

 **software**^{AG}

The logo for Software AG, featuring a stylized 'S' icon followed by the word 'software' in a bold, lowercase sans-serif font, and 'AG' in a smaller, uppercase sans-serif font.

Quarterly Statement Q3

2020

Quarterly Statement Q3 | 2020

Software AG increases 2020 bookings guidance following a strong third consecutive quarter of transformation success

- **Total product bookings** of €101.6 million represents growth of 5 percent year-on-year in Q3. For the nine-month period, total product bookings growth was 20 percent year-on-year.
- **Digital Business growth** with bookings of €82.6 million, 17 percent ahead of Q3 2019. Cloud & IoT bookings growth accelerates to +73 percent year-on-year.
- **Recurring revenue** growth continues with 10 percent overall ARR growth and 11 percent ARR growth within the Digital Business. Recurring revenue was more than 80 percent of total product revenue, already approaching the 2023 ambition.
- **Subscription shift** progressing with subscription and Software-as-a-Service contracts contributing 78 percent of third-quarter bookings in the Digital Business.
- **Robust cost management** continues despite transformation investment, enabling the Group to deliver an operating EBITA margin (non-IFRS) of 18.0 percent for the third quarter.
- **Full-year bookings guidance** increased in the DBP Cloud & IoT and Adabas & Natural business lines. The guidance range for DBP (excl. Cloud & IoT) narrowed towards the upper end and remained unchanged for operating EBITA margin (non-IFRS).

Revenue

- **License revenue:** €38.9 million
- **Product revenue:** €150.2 million
- **Total revenue:** €185.4 million

Segments

- **Digital Business Platform:** €82.6 million in bookings and €103.1 million in revenue. Thereof, €57.6 million in bookings and €91.3 million in revenue came from DBP (excl. Cloud & IoT); and €25.0 million in bookings, €11.9 million in revenue were from DBP Cloud & IoT. The Digital Business (incl. Cloud & IoT) delivered ARR of €355.1 million and the overall segment margin was 10.5 percent.
- **Adabas & Natural:** €19.0 million in bookings and €47.1 million in revenue, with a segment margin of 65.8 percent.
- **Professional Services¹:** €35.2 million in revenue and a segment margin of 14.5 percent.

Earnings

- **EBIT:** €24.9 million
- **Operating EBITA (non-IFRS):** €33.4 million
- **Operating EBITA margin (non-IFRS):** 18.0 percent
- **Earnings per share² (EPS, non-IFRS):** €0.25

Unless otherwise stated, all figures are in accordance with IFRS; increases are at constant currency and rounded.

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

² Based on weighted average shares outstanding (basic); Q3 2020: 74.0 mn

Table of Contents

Management's Assessment of Third-Quarter Results	4
Business Line Development	6
Total Revenue and Earnings Development	6
Employees	7
2020 Outlook	7
Key Figures	8
Consolidated Income Statement	9
Consolidated Balance Sheet	10
Consolidated Statement of Cash Flows	12
Segment Report	13
DBP Segment with Revenue Split	15
Statement of Comprehensive Income	17
Safe Harbor Statement	18
Publication Credits	18
About Software AG	18

Management's Assessment of Third-Quarter Results

The third quarter of 2020 was the latest quarter in which we delivered on our commitments to drive our transformation forward with purpose. Our Helix program continues at pace, and we are continuing to see real impact from the work we've undertaken.

The quarter was the third in a row where we have delivered overall bookings growth, with particularly strong performance in our Digital Business. We also saw 78 percent of the total bookings in our Digital Business come from subscription and Software-as-a-Service (SaaS). Annual recurring revenue was up 10 percent year-on-year in the quarter, and the recurring share of our total product bookings surpassed 80 percent. This brought our recurring revenue portion within reach of our mid-term ambition of between 85 percent and 90 percent: a real achievement at this stage of our transformation. This success was driven by continued product innovation which pushed our Net Promoter Score to a new record high of +57. At the start of the year we also made a commitment to strengthen our North America business. We have now seen three consecutive quarters of strong performance there and have delivered 47 percent growth year-on-year after nine months.

While the success of our transformation pushes bookings growth forward, that growth is accompanied by the expected compression of our reported revenue as recognition is now distributed over the lifetime of the contract. Ultimately, this dynamic is a normal and temporary part of a transformation to subscription, and we are confident we will exit the process with steadier growth, as well as a higher share of recurring revenue and cash flow than prior to the transformation.

For the third quarter of 2020, Group bookings reached €101.6 million, an increase of 5 percent year-on-year. Group revenue was €185.4 million (2019: € 224.2 million), with the expected decline reflecting the accelerating shift to subscription and the resulting stronger technical impact on reported revenue than was present in the second quarter. Third quarter earnings before interest and taxes (EBIT) were €24.9 million (2019: €59.0 million), a decline of 58 percent reflecting both the technical contraction in stated revenue due to our transformation, as well as the ongoing

investment in product innovation and our new go-to-market approach. The Group's earnings before interest, taxes and amortization (EBITA, non-IFRS) totaled €33.4 million as a result of a prudent balance of cost and investment. The Group's operating EBITA margin (non-IFRS) reached 18.0 percent.

Down 26 percent year-on-year, bookings in our Adabas & Natural (A&N) business performed in line with expectations in the third quarter of 2020. This development reflects quarterly volatility related to the timing of certain deals. Over the nine-month period, however, A&N delivered strong bookings growth of 13 percent year-on-year. Accordingly, we adjusted our 2020 guidance for A&N product bookings to between 5 percent and 15 percent. This metric should be seen in the context of cyclicity and timing of A&N renewals by Software AG's customers in 2020 and therefore cannot be extrapolated into 2021 as a run-rate. It does, however, reflect continued customer confidence in our A&N 2050+ strategy.

The Digital Business (Digital Business Platform, DBP, incl. Cloud & IoT) sustained its return to growth with bookings up 17 percent. Within the Digital Business line, Cloud & IoT continued to perform extremely well in the quarter delivering bookings growth ahead of expectations at 73 percent. This growth was driven by strong demand for our Cloud products and substantial IoT deals including one with Eppendorf, a leading global medical equipment provider. The remaining Digital Business Platform also saw a bookings increase of 2 percent with revenue at €91.3 million (2019: €108.7 million), representing a stated decline of 13 percent. Again, this decrease reflects the ongoing technical impact of the shift to subscription. Bookings growth in the nine-month period for DBP (excl. Cloud & IoT) was strong at +11 percent.

One important goal across our business lines is to grow the recurring portion of our overall revenue stream, increasing visibility and predictability over time. The leading indicator we track as a sign of progress in this area is annual recurring revenue, which was €504.3 for the third quarter of 2020. This represents growth of 10 percent year-on-year.

These business results are underpinned by a range of activity in our transformation pillars—Focus, Execution, and Team—which are directly impacting our financial results. In our Focus pillar, we continue to drive innovation across our product portfolio, improving relevance and quality. During the quarter we saw new releases in Cumulocity IoT and TrendMiner among other product areas and continued to draw recognition from leading industry analysts Gartner and Forrester, which rated us as the strongest leader in API management ahead of market peers like Google Apigee, MuleSoft and Axway.

In our Execution Pillar, we are improving our ability to deliver market impact and drive our shift to subscription. As part of this program we've undertaken a transformation in our North American business, which delivered strong growth over the first nine-months of 2020. This growth included significant contract expansions in Q3 at the State of California Department of Technology, U.S. Navy, and Flexi-Van Leasing to name a few. Overall, we welcomed 47 new customers in Q3. Most of these net new customers were won in competition against major competitors like Mulesoft, Apigee, and PTC.

In our Team pillar, we are reinforcing our employee base in terms of talent and expanding the support we give to our people during a challenging time. We are also seeing real momentum gathering in our partner ecosystem. Internally, we are working hard to hire the best talent across the industry, and we are also helping our people adapt the new "normal" environment as the pandemic persists in many geographies. Our alliance and channel business delivered 28 percent of our total bookings in Q3, while Technology Alliances like the ones we have with Microsoft and AWS continue to build significant momentum in pipeline and joint customer wins.

Overall, the management team is proud of the progress being made in our transformation. We now have a business we can trust to deliver, and we firmly believe we are now well set to continue delivering sustainable, profitable growth.

“Our full set of third-quarter numbers provide greater clarity and context around our ongoing transformation. Our subscription shift continues, and our bookings growth demonstrates real impact in the market. The strong performance we've delivered across nine more months of transformation has also increased the confidence we have in our full-year outlook, and we have adjusted our guidance accordingly. This performance would not have been possible without the continued resilience, dedication and support of our people, who continue to drive our business growth despite the challenges we—and many other businesses—have faced this year,” Sanjay Brahmawar, CEO of Software AG.

“Our full third-quarter numbers confirm we continue to show resilience, and drive growth at Software AG despite ongoing uncertainty in the external environment. The investments we've made in our newer cloud-based and subscription offerings are resonating in the market, and we are now seeing the strong transformation impact on P&L. Our start to the fourth quarter has given us confidence we'll see these trends continue, and we look forward to closing the year in line with our increased guidance ranges,” Dr. Matthias Heiden, CFO of Software AG.

Business Line Development

Third Quarter and First Nine Months of 2020

The Group's total **Digital Business** sustained its return to growth. Bookings increased 17 percent, with revenue 9 percent lower year-on-year at €103.1 million (2019: €117.4 million). Bookings growth in the total Digital Business for the nine months ending September 30, 2020 was 23 percent. **DBP (excl. Cloud & IoT)** bookings rose 2 percent, while revenue was €91.3 million (2019: €108.7 million), representing a stated decline of 13 percent. This drop reflects the ongoing technical impact of the shift to subscription. Bookings growth in the nine-month period for DBP (excl. Cloud & IoT) was strong at 11 percent. **DBP Cloud & IoT** continued to accelerate during the quarter, delivering bookings

growth of 73 percent which flowed through to revenue growth of 40 percent to €11.9 million (2019: €8.6 million). Over the nine-month period, bookings growth in DBP Cloud & IoT was 58 percent. **A&N** bookings were down 26 percent from the third quarter of 2019 for two reasons: The third quarter of 2019 showed particularly high bookings whereas the third quarter of 2020 was short of a large deal, which closed earlier in the second quarter. This was also reflected in revenue which totaled €47.1 million (2019: €62.0 million). Over the nine-month period, A&N delivered strong bookings growth of 13 percent year-on-year.

Total Revenue and Earnings Development

Third Quarter and First Nine Months of 2020

Software AG reported third-quarter 2020 total bookings growth of 5 percent and Group revenue of €185.4 million (2019: €224.2 million) with product revenue (licenses + maintenance + SaaS) at €150.2 million (2019: €179.2 million). The Group's total revenue for the nine-month period was 5 percent lower than the prior-year period, at €597.0 million. The Company's **EBIT** in the third quarter of 2020 was €24.9 million and operating **EBITA (non-IFRS)** was €33.4 million. As a result, the Group's **operating profit margin (non-IFRS)** stands at 18.0 percent. The Group's operating profit margin for the nine-month period

was 19.2 percent. Net income (non-IFRS) accrued to €18.7 million (2019: €51.0 million), or €0.25 per share (2019: €0.69) in the third quarter. For the nine-month period, net income (non-IFRS) was €74.8 million, or €1.01 per share. The Group's free cash flow also saw a technical impact from its transformation as cash from the increasing share of subscription and SaaS contracts is spread over the contract duration. As a result, the Group's free cash flow in the third quarter of 2020 was €4.1 million (2019: €26.0 million), while its free cash flow in the nine-month period was €75.5 million (2019: €102.9 million).

Employees

As of September 30, 2020, Software AG had 4,642 (2019: 4,883) employees worldwide (full-time equivalents, FTE). The 2020 figure excludes 438 FTE no longer with the business following the sale of the Group's Professional Services unit in Spain. Of that total, 1,471 (Q3 2019: 1,890) worked in Professional Services, 1,479 (Q3 2019: 1,391) worked in Research & Development, 1,025 (Q3 2019: 963) worked in Marketing and Sales, and 667 (Q3 2019: 640) worked in Administration.

2020 Outlook

Having confirmed its Q3 financial results, Software AG is now in a position to refine and update its guidance for the 2020 fiscal year. With strong transformation progress recorded across nine months and a solid start to the fourth quarter, the Company now has more visibility into its full-year outturn. As a result, the management team now expects the following for the 2020 fiscal year:

- DBP (excl. Cloud & IoT) product bookings growth between 3 and 10 percent
- DBP Cloud & IoT product bookings growth between 30 to 50 percent
- A&N product bookings between 5 and 15 percent
- Operating EBITA margin (non-IFRS) will continue to be between 20 and 22 percent

A&N guidance should be seen in the context of cyclical-ity and timing of A&N renewals by Software AG's customers. For these reasons, 2020 performance cannot automatically be extrapolated into 2021 as a run-rate. While the Group will provide its guidance for 2021 along with its fourth-quarter and full-year results on January 27, 2021, it has recommitted to its mid-term target of reaching €1 billion of revenue by 2023.

Outlook for Fiscal Year 2020

	Results FY 2019 (as of Dec. 31, 2019) in € millions	Outlook FY 2020 (as of Jan. 29, 2020) as %	Adj. Outlook FY 2020 (as of April 23, 2020) as %	Adj. Outlook FY 2020 (as of Nov. 18, 2020) as %
DBP (excl. Cloud & IoT) product bookings	241.1	+10 to +15 ¹	0 to +10 ¹	+3 to +10 ¹
DBP Cloud & IoT product bookings	65.9	+40 to +60 ¹	+20 to +40 ¹	+30 to +50 ¹
A&N product bookings	100.8	-3 to +3 ¹	no change	+5 to +15 ¹
Operating EBITA margin (non-IFRS) ²	29.2%	20 to 22 ¹	no change	no change

¹ At constant currency

² Adjusted for non-operating factors (see non-IFRS earnings definition in the 2019 Annual Report from p. 50)

Key Figures

As of September 30, 2020 and 2019 (IFRS, unaudited)

in € millions (unless otherwise stated)	9M 2020 (IFRS)	9M 2019 (IFRS)	+/- as %	+/- as % acc ¹	Q3 2020 (IFRS)	Q3 2019 (IFRS)	+/- as %	+/- as % acc ¹
Revenue	597.0	635.6	-6%	-5%	185.4	224.2	-17%	-14%
DBP (incl. Cloud & IoT)	313.3	327.6	-4%	-3%	103.1	117.4	-12%	-9%
thereof DBP (excl. Cloud & IoT)	275.6	296.6	-7%	-6%	91.3	108.7	-16%	-13%
thereof DBP (Cloud & IoT)	37.7	31.0	22%	22%	11.9	8.6	37%	40%
A&N	157.0	169.7	-7%	-5%	47.1	62.0	-24%	-19%
Licenses	130.0	156.9	-17%	-16%	38.9	64.1	-39%	-36%
Maintenance	317.9	323.9	-2%	0%	103.4	109.3	-5%	-1%
SaaS	22.2	16.0	38%	40%	7.9	5.8	38%	42%
Group bookings	301.5	255.8	18%	20%	101.6	101.9	0%	5%
Bookings DBP (incl. Cloud & IoT) ²	222.3	184.2	21%	23%	82.6	73.6	12%	17%
thereof DBP (excl. Cloud & IoT) ²	149.0	137.4	8%	11%	57.6	58.8	-2%	2%
thereof DBP (Cloud & IoT) ²	73.3	46.8	57%	58%	25.0	14.8	69%	73%
Bookings A&N ²	79.2	71.6	11%	13%	19.0	28.3	-33%	-26%
Group ARR	504.3	485.0		10%				
DBP (incl. Cloud & IoT) ³	355.1	334.0		11%				
A&N	149.2	151.0		6%				
Operating EBITA (non-IFRS)	114.6	176.1	-35%		33.4	68.4	-51%	
as % of revenue	19.2%	27.7%			18.0%	30.5%		
DBP segment earnings	39.2	80.3	-51%		10.8	35.3	-69%	
Segment margin	12.5%	24.5%			10.5%	30.1%		
A&N segment earnings	101.8	119.6	-15%		31.0	43.7	-29%	
Segment margin	64.8%	70.5%			65.8%	70.5%		
EBIT (IFRS)	85.6	148.9	-43%		24.9	59.0	-58%	
Net income (non-IFRS)	74.8	126.6	-41%		18.7	51.0	-63%	
Earnings per share (non-IFRS)⁴	1.01	1.71	-41%		0.25	0.69	-63%	
Operating cash flow	98.9	123.9	-20%		11.2	33.3	-66%	
CapEx ⁵	11.7	9.4	24%		3.3	3.4	-3%	
Repayment of lease liabilities	11.7	11.6	1%		3.8	3.9	-3%	
Free cash flow	75.5	102.9	-27%		4.1	26.0	-84%	
Free cash flow per share	1.02	1.39	-27%		0.06	0.35	-84%	
Balance sheet	Sep. 30, 2020	Dec. 31, 2019						
Total assets	2,062.1	2,116.1	-3%					
Cash and cash equivalents	531.5	513.6	3%					
Net cash	220.5	217.0	2%					
Employees (FTE)	4,642⁶	4,948	-6%					

¹ acc = At constant currency

² Bookings as per the 2020 definition

³ Annual recurring revenue

⁴ Based on weighted average shares outstanding (basic) 9M 2020: 74.0 mn/9M 2019: 74.0 mn/Q3 2020 74.0 mn/Q3 2019: 74.0 mn

⁵ Cash flow from investing activities adjusted for acquisitions and investments in debt instruments

⁶ Not including 438 FTE from sold Spanish Professional 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 nine months and quarter ended September 30, 2020 and 2019 (IFRS, unaudited)

in € thousands	9M 2020	9M 2019	+/- as %	Q3 2020	Q3 2019	+/- as %
Licenses	129,971	156,896	-17%	38,869	64,142	-39%
Maintenance	317,922	323,937	-2%	103,386	109,273	-5%
SaaS	22,175	16,021	38%	7,944	5,765	38%
Professional Services	126,730	138,241	-8%	35,153	44,801	-22%
Other	215	496	-57%	6	176	-97%
Total revenue	597,013	635,591	-6%	185,358	224,157	-17%
Cost of sales	-149,975	-148,058	1%	-43,157	-49,455	-13%
Gross profit	447,038	487,533	-8%	142,201	174,702	-19%
Research and development expenses	-108,724	-96,444	13%	-34,946	-32,450	8%
Sales, marketing and distribution expenses	-194,349	-189,502	3%	-63,859	-63,944	0%
General and administrative expenses	-56,665	-54,337	4%	-17,899	-19,125	-6%
Other income	23,097	12,169	90%	9,730	7,749	26%
Other expenses	-24,799	-10,525	136%	-10,307	-7,978	29%
Other taxes	-3,655	-4,100	-11%	-1,149	-1,188	-3%
Operating income	81,943	144,794	-43%	23,771	57,766	-59%
Financing income	6,423	9,637	-33%	1,587	3,407	-53%
Financing expenses	-3,600	-4,725	-24%	-921	-1,380	-33%
Financial income, net	2,823	4,912	-43%	666	2,027	-67%
Earnings before income taxes	84,766	149,706	-43%	24,437	59,793	-59%
Income taxes	-29,001	-42,601	-32%	-10,567	-15,785	-33%
Net income	55,765	107,105	-48%	13,870	44,008	-68%
thereof attributable to shareholders of Software AG	55,577	106,909	-48%	13,792	43,982	-69%
thereof attributable to non-controlling interests	188	196		78	26	
Earnings per share (€, basic)	0.75	1.45	-48%	0.19	0.59	-68%
Earnings per share (€, diluted)	0.75	1.45	-48%	0.19	0.59	-68%
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 September 30, 2020 and December 31, 2019 (IFRS, unaudited)

Assets

in € thousands	September 30, 2020	December 31, 2019
Current assets		
Assets held for sale	0	4,795
Cash and cash equivalents	531,471	513,632
Other financial assets	11,530	5,720
Trade and other receivables	173,479	206,596
Other non-financial assets	29,823	26,299
Income tax receivables	20,648	18,943
	766,951	775,985
Non-current assets		
Intangible assets	104,802	116,601
Goodwill	960,585	980,088
Property, plant and equipment	93,677	103,977
Other financial assets	27,313	17,078
Trade and other receivables	81,838	96,544
Other non-financial assets	4,264	3,024
Income tax receivables	11,238	10,835
Deferred tax receivables	11,437	11,955
	1,295,154	1,340,102
Total Assets	2,062,105	2,116,087

As of September 30, 2020 and December 31, 2019 (IFRS, unaudited)

Equity and Liabilities

in € thousands	September 30, 2020	December 31, 2019
Current liabilities		
Liabilities from assets held for sale	0	5,092
Financial liabilities	66,036	96,389
Trade and other payables	33,924	35,793
Other non-financial liabilities	107,419	116,367
Other provisions	43,458	38,099
Income tax liabilities	36,278	35,569
Contractual obligations/deferred income	138,551	140,893
	425,666	468,202
Non-current liabilities		
Financial liabilities	245,013	200,225
Trade and other payables	172	90
Other non-financial liabilities	1,022	1,343
Other provisions	12,524	7,360
Provisions for pensions and similar obligations	47,134	47,963
Income tax liabilities	2,536	2,643
Deferred tax liabilities	3,386	10,594
Contractual liabilities/deferred income	16,145	20,212
	327,932	290,430
Equity		
Share capital	74,000	74,000
Capital reserves	22,580	22,580
Retained earnings	1,301,609	1,302,257
Other reserves	-89,450	-41,304
Treasury shares	-757	-757
Attributable to shareholders of Software AG	1,307,982	1,356,776
Non-controlling interests	525	679
	1,308,507	1,357,455
Total Equity and Liabilities	2,062,105	2,116,087

Consolidated Statement of Cash Flows

For the nine months and quarter ended September 30, 2020 and 2019 (IFRS, unaudited)

in € thousands	9M 2020	9M 2019	Q3 2020	Q3 2019
Net income	55,765	107,105	13,870	44,008
Income taxes	29,001	42,601	10,567	15,785
Net financial income/expense	-2,823	-4,912	-666	-2,027
Amortization/depreciation of non-current assets	30,169	35,526	9,832	13,022
Payments for optional cash-settled claims to share-based compensation	0	-32	0	-9
Other non-cash income/expense	1,545	73	-509	17
Changes in receivables and other assets	34,884	20,132	3,927	-31,260
Changes in payables and other liabilities	-15,035	-36,735	-11,603	-2,234
Income taxes paid/received	-37,208	-44,794	-14,609	-5,887
Interest paid	-3,825	-4,636	-1,143	-1,456
Interest received	6,455	9,641	1,567	3,410
Net cash flow from operating activities	98,928	123,969	11,233	33,369
Proceeds from the sale of property, plant and equipment/intangible assets	1,361	1,564	191	1,297
Purchase of property, plant and equipment/intangible assets	-9,475	-9,502	-3,229	-4,420
Proceeds from the sale of non-current financial assets	1	490	1	59
Purchase of non-current financial assets	-3,628	-1,938	-331	-364
Proceeds from the sale of current financial assets	306	318	30	68
Purchase of current financial assets	-544	-877	-21	-75
Net proceeds from disposal of assets held for sale	128	0	0	0
Payments for acquisitions, net	0	-5,135	0	0
Net cash flow from investing activities	-11,851	-15,080	-3,359	-3,435
Use of treasury shares	0	0	0	0
Dividends paid	-56,567	-52,846	-56,225	0
Proceeds/payments for current financial liabilities	-2,070	-9,549	42,680	-33,570
Repayment of lease liabilities	-11,711	-11,648	-3,765	-3,913
New non-current financial liabilities	50,096	0	50,096	0
Repayment of non-current financial liabilities	-25,001	-5	0	-5
Net cash flow from financing activities	-45,253	-74,048	32,786	-37,488
Change in cash and cash equivalents	41,824	34,841	40,660	-7,554
Change in cash and cash equivalents from currency translation	-23,985	21,719	-17,047	16,562
Net change in cash and cash equivalents	17,839	56,560	23,613	9,008
Cash and cash equivalents at beginning of period	513,632	462,362	507,858	509,914
Cash and cash equivalents at end of period	531,471	518,922	531,471	518,922
Free cash flow	75,476	102,935	4,100	26,028

Segment Report

For the nine months ended September 30, 2020 and 2019 (IFRS, unaudited)

in € thousands	Digital Business Platform (DBP) incl. Cloud & IoT			Adabas & Natural (A&N)			Professional Services			Reconciliation		Total		
	9M 2020 IFRS	9M 2020 acc ¹	9M 2019 IFRS	9M 2020 IFRS	9M 2020 acc ¹	9M 2019 IFRS	9M 2020 IFRS	9M 2020 acc ¹	9M 2019 IFRS	9M 2020 IFRS	9M 2019 IFRS	9M 2020 IFRS	9M 2020 acc ¹	9M 2019 IFRS
Licenses	79,304	80,781	97,926	50,667	51,789	58,970	0	0	0	0	0	129,971	132,570	156,896
Maintenance	211,791	214,329	213,666	106,131	109,454	110,271	0	0	0	0	0	317,922	323,783	323,937
SaaS	22,175	22,387	16,021	0	0	0	0	0	0	0	0	22,175	22,387	16,021
Product revenue	313,270	317,497	327,613	156,798	161,243	169,241	0	0	0	0	0	470,068	478,740	496,854
Professional Services	0	0	0	0	0	0	126,730	127,271	138,241	0	0	126,730	127,271	138,241
Other	0	0	0	214	214	496	1	1	0	0	0	215	215	496
Total revenue	313,270	317,497	327,613	157,012	161,457	169,737	126,731	127,272	138,241	0	0	597,013	606,226	635,591
Cost of sales	-36,192	-36,267	-28,898	-6,630	-6,780	-5,733	-101,156	-101,249	-107,213	-5,997	-6,214	-149,975		-148,058
Gross profit	277,078	281,230	298,715	150,382	154,677	164,004	25,575	26,023	31,028	-5,997	-6,214	447,038		487,533
Sales, marketing and distribution expenses	-152,799	-154,846	-140,963	-24,989	-25,508	-25,400	-11,777	-11,883	-12,906	-4,784	-10,233	-194,349		-189,502
Segment contribution	124,279	126,384	157,752	125,393	129,169	138,604	13,798	14,140	18,122	-10,781	-16,447	252,689		298,031
Research and development expenses	-85,105	-84,338	-77,439	-23,619	-23,473	-19,005	0	0	0	0	0	-108,724		-96,444
Segment earnings	39,174	42,046	80,313	101,774	105,696	119,599	13,798	14,140	18,122	-10,781	-16,447	143,965		201,587
General and administrative expenses												-56,665		-54,337
Other income												23,097		12,169
Other expenses												-24,799		-10,525
Other taxes												-3,655		-4,100
Operating income												81,943		144,794
Financing income												6,423		9,637
Financing expenses												-3,600		-4,725
Financial income, net												2,823		4,912
Earnings before income taxes												84,766		149,706
Income taxes												-29,001		-42,601
Net income												55,765		107,105

¹ At constant currency

Segment Report

For the quarter ended September 30, 2020 and 2019 (IFRS, unaudited)

in € thousands	Digital Business Platform (DBP) incl. Cloud & IoT			Adabas & Natural (A&N)			Professional Services			Reconciliation		Total		
	Q3 2020 IFRS	Q3 2020 acc ¹	Q3 2019 IFRS	Q3 2020 IFRS	Q3 2020 acc ¹	Q3 2019 IFRS	Q3 2020 IFRS	Q3 2020 acc ¹	Q3 2019 IFRS	Q3 2020 IFRS	Q3 2019 IFRS	Q3 2020 IFRS	Q3 2020 acc ¹	Q3 2019 IFRS
Licenses	26,480	27,677	39,159	12,389	13,392	24,983	0	0	0	0	0	38,869	41,069	64,142
Maintenance	68,722	71,392	72,433	34,664	36,931	36,840	0	0	0	0	0	103,386	108,323	109,273
SaaS	7,944	8,162	5,765	0	0	0	0	0	0	0	0	7,944	8,162	5,765
Product revenue	103,146	107,231	117,357	47,053	50,323	61,823	0	0	0	0	0	150,199	157,554	179,180
Professional Services	-88	-89	0	0	0	0	35,241	36,422	44,801	0	0	35,153	36,333	44,801
Other	0	0	0	5	6	176	1	0	0	0	0	6	6	176
Total revenue	103,058	107,142	117,357	47,058	50,329	61,999	35,242	36,422	44,801	0	0	185,358	193,893	224,157
Cost of sales	-12,481	-12,524	-9,962	-1,902	-1,999	-1,711	-26,803	-27,571	-35,776	-1,971	-2,006	-43,157		-49,455
Gross profit	90,577	94,618	107,395	45,156	48,330	60,288	8,439	8,851	9,025	-1,971	-2,006	142,201		174,702
Sales, marketing and distribution expenses	-52,199	-54,118	-46,436	-6,794	-7,142	-9,775	-3,315	-3,429	-4,291	-1,551	-3,442	-63,859		-63,944
Segment contribution	38,378	40,500	60,959	38,362	41,188	50,513	5,124	5,422	4,734	-3,522	-5,448	78,342		110,758
Research and development expenses	-27,566	-27,641	-25,636	-7,380	-7,421	-6,814	0	0	0	0	0	-34,946		-32,450
Segment earnings	10,812	12,859	35,323	30,982	33,767	43,699	5,124	5,422	4,734	-3,522	-5,448	43,396		78,308
General and administrative expenses												-17,899		-19,125
Other income												9,730		7,749
Other expenses												-10,307		-7,978
Other taxes												-1,149		-1,188
Operating income												23,771		57,766
Financing income												1,587		3,407
Financing expenses												-921		-1,380
Financial income, net												666		2,027
Earnings before income taxes												24,437		59,793
Income taxes												-10,567		-15,785
Net income												13,870		44,008

¹ At constant currency

DBP Segment with Revenue Split

For the nine months ended September 30, 2020 and 2019 (IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	9M 2020 IFRS	9M 2020 acc ¹	9M 2019 IFRS	9M 2020 IFRS	9M 2020 acc ¹	9M 2019 IFRS	9M 2020 IFRS	9M 2020 acc ¹	9M 2019 IFRS
Licenses	9,092	8,934	9,983	70,212	71,847	87,943	79,304	80,781	97,926
Maintenance	6,393	6,372	4,969	205,398	207,957	208,697	211,791	214,329	213,666
SaaS	22,175	22,387	16,021	0	0	0	22,175	22,387	16,021
Product revenue	37,660	37,693	30,973	275,610	279,804	296,640	313,270	317,497	327,613
Professional Services	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0	0
Total revenue	37,660	37,693	30,973	275,610	279,804	296,640	313,270	317,497	327,613
Cost of sales							-36,192	-36,267	-28,898
Gross profit							277,078	281,230	298,715
Sales, marketing and distribution expenses							-152,799	-154,846	-140,963
Segment contribution							124,279	126,384	157,752
Research and development expenses							-85,105	-84,338	-77,439
Segment earnings							39,174	42,046	80,313

¹ At constant currency

DBP Segment with Revenue Split

For the quarter ended September 30, 2020 and 2019 (IFRS, unaudited)

in € thousands	DBP (Cloud & IoT)			DBP (excl. Cloud & IoT)			DBP (incl. Cloud & IoT)		
	Q3 2020 IFRS	Q3 2020 acc ¹	Q3 2019 IFRS	Q3 2020 IFRS	Q3 2020 acc ¹	Q3 2019 IFRS	Q3 2020 IFRS	Q3 2020 acc ¹	Q3 2019 IFRS
Licenses	1,500	1,514	1,241	24,980	26,163	37,918	26,480	27,677	39,159
Maintenance	2,425	2,438	1,630	66,297	68,954	70,803	68,722	71,392	72,433
SaaS	7,944	8,162	5,765	0	0	0	7,944	8,162	5,765
Product revenue	11,869	12,114	8,636	91,277	95,117	108,721	103,146	107,231	117,357
Professional Services	0	0	0	-88	-89	0	-88	-89	0
Other	0	0	0	0	0	0	0	0	0
Total revenue	11,869	12,114	8,636	91,189	95,028	108,721	103,058	107,142	117,357
Cost of sales							-12,481	-12,524	-9,962
Gross profit							90,577	94,618	107,395
Sales, marketing and distribution expenses							-52,199	-54,118	-46,436
Segment contribution							38,378	40,500	60,959
Research and development expenses							-27,566	-27,641	-25,636
Segment earnings							10,812	12,859	35,323

¹ At constant currency

Statement of Comprehensive Income

For the nine months and quarter ended September 30, 2020 and 2019 (IFRS, unaudited)

in € thousands	9M 2020	9M 2019	Q3 2020	Q3 2019
Net income	55,765	107,105	13,870	44,008
Currency translation differences from foreign operations	-54,048	54,627	-38,401	40,769
Net gain/(loss) from cash flow hedges	3,278	-702	1,919	-1,105
Currency translation gain/loss from net investments in foreign operations	1	846	0	0
Items to be reclassified to the income statement if certain conditions are met	-50,769	54,771	-36,482	39,664
Net gain/(loss) from equity instruments designated to measurement at fair value through other comprehensive income	182	-1,646	254	-184
Net actuarial gain/loss on pension obligations	2,441	65	-31	-48
Items not to be reclassified to the income statement	2,623	-1,581	223	-232
Other comprehensive income	-48,146	53,190	-36,259	39,432
Total comprehensive income	7,619	160,295	-22,389	83,440
thereof attributable to shareholders of Software AG	7,431	160,099	-22,467	83,414
thereof attributable to non-controlling interests	188	196	78	26

Safe Harbor Statement

This document includes forward-looking statements based on the beliefs of Software AG management. Such statements reflect current views of Software AG with respect to future events and results and are subject to risks and uncertainties. Actual results may vary materially from those projected here, due to factors including changes in general economic and business conditions, changes in currency exchange, the introduction of competing products, lack of market acceptance of new products, services or technologies and changes in business strategy. Software AG does not intend or assume any obligation to update these forward-looking statements.

This document constitutes neither an offer nor recommendation to subscribe or buy in any other way securities of Software AG or any of the companies that are members of the Group at present or in the future, nor does it form part of such an offer and it should not be understood as such. This document does not constitute an offer of sale of securities in the United States of America. Securities may not be offered or sold in the United States of America without registration or exemption from registration in accordance with the U.S. Securities' Act of 1933 in its currently valid form.

Publication Credits

Publisher

Software AG
Investor Relations
Uhlandstraße 12
64297 Darmstadt
Germany

Tel. +49 6151 92-0
Fax +49 6151 92-1191

press@softwareag.com
[SoftwareAG.com](https://www.softwareag.com)

Concept and Layout

MPM Corporate Communication Solutions,
Mainz
www.mpm.de

About Software AG

Software AG reimagines integration, sparks business transformation and enables fast innovation on the Internet of Things so you can pioneer differentiating business models. We give you the freedom to connect and integrate any technology from app to edge. We help you free data from silos so it's shareable, usable and powerful—enabling you to make the best decisions and unlock entirely new possibilities for growth.

Software AG has more than 4,600 employees, is active in 70 countries and had €890.6 million in revenue in 2019.

Learn more about Software AG at [SoftwareAG.com](https://www.softwareag.com).
Follow us on [LinkedIn](#) and [Twitter](#).

Contact

Software AG
Corporate Headquarters
Uhlandstraße 12
64297 Darmstadt
Germany

Tel. +49 6151 92-0

Fax +49 6151 92-1191

www.SoftwareAG.com

