NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL

[1] BASIS OF PRESENTATION

Software AG's Consolidated Financial Statements are prepared in accordance with the International Accounting Standards Board (IASB), International Financial Reporting Standards (IFRS) as applicable in the European Union (EU), and in accordance with the additional provisions required under German commercial law as set forth in section 315e(1) of the German Commercial Code (HGB). The IFRS and interpretations applicable as of December 31, 2023, were observed.

Software AG is a registered stock corporation under German law with registered offices in Darmstadt (Uhlandstraße 12, 64297 Darmstadt, Germany). It is listed in the commercial register of the Darmstadt District Court under number HRB 1562. Software AG was the final parent company of the Group until the end of September 2023, and was therefore not included in any other consolidated financial statements. Since September 28, 2023, Mosel Bidco SE, Munich, a holding company controlled by funds managed or advised by Silver Lake Technology Management, L.L.C., Menlo Park ("Silver Lake"), has been the majority shareholder of Software AG. Since the acquisition by Mosel Bidco SE, Software AG has been included in the consolidated financial statements of Mosel Topco S.à.r.l, Luxembourg, which is an indirect parent company of Mosel Bidco SE (largest scope of consolidation) for the period ended December 31, 2023.

On December 18, 2023, Mosel Bidco SE announced a public delisting tender offer, which was completed on February 23, 2024. However, as Software AG's equity securities were actively traded on the capital market as of December 31, 2023, and because Software AG is a parent company within the meaning of section 290 of the German Commercial Code (HGB), the Consolidated Financial Statements of the Company were prepared in accordance with the International Financial Reporting Standards (IFRSs) as adopted by the EU pursuant to section 315e(1) HGB in conjunction with Article 4 of Regulation (EC) No 1606/2002 of the European Parliament and of the Council from July 19, 2002. Software AG's Management Board prepared the Consolidated Financial Statements on March 12, 2024. The Audit Committee of Software AG intends to discuss the Consolidated Financial Statements in its meeting scheduled for March 14, 2024 and the Supervisory Board plans to approve it on the same date.

Software AG is globally active in the fields of software development, licensing and maintenance, as well as IT services. Unless otherwise stated, the Consolidated Financial Statements are expressed in thousands of euros; the functional currency of Software AG is the euro. The figures presented in the report were rounded according to customary business practice. In some cases, rounding could mean that values in this report do not add up to the exact sum given or percentages do not equal the values presented.

The separate financial statements of the companies of the consolidated Group were prepared on the date of the Consolidated Financial Statements.

The mandatory statements on the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (AktG) have been submitted and made available to shareholders on the corporate website.

[2a] ACCOUNTING POLICIES

USE OF ESTIMATES

In the preparation of the Consolidated Financial Statements, estimates and assumptions are made for certain items that have an impact on the recognition and measurement of recognized assets, liabilities, income, expenses, and contingent liabilities. These estimates and assumptions are based on historical data and are reviewed on an ongoing basis. Actual amounts may differ from the estimates made. The primary areas of application for estimates and assumptions are revenue recognition, accounting for business combinations, subsequent measurement of goodwill and other intangible assets, accounting of share-based remuneration, assessment of legal risks, valuation of pension obligations, valuation of trade receivables, determining assets and liabilities classified as held for sale, as well as accounting of income and deferred taxes.

Software AG operates in an increasingly uncertain macroeconomic and geopolitical environment, particularly due to increased interest rates, volatile foreign currencies, slowed economic growth, and the war in Ukraine as well as the conflict in Israel-Gaza/Middle East. Software AG is continuously addressing these challenges and has accounted for them in the Consolidated Financial Statements, e.g., in determining the recoverability of goodwill and measuring provisions and financial instruments.

PRINCIPLES OF CONSOLIDATION

The separate financial statements of the entities included in the Consolidated Financial Statements were prepared in accordance with uniform accounting policies pursuant to IFRS as of the date of the Consolidated Financial Statements (December 31, 2023). The initial consolidation method applied to business combinations was based on the relevant founding date in the case of companies founded by Software AG and the date of acquisition in the case of acquired companies.

Revenue, income and expenses, and receivables and payables arising between consolidated entities have been eliminated. Intra-Group earnings are eliminated where they have not arisen from services to third parties. Group equity and net income attributable to minority interests, if applicable, are reported separately from equity and net income attributable to the shareholders of the parent company.

BUSINESS COMBINATIONS

All business combinations are recognized according to the acquisition method. For every transaction, Software AG decides whether it recognizes the non-controlling interest in the acquired company at fair value or based on the corresponding share of identifiable net assets.

CURRENCY TRANSLATION

Financial statements of foreign subsidiaries are translated in accordance with the functional currency concept using the modified closing rate as per IAS 21. Since the subsidiaries operate independently from an organizational, financial, and business standpoint, the respective local currency is usually identical with the functional currency.

Income and expenses are translated at the relevant monthly average rate, assets and liabilities are translated at the closing rate on the balance sheet date, and the respective equity of the subsidiaries is translated at historical rates into euros. Currency translation differences arising from equity consolidation are offset against equity and reported in a separate column in the Consolidated Statement of Changes in Equity.

In the schedule of changes in property, plant, and equipment, the balances at the beginning and the end of the fiscal year are translated at the applicable closing rates, and other items are translated at average rates. Any differences arising from exchange rate fluctuations are reported as currency translation differences as a separate line item under cost and accumulated depreciation.

In the separate financial statements of the consolidated entities, foreign currency receivables and payables are translated at the closing rate. Exchange rate gains and losses not yet realized as of the balance sheet date are included in profit or loss for the period, except for translation differences arising from non-current, intra-Group monetary items that are part of a net investment in a foreign company. These differences are recognized directly in equity under other reserves.

Software AG considers Venezuela, Argentina, and Turkey as hyperinflationary economies as defined by IAS 29. This had no material impact on the Consolidated Financial Statements.

The exchange rates used for the translation of the most important currencies changed as follows compared to the previous year:

Closing Rate

€1	Dec. 31, 2023	Dec. 31, 2022	Change as %
US dollar	1.1050	1.0666	-3.6
Brazilian real	5.3618	5.6386	4.9
Pound sterling	0.8691	0.8869	2.0
Australian dollar	1.6263	1.5693	-3.6
Israeli shekel	3.9993	3.7554	-6.5
South African rand	20.3477	18.0986	-12.4
Canadian dollar	1.4642	1.4440	-1.4

Average Rate

€1	2023	2022	Change as %
US dollar	1.0816	1.0539	-2.6
Brazilian real	5.4018	5.4433	0.8
Pound sterling	0.8699	0.8526	-2.0
Australian dollar	1.6285	1.5174	-7.3
Israeli shekel	3.9874	3.5360	-12.8
South African rand	19.9548	17.2094	-16.0
Canadian dollar	1.4596	1.3703	-6.5

TOTAL REVENUE

The following accounting policies for recognition of revenue (in accordance with IFRS 15) apply:

CATEGORIES OF SALES REVENUE

Software AG sales revenue consists primarily of revenue from granting term or perpetual software licenses, revenue from Software as a Service (SaaS) offerings, maintenance revenue, and revenue from services. These categories of sales revenue also reflect the impact of economic factors on type, amount, date, and uncertainty of revenue and cash flows.

Conversion from perpetual to term software licenses (subscription resets) is possible under certain conditions. These conditions include the irrevocable surrender of perpetual software licenses, the acquisition of new software licenses, and complete transparency of the software license agreement's price structure. Consequently, upon effectiveness of an agreement, the perpetual rights of use are terminated and the associated maintenance agreement ends; a contract granting term-based rights of use together with the associated maintenance services (subscription) begins. The license and maintenance shares are separated in accordance with the approach described in Division of Transaction Price; and the license and maintenance revenues are recognized as described in Recognition of Sales Revenue.

IDENTIFICATION OF THE CONTRACT

A contract is an agreement between two or more parties that establishes enforceable rights and obligations and determines that enforceability is a question of law. Software AG enters written agreements only. Agreements must be signed by both parties within a reporting period to be able to recognize revenue in that period. Revenue resulting from an agreement signed at a later point in time is recognized in the period in which the agreement was signed.

Revenue from an agreement which grants the customer the right to terminate with no resulting materially disadvantageous payments, is only recognized in the period that is not subject to the termination right.

With respect to business with resellers, a contract exists only if the existence of an agreement between the reseller and an end user (end-user agreement) can be verified and all other criteria for revenue recognition are met.

IDENTIFICATION OF PERFORMANCE OBLIGATIONS

Software AG's contracts with customers often include various products and services. The products and services described in the section, Categories of Sales Revenue, are usually to be treated as separate contractual performance obligations. The relevant portion of the contractual price is recognized separately. The determination as to whether a product or a service is treated as a separate contractual performance obligation nevertheless requires judgment to be exercised.

When customers purchase products or services, Software AG sometimes offers them options for buying additional products or services. Software AG exercises its own judgment when determining whether such options give the customer a substantive right that it would not have without signing this agreement. In making this determination, the Company considers whether the options entitle the customer to a discount that is greater than the discount provided with the relevant products or services sold with the option.

DETERMINATION OF TRANSACTION PRICE

Software AG also exercises judgment when determining the consideration it expects to receive in exchange for the transfer of products or services to a customer. This includes estimations as to whether and to what extent the customer is entitled to subsequent concessions or payments and whether the customer will pay the contractually agreed consideration as expected. In this exercise of judgment, primarily previous experiences with a specific or a comparable customer are considered. These estimates are reviewed every balance sheet date. Software AG's contracts generally do not contain variable considerations. There may, however, be individual cases when retrospective adjustments are made to the transaction price, which must be recognized as revenue corrections on the date they were made.

In the past, Software AG recognized financing elements when the period of time between the transfer of purchased products to the customer and payment of these products by the customer was at least one year. For on-premises subscription contracts, Software AG changed its policy in 2023 (see Note [2b]).

DIVISION OF TRANSACTION PRICE

The transaction price is generally divided between the individual contractual performance obligations based on the individual sales prices. Reliable individual sales prices result when comparable services were sold to other customers at comparable prices, in particular when it comes to maintenance services.

Perpetual software licenses are often sold in combination with maintenance and service contracts. In this case, when an agreement involves multiple elements, revenue recognition is based on the individually identifiable performance obligations of the transaction. Because it is impossible to calculate reliable individual sale prices for software licenses, revenue is divided between the different revenue types using the residual method. Under the residual method, all determinable individual sale prices are deducted from the total transaction value, and the residual amount is distributed among the software licenses using list prices.

Term software licenses are often sold in combination with maintenance services (subscriptions). The Company exercises its own judgment in dividing the transaction price between performance obligations. Valuation of the maintenance portion is based on the valuation of maintenance services sold together with perpetual software licenses. The average term of these subscription agreements is currently two years. If term software licenses are sold in combination with services, the transaction price to be allocated to the term software licenses is determined according to the residual method, i.e. the price of the individual services is deducted from the total contract value.

RECOGNITION OF SALES REVENUE

Software AG accounts for revenue from SaaS based on time elapsed during the period in which the relevant services are rendered.

Software AG recognizes revenue for on-premises licenses as of the date on which the customer receives access to and thus control over the software. When deciding whether software offerings grant customers the right to use Software AG's intellectual property and not the right to access its intellectual property, the usefulness of its software for customers—without subsequent updates—is considered.

Maintenance revenue is recognized proportionately over the term of the maintenance contract period.
Revenue resulting from services invoiced on the basis of hours performed is recognized according to services rendered by a Software AG entity. Revenues and expenses from fixed-price service contracts are recognized over time by measuring the progress toward complete satisfaction if Software AG's service generates an asset that does not provide Software AG with any alternative options for use and Software AG is legally entitled to payment for services already rendered. Should Software AG's service from a fixed-price contract generate or improve an asset and should the customer have control over the asset, the PoC method is also used for revenue recognition. The percentage of completion of a contract is calculated on the basis of the percentage of total estimated

contract costs incurred for work performed as of the balance sheet date. Some of the costs for making this calculation are estimated using the expected number of consulting hours/consulting days.

Software AG's contracts generally do not contain withdrawal, reimbursement, or other similar obligations.

INCREMENTAL COSTS WHEN ACQUIRING NEW ORDERS

The assets that Software AG capitalizes as costs associated with acquiring a new customer order consist primarily of sales commissions. The assets are amortized over the expected contract term using the straight-line method. The amortization period is two years. The amortization of capitalized costs for the acquisition of new orders is included in sales, marketing, and distribution expenses.

Software AG recognizes incremental costs for acquiring new orders as expenses as of the date on which they are incurred when the amortization period is not assumed to be longer than one year.

COST OF SALES

The cost of sales comprises primarily personnel expenses, amortization of acquired intangible assets, and costs for services from third-party hosting providers.

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses are recognized in the income statement as incurred. New products are not technologically realizable until shortly prior to being ready for market launch. In the phase leading up to technological feasibility, research and development processes are closely linked. Therefore, the capitalization criteria for internally generated intangible assets are not considered to be met and expenses are recognized as research and development expenses when incurred.

SALES, MARKETING, AND DISTRIBUTION EXPENSES

Sales, marketing, and distribution expenses include costs for personnel, materials, write-downs allocated to the sales cost center, and marketing and advertising costs.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses include costs for personnel, materials, and write-downs allocated to the administration cost center.

GOVERNMENT GRANTS

Government grants are not recognized until there is reasonable assurance that the conditions attached to them will be complied with and that the grant will be received by Software AG. This is normally the case upon receipt of payment. Government grants are reported under other income.

If loans from the government are granted at an interest rate below the market rate, the interest-rate advantage is valued as the difference between the original carrying amount of the loan, calculated in accordance with IFRS 9, and the payments received. The interest-rate advantage is reported under other income, as soon as all conditions for receiving government grants have been met.

BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as an expense for the period in which they were incurred. No borrowing costs were capitalized in fiscal 2023 or 2022.

SHARE-BASED COMPENSATION

In accordance with IFRS 2, share-based payment transactions are generally divided into cash-settled and equity-settled transactions. Both types of payment transactions are measured at their fair value as of the grant date. The value is then recognized over the vesting period as remuneration expenses. Rights granted under cash-settled share-based payment transactions are remeasured at fair value on each reporting date until settlement. Fair values of the respective awards are calculated based on an option price model that factors in model-influencing option price parameters.

NON-DERIVATIVE FINANCIAL ASSETS

Software AG recognizes non-derivative financial assets as of the date it acquires the contractual right to receive cash or other financial assets from another entity. Standard purchases and sales are measured at fair value as of the value date.

Subsequent measurement is carried out based on the following categories of financial assets:
a) amortized cost (AC)
b) fair value through profit or loss (FVPL)
c) fair value through other comprehensive income (FVOCI)

Software AG classified its balance of equity securities at fair value through other comprehensive income. Software AG generally uses the option that allows it to classify each new equity security individually as fair value through other comprehensive income or fair value through profit or loss.

TRADE RECEIVABLES AND CONTRACT ASSETS

A contract asset is to be recognized if revenue has been recognized as a result of the fulfillment of a contractual performance obligation before the customer has made a payment or before the conditions for invoicing and thus for recognizing a receivable are present.

Trade receivables are classified based on the business model (hold-to-collect versus hold-to-sell). Receivables which are not intended for sale are measured at amortized cost. In general, receivables categorized as hold to collect and sell are recognized at fair value through other comprehensive income. However, if the deviations are immaterial, receivables categorized as hold to collect and sell can be also measured at amortized cost.

Software AG applies a simplified impairment model based on an impairment matrix. This impairment matrix is based primarily on historical data on credit losses and current data on receivables overdue. Furthermore, outstanding receivables are monitored on an ongoing basis at local and central levels to determine if the relevant receivables show any objective indications of jeopardized creditworthiness. If, using this approach, Software AG arrives at the assumption that realization of a receivable is improbable, the receivables above the values in the impairment matrix are written down in part or in whole.

DERIVATIVE FINANCIAL INSTRUMENTS

If the derivative financial instruments are financial assets or financial liabilities in accordance with IAS 32, they are recognized at fair value. Instruments for which hedge accounting is not applied are classified as fair value through profit or loss. Changes in the fair value of the instruments are recognized directly in profit or loss.

If the criteria for hedge accounting in accordance with IFRS 9 are met, the derivative financial instrument is designated as a hedging instrument and accounted for in accordance with the hedge accounting provisions of IFRS 9. Accordingly, in the case of cash flow hedges, the effective portion of changes in the fair value of derivatives is recognized directly in equity. The ineffective portion is recognized directly in profit or loss. Cumulative amounts previously recognized in equity are reclassified to the income statement for the fiscal years in which the hedged item affects profit or loss. The Company did not recognize any fair value hedges.

DERECOGNITION OF FINANCIAL ASSETS

A financial asset (including trade receivables) is derecognized if any of the following criteria is met:
- The contractual rights to receive cash flows from the financial asset have expired.
- Software AG has transferred its contractual rights to receive cash flows from the financial asset to a third party or has assumed a contractual obligation to pay the cash flows immediately to a third party in connection with a “pass-through arrangement.” Here, essentially all opportunities and risks related to ownership of the financial asset or the power of control over the asset must be transferred.

If Software AG transfers its contractual rights to receiving cash flows from the asset or enters a pass-through arrangement, Software AG evaluates if and to what extent it retains the opportunities and risks related to ownership. As part of the transfer or sale of trade receivables, the assessment of the related opportunities and risks primarily focuses on the credit risk associated with the receivables. If Software AG does not fully transfer or retain the opportunities and risks associated with ownership of this asset, Software AG continues to recognize the transferred asset according to the scope of its continuing involvement. In this case, Software AG also recognizes an associated liability. The transferred asset and the associated liability are recognized in such a way that accounts for the rights and obligations retained by Software AG. There were no agreements that led to Software AG’s continuing involvement as of December 31, 2023.

NON-DERIVATIVE FINANCIAL LIABILITIES

In accordance with IFRS 9, Software AG classifies non-derivative financial liabilities at amortized cost or at fair value through profit or loss. Subsequent measurement of financial liabilities classified at amortized cost is carried out using the effective interest method. Financial liabilities are derecognized when the contractual obligation has been settled, canceled, or has expired.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, bank balances, and term deposits with maturities of up to three months as well as short-term, highly liquid securities classified as current assets that are readily convertible to known amounts of cash and are only subject to negligible risk of changes in value.

INTANGIBLE ASSETS

Intangible assets for which a useful life can be established are measured at cost less any accumulated amortization and impairment losses. The amortization period and method of amortization for key intangible assets are as follows:

	Amortization period in years	Method of amortization
Acquired software	5 to 12.5	straight line
Acquired customer base	5 to 17	straight line
Acquired brand name	10	straight line

Intangible assets with an indefinite useful life are measured at cost less any accumulated impairment losses. Intangible assets with an indefinite useful life are tested for impairment at least once per year. Or, as soon as there is any indication that an intangible asset might be impaired, an impairment test is carried out.

ASSETS HELD FOR SALE

Non-current assets or disposal groups that are classified as held for sale are not depreciated. Non-current assets or disposal groups that are classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

GOODWILL

Goodwill resulting from a business combination is recognized as an asset as of the acquisition date. Goodwill is not amortized. Instead, it is tested for impairment at least once per year (as of December 31) and written down to its recoverable amount in case of impairment. Or, as soon as there is any indication that goodwill might be impaired, an impairment test is carried out. Any impairment losses are reported directly in the income statement and cannot be recovered in the following period.

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are carried at cost less any accumulated depreciation. When items of property, plant, and equipment are sold or scrapped, the corresponding cost and any accumulated depreciation are derecognized, and any gains or losses from disposal are recognized in the consolidated income statement.

The cost of items of property, plant, and equipment consists of the purchase price, including any import duties and non-refundable purchase taxes, and any directly attributable costs required to prepare the asset for operation in its intended use. Any subsequent expenditure, such as service or maintenance charges arising once the asset has been put into operation, is recognized as an expense in the period in which it is incurred. Subsequent expenditures relating to an item of property, plant, and equipment are only capitalized if the expenditure improves the condition of the asset beyond its originally assessed standard of performance.

Items of property, plant, and equipment are generally depreciated using the straight-line method in accordance with their useful economic lives, which are as follows:

	In years
Buildings	25 to 50
Improvements to buildings/leasehold	5 to 15
Operating and office equipment	3 to 13
Computer hardware and accessories	1 to 7

Right-of-use assets are written down either over the term of useful economic life or the term of the lease—whichever is shorter. The terms of useful economic life and methods of depreciation are reviewed on a regular basis to ensure that they are in accordance with the expected pattern of economic benefits of the asset in question.

Assets under construction are recognized at cost. Depreciation on these items begins only after they have been put into operation.

IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT, AND EQUIPMENT

As soon as there is any indication that an intangible asset with a finite useful life or an item of property, plant, and equipment might be impaired, an impairment test is carried out and, if an impairment loss is ascertained, the carrying amount of the asset is written down to its lower recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell or its value in use. The value in use is the present value of estimated future cash flows expected to arise from the continued use of the asset and from its disposal at the end of its useful life. Impairment losses are reversed provided the reasons for a previously scheduled impairment no longer exist. Impairment losses are reported under costs of the relevant functional area or under other expenses.

INVESTMENT PROPERTY

Property is recognized under investment property when it is for the purpose of generating rent income and/or value appreciation. Like property, plant, and equipment, investment property is measured in accordance with the cost model: at cost or cost of sales, less depreciation and, if relevant, the necessary impairments. The owned investment property is generally depreciated—like other property, plant, and equipment—on a straight-line basis over 25 to 50 years.

LEASES

Leases are agreements whereby the lessor transfers the right to use an identified asset to the lessee for a defined period of time and in exchange for payment of a fee. Software AG as lessee recognizes right-of-use assets for leased objects and liabilities for the assumed payment obligations in the amount of the present value of future lease payments. As of the beginning of use, Software AG recognizes all leases as right-of-use assets and lease liabilities in the balance sheet in the amount of the present value of the future lease payments.

Lease payments are all fixed payments less future incentive payments by the lessor.
The following additional types of payments are recognized:

- Variable payments that are coupled to a rate or index
- Expected payments from residual value guarantees
- Payments to exercise sufficiently secure options to buy or terminate
- Contractual penalty payments for termination of a lease if the assumed lease term provides for the exercise of a termination option

The series of payments is discounted at an incremental borrowing rate appropriate to the lease, since the implicit interest rate of the lease is not usually known. When determining lease length, consideration is given to any facts and circumstances that offer an economic incentive to exercising existing options. The assumed term thus includes periods covered by extension options if sufficient certainty exists that the option will be exercised. A change to the term is considered if the sufficient certainty of exercise or non-exercise of an existing option changes.

DEFERRED TAXES

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts in the tax base and the carrying amounts in the Consolidated Balance Sheet. Deferred tax assets also include claims for tax reductions resulting from the anticipated use of tax loss carryforwards in subsequent years, the realization of which is deemed probable.

Deferred taxes are calculated on the basis of tax rates anticipated to apply in the relevant countries in accordance with the legal situation prevailing at the time of realization (reversal of tax deferrals). Deferred tax assets and liabilities are not discounted. The carrying amounts of the recognized assets and liabilities are regularly examined and adjusted if necessary.

OTHER PROVISIONS

Other provisions are reported when the Company has a current legal or constructive obligation towards a third party due to a past event that is likely to result in a future outflow of resources and for which the amount of the obligation can be reliably estimated. Estimates are regularly reviewed and adjusted. If the effect of discounting is significant, the provision is recognized in the amount of the present value of the expected future cash flows.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The present value of pension obligations for defined benefit plans and the associated expenses are determined using actuarial principles in accordance with the projected unit credit method set out in IAS 19. This approach takes into account anticipated future increases in pensions and salaries in addition to the pensions known as of the balance sheet date.

The pension provisions are reported at the full present value of the defined obligation, less the fair value of the reinsurance cover taken out for life insurance policies—provided they are pledged and thus protected from access by other creditors—or less the fair value of the plan assets accumulated to cover pension entitlements. Net assets to be recognized are reported separately as pension assets under non-financial assets. The interest from the interest cost on the claims is reported in net financial income/expenses. The result of the recalculated net obligation is recognized as other comprehensive income in the Statement of Comprehensive Income. It is comprised of actuarial gains and losses, the return on plan assets, and changes in the effects of the asset cap less amounts previously recognized as net interest. Payments for defined contribution pension plans are recognized as expenses in profit or loss for the period provided the employee has met the stated performance target.

CONTRACT LIABILITIES

Contract liabilities consist of advance payments received and due from customers for services to be rendered in future periods, particularly in connection with maintenance and SaaS agreements. The reversal in profit or loss takes place in the period in which the service is rendered.

TREASURY SHARES

The amount paid for treasury shares, including directly attributable costs, is deducted from shareholders' equity. Treasury shares are reported as a separate item in the equity statement.

COMPOUND FINANCIAL INSTRUMENTS

The compound financial instruments issued in the past relate to convertible bonds denominated in euros that were convertible to new no-par value registered Software AG shares by the holder at a fixed price. They were divided into a debt component (financial liability) and an equity component (capital reserves).
The debt component was measured when issued at the fair value of an otherwise comparable financial liability without conversion rights. Subsequent measurement was carried out using the effective interest method. The resulting interest expense was recognized in net financial income/expenses.

The value of the equity component was derived as the difference between the fair value of the total compound financial instrument and the debt component.

Directly attributable transaction costs were divided proportionately between the two components. To the extent they were attributable to the debt component, they were factored into the effective interest method. The portion attributable to the equity component was deducted from equity.

NEW ACCOUNTING RULES TO BE APPLIED STARTING IN THE FISCAL YEAR

Software AG applied the amendments to IAS 1, IAS 8, and IAS 12 for the first time as of January 1, 2023. None of these changes led to a significant impact on the Consolidated Financial Statements.

PUBLISHED BUT NOT YET APPLICABLE ACCOUNTING RULES

The IASB has published various standards, interpretations, and amendments to standards that are not yet required to be applied and with regard to which Software AG has not opted for early application to the Consolidated Financial Statements for the year ended December 31, 2023. However, Software AG does not expect these future changes to have a significant impact on its Consolidated Financial Statements.

[2b] CHANGES IN ACCOUNTING POLICIES (IAS 8)

According to Software AG's existing policy, financing components used to be recognized whenever the period of time between the transfer of purchased products to the customer and payment by the customer was at least one year. This policy applied to all transactions in previous fiscal years.

Software AG reviewed this policy for on-premises subscription contracts given its practice of receiving payment for on-premises subscription contracts in regular (mostly annual) installments. Since license rights are transferred upon signing an agreement, the related license revenue is generally recognized as soon as a contract exists and the customer has been given access to the related license rights; the related payments are made over the term of the contract in regular (mostly annual) installments. Software AG reviewed this practice and concluded that installment payments are industry standard for on-premises subscription contracts, and thus payments being made after purchased products have been transferred is due to reasons other than the provision of financing. Furthermore, Software AG reviewed published accounting policies across its industry and concluded that interpreting regular installment payments in on-premises subscription contracts as having been agreed for reasons other than the provision of financing is common practice and results in more relevant and reliable information.

Based on past experience and industry best practices, Software AG changed its accounting policy related to significant financing components in on-premises subscription contracts to no longer deem a significant financing component to exist if payments for products are received later than the products are transferred to the customer. Software AG continues to identify significant financing components in perpetual license arrangements in which the period between the transfer of purchased products to the customer and payment of these products by the customer is more than one year.

The change in accounting policy was implemented retrospectively by restating each of the affected financial statement line items for the prior period as follows:

CONSOLIDATED INCOME STATEMENT

in € thousands	2022 Reported	Restatements	2022 Restated
Licenses	314,497	15,403	329,900
Product revenue	795,605	15,403	811,008
Total revenue	**958,180**	**15,403**	**973,583**
Gross profit	**718,286**	**15,403**	**733,689**
Operating income	**75,641**	**15,403**	**91,044**
Financing income	14,868	-3,460	11,408
Net financial income/expenses	**-10,534**	**-3,460**	**-13,994**
Earnings before income taxes	**65,107**	**11,944**	**77,051**
Income taxes	-45,860	-3,205	-49,065
Net income	**19,247**	**8,739**	**27,986**
thereof attributable to shareholders of Software AG	18,984	8,739	27,723
thereof attributable to non-controlling interests	263		263
Earnings per share (basic) in €	0.26	0.12	0.38
Earnings per share (diluted) in €	0.26	0.12	0.38

CONSOLIDATED BALANCE SHEET

ASSETS

in € thousands	Dec. 31, 2022 Reported	Restatements	Dec. 31, 2022 Restated
Trade receivables, contract assets, and other receivables	251,799	13,544	265,343
Deferred tax receivables	9,057	-1,056	8,001
Total assets	**2,678,405**	**12,488**	**2,690,893**

EQUITY AND LIABILITIES

in € thousands	Dec. 31, 2022 Reported	Restatements	Dec. 31, 2022 Restated
Income tax liabilities	30,673	2,149	32,822
Equity			
Retained earnings	1,332,134	10,339	1,342,473
Attributable to shareholders of Software AG	**1,511,152**	**10,339**	**1,521,491**
Total equity and liabilities	**2,678,405**	**12,488**	**2,690,893**

[2c] ASSETS HELD FOR SALE

DESCRIPTION

On December 18, 2023, the Company announced that it had entered into an agreement to sell its assets and liabilities relating to its Integration products to IBM. The Integration products consist mainly of the webMethods and StreamSets product families, which to date are reported under the Digital Business segment, as well as the Professional Services segment to the extent the services relate to these product families. The transaction is subject to regulatory approval and expected to close in the second quarter of 2024.

The following assets and liabilities were classified as held for sale as at December 31, 2023:

ASSETS CLASSIFIED AS HELD FOR SALE

in € thousands	Dec. 31, 2023
Cash and cash equivalents	10,000
Trade receivables, contract assets, and other receivables	246,876
Other non-financial assets	4,412
Intangible assets	144,925
Goodwill	759,454
Property, plant, and equipment	780
Deferred tax receivables	1,280
Assets held for sale	**1,167,727**

LIABILITIES CLASSIFIED AS HELD FOR SALE

in € thousands	Dec. 31, 2023
Financial liabilities	619
Trade and other payables	4,603
Other non-financial liabilities	52,386
Other provisions	49
Deferred tax liabilities	12,989
Contract liabilities	72,594
Liabilities directly associated with assets classified as held for sale	**143,240**

[3] SCOPE OF CONSOLIDATION AND INVESTMENTS

CHANGES IN THE SCOPE OF CONSOLIDATION

The scope of consolidation changed in fiscal years 2023 and 2022 as follows:

	Germany	Foreign	Total
Dec. 31, 2021	**9**	**64**	**73**
Additions	0	4	4
Disposals (including mergers)	-1	-4	-5
Dec. 31, 2022	**8**	**64**	**72**
Additions	3	3	6
Disposals (including mergers)	-2	-3	-5
Dec. 31, 2023	**9**	**64**	**73**

The disposals in 2023 resulted from the mergers and liquidation of subsidiaries. The additions resulted from the opening of new subsidiaries in Germany, the United States, and the United Kingdom.

The Consolidated Financial Statements include Software AG and all of the entities it controls. Control exists when Software AG can exercise power of control over the entity, is impacted by fluctuating returns on its share in the entity, and can influence the amount of the returns. The following affiliated entities were part of the Group of Software AG (parent company) during the fiscal year:

a) Domestic entities	Ownership interest as %	Equity[1] Dec. 31, 2023 in € thousands	Earnings[1] 2023 in € thousands
SAG Deutschland GmbH, Darmstadt[2]	100	81,517	14,071
Cumulocity GmbH, Düsseldorf[2]	100	17,964	-34
FACT Unternehmensberatung GmbH, Darmstadt	100	3,570	150
SAG Consulting Services GmbH, Darmstadt[2]	100	3,515	-48
SAG LVG mbh, Darmstadt[2]	100	959	0
Erlensee 59. V V GmbH, Bonn (since November 20, 2023)	100	62	37
SAG Integration GmbH, Darmstadt (since November 20, 2023)	100	40	15
SAG Alfabet GmbH, Berlin (since November 20, 2023)	100	35	10
SAG Cloud GmbH, Darmstadt (merged with SAG Consulting Services GmbH as of August 1, 2023)	100	0	0
itCampus Software- und Systemhaus GmbH, Leipzig (merged with SAG Consulting Services GmbH as of June 1, 2023)	100	0	0

[1] The figures specified are based on unconsolidated IFRS figures. Equity is translated into euros at the closing rate and earnings at the average exchange rate for the year.
[2] A profit transfer agreement exists for these companies; the earnings shown related to IFRS earnings after profit transfer.

b) Foreign entities	Ownership interest as %	Equity[1] Dec. 31, 2023 in € thousands	Earnings[1] 2023 in € thousands
Software AG, Inc., Reston, VA, USA	100	441,714	362,993
Software AG USA, Inc., Reston, VA, USA	100	430,403	66,639
Software AG (UK) Limited, Derby, United Kingdom	100	66,804	22,861
Software AG ESPAÑA, S.A. Unipersonal, Tres Cantos, Madrid, Spain	100	62,153	13,736
S.P.L. Software Ltd, OR-Yehuda, Israel	100	51,569	27,555
Software AG Australia Pty. Ltd., North Sydney, Australia	100	50,469	6,718
Software AG France S.A.S., Paris La Defense Cedex, France	100	32,433	6,234
Software AG Distribution LLC, Reston, VA, USA	100	31,993	46,319
Software AG Government Solutions, Inc., Herndon, VA, USA	100	26,037	6,127
Software AG Nederland B.V., Den Haag, Netherlands	100	17,064	2,334
Software AG Brasil Informática e Serviços Ltda, São Paulo, SP, Brazil	100	16,765	4,709
Software GmbH Österreich, Vienna, Austria	100	14,045	2,993
Software AG Belgium S.A., Watermael-Boitsfort, Belgium	100	10,251	1,649
Software AG Bangalore Technologies Private Ltd., Devarabisanahalli Bangalore, India	100	10,074	6,516
Software AG (Singapore) Pte LTD, Singapore	100	9,670	452
Software A.G. (Israel) Ltd., OR-Yehuda, Israel	100	9,526	822
SAG Software Systems AG, Zurich, Switzerland	100	9,152	68
Software AG for Information Technology LLC, Riyadh, Saudi Arabia (former: alfabet Saudi Arabia LLC)	100	8,917	7,064
Software AG South Africa (Pty) Ltd, Magaliessig Sandton, South Africa	100	7,842	6,235
Software AG (Canada) Inc., Kitchener, Ontario, Canada	100	7,044	11,468
Software A.G. Argentina S.R.L., Buenos Aires, Argentina	100	5,648	3,260
Software AG Polska Sp. z o.o., Warsaw, Poland	100	5,289	1,599
Software AG, S.A. de C.V. (Mexico), Mexico City, Mexico	100	4,622	1,270
PT SoftwareAG Indonesia Operations, Jakarta, Indonesia	100	4,576	2,628
Software AG (India) Sales Private Limited, Bangalore, Karnataka, India	100	3,647	116
Software AG Development Center Bulgaria EOOD, Sofia, Bulgaria	100	3,126	1,219
Software AG Denmark A/S, Hvidovre, Denmark	100	2,534	755
Software AG Sweden AB, Kista, Sweden	100	2,385	429
Software AG Bilgi Sistemleri Ticaret A.S., Istanbul, Turkey	100	2,121	357
SGML Technologies Limited, Derby, United Kingdom	100 inactive	2,025	0
Software AG De Puerto Rico, Inc., San Juan, Puerto Rico	100	1,854	340
Software AG (Gulf) WLL, Manama, Bahrain	100	1,443	-1,485
SAG Software AG Luxembourg S.A., Luxembourg, Luxembourg	100	1,372	178
Software AG Finland Oy, Helsinki, Finland	100	1,355	371

[1] The figures specified are based on unconsolidated IFRS figures. Equity is translated into euros at the closing rate and earnings at the average exchange rate for the year.

b) Foreign entities	Ownership interest as %	Equity[1] Dec. 31, 2023 in € thousands	Earnings[1] 2023 in € thousands
Software AG Korea Co., Ltd., Seoul, South Korea	100	1,309	679
Software AG Italia S.p.A, Milan, Italy	100	1,095	451
Software AG Chennai Development Center India Pvt. Ltd, Chennai, India	100	1,076	441
Software AG Operations Malaysia Sdn Bhd., Selangor, Malaysia	100	1,013	257
Software AG (Philippines), Inc., Makati City, Philippines	100	1,002	229
Software A.G. (Portugal) - Alta Tecnologia Informática, Limitada, Lisbon, Portugal	100	924	161
Software AG Development Centre Slovakia s.r.o., Košice, Slovakia	100	727	145
Limited Liability Company Software AG (RUS), Moscow, Russia (in liquidation)	100	654	782
Operadora JackBe, S. de R.L. de C.V., Mexico City, Mexico	100	557	-11
SAG SALES CENTRE IRELAND LIMITED, Dublin, Ireland	100	546	42
Software AG Kochi Pvt. Ltd., Bangalore, Karnataka, India	100	271	9
Terracotta Software India Pvt. Ltd., Bangalore, Karnataka, India	100 inactive	121	2
IDS Scheer Sistemas de Processamento de Dados, São Paulo, Brazil (in liquidation)	100	40	1
Software AG (India) Private Limited, Bangalore, India	100	19	1
StreamSets Technologies Iberica, S.L.U., Barcelona, Spain (merged with Software AG ESPAÑA, S.A. Unipersonal as of September 1, 2023)	100	0	0
StreamSets UK Limited, Derby, UK (in liquidation)	100	0	0
Software AG Sydney PTY LTD, North Sydney, Australia	100 inactive	0	0
PCB Systems Limited, Derby, UK (liquidated as of January 17, 2023)	100 inactive	0	0
A. Zancani & Asociados, C.A., Chacao Caracas, Venezuela (in liquidation)	100 inactive	0	0
SAG Egypt for Information Technology, Cairo, Egypt	100	0	0
Software AG Factoria S.A., Santiago de Chile, Chile (liquidated as of April 26, 2023)	100	0	0
SAG Cumulocity [UK] LTD., Derby, UK (founded on November 27, 2023)	100	0	0
SAG US Parent LLC, Wilmington, USA (founded on December 22, 2023)	100	0	0
SAG Integration US LLC, Wilmington, USA (founded December 12, 2023)	100	0	0
Software AG Venezuela, C.A., Caracas, Venezuela	100	-3	0
Software AG Ltd. Japan, Minato-ku, Tokyo, Japan	100	-82	-491
Software AG International FZ-LLC, Dubai, United Arab Emirates	100	-576	-3,248
Software AG De Panamá, S.A., Corregimiento de Pueblo nuevo, Panama	100	-811	2
Software AG (Hong Kong) Limited, Hong Kong	100	-4,287	490
Software AG China Ltd., Shanghai, China	100	-9,771	-702
TrendMiner N.V., Hasselt, Belgium	100	-18,080	-4,227
Software AG Australia (Holdings) Pty. Ltd., North Sydney, Australia	100	-20,802	12,483
StreamSets, Inc., Wilmington, USA	100	-81,785	-44,429

[1] The figures specified are based on unconsolidated IFRS figures. Equity is translated into euros at the closing rate and earnings at the average exchange rate for the year.

[4] SEGMENT REPORTING

NOTES ON SEGMENT REPORTING

Segmentation is in accordance with the internal control of the Group. Internal control focuses primarily on product revenue at constant currency for the two product segments. Margins and earnings are controlled largely at Group level. Software AG therefore reports on the following three segments:

- Digital Business
- Adabas & Natural (A&N)
- Professional Services (implementation of solutions in cooperation with customers and partners)

The segment contribution does not include the amortization expense associated with the purchase of intangible assets through acquisitions. This expense is therefore shown separately under reconciliation. This presentation corresponds with internal control and reporting lines (management approach). The majority of sales, marketing, and distribution expenses is classified based on revenue percentage. A focus on absolute earnings contributions therefore only makes sense in certain scenarios given the interdependency between the two product segments. Research and development expenses are assigned to the segments based on expense components directly attributable to the R&D department as well as the overhead coded to R&D. They have no direct impact on internal control.

The following table shows the segment data for the current and previous fiscal years:

Segment Report for Fiscal Years 2023 and 2022[2]

	Digital Business			A&N			Professional Services			Reconciliation		Total		
in € thousands	2023 IFRS	2023 acc [1]	2022 IFRS	2023 IFRS	2023 acc[1]	2022 IFRS	2023 IFRS	2023 acc [1]	2022 IFRS	2023 IFRS	2022 IFRS	2023 IFRS	2023 acc [1]	2022 IFRS
Licenses from subscriptions	223,025	228,895	189,086	90,196	94,710	86,316	0	0	0	0	0	313,221	323,605	275,402
Maintenance from subscriptions	103,377	105,892	83,415	29,379	30,443	19,470	0	0	0	0	0	132,756	136,335	102,885
Perpetual maintenance	149,798	153,462	181,326	101,128	105,598	121,053	0	0	0	0	0	250,926	259,060	302,379
SaaS	98,415	100,752	75,844	0	0	0	0	0	0	0	0	98,415	100,752	75,844
Recurring revenue	**574,615**	**589,001**	**529,671**	**220,703**	**230,751**	**226,839**	**0**	**0**	**0**	**0**	**0**	**795,318**	**819,752**	**756,510**
Perpetual licenses	22,512	23,479	30,225	25,891	28,324	24,273	0	0	0	0	0	48,403	51,803	54,498
Product revenue	**597,127**	**612,480**	**559,896**	**246,594**	**259,075**	**251,112**	**0**	**0**	**0**	**0**	**0**	**843,721**	**871,555**	**811,008**
Services	0	0	0	0	0	0	156,460	163,047	162,568	0	0	156,460	163,047	162,568
Other	0	0	7	0	0	0	109	114	0	0	0	109	114	7
Revenue	**597,127**	**612,480**	**559,903**	**246,594**	**259,075**	**251,112**	**156,569**	**163,161**	**162,568**	**0**	**0**	**1,000,290**	**1,034,716**	**973,583**
Cost of sales	-76,311	-77,270	-77,772	-7,088	-7,414	-8,465	-131,149	-136,556	-127,852	-26,188	-25,805	-240,736		-239,894
Gross profit	**520,816**	**535,210**	**482,131**	**239,506**	**251,661**	**242,647**	**25,420**	**26,605**	**34,716**	**-26,188**	**-25,805**	**759,554**		**733,689**
Sales, marketing, and distribution expenses	-279,476	-285,542	-284,259	-27,738	-28,730	-36,381	-11,513	-11,866	-12,861	-6,982	-8,475	-325,709		-341,976
Segment contribution	**241,340**	**249,668**	**197,872**	**211,768**	**222,931**	**206,266**	**13,907**	**14,739**	**21,855**	**-33,170**	**-34,280**	**433,845**		**391,713**
Research and development expenses	-167,889	-170,169	-149,470	-28,302	-28,377	-31,917	0	0	0	0	0	-196,191		-181,387
Segment earnings	**73,451**	**79,499**	**48,402**	**183,466**	**194,554**	**174,349**	**13,907**	**14,739**	**21,855**	**-33,170**	**-34,280**	**237,654**		**210,326**
General and administrative expenses												-86,920		-94,343
Other income												29,959		58,877
Other expenses												-105,922		-81,333
Other taxes												-9,094		-2,483
Operating income												**65,677**		**91,044**
Financing income												29,081		11,408
Financing expenses												-64,697		-25,402
Net financial income/expenses												**-35,616**		**-13,994**
Earnings before income taxes												**30,061**		**77,050**
Income taxes												-35,288		-49,065
Net income												**-5,227**		**27,985**

1 Items presented at constant currency are translated using monthly average rates from the previous year. Currency translation effects on balance sheet items related to intra-Group transactions are not taken into account in expenses.
2 The comparative information is presented on a restated basis. See Note 2b for details.

INFORMATION ON GEOGRAPHIC REGIONS

Revenue is distributed across geographic regions as follows (based on headquarters of the respective Group entity):

Geographic Distribution of Revenue

	2023			
in € thousands	Germany	United States	Other countries	Software AG Group
Licenses	39,780	117,554	204,290	361,624
Maintenance	42,304	143,860	197,518	383,682
SaaS	11,531	42,534	44,350	98,415
Services	23,155	34,632	98,673	156,460
Other	0	109	0	109
Total	**116,770**	**338,689**	**544,831**	**1,000,290**

	2022			
in € thousands	Germany	United States	Other countries	Software AG Group
Licenses[1]	58,510	95,662	175,728	329,900
Maintenance	48,005	146,352	210,906	405,263
SaaS	10,942	30,929	33,973	75,844
Services	27,912	38,968	95,689	162,569
Other	0	0	7	7
Total	**145,369**	**311,911**	**516,303**	**973,583**

[1] The comparative information is presented on a restated basis. See Note 2b for details.

Countries included in "other countries" are presented separately once the revenue generated in the country in question reaches a significant level. Revenue generated in the USA was reported separately as it was greater than 10 percent of Group revenue. This revenue is generated in US dollars, so when comparing consecutive periods, exchange rate fluctuations should be considered.

NON-CURRENT ASSETS

Non-current assets include intangible assets, property, plant, and equipment, as well as financial investment property.

in € thousands	2023	2022
United States	211,868	1,120,094
Germany	93,176	400,537
Other countries	383,248	164,539
Software AG Group	**688,292**	**1,685,170**

NOTES TO THE CONSOLIDATED INCOME STATEMENT

[5] REVENUE

Revenue by segment and region is presented in the segment report in Note [4]. All revenue presented resulted solely from contracts with customers. Revenue in fiscal 2023 included €149,693 thousand (2022: €132,116 thousand) that was recognized as contract liabilities at the beginning of the period. Taking termination options into account, the transaction price allocated to the remaining performance obligations as of December 31, 2023, was €622,952 thousand (2022: €575,746 thousand).

Software AG anticipates recognition of the corresponding revenue over the following periods of time:

in € thousands	2024	2025	2026-2029
Anticipated revenue to be recognized	392,147	140,209	90,596

[6] OTHER INCOME

Other income predominantly results from foreign exchange gains in the amount of €27,449 thousand (2022: €42,596 thousand).

[7] OTHER EXPENSES

Other expenses consist of the following items:

in € thousands	2023	2022
Foreign exchange losses	36,661	37,183
Goodwill impairment losses	0	25,314
Restructuring	22,875	6,200
Legal and consulting fees	37,776	9,199
Miscellaneous	8,610	3,437
	105,922	**81,333**

Provisions for restructuring only include expenses directly attributable to restructuring measures. This relates primarily to expenses for severance payments to employees and compensation payments in connection with early retirement programs.

[8] NET FINANCIAL INCOME/EXPENSES

Financial income includes interest income on financial assets in the amount of €11,893 thousand (2022: €13,180 thousand). Financial expenses include interest expenses on financial liabilities in the amount of €63,766 thousand (2022: €18,684 thousand). This includes an extraordinary financial expense of €28,627 thousand from the early redemption of convertible bonds (see Note [21]).

[9] INCOME TAXES

Software AG's income taxes can be broken down by origin as follows:

in € thousands	2023	2022
Current domestic taxes	-9,351	-3,954
Current foreign taxes	-53,029	-36,803
	-62,380	**-40,757**
Deferred domestic taxes	8,678	-13,128
Deferred foreign taxes	18,414	4,821
	27,092	**-8,307**
	-35,288	**-49,065**

In Germany, a uniform corporate income tax of 15 percent applies. Based on the average municipal trade tax collection rate and a solidarity surcharge of 5.5 percent on corporate tax, the income tax rate for German entities was 31.8 percent (2022: 31.8 percent) in 2023. Tax rates abroad ranged between 10 and 37 percent (2022: between 10 and 34 percent).

Income from deferred taxes totaled €27,092 thousand and included €6,871 thousand (2022: tax expenses of €4,346 thousand) in tax income relating to temporary differences that arose.

The income tax expense of €35,288 thousand for 2023 (2022: €49.065 thousand) was €25,723 thousand higher than the expected income tax expense of €9,564 thousand (2022: €24,525 thousand) that resulted from applying the applicable domestic tax rate of 31.8 percent (2022: 31.8 percent) at Group level. The Group's effective income tax rate is 117.4 percent (2022: 63.7 percent).

The difference between the expected and actual tax expense can be attributed to the following:

in € thousands	2023	2022
Earnings before income taxes	**30,061**	**77,051**
Expected income tax (31.8 percent; 2022: 31.8 percent)	-9,564	-24,525
Difference vs. foreign tax rates and changes in tax rates	6,895	10,426
Nonperiodic income tax effects	9,234	-655
Tax increases/decreases due to tax-exempt income or nondeductible expenses	-13,658	-4,678
Adjustment of tax loss carryforwards and changes in valuation adjustments to deferred tax assets	-19,648	-24,467
Nondeductible or applicable foreign and withholding taxes	-8,583	-5,166
Other adjustments	36	0
Reported income tax expenses	**-35,288**	**-49,065**

Nonperiodic tax effects amounted to €9,234 thousand (2022: -€655 thousand) and included nonperiodic deferred income tax income of €12,757 thousand (2022: €315 thousand).

Resulting from the change in income tax rates, a total positive effect of €1,607 thousand (2022: €241 thousand in negative effects) was included in difference vs. foreign tax rates and changes in tax rates in 2023. This relates primarily to Germany. Further adjustments to this item resulted from the difference between local tax rates applicable to Group entities (see above) and the Group tax rate of 31.8 percent (2022: 31.8 percent).

The item tax increases/decreases due to tax-exempt income or nondeductible expenses mainly includes the tax effect of intercompany dividends in 2023.

A portion of Group deferred tax assets on loss carryforwards was not recognized in 2023 because the conditions for capitalization were no longer considered to be met. These effects are reported in adjustment of tax loss carryforwards and changes in valuation adjustments to deferred tax assets.

Expenses from deferred taxes decreased by €1,010 thousand (2022: €4,299 thousand) and current tax expenses by €34 thousand (2022: €0 thousand) in 2023 as a result of the reversal of loss carryforwards.

The Software AG Group is headquartered in Germany, which has enacted new legislation to implement the global minimum top-up tax. The Software AG Group expects to be entitled to apply temporary safe harbor rules in most jurisdictions of its operations. The Software AG Group may be subject to the top-up tax only in jurisdictions with immaterial operations in relation to its full business operations. However, since the newly enacted tax legislation in Germany is only effective from January 1, 2024, there was no tax impact on the year ended December 31, 2023.

The Software AG Group has applied a temporary mandatory relief from deferred tax accounting for the effects of the top-up tax and will account for it as a current tax when it is incurred.

[10] OTHER TAXES

Other taxes in the amount of €9,094 thousand (2022: €2,483 thousand) increased year-on-year by €6,611 thousand and include property transfer taxes, property taxes, vehicle taxes, royalty-related indirect taxes in Brazil and other indirect taxes.

[11] PERSONNEL EXPENSES

Personnel expenses in the fiscal years 2023 and 2022 were as follows:

in € thousands	2023	2022
Wages and salaries	516,393	514,540
Social benefits	75,508	67,611
Pension expenses	9,143	20,662
	601,045	**602,813**

In fiscal 2023, the average number of employees (part-time employees are taken into account on a pro rata basis only) by operational area was as follows:

	2023	2022
Support and Services	1,414	1,501
R&D	1,534	1,531
Sales and Marketing	1,103	1,117
Administration	749	759
	4,800	**4,908**

In absolute terms (part-time employees are counted in full), the Group employed 4,923 (2022: 5,172) people as of December 31, 2023.

[12] EARNINGS PER SHARE

Earnings per share are calculated based on the net income attributable to shareholders and a weighted average of the number of shares outstanding. On October 2, 2023, Software AG sold all of its own shares which changed the average weighted number of shares outstanding in 2023 to 73,984,958. After the early redemption of convertible bonds in the fiscal year (see Note [21]), there were no instruments with a potential dilutive effect.

in € thousands	Dec. 31, 2023	Dec. 31, 2022
Net income[1]	-5,227	27,986
Less earnings attributable to non-controlling interests	0	-263
Net income attributable to shareholders of Software AG	-5,227	27,723
Weighted average number of shares out- standing (basic)	73,984,958	73,979,889
Weighted average number of shares outstanding (diluted)	73,984,958	73,979,889
Earnings per share in € (basic)	-0.07	0.38
Earnings per share in € (diluted)	-0.07	0.38

[1] The comparative information is presented on a restated basis. See Note 2b for details.

NOTES TO THE CONSOLIDATED BALANCE SHEET

[13] OTHER FINANCIAL ASSETS

Other financial assets as of December 31 were as follows:

	Dec. 31, 2023			Dec. 31, 2022		
in € thousands	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Equity securities	0	358	358	0	370	370
Securities	0	444	444	2,234	911	3,145
Loans and other financial receivables	5,902	9,155	15,057	271	7,893	8,164
Derivatives	1,126	0	1,126	46	650	695
Total	**7,028**	**9,957**	**16,985**	**2,551**	**9,823**	**12,374**

For more information on the valuation of financial assets, please refer to Note [29].

[14] TRADE RECEIVABLES, CONTRACT ASSETS, AND OTHER RECEIVABLES

Trade receivables, contract assets, and other receivables as of December 31 were as follows:

	Dec. 31, 2023			Dec. 31, 2022		
in € thousands	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Trade receivables	80,269	3,270	83,539	160,780	10,273	171,053
Not yet settled or invoiced services (contract assets)	48,759	95,104	143,863	103,901	125,038	228,939
Other receivables	319	165	484	662	537	1,199
Total	**129,347**	**98,539**	**227,886**	**265,343**	**135,848**	**401,191**

Contract assets represent payments due from customers for underlying services that have been rendered by Software AG but, due to contractual provisions, will be invoiced later. They are reclassified to trade receivables when the invoice is issued. Gross receivables and allowances for expected credit losses were as follows:

in € thousands	**Dec. 31, 2023**	**Dec. 31, 2022**
Trade receivables, contract assets before impairments	232,110	402,740
Allowances for expected credit losses	4,708	2,748
Carrying amount	**227,402**	**399,992**

Write-downs of trade receivables and contract assets totaled €1,469 thousand in fiscal 2023 (2022: €578 thousand). The following trade receivables were not yet due or past due as of the balance sheet date:

in € thousands	**Dec. 31, 2023**	**Dec. 31, 2022**
Carrying amount	186,204	171,053
of which neither impaired nor past due as of the balance sheet date	142,289	129,336
of which past due in the following time periods as of the balance sheet date		
1 to 3 months	31,751	33,237
4 to 6 months	6,640	4,433
7 to 12 months	5,524	4,047
> 12 months	0	0

Of the reported trade receivables and contract assets, a total of €246,876 thousand was reclassified to the held-for-sale assets.

[15] OTHER NON-FINANCIAL ASSETS

Other non-financial assets can be broken down as follows:

in € thousands	Dec. 31, 2023	Dec. 31, 2023
Asset surplus from defined benefit plans	33,979	33,225
Capitalized advance payments in connection with support, license, and rental contracts	27,505	29,145
Capitalized costs from acquisition of new customer orders (sales commission)	26,127	28,243
Receivables from finance authorities	11,008	10,906
Other	3,207	3,280
	101,826	**104,799**

[16] INCOME TAX RECEIVABLES

Income tax receivables in the amount of €25,585 thousand (2022: €52,253 thousand) consist primarily of receivables due to refundable withholding taxes and advance payments made in relation to income taxes.

[17] INTANGIBLE ASSETS AND GOODWILL

Changes in Intangible Assets and Goodwill as of Dec. 31, 2023

in € thousands	Goodwill	Intangible assets	Total
Cost			
Balance as of Jan. 1, 2023	**1,408,159**	**717,673**	**2,125,832**
Currency translation differences	-31,959	-17,782	-49,741
Additions	0	40	40
Disposals	0	-1,234	-1,234
Transfers to assets held for sale	-759,454	-202,693	-962,147
Balance as of Dec. 31, 2023	**616,746**	**496,004**	**1,112,750**
Accumulated amortization			0
Balance as of Jan. 1, 2023	**-26,331**	**-495,971**	**-522,302**
Currency translation differences	432	11,905	12,337
Additions	0	-34,408	-34,408
Disposals	0	1,234	1,234
Transfers to assets held for sale	0	57,768	57,768
Balance as of Dec. 31, 2023	**-25,899**	**-459,472**	**-485,371**
Residual carrying amount as of Jan. 1, 2023	1,381,828	221,702	1,603,530
Residual carrying amount as of Dec. 31, 2023	590,847	36,532	627,379

Changes in Intangible Assets and Goodwill as of Dec. 31, 2022

in € thousands	Goodwill	Intangible assets	Total
Cost			
Balance as of Jan. 1, 2022	**988,036**	**536,620**	**1,524,656**
Currency translation differences	20,563	17,070	37,633
Additions from acquisitions	399,560	163,675	563,235
Additions	0	1,912	1,912
Disposals	0	-1,604	-1,604
Balance as of Dec. 31, 2022	**1,408,159**	**717,673**	**2,125,832**
Accumulated amortization			
Balance as of Jan. 1, 2022	**-1,900**	**-449,154**	**-451,054**
Currency translation differences	883	-12,560	-11,677
Additions	-25,314	-35,495	-60,809
Disposals	0	1,238	1,238
Balance as of Dec. 31, 2022	**-26,331**	**-495,971**	**-522,302**
Residual carrying amount as of Jan. 1, 2022	986,136	87,466	1,073,602
Residual carrying amount as of Dec. 31, 2022	1,381,828	221,702	1,603,530

Intangible assets mainly include software, customer bases, and brand names obtained in connection with acquisitions. The following significant intangible assets with indefinite useful lives existed as of December 31, 2023:

in € thousands	Carrying amount as of Dec. 31, 2023	Carrying amount as of Dec. 31, 2022	Reason for assuming indefinite useful life
Brand names (ARIS) obtained through IDS Scheer AG acquisition	17,900	17,900	Use and future expansion of the brand names is planned for an indefinite period of time.
Brand name (webMethods) obtained through webMethods acquisition	22,624	23,440	Use and future expansion of the brand name is planned for an indefinite period of time.

Brand names are not subject to amortization. They were allocated in full to the Digital Business segment as of December 31, 2023. The webMethods brand name was reclassified to assets held for sale due to the intended sale of the brand to IBM. Any changes in the carrying amounts result from currency translation effects.

Goodwill as well as intangible assets with an indefinite useful life are tested for impairment at least once per year based on cash-generating units whereby the segments represent the smallest cash-generating units in the Group. The test consists of a comparison of the carrying amount of the cash-generating unit to which the goodwill or the intangible asset is allocated with the recoverable amount. The carrying amounts of goodwill were allocated to the segments as follows:

in € thousands	Dec. 31, 2023	Dec. 31, 2022
Adabas & Natural (A&N)	328,013	332,795
Digital Business	262,834	1,049,033
Professional Services	0	0
Goodwill	**590,847**	**1,381,828**

The decrease in the carrying amount of goodwill compared to the previous year is mainly attributable to the reclassification of €759,454 thousand to assets held for sale (see Note [2c]). Amortization charges for intangibles held for sale were ceased effective December 18th, 2023.

For the A&N segment, fair value less costs to sell was calculated consistently with previous years using discounted cash flows which were derived from the medium-term budget approved by the Management Board. The budget covers a period of five years (2022: five). Budget planning for 2023 was largely carried out as in previous years. Revenue by segment and costs directly attributable to the segments are based on segment budget planning. The non directly attributable costs are coded to the segments. Planning incorporates past experience, insights on current operating results, and management's estimates of future developments which are aligned with the assumptions market stakeholders would apply. Revenue trends at country level, for instance, is one element of management's estimates of future developments that is particularly prone to uncertainty. Costs to sell are assumed to amount to 2 percent (2022: 2 percent) of the relevant fair value. This approach is rated as level 3 of the valuation hierarchy in accordance with IFRS 13.

The expected cash flow for the A&N segment was calculated as described above and discounted using a post-tax WACC of 7.7 percent (2022: 8.5 percent). A nearly constant revenue level is assumed for the period of detailed planning. A perpetual annuity of -5.1 percent (2022: -5 percent) was used to determine sustainable cash flow. But even using an additional discount of 70 percent on the sustainable cash flow, the fair value less costs to sell would slightly exceed the carrying amount. Given a reduction in free cash flow growth by 50 percent, the fair value less costs to sell would significantly exceed the carrying amount. An increase in WACC after taxes of 2 percentage points would not result in the need for impairment either.

For the Digital Business segment, the medium-term budget was no longer considered to be an appropriate input factor as it does not reflect the planned carve-out of the Integration business. Instead, the fair value less costs to sell was calculated by applying a multiples valuation approach using a revenue multiple. An analysis of a suitable peer group resulted in an enterprise value revenue multiple of 3.65, which was applied to 2023 revenue for the remaining segment. Even a reduction of the multiple by 40 percent to 2.19 would not have resulted in an impairment. This approach is rated as level 2 of the valuation hierarchy in accordance with IFRS 13.

[18] PROPERTY, PLANT, AND EQUIPMENT

Changes in Property, Plant, and Equipment as of Dec. 31, 2023

in € thousands	Land and buildings	Operating and office equipment	Total
Cost			
Balance as of Jan. 1, 2023	**125,840**	**56,630**	**182,470**
Currency translation differences	-870	-993	-1,863
Additions	4,910	9,731	14,641
Disposals	-20,863	-10,865	-31,728
Transfers to assets held for sale	-465	-2,155	-2,620
Balance as of Dec. 31, 2023	**108,552**	**52,348**	**160,900**
Accumulated depreciation			
Balance as of Jan. 1, 2023	**-71,557**	**-34,908**	**-106,465**
Currency translation differences	723	785	1,508
Additions	-14,141	-10,550	-24,691
Disposals	15,196	9,825	25,021
Transfers to assets held for sale	428	1,412	1,840
Balance as of Dec. 31, 2023	**-69,351**	**-33,436**	**-102,787**
Residual carrying amount as of Jan. 1, 2023	54,283	21,722	76,005
Residual carrying amount as of Dec. 31, 2023	39,201	18,912	58,113

Changes in Property, Plant, and Equipment as of Dec. 31, 2022

in € thousands	Land and buildings	Operating and office equipment	Total
Cost			
Balance as of Jan. 1, 2022	**127,677**	**54,621**	**182,298**
Currency translation differences	1,422	276	1,698
Additions from acquisitions	617	331	948
Additions	7,360	15,054	22,414
Disposals	-11,236	-13,652	-24,888
Balance as of Dec. 31, 2022	**125,840**	**56,630**	**182,470**
Accumulated depreciation			
Balance as of Jan. 1, 2022	**-70,541**	**-34,880**	**-105,421**
Currency translation differences	-1,102	-327	-1,429
Additions	-10,740	-11,066	-21,806
Disposals	10,826	11,365	22,191
Balance as of Dec. 31, 2022	**-71,557**	**-34,908**	**-106,465**
Residual carrying amount as of Jan. 1, 2022	57,136	19,741	76,877
Residual carrying amount as of Dec. 31, 2022	54,283	21,722	76,005

Most of the land and buildings are owned by the parent company. The properties pertain mainly to the central administrative buildings of these entities.

Operating and office equipment mainly includes office furniture and IT equipment. The capital expenditure of €9,731 thousand (2022: €15,054 thousand) primarily relates to the initial purchase of computer equipment. Property, plant, and equipment totaling €58,113 thousand (2022: €76,005 thousand) includes right-of-use assets arising from leases in the amount of €15,142 thousand (2022: €19,116 thousand).

[19] INVESTMENT PROPERTY

Changes in investment property as of Dec. 31, 2023

in € thousands	Investment property
Cost	
Balance as of Jan. 1, 2023	**10,233**
Currency translation differences	0
Additions	0
Disposals	-5,946
Balance as of Dec. 31, 2023	**4,287**
Accumulated depreciation	
Balance as of Jan. 1, 2023	**-4,598**
Currency translation differences	0
Additions	-156
Disposals	3,267
Balance as of Dec. 31, 2023	**-1,487**
Residual carrying amount as of Jan. 1, 2023	5,635
Residual carrying amount as of Dec. 31, 2023	2,800

Changes in investment property as of Dec. 31, 2022

in € thousands	Investment property
Cost	
Balance as of Jan. 1, 2022	**10,233**
Currency translation differences	0
Additions	0
Disposals	0
Balance as of Dec. 31, 2022	**10,233**
Accumulated depreciation	
Balance as of Jan. 1, 2022	**-3,992**
Currency translation differences	0
Additions	-606
Disposals	0
Balance as of Dec. 31, 2022	**-4,598**
Residual carrying amount as of Jan. 1, 2022	6,241
Residual carrying amount as of Dec. 31, 2022	5,635

In September 2023, the investment property in Madrid was sold to a third party which resulted in a gain on disposal of €885 thousand.

Rental income of €981 thousand (2022: €1,486 thousand) was generated from sub-leasing the remaining property in 2023. Expenses arose in connection with this income (not including depreciation) in the amount of €292 thousand (2022: €554 thousand). The total fair value of the remaining investment property was €8 million (2021: €12 million) as of the balance sheet date.

[20] DEFERRED TAXES

Deferred taxes were composed of the following as of the balance sheet date (before offsetting):

	Deferred tax assets		Deferred tax liabilities	
in € thousands	**Dec. 31, 2023**	**Dec. 31, 2022**	**Dec. 31, 2023**	**Dec. 31, 2022**
Intangible assets	4,323	3,573	51,828	59,995
Property, plant, and equipment	1,279	1,487	5,174	5,699
Receivables and financial assets	3,501	4,929	26,614	25,365
Other non-financial assets	0	0	16,561	16,311
Other obligations	25,440	20,843	2,343	3,859
Provisions for pensions and similar obligations	5,110	4,250	0	0
Liabilities	2,116	2,407	5,035	2,664
Tax loss/interest/R&D carryforwards / tax credits	59,386	41,734	0	0
Total	**101,155**	**79,223**	**107,555**	**113,893**
Amount offset	-93,538	-71,222	-93,538	-71,222
Total	**7,617**	**8,001**	**14,017**	**42,671**
Thereof assets held for sale	-1,280	0	-12,989	0
Amount recognized in the balance sheet	6,337	8,001	1,028	42,671

As of December 31, 2023, unused tax loss/interest and R&D cost carryforwards existed in the Software AG Group in the amount of €201,770 thousand, of which €2,878 thousand in interest carryforwards, of which €26,542 thousand in R&D cost carryforwards (2022: €135,796 thousand, of which €2,878 thousand in interest carryforwards and €7,931 thousand in R&D cost carryforwards), for which no deferred tax assets were recognized. The increase is mainly due to the fact that capitalization conditions for deferred tax assets on losses carried forward were no longer considered to be met in 2023.

If the loss/interest and R&D cost carryforwards could have been utilized in full, additional deferred tax assets would theoretically have had to be recognized in the amount of €58,247 thousand (2022: €39,421 thousand).
Of the losses carried forward for which no deferred taxes were recognized, €11,161 thousand will expire in the period from 2024 to 2027, €3,356 thousand in the following years, and €157,804 thousand can be utilized indefinitely.

As of year-end, deferred tax assets were recognized in the Consolidated Financial Statements in the amount of €1,768 thousand (2022: €650 thousand), which were attributable to companies that suffered losses in the current or previous period. Recognition of deferred tax assets depends solely on recognition of future taxable earnings that exceed the earnings effects from the reversal of existing taxable temporary differences. It is assumed that a tax advantage will be recognized due to planned future positive taxable earnings.

As of the balance sheet date, taxable temporary differences associated with investments in subsidiaries existed in the amount of €15,830 thousand (2022: €36,451 thousand), for which no deferred tax liabilities had been recognized.

Accumulated deferred taxes were offset against equity and resulted in income of €1,397 thousand (2022: €1,397 thousand). The amounts resulted from recognition of new accounting rules in equity which were applied for the first time.

Accumulated current taxes that were offset against equity resulted in expenses of €2,581 thousand (2022: €2,581 thousand) in 2023. The amounts resulted from recognition of translation currency effects in equity from loans to foreign operations.

[21] FINANCIAL LIABILITIES

Financial liabilities can be broken down as follows:

in € thousands	Dec. 31, 2023	Dec. 31, 2022
Current financial liabilities		
Liabilities to banks	0	14,558
Other current financial liabilities	6,648	8,641
Derivatives	637	8,689
	7,285	**31,888**
Non-current financial liabilities		
Convertible bonds	0	311,248
Liabilities to banks	0	309,827
Other non-current financial liabilities	425,563	13,379
Derivatives	0	763
	425,563	**635,217**

REFINANCING DUE TO CHANGE OF CONTROL

As a result of the change of control dated September 28, 2023, the respective clauses contained in the financing contracts took effect whereby the lending banks and bond subscribers were entitled to extraordinary termination rights. This resulted in the early redemption of convertible bonds on October 4, 2023, and all other third-party loans on October 10, 2023. The redemption of the convertible bonds consisted of the bonds' total face value of €344,300 thousand plus accrued interest which resulted in an extraordinary financial expense of €28,627 thousand.

In return, parent entity Mosel Bidco SE entered into a term loan B agreement with J.P. Morgan SE, Frankfurt am Main, as facility agent. The term loan consists of a EUR tranche of €640 million and a USD tranche of $405 million. The loan has a maturity of 84 months repayable in full upon maturity. The applicable interest rate for the euro-denominated loan is a floating interest based on EURIBOR plus a margin of 4.75 percent p.a. which is subject to an adjustment in accordance with the actual senior secured net leverage ratio. The applicable interest rate for the US dollar-denominated loan is a floating interest based on Adjusted Term SOFR plus a margin of 3.75 percent p.a. which is also subject to an adjustment in accordance with the actual senior secured net leverage ratio.

On October 2, 2023, Software AG received sufficient cash inflows from its parent entity Mosel Bidco SE to secure the long-term financing of the Group. The terms and conditions of the parent loan are congruent to the head loan agreement between Mosel Bidco SE and J.P. Morgan SE. This resulted in cash inflows of €417,620 thousand, consisting of a euro-denominated amount of €264,177 thousand and a US dollar-denominated amount of $167,175 thousand.

The following table provides a summary of the changes in financial liabilities:

in € thousands		Liabilities to banks	Financial liabilities	Loans from related parties	Lease liabilities (IFRS 16)	Derivatives	Total
	Balance as of Dec. 31, 2022	**324,385**	**311,372**	**0**	**21,896**	**9,452**	**667,105**
	Proceeds						
	New non-current financial liabilities, net			417,620			417,620
Changes in cash and cash equivalents	**Payments**						
	Repayment of current and non-current financial liabilities, net	-326,666	-344,300	-9,249			-680,215
	MIP hedge premium					-560	-560
	Repayment of lease liabilities				-10,022		-10,022
Changes in noncash items	**Changes from subsequent measurement**						
	Additions lease liabilities				5,663		5,663
	MIP hedge premium					-7,173	-7,173
	Accrued interest on leases				583		583
	Accrued interest	4,720	33,052	9,674			47,446
	Reclassification to liabilities associated with assets held for sale				-618		-618
	Other changes from measurement	-2,439	-124	-2,125	-1,211	-1,082	-6,981
	Balance as of Dec. 31, 2023	**0**	**0**	**415,920**	**16,291**	**637**	**432,848**
	Total change +/–	**324,385**	**311,372**	**-415,920**	**5,605**	**8,815**	**234,257**
		Thereof current financial liabilities					7,285
		Thereof non-current financial liabilities					425,563

Financial liabilities changed as follows in the previous fiscal year:

in € thousands		Liabilities to banks	Financial liabilities	Lease liabilities (IFRS 16)	Derivatives	Total
	Balance as of Dec. 31, 2021	**284,700**	**561**	**22,776**	**596**	**308,633**
	Proceeds					
	New non-current financial liabilities, net	120,000	310,475			430,475
Changes in cash and cash equivalents	**Payments**					
	Repayment of current and non-current financial liabilities, net	-78,480				-78,480
	MIP hedge premium	-1,355				-1,355
	Repayment of lease liabilities			-11,968		-11,968
Changes in noncash items	**Changes from subsequent measurement**					
	Additions lease liabilities			9,632		9,632
	MIP hedge premium				8,336	8,336
	Accrued interest on leases			716		716
	Accrued interest on convertible bonds		773			773
	Other changes from measurement	-480	-437	740	520	343
	Balance as of Dec. 31, 2022	**324,385**	**311,372**	**21,896**	**9,452**	**667,105**
	Total change +/–	**-39,685**	**-310,811**	**880**	**-8,856**	**-358,472**
		Thereof current financial liabilities				31,888
		Thereof non-current financial liabilities				635,217

[1] Changes in cash and cash equivalents are factored into the measurement.

Financial liabilities had the following maturities as of the reporting date:

in € thousands	Up to 1 year	>1 year
Loans with variable interest rates	0	415,467
Loans with fixed interest rates	0	0

The fair values of the liabilities with variable interest rates are equal to their carrying amounts.

[22] TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities can be broken down as follows:

in € thousands	Dec. 31, 2023	Dec. 31, 2022
Payables to suppliers	63,859	46,955
Advance payments received on orders	4,337	9,354
Other liabilities	53	1,171
	68,249	**57,480**

[23] OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities can be broken down as follows:

in € thousands	Dec. 31, 2023	Dec. 31, 2022
Liabilities due to employees	79,115	106,775
Tax liabilities	19,617	20,148
Liabilities for social security	3,346	6,086
Remaining other non-financial liabilities	7,540	5,894
	109,618	**138,903**

[24] OTHER PROVISIONS

Other provisions changed as follows:

in € thousands	Other personnel-related provisions	Miscellaneous other provisions	Total other provisions
Balance as of Jan. 1, 2023	**35,373**	**29,660**	**65,033**
Currency translation differences	-6	-293	-299
Additions	26,320	1,233	27,553
Utilization	-18,947	-13,991	-32,938
Reversal	-340	-937	-1,277
Transfers to liabilities held for sale	-49	0	-49
Balance as of Dec. 31, 2023	**42,351**	**15,672**	**58,023**
of which with a remaining term of more than 1 year	12,803	248	13,051
Balance as of Jan. 1, 2022	**37,060**	**18,988**	**56,048**
Currency translation differences	33	-196	-163
Additions	11,040	11,839	22,879
Utilization	-12,689	-762	-13,451
Reversal	-71	-209	-280
Balance as of Dec. 31, 2022	**35,373**	**29,660**	**65,033**
of which with a remaining term of more than 1 year	4,956	548	5,504

MISCELLANEOUS OTHER PROVISIONS

Miscellaneous other provisions can be broken down as follows:

in € thousands	Dec. 31, 2023	Dec. 31, 2022
Litigation	8,160	22,105
Provisions arising from malware attack	3,150	3,150
Anticipated losses related to Professional Services projects	3,000	3,029
Other provisions	1,362	1,376
	15,672	**29,660**

For further information on litigation, please refer to Note [32].

[25] INCOME TAX LIABILITIES

in € thousands	2023	2022
Balance as of Jan. 1	**33,733**	**36,609**
Currency translation differences	-1,151	-646
Additions	11,425	11,905
Utilization	-21,049	-12,639
Reversal	-45	-1,496
Balance as of Dec. 31	**22,913**	**33,733**
of which with a remaining term of more than 1 year	0	911

[26] PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Defined benefit plans

	Defined benefit obligation (DBO)		Fair value of plan assets		Effect of asset caps		Net defined benefit balance	
in € thousands	2023	2022	2023	2022	2023	2022	2023	2022
Germany	41,215	34,626	27,826	27,060	0	0	13,389	7,566
United Kingdom	57,432	55,335	91,410	88,561	0	0	-33,978	-33,226
Switzerland	9,479	8,115	7,650	6,800	0	0	1,829	1,315
Other insignificant pension plans and similar plans							3,600	2,869
Defined benefit plans with net debt							**18,818**	**11,750**
Defined benefit plans with asset surplus							**-33,978**	**-33,226**

Pension benefits in Germany consist of fixed commitments to a select group of people. They are partially covered by life reinsurance policies. There are no minimum funding requirements or laws in Germany.

Pension benefits in the United Kingdom relate to commitments made by Software AG (UK) Limited. They comprise post-employment benefits for employees as well as benefits payable to their surviving dependents on the employees' death during their active service period. Consistent with the previous year, plan assets for the pension plan in the UK exceed the present value of the performance obligations resulting in an asset surplus, which is reported under non-financial assets (see Note [15]).

The commitments in Switzerland result from legal requirements of a Swiss federal law on occupational retirement, survivor, and disability pension plans. The law stipulates that every employer must grant entitled employees benefits after termination of their employment.

The defined benefit commitments result in risks to the Company due to possible fluctuations in obligations from defined benefit plans and fluctuations in plan assets. Fluctuations in defined benefit obligations result primarily from changes to financial assumptions such as discount interest rates and changed demographic assumptions (changing life expectancies).

Possible changes in expected long-term wage and salary increases have no significant impact on the obligations due to the structure of the commitments. The fair value of plan assets and the fluctuation thereof depends mainly on the situation of the capital markets. Software AG seeks to account for this by controlling its asset investments.

	Defined benefit obligation (DBO)		Fair value of plan assets		Net defined benefit balance	
in € thousands	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Balance as of Jan. 1	**98,074**	**163,360**	**-122,419**	**-131,093**	**-24,344**	**32,267**
Current service cost	1,443	3,818	0		1,443	3,818
Net interest income/expenses	4,350	2,480	-5,758	-2,128	-1,408	352
	5,793	**6,298**	**-5,758**	**-2,128**	**35**	**4,171**
Income/expenses resulting from adjustments						
Return on plan assets less income recognized as net interest	0	0	3,299	9,636	3,299	9,636
Expectation adjustment	1,737	3,648	0	0	1,737	3,648
Net actuarial gains/losses from changes to demographic assumptions	-1,310	-258	0	0	-1,310	-258
Net actuarial gains/losses from changes to financial assumptions	5,411	-65,817	0	0	5,411	-65,817
	5,838	**-62,427**	**3,299**	**9,636**	**9,137**	**-52,791**
Employer contributions	171	4,263	-2,380	-6,491	-2,209	-2,228
Employee contributions	-192	189	-192	-189	-384	0
Plan-related payments	2,731	-3,069	2,889	3,069	5,620	0
Settlement payments	0	0	0	0	0	0
	2,710	**1,383**	**317**	**-3,611**	**3,027**	**-2,228**
Currency-related changes	-4,290	-10,540	-2,325	4,777	-6,615	-5,763
Balance as of Dec. 31	**108,125**	**98,074**	**-126,886**	**-122,419**	**-18,761**	**-24,344**

The net defined benefit balance includes defined benefit plans with an asset surplus. Non-financial assets were therefore reported in the amount of €33,978 thousand as of December 31, 2023. The significant assumptions used for calculating the present value of the defined benefit obligations (DBO) are as follows:

as %	**2023**	**2022**
Discount rate		
Germany	3.50	4.25
United Kingdom	4.75	5.00
Switzerland	1.75	2.25
Salary trend		
Germany	3.00	2.00
United Kingdom	4.50	4.50
Switzerland	1.50	1.50
Pension trend		
Germany	2.50	2.25
United Kingdom	2.75	2.50
Switzerland	0.00	0.00

A change in the above assumptions by a half of a percentage point would have the following impact on the respective DBOs:

	Change in DBO		
in € thousands	**Germany**	**United Kingdom**	**Switzerland**
Discount rate (-0.5%)	3,100	5,025	586
Discount rate (+0.5%)	-2,770	-4,453	-526
Salary trend (-0.5%)	0	211	-90
Salary trend (+0.5%)	0	-207	95
Pension trend (-0,5%)	-2,737	-1,357	n/a[1]
Pension trend (+0.5%)	3,032	1,296	469

[1] Pension trend was assumed at 0 percent for Switzerland (see above).

Sensitivities were calculated by varying the respective parameter with otherwise constant assumptions.

The plan assets can be broken down as follows:

	Fair value	
in € thousands	**2023**	**2022**
Equities	27,726	46,576
Life insurance policies	27,826	33,859
Cash and cash equivalents	2,592	10,019
Fixed-interest securities	61,092	31,965
Other	7,650	0
	126,886	**122,420**

There was a market price quote in an active market for every component of the plan assets except for the life insurance policies.

Contributions from the Software AG Group to defined benefit plans for fiscal year 2024 are expected to amount to €2,713 thousand (2022: €7,694 thousand).

Expected benefit payments during the next ten years are expected to be as follows:

in € thousands	**Expected benefit payments**
2024	5,899
2025	4,159
2026	4,208
2027	4,141
2028	3,701
2029-2033	14,238

DEFINED CONTRIBUTION PLANS

There is a minor volume of defined contribution pension commitments. Defined contributions are paid to external insurance companies or funds. Furthermore, Software AG makes contributions to the state and/or public pension fund primarily in Germany. Defined contribution pension commitments accounted for expenses of €19,856 thousand (2022: €25,932 thousand) in 2023.

[27] EQUITY

SUBSCRIBED CAPITAL

As of December 31, 2023, Software AG's subscribed capital totaled €74,000 thousand (2022: €74,000 thousand). Software AG's share capital is fully paid in and divided into 74,000,000 (2022: 74,000,000) no-par value registered shares, each worth €1. Each share entitles its holder to one vote.

CONDITIONAL CAPITAL

Pursuant to the resolution of the Annual Shareholders' Meeting on May 12, 2021, the Management Board is authorized, subject to the consent of the Supervisory Board, to issue bearer and/or registered warrant and/or convertible bonds or combinations of these instruments (bonds) up to a total value of €750,000,000 with or without a specified maturity date and to grant bond owners or holders the right to convert the bonds to new no-par value registered shares in the Company representing up to a proportional amount of the share capital of €14,800,000, which are secured by the corresponding conditional capital in section 5(3) of the Articles of Association. This authorization may be exercised until May 11, 2026.

Pursuant to a resolution from December 13, 2021, and with the consent of the Supervisory Board on the same date, the Management Board utilized its authorization to issue convertible bonds, excluding subscription rights, to Silver Lake with a nominal value of €344.3 million. These bonds entitle the holders to convert them to a maximum of 7.4 million Software AG shares. During the fiscal year, Software AG went through a refinancing process in which existing loans were settled and refinanced through a new long-term loan agreement that does not include any conversion rights (see Note [21]).

AUTHORIZED CAPITAL

As of December 31, 2023, the Management Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before May 11, 2026, by up to a total of €14,800 thousand by issuing new no-par value registered shares in return for cash contributions and/or contributions in kind (authorized capital). In doing so, the number of shares must increase in proportion to the share capital. The Management Board did not make use of this authorization in fiscal year 2023.

TREASURY SHARES

Pursuant to the Annual Shareholders' Meeting resolution from May 12, 2021, Software AG is authorized until May 11, 2026, to purchase Software AG shares totaling a maximum of 10 percent of the share capital at the time of the resolution. The shares purchased, together with other treasury shares that the Company has already purchased and still holds or that are attributable to it in accordance with sections 71d and 71e of AktG, may not account for more than 10 percent of the respective share capital at any time. As of December 31, 2023, the Company no longer held any treasury shares.

EQUITY MANAGEMENT

The Software AG Group has an obligation to achieve long-term profitable growth. Since software companies typically have a low level of capital expenditure for property, plant, and equipment, equity is not a focus of corporate management.

DIVIDEND

Pursuant to the proposal of the Management Board and the Supervisory Board, the Annual Shareholders' Meeting resolved on May 17, 2023, to appropriate €3,699 thousand (2022: €56,225 thousand) for a dividend payout from the net retained profits of €48,760 thousand (2022: €65,452 thousand) reported by Software AG, the controlling Group company, in the 2022 fiscal year. This corresponded to a dividend of €0.05 (2022: €0.76) per share. A total amount of €45,061 thousand (2022: €9,227 thousand) was carried forward. For fiscal year 2023, the Management Board will propose to the Annual Shareholders' Meeting to distribute the net retained profits of €962,637 thousand reported by Software AG in fiscal 2023, as follows: to appropriate €3,700 thousand for dividends and to carry forward €958,937 thousand. This corresponds to a dividend of €0.05 per share.

OTHER RESERVES

Other reserves changed as follows, taking into account tax effects:

	2023			2022		
in € thousands	Pre-tax amount	Tax effects	Net amount	Pre-tax amount	Tax effects	Net amount
Currency translation differences from foreign operations	-37,649	0	-37,649	30,750	0	30,750
Net actuarial gain/loss on pension obligations	-8,866	2,353	-6,513	55,884	-14,439	41,445
Net gain/loss on remeasuring financial assets	927	-360	567	-719	66	-653
Currency translation gain/loss from net investments in foreign operations	-12,184	0	-12,184	6,295	0	6,295
Gain/loss recognized in equity	**-57,772**	**1,993**	**-55,779**	**92,210**	**-14,373**	**77,837**

Cash flow hedges had the following effects on the income statement and other comprehensive income:

in € thousands	Total gain/(loss) recognized in other comprehen-sive income from the hedges	Ineffective portion recognized in earnings	Items from the income statement	Costs recognized in other comprehen-sive income from hedges	Amount reclassified from other comprehen-sive income to the income statement	Items from the income statement
Fiscal year ending Dec. 31, 2023: expected payments relating to awards to members of the Management Board, managers, and employees	148	0	n/a	0	-1,367	Functional costs
Fiscal year ending Dec. 31, 2022: expected payments relating to awards to members of the Management Board, managers, and employees	894	0	n/a	0	-932	Functional costs

OTHER DISCLOSURES

[28] NOTES TO THE STATEMENT OF CASH FLOWS

During the fiscal year, Software AG underwent a refinancing process whereby existing loans were settled and refinanced through a new long-term loan agreement (see Note [21]). Following the successful refinancing process, Software AG has firmly committed credit lines with banks of approximately €128,933 thousand which were fully unused as of December 31, 2023. With cash and cash equivalents, Software AG had freely disposable liquidity of around €268,941 thousand as of December 31, 2023.

[29] ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The following table shows the carrying amounts of financial assets and liabilities as well as fair values in accordance with the levels of the fair-value hierarchy. The three levels are defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: Valuation techniques whereby the lowest level input that is significant to fair value measurement as a whole is directly or indirectly observable in the market.
Level 3: Inputs for the asset or liability that are not based on observable market data.

December 31, 2023

in € thousands	Category	Carrying amount by measurement category: At amortized cost	Carrying amount by measurement category: At fair value	Fair value by level: Level 1	Level 2	Level 3	Total
Assets							
Cash and cash equivalents	AC	130,007					
Trade receivables, contract assets, and other receivables	AC	227,886					
Other financial assets							
Financial assets available for sale							
Debt securities	FVTPL		0		0		0
Shareholders' equity	FVOCI		358			358	358
Securities	FVOCI		444	444			444
Loans and other financial receivables	AC	15,057					
Derivative financial instruments							
Designated as hedging instrument							
Stock options	–		0		0		0
Forward equity contracts	–		0		0		0
Not designated as hedging instrument							
Forward currency contracts	FVTPL		1,126		1,126		1,126
Forward equity contracts	FVTPL		0		0		0
Stock options	FVTPL		0		0		0
Liabilities							
Trade and other payables	AC	68,248					
Financial liabilities							
Non-derivative financial liabilities							
Loans[1]	AC	0			0		0
Other non-derivative financial liabilities[2]	AC	380,442			380,442		380,442
Derivative financial liabilities							
Designated as hedging instrument							
Forward equity contracts	–		0		0		0
Not designated as hedging instrument							
Forward currency contracts	FVTPL		637		637		637
Forward equity contracts	FVTPL		0		0		0

[1] Included convertible bonds in prior year.
[2] Includes a shareholder loan (see Note [21]).

December 31, 2022

in € thousands	Category	Carrying amount by measurement category		Fair value by level			
		At amortized cost	At fair value	Level 1	Level 2	Level 3	Total
Assets							
Cash and cash equivalents	AC	427,105					
Trade receivables, contract assets, and other receivables	AC	387,647					
Other financial assets							
Financial assets available for sale							
Debt securities	FVTPL		0		0		0
Shareholders' equity	FVOCI		370			370	370
Securities	FVOCI		3,145	3,145			3,145
Loans and other financial receivables	AC	8,164					
Derivative financial instruments							
Designated as hedging instrument							
Stock options	–		389		389		389
Forward equity contracts	–		0		0		0
Not designated as hedging instrument							
Forward currency contracts	FVTPL		33		33		33
Forward equity contracts	FVTPL		0		0		0
Stock options	FVTPL		273		273		273
Liabilities							
Trade and other payables	AC	57,480					
Financial liabilities							
Non-derivative financial liabilities							
Loans[1]	AC	635,633			584,021		584,021
Other non-derivative financial liabilities	AC	22,020			22,020		22,020
Derivative financial liabilities							
Designated as hedging instrument							
Forward equity contracts	–		3,752		3,752		3,752
Not designated as hedging instrument							
Forward currency contracts	FVTPL		40		40		40
Forward equity contracts	FVTPL		5,660		5,660		5,660

[1] Included convertible bonds in prior year.

No financial assets or liabilities were reclassified to different levels of the fair-value hierarchy during fiscal 2023 or 2022. All equity instruments were measured at fair value through other comprehensive income (FVOCI), to reflect a more long-term investment intension in earnings.

The following table illustrates how the fair values of financial assets and liabilities are determined:

Financial assets/ financial liabilities	Hierarchy level	Valuation technique and key inputs	Significant unobservable inputs	Correlation between unobservable inputs at fair value
Interest rate swaps	2	Discounted cash flow approach; future cash flows are estimated based on forward interest rates (observable interest rate curves as of balance sheet date) and fixed interest rates, discounted at an interest rate that accounts for the credit risk associated with the counter parties	n/a	n/a
Forward currency contracts	2	Discounted cash flow approach; future cash flows are estimated based on forward exchange rates (observable exchange rates as of balance sheet date) and fixed forward exchange rates, discounted at an interest rate that accounts for the credit risk associated with the counter parties	n/a	n/a
Stock options	2	option pricing factors (share price, exercise price of the option, share price volatility, dividends as dividend yield, interest rates, option's remaining term)	n/a	n/a
Forward equity contracts	2	The fair values are measured based on the intrinsic values of the forward equity contracts, which are calculated using the share prices from an active market	n/a	n/a
Securities	1	Prices quoted on active market	n/a	n/a
Shareholders' equity (currently non-listed securities only)	3	Comprehensive valuation approach based on multiple quantitative and qualitative factors such as current/planned earnings, liquidity, recently undertaken/planned transactions	n/a	n/a

The fair values of cash and cash equivalents, time deposits, current receivables, trade payables, and other current financial liabilities correspond approximately with their carrying amounts, primarily due to the short terms of these instruments.

The Company uses various parameters to measure non-current receivables, mainly interest rates and the customers' individual credit ratings. Software AG calculates bad debt allowances to reflect expected defaults based on the measurement results. Accordingly, the carrying amounts of these receivables corresponded approximately with their fair values as of December 31, 2023, and December 31, 2022.

Software AG calculates the fair values of liabilities to banks and other financial liabilities as well as other non-current financial liabilities by discounting the estimated future cash flows using the interest rates applicable to similar financial liabilities with comparable maturities.

The net gain/loss from loans and receivables is only affected significantly by currency translation and interest effects. The net gain from derivatives without qualifying hedging relationships amounted to €5,528 thousand (2022: loss of €4,656 thousand) in fiscal 2023. The net gain from derivatives designated as cash flow hedges was included in the income statement and amounted to €718 thousand (2022: loss of €6,163 thousand) in fiscal 2023.

Equity instruments were written down in the amount of €206 thousand (2022: €513 thousand), which was recognized in other comprehensive income in fiscal 2023.

OBJECTIVES AND METHODS OF RISK MANAGEMENT FOR FINANCIAL INSTRUMENTS

As a result of its international operating activities as well as its investing and financing activities, Software AG is exposed to various financial risks. Management continuously monitors these risks. Derivative financial instruments are used in accordance with internal guidelines in order to reduce risks arising from changes in interest rates, exchange rates, cash flows, or the value of cash investments. Derivatives are generally entered into to hedge existing balance sheet exposures and highly probable forecast transactions.

a) Interest rate risk
The Company is subject to interest rate fluctuations that affect both assets and equity and liabilities on the balance sheet. On the assets side, income from investing available cash and cash equivalents and future interest income resulting from discounting non-current receivables and contract assets are particularly subject to interest rate risk. On the equity and liabilities side, interest expenses for current and non-current financial liabilities as well as pension provisions and other items related to long-term borrowings are especially exposed to interest rate risk. The sensitivity analysis required by IFRS 7 relates to interest rate risk arising from monetary financial instruments bearing variable interest rates. Based on the current structure of the interest-bearing financial instruments, a hypothetical increase in the market interest level of 100 basis points would improve financial income/expenses by €476 thousand (2022: €967 thousand).

b) Exchange rate risk
In order to hedge the risk of future fluctuations in exchange rates, the Company enters into currency forward contracts. Foreign currency receivables and liabilities are offset if possible, and only the remaining net exposure is hedged selectively. Estimated cash flows can also be hedged in accordance with internal guidelines. Hedging transactions are measured at their fair value. The amounts are reported in the balance sheet under other financial assets or financial liabilities. Since hedging transactions are not normally designated as hedge accounting, changes in fair value are immediately recognized through profit or loss in the Consolidated Income Statement.

The sensitivity analysis required by IFRS 7 relates to exchange rate risk arising from monetary financial instruments that are denominated in a currency other than the functional currency in which they are measured. Exchange differences arising from the translation of financial statements into the Group currency (translation risk) and non-monetary items are not taken into account. Most significant monetary financial instruments are denominated in the functional currency. For Software AG, significant effects on earnings (earnings before income taxes) result only from the relationship of the euro to the US dollar. Hedging transactions are based on existing hedges or estimated cash flows and thus reduce any potential effects on earnings. In the case of designated cash flow hedges, exchange rate changes affect other reserves included in equity.

Based on the monetary financial instruments available as of the balance sheet date, a devaluation of the euro by 10 percent against the US dollar would have decreased earnings by €851 thousand (2022: increased by €1,061 thousand) and other reserves by €0 thousand (2022: €0 thousand). This amount only represents a theoretical risk for Software AG as these instruments are hedges of balance sheet transactions, rather than open trading positions.

c) Market risk
In line with Group policy, assets are controlled in terms of maturity, interest type, and rating such that the Company does not expect any significant fluctuations in value.

d) Credit risk
Software AG is exposed to default risk in its operating business and in connection with certain financial transactions if contracting parties fail to meet their obligations. Major cash investments as well as derivative financial instruments are entered into with banks with credit ratings of at least investment grade and whose credit default swap (CDS) rates are monitored continuously. The theoretical maximum default risk exposure is indicated by the carrying amounts. The guidelines defined by management ensure that the credit risk from financial instruments is spread across various banks. Receivables are monitored as part of operations on an ongoing basis. The need for impairment is evaluated on every balance sheet date using an impairment matrix for determining expected credit loss. As of December 31, 2023, there was no indication of the existence of any risk beyond that taken into account through bad debt allowances. There is no concentration of credit risks with respect to single customers as a result of the size of the customer base or due to the distribution of the revenues across various sectors and countries. The theoretical maximum exposure to credit risk is reflected in the carrying amounts of the receivables, without taking any collateral into account.

e) Liquidity risk
A liquidity risk arises from the possibility that Group entities may not be able to satisfy their existing financial liabilities, for example, arising from loan agreements, lease agreements or trade accounts payable. The risk is limited by active working capital management and Group-wide liquidity control and is, if necessary, balanced by available cash and bilateral lines of credit.

Under credit agreements having a total volume of €415.5 million (2022: €326.7 million), Software AG is not permitted to exceed a net leverage ratio of 7.0 or fall below a fixed charge coverage ratio of 1.75. Furthermore, unused credit lines are available to Software AG with a volume of €119.0 million (2022: €300.0 million); if Software AG draws on them, it is required to meet financial KPIs. As of the end of 2023, the Company's net leverage ratio was significantly lower than this limit and the fixed charge coverage ratio was significantly higher. The table below shows the contractually fixed payments arising from financial liabilities. Liabilities in foreign currency are calculated at the exchange rate as of December 31, 2023.

2023

in € thousands	Up to 1 year	> 1 to 5 years	> 5 years	Total
Trade payables and other financial liabilities (this item)	65,801	0	0	65,801
Financial non-derivative liabilities	453	0	415,467	415,920
Lease liabilities	6,462	10,447	0	16,909
Derivative financial liabilities	637	0	0	637

2022

in € thousands	Up to 1 year	> 1 to 5 years	> 5 years	Total
Trade payables and other financial liabilities (this item)	48,085	40	0	48,125
Financial non-derivative liabilities	14,587	521,361	99,810	635,758
Lease liabilities	8,613	12,723	559	21,895
Derivative financial liabilities	8,689	763	0	9,452

USE AND MEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used only to hedge existing or estimated currency risk, interest rate risk, or other market risk. The fair values of forward currency contracts are determined on the basis of forward foreign exchange rate which are included in a discounted cash flow model. Due to the takeover process and the intended delisting, Software AG ceased to use cash flow hedges in 2023. However, Software AG continues to enter forward currency contracts and currency options to hedge foreign exchange risks related to future cash flows. The financial instruments for hedging exchange risks have maximum terms to maturity of 0.4 years.

CASH INVESTMENT POLICY

Software AG takes a conservative approach with regard to its cash investments. The Company invests primarily in short-term time deposits and short-term fixed-income securities with a credit rating of at least "investment grade." Software AG introduced a process in order to monitor the creditworthiness of the banks with which it maintains relationships whereby performance of the relevant credit default swaps (CDS) and external ratings are monitored continuously and investment decisions are adapted accordingly.

[30] DISCLOSURES ON LEASES AS LESSEE

Software AG rents and leases office buildings and, to a minor extent, vehicles and hardware. Software AG also rents IT equipment with contract terms that are typically between one and three years. These lease agreements are either short-term or for an underlying object of low value. Software AG opted for the simplified option granted by IFRS 16 and does not recognize right-of-use assets or lease liabilities for these agreements.

Right-of-use assets associated with rented office buildings, vehicles, and hardware are presented under property, plant, and equipment (see Note [18]) and changed as follows:

2023

in € thousands	Land and buildings	Operating and office equipment	Total
Balance as of Jan. 1, 2023	**14,977**	**4,139**	**19,116**
Depreciation in the fiscal year	-6,461	-2,360	-8,821
Additions	4,081	2,019	6,100
Disposals	-1,141	-52	-1,193
Currency translation differences	-155	95	-60
Balance as of Dec. 31, 2023	**11,301**	**3,841**	**15,142**

2022

in € thousands	Land and buildings	Operating and office equipment	Total
Balance as of Jan. 1, 2022	**14,942**	**4,242**	**19,184**
Depreciation in the fiscal year	-7,027	-2,553	-9,580
Additions	5,864	2,307	8,171
Disposals	-375	-52	-427
Currency translation differences	1,573	195	1,768
Balance as of Dec. 31, 2022	**14,977**	**4,139**	**19,116**

Lease liabilities associated with rented office buildings, vehicles, and hardware are presented as financial liabilities and changed as follows:

2023

in € thousands	Lease liabilities
Balance as of Jan. 1, 2023	**21,896**
Changes in the fiscal year	-4,987
Balance as of Dec. 31, 2023	**16,909**
thereof current	6,462
thereof non-current	10,447

2022

in € thousands	Lease liabilities
Balance as of Jan. 1, 2022	**22,776**
Changes in the fiscal year	-880
Balance as of Dec. 31, 2022	**21,896**
thereof current	8,613
thereof non-current	13,283

The following amounts for leases were recognized in the income statement in accordance with IFRS 16:

in € thousands	2023	2022
Expenses from leases included in operating income		
Depreciation in the fiscal year	8,821	9,580
Expenses for short-term leases and leases for assets of low value	4,274	4,304
Expenses from leases included in net financial income/expenses		
Interest expenses for lease liabilities	583	716

AS LESSOR

Software AG leases out parts of its own office buildings or those rented, but only to a very minor extent.

[31] SEASONAL INFLUENCES

Based on historical data, revenues and earnings are not evenly distributed throughout the fiscal year. In particular, the distribution of revenue and earnings is regularly affected by large individual deals and is thus difficult to predict. Revenue and earnings before income taxes were distributed over fiscal year 2023 as follows:

in € thousands	Q1 2023	Q2 2023	Q3 2023	Q4 2023	2023
License revenue	50,374	91,691	69,242	150,317	361,624
as % of annual license revenue	14	25	19	42	100
Total revenue	210,583	248,421	228,666	312,620	1,000,290
as % of annual revenue	21	25	23	31	100
Earnings before income taxes	1,450	21,587	36,394	-29,370	30,061
as % of annual earnings	5	72	121	-98	100

[32] LITIGATION AND CONTINGENT LIABILITIES

Appraisal proceedings were filed with the Regional Court of Saarbrücken in connection with the control and profit transfer agreement with IDS Scheer AG; the petitioners seek an increase in their cash settlements and annual compensation payments. Software AG does not consider the objections raised to be valid. The Regional Court of Saarbrücken ruled on June 6, 2018, to reject the petitioners' filings. Multiple petitioners filed complaints against this decision within the appeal period. The Saarland Higher Regional Court obtained an expert opinion. The appraisal by the court-appointed expert arrived at slightly higher amounts than the initial valuation with regard to individual valuation parameters. It is not foreseeable when the proceedings will be concluded.

In connection with the merger of IDS Scheer AG and Software AG, appraisal proceedings were filed with the Regional Court of Saarbrücken, Germany, in which the petitioners sought a judicial review of the set exchange ratio and correction through cash compensation. On April 3, 2023, the court ruled in favor of a settlement in the amount of €7.22 per share for all former shareholders of IDS Scheer AG which resulted in a payment obligation, including interest, of €11,730 thousand, plus the joint representative's and petitioners' court and legal fees. The decision is final and settlement occurred in the second quarter of 2023.

The Spanish cartel authority (Comisión Nacional de los Mercados y la Competencia, CNMC) searched the offices of Software AG España, S.A. Unipersonal (Software AG Spain) on October 28 and 29, 2015, on the suspicion of an inadmissible anti-competitive agreement. On April 25, 2016, the CNMC published on its website that it was initiating antitrust proceedings against 11 companies, including Software AG Spain. CNMC extended the case to three additional companies on October 19, 2017. CNMC accuses Software AG Spain of inadmissible price fixing and cover tenders. Following a hearing on June 12, 2018, the CNMC ruled on July 31, 2018, to impose a penalty on 11 companies, including Software AG Spain. The penalty for Software AG Spain was €6 million, which was paid by court order on January 28, 2019. Software AG appealed the agency's decision and submitted its concluding argument on May 23, 2019. On October 10, 2023, Software AG received a resolution whereby the court rejected Software AG's appeal and upheld the CNMC decision including Software AG's obligation to pay the state lawyer's fees. Software AG decided to further appeal before the Spanish Supreme Court. A decision on whether to accept the appeal is expected in the third quarter of 2024 by the Spanish Supreme Court.

Provisions for litigation totaled €8,160 thousand (2022: €22,105 thousand) as of December 31, 2023. In addition, contingent liabilities in the amount of €45,938 thousand existed (2022: €45,501 thousand). A resource outflow as of the balance sheet date was not probable enough to set up provisions. These relate to individual lawsuits and €39,420 thousand (2022: €35,841 thousand) for tax-related risks.

[33] SHARE-BASED REMUNERATION

Software AG has various share-based remuneration plans for members of the Management Board, managers, and other Group employees. Due to the upcoming delisting of Software AG, no new share-based remuneration plans were granted in 2023, except for the employee share purchase program. The employee share purchase program granted participants a matching share for purchased shares after a vesting period of one year. Due to the corporate event in 2023, the program was prematurely terminated in October 2023. The employee share purchase program resulted in a total expense of €478 thousand in the 2023 fiscal year. All other existing plans remained unmodified and were classified as cash settled. Share-based remuneration resulted in total expenses of €13,677 thousand (2022: €11,654 thousand) in fiscal 2023.

LONG-TERM INCENTIVE PLAN 2022 (MANAGEMENT BOARD)

Rights under Long Term Incentive Plan 2022 (LIP 2022) were allocated to members of the Management Board in December 2022, effective as of July 1, 2022.

The rights have a term of four years. LIP 2022 consists of two equally weighted components or virtual stock options: value right 1 (VR 1) and value right 2 (VR2). The number of rights and the performance factor of VR1 was subject to a decision by the Annual Shareholders' Meeting in 2023 whereby the target achievement factor for part 1 of LIP 2022 is based on the relative performance of a final reference share price against specific Software AG share price targets. The target achievement factor is a minimum of 0 when the final share reference price is €55 or below and 1 when the final share reference price is €75. It reaches a maximum of 2 when the final reference share price is €90. Between those values, linear interpolation is used to determine the achievement factor. The value per option for part 1 of the LIP 2022 is calculated as the difference between the final reference share price and the initial reference share price, multiplied by the target achievement factor. The disbursement for part 1 of the LIP 2022 is limited to 200 percent of the target amount.

The amount of disbursement for the VR 2 component is coupled to value growth of Software AG's share during the term and to a target achievement factor resulting from the average target achievement of revenue, profit margin, and annual recurring revenue (ARR) targets in 2025; it is also capped at twice the allocation.

	VR (1)	VR (2)
Term (disbursement date)	July 2026	July 2026
Outstanding as of Dec. 31, 2022	**84,159**	**187,985**
Allocation in 2023	**127,871**	**0**
expired in 2023	0	0
Outstanding as of Dec. 31, 2023	**212,030**	**187,985**
of which vested	0	0
Fair value as of Dec. 31, 2023 (in €)	1.03	2.95

A total expense of €188 thousand was incurred under this plan in fiscal 2023. Provisions totaled €225 thousand as of December 31, 2023.

LONG-TERM INCENTIVE PLAN 2022 (EMPLOYEES)

Rights under Long Term Incentive Plan 2022 (LTI 2022) were allocated to employees in July 2022.

The plan only consists of retention stock appreciation rights (RSARs) which were issued in three tranches of varying terms. The disbursement amount for RSARs is based solely on the Software AG share price during a reference period at the end of the relevant term and is capped at three-times the allocation with respect to the entire plan.

	RSARs	RSARs	RSARs
Term (disbursement date)	July 2023	July 2024	July 2025
Outstanding as of Dec. 31, 2022	**135,900**	**135,900**	**135,900**
expired in 2023	-5,795	-15,497	-15,497
disbursed in 2023	-130,105	0	0
Outstanding as of Dec. 31, 2023	**0**	**120,403**	**120,403**
of which vested	0	0	0
Fair value as of Dec. 31, 2023 (in €)	32.00	32.00	32.00

A total expense of €6,262 thousand was incurred under this plan in fiscal 2023. Provisions totaled €4,598 thousand as of December 31, 2023.

LONG-TERM INCENTIVE PLAN 2021 (MANAGEMENT BOARD)

Rights under Long Term Incentive Plan 2021 (LIP 2021) were allocated to members of the Management Board in May 2021.

The rights have a term of four years. LIP 2021 consists of two equally weighted components or virtual stock options: value right 1 (VR 1) and value right 2 (VR2). Shares under the first component are weighted with a performance factor dependent upon their performance relative to the MDAX, i.e., worse performance can result in a reduction to 0, and outperformance of more than 20 percent can result in a factor of 2. The target amount is equal to the share price on the grant date multiplied by the relative outperformance of Software AG shares and the performance factor. The amount of the VR 2 component is coupled to value growth of Software AG's share during the term and to a target achievement factor resulting from the average target achievement of revenue, profit margin, and ARR targets in 2024; it is also capped at twice the allocation.

	VR (1)	VR (2)
Term (disbursement date)	May 2025	May 2025
Outstanding as of Dec. 31, 2022	**98,799**	**199,338**
expired in 2023	0	-400
Outstanding as of Dec. 31, 2023	**98,799**	**198,938**
of which vested	0	0
Fair value at Dec. 31, 2023 (in €)	8.06	2.48

A total expense of €225 thousand was incurred under this plan in fiscal 2023. This figure is the balance of expenses of €419 thousand in original commitments plus income of €194 thousand from hedging the commitments until the Company ceased to utilize cash flow hedges. Provisions totaled €637 thousand as of December 31, 2023.

MANAGEMENT INCENTIVE PLAN 2021

Rights under Management Incentive Plan 2021 (MIP 2021) were allocated to employees in July 2021.

The plan consists solely of RSARs which were issued in three tranches of varying terms. The disbursement amount for the RSARs is based solely on the Software AG share price during a reference period at the end of the relevant term and is capped at three-times the allocation with respect to the entire plan.

	RSARs	RSARs	RSARs
Term (disbursement date)	July 2022	July 2023	July 2024
Outstanding as of Dec. 31, 2022	**0**	**64,139**	**64,139**
expired in 2023	0	-5,472	-7,919
disbursed in 2023	0	-58,667	0
Outstanding as of Dec. 31, 2023	**0**	**0**	**56,220**
of which vested	n/a	0	0
Fair value as of Dec. 31, 2023 (in €)	n/a	n/a	32.00

A total expense of €1,425 thousand was incurred under this plan in fiscal 2023. This figure is the balance of expenses of €1,597 thousand in original commitments plus income of €172 thousand from hedging the commitments until the Company ceased to utilize cash flow hedges. Provisions totaled €1,427 thousand as of December 31, 2023.

MANAGEMENT INCENTIVE PLAN 2020

Rights under Management Incentive Plan 2020 (MIP 2020) were allocated to Management Board members and employees in June 2020. The plan vested in June 2023, with no rights outstanding as of December 31, 2023.

A total expense of €560 thousand was incurred under this plan in fiscal 2023. This figure is the balance of an expense of €1,532 thousand in original commitments and income of €972 thousand from hedging the commitments until the Company ceased to utilize cash flow hedges.

MANAGEMENT INCENTIVE PLAN 2019

Rights under the Management Incentive Plan 2019 (MIP 2019) were allocated to members of the Management Board and employees in May and June 2019. The plan differentiates between PSARs and RSARs.

The number of PSARs (1) relevant to disbursement is based on the number of rights allocated times a factor which is the result of the performance of Software AG's share price relative to the the Nasdaq-100 price index. The resulting factor is a minimum of 0 in the case of outperformance of less than 0 percent and 1 in the case of outperformance between 0 and 2 percent. It reaches a maximum of 2 in the case of outperformance of at least 20 percent. Between those values, the target achievement factor grows by 0.1 per outperformance increase of 2 percentage points. Dividend payments are not taken into account when calculating the factor. The disbursement amount for PSARs (1) is determined based on reference prices at the beginning and end of the four-year term and is capped at three-times the allocation.

The number of RSARs allocated to the Management Board in a four-year term and to employees in four tranches of varying terms does not change during the term. The disbursement amount for RSARs is based solely on the Software AG share price during a reference period at the end of the relevant term and is capped at three-times the allocation with respect to the sum of the four RSAR tranches.

Disbursement of the first and second tranches of employee RSARs occurred in previous years. Disbursement of the third and final tranche of employee RSARs occurred in the second quarter of 2023 based on a reference price of €31.14.

Total income of €157 thousand was incurred under this plan in fiscal 2023. This figure is the balance of income of €580 thousand in original commitments and €423 thousand in expenses from hedging the commitments until the Company ceased to utilize cash flow hedges.

PERFORMANCE PHANTOM SHARE PLAN

A portion of the variable Management Board remuneration is paid out as a medium-term component on the basis of a PPS plan. As in the previous year, the portion accruing for fiscal year 2023 was converted into PPS on the basis of the average Software AG share price less 10 percent as of February 2023. At the end of the four-year term, the resulting number of shares is settled in cash based on the average Software AG share price in February at the end of the term.

Additionally, there are PPS for which the number of shares is divided into three equal tranches with terms of one, two, and three years. These PPS become due at the end of the respective term and are likewise multiplied by the average Software AG share price in the February at the end of the term. When PPS become due for the first time after the described vesting period, beneficiaries can reinvest them for up to six years and four months after leaving the Company to continue participating in its success. All PPS that have not yet been disbursed as of January 15 of the seventh year after having left the Company become due for disbursement no later than the trading day following the release of the preliminary first-quarter figures. At this point, or if exercised previously, the number of PPS is multiplied by the average Software AG share price on the sixth to tenth trading days. The decision regarding the possibility to exercise each quarter must be disclosed to the Company between the date of publication of the financial results and the following fifth trading day. Beneficiaries receive an amount per PPS equal to the dividends paid to Software AG shareholders prior to the disbursement date for these PPS. The disbursement amount is capped at twice the allocation for all PPS.

A total expense of €4,105 thousand (2022: €1,755 thousand) was incurred under this plan in fiscal 2023. This figure is the balance of expenses of €8,817 thousand (2022: income of €4,565 thousand) in original commitments plus income of €4,712 thousand (2022: expense of €6,320 thousand) from hedging transactions with banks for the commitments until the Company ceased to utilize cash flow hedges. Provisions for the rights outstanding under the PPS plan amounted to €7,455 thousand (2022: €15,661 thousand) as of December 31, 2023. The intrinsic value of the exercisable rights under the PPS plan as of December 31, 2023, amounted to €2,911 thousand (2022: €10,821 thousand) as of December 31, 2023.

[34] CORPORATE BODIES

MEMBERS OF THE SUPERVISORY BOARD:

Christian Yannick Lucas MBA, Harvard Business School Shareholder representative	Managing Partner, Silver Lake
Other supervisory board and similar seats:	• *Member of the advisory board of Global Blue Group Holding AG, Eysins, Switzerland* • *Member of the advisory board of Claudius France SAS, Lyon, France* • *Chair of the advisory board of Mistral Midco SAS, Paris, France* • *Member of the advisory board of Mirakl SAS, Paris, France* • *Chair of the advisory board of Tangerine Holdco SpA, Luxembourg*
Oliver Collmann Graduate in business administration Shareholder representative	Partner and CEO of AVEGA Fund Services S.a.r.l., Luxembourg
Other supervisory board seats:	*none*
Madlen Ehrlich Graduate in international business Employee representative Deputy chair (until January 31, 2024)	Senior Director, Bid Operations and Sales Programs Software AG, Berlin, Germany
Other supervisory board seats:	*none*
Bettina Schraudolf Graduate in business information systems Employee representative Deputy chair (since February 1, 2024)	Chair of the Works Council Software AG, Darmstadt, Germany
Other supervisory board seats:	*none*
Ursula Soritsch-Renier Graduate in philosophy with a minor in computer science Shareholder representative	Group Chief Digital and Information Officer Saint Gobain, La Défense, France
Other supervisory board seats:	*none*
James Moon Whitehurst MBA, Harvard Business School Bachelor's degree in economics and computer science Shareholder representative since January 1, 2023	Interim CEO, Unity Technologies, and consultant for Silver Lake
Other supervisory board and similar seats:	• *Non-executive director of the board of directors of United Airlines, Inc.* • *Non-executive director of the board of directors of Amplitude, Inc.* • *Non-executive director of the board of directors of Tanium Inc.* • *Member of the international advisory board of Banco Santander S.A.*

MEMBERS OF THE MANAGEMENT BOARD:

Sanjay Brahmawar MBA in finance and marketing and bachelor's degree in civil engineering Chair	Chief Executive Officer
Other supervisory board and similar seats:	• *Member of the foundation board of trustees of the Frankfurt School of Finance & Management, Frankfurt am Main, Germany* • *Member of the supervisory board of HERE Global B.V., Eindhoven, Netherlands (since January 1, 2023)* • *Member of the advisory board of ADAMOS GmbH, Darmstadt, Germany (until January 18, 2023)*
Daniela Bünger Master's degree in international marketing and bachelor's degree in international business studies Chartered Global Management Accountant (CGMA)	Chief Financial Officer
Other supervisory board and similar seats:	*none*
Joshua Husk MBA in global management and bachelor's degree in business management	Chief Revenue Officer
Other supervisory board and similar seats:	*none*
Dr. Benno Quade PhD in law	Chief Operating Officer
Other supervisory board and similar seats:	*none*
Dr. Stefan Sigg PhD in mathematics	Chief Product Officer
Other supervisory board and similar seats:	• *Member of the supervisory board of Deutsches Forschungszentrum für Künstliche Intelligenz GmbH (DFKI), Kaiserslautern, Germany* • *Member of the board of trustees of Fraunhofer Institute for Secure Information Technology SIT, Darmstadt, Germany* • *Member of the supervisory board of Fischer Information Technology AG, Radolfzell, Germany (until May 26, 2023)*

REMUNERATION OF THE MANAGEMENT BOARD PURSUANT TO SECTION 314(1), NO. 6 OF HGB

Total remuneration for the Management Board, including newly issued stock options, in fiscal 2023 was €9,335 thousand (2022: €11,576 thousand). For 2022, this included awards under the LIP 2022 stock option plan in the amount of €2,188 thousand. Management Board remuneration also includes the consideration for granted PPS totaling €2,416 thousand (2022: €1,128 thousand). Total remuneration under the PPS plan was €2,424 thousand (2022: €1,244 thousand) in fiscal 2023.

Remuneration for former Management Board members amounted to €1,214 thousand (2022: €1,404 thousand) in fiscal 2023. Pension provisions, offset against plan assets for this group of people, totaled €7,740 thousand (2022: €4,212 thousand). Pension obligations for former Management Board members amounted to €28,866 thousand (2022: €23,431 thousand). The increase resulted mainly from the changes in Management Board composition.

Software AG did not grant any advances or loans to Management Board members in fiscal 2023 or in fiscal 2022. Nor did it enter any contingent liabilities for these individuals.

REMUNERATION OF THE SUPERVISORY BOARD PURSUANT TO SECTION 314(1), NO. 6 OF HGB

Total remuneration for the Supervisory Board amounted to €353 thousand (2022: €360 thousand) in fiscal 2023. Software AG did not grant any advances or loans to Supervisory Board members in fiscal 2023 or in fiscal 2022. Nor did it enter any contingent liabilities for these individuals.

[35] RELATED PARTY TRANSACTIONS

A related party as defined by IAS 24 Related Party Disclosures is any legal or natural person able to exercise control over Software AG or its subsidiaries or is subject to control or significant influence by Software AG or its subsidiaries. In particular, this includes legal or natural persons holding a share in Software AG through which they have significant influence over Software AG, and the members of Software AG's corporate bodies, whose remuneration is specified in Note [34].

On April 21, 2023, Software AG entered into an investment agreement with Mosel Bidco SE, a holding company controlled by funds managed or advised by Silver Lake Technology Management, L.L.C. Subsequently, the investor announced its intention to launch a voluntary public tender offer for all outstanding shares of Software AG. On September 28, 2023, Mosel Bidco SE successfully completed its voluntary public tender offer by transferring shareholders the offer price of €32.00 in return for each tendered share of Software AG. As of December 31, 2023, Mosel Bidco held 93.33 percent of all Software AG shares.

As a result of the change of control dated September 28, 2023, the respective change-of-control clauses contained in the financing contracts took effect whereby Silver Lake as bond subscriber was entitled to extraordinary termination rights of the convertible bonds. The early redemption of the convertible bonds consisted of the bonds’ total face value of €344,300 thousand plus accrued interest, resulting in a total interest expense of €39,149 thousand under the convertible bond agreement in 2023.

In return, the Software AG received a parent loan from Mosel Bidco SE on October 2, 2023, to secure long-term financing for the Group. This resulted in a cash inflow of €417,620 thousand, consisting of a euro-denominated amount of €264,177 thousand and an US dollar-denominated amount of $167,175 thousand (see Note [21]). Total interest expenses under this new parent loan agreement amounted to €9,674 thousand in 2023. To compensate Software AG for the extraordinary interest expenses resulting from the refinancing transaction, the parent company also granted Software AG an interest credit note of €5,881 thousand which was recognized in other non-financial assets (see Note [15]).

Furthermore, under an advisory agreement concluded with Silver Lake dated December 13, 2021, Software AG incurred expenses of €1,607 thousand for out-of-pocket expenses in 2023.

DISCLOSURES ON REMUNERATION PAID TO RELATED PARTIES PURSUANT TO IAS 24

Parties related to Software AG also include the members of the Management Board and the Supervisory Board. Remuneration paid to the Management Board can be broken down as follows:

in € thousands	2023	2022
Short-term benefits	6,726	5,837
Termination of service benefits	0	1,000
Post-service benefits	185	1,308
Share-based remuneration	5,439	-933
	12,350	**7,212**

Net pension assets with respect to Management Board members amounted to €852 thousand (2022: €2,086 thousand). Gross pension obligations with respect to Management Board members amounted to €1,841 thousand (2022: €2,186 thousand). The decrease resulted mainly from the changes in Management Board composition.

Furthermore, obligations from share-based compensation plans, including bonuses converted to PPS at year-end, for members of the Management Board amounted to €7,653 thousand (2022: €6,770 thousand). Obligations from short-term variable remuneration components for members of the Management Board amounted to 2,973 thousand (2022: €1,738 thousand).

Remuneration to the members of the Supervisory Board in fiscal year 2023 totaled €353 thousand (2022: €360 thousand). This remuneration included a fixed short-term component and compensation for committee work.
Total remuneration for members of the Management Board and Supervisory Board amounted to €12,703 thousand (2022: €8,224 thousand).

No other business transactions took place between Software AG and the members of the Management Board or the Supervisory Board in fiscal year 2023.

[36] AUDITOR FEES

On May 17, 2023, the shareholders of Software AG elected Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte) as auditor of the Consolidated Financial Statements for the 2023 fiscal year. General and administrative expenses include total fees to Deloitte in the amount of €1,152 thousand. Of this amount, €1,140 thousand relate to financial statement audit services and €12 thousand to other attestation services.

[37] EVENTS AFTER THE BALANCE SHEET DATE

On December 18, 2023, Mosel Bidco SE announced a public delisting tender offer which was completed on February 23, 2024.

Furthermore, Mosel Bidco SE notified the Management Board of Software AG on January 19, 2024, of the formal request pursuant to section 62(1 and 5), sentence 1 of the German Transformation Act (Umwandlungsgesetz–UmwG) in conjunction with sections 327a et seq. of the German Stock Corporation Act (Aktiengesetz – AktG), art. 9(1, lit. c) SE Regulation, to carry out the procedure for the transfer of the shares of Software AG’s minority shareholders against payment of an appropriate cash compensation in connection with a merger of Software AG into Mosel Bidco by way of absorption (so-called merger squeeze-out) and, for this purpose, to have Software AG’s Annual Shareholders’ Meeting resolve the transfer of the shares of Software AG’s minority shareholders within three months after conclusion of the merger agreement. The merger agreement will contain a declaration pursuant to section 62(5), sentence 2 UmwG, according to which Software AG’s minority shareholders as the transferring legal entity are to be excluded in connection with the merger. Mosel Bidco will announce at a later date the amount of the appropriate cash consideration which Mosel Bidco will grant to the remaining shareholders of Software AG for the transfer of their shares.

[38] EXEMPTION FOR DOMESTIC GROUP COMPANIES PURSUANT TO SECTION 264(3) OF HGB

With the approval of the relevant shareholders’ meetings, SAG Deutschland GmbH, Darmstadt, Germany; SAG Consulting Services GmbH, Darmstadt, Germany; Cumulocity GmbH, Düsseldorf, Germany; and SAG LVG mbH, Darmstadt, Germany, which are included in the Consolidated Financial Statements of Software AG, have been exempt from the duty to prepare and publish annual financial statements and a management report, and from the duty to have them audited, in compliance with provisions applicable to corporations in accordance with section 264(3) of HGB.

DATE AND AUTHORIZATION OF ISSUE

Software AG's Management Board approved the Consolidated Financial Statements on March 12, 2024.

Darmstadt, March 12, 2024
Software AG

S. Brahmawar

D. Bünger

J. Husk

Dr. B. Quade

Dr. S. Sigg