

PRESS RELEASE

Software AG Publishes Q3 Financial Figures and Confirms 2016 Outlook

- Increased Q3 operating profit margin (Non-IFRS) on annual high at 33.7 percent
- 9-month cash flow hits new record
- One-time charge due to lawsuit in the US burdens earnings in Q3
- Significant expansion of strategic partnerships and customer base
- Digital Business Platform (DBP): Growth-driving Internet of Things (IoT) co-innovation
- Adabas & Natural (A&N): On target after strong H1
- Consulting segment result up 16 percent in Q3
- Start into the new quarter: Successful DBP license closings worth €7.2 million from delayed Q3 deals (until 11 October 2016)
- Outlook confirmed for 2016 fiscal year

Please note: All revenue-related percentages are at constant currency and include all Software AG sales activities until the date of publication (pro-forma)

Darmstadt, Germany, October 14, 2016 - Software AG (Frankfurt TecDAX: SOW) today announced its preliminary financial figures (IFRS, preliminary) for the third quarter of 2016. Once again, Software AG successfully improved the market relevance of its largest business line, the Digital Business Platform (DBP). New strategic partnerships with companies have significantly expanded Software AG's customer base in the high-growth Internet of Things (IoT) market. Due to the short-term slippage of substantial strategic deals from the third quarter into the first days of the fourth quarter, these deals will be included into the sales success (sales performance pro forma). Taking into account these strategic partnerships and current business transactions until 11 October 2016, total revenue for the DBP segment was up by 7 percent compared to last year's figure for the same period. The Adabas & Natural (A&N) business line developed as expected after an exceptionally strong first half of fiscal 2016. The very high level of customer loyalty drove A&N maintenance revenues up by 1 percent. And, furthermore, as a result of the growing market relevance of the DBP segment, Software AG's Consulting segment result expanded by 16 percent. The company's operating profit margin (EBITA, non-IFRS) climbed 1.2 percentage points year-on-year to 33.7 percent to an annual high. Software AG's free cash flow for the first 9 months of the current fiscal year achieved a new record high, up more than 10 percent compared to 2015. Given the growing relevance in key markets, increasing maintenance revenues and a strong project pipeline, Software AG confirms its outlook for fiscal 2016.

Karl-Heinz Streibich, Software AG's Chief Executive Officer, stated, "IoT and Industry 4.0 are among the strongest growth drivers of the digital economy. The strategic expansion of our customer base has once again enabled us to significantly strengthen our technological leadership—and consequently lay the foundation for further organic growth. This high-growth segment's promising project pipeline combined with the high degree of loyalty among our existing customers gives us a very optimistic outlook for the future."

Arnd Zinnhardt, Software AG's Chief Financial Officer, added, "The overall picture of our market activities shows an extremely positive trend with regard to revenue and earnings. The highest operating margin of the year and a new nine-month free cash flow record demonstrate Software AG's rock-solid foundation for the present and the future."

Business Line Performance

Taking into account all strategic partnerships signed until 11 October, the **Digital Business Platform (DBP)** posted €109.1 million (IFRS: €101.9 mn. | 2015: €103.2 mn.) in product revenue (licenses + maintenance). This reflects a 7 percent rise. License revenue was up 8 percent year-on-year, totaling €44.7 million (IFRS: €37.5 mn. | 2015: €41.4 mn.) until 11 October. And maintenance revenue amounted to €64.4 million (2015: €61.8 mn.) in the third quarter, an increase of 6 percent year-on-year.

DBP License Revenue / Sales Performance

in € millions	IFRS (unaudited)		Sales Performance (pro forma)			
	Q3/2016	Q3/2015	01.07. until 11.10.2016	01.07. until 11.10.2015	Δ as %	Δ as % net of currency
DBP licenses	37.5	41.4	44.7	41.7	+7%	+8%

The **Adabas & Natural (A&N)** business line recorded €39.6 million (2015: €39.2 mn.) in maintenance revenues in the third quarter of 2016, representing 1 percent growth. After an exceptionally strong first half of 2016 with 24 percent growth, as expected A&N license revenue dropped to €9.3 million (2015: €27.5 mn). Total A&N revenue was €49.1 million (2015: €66.9 mn.). This reflects a moderate decline of 5 percent over the course of the year, which is within the anticipated range for fiscal 2016.

The **Consulting** business line continued to perform very well due to the increased relevance of the DBP portfolio and the growing importance of Software AG's consulting services for customers. Third-quarter revenue climbed to €47,3 million (2015: €45,8 mn.), which marks a 5 percent improvement. The Consulting line's profit margin further increased in the third quarter to peak at 17 percent.

Total Revenue and Earnings Performance

Software AG's **total revenue** until 11 October of fiscal 2016 was €615.1 million (IFRS: €607.9 mn. | 2015: €615.6 mn.), an increase of 2 percent at constant currency. The company's **product revenue** was up 1 percent in the same period reaching €468.7 million (IFRS: €461.5 mn. | 2015: €473.3 mn.).

Taking into account all sales successes until publication, **total revenue** was €205.5 million (IFRS: €198.3 mn. | 2015: €215.9 mn.). Software AG's Q3 **maintenance revenue** accounted for €104.0 million (2015: €101.0 mn.), representing a 4 percent rise compared to the previous year's figure. The company's **license revenue** until 11 October 2016 was down from last year at €54.0 million (IFRS: €46.9 mn. | 2015: €68.9 mn.).

Software AG's earnings before interest and taxes (**EBIT**, IFRS) increased to €50.1 million (2015: €66.8 mn.) in the third quarter. The EBIT was affected by a one-time charge (provisions for lawsuit in the US) in the amount of €5.4 million. **Operating earnings** (EBITA, non-IFRS) totaled €66.8 million (2015: €70.2 mn.). The **operating profit margin** increased to 33.7 percent (2015: 32.5 percent) in the third quarter.

Free cash flow in the first nine months of the year reached an all-time high in the history of Software AG, improving by more than 10 percent compared to the same period in 2015.

2016 Outlook

Based on current business development and projections for the fourth quarter, Software AG confirms its outlook, which was raised after the first half of 2016. An operating profit margin (EBITA, non-IFRS) between 30.5 and 31.5 percent (status 11 October 2016: 29.9 percent) is expected for fiscal 2016. The full-year forecast for product revenue in the Digital Business Platform (DBP) business line remains unchanged with an anticipated currency-adjusted increase between 5 and 10 percent (status 11 October 2016: +5 percent). Based on expected contract signings in the Adabas & Natural line, Software AG foresees a decline in product revenue between -2 and -6 percent (status 11 October 2016: -5 percent) at constant currency and year-on-year in its database business.

The company will hold a conference call for investors, analysts and media on Friday, 14 October 2016 at 10:00 CEST. Dial in details can be found on the Software AG corporate website under "Investor Relations". The full set of key figures will be published on October 20, 2016 on Software AG's corporate website.

Key Figures

2016 Outlook

	01.01. until 11.10.2016	2016 Outlook as of Jul. 13, 2016
DBP product revenue	+5%	+5% to +10%*
A&N product revenue	-5%	-2% to -6%*
Operating margin (EBITA, Non-IFRS)	+29.9%	+30.5% to +31.5%

* At constant currency

Key Figures for the First 9 Months 2016 (IFRS, unaudited)

in € millions	IFRS (unaudited)		Sales Performance (pro forma)			
	9M/2016	9M/2015	01.01. until 11.10.2016	01.01. until 11.10.2015	Δ as %	Δ as % net of currency
Total revenue	607.9	615.6	615.5	615.9	0%	+2%
Product revenue	461.5	473.3	468.7	473.6	-1%	+1%
Maintenance revenue	306.0	304.3	306.0	304.3	+1%	+3%
License revenue	155.5	169.0	162.7	169.3	-4%	-2%
Digital Business Platform	296.9	293.9	304.2	294.2	+3%	+5%
DBP maintenance	188.8	184.4	188.8	184.4	+2%	+5%
DBP licenses	108.2	109.5	115.3	109.8	+5%	+7%
Adabas & Natural	165.1	179.8	165.1	179.8	-8%	-5%
A&N maintenance	117.2	119.8	117.2	119.9	-2%	+1%
A&N licenses	47.4	59.5	47.4	59.5	-20%	-18%
Consulting	145.8	141.8	145.8	141.8	+3%	+5%
in € millions	9M/2016	9M/2015				
EBIT*	138,8	129,3	-	-	-	-
as % of total revenue	22,8%	21,0%	-	-	-	-
Operating Earnings (EBITA, Non-IFRS)**	181,8	166,9	-	-	-	-
as % of total revenue	29,9%	27,1%	-	-	-	-

* = consolidated net income + income tax + other tax + financial result

** = EBITA adjusted for reduction of acquisition-related product revenue by purchase price allocation, other acquisition effects, share-based payment, restructuring/severance payments and operating income of divested units

Key Figures for Q3 2016 (IFRS, unaudited)

in € millions	IFRS (unaudited)		Sales Performance (pro forma)			
	Q3/2016	Q3/2015	01.07. until 11.10.2016	01.07. until 11.10.2015	Δ as %	Δ as % net of currency
Total revenue	198.3	215.9	205.5	216.2	-5%	-4%
Product revenue	150.9	169.9	158.0	170.2	-7%	-6%
Maintenance revenue	104.0	101.0	104.0	101.0	+3%	+4%
License revenue	46.9	68.9	54.0	69.2	-22%	-22%
Digital Business Platform	101.9	103.2	109.1	103.4	+6%	+7%
DBP maintenance	64.4	61.8	64.4	61.8	+4%	+6%
DBP licenses	37.5	41.4	44.7	41.7	+7%	+8%
Adabas & Natural	49.1	66.9	49.1	66.9	-27%	-26%
A&N maintenance	39.6	39.2	39.6	39.2	+1%	+1%
A&N licenses	9.3	27.5	9.3	27.5	-66%	-66%
Consulting	47,3	45,8	47,3	45,8	+3%	+5%
in € millions	Q3/2016	Q3/2015				
EBIT*	50.1	66.8	-	-	-	-
<i>as % of total revenue</i>	25.3%	30.9%	-	-	-	-
Operating Earnings (EBITA, Non-IFRS)**	66.8	70.2	-	-	-	-
<i>as % of total revenue</i>	33.7%	32.5%	-	-	-	-

* = consolidated net income + income tax + other tax + financial result

** = EBITA adjusted for reduction of acquisition-related product revenue by purchase price allocation, other acquisition effects, share-based payment, restructuring/severance payments and operating income of divested units

About [Software AG](#)

The digital transformation is changing enterprise IT landscapes from inflexible application silos to modern software platform-driven IT architectures which deliver the openness, speed and agility needed to enable the digital real-time enterprise.


Software AG offers the first end-to-end Digital Business Platform, based on open standards, with integration, process management, in-memory data, adaptive application development, real-time analytics and enterprise architecture management as core building blocks. The modular platform allows users to develop the next generation of application systems to build their digital future, today.

With over 45 years of customer-centric innovation, Software AG is ranked as a leader in many innovative and digital technology categories. Software AG has more than 4,300 employees, is active in 70 countries and had revenues of €873 million in 2015.

Learn more at www.softwareag.com.

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