



IOT @ SOFTWARE AG

THE NEW GROWTH DRIVER

COMMERZBANK NORTHERN EUROPEAN CONFERENCE NEW YORK / BOSTON

MAY 16/17, 2018

SAFE-HARBOR-STATEMENT

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SOFTWARE AG AT A GLANCE

Technology leader for more than 40 years in data management and application development platforms

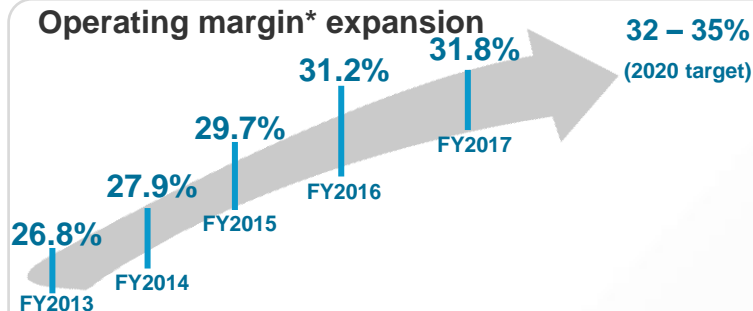
€870+
MILLION
IN REVENUE



50%+
recurring

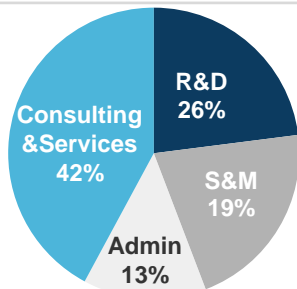


75%
product revenue



* non-IFRS EBITA in % of revenue

4,500+
EMPLOYEES**



€3bn+
MARKETCAP



~ 66% Free Float

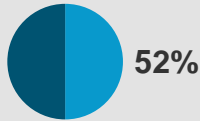
**P&L as of December 31, 2017

BUSINESS LINES

Digital Business / IoT / Cloud Platform

- Integration & Automation
- Real-time Analytics & Decisions
- In-Memory Data
- Business & IT Transformation
- IoT solutions
- Industry 4.0 platform
- Device Management
- Edge Computing
- Cloud based software

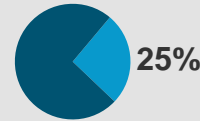
Share of Revenue*



Adabas & Natural

- Application Development
- Data Management System
- Modernization
- System Support 2050+

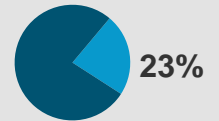
Share of Revenue*



Consulting Services

- Strategy & Design
- Product Implementation & Customized Solutions
- Education & Cloud Services
- Global Delivery (on-/offshore)

Share of Revenue*



*Group revenue split FY 2017

OUTLOOK

FULL YEAR 2018

	FY 2017 <i>(in €m)</i>	FY 2018 Outlook <i>(as of April 13, 2018)¹⁾</i>
DBP Total Revenue	456.4	N/A
- DBP excl. IoT / Cloud	441.5	+3% to +7%
- IoT / Cloud	14.9	+100% to +135%
Adabas & Natural	223.7	-6% to -2%
Operating Margin Group (EBITA non-IFRS)²⁾	31.8%	30% to 32%
EPS non-IFRS³⁾	€2.38	+5% to +15%

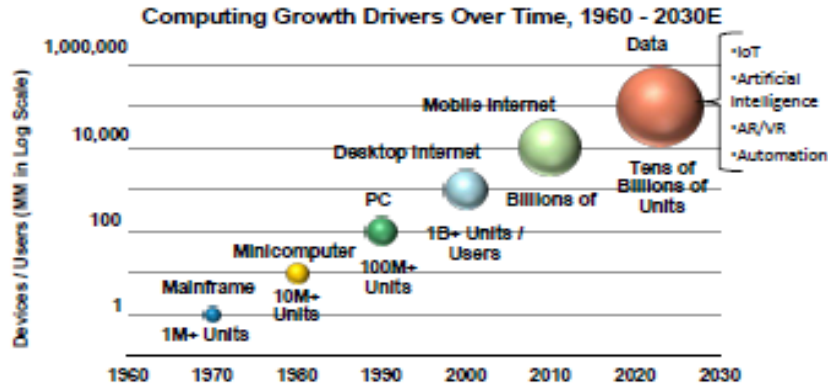
1) Revenue growth at constant currency rates

2) Adjusted for non-operating items (see non-IFRS earnings results)

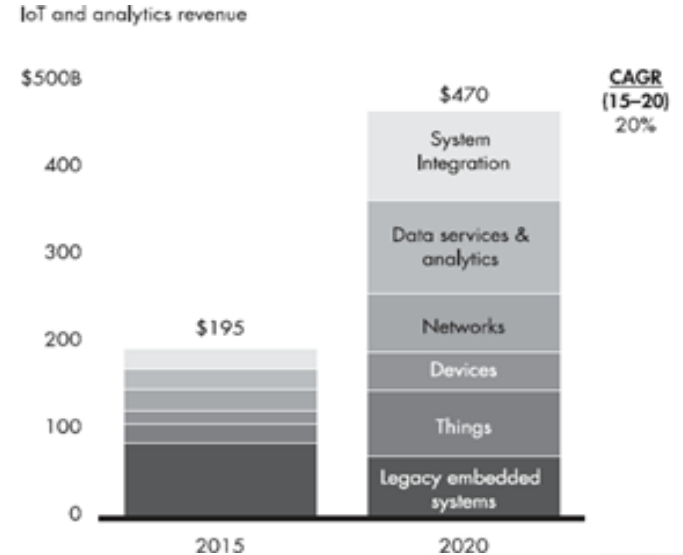
3) Weighted average shares outstanding (basic/IAS 33.19) FY 2017: 74.6m / FY 2018: 74.0m; based on new US-Federal-Tax and Euro/US-Dollar exchange rate of 1/1.18

DATA CENTERED ERA REQUIRES SOFTWARE CENTRICITY

Entering the next computing cycle – which is centered on data...



Source: Morgan Stanley Research, The Data Era Becomes Investable, April 9, 2018

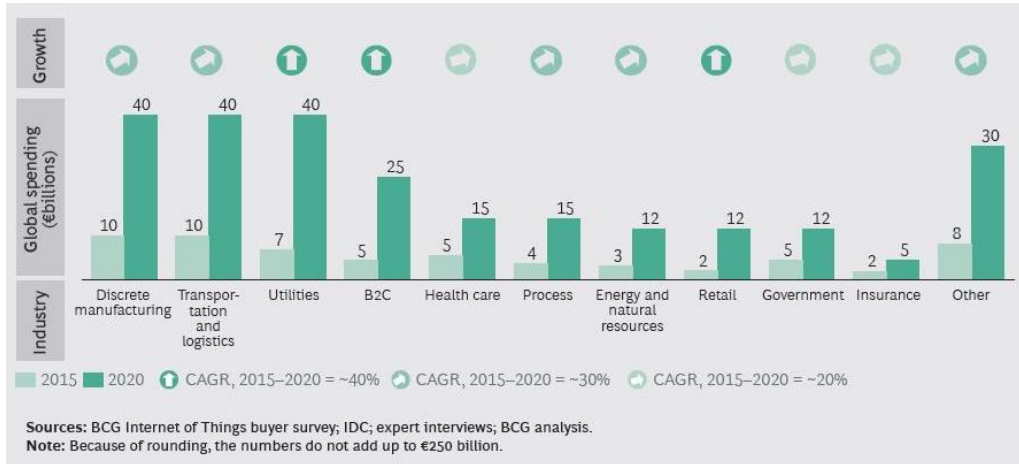


Source: Bain & Company, 2017

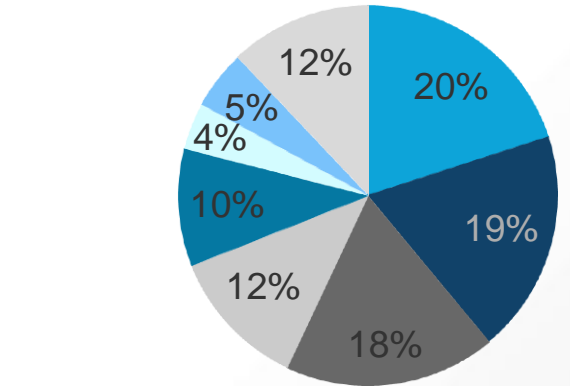
Software AG is ready to reap proceeds from higher IT investments by providing a comprehensive workbench along the value IT chain.

Software AG has singled out a distinct area of growth in (industrial) IoT to leverage its capabilities to the next level.

MANUFACTURING, LOGISTICS AND UTILITIES LEADING THE WAY BUT SIGNIFICANT GROWTH ALSO IN B2C, RETAIL AND OTHER

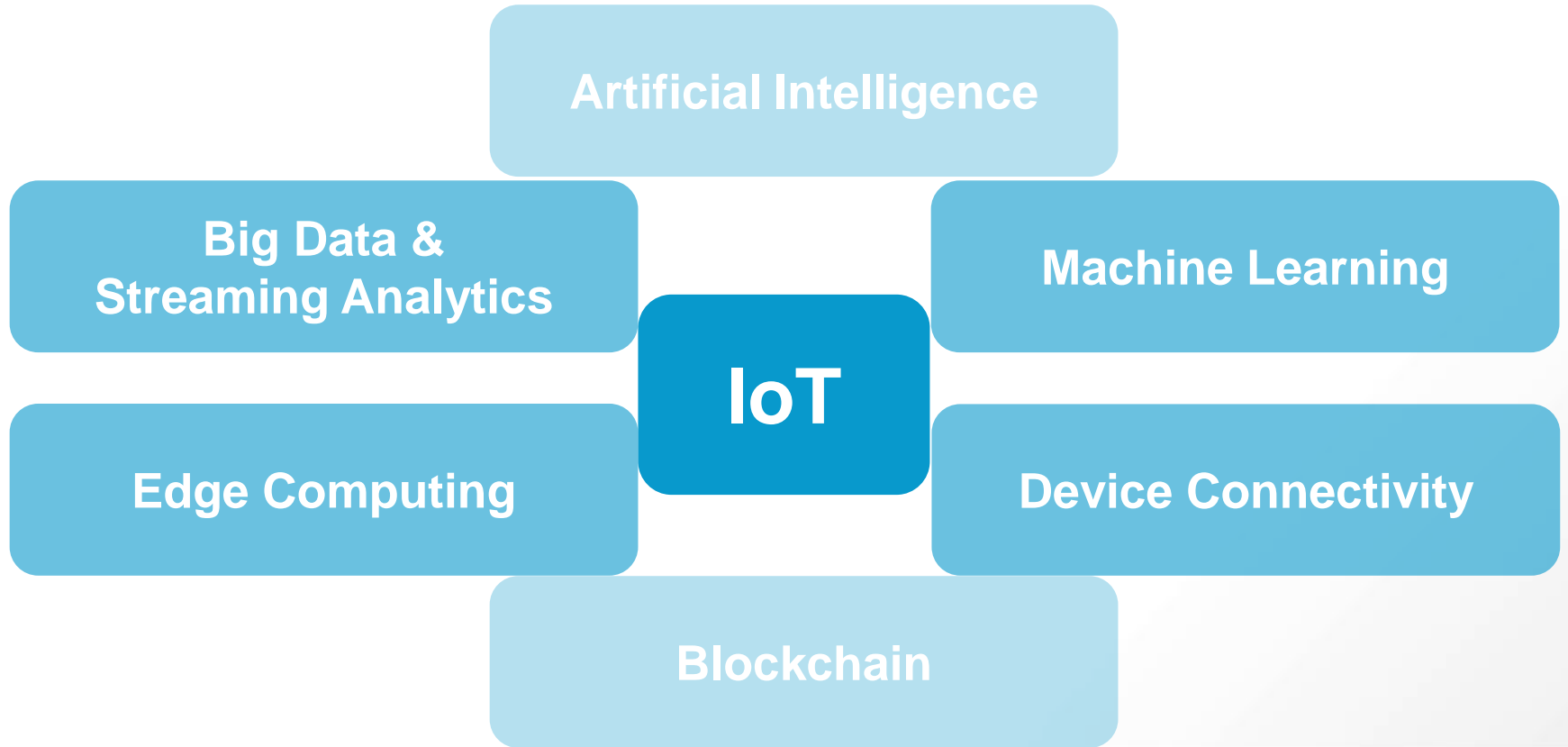


Product Revenue by Industry*



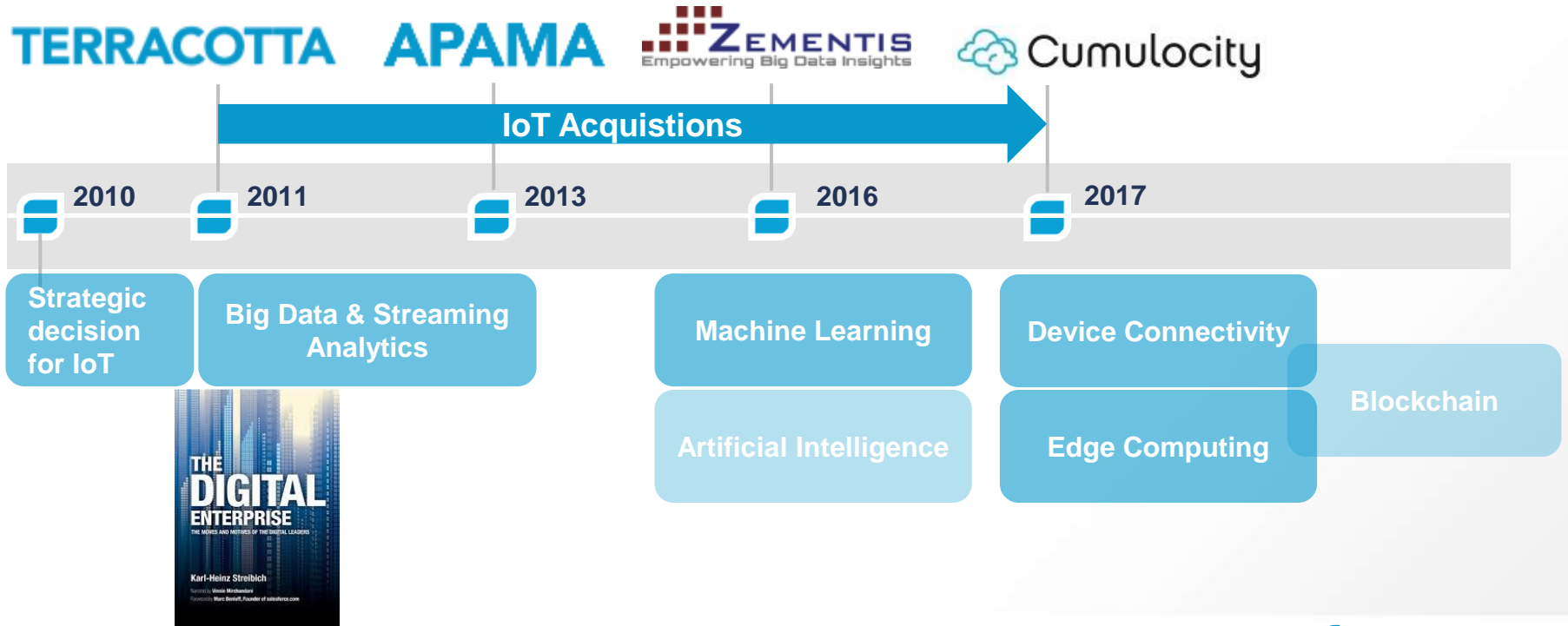
- Government
- Financial Services
- IT Services
- *Manufacturing*
- *Services*
- Telco & Media
- *Transp. & Log.*
- Other

ESSENTIAL CAPABILITIES TO SUCCEED IN IOT



SOFTWARE AG IOT PLATFORM CAPABILITES

ACQUISITIONS TO CATER THE IOT NEEDS



MARKET AWARENESS OF LEADERSHIP IS BUILDING UP BEST IOT TECHNOLOGY PARTNER IN THE MARKET...

The Forrester Wave™:
HYBRID INTEGRATION
(SAG WebMethods)

Gartner Magic Quadrant:
Full Life Cycle API
Management

The Forrester Wave™:
STREAMING ANALYTICS
(SAG Apama)

IoT Solutions
(SAG Cumulocity*)

[*Please assess the Gartner/Forrester reports via Software AG's website.](#)

VENDOR	TOTAL SCORE	INTEGRATION	LIFECYCLE MANAGEMENT	ARCHITECTURE AND SECURITY	BUSINESS
Cumulocity	74	●	●	●	○
	68	●	●	●	○
	66	○	●	●	○
	63	○	●	●	○
	63	○	●	●	○
	62	○	○	○	●
	61	○	○	○	●
	60	○	●	●	●
	59	○	○	○	●
	58	○	●	○	●
	57	○	○	○	●

● LEADING ● ABOVE AVERAGE ○ AVERAGE ○ BELOW AVERAGE ● TRAILING

*Cumulocity is the IoT solution portfolio of Software AG encompassing Hybrid Integration, In-Memory Computing and Streaming Analytics

IOT/CLOUD DRIVES CUSTOMER ECONOMIC VALUE

CLIENTS BENEFIT FROM VALUE PROPOSITION

Total Economic Impact* for a composite organization using DBP IoT/Cloud software

Benefits over 3yrs
~€6m (gross)

Investment over 3yrs
~€1.4m

ROI over 3yrs
320%

Break even
<6 months

- **31%** from IoT connectivity solution benefits
- **26%** from better business insights with streaming & predictive analytics
- **24%** from productivity improvements for developers
- **19%** from incremental revenue contribution (gross profit)

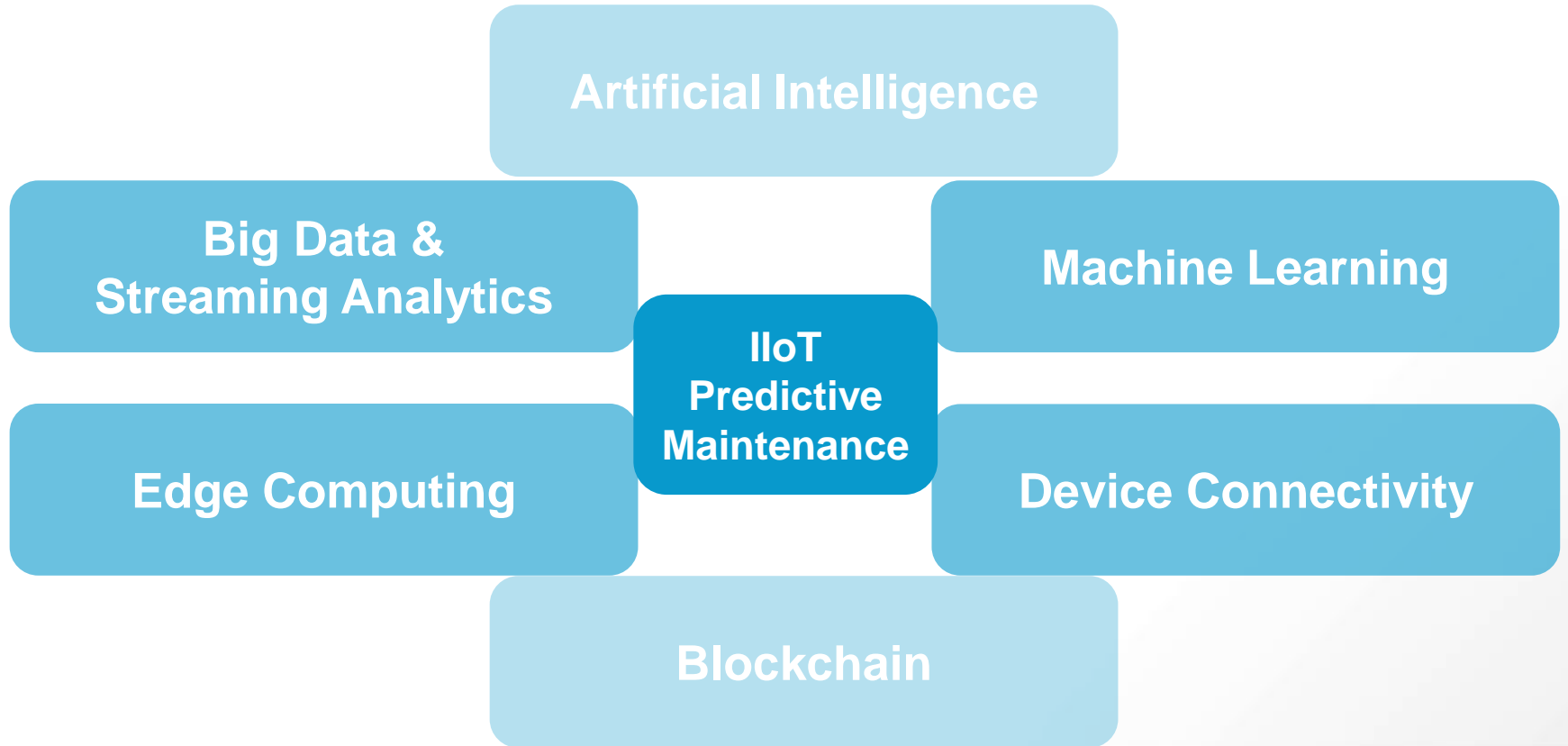
- **86%** from SaaS subscription fees for platform
- **14%** from labor to deploy & maintain platform



- **Compelling business case proposition**
- **Raises confidence for fast payback**
- **Risk-adjusted calculation scheme reflects realistic expectations**

*A Forrester Total Economic Impact™ Study of the Software AG Digital Business Platform, April 2018; Forrester interviewed eight Software AG Digital Business Platform customers across six industries with an aggregate 32 years' experience with Software AG's products.

ESSENTIAL CAPABILITIES APPLIED TO IIOT USE CASE



SOFTWARE AG'S SUCCESS STORIES IN IOT

IOT ECOSYSTEMS – INDUSTRY 4.0, TELCOS, AUTOMOTIVE, ...

ADAMOS

Forging joint venture of leading machinery manufactures for Industry 4.0

SIEMENS

Strengthening Mindsphere platform across industries enabling powerful industry applications



BOSCH

Leveraging Bosch IoT Cloud platform with Real-time predictive analytics technology

OCTO

Transforming auto insurance through behavioral, contextual and driving analytics



Enabling customers to use geo-sensing alerts, reduce theft and anticipate maintenance needs



KPN (NL), Telstra (AUS), Telia (SWE), Reliance Communications (India), Japan's NTT (Japan), Deutsche Telekom (T-Systems), Nokia and Huawei.



RESULTS 1st QUARTER 2018 & FY 2017

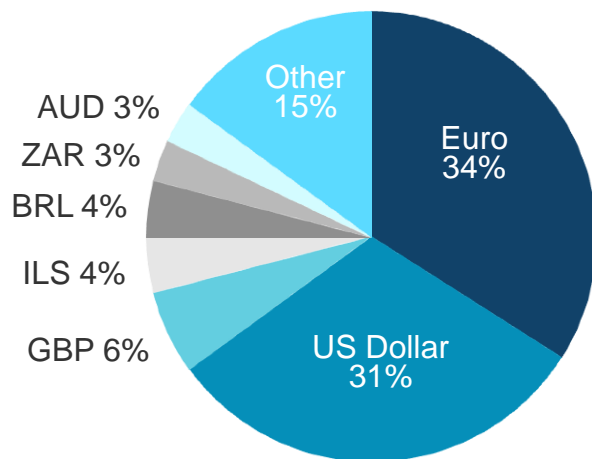
(IFRS, UNAUDITED)

CURRENCY IMPACT ON REVENUE

Q1 2018 / FY 2017

⇒ 34% revenue in Euro

⇒ 66% revenue in foreign currency



Currency split FY 2017

Currency impact on revenue

<i>(in €m; yoy)</i>	Q1 2018	Q1 in %	FY 2017	FY in %
Licenses	-3.2	-9%	-7.2	-3%
Maintenance	-8.9	-8%	-2.2	-1%
SaaS	-0.2	-6%	N/A	N/A
Consulting & Other	-2.1	-4%	-0.6	0%
Total	-14.4	-7%	-10.0	-1%

REVENUE

Q1 2018 / FY 2017

(in €m)	Q1 2018	Q1 2017	Δ%	Δ% acc	New FY 2017	Old FY 2017	FY 2016	Δ%	Δ% acc
Product revenue	140.4	153.7	-9%	-1%	679.4*	678.3	675.2	0%	2%
Licenses	34.1	44.9	-24%	-17%	250.1	256.7	263.0	-2%	0%
Maintenance	102.5	106.9	-4%	4%	420.2	421.6	412.2	2%	3%
SaaS / Usage Based	3.8	1.9	100%	113%	9.1	N/A	N/A	-	-
Services	46.0	52.1	-12%	-8%	198.8	198.8	195.2	2%	2%
Other	0.2	0.1	-	-	0.8	1.9	1.4	-	-
Total	186.6	205.9	-9%	-2%	879.0	879.0	871.8	1%	2%

*Incl Hosting Revenue, see slide „Allocation of Cloud Hosting Revenue“

DIGITAL BUSINESS PLATFORM (INCLUDING IoT/CLOUD) SEGMENT REPORT Q1 2018 / FY 2017

(in €m)	Q1 2018	Q1 2017	Δ%	Δ% acc	New FY 2017	Old FY 2017	FY 2016	Δ%	Δ% acc
Licenses	25.2	37.1	-32%	-25%	180.3	186.9	186.3	0%	3%
Maintenance	66.8	66.9	0%	8%	267.1	268.5	255.1	5%	6%
SaaS / Usage Based	3.8	1.9	100%	113%	9.1	N/A	N/A	-	-
Total revenue	95.8	105.9	-10%	-2%	456.5**	455.4	441.4	3%	5%
Cost of sales	-8.6	-7.4	16%	23%	-34.4	-33.3	-31.3	6%	8%
Gross profit	87.2	98.5	-11%	-4%	422.1	422.1	410.1	3%	5%
Sales & Marketing	-37.8	-44.8	-16%	-9%	-174.3	-174.3	-172.4	1%	2%
Research & Development	-22.7	-23.7	-4%	1%	-96.9	-96.9	-89.9	8%	6%
Segment result	26.7	30.0	-11%	1%	150.9	150.9	147.8	2%	7%
<i>Margin in %</i>	<i>27.9%</i>	<i>28.3%</i>			<i>33.0%</i>	<i>33.1%</i>	<i>33.5%</i>		
ARR (Annual Recurring Revenue)	276.5	262.0	6%	14%*					

*For acc internal Plan Rate 2018 used

** Incl Hosting Revenue, see slide „Allocation of Cloud Hosting Revenue“

IoT / CLOUD BUSINESS

SEGMENT REPORT Q1 2018 / FY 2017

<i>(in €m)</i>	Q1 2018	Q1 2017	Δ%	Δ% acc	FY 2017
Licenses	1.8	0.7	157%	178%	3.5
Maintenance	0.8	0.4	100%	95%	2.4
SaaS / Usage Based	3.8	1.9	100%	113%	9.1
Total revenue	6.4	3.0	113%	125%	14.9
ARR (Annual Recurring Revenue)	18.7	11.1	68%	81%*	

* For acc internal Plan Rate 2018 used

ADABAS & NATURAL

SEGMENT REPORT Q1 2018 / FY 2017

<i>(in €m)</i>	Q1 2018	Q1 2017	Δ%	Δ% acc	FY 2017	FY 2016	Δ%	Δ% acc
Licenses	9.0	7.8	15%	23%	69.9	76.8	-9%	-6%
Maintenance	35.6	40.1	-11%	-2%	153.1	157.1	-3%	-3%
Product revenue	44.6	47.9	-7%	2%	223.0	233.9	-5%	-4%
Other	0.2	0.1	-	-	0.7	0.7	0%	-1%
Total revenue	44.8	48.0	-7%	2%	223.7	234.6	-5%	-4%
Cost of sales	-1.4	-2.8	-50%	-45%	-10.1	-11.7	-14%	-12%
Gross profit	43.4	45.2	-4%	5%	213.6	222.9	-4%	-3%
Sales & Marketing	-6.6	-8.1	-19%	-17%	-33.3	-38.0	-12%	-11%
Research & Development	-5.6	-6.1	-8%	-7%	-23.8	-22.5	6%	5%
Segment result	31.2	31.0	1%	13%	156.5	162.4	-4%	-3%
<i>Margin in %</i>	<i>69.6%</i>	<i>64.6%</i>			<i>70.0%</i>	<i>69.2%</i>		

CONSULTING

SEGMENT REPORT Q1 2018 / FY 2017

(in €m)	Q1 2018	Q1 2017	Δ%	Δ% acc	New FY 2017	Old FY 2017	FY 2016	Δ%	Δ% acc
Services	46.1	52.1	-12%	-8%	198.8	198.8	195.2	2%	2%
Other	0	0			0	1.1	0.7		
Total revenue	46.1	52.1	-12%	-8%	198.8*	199.9	195.9	2%	2%
Cost of sales	-37.5	-41.7	-10%	-6%	-155.8	-156.9	-157.5	0%	0%
Gross profit	8.6	10.4	-17%	-14%	43.0	43.0	38.4	12%	14%
Sales & Marketing	-4.4	-4.9	-10%	-7%	-19.1	-19.1	-17.6	9%	10%
Segment result	4.2	5.5	-24%	-22%	23.9	23.9	20.8	15%	17%
<i>Margin in %</i>	<i>9.1%</i>	<i>10.6%</i>			<i>12.0%</i>	<i>11.9%</i>	<i>10.6%</i>		

* Excl. Hosting Revenue, see slide „Allocation of Cloud Hosting Revenue“

RESULTS

Q1 2018 / FY 2017

(in €m)	Q1 2018	Q1 2017	Δ%	Δ% acc	FY 2017	FY 2016	Δ%	Δ% acc
Total revenue	186.6	205.9	-9%	-2%	879.0	871.8	1%	2%
Cost of sales	-49.5	-55.0	-10%	-6%	-213.4	-211.8	1%	1%
Gross profit	137.1	150.9	-9%	-1%	665.6	660.0	1%	2%
<i>Margin in %</i>	<i>73.5%</i>	<i>73.3%</i>			<i>75.7%</i>	<i>75.7%</i>		
Research & Development	-28.3	-29.8	-5%	0%	-120.6	-112.5	7%	8%
Sales & Marketing	-52.0	-62.4	-17%	-11%	-243.5	-245.7	-1%	0%
Administration	-17.1	-18.5	-8%	-3%	-75.9	-79.3	-4%	-4%
Other income / expense	2.4	1.3	-	-	-2.8	-8.6	-	-
EBIT	42.1	41.5	1%	-	222.8	213.9	4%	-
<i>Margin in %</i>	<i>22.6%</i>	<i>20.2%</i>			<i>25.3%</i>	<i>24.5%</i>		

EARNINGS

Q1 2018 / FY 2017

(in €m)	Q1 2018	Q1 2017	Δ%	FY 2017	FY 2016	Δ%
EBIT (before all taxes)	42.1	41.5	1%	222.8	213.9	4%
Financial result	1.3	-0.2	-	1.4	-4.4	-
Profit before taxes	43.4	41.3	5%	224.2	209.5	7%
Other taxes	-1.8	-2.0	-10%	-7.2	-5.5	31%
Income taxes	-11.7	-12.0	-3%	-76.4	-63.6	20%
<i>Tax rate in %</i>	<i>31.1%</i>	<i>33.9%</i>		<i>37.3%</i>	<i>33.0%</i>	
Net income	29.9	27.3	10%	140.6	140.4	0%
EPS in €*	€0.40	€0.36	11%	€1.88	€1.84	2%

* Weighted average shares outstanding (basic) Q1 2018: 74.0m / Q1 2017: 75.9m / FY 2017: 74.6m / FY 2016: 76.2m

NON-IFRS EARNINGS

Q1 2018 / FY 2017

(in €m)

	Q1 2018	Q1 2017	Δ%	FY 2017	FY 2016	Δ%
EBIT (before all taxes)	42.1	41.5	1%	222.8	213.9	4%
Amortization on acquisition related intangible assets	5.3	7.8	-	29.6	29.1	2%
Share based payments	2.9	0.4	-	20.7	14.2	46%
Restructuring / severances / legal case	0.8	1.6	-	4.7	11.8	-54%
Other impacts / impacts from M&A activities	0.1	5.0	-	1.7	3.0	-67%
EBITA (non-IFRS)	51.2	56.3	-9%	279.5	272.0	3%
<i>in % of revenue (Non-IFRS)</i>	<i>27.4%</i>	<i>27.3%</i>		<i>31.8%</i>	<i>31.2%</i>	
Net income (non-IFRS)	36.5	37.3	-2%	177.3	180.4	-2%
EPS in € (non-IFRS)*	€0.49	€0.49	0%	€2.38	€2.37	0%

* Weighted average shares outstanding (basic) Q1 2018: 74.0m / Q1 2017: 75.9m / FY 2017: 74.6m / FY 2016: 76.2m

CASH FLOW

Q1 2018 / FY 2017

<i>(in €m)</i>	Q1 2018	Q1 2017	Δ%	FY 2017	FY 2016	Δ%
Operating cash flow	61.6	61.7	0%	189.4	203.7	-7%
<i>./. CapEx*</i>	-1.5	-18.4**		-27.5**	-16.7	
Free cash flow	60.1	43.3	39%	161.9	187.0	-13%
<i>in % of revenue</i>	<i>32.2%</i>	<i>21.0%</i>		<i>18.4%</i>	<i>21.4%</i>	
Free cash flow per share***	0.81	0.57	42%	€2.17	€2.45	-11%

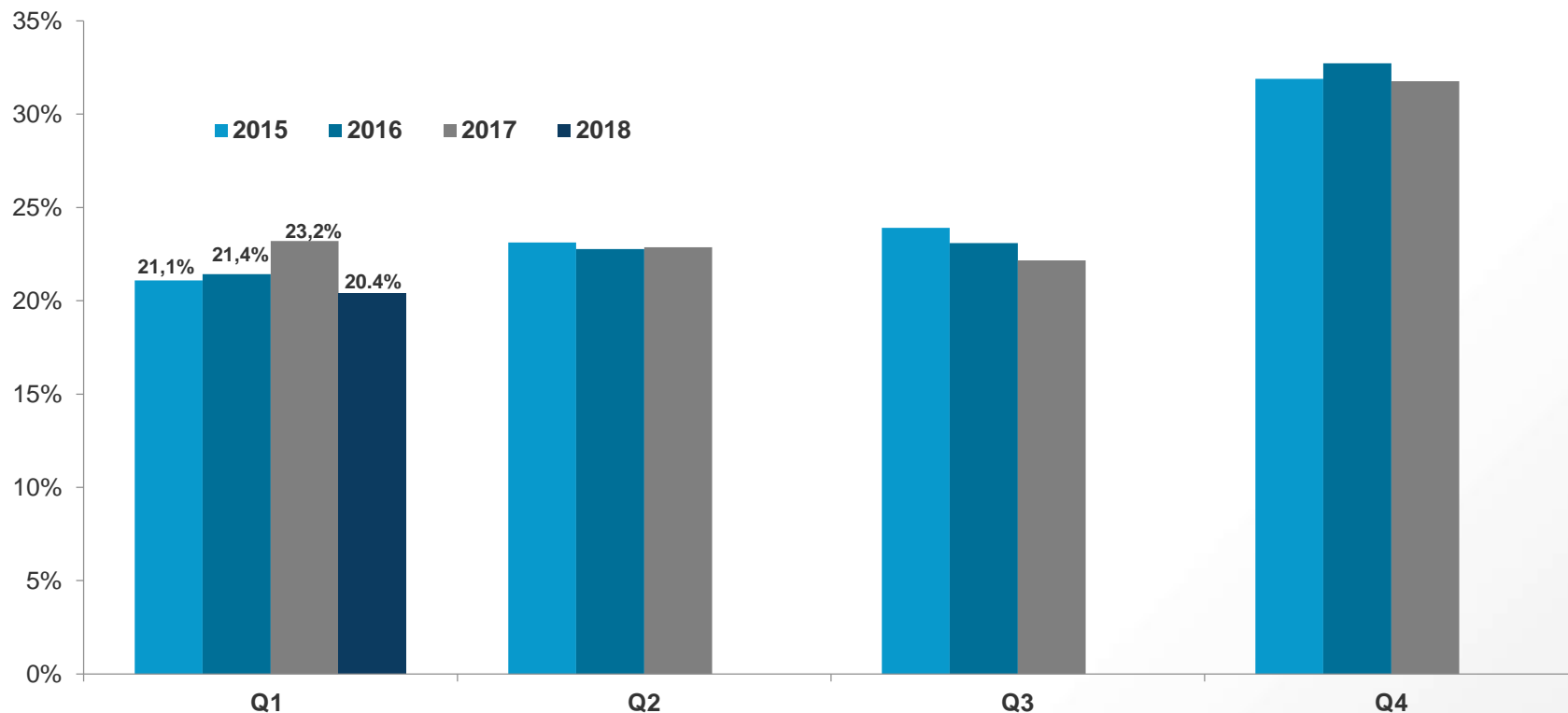
* Cash flow from investing activities except acquisitions and except investments in debt instruments

** yoy change because of one time property investment at Darmstadt

*** Based on weighted average shares outstanding (basic) Q1 2018: 74.0m / Q1 2017: 75.9m / FY 2017: 74.6m / FY 2016: 76.2m

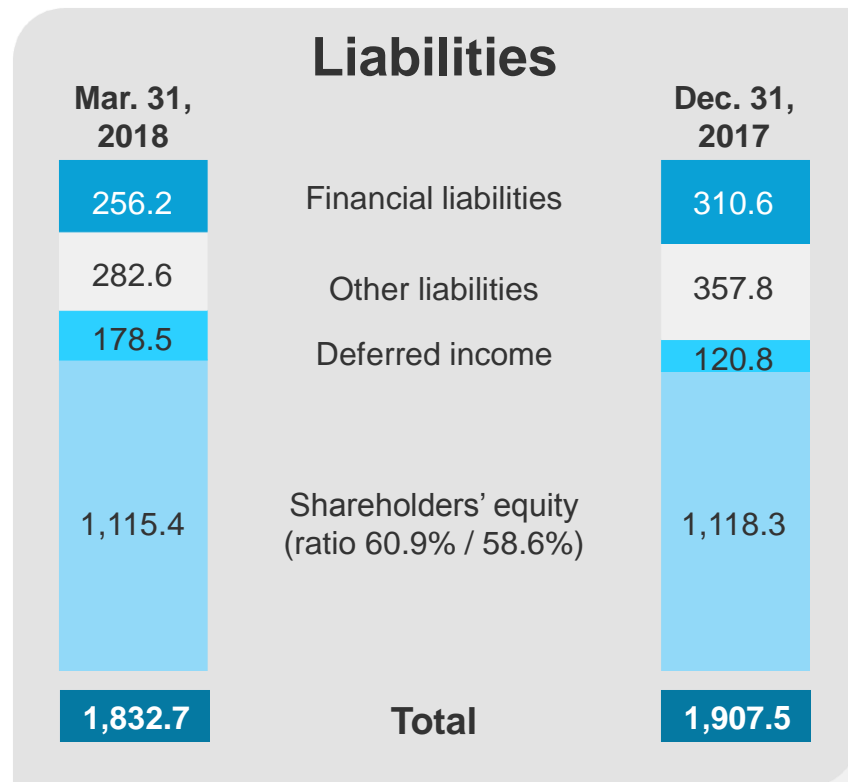
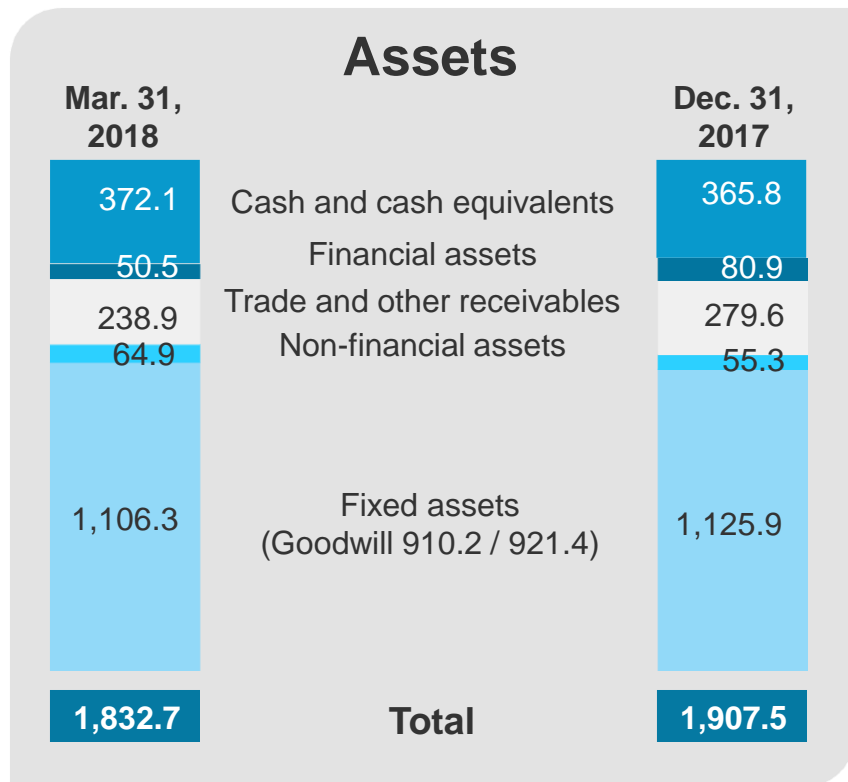
DBP PRODUCT REVENUE SEASONALITY

SHARE OF ANNUAL REVENUE IN THE QUARTERS



BALANCE SHEET

(in €m)



OUTLOOK

FULL YEAR 2018

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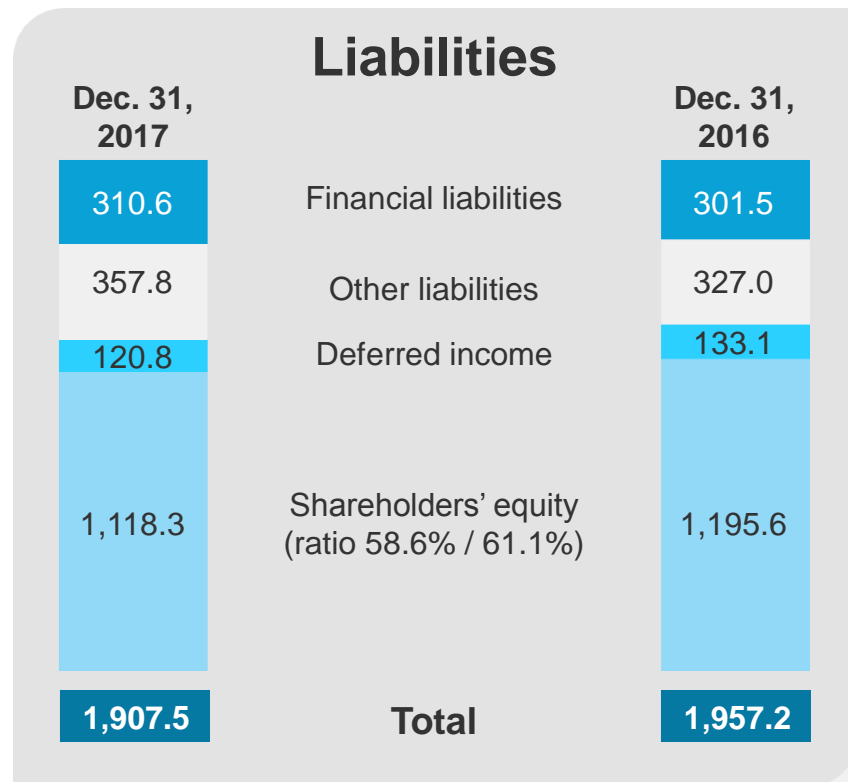
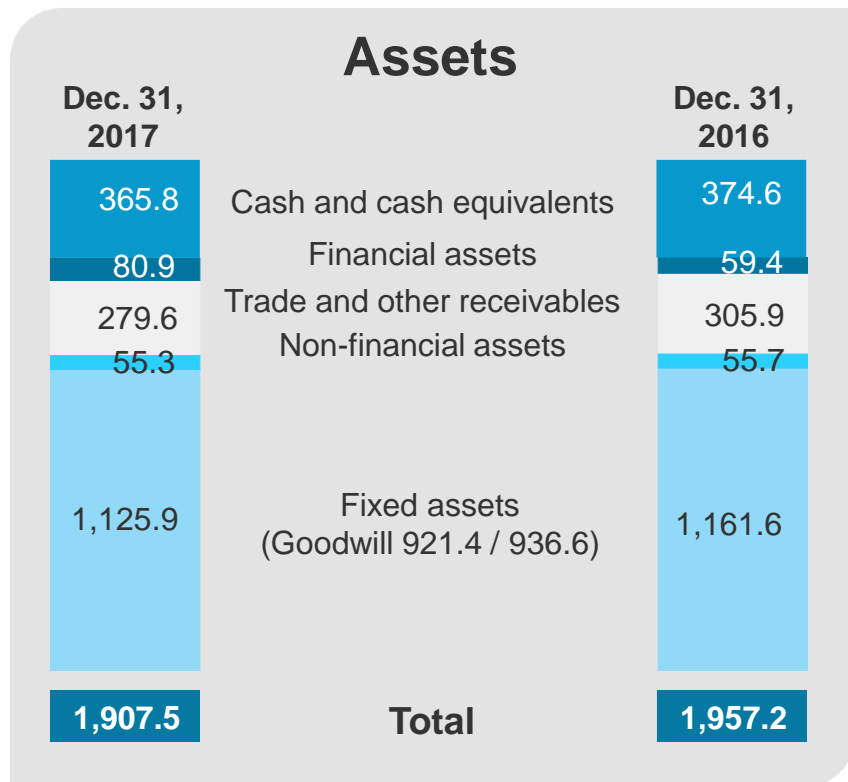
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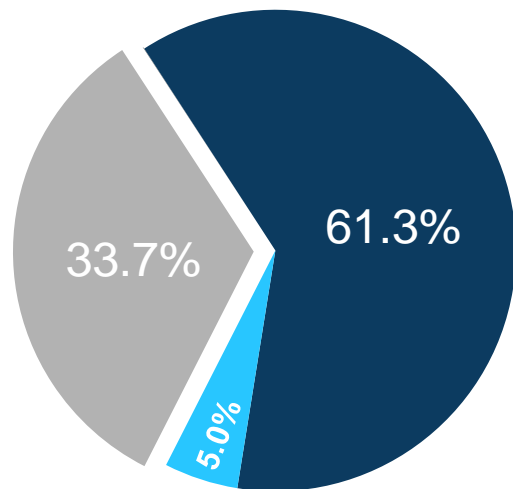
BALANCE SHEET

(in €m)



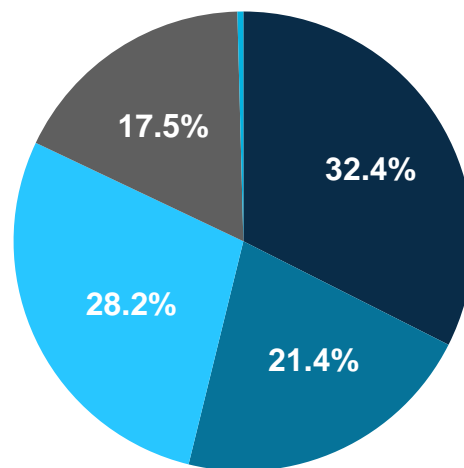
SHAREHOLDER STRUCTURE OWNERSHIP

- Software AG Foundation
- Own Shares (0.03%)
- Institutional Investors
- Private Investors



REGIONAL SPLIT*

- Germany
- North America
- Continental Europe (excl. Germany)
- UK & Ireland
- Rest of World



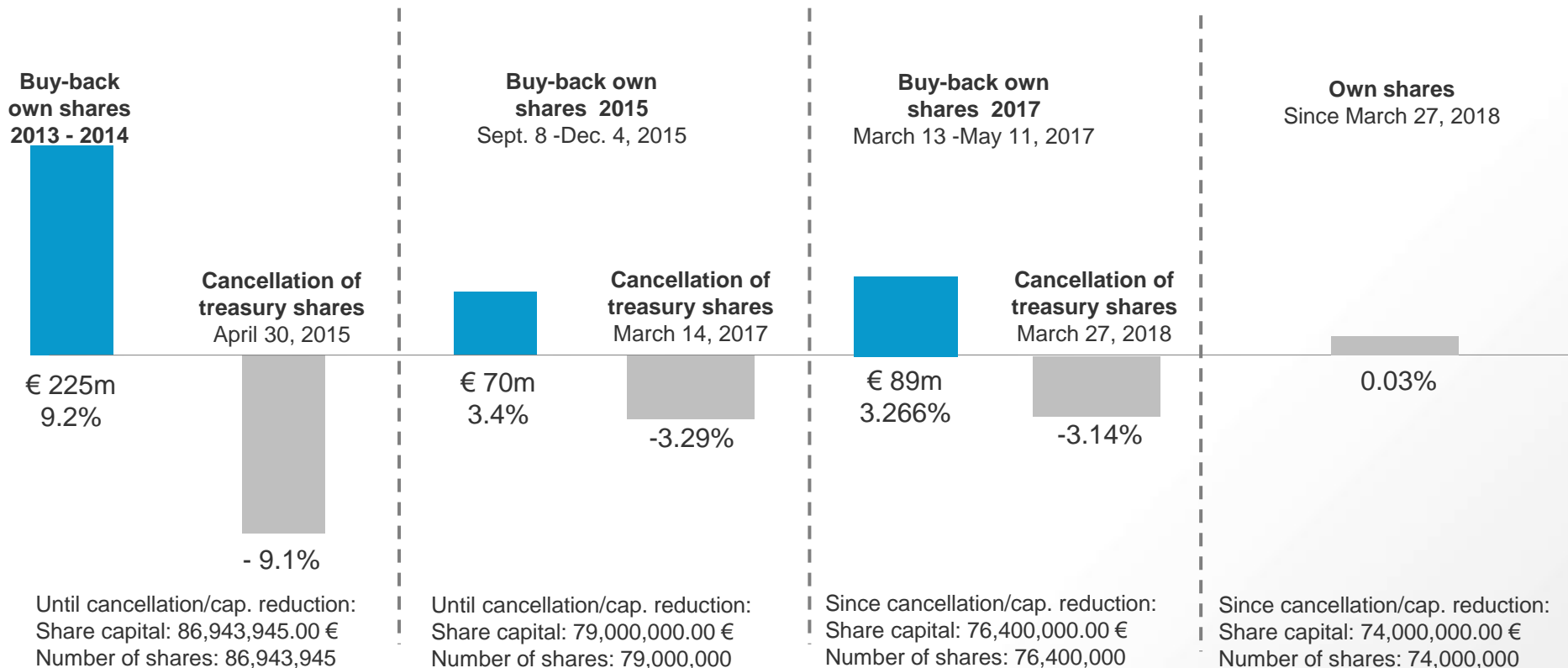
Share Info
Number of total shares: 74,000,000
Thereof Free Float: ~ 66%
Number of shares outstanding: ~ 74m
Registered shares since Oct. 2, 2017

Share Data
SOW, SOW:GR, SOWGn.DE
ISIN: DE000A2GS401
ADR symbol: STWRY
Indices: TecDAX, DAX100, TechAllShare

Major Institutional Shareholders		
according to notification of voting rights above 3% threshold of shares outstanding		
Deutsche Asset Mgt. Investment	4.91%	20.10.2017
Axxion S.A.	3.30%	13.03.2018

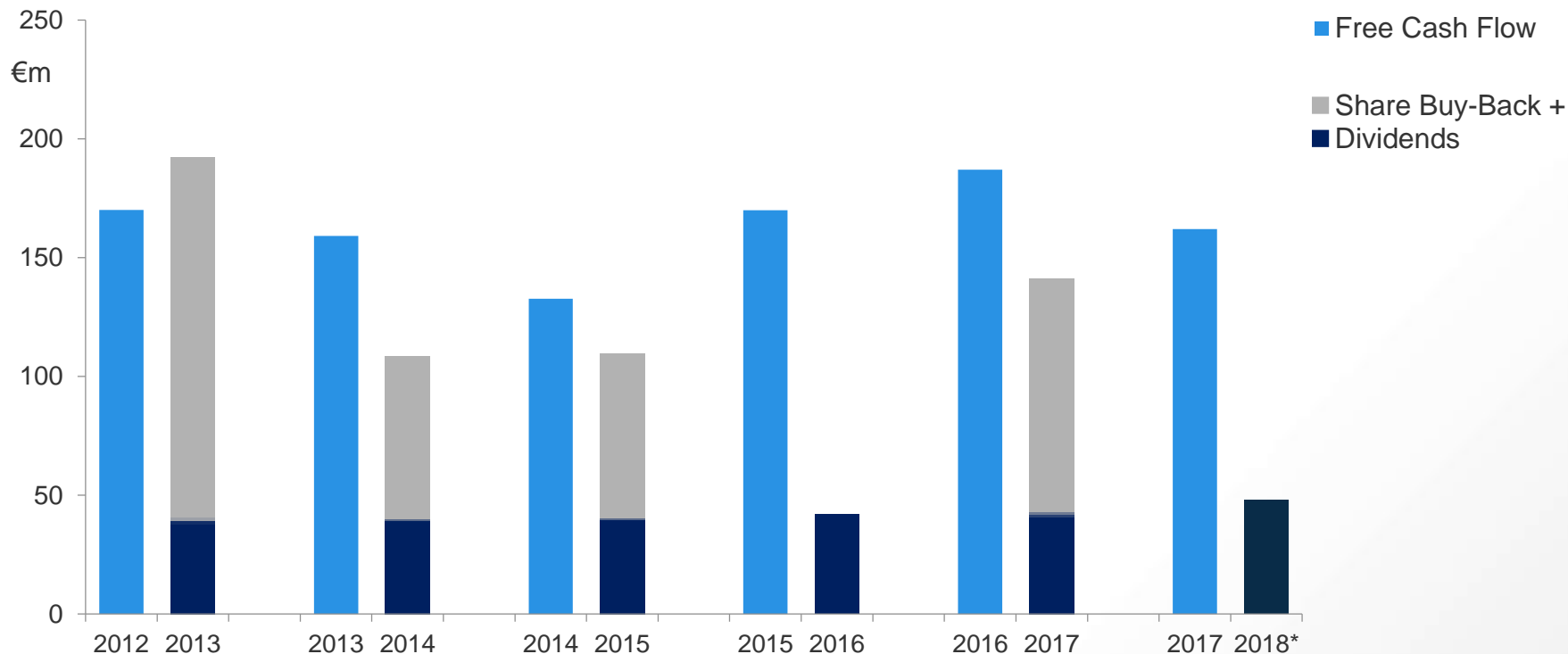
*institutional investors based on public files, May 2018

CASH USE: SHARE BUY-BACK



CASH RETURN TO SHAREHOLDERS

Ø ¾ FREE CASH FLOW TURNS INTO DIVIDENDS AND SBB



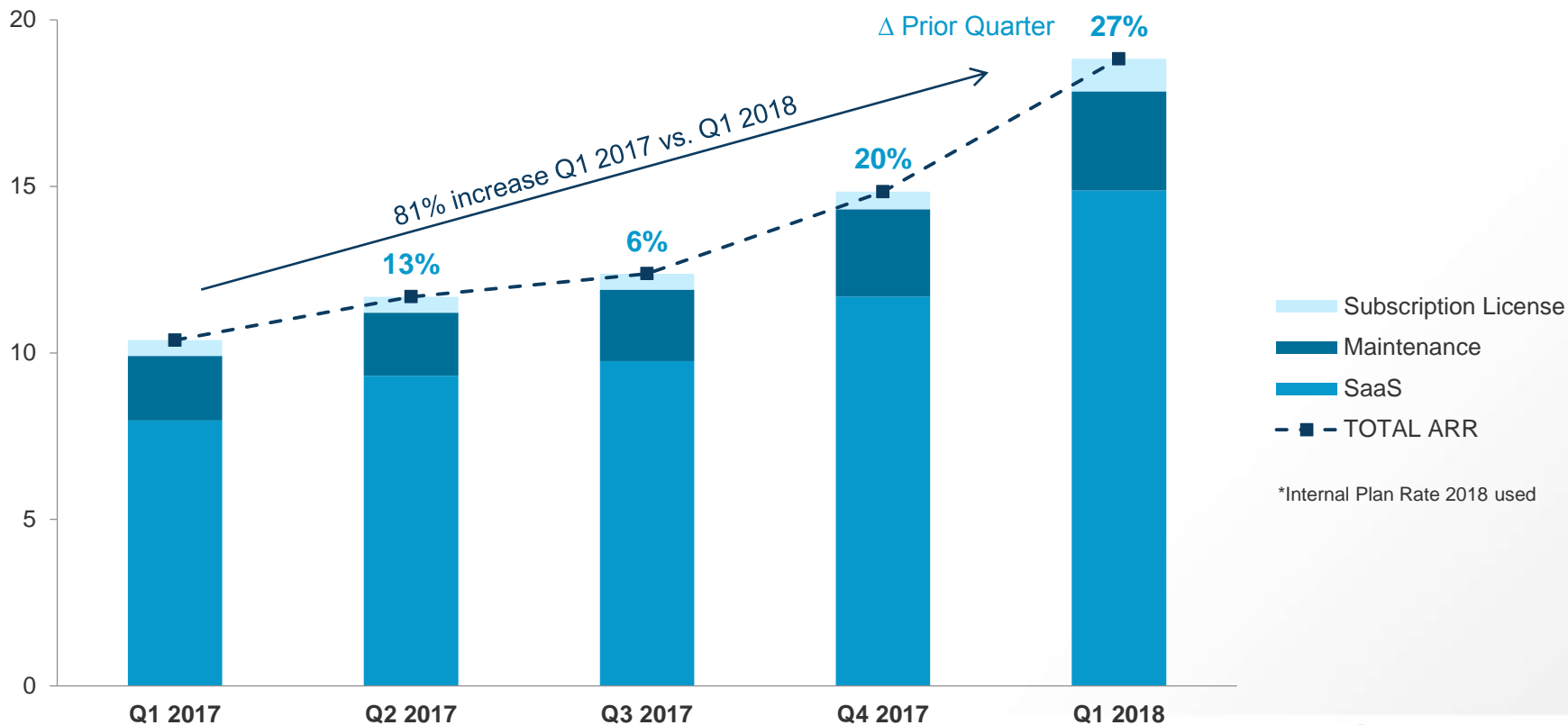
* Dividend recommendation, subject to the agreement at the Annual General Meeting in May 2018

APPENDIX



ARR – IOT / CLOUD DEVELOPMENT (NET OF CURRENCY*)

STATUS Q1 2018



HEADCOUNT

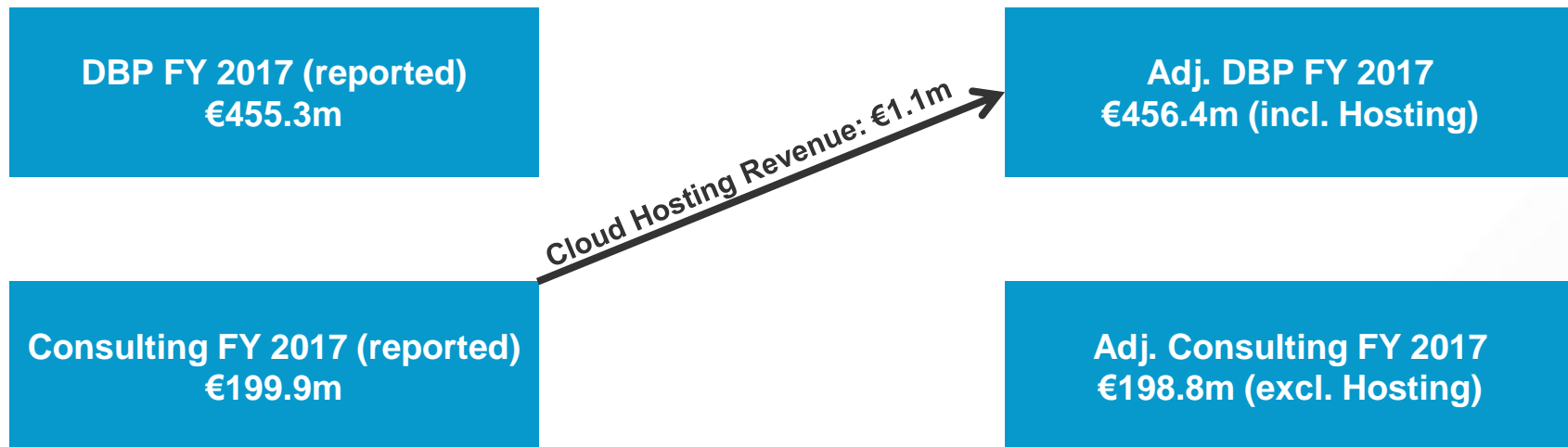
BY FUNCTIONAL AREAS* AND GEOGRAPHY

<i>(in FTE)</i>	Mar. 31, 2018	Dec. 31, 2017	Δ%	Mar. 31, 2017	Δ% yoy
Total	4,610	4,596	0%	4,486	3%
Consulting & Services	1,938	1,935	0%	1,891	2%
Research & Development	1,197	1,176	2%	1,122	7%
Sales & Marketing	868	862	1%	863	1%
Administration	607	623	-3%	610	0%
Germany	1,210	1,201	1%	1,141	6%
USA	575	575	-	599	-4%
India	813	823	-1%	764	6%
Rest of world	2,012	1,997	1%	1,982	2%

* According to P+L structure

ALLOCATION OF CLOUD HOSTING REVENUE

NEW: WITHIN IoT/CLOUD REVENUE LINE (ADJ. FY 2017)



Cloud Hosting Revenue	Q1 2017	Q2 2017	Q3 2017	Q4 2017	FY 2017
(€m)	0.216	0.248	0.294	0.303	1.061

IoT / CLOUD REVENUE SPLIT FOR 2017

In €m	Q1	Q2	Q3	Q4	FY 2017
License	0.7	0.7	0.7	1.5	3.5
Maintenance	0.4	0.6	0.7	0.7	2.4
SaaS*	1.9	2.2	2.4	2.6	9.1
IoT / Cloud Revenue	3.0	3.5	3.7	4.8	14.9

* Incl. Cloud Hosting Revenue

AMORTIZATION / DEPRECIATION IMPACT (PRELIMINARY)

<i>(in €m)</i>	Q1 2018	FY 2018*	FY 2019*	FY 2020*
Amortization	-5.3	-19.3	17.7	10.7
Depreciation	-2.7	-10.9	12.0	12.0

* Estimated

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