

# Software AG

## Financial Information

### Q1 / 2018

*April 19, 2018*  
(unaudited)

## Table of Contents

p. 3	Key figures as of March 31, 2018
p. 4	Consolidated income statement for the First Quarter 2018
p. 5	Consolidated balance sheet as of March 31, 2018
p. 6	Consolidated statement of cash flows for the First Quarter 2018
p. 7	Segment report for the First Quarter 2018
p. 8	Statement of comprehensive income for the First Quarter 2018

## Key Figures as of March 31, 2018

(IFRS, unaudited)

in € millions (unless otherwise stated)	Q1 2018 (as stated)	Q1 2018 (acc*)	Q1 2017 (as stated)	Δ in %	Δ in % acc*
<b>Revenue</b>	<b>186.6</b>	<b>201.0</b>	<b>205.9</b>	<b>-9%</b>	<b>-2%</b>
DBP incl. IoT/Cloud	95.8	104.0	105.9	-10%	-2%
Thereof DBP excl. IoT/Cloud	89.4	97.4	102.9	-13%	-5%
Thereof IoT/Cloud	6.4	6.6	3.0	113%	125%
A&N	44.8	48.9	48.0	-7%	2%
Licenses	34.1	37.4	44.9	-24%	-17%
Maintenance	102.5	111.4	106.9	-4%	4%
SaaS	3.8	4.0	1.9	100%	113%
ARR DBP incl. IoT/Cloud ****	276.5	280.8	262.0	6%	14%
ARR IoT/Cloud ****	18.7	18.8	11.1	68%	81%

	Q1 2018	Q1 2017	Δ in %
<b>Operating EBITA (non-IFRS)</b>	<b>51.2</b>	<b>56.3</b>	<b>-9%</b>
as % of revenue	27.4%	27.3%	
DBP segment earnings	26.7	30.0	-11%
Segment margin	27.9%	28.3%	
A&N segment earnings	31.2	31.0	1%
Segment margin	69.6%	64.6%	
<b>Net income (non-IFRS)</b>	<b>36.5</b>	<b>37.3</b>	<b>-2%</b>
<b>Earnings per share (non-IFRS)**</b>	<b>0.49</b>	<b>0.49</b>	<b>0%</b>
<b>Operating Cash Flow</b>	<b>61.6</b>	<b>61.7</b>	<b>0%</b>
CapEx***	1.5	18.4	
<b>Free Cash Flow</b>	<b>60.1</b>	<b>43.3</b>	<b>39%</b>

Balance sheet	Mar. 31, 2018	Dec. 31, 2017	
<b>Total assets</b>	<b>1,832.7</b>	<b>1,907.5</b>	<b>-4%</b>
Cash and cash equivalents	372.1	365.8	2%
Net cash	115.9	55.2	110%
<b>Employees (FTE)</b>	<b>4,610</b>	<b>4,596</b>	<b>0%</b>

\* acc = at constant currency

\*\* Based on weighted average shares outstanding (basic) Q1 2018: 74.0m / Q1 2017: 75.9m

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

\*\*\*\* Annual recurring revenue. For "at constant currency" internal Plan Rate 2018 is used.

As the indicators in this report are stated in accordance with commercial rounding principles, totals and percentages may not always be exact.

## Consolidated income statement for the First Quarter 2018

(IFRS, unaudited)

in € thousands	Q1 2018	Q1 2017	Δ as %
Licenses	34,165	44,898	-24%
Maintenance	102,458	106,943	-4%
SaaS	3,750	1,872	100%
Services	46,061	52,059	-12%
Other	200	167	20%
<b>Total revenue</b>	<b>186,634</b>	<b>205,939</b>	<b>-9%</b>
Costs of sales	-49,507	-55,035	-10%
<b>Gross profit</b>	<b>137,127</b>	<b>150,904</b>	<b>-9%</b>
Research and development expenses	-28,344	-29,816	-5%
Sales, marketing and distribution expenses	-52,037	-62,418	-17%
General and administrative expenses	-17,048	-18,464	-8%
Other taxes	-1,795	-1,957	-8%
<b>Operating earnings</b>	<b>37,903</b>	<b>38,249</b>	<b>-1%</b>
Other income / expenses, net	2,361	1,323	
Financing income / expenses, net	1,365	-193	
<b>Earnings before income taxes</b>	<b>41,629</b>	<b>39,379</b>	<b>6%</b>
Income taxes	-11,680	-12,061	-3%
<b>Net income</b>	<b>29,949</b>	<b>27,318</b>	<b>10%</b>
<b>Thereof attributable to shareholders of Software AG</b>	<b>29,912</b>	<b>27,255</b>	<b>10%</b>
<b>Thereof attributable to non-controlling interests</b>	<b>37</b>	<b>63</b>	
Earnings per share (€, basic)	0.40	0.36	11%
Earnings per share (€, diluted)	0.40	0.36	11%
Weighted average number of shares outstanding (basic)	73,976,239	75,894,196	-
Weighted average number of shares outstanding (diluted)	73,981,881	75,919,581	-

## Consolidated Balance Sheet as of March 31, 2018

(IFRS, unaudited)

Assets (in € thousands)	Mar. 31, 2018	Dec. 31, 2017
<b>Current assets</b>		
Cash and cash equivalents	372,148	365,815
Other financial assets	6,116	26,165
Trade receivables and other receivables	187,474	226,314
Other non-financial assets	23,650	17,366
Income tax receivables	15,215	14,632
	<b>604,603</b>	<b>650,292</b>
<b>Non-current assets</b>		
Intangible assets	124,303	131,664
Goodwill	910,211	921,415
Property, plant and equipment	71,744	72,815
Other financial assets	44,329	54,730
Trade receivables and other receivables	51,462	53,273
Other non-financial assets	2,838	199
Income tax receivables	8,609	8,575
Deferred tax receivables	14,584	14,507
	<b>1,228,080</b>	<b>1,257,178</b>
<b>Total Assets</b>	<b>1,832,683</b>	<b>1,907,470</b>
Equity and Liabilities (in € thousands)	Mar. 31, 2018	Dec. 31, 2017
<b>Current liabilities</b>		
Financial liabilities	55,997	210,347
Trade payables and other liabilities	29,912	37,617
Other non-financial liabilities	92,154	150,416
Other provisions	37,969	43,708
Income tax liabilities	28,659	27,505
Deferred income	162,499	112,964
	<b>407,190</b>	<b>582,557</b>
<b>Non-current liabilities</b>		
Financial liabilities	200,224	100,250
Trade payables and other liabilities	3,434	3,677
Other non-financial liabilities	593	640
Other provisions	29,649	34,297
Provisions for pensions and similar obligations	43,867	43,869
Income tax liabilities	4,389	4,509
Deferred tax liabilities	11,975	11,599
Deferred income	16,024	7,790
	<b>310,155</b>	<b>206,631</b>
<b>Equity</b>		
Share capital	74,000	76,400
Capital reserves	22,714	22,715
Retained earnings	1,118,063	1,176,722
Other reserves	-98,917	-66,905
Treasury shares	-895	-91,249
<b>Attributable to shareholders of Software AG</b>	<b>1,114,965</b>	<b>1,117,683</b>
<b>Non-controlling interests</b>	<b>373</b>	<b>599</b>
	<b>1,115,338</b>	<b>1,118,282</b>
<b>Total Equity and Liabilities</b>	<b>1,832,683</b>	<b>1,907,470</b>

## Consolidated statement of cash flows for the First Quarter 2018

(IFRS, unaudited)

in € thousands	Q1 2018	Q1 2017
Net income	29,949	27,318
Income taxes	11,680	12,061
Net financial income/expense	-1,365	193
Amortization/depreciation of non-current assets	7,990	10,661
Other non-cash income/expense	-1,907	591
Changes in receivables and other assets	51,943	24,279
Changes in payables and other liabilities	-26,546	3,137
Income taxes paid/received	-10,965	-16,455
Interest paid	-1,811	-2,323
Interest received	2,640	2,280
<b>Net cash provided by operating activities</b>	<b>61,608</b>	<b>61,742</b>
Proceeds from the sale of property, plant and equipment/intangible assets	111	146
Purchase of property, plant and equipment/intangible assets	-1,852	-18,671
Proceeds from the sale of non-current financial assets	250	98
Purchase of non-current financial assets	-6	-14
Proceeds from the sale of current financial assets	3	4,000
Purchase of current financial assets	-368	-464
Payment for acquisitions, net	0	-49,420
<b>Net cash used in investing activities</b>	<b>-1,862</b>	<b>-64,325</b>
Repurchase of treasury shares	0	-24,525
Dividends paid	-263	0
Proceeds and payments from current financial liabilities	-44,558	10,838
Proceeds from non-current financial liabilities	100,013	0
Repayment of non-current financial liabilities	-100,000	-561
<b>Net cash provided by/used in financing activities</b>	<b>-44,808</b>	<b>-14,248</b>
Change in cash and cash equivalents from cash relevant transactions	14,938	-16,831
Currency translation adjustment	-8,605	4,508
<b>Net change in cash and cash equivalents</b>	<b>6,333</b>	<b>-12,323</b>
Cash and cash equivalents at the beginning of the period	365,815	374,611
<b>Cash and cash equivalents at the end of the period</b>	<b>372,148</b>	<b>362,288</b>
<b>Free Cash Flow</b>	<b>60,111</b>	<b>43,301</b>

## Segment Report for the First Quarter 2018

(IFRS, unaudited)

in € thousands	DBP incl. IoT/Cloud			A&N			Consulting			Reconciliation		TOTAL		
	Q1 2018	Q1 2018	Q1 2017	Q1 2018	Q1 2018	Q1 2017	Q1 2018	Q1 2018	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2018	Q1 2017
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	as stated	as stated	at constant currency	as stated
Licenses	25,198	27,752	37,073	8,967	9,625	7,825	0	0	0			34,165	37,377	44,898
Maintenance	66,803	72,248	66,910	35,655	39,111	40,033	0	0	0			102,458	111,359	106,943
SaaS	3,750	3,980	1,872	0	0	0	0	0	0			3,750	3,980	1,872
<b>Product revenue</b>	<b>95,751</b>	<b>103,980</b>	<b>105,855</b>	<b>44,622</b>	<b>48,736</b>	<b>47,858</b>	<b>0</b>	<b>0</b>	<b>0</b>			<b>140,373</b>	<b>152,716</b>	<b>153,713</b>
Services	0	0	0	0	0	0	46,061	48,078	52,059			46,061	48,078	52,059
Other	40	46	14	156	156	155	4	4	-2			200	206	167
<b>Total revenue</b>	<b>95,791</b>	<b>104,026</b>	<b>105,869</b>	<b>44,778</b>	<b>48,892</b>	<b>48,013</b>	<b>46,065</b>	<b>48,082</b>	<b>52,057</b>			<b>186,634</b>	<b>201,000</b>	<b>205,939</b>
Cost of sales	-8,560		-7,361	-1,428		-2,844	-37,523		-41,614	-1,996	-3,216	-49,507		-51,819
<b>Gross profit</b>	<b>87,231</b>		<b>98,508</b>	<b>43,350</b>		<b>45,169</b>	<b>8,542</b>		<b>10,443</b>	<b>-1,996</b>	<b>-3,216</b>	<b>137,127</b>		<b>154,120</b>
Sales, Marketing & Distribution expenses	-37,770		-44,824	-6,614		-8,050	-4,382		-4,980	-3,271	-4,564	-52,037		-57,854
<b>Segment contribution</b>	<b>49,461</b>		<b>53,684</b>	<b>36,736</b>		<b>37,119</b>	<b>4,160</b>		<b>5,463</b>	<b>-5,267</b>	<b>-7,780</b>	<b>85,090</b>		<b>96,266</b>
Research and development expenses	-22,807		-23,726	-5,537		-6,090	0		0	0	0	-28,344		-29,816
<b>Segment earnings</b>	<b>26,654</b>		<b>29,958</b>	<b>31,199</b>		<b>31,029</b>	<b>4,160</b>		<b>5,463</b>	<b>-5,267</b>	<b>-7,780</b>	<b>56,746</b>		<b>66,450</b>
General and administrative expenses												-17,048		-18,464
Other taxes												-1,795		-1,957
<b>Operating earnings</b>												<b>37,903</b>		<b>46,029</b>
Other income / expenses, net												2,361		1,323
Net financial income / expenses												1,365		-193
<b>Earnings before income taxes</b>												<b>41,629</b>		<b>47,159</b>
Income Taxes												-11,680		-12,061
<b>Net income</b>												<b>29,949</b>		<b>35,098</b>

## Segment DBP with revenue split for the First Quarter 2018

(IFRS, unaudited)

in € thousands	IoT/Cloud			DBP excl. IoT/Cloud			DBP incl. IoT/Cloud		
	Q1 2018	Q1 2018	Q1 2017	Q1 2018	Q1 2018	Q1 2017	Q1 2018	Q1 2018	Q1 2017
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated
Licenses	1,787	1,825	656	23,411	25,927	36,417	25,198	27,752	37,073
Maintenance	824	841	431	65,979	71,407	66,479	66,803	72,248	66,910
SaaS	3,750	3,980	1,872	0	0	0	3,750	3,980	1,872
<b>Product revenue</b>	<b>6,361</b>	<b>6,646</b>	<b>2,959</b>	<b>89,390</b>	<b>97,334</b>	<b>102,896</b>	<b>95,751</b>	<b>103,980</b>	<b>105,855</b>
Services	0	0	0	0	0	0	0	0	0
Other	0	0	0	40	46	14	40	46	14
<b>Total revenue</b>	<b>6,361</b>	<b>6,646</b>	<b>2,959</b>	<b>89,430</b>	<b>97,380</b>	<b>102,910</b>	<b>95,791</b>	<b>104,026</b>	<b>105,869</b>
Cost of sales							-8,560		-7,361
<b>Gross profit</b>							<b>87,231</b>		<b>98,508</b>
Sales, Marketing & Distribution expenses							-37,770		-44,824
<b>Segment contribution</b>							<b>49,461</b>		<b>53,684</b>
Research and development expenses							-22,807		-23,726
<b>Segment earnings</b>							<b>26,654</b>		<b>29,958</b>



## Statement of comprehensive income for the first quarter 2018

(IFRS, unaudited)

in € thousands	Q1 2018	Q1 2017
<b>Net income</b>	<b>29,949</b>	<b>27,318</b>
Currency translation differences from foreign operations	-22,682	4,519
Net gain/loss on remeasuring financial assets	-7,900	-148
Currency translation gain/loss from net investments in foreign operations	-992	-595
<b>Items to be reclassified to the income statement if certain conditions are met</b>	<b>-31,574</b>	<b>3,776</b>
Net actuarial gain/loss on pension obligations	-439	8
<b>Items not to be reclassified to the income statement</b>	<b>-439</b>	<b>8</b>
<b>Other comprehensive income</b>	<b>-32,013</b>	<b>3,784</b>
<b>Total comprehensive income</b>	<b>-2,064</b>	<b>31,102</b>
Thereof attributable to shareholders of Software AG	-2,101	31,039
Thereof attributable to non-controlling interests	37	63

**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](mailto:investor.relations@softwareag.com)

[www.softwareag.com](http://www.softwareag.com)

