PRESS RELEASE

Software AG’s Major Q3 Successes in the Internet of Things (IoT) Market Accelerate Transition to Cloud

- Major new IoT partnerships with key industry leaders successfully closed
- IoT cloud lays the foundation for scalable and dynamic future growth through recurring revenue
- IoT cloud to become a separate fast growing business line in 2018
- Financial results after nine months in line with market guidance
- Raised 2017 outlook confirmed

[Please note: Unless otherwise stated, all figures are at constant currency and rounded.]

Darmstadt/Germany, October 20, 2017 – Software AG (Frankfurt TecDAX: SOW) today released its financial results (IFRS, preliminary) for the first nine months and third quarter of 2017. The company successfully entered a number of new strategic partnerships in the fields of the Internet of Things (IoT) and Industry 4.0. These include the newly founded ADAMOS joint venture with global market leading manufacturing companies such as DMG MORI, Dürr, ZEISS and ASM PT as well as other scalable IoT projects with major global enterprises. These successes and this high market demand reflect the growing relevance of Software AG’s leading technology and are accelerating its transition to the cloud. The new IoT partnerships lay the foundation for a scalable and more predictable business with exponential and dynamic growth rates that increase with every additional connected machine, device or sensor. Therefore, Software AG will start reporting IoT cloud related revenue separately under a fourth business line as of January 2018. In addition to establishing a fast growing IoT business with recurring revenues, Software AG confirmed its 2017 outlook which had been raised in the last quarter. In Q3, the three business lines of the Group all reported growth of 2 percent while EBIT increased by 1 percent. The company’s operating profit margin (EBITA, non-IFRS) remained very high at 32.2 percent.

Software AG CEO Karl-Heinz Streibich said, “We have continuously expanded our technology leadership in the Internet of Things and Industry 4.0 markets. As a result, Software AG's relevance in the global IoT market has increased significantly. New strategic partnerships with global industrial enterprises highlight this positive trend. Establishing IoT as our fourth business line as of 2018 is an acknowledgment of this extraordinary market success.”

Software AG CFO Arnd Zinnhardt added, “IoT has become a strategic element of our customers’ new business models. To reflect this, we have established a licensing model based on the actual usage of our products significantly reducing IoT market entry barriers. This recurring, sustainable revenue stream gives us the opportunity to easily scale with the rapidly increasing numbers of connected machines and devices and to maximize our business potential to its full and true value.”

Business Line Performance

The **Digital Business Platform (DBP)** business line stayed on course for further growth. Maintenance revenue showed a 7 percent increase to total €201.6 million (2016: €188.8 million) in the first nine months of the year. License revenue was up 1 percent at €109.1 million (2016: €108.2 million) in the period. DBP product revenue (licenses and maintenance) thus grew 5 percent to €310.7 million (2016: €297.0 million), which is within the forecast range for the fiscal year. DBP revenue for the third quarter was €100.9 million (2016: €101.9 million), which reflects 2 percent growth at constant currency. Maintenance revenue posted 5 percent growth at €66.0 million (2016: €64.4 million). In regard to Software AG’s new IoT partnerships with major corporations, cloud has become the customer business model of choice. Consequently, the Group has taken the strategic decision to forgo a traditional licensing model with short-term income in favor of long-term revenue based on increased usage and market demand. Due to the increasing importance of Software AG’s scalable IoT business with recurring revenue, the company has decided to consolidate revenue from the IoT segment into a fourth business line as of January 2018.

Adabas & Natural (A&N) posted €48.8 million (2016: €49.1 million) in revenue in the third quarter, which reflects a 2 percent increase year-on-year at constant currency. Up 26 percent, A&N license revenue demonstrated above-average growth to total €11.3 million (2016: €9.3 million). Overall A&N revenue for the nine-month period was €149.2 million (2016: €165.1 million). Software AG anticipates an uptick in A&N contract renewals in the last quarter of the year and, therefore, expects revenue in the upper half of the market guidance corridor.

The **Consulting** business line continued its robust performance, fueled by the ever greater relevance of Software AG's product portfolio in the high-growth IoT and Industry 4.0 markets. Revenue in this line went up in the third quarter to €47.2 million (2016: €47.1 million), which reflects 2 percent growth at constant currency. In the nine-month period Consulting revenue grew 3 percent to reach €150.0 million (2016: €145.3 million).

Total Revenue and Earnings Performance

Software AG’s third-quarter **total revenue** rose 2 percent at constant currency to €197.3 million (2016: €198.3 million). **Product revenue** (licenses + maintenance) also grew 2 percent at constant currency totaling €149.6 million (2016: €150.9 million). **License revenue** improved with 2 percent growth at constant currency to €46.2 million (2016: €46.9 million). **Maintenance revenue** likewise rose 2 percent in the period under review to €103.3 million (2016: €104.0 million). At €50.4 million (2016: €50.1 million), Software AG's **EBIT** (IFRS) was up 1 percent in the third quarter of 2017. **EBITA** (non-IFRS) was €63.6 million (2016: €66.8 million). Software AG’s operating profit margin (EBITA, non-IFRS) remained very high in the third quarter at 32.2 percent (2016: 33.7 percent).

2017 Outlook

Based on current business development, Software AG confirms the raised forecast published with its results for the first half of the year. Software AG expects its operating profit margin (EBITA, non-IFRS) for fiscal 2017 to be between 31.0 and 32.0 percent. The forecast for product revenue growth in the Digital Business Platform (DBP) line remains unchanged at +5 to +10 percent at constant currency. Based on deals expected to close in the Adabas & Natural database business late in the year, Software AG anticipates a product revenue development between -2 and -6 percent at constant currency and year-on-year.

Outlook for Fiscal Year 2017

	2016 (in € millions)	**2017 Outlook** (as of July 17, 2017)	**YTD 2017** (as of Sept. 30, 2017)
Product revenue Digital Business Platform	441.4	+5% to +10%*	+5%*
Product revenue Adabas & Natural	233.9	-2% to -6%*	-11%*
Operating profit margin (EBITA, non-IFRS)**	31.2%	31.0% to 32.0%	29.7%

* At constant currency
** After adjusting for non-operating factors (see non-IFRS results)

A conference call for financial analysts, investors and media representatives will take place on Friday, October 20, at 9:00 a.m. CEST (8:00 a.m. BST). Local dial-in numbers for Germany: +49 69 566 03 7000, U.K.: +44 203 059 5869 and USA: +1 760 294 1674. The webcast presentation will be available from 7:00 a.m. CEST at www.SoftwareAG.com/investors.

Complete Q3 results will be published on October 20, 2017 from 4:00 p.m. on Software AG's website.

Key Group Figures

First nine months of 2017 (IFRS, unaudited) – as of September 30, 2017

in € millions (unless otherwise stated)	**9M 2017**	**9M 2016**	**△ as %**	**△ as % acc***
Revenue	**610.6**	**607.9**	**0%**	**-0%**
DBP business line	310.7	297.0	5%	5%
A&N business line	149.2	165.1	-10%	-11%
Consulting business line	150.7	145.8	3%	3%
EBIT (IFRS)	**140.0**	**138.8**	**1%**	
EBITA (non-IFRS)	**181.2**	**181.8**	**0%**	
as % of revenue	*29.7%*	*29.9%*		
DBP segment earnings	93.5	88.4	6%	
Segment margin	*30.1%*	*29.8%*		
A&N segment earnings	100.8	116.0	-13%	
Segment margin	*67.6%*	*70.2%*		
Net income (non-IFRS)	**120.6**	**119.4**	**1%**	
Earnings per share (non-IFRS)**	**1.61**	**1.57**	**3%**	
Employees (full-time equivalents)	**4,600**	**4,435**		

* acc = at constant currency
** Based on weighted average shares outstanding (basic) 9M 2017: 74.9 mn / 9M 2016: 76.2 mn
*** Cash flow from investing activities adjusted for acquisitions and investments in debt instruments

Third quarter of 2017 (IFRS, unaudited) – as of September 30, 2017

in € millions (unless otherwise stated)	**Q3 2017**	**Q3 2016**	**△ as %**	**△ as % acc***
Revenue	**197.3**	**198.3**	**-1%**	**2%**
DBP business line	100.9	101.9	-1%	2%
A&N business line	48.9	49.1	0%	2%
Consulting business line	47.5	47.3	0%	2%
EBIT (IFRS)	**50.4**	**50.1**	**1%**	
EBITA (non-IFRS)	**63.6**	**66.8**	**-5%**	
as % of revenue	*32.2%*	*33.7%*		
DBP segment earnings	32.9	36.1	-9%	
Segment margin	*32.6%*	*35.4%*		
A&N segment earnings	33.4	36.2	-8%	
Segment margin	*68.3%*	*73.7%*		
Net income (non-IFRS)	**43.1**	**43.9**	**-2%**	
Earnings per share (non-IFRS)**	**0.58**	**0.58**	**0%**	

* acc = at constant currency
** Based on weighted average shares outstanding (basic) Q3 2017: 74.0 mn / Q3 2016: €76.2 mn
*** Cash flow from investing activities adjusted for acquisitions and investments in debt instruments

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About Software AG

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 €872 million in 2016.

To learn more, visit www.softwareag.com.

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