

Software AG

Financial Information

Q2 / 2020

July 22, 2020
(unaudited)

Table of Contents

p. 3	Key Figures as of June 30, 2020 and 2019
p. 4	Consolidated Income Statement for the Six Months Ended June 30, 2020 and 2019
p. 5	Consolidated Balance Sheet as of June 30, 2020 and December 31, 2019
p. 6	Consolidated Statement of Cash Flows for the Six Months Ended June 30, 2020 and 2019
p. 7	Segment Report for the Six Months Ended June 30, 2020 and 2019
p. 8	Segment Report for the Second Quarter 2020 and 2019
p. 9	Segment DBP with Revenue Split for the Six Months Ended June 30, 2020 and 2019
p. 10	Segment DBP with Revenue Split for the Second Quarter 2020 and 2019
p. 11	Statement of Comprehensive Income for the Six Months Ended June 30, 2020 and 2019

Key Figures as of June 30, 2020 and 2019

(IFRS, unaudited)

in € millions (unless otherwise stated)	6M 2020 (as stated)	6M 2020 (acc ¹)	6M 2019 (as stated)	+/- as %	+/- in % acc ¹	Q2 2020 (as stated)	Q2 2020 (acc ¹)	Q2 2019 (as stated)	+/- as %	+/- in % acc ¹
Revenue	411.7	412.3	411.4	0%	0%	204.6	206.6	210.0	-3%	-2%
DBP (incl. Cloud & IoT)	210.2	210.4	210.3	0%	0%	106.7	107.4	110.3	-3%	-3%
Thereof DBP (excl. Cloud & IoT)	184.3	184.7	187.9	-2%	-2%	96.3	97.0	97.5	-1%	-1%
Thereof DBP (Cloud & IoT)	25.8	25.6	22.3	15%	15%	10.4	10.4	12.8	-19%	-19%
A&N	110.0	111.1	107.7	2%	3%	52.4	53.7	53.0	-1%	1%
Licenses	91.1	91.5	92.8	-2%	-1%	44.4	45.0	50.2	-11%	-10%
Maintenance	214.5	215.5	214.7	0%	0%	107.2	108.7	107.6	0%	1%
SaaS	14.2	14.2	10.3	39%	39%	7.3	7.3	5.4	36%	36%
Group Bookings	200.0	200.8	153.9	30%	30%	109.8	110.8	83.6	31%	32%
Bookings DBP (incl. Cloud & IoT) ⁵	139.7	140.6	110.6	26%	27%	81.6	82.2	61.7	32%	33%
Thereof DBP (excl. Cloud & IoT) ⁵	91.4	92.4	78.6	16%	18%	56.8	57.2	43.7	30%	31%
Thereof DBP (Cloud & IoT) ⁵	48.3	48.2	32.0	51%	50%	24.8	24.9	18.0	38%	39%
Bookings A&N ⁵	60.2	60.2	43.3	39%	39%	28.2	28.6	21.9	29%	31%

	Jun. 30, 2020	Jun. 30, 2020 acc ¹	Jun. 30, 2019	06/20-06/19 +/- as %	06/20-06/19 +/- in % acc ¹
Group ARR	508.4	516.5	461.0	10%	12%
DBP (incl. Cloud & IoT) ⁴	355.2	358.6	315.3	13%	14%
A&N	153.2	157.8	145.7	5%	8%

	6M 2020	6M 2019	+/- as %	Q2 2020	Q2 2019	+/- as %
Operating EBITA (non-IFRS)	81.1	107.7	-25%	41.4	56.1	-26%
as % of revenue	19.7%	26.2%		20.2%	26.7%	
DBP segment earnings	28.4	45.0	-37%	15.0	27.5	-46%
Segment margin	13.5%	21.4%		14.0%	25.0%	
A&N segment earnings	70.8	75.9	-7%	33.6	36.6	-8%
Segment margin	64.4%	70.4%		64.2%	69.1%	
EBIT (IFRS)	60.7	89.9	-33%	31.9	47.7	-33%
Net income (non-IFRS)	56.1	75.6	-26%	28.2	39.3	-28%
Earnings per share (non-IFRS)²	0.76	1.02	-26%	0.38	0.53	-28%
Operating cash flow	87.7	90.6	-3%	26.2	30.6	-14%
CapEx ³	8.4	6.0	40%	2.9	3.7	-22%
Repayments of lease liabilities	7.9	7.7	3%	3.9	4.5	-13%
Free cash flow	71.4	76.9	-7%	19.4	22.4	-13%
Free cash flow per share	0.96	1.04	-7%	0.26	0.30	-13%

Balance sheet	Jun. 30, 2020	Dec. 31, 2019	+/- as %
Total assets	2,066.8	2,116.1	-2%
Cash and cash equivalents	507.9	513.6	-1%
Net cash	284.8	217.0	31%
Employees (FTE)	4642⁶	4,948	-6%

¹ acc = At constant currency

² Based on weighted average shares outstanding (basic) 6M 2020: 74.0 mn / 6M 2019: 74.0 mn / Q2 2020 74.0 mn / Q2 2019: 74.0 mn

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

⁴ Annual recurring revenue

⁵ Bookings according to 2020 definition

⁶ Excl.438 FTE for sold Spanish Prof. Services unit

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, 2020 and 2019

(IFRS, unaudited)

in € thousands	6M 2020	6M 2019	+/- as %	Q2 2020	Q2 2019	+/- as %
Licenses	91,101	92,754	-2%	44,413	50,174	-11%
Maintenance	214,536	214,664	0%	107,228	107,572	0%
SaaS	14,232	10,256	39%	7,309	5,391	36%
Professional Services	91,577	93,440	-2%	45,589	46,733	-2%
Other	209	321	-35%	70	148	-53%
Total revenue	411,655	411,435	0%	204,609	210,018	-3%
Costs of sales	-106,819	-98,603	8%	-51,530	-49,144	5%
Gross profit	304,836	312,832	-3%	153,079	160,874	-5%
Research and development expenses	-73,777	-63,994	15%	-37,256	-30,693	21%
Sales, marketing and distribution expenses	-130,490	-125,558	4%	-64,540	-64,746	0%
General and administrative expenses	-38,765	-35,212	10%	-17,350	-17,592	-1%
Other income	13,367	4,420	202%	4,162	385	981%
Other expense	-14,492	-2,548	469%	-6,151	-495	1143%
Other taxes	-2,507	-2,912	-14%	-1,336	-1,452	-8%
Operating profit	58,172	87,028	-33%	30,608	46,281	-34%
Finance income	4,836	6,230	-22%	2,302	3,373	-32%
Finance cost	-2,679	-3,345	-20%	-1,296	-1,882	-31%
Finance income, net	2,157	2,885	-25%	1,006	1,491	-33%
Earnings before income taxes	60,329	89,913	-33%	31,614	47,772	-34%
Income taxes	-18,434	-26,816	-31%	-9,910	-14,345	-31%
Net income	41,895	63,097	-34%	21,704	33,427	-35%
Thereof attributable to shareholders of Software AG	41,785	62,927	-34%	21,628	33,360	-35%
Thereof attributable to non-controlling interests	110	170		76	67	
Earnings per share (€, basic)	0.56	0.85	-34%	0.29	0.45	-36%
Earnings per share (€, diluted)	0.56	0.85	-34%	0.29	0.45	-36%
Weighted average number of shares outstanding (basic)	73,979,889	73,979,889	-	73,979,889	73,979,889	-
Weighted average number of shares outstanding (diluted)	73,979,889	73,979,889	-	73,979,889	73,979,889	-

Consolidated Balance Sheet as of June 30, 2020 and December 31, 2019 (IFRS, unaudited)

Assets (in € thousands)	Jun. 30, 2020	Dec. 31, 2019
Current assets		
Assets held for sale	0	4,795
Cash and cash equivalents	507,858	513,632
Other financial assets	7,447	5,720
Trade and other receivables	178,544	206,596
Other non-financial assets	29,915	26,299
Income tax receivables	19,258	18,943
	743,022	775,985
Non-current assets		
Intangible assets	110,659	116,601
Goodwill	979,133	980,088
Property, plant and equipment	97,540	103,977
Other financial assets	23,593	17,078
Trade and other receivables	86,958	96,544
Other non-financial assets	4,338	3,024
Income tax receivables	10,835	10,835
Deferred tax receivables	10,751	11,955
	1,323,807	1,340,102
Total Assets	2,066,829	2,116,087
Equity and Liabilities (in € thousands)	Jun. 30, 2020	Dec. 31, 2019
Current liabilities		
Liabilities from assets held for sale	0	5,092
Financial liabilities	24,806	96,389
Trade and other payables	34,419	35,793
Other non-financial liabilities	100,170	116,367
Other provisions	41,598	38,099
Income tax liabilities	37,071	35,569
Contract liabilities / Deferred income	161,362	140,893
	399,426	468,202
Non-current liabilities		
Financial liabilities	198,221	200,225
Trade and other payables	177	90
Other non-financial liabilities	982	1,343
Other provisions	8,621	7,360
Provisions for pensions and similar obligations	47,192	47,963
Income tax liabilities	2,653	2,643
Deferred tax liabilities	4,033	10,594
Contract liabilities / Deferred income	18,404	20,212
	280,283	290,430
Equity		
Share capital	74,000	74,000
Capital reserves	22,580	22,580
Retained earnings	1,344,041	1,302,257
Other reserves	-53,191	-41,304
Treasury shares	-757	-757
Attributable to shareholders of Software AG	1,386,673	1,356,776
Non-controlling interests	447	679
	1,387,120	1,357,455
Total Equity and Liabilities	2,066,829	2,116,087

Consolidated Statement of Cash Flows for the Six Months Ended June 30, 2020 and 2019
(IFRS, unaudited)

in € thousands	6M 2020	6M 2019	Q2 2020	Q2 2019
Net income	41,895	63,097	21,704	33,427
Income taxes	18,434	26,816	9,910	14,345
Net financial income/expense	-2,157	-2,885	-1,006	-1,491
Amortization/depreciation of non-current assets	20,337	22,504	10,028	10,916
Payments for the settlement of share based payment rights with a choice of settlement	0	-23	0	-23
Other non-cash income/expense	2,054	56	1,950	15
Changes in receivables and other assets	30,957	51,392	13,282	14,266
Changes in payables and other liabilities	-3,432	-34,501	-15,480	-16,968
Income taxes paid/received	-22,599	-38,907	-15,128	-25,425
Interest paid	-2,682	-3,180	-1,377	-1,798
Interest received	4,888	6,231	2,353	3,374
Net cash flow from operating activities	87,695	90,600	26,236	30,638
Proceeds from the sale of property, plant and equipment/intangible assets	1,170	267	559	105
Purchase of property, plant and equipment/intangible assets	-6,246	-5,082	-2,810	-2,638
Proceeds from the sale of non-current financial assets	0	431	0	260
Purchase of non-current financial assets	-3,297	-1,574	-639	-1,458
Proceeds from the sale of current financial assets	276	250	104	180
Purchase of current financial assets	-523	-802	-255	-233
Net proceeds from disposal of assets held for sale	128	0	128	0
Payments for acquisitions, net	0	-5,135	0	-135
Net cash flow from investing activities	-8,492	-11,645	-2,913	-3,919
Use of treasury shares	0	0	0	0
Dividends paid	-342	-52,846	0	-52,526
Proceeds/payments for current financial liabilities	-44,750	24,021	7,413	62,262
Repayments of lease liabilities	-7,946	-7,735	-3,935	-4,495
New non-current financial liabilities	0	0	0	0
Repayment of non-current financial liabilities	-25,001	0	-25,000	0
Net cash flow from financing activities	-78,039	-36,560	-21,522	5,241
Change in cash and cash equivalents	1,164	42,395	1,801	31,960
Change in cash and cash equivalents from currency translation	-6,938	5,157	-3,934	-5,577
Net change in cash and cash equivalents	-5,774	47,552	-2,133	26,383
Cash and cash equivalents at beginning of period	513,632	462,362	509,991	483,531
Cash and cash equivalents at end of period	507,858	509,914	507,858	509,914
Free cash flow	71,376	76,907	19,411	22,412

Segment Report for the Six Months Ended June 30, 2020 and 2019

(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Professional Services			Reconciliation		TOTAL		
	6M 2020	6M 2020	6M 2019	6M 2020	6M 2020	6M 2019	6M 2020	6M 2020	6M 2019	6M 2020	6M 2019	6M 2020	6M 2020	6M 2019
	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	52,823	53,104	58,766	38,278	38,397	33,988	0		0		0	91,101	91,501	92,754
Maintenance	143,069	142,938	141,233	71,467	72,523	73,431	0		0		0	214,536	215,461	214,664
SaaS	14,232	14,226	10,256	0	0	0	0		0		0	14,232	14,226	10,256
Product revenue	210,124	210,268	210,255	109,745	110,920	107,419	0	0	0	0	0	319,869	321,188	317,674
Professional Services	88	88	0	0	0	0	91,489	90,850	93,440			91,577	90,938	93,440
Other	0	0	0	209	209	321	0	0	0			209	209	321
Total revenue	210,212	210,356	210,255	109,954	111,129	107,740	91,489	90,850	93,440	0	0	411,655	412,335	411,435
Cost of sales	-23,711	-23,744	-18,936	-4,728	-4,781	-4,022	-74,354	-73,678	-71,437	-4,026	-4,208	-106,819		-98,603
Gross profit	186,501	186,612	191,319	105,226	106,348	103,718	17,135	17,172	22,003	-4,026	-4,208	304,836		312,832
Sales, marketing and distribution expenses	-100,600	-100,728	-94,528	-18,195	-18,367	-15,625	-8,462	-8,453	-8,615	-3,233	-6,790	-130,490		-125,558
Segment contribution	85,901	85,884	96,791	87,031	87,981	88,093	8,673	8,719	13,388	-7,259	-10,998	174,346		187,274
Research and development expenses	-57,539	-56,697	-51,804	-16,238	-16,052	-12,190	0	0	0	0	0	-73,777		-63,994
Segment earnings	28,362	29,187	44,987	70,793	71,929	75,903	8,673	8,719	13,388	-7,259	-10,998	100,569		123,280
General and administrative expenses												-38,765		-35,212
Other income												13,367		4,420
Other expense												-14,492		-2,548
Other taxes												-2,507		-2,912
Operating profit												58,172		87,028
Finance income												4,836		6,230
Finance cost												-2,679		-3,345
Finance income, net												2,157		2,885
Earnings before income taxes												60,329		89,913
Income taxes												-18,434		-26,816
Net income												41,895		63,097

Segment Report for the Second Quarter 2020 and 2019

(IFRS, unaudited)

in € thousands	DBP (incl. Cloud & IoT)			A&N			Professional Services			Reconciliation		TOTAL		
	Q2 2020	Q2 2020	Q2 2019	Q2 2020	Q2 2020	Q2 2019	Q2 2020	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2020	Q2 2019
	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	27,681	27,904	33,964	16,732	17,052	16,210						44,413	44,956	50,174
Maintenance	71,623	72,081	70,934	35,605	36,612	36,638						107,228	108,693	107,572
SaaS	7,309	7,346	5,391	0	0	0						7,309	7,346	5,391
Product revenue	106,613	107,331	110,289	52,337	53,664	52,848	0	0	0	0	0	158,950	160,995	163,137
Professional Services	88	88	0	0	0	0	45,501	45,454	46,733			45,589	45,542	46,733
Other	0	0	0	70	70	148	0	0	0			70	70	148
Total revenue	106,701	107,419	110,289	52,407	53,734	52,996	45,501	45,454	46,733	0	0	204,609	206,607	210,018
Cost of sales	-12,237	-12,301	-9,600	-2,162	-2,209	-1,819	-35,117	-34,988	-35,727	-2,014	-1,998	-51,530		-49,144
Gross profit	94,464	95,118	100,689	50,245	51,525	51,177	10,384	10,466	11,006	-2,014	-1,998	153,079		160,874
Sales, marketing and distribution expenses	-49,947	-50,416	-48,736	-8,917	-9,098	-8,260	-4,071	-4,117	-4,345	-1,605	-3,405	-64,540		-64,746
Segment contribution	44,517	44,702	51,953	41,328	42,427	42,917	6,313	6,349	6,661	-3,619	-5,403	88,539		96,128
Research and development expenses	-29,559	-29,272	-24,418	-7,697	-7,603	-6,275	0	0	0	0	0	-37,256		-30,693
Segment earnings	14,958	15,430	27,535	33,631	34,824	36,642	6,313	6,349	6,661	-3,619	-5,403	51,283		65,435
General and administrative expenses												-17,350		-17,592
Other income												4,162		385
Other expense												-6,151		-495
Other taxes												-1,336		-1,452
Operating profit												30,608		46,281
Finance income												2,302		3,373
Finance cost												-1,296		-1,882
Finance income, net												1,006		1,491
Earnings before income taxes												31,614		47,772
Income taxes												-9,910		-14,345
Net income												21,704		33,427

Segment DBP with Revenue Split for the Six Months Ended June 30, 2020 and 2019

(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	6M 2020	6M 2020	6M 2019	6M 2020	6M 2020	6M 2019	6M 2020	6M 2020	6M 2019
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated
Licenses	7,592	7,420	8,742	45,231	45,684	50,024	52,823	53,104	58,766
Maintenance	3,968	3,933	3,338	139,101	139,005	137,895	143,069	142,938	141,233
SaaS	14,232	14,226	10,256	0	0	0	14,232	14,226	10,256
Product revenue	25,792	25,579	22,336	184,332	184,689	187,919	210,124	210,268	210,255
Professional Services	88	88	0	0	0	0	88	88	0
Other	0	0	0	0	0	0	0	0	0
Total revenue	25,880	25,667	22,336	184,332	184,689	187,919	210,212	210,356	210,255
Cost of sales							-23,711	-23,744	-18,936
Gross profit							186,501	186,612	191,319
Sales, marketing and distribution expenses							-100,600	-100,728	-94,528
Segment contribution							85,901	85,884	96,791
Research and development expenses							-57,539	-56,697	-51,804
Segment earnings							28,362	29,187	44,987

Segment DBP with Revenue Split for the Second Quarter 2020 and 2019

(IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	Q2 2020	Q2 2020	Q2 2019	Q2 2020	Q2 2020	Q2 2019	Q2 2020	Q2 2020	Q2 2019
	as stated	at constant currency	as stated	as stated	at constant currency	as stated	as stated	at constant currency	as stated
Licenses	1,093	1,086	5,683	26,588	26,818	28,281	27,681	27,904	33,964
Maintenance	1,954	1,939	1,763	69,669	70,142	69,171	71,623	72,081	70,934
SaaS	7,309	7,346	5,391	0	0	0	7,309	7,346	5,391
Product revenue	10,356	10,371	12,837	96,257	96,960	97,452	106,613	107,331	110,289
Professional Services	88	88	0	0	0	0	88	88	0
Other	0	0	0	0	0	0	0	0	0
Total revenue	10,444	10,459	12,837	96,257	96,960	97,452	106,701	107,419	110,289
Cost of sales							-12,237	-12,301	-9,600
Gross profit							94,464	95,118	100,689
Sales, marketing and distribution expenses							-49,947	-50,416	-48,736
Segment contribution							44,517	44,702	51,953
Research and development expenses							-29,559	-29,272	-24,418
Segment earnings							14,958	15,430	27,535

Statement of Comprehensive Income for the Six Months Ended June 30, 2020 and 2019

(IFRS, unaudited)

in € thousands	6M 2020	6M 2019	Q2 2020	Q2 2019
Net income	41,895	63,097	21,704	33,427
Currency translation differences from foreign operations	-15,647	13,858	-13,683	-11,949
Net profit/(loss) from cash flow hedges	1,359	403	1,232	353
Currency translation gain/loss from net investments in foreign operations	1	846	1	99
Items to be reclassified to the income statement if certain conditions are met	-14,287	15,107	-12,450	-11,497
Net profit/(loss) from equity instruments designated to measurement at fair value through other comprehensive income	-72	-1,462	214	-1,404
Net actuarial gain/loss on pension obligations	2,472	113	1,348	993
Items not to be reclassified to the income statement	2,400	-1,349	1,562	-411
Other comprehensive income	-11,887	13,758	-10,888	-11,908
Total comprehensive income	30,008	76,855	10,816	21,519
Thereof attributable to shareholders of Software AG	29,898	76,685	10,740	21,452
Thereof attributable to non-controlling interests	110	170	76	67

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