

Software AG

Financial Information

Q3 / 2017

October 20, 2017
(unaudited)



Table of Contents

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

Key Figures as of September 30, 2017

in € millions (unless otherwise stated)	9M 2017	9M 2016	Δ as %	Δ as % acc*	Q3 2017	Q3 2016	Δ as %	Δ as % acc*
Revenue	610.6	607.9	0%	0%	197.3	198.3	-1%	2%
DBP business line	310.7	297.0	5%	5%	100.9	101.9	-1%	2%
A&N business line	149.2	165.1	-10%	-11%	48.8	49.1	-1%	2%
Licenses	141.4	155.5	-9%	-9%	46.2	46.9	-1%	2%
Maintenance	317.9	306.0	4%	3%	103.3	104.0	-1%	2%
Operating EBITA (non-IFRS)	181.2	181.8	0%		63.6	66.8	-5%	
<i>as % of revenue</i>	<i>29.7%</i>	<i>29.9%</i>			<i>32.2%</i>	<i>33.7%</i>		
DBP segment earnings	93.5	88.4	6%	7%	32.9	36.1	-9%	-4%
<i>Segment margin</i>	<i>30.1%</i>	<i>29.8%</i>			<i>32.6%</i>	<i>35.4%</i>		
A&N segment earnings	100.8	115.9	-13%	-15%	33.4	36.2	-8%	-4%
<i>Segment margin</i>	<i>67.6%</i>	<i>70.2%</i>			<i>68.4%</i>	<i>73.7%</i>		
Net income (non-IFRS)	120.6	119.4	1%		43.1	43.9	-2%	
Earnings per share (non-IFRS)**	1.61	1.57	3%		0.58	0.58	0%	
Operating Cash Flow	146.0	157.2	-7%		37.6	37.0	2%	
CapEx***	24.8	11.9			2.2	5.9		
Free Cash Flow	121.3	145.4	-17%		35.5	31.1	14%	
Balance sheet	Sep. 30, 2017	Dec. 31, 2016						
Total assets	1,816.6	1,957.2						
Cash and cash equivalents	326.7	374.6						
Net cash	22.1	73.1						
Employees (FTE)	4,600	4,471						

* acc = at constant currency

** Based on weighted average shares outstanding (basic) Q3 2017: 74.0m / Q3 2016: 76.2m / 9M 2017: 74.9m / 9M 2016: 76.2m

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

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

(IFRS, unaudited)

in € thousands	9M 2017	9M 2016	Δ as %	Q3 2017	Q3 2016	Δ as %
Licenses	141,388	155,515	-9%	46,221	46,871	-1%
Maintenance	317,938	305,981	4%	103,346	103,986	-1%
Services	149,944	145,332	3%	47,236	47,083	0%
Other	1,334	1,061	26%	480	360	33%
Total revenue	610,604	607,889	0%	197,283	198,300	-1%
Costs of sales	-155,340	-157,522	-1%	-48,677	-47,007	4%
Gross profit	455,264	450,367	1%	148,606	151,293	-2%
Research and development expenses	-88,849	-82,566	8%	-28,194	-27,676	2%
Sales, marketing and distribution expenses	-175,341	-170,640	3%	-53,638	-50,663	6%
General and administrative expenses	-55,007	-56,442	-3%	-17,000	-18,101	-6%
Other taxes	-5,327	-3,925	36%	-1,589	-1,056	50%
Operating earnings	130,740	136,794	-4%	48,185	53,797	-10%
Other income / expenses, net	3,959	-1,955		635	-4,748	
Financing expenses, net	-357	-2,523		-334	-1,976	
Earnings before income taxes	134,342	132,316	2%	48,486	47,073	3%
Income taxes	-41,977	-42,175	0%	-14,707	-14,596	1%
Net income	92,365	90,141	2%	33,779	32,477	4%
Thereof attributable to shareholders of Software AG	92,172	89,992	2%	33,706	32,445	4%
Thereof attributable to non-controlling interests	193	149		73	32	
Earnings per share (€, basic)	1.23	1.18	4%	0.46	0.43	7%
Earnings per share (€, diluted)	1.23	1.18	4%	0.46	0.43	7%
Weighted average number of shares outstanding (basic)	74,870,803	76,231,631	-	73,959,889	76,231,631	-
Weighted average number of shares outstanding (diluted)	74,881,101	76,254,063	-	73,970,271	76,257,133	-

Consolidated Balance Sheet as of September 30, 2017

(IFRS, unaudited)

Assets (in € thousands)	Sep. 30, 2017	Dec. 31, 2016
Current assets	568,428	641,989
Cash and cash equivalents	326,681	374,611
Other financial assets	22,586	13,488
Trade receivables and other receivables	185,969	220,966
Other non-financial assets	16,973	20,286
Income tax receivables	16,219	12,638
Non-current assets	1,248,177	1,315,228
Intangible assets	139,346	149,420
Goodwill	926,594	936,606
Property, plant and equipment	73,303	75,559
Other financial assets	43,602	45,957
Trade receivables and other receivables	38,834	84,905
Other non-financial assets	232	291
Income tax receivables	8,077	6,988
Deferred tax receivables	18,189	15,502
Total Assets	1,816,605	1,957,217

Equity and Liabilities (in € thousands)	Sep. 30, 2017	Dec. 31, 2016
Current liabilities	535,383	467,626
Financial liabilities	204,404	101,467
Trade payables and other liabilities	32,027	39,695
Other non-financial liabilities	94,238	121,817
Other provisions	51,961	50,959
Income tax liabilities	22,463	28,224
Deferred income	130,290	125,464
Non-current liabilities	196,438	292,796
Financial liabilities	100,174	200,049
Trade payables and other liabilities	3,881	4,195
Other non-financial liabilities	433	381
Other provisions	25,290	24,793
Provisions for pensions and similar obligations	40,105	42,215
Deferred tax liabilities	19,264	13,498
Deferred income	7,291	7,665
Equity	1,084,784	1,196,795
Share capital	76,400	79,000
Capital reserves	22,935	23,682
Retained earnings	1,128,561	1,145,374
Other reserves	-51,776	19,789
Treasury shares	-91,865	-71,596
Attributable to shareholders of Software AG	1,084,255	1,196,249
Non-controlling interests	529	546
Total Equity and Liabilities	1,816,605	1,957,217

Consolidated statement of cash flows for the nine months ended September 30, 2017

(IFRS, unaudited)

in € thousands	9M 2017	9M 2016	Q3 2017	Q3 2016
Net income	92,365	90,141	33,779	32,477
Income taxes	41,977	42,175	14,707	14,596
Net financial income/expense	357	2,523	334	1,976
Amortization/depreciation of non-current assets	31,575	30,014	9,553	10,077
Payments for the settlement of share based payment rights with a choice of settlement	0	-16,320	0	-8,029
Other non-cash income/expense	1,353	-12,854	1,587	-8,301
Changes in receivables and other assets	67,999	41,912	6,973	14,934
Changes in payables and other liabilities	-32,958	34,128	-16,862	2,648
Income taxes paid/received	-55,216	-50,695	-10,548	-18,858
Interest paid	-8,100	-10,866	-3,948	-7,162
Interest received	6,679	7,086	2,068	2,611
Net cash provided by operating activities	146,031	157,244	37,643	36,969
Proceeds from the sale of property, plant and equipment/intangible assets	290	336	34	114
Purchase of property, plant and equipment/intangible assets	-22,673	-8,582	-2,074	-3,780
Proceeds from the sale of non-current financial assets	101	1,425	0	10
Purchase of non-current financial assets	-2,486	-5,042	-110	-2,213
Proceeds from the sale of current financial assets	4,179	16,818	51	1,801
Purchase of current financial assets	-622	-16,951	-102	-48
Payment for acquisitions, net	-49,420	-11,546	0	-11,133
Net cash used in investing activities	-70,631	-23,542	-2,201	-15,249
Repurchase of treasury shares	-89,587	0	0	0
Sale of treasury stock	1,330	0	0	0
Dividends paid	-44,553	-42,105	-210	-178
Proceeds and payments from current financial liabilities	96,052	3,624	54,157	280
Proceeds from non-current financial liabilities	0	75,000	0	0
Repayment of non-current financial liabilities	-70,894	-122,432	-60,320	-117,785
Acquisition of non controlling interest	0	-460	0	0
Net cash provided by/used in financing activities	-107,652	-86,373	-6,373	-117,683
Change in cash and cash equivalents from cash relevant transactions	-32,252	47,329	29,069	-95,963
Currency translation adjustment	-15,678	1,055	-6,235	-43
Net change in cash and cash equivalents	-47,930	48,384	22,834	-96,006
Cash and cash equivalents at the beginning of the period	374,611	300,567	303,847	444,957
Cash and cash equivalents at the end of the period	326,681	348,951	326,681	348,951
Free Cash Flow	121,263	145,381	35,493	31,100

Segment Report for the nine months ended September 30, 2017

(IFRS, unaudited)

in € thousands	A&N		DBP		Consulting		Reconciliation		TOTAL	
	9M 2017	9M 2016	9M 2017	9M 2016	9M 2017	9M 2016	9M 2017	9M 2016	9M 2017	9M 2016
Licenses	32,329	47,360	109,059	108,155	0	0			141,388	155,515
Maintenance	116,332	117,195	201,606	188,786	0	0			317,938	305,981
Product revenue	148,661	164,555	310,665	296,941	0	0			459,326	461,496
Services	0	0	0	0	149,944	145,332			149,944	145,332
Other	506	520	52	35	776	506			1,334	1,061
Total revenue	149,167	165,075	310,717	296,976	150,720	145,838			610,604	607,889
Cost of sales	-7,337	-8,570	-21,357	-22,067	-116,693	-118,477	-9,953	-8,408	-155,340	-157,522
Gross profit	141,830	156,505	289,360	274,909	34,027	27,361	-9,953	-8,408	455,264	450,367
Sales, Marketing & Distribution expenses	-23,358	-24,177	-124,678	-120,306	-14,272	-12,811	-13,033	-13,346	-175,341	-170,640
Segment contribution	118,472	132,328	164,682	154,603	19,755	14,550	-22,986	-21,754	279,923	279,727
Research and development expenses	-17,658	-16,393	-71,191	-66,173	0	0	0	0	-88,849	-82,566
Segment earnings	100,814	115,935	93,491	88,430	19,755	14,550	-22,986	-21,754	191,074	197,161
General and administrative expenses									-55,007	-56,442
Other taxes									-5,327	-3,925
Operating earnings									130,740	136,794
Other income / expenses, net									3,959	-1,955
Net financial income / expenses									-357	-2,523
Earnings before income taxes									134,342	132,316
Income Taxes									-41,977	-42,175
Net income									92,365	90,141

Segment Report for the Third Quarter 2017

(IFRS, unaudited)

in € thousands	A&N		DBP		Consulting		Reconciliation		TOTAL	
	Q3 2017	Q3 2016	Q3 2017	Q3 2016	Q3 2017	Q3 2016	Q3 2017	Q3 2016	Q3 2017	Q3 2016
Licenses	11,266	9,325	34,955	37,546	0	0			46,221	46,871
Maintenance	37,385	39,615	65,961	64,371	0	0			103,346	103,986
Product revenue	48,651	48,940	100,916	101,917	0	0			149,567	150,857
Services	0	0	0	0	47,236	47,083			47,236	47,083
Other	173	173	22	13	285	174			480	360
Total revenue	48,824	49,113	100,938	101,930	47,521	47,257			197,283	198,300
Cost of sales	-2,518	-2,397	-7,469	-6,702	-35,922	-35,079	-2,768	-2,829	-48,677	-47,007
Gross profit	46,306	46,716	93,469	95,228	11,599	12,178	-2,768	-2,829	148,606	151,293
Sales, Marketing & Distribution expenses	-7,283	-5,193	-38,007	-36,794	-4,381	-4,207	-3,967	-4,469	-53,638	-50,663
Segment contribution	39,023	41,523	55,462	58,434	7,218	7,971	-6,735	-7,298	94,968	100,630
Research and development expenses	-5,657	-5,344	-22,537	-22,332	0	0	0	0	-28,194	-27,676
Segment earnings	33,366	36,179	32,925	36,102	7,218	7,971	-6,735	-7,298	66,774	72,954
General and administrative expenses									-17,000	-18,101
Other taxes									-1,589	-1,056
Operating earnings									48,185	53,797
Other income / expenses, net									635	-4,748
Net financial income / expenses									-334	-1,976
Earnings before income taxes									48,486	47,073
Income Taxes									-14,707	-14,596
Net income									33,779	32,477

Statement of comprehensive income for the nine months ended September 30, 2017

(IFRS, unaudited)

in € thousands	9M 2017	9M 2016	Q3 2017	Q3 2016
Net income	92,365	90,141	33,779	32,477
Currency translation differences from foreign operations	-67,517	-9,421	-23,636	-1,882
Net gain/loss on remeasuring financial assets	-119	3,423	-312	1,859
Currency translation gain/loss from net investments in foreign operations	-4,544	-1,008	-1,308	-213
Items to be reclassified to the income statement if certain conditions are met	-72,180	-7,006	-25,256	-236
Net actuarial gain/loss on pension obligations	615	635	-10	846
Items not to be reclassified to the income statement	615	635	-10	846
Other comprehensive income	-71,565	-6,371	-25,266	610
Total comprehensive income	20,800	83,770	8,513	33,087
Thereof attributable to shareholders of Software AG	20,607	83,621	8,440	33,055
Thereof attributable to non-controlling interests	193	149	73	32

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

