <b>-2%</b> |
| Research and development expenses                          | -82,566        | -79,350        | 4%         |
| Sales, marketing and distribution expenses                 | -170,640       | -197,529       | -14%       |
| General and administrative expenses                        | -56,442        | -50,079        | 13%        |
| Other taxes  | -3,925         | -4,449         | -12%       |
| <b>Operating earnings</b>                                  | <b>136,794</b> | <b>126,294</b> | <b>8%</b>  |
| Other income / expenses, net                               | -1,955         | -1,408         |            |
| Financing expenses, net                                    | -2,523         | -2,793         | -10%       |
| <b>Earnings before income taxes</b>                        | <b>132,316</b> | <b>122,093</b> | <b>8%</b>  |
| Income taxes   | -42,175        | -38,657        | 9%         |
| <b>Net income</b>  | <b>90,141</b>  | <b>83,436</b>  | <b>8%</b>  |
| <b>Thereof attributable to shareholders of Software AG</b> | <b>89,992</b>  | <b>83,269</b>  | <b>8%</b>  |
| <b>Thereof attributable to non-controlling interests</b>   | <b>149</b>     | <b>167</b>     |            |
| Earnings per share (EUR, basic)                            | 1.18           | 1.06           | 12%        |
| Earnings per share (EUR, diluted)                          | 1.18           | 1.06           | 12%        |
| Weighted average number of shares outstanding (basic)      | 76,231,631     | 78,816,237     |            |
| Weighted average number of shares outstanding (diluted)    | 76,254,063     | 78,885,704     |            |

## Consolidated Balance Sheet as of September 30, 2016

(IFRS, unaudited)

| Assets (in € thousands)                            | Sep. 30, 2016    | Dec. 31, 2015    |
|--|------------------|------------------|
| <b>Current assets</b>                              | <b>591,737</b>   | <b>584,183</b>   |
| Cash and cash equivalents                          | 348,951          | 300,567          |
| Other financial assets                             | 15,335           | 11,840           |
| Trade and other receivables                        | 189,287          | 232,576          |
| Other non-financial assets                         | 16,684           | 14,794           |
| Income tax receivables                             | 21,480           | 24,406           |
| <b>Non-current assets</b>                          | <b>1,208,499</b> | <b>1,230,586</b> |
| 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 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           |
| <b>Total Assets</b>                                | <b>1,800,236</b> | <b>1,814,769</b> |
|  |                  |                  |
| Equity and Liabilities (in € thousands)            | Sep. 30, 2016    | Dec. 31, 2015    |
| <b>Current liabilities</b>                         | <b>409,608</b>   | <b>439,542</b>   |
| 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          |
| <b>Non-current liabilities</b>                     | <b>276,013</b>   | <b>285,498</b>   |
| 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              |
| <b>Equity</b>                                      | <b>1,114,615</b> | <b>1,089,729</b> |
| 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          |
| <b>Attributable to shareholders of Software AG</b> | <b>1,114,117</b> | <b>1,089,245</b> |
| <b>Non-controlling interests</b>                   | <b>498</b>       | <b>484</b>       |
| <b>Total Equity and Liabilities</b>                | <b>1,800,236</b> | <b>1,814,769</b> |

## Consolidated Statement of Cash Flows for the 9 Months Ended September 30, 2016

(IFRS, unaudited)

| in € thousands  | 9M 2016        | 9M 2015         |
|---|----------------|-----------------|
| Net income  | 90,141         | 83,436          |
| Income taxes  | 42,175         | 38,657          |
| Net financial income/expense  | 2,523          | 2,793           |
| Amortization/depreciation of non-current assets                                       | 30,014         | 37,957          |
| Payments for the settlement of share based payment rights with a choice of settlement | -16,320        | 0               |
| Other non-cash income/expense   | -12,854        | -8,890          |
| <b>Operating cash flow before changes in working capital</b>                          | <b>135,679</b> | <b>153,953</b>  |
| Changes in receivables and other assets   | 41,912         | 34,131          |
| Changes in payables and other liabilities   | 34,128         | 2,012           |
| Income taxes paid/received  | -50,695        | -45,901         |
| Interest paid   | -10,866        | -10,195         |
| Interest received   | 7,086          | 5,944           |
| <b>Net cash provided by operating activities</b>                                      | <b>157,244</b> | <b>139,944</b>  |
| Proceeds from the sale of property, plant and equipment/intangible assets             | 336            | 2,388           |
| Purchase of property, plant and equipment/intangible assets                           | -8,582         | -9,174          |
| Proceeds from the sale of non-current financial assets                                | 1,425          | 144             |
| Purchase of non-current financial assets  | -5,042         | -4,503          |
| Proceeds from the sale of current financial assets                                    | 16,818         | 49,232          |
| Purchase of current financial assets  | -16,951        | -3              |
| Proceeds/payments from the sale of disposal groups                                    | 0              | -1,000          |
| Payment for acquisitions, net   | -11,546        | 0               |
| <b>Net cash used in investing activities</b>  | <b>-23,542</b> | <b>37,084</b>   |
| Repurchase of treasury shares (including option premiums paid)                        | 0              | -16,291         |
| Use of treasury shares  | 0              | 466             |
| Dividends paid  | -42,105        | -39,633         |
| Additions to financial liabilities  | 78,624         | 6,170           |
| Repayment of financial liabilities  | -122,432       | -106,201        |
| Acquisition of non-controlling interest   | -460           | -500            |
| <b>Net cash provided by/used in financing activities</b>                              | <b>-86,373</b> | <b>-155,989</b> |
| Change in cash and cash equivalents from cash-relevant transactions                   | 47,329         | 21,039          |
| Currency translation adjustment   | 1,055          | -2,480          |
| <b>Net change in cash and cash equivalents</b>  | <b>48,384</b>  | <b>18,559</b>   |
| Cash and cash equivalents at the beginning of the period                              | 300,567        | 318,396         |
| <b>Cash and cash equivalents at the end of the period</b>                             | <b>348,951</b> | <b>336,955</b>  |
| <b>Free cash flow</b>   | <b>145,381</b> | <b>128,799</b>  |

## Segment Report for the First 9 Months 2016

(IFRS, unaudited)

| in €thousands                              | A&N            |                | DBP            |                | Consulting     |                | Reconciliation |                | TOTAL          |                |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
|  | 9M 16          | 9M 15          |
| 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        |
| <b>Product revenue</b>                     | <b>164,555</b> | <b>179,349</b> | <b>296,941</b> | <b>293,929</b> | <b>0</b>       | <b>0</b>       |                |                | <b>461,496</b> | <b>473,278</b> |
| Services                                   | 0              | 0              | 0              | 2              | 145,332        | 141,703        |                |                | 145,332        | 141,705        |
| Other                                      | 520            | 445            | 35             | 8              | 506            | 122            |                |                | 1,061          | 575            |
| <b>Total Revenue</b>                       | <b>165,075</b> | <b>179,794</b> | <b>296,976</b> | <b>293,939</b> | <b>145,838</b> | <b>141,825</b> |                |                | <b>607,889</b> | <b>615,558</b> |
| Cost of sales                              | -8,570         | -10,037        | -22,067        | -20,996        | -118,477       | -112,913       | -8,408         | -13,911        | -157,522       | -157,857       |
| <b>Gross profit</b>                        | <b>156,505</b> | <b>169,757</b> | <b>274,909</b> | <b>272,943</b> | <b>27,361</b>  | <b>28,912</b>  | <b>-8,408</b>  | <b>-13,911</b> | <b>450,367</b> | <b>457,701</b> |
| Sales, marketing and distribution expenses | -24,177        | -24,981        | -120,306       | -144,630       | -12,811        | -14,215        | -13,346        | -13,703        | -170,640       | -197,529       |
| <b>Segment contribution</b>                | <b>132,328</b> | <b>144,776</b> | <b>154,603</b> | <b>128,313</b> | <b>14,550</b>  | <b>14,697</b>  | <b>-21,754</b> | <b>-27,614</b> | <b>279,727</b> | <b>260,172</b> |
| Research and development expenses          | -16,393        | -15,377        | -66,173        | -63,973        | 0              | 0              | 0              | 0              | -82,566        | -79,350        |
| <b>Segment result</b>                      | <b>115,935</b> | <b>129,399</b> | <b>88,430</b>  | <b>64,340</b>  | <b>14,550</b>  | <b>14,697</b>  | <b>-21,754</b> | <b>-27,614</b> | <b>197,161</b> | <b>180,822</b> |
| General and administrative expenses        |                |                |                |                |                |                |                |                | -56,442        | -50,079        |
| Other taxes                                |                |                |                |                |                |                |                |                | -3,925         | -4,449         |
| <b>Operating earnings</b>                  |                |                |                |                |                |                |                |                | <b>136,794</b> | <b>126,294</b> |
| Other operating income/expenses, net       |                |                |                |                |                |                |                |                | -1,955         | -1,408         |
| Net financial income/expenses              |                |                |                |                |                |                |                |                | -2,523         | -2,793         |
| <b>Earnings before income taxes</b>        |                |                |                |                |                |                |                |                | <b>132,316</b> | <b>122,093</b> |
| Income taxes                               |                |                |                |                |                |                |                |                | -42,175        | -38,657        |
| <b>Net income</b>                          |                |                |                |                |                |                |                |                | <b>90,141</b>  | <b>83,436</b>  |

## Publication Credits

### Publisher

Software AG  
Corporate Communications  
Uhlandstraße 12  
64297 Darmstadt  
Germany

Tel. +49 6151-92-0  
Fax +49 6151-1191  
press@softwareag.com

### Contact

Software AG  
Corporate Headquarters  
Uhlandstraße 12  
64297 Darmstadt  
Germany

Tel. +49 6151-92-0  
Fax +49 6151-1191  
www.softwareag.com

### ABOUT SOFTWARE AG

The digital transformation is changing enterprise IT landscapes from inflexible application silos to modern software platform-driven IT architectures which deliver the openness, speed and agility needed to enable the digital real-time enterprise. Software AG offers the first end-to-end Digital Business Platform, based on open standards, with integration, process management, in-memory data, adaptive application development, real-time analytics and enterprise architecture management as core building blocks. The modular platform allows users to develop the next generation of application systems to build their digital future, today. With over 45 years of customer-centric innovation, Software AG is ranked as a leader in many innovative and digital technology categories. Software AG has more than 4,300 employees, is active in 70 countries and had revenues of €873 million in 2015. Learn more at [www.softwareag.com](http://www.softwareag.com).

