

Software AG

Financial Information

Q3 / 2018

October 19, 2018
(unaudited)

Table of Contents

p. 3	Key Figures as of September 30, 2018
p. 4	Consolidated Income Statement for the Nine Months Ended September 30, 2018
p. 5	Consolidated Balance Sheet as of September 30, 2018
p. 6	Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2018
p. 7	Segment Report for the Nine Months Ended September 30, 2018
p. 8	Segment Report for the Third Quarter 2018
p. 9	Segment DBP with Revenue Split for the Nine Months Ended September 30, 2018
p. 10	Segment DBP with Revenue Split for the Third Quarter 2018
p. 11	Statement of Comprehensive Income for the Nine Months Ended September 30, 2018

Key Figures as of September 30, 2018

(IFRS, unaudited)

in € millions (unless otherwise stated)	9M 2018 (as stated)	9M 2018 (acc*)	9M 2017 (as stated)	Δ in %	Δ in % acc*	Q3 2018 (as stated)	Q3 2018 (acc*)	Q3 2017 (as stated)	Δ in %	Δ in % acc*
Revenue	601.2	628.2	610.6	-2%	3%	208.8	212.0	197.3	6%	7%
DBP (incl. Cloud & IoT)	316.7	330.7	311.5	2%	6%	113.8	114.8	101.2	12%	13%
Thereof DBP (excl. Cloud & IoT)	296.0	309.5	301.3	-2%	3%	104.7	105.7	97.5	7%	8%
Thereof DBP (Cloud & IoT)	20.7	21.2	10.2	104%	108%	9.1	9.1	3.7	144%	144%
A&N	149.6	158.7	149.2	0%	6%	52.3	54.1	48.9	7%	11%
Licenses	144.4	150.3	136.7	6%	10%	56.7	57.6	44.5	28%	29%
Maintenance	308.8	325.6	316.9	-3%	3%	104.7	106.6	103.0	2%	3%
SaaS	12.6	13.0	6.5	95%	101%	4.5	4.5	2.4	88%	89%

ARR DBP (incl. Cloud & IoT) ****	290.3		264.5
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ARR DBP (Cloud & IoT) ****	27.0		12.8
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	9M 2018	9M 2017	Δ in %	Q3 2018	Q3 2017	Δ in %
Operating EBITA (non-IFRS)	176.5	181.2	-3%	63.8	63.6	0%
as % of revenue	29.4%	29.7%		30.5%	32.2%	
DBP segment earnings	95.7	93.5	2%	38.2	32.9	16%
Segment margin	30.2%	30.0%		33.6%	32.5%	
A&N segment earnings	104.5	100.8	4%	35.8	33.4	7%
Segment margin	69.8%	67.6%		68.4%	68.3%	
Net income (non-IFRS)	123.5	120.6	2%	44.7	43.1	4%
Earnings per share (non-IFRS)**	1.67	1.61	4%	0.60	0.58	3%
Operating Cash Flow	133.7	146	-8%	38.6	37.6	3%
CapEx***	8.7	24.7		2.2	2.1	
Free Cash Flow	125.0	121.3	3%	36.4	35.5	3%

Balance sheet	Sep. 30, 2018	Dec. 31, 2017	
Total assets	1,942.5	1,907.5	2%
Cash and cash equivalents	406.9	365.8	11%
Net cash	91.5	55.2	66%
Employees (FTE)	4,714	4,596	3%

* acc = at constant currency

** Based on weighted average shares outstanding (basic) Q3 2018: 74.0m / Q3 2017: 74.0m / 9M 2018: 74.0m / 9M 2017: 74.9m

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

**** Annual recurring revenue.

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 Nine Months Ended September 30, 2018

(IFRS, unaudited)

in € thousands	9M 2018	9M 2017 *	Δ as %	Q3 2018	Q3 2017 *	Δ as %
Licenses	144,378	136,700	6%	56,743	44,487	28%
Maintenance	308,848	316,927	-3%	104,680	102,976	2%
SaaS	12,577	6,465	95%	4,515	2,400	88%
Services	134,814	149,944	-10%	42,714	47,236	-10%
Other	534	568	-6%	165	184	-10%
Total revenue	601,151	610,604	-2%	208,817	197,283	6%
Costs of sales	-143,721	-155,340	-7%	-45,845	-48,677	-6%
Gross profit	457,430	455,264	0%	162,972	148,606	10%
Research and development expenses	-88,545	-88,849	0%	-30,167	-28,194	7%
Sales, marketing and distribution expenses	-169,356	-175,341	-3%	-58,894	-53,638	10%
General and administrative expenses	-54,248	-55,007	-1%	-19,218	-17,000	13%
Other taxes	-4,813	-5,327	-10%	-1,602	-1,589	1%
Operating earnings	140,468	130,740	7%	53,091	48,185	10%
Other income / expenses, net	3,477	3,959		-208	635	
Financing expenses, net	3,444	-357		1,357	-334	
Earnings before income taxes	147,389	134,342	10%	54,240	48,486	12%
Income taxes	-43,488	-41,977	4%	-16,113	-14,707	10%
Net income	103,901	92,365	12%	38,127	33,779	13%
Thereof attributable to shareholders of Software AG	103,709	92,172	13%	38,044	33,706	13%
Thereof attributable to non-controlling interests	192	193		83	73	
Earnings per share (€, basic)	1.40	1.23	14%	0.51	0.46	11%
Earnings per share (€, diluted)	1.40	1.23	14%	0.51	0.46	11%
Weighted average number of shares outstanding (basic)	73,978,064	74,870,803	-	73,979,889	73,959,889	-
Weighted average number of shares outstanding (diluted)	73,980,545	74,881,101	-	73,982,289	73,970,271	-

* In order to provide more relevant information and to improve the value of its financial statements, in particular the financial performance, Software AG made changes to the presentation/structure of the Income Statement by introducing a new revenue line. As of January 1st, 2018 revenues from Software as a Service contracts are shown in a separate line. Prior year's figures have been adjusted accordingly.

Consolidated Balance Sheet as of September 30, 2018

(IFRS, unaudited)

Assets (in € thousands)	Sep. 30, 2018	Dec. 31, 2017
Current assets		
Cash and cash equivalents	406,892	365,815
Other financial assets	6,174	26,165
Trade receivables and other receivables	207,379	226,314
Other non-financial assets	19,902	17,366
Income tax receivables	20,916	14,632
	661,263	650,292
Non-current assets		
Intangible assets	137,139	131,664
Goodwill	968,719	921,415
Property, plant and equipment	71,060	72,815
Other financial assets	41,525	54,730
Trade receivables and other receivables	36,766	53,273
Other non-financial assets	2,819	199
Income tax receivables	8,559	8,575
Deferred tax receivables	14,629	14,507
	1,281,216	1,257,178
Total Assets	1,942,479	1,907,470
Equity and Liabilities (in € thousands)	Sep. 30, 2018	Dec. 31, 2017
Current liabilities		
Financial liabilities	115,169	210,347
Trade payables and other liabilities	27,117	37,617
Other non-financial liabilities	104,530	150,416
Other provisions	34,824	43,708
Income tax liabilities	34,517	27,505
Deferred income	140,847	112,964
	457,004	582,557
Non-current liabilities		
Financial liabilities	200,217	100,250
Trade payables and other liabilities	3,316	3,677
Other non-financial liabilities	706	640
Other provisions	33,347	34,297
Provisions for pensions and similar obligations	44,422	43,869
Income tax liabilities	4,229	4,509
Deferred tax liabilities	14,594	11,599
Deferred income	15,864	7,790
	316,695	206,631
Equity		
Share capital	74,000	76,400
Capital reserves	22,612	22,715
Retained earnings	1,140,523	1,176,722
Other reserves	-68,126	-66,905
Treasury shares	-757	-91,249
Attributable to shareholders of Software AG	1,168,252	1,117,683
Non-controlling interests	528	599
	1,168,780	1,118,282
Total Equity and Liabilities	1,942,479	1,907,470

Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2018

(IFRS, unaudited)

in € thousands	9M 2018	9M 2017	Q3 2018	Q3 2017
Net income	103,901	92,365	38,127	33,779
Income taxes	43,488	41,977	16,113	14,707
Net financial income/expense	-3,444	357	-1,357	334
Amortization/depreciation of non-current assets	24,174	31,575	8,203	9,553
Payments for the settlement of share based payment rights with a choice of settlement	-53	0	-53	0
Other non-cash income/expense	-1,925	1,353	-4	1,587
Changes in receivables and other assets	54,165	67,999	-16,165	6,973
Changes in payables and other liabilities	-46,152	-32,958	-501	-16,862
Income taxes paid/received	-43,385	-55,216	-7,039	-10,548
Interest paid	-4,923	-8,100	-1,381	-3,948
Interest received	7,835	6,679	2,665	2,068
Net cash provided by operating activities	133,681	146,031	38,608	37,643
Proceeds from the sale of property, plant and equipment/intangible assets	268	290	48	34
Purchase of property, plant and equipment/intangible assets	-6,337	-22,673	-2,078	-2,074
Proceeds from the sale of non-current financial assets	250	101	0	0
Purchase of non-current financial assets	-2,835	-2,486	-161	-110
Proceeds from the sale of current financial assets	271	4,179	83	51
Purchase of current financial assets	-885	-622	-351	-102
Payment for acquisitions, net	-46,800	-49,420	-17,191	0
Net cash used in investing activities	-56,068	-70,631	-19,650	-2,201
Repurchase of treasury shares	0	-89,587	0	0
Sale of treasury stock	88	1,330	0	0
Dividends paid	-48,348	-44,553	0	-210
Proceeds and payments from current financial liabilities	12,441	96,052	626	54,157
Proceeds from non-current financial liabilities	100,028	0	15	0
Repayment of non-current financial liabilities	-100,011	-70,894	0	-60,320
Net cash provided by/used in financing activities	-35,802	-107,652	641	-6,373
Change in cash and cash equivalents from cash relevant transactions	41,811	-32,252	19,599	29,069
Currency translation adjustment	-734	-15,678	-679	-6,235
Net change in cash and cash equivalents	41,077	-47,930	18,920	22,834
Cash and cash equivalents at the beginning of the period	365,815	374,611	387,972	303,847
Cash and cash equivalents at the end of the period	406,892	326,681	406,892	326,681
Free Cash Flow	125,027	121,263	36,417	35,493

Segment Report for the Nine Months Ended September 30, 2018

(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Consulting			Reconciliation		TOTAL		
	9M 2018	9M 2018	9M 2017	9M 2018	9M 2018	9M 2017	9M 2018	9M 2018	9M 2017	9M 2018	9M 2017	9M 2018	9M 2018	9M 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	101,728	105,791	104,371	42,650	44,539	32,329	0	0	0	0	0	144,378	150,330	136,700
Maintenance	202,352	211,887	200,595	106,496	113,709	116,332	0	0	0	0	0	308,848	325,596	316,927
SaaS	12,577	12,971	6,465	0	0	0	0	0	0	0	0	12,577	12,971	6,465
Product revenue	316,657	330,649	311,431	149,146	158,248	148,661	0	0	0	0	0	465,803	488,897	460,092
Services	0	0	0	0	0	0	134,814	138,805	149,944	0	0	134,814	138,805	149,944
Other	41	46	52	489	490	506	4	4	10	0	0	534	540	568
Total revenue	316,698	330,695	311,483	149,635	158,738	149,167	134,818	138,809	149,954	0	0	601,151	628,242	610,604
Cost of sales	-26,175	-27,031	-22,124	-4,628	-4,887	-7,337	-106,837	-109,842	-115,926	-6,081	-9,953	-143,721		-155,340
Gross profit	290,523	303,664	289,359	145,007	153,851	141,830	27,981	28,967	34,028	-6,081	-9,953	457,430		455,264
Sales, marketing and distribution expenses	-123,700	-129,019	-124,678	-23,109	-24,192	-23,358	-12,661	-13,174	-14,272	-9,886	-13,033	-169,356		-175,341
Segment contribution	166,823	174,645	164,681	121,898	129,659	118,472	15,320	15,793	19,756	-15,967	-22,986	288,074		279,923
Research and development expenses	-71,115	-73,124	-71,191	-17,430	-17,376	-17,658	0	0	0	0	0	-88,545		-88,849
Segment earnings	95,708	101,521	93,490	104,468	112,283	100,814	15,320	15,793	19,756	-15,967	-22,986	199,529		191,074
General and administrative expenses												-54,248		-55,007
Other taxes												-4,813		-5,327
Operating earnings												140,468		130,740
Other income / expenses, net												3,477		3,959
Net financial income / expenses												3,444		-357
Earnings before income taxes												147,389		134,342
Income Taxes												-43,488		-41,977
Net income												103,901		92,365

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Segment Report for the Third Quarter 2018

(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Consulting			Reconciliation		TOTAL		
	Q3 2018	Q3 2018	Q3 2017	Q3 2018	Q3 2018	Q3 2017	Q3 2018	Q3 2018	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2018	Q3 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	40,630	40,914	33,221	16,113	16,677	11,266	0	0	0	0	0	56,743	57,591	44,487
Maintenance	68,656	69,319	65,591	36,024	37,250	37,385	0	0	0	0	0	104,680	106,569	102,976
SaaS	4,515	4,537	2,400	0	0	0	0	0	0	0	0	4,515	4,537	2,400
Product revenue	113,801	114,770	101,212	52,137	53,927	48,651	0	0	0	0	0	165,938	168,697	149,863
Services	0	0	0	0	0	0	42,714	43,135	47,236	0	0	42,714	43,135	47,236
Other	0	0	22	165	165	173	0	0	-11	0	0	165	165	184
Total revenue	113,801	114,770	101,234	52,302	54,092	48,824	42,714	43,135	47,225	0	0	208,817	211,997	197,283
Cost of sales	-8,471	-8,491	-7,764	-1,949	-1,970	-2,518	-33,331	-33,560	-35,627	-2,094	-2,768	-45,845		-48,677
Gross profit	105,330	106,279	93,470	50,353	52,122	46,306	9,383	9,575	11,598	-2,094	-2,768	162,972		148,606
Sales, marketing and distribution expenses	-42,854	-43,158	-38,007	-8,651	-8,971	-7,283	-4,023	-4,070	-4,381	-3,366	-3,967	-58,894		-53,638
Segment contribution	62,476	63,121	55,463	41,702	43,151	39,023	5,360	5,505	7,217	-5,460	-6,735	104,078		94,968
Research and development expenses	-24,248	-24,313	-22,537	-5,919	-5,776	-5,657	0	0	0	0	0	-30,167		-28,194
Segment earnings	38,228	38,808	32,926	35,783	37,375	33,366	5,360	5,505	7,217	-5,460	-6,735	73,911		66,774
General and administrative expenses												-19,218		-17,000
Other taxes												-1,602		-1,589
Operating earnings												53,091		48,185
Other income / expenses, net												-208		635
Net financial income / expenses												1,357		-334
Earnings before income taxes												54,240		48,486
Income Taxes												-16,113		-14,707
Net income												38,127		33,779

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Segment DBP with Revenue Split for the Nine Months Ended September 30, 2018

(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	9M 2018	9M 2018	9M 2017	9M 2018	9M 2018	9M 2017	9M 2018	9M 2018	9M 2017
	as stated	at constant currency	as stated *	as stated	at constant currency	as stated *	as stated	at constant currency	as stated *
Licenses	5,558	5,593	2,007	96,170	100,198	102,364	101,728	105,791	104,371
Maintenance	2,571	2,608	1,690	199,781	209,279	198,905	202,352	211,887	200,595
SaaS	12,577	12,971	6,465	0	0	0	12,577	12,971	6,465
Product revenue	20,706	21,172	10,162	295,951	309,477	301,269	316,657	330,649	311,431
Services	0	0	0	0	0	0	0	0	0
Other	0	0	0	41	46	52	41	46	52
Total revenue	20,706	21,172	10,162	295,992	309,523	301,321	316,698	330,695	311,483
Cost of sales							-26,175	-27,031	-22,124
Gross profit							290,523	303,664	289,359
Sales, marketing and distribution expenses							-123,700	-129,019	-124,678
Segment contribution							166,823	174,645	164,681
Research and development expenses							-71,115	-73,124	-71,191
Segment earnings							95,708	101,521	93,490

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Segment DBP with Revenue Split for the Third Quarter 2018

(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	Q3 2018	Q3 2018	Q3 2017	Q3 2018	Q3 2018	Q3 2017	Q3 2018	Q3 2018	Q3 2017
	as stated	at constant currency	as stated *	as stated	at constant currency	as stated *	as stated	at constant currency	as stated *
Licenses	3,565	3,559	673	37,065	37,355	32,548	40,630	40,914	33,221
Maintenance	996	998	652	67,660	68,321	64,939	68,656	69,319	65,591
SaaS	4,515	4,537	2,400	0	0	0	4,515	4,537	2,400
Product revenue	9,076	9,094	3,725	104,725	105,676	97,487	113,801	114,770	101,212
Services	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	22	0	0	22
Total revenue	9,076	9,094	3,725	104,725	105,676	97,509	113,801	114,770	101,234
Cost of sales							-8,471	-8,491	-7,764
Gross profit							105,330	106,279	93,470
Sales, marketing and distribution expenses							-42,854	-43,158	-38,007
Segment contribution							62,476	63,121	55,463
Research and development expenses							-24,248	-24,313	-22,537
Segment earnings							38,228	38,808	32,926

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Statement of Comprehensive Income for the Nine Months Ended September 30, 2018

(IFRS, unaudited)

in € thousands	9M 2018	9M 2017	Q3 2018	Q3 2017
Net income	103,901	92,365	38,127	33,779
Currency translation differences from foreign operations	7,275	-67,517	2,990	-23,636
Net gain/loss on remeasuring financial assets	-9,883	-119	-553	-312
Currency translation gain/loss from net investments in foreign operations	1,343	-4,544	272	-1,308
Items to be reclassified to the income statement if certain conditions are met	-1,265	-72,180	2,709	-25,256
Net actuarial gain/loss on pension obligations	44	615	78	-10
Items not to be reclassified to the income statement	44	615	78	-10
Other comprehensive income	-1,221	-71,565	2,787	-25,266
Total comprehensive income	102,680	20,800	40,914	8,513
Thereof attributable to shareholders of Software AG	102,488	20,607	40,831	8,440
Thereof attributable to non-controlling interests	192	193	83	73

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