

 **software**^{AG} FLEXIBILITY CLOUD
DIGITAL BUSINESS PLATFORM
MIDDLEWARE CUSTOMER CENTRICITY
DIGITAL TRANSFORMATION
ON-PREMISE REAL-TIME ANALYTICS
IN-MEMORY DIGITALIZATION

INNOVATE
DIFFERENTIATE
AND WIN

IN THE DIGITAL WORLD

PARTNER ECOSYSTEM CONNECTIVITY
CONSULTING PROCESS OPTIMIZATION

VALUE STRATEGY

ADABAS & NATURAL BIG DATA

SPEED INTERNET OF THINGS

INTEGRATION 2016 HALF-YEAR REPORT

KEY FIGURES

in € millions (unless otherwise stated)

	HY1 2016	HY1 2015
Revenue	409.6	399.7
By type		
Products	310.6	303.4
Services	98.3	96.0
Other	0.7	0.3
By business line		
Digital Business Platform	195.0	190.8
Adabas & Natural	116.0	112.9
Consulting	98.6	96.0
EBIT*	88.7	62.5
as % of revenue	21.7%	15.6%
Net income	57.7	38.6
as % of revenue	14.1%	9.7%
Earnings per share (€, basic)	0.75	0.49
Earnings per share (€, diluted)	0.75	0.49
Free cash flow	114.3	106.2
Employees (full-time equivalents)	4,318	4,349
of which in Germany	1,136	1,177
Balance sheet	June 30, 2016	Dec. 31, 2015
Total assets	1,893.0	1,814.8
Cash and cash equivalents	445.0	300.6
Net debt	53.7	-25.7
Shareholders' equity	1,082.3	1,089.7
as % of total assets	57.2%	60.0%

* EBIT: net income + income taxes + other taxes + net financial income/expense

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Preliminary Remarks

This half-year report contains forward-looking statements. They are based on plans, estimates and projections that are currently available to Software AG's Management Board. Forward-looking statements therefore apply only to the date on which they were made. Software AG accepts no obligation to develop forward-looking statements based on new information or future events. Forward-looking statements by nature contain factors of risk and uncertainty. A number of important factors can contribute to actual results deviating considerably from forward-looking statements. All of the information in this report that does not represent forward-looking

statements relates to the situation on June 30, 2016, unless otherwise stated. Software AG's segment reporting is prepared in accordance with IFRS 8 (Segment Reporting). Segmentation is by business line and corresponds to the Group's internal controlling and reporting lines. Accordingly, Software AG reports on the following business lines: Digital Business Platform (DBP, formerly BPE, including the webMethods, ARIS, Alfabet, Apama and Terracotta product families), Adabas & Natural (A&N, formerly ETS, including the Adabas and Natural product families) and Consulting.

YOUR DIGITAL FUTURE. TODAY.



Traditional companies in every industry are facing the same challenge: the digital transformation of their business models. Disruptive technologies have given rise to entirely new organizational forms of enterprises and changed the way they do business. Anyone who does not digitalize will lose touch. "Digital challengers" illustrate just how heavy the pressure is on these companies. These young challengers with their fully digitalized business models can oust established market leaders from their top position within a short period of time.

The change triggered by information and communication technology (ICT) impacts IT architectures first and foremost. Companies with complex, static systems will find it increasingly difficult to take action in the market with the necessary agility, flexibility and speed. They need to build up digital expertise

to remain responsive and competitive over the long term. A digital strategy's objective must be to master data volumes that are growing at breakneck speed, increase process efficiency and make effective use of information as a raw material to be able to respond to rapidly changing customer needs in real time.

Digital Transformation—More Than an IT Project

Agile middleware platforms help businesses conquer the technological challenges of the digital transformation. They build on existing IT systems, on the one hand forming an interface for the technical integration of existing systems, data and processes, while on the other providing a platform for developing new, adaptive applications. Software AG's Digital Business Platform further offers a unique product combination of integration, real-time analysis, process, data management and development software for transforming an entire business model. Companies receive comprehensive, vendor-neutral support in digitalizing their business model based on their existing IT infrastructure.

In this age of fast-paced change, no one knows which applications will be needed in one year, or five years from now. For that reason, a modern IT landscape and its functionalities must take into account all potential needs for differentiation and innovation in the business world. Co-innovation is the order of the day. Collaboration between IT providers and their customers is essential to successfully identify the suitable business models and processes and adapt them to the requirements of the digital world. This puts companies in the position of driving their own innovation again and pursuing short innovation cycles.

As a technology leader, Software AG supports companies through the digital transformation of their business models and processes. Building on over 45 years of customer-centric innovation, Germany's second-biggest software provider is ranked a leader by analysts in many innovative IT categories. Software AG has more than 4,300 employees in 70 countries and generated total revenues of €873 million in 2015.

HIGHLIGHTS OF 2016

JANUARY TO JUNE

CeBIT: Digital Transformation Enablement and Visit from German Chancellor

From data management to predictive analytics and the dynamic enterprise—Software AG and its partners invited visitors to experience their “Digital Future. Today” and unveiled innovative technology, services and solutions enabling the digital transformation from March 14–18, 2016 at CeBIT, the world’s leading ICT fair, held in Hannover, Germany. The spotlight was on Software AG’s Digital Business Platform, which offers enterprises a 360° real-time view of their business, enables innovation and empowers digitalization. In contrast to static application systems based on standard off-the-shelf software, the dynamic Digital Business Platform is designed to enable innovation, agility and differentiation.

While discussing the huge potential that digital transformation offers to companies across all industries at the Software AG booth, German Chancellor Angela Merkel stated, “We are happy to have such a leading German software company.”

A Leading Product Portfolio

Software AG’s product portfolio was recognized twice in the first half of 2016. In May, Gartner, Inc., a leading industry analyst firm, named Software AG a leader in its 2016 “Magic Quadrant for Enterprise Architecture Tools.”* This is the ninth consecutive time that Gartner has assessed the Company’s Alfabet Enterprise Architecture Management (EAM) product and named it a leader in the Magic Quadrant report.

Furthermore, Software AG was also cited as a leader for its Apama Streaming Analytics Platform in a recent independent report by Forrester. The ranking was based on criteria such as current offering, strategy and market presence. The authors of “The Forrester Wave™: Big Data Streaming Analytics, Q1 2016,” noted that Software AG “...offers a comprehensive set of capabilities for companies that wish to undergo a fast digital transformation.”

*Gartner, “Magic Quadrant for Enterprise Architecture Tools,” May 3, 2016, by Mark McGregor



Annual Shareholders' Meeting and Dividend Increase

Shareholders in attendance of this year's Annual Shareholders' Meeting on May 31, 2016 voted in favor of all proposed resolutions. They approved a dividend for fiscal 2015 in the amount of €0.55 (2015: €0.50) per share, which is 10 percent higher than the previous year. Based on 76.2 million (2015: 78.9 million) dividend-bearing shares, the total payout increased to €41.9 million (2015: €39.5 million). In relation to the closing share price for 2015, this marks a dividend yield of 2.1 percent. In addition, shareholders granted Software AG's Management Board authorization to repurchase up to 10 percent of the Company's own shares.

Research Project: Software AG Helps Revolutionize Medical Care

Software AG is contributing key elements of its Digital Business Platform to the RADAR-CNS research program to assess wearable devices in the prevention and treatment of depression, multiple sclerosis and epilepsy. The program aims to improve patients' quality of life and medical treatment. Continuous remote assessment using smartphones and other wearable devices provides a complete picture of a patient's condition at a level of detail which was previously unachievable. This information could even allow treatment to begin before a patient's health deteriorates. The joint project between King's College London and Janssen Pharmaceutica NV (JPNV) includes 24 partners around the world. It brings together experts from diverse fields including clinical research, engineering, computer science, information technology, data analytics and health services.



Hannover Industrial Fair: New Application for Industry 4.0

The digital world, and specifically networked manufacturing (Industry 4.0), was also the focus of the world's biggest industrial fair held in Hannover, Germany from April 25–29, 2016. In cooperation with technology partners, Software AG introduced a new solution known as Overall Equipment Effectiveness (OEE). Powered by state-of-the-art technology, it guarantees optimized interconnectivity of manufacturing processes as well as smart monitoring and maintenance.

New Partnerships: Co-Innovation with Dell and Sopra Steria Consulting

In cooperation with Dell, Software AG unveiled a new IoT architecture allowing real-time streaming analytics at the edge of the network. The first joint solutions focus on preventative and predictive maintenance. With between 15 and 40 billion new sensors being installed by 2020, a distributed architecture can significantly decrease latency times for real-time streaming analytics and reduce network traffic and central server power.

Sopra Steria Consulting and Software AG have joined forces to design a solution for implementing digital corporate client lending processes. Modern interfaces, cross-department process automation and real-time market evaluation with big data analytics drive the efficiency of annual rating assessments for commercial clients.

SOFTWARE AG'S SHARE

2016 on the Stock Market: Historically Low Interest Rates and Political Uncertainty

Turbulent stock markets and geopolitical events were the defining factors of the first half of 2016. Investors needed nerves of steel given the capital market's volatility, which, in Germany, was likely caused by the European Central Bank's eased monetary policy, the fluctuating euro and the Brexit vote.

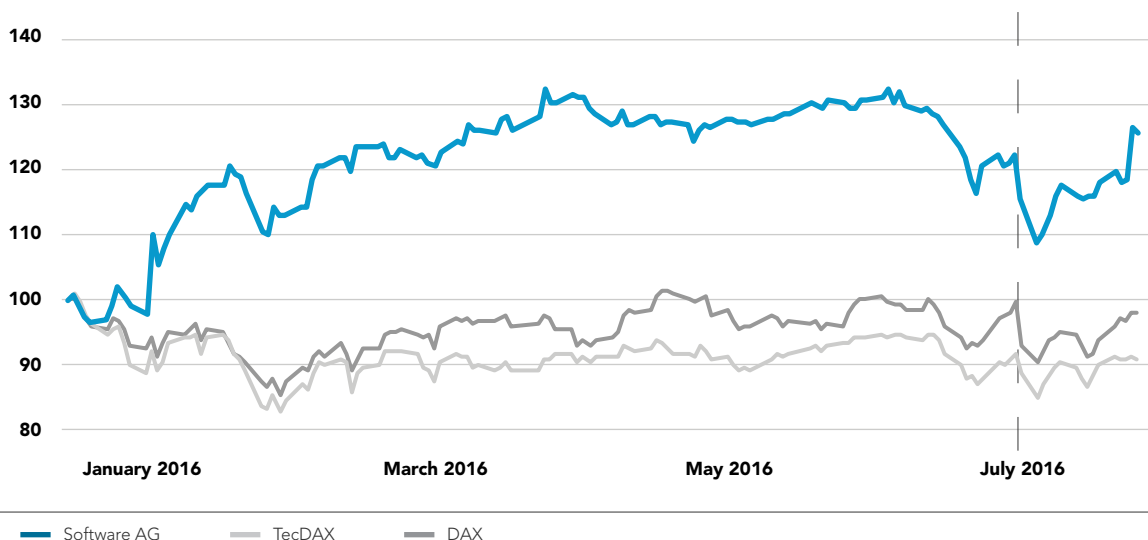
Software AG operates in 70 countries, with Great Britain contributing some 7 percent to revenue. The Brexit vote did not appear to have a direct effect on Software AG's business during the last few weeks of the second quarter of 2016. And there is no indication of any such impact for the remainder of the year. The weak pound sterling was more than adequately compensated for by the strong U.S. dollar. It is not yet possible to predict medium-term changes in the global economy. But if the financial sector moved its center from London to other locations in the EU, Software AG would be well equipped to support its customers.

Share Price Performance

The DAX was dragged down by the flash crash on the Chinese stock market at the beginning of the year, losing almost 15 percent in February 2016 from the 10,283 points at the start of the year. As the year progressed, the DAX was affected by macroeconomic events, with Brexit alone causing a 7 percent loss. The German benchmark index closed out the first half of the year down almost 6 percent. Software AG's share started off the fiscal year at €26.36 and followed a very encouraging trajectory as the year progressed. Software AG's share thus decoupled itself from the DAX and TecDAX's performance, which suffered losses in the first half of the year. Software AG's share, in contrast, gained 16 percent.

Software AG's share performance in the first half of the year was buoyed by the Company's first-quarter financial results, which were communicated in advance on April 12, 2016 in an ad hoc release. The major improvement reported for all key performance indicators reflects the successful transformation of the Company. This was further confirmed by the preliminary second-quarter results and

Software AG Share Price Performance Compared to DAX and TecDAX (indexed)



Source: Investis Ltd.

the subsequent decision by the Management Board to raise its guidance for the full 2016 fiscal year (in an ad hoc release on July 13, 2016).

Software AG's second-quarter earnings and revenue growth surpassed expectations, which the capital market rewarded with a significant jump in share price. The share price ended trading the next day (July 14, 2016) at € 33.36 (+7% from one day earlier).

Software AG exceeded the stock market's liquidity requirement in the first half of 2016 with an XETRA average daily trading volume of 252,070 and therefore did not need a designated sponsor for ensuring smooth trading transactions. Software AG is currently (June 2016) ranked number eight of the Deutsche Börse AG's list of top-ten TecDAX companies based on market capitalization.

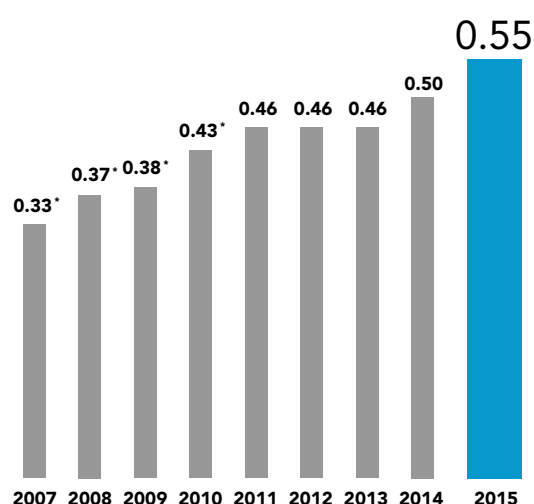
Key Share Data

	HY1 2016
Half-year closing price (in €)	30.55
Half-year high (in €)	34.90
Half-year low (in €)	25.41
Total number of shares outstanding at end of half year	79,000,000
Market capitalization at end of half year (in € millions)	2,413.45
Free float (as %)	64.90%

* Based on XETRA closing prices on June 30, 2016

Dividend Development Since 2007

in € per share



* Adjusted after 3:1 stock split, rounded

Annual Shareholders' Meeting Confirms Strategy and Dividend Policy with High Approval Rates

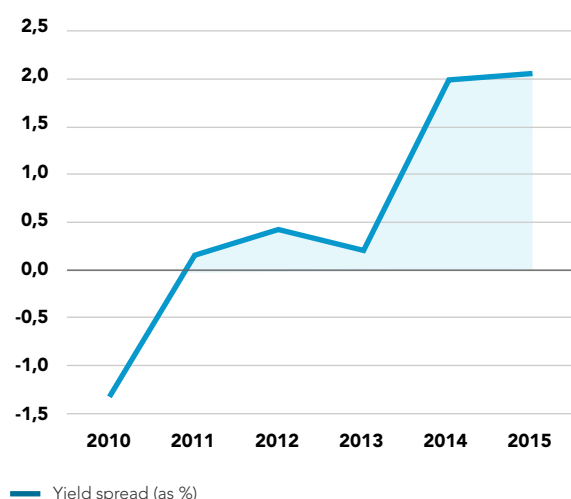
Software AG's Annual Shareholders' Meeting was held on May 31, 2016 in Darmstadt, Germany. The Management Board and Supervisory Board shared their optimism in a positive future outlook with investors. Those shareholders in attendance accounted for 71.1 percent of the Company's total voting rights. All items on the agenda were approved by overwhelming rates of between 95 and 100 percent.

Software AG continued its value-driven dividend policy in fiscal 2015. The dividend is paid from Software AG's earnings and cash flow. The dividend ratio is usually between one-third and one-fourth of the Company's averaged earnings and cash flow. Both figures increased in fiscal 2015. The Management's proposal to increase the

dividend for fiscal 2015 to €0.55 per dividend-bearing share was approved by 99.99 percent of shareholders.

The total payout increased to a record-breaking €41.9 million. Based on the closing share price for the year (Dec. 30, 2015: €26.42), this corresponds to a dividend yield of 2.1 percent (2015: 2.5 percent), which is significantly higher than the yield on German government bonds has been for the past several years.

Dividend Yield Exceeding German Government 10-Year Bond Yields



Software AG's dividend yields have been exceeding German government 10-year bond yields since 2011.

High Level of Attention from Capital Market

In addition to engaging in an ongoing dialog with existing shareholders, active investor relations work also involves targeted expansion of that base. Software AG participated in a number of capital market conferences in Germany and abroad in the first half of 2016. Roadshows in Germany, the U.K., France and Canada were also an important medium for interacting with the investor community. Software AG's annual Capital Market Day provides in-depth information to attendees and took place in Darmstadt on February 10, 2016. Numerous investors and financial analysts from Germany, the U.K., France and Switzerland learned about Software AG's strategy and the latest trends in digitalization.

Software AG continued to enjoy a great deal of attention from the capital market. Analysts from more than 20 banks regularly cover Software AG. Twelve of them have issued (as of July 2016) a neutral "hold" recommendation for Software AG shares. Six recommend buying Software AG shares and four recommend selling them. Since the release of the Company's preliminary 2016 half-year results, the average share price target has risen to €33.

Shareholder Structure

Software AG's positioning as a value investment is increasingly reflected in its investor structure. Many new value-oriented investors are convinced of Software AG's intrinsic value.

The Software AG Foundation remains Software AG's largest shareholder and important anchor investor with a voting share of 31.6 percent. Software AG's balance of treasury shares remained unchanged at 2,768,369 shares. This is 3.5 percent of Software AG's share capital. After deducting the balance held by the Software AG Foundation and the Company's treasury shares, Software AG's free float is about 65 percent. This is calculated as defined by the Deutsche Börse as the percentage of a stock corporation's shares that can be traded freely on the stock market because they are not held by long-term investors.

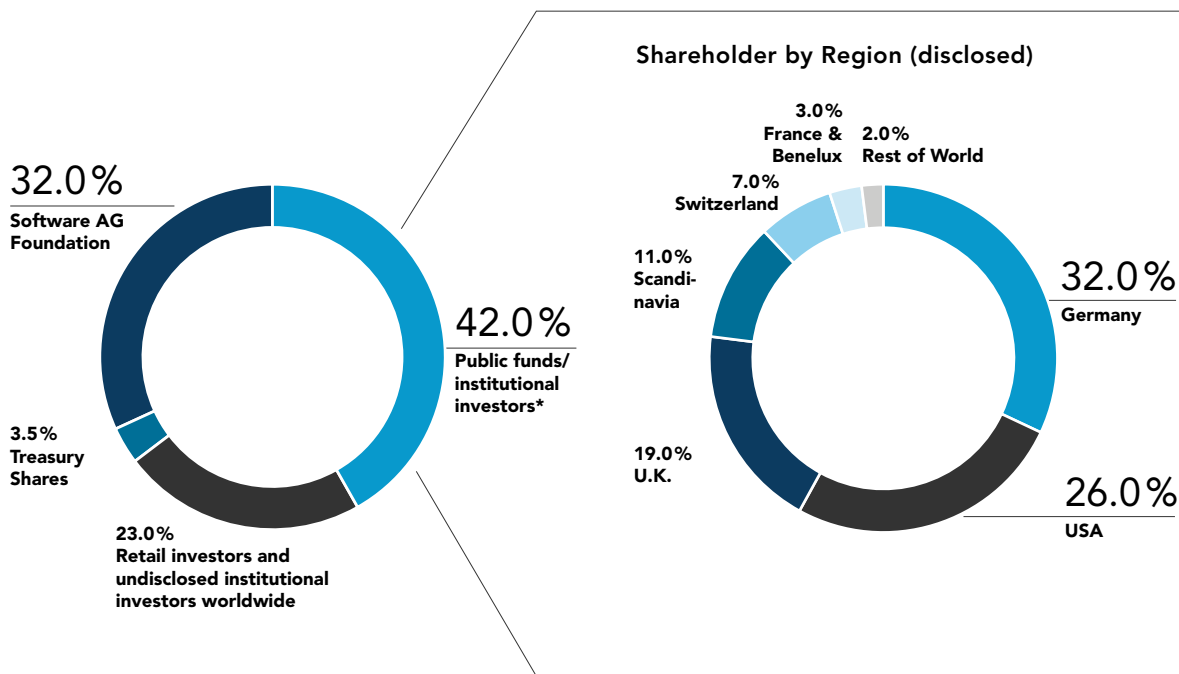
Software AG has a broad free float shareholder base consisting of private and institutional investors in Germany and abroad. A regional analysis of the identified free float shows that 32 percent is held in Germany, 26 percent in the USA and 19 percent in Great Britain. Additional investors are located in Scandinavia, Switzerland, France and Benelux.

Top Investors

Disclosure of Voting Share Changes Pursuant to Section 26 (1) of WpHG	Voting Share	Date Threshold Met
Software AG Foundation	31.59%	April 30, 2015
Deutsche Asset Mgt. Investment	5.01%	July 5, 2016
Software AG (treasury shares)	3.50%	Dec. 4, 2015*
JP Morgan	3.22%	Feb. 3, 2016

* Disclosure pursuant to article 4 (4) of Regulation (EC) no. 2273/2003

Shareholder Structure



* Source: IPREO, July 2016

Indices

CDAX-GESAMTINDEX (PERF)
DAX INTERN.100 TR EUR
DAXPL.MAXIM.DIVI.TR.EUR
DAXPLUS FAM.30 TR EUR
DAXPLUS FAMILY PERF.-IND.
DAXSEC. ALL SOFTWARE TR
DAXSECTOR SOFTWARE TR
DAXSUB. ALL SOFTW.TR
DAXSUBSEC. SOFTWARE.PR
DAXSUPERS.INFOR.TE.TR
HDAX PERFORMANCE-INDEX
MIDCAP MKT TR
Prime ALL SH. TR
TECDAX TR
TECHN. ALL SHARE TR

Key Data

ISIN	DE 0003304002
WKN	330400
Symbol	SOW
Reuters	SOWG.DE
Bloomberg	SOW GY
Stock exchange	Frankfurt
Market segment	Prime Standard
Index	TecDAX
IPO on	April 26, 1999
Issue price	€30*
Stock split	1:3 (2011)

* Before 3-for-1 stock split (May 2011)

INTERIM MANAGEMENT REPORT

FINANCIAL PERFORMANCE

Total Revenue

Software AG reported growth for practically all key performance indicators in the first half of 2016 as compared to the same period in 2015. **Total revenue** increased 2 percent to €409.6 million (2015: €399.7 million) in the period under review. That is 5 percent growth at constant currency.

Group product revenue, comprising license and maintenance revenues from the Digital Business Platform (DBP) and Adabas & Natural (A&N) product lines, went up to €310.6 million (2015: €303.4 million). This reflects 2 percent growth, or 6 percent in local currency, year-on-year. Totalling €108.6 million (2015: €100.1 million), **license revenue** from the two product lines showed a 9 percent increase, or 11 percent at constant currency. Software AG's **maintenance revenue** was €202.0 million (2015: €203.3 million), which is 3 percent growth at constant currency.

The continued rise in license revenue confirms the Company's focus on profitable growth and is a result of its new more customer-centric and sales-efficient go-to-market (GTM) strategy, implemented one year ago.

Exchange Rate Effects

Exchange rate effects had a negative impact of 3 percent on Software AG's total revenue in the first half of 2016. This reflects a loss of €11.5 million when compared to revenue at constant currency. Exchange rates had an especially notable effect on the maintenance business, which lost €6.8 million in the first two quarters of the year as a result of currency translation. This was due mainly to the

strong maintenance base in South America and the economic turmoil in that region. Exchange rates had just a minor effect on license revenue and the Consulting line, causing losses of €2.8 million and €1.9 million respectively.

Because of Software AG's broad global presence, 66 percent (2015: 65 percent) of total revenue was generated in currencies other than the euro in the first half of the year. As a result, the percentage of sales in euros fell slightly to 34 percent of total Group revenue. The share of revenue in U.S. dollars reached 30 percent. After the two major currencies (euro and U.S. dollar), other large contributors to revenue were the pound sterling (GBP) at 7 percent, the Israeli shekel (ILS) at 5 percent and the Brazilian real (BRL) at 4 percent. Three percent of revenue was generated in Australian dollars (AUD) and South African rand (ZAR) respectively.

Earnings Performance

Software AG's **cost of sales** in the first half of 2016 grew at a slightly slower rate than revenue. At €110.5 million (2015: €108.8 million), this is about 2 percent higher year-on-year. As a result, Software AG's gross margin improved moderately to 73.0 percent (2015: 72.8 percent) during the period.

Software AG's research and development (R&D) expenses were equivalent to last year, totaling €54.9 million (2015: €54.2 million). By contrast, major savings were achieved in sales and marketing expenses, which were 11 percent lower at €120.0 million (2015: €134.5 million). This reflects optimized efficiency in the sales division thanks to the Company's new go-to-market strategy. General administrative expenses decreased slightly to €38.3 million (2015: €38.9 million).

Software AG was able to increase its profitability significantly as a result of the improved sales efficiency and

revenues in high-margin areas of the business. Software AG's **earnings before interest and taxes (EBIT)** outperformed last year's figure, climbing 42 percent from €62.5 million to €88.7 million. Accordingly, the EBIT margin went up considerably from 15.6 percent in the first half of 2015 to 21.7 percent in 2016. This illustrates a continuation of the extremely positive earnings performance from the first quarter in the second.

In order to increase its long-term enterprise value, Software AG plans to continue growing profitably and building on its financial strength. To achieve these strategic goals, the Company employs an internal control system. Software AG regards DBP and A&N product revenue based on IFRS reporting, operating income (non-IFRS) and operating profit margin (non-IFRS) to be its most relevant performance indicators. Software AG defines operating income as follows:

Earnings before all taxes

- + Acquisition-related depreciation of intangible assets
- + Acquisition-related decreases in product revenue by way of purchase price allocations
- + Other acquisition-related effects on earnings
- + Expenses resulting from share price-based remuneration
- + Restructuring/severance expenses
- + Other one-time effects

= Operating earnings (EBITA, non-IFRS)

The operating profit margin is calculated by dividing EBITA (non-IFRS) by total Group revenue.

Software AG's **operating income** (EBITA, non-IFRS) increased by 19 percent in the first half of 2016 to €114.9 million (2015: €96.7 million). Accordingly, the **operating profit margin** (non-IFRS) went up 390 basis points to 28.1 percent (2015: 24.2 percent).

Net financial expense improved to €0.5 million (2015: €2.4 million) due to a reduction in the Company's loan balance and improved investment options outside the Eurozone. In line with the increased earnings, income taxes also rose to €27.6 million (2015: €18.5 million) in the period under review. Software AG's tax rate went down to 34.6 percent (2015: 35.7 percent).

Net income was up 49 percent to €57.7 million (2015: €38.6 million) in the first half of 2016. Earnings per share (basic) rose considerably to €0.75 (2015: €0.49).

Revenue and Earnings by Business Line (Segment Report)

Software AG's total Group revenue in the first half of 2016 was €409.6 million (2015: €399.7 million) and was distributed among the three business lines as follows:

- Revenue generated by the Digital Business Platform (DBP) line remained stable accounting for 48 percent (2015: 48 percent) of total revenue.
- The Adabas & Natural (A&N) business line accounted for 28 percent (2015: 28 percent) of total revenue.
- The Consulting line also remained on par with last year at 24 percent (2015: 24 percent).

Focusing on high-growth fields related to digital transformation, Software AG's largest business line—DBP—contributed almost half of the Company's total revenues.

Digital Business Platform (DBP)

All Software AG products for enterprise digitalization form the DBP business line. As the highest revenue-generating segment, DBP sales grew 2 percent to total €195.0 million (2015: €190.8 million) in the first half of 2016. Calculated in local currency, this marks 5 percent growth.

At €70.6 million (2015: €68.1 million), DBP license revenue outperformed last year by 4 percent, or 6 percent at constant currency. DBP licenses therefore accounted for 65 percent of Software AG's total license revenues.

DBP maintenance revenue increased by 1 percent (4 percent at constant currency) to reach €124.4 million (2015: €122.7 million). That corresponds to 62 percent of total maintenance, which is a trend reflecting the Company's long-term profitable growth strategy. 64 percent of the segment's revenue came from recurring, highly profitable maintenance revenue. The growth rate in maintenance is also an indicator of the long-term effect of past license sales.

The Digital Business Platform, unveiled in the autumn of 2014, is the segment's growth engine. Its development continued in the period under review. With this innovative platform, which unites and streamlines all of the Company's software products, the DBP line offers all technology necessary for the digital transformation. Software AG offers the first-ever Digital Business Platform for end-to-end processes based on open standards. Its core components include integration, process management, in-memory data technology, flexible application development, real-time analytics and IT architecture management. Its modular design allows users to develop their application systems flexibly and according to their individual needs. The digital transformation is changing enterprise IT landscapes. It is replacing inflexible application silos with cutting edge software-based IT platforms that offer the necessary scalability, speed and agility to conduct digital real-time business. Furthermore, thanks to Software AG's effective sales and overall go-to-market model, its average DBP deal size increased by 5 to 10 percent compared to last year. This trend also confirms the Company's growing market relevance.

The cost of sales in the DBP segment went up 13 percent to €15.4 million (2015: €13.6 million) in the first half of the

year. In contrast, sales and marketing costs dropped 15 percent from €98.4 million in the first half of 2015 to €83.5 million in the period under review. This is a further reflection of Software AG's efforts to raise sales efficiency as part of its GTM strategy.

Research and development (R&D) costs approximated last year's at €43.8 million (2015: €43.4 million), in spite of increased staff investments in India. As a result, the number of employees working in R&D went up by 9 percent over the last 12 months. Software AG relies on new and existing distribution partners to cover regions and countries, such as central Africa and China, that would not be as accessible otherwise. In the first half of the year, the partner ecosystem was expanded by 7 percent new active partners. Revenue generated via partners increased by 24 percent. In addition to sales partners, technology partners also play an important role in market relevance and future business growth. During the period under review, Software AG entered a strategic partnership with Dell in the field of the Internet of Things, with a jointly developed predictive maintenance solution based on Apama streaming analytics software.

As a result of the reduction in sales and marketing expenses and the simultaneous increase in revenue, segment earnings rose considerably to €52.3 million (2015: €35.4 million). This represents 48 percent growth. Likewise, the segment margin rose sharply, jumping 820 basis points to 26.8 percent (2015: 18.6 percent).

Adabas & Natural (A&N)

As in fiscal 2015, the Adabas & Natural business line, consisting of Software AG's traditional database business, performed exceptionally well. This reflects the stability of the long-standing business model. The A&N line posted €116.0 million (2015: €112.9 million) in revenue, or 3 percent growth (7 percent at constant currency).

A&N maintenance revenue remained relatively stable in the first half of the year at €77.6 million (2015: €80.7

million), whereas licenses grew 19 percent (24 percent at constant currency) to total €38.0 million (2015: €31.9 million). This growth exceeded original guidance and reflects the on-going relevance of these products as well as a more customer-centric approach.

Although the market for traditional database software is in decline due to its maturity and saturation, Software AG nevertheless strengthened and further stabilized its high-margin business line by signing deals early in the six-month period. This highlights the degree of customer engagement and loyalty in Software AG's traditional database product line, which plays an important role for the financial and public sectors in particular. In order to meet the high demand in the A&N product line, Software AG intends to offer support and updates until at least 2050. This gives A&N customers long-term investment security and allows them to participate in future innovation and in the transition to new technologies.

The cost of sales in the A&N segment dropped 7 percent year-on-year to €6.2 million (2015: €6.7 million) in the first half of 2016. Sales and marketing expenses were up at €19.0 million (2015: €17.0 million) as were research and development (R&D) expenses at €11.0 million (2015: €10.8 million).

The A&N customer base holds major cross-selling potential for Software AG's future-oriented Digital Business Platform technology that the Company plans to further exploit. Thanks to the revenue growth in this line, A&N's segment earnings climbed to €79.8 million (2015: €78.4 million). At 68.8 percent (2015: 69.5 percent), the segment margin indicated a high level of profits.

Consulting

The Consulting business line posted €98.6 million (2015: €96.0 million) in revenue, or 3 percent growth (5 percent at constant currency) in the first six months of 2016.

The strong revenue performance confirms the Company's strategy of focusing more intensively on consulting services for its own products, high-value services and co-innovation with customers and partners. The focus is a further element of Software AG's transformation to a highly profitable product provider with the goal of sustainable profitable growth. Software AG's Global Consulting unit clearly serves as a customer value creation engine as well as a key enabler for product sales. In line with the increased revenue, the cost of sales in the Consulting segment rose to €83.4 million (2015: €78.6 million) in the first half of 2016. This is due to restructuring costs (in Q1 2016) incurred as part of a transition to higher-grade consulting services. Sales and marketing expenses were down 12 percent to €8.6 million (2015: €9.8 million).

The Consulting line posted €6.6 million (2015: €7.6 million) in segment earnings. This represents a segment margin of 6.7 percent (2015: 7.9 percent). Continued profitability and customer value creation are the Company's priority over revenue growth in the Consulting line. Following the sale of non-strategic units two years ago and the focus on profitable projects and innovation related to Software AG products, the Consulting line successfully continued its profitable trajectory. The 9.3 percent (2015: 7.9 percent) segment margin in the second quarter of 2016 is the most recent manifestation of Software AG's sustainable profitability growth. This is a level which has seldom before been achieved.

PERFORMANCE IN THE SECOND QUARTER OF 2016

Software AG generated €203.4 million (2015: €205.6 million) in revenue in the second quarter of 2016. This is 2 percent growth year-on-year at constant currency. All in

all, exchange rates had a negative impact on revenue, resulting in a loss of €6.6 million for the quarter.

Product revenue—consisting of license and maintenance sales—was €152.7 million (2016: €157.1 million). More than two-thirds of product revenue came from the highly profitable maintenance business, which at €103.1 million (2015: €103.6 million) approximated last year's level. License sales totaled €49.6 million (2015: €53.5 million) in the second quarter.

The DBP line posted moderate revenue growth and, at €100.5 million (2015: €99.8 million), accounted for about half of the Company's total revenue. The DBP segment margin improved to 28.4 percent (2015: 19.5 percent). A&N revenue for the quarter was €52.3 million (2015: €57.5 million), marking the expected decline after an exceptional first quarter. Its margin remained high at 66.9 percent (2015: 70.6 percent). Revenue in the Consulting line grew 4 percent to €50.5 million (2015: €48.4 million) in the quarter; the segment margin improved to 9.3 percent (2015: 7.9 percent).

The strong earnings performance from the first quarter continued in the second. EBIT in the second quarter of 2016 surpassed last year's figure by 30 percent, reaching €43.3 million (2015: €33.2 million). As a result, the EBIT margin increased to 21.3 percent (2015: 16.1 percent). Software AG's net income saw an even larger increase, up 42 percent to €28.2 million (2015: €19.9 million). Accordingly, earnings per share rose 48 percent to €0.37 (2015: €0.25) in the second quarter.

Furthermore, free cash flow hit a record high in the second quarter at €53.8 million (2015: €45.9 million). Free cash flow per share increased to €0.71 (2015: €0.58).

FINANCIAL POSITION

Net cash provided by operating activities was up 8 percent year-on-year at €120.3 million (2015: €111.8 million) in the first half of the year. This result was fueled by consistent proceeds from customers and lower operating outflows. The ongoing increase in cash flow reflects Software AG's commitment to sustainably strengthening its financial position and profitability.

Cash outflows from investing activities were €8.3 million compared to **inflows** of €17.6 million one year ago. In 2015 Software AG reported €24.2 million in net proceeds from the liquidation of current financial assets, whereas in 2016 net payments for financial assets were calculated in the amount of €1.9 million.

Cash inflows from financing activities were up at €31.3 million in the first half of 2016 as compared to **outflows** in the amount of €37.6 million the year before. The substantial increase is due primarily to new financial liabilities in the period totaling €78.3 million (2015: €4.8 million). The 2016 dividend payout was up 6 percent from last year at €41.9 million (2015: €39.5 million).

Cash and cash equivalents were up at €445.0 million as of June 30, 2016, compared to €423.9 million on the same date one year before. The substantial increase with respect to the amount of €300.6 million reported at the beginning of the fiscal year is due primarily to the high level of operating cash flow.

Free cash flow rose 8 percent to €114.3 million (2015: €106.2 million) in the first half of the year. This is a record high for Software AG. The ratio of free cash flow to total revenue was 27.9 percent (2015: 26.6 percent). The ratio of free cash flow to net income was 198 percent.

Free cash flow per share increased accordingly to €1.50 (2015: €1.35).

ASSETS

Software AG's total assets rose to €1,893.0 million as of June 30, 2016 from €1,917.5 million the year before and from €1,814.8 million as of December 31, 2015.

On the assets side, cash and cash equivalents increased by 48 percent to reach €445.0 million—despite the higher dividend payout totaling €41.9 million (2015: €39.5 million). Short and long-term trade receivables were reduced as a result of Software AG's active working capital management. They dropped by €49.2 million, or 16 percent, to €258.4 million (Dec. 31, 2015: €307.6 million). Non-current intangible assets totaled €139.7 million (2015: €157.4 million), which is an 11 percent decrease year-on-year.

On the liabilities side, current and non-current financial liabilities went up by €64.9 million from €326.3 million on December 31, 2015 to €391.2 million this year. This represents a gain of nearly 20 percent. Due to the large share of maintenance business, deferred income, which includes the increasing volume of future maintenance revenues, grew to €156.1 million as compared to €123.8 million as of December 31, 2015. This represents a 26 percent increase.

Software AG's shareholders' equity totaled €1,082.3 million (Dec. 31, 2015: €1,089.7 million) as of June 30, 2016. This results in an equity ratio of 57.2 percent (Dec. 31, 2015: 60.0 percent) as of June 30, 2016.

EMPLOYEES

As of June 30, 2016 the Software AG Group had 4,318 (2015: 4,349) employees (full-time equivalents). Broken down by department, the number of employees in Services and Consulting was 1,839 (2015: 1,826), in Sales and Marketing 840 (2015: 942) and in Administration 595 (2015: 624). The number of employees in Research and Development rose to 1,044 (2015: 957), mainly due to the expansion of near and offshore capacities. The regional staff distribution is proportionate to Software AG's global business expansion. As of June 30, 2016 the Software AG Group employed 1,136 (2015: 1,177) people in Germany, 564 (2015: 616) in the USA and 696 (2015: 514) in India. Software AG staff in countries other than those mentioned above accounts for the largest percentage with 1,922 (2015: 2,042) employees.

MANAGEMENT'S ASSESSMENT

Software AG's financial performance in the first half of 2016 confirms the Management Board's strategy of focusing on profitable growth and increasing enterprise value. Software AG's relevance continues to grow in the global IT market. Our technology leadership, our new go-to-market model, our focus on profitability and the positive feedback from customers and industry analysts form the foundation of our profitable business development and forward-looking positioning.

Software AG posted strong earnings in all three business lines as well as growth in practically all key performance indicators in the first half of this year. Digital Business Platform, our biggest business line, met our expectations

with 5 percent growth. Our Adabas & Natural (A&N) database business line returned especially positive results with a 7 percent gain in total revenue and 24 percent in licenses. Furthermore, our Consulting business line continued to expand with an increased segment margin at 9 percent in the second quarter. (All revenue-related rates mentioned here are expressed in local currency.)

Fueled by revenue growth and improved sales efficiency, earnings improved significantly. EBIT went up 42 percent to €88.7 million. This illustrates a continuation of the positive earnings performance from the first quarter into the second quarter. Earnings after tax rose more than 40 percent in the second quarter, earnings per share more than 46 percent. Moreover, we achieved an all-time high with free cash flow. The following five success criteria were critical to these results: our innovative product portfolio and our technology leadership in the digital world, the value created by that for all stakeholders, the loyalty and enthusiasm from our customer base and, equally as important, our effective go-to-market strategy. Software AG has stood for customer-gear innovation for more than 45 years. Leading market analysts ranked Software AG as an innovation and digitalization leader in multiple categories again in the first half of the year.

We see these performance indicators and differentiating features as promising for further business development. Specifically, given the half-year results and the optimistic outlook for the second half of the year, the Management Board decided to raise its targets for 2016 and adjust its full-year guidance published on January 27, 2016 accordingly (see Outlook, p. 19).

EVENTS AFTER THE BALANCE SHEET DATE

Raised Guidance for 2016

On July 13, 2016 Software AG announced in an ad hoc release in accordance with section 15 of WpHG that the Management Board would increase the Company's guidance for fiscal 2016, originally published at the beginning of the year. The Management Board raised its forecast for its operating profit margin and A&N revenue for fiscal 2016 based on preliminary second-quarter results and the positive business situation in the first half of 2016 as well as the strong project pipeline for the second half of the year. For more details on the Company's forecast, please refer to the Outlook section at the end of this report.

Acquisition of CONNX Solutions Inc.

As part of its intention to support its A&N customer base with innovations beyond 2050, Software AG signed an agreement to buy CONNX Solutions Inc. at the end of June 2016. CONNX Solutions is a leading provider of SQL data access, integration and replication software solutions, based in Redmont, Washington (USA). Software AG does not consider the impact of this acquisition to be of material significance. For more information, please refer to the Business Combinations section in the Notes to the Financial Statements.

OPPORTUNITIES AND RISKS

Software AG's 2015 Annual Report contains a comprehensive Opportunity and Risk Report (see pp. 89–99), which describes specific risks that could have a negative impact on business and financial performance or assets and financial position. It also describes key opportunities for Software AG. There were only minor changes to the risk and opportunity situation of the Software AG Group in the first half of 2016 as compared to the risks and opportunities identified in the 2015 Annual Report.

Any changes to business opportunities and risks caused by the U.K.'s exit from the EU (Brexit) are difficult to assess at this point in time. Because the U.K. is an important market for Software AG, a prolonged weak pound sterling could lead to a decrease in revenue and earnings. Whether or not this will occur is still totally unclear. A conclusive judgment cannot be made on the extent to which Brexit will affect the British economy and in turn Software AG's business in the U.K. Software AG currently assumes the impact will be minor.

OUTLOOK

Given the positive business performance of the first half of 2016 and the strong project pipeline for the next six months of the year, Software AG raised its guidance for fiscal 2016. Software AG's Management Board now expects the following developments:

- The operating profit margin (EBITA, non-IFRS) for fiscal 2016 is expected to be between 30.5 and 31.5 percent (previously: 30.0 to 31.0 percent as of Jan. 27, 2016).
- With an expected decline in Adabas & Natural (A&N) product revenue between 2 and 6 percent at constant currency and year-on-year (previously: expected decline between 4 and 8 percent as of Jan. 27, 2016), the Management Board foresees greater stability in the Company's database business for fiscal 2016.
- The forecast for year-on-year product revenue growth in the Digital Business Platform (DBP) line for fiscal 2016 remains unchanged at 5 to 10 percent at constant currency.

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

for the six months ended June 30, 2016 (IFRS, unaudited)

in € thousands	HY1 2016	HY1 2015
Licenses	108,644	100,054
Maintenance	201,995	203,326
Services	98,249	95,969
Other	701	338
Total revenue	409,589	399,687
Cost of sales	-110,515	-108,823
Gross profit	299,074	290,864
Research and development expenses	-54,890	-54,227
Sales, marketing and distribution expenses	-119,977	-134,467
General and administrative expenses	-38,341	-38,944
Other taxes	-2,869	-2,901
Operating earnings	82,997	60,325
Other income/expense, net	2,793	-713
Financial expense, net	-547	-2,439
Earnings before income taxes	85,243	57,173
Income taxes	-27,579	-18,532
Net income	57,664	38,641
Thereof attributable to shareholders of Software AG	57,547	38,549
Thereof attributable to non-controlling interests	117	92
Earnings per share (€, basic)	0.75	0.49
Earnings per share (€, diluted)	0.75	0.49
Weighted average number of shares outstanding (basic)	76,231,631	78,918,844
Weighted average number of shares outstanding (diluted)	76,264,486	78,969,362

STATEMENT OF COMPREHENSIVE INCOME

for the six months ended June 30, 2016 (IFRS, unaudited)

in € thousands	HY1 2016	HY1 2015
Net income	57,664	38,641
Currency translation differences from foreign operations	-7,539	49,700
Net gain/loss on remeasuring financial assets	1,564	1,399
Currency translation gain/loss from net investments in foreign operations	-795	3,132
Items that may be subsequently reclassified to profit or loss	-6,770	54,231
Net actuarial gain/loss on pension obligations	-211	0
Items that will not be subsequently reclassified to profit or loss	-211	0
Other comprehensive income	-6,981	54,231
Total comprehensive income	50,683	92,872
Thereof attributable to shareholders of Software AG	50,566	92,780
Thereof attributable to non-controlling interests	117	92

CONSOLIDATED BALANCE SHEET

as of June 30, 2016 (IFRS, unaudited)

Assets

in € thousands	June 30, 2016	December 31, 2015
Current assets		
Cash and cash equivalents	444,957	300,567
Other financial assets	12,028	11,840
Trade and other receivables	192,632	232,576
Other non-financial assets	18,794	14,794
Tax assets	18,482	24,406
	686,893	584,183
Non-current assets		
Intangible assets	139,657	157,438
Goodwill	890,720	899,954
Property, plant and equipment	56,268	56,221
Other financial assets	34,349	24,547
Trade and other receivables	65,764	75,090
Other non-financial assets	1,172	82
Income tax receivables	6,260	6,215
Deferred tax receivables	11,959	11,039
	1,206,149	1,230,586
Total Assets	1,893,042	1,814,769

Equity and Liabilities

in € thousands	June 30, 2016	December 31, 2015
Current liabilities		
Financial liabilities	130,121	113,033
Trade and other payables	37,075	33,016
Non-financial liabilities	91,958	112,932
Other provisions	46,470	28,329
Tax liabilities	21,452	28,626
Deferred income/revenue	145,751	123,606
	472,827	439,542
Non-current liabilities		
Financial liabilities	261,099	213,247
Trade and other payables	0	90
Non-financial liabilities	1,674	1,719
Other provisions	15,223	17,897
Provisions for employee benefits	34,907	35,644
Deferred tax liabilities	14,682	16,723
Deferred income/revenue	10,340	178
	337,925	285,498
Equity		
Share capital	79,000	79,000
Capital reserves	24,266	40,504
Retained earnings	1,062,765	1,047,145
Other reserves	-12,789	-5,808
Treasury shares	-71,596	-71,596
Shares attributable to shareholders of Software AG	1,081,646	1,089,245
Non-controlling interests	644	484
	1,082,290	1,089,729
Total Equity and Liabilities	1,893,042	1,814,769

CONSOLIDATED STATEMENT OF CASH FLOWS

for the six months ended June 30, 2016 (IFRS, unaudited)

in € thousands	HY1 2016	HY1 2015
Net income	57,664	38,641
Income taxes	27,579	18,532
Net financial income / expense	547	2,439
Amortization / depreciation of non-current assets	19,937	26,457
Payments for cash settlement of share-based remuneration options with a choice of settlement	-8,291	0
Other non-cash income / expense	-4,553	6,542
Operating cash flow before changes in working capital	92,883	92,611
Changes in receivables and current assets	26,978	39,558
Changes in payables and liabilities	31,480	10,791
Income taxes paid	-31,837	-30,473
Interest paid	-3,704	-4,493
Interest received	4,475	3,783
Net cash provided by operating activities	120,275	111,777
Proceeds from the sale of property, plant and equipment / intangible assets	222	2,388
Purchase of property, plant and equipment / intangible assets	-4,802	-5,976
Proceeds from the sale of non-current financial assets	1,415	138
Purchase of non-current financial assets	-2,829	-2,130
Proceeds from the sale of current financial assets	15,017	24,221
Purchase of current financial assets	-16,903	-3
Proceeds / payments from the sale of disposal groups	0	-1,000
Payments for acquisitions, net	-413	0
Net cash used in investing activities	-8,293	17,638

in € thousands	HY1 2016	HY1 2015
Dividends paid	-41,927	-39,459
Additions to financial liabilities	78,344	4,847
Repayment of financial liabilities	-4,647	-2,956
Acquisition of non-controlling interests	-460	0
Net cash provided by/used in financing activities	31,310	-37,568
Change in cash and cash equivalents from cash-relevant transactions	143,292	91,847
Currency translation adjustment	1,098	13,693
Net change in cash and cash equivalents	144,390	105,540
Cash and cash equivalents at the beginning of the period	300,567	318,396
Cash and cash equivalents at the end of period	444,957	423,936
Free cash flow	114,281	106,197

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended June 30, 2016 (IFRS, unaudited)

		Share Capital	Capital Reserves	Retained Earnings
	Common Shares Outstanding (no.)			
in € thousands				
Equity as of January 1, 2015	78,918,844	86,944	43,195	1,161,411
Comprehensive income				38,549
Transactions with shareholders				
Dividend payment				-39,459
Stock options			12,341	
Issue and use of treasury shares		-7,944		-214,252
Other changes				
Transactions between shareholders				
Equity as of June 30, 2015	78,918,844	79,000	55,536	946,249
Equity as of January 1, 2016	76,231,631	79,000	40,504	1,047,145
Comprehensive income				57,547
Transactions with shareholders				
Dividend payment				-41,927
Stock options			-15,735	
Other changes				
Transactions between shareholders			-503	
Equity as of June 30, 2016	76,231,631	79,000	24,266	1,062,765

Other Reserves				Treasury Shares	Attributable to Shareholders of Software AG	Non-Controlling Interests	Total
Currency Translation Differences from Foreign Operations	Net Gain/Loss on Remeasuring Financial Assets	Net Actuarial Gain/Loss on Pension Obligations	Currency Translation Gain/Loss from Net Investments in Foreign Operations				
-32,299	-1,365	-27,308	6,437	-224,466	1,012,549	831	1,013,380
49,700	1,399	0	3,132		92,780	92	92,872
							0
					-39,459		-39,459
					12,341		12,341
				222,196	0		0
					0	-1	-1
					0		0
17,401	34	-27,308	9,569	-2,270	1,078,211	922	1,079,133
9,628	571	-26,684	10,677	-71,596	1,089,245	484	1,089,729
-7,539	1,564	-211	-795		50,566	117	50,683
					-41,927		-41,927
					-15,735		-15,735
					0		0
					-503	43	-460
2,089	2,135	-26,895	9,882	-71,596	1,081,646	644	1,082,290

NOTES TO THE INTERIM FINANCIAL STATEMENTS

GENERAL

1. Basis of Presentation

Software AG's condensed and unaudited consolidated financial statements (half-year financial statements) as of June 30, 2016 have been prepared in accordance with International Financial Reporting Standards (IFRS) applicable on the balance sheet date, as endorsed by the EU. The IASs/IFRSs applicable as of June 30, 2016 were observed, as were the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC—formerly SIC).

Software AG is a registered stock corporation under German law with registered offices in Darmstadt. Software AG is the parent company of a Group that is globally active in the fields of software development, licensing and maintenance as well as IT services.

The consolidated half-year financial statements of Software AG are expressed in thousands of euros unless otherwise stated. Software AG waived a voluntary audit and a review of the consolidated half-year financial statements (half-year report).

2. Changes in the Consolidated Group

The following changes occurred in the consolidated Group in the first six months of fiscal 2016.

	Germany	Foreign	Total
January 1, 2016	9	68	77
Additions		2	2
Disposals (including mergers)		1	1
June 30, 2016	9	69	78

The disposal resulted from a closure in Asia. The additions are related to openings in Ireland and the USA.

3. Accounting Policies

The same accounting policies have been applied to the consolidated interim financial statements as were applicable to the consolidated financial statements as of December 31, 2015. For more detailed information on accounting policies, please see Note 3 of the consolidated financial statements for fiscal 2015. These half-year financial statements have been prepared in accordance with IAS 34: Interim Financial Reporting.

First-Time Application of New Accounting Rules

The new accounting rules to be applied in the first half of 2016 had no significant effect on Software AG's half-year financial statements.

New But not Yet Effective Accounting Rules

For more details on new but not yet effective accounting rules and those for which Software AG has not opted for early application, please refer to Note 3 of the 2015 Annual Report.

4. Business Combinations

At the end of June Software AG signed an agreement to buy CONNX Solutions Inc., based in Redmont, Washington (USA). Control of the company, as pertains to first-time consolidation, was achieved at the end of July. CONNX Solutions is a leading provider of SQL data access, integration and replication software solutions with a staff of 20. The acquisition purchase price will be between \$12 and \$14 million. Due to the short period of time between the conclusion of the agreement and the publication release of this interim report, a preliminary purchase price allocation could not take place. Software AG considers the impact of this acquisition on the Group's financial position, financial performance and cash flows to be immaterial.

NOTES TO THE CONSOLIDATED BALANCE SHEET

5. Intangible Assets and Goodwill

Goodwill amounted to €890,720 thousand as of June 30, 2016, a decrease of €9,234 thousand compared to December 31, 2015. This change is due solely to exchange rate fluctuations.

6. Shareholders' Equity

Share Capital

As of June 30, 2016, Software AG's share capital totaled €79,000 thousand (December 31, 2015: €79,000 thousand), divided into 79,000,000 bearer shares (December 31, 2015: 79,000,000). Each share entitles its holder to one vote.

Dividend

Pursuant to the proposal of the Management Board and the Supervisory Board, the Annual Shareholders' Meeting resolved on May 31, 2016 to appropriate €41,927 thousand (2015: €39,459 thousand) for a dividend payout from the net retained profits of €87,193 thousand reported by Software AG, the controlling Group company, in 2015. This corresponds to a dividend of €0.55 (2015: €0.50) per share. A total amount of €45,266 thousand (2015: €51,685 thousand) was carried forward.

Treasury Shares

Software AG's balance of treasury shares as of June 30, 2016 was unchanged as compared to December 31, 2015 at 2,768,369 (2015: 81,156), which represents an interest of €2,768,369 (2015: €81,156) or 3.5 percent (2015: 0.1 percent) of the share capital.

OTHER DISCLOSURES

7. Segment Reporting

Segmentation is in accordance with the internal control of the Group. Software AG therefore reports on the following three segments:

- **Digital Business Platform, formerly Business Process Excellence** (DBP: integration, business process management and big data with the webMethods, ARIS, Alfabet, Apama and Terracotta product families)

- **Adabas & Natural, formerly Enterprise Transaction Systems** (A&N: data management with the Adabas and Natural products)
- **Consulting** (product-related consulting and software implementation services)

The table below shows the segment data for the first six months of 2016 and 2015:

Segment Report

for the six months ended June 30, 2016 (IFRS, unaudited)

in € thousands	Adabas & Natural (A&N)		Digital Business Platform (DBP)	
	HY1 2016	HY1 2015	HY1 2016	HY1 2015
Licenses	38,035	31,949	70,609	68,105
Maintenance	77,580	80,653	124,415	122,673
Product revenue	115,615	112,602	195,024	190,778
Services	0	0	0	2
Other	348	290	22	7
Total revenue	115,963	112,892	195,046	190,787
Cost of sales	-6,173	-6,664	-15,365	-13,561
Gross profit	109,790	106,228	179,681	177,226
Sales, marketing & distribution expenses	-18,983	-17,041	-83,514	-98,409
Segment contribution	90,807	89,187	96,167	78,817
Research and development expenses	-11,049	-10,771	-43,841	-43,456
Segment earnings	79,758	78,416	52,326	35,361
General and administrative expenses				
Other taxes				
Operating earnings				
Other operating income/expenses, net				
Net financial income/expenses				
Earnings before income taxes				
Income taxes				
Net income				

Consulting		Reconciliation		Total	
HY1 2016	HY1 2015	HY1 2016	HY1 2015	HY1 2016	HY1 2015
0	0			108,644	100,054
0	0			201,995	203,326
0	0			310,639	303,380
98,249	95,967			98,249	95,969
331	41			701	338
98,580	96,008			409,589	399,687
-83,398	-78,585	-5,579	-10,013	-110,515	-108,823
15,182	17,423	-5,579	-10,013	299,074	290,864
-8,603	-9,818	-8,877	-9,199	-119,977	-134,467
6,579	7,605	-14,456	-19,212	179,097	156,397
0	0	0	0	-54,890	-54,227
6,579	7,605	-14,456	-19,212	124,207	102,170
				-38,341	-38,944
				-2,869	-2,901
				82,997	60,325
				2,793	-713
				-547	-2,439
				85,243	57,173
				-27,579	-18,532
				57,664	38,641

8. Contingent Liabilities

The carrying amount of collateral received was €78 thousand (2015: €13 thousand).

Disclosures on Leases

The Group's rental agreements and operating leases relate chiefly to office space, vehicles and IT equipment. Lease payments under operating leases are recognized as an expense over the term of the lease.

in € thousands	Up to 1 Year	>1 to 5 Years	> 5 Years	Total
Contractually agreed payments (gross amount)	12,349	49,158	4,798	66,305
Estimated income from subleases	351	1,871	2	2,224
Contractually agreed payments (net amount)	11,998	47,287	4,796	64,081

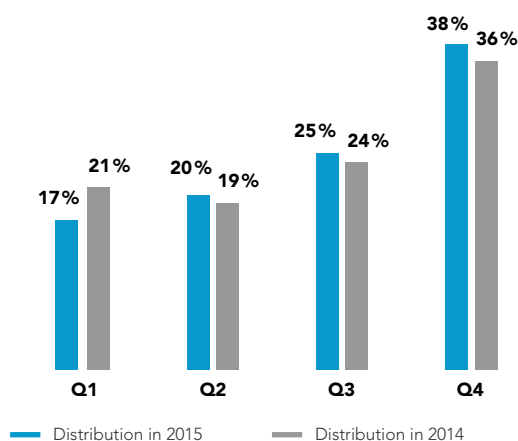
9. Seasonal Influences

Revenues and pre-tax earnings were distributed over fiscal year 2015 as follows:

in € thousands	Q1 2015	Q2 2015	Q3 2015	Q4 2015	2015
License revenue	46,541	53,513	68,897	102,950	271,901
as % of license revenue for the year	17	20	25	38	100
Total revenue	194,057	205,630	215,871	257,499	873,057
as % of revenue for the year	22	24	25	29	100
Earnings before taxes	26,396	30,777	64,920	78,425	200,518
as % of earnings for the year	13	15	32	40	100

Based on historical data, the revenue and earnings distribution from 2015 is not fully representative. The distribution of revenue and earnings is regularly affected by large individual deals and is thus difficult to predict. The following graph illustrates the development of license revenues in 2015 and 2014.

License Revenue as Percentage of Total Annual Revenue



10. Litigation

All litigation that is potentially significant to Software AG has been described in Note 33 of the 2015 consolidated financial statements.

On April 25, 2016 the Spanish cartel authority (CNMC) published on its website that it was initiating antitrust proceedings against 11 companies, including Software AG Spain. After an in-depth evaluation of the facts with external attorneys, the risk assessment remains unchanged for the time being.

Otherwise there were no substantial changes in the first half of 2016 with respect to the legal disputes reported under Note 33 of the 2015 financial statements, nor were there any new legal disputes or other legal risks that could potentially have a significant effect on the Company's financial position, financial performance or cash flows.

Provisions for litigation totaled €14,228 thousand (Dec. 31, 2015: €13,757 thousand) as of June 30, 2016. In addition, contingent liabilities in the amount of €19,097 thousand existed (Dec. 31, 2015: €20,058 thousand). But since a resource outflow as of June 30, 2016 was not probable, no provisions were set up. These are also related to specific legal disputes, for which accounting provisions were made.

11. Stock Option Plans and Stock Appreciation Rights Plan

Software AG has various stock option and share-based compensation plans for members of the Management Board, managers and other Group employees. All plans as of June 30, 2016 are described in detail on pages 179–185 of Software AG's 2015 Annual Report.

Management Incentive Plan 2016

The rights granted under Management Incentive Plan 2016 changed as follows in the first six months of the fiscal year:

	Number of Rights	Exercise Price per Right (in €)	Remaining Term (in years)
Balance as of Dec. 31, 2015	458,672	0	3.0
Forfeited	6,550	0	
Balance as of June 30, 2016	452,122	0	2.5
Thereof exercisable as of June 30, 2016	0		

Management Incentive Plan 2015 (MIP V)

The rights granted under Management Incentive Plan 2015 (MIP V) changed as follows in the first six months of the fiscal year:

	Number of Rights	Exercise Price per Right (in €)	Remaining Term (in years)
Balance as of Dec. 31, 2015	519,950	0	2.0
Forfeited	15,900	0	
Balance as of June 30, 2016	504,050	0	1.5
Thereof exercisable as of June 30, 2016	0		

Management Incentive Plan 2007 (MIP III) (2007–2011)

The rights granted under Management Incentive Plan 2007 (MIP III) changed as follows in the first six months of the fiscal year:

	Number of Rights	Exercise Price per Right (in €)	Remaining Term (in years)	Aggregated Intrinsic Value (€ thousands)
Balance as of Dec. 31, 2015	1,683,500	24.12	3.5	3,872*
Exercised	1,540,500	24.12		
Forfeited	9,600	24.12		
Balance as of June 30, 2016	133,400	24.12	3	858**
Thereof exercisable as of June 30, 2016	133,400			

* Based on the closing price on December 31, 2015

** Based on the closing price on June 30, 2016

All rights exercised in the period under review were settled in cash. The intrinsic value of all 1,540,500 (1,350,000 for Management Board) rights exercised equaled € 15,735 thousand (€ 13,879 thousand for Management Board). Of that, € 8,291 thousand was recognized as non-cash items in the period under review and € 7,444 thousand—primarily not yet paid payroll taxes—is likely to be calculated as non-cash items in August. Due to the option to settle in shares until rights are exercised, the rights were recognized as equity-settled share-based compensation until exercised. And thus the associated payment in the amount of € 15,735 thousand was allocated directly to offset capital reserves. Because Software AG currently does not have a de facto obligation to settle rights in cash, they will continue to be recognized as equity-settled share-based compensation.

12. Employees

As of June 30, 2016, the average number of employees (part-time employees are taken into account on a pro rata basis only) by area of activity was as follows:

	June 30, 2016	June 30, 2015
Maintenance and Services	1,846	1,826
Sales and Marketing	837	942
R&D	1,028	957
Administration	598	624
Total	4,309	4,349

In absolute terms (part-time employees are counted in full), the Group employed 4,475 (2015: 4,511) people as of June 30, 2016.

13. Changes and Information Regarding Corporate Bodies

No changes occurred on the Management Board between January 1, 2016 and June 30, 2016.

14. Events After the Balance Sheet Date

There were no events that occurred between June 30, 2016 and the date of release of this report that were of significance to the consolidated financial statements.

Date and Authorization for Issue

Software AG's Management Board approved the consolidated interim financial statements on August 1, 2016.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable accounting principles for interim reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Darmstadt, August 1, 2016

Software AG



K.-H. Streibich



E. Duffaut



Dr. W. Jost



A. Zinnhardt

FINANCIAL CALENDAR

2016

October 20

Q3 2016 financial results (IFRS, unaudited)
Q3 2016 quarterly statement

2017

January 26

Q4 2016/FY 2016 financial results
(IFRS, unaudited)

March 31

Publication of 2016 Annual Report

For the latest information on events and roadshows, please visit: www.softwareag.com/financialcalendar

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