

Software AG

Financial Information

Q2 / 2017

July 20, 2017
(unaudited)



Table of Contents

p. 3	Key figures as of June 30, 2017
p. 4	Consolidated income statement for the six months ended June 30, 2017
p. 5	Consolidated balance sheet as of June 30, 2017
p. 6	Consolidated statement of cash flows for the six months ended June 30, 2017
p. 7	Segment report for the six months ended June 30, 2017
p. 8	Segment report for the second quarter 2017
p. 9	Statement of comprehensive income for the six months ended June 30, 2017

Key Figures as of June 30, 2017

in € millions (unless otherwise stated)	6M 2017	6M 2016	Δ as %	Δ as % acc*	Q2 2017	Q2 2016	Δ as %	Δ as % acc*
Revenue	413.3	409.6	1%	-1%	207.4	203.4	2%	1%
DBP business line	209.8	195.0	8%	6%	104.1	100.5	4%	3%
A&N business line	100.3	116.0	-14%	-17%	52.3	52.3	0%	-3%
Licenses	95.2	108.6	-12%	-14%	48.9	49.6	-1%	-2%
Maintenance	214.6	202.0	6%	3%	107.4	103.1	4%	2%
Operating EBITA (non-IFRS)	117.6	115	2%		61.3	55.8	10%	
<i>as % of revenue</i>	<i>28.4%</i>	<i>28.1%</i>			<i>29.5%</i>	<i>27.4%</i>		
DBP segment earnings	60.6	52.3	16%	15%	30.6	28.6	7%	8%
<i>Segment margin</i>	<i>28.9%</i>	<i>26.8%</i>			<i>29.4%</i>	<i>28.5%</i>		
A&N segment earnings	67.4	79.8	-16%	-20%	36.4	35.0	4%	0%
<i>Segment margin</i>	<i>67.2%</i>	<i>68.8%</i>			<i>69.6%</i>	<i>66.9%</i>		
Net income (non-IFRS)	77.5	75.5	3%		40.2	36.7	10%	
Earnings per share (non-IFRS)**	1.03	0.99	4%		0.54	0.48	13%	
Operating Cash Flow	108.4	120.3	-10%		46.6	58.4	-20%	
CapEx***	22.6	6.0			4.2	4.6		
Free Cash Flow	85.8	114.3	-25%		42.5	53.8	-21%	
Balance sheet	Jun. 30, 2017	Dec. 31, 2016						
Total assets	1,833.5	1,957.2						
Cash and cash equivalents	303.8	374.6						
Net cash / (net debt)	-4.7	73.1						
Employees (FTE)	4,570	4,471						

* acc = at constant currency

** Based on weighted average shares outstanding (basic) Q2 2017: 74.8m / Q2 2016: 76.2m / 6M 2017: 75.3m / 6M 2016: 76.2m

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

Consolidated income statement for the six months ended June 30, 2017

(IFRS, unaudited)

in € thousands	6M 2017	6M 2016	Δ as %	Q2 2017	Q2 2016	Δ as %
Licenses	95,167	108,644	-12%	48,913	49,574	-1%
Maintenance	214,592	201,995	6%	107,354	103,070	4%
Services	102,708	98,249	5%	50,649	50,363	1%
Other	855	701	22%	466	353	32%
Total revenue	413,322	409,589	1%	207,382	203,360	2%
Costs of sales	-106,664	-110,515	-3%	-51,629	-54,469	-5%
Gross profit	306,658	299,074	3%	155,753	148,891	5%
Research and development expenses	-60,655	-54,890	11%	-30,839	-27,379	13%
Sales, marketing and distribution expenses	-121,703	-119,977	1%	-59,284	-60,414	-2%
General and administrative expenses	-38,006	-38,341	-1%	-19,542	-19,131	2%
Other taxes	-3,738	-2,869	30%	-1,781	-1,534	16%
Operating earnings	82,556	82,997	-1%	44,307	40,433	10%
Other income / expenses, net	3,323	2,793	19%	2,000	1,346	49%
Financing expenses, net	-23	-547		170	-71	
Earnings before income taxes	85,856	85,243	1%	46,477	41,708	11%
Income taxes	-27,270	-27,579	-1%	-15,209	-13,510	13%
Net income	58,586	57,664	2%	31,268	28,198	11%
Thereof attributable to shareholders of Software AG	58,465	57,547	2%	31,210	28,118	11%
Thereof attributable to non-controlling interests	121	117		58	80	
Earnings per share (€, basic)	0.78	0.75	4%	0.42	0.37	14%
Earnings per share (€, diluted)	0.78	0.75	4%	0.42	0.37	14%
Weighted average number of shares outstanding (basic)	75,326,261	76,231,631	-	74,758,325	76,231,631	-
Weighted average number of shares outstanding (diluted)	75,336,515	76,264,486	-	74,769,971	76,268,478	-

Consolidated Balance Sheet as of June 30, 2017

(IFRS, unaudited)

Assets (in € thousands)	Jun. 30, 2017	Dec. 31, 2016
Current assets	552,614	641,989
Cash and cash equivalents	303,847	374,611
Other financial assets	20,234	13,488
Trade receivables and other receivables	188,098	220,966
Other non-financial assets	19,127	20,286
Income tax receivables	21,308	12,638
Non-current assets	1,280,920	1,315,228
Intangible assets	151,133	149,420
Goodwill	940,513	936,606
Property, plant and equipment	74,218	75,559
Other financial assets	40,031	45,957
Trade receivables and other receivables	47,157	84,905
Other non-financial assets	251	291
Income tax receivables	7,680	6,988
Deferred tax receivables	19,937	15,502
Total Assets	1,833,534	1,957,217

Equity and Liabilities (in € thousands)	Jun. 30, 2017	Dec. 31, 2016
Current liabilities	563,613	467,626
Financial liabilities	208,384	101,467
Trade payables and other liabilities	33,941	39,695
Other non-financial liabilities	92,332	121,817
Other provisions	51,729	50,959
Income tax liabilities	22,353	28,224
Deferred income	154,874	125,464
Non-current liabilities	193,439	292,796
Financial liabilities	100,152	200,049
Trade payables and other liabilities	3,900	4,195
Other non-financial liabilities	424	381
Other provisions	16,844	24,793
Provisions for pensions and similar obligations	40,766	42,215
Deferred tax liabilities	23,013	13,498
Deferred income	8,340	7,665
Equity	1,076,482	1,196,795
Share capital	76,400	79,000
Capital reserves	22,935	23,682
Retained earnings	1,094,855	1,145,374
Other reserves	-26,510	19,789
Treasury shares	-91,865	-71,596
Attributable to shareholders of Software AG	1,075,815	1,196,249
Non-controlling interests	667	546
Total Equity and Liabilities	1,833,534	1,957,217

Consolidated statement of cash flows for the six months ended June 30, 2017

(IFRS, unaudited)

in € thousands	6M 2017	6M 2016	Q2 2017	Q2 2016
Net income	58,586	57,664	31,268	28,198
Income taxes	27,270	27,579	15,209	13,510
Net financial income/expense	23	547	-170	71
Amortization/depreciation of non-current assets	22,022	19,937	11,361	9,900
Payments for the settlement of share based payment rights with a choice of settlement	0	-8,291	0	-8,291
Other non-cash income/expense	-234	-4,553	-825	241
Changes in receivables and other assets	61,026	26,978	36,747	11,082
Changes in payables and other liabilities	-16,096	31,480	-19,233	19,947
Income taxes paid/received	-44,668	-31,837	-28,213	-17,188
Interest paid	-4,152	-3,704	-1,829	-1,574
Interest received	4,611	4,475	2,331	2,506
Net cash provided by operating activities	108,388	120,275	46,646	58,402
Proceeds from the sale of property, plant and equipment/intangible assets	256	222	110	132
Purchase of property, plant and equipment/intangible assets	-20,599	-4,802	-1,928	-3,217
Proceeds from the sale of non-current financial assets	101	1,415	3	1,282
Purchase of non-current financial assets	-2,376	-2,829	-2,362	-2,791
Proceeds from the sale of current financial assets	4,128	15,017	128	15,017
Purchase of current financial assets	-520	-16,903	-56	-1,903
Payment for acquisitions, net	-49,420	-413	0	-413
Net cash used in investing activities	-68,430	-8,293	-4,105	8,107
Repurchase of treasury shares	-89,587	0	-65,062	0
Sale of treasury stock	1,330	0	1,330	0
Dividends paid	-44,343	-41,927	-44,343	-41,927
Proceeds and payments from current financial liabilities	41,895	3,344	31,057	9
Proceeds from non-current financial liabilities	0	75,000	0	35,000
Repayment of non-current financial liabilities	-10,574	-4,647	-10,013	-1,566
Acquisition of non controlling interest	0	-460	0	-460
Net cash provided by/used in financing activities	-101,279	31,310	-87,031	-8,944
Change in cash and cash equivalents from cash relevant transactions	-61,321	143,292	-44,490	57,565
Currency translation adjustment	-9,443	1,098	-13,951	3,673
Net change in cash and cash equivalents	-70,764	144,390	-58,441	61,238
Cash and cash equivalents at the beginning of the period	374,611	300,567	362,288	383,719
Cash and cash equivalents at the end of the period	303,847	444,957	303,847	444,957
Free Cash Flow	85,770	114,281	42,469	53,808

Segment Report for the six months ended June 30, 2017

(IFRS, unaudited)

in € thousands	A&N		DBP		Consulting		Reconciliation		TOTAL	
	6M 2017	6M 2016	6M 2017	6M 2016	6M 2017	6M 2016	6M 2017	6M 2016	6M 2017	6M 2016
Licenses	21,063	38,035	74,104	70,609	0	0	0	0	95,167	108,644
Maintenance	78,948	77,580	135,644	124,415	0	0	0	0	214,592	201,995
Product revenue	100,011	115,615	209,748	195,024	0	0	0	0	309,759	310,639
Services	0	0	0	0	102,708	98,249	0	0	102,708	98,249
Other	334	348	30	22	491	331	0	0	855	701
Total revenue	100,345	115,963	209,778	195,046	103,199	98,580	0	0	413,322	409,589
Cost of sales	-4,819	-6,173	-13,889	-15,365	-80,771	-83,398	-7,185	-5,579	-106,664	-110,515
Gross profit	95,526	109,790	195,889	179,681	22,428	15,182	-7,185	-5,579	306,658	299,074
Sales, Marketing & Distribution expenses	-16,076	-18,983	-86,670	-83,514	-9,890	-8,603	-9,067	-8,877	-121,703	-119,977
Segment contribution	79,450	90,807	109,219	96,167	12,538	6,579	-16,252	-14,456	184,955	179,097
Research and development expenses	-12,001	-11,049	-48,654	-43,841	0	0	0	0	-60,655	-54,890
Segment earnings	67,449	79,758	60,565	52,326	12,538	6,579	-16,252	-14,456	124,300	124,207
General and administrative expenses									-38,006	-38,341
Other taxes									-3,738	-2,869
Operating earnings									82,556	82,997
Other income / expenses, net									3,323	2,793
Net financial income / expenses									-23	-547
Earnings before income taxes									85,856	85,243
Income Taxes									-27,270	-27,579
Net income									58,586	57,664

Segment Report for the Second Quarter 2017

(IFRS, unaudited)

in € thousands	A&N		DBP		Consulting		Reconciliation		TOTAL	
	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016	Q2 2017	Q2 2016
Licenses	13,237	11,617	35,676	37,957	0	0	0	0	48,913	49,574
Maintenance	38,914	40,551	68,440	62,519	0	0	0	0	107,354	103,070
Product revenue	52,151	52,168	104,116	100,476	0	0	0	0	156,267	152,644
Services	0	0	0	0	50,649	50,363	0	0	50,649	50,363
Other	178	160	16	11	272	182	0	0	466	353
Total revenue	52,329	52,328	104,132	100,487	50,921	50,545	0	0	207,382	203,360
Cost of sales	-1,976	-2,988	-6,750	-7,089	-38,935	-41,631	-3,968	-2,761	-51,629	-54,469
Gross profit	50,353	49,340	97,382	93,398	11,986	8,914	-3,968	-2,761	155,753	148,891
Sales, Marketing & Distribution expenses	-8,026	-8,695	-41,846	-43,115	-4,910	-4,205	-4,502	-4,399	-59,284	-60,414
Segment contribution	42,327	40,645	55,536	50,283	7,076	4,709	-8,470	-7,160	96,469	88,477
Research and development expenses	-5,911	-5,653	-24,928	-21,726	0	0	0	0	-30,839	-27,379
Segment earnings	36,416	34,992	30,608	28,557	7,076	4,709	-8,470	-7,160	65,630	61,098
General and administrative expenses									-19,542	-19,131
Other taxes									-1,781	-1,534
Operating earnings									44,307	40,433
Other income / expenses, net									2,000	1,346
Net financial income / expenses									170	-71
Earnings before income taxes									46,477	41,708
Income Taxes									-15,209	-13,510
Net income									31,268	28,198

Statement of comprehensive income for the six months ended June 30, 2017

(IFRS, unaudited)

in € thousands	6M 2017	6M 2016	Q2 2017	Q2 2016
Net income	58,586	57,664	31,268	28,198
Currency translation differences from foreign operations	-43,881	-7,539	-48,400	14,731
Net gain/loss on remeasuring financial assets	193	1,564	341	-688
Currency translation gain/loss from net investments in foreign operations	-3,236	-795	-2,641	1,001
Items to be reclassified to the income statement if certain conditions are met	-46,924	-6,770	-50,700	15,044
Net actuarial gain/loss on pension obligations	625	-211	617	-221
Items not to be reclassified to the income statement	625	-211	617	-221
Other comprehensive income	-46,299	-6,981	-50,083	14,823
Total comprehensive income	12,287	50,683	-18,815	43,021
Thereof attributable to shareholders of Software AG	12,166	50,566	-18,873	42,941
Thereof attributable to non-controlling interests	121	117	58	80

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