

Software AG

Financial Information

Q2 / 2019

July 23, 2019
(unaudited)

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Key Figures as of June 30, 2019

(IFRS, unaudited)

in € millions (unless otherwise stated)	6M 2019 (as stated)	6M 2019 (acc ¹)	6M 2018 (as stated)	+/- as %	+/- as % acc ¹	Q2 2019 (as stated)	Q2 2019 (acc ¹)	Q2 2018 (as stated)	+/- as %	+/- as % acc ¹
Revenue	411,4	405,1	392,3	5%	3%	210,0	206,9	205,7	2%	1%
DBP (incl. Cloud & IoT)	210,3	206,0	202,9	4%	2%	110,3	108,4	107,1	3%	1%
Thereof DBP (excl. Cloud & IoT)	187,9	184,0	191,2	-2%	-4%	97,5	95,7	101,8	-4%	-6%
Thereof DBP (Cloud & IoT)	22,3	22,0	11,6	92%	89%	12,8	12,7	5,3	144%	141%
A&N	107,7	107,0	97,3	11%	10%	53,0	52,4	52,6	1%	0%
Licenses	92,8	92,4	87,6	6%	5%	50,2	49,8	53,5	-6%	-7%
Maintenance	214,7	210,3	204,2	5%	3%	107,6	105,6	101,7	6%	4%
SaaS	10,3	10,0	8,1	27%	25%	5,4	5,3	4,3	25%	23%
Recurring revenue portion DBP (incl. Cloud & IoT)	84%					84%				
Bookings DBP (incl. Cloud & IoT)	110,2					67,0				

	Jun. 30, 2019	Dec. 31, 2018	06/19-12/18 +/- as %	Jun. 30, 2018	12/18-06/18 +/- as %	06/19-06/18 +/- as %
ARR DBP (incl. Cloud & IoT) ⁴	315,3	305,4	3%	287,5	6%	10%
Thereof ARR DBP (Cloud & IoT) ⁴	39,6	30,1	32%	24,8	21%	60%

	6M 2019	6M 2018	+/- as %	Q2 2019	Q2 2018	+/- as %
Operating EBITA (non-IFRS)	107,7	112,7	-4%	56,1	61,5	-9%
as % of revenue	26,2%	28,7%		26,7%	29,9%	
DBP segment earnings	45,0	57,5	-22%	27,5	30,8	-11%
Segment margin	21,4%	28,3%		25,0%	28,8%	
A&N segment earnings	75,9	68,7	11%	36,6	37,5	-2%
Segment margin	70,4%	70,6%		69,1%	71,3%	
Net income (non-IFRS)	75,6	78,7	-4%	39,3	42,2	-7%
Earnings per share (non-IFRS)²	1,02	1,06	-4%	0,53	0,57	-7%
Operating cash flow	90,6	95,1	-5%	30,6	33,5	-9%
CapEx ³	6,0	6,5		3,7	5,0	
Repayments of lease liabilities	7,7			4,5		
Free cash flow	76,9	88,6	-13%	22,4	28,5	-21%
Adjusted operational free cash flow	92,6			27,0		
as % of revenue	22,5%			12,9%		
Adjusted operational free cash flow per share	1,25			0,36		

Balance sheet	Jun. 30, 2019	Dec. 31, 2018	+/- as %
Total assets	2.048,0	2.007,9	2%
Cash and cash equivalents	509,9	462,3	10%
Net cash	136,3	149,0	-9%
Employees (FTE)	4.740	4.763	0%

¹ acc = At constant currency

² Based on weighted average shares outstanding (basic) 6M 2019: 74.0 mn / 6M 2018: 74.0 mn / Q1 2019: 74.0 mn / Q1 2018: 74.0 mn

³ Cash flow from investing activities adjusted for acquisitions and investments in debt instruments

⁴ Annual recurring revenue

Because the figures in this report are stated in accordance with commercial rounding principles, totals and percentages may not always be exact.

Consolidated Income Statement for the Six Months Ended June 30, 2019

(IFRS, unaudited)

in € thousands	6M 2019	6M 2018	+/- as %	Q2 2019	Q2 2018	+/- as %
Licenses	92.754	87.636	6%	50.174	53.471	-6%
Maintenance	214.664	204.168	5%	107.572	101.710	6%
SaaS	10.256	8.062	27%	5.391	4.312	25%
Professional Services	93.440	92.100	1%	46.733	46.039	2%
Other	321	368	-13%	148	169	-12%
Total revenue	411.435	392.334	5%	210.018	205.701	2%
Costs of sales	-98.603	-97.876	1%	-49.144	-48.369	2%
Gross profit	312.832	294.458	6%	160.874	157.332	2%
Research and development expenses	-63.994	-58.378	10%	-30.693	-30.034	2%
Sales, marketing and distribution expenses	-125.558	-110.462	14%	-64.746	-58.426	11%
General and administrative expenses	-35.212	-35.029	1%	-17.592	-17.982	-2%
Other taxes	-2.912	-3.212	-9%	-1.452	-1.416	3%
Operating earnings	85.156	87.377	-3%	46.391	49.474	-6%
Other income/expenses, net	1.872	3.685	-49%	-110	1.324	
Financing expenses, net	2.885	2.087	38%	1.491	722	107%
Earnings before income taxes	89.913	93.149	-3%	47.772	51.520	-7%
Income taxes	-26.816	-27.375	-2%	-14.345	-15.695	-9%
Net income	63.097	65.774	-4%	33.427	35.825	-7%
 Thereof attributable to shareholders of Software AG	62.927	65.665	-4%	33.360	35.753	-7%
 Thereof attributable to non-controlling interests	170	109		67	72	
Earnings per share (€, basic)	0,85	0,89	-4%	0,45	0,48	-6%
Earnings per share (€, diluted)	0,85	0,89	-4%	0,45	0,48	-6%
Weighted average number of shares outstanding (basic)	73.979.889	73.977.152	-	73.979.889	73.978.064	-
Weighted average number of shares outstanding (diluted)	73.979.889	73.980.793	-	73.979.889	73.981.746	-

Consolidated Balance Sheet as of June 30, 2019

(IFRS, unaudited)

Assets (in € thousands)	Jun. 30, 2019	Dec. 31, 2018
Current assets		
Cash and cash equivalents	509.914	462.362
Other financial assets	7.603	15.302
Trade and other receivables	171.978	207.494
Other non-financial assets	23.934	20.109
Income tax receivables	29.942	19.680
	743.371	724.947
Non-current assets		
Intangible assets	126.468	136.972
Goodwill	970.946	964.377
Property, plant and equipment	106.691	71.023
Other financial assets	17.617	19.563
Trade and other receivables	59.361	68.675
Other non-financial assets	3.661	2.924
Income tax receivables	10.295	9.416
Deferred tax receivables	9.572	10.007
	1.304.611	1.282.957
Total Assets	2.047.982	2.007.904
Equity and Liabilities (in € thousands)	Jun. 30, 2019	Dec. 31, 2018
Current liabilities		
Financial liabilities	170.176	111.888
Trade and other payables	31.267	38.831
Other non-financial liabilities	93.184	145.839
Other provisions	27.006	30.630
Income tax liabilities	35.150	37.953
Deferred income	158.861	123.276
	515.644	488.417
Non-current liabilities		
Financial liabilities	203.398	201.432
Trade and other payables	29	3.245
Other non-financial liabilities	421	266
Other provisions	5.675	10.320
Provisions for pensions and similar obligations	34.038	34.621
Income tax liabilities	2.916	2.898
Deferred tax liabilities	11.342	11.398
Deferred income	14.258	16.245
	272.077	280.425
Equity		
Share capital	74.000	74.000
Capital reserves	22.580	22.612
Retained earnings	1.209.312	1.201.689
Other reserves	-45.380	-59.138
Treasury shares	-757	-757
Attributable to shareholders of Software AG	1.259.755	1.238.406
Non-controlling interests	506	656
	1.260.261	1.239.062
Total Equity and Liabilities	2.047.982	2.007.904

Consolidated Statement of Cash Flows for the Six Months Ended June 30, 2019

(IFRS, unaudited)

in € thousands	6M 2019	6M 2018	Q2 2019	Q2 2018
Net income	63.097	65.774	33.427	35.825
Income taxes	26.816	27.375	14.345	15.695
Net financial income/expense	-2.885	-2.087	-1.491	-722
Amortization/depreciation of non-current assets	22.504	15.971	10.916	7.981
Payments for the settlement of share based payment rights with a choice of settlement	-23	0	-23	0
Other non-cash income/expense	56	-1.921	15	-14
Changes in receivables and other assets	51.392	70.330	14.266	18.387
Changes in payables and other liabilities	-34.501	-45.651	-16.968	-19.105
Income taxes paid/received	-38.907	-36.346	-25.425	-25.381
Interest paid	-3.180	-3.542	-1.798	-1.731
Interest received	6.231	5.170	3.374	2.530
Net cash flow from operating activities	90.600	95.073	30.638	33.465
Proceeds from the sale of property, plant and equipment/intangible assets	267	220	105	109
Purchase of property, plant and equipment/intangible assets	-5.082	-4.259	-2.638	-2.407
Proceeds from the sale of non-current financial assets	431	250	260	0
Purchase of non-current financial assets	-1.574	-2.674	-1.458	-2.668
Proceeds from the sale of current financial assets	250	188	180	185
Purchase of current financial assets	-802	-534	-233	-166
Payments for acquisitions, net	-5.135	-29.609	-135	-29.609
Net cash flow from investing activities	-11.645	-36.418	-3.919	-34.556
Use of treasury shares	0	88	0	88
Dividends paid	-52.846	-48.348	-52.526	-48.085
Payments from changes in other current financial liabilities	24.021	11.815	62.262	56.373
Repayments of lease liabilities	-7.735	0	-4.495	0
Proceeds from non-current financial liabilities	0	100.013	0	0
Repayment of non-current financial liabilities	0	-100.011	0	-11
Net cash flow from financing activities	-36.560	-36.443	5.241	8.365
Change in cash and cash equivalents due to business activities	42.395	22.212	31.960	7.274
Change in cash and cash equivalents from currency translation	5.157	-55	-5.577	8.550
Net change in cash and cash equivalents	47.552	22.157	26.383	15.824
Cash and cash equivalents at beginning of period	462.362	365.815	483.531	372.148
Cash and cash equivalents at end of period	509.914	387.972	509.914	387.972
Free cash flow	76.907	88.610	22.412	28.499

Segment Report for the Six Months Ended June 30, 2019

(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Professional Services ¹			Reconciliation		TOTAL		
	6M 2019	6M 2019	6M 2018	6M 2019	6M 2019	6M 2018	6M 2019	6M 2019	6M 2018	6M 2019	6M 2018	6M 2019	6M 2019	6M 2018
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	as stated	as stated	at constant currency	as stated
Licenses	58.766	58.167	61.099	33.988	34.192	26.537	0	0	0	0	0	92.754	92.359	87.636
Maintenance	141.233	137.832	133.696	73.431	72.455	70.472	0	0	0	0	0	214.664	210.287	204.168
SaaS	10.256	10.038	8.062	0	0	0	0	0	0	0	0	10.256	10.038	8.062
Product revenue	210.255	206.037	202.857	107.419	106.647	97.009	0	0	0	0	0	317.674	312.684	299.866
Professional Services	0	0	0	0	0	0	93.440	92.115	92.100	0	0	93.440	92.115	92.100
Other	0	0	41	321	321	323	0	0	4	0	0	321	321	368
Total revenue	210.255	206.037	202.898	107.740	106.968	97.332	93.440	92.115	92.104	0	0	411.435	405.120	392.334
Cost of sales	-18.936	-18.734	-17.704	-4.022	-3.982	-2.679	-71.437	-70.353	-73.506	-4.208	-3.987	-98.603		-97.876
Gross profit	191.319	187.303	185.194	103.718	102.986	94.653	22.003	21.762	18.598	-4.208	-3.987	312.832		294.458
Sales, marketing and distribution expenses	-94.528	-92.439	-80.847	-15.625	-15.560	-14.458	-8.615	-8.473	-8.637	-6.790	-6.520	-125.558		-110.462
Segment contribution	96.791	94.864	104.347	88.093	87.426	80.195	13.388	13.289	9.961	-10.998	-10.507	187.274		183.996
Research and development expenses	-51.804	-49.496	-46.867	-12.190	-12.018	-11.511	0	0	0	0	0	-63.994		-58.378
Segment earnings	44.987	45.368	57.480	75.903	75.408	68.684	13.388	13.289	9.961	-10.998	-10.507	123.280		125.618
General and administrative expenses												-35.212		-35.029
Other taxes												-2.912		-3.212
Operating earnings												85.156		87.377
Other income/expense, net												1.872		3.685
Net financial income/expense												2.885		2.087
Earnings before income taxes												89.913		93.149
Income taxes												-26.816		-27.375
Net income												63.097		65.774

¹ Consulting until 2018; realigned for solution implementation in cooperation with customers and partners as of 2019

Segment Report for the Second Quarter of 2019

(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Professional Services ¹			Reconciliation		TOTAL		
	Q2 2019	Q2 2019	Q2 2018	Q2 2019	Q2 2019	Q2 2018	Q2 2019	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2019	Q2 2018
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	as stated	as stated	at constant currency	as stated
Licenses	33.964	33.672	35.901	16.210	16.111	17.570	0	0	0	0	0	50.174	49.783	53.471
Maintenance	70.934	69.437	66.894	36.638	36.150	34.816	0	0	0	0	0	107.572	105.587	101.710
SaaS	5.391	5.296	4.312	0	0	0	0	0	0	0	0	5.391	5.296	4.312
Product revenue	110.289	108.405	107.107	52.848	52.261	52.386	0	0	0	0	0	163.137	160.666	159.493
Professional Services	0	0	0	0	0	0	46.733	46.038	46.039	0	0	46.733	46.038	46.039
Other	0	0	1	148	148	168	0	0	0	0	0	148	148	169
Total revenue	110.289	108.405	107.108	52.996	52.409	52.554	46.733	46.038	46.039	0	0	210.018	206.852	205.701
Cost of sales	-9.600	-9.506	-9.144	-1.819	-1.795	-1.251	-35.727	-35.189	-35.982	-1.998	-1.992	-49.144		-48.369
Gross profit	100.689	98.899	97.964	51.177	50.614	51.303	11.006	10.849	10.057	-1.998	-1.992	160.874		157.332
Sales, marketing and distribution expenses	-48.736	-47.700	-43.077	-8.260	-8.193	-7.844	-4.345	-4.262	-4.255	-3.405	-3.250	-64.746		-58.426
Segment contribution	51.953	51.199	54.887	42.917	42.421	43.459	6.661	6.587	5.802	-5.403	-5.242	96.128		98.906
Research and development expenses	-24.418	-22.281	-24.061	-6.275	-6.057	-5.973	0	0	0	0	0	-30.693		-30.034
Segment earnings	27.535	28.918	30.826	36.642	36.364	37.486	6.661	6.587	5.802	-5.403	-5.242	65.435		68.872
General and administrative expenses												-17.592		-17.982
Other taxes												-1.452		-1.416
Operating earnings												46.391		49.474
Other income/expense, net												-110		1.324
Net financial income/expense												1.491		722
Earnings before income taxes												47.772		51.520
Income taxes												-14.345		-15.695
Net income												33.427		35.825

¹ Consulting until 2018; realigned for solution implementation in cooperation with customers and partners as of 2019

Segment DBP with Revenue Split for the Six Months Ended June 30, 2019

(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	6M 2019	6M 2019	6M 2018	6M 2019	6M 2019	6M 2018	6M 2019	6M 2019	6M 2018
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated
Licenses	8.742	8.674	1.993	50.024	49.493	59.106	58.766	58.167	61.099
Maintenance	3.338	3.298	1.575	137.895	134.534	132.121	141.233	137.832	133.696
SaaS	10.256	10.038	8.062	0	0	0	10.256	10.038	8.062
Product revenue	22.336	22.010	11.630	187.919	184.027	191.227	210.255	206.037	202.857
Professional Services	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	41	0	0	41
Total revenue	22.336	22.010	11.630	187.919	184.027	191.268	210.255	206.037	202.898
Cost of sales							-18.936	-18.734	-17.704
Gross profit							191.319	187.303	185.194
Sales, marketing and distribution expenses							-94.528	-92.439	-80.847
Segment contribution							96.791	94.864	104.347
Research and development expenses							-51.804	-49.496	-46.867
Segment earnings							44.987	45.368	57.480

DBP Segment with Revenue Split for the Second Quarter of 2019

(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	Q2 2019	Q2 2019	Q2 2018	Q2 2019	Q2 2019	Q2 2018	Q2 2019	Q2 2019	Q2 2018
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated
Licenses	5.683	5.633	206	28.281	28.039	35.695	33.964	33.672	35.901
Maintenance	1.763	1.745	752	69.171	67.692	66.142	70.934	69.437	66.894
SaaS	5.391	5.296	4.312	0	0	0	5.391	5.296	4.312
Product revenue	12.837	12.674	5.270	97.452	95.731	101.837	110.289	108.405	107.107
Professional Services	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	1	0	0	1
Total revenue	12.837	12.674	5.270	97.452	95.731	101.838	110.289	108.405	107.108
Cost of sales							-9.600	-9.506	-9.144
Gross profit							100.689	98.899	97.964
Sales, marketing and distribution expenses							-48.736	-47.700	-43.077
Segment contribution							51.953	51.199	54.887
Research and development expenses							-24.418	-22.281	-24.061
Segment earnings							27.535	28.918	30.826

Statement of Comprehensive Income for the Six Months Ended June 30, 2019

(IFRS, unaudited)

in € thousands	6M 2019	6M 2018	Q2 2019	Q2 2018
Net income	63.097	65.774	33.427	35.825
Currency translation differences from foreign operations	13.858	4.285	-11.949	26.967
Net gain/loss on remeasuring financial assets	-1.059	-9.330	-1.051	-1.430
Currency translation gain/loss from net investments in foreign operations	846	1.071	99	2.063
Items to be reclassified to the income statement if certain conditions are met	13.645	-3.974	-12.901	27.600
Net actuarial gain/loss on pension obligations	113	-34	993	405
Items not to be reclassified to the income statement	113	-34	993	405
Other comprehensive income	13.758	-4.008	-11.908	28.005
Total comprehensive income	76.855	61.766	21.519	63.830
Thereof attributable to shareholders of Software AG	76.685	61.657	21.452	63.758
Thereof attributable to non-controlling interests	170	109	67	72

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