

QUARTERLY STATEMENT

Q3 | 2018

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SOFTWARE AG SIGNIFICANTLY INCREASES REVENUE AND EARNINGS IN Q3

- **Group:** license revenue +28 percent (at constant currency: +29 percent), total revenue +6 percent (acc: +7 percent)
- **Cloud & IoT:** revenue +144 percent (acc: +144 percent), ARR +111 percent (acc: +111 percent)
- **Digital Business Platform:** license revenue +14 percent (acc: +15 percent), product revenue +7 percent (acc: +8 percent)
- **Adabas & Natural:** license revenue +43 percent (acc: +48 percent), product revenue +7 percent (acc: +11 percent)
- **EBIT +8 percent, net income +13 percent**
- **2018 outlook confirmed**

Revenue

- **Total revenue:** €208.8 million
- **Product revenue:** €165.9 million
- **Annual recurring revenue (ARR):** €290.3 million

Segments

- **Digital Business Platform incl. DBP Cloud & IoT:** €113.8 million in revenue, thereof €9.1 million from Cloud & IoT; €27.0 million ARR Cloud & IoT
- **Adabas & Natural:** €52.3 million in revenue
- **Consulting:** €42.7 million in revenue

Earnings

- **EBIT:** €54.5 million
- **Operating EBITA (non-IFRS):** €63.8 million
- **Operating profit margin (non-IFRS):** 30.5 percent
- **Earnings per share (EPS, non-IFRS):** €0.60

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KEY DEVELOPMENTS IN THE THIRD QUARTER

Software AG's New CEO: On August 1, 2018, Sanjay Brahmawar started as CEO of Software AG. In his kick-off speech he stated: "The Internet of Things will play a major role in the new chapter of the company's history. And we are more than ready for it. In a very short period of time, Software AG has achieved tremendous progress with its new IoT strategy—a strategy that can set us apart from other software companies. We do what other, larger companies cannot do. We make IoT real."

Software AG Back in the MDAX: A revised index structure took effect on the German stock exchange as of September 24, 2018. Software AG qualified for the MDAX based on market capitalization and trade volume. The MDAX is the second-largest index and now includes 60 members after having increased from 50. Software AG will also remain listed in the TecDAX, which consists of Germany's 30 largest tech companies.

Software AG Acquires Built.io: On September 28, 2018, Software acquired built.io to accelerate leadership in hybrid and cloud Integration. The San Francisco-based market leading iPaaS company introduced its iPaaS offering, built.io Flow™ in 2015. It has subsequently been named a Challenger in Gartner's 2018 "Magic Quadrant for Enterprise Integration Platform as a Service"¹ and was named a Cool Vendor in the report "Cool Vendors in Pervasive Integration, 2016."² Built.io's Flow and Embed products will come together as a single integrated offering with Software AG's globally recognized webMethods Integration platform. Customers will benefit from easy-to-use and robust integration solutions leading to significantly accelerated time-to-value, critical to the success of IoT and digital transformation solutions.

Software AG and Dell Technologies Extend Partnership: Software AG announced on October 11, 2018 an extended partnership with Dell Technologies with the goal of bundling Software AG's Cumulocity IoT Edge with a selection of Dell's servers. This will provide a joint plug-and-play solution for rapid deployment and simple configuration for instant IoT. Cumulocity IoT Edge, powered by Dell Technologies, is a high-performance industry-proof bundle, combining hardware, software and services for IoT. It enables customers to connect, power up and start their IoT projects immediately. Customers can connect any number of different end devices and sensors in just a few minutes. Features like integrated streaming analytics, pre-configured smart rules and field bus connectivity make it possible to create complex IoT solutions quickly and smoothly.

Software AG a Strong Performer in IIoT: Software AG was positioned as a Strong Performer with the highest current offering score among other strong performers in a 24-criteria evaluation of Cumulocity IoT (Internet of Things) in The Forrester Wave™: Industrial IoT Software Platforms, Q3 2018. In this report of the "15 providers that matter most", Forrester defines industrial IoT as "Software solutions that connect to and manage smart devices and infrastructure in industrial and manufacturing environments to integrate operational data and control into business processes."

1 Gartner, "Magic Quadrant for Enterprise Integration Platform as a Service" by Keith Guttridge, Massimo Pezzini, Eric Thoo, Bindi Bhullar, Betty J. Zakheim, 18 April 2018.

2 Gartner, "Cool Vendors in Pervasive Integration, 2016" by Eric Thoo, Massimo Pezzini, Keith Guttridge, Elizabeth Golluscio, Ehtisham Zaidi, 10 May 2016.

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MANAGEMENT'S ASSESSMENT OF THIRD QUARTER RESULTS

As digitalization continues to effect radical changes in the business world, digital transformation must be on every enterprise's agenda. A growing number of large corporations worldwide are choosing our leading technology to implement their digitalization strategies. The demand for our solutions is especially high in the rapidly growing global Internet of Things market. Q3 underlined this clearly. After a strong Q2, Software AG again delivered strong results in all product business lines in Q3.

We continue to enable the digital journeys of industry leaders with our ever evolving leading portfolio. The **Digital Business Platform (DBP)** (excl. DBP Cloud & IoT) showed a growing momentum compared to Q1 and Q2 in every single category revenue line. License revenue from Software AG's Digital Business Platform (excl. DBP Cloud & IoT) rose by 15 percent to total €37.1 million. And product revenue increased by 8 percent year-on-year. Maintenance grew by 5 percent at constant currency.

Integration is fundamental to digital transformation; on premise, hybrid, in the cloud and on the edge. There is no digital enterprise that is not a connected enterprise, and Software AG is the undisputed leader in connectivity and integration. The acquisition of built.io in Q3 should be seen in this context.

Customers and prospects continued to demonstrate a high degree of interest in our IoT and Cloud offering in the third quarter. All areas of revenue reflect this dynamic performance. Our new Cloud & IoT business continued its dynamic growth with €9.1 million in total revenue, an increase of 144 percent. Annual recurring revenue (ARR)—the key indicator of 12-month cash flow based on (recurring) contracted revenue—more than doubled year-on-year. Fueled by high demand for independent, open and cloud-based platforms, ARR in the Cloud & IoT business increased by 111 percent. All KPIs clearly underpin Software AG's market success. They also demonstrate that this business has become and continues to be an increasingly relevant factor in our business model and is thus important to the valuation of our company.

The **Adabas & Natural (A&N)** database business also continued the strong performance of the last six quarters recording a dynamic license and product revenue growth. License revenue in Q3 was primarily driven by new modernization projects. This is extremely gratifying and significant in that it demonstrates Software AG customers are choosing to build their futures on their heritage of business-critical applications, built on our technology over decades. This overall positive performance also underlines the stability of this segment and the high degree of loyalty of the A&N customer base. Our Adabas & Natural 2050+ innovation program provides customers with long-term investment protection and plays a strategic role in modernizing their IT landscapes. Based on A&N's highly stable pipeline and the associated predictability, the outlook for 2018 was confirmed.

The **Consulting** business continues to focus on supporting our major license projects and strategic partners.

"I'm extremely proud of our team for delivering a solid Q3, with revenue growth in all product lines. Our customers tell me that our technology is integral and strategic to their business and these strong results demonstrate the continued trust they have in us. Combining innovative IoT solutions with a leading core integration platform gives us a unique position in the global software market; something on which we will continue to build."

Sanjay Brahmawar, CEO, Software AG

"The strong revenue performance in the Cloud & IoT business illustrates the dynamism of this rapidly growing market. Our acquisition of built.io in the third quarter was a further step toward completing our cloud portfolio. ARR is the key indicator of successful development of our Cloud & IoT business alongside growing profitability."

Arnd Zinnhardt, CFO, Software AG

BUSINESS LINE PERFORMANCE

Up 144 percent year-on-year, **DBP Cloud & IoT** revenue demonstrated robust growth to total €9.1 million (2017: €3.7 million). **ARR** in the Cloud & IoT business more than doubled year-on-year. The growth trend in the IoT business line was fueled by ever greater customer demand and strengthened by Software AG's extensive partner network. For example, the company recently expanded its IoT partnership with Dell and laid the basis for incremental revenue starting next year. **DBP (excl. Cloud & IoT)** license revenue climbed 15 percent to €37.1 million (2017: €32.5 million) in the third quarter. Maintenance revenue was €67.7 million (2017: €64.9 million), which reflects 5 percent growth over the previous year. Accordingly, DBP product revenue totaled €104.7 million (2017: €97.5 million) in the third quarter of 2018, an increase of about 8 percent. The **Digital Business Platform (DBP)** business line including Cloud & IoT totaled €113.8 million (2017: €101.2 million) in revenue in the third quarter of 2018, reflecting 13 percent growth.

In the first nine months 2018, **DBP Cloud & IoT** revenue reached €20.7 million (2017: €10.2 million), an increase of 108 percent at constant currency. **DBP (excl. Cloud & IoT)** revenue reached €296.0 million (2017: €301.3 million), reflecting 3 percent growth at constant currency.

The **Adabas & Natural (A&N)** business line continued to perform extremely well. Of particular note was the 48 percent increase in license revenue generating €16.1 million (2017: €11.3 million) in the third quarter. Maintenance revenue was €36.0 million (2017: €37.4 million). A&N product revenue grew 11 percent to total €52.1 million (2017: €48.7 million). This overall positive performance underlines the stability of this segment and the high degree of loyalty of the A&N customer base. Software AG's Adabas & Natural 2050+ innovation program provides customers with long-term investment protection and plays a strategic role in modernizing their IT landscapes.

In the first nine months 2018, **A&N** revenue reached €149.6 million (2017: €149.2 million), an increase of 6 percent at constant currency. Based on A&N's highly predictable pipeline, the 2018 outlook was also confirmed for this business line.

Third-quarter revenue in the **Consulting** business line was €42.7 million (2017: €47.2 million).

TOTAL REVENUE AND EARNINGS PERFORMANCE

Despite continuous negative currency translation effects totaling -€3.2 million, Software AG booked €208.8 million (2017: €197.3 million) in **total revenue** in the period under review, a rise of 7 percent at constant currency. This growth is due primarily to the strong performance of **Group license revenue**, which increased 29 percent to €56.7 million (2017: €44.5 million). **Group maintenance revenue** totaled €104.7 million (2017: €103.0 million), which is 3 percent growth. Accordingly, Software AG's total third-quarter **product revenue** (licenses + maintenance) rose 13 percent to €165.9 million (2017: €149.9 million).

The company's third-quarter **EBIT** was €54.5 million (2017: €50.4 million). This reflects an **EBIT margin** of 26.1 percent (2017: 25.5 percent). At €63.8 million (2017: €63.6 million), **operating earnings (EBITA, non-IFRS)** also performed well in the quarter. Accordingly, the **operating profit margin** (non-IFRS) was 30.5 percent (2017: 32.2 percent). **Earnings per share (EPS, non-IFRS)** grew 3 percent to €0.60 (2017: €0.58).

In the first nine months 2018, the **operating profit margin** (EBITA, non-IFRS) reached 29.4 percent (2017: 29.7 percent). **Earnings per share (EPS, non-IFRS)** grew 4 percent to €1.67 (2017: €1.61).

EMPLOYEES

As of September 30, 2018, Software AG employed a total of 4,714 (2017: 4,600) employees (full-time equivalents). Of that number, 1,903 (2017: 1,945) worked in Consulting and Services, 1,269 (2017: 1,179) in Research and Development, 932 (2017: 865) in Sales and Marketing and 610 (2017: 611) in Administration.

2018 OUTLOOK

Software AG has confirmed its outlook for fiscal 2018. Based on expectations for business performance in the next three months, Software AG's Management Board continues to anticipate an operating profit margin (EBITA, non-IFRS) between 30.0 and 32.0 percent for the 2018 fiscal year. Digital Business Platform revenue, excl. DBP Cloud & IoT, is expected to increase between 3 and 7 percent. DBP Cloud & IoT revenue is expected to increase between 100 and 135 percent. The revenue growth target for the Adabas & Natural database business line remains unchanged between -6 and -2 percent. Software AG assumes earnings per share (EPS, non-IFRS) will increase between 5 and 15 percent.

The table below shows the full forecast for the 2018 fiscal year:

Outlook for Fiscal Year 2018

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

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/acc. to 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

KEY FIGURES

as of September 30, 2018 (IFRS, unaudited)

in € millions (unless otherwise stated)	9M 2018	9M 2017	+/- as %	+/- as % acc ¹	Q3 2018	Q3 2017	+/- as %	+/- as % acc ¹
Revenue	601.2	610.6	-2	+3	208.8	197.3	+6	+7
Digital Business Platform (DBP) business line (incl. DBP Cloud & IoT)	316.7	311.5	+2	+6	113.8	101.2	+12	+13
thereof DBP excl. DBP Cloud & IoT	296.0	301.3	-2	+3	104.7	97.5	+7	+8
thereof DBP Cloud & IoT	20.7	10.2	+104	+108	9.1	3.7	+144	+144
Adabas & Natural (A&N) business line	149.6	149.2	0	+6	52.3	48.9	+7	+11
Licenses	144.4	136.7	+6	+10	56.7	44.5	+28	+29
Maintenance	308.8	316.9	-3	+3	104.7	103.0	+2	+3
SaaS	12.6	6.5	+95	+101	4.5	2.4	+88	+89
ARR DBP incl. DBP Cloud & IoT ²	290.3	264.5	—	—	—	—	—	—
thereof ARR DBP Cloud & IoT ²	27.0	12.8	—	—	—	—	—	—
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 as %	30.2	30.0	—	—	33.6	32.5	—	—
A&N segment earnings	104.5	100.8	+4	—	35.8	33.4	+7	—
Segment margin as %	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)³	1.67	1.61	+4	—	0.60	0.58	+3	—
Operating cash flow	133.7	146.0	-8	—	38.6	37.6	+3	—
CapEx ⁴	8.7	24.7	—	—	2.2	2.1	—	—
Free cash flow	125.0	121.3	+3	—	36.4	35.5	+3	—
Balance sheet	Sept. 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					

1 acc = At constant currency

2 ARR = Annual recurring revenue. Internal planned rates were used to calculate acc.

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

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 Nine Months Ended September 30, 2018 and for the Third Quarter 2018 (IFRS, unaudited)

in € thousands	9M 2018	9M 2017	+/- as %	Q3 2018	Q3 2017	+/- 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
Cost 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 & 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 in € (basic)	1.40	1.23	+14	0.51	0.46	+11
Earnings per share in € (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	Sept. 30, 2018	Dec. 31, 2017
Current assets	661,263	650,292
Cash and cash equivalents	406,892	365,815
Other financial assets	6,174	26,165
Trade and other receivables	207,379	226,314
Other non-financial assets	19,902	17,366
Income tax receivables	20,916	14,632
Non-current assets	1,281,216	1,257,178
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 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
Total Assets	1,942,479	1,907,470

EQUITY AND LIABILITIES

in € thousands	Sept. 30, 2018	Dec. 31, 2017
Current liabilities	457,004	582,557
Financial liabilities	115,169	210,347
Trade and other payables	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
Non-current liabilities	316,695	206,631
Financial liabilities	200,217	100,250
Trade and other payables	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
Equity	1,168,780	1,118,282
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
Total Equity and Liabilities	1,942,479	1,907,470

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Nine Months Ended September 30, 2018 and for the Third Quarter 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)

	DBP incl. DBP Cloud & IoT			Adabas & Natural			Consulting			Reconciliation		Total		
in € thousands	9M 2018	9M 2018 acc	9M 2017	9M 2018	9M 2018 acc	9M 2017	9M 2018	9M 2018 acc	9M 2017	9M 2018	9M 2017	9M 2018	9M 2018 acc	9M 2017
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

SEGMENT REPORT

For the Third Quarter 2018 (IFRS, unaudited)

	DBP incl. Cloud & IoT			Adabas & Natural			Consulting			Reconciliation		Total		
in € thousands	Q3 2018	Q3 2018 acc	Q3 2017	Q3 2018	Q3 2018 acc	Q3 2017	Q3 2018	Q3 2018 acc	Q3 2017	Q3 2018	Q3 2017	Q3 2018	Q3 2018 acc	Q3 2017
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

DBP SEGMENT WITH REVENUE SPLIT

For the Nine Months Ended September 30, 2018 (IFRS, unaudited)

in € thousands	DBP Cloud & IoT			DBP excl. DBP Cloud & IoT			DBP incl. DBP Cloud & IoT		
	9M 2018	9M 2018 acc	9M 2017	9M 2018	9M 2018 acc	9M 2017	9M 2018	9M 2018 acc	9M 2017
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 & development expenses							-71,115	-73,124	-71,191
Segment earnings							95,708	101,521	93,490

DBP SEGMENT WITH REVENUE SPLIT

For the Third Quarter 2018 (IFRS, unaudited)

in € thousands	DBP Cloud & IoT			DBP excl. DBP Cloud & IoT			DBP incl. DBP Cloud & IoT		
	Q3 2018	Q3 2018 acc	Q3 2017	Q3 2018	Q3 2018 acc	Q3 2017	Q3 2018	Q3 2018 acc	Q3 2017
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 & development expenses							-24,248	-24,313	-22,537
Segment earnings							38,228	38,808	32,926

STATEMENT OF COMPREHENSIVE INCOME

For the Nine Months Ended September 30, 2018 and for the Third Quarter 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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