

Software AG

Financial Information

Q4 / 2016

January 26, 2017
(unaudited)



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Key Figures as of December 31, 2016

in € millions (unless otherwise stated)	12M 2016	12M 2015	Δ as %	Δ as % acc	Q4 2016	Q4 2015	Δ as %	Δ as % acc
Group Revenue	871.8	873.1	0%	1%	263.9	257.5	3%	2%
thereof License	263.0	271.9	-3%	-3%	107.5	103.0	4%	2%
thereof Maintenance	412.2	406.9	1%	3%	106.2	102.6	4%	3%
Business Line DBP	441.4	431.5	2%	3%	144.4	137.6	5%	4%
Business Line A&N	234.6	248.0	-5%	-4%	69.5	68.2	2%	0%
Operating Result								
EBITA (non-IFRS)	272.0	259.1	5%		90.2	92.2	-2%	
as % of revenue	31.2%	29.7%			34.2%	35.8%		
Result Business Line DBP	147.8	125.2	18%	20%	59.4	60.8	-2%	-3%
contribution margin	33.5%	29.0%			41.1%	44.2%		
Result Business Line A&N	162.4	173.6	-6%	-5%	46.4	44.2	5%	3%
contribution margin	69.2%	70.0%			66.8%	64.9%		
Net income (non-IFRS)	180.4	173.9	4%		61.1	64.8	-6%	
EPS (non-IFRS)*	2.37	2.22	7%		0.80	0.84	-5%	
Free Cash Flow	187.0	170.0	10%		41.6	41.2	1%	
CapEx**	16.7	15.4	8%		4.9	4.3	14%	
Balance sheet	Dec. 31, 2016	Dec. 31, 2015						
Total assets	1,957.2	1,814.8						
Cash and cash equivalents	374.6	300.6						
Net cash / (Net debt) according to IFRS	73.1	-25.7						
Employees								
(Full-time equivalents)	4,471	4,337						

* Based on weighted average shares outstanding (basic) Q4 2016: 76.2m / Q4 2015: 77.3m / FY 2016: 76.2m / FY 2015: 78.4m

** Cash flow from investing activities except acquisitions and except investments in debt instruments

Consolidated Income Statement for the Twelve Months Ended December 31, 2016 and for the Fourth Quarter 2016

(IFRS, unaudited)

in € thousands	12M 2016	12M 2015	Δ as %	Q4 2016	Q4 2015	Δ as %
Licenses	263,027	271,901	-3%	107,512	102,950	4%
Maintenance	412,205	406,942	1%	106,224	102,614	4%
Services	195,179	193,368	1%	49,847	51,663	-4%
Other	1,422	846	68%	361	272	33%
Total revenue	871,833	873,057	0%	263,944	257,499	3%
Costs of sales	-211,856	-212,158	0%	-54,334	-54,302	0%
Gross profit	659,977	660,899	0%	209,610	203,197	3%
Research and development expenses	-112,452	-106,413	6%	-29,887	-27,062	10%
Sales, marketing and distribution expenses	-245,666	-268,836	-9%	-75,025	-71,307	5%
General and administrative expenses	-79,322	-69,405	14%	-22,880	-19,326	18%
Other taxes	-5,523	-5,984	-8%	-1,598	-1,535	4%
Operating earnings	217,014	210,261	3%	80,220	83,967	-4%
Other income / expenses, net	-8,658	-6,816	27%	-6,703	-5,408	24%
Financing expenses, net	-4,388	-2,927	50%	-1,865	-134	-
Earnings before income taxes	203,968	200,518	2%	71,652	78,425	-9%
Income taxes	-63,615	-60,913	4%	-21,440	-22,256	-4%
Net income	140,353	139,605	1%	50,212	56,169	-11%
Thereof attributable to shareholders of Software AG	140,156	139,445	1%	50,164	56,176	-11%
Thereof attributable to non-controlling interests	197	160	-	48	-7	-
Earnings per share (€, basic)	1.84	1.78	3%	0.66	0.73	-10%
Earnings per share (€, diluted)	1.84	1.78	3%	0.66	0.73	-10%
Weighted average number of shares outstanding (basic)	76,231,631	78,429,032	-	76,231,631	77,267,416	-
Weighted average number of shares outstanding (diluted)	76,254,712	78,510,932	-	76,255,699	77,386,381	-

Consolidated Balance Sheet as of December 31, 2016

(IFRS, unaudited)

Assets (in € thousands)	Dec. 31, 2016	Dec. 31, 2015
Current assets	641,989	584,183
Cash and cash equivalents	374,611	300,567
Other financial assets	13,488	11,840
Trade receivables and other receivables	220,966	232,576
Other non-financial assets	20,286	14,794
Income tax receivables	12,638	24,406
Non-current assets	1,315,228	1,230,586
Intangible assets	149,420	157,438
Goodwill	936,606	899,954
Property, plant and equipment	75,559	56,221
Other financial assets	45,957	24,547
Trade receivables and other receivables	84,905	75,090
Other non-financial assets	291	82
Income tax receivables	6,988	6,215
Deferred tax receivables	15,502	11,039
Total Assets	1,957,217	1,814,769
Equity and Liabilities (in € thousands)	Dec. 31, 2016	Dec. 31, 2015
Current liabilities	467,626	439,542
Financial liabilities	101,467	113,033
Trade payables and other liabilities	39,695	33,016
Other non-financial liabilities	121,817	112,932
Other provisions	50,959	28,329
Income tax liabilities	28,224	28,626
Deferred income	125,464	123,606
Non-current liabilities	292,796	285,498
Financial liabilities	200,049	213,247
Trade payables and other liabilities	4,195	90
Other non-financial liabilities	381	1,719
Other provisions	24,793	17,897
Provisions for pensions and similar obligations	42,215	35,644
Deferred tax liabilities	13,498	16,723
Deferred income	7,665	178
Equity	1,196,795	1,089,729
Share capital	79,000	79,000
Capital reserves	23,682	40,504
Retained earnings	1,145,374	1,047,145
Other reserves	19,789	-5,808
Treasury shares	-71,596	-71,596
Attributable to shareholders of Software AG	1,196,249	1,089,245
Non-controlling interests	546	484
Total Equity and Liabilities	1,957,217	1,814,769

Consolidated Statement of Cash Flows for the Twelve Months Ended December 31, 2016 and for the Fourth Quarter 2016

(IFRS, unaudited)

in € thousands	12M 2016	12M 2015	Q4 2016	Q4 2015
Net income	140,353	139,605	50,212	56,169
Income taxes	63,615	60,913	21,440	22,256
Net financial income/expense	4,388	2,927	1,865	134
Amortization/depreciation of non-current assets	40,162	49,432	10,148	11,475
Payments for the settlement of share based payment rights with a choice of settlement	-16,319	0	1	0
Other non-cash income/expense	-8,198	-7,385	4,656	1,505
Operating cash flow before changes in working capital	224,001	245,492	88,322	91,539
Changes in receivables and other assets	-7,144	-16,473	-49,056	-50,604
Changes in payables and other liabilities	56,019	21,812	21,891	19,800
Income taxes paid/received	-64,111	-61,872	-13,416	-15,971
Interest paid	-15,019	-12,209	-4,153	-2,014
Interest received	9,950	8,687	2,864	2,743
Net cash provided by operating activities	203,696	185,437	46,452	45,493
Proceeds from the sale of property, plant and equipment/intangible assets	385	2,388	49	0
Purchase of property, plant and equipment/intangible assets	-12,687	-12,149	-4,105	-2,975
Proceeds from the sale of non-current financial assets	1,457	283	32	139
Purchase of non-current financial assets	-5,874	-5,977	-832	-1,474
Proceeds from the sale of current financial assets	16,818	49,232	0	0
Purchase of current financial assets	-16,970	-5	-19	-2
Proceeds/payments from the sale of disposal groups	0	-1,000	0	0
Payment for acquisitions, net	-43,117	0	-31,571	0
Net cash used in investing activities	-59,988	32,772	-36,446	-4,312
Repurchase of treasury shares (including option premiums paid)	0	-70,021	0	-53,730
Use of treasury shares	0	645	0	179
Dividends paid	-42,105	-39,633	0	0
New financial liabilities	84,475	8,705	5,851	2,535
Repayment of financial liabilities	-122,432	-138,687	0	-32,486
Acquisition of non controlling interest	-460	-500	0	0
Net cash provided by/used in financing activities	-80,522	-239,491	5,851	-83,502
Change in cash and cash equivalents from cash relevant transactions	63,186	-21,282	15,857	-42,321
Currency translation adjustment	10,858	3,453	9,803	5,933
Net change in cash and cash equivalents	74,044	-17,829	25,660	-36,388
Cash and cash equivalents at the beginning of the period	300,567	318,396	348,951	336,955
Cash and cash equivalents at the end of the period	374,611	300,567	374,611	300,567
Free Cash Flow	186,977	169,982	41,596	41,183

Segment Report for the Twelve Months Ended December 31, 2016

(IFRS, unaudited)

in € thousands	A&N		DBP		Consulting		Reconciliation		TOTAL	
	12M 2016	12M 2015	12M 2016	12M 2015	12M 2016	12M 2015	12M 2016	12M 2015	12M 2016	12M 2015
Licenses	76,765	88,393	186,262	183,508	0	0			263,027	271,901
Maintenance	157,119	158,939	255,086	248,003	0	0			412,205	406,942
Product revenue	233,884	247,332	441,348	431,511	0	0			675,232	678,843
Services	0	0	0	-1	195,179	193,369			195,179	193,368
Other	686	621	48	7	688	218			1,422	846
Total revenue	234,570	247,953	441,396	431,517	195,867	193,587			871,833	873,057
Cost of sales	-11,674	-14,126	-31,288	-27,933	-157,495	-153,325	-11,399	-16,774	-211,856	-212,158
Gross profit	222,896	233,827	410,108	403,584	38,372	40,262	-11,399	-16,774	659,977	660,899
Sales, Marketing & Distribution expenses	-37,994	-39,473	-172,384	-192,713	-17,588	-18,436	-17,700	-18,214	-245,666	-268,836
Segment contribution	184,902	194,354	237,724	210,871	20,784	21,826	-29,099	-34,988	414,311	392,063
Research and development expenses	-22,522	-20,720	-89,930	-85,693	0	0	0	0	-112,452	-106,413
Segment result	162,380	173,634	147,794	125,178	20,784	21,826	-29,099	-34,988	301,859	285,650
General and administrative expenses									-79,322	-69,405
Other taxes									-5,523	-5,984
Operating earnings									217,014	210,261
Other income / expenses, net									-8,658	-6,816
Net financial income / expenses									-4,388	-2,927
Earnings before income taxes									203,968	200,518
Income Taxes									-63,615	-60,913
Net income									140,353	139,605

Segment Report for the Fourth Quarter 2016

(IFRS, unaudited)

in EUR thousands	A&N		DBP		Consulting		Reconciliation		TOTAL	
	Q4 2016	Q4 2015	Q4 2016	Q4 2015	Q4 2016	Q4 2015	Q4 2016	Q4 2015	Q4 2016	Q4 2015
Licenses	29,405	28,937	78,107	74,013	0	0			107,512	102,950
Maintenance	39,924	39,046	66,300	63,568	0	0			106,224	102,614
Product revenue	69,329	67,983	144,407	137,581	0	0			213,736	205,564
Services	0	0	0	-3	49,847	51,666			49,847	51,663
Other	165	176	13	0	183	96			361	272
Total revenue	69,494	68,159	144,420	137,578	50,030	51,762			263,944	257,499
Cost of sales	-3,103	-4,089	-9,221	-6,937	-39,019	-40,414	-2,991	-2,862	-54,334	-54,302
Gross profit	66,391	64,070	135,199	130,641	11,011	11,348	-2,991	-2,862	209,610	203,197
Sales, Marketing & Distribution expenses	-13,817	-14,492	-52,077	-48,083	-4,777	-4,220	-4,354	-4,512	-75,025	-71,307
Segment contribution	52,574	49,578	83,122	82,558	6,234	7,128	-7,345	-7,374	134,585	131,890
Research and development expenses	-6,130	-5,342	-23,757	-21,720	0	0	0	0	-29,887	-27,062
Segment result	46,444	44,236	59,365	60,838	6,234	7,128	-7,345	-7,374	104,698	104,828
General and administrative expenses									-22,880	-19,326
Other taxes									-1,598	-1,535
Operating earnings									80,220	83,967
Other income / expenses, net									-6,703	-5,408
Net financial income / expenses									-1,865	-134
Earnings before income taxes									71,652	78,425
Income Taxes									-21,440	-22,256
Net income									50,212	56,169

Statement of Comprehensive Income for the Twelve Months Ended December 31, 2016

(IFRS, unaudited)

in EUR thousands	12M 2016	12M 2015	Q4 2016	Q4 2015
Net income	140,353	139,605	50,212	56,169
Currency translation differences from foreign operations	28,562	41,927	37,983	19,687
Net gain/loss on remeasuring financial assets	2,355	1,936	-1,068	227
Currency translation gain/loss from net investments in foreign operations	1,348	4,240	2,356	1,158
Items to be reclassified to the income statement if certain conditions are met	32,265	48,103	39,271	21,072
Net actuarial gain/loss on pension obligations	-6,668	624	-7,303	624
Items not to be reclassified to the income statement	-6,668	624	-7,303	624
Other comprehensive income	25,597	48,727	31,968	21,696
Total comprehensive income	165,950	188,332	82,180	77,865
Thereof attributable to shareholders of Software AG	165,753	188,172	82,132	77,872
Thereof attributable to non-controlling interests	197	160	48	-7

Investor Relations

Uhlandstraße 12
64297 Darmstadt
Germany

Telephone: +49 (0) 6151 / 92 1900

Fax: +49 (0) 6151 / 9234 1900

E-Mail: investor.relations@softwareag.com

www.softwareag.com

