

Software AG

Financial Information

Q1 / 2023

April 27, 2023
(unaudited)

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Key Figures as of March 31, 2023 and 2022

(IFRS, unaudited)

in € millions

| (unless otherwise stated) | Q1 2023 | Q1 2022 | +/- as % | +/- in % acc ¹ |
|--------------------------------------|--------------|--------------|----------|---------------------------|
| Group revenue | 210,6 | 206,0 | 2 | 2 |
| Product revenue | 169,8 | 166,9 | 2 | 1 |
| thereof Digital Business | 120,6 | 110,9 | 9 | 8 |
| thereof Adabas & Natuarl (A&N) | 49,3 | 56,0 | -12 | -12 |
| thereof Licenses | 50,4 | 55,5 | -9 | -9 |
| thereof Maintenance | 96,3 | 97,5 | -1 | -2 |
| thereof Software as a Service (SaaS) | 23,2 | 14,0 | 66 | 64 |

| | Mar. 31, 2023 | Mar. 31, 2022 | 03/23-03/22 +/- as % | +/- in % acc ¹ |
|-----------------------------------|---------------|---------------|-------------------------|---------------------------|
| Group ARR² | 704,3 | 605,5 | 16 | 17 |
| Digital Business ARR ² | 518,9 | 429,4 | 21 | 21 |
| A&N ARR ² | 185,4 | 176,1 | 5 | 7 |

| | Q1 2023 | Q1 2022 | +/- as % |
|---|-------------|-------------|------------|
| Operating EBITA (non-IFRS) | 23,6 | 40,9 | -42 |
| <i>Operating margin (EBITA, non-IFRS) as %</i> | 11,2 | 19,9 | |
| Digital Business segment earnings | -2,4 | 8,0 | -130 |
| <i>Segment margin as %</i> | -2,0 | 7,2 | |
| A&N segment earnings | 34,0 | 38,0 | -11 |
| <i>Segment margin as %</i> | 69,0 | 67,8 | |
| EBIT | 3,1 | 30,0 | -90 |
| Operating net income (non-IFRS) | 13,0 | 25,3 | -49 |
| Operating earnings per share (non-IFRS)³ in € | 0,18 | 0,34 | -48 |
| Operating cash flow | 26,5 | 30,6 | -13 |
| CapEx ⁴ | -3,2 | -3,6 | -11 |
| Repayment of lease liabilities | -2,4 | -2,7 | -11 |
| Free cash flow | 20,9 | 24,3 | -14 |
| Free cash flow per share in € | 0,28 | 0,33 | -14 |

| Balance sheet | Mar. 31, 2023 | Dec. 31, 2022 | +/- as % |
|---------------------------|----------------|----------------|-----------|
| Total assets | 2.628,2 | 2.678,4 | -2 |
| Cash and cash equivalents | 434,6 | 427,1 | 2 |
| Net cash position | -232,9 | -240,0 | -3 |
| Employees (FTE) | 4.848 | 4.996 | -3 |

¹ At constant currency.

² Annual recurring revenue.

³ Based on weighted average shares outstanding (basic) Q1 2023: 74.0 mn / Q1 2022 74.0 mn.

⁴ Cash flow from investing activities adjusted for acquisitions and investments in debt instruments.

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 First Quarter 2023 and 2022

(IFRS, unaudited)

| in € thousands | Q1 2023 | Q1 2022 | +/- as % |
|---|----------------|----------------|------------|
| Licenses | 50.374 | 55.511 | -9 |
| Maintenance | 96.306 | 97.459 | -1 |
| Software as a Service (SaaS) | 23.170 | 13.967 | 66 |
| Product revenue | 169.850 | 166.937 | 2 |
| Services | 40.733 | 39.092 | 4 |
| Other | 0 | 3 | -100 |
| Total revenue | 210.583 | 206.032 | 2 |
| Costs of sales | -61.064 | -49.271 | 24 |
| Gross profit | 149.519 | 156.761 | -5 |
| Research and development expenses | -49.448 | -40.919 | 21 |
| Sales, marketing, and distribution expenses | -72.659 | -67.056 | 8 |
| General and administrative expenses | -17.493 | -22.754 | -23 |
| Other income | 3.819 | 13.540 | -72 |
| Other expense | -10.658 | -9.552 | 12 |
| Other taxes | -1.216 | -1.065 | 14 |
| Operating income | 1.864 | 28.955 | -94 |
| Financing income | 5.941 | 2.150 | 176 |
| Financing expenses | -6.355 | -5.592 | 14 |
| Net financial income/expenses | -414 | -3.442 | -88 |
| Earnings before income taxes | 1.450 | 25.513 | -94 |
| Income taxes | -591 | -7.751 | -92 |
| Net income | 859 | 17.762 | -95 |
| thereof attributable to shareholders of Software AG | 859 | 17.626 | -95 |
| thereof attributable to non-controlling interests | 0 | 136 | -100 |
| Earnings per share in € (basic) | 0,01 | 0,24 | -96 |
| Earnings per share in € (diluted) | 0,01 | 0,24 | -96 |
| Weighted average number of shares outstanding (basic) | 73.979.889 | 73.979.889 | - |
| Weighted average number of shares outstanding (diluted) | 73.979.889 | 77.678.858 | - |

Consolidated Balance Sheet as of March 31, 2023 and December 31, 2022

(IFRS, unaudited)

| Assets | | |
|---|----------------------|----------------------|
| in € thousands | Mar. 31, 2023 | Dec. 31, 2022 |
| Current assets | | |
| Cash and cash equivalents | 434.559 | 427.105 |
| Other financial assets | 2.812 | 2.551 |
| Trade receivables, contract assets, and other receivables | 233.169 | 251.799 |
| Other non-financial assets | 58.455 | 51.987 |
| Income tax receivables | 35.037 | 36.505 |
| | 764.032 | 769.947 |
| Non-current assets | | |
| Intangible assets | 209.258 | 221.702 |
| Goodwill | 1.363.820 | 1.381.828 |
| Property, plant, and equipment | 73.906 | 76.005 |
| Investment property | 5.574 | 5.635 |
| Other financial assets | 10.453 | 9.823 |
| Trade receivables, contract assets, and other receivables | 126.701 | 135.848 |
| Other non-financial assets | 50.237 | 52.812 |
| Income tax receivables | 16.145 | 15.748 |
| Deferred tax receivables | 8.026 | 9.057 |
| | 1.864.120 | 1.908.458 |
| Total assets | 2.628.152 | 2.678.405 |
| Equity and Liabilities | | |
| in € thousands | Mar. 31, 2023 | Dec. 31, 2022 |
| Current liabilities | | |
| Financial liabilities | 136.232 | 31.888 |
| Trade and other payables | 46.836 | 57.350 |
| Other non-financial liabilities | 106.087 | 138.037 |
| Other provisions | 58.945 | 59.529 |
| Income tax liabilities | 25.357 | 30.673 |
| Contract liabilities | 176.372 | 137.168 |
| | 549.829 | 454.645 |
| Non-current liabilities | | |
| Financial liabilities | 531.264 | 635.217 |
| Trade and other payables | 127 | 130 |
| Other non-financial liabilities | 788 | 866 |
| Other provisions | 4.742 | 5.504 |
| Provisions for pensions and similar obligations | 11.220 | 11.750 |
| Income tax liabilities | 893 | 911 |
| Deferred tax liabilities | 36.810 | 42.671 |
| Contract liabilities | 9.030 | 15.559 |
| | 594.874 | 712.608 |
| Equity | | |
| Subscribed capital | 74.000 | 74.000 |
| Capital reserves | 55.762 | 55.737 |
| Retained earnings | 1.332.993 | 1.332.134 |
| Other reserves | 21.451 | 50.038 |
| Treasury shares | -757 | -757 |
| Attributable to shareholders of Software AG | 1.483.449 | 1.511.152 |
| Non-controlling interests | 0 | 0 |
| | 1.483.449 | 1.511.152 |
| Total equity and liabilities | 2.628.152 | 2.678.405 |

Consolidated Statement of Cash Flows for the First Quarter 2023 and 2022

(IFRS, unaudited)

| in € thousands | Q1 2023 | Q1 2022 |
|---|----------------|----------------|
| Net income | 859 | 17.762 |
| Income taxes | 591 | 7.751 |
| Net financial income/expense | 414 | 3.442 |
| Amortization/depreciation of non-current assets | 14.106 | 9.740 |
| Other noncash income/expense | 85 | -7.197 |
| Changes in receivables and other assets | 24.788 | 10.427 |
| Changes in payables and other liabilities | -6.676 | 4.126 |
| Income taxes paid | -9.667 | -14.429 |
| Interest paid | -3.973 | -3.316 |
| Interest received | 6.009 | 2.299 |
| Net cash flow from operating activities | 26.536 | 30.605 |
| Proceeds from the sale of property, plant and equipment/intangible assets | 464 | 158 |
| Purchase of property, plant and equipment/intangible assets | -2.621 | -1.693 |
| Proceeds from the sale of non-current financial assets | 40 | 1 |
| Purchase of non-current financial assets | -1.100 | -2.011 |
| Proceeds from the sale of current financial assets | 58 | 67 |
| Purchase of current financial assets | -278 | -840 |
| Net cash flow from investing activities | -3.437 | -4.318 |
| Dividends paid | 0 | -474 |
| Proceeds/payments for current financial liabilities | -387 | 3.188 |
| Repayments of lease liabilities | -2.366 | -2.717 |
| New non-current financial liabilities | 0 | 364.300 |
| Repayment of non-current financial liabilities | -3.333 | -40.000 |
| Net cash flow from financing activities | -6.086 | 324.297 |
| Change in cash and cash equivalents | 17.013 | 350.584 |
| Change in cash and cash equivalents from currency translation | -9.559 | 7.465 |
| Net change in cash and cash equivalents | 7.454 | 358.049 |
| Cash and cash equivalents at beginning of period | 427.105 | 585.844 |
| Cash and cash equivalents at end of period | 434.559 | 943.893 |
| Free cash flow | 20.953 | 24.343 |

Segment Report for the First Quarter 2023 and 2022

(IFRS, unaudited)

| in € thousands | Digital Business | | | A&N | | | Professional Services | | | Reconciliation | | TOTAL | | |
|---|------------------|------------------|----------------|---------------|------------------|---------------|-----------------------|------------------|---------------|----------------|---------------|----------------|------------------|----------------|
| | Q1 2023 | Q1 2023 | Q1 2022 | Q1 2023 | Q1 2023 | Q1 2022 | Q1 2023 | Q1 2023 | Q1 2022 | Q1 2023 | Q1 2022 | Q1 2023 | Q1 2023 | Q1 2022 |
| | IFRS | acc ¹ | IFRS | IFRS | acc ¹ | IFRS | IFRS | acc ¹ | IFRS | IFRS | IFRS | IFRS | acc ¹ | IFRS |
| License from subscription | 29.534 | 29.396 | 22.707 | 11.673 | 11.555 | 13.793 | 0 | 0 | 0 | 0 | 0 | 41.207 | 40.951 | 36.500 |
| Maintenance from subscription | 25.203 | 24.902 | 18.075 | 6.591 | 6.584 | 4.188 | 0 | 0 | 0 | 0 | 0 | 31.794 | 31.486 | 22.263 |
| Perpetual maintenance | 38.552 | 37.970 | 44.485 | 25.960 | 25.942 | 30.711 | 0 | 0 | 0 | 0 | 0 | 64.512 | 63.912 | 75.196 |
| SaaS | 23.170 | 22.914 | 13.967 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 23.170 | 22.914 | 13.967 |
| Recurring Revenue | 116.459 | 115.182 | 99.234 | 44.224 | 44.081 | 48.692 | 0 | 0 | 0 | 0 | 0 | 160.683 | 159.263 | 147.926 |
| Perpetual licenses | 4.097 | 4.127 | 11.685 | 5.070 | 5.278 | 7.326 | 0 | 0 | 0 | 0 | 0 | 9.167 | 9.405 | 19.011 |
| Product revenue | 120.556 | 119.309 | 110.919 | 49.294 | 49.359 | 56.018 | 0 | 0 | 0 | 0 | 0 | 169.850 | 168.668 | 166.937 |
| Services | 0 | 0 | 0 | 0 | 0 | 0 | 40.733 | 40.777 | 39.092 | 0 | 0 | 40.733 | 40.777 | 39.092 |
| Other | 0 | 0 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 3 |
| Revenue | 120.556 | 119.309 | 110.922 | 49.294 | 49.359 | 56.018 | 40.733 | 40.777 | 39.092 | 0 | 0 | 210.583 | 209.445 | 206.032 |
| Cost of sales | -18.971 | -18.860 | -15.422 | -1.637 | -1.627 | -2.161 | -33.514 | -33.350 | -29.193 | -6.942 | -2.495 | -61.064 | | -49.271 |
| Gross profit | 101.585 | 100.449 | 95.500 | 47.657 | 47.732 | 53.857 | 7.219 | 7.427 | 9.899 | -6.942 | -2.495 | 149.519 | | 156.761 |
| Sales, marketing, and distribution expenses | -62.209 | -61.196 | -55.106 | -5.966 | -6.045 | -7.348 | -2.854 | -2.830 | -3.080 | -1.630 | -1.522 | -72.659 | | -67.056 |
| Segment contribution | 39.376 | 39.253 | 40.394 | 41.691 | 41.687 | 46.509 | 4.365 | 4.597 | 6.819 | -8.572 | -4.017 | 76.860 | | 89.705 |
| Research and development expenses | -41.749 | -41.088 | -32.402 | -7.699 | -7.719 | -8.517 | 0 | 0 | 0 | 0 | 0 | -49.448 | | -40.919 |
| Segment earnings | -2.373 | -1.835 | 7.992 | 33.992 | 33.968 | 37.992 | 4.365 | 4.597 | 6.819 | -8.572 | -4.017 | 27.412 | | 48.786 |
| General and administrative expenses | | | | | | | | | | | | -17.493 | | -22.754 |
| Other income | | | | | | | | | | | | 3.819 | | 13.540 |
| Other expense | | | | | | | | | | | | -10.658 | | -9.552 |
| Other taxes | | | | | | | | | | | | -1.216 | | -1.065 |
| Operating income | | | | | | | | | | | | 1.864 | | 28.955 |
| Financing income | | | | | | | | | | | | 5.941 | | 2.150 |
| Financing expenses | | | | | | | | | | | | -6.355 | | -5.592 |
| Net financial income/expenses | | | | | | | | | | | | -414 | | -3.442 |
| Earnings before income taxes | | | | | | | | | | | | 1.450 | | 25.513 |
| Income taxes | | | | | | | | | | | | -591 | | -7.751 |
| Net income | | | | | | | | | | | | 859 | | 17.762 |

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.

Statement of Comprehensive Income for the First Quarter 2023 and 2022

(IFRS, unaudited)

| in € thousands | Q1 2023 | Q1 2022 |
|--|----------------|---------------|
| Net income | 859 | 17.762 |
| Currency translation differences from foreign operations | -23.579 | 18.659 |
| Net gain/(loss) from cash flow hedges | 148 | -445 |
| Currency translation gain/loss from net investments in foreign operations | -6.738 | 0 |
| Items to be reclassified to the income statement if certain conditions are met | -30.169 | 18.214 |
| Net gain/(loss) from equity instruments designated to measurement at fair value through other comprehensive income | 109 | -210 |
| Net actuarial gain/loss from remeasurement of post-employment benefit obligations | 1.473 | 170 |
| Items not to be reclassified to the income statement | 1.582 | -40 |
| Gain/loss recognized in equity | -28.587 | 18.174 |
| Total comprehensive income | -27.728 | 35.936 |
| thereof attributable to shareholders of Software AG | -27.728 | 35.800 |
| thereof attributable to non-controlling interests | 0 | 136 |

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