

Software AG

Financial Information

Q4 / 2018

January 31, 2019
(unaudited)

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Key Figures as of the Fourth Quarter and as of December 31, 2018 and 2017

(IFRS, unaudited)

in € millions (unless otherwise stated)	12M 2018 (as stated)	12M 2018 (acc*)	12M 2017 (as stated)	Δ in %	Δ in % acc*	Q4 2018 (as stated)	Q4 2018 (acc*)	Q4 2017 (as stated)	Δ in %	Δ in % acc*
Revenue	865.7	892.4	879.0	-2%	2%	264.6	264.2	268.4	-1%	-2%
DBP (incl. Cloud & IoT)	464.7	478.2	456.5	2%	5%	148.1	147.5	145.0	2%	2%
Thereof DBP (excl. Cloud & IoT)	434.4	447.4	441.6	-2%	1%	138.4	137.9	140.2	-1%	-2%
Thereof DBP (Cloud & IoT)	30.3	30.7	14.9	103%	106%	9.6	9.5	4.8	101%	100%
A&N	218.3	227.5	223.7	-2%	2%	68.7	68.7	74.6	-8%	-8%
Licenses	249.4	254.5	250.1	0%	2%	105.0	104.2	113.4	-7%	-8%
Maintenance	415.4	432.4	420.2	-1%	3%	106.6	106.8	103.3	3%	3%
SaaS	17.6	17.9	9.1	93%	97%	5.0	4.9	2.6	91%	89%

ARR DBP (incl. Cloud & IoT) ****	305.4		272.7
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ARR DBP (Cloud & IoT) ****	30.1		13.7
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	12M 2018	12M 2017	Δ in %	Q4 2018	Q4 2017	Δ in %
Operating EBITA (non-IFRS)	272.9	279.5	-2%	96.4	98.4	-2%
as % of revenue	31.5%	31.8%		36.5%	36.7%	
DBP segment earnings	147.0	150.9	-3%	51.3	57.4	-11%
Segment margin	31.6%	33.1%		34.6%	39.6%	
A&N segment earnings	155.4	156.5	-1%	51.0	55.7	-8%
Segment margin	71.2%	70.0%		74.2%	74.6%	
Net income (non-IFRS)	195.0	177.3	10%	71.5	56.7	26%
Earnings per share (non-IFRS)**	2.64	2.38	11%	0.97	0.77	26%
Operating Cash Flow	195.1	189.4	3%	61.4	43.4	42%
CapEx***	11.0	27.5		2.3	2.8	
Free Cash Flow	184.1	161.9	14%	59.1	40.6	46%

Balance sheet	Dec. 31, 2018	Dec. 31, 2017	
Total assets	2,007.9	1,907.5	5%
Cash and cash equivalents	462.3	365.8	26%
Net cash	149.0	55.2	170%
Employees (FTE)	4,763	4,596	4%

* acc = at constant currency

** Based on weighted average shares outstanding (basic) Q4 2018: 74.0m / Q4 2017: 74.0m / 12M 2018: 74.0m / 12M 2017: 74.6m

*** 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 Fourth Quarter and Fiscal Years 2018 and 2017

(IFRS, unaudited)

in € thousands	12M 2018	12M 2017 *	Δ as %	Q4 2018	Q4 2017 *	Δ as %
Licenses	249,365	250,134	0%	104,987	113,435	-7%
Maintenance	415,400	420,205	-1%	106,552	103,278	3%
SaaS	17,555	9,076	93%	4,978	2,611	91%
Services	182,540	198,778	-8%	47,725	48,833	-2%
Other	851	790	8%	317	222	43%
Total revenue	865,711	878,983	-2%	264,559	268,379	-1%
Costs of sales	-194,965	-213,349	-9%	-51,244	-58,009	-12%
Gross profit	670,746	665,634	1%	213,315	210,370	1%
Research and development expenses	-124,423	-120,644	3%	-35,878	-31,795	13%
Sales, marketing and distribution expenses	-244,721	-243,461	1%	-75,364	-68,120	11%
General and administrative expenses	-73,952	-75,941	-3%	-19,704	-20,934	-6%
Other taxes	-7,044	-7,183	-2%	-2,230	-1,857	20%
Operating earnings	220,606	218,405	1%	80,139	87,664	-9%
Other income / expenses, net	3,943	-2,817		465	-6,775	
Financing expenses, net	4,321	1,467		877	1,824	
Earnings before income taxes	228,870	217,055	5%	81,481	82,713	-1%
Income taxes	-63,675	-76,459	-17%	-20,187	-34,482	-41%
Net income	165,195	140,596	17%	61,294	48,231	27%
Thereof attributable to shareholders of Software AG	164,875	140,333	17%	61,166	48,161	27%
Thereof attributable to non-controlling interests	320	263		128	70	
Earnings per share (€, basic)	2.23	1.88	19%	0.83	0.65	28%
Earnings per share (€, diluted)	2.23	1.88	19%	0.83	0.65	28%
Weighted average number of shares outstanding (basic)	73,978,520	74,645,119	-	73,979,889	73,968,064	-
Weighted average number of shares outstanding (diluted)	73,980,884	74,649,890	-	73,981,830	73,973,683	-

* 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 December 31, 2018 and 2017

(IFRS, unaudited)

Assets (in € thousands)	Dec. 31, 2018	Dec. 31, 2017
Current assets		
Cash and cash equivalents	462,362	365,815
Other financial assets	15,302	26,165
Trade receivables and other receivables	207,494	226,314
Other non-financial assets	20,109	17,366
Income tax receivables	19,680	14,632
	724,947	650,292
Non-current assets		
Intangible assets	136,972	131,664
Goodwill	964,377	921,415
Property, plant and equipment	71,023	72,815
Other financial assets	19,563	54,730
Trade receivables and other receivables	68,675	53,273
Other non-financial assets	2,924	199
Income tax receivables	9,416	8,575
Deferred tax receivables	10,007	14,507
	1,282,957	1,257,178
Total Assets	2,007,904	1,907,470
Equity and Liabilities (in € thousands)	Dec. 31, 2018	Dec. 31, 2017
Current liabilities		
Financial liabilities	111,888	210,347
Trade payables and other liabilities	38,831	37,617
Other non-financial liabilities	145,839	150,416
Other provisions	30,630	43,708
Income tax liabilities	37,953	27,505
Deferred income	123,276	112,964
	488,417	582,557
Non-current liabilities		
Financial liabilities	201,432	100,250
Trade payables and other liabilities	3,245	3,677
Other non-financial liabilities	266	640
Other provisions	10,320	34,297
Provisions for pensions and similar obligations	34,621	43,869
Income tax liabilities	2,898	4,509
Deferred tax liabilities	11,398	11,599
Deferred income	16,245	7,790
	280,425	206,631
Equity		
Share capital	74,000	76,400
Capital reserves	22,612	22,715
Retained earnings	1,201,689	1,176,722
Other reserves	-59,138	-66,905
Treasury shares	-757	-91,249
Attributable to shareholders of Software AG	1,238,406	1,117,683
Non-controlling interests	656	599
	1,239,062	1,118,282
Total Equity and Liabilities	2,007,904	1,907,470

Consolidated Statement of Cash Flows for the Fourth Quarter and Fiscal Years 2018 and 2017
(IFRS, unaudited)

in € thousands	12M 2018	12M 2017	Q4 2018	Q4 2017
Net income	165,195	140,596	61,294	48,231
Income taxes	63,675	76,459	20,187	34,482
Net financial income/expense	-4,321	-1,467	-877	-1,824
Amortization/depreciation of non-current assets	32,069	41,202	7,895	9,627
Payments for cash-settled claims to optional share-based compensation	-53	0	0	0
Other non-cash income/expense	-1,033	3,715	892	2,362
Changes in receivables and other assets	31,810	2,159	-22,355	-65,840
Changes in payables and other liabilities	-39,513	8,993	6,639	41,951
Income taxes paid/received	-56,472	-83,040	-13,087	-27,824
Interest paid	-6,779	-9,277	-1,856	-1,177
Interest received	10,480	10,045	2,645	3,366
Net cash from operating activities	195,058	189,385	61,377	43,354
Proceeds from the sale of property, plant and equipment/intangible assets	304	591	36	301
Purchase of property, plant and equipment/intangible assets	-10,222	-25,444	-3,885	-2,771
Proceeds from the sale of non-current financial assets	1,811	1,932	1,561	1,831
Purchase of non-current financial assets	-2,836	-4,579	-1	-2,093
Proceeds from the sale of current financial assets	271	4,270	0	91
Purchase of current financial assets	-994	-681	-109	-59
Payment for acquisitions, net	-46,693	-49,420	107	0
Net cash used in investing activities	-58,359	-73,331	-2,291	-2,700
Repurchase of treasury shares (including option premiums paid)	0	-89,587	0	0
Use of treasury stock	88	1,725	0	395
Dividends paid	-48,348	-44,553	0	0
Proceeds/payments for current financial liabilities	7,673	96,257	-4,768	205
New non-current financial liabilities	100,028	80	0	80
Repayment of non-current financial liabilities	-100,021	-70,926	-10	-32
Net cash provided by/used in financing activities	-40,580	-107,004	-4,778	648
Change in cash and cash equivalents	96,119	9,050	54,308	41,302
Change in cash and cash equivalents from currency translation	428	-17,846	1,162	-2,168
Net change in cash and cash equivalents	96,547	-8,796	55,470	39,134
Cash and cash equivalents at beginning of period	365,815	374,611	406,892	326,681
Cash and cash equivalents at the end of period	462,362	365,815	462,362	365,815
Free Cash Flow	184,115	161,885	59,088	40,622

Segment Report for Fiscal Years 2018 and 2017

(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Consulting			Reconciliation		TOTAL		
	12M 2018	12M 2018	12M 2017	12M 2018	12M 2018	12M 2017	12M 2018	12M 2018	12M 2017	12M 2018	12M 2017	12M 2018	12M 2018	12M 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	174,915	178,723	180,183	74,450	75,826	69,951	0	0	0	0	0	249,365	254,549	250,134
Maintenance	272,231	281,461	267,107	143,169	150,934	153,098	0	0	0	0	0	415,400	432,395	420,205
SaaS	17,555	17,914	9,076	0	0	0	0	0	0	0	0	17,555	17,914	9,076
Product revenue	464,701	478,098	456,366	217,619	226,760	223,049	0	0	0	0	0	682,320	704,858	679,415
Services	0	0	0	0	0	0	182,540	186,724	198,778	0	0	182,540	186,724	198,778
Other	47	53	87	703	703	680	101	101	23	0	0	851	857	790
Total revenue	464,748	478,151	456,453	218,322	227,463	223,729	182,641	186,825	198,801	0	0	865,711	892,439	878,983
Cost of sales	-35,945	-36,790	-34,417	-6,263	-6,533	-10,119	-144,885	-147,962	-155,828	-7,872	-12,985	-194,965		-213,349
Gross profit	428,803	441,361	422,036	212,059	220,930	213,610	37,756	38,863	42,973	-7,872	-12,985	670,746		665,634
Sales, marketing and distribution expenses	-181,200	-186,257	-174,308	-32,820	-33,776	-33,359	-17,425	-17,949	-19,166	-13,276	-16,628	-244,721		-243,461
Segment contribution	247,603	255,104	247,728	179,239	187,154	180,251	20,331	20,914	23,807	-21,148	-29,613	426,025		422,173
Research and development expenses	-100,612	-102,502	-96,851	-23,811	-23,609	-23,793	0	0	0	0	0	-124,423		-120,644
Segment earnings	146,991	152,602	150,877	155,428	163,545	156,458	20,331	20,914	23,807	-21,148	-29,613	301,602		301,529
General and administrative expenses												-73,952		-75,941
Other taxes												-7,044		-7,183
Operating earnings												220,606		218,405
Other income / expenses, net												3,943		-2,817
Net financial income / expenses												4,321		1,467
Earnings before income taxes												228,870		217,055
Income Taxes												-63,675		-76,459
Net income												165,195		140,596

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Segment Report for the Fourth Quarter 2018 and 2017

(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Consulting			Reconciliation		TOTAL		
	Q4 2018	Q4 2018	Q4 2017	Q4 2018	Q4 2018	Q4 2017	Q4 2018	Q4 2018	Q4 2017	Q4 2018	Q4 2017	Q4 2018	Q4 2018	Q4 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	73,187	72,932	75,812	31,800	31,286	37,623	0	0	0	0	0	104,987	104,218	113,435
Maintenance	69,879	69,574	66,512	36,673	37,225	36,766	0	0	0	0	0	106,552	106,799	103,278
SaaS	4,978	4,943	2,611	0	0	0	0	0	0	0	0	4,978	4,943	2,611
Product revenue	148,044	147,449	144,935	68,473	68,511	74,389	0	0	0	0	0	216,517	215,960	219,324
Services	0	0	0	0	0	0	47,725	47,919	48,833	0	0	47,725	47,919	48,833
Other	6	6	35	213	211	174	98	98	13	0	0	317	315	222
Total revenue	148,050	147,455	144,970	68,686	68,722	74,563	47,823	48,017	48,846	0	0	264,559	264,194	268,379
Cost of sales	-9,770	-9,759	-12,294	-1,635	-1,645	-2,782	-38,048	-38,120	-39,901	-1,791	-3,032	-51,244		-58,009
Gross profit	138,280	137,696	132,676	67,051	67,077	71,781	9,775	9,897	8,945	-1,791	-3,032	213,315		210,370
Sales, marketing and distribution expenses	-57,499	-57,239	-49,630	-9,711	-9,584	-10,001	-4,764	-4,775	-4,894	-3,390	-3,595	-75,364		-68,120
Segment contribution	80,781	80,457	83,046	57,340	57,493	61,780	5,011	5,122	4,051	-5,181	-6,627	137,951		142,250
Research and development expenses	-29,496	-29,377	-25,660	-6,382	-6,232	-6,135	0	0	0	0	0	-35,878		-31,795
Segment earnings	51,285	51,080	57,386	50,958	51,261	55,645	5,011	5,122	4,051	-5,181	-6,627	102,073		110,455
General and administrative expenses												-19,704		-20,934
Other taxes												-2,230		-1,857
Operating earnings												80,139		87,664
Other income / expenses, net												465		-6,775
Net financial income / expenses												877		1,824
Earnings before income taxes												81,481		82,713
Income Taxes												-20,187		-34,482
Net income												61,294		48,231

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Segment DBP with Revenue Split for Fiscal Years 2018 and 2017

(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	12M 2018	12M 2018	12M 2017	12M 2018	12M 2018	12M 2017	12M 2018	12M 2018	12M 2017
	as stated	at constant currency	as stated *	as stated	at constant currency	as stated *	as stated	at constant currency	as stated *
Licenses	8,702	8,711	3,493	166,213	170,012	176,690	174,915	178,723	180,183
Maintenance	4,061	4,091	2,366	268,170	277,370	264,741	272,231	281,461	267,107
SaaS	17,555	17,914	9,076	0	0	0	17,555	17,914	9,076
Product revenue	30,318	30,716	14,935	434,383	447,382	441,431	464,701	478,098	456,366
Services	0	0	0	0	0	0	0	0	0
Other	1	1	0	46	52	87	47	53	87
Total revenue	30,319	30,717	14,935	434,429	447,434	441,518	464,748	478,151	456,453
Cost of sales							-35,945	-36,790	-34,417
Gross profit							428,803	441,361	422,036
Sales, marketing and distribution expenses							-181,200	-186,257	-174,308
Segment contribution							247,603	255,104	247,728
Research and development expenses							-100,612	-102,502	-96,851
Segment earnings							146,991	152,602	150,877

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Segment DBP with Revenue Split for the Fourth Quarter 2018 and 2017

(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	Q4 2018	Q4 2018	Q4 2017	Q4 2018	Q4 2018	Q4 2017	Q4 2018	Q4 2018	Q4 2017
	as stated	at constant currency	as stated *	as stated	at constant currency	as stated *	as stated	at constant currency	as stated *
Licenses	3,145	3,118	1,487	70,042	69,814	74,325	73,187	72,932	75,812
Maintenance	1,490	1,483	676	68,389	68,091	65,836	69,879	69,574	66,512
SaaS	4,978	4,943	2,611	0	0	0	4,978	4,943	2,611
Product revenue	9,613	9,544	4,774	138,431	137,905	140,161	148,044	147,449	144,935
Services	0	0	0	0	0	0	0	0	0
Other	0	0	0	6	6	35	6	6	35
Total revenue	9,613	9,544	4,774	138,437	137,911	140,196	148,050	147,455	144,970
Cost of sales							-9,770	-9,759	-12,294
Gross profit							138,280	137,696	132,676
Sales, marketing and distribution expenses							-57,499	-57,239	-49,630
Segment contribution							80,781	80,457	83,046
Research and development expenses							-29,496	-29,377	-25,660
Segment earnings							51,285	51,080	57,386

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Statement of Comprehensive Income for the Fourth Quarter and Fiscal Years 2018 and 2017

(IFRS, unaudited)

in € thousands	12M 2018	12M 2017	Q4 2018	Q4 2017
Net income	165,195	140,596	61,294	48,231
Currency translation differences from foreign operations	11,557	-77,523	4,282	-10,006
Net gain/loss on remeasuring financial assets	-11,330	228	-1,447	347
Currency translation gain/loss from net investments in foreign operations	1,768	-5,134	425	-590
Items to be reclassified to the income statement if certain conditions are met	1,995	-82,429	3,260	-10,249
Net actuarial gain/loss on pension obligations	5,772	-4,265	5,728	-4,880
Items not to be reclassified to the income statement	5,772	-4,265	5,728	-4,880
Other comprehensive income	7,767	-86,694	8,988	-15,129
Total comprehensive income	172,962	53,902	70,282	33,102
Thereof attributable to shareholders of Software AG	172,642	53,639	70,154	33,032
Thereof attributable to non-controlling interests	320	263	128	70

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