

QUARTERLY STATEMENT

**Q1 | 2018**

# QUARTERLY STATEMENT Q1|2018

## SOFTWARE AG RAISES 2018 OUTLOOK FOR IOT/CLOUD

IOT/Cloud Revenue up 125 percent in Q1.

- **IoT & Cloud:** Acceleration of growth above expectations; outlook increased from 70 to 100 percent growth to 100 to 135 percent
- **Recurring revenue portion of the total product revenue** increased from 71 percent in Q1 2017 to 78 percent in Q1 2018
- **Adabas & Natural:** Strong license development of stable product revenue; full year outlook confirmed
- **Digital Business Platform:** 20 percent of expected total year revenue in Q1 generated and full year outlook confirmed
- **Group profitability remains at a high level;** 2018 operating margin (non-IFRS) and EPS (non-IFRS) outlook confirmed

### Revenue

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- **Total revenue:** at €186.6 million
- **Product revenue:** at €140.4 million
- **Annual recurring revenue (ARR):** at €276.5 million

### Segments

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- **Digital Business Platform:** €95.8 million in revenue, thereof €6.4 million in IoT/Cloud revenue and €18.7 million ARR IoT/Cloud
- **Adabas & Natural:** €44.8 million in revenue
- **Consulting:** €46.1 million in revenue

### Earnings

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- **EBIT:** at €42.1 million
- **Operating EBITA (non-IFRS):** at €51.2 million
- **Operating profit margin (non-IFRS):** 27.4 percent
- **Earnings per Share (EPS, non-IFRS):** €0.49

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## KEY DEVELOPMENTS IN THE FIRST QUARTER

### **Sanjay Brahmawar named as new Chief Executive Officer:**

On January 31, 2018, the Supervisory Board of Software AG has appointed Sanjay Brahmawar (47) as the new Chief Executive Officer of Software AG for five years as of August 1, 2018. Brahmawar succeeds Karl-Heinz Streibich (65), who will step down after more than 14 years at the top at Software AG as he has reached the recommended age limit. Sanjay Brahmawar is currently General Manager Global Revenue of IBM Watson Internet of Things at Munich, Germany. There, he is responsible for global software sales with a focus on data analysis and artificial intelligence. Previously, he served as General Manager at IBM Consulting Services in London, where he was responsible for the business in the European industrial sector (oil and gas, automotive, aerospace, electronics and engineering). Sanjay Brahmawar has repeatedly and impressively demonstrated that he can increase business both in terms of sales and margin. He has an international and multicultural background with experience in Germany, England, Holland, Belgium, Finland and India. Sanjay Brahmawar was born in India and has Belgian nationality. He lives with his family nearby Munich and is a passionate runner and cyclist in his leisure time.

### **Software AG decided to cancel treasury shares and to decrease the share capital:**

On March 13, 2018, the Management Board of Software AG decided to redeem 2,400,000 treasury shares which had been acquired by the company in previous years based on various buy-back authorizations and to decrease the share capital accordingly by €2,400,000. This corresponds to 3.14 percent of the share capital before redemption and capital decrease. The redemption is based on the authorization of the General Assembly of Software AG of May 31, 2016. After the share capital decrease, the current share capital of Software AG of €76,400,000 will amount to €74,000,000 and will be divided into 74,000,000 shares with a proportional share in the share capital amounting to €1.00 per share. After the redemption of 2,400,000 treasury shares, Software AG will still hold 23,761 treasury shares. This corresponds to 0.03 percent of the decreased share capital.

### **Cumulocity IoT a Leading Vendor in 2018 IoT Application Enablement Scorecard:**

On February 13, 2018, Software AG announced its Cumulocity IoT platform is rated a leading vendor amongst 21 IoT vendors in MachNation's 2018 IoT Application Enablement Scorecard (January 2018). According to the MachNation report, "Application enablement platforms (AEP) are a key IoT enabler and a critically important component in IoT deployments today. Using an AEP leads to a faster time to market; ensures a high-quality, reliable, secure offering;

and enables enterprises to build competitive advantage in their markets." The Cumulocity IoT platform operates across Cloud, on premise and edge – providing enterprises and Service Providers with total freedom and choice in designing, building, deploying and upgrading enterprise IoT platforms, solutions and services. Cumulocity IoT comprises a range of pre-packaged solutions such as Condition Monitoring, Predictive Maintenance and Track & Trace, as well as quick and easy device and sensor management, thus bringing the worlds of IT and operational technology together. This freedom of choice enables faster IoT innovation and adoption at a customer driven pace: from streamlining and efficiency of enterprise production processes – through total customer interaction and increased retention – by developing digital business models and the smart products and services demanded by today's digital markets.

### **Capital Market Day 2018:**

On March 12, 2018, Software AG hosted its Capital Market Day in Darmstadt. Numerous investors and financial analysts from Germany, France, Great Britain and Switzerland were invited to corporate headquarters in Darmstadt to learn about Software AG's strategy and trends. CEO Karl-Heinz Streibich explained how to win market share by building IoT ecosystem partnerships. Dr. Wolfram Jost, Chief Technology Officer, presented Software AG's technology platform strategy. Dr. Stefan Sigg, Chief R&D Officer, introduced the company's artificial intelligence strategy. Eric Duffaut, Chief Customer Officer, talked about the IoT market potential and Software AG's Go-to-Market approach. Arnd Zinnhardt, Chief Financial Officer, introduced the IFRS 15 implications for Software AG as well as the new IoT/Cloud business line. He also gave more details on annual recurring revenue (ARR) as a new KPI for Software AG.

### **Software AG named a Leader for 7th Year in a Row:**

On January 4, 2018, Software AG announced that Gartner, Inc., a leading industry analyst firm, named it a Leader in its 'Magic Quadrant for Integrated IT Portfolio Analysis Applications' report (published on Nov. 27, 2017) for its IIPA product, Alfabet, for the seventh consecutive time.<sup>1</sup> For the report, Software AG was evaluated for its Alfabet platform among seven different software vendors on 15 criteria. Software AG's Alfabet platform for IT planning and portfolio management offers management and governance capabilities across multiple IT portfolios to provide the CIO and other leaders with the information they need in order to make broad, directional and strategic decisions. It enhances communication and collaboration among different IT portfolio managers and helps them un-

derstand the symbiotic relationships between the business strategy and demand, technology, application and project portfolios while also taking finance and risk perspectives into consideration.

<sup>1</sup> Gartner, "Magic Quadrant for Integrated IT Portfolio Analysis Applications", by Daniel B. Stang, Stefan Van Der Zijden, published: 27 November 2017, ID: G00321039. From 2011-12, Software AG was listed as Alfabet since it acquired the company in June 2013.

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## MANAGEMENT'S ASSESSMENT OF THE FIRST QUARTER RESULTS

Q1 was a breakthrough start to the year and a great foundation for our 2018 business development.

Only one quarter after our announcement to show IoT/Cloud revenue separately, Software AG witnessed strong growth in this new business area. The IoT/Cloud business increased by 125 percent to €6.4 million in Q1. The cloud order entry improved even stronger with an increase of 195 percent, driven by high market demand and accelerating customer adoption of independent and open IoT & Cloud platforms. Increasingly, major global corporations are building their IoT & Cloud strategy on Software AG's leading technology. Based on this positive market development, the Company is confident of seeing further acceleration in its IoT/Cloud business. Consequently, Software AG's Management Board has decided to increase its 2018 outlook for the IoT/Cloud business from 70 to 100 percent growth (€25-30 million) to 100 to 135 percent growth (€30-35 million). Additionally, the Company confirmed its 2018 revenue outlook for its Digital Business Platform (excluding IoT/Cloud revenue) and Adabas & Natural. Also confirmed is the 2018 operating margin (non-IFRS) and EPS margin (non-IFRS) outlook.

We grew our **Digital Business Platform** (DBP) business line in Q1 regarding annual recurring revenue (ARR) by 14 percent. ARR is a good indicator for future cash flows generated by activities conducted in the past. The ARR of €276.5 (2017: €262.0) million reflects all future recurring revenue resulting from business signed until March 31, 2018 as well as all future SaaS and usage-based revenue from transactions closed until end of Q1. ARR is going to be a KPI that we will use in our guidance starting 2019.

And we are very pleased with the performance of our newly set up revenue line **IoT/Cloud** which not only generated revenue above expectation but already an ARR of almost €20 million in Q1. In total, on the DBP side we especially saw an enormous interest of customers and prospects on cloud. Consequently, every single KPI for IoT/

Cloud went up strongly: ARR +81 percent, Licenses +178 percent, Maintenance +100 percent and SaaS/usage-based revenue +113 percent. Due to this early success in the market we decided to increase the guidance.

Currently, we see three major trends in the global digital market: First of all, IoT/Cloud is the biggest market, the IT industry has ever seen. Second, it is a software platform market. And third, ecosystems and not single players are the new giants. We believe that Software AG is very well positioned with regard to all three major trends. We are top positioned in the IoT market and our heritage of being a software company and software platform provider for decades give us a pole position in the race for digital and IoT business development. Building an ecosystem of partners and strategic customers is the single most relevant aspect for success in the digital IoT market of tomorrow and we are in a leading position there as well, compared to all other relevant players. One example is the growing ecosystem of the open, digital platform ADAMOS (ADaptive Manufacturing Open Solutions). Set up by DMG MORI, Dürr, Software AG, ZEISS and ASM PT, ADAMOS is available around the world with support from 200 experts. After Engel Austria GmbH joined this strategic IIoT alliance in February 2018, the KARL MAYER group has become a shareholder in March 2018.

**Adabas & Natural** (A&N) had a very positive start into the year showing strong license growth which contributed to an overall growth of our A&N business line. A&N will continue to have a very positive impact on our EBIT results, due to a high customer loyalty enforced through the Adabas & Natural 2050+ program.

The focus in the **Consulting** business continues to remain on supporting our strategic license projects and simultaneously closely monitoring profitability.

**“The outstanding success and accelerated market adoption of our IoT/Cloud business in Q1 validates our strategy. IoT and Cloud have become the success driver of all industries and, internationally, we are taking a pioneering role in building new IoT and cloud platforms through strategic partnerships with world market leaders. Establishing powerful ecosystems will be the key for future success.”**

Karl-Heinz Streibich, CEO, Software AG

**“In Q1, we managed to grow our IoT/Cloud business significantly while, at the same time, maintaining our operating profit margin at a very high level. The capability of growing revenue and profitability simultaneously gives us a uniquely strong market position, which we will continue for the rest of the year and beyond.”**

Arnd Zinnhardt, CFO, Software AG

## BUSINESS LINE DEVELOPMENT

Software AG’s **IoT/Cloud** business showed strong growth in Q1, reaching record revenues of €6.4 million (Q1 2017: €3.0 million) – a plus of 125 percent at constant currency compared to last year. Also, the cloud order entry significantly increased by 195 percent in Q1.

Following an all-time record in Q4 2017, the **Digital Business Platform** (DBP) generated some 20 percent of the forecasted full year revenue in Q1, this result represents the normal seasonal development. Maintenance revenues excl. IoT/Cloud were at €66.0 million (Q1 2017: €66.5 million) in the same period, 7 percent higher at constant currency than in the previous year. License revenues excl. IoT/Cloud reached €23.4 million (Q1 2017: €36.4 million). Accordingly, the DBP product revenue (licenses + maintenance) excl. IoT/Cloud amounted to a total of €89.4 million (Q1 2017: €102.9 million) in Q1.

The **Adabas & Natural** (A&N) business line had a strong start to the year. The positive development underscores the stability of the business and high level of loyalty of the A&N customer base. The Company’s “Adabas & Natural 2050+” innovation program provides support and digital innovations for customers beyond the year 2050. With this program, Software AG is contributing, in the long term, to protecting its customers’ investments and actively modernizing their IT landscapes. A&N license sales rose by

23 percent at constant currency compared to the previous year to a total of €9.0 million (Q1 2017: €7.8 million). A&N maintenance reached €35.6 million (Q1 2017: €40.1 million). A&N business line sales were at €44.8 million (Q1 2017: €48.0 million).

Sales in the **Consulting** division recorded a revenue of €46.1 million (Q1 2017: €52.1 million).

## TOTAL REVENUE AND EARNINGS DEVELOPMENT

In the quarter under review, Software AG recorded **total sales** of €186.6 million (Q1 2017: €205.9 million) at constant currency. The Group’s **maintenance revenue** reached €102.5 million (Q1 2017: €106.9 million), an increase of 4 percent at constant currency. As a result of the regular seasonal development in the DBP license business, the Group’s **license revenue** of €34.1 million (Q1 2017: €44.9 million) was below the previous year’s figure in the quarter under review. Accordingly, the Company’s **product sales** (licenses + maintenance) totaled €140.4 million (Q1 2017: €153.7 million) in the first quarter. At the same time, the recurring revenue portion of the total product revenue increased from 71 percent in Q1 2017 to 78 percent in Q1 2018.

The Company’s earnings before interest and taxes **EBIT** amounted to €42.1 million (Q1 2017: €41.5 million) in the first quarter. This corresponds to an **EBIT margin** of 22.6 percent (Q1 2017: 20.2 percent). The **operating EBITA** (non-IFRS) reached €51.2 million (Q1 2017: €56.3 million). The **operating profit margin** (non-IFRS) of 27.4 percent (Q1 2017: 27.3 percent) continued to be on a very high level.

## EMPLOYEES

As of March 31, 2018, Software AG employed a total of 4,610 (2017: 4,486) employees (full-time equivalents), of which 1,938 (2017: 1,891) in consulting and service, 1,197 (2017: 1,122) in research and development, 868 (2017: 863) in Sales and Marketing as well as 607 (2017: 610) in Administration.

## 2018 OUTLOOK

Software AG has raised its 2018 revenue growth outlook for IoT/Cloud from +70 to +100 percent to now +100 to +135 percent. Additionally, the Company confirms its 2018 revenue outlook for Digital Business Platform and Adabas & Natural. Also confirmed is the 2018 operating margin (non-IFRS) and EPS (non-IFRS) outlook.

### Outlook for Fiscal Year 2018

	FY 2017 in € millions	FY 2018 Outlook as of April 13, 2018 as %
DBP revenue <sup>1</sup>	456.4	—
DBP excluding IoT/Cloud <sup>2</sup>	441.5	+3 to +7 <sup>2</sup>
IoT/Cloud <sup>1</sup>	14.9	+100 to +135 <sup>1</sup>
A&N revenue <sup>2</sup>	223.7	-6 to -2 <sup>2</sup>
Operating margin (EBITA, non-IFRS) <sup>3</sup>	31.8%	30.0 to 32.0
Earnings per Share (EPS, non-IFRS) <sup>4</sup>	€2.38	+5 to +15 <sup>5</sup>

1 At constant currency, including hosting services

2 At constant currency

3 Before adjusting for non-operating factors (see non-IFRS results)

4 Weighted average shares outstanding (basic) FY 2017: 74.6m / FY 2018: 74.0m

5 Based on new US-Federal-Tax and Euro/US-Dollar exchange rate of 1/1.18

# KEY FIGURES

as of March 31, 2018 (IFRS, unaudited)

in € millions (unless otherwise stated)	Q1 2018	Q1 2017	Δ as %	Δ as % acc <sup>1</sup>
<b>Revenue</b>	<b>186.6</b>	<b>205.9</b>	<b>-9</b>	<b>-2</b>
Digital Business Platform (DBP) business line (incl. IoT/Cloud)	95.8	105.9	-10	-2
thereof DBP excl. IoT/Cloud	89.4	3.0	-13	-5
thereof IoT/Cloud	6.4	3.0	113	125
Adabas & Natural (A&N) business line	44.8	48.0	-7	2
Licenses	34.1	44.9	-24	-17
Maintenance	102.5	106.9	-4	4
SaaS	3.8	1.9	100	113
ARR DBP incl. IoT/Cloud <sup>2</sup>	276.5	262.0	6	14
thereof ARR IoT/Cloud <sup>2</sup>	18.7	11.1	68	81
<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 as %	27.9	28.3		
A&N segment earnings	31.2	31.0	1	
Segment margin as %	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)<sup>3</sup></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 <sup>4</sup>	1.5	18.4		
<b>Free cash flow</b>	<b>60.1</b>	<b>43.3</b>	<b>39</b>	
<b>Balance sheet</b>	<b>March 31, 2018</b>	<b>Dec. 31, 2017</b>		
<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 liquid assets/ (net debt)	115.9	55.2	110	
<b>Employees (FTE)</b>	<b>4,610</b>	<b>4,596</b>	<b>0</b>	

1 acc = At constant currency

2 ARR = Annual recurring revenue. For "at constant currency" internal Plan Rate used.

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

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

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>
Cost of sales	-49,507	-55,035	-10
<b>Gross profit</b>	<b>137,127</b>	<b>150,904</b>	<b>-9</b>
Research & 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>
thereof attributable to shareholders of Software AG	29,912	27,255	10
thereof attributable to non-controlling interests	37	63	
Earnings per share in € (basic)	0.40	0.36	11
Earnings per share in € (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	March 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 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 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	March 31, 2018	Dec. 31, 2017
<b>Current liabilities</b>		
Financial liabilities	55,997	210,347
Trade and other payables	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 and other payables	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
Payments 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 (including option premiums paid)	0	-24,525
Dividends paid	-263	0
Proceeds/payments for current financial liabilities	-44,558	10,838
New 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	14,938	-16,831
Change in cash and cash equivalents from currency translation	-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 beginning of period	365,815	374,611
<b>Cash and cash equivalents at end of 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)

	DBP incl. IoT/Cloud			Adabas & Natural			Consulting			Reconciliation		Total		
in € thousands	Q1 2018	Q1 2018 acc	Q1 2017	Q1 2018	Q1 2018 acc	Q1 2017	Q1 2018	Q1 2018 acc	Q1 2017	Q1 2018	Q1 2017	Q1 2018	Q1 2018 acc	Q1 2017
Licenses	25,198	27,752	37,073	8,967	9,625	7,824	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>47,857</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	220			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>48,012</b>	<b>46,065</b>	<b>48,082</b>	<b>52,279</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		-55,035
<b>Gross profit</b>	<b>87,231</b>		<b>98,508</b>	<b>43,350</b>		<b>45,168</b>	<b>8,542</b>		<b>10,665</b>	<b>-1,996</b>	<b>-3,216</b>	<b>137,127</b>		<b>150,904</b>
Sales, marketing and distribution expenses	-37,770		-44,824	-6,614		-8,050	-4,382		-4,980	-3,271	-4,564	-52,037		-62,418
<b>Segment contribution</b>	<b>49,461</b>		<b>53,684</b>	<b>36,736</b>		<b>37,118</b>	<b>4,160</b>		<b>5,685</b>	<b>-5,267</b>	<b>-7,780</b>	<b>85,090</b>		<b>88,486</b>
Research & 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>31,028</b>	<b>4,160</b>		<b>5,685</b>	<b>-5,267</b>	<b>-7,780</b>	<b>56,746</b>		<b>58,670</b>
General and administrative expenses												-17,048		-18,464
Other taxes												-1,795		-1,957
<b>Operating earnings</b>												<b>37,903</b>		<b>38,249</b>
Other operating 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>39,379</b>
Income taxes												-11,680		-12,061
<b>Net income</b>												<b>29,949</b>		<b>27,318</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 acc	Q1 2017	Q1 2018	Q1 2018 acc	Q1 2017	Q1 2018	Q1 2018 acc	Q1 2017
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 and distribution expenses							-37,770		-44,824
<b>Segment contribution</b>							<b>49,461</b>		<b>53,684</b>
Research & 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

# SAFE HARBOR STATEMENT

This document includes forward-looking statements based on the beliefs of Software AG management. Such statements reflect current views of Software AG with respect to future events and results and are subject to risks and uncertainties. Actual results may vary materially from those projected here, due to factors including changes in general economic and business conditions, changes in currency exchange, the introduction of competing products, lack of market acceptance of new products, services or technologies and changes in business strategy. Software AG does not intend or assume any obligation to update these forward-looking statements.

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Software AG (Frankfurt TecDAX: SOW) helps companies with their digital transformation. With Software AG's Digital Business Platform, companies can better interact with their customers and bring them on new 'digital' journeys, promote unique value propositions, and create new business opportunities. In the Internet of Things (IoT) market, Software AG enables enterprises to integrate, connect and manage IoT components as well as analyze data and predict future events based on Artificial Intelligence (AI). The Digital Business Platform is built on decades of uncompromising software development, IT experience and technological leadership. Software AG has more than 4,500 employees, is active in 70 countries and had revenues of € 879 million in 2017.

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