

Software AG

Financial Information

Q3 / 2019

October 22, 2019
(unaudited)

Table of Contents

p. 3	Key Figures as of September 30, 2019
p. 4	Consolidated Income Statement for the Nine Months Ended September 30, 2019
p. 5	Consolidated Balance Sheet as of September 30, 2019
p. 6	Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2019
p. 7	Segment Report for the Nine Months Ended September 30, 2019
p. 8	Segment Report for the Third Quarter of 2019
p. 9	Segment DBP with Revenue Split for the Nine Months Ended September 30, 2019
p. 10	DBP Segment with Revenue Split for the Third Quarter of 2019
p. 11	Statement of Comprehensive Income for the Nine Months Ended September 30, 2019

Key Figures as of September 30, 2019

(IFRS, unaudited)

in € millions (unless otherwise stated)	9M 2019 (as stated)	9M 2019 (acc ¹)	9M 2018 (as stated)	+/- as %	+/- as % acc ¹	Q3 2019 (as stated)	Q3 2019 (acc ¹)	Q3 2018 (as stated)	+/- as %	+/- as % acc ¹
Revenue	635,6	623,4	601,2	6%	4%	224,2	218,3	208,8	7%	5%
DBP (incl. Cloud & IoT)	327,6	320,5	316,7	3%	1%	117,4	114,5	113,8	3%	1%
Thereof DBP (excl. Cloud & IoT)	296,6	290,0	296,0	0%	-2%	108,8	106,0	104,7	4%	1%
Thereof DBP (Cloud & IoT)	31,0	30,5	20,7	50%	47%	8,6	8,5	9,1	-5%	-6%
A&N	169,7	167,0	149,6	13%	12%	62,0	60,0	52,3	19%	15%
Licenses	156,9	154,0	144,4	9%	7%	64,1	61,6	56,7	13%	9%
Maintenance	323,9	317,3	308,8	5%	3%	109,3	107,0	104,7	4%	2%
SaaS	16,0	15,7	12,6	27%	25%	5,8	5,7	4,5	28%	26%
Recurring revenue portion DBP (incl. Cloud & IoT)	82%					79%				
Bookings DBP (incl. Cloud & IoT)	196,5					86,3				

	Sept. 30, 2019	Dec. 31, 2018	09/19-12/18 +/- as %	Sept. 30, 2018	12/18-09/18 +/- as %	09/19-09/18 +/- as %
ARR DBP (incl. Cloud & IoT) ⁴	334,0	305,4	9%	290,3	5%	15%
Thereof ARR DBP (Cloud & IoT) ⁴	42,9	30,1	43%	27,0	11%	59%

	9M 2019	9M 2018	+/- as %	Q3 2019	Q3 2018	+/- as %
Operating EBITA (non-IFRS)	176,1	176,5	0%	68,4	63,8	7%
as % of revenue	27,7%	29,4%		30,5%	30,5%	
DBP segment earnings	80,3	95,7	-16%	35,3	38,2	-8%
Segment margin	24,5%	30,2%		30,1%	33,6%	
A&N segment earnings	119,6	104,5	14%	43,7	35,8	22%
Segment margin	70,5%	69,8%		70,5%	68,4%	
Net income (non-IFRS)	126,6	123,4	3%	51,0	44,7	14%
Earnings per share (non-IFRS)²	1,71	1,67	3%	0,69	0,60	14%
Operating cash flow	124,0	133,7	-7%	33,4	38,6	-13%
CapEx ³	9,5	8,7		3,5	2,2	
Repayments of lease liabilities	11,6			3,9		
Free cash flow	102,9	125,0	-18%	26,0	36,4	-29%
Adjusted operational free cash flow	118,9			26,3		
as % of revenue	18,7%			11,7%		
Adjusted operational free cash flow per share	1,61			0,36		

Balance sheet	Jun. 30, 2019	Dec. 31, 2018	+/- as %
Total assets	2.103,9	2.007,9	5%
Cash and cash equivalents	518,9	462,3	12%
Net cash	178,4	149,0	20%
Employees (FTE)	4.883	4.763	3%

¹ acc = At constant currency

² Based on weighted average shares outstanding (basic) 9M 2019: 74.0 mn / 9M 2018: 74.0 mn / Q3 2019: 74.0 mn / Q3 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 Nine Months Ended September 30, 2019

(IFRS, unaudited)

in € thousands	9M 2019	9M 2018	+/- as %	Q3 2019	Q3 2018	+/- as %
Licenses	156.896	144.378	9%	64.142	56.743	13%
Maintenance	323.937	308.848	5%	109.273	104.680	4%
SaaS	16.021	12.577	27%	5.765	4.515	28%
Professional Services	138.241	134.814	3%	44.801	42.714	5%
Other	496	534	-7%	176	165	7%
Total revenue	635.591	601.151	6%	224.157	208.817	7%
Costs of sales	-148.058	-143.721	3%	-49.455	-45.845	8%
Gross profit	487.533	457.430	7%	174.702	162.972	7%
Research and development expenses	-96.444	-88.545	9%	-32.450	-30.167	8%
Sales, marketing and distribution expenses	-189.502	-169.356	12%	-63.944	-58.894	9%
General and administrative expenses	-54.337	-54.248	0%	-19.125	-19.218	0%
Other taxes	-4.100	-4.813	-15%	-1.188	-1.602	-26%
Operating earnings	143.150	140.468	2%	57.995	53.091	9%
Other income/expenses, net	1.644	3.477	-53%	-229	-208	
Financing expenses, net	4.912	3.444	43%	2.027	1.357	49%
Earnings before income taxes	149.706	147.389	2%	59.793	54.240	10%
Income taxes	-42.601	-43.488	-2%	-15.785	-16.113	-2%
Net income	107.105	103.901	3%	44.008	38.127	15%
Thereof attributable to shareholders of Software AG	106.909	103.709	3%	43.982	38.044	16%
Thereof attributable to non-controlling interests	196	192		26	83	
Earnings per share (€, basic)	1,45	1,40	4%	0,59	0,51	16%
Earnings per share (€, diluted)	1,45	1,40	4%	0,59	0,51	16%
Weighted average number of shares outstanding (basic)	73.979.889	73.978.064	-	73.979.889	73.979.889	-
Weighted average number of shares outstanding (diluted)	73.979.889	73.980.545	-	73.979.889	73.982.289	-

Consolidated Balance Sheet as of September 30, 2019

(IFRS, unaudited)

Assets (in € thousands)	Sept. 30, 2019	Dec. 31, 2018
Current assets		
Cash and cash equivalents	518.922	462.362
Other financial assets	7.633	15.302
Trade and other receivables	190.496	207.494
Other non-financial assets	24.176	20.109
Income tax receivables	21.815	19.680
	763.042	724.947
Non-current assets		
Intangible assets	123.663	136.972
Goodwill	992.399	964.377
Property, plant and equipment	103.984	71.023
Other financial assets	15.691	19.563
Trade and other receivables	72.983	68.675
Other non-financial assets	3.696	2.924
Income tax receivables	11.226	9.416
Deferred tax receivables	17.220	10.007
	1.340.862	1.282.957
Total Assets	2.103.904	2.007.904
Equity and Liabilities (in € thousands)	sept. 30, 2019	Dec. 31, 2018
Current liabilities		
Financial liabilities	139.198	111.888
Trade and other payables	31.278	38.831
Other non-financial liabilities	105.542	145.839
Other provisions	26.765	30.630
Income tax liabilities	38.090	37.953
Deferred income	145.430	123.276
	486.303	488.417
Non-current liabilities		
Financial liabilities	201.288	201.432
Trade and other payables	24	3.245
Other non-financial liabilities	448	266
Other provisions	6.738	10.320
Provisions for pensions and similar obligations	34.377	34.621
Income tax liabilities	3.048	2.898
Deferred tax liabilities	19.487	11.398
Deferred income	8.740	16.245
	274.150	280.425
Equity		
Share capital	74.000	74.000
Capital reserves	22.580	22.612
Retained earnings	1.253.174	1.201.689
Other reserves	-6.078	-59.138
Treasury shares	-757	-757
Attributable to shareholders of Software AG	1.342.919	1.238.406
Non-controlling interests	532	656
	1.343.451	1.239.062
Total Equity and Liabilities	2.103.904	2.007.904

Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2019

(IFRS, unaudited)

in € thousands	9M 2019	9M 2018	Q3 2019	Q3 2018
Net income	107.105	103.901	44.008	38.127
Income taxes	42.601	43.488	15.785	16.113
Net financial income/expense	-4.912	-3.444	-2.027	-1.357
Amortization/depreciation of non-current assets	35.526	24.174	13.022	8.203
Payments for the settlement of share based payment rights with a choice of settlement	-32	-53	-9	-53
Other non-cash income/expense	73	-1.925	17	-4
Changes in receivables and other assets	20.132	54.165	-31.260	-16.165
Changes in payables and other liabilities	-36.735	-46.152	-2.234	-501
Income taxes paid/received	-44.794	-43.385	-5.887	-7.039
Interest paid	-4.636	-4.923	-1.456	-1.381
Interest received	9.641	7.835	3.410	2.665
Net cash flow from operating activities	123.969	133.681	33.369	38.608
Proceeds from the sale of property, plant and equipment/intangible assets	1.564	268	1.297	48
Purchase of property, plant and equipment/intangible assets	-9.502	-6.337	-4.420	-2.078
Proceeds from the sale of non-current financial assets	490	250	59	0
Purchase of non-current financial assets	-1.938	-2.835	-364	-161
Proceeds from the sale of current financial assets	318	271	68	83
Purchase of current financial assets	-877	-885	-75	-351
Payments for acquisitions, net	-5.135	-46.800	0	-17.191
Net cash flow from investing activities	-15.080	-56.068	-3.435	-19.650
Use of treasury shares	0	88	0	0
Dividends paid	-52.846	-48.348	0	0
Payments from changes in other current financial liabilities	-9.549	12.441	-33.570	626
Repayments of lease liabilities	-11.648	0	-3.913	0
Proceeds from non-current financial liabilities	0	100.028	0	15
Repayment of non-current financial liabilities	-5	-100.011	-5	0
Net cash flow from financing activities	-74.048	-35.802	-37.488	641
Change in cash and cash equivalents due to business activities	34.841	41.811	-7.554	19.599
Change in cash and cash equivalents from currency translation	21.719	-734	16.562	-679
Net change in cash and cash equivalents	56.560	41.077	9.008	18.920
Cash and cash equivalents at beginning of period	462.362	365.815	509.914	387.972
Cash and cash equivalents at end of period	518.922	406.892	518.922	406.892
Free cash flow	102.935	125.027	26.028	36.417

Segment Report for the Nine Months Ended September 30, 2019

(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Professional Services ¹			Reconciliation		TOTAL		
	9M 2019	9M 2019	9M 2018	9M 2019	9M 2019	9M 2018	9M 2019	9M 2019	9M 2018	9M 2019	9M 2018	9M 2019	9M 2019	9M 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	97.926	95.980	101.728	58.970	58.002	42.650						156.896	153.982	144.378
Maintenance	213.666	208.843	202.352	110.271	108.467	106.496						323.937	317.310	308.848
SaaS	16.021	15.723	12.577	0	0	0						16.021	15.723	12.577
Product revenue	327.613	320.546	316.657	169.241	166.469	149.146	0	0	0	0	0	496.854	487.015	465.803
Professional Services	0	0	0	0	0	0	138.241	135.918	134.814			138.241	135.918	134.814
Other	0	0	41	496	497	489	0	0	4			496	497	534
Total revenue	327.613	320.546	316.698	169.737	166.966	149.635	138.241	135.918	134.818	0	0	635.591	623.430	601.151
Cost of sales	-28.898	-28.620	-26.175	-5.733	-5.666	-4.628	-107.213	-105.340	-106.837	-6.214	-6.081	-148.058		-143.721
Gross profit	298.715	291.926	290.523	164.004	161.300	145.007	31.028	30.578	27.981	-6.214	-6.081	487.533		457.430
Sales, marketing and distribution expenses	-140.963	-138.046	-123.700	-25.400	-25.045	-23.109	-12.906	-12.672	-12.661	-10.233	-9.886	-189.502		-169.356
Segment contribution	157.752	153.880	166.823	138.604	136.255	121.898	18.122	17.906	15.320	-16.447	-15.967	298.031		288.074
Research and development expenses	-77.439	-71.975	-71.115	-19.005	-18.615	-17.430	0	0	0	0	0	-96.444		-88.545
Segment earnings	80.313	81.905	95.708	119.599	117.640	104.468	18.122	17.906	15.320	-16.447	-15.967	201.587		199.529
General and administrative expenses												-54.337		-54.248
Other taxes												-4.100		-4.813
Operating earnings												143.150		140.468
Other income/expense, net												1.644		3.477
Net financial income/expense												4.912		3.444
Earnings before income taxes												149.706		147.389
Income taxes												-42.601		-43.488
Net income												107.105		103.901

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

Segment Report for the Third Quarter of 2019

(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Professional Services ¹			Reconciliation		TOTAL		
	Q3 2019	Q3 2019	Q3 2018	Q3 2019	Q3 2019	Q3 2018	Q3 2019	Q3 2019	Q3 2018	Q3 2019	Q3 2018	Q3 2019	Q3 2019	Q3 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	39.159	37.814	40.630	24.983	23.810	16.113						64.142	61.624	56.743
Maintenance	72.433	71.011	68.656	36.840	36.012	36.024						109.273	107.023	104.680
SaaS	5.765	5.684	4.515	0	0	0						5.765	5.684	4.515
Product revenue	117.357	114.509	113.801	61.823	59.822	52.137	0	0	0	0	0	179.180	174.331	165.938
Professional Services	0	0	0	0	0	0	44.801	43.803	42.714			44.801	43.803	42.714
Other	0	0	0	176	176	165	0	0	0			176	176	165
Total revenue	117.357	114.509	113.801	61.999	59.998	52.302	44.801	43.803	42.714	0	0	224.157	218.310	208.817
Cost of sales	-9.962	-9.886	-8.471	-1.711	-1.684	-1.949	-35.776	-34.987	-33.331	-2.006	-2.094	-49.455		-45.845
Gross profit	107.395	104.623	105.330	60.288	58.314	50.353	9.025	8.816	9.383	-2.006	-2.094	174.702		162.972
Sales, marketing and distribution expenses	-46.436	-45.607	-42.854	-9.775	-9.484	-8.651	-4.291	-4.199	-4.023	-3.442	-3.366	-63.944		-58.894
Segment contribution	60.959	59.016	62.476	50.513	48.830	41.702	4.734	4.617	5.360	-5.448	-5.460	110.758		104.078
Research and development expenses	-25.636	-22.480	-24.248	-6.814	-6.597	-5.919	0	0	0	0	0	-32.450		-30.167
Segment earnings	35.323	36.536	38.228	43.699	42.233	35.783	4.734	4.617	5.360	-5.448	-5.460	78.308		73.911
General and administrative expenses												-19.125		-19.218
Other taxes												-1.188		-1.602
Operating earnings												57.995		53.091
Other income/expense, net												-229		-208
Net financial income/expense												2.027		1.357
Earnings before income taxes												59.793		54.240
Income taxes												-15.785		-16.113
Net income												44.008		38.127

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

Segment DBP with Revenue Split for the Nine Months Ended September 30, 2019

(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	9M 2019	9M 2019	9M 2018	9M 2019	9M 2019	9M 2018	9M 2019	9M 2019	9M 2018
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated
Licenses	9.983	9.895	5.558	87.943	86.085	96.170	97.926	95.980	101.728
Maintenance	4.969	4.915	2.571	208.697	203.928	199.781	213.666	208.843	202.352
SaaS	16.021	15.723	12.577	0	0	0	16.021	15.723	12.577
Product revenue	30.973	30.533	20.706	296.640	290.013	295.951	327.613	320.546	316.657
Professional Services	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	41	0	0	41
Total revenue	30.973	30.533	20.706	296.640	290.013	295.992	327.613	320.546	316.698
Cost of sales							-28.898	-28.620	-26.175
Gross profit							298.715	291.926	290.523
Sales, marketing and distribution expenses							-140.963	-138.046	-123.700
Segment contribution							157.752	153.880	166.823
Research and development expenses							-77.439	-71.975	-71.115
Segment earnings							80.313	81.905	95.708

DBP Segment with Revenue Split for the Third Quarter of 2019

(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	Q3 2019	Q3 2019	Q3 2018	Q3 2019	Q3 2019	Q3 2018	Q3 2019	Q3 2019	Q3 2018
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated
Licenses	1.241	1.221	3.565	37.918	36.593	37.065	39.159	37.814	40.630
Maintenance	1.630	1.617	996	70.803	69.394	67.660	72.433	71.011	68.656
SaaS	5.765	5.684	4.515	0	0	0	5.765	5.684	4.515
Product revenue	8.636	8.522	9.076	108.721	105.987	104.725	117.357	114.509	113.801
Professional Services	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Total revenue	8.636	8.522	9.076	108.721	105.987	104.725	117.357	114.509	113.801
Cost of sales							-9.962	-9.886	-8.471
Gross profit							107.395	104.623	105.330
Sales, marketing and distribution expenses							-46.436	-45.607	-42.854
Segment contribution							60.959	59.016	62.476
Research and development expenses							-25.636	-22.480	-24.248
Segment earnings							35.323	36.536	38.228

Statement of Comprehensive Income for the Nine Months Ended September 30, 2019

(IFRS, unaudited)

in € thousands	9M 2019	9M 2018	Q3 2019	Q3 2018
Net income	107.105	103.901	44.008	38.127
Currency translation differences from foreign operations	54.627	7.275	40.769	2.990
Net gain/loss on remeasuring financial assets	-2.348	-9.883	-1.289	-553
Currency translation gain/loss from net investments in foreign operations	846	1.343	0	272
Items to be reclassified to the income statement if certain conditions are met	53.125	-1.265	39.480	2.709
Net actuarial gain/loss on pension obligations	65	44	-48	78
Items not to be reclassified to the income statement	65	44	-48	78
Other comprehensive income	53.190	-1.221	39.432	2.787
Total comprehensive income	160.295	102.680	83.440	40.914
Thereof attributable to shareholders of Software AG	160.099	102.488	83.414	40.831
Thereof attributable to non-controlling interests	196	192	26	83

Investor Relations

Uhlandstraße 12
64297 Darmstadt
Germany

Telephone: +49 (0) 6151 / 92 1900
Fax: +49 (0) 6151 / 9234 1900
E-Mail: investor.relations@softwareag.com

www.softwareag.com

