

Software AG

Financial Information

Q3 / 2023

October 26, 2023
(unaudited)

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Key Figures as of September 30, 2023 and 2022

(IFRS, unaudited)

in € millions

(unless otherwise stated)	9M 2023	9M 2022	+/- as %	+/- as % acc ¹	Q3 2023	Q3 2022	+/- as %	+/- as % acc ¹
Group revenue	687,7	654,3	5	9	228,7	221,4	3	10
Product revenue	570,7	534,6	7	10	189,8	180,0	5	12
thereof Digital Business	393,2	380,3	3	6	134,9	133,5	1	6
thereof Adabas & Natuari (A&N)	177,5	154,3	15	21	54,9	46,5	18	29
thereof Licenses	211,3	179,3	18	23	69,2	56,4	23	32
thereof Maintenance	287,5	301,9	-5	-2	95,6	102,7	-7	-1
thereof Software as a Service (SaaS)	71,9	53,4	35	38	24,9	21,0	19	25

	Sept. 30, 2023	Sept. 30, 2022	+/- as %	+/- as % acc ¹
Group ARR²	741,0	700,8	6	12
thereof Digital Business ARR ²	545,1	516,2	6	11
thereof A&N ARR ²	195,9	184,6	6	14

	9M 2023	9M 2022	+/- as %	Q3 2023	Q3 2022	+/- as %
Operating EBITA (non-IFRS)	136,5	120,2	14	58,5	29,9	96
<i>Operating margin (EBITA, non-IFRS) as %</i>	19,8	18,4		25,6	13,5	
Digital Business segment earnings	25,0	21,3	18	19,2	3,2	493
<i>Segment margin as %</i>	6,4	5,6		14,2	2,4	
A&N segment earnings	133,1	101,3	31	39,6	29,6	34
<i>Segment margin as %</i>	75,0	65,6		72,1	63,6	
EBIT	62,7	55,3	13	37,2	-6,6	-664
Operating net income (non-IFRS)	50,4	61,1	-17	26,0	26,7	-3
Operating earnings per share (non-IFRS)³ in €	0,68	0,82	-17	0,35	0,36	-3
Operating cash flow	10,2	22,4	-54	14,8	10,3	44
CapEx ⁴	0,0	-5,0		4,5	-0,8	
Repayment of lease liabilities	-7,4	-8,3		-2,5	-3,0	
Free cash flow	2,8	9,1	-69	16,8	6,5	158
Free cash flow per share³ in €	0,04	0,12	-69	0,23	0,09	158

Balance sheet	Sept. 30, 2023	Dec. 31, 2022	+/- as %
Total assets	2.586,3	2.678,4	-3
Cash and cash equivalents	404,3	427,1	-5
Net cash position ⁵	-244,2	-240,0	2
Employees (FTE)	4.699	4.996	-7

¹ At constant currency.

² Annual recurring revenue.

³ Based on weighted average shares outstanding: 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 Nine Months Ended September 30, 2023 and 2022
(IFRS, unaudited)

in € thousands	9M 2023	9M 2022	+/- as %	Q3 2023	Q3 2022	+/- as %
Licenses	211.307	179.253	18	69.242	56.361	23
Maintenance	287.520	301.936	-5	95.617	102.701	-7
Software as a Service (SaaS)	71.889	53.398	35	24.939	20.954	19
Product revenue	570.716	534.587	7	189.798	180.016	5
Services	116.845	119.745	-2	38.830	41.390	-6
Other	109	17	541	38	5	660
Total revenue	687.670	654.349	5	228.666	221.411	3
Costs of sales	-178.384	-165.571	8	-58.259	-61.023	-5
Gross profit	509.286	488.778	4	170.407	160.388	6
Research and development expenses	-142.391	-132.847	7	-44.365	-48.252	-8
Sales, marketing, and distribution expenses	-223.630	-235.594	-5	-70.784	-82.122	-14
General and administrative expenses	-58.173	-68.561	-15	-19.875	-23.636	-16
Other income	21.923	66.454	-67	13.573	23.120	-41
Other expense	-44.361	-62.902	-29	-11.709	-36.102	-68
Other taxes	-3.223	-3.448	-7	-453	-1.109	-59
Operating income	59.431	51.880	15	36.794	-7.713	-577
Financing income	20.750	8.799	136	7.369	3.813	93
Financing expenses	-20.750	-16.953	22	-7.769	-6.606	18
Net financial income/expenses	0	-8.154	-100	-400	-2.793	-86
Earnings before income taxes	59.431	43.726	36	36.394	-10.506	-446
Income taxes	-36.930	-19.112	93	-19.988	-298	6.607
Net income	22.501	24.614	-9	16.406	-10.804	-252
thereof attributable to shareholders of Software AG	22.501	24.351	-8	16.406	-10.804	-252
thereof attributable to non-controlling interests	0	263	-100	0	0	
Earnings per share in € (basic)	0,30	0,33	-9	0,22	-0,15	-247
Earnings per share in € (diluted)	0,30	0,33	-9	0,22	-0,15	-247
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, 2023 and December 31, 2022
(IFRS, unaudited)

Assets in € thousands	Sept. 30, 2023	Dec. 31, 2022
Current assets		
Cash and cash equivalents	404.275	427.105
Other financial assets	2.320	2.551
Trade receivables, contract assets, and other receivables	248.634	251.799
Other non-financial assets	57.663	51.987
Income tax receivables	25.137	36.505
	738.029	769.947
Non-current assets		
Intangible assets	195.308	221.702
Goodwill	1.381.547	1.381.828
Property, plant, and equipment	65.695	76.005
Investment property	2.839	5.635
Other financial assets	10.288	9.823
Trade receivables, contract assets, and other receivables	137.919	135.848
Other non-financial assets	48.047	52.812
Income tax receivables	107	15.748
Deferred tax receivables	6.539	9.057
	1.848.289	1.908.458
Total assets	2.586.318	2.678.405
Equity and Liabilities in € thousands	Sept. 30, 2023	Dec. 31, 2022
Current liabilities		
Financial liabilities	320.933	31.888
Trade and other payables	53.816	57.350
Other non-financial liabilities	112.404	138.037
Other provisions	32.191	59.529
Income tax liabilities	9.142	30.673
Contract liabilities	142.430	137.168
	670.916	454.645
Non-current liabilities		
Financial liabilities	327.505	635.217
Trade and other payables	30	130
Other non-financial liabilities	1.602	866
Other provisions	10.655	5.504
Provisions for pensions and similar obligations	10.910	11.750
Income tax liabilities	0	911
Deferred tax liabilities	43.114	42.671
Contract liabilities	6.927	15.559
	400.743	712.608
Equity		
Subscribed capital	74.000	74.000
Capital reserves	55.528	55.737
Retained earnings	1.350.936	1.332.134
Other reserves	34.952	50.038
Treasury shares	-757	-757
	1.514.659	1.511.152
Total equity and liabilities	2.586.318	2.678.405

Consolidated Statement of Cash Flows for the Nine Months Ended September 30, 2023 and 2022
(IFRS, unaudited)

in € thousands	9M 2023	9M 2022	Q3 2023	Q3 2022
Net income	22.501	24.614	16.406	-10.804
Income taxes	36.930	19.113	19.988	299
Net financial income/expense	0	8.153	400	2.792
Amortization/depreciation of non-current assets	42.103	66.161	13.867	41.749
Other non-cash income/expenses	749	-12.148	520	-11.852
Changes in receivables and other assets	-1.281	-31.682	3.391	-7.803
Changes in payables and other liabilities	-61.157	-5.296	-25.098	1.015
Income taxes paid	-29.384	-44.160	-14.236	-5.051
Interest paid	-19.943	-11.244	-6.695	-3.927
Interest received	19.631	8.936	6.220	3.927
Net cash flow from operating activities	10.149	22.447	14.763	10.345
Proceeds from the sale of property, plant and equipment/intangible assets	8.665	2.801	8.088	2.194
Purchase of property, plant and equipment/intangible assets	-7.501	-10.311	-3.262	-3.904
Proceeds from the sale of non-current financial assets	530	4.486	75	870
Purchase of non-current financial assets	-1.647	-2.011	-392	0
Proceeds from the sale of current financial assets	2.710	19.273	2.441	19.206
Purchase of current financial assets	-298	-2.361	0	-584
Proceeds from the sale of an affiliated entity	0	10.776	0	10.776
Cash outflow for acquisitions	0	-537.317	0	0
Net cash flow from investing activities	2.459	-514.664	6.950	28.558
Dividends paid	-3.699	-56.699	0	0
Proceeds/payments for current financial liabilities	-281	87.196	106	18.011
Repayments of lease liabilities	-7.407	-8.314	-2.516	-3.047
New non-current financial liabilities	0	364.300	0	0
Repayment of non-current financial liabilities	-10.666	-78.333	-3.333	-3.333
Net cash flow from financing activities	-22.053	308.150	-5.743	11.631
Change in cash and cash equivalents from cash in/outflows	-9.445	-184.067	15.970	50.534
Change in cash and cash equivalents from currency translation	-13.385	46.975	-119	10.478
Net change in cash and cash equivalents	-22.830	-137.092	15.851	61.012
Cash and cash equivalents at beginning of period	427.105	585.844	388.424	387.740
Cash and cash equivalents at end of period	404.275	448.752	404.275	448.752
Free cash flow	2.789	9.098	16.756	6.458

Segment Report for the Nine Months Ended September 30, 2023 and 2022

(IFRS, unaudited)

in € thousands	Digital Business			A&N			Professional Services			Reconciliation		Total		
	9M 2023	9M 2023	9M 2022	9M 2023	9M 2023	9M 2022	9M 2023	9M 2023	9M 2022	9M 2023	9M 2022	9M 2023	9M 2023	9M 2022
	IFRS	acc ¹	IFRS	IFRS	acc ¹	IFRS	IFRS	acc ¹	IFRS	IFRS	IFRS	IFRS	acc ¹	IFRS
License from subscriptions	116.727	120.312	107.889	67.042	70.466	31.964	0	0	0	0	0	183.769	190.778	139.853
Maintenance from subscriptions	76.733	78.386	59.759	20.906	21.604	14.130	0	0	0	0	0	97.639	99.990	73.889
Perpetual maintenance	113.857	116.284	137.161	76.024	79.195	90.886	0	0	0	0	0	189.881	195.479	228.047
SaaS	71.889	73.479	53.398	0	0	0	0	0	0	0	0	71.889	73.479	53.398
Recurring Revenue	379.206	388.461	358.207	163.972	171.265	136.980	0	0	0	0	0	543.178	559.726	495.187
Perpetual licenses	14.033	14.724	22.055	13.505	14.903	17.345	0	0	0	0	0	27.538	29.627	39.400
Product revenue	393.239	403.185	380.262	177.477	186.168	154.325	0	0	0	0	0	570.716	589.353	534.587
Services	0	0	0	0	0	0	116.845	121.373	119.745	0	0	116.845	121.373	119.745
Other	0	0	17	0	0	0	109	114	0	0	0	109	114	17
Revenue	393.239	403.185	380.279	177.477	186.168	154.325	116.954	121.487	119.745	0	0	687.670	710.840	654.349
Cost of sales	-55.900	-56.461	-53.845	-4.996	-5.153	-5.744	-96.833	-100.407	-88.501	-20.655	-17.481	-178.384		-165.571
Gross profit	337.339	346.724	326.434	172.481	181.015	148.581	20.121	21.080	31.244	-20.655	-17.481	509.286		488.778
Sales, marketing, and distribution expenses	-190.764	-194.476	-196.137	-18.517	-19.209	-23.465	-8.932	-9.165	-9.901	-5.417	-6.091	-223.630		-235.594
Segment contribution	146.575	152.248	130.297	153.964	161.806	125.116	11.189	11.915	21.343	-26.072	-23.572	285.656		253.184
Research and development expenses	-121.553	-122.849	-109.004	-20.838	-20.900	-23.843	0	0	0	0	0	-142.391		-132.847
Segment earnings	25.022	29.399	21.293	133.126	140.906	101.273	11.189	11.915	21.343	-26.072	-23.572	143.265		120.337
General and administrative expenses												-58.173		-68.561
Other income												21.923		66.454
Other expense												-44.361		-62.902
Other taxes												-3.223		-3.448
Operating income												59.431		51.880
Financing income												20.750		8.799
Financing expenses												-20.750		-16.953
Net financial income/expenses												0		-8.154
Earnings before income taxes												59.431		43.726
Income taxes												-36.930		-19.112
Net income												22.501		24.614

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 Third Quarter 2023 and 2022

(IFRS, unaudited)

in € thousands	Digital Business			A&N			Professional Services			Reconciliation		TOTAL		
	Q3 2023	Q3 2023	Q3 2022	Q3 2023	Q3 2023	Q3 2022	Q3 2023	Q3 2023	Q3 2022	Q3 2023	Q3 2022	Q3 2023	Q3 2023	Q3 2022
	IFRS	acc ¹	IFRS	IFRS	acc ¹	IFRS	IFRS	acc ¹	IFRS	IFRS	IFRS	IFRS	acc ¹	IFRS
License from subscription	41.682	44.049	41.460	20.616	22.916	7.036	0	0	0	0	0	62.298	66.965	48.496
Maintenance from subscription	25.892	27.234	21.770	7.484	7.961	5.000	0	0	0	0	0	33.376	35.195	26.770
Perpetual maintenance	37.622	39.670	46.048	24.619	26.493	29.883	0	0	0	0	0	62.241	66.163	75.931
SaaS	24.939	26.216	20.954	0	0	0	0	0	0	0	0	24.939	26.216	20.954
Recurring Revenue	130.135	137.169	130.232	52.719	57.370	41.919	0	0	0	0	0	182.854	194.539	172.151
Perpetual licenses	4.744	4.993	3.269	2.200	2.420	4.596	0	0	0	0	0	6.944	7.413	7.865
Product revenue	134.879	142.162	133.501	54.919	59.790	46.515	0	0	0	0	0	189.798	201.952	180.016
Services	0	0	0	0	0	0	38.830	41.839	41.390	0	0	38.830	41.839	41.390
Other	0	0	5	0	0	0	38	41	0	0	0	38	41	5
Revenue	134.879	142.162	133.506	54.919	59.790	46.515	38.868	41.880	41.390	0	0	228.666	243.832	221.411
Cost of sales	-18.488	-18.964	-19.781	-1.813	-1.913	-1.874	-31.104	-33.634	-30.279	-6.854	-9.089	-58.259		-61.023
Gross profit	116.391	123.198	113.725	53.106	57.877	44.641	7.764	8.246	11.111	-6.854	-9.089	170.407		160.388
Sales, marketing, and distribution expenses	-60.344	-63.520	-69.877	-5.984	-6.384	-7.396	-2.665	-2.817	-3.407	-1.791	-1.442	-70.784		-82.122
Segment contribution	56.047	59.678	43.848	47.122	51.493	37.245	5.099	5.429	7.704	-8.645	-10.531	99.623		78.266
Research and development expenses	-36.852	-38.294	-40.610	-7.513	-7.541	-7.642	0	0	0	0	0	-44.365		-48.252
Segment earnings	19.195	21.384	3.238	39.609	43.952	29.603	5.099	5.429	7.704	-8.645	-10.531	55.258		30.014
General and administrative expenses												-19.875		-23.636
Other income												13.573		23.120
Other expense												-11.709		-36.102
Other taxes												-453		-1.109
Operating income												36.794		-7.713
Financing income												7.369		3.813
Financing expenses												-7.769		-6.606
Net financial income/expenses												-400		-2.793
Earnings before income taxes												36.394		-10.506
Income taxes												-19.988		-298
Net income												16.406		-10.804

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 Nine Months Ended September 30, 2023 and 2022

(IFRS, unaudited)

in € thousands	9M 2023	9M 2022	Q3 2023	Q3 2022
Net income	22.501	24.614	16.406	-10.804
Currency translation differences from foreign operations	-18.004	115.554	8.682	52.878
Net gain/loss from cash flow hedges	-878	-492	-1.626	-619
Currency translation gain/loss from net investments in foreign operations	2.382	39.311	8.836	23.600
Items to be reclassified to the income statement if certain conditions are met	-16.500	154.373	15.892	75.859
Net gain/loss from equity instruments designated to measurement at fair value through other comprehensive income	477	-1.348	800	-398
Net actuarial gain/loss from remeasurement of post-employment benefit obligations	135	1.269	-1.492	731
Items not to be reclassified to the income statement	612	-79	-692	333
Gain/loss recognized in equity	-15.888	154.294	15.200	76.192
Total comprehensive income	6.613	178.908	31.606	65.388
thereof attributable to shareholders of Software AG	6.613	178.645	31.606	65.388
thereof attributable to non-controlling interests	0	263	0	0

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

