

Software AG

Financial Information

Q2 / 2023

July 24, 2023
(unaudited)

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Key Figures as of June 30, 2023 and 2022

(IFRS, unaudited)

in € millions

(unless otherwise stated)	6M 2023	6M 2022	+/- as %	+/- in % acc ¹	Q2 2023	Q2 2022	+/- as %	+/- in % acc ¹
Group revenue	459,0	432,9	6	8	248,4	226,9	9	14
Product revenue	380,9	354,6	7	9	211,1	187,6	12	17
thereof Digital Business	258,4	246,8	5	6	137,8	135,8	1	4
thereof Adabas & Natuari (A&N)	122,6	107,8	14	17	73,3	51,8	41	49
thereof Licenses	142,1	122,9	16	19	91,7	67,4	36	42
thereof Maintenance	191,9	199,2	-4	-3	95,6	101,8	-6	-3
thereof Software as a Service (SaaS)	46,9	32,4	45	46	23,8	18,5	29	32

	June 30, 2023	June 30, 2022	+/- as %	+/- in % acc ¹
Group ARR²	718,4	658,6	9	12
Digital Business ARR ²	527,5	481,0	10	12
A&N ARR ²	190,8	177,6	7	11

	6M 2023	6M 2022	+/- as %	Q2 2023	Q2 2022	+/- as %
Operating EBITA (non-IFRS)	77,9	90,3	-14	54,3	49,4	10
<i>Operating margin (EBITA, non-IFRS) as %</i>	17,0	20,9		21,9	21,8	
Digital Business segment earnings	5,8	18,1	-68	8,2	10,1	-19
<i>Segment margin as %</i>	2,3	7,3		5,9	7,4	
A&N segment earnings	93,5	71,7	30	59,5	33,7	77
<i>Segment margin as %</i>	76,3	66,5		81,2	65,0	
EBIT	25,4	61,9	-59	22,3	31,9	-30
Operating net income (non-IFRS)	20,0	53,9	-63	13,0	28,4	-54
Operating earnings per share (non-IFRS)³ in €	0,27	0,73	-63	0,18	0,38	-54
Operating cash flow	-4,6	12,1	-138	-31,2	-18,5	68
CapEx ⁴	-4,5	-4,2		-1,2	-0,6	
Repayment of lease liabilities	-4,9	-5,3		-2,5	-2,6	
Free cash flow	-14,0	2,6	-629	-34,9	-21,7	-61
Free cash flow per share in €	-0,19	0,04	-629	-0,47	-0,29	-61

Balance sheet	June 30, 2023	Dec. 31, 2022	+/- as %
Total assets	2.595,7	2.678,4	-3
Cash and cash equivalents	388,4	427,1	-9
Net cash position ⁵	-265,3	-240,0	11
Employees (FTE)	4.775	4.996	-4

¹ At constant currency.

² Annual recurring revenue.

³ Based on weighted average shares outstanding (basic) 6M 2023: 74.0mn / 6M 2022: 74.0mn / Q2 2023: 74.0 mn / Q2 2022 74.0 mn.

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

⁵ Net cash position contains cash and cash equivalents less financial liabilities

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, 2023 and 2022

(IFRS, unaudited)

in € thousands	6M 2023	6M 2022	+/- as %	Q2 2023	Q2 2022	+/- as %
Licenses	142.065	122.892	16	91.691	67.381	36
Maintenance	191.903	199.235	-4	95.597	101.776	-6
Software as a Service (SaaS)	46.950	32.444	45	23.780	18.477	29
Product revenue	380.918	354.571	7	211.068	187.634	12
Services	78.015	78.355	0	37.282	39.263	-5
Other	71	12	492	71	9	689
Total revenue	459.004	432.938	6	248.421	226.906	9
Costs of sales	-120.125	-104.548	15	-59.061	-55.277	7
Gross profit	338.879	328.390	3	189.360	171.629	10
Research and development expenses	-98.026	-84.595	16	-48.578	-43.676	11
Sales, marketing, and distribution expenses	-152.846	-153.472	0	-80.187	-86.416	-7
General and administrative expenses	-38.298	-44.925	-15	-20.805	-22.171	-6
Other income	8.350	43.334	-81	4.531	29.794	-85
Other expense	-32.652	-26.800	22	-21.994	-17.248	28
Other taxes	-2.770	-2.339	18	-1.554	-1.274	22
Operating income	22.637	59.593	-62	20.773	30.638	-32
Financing income	13.381	4.986	168	7.440	2.836	162
Financing expenses	-12.981	-10.347	25	-6.626	-4.755	39
Net financial income/expenses	400	-5.361	-107	814	-1.919	-142
Earnings before income taxes	23.037	54.232	-58	21.587	28.719	-25
Income taxes	-16.942	-18.814	-10	-16.351	-11.063	48
Net income	6.095	35.418	-83	5.236	17.656	-70
thereof attributable to shareholders of Software AG	6.095	35.155	-83	5.236	17.529	-70
thereof attributable to non-controlling interests	0	263	-100	0	127	-100
Earnings per share in € (basic)	0,08	0,48	-83	0,07	0,24	-71
Earnings per share in € (diluted)	0,08	0,48	-83	0,07	0,24	-71
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, 2023 and December 31, 2022
(IFRS, unaudited)

Assets		
in € thousands	June 30, 2023	Dec. 31, 2022
Current assets		
Cash and cash equivalents	388.424	427.105
Other financial assets	2.641	2.551
Trade receivables, contract assets, and other receivables	239.952	251.799
Other non-financial assets	59.474	51.987
Income tax receivables	30.827	36.505
	721.318	769.947
Non-current assets		
Intangible assets	200.180	221.702
Goodwill	1.362.517	1.381.828
Property, plant, and equipment	72.671	76.005
Investment property	5.513	5.635
Other financial assets	11.037	9.823
Trade receivables, contract assets, and other receivables	149.368	135.848
Other non-financial assets	49.559	52.812
Income tax receivables	16.441	15.748
Deferred tax receivables	7.075	9.057
	1.874.361	1.908.458
Total assets	2.595.679	2.678.405
Equity and Liabilities		
in € thousands	June 30, 2023	Dec. 31, 2022
Current liabilities		
Financial liabilities	125.457	31.888
Trade and other payables	59.187	57.350
Other non-financial liabilities	109.529	138.037
Other provisions	36.416	59.529
Income tax liabilities	28.404	30.673
Contract liabilities	155.300	137.168
	514.293	454.645
Non-current liabilities		
Financial liabilities	528.285	635.217
Trade and other payables	89	130
Other non-financial liabilities	609	866
Other provisions	8.798	5.504
Provisions for pensions and similar obligations	11.347	11.750
Income tax liabilities	894	911
Deferred tax liabilities	39.762	42.671
Contract liabilities	8.997	15.559
	598.781	712.608
Equity		
Subscribed capital	74.000	74.000
Capital reserves	55.882	55.737
Retained earnings	1.334.530	1.332.134
Other reserves	18.950	50.038
Treasury shares	-757	-757
Attributable to shareholders of Software AG	1.482.605	1.511.152
Non-controlling interests	0	0
	1.482.605	1.511.152
Total equity and liabilities	2.595.679	2.678.405

Consolidated Statement of Cash Flows for the Six Months Ended June 31, 2023 and 2022
(IFRS, unaudited)

in € thousands	6M 2023	6M 2022	Q2 2023	Q2 2022
Net income	6.095	35.418	5.236	17.656
Income taxes	16.942	18.814	16.351	11.063
Net financial income/expense	-400	5.361	-814	1.919
Amortization/depreciation of non-current assets	28.236	24.412	14.130	14.672
Other noncash income/expense	229	-296	144	6.901
Changes in receivables and other assets	-4.672	-23.879	-29.460	-34.306
Changes in payables and other liabilities	-36.059	-6.311	-29.383	-10.437
Income taxes paid	-15.148	-39.109	-5.481	-24.680
Interest paid	-13.248	-7.317	-9.275	-4.001
Interest received	13.411	5.009	7.402	2.710
Net cash flow from operating activities	-4.614	12.102	-31.150	-18.503
Proceeds from the sale of property, plant and equipment/intangible assets	577	607	113	449
Purchase of property, plant and equipment/intangible assets	-4.239	-6.407	-1.618	-4.714
Proceeds from the sale of non-current financial assets	455	3.616	415	3.615
Purchase of non-current financial assets	-1.255	-2.011	-155	0
Proceeds from the sale of current financial assets	269	67	211	0
Purchase of current financial assets	-298	-1.777	-20	-937
Payments for acquisitions, net	0	-537.317	0	-537.317
Net cash flow from investing activities	-4.491	-543.222	-1.054	-538.904
Dividends paid	-3.699	-56.699	-3.699	-56.225
Proceeds/payments for current financial liabilities	-387	69.185	0	65.997
Repayments of lease liabilities	-4.891	-5.267	-2.525	-2.550
New non-current financial liabilities	0	364.300	0	0
Repayment of non-current financial liabilities	-7.333	-75.000	-4.000	-35.000
Net cash flow from financing activities	-16.310	296.519	-10.224	-27.778
Change in cash and cash equivalents	-25.415	-234.601	-42.428	-585.185
Change in cash and cash equivalents from currency translation	-13.266	36.497	-3.707	29.032
Net change in cash and cash equivalents	-38.681	-198.104	-46.135	-556.153
Cash and cash equivalents at beginning of period	427.105	585.844	434.559	943.893
Cash and cash equivalents at end of period	388.424	387.740	388.424	387.740
Free cash flow	-13.967	2.640	-34.920	-21.703

Segment Report for the Six Months Ended June 30, 2023 and 2022

(IFRS, unaudited)

in € thousands	Digital Business			A&N			Professional Services			Reconciliation		Total		
	6M 2023	6M 2023	6M 2022	6M 2023	6M 2023	6M 2022	6M 2023	6M 2023	6M 2022	6M 2023	6M 2022	6M 2023	6M 2023	6M 2022
	IFRS	acc ¹	IFRS	IFRS	acc ¹	IFRS	IFRS	acc ¹	IFRS	IFRS	IFRS	IFRS	acc ¹	IFRS
License from subscriptions	75.044	76.262	66.429	46.426	47.550	24.928	0	0	0	0	0	121.470	123.812	91.357
Maintenance from subscriptions	50.841	51.152	37.988	13.422	13.643	9.131	0	0	0	0	0	64.263	64.795	47.119
Perpetual maintenance	76.235	76.613	91.112	51.405	52.702	61.004	0	0	0	0	0	127.640	129.315	152.116
SaaS	46.950	47.263	32.444	0	0	0	0	0	0	0	0	46.950	47.263	32.444
Recurring Revenue	249.070	251.290	227.973	111.253	113.895	95.063	0	0	0	0	0	360.323	365.185	323.036
Perpetual licenses	9.290	9.731	18.786	11.305	12.483	12.749	0	0	0	0	0	20.595	22.214	31.535
Product revenue	258.360	261.021	246.759	122.558	126.378	107.812	0	0	0	0	0	380.918	387.399	354.571
Services	0	0	0	0	0	0	78.015	79.534	78.355	0	0	78.015	79.534	78.355
Other	0	0	12	0	0	0	71	72	0	0	0	71	72	12
Revenue	258.360	261.021	246.771	122.558	126.378	107.812	78.086	79.606	78.355	0	0	459.004	467.005	432.938
Cost of sales	-37.413	-37.497	-34.064	-3.183	-3.240	-3.870	-65.729	-66.773	-58.222	-13.800	-8.392	-120.125		-104.548
Gross profit	220.947	223.524	212.707	119.375	123.138	103.942	12.357	12.833	20.133	-13.800	-8.392	338.879		328.390
Sales, marketing, and distribution expenses	-130.422	-130.956	-126.259	-12.532	-12.826	-16.070	-6.266	-6.347	-6.494	-3.626	-4.649	-152.846		-153.472
Segment contribution	90.525	92.568	86.448	106.843	110.312	87.872	6.091	6.486	13.639	-17.426	-13.041	186.033		174.918
Research and development expenses	-84.701	-84.555	-68.394	-13.325	-13.359	-16.201	0	0	0	0	0	-98.026		-84.595
Segment earnings	5.824	8.013	18.054	93.518	96.953	71.671	6.091	6.486	13.639	-17.426	-13.041	88.007		90.323
General and administrative expenses												-38.298		-44.925
Other income												8.350		43.334
Other expense												-32.652		-26.800
Other taxes												-2.770		-2.339
Operating income												22.637		59.593
Financing income												13.381		4.986
Financing expenses												-12.981		-10.347
Net financial income/expenses												400		-5.361
Earnings before income taxes												23.037		54.232
Income taxes												-16.942		-18.814
Net income												6.095		35.418

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.

Segment Report for the Second Quarter 2023 and 2022

(IFRS, unaudited)

in € thousands	Digital Business			A&N			Professional Services			Reconciliation		TOTAL		
	Q2 2023	Q2 2023	Q2 2022	Q2 2023	Q2 2023	Q2 2022	Q2 2023	Q2 2023	Q2 2022	Q2 2023	Q2 2022	Q2 2023	Q2 2023	Q2 2022
	IFRS	acc ¹	IFRS	IFRS	acc ¹	IFRS	IFRS	acc ¹	IFRS	IFRS	IFRS	IFRS	acc ¹	IFRS
License from subscription	45.511	46.867	43.723	34.753	35.996	11.135	0	0	0	0	0	80.264	82.863	54.858
Maintenance from subscription	25.638	26.249	19.912	6.830	7.059	4.943	0	0	0	0	0	32.468	33.308	24.855
Perpetual maintenance	37.684	38.643	46.628	25.445	26.761	30.293	0	0	0	0	0	63.129	65.404	76.921
SaaS	23.780	24.349	18.477	0	0	0	0	0	0	0	0	23.780	24.349	18.477
Recurring Revenue	132.613	136.108	128.740	67.028	69.816	46.371	0	0	0	0	0	199.641	205.924	175.111
Perpetual licenses	5.192	5.603	7.100	6.235	7.205	5.423	0	0	0	0	0	11.427	12.808	12.523
Product revenue	137.805	141.711	135.840	73.263	77.021	51.794	0	0	0	0	0	211.068	218.732	187.634
Services	0	0	0	0	0	0	37.282	38.757	39.263	0	0	37.282	38.757	39.263
Other	0	0	9	0	0	0	71	72	0	0	0	71	72	9
Revenue	137.805	141.711	135.849	73.263	77.021	51.794	37.353	38.829	39.263	0	0	248.421	257.561	226.906
Cost of sales	-18.442	-18.637	-18.642	-1.546	-1.613	-1.709	-32.215	-33.423	-29.029	-6.858	-5.897	-59.061		-55.277
Gross profit	119.363	123.074	117.207	71.717	75.408	50.085	5.138	5.406	10.234	-6.858	-5.897	189.360		171.629
Sales, marketing, and distribution expenses	-68.213	-69.760	-71.152	-6.566	-6.781	-8.722	-3.412	-3.518	-3.415	-1.996	-3.127	-80.187		-86.416
Segment contribution	51.150	53.314	46.055	65.151	68.627	41.363	1.726	1.888	6.819	-8.854	-9.024	109.173		85.213
Research and development expenses	-42.952	-43.467	-35.992	-5.626	-5.640	-7.684	0	0	0	0	0	-48.578		-43.676
Segment earnings	8.198	9.847	10.063	59.525	62.987	33.679	1.726	1.888	6.819	-8.854	-9.024	60.595		41.537
General and administrative expenses												-20.805		-22.171
Other income												4.531		29.794
Other expense												-21.994		-17.248
Other taxes												-1.554		-1.274
Operating income												20.773		30.638
Financing income												7.440		2.836
Financing expenses												-6.626		-4.755
Net financial income/expenses												814		-1.919
Earnings before income taxes												21.587		28.719
Income taxes												-16.351		-11.063
Net income												5.236		17.656

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 Six Months Ended June 30, 2023 and 2022

(IFRS, unaudited)

in € thousands	6M 2023	6M 2022	Q2 2023	Q2 2022
Net income	6.095	35.418	5.236	17.656
Currency translation differences from foreign operations	-26.686	62.676	-3.107	44.017
Net gain/(loss) from cash flow hedges	748	127	600	572
Currency translation gain/loss from net investments in foreign operations	-6.454	15.711	284	15.711
Items to be reclassified to the income statement if certain conditions are met	-32.392	78.514	-2.223	60.300
Net gain/(loss) from equity instruments designated to measurement at fair value through other comprehensive income	-323	-950	-432	-740
Net actuarial gain/loss from remeasurement of post-employment benefit obligations	1.627	538	154	368
Items not to be reclassified to the income statement	1.304	-412	-278	-372
Gain/loss recognized in equity	-31.088	78.102	-2.501	59.928
Total comprehensive income	-24.993	113.520	2.735	77.584
thereof attributable to shareholders of Software AG	-24.993	113.257	2.735	77.457
thereof attributable to non-controlling interests	0	263	0	127

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