



A large, abstract graphic composed of thin, light purple lines connecting various points to form a complex, interconnected network of polygons. The lines are thin and the overall structure is sparse, resembling a digital or neural network. The background is a solid, vibrant yellow.

# **CON NECT ING THE FUTURE**



2021  
Annual  
Report



# Key Figures

in € millions (unless otherwise stated)	2021	2020	+/- as %	+/- as % acc <sup>1</sup>
<b>Group revenue</b>	<b>833.8</b>	<b>834.8</b>	<b>0</b>	<b>1</b>
<b>Product revenue</b>	<b>684.0</b>	<b>671.1</b>	<b>2</b>	<b>3</b>
Digital Business	469.5	448.4	5	5
Adabas & Natural (A&N)	214.5	222.6	-4	-2
Licenses	240.5	217.2	11	11
Maintenance	399.4	422.6	-5	-4
Software as a Service (SaaS)	44.1	31.3	41	42
<b>Group Bookings<sup>2</sup></b>	<b>517.7</b>	<b>489.7</b>	<b>6</b>	<b>6</b>
Digital Business bookings <sup>2</sup>	406.0	360.6	13	12
A&N bookings <sup>2</sup>	111.7	129.0	-13	-11
<b>Group ARR<sup>3</sup> (Dec. 31)</b>	<b>585.4</b>	<b>508.1</b>	<b>15</b>	<b>11</b>
Digital Business ARR <sup>3</sup>	418.5	358.7	17	12
A&N ARR <sup>3</sup>	166.9	149.3	12	8
<b>Operating EBITA (non-IFRS)</b>	<b>163.8</b>	<b>177.0</b>	<b>-8</b>	
as % of revenue	19.6%	21.2%		
<b>Digital Business segment earnings</b>	<b>55.8</b>	<b>68.9</b>	<b>-19</b>	
Segment margin	11.9%	15.4%		
<b>A&amp;N segment earnings</b>	<b>145.9</b>	<b>148.7</b>	<b>-2</b>	
Segment earnings	68.0%	66.8%		
<b>EBIT</b>	<b>122.1</b>	<b>136.4</b>	<b>-10</b>	
<b>Net income (non-IFRS)</b>	<b>114.2</b>	<b>125.4</b>	<b>-9</b>	
<b>Earnings per share (non-IFRS)<sup>4</sup> in €</b>	<b>1.54</b>	<b>1.69</b>	<b>-9</b>	
<b>Operating cash flow</b>	<b>116.2</b>	<b>112.5</b>	<b>3</b>	
CapEx <sup>5</sup>	-11.8	-9.3	27	
Repayment of lease liabilities	-13.0	-15.6	-17	
<b>Free cash flow</b>	<b>91.4</b>	<b>87.6</b>	<b>4</b>	
<b>Free cash flow per share in €</b>	<b>1.24</b>	<b>1.18</b>	<b>4</b>	
<b>Balance sheet</b>	<b>Dec. 31, 2021</b>	<b>Dec. 31, 2020</b>		
<b>Total assets</b>	<b>2,221.4</b>	<b>2,039.9</b>	<b>9</b>	
Cash and cash equivalents	585.9	480.0	22	
Net cash	277.3	220.1	26	
<b>Employees (FTE)</b>	<b>4,819</b>	<b>4,700</b>	<b>3</b>	

<sup>1</sup> acc = At constant currency.<sup>2</sup> Bookings according to the new definition.<sup>3</sup> Annual recurring revenue.<sup>4</sup> Based on weighted average shares outstanding (basic) FY 2021: 74.0 mn / FY 2020: 74.0 mn.<sup>5</sup> 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.

**“We connect  
people and  
technology  
for a smarter  
tomorrow.”**



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# CON NECT ING THE FUTURE

DATA

PEOPLE

IDEAS

For 50 years and counting, we have been shaping the future by connecting people and technology. We make sure drug companies have the life-science instruments to develop new treatments at lightning speed. We enable wind to be converted to electricity, for instance, to power batteries for electric vehicles.

Thanks to our products and services, hundreds of customers around the world can establish new digital business models and turn their data to assets. Our products form a “digital backbone” for a new breed of software applications and industry solutions which are based on a merger of transactional, IoT and process data. We also focus on cultivating collaborative partnerships.

We are pursuing ambitious goals to achieve long-term profitable growth. So, as part of our transformation, we are reinventing ourselves, strengthening our Company with young talent and recharging it with fresh momentum.

Join us on this journey!

# What We Do

Software AG connects people and technology to help the world become smarter. Our purpose, mission, strategy and products reflect how we work with our customers—and how we work with each other.



## OUR PURPOSE

**We connect people and technology for a smarter tomorrow.**

For us, a smarter tomorrow is about people connecting seamlessly to technologies. It helps them solve problems and deliver excellence—whether they are transforming their business, their community or society. We believe in the power of digital transformation to provide opportunity, security, resilience and longevity.



## OUR MISSION

**To empower our customers to become truly connected enterprises.**

Truly connected enterprises will flourish in the new data economy opening around us. Data is an invaluable resource, and companies who harness it create very useful customer moments, sustainable supply chains and collaborate across a multi-cloud world. We help organizations turn data into better results.

**“There is nothing more important to Software AG than ensuring our customers enjoy success when they are using our software. We want to prove our value to them every day.”**

**SANJAY BRAHMAWAR**  
CHIEF EXECUTIVE OFFICER (CEO)



## OUR STRATEGY

To deliver sustainable, profitable growth.

Strengthening our people and the Company to continually enhance our culture, attract the right talent, build the right capabilities and help our people evolve. Growing our subscription engine and scaling our business to evolve our markets. Improving productivity to reduce complexity across our processes, systems and structures to create a more efficient operating environment.

**“We have great products that resonate in the market. Thanks to our unique product portfolio, we help our customers transform into truly connected, more efficient and higher-growth companies.”**

**DR. STEFAN SIGG**  
CHIEF PRODUCT OFFICER (CPO)



## OUR PRODUCTS

**Cumulocity IoT** empowers Software AG's customers to connect devices and sensors through an IoT enablement platform. The platform includes streaming analytics for big data in real time and solutions for predictive analytics, artificial intelligence (AI) and machine learning. As part of the offering, **TrendMiner** is a self-service analytics tool to analyze, monitor and predict the operational performance of batch, grade and continuous manufacturing processes.

**webMethods** is a multi-function integration Platform as a Service (iPaaS) that integrates systems, applications, and businesses via application programming interfaces (APIs) or direct connections. It orchestrates them in the form of microservices and enables companies to automate their business workflows in a hybrid world of cloud and non-cloud environments.

**ARIS** is well known for modeling, documenting and optimizing business processes—from strategy and analytics to design and controlling enabled by new process mining capabilities. In addition, **Alfabet** enables enterprise architecture mapping and optimal decision-making for IT investments.

**Adabas** is a high-performance database management system for all platforms.

**Natural** is the accompanying development environment and the basis of hundreds of thousands of software applications that support companies across all industries.



CONNECTING IDEAS

**“Our software  
and services make  
a difference.”**



**SANJAY BRAHMAWAR**  
CHIEF EXECUTIVE OFFICER (CEO)



**DR. ELKE FRANK**  
CHIEF HUMAN RESOURCES  
OFFICER (CHRO)

**Software AG's transformation was in high gear in 2021. In the interview on the pages to follow, the Management Board members discuss topics and projects central to their business operations and the significance of growth, transparency and sustainability to their strategic objectives.**



**DR. MATTHIAS HEIDEN**  
CHIEF FINANCIAL OFFICER (CFO)



**DR. STEFAN SIGG**  
CHIEF PRODUCT OFFICER (CPO)

**SANJAY, 2021 was your third year as CEO of Software AG as well as its third year of transformation. What comes to mind as your most valuable lesson learned in this time?**

There is no handbook on how to be a CEO. Transforming a more than 50-year-old company is not easy—there’s no shortcut. Building resilience is tough work but very worth the effort. There are setbacks and wins that you don’t expect. Fortunately, we have a strong team and great employees at Software AG. I believe CEOs must think about the impact we have on the organization, customers and broader society in order to do the best job possible. As we move into a digitally transformed post-pandemic world, it’s crucial that our Company’s culture and values be exemplified by its leadership and built into every facet of the business. That’s how Software AG can create sustainable change and poise itself for lasting success.

**Did the company succeed in doing this in 2021?**

The momentum we have built over three years of innovation, investment and teamwork is now translating into real impact within our business, in the market and for our customers. We are delivering rich use cases of IoT, cloud, hybrid integration, business process mining, and self-serve analytics—all key to digital transformation. I firmly believe that everyone at Software AG understands that they play a pivotal part in our success. This transformation is led by our 4,800 employees and not by me or the leadership team alone.

**What most impressed you last fiscal year?**

I continue to be thrilled and impressed by the strong connection and commitment of our people. They are really moving the needle. Throughout the pandemic, we have been at the forefront of rapid acceleration of digitalization and technology investment. We helped a growing number of custom-

**“Our partnership with and investment from the technology investor Silver Lake reflect a strong endorsement of our strategy.”**

**SANJAY BRAHMAWAR**

ers transform their business into a truly connected enterprise. We achieved this by strengthening our international partnerships. We are also seeing an acceleration in our Digital Business product revenue growth. At the end of 2021, we announced our new strategic partnership with the renowned U.S. technology investor Silver Lake, which reflects a strong endorsement of our product strategy, team and future growth potential.

**MATTHIAS, Sanjay mentioned the importance of teamwork. You firmly believe in the notion of the finance department as a business partner. How is this role evolving?**

On the one hand, modern-day financial management means streamlining our

compliance activities and deriving value from them. That is an ongoing task. On the other hand, it also consists of providing meaningful KPIs, giving them context and proactively approaching other departments—especially in the middle of a complex transformation. We do this by treating finance as a communicative practice. Our aim is to create transparency, clarity and impetus for all of Software AG's business decisions.

### **How does this manifest in your practical work?**

Software AG is transforming its business model from perpetual software licenses to a dynamic subscription approach, and we are making major progress here. More than 80 percent of our bookings are currently based on subscriptions and SaaS. Internally, this change requires new models and processes, for example in accounting, planning and cash management. But it also means new interfaces with the market. When it comes to customer acquisition, how do we cultivate customer relationships during the term of the subscription? How can we enhance customer benefit when a subscription is renewed? We can only keep pace and propel this acceleration by engaging in dialogue.

### **ELKE, How do Software AG employees perceive this dialogue and the Company's transformation?**

Software is a people business. That's why we established a people-first culture across the entire organization, marked by mutual trust and empathy. This is the culture we are fostering at Software AG when we increase employee involvement in the conversation about decisions and improvements. In 2021, for instance, one of our focal points was building a hybrid work model. We included our employees and used their expertise in shaping change in the working world. Ultimately, they know best what suits their daily professional

lives. Our aim with the hybrid work model is a better work/life balance and greater flexibility for employees.

### **How does this benefit Software AG?**

A balanced mix is the key to everything. It was clear even before the global COVID-19 pandemic that a desire for change was building among our employees that would allow for a combination of both: the freedom and flexibility of remote work as well as the direct, personal exchange in the office. If we find a meaningful way to bridge these two worlds, we will improve collaboration. We will become more agile and efficient, and we will break down hierarchies. Of course this requires a new leadership mindset—from the Management Board who must embody the cultural shift—as well as from each and every employee. We cannot lose sight of the well-being of any one individual. With the help of sports classes, meeting-free Mondays, the Headspace wellness app as well as our global employee assistance programs, we empower all of our employees with the tools they need to take responsibility for themselves and their well-being.

### **How have these measures resonated with employees?**

The results of our most recent global MyVoice employee survey confirm that

**“Teamwork  
isn't just a  
buzzword to us.  
It's our reality.”**

**DR. MATTHIAS HEIDEN**

we are taking the right steps to attract and retain talent. The metrics show a significant improvement over the previous year. I'd also like to mention two other important global HR initiatives. The Change Network is helping us understand where we are in our transformation and how it is progressing through our collaboration on people and culture initiatives and employee engagement. Our Diversity, Equity and Inclusion network facilitates us in establishing and promoting these activities in our organization. In addition, we offer a Leadership Learning Journey, which is a program open to anyone in a leadership role. It consists of three objectives: individual learning, connecting leaders and developing a future leadership culture. To date, more than 500 leaders have enrolled in the program. We also actively engage in succession planning to identify successful career paths. All in all, these dialogue platforms provide us with valuable feedback as to where we are in our transformation process.

**STEFAN, To what extent does the transformation affect Software AG's products and services?**

The transformation can be felt all over the place. And it's working. We know this because we received the best product ratings we've ever had from leading market analysts in 2021. The quality of our solutions is excellent, and fortunately that is being noticed. One focal point was and continues to be the end-to-end cloud experience of our offerings. All products are available as a cloud service, while we continue to address the hybrid landscapes of our customers. The digitalization boost this topic offers is highly relevant.

**What else was important last year from your point of view?**

We are integrating more and more AI methods, not just in individual projects but in our products as well. APIs have also gained relevance because they are considered monetizable assets. Last but not least, the Internet

**“Hybrid is the new way of working—remotely and in office spaces that invite collaboration.”**

**DR. ELKE FRANK**

of Things (IoT) is naturally the focus of transformation in many manufacturing companies. So we are connecting three key topics: First, we provide the IoT platform. Second, we take care of integration. Every IoT solution a customer builds on a platform will at some point have an integration need, for instance, with an SAP system, with a ticketing system for reporting a problem or with a CRM system. The third aspect is the process view, which we help design. Thanks to our range of products, we are unique in the market as a software provider able to offer one-stop shopping for all three solution areas.

**In your opinion, are cloud, AI and IoT the most relevant technologies for the near future?**

Yes, in addition to automation and analytics. When I refer to analytics, I mean coherently merging relevant data to derive key insights about business operations. An example from our portfolio is ARIS Process Mining where we reconstruct process structures from operational data

and then visualize business-critical KPIs on live process instances, detecting where companies lose time and/or money. We are unique in offering this out of the box for IoT and business data.

**ELKE, Speaking of predictions... What will be a key aspect of HR in fiscal 2022?**

Clearly, the topic of talent management. We are planning to implement and promote talent discussions throughout all levels of the Company with a particular focus on succession. We will continue driving the entire process of employee development with our Employee Discussion Program, supported by relevant new learning and growth offerings. We want to raise awareness for DE&I and are developing customized training concepts for all leadership and staff members in this area. These topics are all aligned with our hybrid work model, which we will also continue expanding in 2022.

**MATTHIAS, How do you see the current year and beyond?**

I have quite a few joint endeavors with Elke. For example, setting up new office spaces that invite collaboration is a joint effort between HR and Finance. We discuss the strategy and then execute together according to our respective core competencies. This shows that teamwork isn't just a buzzword to us. It's our reality. This is also true for DE&I, which will carry more weight for talent development of employees in my division. We will also concretely assess where and how we can accelerate digitalization and automation in accounting. I don't just mean eliminating a few clicks here and there, but really putting our processes to the test to determine what information is needed where and how it can be collected and transmitted. I expect a great deal of continuity in our efforts to provide deeper insight about our business model—and our transformation—through

meaningful metrics. Transparency will also be prioritized in the context of planned M&A transactions.

**SANJAY, How do you see Software AG's future?**

I see our future as fast growing, purpose-driven and truly connected. We intend to further invest in people and culture to ensure our growth is sustainable. Beyond that, we will continue to contribute to a higher societal purpose: We are committed to sustainability and, with our technology, help customers preserve our planet for future generations. With Silver Lake as our new partner, we welcome a world-leading technology investor that has a proven track record of creating value in software companies as they drive growth. We believe that Silver Lake's expertise and network combined with our transformation will help us access more of the \$64 billion total addressable market. This will be propelled by executing our planned M&A program to augment growth, adding complementary technology and honing our go-to-market capabilities.

**“We are unique in the market in integrating business, IoT and process data, enabling a truly connected enterprise.”**

**DR. STEFAN SIGG**

# Figures at a Glance

**312**

New logos

**92%**

Share of recurring revenue of total product revenue

**€833.8 mn**

Group revenue

**4,819**

Employees (FTE, full time equivalents)

**>70**

Countries we are active in

**€469.5 mn**

Digital Business product revenue



**19.6%**

operating profit margin  
(EBITA, non-IFRS)



CONNECTING DATA

# We help companies grow

For their journey to a connected future, businesses need custom-fit IT solutions that add real value. Close collaboration with a competent partner is essential. We guide our customers from analysis and implementation to deployment of our products and services—and far beyond.

## HERE COMES THE SUN

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### CUSTOMER **TRAILAR**

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### PRODUCT **CUMULOCITY IOT**

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### INDUSTRY **LOGISTICS**

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### SOLUTION **SAVING CO<sub>2</sub>,** **SUSTAINABLE FLEET** **MANAGEMENT**

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Light and heavy commercial vehicles are responsible for around 38 percent of transport-related CO<sub>2</sub> emissions in Europe. Trailar is an award-winning British startup that tackles this problem by mounting 3-mm-thick, flexible solar mats on the roofs of large trucks, vans, buses and trailers. The solar energy they collect powers the electrical equipment on board the vehicle, from the tail lift to the lights and air conditioning. That saves fuel, maintenance costs and CO<sub>2</sub>. The hardware is simple, functional and robust: solar mats on the vehicle's roof, a charge controller and a WLAN router. The solar modules don't need strong sunlight to function. They are designed to absorb and generate maximum energy under any light conditions. In the background, an IoT solution by Software AG collects telematics data in the cloud, analyzes it and visualizes the data on a user-friendly dashboard in real time. Based on this raw data, the software calculates the fuel savings for Trailar's customers and thus the CO<sub>2</sub> emissions saved per year. That makes fleet management significantly more efficient—and the world a bit greener.

→ [Customer Story Trailar](#)

## THE INTELLIGENT BREWERY

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### CUSTOMER **ROYAL SWINKELS** **FAMILY BREWERS**

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### PRODUCT **ARIS**

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### INDUSTRY **FOOD AND BEVERAGE**

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### SOLUTION **BUSINESS PROCESS** **DIGITALIZATION AND OPTIMIZATION**

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Royal Swinkels Family Brewers looks back on 300 years of tradition. The family-owned brewery group from the Netherlands offers 300 different beers in 130 countries. The "Intelligent Brewery" project was launched to make its convoluted company structure more transparent and agile. The goal: understanding and meeting global customer needs faster and with greater precision based on facts and data. In the first phase of the program, central business processes like Order to Cash and Maintain to Operate will be defined and harmonized to create the foundation for further digitalization and automation. Software AG's ARIS tool will provide support for these efforts, creating a process map of the entire group. This enables the company to assign employees clear roles and responsibilities. Processes and decisions are more transparent, faster and better. Digitalization can pick up the pace at Swinkels.

→ [Customer Story Royal Swinkels](#)



## RACING RELOADED

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### CUSTOMER **ELECTRIC RACING ACADEMY**

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### PRODUCT **CUMULOCITY IOT**

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### INDUSTRY **RACING**

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### SOLUTION **REAL-TIME ANALYSIS AND STORAGE OF RACE DATA**

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The Electric Racing Academy (ERA) is the world's first all-electric junior racing series. Its main protagonist is the Mitsu-Bachi F110e—an all-electric Formula 4 racing car whose motor mobilizes 130 KW of power. Within a few seconds, the car can accelerate up to 210 km/h. But it's not just in terms of propulsion that ERA is exploring new territory: Comprehensive IoT vehicle connectivity with the help of Cumulocity IoT is designed to transform races into an innovative digital experience. All teams can access a wide range of race data in real time including deep, up-to-date insights about the condition of the car as well as race status. This allows them to react accordingly. There are also plans in place to link race data with an app for fans to follow on their smartphones, including comprehensive technical data and forecasts.

→ [Customer Story Electric Racing Academy](#)

## SMOOTH SAILING

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### CUSTOMER **CARNIVAL CRUISE LINE**

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### PRODUCT **WEBMETHODS**

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### INDUSTRY **TOURISM**

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### SOLUTION **INTERFACE MANAGEMENT, SYSTEM AND PROCESS INTEGRATION**

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When one of the U.S.-based Carnival Cruise Line's 23 ships sets sail, guests hope for unforgettable experiences. A stable, secure and flexible IT structure is essential for this wish to come true. It ensures that all processes—from booking the trip to saying farewell—run smoothly and that the crew can take the best possible care of its guests. Before departure, for example, the systems on land have to send guest and occupancy data quickly and seamlessly to the systems on board the ships. Later, out at sea, the ships have to be able to manage their IT and data autonomously, even with satellite links that are occasionally unreliable. Carnival chose WebMethods by Software AG to integrate all of its systems and interfaces. The guests onboard don't notice any of this—they just enjoy their trip.

→ [Customer Story Carnival Cruise Line](#)

## KEEP IT SIMPLE

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CUSTOMER **SIEMENS**

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PRODUCT **ARIS**

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INDUSTRY **TECHNOLOGY**

---

SOLUTION **MANAGING COMPLEX  
PROCESSES TRANSPARENTLY  
AND RELIABLY**

---

Siemens AG is active in dozens of countries in the industrial, infrastructure, transportation and healthcare industries, and is one of the largest technology companies in the world. The group selected Software AG's ARIS to accelerate the digital transformation and optimize processes in the complex organization with more than 300,000 employees. Real-time information, intuitive graphic visualizations and a user-friendly interface have made processes in the company leaner, more transparent and open for collaborative working. In addition, an automated translation service helps to simplify international collaboration. All process descriptions in ARIS can be translated into the selected language at the click of a mouse—the highest quality in mere seconds. The group plans to gradually move forward in the future with improvements in digital process management including confirmation, process mining and robotic process automation.

[→ Customer Story Siemens](#)

## CHEEEEESE!

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CUSTOMER **BEGA CHEESE**

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PRODUCT **CUMULOCITY IOT**

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INDUSTRY **FOOD AND BEVERAGE**

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SOLUTION **VALUE CHAIN  
OPTIMIZATION**

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Australians love cheese. And Bega Cheese is very successful at producing it. The Bega brand holds almost 16 percent of the domestic market share. Additionally, the company exports dairy products to around 40 countries all over the world. One of Bega's greatest challenges is the complexity of supply chains. Milk from approximately 100 farms must be delivered fresh to the dairy plant, processed quickly into cheese and other products, and then delivered swiftly to retailers and end consumers. Software AG's Cumulocity IoT helps Bega manage this better, faster and more efficiently with IoT sensors in the dairy farms. They continuously deliver valuable data on milk quantities and quality, which also establishes the perfect foundation for predicting future quantities. The data is stored in the cloud and analyzed using algorithms and software that are customized to meet Bega's needs. The results are both positive and diverse. Milk quality is monitored before and during transport, waste is avoided and transport costs are lowered. The entire supply chain becomes more agile, transparent and efficient.

[→ Customer Story Bega Cheese](#)



**RALF STOHLREIER**  
SENIOR VICE PRESIDENT  
PROFESSIONAL SERVICES  
FOR THE REGIONS  
DACH & BULGARIA

CONNECTING PEOPLE

# A global family



**TRYGVE SLETTE**  
SENIOR VICE PRESIDENT  
PROFESSIONAL SERVICES  
FOR THE REGIONS ASIA-  
PACIFIC & MIDDLE EAST

**Four people, three continents, one company: The personal experiences of employees show how Software AG is changing and how its mix of diverse backgrounds and perspectives promotes this dynamic process and builds belonging. A quick trip from Munich to Florida by way of Dubai and South India.**

## DIVERSE AND OBSERVANT

His team stands behind him, literally. **RALF STOHLDREIER** uses a group photo as his background for video calls: approximately 230 people from nearly a dozen nations, women and men, spanning all ages. This is what diversity looks like. And it's his job to build a single unit out of this diverse team. "That can be a challenge," he says. "For example, if a young employee is pushing for immediate change while an experienced colleague points out that the tried-and-tested procedures work well." What matters then is the discourse: "Change happens when we connect the different arguments."

Ralf Stohldreier, born in 1964, has held management positions in IT consulting and sales for 25 years. Since mid-2018, he has been responsible for Professional Services at Software AG for the DACH region and Bulgaria. His team sells and designs consulting solutions. What's the key to success here? "Active listening to develop services that deliver the best results for customers." A prime example was the "climathon," in which team members pitched ideas on IoT products for greater climate protection. "Here we saw that none of us are just one consultant among thousands." As the team leader, Stohldreier—who was an officer in the German army before starting his career in the IT industry—sees his role as a team coach. "When I make a decision, I always have to consider the consequences—for the customer, my team, the Company."

## DIVERSE AND DYNAMIC

As Senior Vice President of Professional Services for the Asia-Pacific and Middle East regions, **TRYGVE SLETTE** considers himself a problem solver: "The core team of about 60 people across the region works every day on reaching ambitious goals." For example, making happiness measurable. The Dubai Authority wants to find out how satisfied people are with its services, and for one of the Dubai Government Agencies "we collected all the information that we could find on the topic, right up to posts and comments on social media."

The agency's goal of benchmarking itself against customer satisfaction inspired him as a team leader. "Each problem is different and requires a new perspective for the solution." The 52-year-old is convinced that the dynamics of diversity lead to success.

His Norwegian parents instilled internationality in him in the cradle. They worked as engineers in various African countries, and their son was always with them: starting in Zambia where he was born, to Kenya then Liberia and Tunisia, and later India, Sri Lanka and Indonesia. "Change has always been the normal state of affairs for me." When his parents returned to Scandinavia, Slette realized that he was missing something. He went to Singapore and then Dubai, where he has lived for the last eight years. "So many cultures come together in Dubai that openness and diversity are natural," he says. The city life pulsates. "Just like companies also pulsate when they embody diversity."



# 88

## Different nationalities\*

\* Includes working students, interns and temporary employees.

# 4,819

## Employees

**ANALA PM**  
HR GENERALIST



### FLEXIBLE AND CONNECTED WORLDWIDE

Her full last name is Paramesvara Manjula, which sounds lovely but is a bit complicated for untrained speakers and listeners. That's why she prefers to abbreviate it: **ANALA PM**. "It's easier for many of my international contacts." In her role as an HR Generalist, the 30-year-old from Bengaluru in South India is responsible for HR operations. When she speaks with new hires, there is a term that she often uses: "Family. I use it to advertise for the Company, and I experience every day that it's actually true."

When she joined Software AG three years ago, Anala PM focused on the Indian HR market. Then the Asia-Pacific region was added, and now she communicates with

HR colleagues all over the world. "The feeling of being part of a family has remained," she says. "And this family is becoming more and more global." The local silo mentality is dissipating and making way for a worldwide connection.

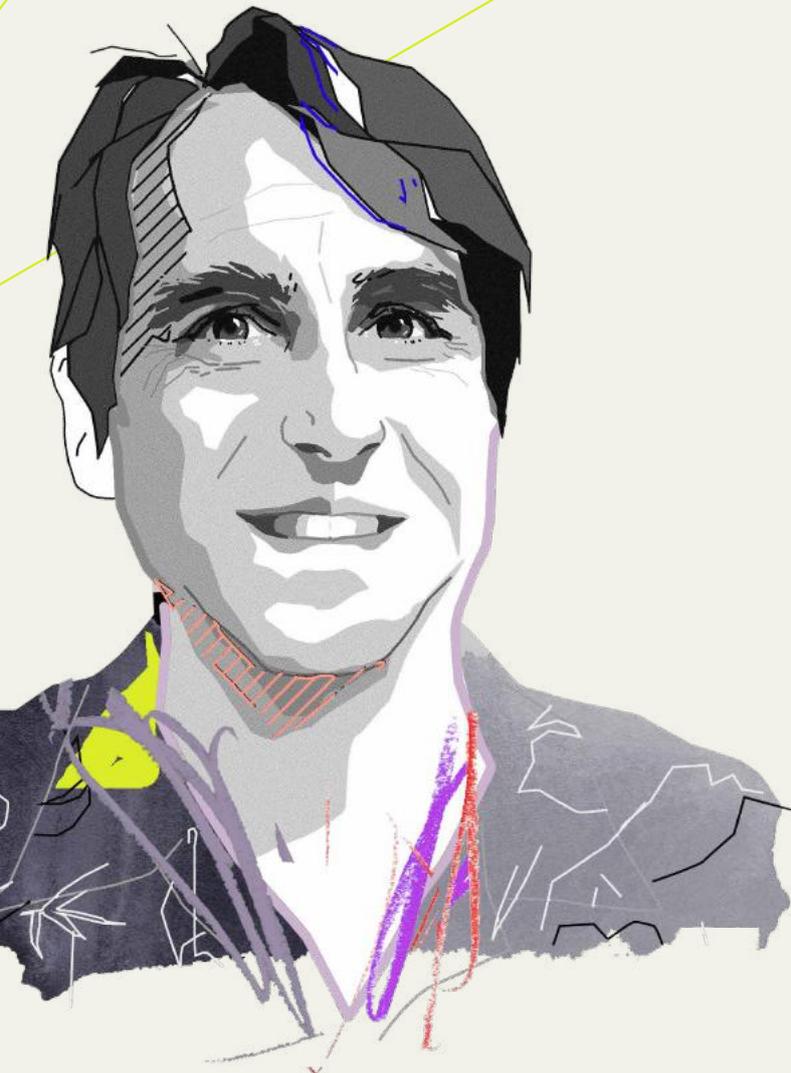
There are no traditional core working hours. "We work in a hybrid model, which means office hours and leisure time are very flexible." For her, this means that meetings with HR colleagues in different time zones can sometimes be later in the evening. "I like it," she says, "because I can manage my schedule with more flexibility." She is not the only one with this positive view: When she talks to IT talents, Anala PM notices that this flexibility is a benefit many potential candidates now highly value.

# 21%

## Women in leadership positions\*

\* People managers throughout the Software AG Group.

**JAY GAUTHIER**  
VICE PRESIDENT  
PRODUCT MANAGEMENT



### CHANGEABLE AND ADAPTABLE

Does he sometimes miss managing a team? "I do think about that from time to time," says **JAY GAUTHIER**. "No, because I enjoy changing and adapting to how I can best contribute."

Jay Gauthier, Vice President of Product Management, lives in Florida. He joined Software AG nearly a quarter of a century ago, much of that time managing engineering teams before taking a role in Product Management. He likes that every day is different. The broad-based, diverse teams he works with are intentionally formed depending on the project. "It works because so much of our business now relies on colleagues from different teams, business units and departments working together."

The transformation to more usage-based subscription revenue represents a current focus in his work. "We're increasingly implementing pricing models where customers only pay for what they use." This business model is critical to our future. "In order to succeed, we need to know exactly what customers use and invoice them accordingly. As they get more value from our products and services, we generate more revenue." And because each internal project is different, the teams change as well. One team collaborates on free trial offerings, another ensures that customers have an accurate view of their usage and so on. "I help to assemble the right specialists depending on the project," says Jay. "This adaptability is what really drives change for us and for customers."



CONNECTING SUSTAINABILITY

# Sustainability times five

**Software AG can only succeed over the long term if it acts responsibly and sustainably. This attitude is rooted in the Company's DNA—and is increasingly required by customers, investors and lawmakers. As a globally active technology provider, Software AG has drafted a sustainability strategy that it plans to implement in five action areas.**

### **VALUE FOR SOCIETY**

When women decide to have a child, the same thing tends to happen all over the world: After taking a hiatus from work, they face diverse hurdles to continue their career. In general, the longer the career break lasts, the more difficult the return will be. In addition, social and professional conditions, outdated role models and unrealistic expectations, not least of themselves, often lead to eroded self-confidence among women reentering the workforce.

To make it easier for women to return to work, Software AG India launched the SoftwareAGain program. "Women bring a great deal of diversity to our Company. They have enormous potential and often plenty of experience," states Padma Reddy, COO, R&D Operations & Shared Services, Software AG India, describing the initiative. With this program, that was developed in 2018, the Company focuses on women in India who left the workforce temporarily and would like to reenter the working world again. "Some women believe that they've been at home too long and have lost their skills and abilities. We want to allay their fears and encourage them to take the plunge," explains Padma Reddy. The paid nine-month program is set up like an internship: Women returning to the workplace can freshen up their technical knowledge



**"Some women believe that they've been at home too long and have lost their skills and abilities."**

**PADMA REDDY**  
MANAGING DIRECTOR  
SOFTWARE AG INDIA & SENIOR  
VICE PRESIDENT, CUSTOMER-  
CENTRIC ENGINEERING



**“A clear ESG strategy and its implementation are increasingly important to our shareholders and the wider financial markets.”**

**ROBIN COLMAN**  
SENIOR VICE PRESIDENT  
CORPORATE DEVELOPMENT  
& INVESTOR RELATIONS



**“We can only succeed and add value to society when we empower our customers’ success.”**

**DR. ASTRID KASPER**  
SENIOR VICE PRESIDENT  
CORPORATE  
COMMUNICATIONS,  
SUSTAINABILITY  
& PUBLIC AFFAIRS

and soft skills while gaining empowering team experience. Afterward, they can apply directly with Software AG for a full-time or part-time position. They then go through the regular application process. Since its inception, 45 women have completed the program. All have permanently returned to professional life, and two-thirds of them joined Software AG after finishing the program.

The project in India is a prime example of Software AG’s diverse social and societal engagement. In the Value for Society action area, the Company combines its commitment to education and “tech for good” with the goal of helping people worldwide develop abilities, including technical skills, to enable them to participate better in the workforce. This includes Software AG’s targeted engagement with universities and schools.

**LEADERSHIP AND GOVERNANCE**

Dr. Astrid Kasper, Senior Vice President, Corporate Communications, Sustainability & Public Affairs, is responsible for coordinating the Company’s sustainability strategy. She reports directly to the CEO, where the overall strategy converges. For Astrid Kasper, it is essential that sustainability be closely tied to the business. That is evident on many levels. For instance, Software AG aims to promote education and innovation, support employees’ ongoing growth, steadily improve the standards of products and processes, and thereby remain a reliable long-term partner for customers. “We can only succeed and add value to society when we empower our customers’ success,” says Astrid Kasper. This also applies to Software AG itself, adds Robin Colman, Senior Vice President, Corporate Development, who shares responsibility for the Leadership and Governance action area with Astrid Kasper. “We always have to keep our sights on our own efficiency to drive sustainable change that benefits all stakeholders alike.”

Sustainability in all its facets is a tradition at Software AG and is intrinsically motivated. Sustainability also provides the right answers to current challenges. “Like every company, we know that a clear environment, social and governance (ESG) strategy and its implementation are increasingly important to our shareholders and the wider financial markets,” states Robin Colman. In recent times, investments have become ever more linked not only to business objectives, but to sustainability targets as well. This applies equally to customers who check on such

goals and whether or not they are met. "This topic is also crucial for us as a brand," says Kasper. "Especially young people who apply to join our Company keep a very sharp eye on a potential employer's authentic commitment to social responsibility. Of course, other benefits are important to them, too—but working for a purpose plays a big role."

## OUR EMPLOYEES

People and their unique personalities, experiences and perspectives are at the heart of the Our Employees action area, which aims to foster a corporate culture of respect, transparency and inclusion as well as to attract and retain the best talent. Tanja Albrecht, as Senior Vice President, Global Talent Management, Culture & Learning, is responsible for this action area. Tanja Albrecht notes that the ongoing COVID-19 pandemic is still a challenge for everyone and is forcing us to ask ourselves where, when and how we work—now and in the future.

2021, the second year of the pandemic, showed us that the world will never be the same again—and employees' expectations and experiences have changed too. "The last two years have made their mark: lockdowns, prolonged periods of remote work and school, ever shrinking boundaries between personal and professional lives and less human interaction. All this has had a profound impact on employees," notes Tanja Albrecht. Software AG has therefore implemented numerous new initiatives to support employees' mental and physical wellbeing and to address virtual fatigue.

The annual employee survey again confirmed that many employees do not want to lose the flexibility of remote work once the pandemic is over. "Hybrid work is the future and requires a clear focus on maintaining a strong culture of collaboration and trust," continues Tanja Albrecht. Here, leaders play a pivotal role in managing remote teams with empathy and in ensuring that every employee feels seen, heard and valued, communicating a sense of purpose as well as building resilience. "More than ever before, we have to strike the ideal balance between providing employees with autonomy and a sense of belonging."

## CUSTOMERS AND TECHNOLOGY

Working in an open and creative environment leads to large-scale sharing of experiences and innovative ideas—that is undisputed. The fourth action area, Customers and



**"Hybrid work is the future and requires a clear focus on maintaining a strong culture of collaboration and trust."**

**TANJA ALBRECHT**  
SENIOR VICE PRESIDENT  
GLOBAL TALENT MANAGEMENT,  
CULTURE & LEARNING



**“Our products enable stronger sustainability—and that continues to improve the more we embrace the principles of green IT.”**

**DR. BENNO QUADE**  
CHIEF CUSTOMER  
SUCCESS OFFICER

Technology, requires precisely that approach. After all, Software AG needs extensive innovative power to develop high-quality, efficient software as a reliable partner for its customers. “This is especially important because our solutions and services intrinsically drive the digital transformation and help mitigate the impact of climate change,” says Dr. Benno Quade, who is very familiar with customers’ needs as Chief Customer Success Officer. “Our products enable stronger sustainability—and that continues to improve the more we embrace the principles of green IT.”

Software AG is implementing these ideas in a wide range of customer and research projects. For example, Software AG is helping DHL subsidiary Trailar cut back on the fuel consumption of its commercial vehicles through the use of IoT technologies. By way of mats mounted on vehicles’ roofs, solar energy powers the electrical equipment on board the vehicles thereby significantly reducing carbon emissions. The KLIPS research project aims to equip urban areas for the impacts of climate change. With the help of an information platform and a network of sensors, heat islands can be identified and surveyed in real time. AI algorithms enable city planners to predict where heat islands will arise and test planned measures to maximize their effectiveness.

Good product solutions are additionally characterized by their quality, innovative power and the creation of long-term value for the customer. In 2021, Software AG’s products and service quality were recognized multiple times by independent market research institutions.<sup>1</sup> “The prestigious Gartner consulting firm recognized us three times as a Leader in the Magic Quadrant™,” says Quade. It evaluates companies in specific technology fields and “Leader” is the highest rating Gartner gives. In 2021, Software AG received this rating in the areas of “Industrial IoT Platforms,” “Full Life Cycle API Management” and “Enterprise Architecture Tools.”

## IMPACT ON ENVIRONMENT

Software AG is also engaged in a fifth action area, the Environment. “We want to minimize our environmental footprint as much as possible,” states Thomas Schmuck. As Senior Vice President, General Services, he plans to deploy state-of-the-art technologies and innovations across the Company to achieve this objective. “We need to tackle the major environmental challenges.” Software AG

<sup>1</sup> For more information on the reports and the disclaimer, please refer to [Industry Recognition](#).

A photograph of the Software AG Headquarters in Darmstadt, Germany. The building is a modern, multi-story structure with a mix of brick and glass facades, situated in a lush green environment with a pond and a waterfall in the foreground. Yellow lines are overlaid on the image, connecting the header text to the building.

**SOFTWARE AG HEADQUARTERS  
IN DARMSTADT, GERMANY**



**“We want to  
minimize our  
environmental  
footprint as much  
as possible.”**

**THOMAS SCHMUCK**  
SENIOR VICE PRESIDENT  
GENERAL SERVICES

has been deploying environmentally responsible practices at many locations for years. In 1984, the Company moved its headquarters into the Darmstadt building, which was unconventional at the time: It is built from natural materials, surrounded by a large garden and uses the waste heat from its servers to heat the building. The cafeteria serves primarily regional foods. The Company set up a charging infrastructure for electric mobility in front of the building and is successively transitioning its commercial fleet to e-vehicles. “In addition, we switched to using green energy in Darmstadt back in 2010, and then all of our subsidiaries in the DACH region four years later,” says Thomas Schmuck. Since 2017, the Company has reported on these and all other efforts to improve sustainability in the Non-Financial Statement published as part of its Annual Report.

“But that is not enough for us,” Thomas Schmuck adds. “That is why we will be evaluating our corporate carbon footprint during the first half of 2022 as part of our sustainability strategy: How much CO<sub>2</sub> do we generate worldwide with our buildings, business travel and company vehicles—and where can we reduce these emissions?” Based on this data, Software AG will drive forward its sustainability strategy and work to reduce its carbon footprint.

→ [Non-financial statement starting on page 110](#)



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**SOFTWARE AG'S  
SHARE** P. 40

**REPORT OF THE  
SUPERVISORY BOARD** P. 54



**LETTER FROM  
THE CEO** P. 36

# FOR OUR SHAREHOLDERS

**SOFTWARE AG'S HELIX  
TRANSFORMATION** P. 34

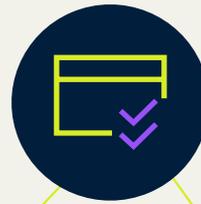


# SOFTWARE AG'S HELIX TRANSFORMATION

Software AG's multi-year transformation strategy, known as Helix, has built a robust springboard for achieving sustainable and profitable growth, enabling customer success with innovative products and offering employees an exciting future with an attractive partner and employer.



**CLOUD-NATIVE DEVELOPMENT CONCEPT**  
accelerates product and process cloud availability



**SUCCESS CREDITS**  
can be redeemed for prepackaged services (Fast Track Services)



**LAUNCH OF PARTNERCONNECT**  
Software AG's new partner program



**ANNOUNCEMENT OF A HYBRID WORK MODEL**  
as the new global standard for work at Software AG in the future



**COLLABORATION**  
with Automation Anywhere combines ARIS process mining and Robotic Process Automation (RPA)

**TALENT MANAGEMENT**

**500+**  
managers completed the Leadership Learning Journey



**STRATEGIC** partnership with leading technology investor Silver Lake

**NET PROMOTER SCORE OF**

**56\***

confirms product quality (2020: 54)  
\*March to December 2021



**EMPLOYEE ENGAGEMENT INDEX IN 2021**

**4.14**  
(2020: 3.92)

**88%**

**SHARE OF BOOKINGS** from subscriptions and Software as a Service in the Digital Business

**NEW LOGOS**

**312**  
(2020: 239)

**PHASES OF TRANSFORMATION:**

**2019**

**Laying the foundation**

In the first year of transformation, the cornerstone was set for a successful future and sustainable, profitable growth. The transformation strategy was launched with investments in three pillars of transformation: Focus, Team and Execution. The product portfolio was streamlined and an optimized performance matrix operating model was introduced.

**2020**

**Building momentum**

In the second year of transformation, investments in the three pillars continued to propel dynamic growth, maximizing foundations laid and the potential of core markets. This included the creation of a Customer Success management function and the accelerated shift to subscriptions.

**2021-2023**

**Accelerating Growth**

The third phase of transformation capitalizes on momentum gained. The focus is on scaling and consolidating the transformation as well as addressing innovative high-opportunity markets with products and a decisive go-to-market approach. This organic growth will be complemented by a strategic M&A program.

# LETTER FROM THE CEO

**Software AG delivered strong performance in 2021 with a clear Digital Business reacceleration in the fourth quarter. Our Helix transformation has built a robust springboard for growth in 2022 and beyond.**

**DEAR LADIES AND GENTLEMEN,  
DEAR SHAREHOLDERS,**

On behalf of the Management Board, I am pleased to present our 2021 Annual Report. We closed the third year of our transformation program with strong momentum, driven by the reacceleration of our Digital Business, powered by our cloud-native product sets and our ongoing subscription shift. Our performance has strengthened my conviction that we have the plan, the products, the team and the momentum to enter a new phase of growth in 2022. Last year our global team remained connected, dedicated and resilient in delivering for our customers—and this will not change in 2022. I'd like to thank them all.

## **A CRUCIAL YEAR OF TRANSFORMATION PROGRESS**

During 2021, we delivered strong financial performance despite the ongoing COVID-19 pandemic. Bookings in our Digital Business reaccelerated with 15 percent growth in the fourth quarter to €164.8 million, bringing full-year bookings to €406.0 million. This represented 12 percent growth year-on-year. While Group revenue for the year increased 1 percent over 2020, reflecting the impact of our subscription shift on revenue recognition, total recurring revenue represented more than three-quarters of total Group revenue for the first time and reached 92 percent of our product revenue total. This key metric is ahead of our 2023 ambition of 85 to 90 percent recurring product revenue, reflecting the increasing predictability and quality of our revenue stream. Total product revenue grew 3 percent year-on-year, reaching the middle of our guidance range. We also made excellent progress with our other key performance indicators during 2021. Our annual recurring revenue (ARR) was €585.4 million at the end of 2021, representing 11 percent growth year-on-year. ARR in our Digital Business was up 12 percent year-on-year to €418.5 million. The proportion of subscription and Software as a Service bookings within our Digital Business in 2021 also grew to 88 percent in both the fourth quarter and the full year. This key indicator for the progress of our subscription shift was up from 84 percent in the fourth quarter of 2020 and 81 percent in the full year 2020.

Our Adabas & Natural business delivered another strong year, meeting our increased guidance ranges. Bookings of €30.3 million during the fourth quarter and €111.7 million for the full year represented expected declines of 40 percent and 11 percent respectively.

Despite our ongoing investment in Helix, we maintained our commitment to profitability in 2021 with strong cost management, delivering an operating profit (EBITA, non-IFRS) of €163.8 million at an operating margin of 19.6 percent, ahead of our guidance range. Net income (non-IFRS) was €114.2 million, or €1.54 per share for the year.

This strong performance reflects the strategic progress we made with our Helix program in 2021, continuing under our **Focus, Execution and Team** pillars, directly impacting our financial results. Since the start of Helix, our aim has been to ensure we had the best **products** in areas that will drive our future growth. The Digital Business momentum we saw in the fourth quarter was driven by our cloud-native products with high double-digit bookings growth from webMethods.io, Cumulocity IoT and ARIS Process Mining. This shows our products are resonating with customers, driving our subscription shift and ensuring a record year for new logos, with 312 wins in 2021 and 106 wins in the fourth quarter.

On migrations, we moved just over 20 percent of our Digital Business maintenance baseline to subscription contracts at the end of the fourth quarter, at an average multiplier of 1.4x in 2021, leaving us 80 percent runway left to continue creating value. On renewals, the customer lifetime benefits of our subscription model are showing through, and we expect this return on investment to increase as renewal cohorts grow in 2022 and beyond.

Finally, the strength of our **team** has increased significantly through Helix and our cultural transformation continues to progress, with a record employee engagement score of 4.14 out of 5 in our latest employee survey, up 0.22 points from last year, showing our workforce is fully aligned behind our strategy and action plan.

## OUR GROWING MARKET OPPORTUNITY

Software AG operates at the heart of an accelerating global market trend towards digital transformation. Our vision for the Truly Connected Enterprise is responding to a \$28 billion market opportunity. Our integration and API as well as business transformation total addressable markets are each growing at 10 percent compound annual growth rate (CAGR) to 2024, while our IoT & Analytics total addressable market is growing at 26 percent. Our Digital Business, which directly addresses these markets, has now grown its product revenue in three consecutive quarters.

The COVID-19 pandemic has strengthened the need for businesses to drive towards the ideal of a Truly Connected Enterprise, particularly as they grapple with changes to the working locations, practices and needs of their employees. Our cloud-native, multi-tenant and subscription-ready product set continues to resonate strongly in both our installed and potential customer base and is helping us to regularly win new agreements in competitive situations. We are well placed to capitalize on this growing market opportunity as we enter 2022 with strong momentum, particularly in our Digital Business.

Going forward, our ambition is to build an end-to-end digital backbone that helps our customers overcome mission-critical data and transaction silos. Software AG is on an exciting

journey to empower the world's leading companies to build new connected business models that better serve their customers.

## ENTERING A NEW PHASE OF GROWTH

This fourth year of Helix presents a hugely exciting opportunity for our business as we look to capitalize on the springboard provided by our Helix transformation and push for growth, with the support of our new strategic partner in Silver Lake. Our 2022 guidance is a clear step up from 2021 and is underpinned by our confidence in the three clear growth drivers that supported our performance last year and form the building blocks of our growth path going forward. We will continue to grow new business by accelerating land-and-expand activity; leverage innovation to create incremental value through migrations; and will see the contribution of our renewal cohorts increase significantly.

Our 2022 guidance shows that we remain focused on profitable growth and margin expansion going forward. This will be driven by growth in our top line combined with greater emphasis on operational efficiency and productivity to fund our ongoing investments in growth. We have also reconfirmed our 2023 ambitions, reiterating our aims around top-line growth, margin expansion, increasing recurring revenues and continuing to grow our Digital Business, with clear plans in place to ensure we deliver on these ambitions. Beyond these organic growth plans, we are also looking to access more of our addressable market through M&As in 2022 and Silver Lake will be actively supporting Software AG in driving this forward.

I am proud of how we finished 2021 with our performance showing we have strong momentum as we start 2022, particularly in our Digital Business. I would like to extend my deepest appreciation to our employees, who inspire me every day with their resilience, commitment and team spirit. Thank you to our customers, partners and investors for their partnership and trust in our Company.

The Management Board and I look forward to driving Software AG towards our ambitions and continuing to build and grow our business towards sustainable and profitable long-term growth.

Yours sincerely,



**Sanjay Brahmawar**  
Chief Executive Officer

For more information on the members of the Management Board, please refer to [Note \[38\]](#) in the Notes to the Consolidated Financial Statements.

● **“Helix  
is delivering  
a hugely  
exciting  
opportunity  
for our  
business.”**



# SOFTWARE AG'S SHARE

## THE YEAR ON THE STOCK MARKET

### INDEXES SURMOUNT CORONAVIRUS PANDEMIC

Stock indexes performed well in 2021 despite the ongoing COVID-19 pandemic and government restrictions to contain it. A contributing factor were the continuing supportive measures taken by central banks. The lasting bottlenecks in the supply chain, concerns over inflation, and the fluctuating pandemic situation did not lead to drastic turbulence. Germany's DAX® benchmark

index gained almost 16 percent in the year under review. It started the year in trading at 13,719 points and closed on December 30, 2021 at about 15,885 points. In the previous year, the German benchmark index had achieved moderate annual growth of 3.5 percent, after losses at the beginning of the pandemic in February and March 2020.

The DAX peaked at 16,251 points on November 17, 2021 and bottomed out for the year at 13,433 points on January 29, 2021.

The MDAX®, in which Software AG is listed, began the year at 30,796 points and hit its low on March 5,

Stock Index Performance Comparison December 30, 2020–December 30, 2021 (indexed)

as %

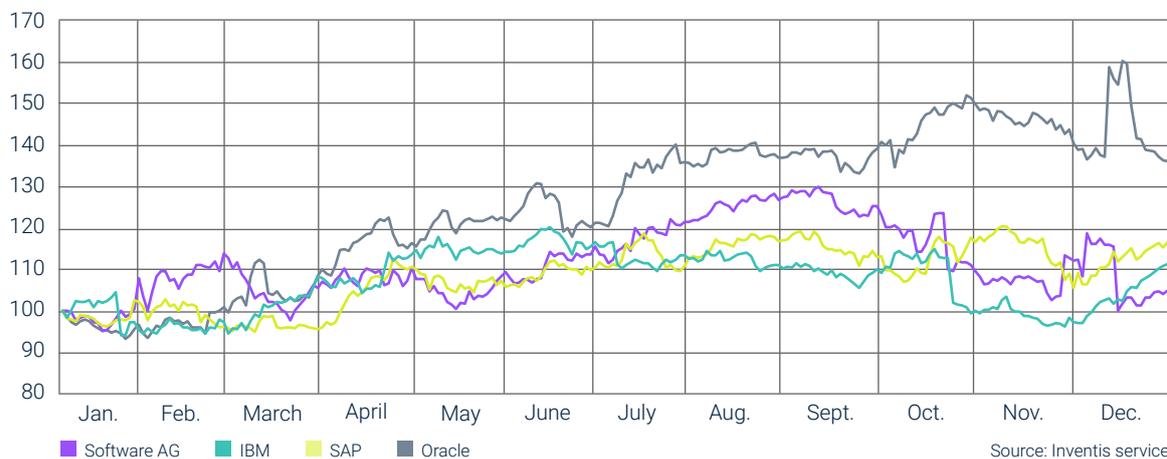


2021 at 30,717 points. It peaked for the year at 36,276 points on September 2, 2021. It ended the year at 35,123 points, which marks annual growth of a solid 14 percent.

Germany's high-tech TecDAX® index, in which Software AG is also listed, recorded a 22 percent gain for 2021. After kicking off the year at 3,213 points, it fell to 3,220 points on March 5, 2021. It reached its high for the year on November 19, 2021 at 3,987 points. The TecDAX closed the year at 3,920 points.

**Software AG Share Price Performance Compared to Peer Group December 30, 2020-December 31, 2021 (indexed)**

as %



### Dividend Development Since 2012

in € per share



<sup>1</sup> Dividend proposal, subject to shareholder approval in May 2022.

### Key Figures

	2021	2020
Closing price in €	35.08	33.34
Year high in €	43.48	44.26
Year low in €	31.82	22.60
Total number of shares at year-end	73,979,889	73,979,889
Treasury shares held by Software AG	20,111	20,111
Market capitalization at year-end in € millions	2,595.9	2,467.2
Free float as %	66.27	66.27

## TRANSFORMATION MAKES ITS MARK ON SOFTWARE AG SHARES

Software AG's share price started off the year on January 4, 2021 at €33.34, and hit its low on January 15, 2021 at a closing price of €31.82. In the weeks thereafter, it followed an inconsistent trajectory albeit with an upward trend. After the Annual Shareholders' Meeting on May 12, 2021, the share price grew continuously until peaking for the year on September 7, 2021 at €43.48. In contrast to the growth trend across other indexes, Software AG's stock then dropped following the release of third-quarter results in October.

Speculation of a takeover fueled the share price later in the year. The announcement of the strategic partnership with U.S. technology investor, Silver Lake, on December 14, 2021, brought a halt to the fantasies. In addition, concerns about inflation put high-tech stocks under particular pressure, and the new Omicron variant of the coronavirus led to an overall sense of caution in the market. Software AG's shares closed trading on December 30, 2021 at €35.08. This represents a 5.2 percent increase for the year.

Software AG's market capitalization was €2.60 billion at the end of the 2021 fiscal year.

Software AG again exceeded the German stock market's prime standard liquidity requirement in 2021 with an Xetra® average daily trading volume of approximately 160,000.

### Selected Indexes

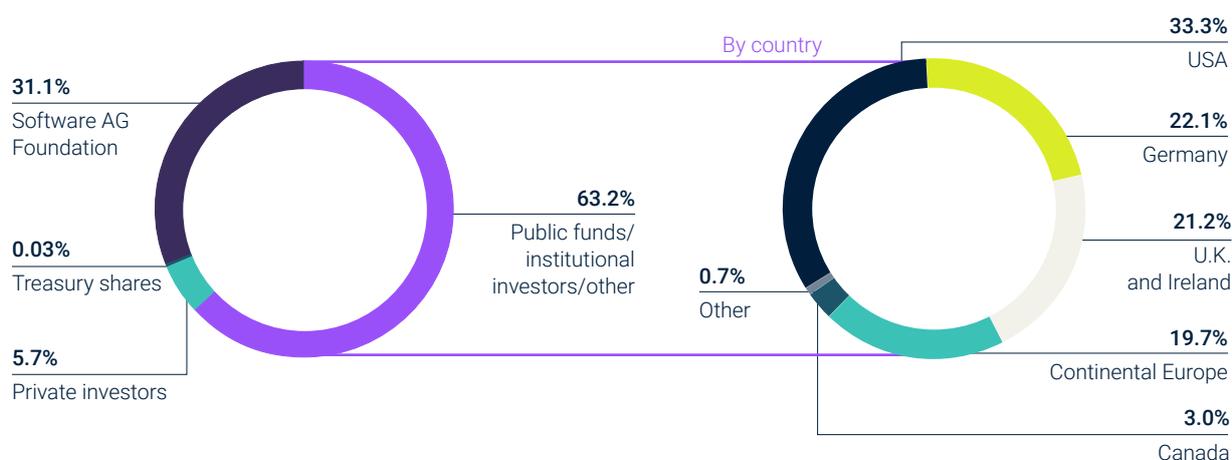
MDAX, TecDAX
Prime All Share
LTecDAX
Technology All Share
HDAX
CDAX
EURO STOXX
TecDAX Kursindex
DAXglobal Sarasin Sustainability Germany Index EUR
DAXglobal Sarasin Sustainability Germany

### Key Share Data

ISIN	DE 000A2GS401
WKN	A2GS40
Symbol	SOW
LEI	529900M1LI00SLOBAS50
Reuters	SOWGn.DE
Bloomberg	SOW:GR
Listed on	Frankfurt stock exchange
Market segment	Prime Standard
Index	MDAX, TecDAX
IPO on	April 26, 1999
Issue price on April 26, 1999	€10 <sup>1</sup>

<sup>1</sup> 3-for-1 split in May 2011.

## Shareholder Structure



Source: BD Corporate - IHS Markit, December 2021.

## CONSISTENT DIVIDEND POLICY

As in 2020, the 2021 Annual Shareholders' Meeting was also held virtually due to the ongoing state of the pandemic. With approximately 77 percent of voting shares represented, attendance of the online meeting exceeded that of the previous year (2020: 75 percent of voting shares). All agenda items proposed by management were approved.

The dividend for the 2020 fiscal year remained unchanged at €0.76 per share, holding the record level of the previous year. Given an unchanged number of shares, the total disbursement sum amounted to €56.2 million (2020: €56.2 million). Based on the closing share price (December 30, 2020: €33.34), this corresponds to a dividend yield of 2.28 percent (previous year: 2.44 percent).

Software AG will be able to continue its value-driven dividend policy for the concluded 2021 fiscal year. The Management Board and Supervisory Board will propose a dividend for the 2021 fiscal year of €0.76 at the 2022 Annual Shareholders' Meeting. The treasury shares held by Software AG are not entitled to a dividend.

## TREASURY SHARES

Unchanged from the previous year, Software AG continued to hold 20,111 treasury shares—representing 0.03 percent of its share capital—at the end of the 2021 fiscal year.

## SHAREHOLDER STRUCTURE

The Software AG Foundation remains Software AG's largest shareholder and thus its key anchor investor with 31.1 percent of its share capital. The Software AG Foundation is an independent, non-profit organization under civil law based in Darmstadt, Germany. It is committed to projects in support of education, children, the disabled and the elderly. The foundation also sponsors a wide variety of scientific and environmental fields.

After deducting the balance held by the Software AG Foundation and shares held by the Company itself, Software AG's free float is about 69 percent. This is calculated as defined by the Deutsche Börse as the percentage of a stock corporation's shares that are not held by long-term investors and can thus be traded freely on the stock market.

A geographic analysis of the identified institutional free float shows that around 33 percent is managed in the USA, 22 percent in Germany, 21 percent in U.K. and Ireland, 20 percent in Continental Europe, and 3 percent in Canada.

Because of Software AG's growth strategy, the Company increasingly appeals to long-term growth investors—especially investors in the United States

experienced in the transformation of software companies. The alliance with U.S. technology investor Silver Lake, which was announced in mid-December 2021, is therefore an ideal fit. As part of the strategic partnership, Silver Lake made a PIPE (private investment in public equity) investment in the amount of €344 million. With that, Silver Lake subscribed to subordinate unsecured convertible bonds which will reach maturity at the beginning of 2027. Upon conversion, they will represent approximately 10 percent of the Company's current issued share capital. Software AG will invest its gains on the transaction in further growth and drive its acquisition program as part of the next stage of its Helix transformation.

## ONGOING DIALOGUE WITH INVESTORS

In addition to engaging in ongoing dialogue with existing shareholders, active investor relations work also involves the targeted engagement of potentially new investors. This requires in-depth expertise and analysis of financial markets.

Having engaged in more than 250 meetings in 2021, Software AG further intensified its relationship with investors and analysts in the year under review. Software AG was represented at a total of 18 capital market conferences in Germany and abroad. Most events took place virtually due to the pandemic.

In addition, numerous individual virtual calls and meetings took place with analysts and investors, in particular those from Germany, the U.K., France, Spain and the USA.

Also held in virtual format, Software AG's Capital Markets Day (CMD) held on February 23, 2021, provided financial analysts and investors the opportunity to discuss the Company's strategy with the entire management. Open dialogue with investors and representatives of the financial market is a key element to monitoring strategic areas of focus and provides essential impetus for the Company's development.

Analysts from 15 investment banks currently cover Software AG and regularly publish study results. Software AG's stock received a positive or neutral rating from 11 of them as of the end of 2021. Analysts' overall average price target was €38.86.

Software AG provides all members of the capital market with all the latest relevant information on the [Investor Relations website](#).

# STATEMENT ON CORPORATE GOVERNANCE

## BASIC UNDERSTANDING

Good corporate governance is a core component of management at Software AG. The Management Board and the Supervisory Board are bound to it, and all business lines are guided by it. Responsible, qualified and transparent corporate governance focuses on a company's long-term success. It includes both compliance with the law and extensively following generally accepted standards and recommendations. Values such as sustainability, transparency and value orientation are its focus. The Statement on Corporate Governance in accordance with sections 289f and 315d of the German Commercial Code (HGB) is the central instrument of corporate governance reporting.

## COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

**Declaration of Conformity pursuant to section 161 of AktG**, submitted by the Management Board and Supervisory Board of Software AG, Darmstadt, relating to the German Corporate Governance Code (GCGC).

On January 25, 2022, the Management Board and Supervisory Board declared that, since adoption of the last Declaration of Conformity on January 26, 2021, all recommendations of the government commission's German Corporate Governance Code from December 16, 2019 (effective as of March 20, 2020, GCGC 2019), as published by the German Ministry of Justice and Consumer Protection in the official section of the electronic version of the Federal Gazette, have been followed and will continue to be followed in the future.

The Management and Supervisory Boards would like to highlight that the Supervisory Board approved a new remuneration system for the Management Board in January 2021, which was passed at Software AG's Annual Shareholders' Meeting on May 12, 2021, and fully complies with the recommendations of the GCGC 2019. The requirements of the adjusted remuneration system will be taken into account in the future when concluding contracts with new Management Board members or amending existing contracts with Management Board members. Three current Management Board contracts have not yet been adjusted to reflect the new remuneration system.

The [Declaration of Compliance](#) is published on Software AG's website as well as [Declarations of Compliance](#) from the last five years.

## THE CORPORATE WEBSITE

The Management Board's remuneration system, which was approved by the Supervisory Board with effect as of January 1, 2021, was passed at the Annual Shareholders' Meeting on May 12, 2021 by a majority vote equaling 94.83 percent of valid votes cast. This most recent resolution on remuneration pursuant to section 113(3) of AktG as well as the applicable remuneration system are available on the corporate website at [Remuneration Systems and Report](#). The Remuneration Report for the last fiscal year and the Independent Auditor's Report pursuant to section 162 of the German Stock Corporation Act (AktG) are also available on the corporate website.

## KEY PRINCIPLES AND PRACTICES OF CORPORATE GOVERNANCE

### Compliance management system

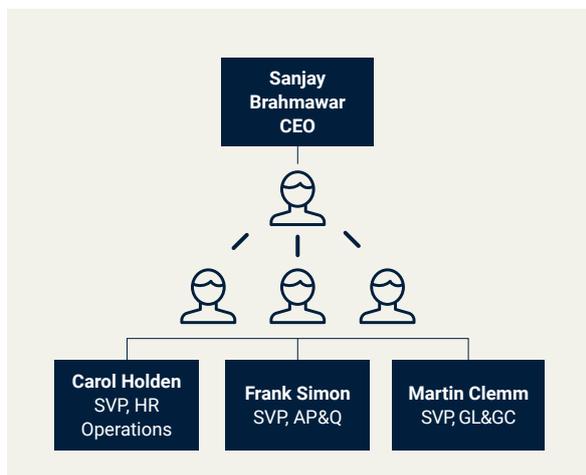
Software AG’s compliance management system is based on its risk situation and serves as part of the Software AG Global Code of Business Conduct and Ethics. The Compliance Board reports to the CEO. It initiates and orchestrates measures to ensure strict compliance management at Software AG.

### Global Code of Business Conduct and Ethics

Software AG established a Code of Business Conduct and Ethics. It includes ethical standards applicable to the Company worldwide and is available on Software AG’s website at [ESG - Environmental | Social | Governance](#). The code includes specific regional aspects. It is binding for all employees of Software AG and its subsidiaries. All employees are required to read and understand the contents of the Code of Conduct. To this end, all new staff members attend mandatory, Web-based training sessions and receive certification upon completion. The Code of Conduct is currently available in eight languages. In addition, the Company has other specific guidelines for conduct with partners and suppliers.

### Compliance Board

The Compliance Board can be contacted (anonymously if desired) on all issues. Software AG has set up an email-based reporting system at [complianceboard@SoftwareAG.com](mailto:complianceboard@SoftwareAG.com) for general questions as well as for reporting incidents.



In total, 43 (2020: 52) inquiries were filed with the Compliance Board in 2020 by employees of Software AG. The Compliance Board was comprised of the following members in the year under review:

- Carol Holden (Senior Vice President, HR Operations)
- Frank Simon (Senior Vice President, Audit, Processes & Quality)
- Martin Clemm (Senior Vice President, Global Legal & General Counsel)

For more information on the Code of Business Conduct and Ethics, the Code of Conduct for Partners and Suppliers and the Compliance Board, please refer to the [Combined Non-Financial Statement](#).

### Open and transparent communication

Software AG communicates openly, transparently, comprehensively and in a timely manner with all market participants. The Company held a Capital Markets Day in February 2021 and participated in numerous investor conferences, road shows and other capital market events in fiscal year 2021. Due to precautions taken for the COVID-19 pandemic, many of these events took place virtually.

Globally consistent corporate messaging is necessary to earn the trust of investors, analysts and journalists. Regulatory bodies and the media review publications and press releases for consistency and to ensure compliance with laws and regulations. Software AG’s communications guidelines define how it handles corporate communication. Software AG provides information to investors, analysts and journalists in accordance with standard criteria. This information is transparent for all capital market participants.

All ad hoc disclosures, press releases, as well as presentations held at press and analyst conferences and road shows are published promptly to the Investor Relations section of Software AG’s website. Planned publication dates can be found in the [Financial Calendar](#), which is also published on the corporate website.

## COMPOSITION AND WORKING METHODS OF THE MANAGEMENT BOARD

The Management Board is autonomously responsible for leading the Company with the goal of sustainable value creation. The members of the Board share responsibility for management of the Company.

Guidelines for the work of Software AG's Management Board are elaborated in the **Rules of Procedure of the Management Board**. Above all, they define the members' individual responsibilities, the tasks assigned to the Board as a whole, adoption of resolutions and the rights and obligations of the Chief Executive Officer. In the 2021 fiscal year, the Management Board of Software AG consisted of five members until John Schweitzer's appointment to the Management Board ended prematurely on January 13, 2021. Subsequently, there were four members:

**Sanjay Brahmawar**, born in 1970 (nationality: Belgian), holds an MBA in finance and marketing from the University of Leeds (U.K.) and a Bachelor's degree in civil engineering from Delhi College of Engineering (India) and has been CEO of Software AG since August 1, 2018. His term is in effect until 2023.

**Dr. Elke Frank**, born in 1971 (nationality: German), holds a doctoral degree in law (Dr. jur.) from Julius-Maximilians- University in Würzburg (Germany), and has been a member of Software AG's Management Board since August 2019. She oversees Global Human Resources, Talent Management and Transformation, Global Legal and Global Information Services. Her term is in effect until 2024.

**Dr. Matthias Heiden**, born in 1972 (nationality: German), holds a Higher National Diploma in business and finance from the European College of Business and Management, Suffolk College (U.K.), a degree (Diplom) in business administration and a PhD (Dr. rer. oec.) in business administration, both from the University of Saarland (Germany). He was appointed Chief Financial Officer as of July 1, 2020. In this function, he oversees Global Finance & Controlling, Corporate Development (including Investor Relations, Mergers & Acquisitions and Post Merger Integration), Treasury, Global Services, Taxes and Business Operations. His term is in effect until 2023.

**Dr. Stefan Sigg**, born in 1965 (nationality: German), holds a degree (Diplom) and a PhD (Dr. rer. nat.) in mathematics, both from the University of Bonn (Germany), and has been a member of Software AG's Management Board since April 2017. As Chief Product Officer, he oversees Research & Development, Product Management, CTO Office, Cloud Operations, and Global Support. His term is in effect until 2027.

**John Schweitzer**, born in 1968 (nationality: American), holds a Bachelor of Science in economics and finance from Northern Arizona University (USA) and was a member of Software AG's Management Board from November 2018; as Chief Revenue Officer, he oversaw Global Sales and Consulting Services. His appointment to the Management Board ended prematurely on January 13, 2021.

## COMPOSITION AND WORKING METHODS OF THE SUPERVISORY BOARD AND ITS COMMITTEES

The Supervisory Board appoints, monitors and advises the Management Board. The Supervisory Board is informed in a timely and comprehensive fashion by the Management Board of all issues relevant to the Company, particularly regarding strategy, planning, business performance, the risk situation, risk management and compliance. Pursuant to recommendations made by the Personnel Committee, the Supervisory Board determines a clear and understandable system for Management Board remuneration, which it evaluates regularly. On that basis, it determines the specific remuneration for each Management Board member. The remuneration structure is geared toward Software AG's sustainable and long-term development and helps support its business strategy. The chair of the Supervisory Board coordinates the work of the Supervisory Board, leads its meetings and maintains contact with the CEO between Supervisory Board meetings to discuss strategy, business performance, the risk situation, risk management and compliance. The CEO informs the chair without delay of any key events that are relevant to the assessment of the Company's position and performance or to the leadership of Software AG. The Supervisory Board chair then reports to the Supervisory Board and, if necessary, convenes a special meeting of the Supervisory Board. Transactions that require the approval of the Supervisory Board are listed in the Rules of Procedure of the Management Board. The Supervisory Board also meets on a regular basis without the Management Board.

### Composition

The Supervisory Board of Software AG is composed in accordance with the regulations of the One-Third Participation Act. The election of two employee representatives to the Supervisory Board, which was postponed in 2020 due to the COVID-19 pandemic, was held in 2021. In the Supervisory Board election held on October 28, 2021, in accordance with the provisions of the One-Third Participation Act, Bettina Schraudolf (substitute member: Jörg Anton) and Madlen Ehrlich were elected as members of the Supervisory Board. They have been in office since the outcome was announced by the main election committee on November 4, 2021. As a result, Guido Falkenberg and Christian Zimmermann, who had

been appointed as members of the Supervisory Board by the Darmstadt District Court as of June 26, 2020, left the Supervisory Board. Bettina Schraudolf is the chair of Software AG's Works Council. Madlen Ehrlich is Senior Director, Bid Operations and Sales Programs for Software AG. She was elected deputy chair of the Supervisory Board.

At the Supervisory Board meeting on December 13, 2021, the chair of the Supervisory Board, Karl-Heinz Streibich, and the chair of the Audit Committee, Ralf Dieter, resigned from their positions as of the end of January 31, 2022. The Darmstadt District Court appointed Christian Lucas as member of the Supervisory Board, by resolution dated January 27, 2022 which took effect on February 3, 2022. He took over as chair of the Supervisory Board by resolution of the Supervisory Board.

### Committees

Guidelines for the work of the Supervisory Board of Software AG are described in the Rules of Procedure of the Supervisory Board. In addition to the duties and powers of the chair of the Supervisory Board, they define the structure of meetings, the adoption of resolutions, and the formation of committees.

The Management Board, Supervisory Board and committees work together closely with the objective of sustainably enhancing Software AG's value.

The Supervisory Board established three committees to efficiently carry out its duties: the Audit Committee, the Personnel Committee and the Nominating Committee.

The **Personnel Committee** prepares personnel-related decisions made by the Supervisory Board when they affect the remuneration, appointment, reappointment or dismissal of members of the Management Board. The Personnel Committee has three members. The Supervisory Board chairperson chairs the Personnel Committee. Further Personnel Committee members in the fiscal year 2021 were Bettina Schraudolf (employee representative) and Ursula Soritsch-Renier (shareholder representative). Until November 2021, the members of the Personnel Committee, in addition to the chair, were Guido Falkenberg (employee representative) and Markus Ziener (shareholder representative).

The **Audit Committee** handles issues related to accounting, the audit of interim financial information and the monitoring of the accounting process, the

effectiveness of the internal control system, the risk management system, the internal auditing system and compliance. The Audit Committee also deals with the audit of the financial statements, in particular the selection and independence of the auditor, the quality of the audit and the additional services provided by the auditor. The Audit Committee has three members. In 2021, they were Ralf Dieter (chair, shareholder representative), Madlen Ehrlich (employee representative) and Markus Ziener (shareholder representative). Until November 2021, the members of the Audit Committee, in addition to the chair, were Ursula Soritsch-Renier (shareholder representative) and Christian Zimmermann (employee representative). Effective February 1, 2022, the Supervisory Board elected Markus Ziener as the new chair of the Audit Committee. Following his court appointment as member of the Supervisory Board, Christian Lucas was appointed by the Supervisory Board as a member of the Audit Committee. Ralf Dieter, Markus Ziener and Christian Lucas have knowledge in the area of accounting as well as in the area of auditing due to their professional experience. Markus Ziener has been Chief Financial Officer of the Software AG Foundation for many years and previously served as chair and member of Software AG's Audit Committee. After working as a strategy consultant, Christian Lucas worked as an investment banker. Since joining Silver Lake in 2010, he has held numerous positions on comparable foreign supervisory bodies, also deepening the knowledge of accounting and auditing acquired during his studies and professional activities.

The **Nominating Committee** nominates qualified candidates for election to the Supervisory Board at the Annual Shareholders' Meeting. It consists of shareholder representatives only. In fiscal 2021, the Nominating Committee members were Karl-Heinz Streibich (chair), Markus Ziener and Ralf Dieter.

#### **Self-assessment**

Members of the Supervisory Board assess at regular intervals how effectively the Supervisory Board as a whole and its committees fulfill their duties (self-assessment). Each member completes a questionnaire to assess all areas of the Supervisory Board's work. The questionnaire contains more than 30 questions. The key aspects of the self-assessment are the composition of the Supervisory Board, availability of information, preparation and follow-up of meetings, com-

mittee responsibilities as well as training activities and succession planning. The Supervisory Board discusses the results of the annual self-assessment extensively and, if necessary, agrees on measures to increase its effectiveness. The Supervisory Board's self-assessment was initiated in its December 2020 meeting, and the results were evaluated in its meeting on February 5, 2021. The overall outcome of the assessment of the Supervisory Board's activities and work was good, particularly regarding the frequency of meetings, discussions at meetings, and onboarding support. Measures discussed by the Supervisory Board were implemented in the 2021 fiscal year. A self-assessment was again initiated in December 2021, the results of which were presented to and discussed by the Supervisory Board in January 2022.

#### **Training and professional development**

Supervisory Board members are responsible for completing any training necessary to perform their duties. Such topics may include regulatory changes or new and innovative technologies. The Company supports them in these activities. In the case of regulatory changes that are of particular relevance to the Supervisory Board or the Company, training is provided by internal and external experts. Internal information sessions are offered for the purpose of training in specific topics.

Software AG supported and supports members of the Supervisory Board during their onboarding process. For example, each new member of the Supervisory Board meets individually with each member of the Management Board to discuss general and current topics specific to each role on the Management Board and to the Company. In addition, new members participate in external training events. Furthermore, information is provided during meetings on changed governance requirements, including those resulting from the Financial Market Integrity Strengthening Act (Finanzmarktintegritätsstärkungsgesetz), the Act to Supplement and Amend the Regulations for the Equal Participation of Women in Leadership Positions in the Private Sector and in the Public Sector (Gesetz zur Ergänzung und Änderung der Regelungen für die gleichberechtigte Teilhabe von Frauen an Führungspositionen in der Privatwirtschaft und im öffentlichen Dienst) and the EU Taxonomy Regulation, as well as with regard to remuneration reporting.

For more details on the Supervisory Board's work and its committees, please refer to the Report of the Supervisory Board. For more details on the current members of the Supervisory Board, including their curricula vitae and committee membership, please visit [corporate website](#). The CVs are updated regularly—at least once per year.

### TARGET PERCENTAGES FOR WOMEN PURSUANT TO SECTIONS 76 (4) AND 111 (5) OF AKTG

In its meeting on May 17, 2017, the Supervisory Board established 16.67 percent as the target percentage for female members of the Supervisory Board and 0 percent of the Management Board. The deadline for meeting this target was set at April 30, 2022. As of December 31, 2021, the Supervisory Board exceeded its target by 33.33 percentage points, and the Management Board's composition exceeded its target by 25 percentage points.

As the Supervisory Board is convinced of the essential importance of promoting diversity, in its meeting on February 28, 2022, it set the goal of maintaining or achieving a minimum proportion of women on the Management Board of 25 percent (one of four Management Board members at the time of the resolution) by the end of May 2025.

Software AG employees elected two women to the Supervisory Board in the year under review, replacing two male colleagues. The Supervisory Board wanted to take that opportunity to also set the target for the proportion of women on the Supervisory Board at 33.33 percent (two of six Supervisory Board members at the time of the resolution). This target is to be maintained or achieved by the end of May 2025.

Pursuant to section 76 IV of the AktG, the Management Board defined targets for the quota of first and second-tier female managers below the Management Board in its meeting on July 20, 2017: 12 percent female managers in the first tier and 15 percent in the second tier below the Management Board. The deadline for meeting this target was set at June 30, 2022. The first level of management below the Management Board consisted of 18.3 percent women and the second consisted of 22.2 percent women as of December 31, 2021. Both percentages thus exceeded the respective targets.

These figures clearly show that the measures to increase the proportion of women in management compared with the original targets continue to be successful. In its meeting on January 14, 2022, the Management Board therefore decided ahead of schedule to set new targets to continue its ambitious work on these targets. The new targets to be achieved by the end of May 2025 are 22.7 percent for first tier of management below the Management Board (five of 21 people at the time the resolution was adopted) and 24.1 percent for the second tier of management below the Management Board (14 of 58 people at the time the resolution was adopted).

### DIVERSITY CONCEPT, COMPOSITION TARGETS AND COMPETENCY PROFILE

The Supervisory Board is certain that diversity is critical to Software AG's successful development. Promoting diversity in the Company, specifically when appointing members of the Supervisory and Management Boards, is an important factor in ensuring Software AG's sustainable success. The concept covers age and term caps, gender quotas (as described in Target Percentages for Women) and the explicit need to establish a sensible and broad mix of backgrounds with respect to education and experience (professional experience) as well as international experience and cultures on the boards.

#### Management Board

The Supervisory Board established an age cap of 65 as well as a percentage of female members (see [Target Percentages for Women](#)) on the Management Board. The Supervisory Board does not see a reason to define a rigid diversity concept for the Management Board. The Personnel Committee regularly evaluates the composition of the Management Board and compares the skills and experiences represented on the Management Board with its current requirements. It is the judgment of the Personnel Committee of the Supervisory Board as to how the results of this comparison are handled. The objective of the process is to achieve the best possible skill and experience representation in the Management Board based on the current and future business situation. The Management Board's age cap and female percentage targets were met and/or exceeded.

### Succession planning

The Supervisory Board, in cooperation with the Management Board and with the assistance of the Personnel Committee, is responsible for succession planning on the Management Board. When a successor is needed, the Personnel Committee considers quality and mandate requirements as well as composition targets, before creating an ideal candidate profile. Available candidates are shortlisted based on this profile. If necessary, the Supervisory Board or the Personnel Committee may employ the services of external consultants in creating a requirements profile and selecting candidates. Structured interviews are conducted with candidates before a recommendation is submitted to the Supervisory Board for a vote. The chair of the Supervisory Board, who also chairs the Personnel Committee, regularly discusses suitable candidates with the Management Board. Reports on talent management and leadership development on the first tier below the Management Board are also provided regularly. For example, the guidelines developed by the Management Board for internal succession planning, as well as the succession planning process, are regularly discussed by the Human Resources Committee. Development measures and prospects for internal talent are also discussed.

### Supervisory Board

The Supervisory Board is composed in such a way that the sum of its members possess the knowledge, skills and professional experience necessary to properly perform their duties. Software AG's Supervisory Board defined diversity-related targets for its members and created a competency profile for the body as a whole.

Unless there are sound reasons warranting otherwise, members of Software AG's Supervisory Board should be appointed only for terms of office ending no later than at the end of the Annual Shareholders' Meeting following the 75th birthday of the Supervisory Board member (target age cap, see section 9(3) of the Articles of Association).

Nominations of candidates to be elected to the Supervisory Board should take into consideration a maximum term of 15 years. The Audit Committee chair should have specialized knowledge and experience in applying accounting principles and internal control procedures as well as familiarity with financial audits. The Supervisory Board set itself the target of women

constituting 33.33 percent of the Supervisory Board (see [Target Percentages for Women](#)).

Supervisory Board members as a whole must be familiar with sector in which the Company operates (enterprise software). The Supervisory Board considers the following competencies and skills to be essential to the fulfillment of its mandate (competency profile):

1. Members' professional backgrounds should be in one or more of the following fields:
  - a) ICT, mechanical engineering with use of IoT, similar fields
  - b) Direct or indirect experience with enterprise IT and/or understanding of digitalization and enterprise software solutions
  - c) CEO, CTO or CRDO of a technology company
  - d) Knowledge of the demands of a medium-sized company
  - e) In-depth expertise in accounting, financial controlling and reporting
  - f) Experience dealing with investors/analysts and shareholders of listed companies
2. Members of the Supervisory Board should be familiar with the requirements and duties associated with the two-tier governance structure pursuant to German stock corporation law and the requirements of the German Corporate Governance Code.
3. International experience, especially at a global company, and in dealing with customers and in various markets.

The aim of the combined diversity concept, competency profile and composition targets is to cover the broadest possible spectrum of backgrounds in the composition of the committees so that they can use their diversity to form opinions and make the best possible decisions for Software AG given the current business and strategic priorities.

The Supervisory Board considers its diversity and competency profile as well as its specific composition targets to be met in the fiscal year 2021.

### Independence

The Supervisory Board deems three independent members representing shareholders to be appropriate. In the estimation of the Supervisory Board, all shareholder representatives were independent in the 2021 fiscal year. They consisted of the chair, Karl-Heinz Streibich,

and members Ralf Dieter, Ursula Soritsch-Renier and Markus Ziener. In 2021, an external law firm was also commissioned to review their independence, which was confirmed. Based on attendance numbers from the last three Annual Shareholders' Meetings, the Supervisory Board determined that Software AG does not have a controlling shareholder with a sustainable Annual Shareholders' Meeting majority. The Supervisory Board does not consider Markus Ziener's employment with the Software AG Foundation to be a dependency. Karl-Heinz Streibich had been a member of the Management Board of the Company nearly two years prior to his election to the Supervisory Board. The two-year cooling-off period, however, was almost complete with 36 days until the election. Additional factors reflecting no dependencies are that all seats on the Management Board have been filled with new members since April 2017, and Software AG does not maintain direct or indirect business relationships with any members of the Supervisory Board. Ralf Dieter was CEO of Dürr AG until the end of 2021. Dürr AG Group companies are Software AG customers. Software AG and the Dürr Group, as well as other companies, co-founded ADAMOS GmbH. All partners in ADAMOS GmbH have a 12.5 percent share in the company. Ralf Dieter is chair of the advisory board of ADAMOS GmbH. The Supervisory Board considers both the scope of customer relationships and Software AG's share in ADAMOS GmbH to be immaterial business relationships. Furthermore, no mutual consulting agreements or other contracts for work or services exist.

After Karl-Heinz Streibich and Ralf Dieter resigned from their offices as of the end of January 31, 2022, the Darmstadt District Court appointed Christian Lucas as member of the Supervisory Board by resolution dated January 27, 2022 which took effect on February 3, 2022. The Supervisory Board considers him to be independent. Christian Lucas is Managing Director of Silver Lake, a fund that has subscribed to and underwritten convertible bonds in Software AG entitling it to convert up to 7.4 million shares. In addition, Silver Lake entered a consulting agreement with Software AG whereby Silver Lake will provide consulting services to Software AG at Software AG's request and on demand without charging a fee. In the opinion of the Supervisory Board, the two contractual relationships do not diminish the independence of Christian Lucas.

## ADDITIONAL INFORMATION ON CORPORATE GOVERNANCE

### Shareholders and the Annual Shareholders' Meeting

The **Annual Shareholders' Meeting** is one of Software AG's main corporate bodies through which shareholders can exercise their rights and their voting rights. Software AG invites its shareholders to participate in its Annual Shareholders' Meeting. Important decisions are made at the meeting, including ratification of the actions of the Management and Supervisory Boards, election of shareholder representatives and external auditors, amendments to the Articles of Association and measures regarding the Company's capital, intercompany agreements and conversions. Furthermore, shareholders decide on the appropriation of profits. They decide—advisory in nature—on the approval of the Supervisory Board's proposal for the Management Board remuneration system and on the Supervisory Board's specific remuneration.

And, they decide—recommendatory in nature—on the approval of the Remuneration Report for the last fiscal year. As provided in the financial calendar, shareholders are informed regularly of Software AG's business developments, financial performance, assets and financial position four times per year.

The Annual Shareholders' Meeting took place virtually on May 12, 2021 due to restrictions associated with the COVID-19 pandemic. Approximately 77 percent of voting shares were present on May 12, 2021. The next regular Annual Shareholders' Meeting is scheduled for May 17, 2022.

Pursuant to the suggestion of the Corporate Governance Code, Software AG conducts the Annual Shareholders' Meeting in an expedient manner, preferably within a time frame of four hours. All duly submitted questions were addressed and answered at the regular Annual Shareholders' Meeting held in the year under review. The CEO's presentation was published on the corporate website in advance to help shareholders submit relevant questions. Shareholders had the option of voting by mail (including email) and by way of Company-appointed proxies bound by shareholder instructions. The invitation to the Annual Shareholders' Meeting is published on Software AG's [website](#) as well as voting results and presentations from past Annual Shareholders' Meetings.

**Financial reporting and auditing**

The 2021 Annual Shareholders' Meeting again appointed BDO Wirtschaftsprüfungsgesellschaft, Hamburg, Germany (hereinafter referred to as BDO AG), as **company auditor**.

Non-audit services subject to approval may only be rendered by the auditor if and to the extent they have been approved by the Audit Committee in accordance with the legally binding approval process. No business, financial, personal or other relationships that could cast doubt on the independence of the audit firm have existed at any time.

Pursuant to the Annual Shareholders' Meeting resolution, the Supervisory Board, represented by the chair of the Audit Committee, appointed the auditor and agreed on the fee. In connection with the awarding of the contract, the chair of the Audit Committee also agreed with the auditor to comply with the reporting duties pursuant to the German Corporate Governance Code. The auditor participates in meetings of the Supervisory Board's Audit Committee concerning the financial statements and consolidated financial statements and reports on key audit findings. The Audit Committee had no doubt as to BDO AG's independence before it commissioned the firm.

**MANAGERS' TRANSACTIONS  
(PURSUANT TO ART. 19 OF MAR)**

Personal share transactions conducted by persons discharging managerial responsibilities and by those related to them (natural or legal) are disclosed on the corporate [website](#). Three transactions subject to mandatory disclosure were reported in the 2021 calendar year.

# REPORT OF THE SUPERVISORY BOARD

## DEAR LADIES AND GENTLEMEN, DEAR SHAREHOLDERS,

Following my appointment as a member and chair of the Supervisory Board in early February 2022, I am pleased to report on the activities of my colleagues on the Supervisory Board in the 2021 fiscal year as follows: Aside from the challenges the COVID-19 pandemic continued to present, the 2021 fiscal year at Software AG can be characterized by the disciplined implementation of its corporate strategy and ongoing transformation (Helix), which the Supervisory Board actively supported with prudence and constructive criticism. Milestones and progress were closely tracked and discussed during the year.

## COLLABORATION BETWEEN THE MANAGEMENT BOARD AND SUPER- VISORY BOARD

In the 2021 fiscal year, the Supervisory Board performed all duties required by law and by the Company's Articles of Association. It advised the Management Board in running the Company and supervised its leadership. In doing so, the Supervisory Board was directly involved in all decisions of key relevance to Software AG. Via oral and written reports, the Management Board informed the Supervisory Board regularly, comprehensively and promptly of all important aspects of the strategy, the status of strategy implementation, planning, business development, the risk situation and risk management, as well as compliance, and was available to the Supervisory Board in meetings for questions and discussions. Deviations from planned business developments were justified in detail. The Supervisory Board also received regular updates outside of meetings particularly on the topics of IT security and the impact of the COVID-19 pandemic.

The Supervisory Board chair maintained regular contact with the Company's CEO. They consulted regularly on Software AG's strategy, planning, business



**Christian Lucas**  
Chair of the Supervisory Board

development, risk situation, risk management and compliance. The CEO informed him immediately of important occurrences. The relationship between the Management Board and Supervisory Board was characterized by close, trusting cooperation and an open, constructive dialog.

The Supervisory Board's discussions covered topics such as the rollout of the Company's strategic transformation, Silver Lake's strategic private investment in public equity (PIPE) and finalizing the Management Board's new remuneration system.

The Supervisory Board and the Management Board discussed the quarterly and half-year results and reports and thoroughly analyzed ongoing business developments. Any transactions requiring Supervisory Board approval in accordance with the Articles of Association or applicable legislation were reviewed and voted on accordingly. Documents relevant to decisions were provided to the Supervisory Board in due time before the relevant meeting. The Supervisory Board voted on resolutions following extensive evaluation and consideration and based on decision papers and conversa-

tions. After having carefully monitored the Management Board's leadership, the Supervisory Board confirms that it acted lawfully, appropriately and economically in every respect.

## SUPERVISORY BOARD MEETINGS

The Supervisory Board met 11 times in the year under review. All members of the Supervisory Board attended the meetings of the Supervisory Board and its committees during the year under review. The Supervisory Board met regularly without the Management Board. Particularly during the spring and starting again in the fall, most meetings were held as audio or video conferences as a precautionary measure due to the COVID-19 pandemic. Four resolutions were adopted outside of Supervisory Board meetings with regard to individual matters.

The following table illustrates the members' attendance of meetings of the Supervisory Board and its committees<sup>1</sup> held in fiscal 2021.

In its **first four meetings** of the fiscal year, held in **January and February 2021**, the Supervisory Board approved the Declaration of Compliance with the Corporate Governance Code and the [Statement on Corporate Governance](#). It also conducted the self-assessment on the effectiveness of the Supervisory Board's and its committees' fulfillment of their duties. Further focal points were the resignation of Management Board member John Schweitzer, the finalization of the Management Board's new remuneration system and budget,

as well as targets for members of the Management Board for the 2020 and 2021 fiscal years.

At the accounts meeting on **March 15, 2021**, in the presence of the auditor, the 2020 financial statements and consolidated financial statements were discussed in depth and subsequently approved by the Supervisory Board at the recommendation of the Audit Committee and following its own thorough review. At this meeting, the Supervisory Board also informed itself of the status of the implementation of the strategy and approved the proposed resolutions for the Annual Shareholders' Meeting agenda.

In **two meetings, in May and June 2021**, the Supervisory Board convened to thoroughly discuss the progress of the transformation, the corporate strategy, the Q1 financial results and the outlook for the first half of the year.

On **July 23, 2021**, the Supervisory Board held a strategy meeting in which it was extensively informed by the Management Board on IT strategy, talent recruitment and development, technology vision, product strategy as well as strategic options. A discussion with the Management Board also took place. In addition, the second quarter 2021 results and the outlook for the second half of the year were discussed.

On **October 26, 2021**, the chair of the Audit Committee primarily reported on the call for bids for the financial audit of the 2022 fiscal year resulting in a recommendation that had been submitted to the Super-

### Supervisory Board Meetings in 2021

Supervisory Board Member	Plenum		Personnel Committee <sup>2</sup>		Audit Committee <sup>3</sup>	
	Attendance	as %	Attendance	as %	Attendance	as %
Karl-Heinz Streibich, chair	11/11	100	8/8	100		
Guido Falkenberg (until Nov. 4, 2021, also deputy chair)	9/9	100	7/7	100		
Madlen Ehrlich (since Nov. 4, 2021, also deputy chair)	2/2	100			2/2	100
Ralf Dieter	11/11	100			6/6	100
Bettina Schraudolf (since Nov. 4, 2021)	2/2	100	1/1	100		
Ursula Soritsch-Renier	11/11	100	1/1	100	2/2	100
Markus Ziener	11/11	100	7/7	100		
Christian Zimmermann (until November 4, 2021)	9/9	100			4/4	100

<sup>1</sup> The Nominating Committee did not convene in fiscal year 2021.

<sup>2</sup> Guido Falkenberg and Markus Ziener left the Personnel Committee in November 2021; they were replaced by new members Bettina Schraudolf and Ursula Soritsch-Renier.

<sup>3</sup> Ursula Soritsch-Renier and Christian Zimmermann left the Audit Committee in November 2021; they were replaced by new members Madlen Ehrlich and Markus Ziener.

visory Board. Furthermore, the results of the employee survey #MyVoice were presented; current corporate governance topics, the Q3 2021 results as well as the Q4 2021 outlook were discussed.

The meetings on **December 2, 2021 and December 13, 2021** mainly dealt with long-term succession planning, HR development and strategy, as well as the strategy on corporate sustainability as well as on environment, social and governance (ESG) aspects, the 2022 budget, as well as Silver Lake's strategic PIPE investment and the impending changes on the Supervisory Board.

## COMMITTEES

In order to efficiently perform its duties, the Supervisory Board established a Personnel Committee, an Audit Committee and a Nominating Committee. The committees prepare the Supervisory Board's resolutions and topics to be discussed by the plenum. Decision-making powers are transferred to the committees to the extent allowable. The respective committee chairs report to the Supervisory Board plenum about the results of the respective committee meetings. For more information on the composition and working methods of the Supervisory Board and its Committees, please refer to the [Statement on Corporate Governance](#) which is available on Software AG's website. All members of the Supervisory Board attended all meetings of the committees on which they served during the reporting year.

The **Personnel Committee** prepares personnel-related decisions made by the Supervisory Board, provided they affect Management Board member remuneration policies or appointment decisions. The Personnel Committee met eight times in fiscal year 2021. It dealt with personnel-related matters on the Management Board and prepared decisions to be made by the Supervisory Board—especially regarding the resignation of Management Board member John Schweitzer, Management Board members' targets, finalization of the Management Board remuneration system, as well as the renewal of Chief Product Officer Dr. Stefan Sigg's appointment and contract.

The **Audit Committee** deals with issues related to monitoring the financial reporting process, effectiveness of the internal control system, risk management, internal audit and compliance, interim financial information and the financial statement audit—particularly the selection and independence of the auditor—as well as

the quality of the audit and any additional services rendered by the auditor. The Audit Committee also prepares the Supervisory Board's discussion and vote to approve the annual and consolidated financial statements. The Audit Committee met six times in fiscal year 2021. In its meeting on March 15, 2021, and in the presence of auditors, it discussed the annual and consolidated financial statements, the combined Management Report, the Management Board's proposal on the appropriation of profits, the selection and independence of the financial auditor for fiscal 2021 and the Supervisory Board's respective resolution recommendation to the Annual Shareholders' Meeting. Furthermore, it discussed the quality of the audit and the call for bids for the financial audit for fiscal 2022. The Audit Committee also informed itself of the internal audit and of compliance matters at this meeting. In its other meetings in 2021, the Audit Committee continued focusing on the call for bids for the financial audit for fiscal 2022, which had begun in 2020. This was based on a structured selection process, supported by a project team commissioned by the Audit Committee. The Audit Committee documented the call for bids in a report and, following extensive evaluation of the bids received and multiple rounds of presentations, recommended two candidates to the Supervisory Board thereby stating reasons for a preferred election proposal to be presented to the Annual Shareholders' Meeting. Additional focal points of the Audit Committee in 2021 were key audit topics, non-audit services and the independence of the financial auditor as well as compliance. In addition, information on key lawsuits was provided and the risk report was submitted.

The task of the **Nominating Committee** is to nominate qualified candidates for election to the Supervisory Board at the Annual Shareholders' Meeting. The Nominating Committee did not convene in fiscal year 2021.

## FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

In accordance with a resolution adopted at the Annual Shareholders' Meeting, the Supervisory Board appointed BDO AG Wirtschaftsprüfungsgesellschaft, Hamburg (referred to hereinafter as BDO AG), to audit the financial statements and the consolidated financial statements of Software AG for fiscal year 2021. BDO AG has been Software AG's financial auditor since 1997. Following a call for bids for audit services for the 2022 fiscal year, led by the Audit Committee, as well as extensive consideration of the candidates' selection criteria by the Audit Committee, the Supervisory Board resolved to propose Deloitte GmbH Wirtschaftsprüfungsgesellschaft to the Annual Shareholders' Meeting in May 2022 for election as auditor for the 2022 fiscal year.

BDO AG examined the financial statements and consolidated financial statements for the year ended December 31, 2021, as well as the combined Management Report and the accounting books and records. The auditor issued unqualified audit opinions. Ralf Pfeiffer and Klaus Eckmann are the signers of the auditor's certificate and responsible for the audit at BDO AG. Klaus Eckmann led the audit for the fifth time; Ralf Pfeiffer participated for the first time in the audit of the 2015 financial statements. In accordance with section 111(2), sentence 4 of AktG, the Supervisory Board commissioned BDO AG to also conduct a voluntary external content review of the Combined Non-Financial Statement to attain a limited level of assurance.

The financial statements and consolidated financial statements, the Combined Management Report (including the Combined Non-Financial Statement) and the financial auditor's audit reports were submitted to the Supervisory Board and explained personally to the Audit Committee and the entire Supervisory Board by the Management Board and the auditor responsible for conducting the audit. BDO AG's report on the limited assurance review of the Combined Non-Financial Statement and the Management Board's proposal on the appropriation of profits were communicated to all Supervisory Board members. The Audit Committee and Supervisory Board reviewed the financial statements, the Combined Management Report and the audit reports in their meetings on March 17 and 18, 2022. In both meetings, the financial auditors reported on the scope, the focus and the key results of his audit. They emphasized the particularly important audit matters and audit

actions taken. They were available to answer questions and provide additional information. No reservations were raised at the conclusion of the Supervisory Board's review. The Supervisory Board confirmed the results of the audit, concurred with the Management Board's judgment regarding the assessment of the Group's and parent Company's position, and approved the financial statements and consolidated financial statements as of December 31, 2021. This constitutes formal approval and acceptance of the annual financial statements. The Supervisory Board supports the Management Board's recommendation on the appropriation of profits.

The Remuneration Report was reviewed separately by the auditor. In addition to the legally required formal review in accordance with section 162 (1 and 2) of AktG, the content of the Remuneration Report was also reviewed. The Supervisory Board commissioned the auditor with this task at its meeting on September 27, 2021. For more information on the Remuneration Report, please refer to the corporate website at [Remuneration Systems and Report](#).

## CORPORATE GOVERNANCE

The Supervisory Board thoroughly addressed the subject of corporate governance and the German Corporate Governance Code (GCGC) again in fiscal year 2021. In its meeting on January 26, 2021, the Supervisory Board adopted the annual Declaration of Compliance (GCGC).

No conflicts of interest on the part of members of the Supervisory Board arose in the year under review. As a precautionary measure, Markus Ziener abstained from voting on the resolution to approve the issue of convertible bonds.

A detailed report by the Management Board and the Supervisory Board about the implementation of the GCGC can be found in the Statement on Corporate Governance. The Declaration of Compliance is published on the corporate website at [Declaration of Compliance](#).

## CHANGES TO THE MANAGEMENT BOARD AND SUPERVISORY BOARD

John Schweitzer, Chief Revenue Officer, resigned from his seat on the Management Board as of January 13, 2021. In addition to his existing areas of responsibility, Sanjay Brahmawar assumed responsibility for the CRO's divisions. The appointment of Dr. Stefan Sigg, Chief Product Officer, to the Management Board and his contract were renewed for five years until March 31, 2027.

Bettina Schraudolf (substitute member: Jörg Anton) and Madlen Ehrlich were elected to the Supervisory Board in the Supervisory Board election held pursuant to the provisions of the One-Third Participation Act on October 28, 2021. They have been in office since the outcome of the election was announced by the main election committee on November 4, 2021. As a result, Guido Falkenberg and Christian Zimmermann, who had been appointed to the Supervisory Board as of June 26, 2020 by the Darmstadt District Court, left the Supervisory Board.

At the Supervisory Board meeting on December 13, 2021, the chair of the Supervisory Board, Karl-Heinz Streibich, and the chair of the Audit Committee, Ralf Dieter, submitted their resignations from their positions, effective at the end of January 31, 2022. The Darmstadt District Court appointed Christian Lucas as member of the Supervisory Board, by resolution dated January 27, 2022, and effective on February 3, 2022. He took over as chair of the Supervisory Board by resolution of the Supervisory Board.

Supervisory Board members were appropriately supported during their introductory period and provided with education and training. In particular, each new member of the Supervisory Board met individually with each member of the Management Board to discuss general and current topics specific to each role on the Management Board and to the Company. Training sessions were given on changes in legal requirements.

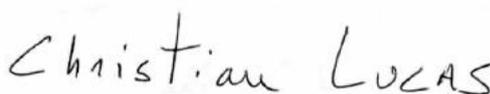
For more information on the composition of the Management Board and Supervisory Board, as well as on training options for members of the Supervisory Board, please refer to the [Statement on Corporate Governance](#) which is available on Software AG's website.

The Supervisory Board would like to thank Software AG's Management Board and employees for their high degree of commitment and excellent work during fiscal year 2021.

Darmstadt, March 18, 2022

The Supervisory Board

Best regards,



**Christian Lucas**

Chair of the Supervisory Board

For more information on the members of the Supervisory Board, please refer to [Note \[38\]](#) in the Notes to the Consolidated Financial Statements or visit Software AG's website at [Management](#).





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# FUNDAMENTAL ASPECTS OF THE GROUP

## ORGANIZATION AND GROUP STRUCTURE

### LEGAL CORPORATE STRUCTURE

The Software AG Group is managed globally by the parent Company, Software AG, acting as a holding company. The financial position of Software AG is shaped by the financial position of the Group. For this reason, the Management Board of Software AG combines the management reports of the Group and of Software AG into one Combined Management Report. Unless otherwise stated, "Software AG" will hereinafter refer to the Software AG Group.

Software AG was founded on May 30, 1969 in Darmstadt, Germany. It has been listed on the Frankfurt Stock Exchange since April 26, 1999.

Software AG has control and profit transfer agreements with its three German subsidiaries: SAG Deutschland GmbH, SAG Consulting Services GmbH and SAG LVG mbH. Otherwise, the Group is structured as a matrix organization reflected in its reporting lines, global policies and committees. The family of software AG companies currently consists of 73 affiliated companies, nine of which are domestic entities, while the remainder are distributed worldwide. Software AG's [scope of consolidation](#) is outlined in Note [3] of the Notes to the Consolidated Financial Statements.

### MAJOR LOCATIONS

A global Company with a far-reaching sales and partner network, Software AG strives to maintain proximity to its customers by serving customers in more than 70 locations in all continents worldwide. The Company's corporate headquarters are located in Darmstadt, Germany. Its largest locations outside of Germany are in

India, the USA, Israel, Bulgaria, the United Kingdom and Malaysia. Software AG is positioning itself both in established as well as in emerging and high-potential regions as part of its global geographic strategy.

### EMPLOYEES

As of December 31, 2021, Software AG employed 4,819 (2020: 4,700) full-time equivalents around the world, which represents an increase of 3 percent compared to the previous year. The employees can be separated into four business areas: Consulting and Services, Research and Development (R&D), Sales and Marketing, and Administration. Software AG's global staff was distributed according to function and country as follows:

#### Headcount by Function and Country

Full-time employees	Dec. 31, 2021	Dec. 31, 2020	+/- as %
<b>Total</b>	<b>4,819</b>	<b>4,700</b>	<b>+3</b>
Consulting and Services	1,526	1,490	+2
Research & Development	1,477	1,494	-1
Sales and Marketing	1,074	1,027	+5
Administration	742	689	+8
Germany	1,385	1,314	+5
India	1,097	1,043	+5
USA	601	629	-4
Other countries	1,736	1,714	+1

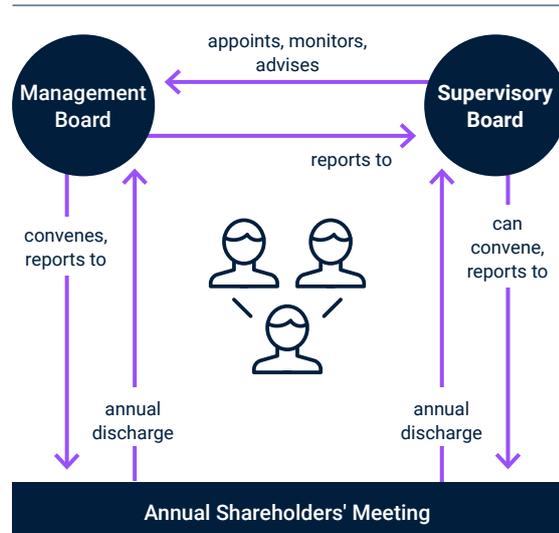
The increase in employees in Administration is due largely to new employees in IT and additional trainees and interns. At the start of the year, the Company experienced greater employee attrition than usual in the USA. Thanks to accelerated hiring and promotion of rising talent, the situation has stabilized. Like other companies,

Software AG saw a slight increase in attrition due among other things to the pandemic. Half of these departures can be categorized as “manageable” because it allows for reorganization of the staff in favor of growth ambitions and implementation of performance-related measures.

## MANAGEMENT AND CONTROL

Software AG's Management Board consists of the Chief Executive Officer (CEO) Sanjay Brahmawar, the Chief Financial Officer (CFO) Dr. Matthias Heiden, the Chief Human Resources Officer (CHRO) Dr. Elke Frank, and the Chief Product Officer (CPO) Dr. Stefan Sigg. All Board members as well as the personnel changes in fiscal year 2021 are presented in the Notes to the Consolidated Financial Statements in [Note \[38\]](#). The Management Board is appointed, supervised and advised by the Supervisory Board.

### Corporate Governance Structure



The Supervisory Board of Software AG is composed in accordance with the stipulations of the One-Third Participation Act. It was comprised of six members in fiscal 2021: four shareholder representatives and two representatives of the employees of Software AG.

## BUSINESS ACTIVITIES

### BUSINESS MODEL

Software AG uses its technological expertise to connect people, systems and devices, enabling customers and partners—and the Company itself—to have a positive impact on people's lives. That applies to creating better product offerings in the present as well as embracing co-innovation toward a smarter, more connected and sustainable future.

For over 50 years, Software AG has provided its customers with products and services that expand existing IT architectures through innovation and allow integration of new functions and technologies. Software AG uses its vendor-neutral industry expertise to support companies with digitalization in the Internet of Things (IoT) and Industry 4.0 applications. The Company's digital business solutions enable customers to develop robust solutions that meet the needs of their end users.

This is underpinned by excellent horizontal integration capabilities both within the Company's own product portfolio as well as the partner's technology segments. Software AG offers an open technology and pursues a vendor-neutral approach to integrating the best software solutions available anywhere. The Company preserves customer choice, the ability to use whatever applications they need and the agility to react to rapidly changing markets and economic conditions. With the broad availability of its software solutions in the cloud, Software AG also enables its customers to quickly implement use cases and create incremental value while reducing operating costs at the same time.

This sustainable success is at the heart of Software AG's long-term customer relationships and is reflected in strong customer loyalty. It protects customers' IT investments and enables Software AG's long-term planning and smart technology acquisitions while driving continuous product innovation.

Customers are also at the center of Software AG's flexible licensing options. And, in line with Software AG's transformation, the Company's focus on shifting its licensing model towards subscriptions aligns with its customers' preference for subscriptions over traditional licensing models. This business model is strengthened by the Company's employees and their customer-centric approach to growth, a connected culture of agility and efficient, transparent work processes.

Finally, as a global technology provider, Software AG has a special connection to customer and employee issues. Responsible conduct and integrity are of key social importance in a highly competitive market environment, and also include helping customers and partners conserve resources.

## BUSINESS LINES

Software AG operates three complementary business lines to address differing customer requirements and business objectives:

- Digital Business
- Adabas & Natural (A&N)
- Professional Services

The first two business lines, A&N and Digital Business, represent Software AG's wide product portfolio and are the primary revenue drivers through license and maintenance fees. Licenses for Software AG's product portfolio can be perpetual, term-limited or subscription. Maintenance contracts apply to perpetual licenses and give customers access to support services and regular product enhancement updates.

The Professional Services business line comprises consulting and implementation services that accelerate customer deployment of Software AG products.

Together, the business lines allow enterprises to successfully master the digital transformation from any starting point and in whatever direction they choose to go.

A summary of the respective business lines' performance can be found in [Segment Reporting](#).

### Digital Business

The Digital Business line groups multiple technologies that support key aspects of the digital transformation and new digital business models. In fiscal 2019, the business line was internally reorganized into three product lines: Business Transformation; API Management, Integration & Microservices; and Internet of Things (IoT) & Analytics. The goal of this reorganization was to better define responsibilities and strengthen the focus on how Software AG develops and brings its product portfolio to market.

Due to the openness and ease-of-use of these technologies, Cumulocity IoT, webMethods and webMethods.io are extensively used as white-label software

in original equipment manufacturer (OEM) contracts globally.

### Adabas & Natural

Adabas (Adaptable Database) and Natural (a fourth-generation software development language, 4GL) were Software AG's first product releases (1971 and 1979 respectively). They power financial institutions in more than 30 countries and national and state governments around the world (over half the 50 states in the USA use A&N). A&N applications run airlines, railways, and freight services. They are in use anywhere that mission-critical, high-transaction, industrial-strength applications with extremely high levels of performance, availability and security are needed.

In 2016, Software AG launched its A&N 2050+ program, a roadmap of technology updates, support services and maintenance initiatives that will ensure that customers can rely on their installations for the next 30 years and beyond. That includes an active talent search for A&N employees.

The first major impact of A&N 2050+ is the roadmap to full integration with the Digital Business technologies including:

- Modern tools for agile application development (DevOps)
- Availability of A&N applications as standard APIs
- Database integration with analytics platforms
- Hosting A&N apps in the cloud
- Mainframe cost optimization with Adabas & Natural for zIIP through offloading workload to IBM's low-cost specialty engine, z Systems® Integrated Information Processors (zIIP)

### Professional Services

The Professional Services business line provides implementation, development and upgrade/migration services in relation to the full product portfolio of Software AG. Professional Services supports both the Digital Business and A&N business lines in ensuring that customers get the maximum benefit from their technology investments as quickly as possible.

## PRODUCT AND BRAND PORTFOLIO

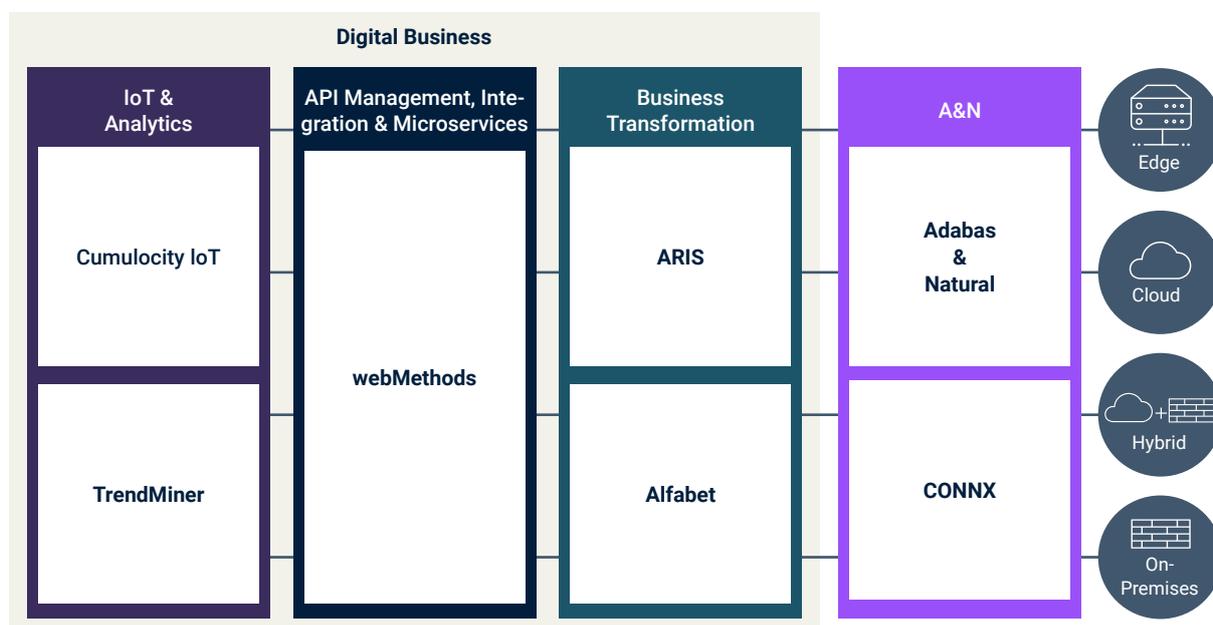
The Alfabet, ARIS, Cumulocity IoT, TrendMiner, and webMethods product families form the Digital Business line. Adabas & Natural as well as CONNX form the product offering of the A&N business line. The entire product portfolio is designed to comprehensively support customers as they transform to a digital enterprise. Using a clearly structured brand architecture, the individual brands have been separated into four market segments, which represent the core themes of digital enterprise transformation:

- **IoT & Analytics:** Cumulocity IoT empowers Software AG's customers to integrate digital equipment and sensors through an IoT device management and application enablement platform in the IoT and makes data further processable and usable with dashboards and control systems. Moreover, this platform includes streaming analytics for big data analytics in real time and solutions for predictive analytics, artificial intelligence (AI) and machine learning. TrendMiner offers an intuitive Web-based analytics platform for flexible visualization of industrial processes and process data.
- **API Management, Integration & Microservices:** The product families in the webMethods brand integrate systems, applications and processes via application

programming interfaces (APIs) or direct connections and orchestrate them in the form of microservices. These microservices enable users to introduce independent tasks in processes and infrastructures with flexibility, to manage them and replace them if necessary. Integration solutions for large business-to-business (B2B) infrastructures and data transfers (managed file transfers) round out the webMethods portfolio.

- **Business Transformation:** For over 25 years, the ARIS suite has been a leader in process management with both business process analysis and process mining. Constant adaptation to current market topics and technology trends are the key to success, whether in robotic process automation, AI and low code, business resilience, the EU General Data Protection Regulation, or environment, social and governance issues. With Alfabet, a company can ensure that its IT landscape is designed to optimally support its strategic business goals and business processes. This includes the planning and management of necessary changes to IT as well ongoing optimization of the system portfolio in close alignment with business changes.
- **A&N:** Software AG's products for transaction processing are based on Adabas & Natural. With Adabas & Natural, companies can harness new ways to use

### Product portfolio



their core systems and enable the fast development, modernization and reliable operation of business-critical applications. A&N's capabilities for high-performance data processing allow organizations to easily integrate their existing systems into new environments and technologies. Furthermore, the CONNX products provide data integration along with data virtualization and replication of more than 150 databases and platforms. With CONNX, businesses can access and utilize their data wherever it is stored.

Software AG's portfolio is available for customers in the cloud, on-premises, as a hybrid and an edge solution. In addition, Software AG also operates an open cloud platform—SoftwareAG.Cloud—that businesses can use to create, test, implement and manage apps ranging from very simple to highly complex cloud-capable enterprise and IoT applications.

### Industry Recognition

Software AG considers the recognition of independent research firms as confirmation of its strategy and quality of products and services. For years, the Company portfolio has received leading positions in market analyst evaluations. Software AG was recognized in 2021 as follows:

### A Leader

The following **Gartner**<sup>1</sup> research recognized Software AG as a Leader:

- "Magic Quadrant for Full Life Cycle API Management"<sup>2</sup>
- "Magic Quadrant for Enterprise Architecture Tools"<sup>3</sup>
- "Magic Quadrant for Industrial IoT Platforms"<sup>4</sup>

The following **Forrester** research recognized Software AG as a Leader:

- "The Forrester Wave™: Enterprise iPaaS"<sup>5</sup>
- "The Forrester Wave™: Enterprise Architecture Management Suites"<sup>6</sup>
- "The Forrester Wave™: Industrial Internet-Of-Things Software Platforms"<sup>7</sup>

IoT testing and benchmarking firm **MachNation** recognized Cumulocity IoT from Software AG as a Leader in the following international rankings:

- MachNation "2021 IoT Application Enablement ScoreCard"<sup>8</sup>
- MachNation "2021 IoT Edge ScoreCard"<sup>9</sup>
- MachNation "2021 IoT Device Management ScoreCard"<sup>10</sup>

<sup>1</sup> Gartner does not endorse any vendor, product or service depicted in its research publications, and does not advise technology users to select only those vendors with the highest ratings or other designation. Gartner research publications consist of the opinions of Gartner's research organization and should not be construed as statements of fact. Gartner disclaims all warranties, expressed or implied, with respect to this research, including any warranties of merchantability or fitness for a particular purpose. The Gartner Report(s) described herein, (the "Gartner Report(s)") represent(s) research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner and are not representations of fact. Each Gartner Report speaks as of its original publication date (and not as of the date of this Annual Report) and the opinions expressed in the Gartner Report(s) are subject to change without notice.

<sup>2</sup> Gartner "Magic Quadrant for Full Life Cycle API Management," Shameen Pillai, Kimihiko Iijima, Mark O'Neill, John Santoro, Akash Jain, Fintan Ryan, September 28, 2021.

<sup>3</sup> Gartner "Magic Quadrant for Enterprise Architecture Tools," Gilbert van der Heiden, Akshay Jhawar, Nolan Hart, November 9, 2021.

<sup>4</sup> Gartner "Magic Quadrant for Industrial IoT Platforms," Alfonso Velosa, Ted Friedman, Katell Thielemann, Emil Berthelsen, Peter Havart-Simkin, Eric Goodness, Matthew Flatley, Lloyd Jones, Kevin Quinn, October 18, 2021.

<sup>5</sup> The Forrester Wave™: Enterprise iPaaS, Q4 2021, Forrester Research, Inc., October 5, 2021.

<sup>6</sup> The Forrester Wave™: Enterprise Architecture Management Suites, Q1 2021, Forrester Research, Inc., March 4, 2021.

<sup>7</sup> The Forrester Wave™: Industrial Internet-Of-Things Software Platforms, Q3 2021, Forrester Research, Inc., September 13, 2021.

A global market analysis firm **NelsonHall** recognized ARIS from Software AG as a Leader in the NEAT Evaluation<sup>11</sup> for "Process Discovery and Mining 2021."<sup>12</sup>

An independent research and analyst firm **Bloor Research Inc.**<sup>13</sup> recognized Software AG CONNX in its Bloor InDetail report for "...possessing a depth of understanding of mainframe and legacy resources that few, if any, other companies can match..."<sup>14</sup>

### A Visionary

The following **Gartner** research recognized Software AG as a Visionary:

- "Magic Quadrant for Enterprise Integration Platform as a Service"<sup>15</sup>

### A Challenger

The following **Gartner** research recognized Software AG as a Challenger:

- "Magic Quadrant for Strategic Portfolio Management"<sup>16</sup>

## MARKET POSITIONING

### Sales markets

Software AG has global market coverage. The geographic sales markets are divided into the following five regions:

Regions	Sales Markets
America	USA Canada Latin America
Europe, Middle East, Africa (EMEA)	All EMEA countries except DACH
DACH	Germany Austria Switzerland
Asia-Pacific and Japan (APJ)	Australia Asia and China Japan
Other	unassigned markets

As the world's biggest IT market, the North American market continues to be a key driver for Software AG's business and the largest of all its geographic sales markets for its product business. Within that sales market, U.S. government agencies play a crucial role for the business. Measured by percentage of total revenue, the EMEA, DACH, and APJ regions follow America in that order. In the EMEA region, the United Kingdom, France, and Israel are the most important sales markets; in the APG region, Australia is the top market. For more information on [Product Revenue by Region](#) in 2021, please refer to the Financial Performance section of the Economic Report.

In addition to the geographic perspective, target markets can also be separated by industry. Governments, financial service providers and IT are the most important customers here, followed by the manufacturing industry as well as the logistics and energy sectors.

### Competitive situation

The market for enterprise software is still in the midst of a fundamental transformation. The development of new business models has brought new, innovative competitors onto the scene with technology startups and former industry outsiders. At the same time, customer market power has grown. Established companies are facing major innovative pressure. In light of this situation, portfolio quality and ongoing development as

<sup>8</sup> MachNation: 2021 IoT Application Enablement ScoreCard, March 2021.

<sup>9</sup> MachNation: 2021 IoT Edge ScoreCard, March 2021.

<sup>10</sup> MachNation: 2021 IoT Device Management ScoreCard, March 2021.

<sup>11</sup> The "NEAT Evaluation for Software AG: Process Discovery & Mining" is a custom report for Software AG that presents research findings for providers in the process discovery and mining market. It includes the NEAT diagram for provider performance, a comprehensive analysis of Software AG's portfolio for process discovery and process mining, and a summary of the most recent market analysis.

<sup>12</sup> NEAT Evaluation for Software AG: Process Discovery & Mining 2021, Copyright © NelsonHall, November 2021.

<sup>13</sup> Bloor is an independent research and analysis firm that considers evolution a key factor for success and the ultimate survival of the company. Bloor has supported companies for almost 30 years in understanding the potential that technology offers and choosing the best solution for their requirements.

<sup>14</sup> Bloor InDetail: Software AG CONNX, Bloor Research, Inc., March 2021.

<sup>15</sup> Gartner "Magic Quadrant for Enterprise Integration Platform as a Service," Eric Thoo, Keith Guttridge, Bindi Bhullar, Shameen Pillai, Abhishek Singh, September 29, 2021.

<sup>16</sup> Gartner "Magic Quadrant for Strategic Portfolio Management," Daniel Stang, Mbula Schoen, Anthony Henderson, April 22, 2021.

well as differentiation from the competition with unique solutions are key criteria for success.

Numerous [analysts](#) confirm that Software AG has established itself as one of the world’s leading providers of digital transformation capabilities under these dynamic competitive conditions. The combination of its software and service portfolio for digitalization, automation and integration of business processes, machines and devices is unique in the global market at this level of specialization. Software AG can provide its customers with comprehensive support for their companywide digital transformation like no other company—from planning and integration to evaluation, analysis and automated decision-making. The Company clearly sets itself apart from the competition through its independent position, giving it an excellent competitive position in a tough software market. Its **key differentiators** can be summarized as follows:

**Software AG’s Unique Selling Points**

<p><b>Vendor-neutral portfolio</b></p>	<p><b>Reliable and proven</b></p>	<p><b>The right size</b></p>
<p>Software AG enables the integration of different systems and technologies from different providers—now and in the future.</p>	<p>For over 50 years, Software AG has been a trusted partner for thousands of top companies in more than 70 countries. Gartner, Forrester and other market analysts name Software AG a technology leader every year because of its innovative power.</p>	<p>Software AG is large enough to support major companies and agile enough to be able to focus on individual customer requirements.</p>

With these key differentiators, Software AG can address customers’ growing need for custom solutions of the highest quality. The Company is also positioning itself in the most important growth markets with its products for process improvement, digital transformation and its IoT technologies.

Software AG has established a basis for effective market cultivation and higher sales productivity through a focused, scalable go-to-market model. Extending the partner network and close collaboration with universities and research institutions support this direction.

**INDUSTRY ENVIRONMENT AND INFLUENCING FACTORS**

Software AG’s growth is influenced by a variety of factors. Key external influencing variables include the global economy, particularly in the major markets of Europe and North America, as well as developments in the international IT market. How these factors developed during the 2021 reporting year is presented in the [Business Summary](#) section of the Economic Report.

In addition, macroeconomic uncertainty and exchange rate fluctuations affect Software AG’s global business, as they do all players in the free economy. For more information on the impact of exchange rate fluctuations on the Group, please refer to [Financial Operating Risks](#) in the Opportunity and Risk Report.

**SALES**

Overall, Software AG is a trusted advisor for integration, digital transformation and Internet of Things (IoT), creating real customer value and long-term success with more than 2,500 employees in Sales and Professional Services. With the launch of its Helix strategy in 2019, the Company laid the foundation for a truly customer-centric, value-driven sales approach and a global partner network, and it continued pursuing and expanding this strategy in fiscal 2021.

At its core is a sustainable, modern, customer-centric go-to-market model. Paired with the new opportunity management system, it enabled more targeted management of sales results. The customer success management function supports customers in fully benefiting and receiving the anticipated value from the technology they purchased as quickly as possible. The customers’ success is measured by the implementation of customer solutions and use of the technology. By intensifying the usage of their technology, Software AG ensures that customers renew their subscriptions and enjoy long-term value from their solutions.

Software AG maintained its commitment to pipeline-filling sales and marketing events in 2021. Due to the continuing global pandemic, these were predominantly rolled out virtually. In addition to promoting partnership and the value Software AG products bring, a strong focus this year was on its powerful brand narrative centering around the “Truly Connected Enterprise.”

The following examples are of broader-reach, global, cross-product events. They do not include the multitude of analyst events, field-marketing events

(regional and local), business unit-specific events, and partner events that have also taken place over the year to target select audiences.

- The promotion of partnership was high on the agenda in 2021. The external event year started with the global digital **PartnerConnect Summit** from March 2-18, 2021, where members of Software AG's rich partner ecosystem came together to discover shared opportunities. With a focus on partner enablement and promotion of the Partner Program, the event attracted 25 percent more partners than initially targeted.
- **Digital Days at Hannover Messe** took place from March 12 -16, 2021, with Software AG participating in a livestream keynote, executive talks and panel discussions covering the Cumulocity IoT platform/edge, Hybrid Integration & the Industrial Cloud.
- The **International User Group Conference** is Software AG's annual product event and attracts a more technical user community to experience demos, podium discussions and panel presentations. From June 8-9, 2021, this event was again hosted in a simulated virtual event environment and attracted a broad global audience, especially more participants from North America (a growth community) than expected.
- Dubbed the "only physical tech event of the year," **GITEX—Gulf Information Technology Exhibition** ran from October 17-21, 2021. Showcasing the latest advancements in AI, 5G, cloud, big data, cybersecurity, blockchain, quantum computing, immersive marketing and fintech, this is where industry leaders across the Gulf meet. And Software AG was at the center of it. GITEX is a highly relevant event in the Middle Eastern market, which is why Software AG ensured a high-profile panel presence and boasted a 360-surround experience zone at its booth.
- Entitled "**Leading beyond the digital paradox: Insights from the German Mittelstand,**" Software AG, together with T-Systems International GmbH, kicked off a series of CEO roundtables in November 2020. These were then followed up via videoconference in 2021 by more roundtables that created a safe environment for executive-level discussions about real-world Mittelstand challenges and solutions.
- **IoT World** in Santa Clara, USA, provides the chance to engage in strategic conversations on how to prepare for a technology-powered future. From November 3-4, 2021, Software AG was part of Microsoft's booth, accompanied by livestreamed in-person track

sessions and panel discussions. As a trusted Gartner expert, Software AG shared ideas with IT and business leaders and discussed new insights.

- From October 5-7, 2021, Software AG hosted its second event of the **conXion** series. The largest external event in its annual calendar, visitors were immersed in a truly connected world that included three industry roundtables, an executive summit and regional sessions. The event ran live simulated for three days and remained online for four further weeks.

## CUSTOMERS

Successfully serving customers as a trusted partner with innovative technologies to enable transformation to an agile digital enterprise is Software AG's primary objective. The Company therefore leverages the concept of co-innovation: collaborating with users to continue developing solutions.

User groups serve as one of the most valuable instruments for strengthening customer relationships. These groups bring the users of Software AG's primary product lines together on a regular basis to share experiences at the regional level. Customers discuss how products can evolve with representatives of Software AG. The international user groups comprise almost 2,500 members from more than 1,150 companies and 74 countries. Due to the global COVID-19 pandemic and the resulting restrictions, the annual meeting of the international user groups was held as a virtual event on June 8-9, 2021 and attended by 1,300 external participants from 70 countries.

Software AG's relevance as a global player of digital transformation is reflected in its ever-expanding international customer base and long-term customer relationships. The customer base continued to grow in fiscal 2021. Software AG was able to win 312 new logos during the reporting period (2020: 239). In light of the ongoing global COVID-19 pandemic and the associated restrictions, the number of new customers exceeded expectations. In order to reach the targeted growth objectives, the Company will continue to concentrate on winning new logos in 2022. At the same time, the Company's Customer Success Management team and Professional Services unit will intensively support the new logos won in 2021 with the implementation of their projects to ensure they achieve the best-possible success in using Software AG technology.

## PARTNERS

### REALIGNMENT OF THE PARTNER PROGRAM

A focal point of 2021 was the launch of the new PartnerConnect program for sales partners. With the help of attractive conditions and a number of simplifications, Software AG succeeded in both recruiting new partners as well as consolidating the existing partner ecosystem. Initially, existing partners were invited to register for the program in March 2021. Since then, more than 200 new sales partners have signed up and been accepted into the PartnerConnect program. The new PartnerConnect

program was also recognized by independent parties: the Channel Company awarded it a top rating of five stars in its CRN Program Guide.

One of the key points of this innovative sales partner program is finding and signing new business opportunities through the partners, who can register those opportunities online and receive rebates and premiums in return. Thanks to this new initiative, Software AG succeeded last year in increasing the incremental partner business to €40 million—nearly double that of the previous year. Partners were able to recruit more than 120 new logos for Software AG and increased their contribution from 6 percent in the

### Software AG's Target Markets



previous year to 11 percent of overall Digital Business revenue in 2021.

Improved partner qualifications is another key point in the new PartnerConnect program. To this end, the Company introduced a new certification concept with easier access to free online training. Partners have been able to test their knowledge since March of 2021 and earn certifications in the areas of Sales, Presales and Technology. These certifications were made mandatory for all partners in an effort to drive partner training. The partners responded very positively to this new approach and technical certifications increased sevenfold compared to the previous year.

In addition to the new PartnerConnect program for sales partners, the Company also added a new ISV/OEM program during the year under review. The program aims to recruit independent software providers to embed Software AG's products in their own offerings—particularly in the areas of integration, IoT and process mining. The program already achieved promising successes during its first six months and OEM profit increased by 185 percent over the previous year.

The third pillar of Software AG's strategy remains the collaboration with global alliances such as commercial infrastructure operators (hyperscalers) Microsoft and Amazon Web services (AWS), as well as



leading global system integrators and consulting firms including Wipro, Cognizant, Infosys, Capgemini and Accenture. The collaboration with Microsoft and AWS succeeded in increasing the shared business by 57 percent to €39.8 million. Last year's focus for global system integrators and consulting firms was on increasing the incremental partner business, which was successful with a growth rate of 24 percent.

On the whole, Software AG was able to increase bookings from partner business by 32 percent to €149 million in the Digital Business segment. At the same time, this means that a partner was involved in 31 percent of all Software AG deals. Partner participation was especially high in the EMEA region at 57 percent and the APJ region with 55 percent of all Software AG deals.

As in previous years, the EMEA region without DACH delivered the greatest contribution by far, generating a solid half of the partner business. Next came DACH, North America and APJ each contributing about the same amount. With regard to Software AG's product areas that are relevant for the partner business, API Management & Integration yielded the highest percentage as in previous years, followed by Business Transformation and IoT & Analytics.

## STRATEGY AND GOALS

### VISION AND BUSINESS STRATEGY

Software AG's purpose is to connect people and technology for a smarter tomorrow. With this in mind, Software AG set its long-term vision to unlock the power of data to shape a better future. Software AG does this by focusing on a mission to empower customers to turn data into value by enabling a connected customer experience in which data, processes, platforms and progressive technological capabilities are made available to every end user.

With the leading products in its Digital Business line, Software AG lays the foundation for an integrated infrastructure that integrates all of a customer's business processes regardless of the complexity of the individual IT landscape. The goal is to seamlessly and securely connect applications, processes, users and customers as well as every kind of data and device across all deployment models—in the cloud, on-premises or hybrid.

At the start of 2019, Software AG announced Helix, its multi-year strategy to transform the Company and target sustainable profitable growth by 2023. The program is divided into three pillars based on which the Company dynamically drives the strategic Helix priorities and achieves results with the help of corresponding initiatives.

**Focus**

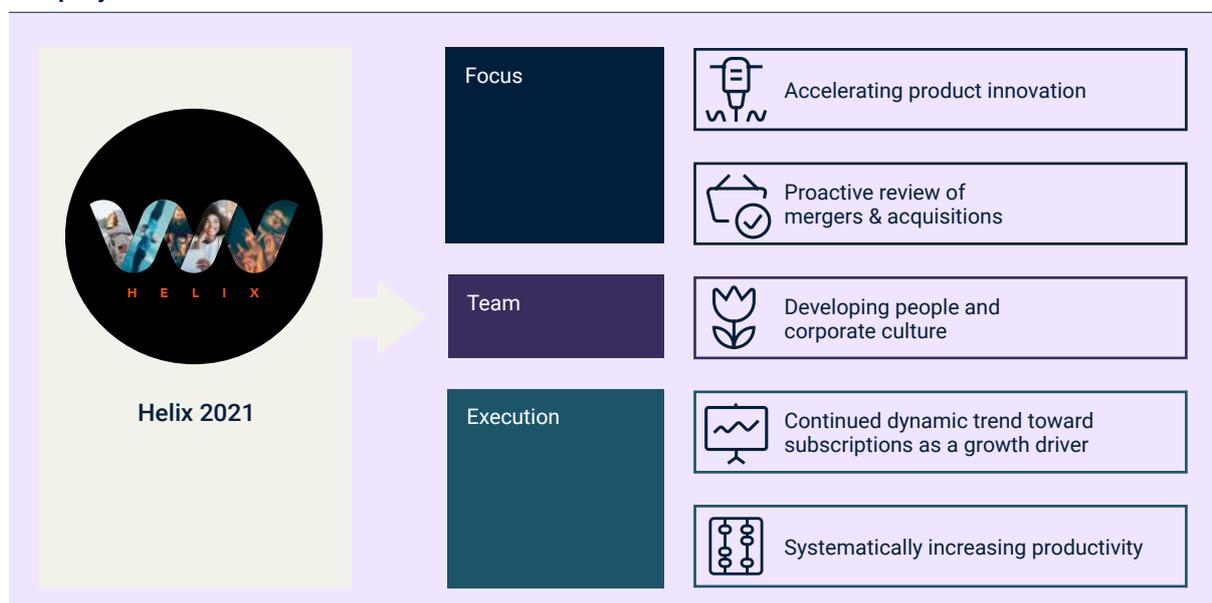
- Accelerating product innovation:** In 2021, product development in Digital Business focused on supporting the automation of networked companies as well as promoting central, digital transformation projects through innovative offerings. Promising new developments include the DataHub, the multi-persona interface, smart mapping based on artificial intelligence (AI) and machine learning in the webMethods platform for API Management, integration and micro-services, expanded process mining functions in ARIS, and ARIS Integration with SAP® Enable Now. In addition, the Cumulocity IoT offering was strengthened with functions for the easy, secure integration of embedded thin edge devices. Industry analysts rated products from all three of Software AG's Digital Business product families among the leading offerings in their individual markets.
- Proactive review of mergers & acquisitions:** In 2021, Software AG invested in establishing a dedicated Corporate Development unit within the Company to make smart acquisitions and integrate them in a sustainable way. This laid the foundation for a structured approach to building an acquisition pipeline. Furthermore, the Company created an organized process for integrating acquired businesses.

**Team**

- Developing people and culture:** Software AG is harnessing its most valuable asset, its people, to deliver on its transformation. In light of the ongoing COVID-19 pandemic, the Company is concentrating on drafting a strategy for hybrid work and introduced worldwide guidelines accordingly. As in the previous year, Software AG placed continued focus on developing and cultivating its employees. In 2021, it implemented a new structure for employee development meetings. The annual global employee survey showed how successful those meetings were: The rating for the question about progress meetings or the question about personal development support rose to 4.19 (+0.56) and 4.05 (+0.30) respectively, with 5 being the highest possible score.

Software AG hired more than 700 new employees in 2021. In addition, Scott Little was named Chief Revenue Officer (CRO) and Dr. Benno Quade became the Chief Customer Success Officer (CCO). Alongside the Management Board, they form part of the newly introduced Management Team. The Company's Executive Leadership Team (ELT) was also strengthened with new additions. Furthermore, Software AG promoted its cultural transformation through the Leadership Learning Journey, a training program for

**Company Transformation in 2021**



managers that communicates knowledge on an individual level and drives change at the Company level, for instance, in shaping the future leadership culture. Since the program was launched in 2020, more than 500 managers have begun the Leadership Learning Journey.

**Execution**

- **Continued dynamic trend toward subscriptions as a growth driver:** In 2021, Software AG strengthened its go-to-market organization and geared the supporting functions toward subscriptions in particular. As part of this expansion, the Company focused on securing customer success through targeted development of the Customer Success Management team. Furthermore, it established a team that concentrates specifically on renewing subscriptions and supports customer engagement efforts during contract renewals. In addition, the Company invested in expanding its subscription offerings in the area of standard service packages to accelerate product deployment and acceptance with customers. In the process, Software AG emphasized a solution-based sales approach for targeted efforts to win new logos in key market segments such as mid-sized enterprises. On the whole, Software AG saw continued acceleration of the subscription business in 2021. The percentage of bookings from subscriptions and Software as a Service (SaaS) out of total bookings in the Digital Business line rose to 88 percent.

To support sales pipeline development, Software AG honed its narrative and launched campaigns to increase brand recognition, especially in the North American target market. An intertwined mix of marketing campaigns and sales plays in combination with an enablement badging program laid the foundation for the solution-based sales strategy.

Moreover, Software AG also expanded its partner network in 2021 by establishing business relationships with companies including Matillion, Automation Anywhere and SAP. The transition of all regional sales partners to the new PartnerConnect program further strengthened the partner network and Software AG's market penetration.

- **Systematic increase in productivity:** Software AG took a multi-pronged approach to optimizing productivity in 2021. For a start, the Company reduced the complexity of business operations by closing inactive

organizational units and laying the foundation for further consolidation of subsidiaries. It also revised the processes for booking and invoicing travel and updated the guidelines to reflect the future workplace strategy. This involved slimming down the system landscape and mapping all processes in a complete solution for travel booking and invoicing that was rolled out as a pilot in Germany. Software AG directly utilized the experience gained in these simplification projects to design its own process framework. This framework forms the conceptual basis for further activities in the area of operational excellence.

**Strategic objectives**

As part of the Software AG transformation, it introduced new KPIs in 2019 that provide medium-term goals for the Company's external and internal stakeholders in relation to the progress and impact of the transformation. To further improve transparency and make the transformation process visible, the Company presented additional key indicators at the Capital Markets Day event on February 23, 2021, which will be incorporated into the quarterly reporting. Software AG continued to make good progress in implementing its Helix program in the third year of the transformation and is holding fast to the strategic goals that were announced at the start of the program.

In addition to these external KPIs, the Company has introduced an internal transformation scorecard which complements the financial KPIs with more qualitative measurements. These include the Net Promoter Score (NPS), a well-known indicator of customer loyalty in the



industry. In addition, the scorecard contains information about the transformation's structural successes, such as how many new logos were signed in a period, or what share of bookings are from subscriptions or Software as a Service.

### Financial objectives

Based on its Helix strategy introduced in early 2019, Software AG is aiming to reach €1 billion in revenue by 2023 and anticipates a high operating margin (EBITA, non-IFRS) between 25 and 30 percent. This includes a slight average decline in medium-term revenue growth with continued high margins for the A&N segment. During the period of transformation between 2020 and 2023, the Company is targeting an average of 15 percent annual revenue growth in the Digital Business segment, which will be driven by continued acceleration in marketing activities for the Integration and Business Transformation areas, and especially in the IoT segment, where dynamic growth is anticipated. Because the share of revenue from contract renewals is on the rise due to the shift to the subscription model and an increase in new customer business is assumed, the Company expects average growth of 20 percent in the next four years in the Digital Business. Over the medium term, the Digital Business margin (segment contribution) will also be supported in particular by steady growth in recurring product revenue from subscriptions, Software as a Service (SaaS) and maintenance, which should increase to 85 to 90 percent of total product revenue. Furthermore, productivity improvements in Sales and a growing partner network will further support the margin. Revenue growth in the low single digits with a slightly decreasing margin is expected in the medium term for the Professional Services segment. The strategic partnership with U.S. technology investor Silver Lake struck in December 2021 aims to further drive and accelerate the Helix strategy.

### Non-financial objectives

Software AG is focusing on long-term, sustainable growth. An essential component of Software AG's success strategy is the ongoing development of its own product portfolio including the integration of technologies acquired in previous years and co-innovation with customers and partners. In addition, the Company is concentrating in particular on in-house product development in technology segments with an above-average

growth potential in target markets. Software AG has identified factors for sustainable continued development to drive and exploit this potential in the best way possible. These factors are discussed under [Non-Financial Performance Indicators](#) in the Internal Corporate Control System section. For more information on the key drivers of sustainable corporate governance, please refer to the [Combined Non-Financial Statement](#).

## STRATEGIC DIRECTION OF THE BUSINESS LINES

### Digital Business

Software AG sees the greatest potential for growth opportunities in the Digital Business segment, which is why innovation services are listed there. The Digital Business segment has become the Company's top revenue generator because it offers a product portfolio that helps businesses achieve their digital transformation, whether that involves strategy, process or IT planning, product development or managing customer interactions. This business line's goal is to deliver a comprehensive, consistent, flexible cloud-based platform that is built on modern architecture elements (APIs, microservices, containers, events). To this end, Software AG is constantly developing and enhancing the relevant capabilities as part of its own R&D work as well as making targeted acquisitions to strengthen its technology leadership.

### Internet of Things (IoT)

IoT is the ultimate game-changer. Software AG's IoT solution (Cumulocity IoT) gives customers the freedom to integrate any "thing" as a data element in any way and anywhere. There's no limit to what customers can connect to optimize operations to the edge, improve their customer experience or launch new business models. As a leader in integration and IoT, Software AG makes it easy to connect products in a matter of minutes and accelerate time to value.

### Adabas & Natural (A&N)

The A&N business line can rely on an established customer base that wants to continue using A&N and offers promising sales potential for Digital Business products. A survey conducted in 2016 showed that 98 percent of A&N customers employ the high-performance platform for strategic, mission-critical enterprise applications.

For that reason, the **Adabas & Natural 2050+** program was launched to continue developing and supporting the A&N product portfolio through the year 2050 and beyond. By pursuing this long-term agenda, the Company also aims to support its customers through the generational shift that is facing the entire software industry and enable them to secure, modernize and expand the expertise built up during decades of development work on enterprise applications.

### Professional Services

Sustainable profitability and high service quality are Software AG's two strategic targets for its **Professional Services** business line. The Company therefore focuses its activities on projects and services that comprehensively support its product business. Furthermore, Software AG is reducing its presence in regions with low profit expectations.

## EQUITY INTERESTS

### MERGERS & ACQUISITIONS (M&A) STRATEGY

Corporate acquisitions and participating interests are a strategic instrument at Software AG for addressing new innovative markets while growing market shares. Throughout its more than 50 years of history, Software AG has succeeded in reinventing itself and transforming time and again—a key prerequisite for staying successful in today's IT world with its changes at breakneck speed and shrinking innovation cycles. With its technology acquisitions in recent years, Software AG has picked up new impetus and expertise and integrated it. The Company acquired 21 companies between 2007 in 2019 to grow and develop its product portfolio. The M&A strategy defined in the Helix transformation, which follows a "string of pearls" approach, was continued in fiscal 2021 with systematic screening of relevant business landscapes and in-depth analyses of potential acquisition targets. In the future, key acquisitions are planned that will accelerate organic growth, especially in core markets and adjacent areas with substantial growth potential. This will focus on companies in the hybrid integration, intelligent automation and Internet of Things segments, for instance, and contribute to establishing a digital backbone for fully networked companies of tomorrow. The strategic partnership with

U.S. technology investor Silver Lake struck in December 2021 enables access to comprehensive transaction expertise and a broad network in the sphere of fast-growing software companies. In addition, Software AG will benefit from Silver Lake's profound industry expertise as well as the U.S. partner's name recognition in the key North American market.

Software AG's M&A department is based in Darmstadt at corporate headquarters and is in constant contact with the Management Board. The M&A department operates in an international, heavily networked ecosystem consisting of numerous investment banks, M&A boutiques, financial investors and partner companies as well as leading IT companies and startups. Furthermore, the Company maintains regular contacts with startups in Silicon Valley along with global IT industry giants. Software AG utilizes this ecosystem and constant market and competitor analyses to recognize future trends in the software sector early on, to test, harness and develop them. Businesses in the target markets are systematically analyzed and evaluated based on the Company's strategy. This enables Software AG to keep a close eye on technology development to expand its product portfolio with targeted acquisitions and strengthen its global market presence.

## INTERNAL CORPORATE CONTROL SYSTEM

### PERFORMANCE INDICATORS AND MONITORING

Software AG's internal control system enables it to meet strategic corporate objectives. Software AG focuses on continued profitable growth and strengthening its financial power so that it can help customers master digital transformation and increase its own enterprise value. To this end, Software AG has established a comprehensive **internal corporate control system** that measures both hard and soft performance indicators of success.

For target values that were not reached or just barely reached during the year, Software AG will readjust in the following period. To do so, the Company has established a standard process between the Sales department (Commercial teams) and Controlling. The foundation and starting point of this process is a regular analysis of order entry forecasts and the resulting

revenues for the respective periods in the customer relationship management (CRM) system. These are linked with the internal management information system (MIS) and enable a well-founded analysis of the underlying profit and loss statement on a regular basis. Continuous updates to the predicted profit and loss results are discussed in regularly held coordination and synchronization meetings at the Management Board level, which are preceded by intensive discussions between the Finance and Sales departments.

### Targets Met in 2021 vs. Forecast

as %	Bottom range	Top range	KPIs 2021
Bookings			
Digital Business <sup>1,2</sup>	+13	+17	+12
Bookings			
Adabas & Natural <sup>1,3</sup>	-12	-8	-11
Total product revenue <sup>1</sup>	0	+5	+3
Operating profit margin (non-IFRS) <sup>4,5</sup>	17.0	19.0	19.6

<sup>1</sup> At constant currency.

<sup>2</sup> Original forecast of +15% to +25% was reduced to +13% to +17% on October 18, 2021.

<sup>3</sup> Original forecast of -30% to -20% was raised to -12% to -8% on October 18, 2021.

<sup>4</sup> Original forecast of 16.0% to 18.0% was raised to 17.0% to 19.0% on October 18, 2021.

<sup>5</sup> Before adjusting for non-operating factors (see non-IFRS results reporting).

### Group financial indicators

Since the rollout of the Helix strategy, the following indicators are of key strategic importance for managing the Company: bookings (at constant currency) in Digital Business and A&N product revenue, product revenue (at constant currency) from both product segments and the resulting total product revenue (at constant currency) as well as operating profit margin (non-IFRS). Perpetual licenses were reduced with the introduction of the Helix strategy and subscriptions expanded significantly, which led to the bookings metric assuming a key role in the product business. The importance of the annual recurring revenue (ARR) metric will increase substantially in the future due to the growing number of contracts with annual recurring sales revenues.

In addition, the operating profit margin (non-IFRS) is the focus of internal controlling. This performance indicator is calculated as follows:

### Operating margin (EBITA, non-IFRS)

Earnings before interest and taxes (EBIT)

- 
- + Acquisition-related amortization of intangible assets
  - + Acquisition-related reductions in product revenue due to purchase price allocations
  - +/- Other acquisition-related effects on earnings
  - +/- Income/expenses resulting from share price-based remuneration
  - + Restructuring/severance/litigation
- 

### = EBITA (non-IFRS)

- ÷ by Group revenue adjusted for acquisition-related product revenue reductions.
- 

### = Operating margin (EBITA, non-IFRS)

As is typical across the software sector as a whole, capital-oriented financial indicators play a minor role for Software AG. This is due to the fact that the business model's commitment of capital is low. Software AG's largest expense block is for personnel costs, as described in Note [14] of the Notes to the Consolidated Financial Statements. Other key indicators are provided by the segments and types of revenue on which Software AG's business model is based.

Software AG also reports operating earnings per share (non-IFRS) to account for tax-related factors and net financial income/expenses. They are calculated as follows:

Operating earnings per share (non-IFRS)

Earnings before income taxes

- + Other taxes
- +/- Net financial income/expenses

Earnings before interest and taxes (EBIT)

- + Acquisition-related amortization of intangible assets
- + Acquisition-related reductions in product revenue due to purchase price allocations
- +/- Other acquisition-related effects on earnings
- +/- Income/expenses resulting from share price-based remuneration
- + Restructuring/severance/litigation

EBITA (non-IFRS)

- +/- Net financial income/expenses
- Other taxes

Operating earnings before income taxes

- Income tax based on Group's income tax rates

Net income (non-IFRS)

- ÷ by average number of shares outstanding

= Operating earnings per share (non-IFRS)

Segment performance indicators

The key performance indicators for the product business are those reflecting sales efficiency. Efficiency is portrayed through the **cost of sales ratio**, which reflects the sales and marketing expenses of a product in relation to the associated product revenue. Because the share of recurring revenue is on the rise, monitoring sales performance solely on the basis of revenue is no longer sufficient. For this reason, sales success is also considered in relation to the bookings metric, because these are normalized independent of the recognized revenue from the different types of licensing agreements. The factors influencing optimization of the cost of sales ratio are determined using additional efficiency indicators such as revenue performance or bookings per Sales employee and average deal size trends.

The **segment margin** (revenue less cost of sales and sales and marketing expenses in relation to revenue) is reported in the segment report and is an especially important performance indicator for the Profes-

sional Services line. It is influenced primarily by the capacity utilization of staff in the Delivery department, sales and marketing expenses and the cost per employee. The last factor can be optimized by controlling on/off-shore high/low cost percentages.

Monitoring types of revenue

Software AG reports the revenue types: licenses, maintenance, Software as a Service (SaaS)/usage-based and services, whereby the **license revenue** represents the key growth driver for maintenance and service revenue. Due to the focus on term-limited, rental and usage-based license models (subscription/SaaS), the percentage of this revenue type is growing within total revenue.

Bookings

The bookings metric captures the sales performance in a reporting period based on order entries. To make this metric comparable across the different license models, it is normalized for three years and calculated as follows:

Perpetual licenses	Total contract value
Maintenance services on new perpetual licenses	3-year maintenance service contracts
Subscription contracts <sup>1</sup>	Contract volumes divided by the contractual period multiplied by 3 years
Software as a Service (SaaS) <sup>1</sup>	Contract volumes divided by the contractual period multiplied by 3 years
Usage-based license models incl. maintenance	Bookings correspond to the booked revenue based on the measured usage in the individual quarter

<sup>1</sup> Contracts with a term of less than 360 days are included in the calculation of bookings using their contract volume.

### Product revenue

Product revenue of segments and the Group comprises sales revenue that was directly earned with Software AG's software products. Which specific legal form these revenues were earned in is insignificant. Hence, this metric reflects the gross earnings from software products.

This indicator is made up of the following:

	License revenue from term-limited and perpetual license contracts associated with the offered software products
+	Maintenance revenue associated with term-limited and perpetual licenses
+	Software as a Service (SaaS) sales revenue <sup>1</sup>
=	Product sales revenue

<sup>1</sup> SaaS sales revenue resulting from term-limited contracts with customers in which the customers are offered online usage of software that is hosted by Software AG or third parties on its behalf.

### Annual recurring revenue (ARR)

Because the share of license models with recurring revenue (in contrast to one-time revenue recognition at the start of a perpetual license) is on the rise, monitoring sales performance solely on the basis of revenue is no longer sufficient. For that reason, the Company implemented annual recurring revenue (ARR) as a performance indicator to serve as an additional monitoring component in the Group in 2018.

This metric shows the annualized contract value<sup>1</sup> of active contracts with recurring revenue at the end of the reporting period. Thus, ARR is an indicator of expected annual recurring revenue and cash flows with continuation of the active contracts of the following contract types:

- Limited licenses/subscription licenses
- Maintenance from limited and perpetual licenses
- SaaS licenses
- Usage-based licenses<sup>2</sup>

Software AG also employs a multidimensional matrix structure to continuously monitor **changes in EBITA** for every profit and cost center. The matrix is broken down further according to business lines and revenue types and, within the business, by region. Furthermore, Software AG constantly observes the operating income

of its service business with respect to specific projects, from the time a quote is prepared through to project conclusion. One of the most important goals is the constant improvement of **sales efficiency**. Software AG achieves this through its customer-centric go-to-market model. A cross-regional sales and service structure and steady expansion of the partner network offer additional potential for market coverage and growth.

### Cost and cash flow management

All cost items in the Group are subject to stringent budget control and are assigned to clearly defined controlling areas depending upon their business segment (R&D, Sales, Management). On a monthly basis, the individual profit and cost centers are reviewed to determine whether budgets were adhered to, how forecast costs evolved, and how cost growth compares to revenue growth. Software AG uses a **dynamic budget model**, ensuring that key components of the cost budget remain flexible in relation to sales growth. The cost budget is adjusted as needed throughout the year in order to achieve or surpass profit targets.

**Receivables management** has a significant effect on cash flow. It is controlled centrally by Software AG and executed locally by subsidiaries. Receivables management is monitored by way of various internal controlling processes.

Software AG's cash management is a centralized function and is carried out at corporate headquarters in Darmstadt, Germany using a global, standardized cash management system. It enables Software AG to optimize its investment strategy and minimize investment risk.

<sup>1</sup> Value of all active contracts at period end (without one-time effects) divided by the contract length in months multiplied by 12.

<sup>2</sup> Realized monthly revenue of usage-based license agreements at period end multiplied by 12.

**Non-financial performance indicators**

Software AG's enterprise value is defined not only by financial indicators, but also by non-financial performance indicators. Software AG strongly believes that they are an element of long-term business success. To clarify how the Company measures the individual performance indicators, the table below illustrates examples of operationalizing practices.

Performance indicator	Operationalization examples
Strategic product positioning in the market	External analyst ratings
Customer satisfaction and loyalty, as well as feedback	Net retention rate, Net Promoter Score, average deal sizes, maintenance agreement termination rates, regional trends, customer satisfaction analyses
Employee satisfaction and retention	Employee engagement, performance-based compensation, length of service, attrition
Research & Development	Number of product release cycles, analyst ratings
Focus of sales activities	Number of new logos, sales efficiency and effectiveness
Partner network	Number of sales and technology partners, revenue influenced by partners or through partners
Anti-corruption	Training rate on the Code of Business Conduct and Ethics

**COMPANY-SPECIFIC EARLY WARNING INDICATORS**

The key early warning indicators used by Software AG are separated into the **product business** and the **Professional Services (PS)** business lines.

In the **PS** business line, **PS order entries** are a key indicator for future business development. Anticipated PS order entries is a preliminary early warning indicator in the sales process for **PS order entries**. The anticipated metric is qualified in the pipeline according to probability, volume and expected project start date.

**Anticipated order entries** as well as **actual order entries** of acquired PS projects are both reported monthly. Work orders typically define clearly quantifiable order entries, whereas service agreements only stipulate an anticipated volume. Since neither the size of orders nor the date they are received are evenly distributed, total order value can fluctuate considerably. For this reason, Software AG assigns greater importance to the PS business line's **order backlog** than to its total order value. The order backlog at the end of a period is defined as: the order backlog during a period plus all new order

entries during that time period minus all new order entries (completed) realized in that period. The order backlog for a reporting period should increase by about the same rate as the target revenue growth for the next periods. Should that not be the case, the PS business line has to intensify its sales activities.

In the **product business**, **order entries** are also a key indicator for future business development. Since fiscal 2020, order entries are presented based on the **bookings** metric, which is an indicator for future performance representing the bookings for all licensing models (perpetual, subscription and SaaS). The different financial reporting standards per IFRS guidelines for those licensing models are not taken into consideration in this metric and therefore enable transparent monitoring of the actual sales performance within a period.

The existing **qualified product pipeline** is upstream from order entries and should therefore be categorized as the essential early warning indicator in the product business. In this qualified project pipeline, existing opportunities are evaluated in size and probability and placed in relation to anticipated order entries. Since opportunities naturally become disqualified, delayed, lost or contracted during the sales process, the relation between the pipeline and order entries is not fixed. Rather, it is subject to constant change until the end of the reporting period. To actively manage the complexity of this early warning indicator, Software AG uses an appropriate customer relationship management tool that shows the correlation between the existing pipeline, the anticipated order entries and the resulting license revenue in real time.

As part of Software AG's increased focus on recurring revenue streams, early warning indicators are also used in the product business that are related to the contract portfolio development of these recurring contracts to be able to draw conclusions about the development of these revenue streams.

Above all, the **ARR** performance indicator plays a crucial role. This metric shows the annualized contract value of active contracts with recurring revenue at the end of the reporting period. Thus, ARR is an indicator of expected annual recurring revenue and cash flows with continuation of the active recurring contracts.

**Maintenance agreement termination rates** for perpetual licenses and the **net retention rate (NRR)** for subscription and SaaS licenses serve as further tools

to predict future revenue development of these recurring revenue streams.

The **maintenance agreement termination rate** for perpetual licenses shows the annualized volume of terminated maintenance agreements within a period in relation to the deal size of these contracts at the beginning of a period. Due to contractually defined cancellation periods, terminations received during the course of the year combined with anticipated order entries allow the Company to draw conclusions about maintenance revenue for the subsequent reporting periods.

In the future, the **NRR** will be used as an additional early warning indicator to comprehensively measure the development of existing customer business for subscription and SaaS contracts. The NRR is an indicator for how well the Company succeeds in not only renewing its existing customer agreements with recurring revenue streams (or preventing a contract termination), but also in generating additional recurring income after the initial contract is closed. It is calculated as a net effect of lost recurring revenue (revenue lost through cancellations and capacity reductions) and additional recurring revenue from existing customers who have extended their contracts in a specific period of time (up/cross selling).

## INTEGRATED MANAGEMENT SYSTEM

The integrated management system implemented in 2016 is a supplemental control system that includes the areas of **Quality Management, Business Continuity Management, Information Security Management (cloud), and Data Protection Management**. It was initiated to provide an adequate answer to the growing compliance requirements on the customer side.

By defining internal quality goals and continuously monitoring compliance with them through management reviews and monitoring key quality indicators, Software AG is creating a corporate culture that is committed to maintaining high quality standards. Its successful **certification to ISO 9001:2015** again in 2021 is evidence of this commitment.

Software AG has performed a targeted analysis of its business processes and the accompanying IT systems to develop strategies that enable it to preserve the most critical processes from a customer's perspective, or be able to restore them as quickly as possible. This also includes concepts for redundant data storage. The Company is further securing its constant prepared-

ness through regular training of the global Incident Response team and continuously testing crisis scenarios. The Company's successful **ISO 22301:2012 certification** (business continuity management) confirms the effectiveness of these measures.

For more information about quality assurance and the **ISO 27001-certified cloud information management system** (Cloud IMS), please refer to Customers and Technology in the [Products and Service Quality](#) section of the Combined Non-Financial Statement.

## RESEARCH AND DEVELOPMENT

### STRATEGIC FOCUS

Software AG's primary mission is to enable enterprises to turn their data into value with its products and services.

Ongoing portfolio development, partnerships and co-innovation projects with customers as well as joint research projects with academia, research centers and startups ensure that Software AG is always able to address the practical needs of customers based on the latest trends in technology.

### INNOVATION AND SECURITY EXPERTISE

Software AG believes in both organic and acquired innovation. Many Software AG products are visionary market leaders. As part of Software AG's **co-innovation strategy**, its R&D unit collaborates closely with customers and strategic partners including Microsoft, Dremio and Matillion. Software AG contributes to various standards bodies and open-source projects, participates in various **research programs** and established a **Scientific Advisory Board** in 2017. Software AG also encourages and sponsors grassroot-level innovations from employees via various internal initiatives and events designed to foster innovation.

Innovative technology acquisitions are another key component for gaining expertise. For more information on Software AG's [corporate structure and M&A strategy](#), please refer to Fundamental Aspects of the Group.

In addition, Software AG legally protects its knowledge and expertise with patents. Details on Software AG's patent practices are covered under [Legal Risks](#) in the Key Individual Risks and Opportunities section of the Opportunity and Risk Report.

### Security

Software AG follows the Open Web Application Security Project Software Assurance Maturity Model (OWASP SAMM) which is an industry standard for secure software development formerly known as OpenSAMM. The SAMM is an open framework that enables organizations to formulate and implement software security strategies tailored to their specific risks. The policies, standards and security processes are defined satisfying the needs of OpenSAMM and the industry best practices. The security processes and procedures cover a wide range of detailed controls in each phase of the software development life cycle that eventually ensure robust software security and compliance requirements in products under development and in maintenance. Furthermore, the company contracts with external independent security consultants to perform vulnerability analysis and research to improve security posture of the product/platform offerings. In Germany, R&D also collaborates

with the Fraunhofer Institute for Secure Information Technology (SIT) on tooling/processes for secure software development.

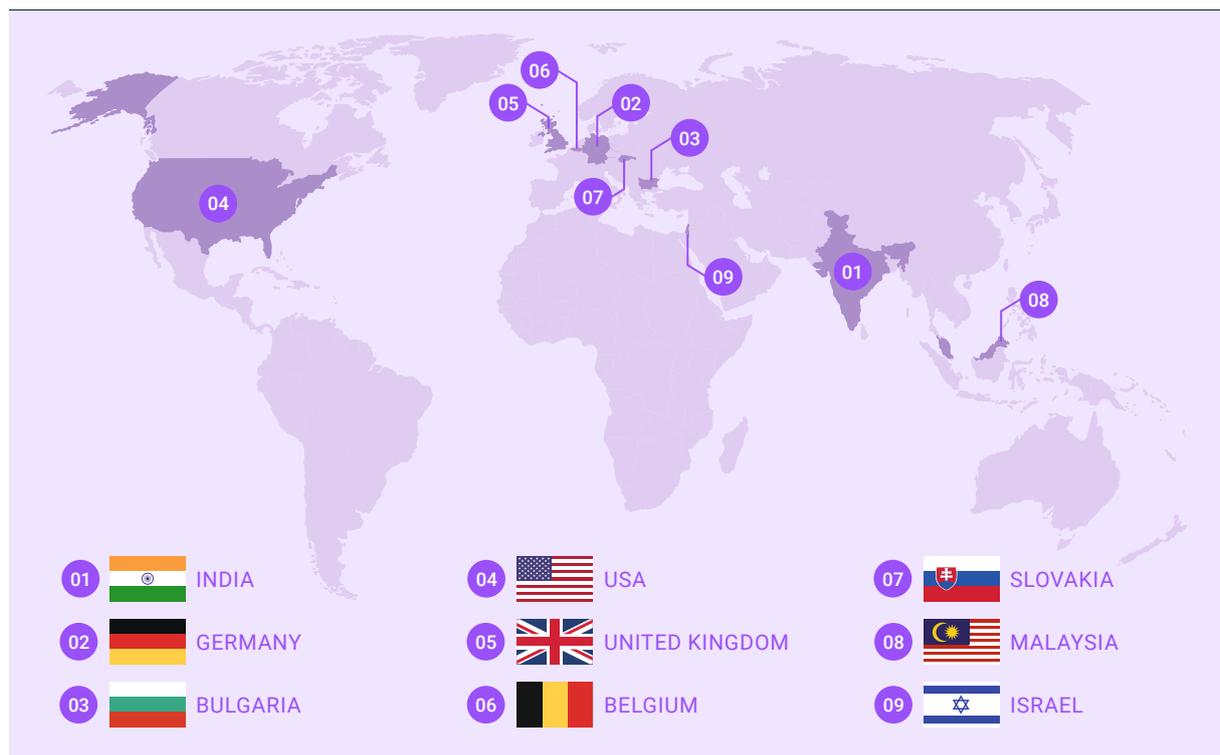
In addition, Software AG launched the cross-departmental SecureBiz program in early 2021 to create an infrastructure that is aligned with the requirements of modern IT security while at the same time establishing an efficient work environment. Numerous IT security projects were conducted during the year under review as part of SecureBiz. External auditors from Deutsche Telekom Security confirmed that IT security was heavily improved.

### EMPLOYEES AND LOCATIONS

Software AG works constantly on developing its product portfolio and has always been a pioneer and innovation leader in the software industry thanks to its intensive R&D activities. In 2021, Software AG released comprehensive product updates and focused intently on IoT, a substantial growth area.

Considering the high strategic importance of R&D for the Group, the number of employees in this area has been growing accordingly since 2014. Due to higher attrition in the first half of 2021, employee numbers declined slightly to 1,478 (2020: 1,494).

#### R&D Locations



Software AG has R&D centers in 21 countries, with the main locations displayed in order of size in the [R&D Locations](#) graphic on the previous page.

## ONGOING PRODUCT PORTFOLIO DEVELOPMENT

In 2021, R&D worked primarily on customer-centric development, with a particular focus on a complementary product portfolio, integration of new partners' technologies into the Digital Business and A&N product lines as well as implementing the co-innovation strategy. Key R&D topics in the Digital Business line were the digital enterprise (cloud, analytics, data integration and API management), the use of AI technologies in analyzing complex IT landscapes and for intuitive user guidance through such analyses, and IoT (platform services, device management and data streaming and analytics). A&N focused primarily on cloud transformation, security and mainframe optimization. Approaches such as scrum, design thinking and test automation were employed in the innovation process.

## PARTNERSHIPS AND CO-INNOVATION

Software AG has driven development in the area of cloud infrastructure through shared solutions with Microsoft and Amazon Web Services. The cloud partners and their networks open up access to new markets for Software AG and give its customers flexibility when selecting their infrastructure. Cloud platforms are a key component of Software AG's technology portfolio for its customers—this applies to all of the Company's solutions and products. Software AG will continue to develop secure cloud solutions for its customers to help them succeed.

The Company is accelerating its collaboration with Independent Software Vendors (ISV) and Original Equipment Manufacturers (OEMs) with the goal of integrating Software AG products into partner products and solu-

tions through these partnerships. Having its technologies integrated in comprehensive solutions gives Software AG the opportunity to expand its market share. For that reason, the Company is striving for continuous growth in this area with all of its business lines in close alignment.

## R&D EXPENSES AND INTERNAL STRATEGY

R&D expenses rose by 5.0 percent in 2021 to €151.2 million (2020: €143.9 million). Accordingly, R&D expenses as a percentage of product revenue (licenses, maintenance and SaaS) increased from 21.4 percent in 2020 to 22.1 percent in the year under review. This rise is mainly due to higher R&D investments totaling €120.1 million (2020: €113.1 million) in the high-growth Digital Business line. In particular, the Company invested more heavily in the IT infrastructure and additional cloud services. Software AG is dedicated to evaluating and developing technologies for the digital enterprise and thus to a sustainable and customer-centric investment strategy.

Expenditures for near and offshore capacities also went up. Despite the higher attrition rate, employee numbers remained consistent at these locations. Software AG embraces a strategy of efficient distribution of R&D spending, whereby R&D capacities in various countries are taken into consideration. Over time, the Company has established R&D centers in India, in the cities of Bangalore, Chennai, Hyderabad and Virar. Software AG's location strategy is based on global availability of outstanding talent and distributes product responsibility accordingly across R&D locations. Furthermore, Software AG allocates its resources optimally by combining technology acquisitions and in-house development.

### Multi-Period Summary for R&D

in € millions	2021	+/- as %	2020	2019	2018	2017
R&D expenses for A&N	31.1	1	30.9	26.2	23.8	23.8
R&D expenses for Digital Business	120.1	6	113.1	105.1	100.6	96.9
<b>Total</b>	<b>151.2</b>	<b>5</b>	<b>143.9</b>	<b>131.3</b>	<b>124.4</b>	<b>120.6</b>
as % of product revenue	22.1		21.4	18.7	18.2	17.8
as % of total revenue	18.1		17.2	14.7	14.4	13.7
<b>R&amp;D headcount (FTE)</b>	<b>1,477</b>	<b>-1</b>	<b>1,494</b>	<b>1,419</b>	<b>1,310</b>	<b>1,176</b>

### Collaboration with science and research

Software AG's **Scientific Advisory Board** once again contributed important ideas on technology trends in 2021. This strengthens the development of the product portfolio and makes a key contribution to maintaining Software AG's technology leadership, which, in turn, brings customers significant benefits. The task of the Scientific Advisory Board is to identify new technology trends early on, evaluate them and discuss their implications for the Company with Software AG's leadership. It serves in an advisory function and does not act as a corporate monitoring organization. Members of the board determine what its areas of focus will be at least once per year. For instance, the board decided in 2021 to focus on the topics of Gaia-X, user experience, digital and technological sovereignty, quantum computing and sky computing. In addition to Software AG executives, the board consists of top experts from the scientific and research communities who are appointed for a term of at least three years. During the reporting year, Prof. Dr. Friedemann Mattern stepped down after a three-year term. Prof. Dr. Albrecht Schmidt from Munich's Ludwig Maximilian University was appointed to the board in his place. He enjoys an exceptional reputation as a scientist and has proven expertise in the areas of human-computer interaction, ubiquitous computer systems and media technology.

Software AG participated in collaborative research projects with universities, research institutes and other companies as part of many publicly funded research projects in fiscal 2021. Sharing knowledge with partners from science and research leads to early identification of market and technology trends, as well as important knowledge for product development. Software AG employs these unique insights to offer customers a broad range of best-in-class innovations. The following is a selection of current research projects:

- The **KLIPS** project aims to relieve urban and traffic planning of a dilemma through developing an AI-based information platform for the localization and simulation of heat islands to promote innovative urban and traffic planning. While cities need to become increasingly dense to keep pace with their growth, this specifically leads to the creation of heat islands. Heat islands can arise wherever large concrete, glass and asphalt surfaces are met with insufficient green spaces and wind. They cannot be addressed with short-term measures: Long-term actions are needed to combat heat islands. The KLIPS project is developing an information platform based on artificial intelligence (AI) to enable cities to avoid them and plan effectively. For example, this platform can predict the effects of planned construction on heat islands and minimize them with predictive adjustments. Conversely, planned measures for combating heat islands can be tested in advance and their effectiveness maximized.
- The German-Austrian lighthouse project, European Production Giganet (**EuProGigant**), aims to improve the flexibility and resilience in the mechanical engineering industry. Through increased specialization, extensive automation, establishment of global supply chains and simultaneous reduction of warehouse capacities, the mechanical engineering industry was able to realize enormous productivity gains in previous years. However, these gains came at the cost of flexibility and resilience. For that reason, the ability of companies to quickly adapt their production to unforeseen economic, social or environmental crisis situations—calamities—is limited. At the same time, increasingly shorter production life cycles and a wider variety of production requirements are rising steadily. A multi-location, digitally networked production system is being built for EuProGigant that will form the foundation for this data ecosystem. EuProGigant is implementing the Gaia-X architecture for this project. Not only will this secure the reliable and self-configurable exchange of data in the ecosystem, it will also make a significant contribution to Europe's digital sovereignty.
- The **E2COMATION** project aims to further improve industrial energy efficiency, which is responsible for approximately one quarter of energy consumption in the European Union. Although European industrial companies are already some of the most energy efficient in the world, they need to improve even more to meet the ambitious climate goals. According to estimates, the average company's savings potential that is technically feasible is over 20 percent. E2COMATION's task is to increase this potential through comprehensive energy management. As such, it will not only contribute significantly to creating a sustainable industrial sector, it will also boost their competitiveness.
- The Artificial Intelligence-supported Tool Chain in Manufacturing Engineering (**AIToC**) project's objective

is to increase both efficiency and effectiveness in manufacturing engineering. A central role of the manufacturing technology sector is to find the optimal production line from a product's construction documentation—often vague in early phases. To this end, different variations are designed and simulated, then the optimal variation is selected. The more variations that can be designed and simulated in a short amount of time, the better the production line is in the end with all other conditions remaining the same. Although the individual steps of the complex determination process have long been supported by different software tools, they usually are not compatible with each other. The associated gaps in data and information not only lead to unnecessary effort, they also cost valuable time above all.

Due to the ongoing global COVID-19 pandemic, there were fewer in-person meetings for projects in 2021. In general, projects were primarily worked on via electronic media.

#### Other R&D activities

Software AG is active in many German and European committees, associations and organizations. This involvement enables the Company to react quickly to new challenges, set standards and positively influence digital transformation and its impact on society. The Industry 4.0 Platform is an example of Software AG's involvement. This platform grapples with not only the technological aspects, but also the social and legal aspects, of Industry 4.0. Software AG is represented on

the platform's steering committee, collaborates in several workgroups and provides the co-chair of the research advisory committee.

The Company is participating in the Fraunhofer Institute IAO's joint project, **Connected Work Innovation Hub**, which focuses on crafting a hybrid work environment after the COVID-19 pandemic. During the year under review, scientific findings were presented, experiences and best practices were shared and recommendations for actions were drafted.

#### Network Memberships and Political Involvement (Selection)

Organization	Additional information
BDI—National Association of German Industry	bdi.eu
BDVA—Big Data Value Association	bdva.eu
Bitkom—Germany's Digital Association	bitkom.org
DKFI—German Research Center for Artificial Intelligence	dfki.de
GI—Society of Computer Science	gi.de
House of IT e. V./House of Digital Transformation e. V.	house-of-it.eu
ITEA 4	itea4.org
Industry 4.0 Platform	plattform-i40.de
Plattform Lernende Systeme	plattform-lernende-systeme.de
NESSI—The Networked European Software and Services Initiative	nessi.eu/partners/
Software Campus	softwarecampus.de



# ECONOMIC REPORT

## BUSINESS SUMMARY

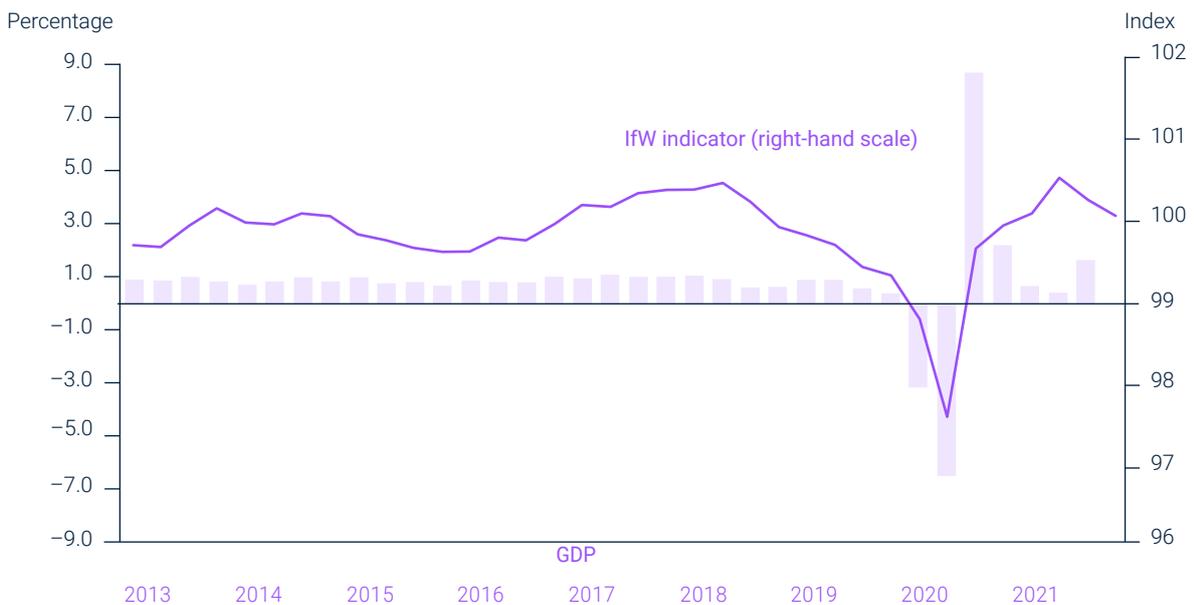
### GENERAL ECONOMIC CONDITIONS

The global economic recovery slowed significantly in 2021 as a consequence of new waves of the COVID-19 pandemic and problems with supply chains. In November, the highly contagious SARS-CoV-2 variant Omicron was identified for the first time and led to a surge in cases in many countries. In addition, inflation strongly increased over the course of the year, reaching a level of 4.5 percent in the G7 countries in October, higher than it had been in several decades. Significantly higher

energy prices were the main factor driving the increase. Lastly, supply bottlenecks, attributable among other things to capacity problems in the logistics system, hampered the upswing in industrial production. The Institute for the World Economy in Kiel, Germany, forecasts an increase in global economic production of 5.7 percent in the year under review, after a decrease of 3.1 percent in 2020.

In the **USA** as well, production growth slowed in the course of 2021, though significantly stronger economic

### Global Economic Activity 2013-2021



Quarterly data; seasonally adjusted; indicator calculated based on sentiment index in 42 countries. GDP: adjusted for price, change re. previous quarter, 46 countries, weighted by purchasing power parity. Source: OECD Main Economic Indicators (MEI); national sources; calculations of the IfW, Kiel, Germany.

expansion emerged in the fourth quarter of the year. The expiration of the stimulus packages that had boosted consumption in the first half of the year, the increasing problems that industry faced in the procurement of intermediate products, and the effects of Hurricane Ida, which heavily impacted oil production, at first had a negative impact. In October, however, foreign trade and private consumption once again rose significantly. At the start of November 2021, Congress passed the Infrastructure Investment and Jobs Act, which calls for expenditures of \$1,200 billion over the next ten years. As in Europe, inflation increased strongly, reaching 6.8 percent in November 2021, its highest level in 30 years. In response, the U.S. Federal Reserve announced in December an end to its loose monetary policy. On the one hand, it will decrease purchases of billions of dollars' worth of bonds which it had carried out to stabilize the economy; on the other, it will raise interest rates repeatedly. For 2021 as a whole, the IfW expects an increase in gross domestic product in the USA of 5.6 percent, after a decrease of 3.4 percent in 2020.

In light of the severity of the current wave of the pandemic, the governments in the eurozone have once again adopted measures to contain the virus. Unvaccinated individuals often no longer have access to retail businesses, restaurants and various service providers, which once again put a damper on consumption. The recovery can thus be expected to suffer a setback in especially contact-intensive areas of the services sector. Global economic production also weakened due to supply bottlenecks in the fourth quarter of 2021. For 2021, the IfW forecasts growth in gross domestic product of 5.0 percent, after a drop of 6.4 percent in 2020.

After strong growth in economic activity in **Germany** through the summer, the economy once again slowed significantly going into the fall and winter due to the strong increase in infection rates. The setback is not expected to be anywhere near as severe as it was in winter 2020, however, since rising vaccination rates mean fewer restrictions for the general public. Consumer prices climbed at a significantly higher rate, from 0.5 percent in 2020 to an expected 3.1 percent. Gross domestic product is expected to grow by 2.6 percent, after a drop of 4.6 percent in 2020.

## SECTOR ENVIRONMENT AND INFLUENCING FACTORS

The structural changes triggered by the coronavirus pandemic can already be felt: The global economy has become more unstable, inflation has returned, the working world is changing rapidly. But major crises are invariably drivers for innovation as well. This is particularly the case with regard to the digitalization of business, the public sector and society—the area in which Software AG operates. In the future, one in seven companies will appoint a head of digital transformation who is responsible for coordinating and driving digital transformation. According to a survey by the industry association Bitkom, 95 percent of companies report that digitalization has become more important. Three-quarters have found that enterprises whose business model is already digitalized are getting through the crisis better. Six of ten industrial companies believed that digital technologies are helping them to cope with the coronavirus pandemic. In the meantime, Industry 4.0 is an issue for all large-scale industrial companies. According to the study, almost two-thirds are already using specialized applications such as networked production plants, real-time communication between machines, or intelligent robots. Three years ago, the figure was just 49 percent.

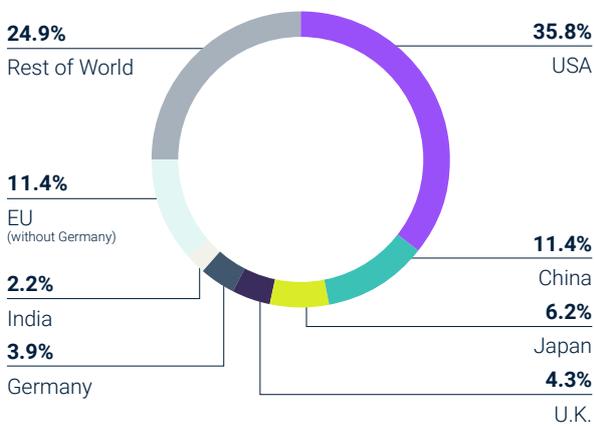
To drive digitalization and facilitate the use of Industry 4.0 applications, however, the conditions have to be right. This includes reducing legal uncertainty regarding the exchange of data with other companies, fostering investments, and ensuring faster expansion and development of broadband networks with sufficient capacity. The opportunities and risks that arise for Software AG in this connection are described in the Opportunity and Risk Report in [Key Individual Risks and Opportunities](#).

## SECTOR-SPECIFIC CONDITIONS

Growing digitalization and the investments in digital infrastructures, devices, software and services that it brings have delivered stable growth to the global IT sector in a difficult economic environment. The U.S.-based market research firm Gartner forecasts that global IT expenditures rose 9.0 percent to \$4.2 trillion in the year under review. The enterprise software business experienced above-average growth, increasing by 14.4 percent to \$605 billion. Hardware, computer center systems and IT services also drove growth.

In Germany as well, sales grew significantly in the ITC market in 2021, by 3.9 percent to €178.4 billion, which was attributable above all to the good performance in the IT hardware and software business. For the first time, the market for information technology generated more than €100 billion. In December 2021, the Bitkom-ifo Digital Index was at 24 points, and was thus 17 points higher than the business climate for the economy as a whole.

**The ICT Market: 2021 Revenue Shares by Country/Region**



Note: forecast.  
Source: Bitkom e.V., as of: January 2022.

**KEY EVENTS AFFECTING BUSINESS PERFORMANCE**

Helix is Software AG’s transformation strategy for sustainable, profitable growth. Since its launch in 2019, it continued to gain momentum in the year under review. The strategy is geared towards capitalizing on growing market opportunities to offer the Company’s range of products—now completely cloud-ready—for optimal customer benefit. One key focus has remained a shift in the business model to subscriptions, which generate a stable, predictable revenue stream over a long period of time and thus allow solid growth planning.

To further strengthen the customer focus, a new Management Team was announced in August which now includes, in addition to the four members of the Management Board, two internally appointed managers. Scott Little assumed the position of Chief Revenue

Officer (CRO) on August 1, 2021, and Dr. Benno Quade was appointed Chief Customer Success Officer (CCO).

The transformation continued based on all three layers in the year under review: The product range was further streamlined, Sales intensified its focus on specific target markets, and the sense of team spirit was strengthened to reflect a modern corporate culture. These combined efforts led to a record level of new logos, growth in product revenue, and recognition as a technology leader by external experts.

The Sales and Service organization was more strongly geared towards repeatable products and services, which has already had a positive impact on the orientation towards medium-sized enterprises and boosted new customer acquisition. A further lever consists of migrating existing customers with perpetual contracts to subscriptions, while at the same time promoting acceptance of new innovations. This yields substantial potential for creating incremental value in connection with contract renewals.

In the year under review, Software AG’s business continued to be impacted by the global pandemic. In response, the Company developed hybrid work models in cooperation with its employees that allow flexibility in regard to location and time and provide options for collaboration. These measures are accompanied by sports and mindfulness programs; the introduction of “Wellness Wednesdays,” which are offered once a quarter to create space and time to foster mental and psychological health; and biweekly “Meeting Free Mondays,” which are to be kept largely free of meetings to allow focused work on creative and strategic ideas.

## MANAGEMENT'S GENERAL STATEMENT ON BUSINESS PERFORMANCE AND FINANCIAL POSITION

2021 was a crucial year of transformation progress for Software AG. We delivered strong financial performance with strong Digital Business reacceleration in the fourth quarter. Our strategic progress has ensured we now have the plan, the products, the team, and the momentum to enter a new phase of growth in 2022.

In our Digital Business, bookings reaccelerated with 15 percent growth at constant currency in the fourth quarter to €164.8 million, bringing full-year bookings to €406.0 million. This represented 12 percent growth year-on-year at constant currency.

At a Group level, revenue for the year increased 1 percent over 2020 at constant currency, reflecting the impact of our subscription shift on revenue recognition, total recurring revenue represented more than three quarters of total Group revenue for the first time and reached 92 percent of our total product revenue, ahead of our 2023 guidance range of 85 to 90 percent. Total product revenue grew 3 percent year-on-year, reaching the middle of our guidance range.

Adabas & Natural (A&N) had another strong performance in 2021, meeting our guidance range, which was raised in October 2021. Bookings of €30.3 million during the fourth quarter and €111.7 million for the full year represented the revised expected declines of 40 percent and 11 percent respectively.

We slightly raised our commitment to profitability in October 2021 to between 17 and 19 percent, balancing strong cost management and continued investment in our Helix transformation. Our 2021 operating profit margin (EBITA, non-IFRS) was ahead of our revised guidance range at 19.6 percent and operating profit (EBITA, non-IFRS) stood at €163.8 million for the year.

Software AG operates at the heart of an accelerating global market trend towards digital transformation. Our Digital Business, which directly addresses key markets driving this trend, has now grown its product revenue in three consecutive quarters.

The fourth year of Helix presents a hugely exciting opportunity for our business as we look to capitalize on the springboard provided by our transformation and push for growth, with the support of our new strategic partner Silver Lake.

For more information on guidance for 2022 and our 2023 ambitions, please refer to the [Forecast](#).

## COMPARISON OF ACTUAL PERFORMANCE WITH PREVIOUSLY ISSUED FORECASTS

Please note that revenue and bookings forecasts are at constant currency. Earnings targets, on the other hand, are adjusted for stock option plans, acquisition or restructuring-related expenses and short-term effects that arise during the course of the year, all of which are unforeseeable.

Software AG communicated the following forecast for fiscal 2021 with the release of its 2020 consolidated results on January 27, 2021:

- Bookings growth in the Digital Business line of 15 to 25 percent year-on-year
- Bookings decline in the A&N business line of 30 percent to 20 percent year-on-year
- Growth in total product revenue of 0 percent to 5 percent year-on-year
- Operating profit margin (EBITA, non-IFRS) between 16.0 and 18.0 percent

This forecast remained valid after publication of the 2021 half-year results, even though bookings in the A&N business line exceeded expectations.

Following the end of the third quarter, the forecast was adjusted as follows:

- Bookings growth in the Digital Business line of 13 to 17 percent year-on-year
- Bookings decline in the A&N business line of 12 to 8 percent year-on-year
- Growth in total product revenue of 0 to 5 percent year-on-year (unchanged)
- Operating profit margin (EBITA, non-IFRS) between 17.0 and 19.0 percent

The better-than-expected development the A&N business line was thus reflected and the target margin also slightly raised. In contrast, the growth prospects in the Digital Business line were somewhat negatively affected.

Software AG posted the following results for the 2021 fiscal year:

- The Digital Business line reported €406.0 million (2020: €360.7 million) in bookings in 2021, representing 12 percent growth year-on-year at constant currency. This figure was below the latest stated guidance range of +13 to +17 percent and the guidance in the original forecast for fiscal 2021. The reason for the deviation from the forecast at the start of the year

was that pipeline development, particularly for new accounts, progressed more slowly than expected due to a cyber incident in the fourth quarter of 2020 and the effects of the pandemic. Digital Business saw continued strong demand. However, a number of pipeline investments made at the beginning of the year took longer than expected to convert to tangible business opportunities.

- The A&N business line generated €111.7 million (2020: €129.0 million) in bookings in fiscal 2021; this reflects an 11 percent decrease year-on-year at constant currency. This result is in line with the guidance range of -12 to -8 percent issued in October 2021. A&N thus developed significantly better than forecast at the start of the year. Guidance at the beginning of the year assumed bookings growth would be between -30 and -20 percent. The better result was primarily due to a major increase in transaction volume in A&N software at a large foreign health sector customer. For COVID-19 pandemic-related reasons, this customer significantly exceeded the volume stipulated in its existing license agreement. This led to an unplanned capacity upgrade agreement which was the main factor for the positive deviation. Furthermore, another key customer reversed its original decision to retire its A&N software installation, and instead, signed a large-scale capacity upgrade agreement.
- Total product revenue came to €684.0 million in fiscal 2021, reflecting an increase of 3 percent at constant currency. This result is approximately in the middle of the guidance range that had been forecast since the start of the year.
- Software AG's operating profit (EBITA, non-IFRS) was €163.8 million (2020: €177.0 million) in 2021. This reflected an operating profit margin (EBITA, non-IFRS) of 19.6 percent. This result exceeded both the adjusted guidance range of 17.0 to 19.0 percent and the expectations published at the start of the year. This is mainly due to a higher-than-expected earnings contribution from the PS business caused by lower travel costs and higher income resulting from increased support from the product segments as well as the cost base in other business lines falling under budget.
- Not only were travel costs lower than expected due to the pandemic; COVID-19-related supply shortages also occurred in a number of departments leading in particular to IT costs falling under budget.
- In addition, personnel costs were lower than planned because intensified competition for talent in the software sector made it difficult to fill vacant positions.

#### Performance of secondary key performance indicators that do not serve as a basis of Group management

For the Group, an increase in **total revenue** in the low to mid single-digit percent range at constant currency was expected in 2021 in comparison to 2020. This was not adjusted in connection with the revised forecast for the full year on October 18, 2021. The adjusted full-year guidance issued on October 18, 2021, put total Group revenue at the previous year's level at constant currency. Actual Group revenue in fiscal 2021 came to €833.8 million (2020: €834.8 million). Total Group rev-

### Outlook for Fiscal Year 2021

	FY 2020 in € mn	Outlook FY 2021 (as of Jan. 27, 2021) as %	Adjusted outlook FY 2021 (as of Oct. 18, 2021) as %	Actual change in comparison to the previous year as %
Digital Business bookings	360.7	+15 to +25 <sup>1</sup>	+13 to +17 <sup>1</sup>	+12 <sup>1</sup>
A&N bookings <sup>1</sup>	129.0	-30 to -20 <sup>1</sup>	-12 to -8 <sup>1</sup>	-11 <sup>1</sup>
Total product revenue	671.1	0 to +5 <sup>1</sup>	0 to +5 <sup>1</sup> (unchanged)	+3
Operating profit margin (EBITA, non-IFRS) <sup>2</sup>	21.2	16.0 to 18.0	17.0 to 19.0	19.6

<sup>1</sup> At constant currency.

<sup>2</sup> Before adjusting for non-operating factors (see non-IFRS definition of earnings) in [Group Financial Indicators](#).

enue thus remained approximately at the previous year's level and increased 1 percent at constant currency.

The Management Board anticipated that **revenue in the Digital Business line** would be 8 to 12 percent higher at constant currency than in the previous year. Actual revenue rose by 5 percent, from €448.4 million to €469.5 million, and by 5 percent at constant currency as well. Actual revenue was thus below the original forecast.

In the **A&N business line**, a decline in revenue of 3 to 7 percent at constant currency year-on-year had been forecast. A&N revenue actually declined from €222.6 million to €214.5 million in comparison to 2020, reflecting a decline of 4 percent, or 2 percent at constant currency. Revenue in this segment thus hit the upper end of expectations.

A decline of 10 to 15 percent in **Professional Services revenue** at constant currency was expected in comparison to the previous year, largely attributable to the sale of the Spanish Professional Services business. Professional Services revenue declined in fiscal 2021 by 8 percent to €149.8 million (2020: €163.6 million), with the decline coming to 8 percent at constant currency as well. Revenue in this segment thus exceeded expectations. This was mainly because of revenue growth in the Middle East and North America thanks to net new additions in these regions.

In last year's Forecast, Software AG's Management Board anticipated that, assuming stable conditions (precluding unforeseeable special effects), **IFRS net income for the Group** would decline by 20 to 30 percent. The reasons for this were the planned investments in the Helix transformation and the impact of the shift in contracts towards subscription and SaaS contracts. IFRS net income came to €84.3 million (2020: €96.1 million) in fiscal 2021, representing a decline of 12 percent. IFRS net income thus significantly exceeded expectations. As described above, this is mainly due to the better-than-expected operating EBITA (non-IFRS).

For the **Digital Business segment**, the Management Board anticipated that the segment margin would decline 10 to 20 percent year-on-year. The actual segment margin was 11.9 percent (2020: 15.4 percent) which represents a decline of 23 percent. This was below expectations because, as described above, bookings were below guidance and revenue in this segment was not fully compensated by costs so as not to impede future growth.

In the **A&N segment**, a 5 to 10 percent decline in the margin was expected. A margin of 68.0 percent (2020: 66.7 percent) was achieved, an increase of 1.9 percent, which considerably exceeded expectations and reflects the higher-than-expected revenue in this segment.

In the **Professional Services segment**, a stable segment margin was expected. The actual segment margin was 18.5 percent (2020: 10.8 percent), representing an increase in the margin of 71.3 percent, which considerably exceeded expectations. The increase is primarily attributable to considerably reduced travel due to the global COVID-19 pandemic and a higher-than-average utilization rate in comparison to previous periods.

## FINANCIAL PERFORMANCE

### REVENUE

Group revenue totaled €833.8 million (2020: €834.8 million) in fiscal 2021, representing a decline of 0.1 percent, or an increase of 0.7 percent at constant currency.

The future-oriented Digital Business posted an increase in revenue, which is in line with the new Helix strategy and the resulting intensified focus on the subscription and Software as a Service (SaaS) business. Digital Business revenue increased by 5 percent to €469.5 million (2020: €448.5 million). The Adabas & Natural (A&N) business line generated €214.5 million (2020: €222.8 million), reflecting a decline of 4 percent year-on-year, or a 2 percent decline at constant currency.

Annual recurring revenue (ARR) in the Digital Business line increased by 17 percent in the year under review, or by 12 percent at constant currency. This is the result of Software AG's decisive focus on recurring revenue streams. ARR is a good indicator of future cash flows generated by past activities. ARR in the amount of €418.5 million (2020: €358.8 million) consists of all future recurring revenue from transactions signed through December 31, 2021, standardized on a 12-month basis, together with future SaaS-based revenues signed through the end of the fourth quarter of 2021.

### CURRENCY IMPACT ON REVENUE

Currency translation had a negative impact on revenue in fiscal 2021, after having had a negative impact on revenue in the previous year as well. Currency effects came to a total of -€6.6 million (-1 percent). The main driver was the weakened U.S. dollar (with the U.S. dollar accounting for the largest share among foreign currencies in the Group).

A considerable percentage of Software AG's total revenue was again generated in euros (EUR), at 31 percent (2020: 34 percent), equaled by the U.S. dollar (USD), also at 31 percent (2020: 30 percent). They were followed by the Israeli shekel (ILS) at 7 percent (2020: 5 percent) and pound sterling (GBP) at 5 percent (2020: 6 percent). Other currencies accounted for the remaining 26 percent (2020: 25 percent) of foreign currencies. The broad distribution of currency shares reflects Software AG's highly global focus. Currency effects had a negative impact on all business lines, with perpetual licenses experiencing the strongest impact, at -1 percent. For subscription models, the cloud business and the services business, the currency effect was less than 1 percent.

### Five-Year Revenue Performance

(in € millions)



### Quarterly Revenue

in € millions	Q1		Q2		Q3		Q4	
	2021	2020	2021	2020	2021	2020	2021	2020
Group revenue	183.1	207.0	218.2	204.6	198.0	185.4	234.6	237.8
as % of total annual revenue	22	25	26	25	24	22	28	28

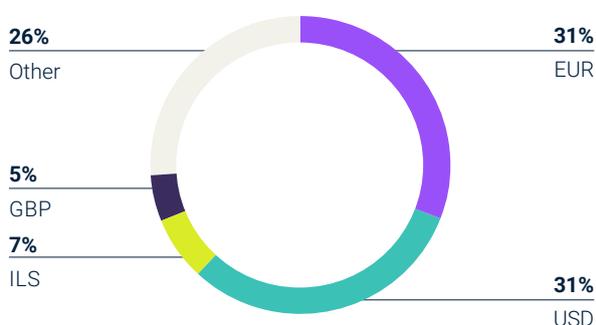
### Currency Impact on Revenue

in € millions	2021	as %
Licenses	-0.6	-0
Maintenance	-5.4	-1
SaaS	-0.2	0
Services and other	-0.4	0
<b>Total</b>	<b>-6.6</b>	<b>-1</b>

### 2021 Currency Split

31% revenue in euros

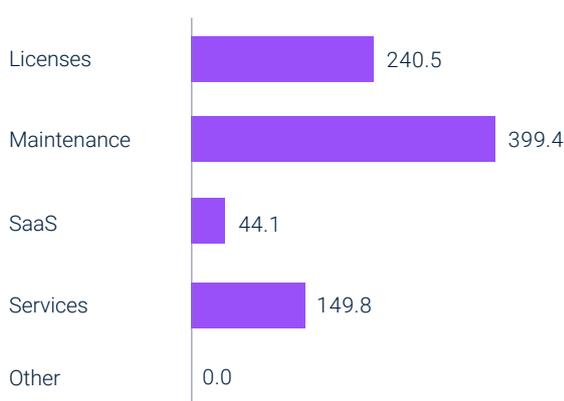
69% revenue in foreign currency



### TYPES OF REVENUE

#### Types of Revenue in 2021

(in € millions)



Software AG's Group revenue is made up of product revenue—consisting of license, maintenance and SaaS sales—as well as services and other revenue. Product revenue rose to €684.0 million (2020: €671.1 million) in fiscal 2021, representing a 2 percent increase, or a 3 percent increase at constant currency. As a percent-

age of total revenue, product revenue, at 82 percent (2020: 80 percent), was slightly higher than the previous year's level. License revenue from Digital Business and A&N products, at €240.5 million (2020: €217.2 million), was 11 percent higher than in the previous year. Maintenance revenue in these two business lines declined to €399.4 million (2020: €422.6 million) in the year under review, representing a decline of 6 percent, or of 4 percent at constant currency. At 47.9 percent (2020: 50.6 percent), the share of maintenance in total revenue was approximately three percentage points lower than in fiscal 2020. This downward trend is attributable, on the one hand, to usual maintenance contract terminations, which were roughly at the previous year's level, and on the other to the strategic conversion from existing perpetual maintenance contracts to subscription models. SaaS revenue rose 41 percent, or 42 percent at constant currency, in 2021, to €44.1 million (2020: €31.3 million). Revenue in the Professional Services segment, which refers solely to projects associated with Software AG's own products, declined in the year under review by 8 percent, and by 8 percent at constant currency, to €149.8 million (2020: €163.6 million) (not including other revenue). Adjusted to exclude the sale of the Spanish Professional Services business in 2020, revenue in Professional Services increased by 4 percent in the year under review, and also by 4 percent at constant currency.

### PRODUCT REVENUE BY REGION

Software AG's global product revenue is allocated to five regions:

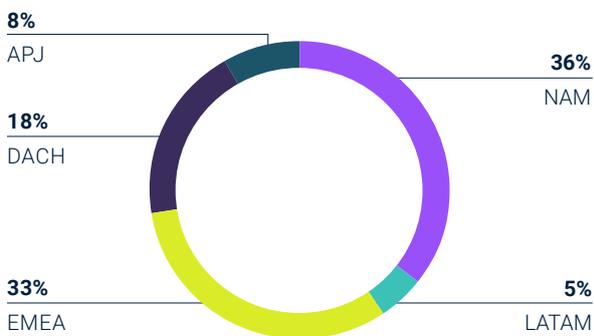
**America (North America and Latin America)** generated €278.7 million (2020: €273.2 million) in 2021, which translates to 41 percent (2020: 41 percent) of product revenue. Broken down by country, the USA accounted for the largest share of revenue, as expected, followed by Brazil and Canada. North America (NAM) generated total revenue of €244.7 million (2020: €243.6 million). Latin America (LATAM) generated revenue of €34.0 million (2020: €29.5 million).

**EMEA** (Europe without DACH, Middle East and Africa) achieved revenue of €223.7 million (2020: €220.5 million), and thus accounted for an unchanged share in global product revenue of 33 percent (2020: 33 percent). The most important single markets in this region are the United Kingdom, France, Israel, Turkey and Spain.

**DACH** (Germany, Austria and Switzerland) achieved revenue of €125.5 million (2020: €122.6 million), and thus accounted for an unchanged share in global product revenue of 18 percent (2020: 18 percent). Germany alone accounted for €102.5 million (2020: €97.4 million), or 15 percent (2020: 14 percent) of global product revenue.

**Asia-Pacific** (Australia, Japan, Asia and China, **APJ**) achieved product revenue of €56.1 million (2020: €54.8 million), which translates to an 8 percent (2020: 8 percent) share in Group product revenue. The largest single market in this region was Australia, followed by Japan.

**Product revenue by region<sup>1</sup>**



<sup>1</sup> Based on product revenue in 2021 by management approach (contracts can be distributed across multiple countries/regions).

**BOOKINGS**

As described in Fundamental Aspects of the Group, order backlog in the Professional Services business line is an especially important company-specific early warning indicator. Software AG’s order backlog as of December 31, 2021 continued its positive development and will thus support the expected stable growth in fiscal 2022. At the end of 2021, the forward order book (order backlog/revenue \* 365 days) was around 6 months, and was thus at about the same level as in the previous year.

With the introduction of the Helix strategy and the strategic shift from perpetual licenses to subscription business, bookings became a leading indicator in product business. To ensure that bookings are comparable across the different license and contract models, they are normalized on a three-year basis. Three years is the average contract period for a Software AG subscription contract. In fiscal 2021, bookings in the product business amounted to €517.7 million (2020: €489.7 million), representing 6 percent growth year-on-year, or

6 percent at constant currency. With a bookings volume of €406.0 million (2020: €360.7 million), the Digital Business line accounts for 78 percent (2020: 74 percent) of bookings. The share of bookings resulting from the shift from perpetual licenses to time-limited software licenses (subscription resets) was 45 percent (2020: 38 percent) in 2021. As part of this shift, maintenance associated with perpetual license agreements, which do not represent bookings, is converted to subscriptions, which are fully accounted for in bookings. If converted maintenance contracts are excluded from total bookings in the amount of €517.7 million, the bookings volume comes to €368,7. million (2020: €375,3 million). Including the converted maintenance contracts, this corresponds to a slight decline of 1.5 percent year-on-year at constant currency. This purely mathematical calculation does not reflect the positive future revenue and cash flow effects of the conversion to the subscription sales model in connection with contract renewals, or the additional business opportunities arising when contracts are renewed, which form an important part of the growth strategy of the Group.

ARR<sup>1</sup> shows active contracts as of the end of the reporting period, together with their recurring revenue. ARR is thus an indicator of the recurring annualized product revenue and cash flows, standardized on a twelve-month basis, that can be expected for active contracts that are continued. In fiscal 2021, ARR came to a total of €585.4 million (2020: €508.1 million). ARR in the Digital Business line grew by 12 percent on a currency-adjusted basis year-on-year.

**PERFORMANCE OF KEY ITEMS ON THE INCOME STATEMENT AND COST STRUCTURE**

Software AG’s **cost of sales** declined in proportion to revenue, by 1 percentage point, in fiscal 2021 year-on-year, coming to €188.8 million (2020: €197.2 million). **Gross profit** increased by 1 percent, or 2 percent at constant currency, to €645.0 million (2020: €637.6 million). At 77.4 percent (2020: 76.4 percent), the gross profit margin as a percentage of Group revenue grew by 1 percentage point, exceeding last year’s high level. This continued high profitability is due primarily to the high share of the product business and, in addition, to

<sup>1</sup> Value of all active contracts at period end (without one-time effects) divided by the contract length in months multiplied by 12.

active management of the contribution margin of Professional Services orders.

To further secure Software AG's technology leadership in the dynamic digital market, **expenses for research and development (R&D)** increased 5 percent to €151.2 million (2020: €143.9 million). R&D expenses as a percentage of product revenue (licenses, maintenance and SaaS) again increased compared to the previous year, from 21.4 percent to 22.1 percent.

**Sales, marketing and distribution expenses** increased 3 percent compared to the previous year, coming to €280.2 million (2020: €272.6 million) for 2021 as a whole. These expenses as a percentage of total revenue were thus 33.6 percent (2020: 32.7 percent). This increase reflects the investments in sales and marketing measures as part of the Helix program, which are aimed at strengthening and increasing the Company's presence in key regions. Sales efficiency remains

a key operating performance indicator for the management of Software AG.

**General and administrative expenses** increased disproportionately to bookings growth, rising 8 percent to €82.8 million (2020: €76.8 million). General and administrative expenses as a percentage of total revenue rose to 9.9 percent (2020: 9.2 percent).

## EARNINGS PERFORMANCE

Software AG's **operating income** (IFRS) declined in the year under review to €116.8 million (2020: €130.5 million). The operating margin, at 14.0 percent (2020: 15.6 percent), was below the previous year's level. This is mainly due to increased R&D, sales, marketing and distribution and general and administrative expenses in connection with the Helix program. This was offset by the high-margin product revenue, accounting for 82.0 percent (2020: 80.4 percent) of total revenue,

### 2021 Income Statement

in € millions	2021	2020	+/- as %	+/- as % acc <sup>1</sup>
Licenses	240.5	217.2	10.7	11.0
Maintenance	399.4	422.6	-5.5	-4.2
SaaS	44.1	31.3	41.0	41.5
Services	149.8	163.6	-8.4	-8.1
Other	0	0.1	-98.6	-98.7
<b>Total revenue</b>	<b>833.8</b>	<b>834.8</b>	<b>-0.1</b>	<b>0.7</b>
Cost of sales	-188.8	-197.2	-4.3	
<b>Gross profit</b>	<b>645.0</b>	<b>637.6</b>	<b>1.2</b>	
R&D expenses	-151.2	-143.9	5.0	
Sales, marketing and distribution expenses	-280.2	-272.6	2.8	
General and administrative expenses	-82.8	-76.8	7.8	
Other income/expenses, net	-8.7	-7.9	10.3	
Other taxes	-5.3	-5.9	-10.7	
<b>Operating income</b>	<b>116.8</b>	<b>130.5</b>	<b>-10.5</b>	
Financial income/expenses, net	1.0	3.1	-67.6	
<b>Earnings before income taxes</b>	<b>117.8</b>	<b>133.6</b>	<b>-11.8</b>	
Income taxes	-33.4	-37.5	-10.8	
<b>Net income</b>	<b>84.3</b>	<b>96.1</b>	<b>-12.2</b>	
<b>thereof attributable to shareholders of Software AG</b>	<b>83.9</b>	<b>95.7</b>	<b>-12.4</b>	
<b>thereof attributable to non-controlling interests</b>	<b>0.5</b>	<b>0.4</b>	<b>20.8</b>	
Earnings per share in € (basic)	1.13	1.29	-12.4	
Earnings per share in € (diluted)	1.13	1.29	-12.4	
Weighted average number of shares outstanding (basic)	73,979,889	73,979,889	-	
Weighted average number of shares outstanding (diluted)	73,979,889	73,979,889	-	

<sup>1</sup> At constant currency.

and the ongoing strength of the very profitable A&N business.

**EBIT** (net income plus income taxes plus other taxes plus net financial income/expenses), at €122.1 million (2020: €136.4 million), was down 10.5 percent year-on-year. This decline was the net result of the following effects: Revenue declined to €833.8 million (2020: €834.8 million). The cost of sales declined by 4 percent to €188.8 million (2020: €197.2 million). R&D expenses increased by 5 percent to €151.2 million (2020: €143.9 million).

Other net income came to –€8.7 million (2020: –€7.9 million) in fiscal 2021, mainly due to costs of the malware incident and the investment by Silver Lake.

**Net financial income** declined in the year under review, to €1.0 million (2020: €3.1 million). The difference compared to the previous year was attributable primarily to lower interest income due to the lower USD interest rate.

**Earnings before income taxes** declined by 12 percent to €117.8 million (2020: €133.6 million). Income taxes went down 11 percent to €33.4 million (2020: €37.5 million). Software AG has been experiencing positive effects of the changed tax legislation in the USA since 2018. The Group's effective income tax rate increased slightly to 28.4 percent (2020: 28.1 percent).

**Net income**, at €84.3 million (2020: €96.1 million), was down 12 percent year-on-year in the reporting period. Accordingly, **earnings per share** (basic) were €1.13 (2020: €1.29) with the average number of shares outstanding (basic) at 73,979,889 (2020: 73,979,889). The decline in earnings is largely due to the Helix-related

higher expenditures for the Company's future development and to lower total revenue in fiscal 2021.

## APPROPRIATION OF PROFITS

Software AG adheres to a sustainable dividend policy, which is geared toward long-term, value-oriented development of the Company. This strategy will be pursued further in the interest of solid shareholder relations. The Management Board and Supervisory Board will therefore propose a dividend in the amount of €0.76 per share at the Annual Shareholders' Meeting on May 17, 2022 for fiscal year 2021. The dividend was also €0.76 per share in the previous year. Subject to the approval of the Annual Shareholders' Meeting and assuming 74.0 million (2020: 74.0 million) dividend-bearing shares outstanding, this would be a total payout sum of €56.2 million (2020: €56.2 million). Based on the closing share price in 2021 (Xetra closing price on Dec. 31, 2021: €35.08 (2020: €33.34)), this proposal is equal to a dividend yield of 2.17 percent (2020: 2.28 percent).

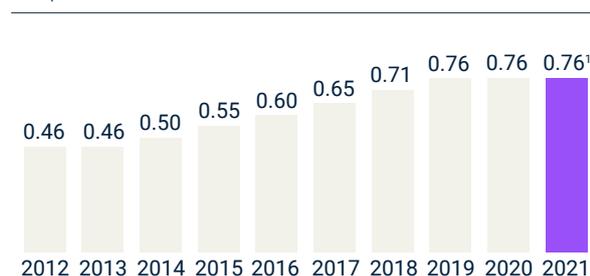
Software AG's Management Board and the Supervisory Board thus once again exceeded the previous maximum payout range of 30 to 40 percent of averaged Group net income and free cash flow. Both indicators reflect the strategic investments in the realignment towards recurring revenue from subscription and SaaS contracts, which are to generate profitable growth in the long term, but which result in lower net income and free cash flow in the short term. The goal is to ensure a consistent dividend policy and to allow the shareholders to participate today in the future earnings of the Company. Based on averaged free cash flow

### 2021 Earnings

in € millions	2021	2020	+/- as %
<b>Total revenue</b>	<b>833.8</b>	<b>834.8</b>	<b>0</b>
Cost of sales	-188.8	-197.2	-4
<b>Gross profit</b>	<b>645.0</b>	<b>637.6</b>	<b>1</b>
Margin as %	77.4	76.4	1
R&D expenses	-151.2	-143.9	5
Sales, marketing and distribution expenses	-280.2	-272.6	3
General and administrative expenses	-82.8	-76.8	8
Other income/expenses (net)	-8.7	-7.9	10
<b>EBIT</b>	<b>122.1</b>	<b>136.4</b>	<b>-11</b>
Margin as %	14.6	16.3	-

**Dividend Development Since 2012**

in € per share

<sup>1</sup> Dividend proposal, subject to shareholder approval in May 2022.

(€91.4 million / 2020: €87.6 million) and net income (€83.9 million / 2020: €95.7 million), the dividend ratio would equal 64.2 percent (2020: 61.4 percent).

This consistent dividend policy stands for the Company's unequivocal commitment to stability and value and will be continued in upcoming years.

**ADDITIONAL PERFORMANCE INDICATORS**

In order to improve the comparability of Software AG with competitors (primarily in the U.S.) which do not use IFRS accounting standards, Software AG also reports non-IFRS performance indicators. (For more information, please refer to [Internal Corporate Control System](#) in this Management Report). These performance indicators are as follows:

**Operating Earnings per Share (non-IFRS)**

in € millions	2021	2020
Net income (IFRS)	84.3	96.1
Income taxes (IFRS)	33.5	37.5
as % of earnings before income taxes	27.6%	28.1%
<b>Earnings before income taxes</b>	<b>117.7</b>	<b>133.6</b>
Other taxes	5.3	5.9
Financing income	-7.2	-8.4
Financing expenses	6.2	5.3
<b>Financial income/expenses, net</b>	<b>-1.0</b>	<b>-3.1</b>
<b>EBIT (before all taxes)</b>	<b>122.1</b>	<b>136.4</b>
+ Acquisition-related amortization of intangible assets	15.8	14.2
+ Acquisition-related deductions in product revenue due to purchase price allocations	0.0	0.0
+/- Other non-operating expenses and acquisition-related effects on earnings	8.6	8.3

+/-	Income/expenses resulting from share price-based remuneration	9.9	10.6
+	Restructuring/severance/litigation	7.4	7.6
	<b>EBITA (non-IFRS)<sup>1</sup></b>	<b>163.8</b>	<b>177.0</b>
	<b>as % of revenue (non-IFRS)</b>	<b>19.6</b>	<b>21.2</b>
	Financial income/expenses, net	1.0	3.1
	Other taxes	-5.3	-5.9
	Earnings before income taxes	159.5	174.2
	Income taxes (FY 2021: 27.6%; FY 2020: 28.1%) <sup>1</sup>	-45.1	-48.9
	Net income (non-IFRS)	114.2	125.4
	<b>Earnings per share (non-IFRS)<sup>2</sup></b>	<b>€1.54</b>	<b>€1.69</b>
	Average number of shares outstanding (no.)	74.0 mn	74.0 mn

<sup>1</sup> Income tax rates shown are equal to the actual rates for fiscal 2021 and 2020.<sup>2</sup> Earnings per share (non-IFRS) are calculated by dividing net income (non-IFRS) by the average number of shares outstanding.

**Operating profit margin (EBITA, non-IFRS)** is Software AG's key performance indicator for monitoring profitability. EBITA (non-IFRS) declined by 8 percent to €163.8 million (2020: €177.0 million) in fiscal 2021 year-on-year. EBIT was down 11 percent to €122.1 million (2020: €136.4 million). Amortization on acquisition-related intangible assets increased by 12 percent to €15.8 million (2020: €14.2 million). This increase resulted primarily from currency effects due to the stronger U.S. dollar and to the Israeli shekel.

Another factor was the expenses for stock option plans, which declined by 7 percent to €9.9 million (2020: €10.6 million). Restructuring, severance and litigation declined slightly by 3 percent to €7.4 million (2020: €7.6 million).

Other non-operating expenses and acquisition-related effects on earnings increased by €0.3 million to €8.6 million.

Software AG's operating profit margin (EBITA, non-IFRS) based on Group revenue declined to 19.6 percent (2020: 21.2 percent). The operating margin thus exceeded the upper end of the forecast range. At the same time, the Company continued as before to make targeted investments in products, the go-to-market strategy, marketing and the partner network. Furthermore, there is temporary pressure on the margin due to the shift in the business model from perpetual licenses to subscription licenses and SaaS. The profit margin

continues to solidify the financial foundation for the Company's growth in 2022 and beyond.

**Net income (non-IFRS)** declined by 9 percent to €114.2 million (2020: €125.4 million). At the same time, EBITA (non-IFRS) dropped in 2021 by 7.5 percent, from €177.0 million in the previous year to €163.8 million.

The differing declines in net income (non-IFRS) compared to IFRS net income were largely the net result of offsetting effects as follows: Net financial income declined by €2.1 million, while acquisition-related amortization rose by €1.6 million. This was offset by other non-operating expenses and acquisition-related effects on earnings, which rose by €0.3 million. In addition, projected income taxes based on the lower earnings before taxes, at €45.1 million (2020: €48.9 million), declined by €3.8 million and were thus significantly lower than in the previous year.

The smaller decrease in net income (non-IFRS) compared to the decline in EBITA (non-IFRS) is primarily attributable to the decrease in operating income tax expenses, which declined by €3.8 million compared to the previous year, to €45.1 million (2020: €48.9 million). Earnings per share (non-IFRS), based on the average number of shares outstanding (basic) in the amount of 74.0 million (2020: 74.0 million), were €1.54 (2020: €1.69), representing a decline of 9 percent.

### SaaS/usage-based revenue

Recognizing the increasing importance of new licensing models in the software industry, Software AG added the SaaS/usage-based revenue type to the Digital Business segment (until 2020: Digital Business Platform, DBP) in fiscal 2018. With SaaS, customers acquire usage rights to the software, including operation of the software (hosting), for a limited period of time. Customers do not own the software; rather, they can only use it

online. SaaS/usage-based sales revenue came to a total of €44.1 million (2020: €31.3 million) in fiscal 2021 and was thus up 41 percent over the previous year.

### SEGMENT REPORTING

Software AG's business operations are divided into three segments: Digital Business, A&N and Professional Services.

With its future-oriented products for customers' digital transformation, the Digital Business segment once again increased its share in total Group revenue, to 56 percent (2020: 54 percent). This confirms the business and market relevance of this future-oriented business line. In particular, revenue from the cloud business, which is part of the Digital Business segment, increased significantly by 42 percent at constant currency to €44 million (2020: €31 million). Revenue in the traditional A&N segment declined by 4 percent at constant currency, to €215 million (2020: €223 million), which is attributable to the Company's stronger focus on digital products. The segment thus generated 26 percent (2020: 27 percent) of total revenue.

The Professional Services segment accounted for 18 percent (2020: 19 percent), with its share in revenue thus down 1 percentage point year-on-year. Here as well, the sale of the Spanish Professional Services business in the previous year had an impact; adjusted to exclude this effect, the share in revenue is at the same level.

### Digital Business

All Software AG products for enterprise digital transformation, including the fast-growing Cloud & IoT business, are part of the Digital Business segment. This segment generated revenue of €469.5 million (2020: €448.5 million) in 2021, reflecting a 5 percent increase over the previous year. Annual recurring revenue (ARR) in the

### Multi-Period Earnings Summary

in € millions	2021	2020	2019	2018	2017
<b>Total revenue</b>	<b>833.8</b>	<b>834.8</b>	<b>890.6</b>	<b>865.7</b>	<b>879.0</b>
thereof product revenue	684.0	671.1	702.7	682.4	679.4
<b>EBIT (before all taxes)</b>	<b>122.1</b>	<b>136.4</b>	<b>214.8</b>	<b>231.6</b>	<b>222.8</b>
as % of total revenue	14.6	16.3	24.1	26.8	25.3
<b>Net income</b>	<b>84.3</b>	<b>96.1</b>	<b>155.3</b>	<b>165.2</b>	<b>140.6</b>
as % of total revenue	10.1	11.5	17.4	19.1	16.0

**2021 Segment Report for Digital Business**

in € millions	2021	2020	+/- as %	+/- as % acc <sup>1</sup>
<b>Digital Business</b>	<b>469.5</b>	<b>448.5</b>	<b>5</b>	<b>5</b>
thereof licenses	163.4	135.8	20	20
thereof maintenance	262.0	281.4	-7	-6
Cost of sales	-62.5	-50.5	24	24
<b>Gross profit</b>	<b>407.0</b>	<b>398.0</b>	<b>2</b>	<b>3</b>
Sales, marketing and distribution expenses	-231.1	-216.0	7	8
R&D expenses	-120.1	-113.1	6	7
<b>Segment earnings</b>	<b>55.8</b>	<b>68.9</b>	<b>-19</b>	<b>-20</b>
<b>Margin as %</b>	<b>11.9</b>	<b>15.4</b>	<b>-</b>	<b>-</b>

<sup>1</sup> At constant currency.

Digital Business segment came to €418.5 million (2020: €358.8 million) in fiscal 2021. Digital Business segment earnings came to €55.8 million (2020: €68.9 million). This year-on-year decrease was due to higher cost of sales and higher R&D and sales and marketing investments. Accordingly, the Digital Business segment margin was 11.9 percent (2020: 15.4 percent).

**Adabas & Natural (A&N)**

The mainframe database segment (A&N) generated €214.5 million (2020: €222.8 million) in fiscal 2021, representing a 4 percent decline, or a 2 percent decline at constant currency. The whole market for traditional

database software for mainframes is in decline due to its maturity and saturation. So for some years, Software AG's expectations have been a moderate decrease in this business. The fact that the decline in this traditional business slowed reflects the loyalty of the A&N customer base, which continues to rely on Software AG's dependable technology to run their business-critical applications. A key factor in the increased confidence was Software AG's announcement in late 2016 that it would continue development and support for the A&N portfolio beyond the year 2050. The Adabas & Natural 2050+ innovation program has had a positive impact since its introduction and will trigger new impetus for this segment in the medium term.

A&N licensing revenue declined 5 percent, or 4 percent at constant currency, to €77.2 million (2020: €81.4 million) in the year under review. Maintenance revenue in this segment came to €137.3 million (2020: €141.2 million) and was thus down 3 percent, or 1 percent at constant currency.

A&N segment earnings declined accordingly to €145.9 million (2020: €148.7 million). Both the cost of sales and the sales and marketing expenses in this segment declined during the reporting period. R&D expenses rose slightly, to ensure that this segment remains future-proof in the medium term. A&N's segment margin was 68.0 percent (2020: 66.7 percent), 1 percentage point higher than in the previous year.

**Revenue Split in 2021**

2021	in € millions	as %
<b>Total revenue</b>	<b>833.8</b>	<b>100</b>
<b>Digital Business</b>	<b>469.5</b>	<b>56</b>
<b>A&amp;N</b>	<b>214.5</b>	<b>26</b>
<b>Professional Services</b>	<b>149.8</b>	<b>18</b>

**Professional Services**

This segment was realigned in 2019 with a focus on the implementation of solutions in cooperation with customers and partners. In 2020, the Company sold the

**2021 Segment Report for Adabas & Natural (A&N)**

in € millions	2021	2020	+/- as %	+/- as % acc <sup>1</sup>
Licenses	77.2	81.4	-5	-4
Maintenance	137.3	141.2	-3	-1
<b>Product revenue</b>	<b>214.5</b>	<b>222.6</b>	<b>-4</b>	<b>-2</b>
Other	0	0.2		
<b>Total revenue</b>	<b>214.5</b>	<b>222.8</b>	<b>-4</b>	<b>-2</b>
Cost of sales	-7.7	-8.3	-7	-5
<b>Gross profit</b>	<b>206.7</b>	<b>214.5</b>	<b>-4</b>	<b>-2</b>
Sales, marketing and distribution expenses	-29.8	-35.0	-15	-14
R&D expenses	-31.0	-30.9	1	0
<b>Segment earnings</b>	<b>145.9</b>	<b>148.7</b>	<b>-2</b>	<b>0</b>
<b>Margin as %</b>	<b>68.0</b>	<b>66.7</b>		

<sup>1</sup> At constant currency.

Professional Services business in Spain. In fiscal 2021, the segment generated revenue of €149.8 million (2020: €163.6 million), representing an 8 percent decline. Adjusted to exclude the sale of the Spanish Professional Services business in 2020, revenue in Professional Services grew in the year under review by 4 percent (also 4 percent at constant currency). Segment earnings increased by 57 percent, or 59 percent at constant currency, to €27.8 million (2020: €17.7 million). The cost of sales, which accounts for the largest share of expenses in this segment by far, declined by 17 percent, or 17 percent at constant currency, to €108.6 million (2020: €130.5 million). Sales and marketing expenses declined 13 percent, or 12 percent at constant currency, to €13.4 million (2020: €15.4 million). The segment margin was 18.5 percent (2020: 10.8 percent). The increase in the margin is attributable to the sale of the Spanish Professional Services business and to pandemic-related positive effects on earnings, such as

a very high utilization rate and cost savings due to reduced travel. As part of the Helix transformation, Professional Services additionally provided more intensive support to the product-driven business areas, which led to higher internal cross-charges in comparison to the previous year.

Software AG's strategic consulting services remained highly relevant for customers in fiscal 2021. The Company has set sustainable profitability and high service quality as its objectives for this segment—not rapid growth. The Professional Services business line was again able to support the sustainable success of the other two product-driven business lines.

**2021 Segment Report for Professional Services**

in € millions	2021	2020	+/- as %	+/- as % acc <sup>1</sup>
<b>Total revenue</b>	<b>149.8</b>	<b>163.6</b>	<b>-8</b>	<b>-8</b>
Cost of sales	-108.6	-130.5	-17	-17
<b>Gross profit</b>	<b>41.2</b>	<b>33.1</b>	<b>25</b>	<b>26</b>
Sales, marketing and distribution expenses	-13.4	-15.4	-13	-12
<b>Segment earnings</b>	<b>27.8</b>	<b>17.7</b>	<b>57</b>	<b>59</b>
<b>Margin as %</b>	<b>18.5</b>	<b>10.8</b>		

<sup>1</sup> At constant currency.

## THE GROUP'S FINANCIAL POSITION

### GENERAL PRINCIPLES AND OBJECTIVES OF SOFTWARE AG'S FINANCIAL MANAGEMENT

The primary objective of Software AG's financial management is to support the Group's profitable growth and ongoing optimization of its portfolio through an appropriate financing structure—regardless of short-term fluctuations to capital market conditions. Software AG ensures the solvency of all subsidiaries in the Group through central **liquidity management**. The Company has sufficient liquid assets available for this from net cash provided by operations and existing credit agreements. A high equity ratio and free cash flow provide the financial flexibility for accelerated organic growth and targeted acquisitions.

The corporate Finance department implements financial policy and risk management based on guidelines determined by the Management Board. Software AG's liquidity position is centrally controlled through active **working capital management**. Financial investments are essentially oriented toward the short term, which means that Group funds are invested at near money-market rates. Software AG consistently minimizes its default risk by broadly diversifying investments and using stringent criteria in selecting transaction partners.

Furthermore, Software AG's corporate Finance department also monitors the currency risks for all Group companies, controls internal allocation of currency positions and minimizes remaining balances using derivative financial instruments. In doing so, only existing balance sheet items or expected cash flows are hedged.

### FINANCING ANALYSIS

Software AG's **net liquidity** (cash and cash equivalents minus financial liabilities) as of December 31, 2021 was €277.2 million (2020: €220.1 million). The increase compared to the previous year resulted primarily from the balance of positive operating cash flow in the amount of €116.2 million (2020: €112.4 million), the (typically) negative net cash from investment activities of €28.7 million (2020: €10.3 million) and the negative cash flow from financing activities of €17.1 million (2020: €99.8 million), of which €56.6 million (2020: €56.6 million) was accounted for by dividend payments, €7.5 million (2020: €52.8 million) by repayments on short-term financing and €13.0 million (2020: €15.6 million) by repayments on lease liabilities. In addition, non-current financial liabilities in the amount of €60.0 million (2020: €25.1 million) were newly recognized. That amount comprises €60.0 million (2020: €50.1 million) in new loans and €0.0 million (2020: €25.0 million) in repayments.

Free cash flow rose by 4 percent in comparison to the previous year, to €91.4 million (2020: €87.6 million). This increase was primarily due to the rise in net cash flow from operating activities, which increased by €3.8 million, from €112.4 million in the previous year to €116.2 million.

To cover general working capital needs, a net loan increase in the form of non-current financial liabilities was carried out in the amount of €60.0 million (2020: net loan repayments in the amount of €24.7 million). Payments included €56.6 million (2020: €56.6 million) for dividends.

Shareholders' equity was €1,438.2 million (2020: €1,312.5 million) at the end of the year under review, representing an increase of €125.7 million, or 10 percent, year-on-year. The increase in shareholders' equity

#### Multi-Period Financial Position Summary

in € millions	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
Cash and cash equivalents	585.8	480.0	513.6	462.4	365.8
Current financial liabilities	84.8	16.4	96.4	111.9	210.3
Non-current financial liabilities	223.8	243.5	200.2	201.4	100.3
Net liquidity	277.2	220.1	217.0	149.0	55.2
Equity	1,438.2	1,312.5	1,357.5	1,239.1	1,118.3
Equity ratio as %	65	64	64	62	59
<b>Total assets</b>	<b>2,221.4</b>	<b>2,039.9</b>	<b>2,116.1</b>	<b>2,007.9</b>	<b>1,907.5</b>

resulted primarily from the reduction in other reserves by €98.0 million, and the increase in retained earnings, which rose €27.7 million to €1,369.4 million (2020: €1,341.7 million).

Other reserves came to -€27.8 million (2020: -€125.8 million). This reduction in the negative amount of other reserves by €98.0 million was primarily due to the positive effect of currency exchange differences of foreign operations in the amount of €83.6 million and the adjustment in the measurement of pension provisions, at €13.9 million. The positive currency effect with regard to currency exchange differences of foreign operations was primarily due to the significantly higher value of the U.S. dollar, which rose by 7.7 percent, from \$1.23 per €1 to \$1.13 per €1. Other foreign currencies, such as the Israeli shekel and the pound sterling, also rose in value against the euro and thus contributed to the positive development in shareholders' equity. The positive impact of the adjustment in the measurement of pension provisions resulted from the significant growth in stock markets in 2021, since a considerable share of the reinsurance cover for plan assets consists of stocks. Pension provisions, as the balance of pension obligations and reinsurance amounts, thus declined significantly.

Retained earnings increased due to the balance of net income of €84.3 million (2020: €96.1 million) less dividend payments of €56.6 million (2020: €56.6 million).

Capital reserves remained at the previous year's level, at €22.6 million (2020: €22.6 million).

Software AG's equity-to-assets ratio improved slightly compared to the previous year, at 64.7 percent (2020: 64.3 percent). Software AG's share capital, at 74,000,000 shares as of December 31, 2021, was unchanged compared to the previous year.

## FINANCING INSTRUMENTS

Software AG's financing is based largely on continued strong free cash flow. In addition, bank loans, factoring and finance leasing models are used for any additional financing needs. A financial risk arises from the possibility that the Company would not be able to satisfy existing financial liabilities, which include loan agreements, lease agreements and trade accounts payable. Active working capital management and Group-wide liquidity control limit this risk. Financial obligations can be balanced by available cash and bilateral lines of credit. The loans used are at variable and fixed interest rates and have remaining terms to maturity of no more than nine years. Variable interest payments are based on the prevailing interest rate on the reporting date. Liabilities in foreign currency are calculated at the exchange rate as of December 31, 2021.

## STRATEGIC FINANCING MEASURES

Software AG's strong free cash flow is the backbone of its financing strategy. In combination with a high equity ratio, it offers financial flexibility for organic and inorganic growth. As a further source of financing, a revolving and syndicated line of credit in the amount of €300 million was established at the end of November 2020. The original term ending in 2023 was extended in October 2021 by one year, to 2024. It can be renewed one additional time by one year. In addition, the credit agreement includes an option to increase the credit volume by up to €100 million. This line of credit can be used for general business purposes, including mergers and acquisitions. As an additional source of financing, Software AG issued €344.3 million in convertible bonds to the Silver Lake Group at the beginning of 2022. The bonds will reach maturity in early 2027. The gains on the transaction will be invested in further growth to drive the acquisition program. Combined with a comfortable liquidity position and available liquidity lines, this results

in a financing structure that is independent of short-term capital market conditions, thereby ensuring the solvency of all subsidiaries and allowing scope for strategic development.

## INVESTMENT ANALYSIS

Capital expenditure for property, plant and equipment and for non-acquisition-related intangible assets included in recognized fixed assets generally play a minor role at software companies such as Software AG. In fiscal 2021, almost the same as in the previous year, a total of €19.8 million (2020: €15.8 million) was invested in fixed assets, and no significant or large-scale investments in fixed assets were carried out.

## LIQUIDITY ANALYSIS

Cash flow increased significantly in fiscal 2021. **Net cash from operating activities** increased by 3 percent, or €3.8 million, to €116.2 million (2020: €112.4 million).

This growth largely resulted from the balance of negative effects of net income, which declined by €11.8 million year-on-year, the negative impact of a decline in income tax expenses by €4.0 million, and the negative effects of the increase in receivables and other assets by €23.4 million.

This was offset by positive cash flow effects due to an increase of €21.7 million in payables and other

liabilities and a decrease in income tax payments of €21.3 million.

**Cash outflows from investing activities** increased 180 percent, by €18.4 million, from €10.3 million to €28.7 million. This increase was largely due to the balance of proceeds from the sale of current financial assets, which increased by €8.3 million, and investments in current financial assets, which rose by €27.0 million.

**Cash outflows from financing activities** decreased 83 percent, from €99.8 million in 2020 to €17.1 million. This decrease in financing cash outflows was largely attributable to a decline in repayment of current financial liabilities of €45.3 million year-on-year, an increase in new non-current financial liabilities of €9.9 million, and a decline in repayment of non-current financial liabilities of €25.0 million.

In addition, cash outflows from financing activities were burdened by dividend payments in the amount of €56.6 million (2020: €56.6 million).

**Free cash flow** in the year under review was €91.4 million (2020: €87.6 million) and was thus up 4 percent year-on-year. This is 10.9 percent of total Group revenue, compared to 10.5 percent in 2020. The cash-conversion ratio (free cash flow to net income: €91.4 million/€84.3 million) was 108.4 percent (2020: 91.1 percent). Free cash flow per share increased by 4 percent, from €1.18 in 2020 to €1.24 in 2021.

## 2021 Group Liquidity

in € millions



### Calculation of 2021 Free Cash Flow in € millions

2021 free cash flow in € millions	2021	2020
<b>Net cash from operating activities</b>	<b>116.2</b>	<b>112.4</b>
Proceeds from the sale of property, plant and equipment/intangible assets	2.1	1.4
Purchase of property, plant and equipment/intangible assets	-11.1	-9.5
Proceeds from the sale of non-current financial assets	1.1	2.6
Purchase of non-current financial assets	-3.9	-3.8
Repayment of lease liabilities	-13.0	-15.5
<b>Free cash flow</b>	<b>91.4</b>	<b>87.6</b>

### Statement of Cash Flows in 2021

in € millions	2021	2020
Net cash from operating activities	116.2	112.4
Net cash from investing activities	-28.7	-10.3
Net cash from financing activities	-17.1	-99.8
Change in cash and cash equivalents from currency translation	35.4	-36.0
Net change in cash and cash equivalents	105.8	-33.7
Cash and cash equivalents at end of period	585.8	480.0
<b>Free cash flow</b>	<b>91.4</b>	<b>87.6</b>

Software AG defines free cash flow as cash flow from operating activities less cash flow from investing activities, not including proceeds from the sale of current financial assets, cash outflows for investments in current financial assets, proceeds from the sale of disposal groups, net cash outflows for acquisitions and repayment of lease liabilities.

All in all, Software AG's statement of cash flows reflects its value-oriented focus on profitable growth. Specifically, this means that the Company employs its cash flow for future-oriented investments and dividends.

### ASSET STRUCTURE ANALYSIS

Software AG continued to have a strong balance sheet. Assets as of December 31, 2021 increased by 9 percent, to €2,221.4 million, compared to €2,039.9 million the year before.

On the **assets** side, current assets rose by €116.9 million to €874.9 million (2020: €758.0 million); cash and cash equivalents increased by €105.8 million, from €480.0 million to €585.8 million, since the start of

2021. An analysis of the change in cash and cash equivalents was presented in the Liquidity Analysis above.

Other current financial assets increased by €16.7 million, from €7.4 million to €24.1 million. This increase in the amount of €17.6 million was due to asset management which is not included in cash and cash equivalents and to minor offsetting effects from hedging transactions for stock option programs.

Current trade receivables, contract assets and other receivables declined by €13.3 million to €198.5 million (2020: €211.8 million). This was due to the shift from perpetual license sales to the subscription business; customers pay the license fee under these contracts later, as a rule. This causes a shift from current to non-current receivables, with the latter increasing accordingly.

Other non-financial assets increased by €10.8 million, from €28.7 million in 2020 to €39.5 million as of December 31, 2021. Of this increase, €7.7 million can be attributed to the increase in deferred advance payments for events that could not be carried out in fiscal 2021 due to the pandemic and were thus postponed until 2022.

Non-current assets rose by €64.6 million to €1,346.5 million (2020: €1,281.9 million). This increase resulted from the balance of partially offsetting effects as follows:

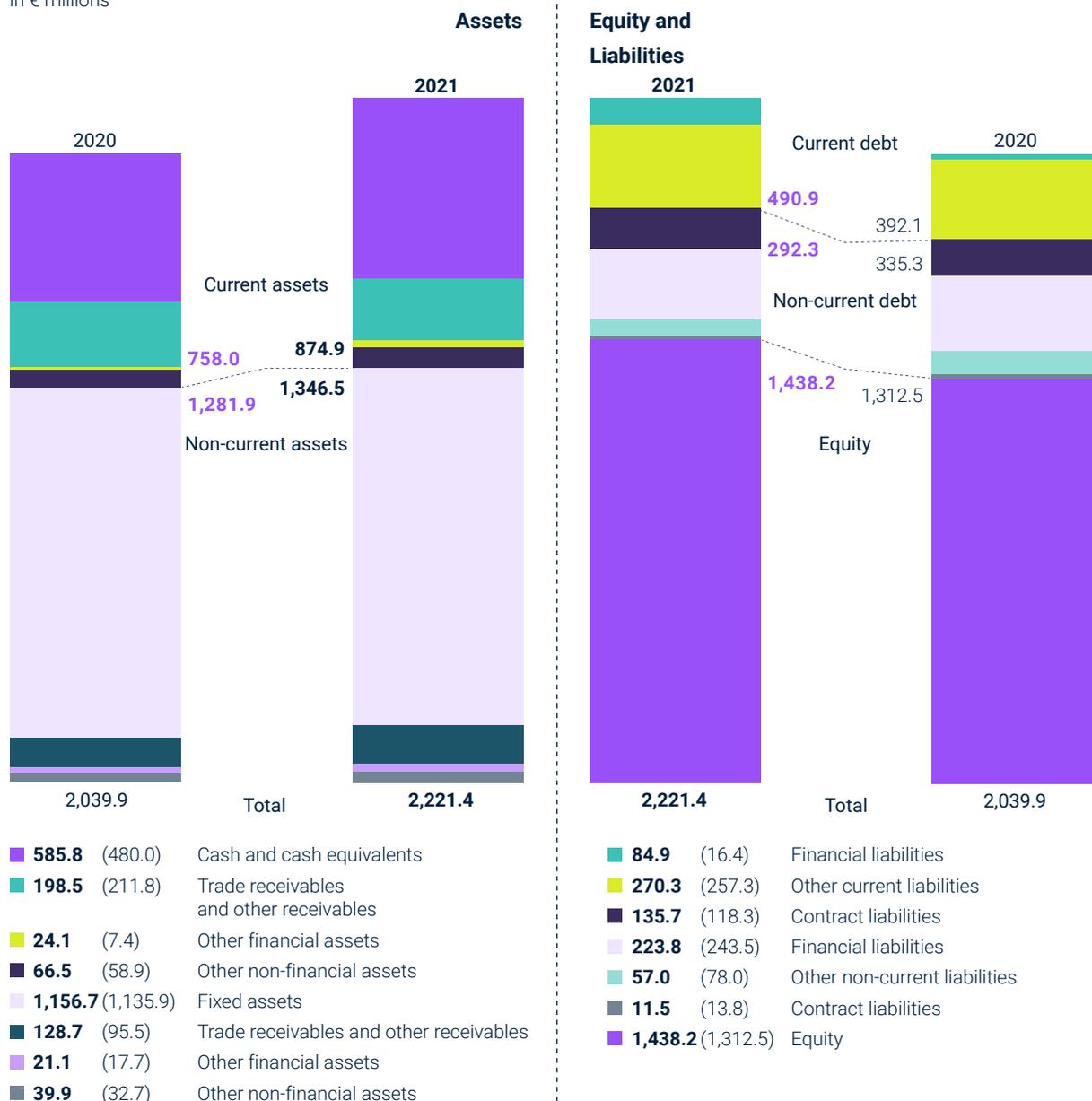
Intangible assets declined by €11.8 million, from €99.3 million in the previous year to €87.5 million as of December 31, 2021, of which -€17.5 million was attributable to amortization and €3.4 million to positive currency effects. The remaining changes related to net investments in software used for operations, in the amount of €2.3 million.

Goodwill increased by €38.7 million, from €947.4 million in the previous year to €986.1 million as of December 31, 2021. This increase resulted exclusively from currency effects, largely due to the higher exchange rates of the U.S. dollar and the Israeli shekel. A large portion of this item is denominated in U.S. dollars, which appreciated against the euro, from \$1.23 per €1 as of December 31, 2020 to \$1.13 per €1 on December 31, 2021.

Property, plant and equipment declined by €5.4 million, from €82.3 million as of December 31, 2020 to €76.9 million as of December 31, 2021, primarily due to write-downs and to a lesser extent to currency effects.

## Balance Sheet Structure

in € millions



In addition, non-current trade receivables, contract assets and other receivables increased from €95.5 million in the previous year to €128.7 million as of December 31, 2021. This increase was largely due to the ongoing shift in the sales model from perpetual licenses to time-limited subscriptions and to currency effects.

On the **liabilities** side, current debt increased by €98.8 million, or 25 percent, as of December 31, 2021 to €490.9 million (2020: €392.1 million).

Current financial liabilities, in particular, increased by €68.5 million, from €16.4 million to €84.9 million, primarily due to the reclassification of financial liabilities which had previously been reported as non-current.

Trade accounts payable and other payables increased by €6.4 million to €53.5 million (2020: €47.1 million). This performance also reflects an increase in accounts payable in the framework of higher costs attributable to increased investments due to the Helix strategy. In addition, other provisions rose by €5.1 mil-

lion, from €38.8 million to €43.9 million as of December 31, 2021.

Furthermore, contract liabilities increased by €17.4 million, from €118.3 million to €135.7 million as of December 31, 2021. Approximately 50 percent of this increase was attributable to the increase in advance payments towards future maintenance revenue and the other 50 percent to the strength of foreign currencies, primarily the U.S. dollar and the Canadian dollar.

Non-current debt declined by €43.0 million, or 13 percent, from €335.3 million to €292.3 million as of December 31, 2021.

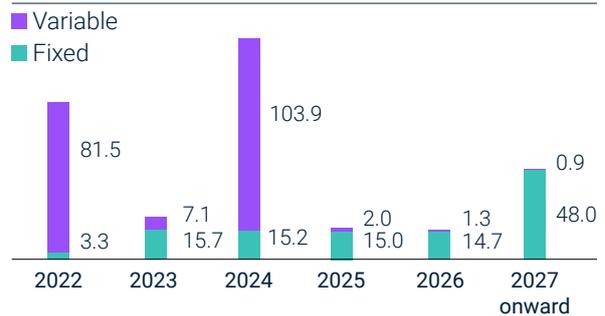
This decline was due to the drop in non-current financial liabilities, which fell by €19.7 million, from €243.5 million in 2020 to €223.8 million in 2021. In fiscal 2021, €60.0 million in non-current financial liabilities was newly recognized and reclassifications to current financial liabilities were carried out.

In addition, provisions for pensions and similar obligations declined by €20.4 million, from €55.4 million in 2020 to €35.0 million as of December 31, 2021. This decline primarily resulted from the significant growth in stock markets in 2021, since a considerable share of the reinsurance cover for plan assets consists of stocks. Pension provisions, as the balance of pension obligations and reinsurance amounts, thus declined significantly.

### Multi-Period Assets Summary

in € millions	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
<b>Assets</b>					
Current assets	874.9	758.0	776.0	724.9	650.3
Non-current assets	1,346.5	1,281.9	1,340.1	1,283.0	1,257.2
	<b>2,221.4</b>	<b>2,039.9</b>	<b>2,116.1</b>	<b>2,007.9</b>	<b>1,907.5</b>
<b>Equity and liabilities</b>					
Current liabilities	490.9	392.1	468.2	488.4	582.6
Non-current liabilities	292.3	335.3	290.4	280.4	206.6
Equity	1,438.2	1,312.5	1,357.5	1,239.1	1,118.3
	<b>2,221.4</b>	<b>2,039.9</b>	<b>2,116.1</b>	<b>2,007.9</b>	<b>1,907.5</b>

### Maturity Profile of Financial Liabilities



At the end of fiscal 2021, net liquidity was €277.2 million (2020: €220.1 million), while shareholders' equity increased by €125.7 million to €1,438.2 million (2020: €1,312.5 million) and was thus up 10 percent year-on-year. The reasons for this increase were described in the Financing Analysis section above.

### OFF-BALANCE SHEET ASSETS

In addition to the assets reported in the Consolidated Balance Sheet, Software AG has off-balance sheet assets. Off-balance sheet assets include the Software AG brand and internally developed software products, which are important intangible assets. Employees, their skills and their dedication are also critical to Software AG's success.

## SOFTWARE AG'S FINANCIAL POSITION AND PERFORMANCE

### SEPARATE STATEMENT FOR THE PARENT COMPANY

The financial statements of Software AG (parent Company) were prepared pursuant to the provisions of the German commercial code.

#### Software AG's financial position

Software AG's **total assets** increased by a total of €28.2 million, from €994.6 million on December 31, 2020 to €1,022.8 million on December 31, 2021.

The following table depicts the primary changes compared with the prior year:

in € millions	2021	2020	+/-
Intangible assets	23.8	27.0	-3.2
Property, plant and equipment	37.7	37.9	-0.2
Financial assets	685.6	700.3	-14.7
Inventories	0.0	0.1	-0.1
Receivables and other assets	98.8	76.8	22.0
Cash and cash equivalents and short-term securities	164.4	143.1	21.3
Prepaid expenses	11.1	9.4	1.7
Difference in assets arising from offsetting	1.4	0.0	100
<b>Assets</b>	<b>1,022.8</b>	<b>994.6</b>	<b>28.2</b>
Equity	248.4	296.7	-48.3
Provisions	113.4	108.1	5.3
Liabilities to banks	288.3	235.3	53.0
Remaining liabilities	372.6	354.4	18.2
Deferred income	0.1	0.1	0.0
<b>Equity and liabilities</b>	<b>1,022.8</b>	<b>994.6</b>	<b>28.2</b>

- **Intangible assets** decreased by €3.2 million, due primarily due to amortization.
- **Cash and cash equivalents** increased by €21.3 million. Software AG predominantly generates liquidity based on royalties, dividend disbursements, Group financing and management fees from the subsidiaries. For this reason, the cash flows of Software AG depend to a great extent on decisions regarding the dividend disbursements of subsidiaries and financing arrange-

ments between the parent Company and the subsidiaries. A cash flow statement for Software AG alone would therefore have little meaning, for which reason it does not prepare such a statement.

- Software AG's **equity** decreased by €48.3 million year-on-year. This decline resulted mainly from the balance of €7.9 million in net income and €56.2 million in dividends paid out to Software AG shareholders in fiscal 2021.
- **Provisions** remained nearly unchanged from the previous year.
- **Liabilities to banks** increased by €53.0 million This is primarily in connection with the net balance of new investment loans.
- **Remaining liabilities** were nearly unchanged compared with the previous year.

#### Software AG's financial performance

The key items of the income statement are as follows:

in € millions	2021	2020	+/- as %
Licenses	51.9	49.2	5.5
Maintenance	101.1	103.6	-2.4
Software as a Service	4.7	7.5	-37.3
Services	123.7	98.8	25.2
<b>Total revenue</b>	<b>281.4</b>	<b>259.1</b>	<b>8.6</b>
Operating income and expenses	-346.5	-306.1	13.2
Income from investments and profit transfers	77.5	93.0	-16.7
<b>Operating earnings before interest and taxes</b>	<b>12.4</b>	<b>46.0</b>	<b>-73.0</b>
Net financial income/expenses	-1.0	-2.2	-54.5
Earnings before taxes	11.4	43.8	-74.0
Taxes	-3.5	-2.3	52.2
<b>Net income/loss for the year</b>	<b>7.9</b>	<b>41.5</b>	<b>-81.0</b>

- **Licenses** relate to license-related royalties from subsidiaries and from Software AG's own license sales in Germany.
- **Maintenance** includes maintenance-related royalties from subsidiaries and maintenance revenue from third-party products.
- **Software as a Service (SaaS)** revenue resulted from SaaS-related royalties from subsidiaries and from Software AG's own SaaS sales in Germany.

- **Services** include management fees crossed-charged to the subsidiaries as well as services rendered by central support and cross-charged research and development costs.
- **Operating income and expenses** include changes in inventories of work in progress, other operating income and expenses, expenses for purchased goods and services, personnel expenses and write-downs on intangible fixed assets as well as on property, plant and equipment. The rise resulted mainly from higher consulting costs, increased expenses for services procured from subsidiaries and higher expenses associated with hosting.
- **Income from investments and profit transfer** includes dividends from subsidiaries, income and expenses arising from profit transfer agreements and write-downs on financial assets and marketable securities. The balance decreased year-on-year mainly because of amortization of the investment in TrendMiner NV, Hasselt, in the amount of €15.3 million.
- **Net financial income/expenses** is the result of offsetting other interest and similar income against interest and similar expenses. The year-on-year increase resulted primarily from earnings on interest in connection with tax payments.

### Outlook

Software AG's future financial performance depends upon the financial standing of the Software AG Group and decisions regarding the payout of Group-internal dividends. For more information, please refer to the Group [Outlook](#) in the Combined Management Report.





# COMBINED NON-FINANCIAL STATEMENT

## FUNDAMENTAL ASPECTS

### REPORTING SYSTEM

Software AG's Combined Non-Financial Statement (hereinafter referred to as the Non-Financial Statement) relates to the fiscal year from January 1 to December 31, 2021. The report has been published in this format as part of the Combined Management Report since fiscal 2017.

The Non-Financial Statement contains the information required by section 289c of the German Commercial Code (HGB) to enable readers to understand the Company's business growth, financial results, its situation and the effects of its activities at a minimum on the aspects stated in section 289c (2) of HGB. Per section 289d of HGB, Software AG prepared the Non-Financial Statement following the recommendations of the Global Reporting Initiative (GRI), an international standards framework, as well as the industry standards of the USA's Sustainability Accounting Standards Board (SASB).

The contents of the Non-Financial Statement relate to Software AG and the Software AG Group. The Group's non-financial indicators are based on data that generally correspond to the scope of consolidated financial reporting. Any deviations are explained accordingly. The measures presented for the individual aspects are ongoing unless stated otherwise.

### External audit of the Non-Financial Statement

Software AG's Non-Financial Statement is audited by the auditing firm BDO AG Wirtschaftsprüfungsgesellschaft (BDO), Hamburg, Germany. Auditing was conducted with the goal of attaining a limited level of assurance, based on the International Standard on Assurance Engagements (ISAE) 3000 (revised).

### EXPLANATION OF THE BUSINESS MODEL

As a global technology provider, Software AG has been delivering software solutions and services to its customers for more than 50 years. The Company was founded on the belief that software will change the world. The founders laid the groundwork for Software AG's value-oriented actions, ultimately forming our corporate culture. To this day, Software AG is the innovative, independent force guiding some of the world's best brands on their digitalization journey. Based on the belief that only a truly connected world can be a sustainable world, the Company is working on shaping the digital transformation in a responsible way. Software AG helps the world's leading enterprises to transform with purpose, supporting the business world in shaping a smarter and better tomorrow.

For more information on Software AG's business operations and [business model](#), please refer to Fundamental Aspects of the Group in the Combined Management Report.

**Disclosure requirements per the  
EU taxonomy regulation**

Software AG is required to provide information about non-financial interests per regulations set forth in sections 289b et seq./sections 315b et seq. of HGB that are based on Directive 2013/34/EU. In this context, the Company must explain in its Non-Financial Statement in accordance with Article 8 of Regulation (EU) 2020/852 from June 18, 2020 (Taxonomy Regulation) how and to what extent it carries out economic activities that could be characterized as environmentally sustainable in the sense of the taxonomy regulation and therefore in compliance with the taxonomy. For the first year of its application, however, lawmakers intended simplifications in which economic activities only need to be categorized as taxonomy-eligible or taxonomy-non-eligible, and conformity with the taxonomy based on technical evaluation criteria will not yet be acknowledged.

Whether an economic activity can be defined as taxonomy-eligible has to be determined for fiscal year 2021 with regard to the environmental goals of climate protection and adjustments for climate change. The European Commission established the Delegated Regulation (EU) 2021/2139 to define the screening criteria for the taxonomy and conformity.

According to this Delegated Regulation, the information and communication sector includes the following economic activities as fundamentally taxonomy-eligible regarding the environmental goal of climate protection:

- Data processing, hosting, and associated activities
- Data-based solutions for reducing greenhouse gas emissions

However, categorizing Software AG's activities as taxonomy-eligible regarding the environmental goal of climate protection is precluded for the following reasons:

Software AG provides software solutions and services for its customers, who then utilize the products and services for their own business activities accordingly. In principle, Software AG's economic activities could be classified as enabling activities in the sense of Art. 10 (1) in conjunction with Art. 16 of the Taxonomy Regulation. Software AG's products distinguish themselves by enabling companies to integrate IT systems and data, optimize business processes and make bet-

ter decisions in order to operate more efficiently and save resources. Though, whether Software AG's activities in detail are in fact taxonomy-eligible as enabling activities is measured by how the Company's customers use its products and services, something Software AG is not responsible for and does not know. The effects of using Software AG products would have to be made measurable through the specific use and areas of application on the customers' side, but Software AG does not yet receive sufficient data from its customers about this. Accordingly, Software AG cannot comprehensively document and prove its essential contribution to the first environmental goal, climate protection, through the use of its products and solutions.

Furthermore, Software AG's economic activities cannot be subsumed under economic activities proven to be taxonomy-eligible with regard to the environmental objective, climate change adaptation. The reason here is the same as above: Software AG's products and services do not implement physical solutions, for instance, that can be used to significantly reduce the most important climate risks. For that reason, Software AG cannot account for a percentage of revenue that is taxonomy-eligible.

Software AG's percentage of taxonomy-eligible CapEx is 43.6 percent and mainly comprises expenditures for the Group's vehicle fleet, land and buildings. Software AG's percentage of OpEx that is taxonomy-eligible is 2.6 percent and consists of expenditures for short-term leases and property maintenance. The denominator comprises primarily R&D expenses.

## SUSTAINABILITY MISSION STATEMENT

Sustainability and responsible action are guiding principles that are central to our mission at Software AG. We are certain that moral principles and economic success belong together. To protect future generations and our planet, we are committed to creating not only economic, but also ecological and social value.

**Our Sustainability Program 2025 guides us in achieving our ambitions in five key action areas.**

Leadership & Governance 	Our Employees 	Customers & Technology 	Value for Society 	Impact on Environment 
<p>We are committed to anchoring sustainability as an integral part of our business activities and delivering on our environmental, social and governance (ESG) commitments. Through responsible corporate management and governance, we target long-term goals geared towards growth and best-in-class external ESG recognition. As a software company, we commit to the highest level of information security and data protection—entirely in the interests of our customers and partners. We firmly believe that our employees are the key to our success as a sustainable company.</p>	<p>We are committed to fostering our corporate culture grounded in respect, transparency, and inclusion. We continue to focus on attracting and retaining the best talent for Software AG, nurtured through employee engagement and an inclusive and equitable working environment—where all employees can thrive and unleash their full potential.</p>	<p>We are committed to being a reliable partner for our customers in providing high-quality and individually adjustable software solutions. Our services support digital transformation. Digital transformation can help to mitigate or even reverse the consequences of climate change. We want to play an active part in this with our solutions, enabling and helping our customers to operate sustainably.</p>	<p>We aspire to effectively assist people in building expertise in the area of modern technologies. Our focused involvement in universities and schools is aimed at supporting the IT experts of the future. We offer new learning opportunities and meaningful development prospects for students and young professionals. Since technological advancement plays a crucial role in developing a sustainable world, we participate in collaborative research projects that promote the global sustainable development goals (SDGs).</p>	<p>We are working to keep our environmental footprint as small as possible. To reduce the impact of our business activities on the planet, we are preparing to become climate neutral as quickly as possible. With the help of our technology and our solutions, we will join forces with our customers and partners to tackle significant environmental challenges and help shape a more sustainable future.</p>

## MANAGING SUSTAINABILITY AND TRANSPARENCY

Sustainability is an integral part of Software AG's DNA. Its sustainability strategy is anchored with the Chief Executive Officer (CEO). For more information about the responsibilities of Management Board members, please refer to [Note \[38\]](#) in the Notes to the Consolidated Financial Statements. Software AG's internal Sustainability Steering Committee (SSC) guides, monitors and advises the Company on implementing the sustainability strategy. The strategy and SSC are led by the Corporate Communications department, which reports to the CEO. The ultimate objective is transparent communication both inside and outside of the Company. This enables Software AG to ensure that its stakeholders are proactively, continuously and efficiently informed about the topic of sustainability, its goals and progress.

## STAKEHOLDERS

Software AG has internal and external stakeholders. The internal stakeholder groups comprise the employees, the Management Board, the Supervisory Board, the Compliance Board and the Works Council. The external stakeholder groups include the customers, investors, partner network, suppliers and service providers, graduates and (potential) future employees, universities and research institutions, social actors in local communities, governments and associations, non-governmental organizations (NGOs) and key multipliers such as analysts and the media.

## MATERIAL NON-FINANCIAL TOPICS

### Determining material non-financial topics

Software AG comprehensively updated its materiality analysis in fiscal year 2021. The Company was able to fully conclude the process initiated in fiscal 2020 by validating and prioritizing the results of the previous year as planned. The result is a clearer focus on topics that have the strongest effects on the economy, environment and society, as well as the highest business relevance for Software AG. Software AG's sustainability strategy that was drafted in 2021 builds on this foundation.

A multi-phase process was conducted in fiscal 2020 to identify material non-financial topics and issues for the Non-Financial Statement. During the first step, selected internal stakeholders from sustainability-relevant areas at Software AG participated in qualitative interviews. Furthermore, external stakeholders were also surveyed regarding Software AG's sustainability challenges. In a second step, a preliminary analysis was performed that included an evaluation per the GRI sustainability reporting standards, the industry recommendations for software companies from the SASB,

and the non-financial statements from other companies in the industry. The potentially relevant topics identified in this process were summarized into 26 material topics taking into account the material issues from the 2019 Non-Financial Statement. During a joint workshop, Software AG's leaders validated the already identified issues and evaluated them again regarding their materiality to determine the material topics for fiscal year 2021.

### Prioritizing material topics by business relevance and impact analysis

In fiscal year 2021, the 26 material topics defined in the previous year were once again comprehensively validated and prioritized. Initially, a blind spot analysis was conducted to ensure that all of the topics relevant to Software AG's stakeholders were being taken into consideration. Related topics were summarized and the remaining 18 topics categorized into Software AG's five action areas. Finally, a business relevance and impact analysis was conducted. Software AG worked on this process with an external consulting company specialized in materiality analyses and sustainability strategies.

### Business Relevance and Impact Analysis

Relevance of the issue to Software AG's business	very high	B4. Employer attractiveness	A4. Sustainable economic growth	A3. Information security and data protection B1. Corporate culture and diversity	C1. Product and service quality	
	high	A1. Business ethics and CDR C2. Customer satisfaction and loyalty D2. Stakeholder dialogue and government relations	B2. Employee promotion and development	C3. Innovation and impact of our products D3. Tech for good E1. Energy and CO <sub>2</sub> emissions		
	slightly high	A4. Sustainable supply chains and human rights	B2. Occupational health and safety B3. Work-life balance E2. Natural resources and circularity			
	moderate		D1. Support of local communities			
	rather low	E3. Use of water				
		rather low	moderate	slightly high	high	very high
Impact on the environment, economy and/or society						

A: Leadership and Governance; B: Our Employees; C: Customers and Technology; D: Value for Society; E: Impact on Environment

### Results of the materiality analysis

The materiality analysis conducted by Software AG in fiscal year 2021 follows the understanding of the GRI as well as the requirements of the CSR Directive Implementation Act (CSR-RUG). The eight topics listed in the following table were categorized as material for the Company:

Action area	Material topic
Leadership and Governance	<ul style="list-style-type: none"> <li>• Sustainable economic growth</li> <li>• Information security and data protection</li> </ul>
Our Employees	<ul style="list-style-type: none"> <li>• Corporate culture and diversity</li> <li>• Employer attractiveness</li> </ul>
Customers and Technology	<ul style="list-style-type: none"> <li>• Product and service quality</li> <li>• Innovation and impact of our products</li> </ul>
Value for Society	<ul style="list-style-type: none"> <li>• Tech for good</li> </ul>
Impact on Environment	<ul style="list-style-type: none"> <li>• Energy and CO<sub>2</sub> emissions</li> </ul>

The reporting scope has thus significantly changed in comparison to the previous year. In addition to the eight material topics, Software AG reports on two additional topics, respect of human rights and combating corruption and bribery, which result from the requirements per section 289c of HGB. Topics that are classified as not material for Software AG in the context of the materiality analysis will not be addressed in this Non-Financial Statement. In addition to the material topics, the Non-Financial Statement Index and the Non-Financial Key Indicators provide a full overview by including selected topics that are not discussed further as well as key indicators relevant for some stakeholder groups.

### Minimum aspects (according to HGB) and other aspects deemed to be material

At a minimum, the Non-Financial Reporting Statement must refer to the aspects of environmental matters, employee concerns, social matters, respect of human rights, and combating corruption and bribery according to section 289c (2) of HGB. Software AG has established concepts for all of the aspects defined in HGB, and these are covered in the Company's specified action areas. Respect of human rights and combating corruption and bribery are addressed in the action area Leadership and Governance. The aspects environmental matters, employee concerns, and social matters are covered primarily in the action areas Impact on Environment, Our Employees, Customers and Technology, and Value for Society. In addition to the aspects stated in HGB, Software AG has also defined customer concerns as material, and these are mainly assigned to the Customers and Technology action area.

## NON-FINANCIAL STATEMENT INDEX

The following Non-Financial Statement (NFS) Index highlights Software AG's eight material topics by color. All other topics were classified as non-material and are reported voluntarily.

Material topics and other topics	Summarized significance of topic content for Software AG	Aspects per HGB (section 289c (2))	Assignment to reporting standards (GRI & SASB)	Page
<b>Leadership and Governance action area</b>				
Sustainable economic growth	Business performance and growth, brand visibility and reputation, management of non-financial risks and opportunities	n/a	n/a	120, 134
Information security and data protection	Information and data security, protection of employee and customer data, privacy, prevention of malware attacks	Employee concerns (section 289c (2), no. 2), customer concerns	SASB TC-SI-230a	121, 134
Business ethics and digital responsibility	Responsible, moral, ethical, fair and sustainable behavior, compliance, anti-corruption, anti-competitive behavior, protection of intellectual property	Combating corruption and bribery (section 289c (2), no. 5)	GRI 205, GRI 206, SASB TC-SI-520a	123, 134
Sustainable supply chains and human rights	Respect and protection of human rights (human rights due diligence), environmental laws/standards/policies, conduct in business situations, Code of Conduct, global sourcing process, supplier assessment	Respect of human rights (section 289c (2), no. 4)	GRI 412	124, 134
<b>Our Employees action area</b>				
Corporate culture and diversity	Transparent, respectful, trusting corporate culture, diversity, equity and inclusion, anti-discrimination, support of women, flat hierarchies, codetermination, freedom of association and collective bargaining	Employee concerns (section 289c (2), no. 2)	GRI 405, SASB TC-SI-330a	125, 135
Employer attractiveness	Recruiting global, diverse and qualified teams, active sourcing concept, war for talent	Employee concerns (section 289c (2), no. 2)	GRI 401	127, 137
Additional topics in the NFS key indicator table	Work-life balance, employee promotion and development, staff attrition	Employee concerns (section 289c (2), no. 2)	GRI 404	137
<b>Customers and Technology action area</b>				
Product and service quality	Certified management systems; regular software releases, updates and improvements, adding value for customers (efficient use of resources, better process results, competitive advantages)	Customer concerns	n/a	128, 138
Innovation and the impact of our products	Monitoring of competitors and disruptive trends, innovation capacity, research and development, impact of products on society, environment, and businesses	Customer concerns	n/a	130, 138
<b>Value for Society action area</b>				
Tech for good	Develop digital competencies, mentoring/seminars for students and future IT managers, engagement in research projects, foster education	Customer concerns, social matters (section 289c (2), no. 3)	n/a	131, 138
Additional topics in the NFS key indicator table	Support of local communities, dialogue with interest groups and government relationships	Social matters (section 289c (2), no. 3)	n/a	138, 139
<b>Impact on Environment action area</b>				
Energy and CO <sub>2</sub> emissions	Energy management, energy-efficiency, CO <sub>2</sub> emissions, increase renewable energy, carbon footprint, climate strategy	Environmental matters (section 289c (2), no. 1)	GRI 302, GRI 305, SASB TC-SI-130a	132, 140
Additional topics in the NFS key indicator table	Natural resources and circularity, use of water	Environmental matters (section 289c (2), no. 1)	GRI 301, GRI 306, SASB TC-SI-130a	141

## CODE OF CONDUCT AND INTERNATIONAL CONVENTIONS AND GUIDELINES

The majority of Software AG's concepts and due diligence processes regarding the aspects listed above are described in detail in the Company's various Codes of Conduct. For that reason, they are summarized below:

### Code of Conduct

Software AG's Code of Conduct contains policies for sound and responsible corporate governance. It sets out what Software AG considers to be ethically correct conduct in its day-to-day business. The relationships of Software AG employees to customers, partners and competitors follow these guidelines. All employees must read and understand the contents of the Code of Conduct. To this end, all new employees attend mandatory, online training programs and receive certification upon completion. The Code of Conduct is currently available in eight languages and is updated on a regular basis. In addition, the Company has established other specific guidelines for conduct with partners and suppliers.

The Code of Conduct covers the following topics, among others:

- Software AG's values and professional conduct
- Staff health and safety
- Equal treatment and anti-discrimination
- Environmental protection
- Data protection and trade secrets
- Fair competition and antitrust law
- Compliance and anti-corruption
- Protection of Company property
- Conduct in the event of conflicts of interest and for clarification of ethical issues

### Compliance with the Code of Conduct and the Compliance Board

Software AG established a Compliance Board, which is responsible for introducing, implementing and monitoring the Compliance Program. This Board reviews and assesses compliance issues and concerns and strives to ensure that employees behave in compliance with the law, that internal rules and processes are followed, and that behavior complies with Software AG's Code of Conduct. Software AG has introduced various mech-

anisms to help its employees comply with the Code of Conduct. For example:

- All new employees must complete an online training program, which integrates hands-on examples, to familiarize themselves with the different aspects of Software AG's Code of Conduct.
- The online training is offered through Software AG's learning management system which checks that employees complete the training.
- At the end of the online training program, employees complete a multiple-choice test; after passing the test, they are issued a certificate.
- The Compliance Board can be contacted (also anonymously) regarding all questions and approvals. Software AG has set up a reporting system at [complianceboard@SoftwareAG.com](mailto:complianceboard@SoftwareAG.com) for reporting incidents.

The essential duties and responsibilities of the Compliance Board include:

- Refining, regularly reviewing and updating the Code of Conduct to ensure its sustainable application worldwide
- Monitoring the implementation and application of the Code of Conduct
- Conducting training programs on compliance issues and on the Code of Conduct
- Advising employees on compliance issues and on the Code of Conduct
- Investigating compliance violations and making recommendations for appropriate measures in response to non-compliance
- Confidential, if necessary, anonymous handling of those who report on non-compliance (whistleblowers)
- In the event of non-compliance, the Compliance Board also examines whether the compliance rules (including the Code of Conduct), procedures, training and organizational framework need to be adjusted.

In fiscal year 2021, the Compliance Board received and handled total of 43 (2020: 52) inquiries from Software AG employees. For more information on the Compliance Board, please refer to the [Statement on Corporate Governance](#).

### Scope

The Code of Conduct applies to Software AG worldwide, including, but not limited to, external staff and agents acting on behalf of Software AG. Violations of the Code of Conduct can be sanctioned by disciplinary measures (in addition to possible legal penalties).

### Partner Code of Conduct

Software AG's business relationships with its partners are regulated by its Partner Code of Conduct, which includes a compliance self-assessment. It requires partners to provide information and commit in writing to comply with Software AG's Code of Conduct. In this context, the Compliance Board plays a regulatory and auditing role.

### Supplier Code of Conduct

There are also conduct guidelines for suppliers: Software AG's binding Supplier Code of Conduct must be confirmed in writing by all suppliers of the Software AG Group. An enforcement guideline regulates the process for existing and new suppliers. The Compliance Board reviews compliance with the Code on a regular basis.

### International conventions and guidelines

In addition to the laws and regulations in the countries where Software AG operates, there are several conventions and recommendations by international organizations. They are primarily addressed to the member states and not directly to individual companies. However, they are a very important guideline for the conduct of a multinational company and its employees. Software AG therefore allots high importance to compliance with these guidelines worldwide. The most important agreements of this kind are listed below:

- Universal Declaration of Human Rights of the United Nations, 1948
- European Convention for the Protection of Human Rights and Fundamental Freedoms, 1950
- Tripartite Declaration of Principles of the ILO (International Labor Organization) on Multinational Enterprises and Social Policy, 1977
- ILO Declaration on Fundamental Principles and Rights at Work, 1998 (especially regarding the following topics: elimination of child labor, abolition of forced labor, prohibition of discrimination, freedom of association and right to collective bargaining)
- Convention of the Organization for Economic Cooperation and Development (OECD) on Combating Bribery of Foreign Officials in International Business Transactions, 1997
- OECD Guidelines for Multinational Enterprises, 2000

# Highlights of 2021



## LEADERSHIP AND GOVERNANCE

- **Sustainability Program with Roadmap 2025** adopted and Sustainability Steering Committee established.
- **Member of The Valuable 500** to make business inclusive.
- **Leadership Learning Journey:** The training program for managers supports strategic change in Software AG's culture and covers topics including change leadership, effective communication, customer centricity, cross-team collaboration, decision making and personal brand.
- **ISS ESG Rating:** improved from D+ to C- in February 2022; **Sustainalytics ESG Risk Rating:** low risk
- **New ESG webpage** informs readers about sustainable project applications as well as research projects that align with the UN SDGs.

# AA

Score in the MSCI  
ESG Rating

## ECONOMIC VALUE

### WE ENABLE

Deploying our technology solutions to support our customers in doing business more sustainably.

## CUSTOMERS AND TECHNOLOGY

- **Net Promoter Score (NPS)** improved sequentially to all-time high of 56 (2020: 54).
- Now NPS feedback is also collected at other touch points during the customer life cycle.

# 312

New  
customers

# 18.1%

Percentage of R&D investments of  
total revenue (2020: 17.2%)

## ENVIRONMENTAL VALUE

### WE PRESERVE

Minimizing our environmental footprint and working towards achieving net-zero emissions.

## IMPACT ON ENVIRONMENT

- Ongoing **expansion of the e-vehicle fleet** and providing the necessary infrastructure.
- Introduction of updated **travel guidelines** for Germany with a stronger emphasis on sustainability and environmental aspects.

# 2,500

trees planted as a  
partner of *Hessen  
Forst*

€4,000

for the purchase of ten portable oxygen tanks to support employees in India and their family members during the COVID-19 pandemic



**OUR EMPLOYEES**

- Founding member of the **Allianz der Chancen** for sustainable employment prospects.
- As a signatory to the **Charta der Vielfalt**, Software AG promotes a work environment that emphasizes respect and is free of prejudice.
- As part of its **DE&I** (diversity, equality, and inclusion) program, Software AG appointed a corresponding management position as well as 24 DE&I ambassadors.
- Global offerings and initiatives to support employees and their physical and mental well-being, especially during the COVID-19 pandemic.

**WE EMPOWER**

Supporting our employees in unleashing their full potential and promoting digital skills in society.



**VALUE FOR SOCIETY**

- **Give Back to the World:** In 2021, 16 projects (2020: 8) were carried out in six different countries. Because of the COVID-19 pandemic, the projects were performed exclusively in small groups. For example, employees from Bracknell restored a school garden that had become overgrown, and employees in Germany helped with cleanup efforts in Ahrweiler after the catastrophic flooding in July 2021. And after the unrest in South Africa, Software AG employees were able to make a significant contribution by distributing food packages in an early-learning center for children.
- **Move Your Feet:** In 2021, staff members covered a distance of 10,177 kilometers and raised a donation of €22,000.
- **University Relations Program** added 4,000 new academic contacts, achieving its broadest reach in the last five years.
- The newly launched **Education Community** enables access to free education packages.
- 50 percent of Software AG's publicly funded **research projects** now support sustainable objectives (UN SDGs) with technological innovations. For instance, an information platform was developed in a consortium led by Software AG that uses artificial intelligence to deliver forecasts and simulations about the future air quality in cities.

10,177 km

covered by Software AG employees for the Move Your Feet campaign

14

research projects out of 27 in total contributed to the UN SDGs in 2021

€5,000

in aid donated to *Aktion Deutschland hilft* after the flood disaster in Germany

## LEADERSHIP AND GOVERNANCE

The Leadership and Governance action area comprises the material topics **Sustainable economic growth** and **Information security and data protection**. In addition, this area also covers the topics **Combating corruption and bribery** (required aspect per section 289c (2) no. 5 HGB) and **Respect of human rights** (minimum aspect per 289c (2) no. 4 HGB). These topics were not defined as material in the context of Software AG's 2021 materiality analysis. Reporting on these topics is voluntary.

Software AG aims to anchor sustainability as an integral component in its business activities and to meet its obligations in the ESG (environmental, social and governance) areas. With its responsible management approach, Software AG is pursuing long-term goals that target growth and external recognition for first-class ESG achievements. As a software company, it is committed to information security and data protection at the highest level—entirely in keeping with its customers and partners. Furthermore, the Company leadership is firmly convinced that Software AG's employees are essential for its success as a company that embraces acting sustainably.

## SUSTAINABLE ECONOMIC GROWTH

### Basic understanding

Software AG considers sustainability core to its business strategy and aspires to be a leader with regard to ESG topics. Sustainable economic growth is extremely relevant to Software AG's business because it contributes to the Company's sustainability by having positive effects on employees, investors and customers. Software AG's leadership team is convinced that having a sustainable business strategy not only promotes economic growth, but is also essential in order to live up to the Company's own requirements pertaining to the environment, social matters and corporate governance. For more information on Software AG's strategy, please refer to the [Strategy and Goals](#) section in the Combined Management Report. For more information on the business strategy risks in the [strategic realignment \(Helix\)](#) area, please refer to the Opportunity and Risk Report.

### Targets and management

Sustainable economic growth is at the core of Software AG's business strategy and essential to its transformation as well as realizing its ambitions. For that reason, Software AG has set the following targets it intends to achieve by 2023:

- Group revenue of €1 billion
- Operating margin between 25 and 30 percent
- Recurring revenue between 85 and 90 percent
- Annual growth rate of around 15 percent in the Digital Business segment

Software AG manages sustainable business growth through its Helix strategy. For more information, please refer to the [Strategy and Goals](#) section in the Combined Management Report.

Software AG's ESG strategy is a cornerstone of its sustainable economic growth. Based on feedback from its shareholders, Software AG has identified the ESG ratings from MSCI and ISS as most relevant for investors and has set itself the following targets:

- Achieving a C grade in the ISS ESG Rating by 2023 and a B grade by 2025
- Achieving at least an AA rating or better in the MSCI Rating by 2025

Software AG manages the ISS ESG Rating results through the ISS Quality Score. With the help of this management tool, the collected data is reviewed and updated continuously.

### Progress and actions

Because Software AG uses the Internet of Things, artificial intelligence and predictive analytics to create product offerings in the cleantech sector, MCSI raised the Company's rating to AA in October 2020 (highest rating: AAA).

The ESG approach used by ISS for evaluating companies is heavily based on emissions data compiled by the Carbon Disclosure Project (CDP). Since Software AG has not yet assessed its carbon footprint, the current ISS ESG Rating of D+ (max. A+) is less favorable as a result. It can be assumed that this rating result will improve with the evaluation of Software AG's carbon footprint, which is planned for the first half of 2022. The

collected data will be submitted to the 2022 CDP. In the ISS Quality Score for 2021, Software AG improved its rating in corporate governance from 8 to 5, in the environment area from 5 to 3, and maintained its rating of 3 in the social area.

To increase transparency in aspects that are relevant for ESG ratings, Software AG also created a [web-page dedicated to ESG topics](#) in 2021. There, investors and other interested parties can find the most up-to-date data and information about ESG approaches. In addition to reports on the Company's social engagement, the ESG webpage presents a selection of sustainable IT solutions that were realized using Software AG products, introduces research projects that are aligned with the United Nations' Sustainable Development Goals (UN SDGs), outlines a variety of health initiatives that have been implemented in different regions, and highlights efforts that aim to improve diversity, equality, and inclusion at Group level.

Furthermore, an ESG gap analysis was conducted collecting capital market input and, as a result, an action plan was drafted to inspire the sustainability strategy, improve ratings and meet investor expectations.

## INFORMATION SECURITY AND DATA PROTECTION

### Basic understanding

As a software company, Software AG delivers information security and data protection at a very high level—entirely in keeping with customers and partners. With its comprehensive information security management program, including various information security management systems (ISMS), Software AG aims to manage information resources in a holistic way, so they are secure and protected.

According to the Federal Office for Information Security (BSI), the number of malware programs and the sophistication of cyberattacks against companies in Germany once again reached an all-time high in 2021.

On the whole, taking into consideration the measures implemented to improve information security, Software AG continues to categorize this issue as medium risk despite the general high-risk situation. To best protect itself from the severe effects of such

attacks, Software AG assesses the existing risk for the Company, its customers and society and conducts appropriate risk minimization. This includes continuously measuring information security, making the necessary improvements mentioned below and keeping it up to date in order to successfully defend itself against cyberattacks and reduce the risk accordingly. For more information on legal risks associated with [information security](#), please refer to the Opportunity and Risk Report.

The protection of personal data is a fundamental right of all individuals. Article 8 of the Charter of Fundamental Rights of the European Union (EU) defines the protection of personal data as a fundamental right; the protection of personal data is also part of the EU data protection laws in accordance with the EU Data Protection Regulation (GDPR). Software AG respects the privacy of its customers and their customers' personal data and therefore takes appropriate measures. Overall, and specifically with respect to measures implemented for the protection of customer data, the Company classifies the risk situation as low.

### Targets and management

Software AG aims to continuously manage information resources and data in a holistic way, so they are secure and protected. A variety of security measures are utilized throughout the entire Company. Software AG's security awareness program addresses issues including IT security, phishing, security incident training and data protection. These include annual employee training on information security and biannual training on data protection. In early 2021, Software AG introduced the following objectives:

- At least 85 percent of employees trained regarding information security
- At least 85 percent of employees trained on data protection

For Software AG, implementing a comprehensive security strategy means proactively ensuring the security of business-critical data and important information resources. As a provider of maintenance and support, customer cloud services, professional services as well as product delivery, Software AG processes confidential customer data. The Company also manages sensitive

information about its own business, employees and customers, prospective customers, partners and suppliers and is responsible for securely handling the respective data.

Software AG has appointed a Data Protection Officer and formed a data protection team to advise the business lines on data protection. The Management Board receives comprehensive information in the annual data protection report. The Data Protection Officer as well as the data protection team participate in regular training sessions regarding the latest regulations and court rulings as well as the reasonable and customary implementation of data protection measures.

An integrated data protection management system (DMS) was implemented in accordance with the requirements of the GDPR. The system documents, monitors and, if necessary, adapts the data protection aspects. The general processes for handling data protection incidents and violations are integral components of the DMS, and thus include those that affect data from Software AG customers or other business partners. Software AG has implemented this DMS with its own products ARIS, ARIS Risk & Compliance Manager, Alfabet, and webMethods AgileApps.

The effectiveness of the data protection processes is reviewed within the scope of the ISO 9001 and ISO-27018 (for customer cloud services) audits. The results and findings are documented, and progress is measured in a central audit system. Management is regularly informed in relevant meetings.

### Progress and actions

In fiscal year 2021, the employee training quota for information security reached 90 percent. The completion rate for the new data protection training that was just launched in September 2021 was 57 percent at year end.

After the cyber incident in October 2020, Software AG derived appropriate measures and worked steadily on implementing them to minimize the probability of such incidents occurring as much as possible and further improve its ability to react.

1. Industry-leading external service providers and suppliers were contracted to draft and implement recommendations based on the results of the investigation. An annual recurring external assessment of IT security is an integral component of the IT security program.
2. Internal organizational and technical measures for monitoring the IT landscape were expanded and are continually improved. The globally operating Security Operation Center was established to further strengthen IT security, and appropriate specialists were hired.
3. Third-party auditors examined the security architecture and network security. Software AG's IT strategy enhances the focus on IT security as the top priority, with the core "Security by Design" approach reflected in both daily operations as well as in future projects and services.
4. The Company established a Group-wide security awareness program and supplemented it with a security project program that coordinates and monitors security projects. Regular CIO roundtable discussions where the CISO is also represented focus on topics and projects relevant to security and answer employees' questions.
5. The security incident process was reviewed in-depth, and the measures for improvement derived from that review were implemented.
6. Based on the findings from the security incident, the ongoing improvements to operational security were examined, derived measures planned, and prioritized measures were established.

The ISMS for the customer cloud services is certified for compliance with ISO/IEC 27001, 27017 and 27018. The independent audit by third-party auditors confirms compliance with the standard and certifies that the Software AG Customer Cloud ISMS is comprehensive and reflects best practices in the industry. In addition, the independent audit reports on service organization audits (SOC 2) give Software AG customers detailed information about how the Company audits the security

and availability of the cloud services as well as regulatory compliance. For more information about applicable certifications and cloud security, please visit [Software AG's website](#).

The roadmap for Software AG's customer services outside of the above-mentioned certified customer cloud services includes the implementation of an ISMS and a certification to ISO/IEC 27001 for dedicated customer service business segments.

Since the third quarter of 2020, Software AG has been focusing comprehensively on implementing the new requirements for data protection resulting from the Schrems II decision handed down by the Court of Justice of the European Union. According to the decision, the personal data of EU citizens can only be transferred to third countries outside the European Economic Area if this country provides protection essentially equivalent to that of the EU. Third-country transfers of personal data can be performed with respective additional measures in compliance with data protection regulations after a legal analysis and risk/benefit analysis.

On June 4, 2021, the European Commission released updated standard contractual clauses (new SCCs) as part of the GDPR for data transfers from companies or contractors responsible for processing data that are located in the EU/EEA to others located in third countries that do not offer an appropriate level of data protection. These updated SCCs replace the three SCCs passed under Data Protection Directive 95/46. For that reason, Software AG has changed its processes and contract agreements to adjust to the new SCCs. In accordance with the deadlines defined by the European Commission, Software AG is using the new SCCs as the transmission mechanism for transferring (or forwarding) personal data to third countries that do not provide a suitable level of data protection.

## COMBATING CORRUPTION AND BRIBERY

### Basic understanding

Software AG's aims to ensure that all employees act with integrity and in a responsible, ethically correct manner as well as in accordance with legal regulations—especially with regard to competition and antitrust law. The relevant principles are defined in Software AG's Code of Conduct. The topics covered by the [Code of Conduct](#) can be found in the Fundamental Aspects of the Non-Financial Statement. All employees need to know the Code of Conduct and follow it in their day-to-day work.

Risks from corruption and anti-competitive behavior arise in international business activities due to differences in understanding regarding ethical and moral business practices from one country to the next. This risk is curbed through the measures described above and is therefore not considered significant. In addition, adherence to compliance provisions is reviewed and their effectiveness monitored through the activities of the Compliance Board as well as the Internal Audit department. For more information on [legal risks associated with compliance](#), please refer to the Opportunity and Risk Report.

### Governance

Software AG's Compliance Board helps ensure that all employees behave in compliance with the law as well as follow internal rules and procedures. Employees with any relevant questions can consult the Legal department responsible for the respective region or the Compliance Board. If potential compliance violations are suspected, the Compliance Board can commission audits. These are approved by the CEO or, depending on the subject, by the entire Management Board and carried out by Internal Audit. External resources are consulted depending on the focus of the audit. The findings of the audit and the resulting corrective measures are reported to, reviewed, and evaluated by the Compliance Board and the CEO or the full Management Board.

Software AG's Senior Vice President for Audit, Processes and Quality regularly reports to the Supervisory Board's Audit Committee on the results of internal audits as well as audits requested by the Compliance Board about the ongoing improvement of compliance instruments and the effectiveness of internal controls.

### Progress and actions

The clear rules of the Code of Conduct and mandatory training promote integrity and fair business practices at Software AG. In fiscal 2021, a total of 790 (2020: 622) new Software AG employees completed the training on the Code of Conduct and received the required certification. Software AG completely revised the training concept in 2020 and added interactive elements such as role-play. Training conducted according to the new concept started in 2021 and will provide even better support for employees to behave with integrity and in accordance with laws and internal guidelines—even in difficult situations.

No significant violations of competition law were identified in 2021.

## RESPECT OF HUMAN RIGHTS

### Basic understanding

Software AG is an international company with locations, suppliers, and partners all over the world. To ensure that the supply chain respects and protects human rights, Software AG introduced a Code of Conduct for both suppliers and partners respectively.

Software AG sees no significant risk of its operations having or potentially having a serious negative impact on compliance with human rights. Since its suppliers and business partners are committed through the respective Codes of Conduct, Software AG believes that the risk of its business partners violating human rights and infringing on the rights of children and young people is very low. An academic background or several years of training are an absolute prerequisite for people working in the IT industry and in turn, for the vast majority of Software AG employees. The Company therefore sees no risk of child labor to be considered within its own business operations or in connection with the use of Software AG's products and services.

### Governance

All of Software AG's suppliers are required to sign the Company's Supplier Code of Conduct. The Compliance Board assesses and decides on exceptions to this rule. This enables Software AG to ensure that its suppliers adhere to ethical principles of conduct that go beyond the legislation of the respective countries.

The Code of Conduct comes with a guideline that defines how it should be applied and a checklist to ensure compliance with all requirements. In the context of a comprehensive management approach, the Code of Conduct refers to major international agreements and recommendations of international organizations, and defines the following points:

- Interaction with employees (includes child labor, discrimination, forced labor, employee rights, compensation and working hours, health protection and occupational safety)
- Environmental laws
- Conduct in business situations (includes combating corruption, avoiding conflicts of interest, and complying with the rules of free competition)

Software AG and its subsidiaries purchase goods and services necessary for internal processes from a large number of suppliers in different countries according to clearly defined guidelines. Operational purchasing is handled locally by the relevant subsidiary. The central Purchasing department analyzes all procurements in the Group and verifies compliance with the defined guidelines such as having all new suppliers sign the Supplier Code of Conduct. In turn, Internal Audit reviews the effectiveness of this process. The goal is to ensure that all procurements are preceded by a corresponding approval. The ethical and economic aspects are evaluated equally for the approval.

The provisions of the procurement process are defined in Software AG's Investment and Expenditure policy. This policy describes purchasing principles, rules for ordering and selecting suppliers, and the global approval process.

## Global Sourcing Process

Request	Approval	Purchase	Reporting + Evaluation
<p><b>Request</b> for goods and services needed by a department</p>	<p><b>Approval matrix</b></p> <ul style="list-style-type: none"> <li>• Role</li> <li>• Cost type</li> <li>• Commodity group</li> <li>• Limit</li> </ul>	<p><b>Investment and expenditure policy</b></p> <ul style="list-style-type: none"> <li>• Selection of supplier</li> <li>• Order/contract</li> <li>• Purchase principles</li> </ul> <p><b>Supplier Code of Conduct</b></p>	<p><b>Report generation</b></p> <ul style="list-style-type: none"> <li>• Purchase volumes</li> <li>• Relative savings</li> <li>• Absolute savings</li> <li>• Supplier evaluation</li> <li>• Order processing times</li> </ul>

### Progress and actions

Software AG employs targeted methods to rule out human rights violations and child labor. Software AG mitigates the risks arising from working with partners and suppliers by requiring them to commit to excluding child labor and respecting human rights in the Partner Code of Conduct and Supplier Code of Conduct, respectively.

Software AG is not aware of any cases in the reporting year or previous years where products or product components have been linked to human rights violations or child labor. For this reason, Software AG has not implemented any additional internal procedures or control indicators to exclude human rights violations and child labor other than those set forth in the Code of Conduct and the procedures implemented in the purchasing process and partner business.

## OUR EMPLOYEES

The action area Our Employees includes the material topics: **Corporate culture and diversity** and **Employer attractiveness**. The action area corresponds to the employee concerns aspect per section 289c (2), no. 2 of HGB.

Software AG's leadership aspires to promote a corporate culture based on respect, integrity, transparency, appreciation, inclusion and innovation. The Company always wants to attract and retain the best talent over the long term. Software AG achieves this objective by specifically promoting employees' civic involvement as well as an inclusive, fair work environment in which all employees can develop according to their needs and tap their full potential.

## CORPORATE CULTURE AND DIVERSITY

### Basic understanding

Software AG promotes a corporate culture based on diversity, equality and inclusion. Corporate culture plays a decisive role in the implementation of the Helix transformation growth strategy. Since corporate culture, employee satisfaction and engagement are mutually supportive, Software AG has implemented a variety of initiatives to better understand the correlations and to positively impact the Company's culture.

The commitment shown by Software AG's employees paired with their professional and personal skills all contribute decisively to the Company's success. Therefore, ignoring employee concerns poses a fundamental risk of—generally indirect—negative impacts on business performance. Examples of this include situations when low employee satisfaction leads to attrition and a loss of company-specific expertise, or when a lack of diversity in the corporate culture leads to weak innovation. For this reason, Software AG deploys a variety of measures that contribute to high employee satisfaction, and an innovative and diverse corporate culture. For more information on [personnel risks and opportunities](#), please refer to the Opportunity and Risk Report.

### Targets and management

The Management Board considers diversity, equality and inclusion to be a fundamental component of an open and innovative corporate culture and strives to maintain a work environment that encourages employees to contribute their different perspectives.

Since 2020, Software AG has been a member of The Valuable 500 initiative, an organization that places inclusion for people with disabilities on the daily agenda of company managers. In Germany, Software AG is a signatory to the Charta der Vielfalt and promotes a work environment that emphasizes respect and is free of prejudice.

Another of Software AG's objectives in this context is hiring women and promoting their professional development. The Company is a member of the Initiative Women into Leadership (IWIL), a nonprofit organization that facilitates long-term promotion of women at the top level, and sends participants regularly.

Software AG has set itself the following targets:

- Maintain or improve the Q12 Engagement Score in the annual employee survey compared to the previous year
- Maintain or improve the results from the question on diversity, equity & inclusion (DE&I) in the annual employee survey
- Promote DE&I awareness throughout the entire Company: 85 percent of employees should complete a global DE&I training program by 2025

The #MyVoice employee survey evaluates employee satisfaction and engagement. A defined set of questions serves to update the index on an annual basis regarding topics that include corporate culture, respect and staff development. Current topics are likewise addressed. For instance, questions on DE&I, leadership and sustainability were added in 2021. The survey results are communicated internally and taken into consideration in companywide activities within the People & Culture area. Managers are responsible for discussing the results in their teams and implementing measures for improvement.

All employees should be able to contribute to the Company's success with their individual personality and strengths, and in so doing develop their full potential. The Change Network, which was established in 2020, consists of a team of employees who act as multipliers from within to support and strengthen the cultural transition at all of the Company's locations around the world.

In the context of a comprehensive management approach, the Code of Conduct sets out what Software AG considers to be ethically correct conduct in its day-to-day business and addresses, among others, the topics of equal treatment and anti-discrimination.

Flat hierarchies, codetermination and an open relationship between corporate leadership and employee representatives characterize the corporate culture at Software AG. In Germany, the main bodies for codetermination are the Supervisory Board, which has two elected employee representatives, and the local Works Councils, General Works Councils, the Economic Committee, and a variety of technical committees.

With the Company's HR engagement model, the Human Resources department has committed to supporting and handling strategic and operational personnel matters and concerns as effectively as possible. Managers receive consultation and support on issues regarding the development of individual employees as well as the organization. HR programs, processes and initiatives are being developed and revised to address and drive a range of local and global topics. Establishing a relationship with employees and managers based on trust is a priority targeted by these efforts.

### **Progress and actions**

In 2021, 82 percent (2020: 82 percent) of employees once again took part in #MyVoice, the Company's global employee survey. The Q12 Engagement Score, which measures employee commitment based on twelve standardized questions, improved over the previous year by 0.22 points to a value of 4.14 (2020: 3.92). Employee satisfaction once again increased over the previous year.

Cooperation between employee committees and Software AG was close and based on trust during the year under review.

Software AG established a DE&I ambassador network and created a worldwide DE&I contact center for the launch of its global DE&I strategy. In addition, a comprehensive, needs-based DE&I training course and concept for raising awareness was developed for Software AG in collaboration with a global DE&I consulting firm. In 2021, the initial focus was on key stakeholder groups including the Management Team, Exec-

utive Leadership Team, the DE&I ambassador network, and HR employees. The concept is slated to be revised to meet the needs of employees and managers and rolled out in 2022. A series of DE&I awareness campaigns likewise highlighted and promoted various facets of diversity in the year under review. The results from questions on DE&I in the annual employee survey improved over the previous year by 0.11 points to 4.53 (2020: 4.42).

Software AG participates in diverse projects as a certified MINT-Minded Company to boost the interest of women and young talent in IT professions and their appeal as a career path. Furthermore, Software AG supports its female employees in Germany by participating in the Women into Leadership Initiative. Software AG India developed the SoftwareAGain program specifically for women who have temporarily left the workforce. It supports women in computer science and software engineers with a phased return to the professional world. Internal networks were created in 2020 specifically for women to share their experiences in India and the DACH region. Those networks were further established with a variety of workshops and dialogues in 2021.

## EMPLOYER ATTRACTIVENESS

### Basic understanding

The expertise and personal skills of Software AG employees are a key factor for the Company's success. For that reason, the Company always wants to attract and retain the best talent.

The war for talent has become one of the biggest challenges for companies everywhere—and Software AG is facing the same problem. In addition, the COVID-19 pandemic gave rise to the “great resignation,” especially in the USA. Risks emerge when succession planning is neglected and the Company is unappealing to rising talent and qualified professionals, or when it neglects continuing education and training for employees in a competitive market. Employee recruiting and retention are therefore crucial aspects of securing Software AG's business activities and success. Promoting young talent and hiring innovative employees are also promising criteria that lead investors and business partners

to choose the Company. Ultimately, employer attractiveness and branding play an important role in retaining talents for the Company. These days, applicants take a holistic view of a company and its perspectives when it comes to deciding whether to join an organization. For more information on [personnel risks and opportunities](#), please refer to the Opportunity and Risk Report.

### Targets and management

The Company wants to attract and retain the best talent for Software AG over the long term. For that reason, Software AG has set itself the following target:

- By the year 2023, the Company aims to achieve an average global minimum rating of 4.2 out of 5 points on the international Glassdoor platform, and 4.3 by the year 2025.

In addition to outside evaluations, Software AG observes and assesses further internal key indicators including employee satisfaction, attrition and length of time with the Company to take appropriate measures where necessary. The attrition rate is a key metric for measuring employee satisfaction and Software AG's appeal for young talent and trained professionals. It is calculated as the number of leavers in the past fiscal year in relation to the average number of employees and analyzed regularly for different departments and regions. The numbers of voluntary and non-voluntary employee leavers are also analyzed. Software AG's aim is to minimize the negative impact of leavers on its business.

The Talent Sourcing department has used its own active sourcing concept since mid-2020 to manage activities for identifying qualified external candidates and proactively approaching them about open positions.

As a founding member of the Allianz der Chancen (Alliance for Opportunities), Software AG champions a transformation in the labor market as well as sustainable employment prospects to counter a shortage in trained professionals. Furthermore, Software AG provides targeted promotional and educational measures for students in high school and university as well as for rising talent to support young people in their development early on. In Germany, the Company offers a variety of educational and training programs in the areas of office management and computer science as well as



cooperative study programs in computer science and business administration. Software AG once again hosted the Girls and Boys Day event in 2021 along with the MINT Girls Camp, and gave (virtual) presentations in various high schools on the cooperative study program in computer science.

### **Progress and actions**

Software AG works to continually adapt its programs to meet its employees' needs and improve the high ratings it receives on employer evaluation platforms like Glassdoor and Kununu. Software AG achieved a score of 4.0 (2020: 3.9) on the global employer rating platform Glassdoor on a scale from 0.0 (very dissatisfied) to 5.0 (very satisfied) in the year under review. On Kununu, Germany's rating platform, Software AG achieved a score of 3.8 (2020: 3.7) on a scale from satisfactory (1–2) to very good (4–5). Software AG India also took part in the Great Place to Work survey in 2021 and was recognized once again.

The total attrition rate at Software AG in fiscal 2021 was 14.2 (2020: 10.1) percent. The rise was related in particular to the pandemic as well as tougher international competition for the best talent. Software AG implemented a variety of measures to increase employee loyalty to the Company and keep the loss of talent as low as possible.

During the ongoing COVID-19 pandemic, Software AG's leadership continued implementing various measures to provide the best-possible support for its employees and their physical and mental well-being in 2021. The multidisciplinary COVID-19 task force continues to monitor the status and effects of the pandemic on employees and business processes. At its larger locations such as in India and Germany, Software AG organized vaccination campaigns to ensure easy access to vaccines. In India, Software AG purchased lifesaving oxygen tanks and provided them to severely ill employees and family members if no oxygen was otherwise available. Furthermore, Software AG expanded and rolled out its existing employee assistance program (EAP), which was already available in some countries, to the rest of the world. Through the EAP, employees receive round-the-clock, free-of-charge access to professional counseling. To prevent virtual fatigue and support employees in handling mental strain and stress, the Company continued with the meeting-free Mondays it introduced in 2020 as well as no-cost access to a meditation and mindfulness app. Likewise, the Company established Wellness Wednesdays, an internal format that enables employees to participate in virtual courses on nutrition, relaxation and athletics.

## CUSTOMERS AND TECHNOLOGY

The action area Customers and Technology includes the material topics: **Product and service quality** and **Innovation and the impact of our products**. In addition to the aspects stated in section 289c of HGB, Software AG has also defined the customer concerns aspect as material.

Software AG aims to be a reliable partner delivering high-value, individually customizable software solutions for its customers. The Company supports the digital transformation with its services, even more so since this transformation can help to mitigate or even reverse the consequences of climate change. Software AG wants to actively help people and the planet with its solutions by enabling its customers to create the conditions for doing business sustainably. The Company wants to implement its technology with the best possible use of resources for its customers in every way.

### PRODUCT AND SERVICE QUALITY

#### Basic understanding

A key objective of Software AG is to promote innovation and competitive differentiation among its customers and to support their successful digital transformation—and thereby make a key contribution to their success. Since Software AG products are primarily built-in solutions that design, inform, analyze or manage business-critical processes, the high product and service quality is essential. Thus, aside from innovative capability, quality is the crucial topic in the development of products and delivery of services.

For Software AG's customers, smooth operation of products is a key prerequisite for successful business operations. Software is becoming increasingly important in the context of digitalization and is indispensable in day-to-day work. Nearly all operational processes are managed by software solutions. For that very reason, secure, flawless operation of solutions without downtime is of the utmost importance. Every downtime event has an immediate impact on the processes of Software AG customers or their customers, depending on the scenario in which Software AG's solutions have been deployed.

#### Targets and management

Software AG introduced the net retention rate (NRR) in 2021. This key indicator is meaningful in the subscription and Software as a Service (SaaS) business model because it expresses whether the annual recurring revenue (ARR) within the same customer group has increased or decreased over a specified twelve-month period. At the same time, the NRR is an indicator for the successful implementation of solutions purchased by customers. The implementation and adaptation process is closely monitored by a Customer Success Manager (CSM) to ensure that customers can reap the anticipated benefit and value from the delivered software. Fast implementation can significantly improve a solution's success and its adoption by the customer. To this end, the Professional Services team has developed more than 30 fast-track services that customers can access as part of their SaaS contract upon their CSM's recommendation by using success credits they have purchased. Accordingly, Software AG has set itself the following target:

- Achieve an NRR of 105 percent by the year 2025

Additionally, Software AG measures customer satisfaction in support cases based on the Net Promoter Score (NPS). For Software AG, the NPS represents a strategic performance indicator, which is broken down into business lines.

Furthermore, clearly documented processes and performance indicators (for example, quality goals, routine quality management reviews) coupled with a quality-oriented corporate culture and certification of management systems ensure Software AG's high-quality standards. The entire development process is monitored through product standards. These include qualitative requirements for the products and services being developed, which are also used as a basis for release decisions. Whether these requirements have been met is reviewed as part of quality gates and serves as the foundation for the release process.

Software AG's most important management systems are certified according to ISO standards and centralized in an integrated management system (IMS):

- Software AG secures its first-rate support services and software solutions with its **ISO 9001**-certified quality management system (QMS). Customer feedback is systematically captured and processed in the

QMS. Thus, the QMS serves as the basis for an ongoing improvement process and high customer satisfaction.

- Software AG's **ISO 22301**-certified business continuity management system assures the Company's excellent support services. The continuity management permits—through important infrastructure redundancies, for instance—that systems and services needed by customers remain available in crisis situations.
- The **ISO 27001**-certified cloud information security management system includes comprehensive, holistic security management for Software AG's cloud services and provides a suite of information security measures—for example, protection from unauthorized access and identification of security risks. Software AG is certified for compliance with ISO/IEC 27001:2013, ISO/IEC 27017:2015, and ISO/IEC 27018:2014.

Software AG provides global 24/7 support to ensure the continuity of its customers' core business systems. The Company's global support is certified according to ISO 9001, signaling high quality. With the Enterprise Active Support model, Software AG provides fast, agile and proactive customer support for all of its products. Customers benefit from industry-leading performance and fast response times in any time zone. Depending on business criticality, other support models with fewer services can be selected (standard support), especially regarding regional coverage and response times. Every customer who uses global support is asked to provide feedback on the service and on Software AG in general. The feedback is used to improve customer service and incorporated in product development.

In addition to Global Support, there are other teams (New Product Introduction teams) that specialize in supporting customers with introducing new products and reporting feedback gathered during the product introduction process to the development department.

Moreover, the different aspects of product and service quality are measured and tracked with the help of performance indicators by means of an internal management reporting system. Using the performance indicators—which measure the number of support notifications per customer or test coverage, for example—it is possible to identify internal problems early on and resolve them. Software AG has established Escalation Management to ensure that targeted solutions

are developed as quickly as possible in critical customer situations. This team intervenes temporarily to identify all kinds of challenges and find a solution to project, organization, and product problems as well.

### **Progress and actions**

The NRR was first introduced as a key indicator in fiscal 2021 to measure the extent to which Software AG's software products are deployed by customers over the long term and deliver the anticipated optimization contributions. Reporting on the NRR will begin accordingly in fiscal 2022. With an NPS of 56<sup>1</sup> (2020: 54<sup>2</sup>) the Company reached an all-time high in 2021. Meanwhile, Software AG has also been measuring the NPS at other points during the product life cycle. NPS surveys are now conducted and followed up on during product usage directly from end users as well. These weren't yet included in the NPS for 2021.

## **INNOVATION AND IMPACT OF OUR PRODUCTS**

### **Basic understanding**

Software AG's goal is to support its customers with innovative products to help them solve problems for the long term and achieve their improvement objectives. Extremely fast innovation cycles are the norm in the software industry because the realities of life in diverse national economies always pose new challenges for companies. For that reason, it is essential to recognize customer needs—meaning the business problems and challenges facing Software AG's customers—to be able to offer technological solutions. To that end, the Company monitors current developments in different industries and disruptive trends as well. For more information on market trends and monitoring as well as Software AG's unique selling propositions, please refer to the [Competitive Situation](#) in the Fundamental Aspects of the Group section of the Combined Management Report.

Software AG's products support their customers in making decisions based on various data that can lead to more efficient use of financial or natural resources. Using process images, data provisioning and exchange, data analysis, device connectivity and process data analyses, customers can make smart, data-driven deci-

<sup>1</sup> The NPS for 2021 includes the months of March through December.

<sup>2</sup> The NPS for 2020 includes the months of January through September.

sions that contribute to better process results and enable competitive advantages.

Software AG's leadership believes that technological innovations are a key means for solving the societal challenges of our time. Real-time data provisioning and analysis is essential to optimize resource usage, detect process errors, and quickly realize improvements. If Software AG's customers are not successful in improving their resource usage, they are exposed to both competitive and environmental risks. Consistent use of existing and new data is the only way to learn efficiently and make the best possible decisions to the benefit society. Software AG could not identify any significant risks with regard to the Customers and Technology action area. For more information about the [product portfolio and innovation risks](#), please refer to the Opportunity and Risk Report in the Combined Management Report.

### Targets and management

As a software company, Software AG believes innovations are key to attracting new customers. Furthermore, the Company wants its solutions to help its customers establish more efficient and sustainable business processes. To make certain this happens, Software AG has set itself the following targets:

- The percentage of R&D investments will remain—at a minimum—at 15 percent of total revenue through 2025.
- Software AG will set its sales focus on new customers and successively gather information about the impacts that the solutions, which customers implement with its technology, have on sustainability. By 2025, the Company aims to know what the long-term impacts of its technology are for at least 50 percent of new customers with regard to efficiency improvements and resource savings. For an initial step in these efforts, an approach for sustainability criteria regarding the product solutions will be developed by early 2022.

### Progress and actions

Software AG was able to reach or exceed its goal of a minimum of 15 percent of R&D investments out of total revenue with a percentage of 18.1 (2020: 17.2) during the year under review. For more information on [R&D expenditures](#), please refer to the Research & Development section in the Combined Management Report.

Software AG's technological innovations are expanding its customer portfolio and improving efficiency for itself and its customers. For instance, the Company succeeded in 2021 in increasing the rate of deals closed to 1,792 (2020: 1,463) through better sales management and a programmatic qualification of business opportunities.

Moreover, Software AG evaluates the success of its innovations based on revenue growth and the number of new customers. During the year under review, Software AG gained 312 new customers for its solutions. In 2021, the Company was able to grow its market share and global revenue from products and services saw positive growth. Independent market research firms once again confirmed Software AG's innovative power, market success and product and service quality in 2021. For more information about their assessments, please refer to the [Industry Recognition](#) section in Fundamental Aspects of the Group in the Combined Management Report. Furthermore, Software AG received above-average positive customer ratings for its most important products and solutions. In the future, the Company plans to inform customers on a quarterly basis about the current NPS Score for the products they use.

## VALUE FOR SOCIETY

The Value for Society action area corresponds to the social concerns aspect per section 289c (2), no. 3 of HGB and includes the material topic **Tech for good**.

Software AG aspires to effectively assist people in building expertise in the area of modern technologies. The Company's targeted involvement in universities and schools focuses on the IT experts of the future. It opens up new learning opportunities and meaningful development prospects for students and young professionals. Since technological progress plays a key role in developing a sustainable world, Software AG participates in collaborative research projects that promote the UN SDGs.

## TECH FOR GOOD

### Basic understanding

Digitalization is a comprehensive economic and social topic, and a central field for action in the new German government administration's agenda for education.

Software AG addresses Tech for good primarily at a regional level. Across the entire Group, the Company pursues the goals of networking with the different communities where it operates and contributing to their well-being as a good corporate citizen.

Software AG aims to counter the shortage of IT professionals and managers in Germany. For that reason, the Company develops digital expertise at universities and educational institutions at both the national and international levels.

Software AG is aware of the transformative power and positive impact of technologies and therefore wants to contribute to achieving the UN SDGs through participation in collaborative research projects. In this respect, the Company is involved in projects that contribute to innovation and to social, environmental, or economic improvement—with a focus on Germany and Europe.

Software AG could not identify any significant risks with regard to the Society area of action (corresponds to the social matters aspect per section 289c (2), no. 3 HGB). Rather, the Company sees the opportunity here to live up to its corporate social responsibility and make an economic and social contribution—especially to the local communities of its operations.

### Targets and management

Software AG has set itself the following targets in the Tech for good area:

- For many years, participating in publicly funded joint research projects has been a matter of course for Software AG. In the past, the technological direction and level of innovation regarding Software AG's business lines was the deciding factor for project selection. In the future, the focus of research projects and their contribution to fulfilling the SDGs will be another key criterion. Software AG's goal is for at least 80 percent of its research projects to support accomplishing the SDGs by 2025.
- Software AG aspires to expand its University Relations Program worldwide and increase its reach to 40,000 students by 2025.

The University Relations Program promotes the development of digital competencies by providing software and teaching materials free of charge in education packages, including the opportunity to earn a free certification for the knowledge gained.

By the same token, Software AG is a founding member of Software Campus. Launched in 2011, the program is supported by ten industry partners and eleven research partners and funded by the German Federal Ministry of Education and Research. It focuses on outstanding students in computer science and related fields and qualifies them through mentoring and seminars for leadership positions in the IT industry. By participating in the program, Software AG hopes to counter the shortage of IT experts and managers in Germany.

In addition, the Company is driving further social initiatives—such as the SoftwareAGain program in India—at its international locations. Regional corporate governance works to develop measures for local issues. In addition, the Company supports local associations and initiatives through donations and sponsorships.

### Progress and actions

In 2021, 14 research projects out of 27 in total have contributed to the SDGs. One example is the participation in LOGISTAR, a research project that aims to enable effective planning of transport operations in the supply chain. The goal is to use available data and optimize logistics processes, for example, by avoiding empty return deliveries. For more information about Software AG's engagement in research projects, please refer to the [Research and Development](#) section in Fundamental Aspects of the Group in the Combined Management Report.

Software AG provides software free of charge for teaching and research purposes to more than 2,000 universities in 101 (2020: 80) countries through its University Relations Program. The offering covers the needs of more than 1,800 educators and is integrated into the curriculum on a recurring basis. Since the program began in 2007, more than 29,200 (2020: 25,000) students have benefited from it. Software AG has been offering students free online certifications as part of the University Relations Program since 2017. More than 3,500 young experts can document their knowledge with this certificate when applying for jobs.

## IMPACT ON ENVIRONMENT

The Impact on Environment action area includes the material topic of **Energy and CO<sub>2</sub> emissions**, and corresponds to the environmental matters aspect per section 289c (2), no. 1 of HGB.

Software AG is working to keep its environmental footprint as small as possible. To minimize the effects of its business activities on the planet, the Company is preparing to become climate neutral as quickly as possible. With the help of its technology and solutions, Software AG will join forces with its customers and partners to tackle significant environmental challenges and help shape a more sustainable future.

## ENERGY AND CO<sub>2</sub> EMISSIONS

### Basic understanding

The Environment action area focuses on reducing CO<sub>2</sub> emissions since these represent Software AG's most significant environmental impact. Software AG takes responsibility for the environmental impact of its own business operations. The Company is determined to become climate neutral and reduce its impact on the environment.

In Software AG's industry, CO<sub>2</sub> emissions are generated in particular via energy consumption of buildings, operating data centers, and employee mobility.

On the whole, Software AG's business model incurs only a very low risk of negatively impacting the environment. The Company also sees the Environment action area (corresponds to the environmental concerns aspect per section 289c HGB) as risk-neutral with regard to further consideration of its supply chain, products, and services.

### Targets and management

Software AG has set the following target for itself in the energy and CO<sub>2</sub> emissions area:

- Development of a reduction path to net zero CO<sub>2</sub> emissions by the end of 2022

Software AG takes a holistic approach to all aspects of energy management, demand and procurement for all its operations and is working toward reducing its carbon footprint by using more renewable energies. To control power consumption for all its locations, Software AG continually implements energy-saving measures, such as retrofitting lighting systems, replacing motors and

upgrading building technology. When planning the construction of new buildings, the Company pays close attention to making use of natural light, installing shading systems and state-of-the-art building technology. Software AG is also looking for ways to improve the energy efficiency and performance of its data centers and to reduce energy consumption through innovative technologies.

In the area of mobility, Software AG offers its employees at its Darmstadt location a public transportation pass as well as leasing opportunities for bikes and e-bikes. Likewise, it also has charging stations for electric and hybrid vehicles.

### Progress and actions

Electricity is the most important source of energy for the Company. Software AG contributes significantly to reducing its own emissions by using electricity from renewable sources. The 1,366 employees in Germany are supplied with 100 percent green electricity. In addition, the waste heat from the servers at corporate headquarters in Darmstadt is used to heat the building. All in all, the Company achieved a reduction in energy consumption at the locations under review from last year. In 2021, energy consumption was reduced per square meter of floor space by 12 percent from 94 kWh/m<sup>2</sup> to 83 kWh/m<sup>2</sup> and by 12 percent per employee (EMP) from 2,317 kWh/EMP to 2,033 kWh/EMP. These reductions were due primarily to the fact that employees worked from home much more frequently because of the COVID-19 pandemic as well as to the remodeling of office spaces. Further factors were continuous upgrades in building technology, additional insulation, and more energy-efficient systems, retrofitting lighting systems with LEDs, modern window shades and air conditioning systems as well as more efficient IT components and servers.

Software AG established a project team during the year under review to come one step closer to its goal of net zero CO<sub>2</sub> emissions. This team will initially collaborate with an external partner to calculate the Company's global carbon footprint. A reduction path to achieving net zero CO<sub>2</sub> emissions will subsequently be developed starting in mid-2022 along with key indicators relevant to governance.



# NON-FINANCIAL KEY INDICATORS

## LEADERSHIP AND GOVERNANCE

	2021	2020	2019	Assignment to reporting standards (GRI, SASB) and the UN SDGs
<b>Sustainable economic growth</b>				<b>SDG 8</b>
<b>Helix strategy</b>				
Revenue in € millions (target: €1 billion by 2023)	833.8	834.8	890.6	
Operating margin (non-IFRS) as % (target: 25-30% by 2023)	19.6	21.2	29.2	
Recurring product revenue as % (target: 85-90% by 2023)	91.5	90.2	79.2	
Increased bookings (at constant currency) in Digital Business as % yoy (target: 15% CAGR 2020-2023)	12.3	21.4	n/a	
<b>ESG ratings</b>				
MSCI (target: at least AA by 2025)	AA	AA	A	
ISS ESG (target: at least C by 2022, at least B by 2025)	D+	D+	D+	
<b>Information security and data protection</b>				
<b>Information security training rate</b>				
Number of employees who participated in information security training	4,458	n/a	n/a	
Percentage of employees trained on information security (target: at least 85%)	92.8	n/a	n/a	
<b>Data protection training rate</b>				
Number of employees who participated in data protection training	2,743	n/a	n/a	SASB TC-SI-230a.2
Percentage of employees trained on data protection (target: at least 85%)	57.1 <sup>1</sup>	n/a	n/a	
<b>Data protection</b>				
Number of data breaches <sup>2</sup>	0	1	0	
Number of data breaches <sup>3</sup> involving personally identifiable information	0	1	0	SASB TC-SI-230a.1
Percentage of data breaches involving personally identifiable information	0	100	0	
Number of users affected <sup>3</sup>	0	403	0	
<b>Business ethics and corporate digital responsibility, sustainable supply chains and human rights</b>				<b>SDG 8, 16</b>
<b>Code of Conduct</b>				
Number of (new) employees trained on the Code of Conduct <sup>4</sup>	790	622	670	
Percentage of new employees trained <sup>5</sup>	111.7	95.7	n/a	GRI 205-2, GRI 412-2
Number of available languages	8	8	n/a	
Year of last update	2015	2015	n/a	
<b>Competitive behavior and corruption</b>				
Total number (and nature) of confirmed incidents of corruption	0	0	0	
Total number of confirmed incidents in which employees were dismissed or disciplined for corruption	0	0	0	GRI 205-3
Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption	0	0	0	
Number of pending or concluded litigation cases for anti-competitive behavior and violations of antitrust and anti-monopoly law in which the Company was identified as a participant during the year under review	1 <sup>6</sup>	1 <sup>6</sup>	1 <sup>6</sup>	GRI 206-1, SASB TC-SI-520a.1

<sup>1</sup> Introduced in September 2021. <sup>2</sup> As per Article 33 GDPR. <sup>3</sup> As per Article 34 GDPR.

<sup>4</sup> Training on Code of Conduct includes topics such as anticorruption and human rights.

<sup>5</sup> The total number of confirmed training courses for 2021 includes repeats from the previous year as well as courses completed voluntarily.

<sup>6</sup> Software AG Spain appealed the decision by the Spanish Antitrust Authority (Comisión Nacional de los Mercados y la Competencia, CNMC) from July 31, 2018. The case has been ongoing since 2018.

**OUR EMPLOYEES<sup>1</sup>**

	2021	2020	2019	Assignment to reporting standards (GRI, SASB) and the UN SDGs
<b>Corporate culture and diversity</b>				<b>SDG 5, 8, 10</b>
<b>Number of employees (worldwide)</b>	<b>4,806</b>	<b>4,628</b>	<b>4,853</b>	
Nationalities (worldwide)	88	n/a	n/a	
<b>#MyVoice Annual Employee Survey</b>				
Participation (as %)	82.0	82.0	74.0	
Q12 Engagement Score (target: maintain or improve compared to the previous year)	4.14	3.92	3.63	
Q12 Engagement Score (as %)	54.0	n/a	n/a	
DE&I score (target: maintain or improve compared to the previous year)	4.53	4.42	n/a	SASB TC-SI-330a.2
Accountability index	4.10	3.71	n/a	
<b>Employees by gender</b>				
Male employees	3,341	3,273	3,422	
Female employees	1,464	1,354	1,429	GRI 405-1
Diverse employees	1	1	2	
<b>Employees by region</b>				
NAM	614	643	601	
LATAM	110	118	109	
DACH	1,417	1,314	1,268	
thereof in Germany	1,366	n/a	n/a	GRI 405-1
thereof in Darmstadt	787	n/a	n/a	
EMEA	1,303	1,271	1,645	
APJ	1,362	1,282	1,230	
<b>Employees by employment type and gender</b>				
<b>Full-time employees</b>	<b>4,553</b>	<b>4,390</b>	<b>4,544</b>	
Male employees	3,268	3,202	3,327	
Female employees	1,284	1,187	1,215	
Diverse employees	1	1	2	GRI 405-1
<b>Part-time employees</b>	<b>253</b>	<b>238</b>	<b>309</b>	
Male employees	73	71	95	
Female employees	180	167	214	
Diverse employees	0	0	0	

<sup>1</sup> FTEs, adjusted for dormant employment contracts. Not including employees of FACT AG. There were no significant changes or seasonal fluctuations in the number of employees during the year.



	2021	2020	2019	Assignment to reporting standards (GRI, SASB) and the UN SDGs
<b>Gender distribution of employees</b>				
<b>Percentage of women in leadership positions (worldwide)</b>	<b>21.3</b>	<b>21.1</b>	<b>n/a</b>	
Percentage of women in leadership positions one level below Management Board (worldwide)	27.8	26.5	n/a	SASB TC-SI-330a.3
Percentage of women in leadership positions two levels below Management Board (worldwide)	21.0	22.5	n/a	
<b>Percentage of women out of total number of employees (worldwide)</b>	<b>30.5</b>	<b>29.3</b>	<b>n/a</b>	
<b>Supervisory Board by gender and age group (as %)</b>				
<b>Male</b>	<b>50.0</b>	<b>83.3</b>	<b>83.3</b>	
<30	0.0	0.0	0.0	
30-50	0.0	0.0	0.0	
>50	50.0	83.3	83.3	
<b>Female</b>	<b>50.0</b>	<b>16.7</b>	<b>16.7</b>	GRI 405-1
<30	0.0	0.0	0.0	
30-50	16.7	0.0	16.7	
>50	33.3	16.7	0.0	
<b>Diverse</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Management Board by gender and age group (as %)</b>				
<b>Male</b>	<b>75.0</b>	<b>80.0</b>	<b>80.0</b>	
<30	0	0	0	
30-50	25.0	40.0	20.0	
>50	50.0	40.0	60.0	
<b>Female</b>	<b>25.0</b>	<b>20.0</b>	<b>20.0</b>	GRI 405-1
<30	0	0	0	
30-50	25.0	20.0	20.0	
>50	0	0	0	
<b>Diverse</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Employees by gender and age group (as %)</b>				
<b>Male</b>	<b>69.5</b>	<b>70.7</b>	<b>70.5</b>	
<30	10.2	10.6	10.4	
30-50	40.1	41.1	41.1	
>50	19.3	19.0	19.0	
<b>Female</b>	<b>30.5</b>	<b>29.2</b>	<b>29.4</b>	GRI 405-1
<30	6.5	5.9	5.5	
30-50	17.4	17.3	16.5	
>50	6.5	6.8	7.5	
<b>Diverse</b>	<b>0</b>	<b>0</b>	<b>0</b>	
<b>Age group trend (as %)</b>				
<30	16.7	16.7	15.9	
30-50	57.5	57.8	57.6	GRI 405-1
>50	25.8	25.5	26.5	
<b>Comparison of CEO's remuneration with worldwide average full-time employee remuneration<sup>1</sup></b>				
CEO remuneration in € thousands	2,237	2,214	n/a	
Average salary in the second tier of management (worldwide) in € thousands	327	312	n/a	
Average employee salary (worldwide) in € thousands	84	83	n/a	
CEO pay ratio (CEO remuneration to average employee salary)	27:1	27:1	n/a	

<sup>1</sup> For further information, please refer to the Remuneration Report.

	2021	2020	2019	Assignment to reporting standards (GRI, SASB) and the UN SDGs
<b>Employer attractiveness</b>				
Number of new hires	707	651	n/a	GRI 401-1
Attrition rate (as %)	14.2	10.1	11.6	
<b>External ratings</b>				
Glassdoor (target: 4.2 by 2023 and 4.3 by 2025)	4.0	3.9	4.2 <sup>1</sup>	
Kununu	3.8	3.7	3.8	
<b>New hires by region</b>				
NAM	106	n/a	n/a	GRI 401-1
LATAM	12	n/a	n/a	
DACH	122	n/a	n/a	
EMEA	198	n/a	n/a	
APJ	269	n/a	n/a	
<b>New hires by region (as %)</b>				
NAM	15	n/a	n/a	GRI 401-1
LATAM	2	n/a	n/a	
DACH	17	n/a	n/a	
EMEA	28	n/a	n/a	
APJ	38	n/a	n/a	
<b>Next generation of talent</b>				
Trainees and coop program students	79	65	55	
Interns and degree candidates (Bachelor's and Master's)	79	51	36	
Student employees	68	51	41	
<b>Work-life balance</b>				<b>SDG 3</b>
Work-life balance score	4.62	4.55	n/a	
<b>Employee promotion &amp; development</b>				<b>SDG 5</b>
<b>Growth Days</b>				
Total number of training courses (iLearn)	1,800	1,700	1,800	GRI 404-1
Satisfaction (average) with training courses (iLearn)	90.1	86.6	n/a	
Growth Days registrations	76,500	59,000	45,000	
Growth Days learning time (hours/net)	253,500	175,000	147,000	
Growth Days learning time/employee (hours, net)	52.7	38.1	30.5	
<b>Employee development discussions (EDD)</b>				
Total EDDs	4,226 <sup>2</sup>	n/a	n/a	GRI 404-3
Concluded EDDs	3,390	n/a	n/a	
Completion rate	80.2	n/a	n/a	

<sup>1</sup> As of December 31, 2019. The figures shown for 2020 and 2021 are average amounts.

<sup>2</sup> EDD forms were automatically rolled out to all employees in February. Exceptions include:

- Employees on maternity or parental leave, those on extended sick leave and semi-retired employees.
- Student interns and trainees.
- Consultants working for Software AG in Israel and for Software AG Government Solutions America who invoice their services.



## CUSTOMERS AND TECHNOLOGY

	2021	2020	2019	Assignment to reporting standards (GRI, SASB) and the UN SDGs
<b>Product and service quality</b>				
Starting 2022: net retention rate (target: 105% by 2025)	n/a	n/a	n/a	
Net Promoter Score in support cases	56 <sup>1</sup>	54 <sup>2</sup>	40	
Satisfaction with handling of support incidents (number of 5-star ratings on a scale of 1 to 5)	76.0	78.0	69.0	
<b>Innovation and the impact of our products</b>				<b>SDG 9, 12</b>
Ratio of R&D investments to total revenue (as %) (target: at least 17% by 2025)	18.1	17.2	14.7	
Starting 2022: rate of new logos that provide sustainability information (target: 50% by 2025)	n/a	n/a	n/a	

<sup>1</sup> The NPS for 2021 includes the months of March through December.

<sup>2</sup> The NPS score for 2020 includes the months of January through September 2020.

## VALUE FOR SOCIETY

	2021	2020	2019	Assignment to reporting standards (GRI, SASB) and the UN SDGs
<b>Tech for good</b>				<b>SDG 4, 9</b>
<b>University Relations Program</b>				
Number of universities, colleges and vocational schools worldwide	2,026	1,700	1,850	
Number of countries	101	80	70	
Number of students reached in universities, colleges and vocational schools worldwide (target: 40,000 students by 2025)	29,220	25,000	24,700	
<b>Research projects</b>				
Percentage of research projects that align with the SDGs (target: at least 80% by 2025)	51.9	n/a	n/a	
<b>Employee engagement and support of local communities</b>				
Number of participants in the "Give Back to the World" initiative	n/a	94	500	
Number of countries participating in the "Give Back to the World" initiative	6	5	9	
Distance in kilometers through "Move Your Feet to Give a Hand"	10,176.6	4,341.0	10,208.0	
Donations raised through "Move Your Feet to Give a Hand" (in €)	22,000.00	22,500.00	43,500.00	
<b>Donation funds</b>				
Monetary donations in India <sup>1</sup> (in €)	233,000.00	96,385.00	30,120.00	
Monetary donations and donations in kind other countries <sup>2</sup> (in €)	216,016.00	160,363.00	202,478.00	

<sup>1</sup> Mandatory CSR tax, recorded after the actual donation payment date.

<sup>2</sup> Recorded for: Australia, Bahrain, Belgium, Denmark, Germany, Finland, France, United Kingdom, Ireland, Israel, Italy, Japan, Canada, Luxembourg, Netherlands, Norway, Austria, Portugal, Saudi Arabia, Sweden, Switzerland, Singapore, Spain, South Africa, USA, United Arab Emirates.

Organization	Committees	Role	SDGs
<b>Stakeholder dialogue and government relations</b>			<b>SDG 17</b>
	Committee for research, innovation and technology policy	Member	
	National research and innovation policy workgroup	Member	
<b>BDI—National Association of German Industry</b>	European research and innovation policy workgroup	Member	
	Expert Council "Modern State"	Member	
	Digital administration and federalism reform workgroup	Member	
	Artificial intelligence workgroup	Member	
	Artificial intelligence workgroup	Member	
	Industry 4.0 market and strategy workgroup	Deputy chair	
	Research and innovation workgroup	Chair	
<b>Bitkom—Germany's Digital Association</b>	Data policy and data spaces workgroup	Deputy chair	
	Public affairs workgroup	Member	
	Economic and innovation policy steering committee	Member	
	Open source workgroup	Member	
	Steering committee	Member	
	Research advisory committee	Co-chair	
<b>Platform Industry 4.0</b>	Sustainability taskforce	Member	
	Digital business models for Industry 4.0 workgroup	Member	
<b>Plattform Lernende Systeme—Germany's Platform for Artificial Intelligence</b>	Technology pioneers and data science workgroup	Member	
	Business model innovations workgroup	Member	

## IMPACT ON ENVIRONMENT

	2021 <sup>1</sup>	2020 <sup>1</sup>	2019	Assignment to reporting standards (GRI, SASB) and the UN SDGs
<b>Energy and CO<sub>2</sub> emissions</b>				<b>SDG 12</b>
<b>Key indicators of energy consumption<sup>2</sup></b>				
Total number of employees	3,540	3,584	3,611	
Floor area in m <sup>2</sup>	86,838	88,145	80,167	
Energy consumption in kWh/year	7,173,580	8,303,691	10,265,223	GRI 302-1
kWh/m <sup>2</sup> /year	83	94	128	
kWh/EMPL/year	2,026	2,317	2,843	
<b>Environmental footprint of the hardware infrastructure: energy</b>				
Total energy consumption (gigajoules)	25,909	n/a	n/a	
Purchased electricity (gigajoules)	11,828	n/a	n/a	
Percentage of electricity	46	n/a	n/a	SASB TC-SI-130a.1
Consumption of renewable energy (gigajoules)	14,081	n/a	n/a	
Percentage of renewable energy	54	n/a	n/a	
<b>Scope 1 emissions</b>				
<b>Software AG's direct CO<sub>2</sub> emissions<sup>3</sup> through heating buildings with gas for Darmstadt HQ</b>				
Number of employees	787	881	862	
Gas consumption in m <sup>3</sup> /year	117,009	92,532	111,400	
m <sup>3</sup> /EMPL/year	148.7	105.0	129.2	GRI 305-1
t CO <sub>2</sub> /year	234	185	223	
t CO <sub>2</sub> /EMPL/year	0.3	0.2	0.3	
<b>Scope 2 emissions</b>				
<b>Indirect energy-related CO<sub>2</sub> emissions<sup>3</sup> from energy consumption from Company-owned buildings<sup>2</sup>, including energy consumption for Company-owned data centers (scope 2)</b>				
Number of employees	3,540	3,584	3,611	
Floor area in m <sup>2</sup>	86,838	88,145	80,167	
t CO <sub>2</sub> /year	1,527	1,622	2,204	GRI 305-2
t CO <sub>2</sub> /EMPL/year	0.4	0.5	0.6	

<sup>1</sup> Due to the limitations imposed by the COVID-19 pandemic in fiscal years 2021 and 2020, the data provided here is only comparable with previous years to a limited extent.

<sup>2</sup> Locations for which no separate account data is available are not included. The data collected represents about 90 percent of Software AG's total floor area.

<sup>3</sup> Conversion to tons of CO<sub>2</sub> using the CO<sub>2</sub> calculator from klimaneutral-handeln.de.

	2021 <sup>1</sup>	2020 <sup>1</sup>	2019	Assignment to reporting standards (GRI, SASB) and the UN SDGs
<b>Scope 3 emissions</b>				
<b>CO<sub>2</sub> emissions from business travel<sup>2</sup> (scope 3)</b>				
Air travel (t CO <sub>2</sub> )	52	155	1,471	GRI 305-3
Train <sup>3</sup> (t CO <sub>2</sub> )	0	0	6	
Rental car (t CO <sub>2</sub> )	16	22	76	
Average number of leased vehicles	239	240	n/a	
Kilometers driven	n/a	n/a	n/a	
Total emissions for leased vehicles in t CO <sub>2</sub>	711	605	n/a	
<b>Energy consumption and energy-related CO<sub>2</sub> emissions at external data centers</b>				
Total number of external data centers	2	3	n/a	
Total energy consumption of external data centers in kWh	614,274	575,357	n/a	
Total emissions for external data centers in t CO <sub>2</sub>	14	231 <sup>4</sup>	n/a	
<b>Natural resources and circularity</b>				<b>SDG 12</b>
<b>Paper consumed<sup>5</sup> in Germany</b>				
Number of employees	1,417	1,315	1,268	GRI 301-1
Sheets black	141,903	220,950	662,239	
Sheets color	312,190	352,279	776,566	
Total sheets	454,093	573,229	1,438,805	
Total sheets/EMPL	320	436	1,135	
<b>Hardware waste<sup>6</sup> in Germany</b>				
Number of old devices	n/a	313	n/a	GRI 306-3
Refurbishment rate as %	n/a	85.8	n/a	
Recycling rate as %	n/a	14.2	n/a	
Savings through remarketing in t CO <sub>2</sub>	n/a	65.4	n/a	
<b>Water consumption</b>				
<b>Consumption indicators for Darmstadt HQ</b>				
Number of employees	787	881	862	SASB TC-SI-130a.2
m <sup>3</sup> /year	6,151	7,948	9,784	
m <sup>3</sup> /EMPL/year	7.8	9.0	11.4	

<sup>1</sup> Due to the limitations imposed by the COVID-19 pandemic in fiscal years 2021 and 2020, the data provided here is only comparable with previous years to a limited extent.

<sup>2</sup> Figures are based on means of transportation booked by all employees in Germany.

<sup>3</sup> Since January 1, 2020, all local and long-distance train travel utilizes 100 percent green energy (zero CO<sub>2</sub> emissions).

<sup>4</sup> Due to a lack of specific emissions factors, conversion from kWh to t CO<sub>2</sub> was calculated overall for 2020 using the CO<sub>2</sub> calculator from klimaneutral-handeln.de. The emissions factor applied was therefore significantly higher than that of the electricity actually supplied by the provider.

<sup>5</sup> Consumption amounts are provided to Software AG by the provider and correspond to the digitally transmitted meter readings of the leased printer and multi-functional systems in Germany. The data provided by the external provider include estimates due to meter failures.

<sup>6</sup> Hardware waste disposal in Germany is handled entirely by certified waste management companies. They are responsible for lawful, audit-compliant and certified deletion of data and destruction of data carriers in compliance with all data protection and security aspects. The process is monitored seamlessly up to recycling or refurbishment. Software AG had not received the waste management company's environmental report for 2021 by the date this report was prepared.

Rounding could lead to deviations in a few cases.



# FORECAST

## ECONOMIC CONDITIONS IN UPCOMING FISCAL YEARS

### FUTURE OVERALL ECONOMIC SITUATION

Global economic conditions can be expected to improve in the course of 2022. The economic impact of new waves of infection should lessen with time, as vaccination rates are rising and a large share of the population has already been exposed to the virus. Moreover, countries with high vaccination rates can tolerate higher incidences without their governments resorting to containment measures that have a dampening effect on the economy. Rising inflation is likely to have peaked at around 5.0 percent. For 2023, the IfW expects a price increase of only 3.8 percent, after 5.0 percent in 2022. At the same time, supply bottlenecks are unlikely to hamper companies to the same extent in the future because enterprises are adjusting their production capacities and value chains. After increasing considerably by 5.7 percent, growth in global economic production is expected to drop to 4.5 percent in 2022 and to 4.0 percent in 2023.

In the **USA**, the IfW forecasts that the Infrastructure Investment and Jobs Act passed by Congress in November 2021 will provide only a weak stimulus, since the scope of the program is less than that of previous economic packages. A further fiscal stimulus package, the Build Back Better program, could have a significantly greater economic impact; it is intended to create millions of jobs, above all in the energy and environmental sector. The package's targeted volume is \$2.2 trillion, but negotiations are still underway. Unemployment is expected to decline still further, to an anticipated 3.5 percent at the end of the forecast period in 2023, representing a return to roughly the pre-pandemic level.

The IfW forecasts that GDP will grow by 4.4 percent in 2022, with growth then weakening to 2.9 percent in 2023.

With the emergence of the Omicron variant, uncertainty regarding future economic trends increased in the **eurozone** as well. In contact-intensive areas of the services sector, recovery is likely to take longer than anticipated. As a bright spot, the IfW finds that there is scope for substantial growth in value creation in 2022 as companies eliminate supply bottlenecks. Also, pressure on energy prices can be expected to decline. At the same time, however, upward pressure on prices for manufactured goods can be expected. Despite the two-year coronavirus pandemic, the labor market remained relatively stable. In October, the unemployment rate was at pre-crisis levels; by 2023, at an anticipated 6.5 percent, it is likely to have declined to its lowest level since the start of the European Monetary Union. IfW researchers anticipate 3.5 percent GDP growth in the eurozone in 2022 and slightly weaker growth of 3.1 percent in 2023.

As soon as the burden of the pandemic recedes, the **German economy** can be expected to experience a strong recovery. The supply bottlenecks should also be resolved in the course of the year, and the order situation in industry can be expected to improve. Overall production capacity in the manufacturing sector will not return to full utilization until the third quarter of 2022. GDP is expected to grow by 4.0 percent in 2022 and by 3.3 percent in 2023. The IfW forecasts that inflation will remain high in 2022, at 3.1 percent, and will not decline until 2023, when it is expected to drop to 2.0 percent. The unemployment rate will continue to decline, from an anticipated 5.2 percent (2022) to 5.0 percent (2023). It is currently still unclear, however, what impact the

agenda of the new German federal government—including the passed increase in the statutory minimum wage—will have on forecasts.

It is not yet possible to predict the overall economic impact of Russia's invasion of the Ukraine and the ensuing sanctions imposed by western nations on Russia.

### Key Data on Germany's Economic Development

2020 to 2023 <sup>1</sup>	2020	2021 Forecast	2022 Forecast	2023 Forecast
GDP, price-adjusted	-4.6	2.6	4.0	3.3
GDP, deflator	1.6	2.8	1.8	1.7
Consumer prices	0.5	3.1	3.1	2.0
Labor productivity (hourly concept)	0.4	0.6	2.4	2.6
Employed domestically (1,000 people)	44,898	44,878	45,264	45,499
Unemployment rate as %	5.9	5.7	5.2	5.0

<sup>1</sup> Gross domestic product, consumer prices, labor productivity: year-on-year change as percentage; unemployment rate: determined by the German Federal Employment Office.

Source: Institute for the World Economy (IfW), Economic Reports, "German Economy in Winter 2021" No. 86 (2021|Q4), Dec. 15, 2021.

### GDP in Specific Countries and Regions

GDP <sup>1</sup>	2021 Forecast	2022 Forecast	2023 Forecast
USA	5.6	4.4	2.9
Japan	1.5	2.8	2.0
Eurozone	5.0	3.5	3.1
United Kingdom	6.9	4.5	1.9
China	7.8	4.1	4.9
Latin America	6.6	3.3	3.1
India	7.6	11.7	7.9
East Asian emerging economies	2.9	6.1	6.4
Russia	3.7	3.1	2.5
<b>Global economy, total</b>	<b>5.7</b>	<b>4.5</b>	<b>4.0</b>

<sup>1</sup> Gross domestic product: price related change year-on-year as percentage.

Source: Institute for the World Economy (IfW), Economic Reports, Global Economy in Winter 2021 No. 85 (2021|Q4), Dec. 15, 2021.

### Sector development

Cloud computing will remain one of the main drivers of the global IT industry in 2022. Gartner experts forecast strong growth in IT expenditures, by 5.1 percent to \$4.45 trillion, and a further 5.0 percent growth in 2023, to \$4.68 trillion. The enterprise software segment is expected to see the strongest growth in both 2022, at 11.0 percent, and 2023, at 11.9 percent. To boost their flexibility and agility, companies are expected to increasingly orient their software stacks towards Software as a Service (SaaS).

Despite the challenges posed by the pandemic, supply bottlenecks, inflation and the shortage of skilled labor, Bitkom forecasts that the German market for IT, telecommunications and consumer electronics will experience further growth in 2022. The industry association anticipates growth of 3.6 percent, to €184.9 billion. The primary driver of this market is the trend toward new workplace concepts such as remote and hybrid work.

As in the previous year, information technology will achieve above-average growth in 2022, confirming its importance as the largest segment within the sector. In this segment, software, which is also being driven by the cloud business in Germany, will achieve the strongest growth, by 9.0 percent to €32.4 billion. Revenue from IT hardware and IT services is expected to increase by 5.7 percent to €33.2 billion and by 3.9 percent to €43 billion, respectively. Telecommunications is expected to grow only moderately, by 0.9 percent to €67.3 billion. Consumer electronics will remain under pressure, with an anticipated decline of 2.3 percent to €9.0 billion.

### THE GROUP'S FOCUS

Since the start of the transformation in 2019, Software AG's performance directly reflects solid execution of the Helix strategy. This multi-year transformation is based on Software AG's core strengths and heritage while driving change within the business to better meet changing market and customer demand and capitalize on growth opportunities. In 2021, Software AG continued to concentrate on the three pillars of its Helix transformation—Focus, Team and Execution—to build the right momentum towards higher predictability and scale of its global business.

In 2022, the Company will concentrate on building on the progress already made, keeping up the pace and accelerating its efforts. Focusing and prioritizing activities aimed at achieving the Company's ambitions—€1 billion in revenue and product leadership in its relevant technology sectors—are at the heart of the acceleration. To ensure balanced success, Software AG is continuing to invest in all three pillars of the Helix strategy and is complementing its transformation efforts with sustainability measures. The Company sees a convincing performance in the area of sustainability as an opportunity to strengthen Software AG's business in the interest of customers, employees and investors.

#### Focus

Software AG focuses on growth markets and products, concentrating investments on the areas of its product portfolio and the market segments it operates in that offer the best growth opportunity. Regional focus will remain on the Company's major markets—North Amer-

### Forecast of Global IT Spending

in \$ billions	2022 Spending	2022 Growth (as %)	2023 Spending	2023 Growth (as %)
Enterprise software	671,732	11.0	751,937	11.9
IT services	1,279,737	7.9	1,391,742	8.8
Total IT	4,454,354	5.1	4,679,119	5.0

Source: Gartner Forecasts Worldwide IT Spending to Grow 5.1% in 2022  
www.gartner.com/en/newsroom (January 18, 2022)

ica, Germany, the U.K., France—and other select geographies.

Having provided its Digital Business products as cloud and SaaS offerings, Software AG will continue to intensively pursue its cloud-first development strategy. The emphasis will be on continuing to evolve product innovation, especially in the areas of Integration Platform as a Service (iPaaS) and process mining.

Building on the competencies developed in the Corporate Development unit in 2021, and backed by its partnership with the technology investor Silver Lake, Software AG will continue to assess mergers and acquisitions as a possible lever for growth.

### **Team**

Software AG is a people business. As such, it continues to focus on developing and cultivating talented employees from within as well as attracting new talent. In order to foster the loyalty of the talent pool Software AG has established, and to effectively deploy these employees, the Company is intensifying its internal succession planning and its development of high potentials.

The Change Network, established in 2020 in the framework of the Helix strategy, again demonstrated its relevance for the transformation in 2021, and will therefore continue to focus on employee satisfaction. Together with the Management Board and the executive management, the Change Network and employees will evolve Software AG's culture to create an environment where employees can thrive. This includes ongoing efforts towards diversity and inclusion as well as the hybrid work model, with a special focus on mental health in a virtualized working world.

### **Execution**

Software AG continues its focus on sustainable growth in subscription revenue. Accordingly, having initiated the alignment of all functions towards go-to-market operations in 2021, the Company will continue to drive disciplined integration of Sales, Marketing and Product Development, especially with regard to the identified innovation focuses and growth markets. Greater efforts in digital marketing will support the Company both in winning new logos and in generating new business in the installed base.

Furthermore, Software AG will advance its Professional Services transformation and, in connection with the introduction of standard service packages, will

continue to expand the success credit program. The goals of the close alignment of product development and product implementation are to enable rapid product deployment for new and existing customers, on the one hand, and to boost product acceptance and ensure contract renewals on the other. To validate the transformation approach in the Professional Services business, Software AG will implement a regional pilot phase prior to the global rollout. The pilot phase calls for a greater focus on partner enablement and a program for implementation partners.

The Company sees its partner ecosystem as an extension of the Software AG team. It is thus making ongoing efforts to support and expand partnerships and to simplify the operation of the partner business to the greatest extent possible. In addition to external streamlining efforts, the Company will also focus on internal activities in the area of operational excellence, with the goal of boosting the effectiveness and efficiency of execution.

## EXPECTED FINANCIAL PERFORMANCE

### ANTICIPATED REVENUE AND EARNINGS

The expected financial performance as follows is based on the assumption of stable general conditions.

It is not yet possible to predict the overall economic impact of Russia's invasion of the Ukraine and the ensuing sanctions imposed by western nations on Russia.

Based on the assumption that bookings develop in line with the guidance provided to the capital markets and subscription-based licenses continue to increase, Software AG's Management Board assumes that in absolute terms, the full-year segment margin in Digital Business will increase by about 20 to 50 percent and in Adabas & Natural (A&N) by about 2 to 5 percent. The margin in Professional Services is expected to decline by approximately 20 to 25 percent year-on-year, since it can be assumed that the COVID-19-related drop in travel costs is unlikely to recur to the same extent. In addition, as the business line is in the midst of a strategic realignment with the goal of more strongly supporting the product areas, the targeted above-average utilization in 2021 cannot be repeated to the same degree in 2022. The higher margins in the other two business lines are due to the fact that costs did not increase proportionately to revenue. The Digital Business segment, in particular, will benefit both from the positive revenue effects of the 15 to 25 percent increase in bookings anticipated for 2022 and from the higher recurring revenue generated by bookings in previous years. To support these recurring revenue streams and the related increase in efficiency, investments within the framework of the Helix strategy will continue at a volume that enables the envisaged margin increase. Assuming stable conditions apply, Software AG's Man-

agement Board anticipates that the Company's IFRS net income will increase by around 10 to 25 percent in 2022. This largely corresponds to the operating EBITA margin (non-IFRS), which is expected to be 20 to 22 percent in 2022. IFRS net income is not a relevant indicator for Software AG's management, because overall it mixes absolute revenue and costs and the respective currency effects from different businesses and is thus of little informational value.

The Management Board prioritized five strategic areas for 2022 to accelerate growth momentum: shifting to subscriptions, improving productivity, driving product innovation, people and culture, and M&A.

Software AG's total guidance—including expected performance in Digital Business and A&N bookings and revenue, as well as Professional Services revenue and operating EBITA margin—was approved by the Management Board and Supervisory Board. It is based on the national subsidiaries' individual guidance. Factors used by the subsidiaries in planning are anticipated economic developments in the specific regions, current order levels, existing pipelines, anticipated renewal rates for recurring revenue (maintenance and subscription) and expected utilization of consulting resources in the Professional Services business.

Based on bookings as communicated in the Outlook (see the following table), Software AG's Management Board expects revenue performance for the 2022 fiscal year as follows: The Management Board expects revenue growth in the Digital Business line between 9 and 13 percent year-on-year. The expectation for A&N revenue growth is between 3 and 5 percent year-on-year. Provided the current Group structure remains largely stable despite the Helix project, Software AG anticipates rather stable Professional Services revenue year-on-year. In total, Software AG expects to deliver a Group

### Outlook for Fiscal Year 2022

	FY 2021 in € millions	Outlook FY 2022 as of Jan. 27, 2022 as %
Digital Business bookings	406.0	+15 to +25 <sup>1</sup>
Adabas & Natural bookings	111.7	0 to +5 <sup>1</sup>
Total product revenue	684.0	+7 to +11 <sup>1</sup>
Operating margin (EBITA, non-IFRS) <sup>2</sup>	19.6	20 to 22

<sup>1</sup> At constant currency.

<sup>2</sup> Before adjusting for non-operating factors (see non-IFRS definition of earnings in [Group Financial Indicators](#)).

revenue growth rate in the mid to high single-digit range year-on-year. This guidance is based on the prevailing exchange rates in 2021. Software AG's EBITA margin (non-IFRS) target is between 20 and 22 percent. Software AG signed an agreement on February 28, 2022 to acquire StreamSets, Inc., a leader in data integration for modern data stacks, via its subsidiary, Software AG USA, Inc., by way of a reverse triangular merger. For more information, please refer to Events After the Balance Sheet Date in the Notes to the Consolidated Financial Statements.

Software AG currently assumes that with the addition of StreamSets, IFRS Group product revenue before purchase price allocation effects will grow by approximately 12 to 16 percent (prior to the acquisition: 7 to 11 percent) in the 2022 fiscal year. Software AG expects an impact on non-IFRS EBITA before purchase price allocation effects of between -€17 million and -€13 million and a likely impact on EBITA based on IFRS indicators before purchase price allocation effects in the amount of -€29 million to -€22 million.

The table shows the full forecast, not including the StreamSets acquisition, for the 2022 fiscal year.

## **MEDIUM-TERM BUSINESS PERFORMANCE**

Software AG seeks to achieve profitable growth in the medium term. An increase in the percentage of recurring revenue should result from the adoption of new license models. The Company also aims to maintain a strong level of operating free cash flow.

## **OUTLOOK FOR THE SOFTWARE AG PARENT COMPANY (SEPARATE FINANCIAL STATEMENTS)**

The financial performance of the Software AG parent company depends upon the financial standing of the Software AG Group and is determined by profit transfers and decisions regarding the payout of Group-internal dividends. For more information, please refer to the forecast on expected financial performance of the Software AG Group.

## **ANTICIPATED PERFORMANCE OF KEY ITEMS ON THE INCOME STATEMENT**

The cost of sales, largely consisting of personnel costs for Professional Services and costs associated with the cloud infrastructure, will foreseeably increase by a low double-digit rate year-on-year. This is primarily due to the increase in cloud infrastructure costs for the Software as a Service license model. R&D expenses are likely to see a year-on-year increase in the mid to high single digits, particularly for the purpose of fueling innovation in the Digital Business line. Sales and marketing expenses are expected to increase in the low double digits due to measures to boost growth in the Digital Business line and continue the high level of service in the A&N customer base. Operating administrative expenses will rise by a high single-digit rate. These investments will enable future administrative and process-related growth and will reflect, in particular, the key importance of staff development through the HR department.

## **ANTICIPATED DIVIDEND DEVELOPMENT**

### **Consistent dividend policy**

Software AG adheres to a sustainable dividend policy, which is geared toward long-term, value-oriented development of the Company. This continuity is in the interest of reliable shareholder relationships and appreciation of shareholders. The Management and Supervisory Boards will therefore propose a **dividend** of €0.76 per share for the 2021 fiscal year at the Annual Shareholders' Meeting on May 17, 2022. The dividend for the previous year was also €0.76 per share. Subject to the approval of the Annual Shareholders' Meeting and assuming 74.0 million (2020: 74.0 million) dividend-bearing shares outstanding, this would be a total payout sum of €56.2 million (2020: €56.2 million). Based on the closing share price in 2021 (Xetra closing price on Dec. 30, 2021: €35.08 (2020: €33.34)), this proposal is equal to a dividend yield of 2.17 percent (2020: 2.28 percent). This is an attractive yield relative to the current capital market climate.

Software AG's Management Board resolved in 2021 to increase the dividend ratio range, previously a maximum of 30 to 40 percent, to up to 65 percent of the averaged net income (attributable to shareholders of Software AG) and free cash flow. Based on averaged free cash flow (€91.4 million / 2020: €87.6 million) and

net income (€83.9 million / 2020: €95.7 million), the dividend ratio would equal 64.2 percent (2020: 61.4 percent). This once again high dividend ratio for fiscal 2021 resulted from the strategic investments in the Helix strategy project and is intended to allow the shareholders to already participate today in the Company's future results.

## ANTICIPATED FINANCIAL POSITION

### PLANNED FINANCING ACTIVITIES

Due to Software AG's high level of cash flow and comfortable liquidity, the Company does not currently foresee a necessity for external financing to cover operational needs. External financing measures are taken almost exclusively for financing larger acquisitions. Because the timing of such acquisitions is not exactly foreseeable, neither an exact point in time nor the necessary financing can be named. Should a large acquisition arise, financing measures could be taken at any time. To secure an additional source of financing, Software AG thus issued €344.3 million in convertible bonds to the Silver Lake Group at the beginning of 2022. The bonds will reach maturity in early 2027. The gains on the transaction will be invested in further growth to drive the acquisition program.

### PLANNED INVESTMENTS

Software AG is always prepared to take advantage of opportunities that arise for acquisitions in support of its Helix transformation and growth strategy. Software AG has access to attractive financing options thanks to its high and stable cash flow. Given favorable circumstances, larger strategic acquisitions could therefore occur.

## ANTICIPATED LIQUIDITY

Based on Software AG's positive outlook for revenue and earnings, the Company expects a continued strong free cash flow.

Operating free cash flow is expected to match or slightly exceed last year's level.

## MANAGEMENT'S GENERAL STATEMENT ON THE ANTICIPATED DEVELOPMENT AND POSITION OF THE GROUP

We continued investing in the identified areas of growth in the third year of our transformation. We expect to continue successfully implementing our goal of building momentum toward sustainable, profitable growth in 2022.

- To propel growth and maximize current market opportunities, Software AG will increase key investments in our sales resources, our shift to subscriptions, our partner ecosystem and our people and culture.
- Software AG seeks to increase market share in the areas of hybrid integration, IoT & Analytics and Business Transformation.
- With these planned investments, Software AG aims to surpass €1 billion in total revenue by 2023, not including strategic acquisitions.

# OPPORTUNITY AND RISK REPORT

## OPPORTUNITY AND RISK MANAGEMENT

### GOALS

Software AG's primary goal is to generate long-term, continuous growth and thereby increase enterprise value. To that end, the Company combines established business activities with an involvement in high-potential new market segments and regions. Its sales models were and continue to be adapted successively from one-time sales revenue recognition at the beginning of a contract to annual revenue recognition. The Company knowingly accepts a temporary dilution of its non-IFRS EBITA margin during the transition period. In order to ensure long-term, sustainable development, Software AG forgoes short-term opportunistic earnings increases and the potentially resulting short-lived positive effects on share price. With a strategy that is based on sustainable, long-term success, the Company strives for balance between opportunities and risks and takes on risks only if the business activities associated with them have a relatively high probability of enhancing the value of Software AG. It is always a prerequisite that Software AG can evaluate risks and that they remain manageable and controllable. Furthermore, risks and opportunities associated with ongoing operations are systematically monitored, for example, by keeping a constant eye on product and service quality and managing exchange rate developments.

### ORGANIZATION

A Group-wide opportunity and risk management system enables Software AG to identify potential risks early to assess and minimize them to the greatest extent possible. Risks are to be understood as deviations from planned values. Strictly speaking and in accordance with customary spoken language, risks are defined as negative deviations and opportunities as positive deviations from planned values. By continuously monitoring risks, Software AG can always evaluate the overall status systematically and in a timely manner and better assess the effectiveness of appropriate countermeasures. This includes operational, e.g. risks associated with cyber incidents, financial, economic, legal and market risks. Opportunities are generally congruent to the operational and functional risk structure in all risk areas. Software AG uses various controlling tools for ongoing monitoring of the risk areas identified, which address the development of the entire Company as well as department-specific issues. The Management Board receives ongoing updates on current and future risks and opportunities as well as the aggregated risk and opportunity situation via established reporting channels. Due to the malware attack on Software AG in October 2020, the SecureBiz program was established on January 1, 2021 to optimize and enhance IT security as well as Group-wide policies on threat prevention and mitigation in this risk area.

## RESPONSIBILITY

Risks and opportunities throughout the world are managed and controlled by teams at corporate headquarters responsible for pursuing opportunities and preventing risks for Software AG and its subsidiaries. They compile risk and opportunity reports, initiate further development of the risk management system and elaborate risk-mitigating guidelines for the entire Group. They constantly review the functioning and reliability of the system as well as the reporting. Software AG's internal control system (ICS) operationalizes business risks. It consists of internal business policies and practices, as well as Group-wide guidelines on effective internal controls, compliance with which is continually monitored. These policies regulate internal procedures and areas of responsibility at global and local levels. They are designed to provide information for management and to monitor the operating business risks of the Software AG Group. In order to enhance transparency, approval, communication, administration and compliance assessment of the policies are carried out centrally on an ongoing basis. Individual key Group business processes are managed centrally using software applications based primarily on Software AG technology and monitored using preventative automated control mechanisms. Another component of opportunity and risk management is the transfer of operating risks to insurance carriers. This is coordinated globally by the General Services department at corporate headquarters.

## STRUCTURE OF THE OPPORTUNITY AND RISK MANAGEMENT SYSTEM

### Controlling

Controlling—which is under unified global leadership—monitors operating business risks, such as those relating to Professional Services, in real time and submits management-relevant KPIs continuously to the Management Board. In addition, both operational and strategic risks are analyzed by means of a structured reporting system. It shows developments in all relevant departments using KPIs and reports them continuously, monthly and quarterly (depending on KPI) to the Management and Supervisory Boards. Furthermore, if exceptional circumstances relating to potential business opportunities or risks arise, ad hoc analyses are conducted and reported to the Management Board.

### Finance

The Finance department is responsible for establishing all guidelines for financial reporting in accordance with International Financial Reporting Standards (IFRS). All accounting decisions relevant to the Company's financial statements as well as the revenue calculation process are monitored and/or executed by the global Corporate Finance department. This ensures compliance with IFRS accounting policies throughout the Group.

### Treasury

Software AG's Corporate Treasury team generates a daily finance status report, weekly assessments of foreign currency transactions as well as summaries of derivatives outstanding. The European Monetary Infrastructure Regulations Report (EMIR) is generated once per month. The CFO receives weekly reports on the Software AG Group's finance status and a summary of credit default swaps for all banks with which the Software AG Group engages in transactions, especially cash investments. The CFO also receives a monthly summary of short and long-term financing. All high-risk foreign-currency and hedging transactions may be conducted only by the Corporate Treasury team, which is directly below the CFO. A global treasury policy prohibits the national subsidiaries from engaging in any high-risk transactions with derivatives. Internal Audit evaluates compliance with this policy on a regular basis. The global process of receivables management is monitored centrally by the Treasury department.

### Internal Audit

Software AG's Internal Audit is an active component of the Company's risk management. Through a systematic and targeted approach, it ensures the effectiveness of risk management along with the evaluation and continual improvement of the ICS and the management and supervision processes. It is also geared to the creation of added value for Software AG by rating the efficacy and efficiency of business processes. Internal Audit reports directly to the CEO and operates worldwide.

### RISK MANAGEMENT IN THE FINANCIAL REPORTING PROCESS

The risk of financial reporting errors was largely eliminated through implementation of the following processes:

- There are detailed, globally uniform IFRS-compliant accounting guidelines such as the Accounting Guideline and Revenue Recognition Guideline. In addition, there are guidelines on bookings, annual recurring revenue (ARR) and on Net Retention Rate. Their application is mandatory. Compliance with these standards is monitored by Corporate Finance and verified by Internal Audit.
- The national subsidiaries' accounting departments are monitored by the local Finance, Controlling, and Administration (FC&A) managers, who are in turn supervised by regional FC&A managers. Software AG's national subsidiaries report their figures on a monthly basis to Corporate Accounting, which is part of the Corporate Finance team, using the Office Plus system (management informations system, MIS). The figures from the national subsidiaries are consolidated using the SAP BCS software tool and fed back into the MIS. Corporate Controlling and the Corporate Finance team then analyze these monthly reporting results. Any deviations that may arise are communicated monthly to the national subsidiaries and/or Corporate Accounting and corrected by the most efficient channel.
- Worldwide separation of the functions of generating and reviewing accounting figures is guaranteed by segregation into two areas: Corporate Finance and Corporate Controlling. The two departments are led by different managers who report independently of each other to the CFO.
- All internal Group supplier and service relationships are centrally coordinated and legally regulated through cooperation agreements. Central departments within

Corporate Finance and Corporate Controlling handle internal service allocation. In addition, an intercompany transactions policy standardizes internal Group approval processes throughout the world. The revenue recognition process is rigorously monitored by means of globally managed approval processes as of the commencement of contract negotiations. The Global Deal Desk (GDD) is a preventative internal control system and is employed worldwide. All quotes associated with the intent to close a sale with a customer go through this approval process, in which the Legal department as well as Corporate Finance, Corporate Controlling, the CFO and the CRO are also involved.

- Internal Audit continually reviews all key customer contracts worldwide with a view to compliance with the approval process and correct representation in accounting.
- A global policy regulates access rules for the local and central accounting programs; these are monitored by the corporate IT department.
- Only employees of Corporate Accounting have access to the data from the SAP BCS consolidation program.
- All Group reports are reviewed by a second person in Corporate Finance in accordance with the dual-control principle.
- External experts are commissioned on a regular basis to evaluate such complex matters as stock option plans, pension provisions, legal risks and purchase-price allocations within the framework of acquisitions.

## STRATEGIC RISK AND OPPORTUNITY MANAGEMENT

The strategic risk and opportunity management (ROM) system is composed of a central interdisciplinary core team of directors from Corporate Finance, Internal Audit and Legal who report to the CFO in this function. A manager from the relevant field of expertise serves as risk advisor and is responsible for assessing, monitoring and managing identified strategic risks. The risk advisors are recommended by the core team and chosen by the responsible member of the Management Board. Biannual risk evaluations are conducted by the core team with each of the risk advisors. Risks are evaluated according to a uniform valuation system. The system determines the risk category based on the potential impact on Group EBIT for the next three years. This impact is calculated taking into account the risk-mitigating measures taken by management.

Expected impact on EBIT in the next 3 years (cumulative)	Risk category
€20 to €50 million	low
€50 to €200 million	medium
> €200 million	high

The impact on EBIT over the next three years is divided into three categories. An impact of up to €50 million on Group EBIT in the next three years is categorized as low risk. An impact on EBIT between €50 and €200 million is categorized as medium risk. And, risks affecting EBIT by more than €200 million in the next three years are categorized as high risk.

In a separate step, these impacts on EBIT in the next three years are categorized according to the risk advisors' estimated probability in three risk levels.

Probability	Risk level
0% - 33%	unlikely
34% - 66%	likely
>66%	highly likely

Probability between 0 and 33 percent is valued at an unlikely risk level, between 34 and 66 percent at likely and above 66 percent at highly likely. The risk categories and levels are aggregated and assigned an equivalence marker based on expectation values. These are then assigned to one of three cumulative risk signal levels.

Risk signal	Risk relevance
green	insignificant
yellow	medium
red	significant

All strategic risks and opportunities are evaluated based on this uniform risk matrix. Risks and opportunities not considered of strategic nature are not included in the risk matrix. All Software AG managers are responsible for reporting newly identified strategic risks and opportunities to the core team at corporate headquarters. The team then informs the Management Board for advice on possible strategies for handling them. The core team reports to the Management Board regularly about the ongoing development of the identified risks and opportunities. The Management Board regularly presents the ROM system to the Audit Committee of the Supervisory Board and discusses with it the level of the identified risks and opportunities as well as appropriate measures for managing them.

Based on the risk advisors' submitted EBIT impact for the next three years as well as their probability, the expectation value for each strategic risk is calculated taking into account the risk-mitigating measures. The overall interdependency between individual strategic risks is then evaluated and aggregated with the sum of expectation values for all strategic risks. The result is the total expectation value for all strategic risks. This value is compared against Software AG Group's risk-bearing capacity, which is determined every six months; and risk reserves are calculated. This ensures the efficacy of the ROM system and the ICS.

Internal Audit regularly reviews the efficacy of the ROM and ICS. When necessary, suggestions for improvement are prepared and implemented. This is monitored centrally. Corporate Finance and Corporate Controlling regularly conduct internal reviews of accounting-relevant control processes and modifies them for new developments.

## KEY INDIVIDUAL RISKS AND OPPORTUNITIES

Software AG presents key risk and opportunity areas and individual risks and opportunities discerned from the totality of risks and opportunities identified through the risk and opportunity management system in the Risk and Opportunity Report.

### Environment and sector risks/opportunities

#### Market risks

Market risks are related, among other things, to the varying economic developments in individual countries or regions. The technological evolution of the individual sectors of the IT industry can impact the business potential of the individual business lines positively or negatively. Software AG's balanced revenue mix reduces dependence on a single geographical or professional IT submarket. Software AG markets technologies that are not specific to certain industries, ruling out a dependence on individual industries or customers. Thanks to its technological innovations, ongoing R&D investments and procurement of new technologies as part of technology-driven acquisitions, the Company significantly expanded its product portfolio and will continue to do so in the future. That enables greater flexibility for customers' existing IT infrastructures and significant cost savings. And, it ensures a long-term broad customer base for Software AG. The ROI is relatively fast for Software AG customers. Hence, new products are a logical way to cope with market-related cost pressures even in weak economic periods. An overwhelming majority of Software AG customers use their software for business-critical applications for years, or often decades, when running satisfactorily. This results in a largely stable flow of returning revenue in this business line.

#### Market opportunities

Software AG sees itself as a technology leader in enterprise digitalization software. The clear trend toward the Internet of Things (IoT) signifies a major opportunity for Software AG's future development. Considerable dynamic growth is therefore expected in this market over the next few years. According to external market analysts, the Software AG's IoT platform total addressable market is expected to grow at 26 percent (CAGR) and reach \$9.8 billion by the year 2024. Software AG's new strategic focus, which incorporates the results of a comprehensive strategy project, will enable the Company to further intensify its focus on technological and regional growth markets. Furthermore, Software AG will continue its Adabas & Natural 2050+ program. And, because of the significance of its ecosystems in successful software sales, it will also enhance its partner model. These measures could lead to better-than-average opportunities for Software AG to grow and claim market share in core markets.

#### Brexit

In light of the United Kingdom's exit from the European Union (EU) and the end of the interim period on December 31, 2020, uncertainties arose with respect to not only the future of Britain's economy but of Europe's as well. After concluding negotiations on the terms of their future economic relationship at the end of 2020, the EU and the U.K. ultimately signed a trade and cooperation agreement on December 24, 2020, which determined the details of future cooperation. This agreement on exact departure terms will have a major impact on economic relations and the future development of both economic areas.

One year after the trade and cooperation agreement went into force, no material impact could be identified on Software AG's business in the U.K. Based on this experience, Software AG continues to anticipate no material impact on its future business growth in the U.K. from Brexit. Furthermore, the fact that Software AG operates in all key financial centers of the EU should have a risk-mitigating effect. Any financial companies that leave the U.K. to resettle in another EU country such as Germany, France or Ireland can be served by Software AG subsidiaries in the relevant region.

## USA

The USA is Software AG's most important market in the world. Software AG operates its own sales organization in the USA. It also runs significant portions of corporate departments like Marketing and R&D there, with key local intellectual property rights, which result in considerable royalties for the Company in the USA. A large percentage of Group profits is generated and taxed in the USA. Because Software AG's business volume with China and Russia is relatively low, no substantial risks to its global business resulting from U.S. foreign trade policies with regard to China and Russia are expected. The extent of the negative impact of ongoing trade conflicts between the USA and China, Russia and the EU on the Software AG Group's global development is not clear. As a mid-sized company based in the EU, Software AG is not dependent on large American software platform providers as other companies are. Software AG products can also be deployed on the China-based Alibaba and Tencent platforms. Growth of the U.S. economy depends on a variety of factors. Nevertheless, future market opportunities should outweigh risks.

## Russia-Ukraine conflict

It is not yet possible to predict the overall economic impact of Russia's invasion of the Ukraine and the ensuing sanctions imposed by western nations on Russia.

From a business point of view, the sanctions against Russia represent a challenge for Software AG, just as for all companies with global operations and transnational projects in Eastern Europe. The situation also raises the probability of cyberattacks and cyberwarfare because our products are employed worldwide by organizations with critical infrastructures.

## Coronavirus pandemic

The COVID-19 pandemic has been affecting the global economy for two years. Multiple lockdowns in most countries of the world initially had a negative impact on the global economy. Many companies froze, postponed or extended investment activities. In addition, nearly all organizations placed extensive restrictions on business travel. These circumstances make contract negotiations with customers difficult because nearly all meetings can only be conducted online. The absence of customer events and meetings places a burden on generating new project opportunities. Product training for Software AG customers is only possible online, which can result in delayed installation and rollout thereby hindering new business for Software AG. Travel and investment freezes at a portion of Software AG customers could have a negative effect Software AG's revenue in 2022. The effects on business operations were minor in 2021. Generally speaking, though, employees of the Software AG Group and of customer organizations have gotten used to working online. The positive effect of this is that the initially feared risk of a pandemic-related decline in business did not manifest. Software AG is generally not affected by disruptions in supply chains thanks to its business model. Software AG's business could, however, be negatively affected by a prolonged global economic recession, which has not yet occurred. However, the pandemic could have a potentially negative impact on product development if it impedes collaboration in local R&D teams and their creativity.

The pandemic has forced a large share of companies' and government agencies' administrative work to be carried out in employees' homes. The crisis has shed light on the lack of digitalization in business processes, which has had and continues to have an accelerating effect on digitalization. This is resulting in new business opportunities for Software AG, particularly in the Digital Business segment, which could compensate, or even overcompensate, for the negative effects of a global economic recession.

## Corporate strategy risks and opportunities

### Product innovation and portfolio

The software sector is subject to very fast innovation cycles with respect to new products as well as go-to-market models, such as usage-based models (pay per use) in the IoT and cloud markets. These are based on constantly changing customer, market and integration requirements. Software AG is rapidly shifting all sales agreements with customers to subscriptions and an increasing share to the Software as a Service (SaaS) model. New innovation trends are very difficult to predict and are sometimes identified too late. The risk of not being able to identify new innovation trends or identifying them too late exists due to the uncertain nature of future developments in the software market. A key challenge, typical of this industry, associated with the innovation risk is allocating Company resources such as R&D, Product Marketing, Marketing, Sales and M&A to those products with future revenue potential. This can lead to an insufficient focus on growth-relevant products. Software AG's product portfolio consists primarily of software tools and platforms whose value for customers is maximized through customized solutions. This translation of platform technology to customized solutions is the Company's key success factor. It is therefore essential to develop and deliver the right, ideally repeatable, customized solutions punctually. If the product portfolio does not address customer needs, revenue potential will decrease. Large competitors have greater financial resources for innovation and ongoing development of their product portfolios. Software AG's business development is thus susceptible to being negatively affected by new competitor products. Furthermore, the focus on Software AG's existing markets can also not be impaired. To better address customer needs in product development, R&D in the Digital Business line was segmented based on a matrix structure into the product lines: IoT & Analytics (Cumulocity IoT & TrendMiner), API Management, Integration & Microservices (webMethods) and Business Transformation (ARIS & Alfabet) Since 2021, the focus of the Professional Services segment has also been sharpened to reflect these product lines.

Assessment of future market development is conducted in continuous cooperation with leading technology analysts such as Gartner and Forrester.

Rapid product innovation is critical. But striking a balance between fast product innovation on one hand

and product quality on the other is of utmost importance. Considerable reputation risks will arise if the delivered quality of products does not live up to the quality Software AG promises its customers. Due to the newness of the IoT products, a considerable volume of resources was and continues to be utilized for quality assurance, which leads to challenges when allocating resources between product enhancement and innovation. Software AG's competitors have grasped the differentiation with respect to their product portfolios and are constantly augmenting competitive pressure in this market segment. Product quality investments were also increased significantly in webMethods.io (integration Platform as a Service solution). These investments allow product defects to be corrected as early as possible. Software AG also ensures product quality through implementation of product standards, the Chief Quality Officer and the ISO 9001: 2015 certified quality management system. Product quality and user-friendliness as well as customer support are monitored using these mechanisms on an ongoing basis.

To minimize the innovation risk, substantial investments in the product product portfolio enhancement remain necessary.

Growing the SaaS business (cloud business) is extremely challenging and cost-intensive. Despite significant revenue growth, scalability in this business area is clearly not optimal, making it impossible to improve the continued insufficient margin situation. Technological and legal risks are notably higher in the cloud business than in the still prevalent on-premises business due to data protection and security. Startups, without a long history in on-premises business, can employ the cloud business model from the beginning, which gives them a headstart in developing and implementing this model. Software AG accounts for the increased risk associated with the cloud business with a dedicated externally ISO 27001-certified information security management monitoring system and cross-departmental response teams for arising data protection and information security failures. It also expanded its work with contracted IT forensic specialists.

With the intent of shortening time-to-market, Software AG's products are also augmented by acquisitions when it comes to newer development trends.

Expansion of the IoT business and the Digital Business business line's technology leadership—confirmed repeatedly by distinguished technology analysts like

Gartner and Forrester—are generating major market opportunities for Software AG. As digitalization continues to advance—fueled by the COVID-19 pandemic—in companies’ administrative units and production (IoT) activities as well as in government agencies, as an innovation leader, Software AG can influence the development of markets and drive its own growth.

The product portfolio and innovation risks described here were rated at risk signal green (2020: yellow) at the end of 2021.

### Market risks and opportunities for the Digital Business segment

The comprehensive Digital Business segment is streamlined by product offerings based on the IoT & Analytics, API Management, Integration & Microservices, and Business Transformation product lines. This structure ensures the right roadmap prioritization of customer and market requirements for product development. It improves opportunities for further expanding the competitive advantages of Software AG products and receiving outstanding ratings by the relevant technology studies. A stronger R&D focus will also improve customer satisfaction and business success. It also reduces the product development-related risk of not adequately addressing customer requirements. In addition, product line general managers monitor individual product revenue so as to identify negative developments early and trigger and execute management activities accordingly. Because Digital Business is Software AG’s largest segment, the Company can only grow if this segment grows. This is the primary risk associated with this segment.

Additional risks exist due to Software AG’s low visibility in the USA, its largest single market. Significant marketing investments were made to generate pipeline and market visibility in order to reduce this risk. Furthermore, the allocation of R&D spending toward this segment’s product cloud availability was and continues to be increased. Revenue performance is also still too dependent on single large-scale deals. To reduce this dependency, there will also be a major push in the transition to the subscription model in this business line, which will lead to consolidation of revenue streams in the medium term. To ensure the necessary rate of contract renewals, Customer Success managers provide ongoing customer service for the term of a cloud agreement to improve customer satisfaction and minimize

the risk of termination. This relatively new time-to-value model was developed and introduced in connection with the sustainable subscription and SaaS sales models. With this model, customer benefits, and in turn customer satisfaction, grow over time.

These efforts are intended to reduce sales complexities and shift the focus to the strength of the individual product offerings. The Management Board sees opportunities in raising the visibility of products with existing and target customers, sharpening Software AG’s identity and significantly improving customer satisfaction and success. In the Management Board’s estimation, this will all contribute to significantly increasing the Company’s share in the high-growth IoT & Analytics, API Management, Integration & Microservices and Business Transformation markets. The complete Digital Business line holds major opportunities for Software AG’s future business development. This is especially due to the Company’s technology lead, the fast pace of the IoT market’s growth, as well as the ever clearer enterprise digitalization trend, which drives growth in the API Management, Integration & Microservices product line.

### Growth in API Management, Integration and Web Services

The API Management, Integration & Microservices product line in the Digital Business segment generates the largest volume of business of all Software AG product lines. Software AG’s growth depends on the growth of this product line. In 2021, this product line posted revenue growth of 7 percent at constant currency and bookings growth of 19 percent at constant currency. The intensity level of competition is very high in this business. Due to the necessity of fast innovation cycles, there is a high risk associated with correctly balancing the speed of development and the required product quality. Any quality issues that arise must be resolved quickly.

The following measures were taken to manage the strategic risks in this product line:

- Market observation and trend tracking, including collaboration with leading tech analysts, Gartner and Forrester
- Proactive marketing campaigns to grow the pipeline and generate new business as well as improve Software AG’s visibility in key markets

- Intensified cross-sell activities for products in the API Management, Integration & Microservices product line with customers in the IoT & Analytics and Business Transformation product lines to grow new business
- Allocated more R&D resources to cloud products, especially webMethods.io
- Training and staff development in the R&D and Cloud Operation teams for the continued successful management of customers' software environments and fulfillment of service level agreements (SLAs)
- Closer collaboration with the first customers of new products for early recognition and resolution of quality issues
- Increased cloud availability of source codes and software environments to mitigate risks associated with ongoing business operations
- Cloud-first developer training
- Ongoing improvement of product quality monitoring
- Additional investment in cloud solutions

It is anticipated that, due to the COVID-19 pandemic, digitalization of enterprise processes and administration—including the public sector—will drive development of the API Management, Integration & Microservices product line. This product line holds major opportunities for Software AG's future business development.

Thanks to the measures described above, including the intensified digitalization trend in connection with the COVID-19 pandemic, the risk rating further improved to green as of the the end of 2021 (2020: yellow).

#### Development of Business Transformation

The Business Transformation product line in the Digital Business segment consists primarily of the ARIS and Alfabet products. This market is characterized by intense innovative competition. To keep up with this level of competition, Software AG introduced new functionality for its process mining products in 2021. This resulted in top ratings from leading software analysts Everest and Nelson. As most other Software AG products by now, the products in this product line are cloud-native. But competitors have a significantly higher share of cloud revenue than Software AG in the field of process mining software. To accelerate growth and the shift to cloud business in this product line, entry consultant teams are necessary and are currently being set up, especially for the new ARIS Elements cloud-entry

solution. The task of these teams is to strengthen customer relationships and drive the relevant business volumes as well as to support the Sales organization in growing this business. Furthermore, Customer Success managers provide customer care for the duration of a cloud agreement to improve customer satisfaction and minimize the risk of termination. The relevant Customer Success Management organization was established and further developed last year. Within the Digital Business segment, the Business Transformation product line has the second-highest bookings growth rate after the API Management, Integration & Webservices product line. The Business Transformation products are particularly well suited as entry products for Software AG technology. But because the average deal size for these products is second-lowest of all product lines, the sales efficiency of direct sales channels is lower. Software AG's sales focus for these products is directed more toward other channels such as partner and online sales. Expansion of the partner ecosystem is necessary to boost the success of this product line. A higher number of implementation partners is needed to support customers in the implementation of these software products. These were not and are not yet available to Software AG to the extent necessary and are currently being increased. Competition for human resources has also intensified considerably in this product line. Software AG enhanced its recruitment and staff development programs to address potential fluctuation in this area. The COVID-19 pandemic has caused an increase in demand for this product line's ARIS and Alfabet products and is therefore having a more positive impact on this business.

These risks were given a green risk signal (2020: green) at the end of 2021.

### Ongoing development of IoT & Analytics

Software AG's strategy foresees business in the IoT & Analytics product line in the Digital Business (Cloud & IoT business) segment as a key future growth driver. IoT is a fast-growing market subject to intense competition. The market is being driven by hyperscalers (computing networks to achieve major scaling in cloud computing and big data), system integrators as well as industrial companies that are developing their own IoT system landscapes. Software AG's competition includes large IT corporations such as Microsoft and PTC. Because IoT products are based on new software that is enhanced at a rapid pace, there are still inherent differences in product quality. Large R&D investments are necessary to resolve open technical issues and ensure the enhancements required by customers. These challenges grow in proportion with the number of customers and the increasing economic significance of this software for customers. The resulting challenge is allocating limited R&D resources correctly to product enhancement and to the development of new products. Software AG offers an IoT platform and implementation services. But more and more customers want an end-to-end IoT solution which Software AG cannot consistently deliver.

The COVID-19 pandemic also impeded the generation of new projects in this product line because face-to-face communication with new customers was not possible. Due to the intense level of competition and highly qualified employees in this product line, there is the risk of competitors attempting to solicit away employees, which can result in an increased risk of employee attrition. There is room for expansion in the availability of qualified sales and technology consultants in many smaller national subsidiaries. The complexity of projects with customers requires additional incentives in the Sales organization. These were not adequate in 2021. Because these products are increasingly sold as part of SaaS offerings, there is a growing risk that service level agreements will not consistently be met. Software AG's overall brand strength still has the potential to improve.

Growth in this product line was hindered in 2021 by the risks described above.

To lead this product line back to dynamic growth, the following measures were taken:

- Ongoing monitoring of IoT markets and focused innovative development of products to ensure technological USPs and product leadership
- Dedicated investments in R&D support and operations to ensure the IoT platform's quality, stability and availability
- Further expansion of innovation capacities in R&D, Product Management and Marketing, co-innovation with customers to complete the product portfolio
- Improvement of Sales employee compensation for generating IoT projects
- Measures to enhance positive employer image ("Great Place to Work")
- Training activities to expand human resources in IoT, both in R&D and Sales
- Reduction of COVID-19 risks through thorough remote work concept, free COVID-19 testing and vaccinations, as well as expanded collaboration platforms
- Expanded customer-centric teams to boost collaboration with customers and better understand customer needs
- Harmonization of teams, processes, tools and contracts for greater synergy in the Cloud Operations and Managed Services teams
- Prioritized limited IoT resources in countries with larger Software AG Sales resources such as USA, U.K., France and Germany as well as individual sectors
- Grew the IoT partner business for non-focus countries with increased investment in specific IoT partner teams to develop the IoT partner ecosystem
- Further expansion of marketing activities to raise awareness of Software AG's IoT offering in the market, grow the sales pipeline and convert more opportunities to real business

The risks associated with the IoT business were rated at risk signal yellow (2020: yellow).

### Market risks and opportunities: Adabas & Natural (A&N)

Software AG's traditional Adabas & Natural (A&N) products is currently in an advanced stage of the product life cycle. The age structure of A&N employees poses a challenge for Software AG—in R&D, Presales, Sales and Professional Service—and its customers. The necessary generational shift across all customer-oriented functions must be well organized. Otherwise, there is a risk of losing customer contacts and expertise with the corresponding negative effects on sales opportunities. There is hardly any new customer business in this segment. The product portfolio is based on existing customers. Growing cost pressure on customers has the effect of more migration of mainframes to open system platforms. But resources are tight when it comes to supporting customers with this migration. There is also the risk of customers changing to new competitor products, which would have negative effects on revenue and profit margin. It would also reduce the cross-sell potential of other Software AG products. Software AG's strategy is based in part on extending customers' existing A&N license rights and/or selling add-on products. The potential offered by renewing licenses continued to drop compared to past years. Software AG's A&N customers nevertheless remain very loyal. This is because A&N products are highly valued for their:

- High availability
- Low operating costs
- Strategic relevance for operation of customer applications running on A&N
- Future guarantee

This presents the opportunity to attract customers with positive Software AG experiences to long-term maintenance and modernization of their IT infrastructure while keeping A&N technology. Software AG is the best partner for that. Retaining and acquiring product expertise make this possible. Ongoing innovation and R&D activities lead to significantly better prospects for the A&N business line. Software AG began communicating its Adabas & Natural 2050+ program in 2015 and is fundamentally willing to continue developing A&N and providing A&N customers installation support through the year 2050 and beyond. This initiative resonated extremely well with customers and increased the level of loyalty among the customers base. The transition to

subscriptions in the A&N segment also opens up additional revenue potential.

Software AG is countering the described risks with the following measures:

- The Adabas & Natural 2050+ program can significantly delay the anticipated long-term revenue decline
- Ongoing development of hosting and private cloud availability for A&N products generates new business
- Through the sales of new products, the "Freedom for Legacy" initiative generates incremental revenue and enables existing A&N customers to integrate their legacy applications with modern software environments
- Customer support for migration of mainframes to Linux platforms with the help of A&N technology (re-hosting) to cut hardware costs for customers and prolong maintenance periods
- Expansion of A&N service capacities to support local partners and their re-hosting activities
- Generation change training programs for young A&N staff in R&D and Pre-sales working at Software AG and at customers
- Extended application support to serve customers with current A&N staff
- Expansion of offshore R&D and support centers
- Focus on key operating system platforms like z/OS®, Linux® and Windows®
- A&N modernization to extend the product life cycle, e.g. enhancement and sale of Adabas encryption and auditing products as well as zIIP™ functionality for online transactions and Adabas for zIIP
- Regular customer satisfaction surveys
- Increased marketing budget

These measures can significantly slow the downward trend of A&N sales while providing opportunities for generating additional sources of revenue. For these reasons, A&N revenue decreased by only 4 percent in 2021, or 2 percent at constant currency. Bookings declined by 13 percent (11 percent at constant currency). This performance was within the range of guidance for bookings that had been raised during the year from between -30 and -20 percent to between -12 and -8 percent.

The number of large-scale deals was lower in the 2021 fiscal year than in the previous year. Slightly more large-scale deals are expected for 2022. For this reason, Software AG raised its bookings growth guidance at

constant currency in the A&N segment to between 0 and 5 percent for 2022. Software AG foresees a stabilization of A&N bookings in the years thereafter. Customer evaluations show that the majority of all A&N installations are business-critical for customers. This means that many customers' economic livelihood depends on the performance and availability of their A&N installations. After having invested heavily over the past decades, these customers cannot and will not forgo this technology. There is thus an opportunity that this business line will continue generating high revenues in the future.

There are significant opportunities associated with product innovation and A&N modernization/digitalization packages; this type of offering can make the need for large, cost-intensive projects to replace A&N technology superfluous. In this way, A&N remains a future-proof technology, which can make a positive impact on A&N customers' investment decisions. The COVID-19 pandemic also had barely any negative effects on business performance in this segment. In times of crisis, customers rely on proven technology and do not undertake activities to try out new technologies.

These risks were given risk signal green at the end of 2021 (2020: yellow).

### Acquisitions

Software AG expands its technology offering and its global presence through targeted acquisitions. Acquisitions present the opportunity to participate in waves of innovation, to expand the product portfolio and increase relevance in the market and with prospective customers. Acquisitions can help shorten time-to-market significantly for new products that address the latest trends. The uncertainty of future market and technology trends poses a risk associated with determining the right target companies that are well matched to the Company's future strategic focus. The selection of an unsuitable target company leads to management resources and investment funds being tied up without sufficient return on investment. This can result in risks associated with possible impairment losses, the unnecessary use of Software AG's cash and a decrease of its growth potential.

The long-lasting period of low interest rates caused prices of potential target companies to rise and the profitability to drop. Potential target companies are therefore rare, highly priced or not yet the right size. Companies already successful in the market with groundbreaking technology are rarely put up for sale and have a high price. This market situation can pose a considerable obstacle in Software AG's acquisition of new technologies and limit its non-organic growth. A risk therefore exists of acquiring unsuccessful business models or suboptimal products. There is always a residual risk inherent to due diligence processes of not having correctly assessed strategic risks.

The following risk-mitigating processes were defined for the time prior to and after acquisitions:

**Pre-acquisition phase**

To mitigate the selection risk, the Mergers & Acquisitions (M&A) department is continuously observing and evaluating the market for technology developments. Software AG expanded and optimized its process for identifying investment areas, target companies and potential divestitures. In this context, potential companies are identified using a sophisticated screening process. To reduce risks associated with due diligence processes, Software AG conducts a critical business model analysis of all potential target companies. Its current due diligence process identifies problems, rejection criteria and uncontrollable risks early. In-depth due diligence is carried out with respect to technological, strategic and operational integration. Prior to a takeover, an intensive review is conducted to ascertain whether the technologies of the target company in question effectively supplement Software AG's product portfolio, how market access and market penetration will change, and what synergy potential can be realized. Every acquisition is preceded by a precise analysis of the financial fitness of the target company by experienced due diligence teams. These teams consist of a core team and experienced specialists from the relevant business units. They assess whether the target company's corporate culture can be harmonized with that of Software AG. In order to ensure consistent integration planning, staff members who will be responsible for integration later are included in due-diligence processes at an early point in time.

The risks associated with the pre-acquisition phase were given a green risk signal at the end of 2021.

**Post-acquisition phase**

Furthermore, there is a risk that the companies acquired will not be integrated successfully.

Insufficient integration could result in growth and profitability issues as well as failure to achieve combined business plan targets. It would become difficult to quickly exploit revenue and cost synergies. There is an additional potential risk associated with the loss of key specialists when not enough attractive positions are created quickly. Especially smaller-scale acquisitions pose the challenge that managers who have worked as generalists must transition to the role of specialist in a larger organization following an acquisition. The main challenges include the integration of the product portfolio, the processes, the organization, the people, and the different corporate cultures. The risk of insufficient integration also has a negative effect on the integration of future acquisitions.

Due to these risks, a unit under the CFO, known as Corporate Development, was established as of January 1, 2021, to drive the Company's strategic development, including acquisitions. The existing M&A department was incorporated into the new unit to create the maximum M&A value possible. Within this organization, a new Post-Merger Integration (PMI) team was also established including a dedicated PMI manager to lead the team, which is responsible for integration of past and future acquisitions. This new team operates as part of the unit responsible for Software AG's corporate development; it created an integration concept with a stronger focus on cultural integration.

Through established control mechanisms, any possible integration risks or opportunities are identified during the due-diligence stage. The established integration processes clearly define roles for centrally managed sales, development and administrative tasks. This ensures integration across all departments and enables quick generation of revenue and cost synergies. Possible areas of employment for future employees are assessed at the beginning as well as ways for ensuring knowledge transfer. The acquired company's budget is detailed for the post-acquisition period in order to guarantee continued business operations. Specific KPIs are identified and monitored for each integration. A key component of these activities is the integration of sales. It entails dovetailing the new sales models and product offerings with the Software AG sales organization and leveraging revenue synergies. This enables the sale of

newly acquired products to customers (upsell) and sales of existing products to new customers (cross sell). The acquired sales organization can act as an overlay function for the existing sales organization.

Opportunities and risks associated with integration in the post-acquisition phase were rather low at the end of 2021 due to two small-scale acquisitions in fiscal year 2016, one small-scale acquisition in fiscal year 2017, two small-scale acquisitions in fiscal year 2018 and none in 2019, 2020 or 2021.

Because an intensification of acquisition activities is planned in the near term, the integration risk was assigned a yellow risk signal (2020: yellow).

### Risks and opportunities associated with the strategic transformation (Helix)

While the opportunities associated with the strategic transformation were already discussed in the relevant sections, Software AG's Management Board is also aware that it represents a substantial multi-year change project for the Company. Such a change/transformation process can lead to considerable risks when guidance and management of the process is not clearly structured. The greatest risk is that the organization could become structurally overwhelmed by too many simultaneous initiatives and the existing governance structures hamper change and/or become ineffective due to imprecise or uncoordinated change. The Management Board is combating the considerable risk inherent to any such major change project with the following measures:

- A central Transformation Office, under the leadership of an experienced Senior Vice President for Strategy and Transformation, was established and appointed eight employees. Four change managers design and support concrete initiatives based on the defined strategic priorities. Three program managers coordinate operational project inquiries; provide transparency on interdependencies; and ensure the use of standard tools for project management and application/process documentation. The Transformation Office reports to the Chief Human Resources Officer.
- A detailed execution plan with all change workstreams was created to coordinate scheduling of initiatives and measures, monitor progress of the transformation, provide complete transparency of the change/transformation program and manage dependencies.

- Responsibility for transformation initiatives was largely handed over to the relevant departments. Workstream leads in the relevant departments ensure execution of their respective parts of the overall execution plan. Organizational and content-related coordination between workstreams is managed by the Transformation Office as well as in regularly scheduled result-to-action (RTA) meetings. Here all workstreams present their progress, KPIs and any points in need of clarification. Because intense collaboration is vital to the change process, this forum provides a way to manage all change processes holistically across departments.
- Quarterly business reviews were established to assess and drive regional adaptation to the transformation process. They provide a comprehensive summary of the regions and units with respect to business performance and transformation. Measures are defined based on results to counter potential deviations.
- The existing governance structures incorporate transformation/change components ensuring that all deviations from the execution plan are identified early and escalated to the right people if necessary. A change/impact analysis, for example, is generated on a regular basis to identify the main risks and define measures to counter them.
- In addition, a Change Network was introduced in which managers from different departments execute concrete changes and improvements regarding specific topics in the context of relevant projects.
- External consulting and guidance of the change and transformation process, primarily in the areas of people and culture, implementation of the subscription sales model and customer success focus, will ensure that change/transformation management and plan execution meet Software AG's high level of quality standards.
- A review of market development assumptions will also be conducted at regular intervals as these parameters provide a key basis for the initial alignment of strategy and the transformation program.

The success of Software AG's transformation depends on its corporate culture and its adaptation to the new strategy. For that reason, particular attention is given to the following measures:

- Employees are actively included and trained in the change process.
- Communication is geared to the specific target audience.
- Talent is fostered, feedback sessions and round tables are held.
- Employee surveys are conducted. And, behaviors that may hinder the change process are identified and addressed.

This is driven through a company-wide simplification initiative which adapts processes to be able to present the transformation to employees quickly, directly and tangibly.

This risk was rated at red in the first years of implementation. But the opportunities associated with the strategic realignment far outweigh the risk. Because these risks are included in the other strategic risks, they were not separately rated in the 2020 or 2021 fiscal years.

### Product distribution risks and opportunities

#### Sales efficiency and sales risks and opportunities

The complexity of Software AG's products together with the complexity of the requirements of its customers alike require a well trained and highly specialized Sales force. This leads to relatively long sales cycles. Product-related sales and marketing expenses decreased in 2021. At 111 percent of license revenue they were lower than in the previous year (2020: 116 percent). Another meaningful metric is the ratio of product-related sales and marketing expenses relative to bookings, which was 52 percent (2020: 51 percent) in fiscal 2021. This reflects a slight increase in sales efficiency in 2021 year-on-year when considering these two metrics. An ineffective sales organization can be an indication of an inadequate sales approach; uncompetitive products regarding capability, price or possible applications; or unscalable product solutions. A sales model has to improve efficiency and remove inefficiency. Repeatable product solutions and sales approaches are necessary to achieve this. A result can also be shortened sales cycles. Software AG's land-and-expand sales strategy must be refined and expanded.

The Sales organization must be more clearly structured into one unit that generates new deals with annual recurring revenue and another unit that carries out

efficient renewal of existing recurring customer contracts. If Software AG does not decisively optimize its sales efficiency and sales approach in key markets, its growth and profitability targets will be difficult to meet. Software AG's shift to the subscription model from the previous sales model based predominantly on perpetual licenses could mean that customers terminate agreements more quickly when products do not fully address their wishes. Higher average deal size and better scalability can improve sales efficiency. A sales focus on the expansion of relationships with strategic customers as well as signing new logos is essential. Business with large customers increases the dependence of license revenue on a smaller number of large customers though.

Insufficient average deal sizes closed by the direct sales organization with full administrative support from Legal and Finance and insufficient use of standard agreements and processes lead to a reduction in sales efficiency and profitability. Some of the smaller country subsidiaries have too few technology consultants (Pre-Sales staff) and skills to provide customers with technical consulting on the entire Digital Business product portfolio. Not enough standard contracts are used—even for small-scale deals—due to the “customer first” approach in place. The COVID-19 pandemic is causing slower procurement cycles when customers lack adequate digital collaboration infrastructure.

Software AG intends to continually increase sales efficiency and thereby further accelerate deal size growth in the Digital Business segment through the following measures:

- Accelerate the transition to recurring license models such as subscriptions, usage-based licenses and SaaS in all product lines with better scalability and forecast accuracy.
- Further development of the Customer Success Manager organization, created last year to provide ongoing care and consulting to customers in areas such as the renewal of existing contracts. Already in 2021, the Customer Success Manager organization was able to increase the net retention rate (NRR) to 106 percent.
- Renewals of customer contracts based on subscription and SaaS will increasingly be carried out by efficient maintenance renewal teams. This will be driven with the aim of increasing efficiency.
- A sharpened focus on key markets and customers also drives the improvement of sales efficiency.

- Concentration of the direct Sales organization on generating new recurring customer contracts
- Further expansion of the contract renewal team to relieve the direct Sales organization
- Further reduce complexity of product offerings and pricing with simpler product bundles
- Further simplify administrative processes to increase sales efficiency

Due to improved sales efficiency achieved in the 2021 fiscal year as compared to 2020, the risk rating in terms of risk signal stabilized at green in 2020 and 2021.

### Partnership risks and opportunities

Software AG's growth strategy is anchored in the expansion of its partner ecosystem to broaden vertical and regional market reach. The partner ecosystem must be further expanded to generate additional revenue growth in markets that have not yet been addressed. Global systems integrators play a key role in the majority of transformation projects in Software AG's customer base. Software AG's collaboration with global system integrators like Wipro, Tata Consulting Services, Capgemini, etc. used to be heavily geared to sales collaboration and only played a minor role in transformation projects. Their assessment of Software AG products is highly important to Software AG's sales success. Sales channel conflicts between direct and indirect sales in combination with insufficient compensation for partners often stood in the way of success in the partner business. A successful partner business is only possible if the right goals are defined internally for Software AG Sales, for technology consultants (Pre-Sales) and for the Professional Services organization. Furthermore, collaboration with partners must be compensated adequately to minimize sales channel conflicts. The implementation of a global partner strategy, standardized partner business processes, collaboration between direct and indirect Sales as well as the necessary compensation structures with a focus on incremental rather than existing business is not yet complete. Software AG products are not yet sufficiently ready for business with Original Equipment Manufacturers (OEMs). Therefore, too many inefficient adjustments still need to be made to products and specific product support provided when it comes to OEM partner contracts. Partner business with leading cloud providers such as Amazon Web Services (AWS) and Microsoft Azure is essential to

stabilizing and broadening Software AG's installed customer basis since customers are increasingly moving their applications to the cloud and recommendations from these huge organizations have a substantial impact on Software AG's sales success.

Potentially insufficient partner governance could result in legal and reputational risks, including damage claims against Software AG, and jeopardize the success of Software AG's partner business. The longer the COVID-19 pandemic lasts, the more the partner business will be impeded through an increased coordination effort.

To grow the success of its partner business, Software AG introduced the following measures:

- Expansion of a global partner management team to grow the partner strategy, expand partner relationships and establish networks on all levels to increase incremental partner business
- Ensure sales skills at Software AG and with partners through a scalable self-driving training approach
- Revise the sales compensation model to increase incentive for collaboration between direct sales organizations and distribution, cloud and OEM partners
- Define objectives for partner-related revenue at regional and national levels
- Obligate software sales organizations to incorporate global system integrators into strategic key account relationships
- Clear definition of new account business (white space) to be managed by partners
- Offer more attractive, foreseeable margins to win value-added resellers
- Expand the partner program to fuel partner recruitment
- Simplify Software AG'S pricing and create more flexible price structures in the OEM partner business
- Simplify partner-related processes and systems on all levels
- Set up a marketing fund for partners to accelerate the generation of partner business
- OEM-enable products and introduce standard processes for certification of OEM solutions by R&D
- Install a global team focused on commercial cloud alliances
- Improve partner business reporting
- Introduce standardized rules for working with cloud providers
- Sharper focus on signing new customers

- Systematically develop and expand an effective and scalable partner-enablement and qualification program to improve service capacity and quality
- Partner support in coping with challenges of the COVID-19 pandemic

Part of the Company's strategic transformation is to maximize the considerable opportunities presented in the partner business by pursuing a consistent and comprehensive concept to build a global partner ecosystem. It can be assumed that establishing a new performance matrix and focusing on high-potential partnership models in the different product groups can generate mid-term revenue growth through the partner ecosystem.

The risks associated with partnerships were given the green risk signal (2020: yellow) at the end of 2021.

## Personnel risks and opportunities

### Employer appeal

Software AG's most valuable asset is its people, their knowledge and their personal skills. In an increasingly competitive environment in which every organization is trying to attract the best talent for itself, one of Software AG's main challenges is to attract, promote and retain the best people. The goal is to ensure having a sufficient number of highly qualified and motivated employees at all relevant sites at all times. Uncertainty about Software AG's future success in new markets could have a negative impact on its image as an employer both among highly qualified applicants and existing specialists. This can increase attrition risks. Risks arise when succession is not adequately planned and the Company is not attractive to internal or external talents. Attracting and managing talent are therefore decisive success-driving factors and key to ensuring Software AG's operational and financial performance.

Another essential factor is that the Company continues surmounting the challenges of the COVID-19 pandemic while accelerating its own transformation. In the past two years, Software AG very successfully contained the impact of the pandemic and was able to significantly improve employee satisfaction and engagement, as confirmed by the latest customer survey from October 2021. The COVID-19 pandemic and its effects are expected to lessen continuously in the future. The demographic trend in some countries and markets could also result in a reduction in potential growth due to a shortage of qualified young talent. Succession management and well organized knowledge transfer are key success factors in minimizing the impact of this risk.

The advancing age structure in the A&N business line could lead to a loss in expertise.

Software AG is taking the following measures to counter these risks:

- Monitor, track and assess internal and external key indicators such as external rating platforms, attrition rates, employee satisfaction, etc.
- Ongoing evaluation of market-oriented remuneration and target salaries based on global benchmarks
- Foster an education culture through comprehensive learning and growth programs, courses and workshops for employees and leaders
- Support leaders to deepen and strengthen their capabilities and competencies

- Globally optimize employee development reviews and establish options for personal and professional advancement
- Invest in employee and cultural initiatives
- Promote physical and mental health
- Improve employee engagement and satisfaction with annual employee surveys and apply improvement where weaknesses are identified
- Specific offerings to foster and educate high school and college students early in their development
- Strengthen Software AG's presence externally in the labor market and social media as well as promote the Software AG image as an attractive employer
- Improve talent acquisition with better team structures
- Continue activities for direct recruitment of new employees and training of existing staff

Overall, Software AG assumes that these measures provide a sound basis for ensuring its long-term success.

Due to the implemented measures to address the intense competition among employers for talent, personnel-related topics were given a green risk signal (2020: green) at the end of 2021.

### Legal risks

#### Intellectual property (IP) right protection

This strategic risk mainly consists of the two sub-categories described below.

#### Patent litigation

Patent law, especially in the U.S. due to the large number of software patents granted combined with the peculiarities of U.S. procedural law, favors the bringing of patent lawsuits. Aside from potential lawsuits from other software companies, patent holders are also exploited by non-practicing entities (patent trolls), which are often financed by hedge funds to file patent lawsuits against software companies. This also affects Software AG. Patent litigation in the U.S. entails the risk of higher procedural costs to defend against claims without provision for reimbursement in American procedural law. The risk associated with patent trolls has lessened in recent years due to a new legal ruling by U.S. courts. According to the decision, non-practicing entities are required to own a relevant business in order to sue for infringements against their own patents. Furthermore, large U.S.-based software companies have

joined forces to form the License-on-Transfer (LOT) Network. The LOT Network is a non-profit community established to enable patent licensing among members and combat patent trolling. To strengthen its own position, Software AG joined the network in 2020. Members of the LOT Network commit to not sue each other for patent infringements. The last patent troll lawsuit ended in a settlement in fiscal 2019. Since this case, spanning multiple years, there have been no further attacks by patent trolls in recent years. There is also a risk of being sued for patent infringements by competitor software companies provided they are not members of the LOT Network. Software AG has an IP Rights team to counter patent law suits. In addition to tasks associated with patent law protection, the team handles Software AG's own patent applications and coordinates its defense against patent suits. The Company's portfolio of patents is the best protection against claims from other market participants, because it offers opportunities for cross-licensing agreements. There was room for improvement regarding Software AG's patenting activities in recent years. IP Management therefore launched an initiative whereby workshops were held at all relevant R&D locations to examine the option of new patent registrations.

But entering patenting processes also leads to risks. For example, IP rights can be lost in such processes due to conditions by the patent issuing organization. These rights can also be lost when built into open-source software. Software AG owns a significant number of patents, which can be used to protect its business and defend it against patent suits.

To defend itself against future patent-related lawsuits, all relevant technical and marketing documentation was systematically stored in a central location, which makes the necessary documents available quickly in the event of a legal suit. This documentation process is employed for newly acquired companies as well. All new products are evaluated internally for potential patent infringements before public publication. R&D and Product Marketing employees receive training on the subject of patent protection laws. Training on trademark name research is currently in development. Implemented measures and processes reduce this risk considerably for Software AG. No new patent suits have been filed against Software AG since 2012. It is currently unforeseeable to what extent future patent suits will be fueled by the increasingly nationalistic tendencies worldwide.

### Protection of Software AG partners' IP rights

Because Software AG licenses third-party products, it is required to defend rights granted to customers such as rights of use for specific resources. Unauthorized undetected use by customers can result in liability risks relating to past license fees owed to software distributors. To mitigate this risk, audit rights have been included in all customer contracts which entitle Software AG to monitor customers' use of products in accordance with contractual stipulations. All third-party software sales agreements are reviewed for unfavorable terms and modified as needed by a central department. In addition, Software AG continued developing and optimizing its procurement process.

Like last year, the risk associated with the protection of IP rights was rated at a green risk signal as of December 31, 2021.

### Risks from cloud contracts

The overall buying behavior of enterprise customers in the software market has changed radically. Customers increasingly request time-limited, self-installable software products and hosted cloud products. Unlimited self-installable software products are less and less in demand. The demand for subscription and SaaS offerings is therefore rising continuously. Software AG's Management Board therefore defined a "subscription-first" approach as part of the new strategy, whereby all Software AG products have been offered primarily as subscriptions since 2020. Software AG is also continuously expanding its cloud offering. Nearly all Software AG products are now available as cloud solutions. This satisfies the increasing customer demand for pay per use and subscription options and, regardless of the deployment model, provides access to the advantages of this form of consumption.

The risk associated with information security and data protection is significantly higher in the cloud business than in on-premises business because Software AG acts as a data processing company. This transfers the risk to Software AG as the cloud provider. This change results in an increased legal risk associated with cloud agreements. To minimize this increased risk, an information security management system (ISMS) in accordance with ISO 27001 was implemented and externally certified.

The assessment of risks associated with cloud contracts is included in the two following risks regard-

ing data protection and information security and was therefore not conducted separately.

### Data protection

As a provider of maintenance, cloud and consulting services, Software AG works with personal customer data and thus acts as a data processor. Software AG also processes personal data about its employees, customers, prospective customers, partners and suppliers and is responsible for that data in its role as data controller. The Company is legally required to treat this data in accordance with the applicable data protection laws and protect it against unauthorized access, alteration or deletion. Software AG must ensure personal data is treated confidentially, but available at all times for the required application without loss of integrity. Due to the increasing number of cyberattacks, guaranteeing compliance with data protection is becoming more challenging. Data processing agreements (DPAs) with customers stipulate that Software AG must comply with data protection laws, particularly with the EU's General Data Protection Regulation (GDPR). From August 2020 to July 2021, total cyber incidents worldwide increased year-on-year by 64 percent, according to a study by Barracuda Networks Inc. According to Bitdefender GmbH, they increased by 715 percent year-on-year in the first half of 2020. Software AG did not report any level 1 incidents with high threat potential in 2021, whereas one material attack had been reported in 2020. At the same time, growing IT complexity increases the attack surface for data attackers. Under the GDPR, penalties of up to 4 percent of Software AG's total annual revenue can be issued in the event of infringement of data protection laws. It can also lead to additional costs for external consultants, reduced process productivity and considerable revenue-diminishing reputation damage. Sizable investments are necessary on an ongoing basis to take these security measures and comply with regulations.

Software AG counteracts these risks by improving its data protection management system (DPMS) on an ongoing basis. This DPMS defines processes that help ensure data protection such as internal data protection policies and standardized processes that are constantly being adapted accordingly.

In addition, the following measures were taken to reduce the risks associated with data protection:

- When Software AG enters DPAs with customers, the risks it assumes are minimized to the legally admissible extent
- Implementation of a data protection policy that is binding for the whole Group as well as binding corporate rules (BCRs) for international data transfer to ensure a uniform level of data protection throughout the Software AG Group (current project)
- The DPMS is being monitored and optimized on an ongoing basis
- Mandatory data protection training for all employees to raise awareness for the requirements of data protection
- As a result of the malware attack in October 2020, Software AG acquired a great deal of experience in processing personal (including sensitive) data and drew the necessary security-related conclusions. With the help of investments and measures now concluded, Software AG significantly improved its level of data protection; however, 100 percent security cannot be guaranteed as attacks are getting ever more intelligent

The Schrems II ruling (Judgment of the European Court of Justice on Transfers of Personal Data to Third-Party Countries) strengthens data protection for EU citizens. The ruling also creates compliance issues that can, however, be mitigated through the use of EU standard contractual clauses (SCCs). The ruling stipulates, among other things, that necessary data transfer to an “unsafe third country” can be legally safeguarded through the use of EU SCCs. Under certain circumstances, using an SCC can help provide the legal security necessary to transfer personal data to a data processor based in an unsafe third country. The main prerequisite for using an SCC is that a data processor can guarantee an equivalent level of data protection as that in the EU. To minimize the risk of unauthorized data processing in an unsafe third country, Software AG concludes SCCs with the relevant data processors. In addition, supplementary and technical measures were taken, e.g. encryption, to ensure compliance with the rules associated with the Schrems II ruling.

Software AG’s data protection risks were evaluated separately from information security for the first time in 2021 and were given risk signal yellow. There is therefore no comparable rating indicator from the previous year.

### Information security

All data and IT service functions for internal purposes and customers globally are subject to a sharp upward threat potential curve because of the fact that malware attacks are getting smarter every year. Furthermore, government regulations on data protection and IT security are getting ever stricter. The growing complexity of IT increases the vulnerable attack surface of Software AG’s sensitive data and IT systems to hackers and poses a constant threat to its tangible and intangible assets. This risk, however, is not specific to Software AG. It affects nearly every company worldwide. The security level 1 attack in October 2020 that posed a high threat potential to Software AG’s business, was followed by a security level 2 attack in 2021 that posed a medium threat potential, and seven security level 3 attacks with low threat potential to Software AG’s business.

To mitigate the risks described above, Software AG introduced and implemented the following measures:

- The SecureBiz program was introduced at the beginning of 2021. This program primarily comprises improvement of the following points:
  - Continuous surveillance of the IT landscape for weak spots and security monitoring
  - Information protection and management
  - Network redesign including network segmentation, real-time data flow and irregularity monitoring
  - Hardened active directory and Azure active directory
  - Admin rights only issued upon request
  - End-device management
- An ISO 27001 certified information security management system (ISMS) was instituted for cloud business customers. The roadmap for customer services outside the certified customer cloud services includes the implementation of an ISMS and ISO 27001 certification for dedicated business areas of customer service to be instituted in 2022.
- Information security employee training was introduced and will be expanded continuously.
- To increase transparency of IT security, internal control mechanisms are monitored and optimized to reach a state-of-the-art level.
- Management and monitoring of overall information security was restructured in 2021 and separated from IT security operations.

- The IT Security department (e.g. Security Operation Center, SOC) was reorganized and strengthened with additional human resources in 2021.
- A new Chief Information Security Officer (CISO) was appointed and the position's responsibilities expanded. This position reports directly to the CEO.
- The newly created position of Chief Security Officer (CSO) reports to the Chief Information Officer.
- Software AG's IT security strategy and the corresponding management program are aligned with the global corporate and IT strategies.
- The IT Security department will be responsible for ongoing development of processes, workflows and tools and will monitor the extent to which they are correctly installed and employed so as to prevent potential malware attacks.
- Risk evaluations are being optimized and rolled out on all security-relevant IT systems.
- In the interest of ongoing improvement of the SOC's identification and response processes, the option of using simulated attacks ("Red Team") to evaluate these processes is being reviewed.

All these measures, however, cannot and will not provide a 100 percent guarantee of IT security. The systems have become too complex, and potential attackers too well trained and equipped, sometimes by foreign governments with extensive resources. Software AG therefore can and must do everything in its power to achieve the maximum level of security.

Like last year, the risk associated with information security was rated at a red risk signal.

## Other legal risks

### Regulatory, compliance and litigation risks

Regulatory and political changes, such as embargoes, can influence Software AG's business operations in different national markets. That could have a negative impact on the Group's future business and financial performance. Uncertainties regarding regional legal systems could hinder or prevent the assertion of Software AG's rights (e.g. commercial property rights).

A multinational software company like the Software AG Group is subject to global risks associated with legal disputes and government and official processes. Software AG cannot rule out that litigation and proceedings will have negative effects on the earnings of the Company; as a rule, the Group's financial position can even be negatively affected when law suits are won, given the high cost of defense attorneys and other defense services needed to thwart accusations, for example in the United States. Despite detailed risk assessment and forward-looking risk provisions, there is a risk that the actual cost of litigation is higher than the assumed risk value.

For information on specific legal disputes, please refer to [Note \[36\]](#) in the Notes to the Consolidated Financial Statements and Other Provisions in the Separate Annual Financial Statements of Software AG (Parent Company).

## Financial operating risks

### Exchange rate risks

Software AG is exposed to exchange rate risks through its global business activities. Software AG's sales organizations operate in the currency of the country in which a sale is transacted. This can result in currency risks and opportunities for Group revenue. For more information on [Currency Split](#), please refer to the graphic in the section Financial Performance of the Group in the Economic Report.

### Exchange rate fluctuation impact on Group revenue in 2021:

Currency fluctuation in 2021	Change in exchange rates volume-weighted 2021 vs. 2020	Impact on revenue in 2021 in € millions
U.S. dollar 31.1% of revenue	-3.1%	-8.4
Israeli shekel 6.7% of revenue	+2.3 %	+1.3
Pound sterling 5.4% of revenue	+3.9 %	+1.7
Australian dollar 3.9% of revenue	+4.6 %	+1.4
South African rand 2.6% of revenue	+8.0 %	+1.6
Brazilian real 2.5% of revenue	-8.6%	-2.0
Canadian dollar 2.1% of revenue	+3.2 %	+0.5
Other currencies 14.6% of revenue	-2.2%	-2.7
<b>Currency effects on total revenue</b>	<b>-0.8%</b>	<b>-6.6</b>

The sales-related expenses are in the same currency as the sales themselves, however. This natural hedging relationship is stronger in the USA due to the fact that components of Software AG's R&D and global Marketing are based there. Software AG further utilizes derivative financial instruments for hedging. This mitigates the effects of exchange rate fluctuations on Group results. Furthermore, portions of the Company's liquid assets are held in the USA. Its hedging instruments are used to cover existing foreign currency receivables and payables and anticipated cash flows. All exchange rate risks are monitored centrally.

#### Risks from financial instruments

Liquidity and cash-flow risks concerning derivative financial instruments are eliminated by the fact that Software AG secures only existing balance sheet items or highly likely cash flows. Based on the financial instruments open on the balance sheet date, an increase in the market interest rate level by 100 basis points would have increased Group net income in 2021 by €2.9 million (2020: €2.1 million). Provided conditions such as revenue structure and balance sheet relationships remained constant and no further hedging transactions took place, this approximate correlation could be applied to future fiscal years as well. Under these conditions, a 10 percent decrease in the euro's value against the U.S. dollar as of December 31, 2021 would have caused Group net income in 2021 to increase by €1.7 million (2020: €2.1 million). Constant monitoring of the relevant banks' creditworthiness helps Software AG minimize the risk of losing business partners with whom derivative financial instruments are concluded.

#### Other financial risks

Other financial risks include predominantly the risk of bad debt losses. No cluster risks exist due to Software AG's diversified markets and customer structure. Default risks in the long-term average are quite marginal as a result of the generally high level of creditworthiness on the part of its customers. As in the previous year, financial provisions were set up in 2021 due to the increased default risk associated with the COVID-19 pandemic. To reduce the impact of this risk, Software AG uses an automated approval process for customer contracts, known as the Global Deal Desk (GDD), based on its own technology. To protect cash holdings, Software AG constantly monitors partner banks' creditworthiness and adjusts investment decisions accordingly.

## GENERAL STATEMENT ON THE GROUP'S RISK SITUATION

The Software AG Group's overall consolidated risk situation is lower than in the previous year. In 2021, 69.2 percent (2020: 41.7 percent) of Software AG's strategic risks were categorized as risk signal green, 23.1 percent (2020: 50.0 percent) as yellow, and 7.7 percent (2020: 8.3 percent) as red.

The Management Board assumes that the strategic risks are limited and manageable. No individual or consolidated risks can be identified that, due to the extent of their impact or their likelihood of occurring, are likely to jeopardize the going concern of the Company now or in the future.

## SOFTWARE AG'S RATING

The necessity for an external rating did not arise because of Software AG's solid financial structure and employed financing instruments. There is currently no official external rating of Software AG. Nevertheless, there are some facts that shed light on Software AG's external rating.

Based on the financial statements from December 31, 2020, as in previous years, Software AG was given central bank eligibility by the German Central Bank (Deutsche Bundesbank). This means that lending banks can use credit claims with Software AG as collateral for refinancing with the Deutsche Bundesbank.

Software AG's own banks were unified in their classification of its creditworthiness as investment-grade at the end of 2021.

### Risk Summary

	Impact on EBIT in the next 3 years	Probability	Risk signal	Trend
<b>Corporate strategy risks and opportunities</b>				
Product innovation and portfolio	medium	unlikely	green	declining
Growth in API Management, Integration and Web Services	medium	unlikely	green	constant
Development of Business Transformation	low	unlikely	green	constant
Ongoing development of IoT & Analytics	medium	likely	yellow	declining
Market risks and opportunities: Adabas & Natural	medium	unlikely	green	constant
Acquisitions: pre-acquisition phase (selection)	medium	unlikely	green	constant
Acquisitions: post-acquisition phase (integration)	medium	likely	yellow	increasing
<b>Product distribution risks and opportunities</b>				
Sales efficiency and sales risks and opportunities	medium	unlikely	green	constant
Partnership risks and opportunities	medium	unlikely	green	increasing
<b>Personnel risks and opportunities</b>				
Employer appeal	low	likely	green	increasing
<b>Legal risks</b>				
Intellectual property (IP) right protection	low	unlikely	green	constant
Data protection	low	highly likely	yellow	declining
Information security	medium	highly likely	red	increasing



# TAKEOVER-RELATED DISCLOSURES

## COMPOSITION OF SUBSCRIBED CAPITAL AND LIMITATIONS AFFECTING VOTING RIGHTS OR THE TRANSFER OF SHARES

As of December 31, 2021, Software AG's share capital totaled €74,000 thousand and was divided into 74,000,000 registered shares. Each share represents €1.00 of the Company's share capital. In accordance with the provisions of the German Stock Corporation Act (section 67 AktG), only those entered as such in the share register are deemed to be shareholders in relation to the Company. Shareholders can exercise their rights at the Annual Shareholders' Meeting when they exercise their voting rights in accordance with legal stipulations and the Company's Articles of Association. Each share entitles its holder to one vote. The exception to this are the treasury shares held by the Company, which do not confer any rights to the Company. The voting rights associated with the shares concerned are nullified by law in those cases to which section 136 of AktG applies.

## CAPITAL INTEREST EXCEEDING 10 PERCENT OF VOTING RIGHTS

The Software AG Foundation, Darmstadt, Germany, holds approximately 31 percent of Software AG's outstanding shares. The foundation is a separate non-profit legal entity and is devoted worldwide to the fields of therapeutic pedagogy, social therapy, education, services to youth and senior citizens, the environment and research. There are no other shareholders with an interest in Software AG's share capital exceeding 10 percent of voting rights.

## PROVISIONS ON THE APPOINTMENT/ DISMISSAL OF MANAGEMENT BOARD MEMBERS AND AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Management Board members are appointed and dismissed in accordance with section 84 et seqq. of AktG. The Management Board consists of multiple members in accordance with section 7(1) of the Articles of Association; the number of Management Board members is determined by the Supervisory Board. All amendments to the Articles of Association are to be adopted at the Annual Shareholders' Meeting by at least a three-fourths majority of the share capital represented at the time of the resolution in accordance with section 179 of AktG unless the Articles of Association stipulate otherwise. Section 19(1) of the Articles of Association stipulates that resolutions of the Annual Shareholders' Meeting can generally be adopted through a simple majority of votes cast; if aside from the majority of votes, a capital majority is required by law, resolutions can be adopted through a simple majority of votes cast and a simple majority of the share capital represented at the time of the resolution. Section 12 (2) of the Articles of Association confers the power to make amendments relating to the wording only of the Articles of Association to the Supervisory Board. Furthermore, the Supervisory Board is authorized by way of Annual Shareholders' Meeting resolutions, to amend section 5 of the Articles of Association based on the the respective utilization of authorized and conditional capital and after expiration of the respective authorization or utilization period.

## THE MANAGEMENT BOARD'S POWERS TO ISSUE OR REPURCHASE SHARES

Pursuant to the resolution of the Annual Shareholders' Meeting on May 12, 2021, the Management Board is authorized, subject to the consent of the Supervisory Board, to issue bearer and/or registered warrant and/or convertible bonds or combinations of these instruments (bonds) up to a total value of €750,000,000 with or without a specified maturity date and to grant bond owners or holders the right to convert the bonds to new no-par value registered shares in the Company, representing up to a proportional amount of the share capital of €14,800,000, which are secured by the corresponding conditional capital in section 5 (3) of the Articles of Association. This authorization may be exercised until May 11, 2026.

Pursuant to a resolution from December 13, 2021, and with the consent of the Supervisory Board on the same date, the Management Board utilized its authorization to issue convertible bonds, excluding subscription rights, to the Silver Lake Group with a nominal value of €344.3 million. These bonds entitle the holders to convert them to a maximum of 7.4 million Software AG shares. The corresponding subscription agreement was signed on February 3, 2022; the transaction closing was on February 15, 2022.

Pursuant to section 5 (2) of the Articles of Association, the Management Board is authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before May 11, 2026, up to a total of €14,800,000, by issuing new registered shares against cash contributions or contributions in kind (authorized capital). In doing so, the number of shares must increase in proportion to the share capital.

For more information on the authorized capital and conditional capital described above, please refer to section 5 of Software AG's Articles of Association.

Furthermore, in accordance with the resolution passed at the Annual Shareholders' Meeting on May 12, 2021, the Management Board is authorized to purchase treasury shares on or before May 11, 2026, representing a proportional amount of the share capital of up to 10 percent of the existing share capital at the time of the resolution. The treasury shares are to be purchased on the stock market or through a public purchase offer addressed to all shareholders of the Company or a public invitation to submit an offer to sell. The shares

purchased, together with other treasury shares that the Company has already purchased and still holds or that are attributable to it in accordance with sections 71d and 71e of AktG, may not account for more than 10 percent of the respective share capital at any time.

For more information on the described authorizations and the Management Board's explanation, please refer to the agenda of the Annual Shareholders' Meeting on May 12, 2021 on the corporate [website](#) and to Software AG's Articles of Association.

For more information on conditional capital, authorized capital and the purchase of treasury shares, please also refer to [Note \[30\]](#) in the Notes to the Consolidated Financial Statements and to the Notes to the Balance Sheet under Shareholders' Equity in the Notes to the Financial Statements.

## SIGNIFICANT AGREEMENTS CONTINGENT UPON A CHANGE OF CONTROL RESULTING FROM A TAKEOVER BID AND COMPENSATION AGREEMENTS WITH MEMBERS OF THE MANAGEMENT BOARD OR EMPLOYEES IN THE EVENT OF A TAKEOVER BID

The lenders of the syndicated credit line in the maximum amount of €300 million are entitled—provided they are not replaced—to decline any new withdrawals if one or more persons acting in concert (except Software AG Foundation, its members or companies controlled by them) obtain more than 50 percent of voting or dividend rights or the right to appoint more than half the members of the Supervisory Board. The relevant lenders are entitled to call any amounts already borrowed (plus interest accrued and any other amounts due) and terminate the credit facility.

With respect to loan agreements with the European Investment Bank in the original amount of €330 million, of which €285 million had been drawn as of December 31, 2021, the bank is entitled to terminate the unused portion of the loan if one or more persons acting in concert obtain more than 50 percent of voting or dividend rights, the right to appoint more than half the members of the Supervisory Board, or any other comparable controlling influence. Any amounts already borrowed (plus interest accrued and any other amounts due) can also be called prematurely and the credit facility terminated.



Three Management Board contracts stipulate that, if terminated without good cause within 12 months of a change of control, the Management Board member will receive a severance payment equal to 1.5 annual salaries based on the most recently agreed annual target remuneration, capped at the amount of target remuneration for the remaining term of the contract. In the case of resignation by a member of the Management Board, the above mentioned policy is not applicable if the position of the Management Board member has only been altered marginally through the change of control.

In the event of a change of control, any stock appreciation rights granted by the Company under Management Incentive Plan 2019, must be paid out at fair value to the relevant plan participants within the term of the rights.

In the event of a change of control, the holders of the convertible bonds issued in February 2022 on the basis of the Management Board's resolution from December 13, 2021 and the approval of the Supervisory Board on the same date, are entitled to convert their bonds to Software AG shares or, alternatively, demand reimbursement plus interest (that which has accrued and is due by maturity).

Other takeover-related disclosures not mentioned in this section do not apply to Software AG in accordance with sections 289a, 315a of HGB.

# STATEMENT ON CORPORATE GOVERNANCE

Software AG submitted its Statement on Corporate Governance/Consolidated Statement on Corporate Governance on February 28, 2022 and published it on its [website](#).

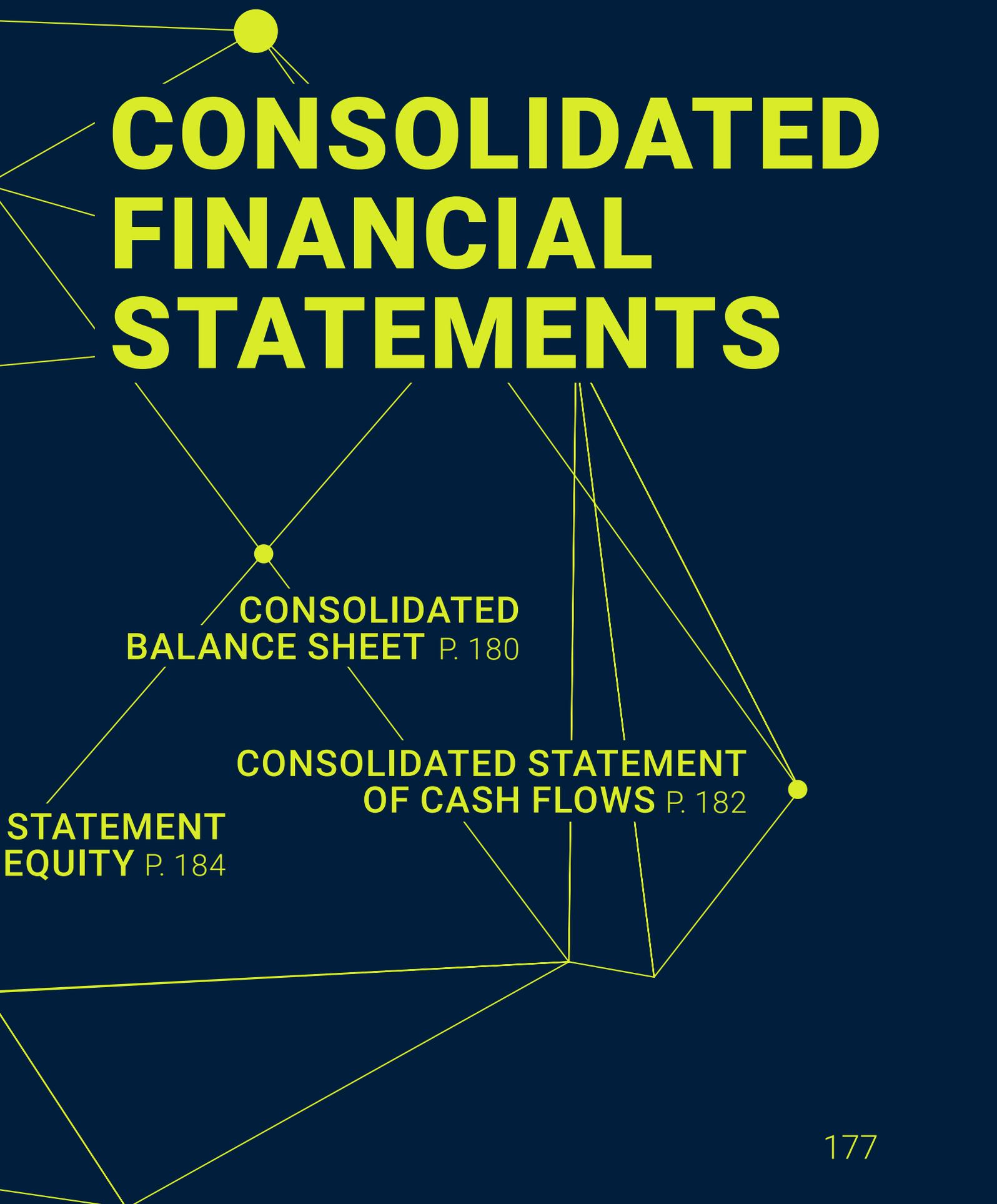
This statement includes the Declaration of Compliance with the German Corporate Governance Code pursuant to section 161 of AktG, which was submitted separately and published at [softwareag.com/compliance-declaration](https://softwareag.com/compliance-declaration) on January 25, 2022.



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# CONSOLIDATED FINANCIAL STATEMENTS

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# CONSOLIDATED INCOME STATEMENT

For fiscal years 2021 and 2020

in € thousands	Note	2021	2020
<b>Licenses</b>		<b>240,504</b>	<b>217,217</b>
Maintenance		399,363	422,552
SaaS		44,138	31,300
Services		149,834	163,561
Other		3	216
<b>Total revenue</b>	<b>[5]</b>	<b>833,842</b>	<b>834,846</b>
Cost of sales	[6]	-188,827	-197,221
<b>Gross profit</b>		<b>645,015</b>	<b>637,625</b>
Research and development expenses		-151,180	-143,926
Sales, marketing and distribution expenses	[7]	-280,208	-272,600
General and administrative expenses	[8]	-82,807	-76,794
Other income	[9]	16,477	30,805
Other expenses	[10]	-25,224	-38,732
Other taxes	[13]	-5,297	-5,932
<b>Operating income</b>		<b>116,776</b>	<b>130,446</b>
Financing income	[11]	7,181	8,401
Financing expenses	[11]	-6,164	-5,263
<b>Net financial income/expenses</b>		<b>1,017</b>	<b>3,138</b>
<b>Earnings before income taxes</b>		<b>117,793</b>	<b>133,584</b>
Income taxes	[12]	-33,449	-37,479
<b>Net income</b>		<b>84,344</b>	<b>96,105</b>
thereof attributable to shareholders of Software AG		83,862	95,706
thereof attributable to non-controlling interests		482	399
Earnings per share in € (basic)	[15]	1.13	1.29
Earnings per share in € (diluted)	[15]	1.13	1.29
Weighted average number of shares outstanding (basic)		73,979,889	73,979,889
Weighted average number of shares outstanding (diluted)		73,979,889	73,979,889

# STATEMENT OF COMPREHENSIVE INCOME

## For fiscal years 2021 and 2020

in € thousands	Note	2021	2020
<b>Net income</b>		<b>84,344</b>	<b>96,105</b>
Currency translation differences from foreign operations		83,647	-78,113
Net gain/(loss) from cash flow hedges		912	-125
Currency translation gain/loss from net investments in foreign operations		0	1
<b>Items to be reclassified to the income statement if certain conditions are met</b>		<b>84,559</b>	<b>-78,237</b>
Net gain/(loss) from equity instruments designated to measurement at fair value through other comprehensive income		-470	217
Net actuarial gain/loss on pension obligations	[29]	13,885	-6,448
<b>Items not to be reclassified to the income statement</b>		<b>13,415</b>	<b>-6,231</b>
<b>Gain/loss recognized in equity</b>	<b>[30]</b>	<b>97,974</b>	<b>-84,468</b>
<b>Total comprehensive income</b>		<b>182,318</b>	<b>11,637</b>
thereof attributable to shareholders of Software AG		181,836	11,238
thereof attributable to non-controlling interests		482	399

# CONSOLIDATED BALANCE SHEET

## ASSETS

in € thousands	Note	Dec. 31, 2021	Dec. 31, 2020
<b>Current assets</b>			
Cash and cash equivalents		585,844	479,982
Other financial assets	[16]	24,092	7,368
Trade receivables, contract assets and other receivables	[17]	198,466	211,790
Other non-financial assets	[18]	39,487	28,692
Income tax receivables	[19]	27,029	30,207
		<b>874,918</b>	<b>758,039</b>
<b>Non-current assets</b>			
Intangible assets	[20]	87,466	99,282
Goodwill	[20]	986,136	947,370
Property, plant and equipment	[21]	76,877	82,349
Investment property	[22]	6,241	6,917
Other financial assets	[16]	21,115	17,742
Trade receivables, contract assets and other receivables	[17]	128,732	95,500
Other non-financial assets	[18]	9,113	7,136
Income tax receivables	[19]	14,225	11,114
Deferred tax receivables	[23]	16,567	14,458
		<b>1,346,472</b>	<b>1,281,868</b>
<b>Total Assets</b>		<b>2,221,390</b>	<b>2,039,907</b>

**EQUITY AND LIABILITIES**

in € thousands	Note	Dec. 31, 2021	Dec. 31, 2020
<b>Current liabilities</b>			
Financial liabilities	[24]	84,866	16,415
Trade and other payables	[25]	53,548	47,050
Other non-financial liabilities	[26]	137,888	138,172
Other provisions	[27]	43,924	38,825
Income tax liabilities	[28]	34,980	33,293
Contract liabilities		135,675	118,295
		<b>490,881</b>	<b>392,050</b>
<b>Non-current liabilities</b>			
Financial liabilities	[24]	223,767	243,519
Trade and other payables	[25]	212	139
Other non-financial liabilities	[26]	1,564	1,209
Other provisions	[27]	12,124	11,077
Provisions for pensions and similar obligations	[29]	35,042	55,439
Income tax liabilities	[28]	1,629	2,135
Deferred tax liabilities	[23]	6,397	8,049
Contract liabilities		11,560	13,765
		<b>292,295</b>	<b>335,332</b>
<b>Equity</b>	<b>[30]</b>		
Share capital		74,000	74,000
Capital reserves		22,580	22,580
Retained earnings		1,369,375	1,341,738
Other reserves		-27,798	-125,772
Treasury shares		-757	-757
<b>Attributable to shareholders of Software AG</b>		<b>1,437,400</b>	<b>1,311,789</b>
<b>Non-controlling interests</b>		<b>814</b>	<b>736</b>
		<b>1,438,214</b>	<b>1,312,525</b>
<b>Total Equity and Liabilities</b>		<b>2,221,390</b>	<b>2,039,907</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS [31]

## For fiscal years 2021 and 2020

in € thousands	2021	2020
Net income	84,344	96,105
Income taxes	33,449	37,479
Net financial income/expenses	-1,017	-3,138
Amortization/depreciation of non-current assets	40,165	39,927
Other noncash income/expenses	544	235
Changes in receivables and other assets	-29,064	-5,689
Changes in payables and other liabilities	23,590	1,864
Income taxes paid	-35,765	-57,056
Interest paid	-7,221	-5,698
Interest received	7,210	8,419
<b>Net cash flow from operating activities</b>	<b>116,235</b>	<b>112,448</b>
Proceeds from the sale of property, plant and equipment/intangible assets	2,127	1,361
Purchase of property, plant and equipment/intangible assets	-11,158	-9,475
Proceeds from the sale of non-current financial assets	1,063	2,643
Purchase of non-current financial assets	-3,904	-3,828
Proceeds from the sale of current financial assets	8,698	403
Purchase of current financial assets	-27,666	-630
Proceeds/payments from disposals of assets held for sale	2,132	-738
<b>Net cash flow from investing activities</b>	<b>-28,708</b>	<b>-10,264</b>

<b>in € thousands</b>	<b>2021</b>	<b>2020</b>
Dividends paid	-56,629	-56,567
Proceeds/payments for current financial liabilities	-7,496	-52,776
Repayment of lease liabilities	-12,974	-15,572
New non-current financial liabilities	60,000	50,096
Repayment of non-current financial liabilities	-3	-25,004
<b>Net cash flow from financing activities</b>	<b>-17,102</b>	<b>-99,823</b>
Change in cash and cash equivalents	70,425	2,361
Change in cash and cash equivalents from currency translation	35,437	-36,011
<b>Net change in cash and cash equivalents</b>	<b>105,862</b>	<b>-33,650</b>
Cash and cash equivalents at beginning of period	479,982	513,632
<b>Cash and cash equivalents at end of period</b>	<b>585,844</b>	<b>479,982</b>
<b>Free cash flow</b>	<b>91,389</b>	<b>87,577</b>

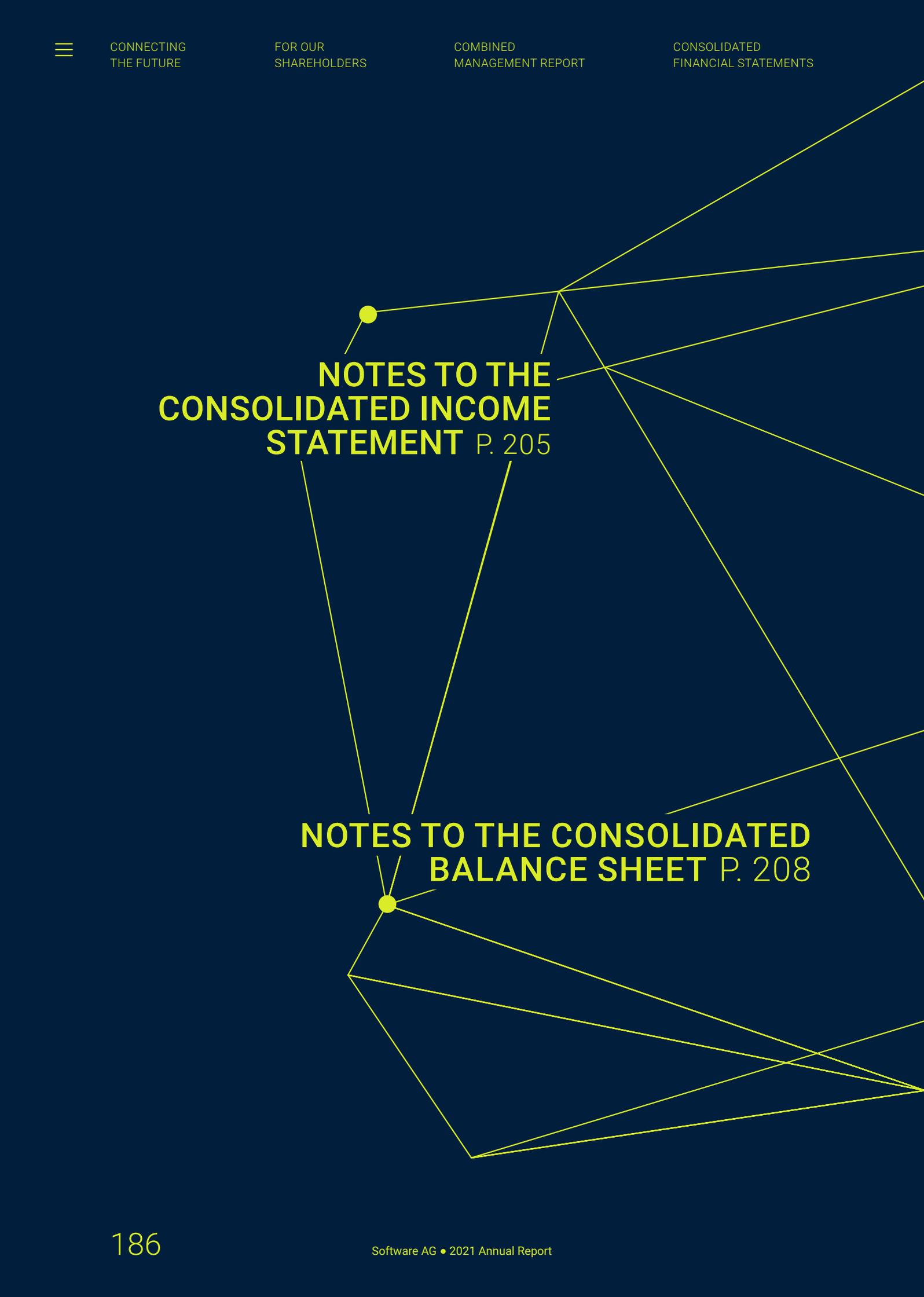


# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY [30]

For fiscal years 2021 and 2020

in € thousands		Subscribed capital	Capital reserves	Retained earnings
	Common shares outstanding (no.)			
Equity as of Jan. 1, 2020	73,979,889	74,000	22,580	1,302,257
Total comprehensive income				95,706
Transactions with shareholders				
Dividend payment				-56,225
Transactions between shareholders				
Equity as of Dec. 31, 2020	73,979,889	74,000	22,580	1,341,738
Equity as of Jan. 1, 2021	73,979,889	74,000	22,580	1,341,738
Total comprehensive income				83,862
Transactions with shareholders				
Dividend payment				-56,225
Transactions between shareholders				
Equity as of Dec. 31, 2021	73,979,889	74,000	22,580	1,369,375

	Other reserves				Treasury shares	Attributable to shareholders of Software AG	Non- controlling interests	Total
	Currency trans- lation differen- ces from for- eign operations	Net gain/loss on remeasuring financial assets	Net actuarial gain/loss on pension obligations	Currency translation gain/loss from net investments in foreign operations				
	4,718	-8,432	-44,513	6,923	-757	1,356,776	679	1,357,455
	-78,113	92	-6,448	1		11,238	399	11,637
						-52,525	-342	-56,567
	-73,395	-8,340	-50,961	6,924	-757	1,311,789	736	1,312,525
	-73,395	-8,340	-50,961	6,924	-757	1,311,789	736	1,312,525
	83,647	442	13,885			181,836	482	182,318
						-56,225	-404	-56,629
	10,252	-7,898	-37,076	6,924	-757	1,437,400	814	1,438,214



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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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# GENERAL

## [1] BASIS OF PRESENTATION

Software AG's consolidated financial statements are prepared in accordance with the International Accounting Standards Board (IASB), International Financial Reporting Standards (IFRS), as applicable in the European Union (EU) and in accordance with the additional provisions required under German commercial law as set forth in section 315e (1) of the German Commercial Code (HGB). The IFRS and interpretations applicable as of December 31, 2021 were observed.

Software AG is a registered stock corporation under German law with registered offices in Darmstadt (Uhlandstraße 12, 64297 Darmstadt, Germany). It is listed in the commercial register of the Darmstadt District Court under number HRB 1562. It is the principal parent Company of a Group that is globally active in the fields of software development, licensing and maintenance as well as IT services. The functional currency of Software AG is the euro.

Software AG's Management Board prepared the consolidated financial statements on March 4, 2022. Software AG's Audit Committee discussed the consolidated financial statements in its meeting on March 17, 2022. The Supervisory Board approved the consolidated financial statements in its meeting on March 18, 2022.

The consolidated financial statements of Software AG are expressed in thousands of euros unless otherwise stated. The figures presented in the report were rounded according to customary business practice. In some cases, rounding could mean that values in this report do not add up to the exact sum given or percentages do not equal the values presented.

The separate financial statements of the companies of the consolidated Group were prepared on the date of the consolidated financial statements.

## [2] ACCOUNTING POLICIES

### USE OF ESTIMATES

In the preparation of the consolidated financial statements, estimates and assumptions are made for certain items that have an impact on the recognition and measurement of recognized assets, liabilities, income, expenses and contingent liabilities. These estimates and assumptions are based on historical data and are reviewed on an ongoing basis. Actual amounts may differ from the estimates made. The primary areas of application for estimates and assumptions are revenue recognition, subsequent accounting of goodwill and other intangible assets, accounting of share-based remuneration, assessment of legal risks, measurement of pension obligations, measurement of trade receivables, accounting of income tax and deferred tax.

### PRINCIPLES OF CONSOLIDATION

The separate financial statements of the entities included in the consolidated financial statements were prepared in accordance with uniform accounting policies pursuant to IFRS as of the balance sheet date for the consolidated financial statements (December 31, 2021). The initial consolidation method applied to business combinations was based on the respective date of foundation in the case of companies founded by Software AG.

Since the transition to IFRS on January 1, 2003, goodwill previously recognized in line with the Commercial Code has been measured in accordance with IAS 36.

Revenue, expenses and income and receivables and payables arising between consolidated entities have been eliminated. Intercompany earnings are eliminated where they have not arisen from services to third parties. Group equity and net income attributable to minority interests are reported separately from equity and net income attributable to the shareholders of the parent Company.

## MERGERS

All mergers are recognized according to the purchase method. For every transaction, Software AG decides whether it recognizes the non-controlling interest in the acquired company at fair value or based on the corresponding share of identifiable net assets.

## CURRENCY TRANSLATION

Financial statements of foreign subsidiaries are translated in accordance with the functional currency concept using the modified closing rate as set out in IAS 21. Since the subsidiaries operate independently from an organizational, financial, and business standpoint, the respective local currency is identical with the functional currency.

Income and expenses are translated at the relevant monthly average rate, assets and liabilities are translated at the closing rate, and the respective equity of the subsidiaries is translated at historical rates into euros.

Currency translation differences arising from equity consolidation are offset against equity and reported in a separate column in the Statement of Changes in Equity.

In the schedule of changes in property, plant and equipment, the balances at the beginning and the end of the fiscal year are translated at the applicable closing rates, and other items are translated at average rates. Any differences arising from exchange rate fluctuations are reported as currency translation differences as a

separate line item under cost or cost of sales and accumulated depreciation.

In the separate financial statements of the consolidated entities, foreign currency receivables and payables are translated at the closing rate. Exchange rate gains and losses not yet realized as of the balance sheet date are included in profit or loss for the period, except for translation differences arising from non-current, intercompany monetary items that are part of a net investment in a foreign company. These differences are recognized directly in equity under other reserves.

Software AG considers Venezuela and, since 2018, Argentina as hyperinflationary economies as defined by IAS 29. This had no material impact on the consolidated financial statements.

The exchange rates used for the translation of the most important currencies changed as follows compared to the previous year:

### Closing Rate

€1	Dec. 31, 2021	Dec. 31, 2020	Change as %
U.S. dollar	1.1326	1.2271	7.7
Brazilian real	6.3101	6.3735	1.0
Pound sterling	0.8403	0.8990	6.5
Australian dollar	1.5615	1.5896	1.8
Israeli shekel	3.5159	3.9447	10.9
South African rand	18.0625	18.0219	-0.2
Canadian dollar	1.4393	1.5633	7.9

### Average Rate

€1	Dec. 31, 2021	Dec. 31, 2020	Change as %
U.S. dollar	1.1835	1.1412	-3.7
Brazilian real	6.3812	5.8898	-8.3
Pound sterling	0.8600	0.8892	3.3
Australian dollar	1.5747	1.6554	4.9
Israeli shekel	3.8242	3.9237	2.5
South African rand	17.4800	18.7689	6.9
Canadian dollar	1.4835	1.5294	3.0

## TOTAL REVENUE

The following accounting policies for recognition of revenue (in accordance with IFRS 15) apply:

### CATEGORIES OF SALES REVENUE

Software AG sales revenues consist primarily of revenue from granting software licenses of temporary or indefinite duration, revenue from Software as a Service (SaaS) offerings, maintenance revenue and revenue from services. With respect to SaaS offerings, a customer is not entitled to terminate a hosting agreement or take the software into its own possession, either to operate in its own IT infrastructure or to engage an entity other than Software AG to provide software hosting or management services. These categories of sales revenue also reflect the impact of economic factors on type, amount, date and uncertainty of revenue and cash flows.

The shift from licenses of indefinite duration to time-limited software licenses (subscription resets) is possible, subject to certain conditions. These conditions include the irrevocable surrender of software licenses of indefinite duration, the acquisition of new software licenses and complete transparency of the software license agreement's price structure. Consequently, upon effectiveness of this agreement, the perpetual rights of use are terminated and the associated maintenance agreement ends; a contract granting time-limited rights of use together with the associated maintenance services (subscription) begins. The license and maintenance shares are separated in accordance with the approach described in Division of Transaction Price; and the license and maintenance revenues are recognized as described in Recognition of Sales Revenue.

### IDENTIFICATION OF THE CONTRACT

A contract is an agreement between two or more parties that establishes enforceable rights and obligations and determines that enforceability is a question of law. Software AG enters written agreements only. An agreement must be signed by both parties within a reporting period to be able to recognize revenue in that period. Revenue resulting from an agreement signed at a later point in time is recognized in the period in which the agreement was signed.

Revenue from an agreement which grants the customer the right to terminate with no resulting materially disadvantageous payments, is only recognized in the period that is not subject to the termination right.

With respect to business with resellers, a contract exists only if the existence of an agreement between the reseller and an end user (end-user agreement) can be verified and all other criteria for revenue recognition are met.

### IDENTIFICATION OF PERFORMANCE OBLIGATIONS

Software AG's contracts with customers often include various products and services. The products and services described in the last section, Categories of Sales Revenue, are usually to be treated as separate contractual performance obligations. The relevant portion of the contractual price is recognized separately. The determination as to whether a product or a service is treated as a separate contractual performance obligation nevertheless requires judgment to be exercised.

When customers purchase products or services, Software AG sometimes offers them options for buying additional products or services. Software AG exercises

its own judgment when determining whether such options give the customer a substantive right that it wouldn't have without signing this agreement. In making this determination, the Company considers whether the options entitle the customer to a discount that is greater than the discount provided with the relevant products or services sold with the option.

#### **DETERMINATION OF TRANSACTION PRICE**

Software AG also exercises judgment when determining the consideration that it expects to receive in exchange for the transfer of products or services to a customer. This includes estimations as to whether and to what extent the customer is entitled to subsequent concessions or payments and whether the customer will pay the contractually agreed consideration as expected. In this exercise of judgment, primarily previous experiences with a specific or a comparable customer are considered. These estimates are reviewed every balance sheet date. Software AG's contracts generally do not contain variable considerations. There may, however, be individual cases when retrospective adjustments are made to the transaction price, which must be recognized as revenue corrections on the date they were made.

Some agreements include significant financing elements. Software AG recognizes financing elements when the period of time between the transfer of purchased products or services to the customer and payment of these products or services by the customer is at least one year.

#### **DIVISION OF TRANSACTION PRICE**

The transaction price is generally divided between the individual contractual performance obligations based on the individual sales prices. Software licenses of indefinite duration are often sold in combination with maintenance and service contracts. In this case, when an agreement involves multiple elements, revenue recognition is based on the individually identifiable performance obligations of the transaction. Because it is impossible to calculate reliable individual sale prices for software licenses, revenue is divided between the different revenue types using the residual method. Under the residual method, all determinable individual sale prices are deducted from the total transaction value, and the residual amount is distributed among the software licenses using list prices.

Temporary software licenses are often sold in combination with maintenance services. The two performance obligations are usually inextricably linked (subscriptions). The Company exercises its own judgment in dividing up the transaction price. The transaction price for software licenses of indefinite duration is used as the basis for dividing the transaction price. The average term of these subscription agreements is estimated and is currently three years. If time-limited software licenses are sold in combination with services, the transaction price to be allocated to the time-limited software licenses is determined according to the residual method, i.e. the price of the individual services is deducted from the total transaction value.

#### **RECOGNITION OF SALES REVENUE**

Software AG accounts for revenue from SaaS based on time elapsed during the period in which the relevant services are rendered.

Software license revenues are recognized as of the date on which the customer is granted access to the software and the license period begins when access is granted. Software AG recognizes revenues for these on-premises licenses as of the date on which the customer receives access to and thus control over the software. When deciding whether software offerings grant customers the right to use Software AG's intellectual property and not the right to access its intellectual property, the usefulness of its software for customers—without subsequent updates—is considered.

Maintenance revenues are recognized proportionately over the term of the maintenance contract period.

Revenue resulting from services which are invoiced on the basis of hours performed is recognized in the period in which the services are rendered by the Software AG entities. Revenues and expenses from fixed-price service contracts are recognized in accordance with the percentage-of-completion (PoC) method if Software AG's service generates an asset that does not provide Software AG with any alternative options for use and Software AG is legally entitled to payment for services already rendered. Should Software AG's service from a fixed-price contract generate or improve an asset and should the customer have control over the asset, the PoC method is also used for revenue recognition. The stage of completion of a contract is calculated on the basis of the proportion of contract costs incurred for work performed as of the balance sheet date to the estimated total contract costs. Some of the costs for making this calculation are estimated using the number of consulting hours/consulting days charged.

Software AG's contracts generally do not contain withdrawal, reimbursement or other similar obligations.

#### **INCREMENTAL COSTS WHEN ACQUIRING NEW ORDERS**

The assets that Software AG capitalizes as costs associated with acquiring a new customer order consist primarily of sales commissions. The assets are amortized over the expected contract term using the straight-line method. Amortization periods range from 2.5 to 4.5 years. The amortization of capitalized costs for the acquisition of new orders is included in sales and marketing expenses.

Software AG recognizes incremental costs for acquiring new orders as expenses as of the date on which they are incurred when the amortization period is not assumed to be longer than one year.

#### **COST OF SALES**

The cost of sales includes all production-related full costs based on normal capacity utilization. In particular, the cost of sales includes the individual unit costs that can be directly allocated to orders as well as fixed and variable overheads.

#### **RESEARCH AND DEVELOPMENT EXPENSES**

Research and development expenses are recognized in the income statement as incurred.

New products are not technologically realizable until shortly prior to being ready for market launch. In the run-up to technological realizability, research and development processes are closely linked. Any research and development expenses incurred after technological realizability has been achieved are immaterial.

#### **SALES, MARKETING AND DISTRIBUTION EXPENSES**

Sales, marketing and distribution expenses include costs for personnel, materials, write-downs allocated to the sales cost center and marketing and advertising costs.

#### **GENERAL AND ADMINISTRATIVE EXPENSES**

General and administrative expenses include costs for personnel, materials and write-downs allocated to the administration cost center.

#### **GOVERNMENT GRANTS**

Government grants are not recognized until there is reasonable assurance that the conditions attaching to them will be complied with and that the grant will be received by Software AG. This is normally the case upon receipt of payment. Government grants are reported under other income.

If loans from the government are granted at an interest rate below the market rate, the interest-rate advantage is valued as the difference between the original carrying amount of loan, calculated in accordance with IFRS 9, and the payments received. The interest-rate advantage is reported under other income, as soon as all conditions for receiving government grants have been met.

## BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset are capitalized as part of the cost of the asset. Other borrowing costs are recognized as an expense for the period in which they were incurred. No borrowing costs were capitalized in fiscal 2021 or 2020.

## SHARE-BASED PAYMENT

In accordance with IFRS 2, share-based payment transactions are generally divided into cash-settled and equity-settled transactions. Both types of payment transactions are measured at their fair value as of the grant date. The value is then recognized over the vesting period as remuneration expenses. Rights granted under cash-settled share-based payment transactions are remeasured at fair value on each reporting date until settlement. There are currently no rights with the option of equity settlement.

If Software AG has a choice of settling either in cash or by providing equity instruments (shares), the right granted is accounted for as an equity-settled transaction, unless there is a present obligation to settle in cash.

## NON-DERIVATIVE FINANCIAL ASSETS

Software AG recognizes non-derivative financial assets as of the date it acquires the contractual right to receive cash or other financial assets from another entity. Standard purchases and sales are measured at fair value as of the value date.

Subsequent measurement is carried out based on the following categories of financial assets:

- a) Amortized cost (AC)
- b) Fair value through profit or loss (FVPL)
- c) Fair value through other comprehensive income (FVOCI)

Software AG classified its balance of equity securities at fair value through other comprehensive income. Software AG generally uses the option that allows it to classify each new equity security individually as fair value through comprehensive income or fair value through profit or loss.

## TRADE RECEIVABLES

Trade receivables are classified based on the business model (hold-to-collect versus hold-to-sell). Receivables which are not intended for sale and/or sale is not an option are measured at amortized cost. Receivables categorized as hold to collect and sell are recognized at fair value through other comprehensive income provided deviations from recognition at amortized cost are material. If the deviations are immaterial, receivables categorized as hold to collect and sell are also allocated to financial assets measured at amortized cost.

Software AG applies a simplified impairment model based on an impairment matrix. This impairment matrix is based primarily on historical data on credit losses and current data on receivables overdue.

Furthermore, outstanding receivables are monitored on an ongoing basis at local and central levels to determine if the relevant receivables show any objective indications of jeopardized creditworthiness. If, using this approach, Software AG arrives at the assumption that realization of a receivable is improbable, the receivables above the values in the impairment matrix are written down in part or in whole.

## DERIVATIVE FINANCIAL INSTRUMENTS

If the derivative financial instruments are financial assets or financial liabilities in accordance with IAS 32, they are recognized at fair value. Instruments for which hedge accounting is not applied are classified as fair value through profit or loss. Changes in the fair value of the instruments are recognized directly in profit or loss.

If the criteria for hedge accounting in accordance with IFRS 9 are met, the derivative financial instrument is designated as a hedging instrument and accounted for pursuant to the hedge accounting provisions of IFRS 9.

Accordingly, in the case of cash flow hedges, the effective portion of changes in the fair value of derivatives is recognized directly in equity. The ineffective portion is recognized directly in profit or loss. Cumulative amounts previously recognized in equity are reclassified to the income statement for the fiscal years in which the hedged item affects profit or loss.

The Company did not recognize any fair value hedges.

## DERECOGNITION OF FINANCIAL ASSETS

A financial asset (including trade receivables) is derecognized if any of the following criteria are met:

- The contractual rights to receive cash flows from the financial asset have expired.
- Software AG has transferred its contractual rights to receive cash flows from the financial asset to a third party or has assumed a contractual obligation to pay the cash flows immediately to a third party in connection with a “pass-through arrangement.” Here, essentially all opportunities and risks related to ownership of the financial asset or the power of control over the asset must be transferred.

If Software AG transfers its contractual rights to receiving cash flows from the asset or enters a pass-through arrangement, Software AG evaluates if and to what extent it retains the opportunities and risks related to ownership. As part of the transfer or sale of trade receivables, the assessment of the related opportunities and risks primarily focuses on the credit risk associated with the receivables. If Software AG does not transfer or retain essentially all opportunities and risks associated with ownership of this asset, and does not transfer the power of control over the asset, Software AG continues to recognize the transferred asset according to the scope of its continuing involvement. In this case, Software AG also recognizes an associated liability. The transferred asset and the associated liability are recognized in such a way that accounts for the rights and obligations retained by Software AG.

## NON-DERIVATIVE FINANCIAL LIABILITIES

In accordance with IFRS 9, Software AG classifies non-derivative financial liabilities at amortized cost or at fair value through profit or loss.

Subsequent measurement of financial liabilities classified as at amortized cost is carried out using the effective interest rate.

Financial liabilities are derecognized when the contractual obligation has been settled, canceled or has expired.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, bank balances and term deposits with maturities of up to three months as well as short-term, highly liquid securities classified as current assets that are readily convertible to known amounts of cash and are only subject to negligible risk of changes in value.

## INTANGIBLE ASSETS

Intangible assets for which a useful life can be established are measured at cost less any accumulated amortization and impairment losses. The amortization period and method of amortization for key intangible assets are as follows:

	Amortization period in years	Method of amortization
Acquired software	5 – 12.5	straight line
Acquired customer base	5 – 17	straight line

Intangible assets with an indefinite useful life are measured at cost less any accumulated impairment losses. Intangible assets with an indefinite useful life are tested for impairment at least once per year. Or, as soon as there is any indication that goodwill might be impaired, an impairment test is carried out.

## GOODWILL

Goodwill resulting from mergers is recognized at cost. Goodwill is not amortized. Instead, it is tested for impairment at least once per year (as of December 31) and written down to its recoverable amount in case of impairment. Or, as soon as there is any indication that goodwill might be impaired, an impairment test is carried out. Any impairment losses are reported directly in the income statement and cannot be recovered in the following period.

## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are carried at cost less any accumulated depreciation. When items of property, plant and equipment are sold or scrapped, the corresponding cost and any accumulated depreciation are derecognized, and any gains or losses from disposal are recognized in the consolidated income statement.

The cost of items of property, plant and equipment consists of the purchase price, including any import duties and non-refundable purchase taxes and any directly attributable costs required to prepare the asset for operation in its intended use. Any subsequent expenditure, such as service or maintenance charges arising once the asset has been put into operation, is recognized as an expense in the period in which it is incurred. Subsequent expenditures relating to an item of property, plant and equipment are only capitalized if the expenditure improves the condition of the asset beyond its originally assessed standard of performance.

Items of property, plant and equipment are generally depreciated using the straight-line method in accordance with their useful economic lives.

	in years
Buildings	25 – 50
Improvements to buildings/leasehold	5 – 15
Operating and office equipment	3 – 13
Computer hardware and accessories	1 – 7

Right-of-use assets are written down either over the term of useful economic life or the term of the lease—whichever is shorter. The terms of useful economic life and methods of depreciation are reviewed on a regular basis to ensure that they are in accordance with the expected pattern of economic benefits of the asset in question.

Assets under construction are recognized at cost. Depreciation on these items begins only after they have been put into operation.

## IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

As soon as there is any indication that an intangible asset with an indefinite useful life or an item of property, plant and equipment might be impaired, an impairment test is carried out and, if an impairment loss is ascertained, the carrying amount of the asset is written down to its lower recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. The value in use is the present value of estimated future cash flows expected to arise from the continued use of the asset and from its disposal at the end of its useful life. Impairment losses are reversed provided the reasons for a previously scheduled impairment no longer exist. Impairment losses are reported under costs of the relevant functional area or under other expenses.

## INVESTMENT PROPERTY

Property is recognized under investment property when it is for the purpose of generating rent income and/or value appreciation. Like property, plant and equipment, investment property is measured in accordance with the cost model: at cost or cost of sales, less depreciation and, if relevant, the necessary impairments. The owned investment property is generally depreciated—like other property, plant and equipment—on a straight-line basis over 25 to 50 years.

## LEASES

Leases are agreements whereby the lessor transfers the right to use an identified asset to the lessee for a defined period of time and in exchange for payment of a fee.

As of January 1, 2019, Software AG as lessee began recognizing right-of-use assets for leased objects and liabilities for the assumed payment obligations in the amount of the present value of future lease payments. As of the beginning of use, Software AG recognizes all leases as right-of-use assets and lease liabilities in the balance sheet in the amount of the present value of the future lease payments.

Lease payments are all fixed payments less future incentive payments by the lessor.

The following additional types of payments are recognized:

- Variable payments that are coupled to a rate or index
- Expected payments from residual value guarantees
- Payments to exercise, secure, buy or terminate options
- Contractual penalty payments for termination of a lease if the assumed lease term provides for the exercise of a termination option

The series of payments is discounted at an incremental borrowing rate appropriate to the lease, since the implicit interest rate of the lease is not usually known. All other variable payments are recognized as expenses.

When determining lease length, consideration is given to any facts and circumstances that offer an economic incentive to exercising existing options. The assumed term thus includes periods covered by extension options if sufficient certainty exists that the option will be exercised. A change to the term is considered if the sufficient certainty of exercise or non-exercise of an existing option changes.

## DEFERRED TAXES

Deferred tax assets and liabilities are recognized for temporary differences between the carrying amounts in the tax accounts (tax base) and the carrying amounts in the Consolidated Balance Sheet. Deferred tax assets also include claims for tax reductions resulting from the anticipated use of tax loss carryforwards in subsequent years, the realization of which is deemed probable.

Deferred taxes are calculated on the basis of tax rates anticipated to apply in the relevant countries in accordance with the legal situation prevailing at the time of realization (reversal of tax deferrals).

Deferred tax assets and liabilities are not discounted. The carrying amounts of the recognized assets and liabilities are regularly examined and adjusted if necessary.

## OTHER PROVISIONS

Other provisions are reported when the Company has a current legal or constructive obligation towards a third party due to a past event that is likely to result in a future outflow of resources and for which the amount of the obligation can be reliably estimated. Estimates are regularly reviewed and adjusted.

If the effect of discounting is significant, the provision is recognized in the amount of the present value of the expected future cash flows.

## PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

The present value of pension obligations for defined benefit plans and the associated expenses are determined using actuarial principles in accordance with the projected unit credit method set out in IAS 19 (revised in 2011, IAS 19R). This approach takes into account anticipated future increases in pensions and salaries in addition to the pensions known as of the balance sheet date.

The pension provisions are reported at the full present value of the defined obligation, less the fair value of the reinsurance cover taken out for life insurance policies—provided they are pledged and thus protected from access by other creditors—or less the fair value of the plan assets accumulated to cover pension entitlements. The result of the recalculated net obligation is recognized as other comprehensive income in the Statement of Comprehensive Income. It is comprised of actuarial gains and losses, the return on plan assets and changes in the effects of the asset cap less amounts previously recognized as net interest.

Payments for defined contribution pension plans are recognized as expenses in profit or loss for the period provided the employee has met the stated performance target.

## CONTRACT LIABILITIES

Contact liabilities consist of advance payments received from customers for maintenance and Software as a Service (SaaS) services to be rendered in future periods. The reversal in profit or loss takes place in the period in which the service is rendered.

## TREASURY SHARES

The amount paid for treasury shares, including directly attributable costs, is deducted from shareholders' equity. Treasury shares are reported as a separate item in the equity statement.

## NEW ACCOUNTING RULES TO BE APPLIED STARTING IN THE FISCAL YEAR

Software AG applied the amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Interest Rate Benchmark Reform – Phase 2) for the first time as of January 1, 2021. Software AG applied the Phase 2 amendments retroactively. However, in accordance with the exceptions permitted by the Phase 2 amendments, the Group opted not to adjust the comparable figures in earlier periods so as to reflect the application of these amendments. Because Software AG had no transactions whereby the benchmark interest rate was replaced by an alternative benchmark rate as of December 31, 2020, the retroactive application did not affect the opening balances in equity. There were also a number of other new standards to be applied for the first time as of January 1, 2021. However, no amendment to a standard to be applied for the first time led to a material impact on Software AG's consolidated financial statements.

## PUBLISHED BUT NOT YET APPLICABLE ACCOUNTING RULES

The IASB has published various standards, interpretations and amendments to standards that are not yet required to be applied and with regard to which Software AG has not opted for early application to the consolidated financial statements for the year ended December 31, 2021. However, Software AG does not expect these future changes to have a significant impact on its consolidated financial statements.

### [3] SCOPE OF CONSOLIDATION AND INVESTMENTS

#### DEVELOPMENTS WITHIN THE SCOPE OF CONSOLIDATION

The scope of consolidation changed in fiscal years 2021 and 2020 as follows:

	Germany	Foreign	Total
<b>Dec. 31, 2019</b>	<b>10</b>	<b>67</b>	<b>77</b>
Additions	0	0	0
Disposals (including mergers)	0	-2	-2
<b>Dec. 31, 2020</b>	<b>10</b>	<b>65</b>	<b>75</b>
Additions	0	0	0
Disposals (including mergers)	-1	-1	-2
<b>Dec. 31, 2021</b>	<b>9</b>	<b>64</b>	<b>73</b>

The disposals in the fiscal year resulted from the merger of two companies in Germany and the Netherlands. The change to the scope of consolidation had no significant effect on comparability to last year.

The consolidated financial statements include Software AG and all of the entities it controls. Control exists when Software AG can exercise power of control over the entity, is impacted by fluctuating returns on its

share in the entity and can influence the amount of the returns.

The following affiliated entities were part of the Group of Software AG (parent Company) as of December 31, 2021:

a) Domestic entities	Ownership interest %	Equity <sup>1</sup> Dec. 31, 2021 in € thousands	Earnings <sup>1</sup> 2021 in € thousands
SAG Deutschland GmbH, Darmstadt, Germany and its foreign subsidiary	100	67,957	26,250 <sup>2</sup>
• Alfabet Saudi Arabia LLC, Riyadh, Saudi Arabia	95	323	1,300
in which Software AG (Gulf) W.L.L. also has a direct stake	5		
SAG Consulting Services GmbH, Darmstadt, Germany	100	613	94 <sup>2</sup>
SAG LVG mbh, Darmstadt, Germany	100	959	0 <sup>2</sup>
FACT Unternehmensberatung GmbH, Darmstadt, Germany and its subsidiary	100	1,715	480
• FACT Informationssysteme und Consulting AG, Neuss, Germany	55	1,810	1,071
itCampus Software- und Systemhaus GmbH, Leipzig, Germany	100	827	398
SAG Cloud GmbH, Darmstadt, Germany and its subsidiaries	100	502	114
• Software AG Cloud Americas Inc., Wilmington (New Castle)/USA	100	410	86
• Software AG CLOUD APJ PTY LTD, North Sydney, Australia	100	13	0
Cumulocity GmbH, Düsseldorf, Germany	100	9,848	-1,311 <sup>2</sup>

<sup>1</sup> The figures specified are based on unconsolidated IFRS figures. Equity is translated into euros at the closing rate and earnings at the average exchange rate for the year.

<sup>2</sup> A profit transfer agreement exists for these companies; the earnings shown related to IFRS earnings after profit transfer.

	Ownership interest %	Equity' Dec. 31, 2021 in € thousands	Earnings' 2021 in € thousands
<b>b) Foreign entities</b>			
Software A.G. Argentina S.R.L., Buenos Aires, Argentina	95		
in which SAG Deutschland GmbH also has a direct stake	5	7,068	2,025
Software AG Sydney PTY LTD, North Sydney, Australia	100 inactive	0	0
Software AG (Gulf) W.L.L., Manama, Bahrain and its subsidiary	100	4,267	-2,083
• Software AG International FZ-LLC, Dubai, United Arab Emirates	100	4,627	380
TrendMiner NV, Hasselt, Belgium and its subsidiaries	100	-7,537	-5,906
• TrendMiner B.V., BL Breda, Netherlands (merged with Software AG Nederland B.V. on January 1, 2021)	100	0	0
• TrendMiner GmbH, Cologne, Germany (merged with SAG Deutschland GmbH on January 1, 2021)	100	0	0
• TrendMiner Inc., Houston, Texas/USA	100 inactive	0	2,193
IDS Scheer Sistemas de Processamento de Dados, São Paulo, Brazil (in liquidation)	100	34	-2
Software AG Development Center Bulgaria EOOD, Sofia, Bulgaria	100	2,089	400
Software AG China Ltd., Shanghai, China	100	-7,713	-841
Software AG (Hong Kong) Limited, Hong Kong, China	100	-3,997	-536
Software AG Denmark A/S, Hvidovre, Denmark and its subsidiary	100	6,495	-23
• Software AG Nordic A/S, Oslo, Norway	100 inactive	17	-2
Software AG Finland Oy, Helsinki, Finland	100	1,792	66
Software AG France S.A.S, Paris La Défense Cedex, France	100	27,823	2,165
Software AG (UK) Limited, Derby, U.K. and its subsidiaries	100	52,410	11,029
• Software AG Belgium S.A., Watermael-Boitsfort/Belgium	76		
in which Software AG also has a direct stake	24	7,512	585
• PCB Systems Limited, Derby, U.K.	100 inactive	0	0
• SAG SALES CENTRE IRELAND LIMITED, Dublin, Ireland	100	475	32
SGML Technologies Limited, Derby, U.K.	100 inactive	2,094	0
Software AG (India) Sales Private Ltd, Bangalore, Karnataka, India	100	4,073	351
Software AG (India) Private Limited, Bangalore, India	100	14	0
PT SoftwareAG Indonesia Operations, Jakarta, Indonesia	99		
in which Software AG also has a direct stake	1	2,693	917
S.P.L. Software Ltd, OR-Yehuda/Israel and its subsidiary	100	59,160	10,413
• Software A.G. (Israel) Ltd, OR-Yehuda, Israel	100	27,575	1,879
Software AG Italia S.p.A, Milan, Italy	100	716	-1,130
SAG Software AG Luxembourg S.A., Luxembourg, Luxembourg	100	1,025	338
Software AG Nederland B.V., Den Haag, Netherlands	100	14,588	822
Software GmbH Österreich, Vienna, Austria	100	11,659	2,130
Software AG (Philippines), Inc., Makati City, Philippines	100	939	139

<sup>1</sup> The figures specified are based on unconsolidated IFRS figures. Equity is translated into euros at the closing rate and earnings at the average exchange rate for the year.



	Ownership interest %	Equity <sup>1</sup> Dec. 31, 2021 in € thousands	Earnings <sup>1</sup> 2021 in € thousands
<b>b) Foreign entities</b>			
Software AG Polska Sp. z o.o., Warsaw, Poland	100	4,530	1,340
Limited Liability Company Software AG (RUS), Moscow, Russia	100	1,994	206
Software AG Sweden AB, Kista, Sweden	100	1,562	642
SAG Software Systems AG, Zurich, Switzerland	100	4,962	1,023
Software AG (Singapore) Pte LTD, Singapore	100	8,302	-560
Software AG Development Centre Slovakia s.r.o., Košice, Slovakia	100	582	104
Software AG España, S.A. Unipersonal, Tres Cantos, Madrid, Spain and its subsidiaries	100	69,677	5,492
• Software AG Brasil Informática e Serviços Ltda, São Paulo, SP, Brazil	100	9,771	59
• Software AG Factoria S.A., Santiago de Chile, Chile	100	-2	-1
• Software AG De Panamá, S.A., Corregimiento de Pueblo nuevo, Panama and its subsidiary	100	-774	0
• Software AG de Costa Rica, S.A., San José, Costa Rica (in liquidation)	100	0	0
• Software AG (Portugal) Alta Tecnologia Informática, Ltd., Lisbon, Portugal	97	1,902	296
in which Software AG also has a direct stake	3		
• Software AG De Puerto Rico, Inc., San Juan, Puerto Rico	100	1,247	135
• A. Zancani & Asociados, C.A., Chacao Caracas, Venezuela	100 inactive	0	0
• Software AG Venezuela, C.A., Caracas, Venezuela	100	1	0
Software AG South Africa (Pty) Ltd, Magaliessig Sandton, South Africa	100	14,240	4,278
Software AG Bilgi Sistemleri Ticaret A.S., Istanbul, Turkey	100	247	-400
Software AG, Inc., Reston, VA, USA and subsidiaries	100	703,331	75,083
• Software AG (Canada) Inc., Kitchener, Ontario, Canada	100	20,703	6,007
• Software AG, S.A. de C.V. (Mexico), Distrito Federal, Mexico	100	2,298	-397
• Operadora JackBe, S. de R.L. de C.V., Mexico City, Mexico	100	461	9
• Software AG USA, Inc., Reston, VA, USA and its subsidiaries	100	397,558	8,361
• Software AG Australia (Holdings) Pty. Ltd., North Sydney, Australia and its subsidiary	100	-20,293	-1,485
• Software AG Australia Pty. Ltd., North Sydney, Australia	100	64,713	4,868
• Software AG Bangalore Technologies Private Ltd., Devarabisanahalli Bangalore, India	100	20,096	5,292
• Software AG Chennai Development Center India Pvt. Ltd, Chennai, India	100	3,029	456
• Terracotta Software India Pvt. Ltd., Bangalore, Karnataka, India	100 inactive	128	3
• Software AG Kochi Pvt. Ltd., Bangalore, Karnataka, India	98	279	7
in which Software AG, Inc. also has a direct stake	2		
• Software AG Ltd. Japan, Minato-ku, Tokyo, Japan	100	2,269	-653
• Software AG Operations Malaysia Sdn Bhd., Selango, Malaysia	100	2,502	441
• Software AG Korea, Ltd., Seoul, South Korea	100	1,480	130
• Software AG Distribution LLC, Reston, VA, USA	100	4,701	43,921
• Software AG Government Solutions, Inc., Herndon, VA, USA	100	35,830	597

<sup>1</sup> The figures specified are based on unconsolidated IFRS figures. Equity is translated into euros at the closing rate and earnings at the average exchange rate for the year.

## [4] SEGMENT REPORTING

### NOTES ON SEGMENT REPORTING

Segmentation is in accordance with the internal control of the Group. Internal control focuses primarily on product revenue at constant currency for the two product segments. Margins and earnings are controlled largely at Group level. Of considerably less importance are the segments' contributions and earnings at secondary level of control. Software AG reports on the following three segments:

- Digital Business  
(integration, business process management and big data with the Alfabet, ARIS, Cumulocity IoT, TrendMiner and webMethods product families)
- Adabas & Natural  
(A&N: data management with the Adabas & Natural and CONNX product families)
- Professional Services  
(implementation of solutions in cooperation with customers and partners)

The segment contribution does not include the amortization expense associated with the purchase of intangible assets through acquisitions. These charges are therefore shown separately under reconciliation. This presentation corresponds with internal control and reporting lines (management approach). The majority of sales and marketing expenses are classified based on revenue percentage. A focus on absolute earnings contributions therefore only makes sense in certain scenarios given the interdependency between the two product segments. Research and development expenses are assigned to the segments based on expense components directly attributable to the R&D department as well as the overhead coded to R&D. They have no direct impact on internal control.

The table below shows the segment data for the 2021 and 2020 fiscal years:

**Segment report for fiscal years 2021 and 2020**

in € thousands	Digital Business			Adabas & Natural (A&N)		
	2021 IFRS	2021 acc <sup>1</sup>	2020 IFRS	2021 IFRS	2021 acc <sup>1</sup>	2020 IFRS
Subscription licenses	132,709	131,692	91,990	49,869	50,901	26,873
Subscription maintenance	52,168	52,462	28,033	11,243	11,381	4,287
Perpetual maintenance	209,871	212,930	253,339	126,081	128,027	136,893
SaaS	44,136	44,293	31,300	2	2	0
<b>Annual recurring revenue</b>	<b>438,884</b>	<b>441,377</b>	<b>404,663</b>	<b>187,195</b>	<b>190,311</b>	<b>168,052</b>
Perpetual licenses	30,642	30,813	43,819	27,284	27,695	54,535
<b>Product revenue</b>	<b>469,526</b>	<b>472,190</b>	<b>448,482</b>	<b>214,479</b>	<b>218,006</b>	<b>222,587</b>
Services	0	0	0	0	0	0
Other	0	0	1	0	0	215
<b>Total revenue</b>	<b>469,526</b>	<b>472,190</b>	<b>448,483</b>	<b>214,479</b>	<b>218,006</b>	<b>222,802</b>
Cost of sales	-62,500	-62,790	-50,481	-7,732	-7,859	-8,279
<b>Gross profit</b>	<b>407,026</b>	<b>409,400</b>	<b>398,002</b>	<b>206,747</b>	<b>210,147</b>	<b>214,523</b>
Sales, marketing and distribution expenses	-231,129	-232,730	-215,980	-29,767	-30,171	-35,014
<b>Segment contribution</b>	<b>175,897</b>	<b>176,670</b>	<b>182,022</b>	<b>176,980</b>	<b>179,976</b>	<b>179,509</b>
Research and development expenses	-120,100	-116,231	-113,071	-31,080	-30,712	-30,855
<b>Segment earnings</b>	<b>55,797</b>	<b>60,439</b>	<b>68,951</b>	<b>145,900</b>	<b>149,264</b>	<b>148,654</b>
General and administrative expenses						
Other income						
Other expenses						
Other taxes						
<b>Operating income</b>						
Financing income						
Financing expenses						
<b>Net financial income/expenses</b>						
<b>Earnings before income taxes</b>						
Income taxes						
<b>Net income</b>						

<sup>1</sup> 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.

	Professional Services			Reconciliation		Total		
	2021 IFRS	2021 acc <sup>1</sup>	2020 IFRS	2021 IFRS	2020 IFRS	2021 IFRS	2021 acc <sup>1</sup>	2020 IFRS
	0	0	0	0	0	182,578	182,593	118,863
	0	0	0	0	0	63,411	63,843	32,320
	0	0	0	0	0	335,952	340,957	390,232
	0	0	0	0	0	44,138	44,295	31,300
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>626,079</b>	<b>631,688</b>	<b>572,715</b>
	0	0	0	0	0	57,926	58,508	98,354
	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>684,005</b>	<b>690,196</b>	<b>671,069</b>
	149,834	150,247	163,561	0	0	149,834	150,247	163,561
	3	3	0	0	0	3	3	216
	<b>149,837</b>	<b>150,250</b>	<b>163,561</b>	<b>0</b>	<b>0</b>	<b>833,842</b>	<b>840,446</b>	<b>834,846</b>
	-108,612	-108,685	-130,506	-9,983	-7,955	-188,827		-197,221
	<b>41,225</b>	<b>41,565</b>	<b>33,055</b>	<b>-9,983</b>	<b>-7,955</b>	<b>645,015</b>		<b>637,625</b>
	-13,446	-13,495	-15,373	-5,866	-6,233	-280,208		-272,600
	<b>27,779</b>	<b>28,070</b>	<b>17,682</b>	<b>-15,849</b>	<b>-14,188</b>	<b>364,807</b>		<b>365,025</b>
	0	0	0	0	0	-151,180		-143,926
	<b>27,779</b>	<b>28,070</b>	<b>17,682</b>	<b>-15,849</b>	<b>-14,188</b>	<b>213,627</b>		<b>221,099</b>
						-82,807		-76,794
						16,477		30,805
						-25,224		-38,732
						-5,297		-5,932
						<b>116,776</b>		<b>130,446</b>
						7,181		8,401
						-6,164		-5,263
						<b>1,017</b>		<b>3,138</b>
						<b>117,793</b>		<b>133,584</b>
						-33,449		-37,479
						<b>84,344</b>		<b>96,105</b>

## INFORMATION ON GEOGRAPHIC REGIONS

Revenue is distributed across geographic regions as follows (based on headquarters of the respective Group entity):

### Geographic distribution of revenues

2021				
in € thousands	Germany	USA	Other countries	Software AG Group
Licenses	45,622	76,640	118,242	240,504
Maintenance	54,989	138,956	205,418	399,363
SaaS	8,627	12,817	22,694	44,138
Services	29,744	30,803	89,287	149,834
Other	0	3	0	3
<b>Total</b>	<b>138,982</b>	<b>259,219</b>	<b>435,641</b>	<b>833,842</b>

2020				
in € thousands	Germany	USA	Other countries	Software AG Group
Licenses	36,214	69,028	111,975	217,217
Maintenance	61,330	146,116	215,106	422,552
SaaS	6,486	9,746	15,068	31,300
Services	32,618	28,302	102,641	163,561
Other	215	0	1	216
<b>Total</b>	<b>136,863</b>	<b>253,192</b>	<b>444,791</b>	<b>834,846</b>

Countries included in “other countries” are presented separately once the revenue generated in the country in question reaches a significant level. Revenue generated in the USA was reported separately as it was greater than 10 percent of Group revenue. These revenues are generated in U.S. dollars, so when comparing consecutive periods, exchange rate fluctuations should be considered.

in € thousands	2021	2020
USA	563,722	540,436
Germany	416,002	424,384
Other countries	176,996	171,098
<b>Software AG Group</b>	<b>1,156,720</b>	<b>1,135,918</b>

## NON-CURRENT ASSETS

Non-current assets include intangible assets, property, plant and equipment, as well as financial investment property.

# NOTES TO THE CONSOLIDATED INCOME STATEMENT

## [5] TOTAL REVENUE

Revenue by segment and region is presented in the segment report in [Note \[4\]](#). All revenue presented resulted solely from customer contracts. Revenue in fiscal 2021 included €120,859 thousand (2020: €139,581 thousand) that was recognized as contract liabilities at the beginning of the period. The transaction price allocated to the remaining performance obligations as of December 31, 2021 was €617,957 thousand (2020: €559,919 thousand).

Software AG anticipates recognition of the corresponding revenue over the following periods of time:

in € thousands	2022	2023	2024– 2027
Anticipated revenue to be recognized	337,356	166,678	113,923

## [6] COST OF SALES

The cost of sales in fiscal years 2021 and 2020 was as follows:

in € thousands	2021	2020
Personnel expenses	131,837	146,115
Other costs of sales	47,007	43,151
Amortization of intangible assets	9,983	7,955
	<b>188,827</b>	<b>197,221</b>

## [7] SALES, MARKETING AND DISTRIBUTION EXPENSES

Sales, marketing and distribution expenses in fiscal years 2021 and 2020 were as follows:

in € thousands	2021	2020
Personnel expenses	223,089	220,821
Other sales and distribution expenses	24,348	24,313
Other marketing expenses	26,905	21,233
Amortization of intangible assets	5,866	6,233
	<b>280,208</b>	<b>272,600</b>

## [8] GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses in fiscal years 2021 and 2020 were as follows:

in € thousands	2021	2020
Personnel expenses	78,356	73,630
Other general and administrative expenses	4,451	3,164
	<b>82,807</b>	<b>76,794</b>

## [9] OTHER INCOME

Other income includes the following items:

in € thousands	2021	2020
Foreign exchange gains	13,918	28,016
Government grants in the form of low-interest-rate loans	1,809	1,187
Miscellaneous other income	750	1,602
	<b>16,477</b>	<b>30,805</b>

## [10] OTHER EXPENSES

Other expenses consist of the following items:

in € thousands	2021	2020
Foreign exchange losses	13,523	31,826
Expenses related to inclusion of a strategic investor	5,832	0
Expenses arising from malware incident	4,418	6,239
Miscellaneous other expenses	1,451	667
	<b>25,224</b>	<b>38,732</b>

## [11] NET FINANCIAL INCOME/EXPENSES

Financial income includes interest on financial assets in the amount of €5,726 thousand (2020: €7,185 thousand). Financial expenses include interest expenses for financial liabilities in the amount of €4,319 thousand (2020: €3,136 thousand).

## [12] INCOME TAXES

Software AG's income taxes can be broken down by origin as follows:

in € thousands	2021	2020
Current domestic taxes	-2,850	-3,795
Current foreign taxes	-36,286	-37,266
	<b>-39,136</b>	<b>-41,061</b>
Deferred domestic taxes	8,195	3,083
Deferred foreign taxes	-2,508	500
	<b>5,687</b>	<b>3,582</b>
	<b>-33,449</b>	<b>-37,479</b>

In Germany, a uniform corporate income tax of 15 percent applies. Based on the average municipal trade tax collection rate and a solidarity surcharge of 5.5 percent on corporate tax, the income tax rate for German entities will be 31.83 percent (2020: 31.84 percent) in 2021. Tax rates abroad range between 10 and 37.5 percent (2020: between 10 and 37.5 percent).

Income from deferred taxes totaled € 5,687 thousand and consisted of €2,828 thousand (2020 €8,600 thousand) in tax expenses relating to temporary differences that arose.

The income tax expense of €33,449 thousand for fiscal year 2021 (2020: €37,479 thousand) was €4,045 thousand lower than the expected income tax expense of €37,494 thousand (2020: €42,533 thousand) that resulted from applying the domestic tax rate of 31.83 percent (2020: 31.84 percent) currently applicable at Group level. The Group's effective income tax rate is 28.40 percent (2020: 28.06 percent).

The difference between the expected and current tax expense can be attributed to the following:

in € thousands	2021	2020
<b>Earnings before income taxes</b>	<b>117,793</b>	<b>133,584</b>
Expected income tax (31.83 percent; 2020: 31.84 percent)	-37,494	-42,533
Difference vs. foreign tax rates and changes in tax rates	9,756	10,685
Aperiodic income tax effects	1,733	4,531
Tax increases due to tax-exempt income or nondeductible expenses	1,471	-456
Adjustment of tax loss carryforwards and changes in valuation adjustments to deferred tax assets	-5,936	-5,203
Nondeductible or applicable foreign and withholding taxes	-2,982	-4,511
Other adjustments	3	8
<b>Reported income tax expense</b>	<b>-33,449</b>	<b>-37,479</b>

Aperiodic tax effects amounted to €1,733 thousand (2020: €4,531 thousand) and included aperiodic deferred income tax expenses of €860 thousand (2020: €1,431 thousand).

The changed income tax rates led to a total positive effect of €1,776 thousand (2020: €802 thousand) in fiscal 2021, primarily in the United Kingdom.

The expense from deferred taxes fell by €608 thousand (2020: €477 thousand) and the current tax expense by €461 thousand (2020: €10 thousand) as a result of the reversal of loss carryforwards in 2021.

**[13] OTHER TAXES**

Other taxes decreased by €635 thousand to €5,297 thousand (2020: €5,932 thousand) and included royalty-related indirect taxes in Brazil, property taxes, vehicle taxes and other indirect taxes.

**[14] PERSONNEL EXPENSES**

Personnel expenses in fiscal years 2021 and 2020 were as follows:

in € thousands	2021	2020
Wages and salaries	447,917	445,734
Social benefits	59,951	60,600
Pension expenses	13,337	12,523
	<b>521,205</b>	<b>518,857</b>

In fiscal 2021, the average number of employees (part-time employees are taken into account on a pro rata basis only) by area of activity was as follows:

in € thousands	2021	2020
Maintenance and Services	1,499	1,604
R&D	1,475	1,467
Sales and Marketing	1,043	1,005
Administration	701	671
	<b>4,718</b>	<b>4,747</b>

In absolute terms (part-time employees are counted in full), the Group employed 5,001 (2020: 4,867) people as of December 31, 2021.

**[15] EARNINGS PER SHARE**

Earnings per share are calculated by dividing net income attributable to Software AG's shareholders for the period by the weighted average number of shares issued during the period under review. Software AG has only issued common shares. In fiscal year 2021, the average weighted number of shares was 73,979,889 (2020: 73,979,889).

A total of 0 (2020: 0) stock options were exercised in 2021. In order to service stock options, 0 (2020: 0) treasury shares were used. Accordingly, the number of shares outstanding did not increase (2020: 0). No treasury shares were repurchased (2020: 0) and no treasury shares were redeemed (2020: 0) in fiscal 2021. The number of treasury shares therefore did not change year-on-year and remained at 20,111 (2020: 20,111). The treasury shares are not expected see a dilution effect, since they can be sold at market prices

in € thousands	Dec. 31, 2021	Dec. 31, 2020
Net income	84,344	96,105
Less earnings attributable to non-controlling interests	-482	-399
Net income attributable to shareholders of Software AG	83,862	95,706
Weighted average number of shares outstanding	73,979,889	73,979,889
Weighted average number of shares outstanding (diluted)	73,979,889	73,979,889
Earnings per share in € (basic)	1.13	1.29
Earnings per share in € (diluted)	1.13	1.29

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## [16] OTHER FINANCIAL ASSETS

Other financial assets as of December 31 were as follows:

in € thousands	Dec. 31, 2021			Dec. 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Debt securities	17,645	0	17,645	0	0	0
Equity securities	0	4,724	4,724	0	4,293	4,293
Investment funds	2,477	1,092	3,569	2,407	1,120	3,527
Loans and other financial receivables	3,308	11,328	14,636	4,218	9,178	13,396
Derivatives	661	3,972	4,633	743	3,151	3,894
<b>Total</b>	<b>24,092</b>	<b>21,115</b>	<b>45,208</b>	<b>7,368</b>	<b>17,742</b>	<b>25,110</b>

For more information on the valuation of financial assets, please refer to [Note \[32\]](#).

## [17] TRADE RECEIVABLES, CONTRACT ASSETS AND OTHER RECEIVABLES

Trade receivables, contract assets and other receivables as of December 31 were as follows:

in € thousands	Dec. 31, 2021			Dec. 31, 2020		
	Current	Non-current	Total	Current	Non-current	Total
Trade receivables	132,205	7,842	140,047	139,331	10,491	149,822
Not yet settled or invoiced services (contract assets)	65,818	120,241	186,059	72,029	84,313	156,342
Other receivables	443	649	1,092	430	696	1,126
<b>Total</b>	<b>198,466</b>	<b>128,732</b>	<b>327,198</b>	<b>211,790</b>	<b>95,500</b>	<b>307,290</b>
of which pertaining to the hold-to-collect business model			225,386			232,975
of which pertaining to the hold-to-collect-and-sell business model			101,812			74,315

Contract assets represent payments due from customers for underlying services that have been rendered by Software AG but, due to contractual provisions, will be invoiced later. They are reclassified to trade receivables when the invoice is issued.

Gross receivables and impairments for expected credit losses were as follows:

in € thousands	Dec. 31, 2021	Dec. 31, 2020
Trade receivables, contract assets before impairments	327,736	308,301
Impairments for expected credit losses	1,630	2,137
<b>Carrying amount</b>	<b>326,106</b>	<b>306,164</b>

Total amortization of trade receivables and contract assets was less than €500 thousand in fiscal 2021.

The following trade receivables were not yet due or past due as of the reporting date:

in € thousands	Dec. 31, 2021	Dec. 31, 2020
Carrying amount	140,047	149,822
of which neither impaired nor past due as of the balance sheet date	117,791	111,573
of which past due in the following time periods as of the balance sheet date		
1 to 3 months	16,466	33,323
4 to 6 months	3,680	3,473
7 to 12 months	2,110	1,453
> 12 months	0	0

## [18] OTHER NON-FINANCIAL ASSETS

Other non-financial assets can be broken down as follows:

in € thousands	Dec. 31, 2021	Dec. 31, 2020
Capitalized advance payments in connection with support, license and rental contracts	19,787	18,923
Capitalized costs from acquisition of new customer orders (sales commission)	16,995	12,668
Capitalized advance payment in connection with the issue of convertible bonds	6,800	0
Receivables from finance authorities	2,134	2,150
Other	2,884	2,087
	<b>48,600</b>	<b>35,828</b>

## [19] INCOME TAX RECEIVABLES

Tax receivables in the amount of €41,254 thousand (2020: €41,321 thousand) consist primarily of receivables due to excessive advance payments made in relation to income taxes.

## [20] INTANGIBLE ASSETS AND GOODWILL

### Changes in intangible assets and goodwill as of December 31, 2021

in € thousands	Goodwill	Intangible assets	Total
<b>Cost</b>			
<b>Balance as of Jan. 1, 2021</b>	<b>949,270</b>	<b>507,859</b>	<b>1,457,129</b>
Currency translation differences	38,766	26,543	65,309
Additions	0	2,286	2,286
Disposals	0	-68	-68
<b>Balance as of Dec. 31, 2021</b>	<b>988,036</b>	<b>536,620</b>	<b>1,524,656</b>
<b>Accumulated amortization</b>			
<b>Balance as of Jan. 1, 2021</b>	<b>-1,900</b>	<b>-408,577</b>	<b>-410,477</b>
Currency translation differences	0	-23,148	-23,148
Additions	0	-17,495	-17,495
Disposals	0	66	66
<b>Balance as of Dec. 31, 2021</b>	<b>-1,900</b>	<b>-449,154</b>	<b>-451,054</b>
Residual carrying amount as of Jan. 1, 2021	947,370	99,282	1,046,652
Residual carrying amount as of Dec. 31, 2021	986,136	87,466	1,073,602

### Changes in intangible assets and goodwill as of December 31, 2020

in € thousands	Goodwill	Intangible assets	Total
<b>Cost</b>			
<b>Balance as of Jan. 1, 2020</b>	<b>981,988</b>	<b>531,893</b>	<b>1,513,881</b>
Currency translation differences	-32,718	-25,661	-58,379
Additions	0	2,602	2,602
Disposals	0	-975	-975
<b>Balance as of Dec. 31, 2020</b>	<b>949,270</b>	<b>507,859</b>	<b>1,457,129</b>
<b>Accumulated amortization</b>			
<b>Balance as of Jan. 1, 2020</b>	<b>-1,900</b>	<b>-415,292</b>	<b>-417,192</b>
Currency translation differences	0	21,971	21,971
Additions	0	-15,849	-15,849
Disposals	0	593	593
<b>Balance as of Dec. 31, 2020</b>	<b>-1,900</b>	<b>-408,577</b>	<b>-410,477</b>
Residual carrying amount as of Jan. 1, 2020	980,088	116,601	1,096,689
Residual carrying amount as of Dec. 31, 2020	947,370	99,282	1,046,652

Intangible assets mainly include software, customer bases and brand names obtained in connection with acquisitions.

The following important intangible assets with indefinite useful lives existed as of December 31, 2021:

in € thousands	Carrying amount as of Dec. 31, 2021	Carrying amount as of Dec. 31, 2020	Reason for assuming indefinite useful life
Brand names (ARIS) obtained through IDS Scheer AG acquisition	17,900	17,900	Use and future expansion of the brand name is planned for an indefinite period of time.
Brand name (webMethods) obtained through webMethods acquisition	22,074	20,374	Use and future expansion of the brand name is planned for an indefinite period of time.

Brand names are not subject to amortization. Any changes in the carrying amounts result from currency translation effects.

The carrying amounts of goodwill were allocated to the segments as follows:

#### Segment

in € thousands	Dec. 31, 2021	Dec. 31, 2020
Adabas & Natural (A&N)	337,360	328,208
Digital Business Platform (DBP)	624,515	595,852
Professional Services	24,261	23,310
<b>Goodwill</b>	<b>986,136</b>	<b>947,370</b>

The carrying amounts of intangible assets with indefinite useful lives were allocated to the segments as follows:

#### Segment

in € thousands	Dec. 31, 2021	Dec. 31, 2020
Adabas & Natural (A&N)	0	0
Digital Business Platform (DBP)	41,767	40,113
Professional Services	1,072	1,026
<b>Intangible assets with indefinite useful lives</b>	<b>42,839</b>	<b>41,139</b>

The segments represent the smallest cash-generating units in the Group. They represent the smallest identifiable group of cash inflow-generating assets which are largely independent of inflows from other assets.

Goodwill as well as intangible assets with an indefinite useful life are tested for impairment at least once per year. The test showed that no impairments were necessary.

The test consists of a comparison of the carrying amount of the cash-generating unit to which the goodwill or the intangible asset is allocated with the recoverable amount. Testing for impairment involves regularly checking the recoverable amount with regard to fair value less costs to sell.

Fair value less costs to sell is calculated using discounted cash flows based on strategic budgets calculated and approved by management, which are for a period of four (2020: four) years. Budget planning for 2022 was largely carried out as in previous years. As in the previous year, bookings were prioritized for planning (refer to the [Management Report](#)) and not revenue, as in the past, because of the Helix strategy project's (refer to the [Management Report](#)) focus on growth. Future revenue was calculated indirectly based on planned bookings, rather than directly as in past years. Segment planning includes the derived revenue, as described above, for each segment as well as the directly attributable costs for each segment. The non-directly attributable costs are coded to the segments. Planning for the years 2022 to 2025 reflects the Company's realignment developed as part of the Helix strategy project. This medium-term plan prioritizes consideration of overall development given the transition from perpetual licenses to temporary licenses—primarily transfer of use in nature (rental licenses and subscriptions).

Planning is based on past experience, insights derived from current operating results, and management estimates of future developments. Revenue trends at country level, for instance, is one element of management estimates of future developments that is particularly prone to uncertainty. This approach is rated as level 3 of the valuation hierarchy in accordance with IFRS 13.

The forecasts take into account historical values and estimates of future developments. Costs to sell are assumed to amount to 2 percent (2020: 2 percent) of the relevant fair value.

The expected cash flows for the A&N segment were calculated as described above and discounted using a post-tax weighted average cost of capital (WACC) of 6.8 percent (2020: 6.8 percent). The sustainable growth rate was assumed to be 0 percent (2020: 0 percent). A slight decrease in revenue level is assumed for the period of detailed planning. A discount of 20 percent (2020: 20 percent) on the last year of detailed planning was used to determine sustainable cash flows. Even using a discount of 90 percent on the last year of detailed planning, the fair value less costs to sell would exceed the carrying amount.

A sustainable growth rate of 1 percent (2020: 1 percent) and a weighted average cost of capital (WACC) after tax of 8.5 percent (2020: 7.3 percent) were used in calculations for the Digital Business segment. An average annual revenue growth rate of approximately

20 percent (2020: 16 percent) was assumed in the period of detailed planning. Furthermore, an EBITA margin of 4 percent was assumed in the 2022 budget and an increase in EBITA margin of about 24 percent (2020: 20 percent) by 2025. However, even given an average annual revenue growth rate of 16 percent in the period of detailed planning, and the resulting nearly 50 percent reduction in the target margin (EBITA margin) in 2025 as compared to the budget, fair value less costs to sell would be slightly higher than the carrying amount.

Software AG assumed a weighted average cost of capital (WACC) after tax of 8.8 percent (2020: 8.4 percent) and a sustainable growth rate of 1 percent (2020: 1 percent) for perpetual annuity for the Professional Services segment. An average annual revenue growth rate of 1.5 percent and a target EBITA margin (last year of the detailed planning period) of 4.25 percent were assumed for the period of detailed planning. Even given a 0.5 percent reduction in target margin (EBITA margin) in 2025 as compared to the budget, fair value less costs to sell would be slightly higher than the carrying amount.

**[21] PROPERTY, PLANT AND EQUIPMENT****Changes in property, plant and equipment as of December 31, 2021**

in € thousands	Land and buildings	Operating and office equipment	Total
<b>Cost</b>			
<b>Balance as of Jan. 1, 2021</b>	<b>134,000</b>	<b>50,016</b>	<b>184,016</b>
Currency translation differences	2,849	2,189	5,038
Additions	6,610	10,861	17,471
Disposals	-15,782	-8,445	-24,227
<b>Balance as of Dec. 31, 2021</b>	<b>127,677</b>	<b>54,621</b>	<b>182,298</b>
<b>Accumulated depreciation</b>			
<b>Balance as of Jan. 1, 2021</b>	<b>-71,191</b>	<b>-30,476</b>	<b>-101,667</b>
Currency translation differences	-2,162	-1,694	-3,856
Additions	-11,233	-10,761	-21,994
Disposals	14,045	8,051	22,096
<b>Balance as of Dec. 31, 2021</b>	<b>-70,541</b>	<b>-34,880</b>	<b>-105,421</b>
Residual carrying amount as of Jan. 1, 2021	62,809	19,540	82,349
Residual carrying amount as of Dec. 31, 2021	57,136	19,741	76,877

**Changes in property, plant and equipment as of December 31, 2020**

in € thousands	Land and buildings	Operating and office equipment	Total
<b>Cost</b>			
<b>Balance as of Jan. 1, 2020</b>	<b>147,897</b>	<b>50,020</b>	<b>197,917</b>
Currency translation differences	-3,312	-2,733	-6,045
Additions	4,798	8,376	13,174
Disposals	-5,150	-5,647	-10,797
Reclassification to investment property	-10,233	0	-10,233
<b>Balance as of Dec. 31, 2020</b>	<b>134,000</b>	<b>50,016</b>	<b>184,016</b>
<b>Accumulated depreciation</b>			
<b>Balance as of Jan. 1, 2020</b>	<b>-66,806</b>	<b>-27,134</b>	<b>-93,940</b>
Currency translation differences	2,319	2,125	4,444
Additions	-13,501	-10,576	-24,077
Disposals	3,481	5,109	8,590
Reclassification to investment property	3,316	0	3,316
<b>Balance as of Dec. 31, 2020</b>	<b>-71,191</b>	<b>-30,476</b>	<b>-101,667</b>
Residual carrying amount as of Jan. 1, 2020	81,091	22,886	103,977
Residual carrying amount as of Dec. 31, 2020	62,809	19,540	82,349

Most of the land and buildings are owned by the parent company and the Spanish subsidiary. The properties pertain mainly to the central administrative buildings of these entities.

Operating and office equipment mainly includes office furniture and IT equipment. The capital expenditure of €10,861 thousand (2020: €8,376 thousand) primarily relates to expenses for the replacement of computer equipment. Property, plant and equipment totaling €76,877 thousand (2020: €82,349 thousand) includes right-of-use assets arising from leases in the amount of €19,184 thousand (2020: €24,021 thousand)

## [22] INVESTMENT PROPERTY

The carrying amount of investment property was €6,241 thousand (2020: €6,917 thousand) as of December 31, 2021. Changes in this property is shown in the following table.

### Changes in investment property as of December 31, 2021

in € thousands	Investment property
<b>Cost</b>	
<b>Balance as of Jan. 1, 2021</b>	<b>10,233</b>
Currency translation differences	0
Additions	0
Disposals	<b>0</b>
<b>Balance as of Dec. 31, 2021</b>	<b>10,233</b>
<b>Accumulated depreciation</b>	
<b>Balance as of Jan. 1, 2021</b>	<b>3,316</b>
Currency translation differences	0
Additions	676
Disposals	0
<b>Balance as of Dec. 31, 2021</b>	<b>3,992</b>
Residual carrying amount as of Jan. 1, 2021	6,917
Residual carrying amount as of Dec. 31, 2021	6,241

### Changes in investment property as of December 31, 2020

in € thousands	Investment property
<b>Cost</b>	
<b>Balance as of Jan. 1, 2020</b>	<b>0</b>
Currency translation differences	0
Reclassifications from property, plant and equipment	10,233
Disposals	<b>0</b>
<b>Balance as of Dec. 31, 2020</b>	<b>10,233</b>
<b>Accumulated depreciation</b>	
<b>Balance as of Jan. 1, 2020</b>	<b>0</b>
Currency translation differences	0
Reclassifications from property, plant and equipment	3,316
Disposals	0
<b>Balance as of Dec. 31, 2020</b>	<b>3,316</b>
Residual carrying amount as of Jan. 1, 2020	0
Residual carrying amount as of Dec. 31, 2020	6,917

A measurement or determination of fair value was not conducted by an independent expert. Rent income for these properties was around €1,600 thousand (2020: €1,600 thousand) in fiscal 2021. Expenses arose in connection with this income (not including depreciation) in the amount of €838 thousand (2020: €945 thousand). Based on a simplified multiples approach, Software AG assumes the property's fair value is €14 million (2020: €14 million) max. and thus just above twice the current carrying amount. An external appraisal was commissioned in 2021 which essentially confirmed the values of individual investment properties that had been determined according to the simplified multiples approach. Aside from the fact that significant portions of the property are used for Software AG's own operations, there are no limitations with respect to a possible disposal of the property.

**[23] DEFERRED TAXES**

Deferred taxes were composed of the following as of the balance sheet date (before offsetting):

in € thousands	Deferred tax assets		Deferred tax liabilities	
	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Intangible assets	4,882	4,899	23,696	24,544
Property, plant and equipment	872	786	7,539	8,454
Receivables and financial assets	4,603	4,213	25,058	18,634
Prepaid expenses	0	0	2,355	398
Other obligations	17,567	15,451	3,015	7,364
Provisions for pensions and similar obligations	10,497	14,973	0	0
Deferred income	2,975	3,718	985	290
Tax loss carryforwards	31,422	22,053	0	0
<b>Total</b>	<b>72,818</b>	<b>66,093</b>	<b>62,648</b>	<b>59,684</b>
Amount offset	-56,251	-51,635	-56,251	-51,635
Amount recognized in the balance sheet	16,567	14,458	6,397	8,049

Deferred tax assets on tax loss carryforwards rose from the prior year by €9,369 thousand. The change is due to emergence and ongoing consumption due to taxable income.

As of December 31, 2021, the consolidated Group had unutilized tax loss carryforwards in the amount of €49,395 thousand (2020: €30,713 thousand) for which no deferred tax assets have been recognized. Of the losses carried forward for which no deferred taxes were recognized, €11,458 thousand will expire in the period from 2022 to 2025, €2,934 thousand in the following years, and €35,003 thousand can be utilized indefinitely.

As of year-end, deferred tax assets were recognized in the consolidated financial statements in the amount of €9,012 thousand (2020: €1,544 thousand), which were attributable to companies that suffered losses in the current or previous period. Recognition of deferred tax assets depends solely on recognition of future taxable earnings that exceed the earnings effects from the reversal of existing taxable temporary differences. It is assumed that a tax advantage will be recognized due to planned future positive taxable earnings.

As of the reporting date, taxable temporary differences associated with investments in subsidiaries existed in the amount of €28,211 thousand (2020: €14,896 thousand), on which no deferred tax liabilities had been recognized.

Accumulated deferred taxes were offset against equity and resulted in income of €1,397 thousand (2020: €1,397 thousand). The amounts resulted from recognition of new accounting rules in equity which were applied for the first time.

Accumulated current taxes that were offset against equity resulted in expenses of €2,581 thousand (2020: €2,581 thousand) in 2021. The amounts resulted from recognition of translation currency effects in equity from loans to foreign operations.

## [24] FINANCIAL LIABILITIES

Financial liabilities can be broken down as follows:

in € thousands	Dec. 31, 2021	Dec. 31, 2020
<b>Current financial liabilities</b>		
Liabilities to banks	75,998	4,080
Other current financial liabilities	8,676	11,327
Derivatives	192	1,008
	<b>84,866</b>	<b>16,415</b>
<b>Non-current financial liabilities</b>		
Liabilities to banks	208,702	226,541
Other non-current financial liabilities	14,661	16,978
Derivatives	404	0
	<b>223,767</b>	<b>243,519</b>

Financial liabilities changed as follows:

in € thousands	Liabilities to banks	Financial liabilities	Lease liabilities (IFRS 16)	Derivatives	Total
<b>Dec. 31, 2020</b>	<b>230,621</b>	<b>1,153</b>	<b>27,152</b>	<b>1,008</b>	<b>259,934</b>
<b>Proceeds</b>					
New non-current financial liabilities, net	60,000				60,000
<b>Payments</b>					
Repayment of current and non-current financial liabilities, net	-7,499				-7,499
MIP hedge premium	-1,104				-1,104
Capital increase ADAMOS		-936			-936
Guarantees in connection with Sunshine		-90			-90
Lease liabilities			-12,974		-12,974
<b>Financial purchase of assets</b>					
Capital increase ADAMOS		436			436
Additions lease liabilities			7,274		7,274
<b>Financial purchase of derivatives</b>					
MIP hedge premium	2,097				2,097
<b>Measurement</b>					
Interest adjustment for government loans	539				539
Accrued interest on leases			885		885
Other adjustments	46	-2	439	-412 <sup>1</sup>	71
<b>Dec. 31, 2021</b>	<b>284,700</b>	<b>561</b>	<b>22,776</b>	<b>596</b>	<b>308,633</b>
<b>Total change +/-</b>	<b>-54,079</b>	<b>592</b>	<b>4,376</b>	<b>412</b>	<b>-48,699</b>
					Thereof current financial liabilities
					84,866
					Thereof non-current financial liabilities
					223,767

<sup>1</sup> Changes in cash and cash equivalents are factored into the measurement.

in € thousands		Liabilities to banks	Financial liabilities	Lease liabilities (IFRS 16)	Derivatives	Total
	<b>Dec. 31, 2019</b>	<b>255,374</b>	<b>1,432</b>	<b>37,942</b>	<b>1,866</b>	<b>296,614</b>
	<b>Proceeds</b>					
	New non-current financial liabilities, net	50,096				50,096
	<b>Payments</b>					
	Repayment of current and non-current financial liabilities, net	-77,469				-77,469
	MIP hedge premium	-448				-448
Changes in cash and cash equivalents	Capital increase ADAMOS		-1,000			-1,000
	Guarantees in connection with Sunshine		90			90
	Liabilities in connection with the PrestoCloud EU project		-401			-401
	Lease liabilities			-15,572		-15,572
	<b>Financial purchase of assets</b>					
	Capital increase ADAMOS		936			936
	Disposal of lease liabilities (USA)			-1,217		-1,217
	Additions lease liabilities			6,573		6,573
Changes in noncash items	<b>Financial purchase of derivatives</b>					
	MIP hedge premium	2,738				2,738
	<b>Measurement</b>					
	Interest adjustment for government loans	413				413
	Accrued interest on leases			1,354		1,354
	Other adjustments	-83	96	-1,928	-858 <sup>1</sup>	-2,773
	<b>Dec. 31, 2020</b>	<b>230,621</b>	<b>1,153</b>	<b>27,152</b>	<b>1,008</b>	<b>259,934</b>
	<b>Total change +/-</b>	<b>-24,753</b>	<b>-279</b>	<b>-10,790</b>	<b>-858</b>	<b>-36,680</b>
					Thereof current financial liabilities	16,415
					Thereof non-current financial liabilities	243,519

<sup>1</sup> Changes in cash and cash equivalents are factored into the measurement.

Liabilities to banks and other financial liabilities had the following maturities as of the reporting date:

in € thousands	Up to 1 year	>1 year
Loans with variable interest rates	72,665	102,035
Loans with fixed interest rates	3,333	106,667

The fair values of the liabilities to banks with variable interest rates are equal to their carrying amounts. The fair values of the liabilities with fixed interest rates amounted to €109,502 thousand (2020: €50,299 thousand). The fair values were calculated by discounting the future cash flows using current market rates.

## [25] TRADE PAYABLES AND OTHER LIABILITIES

Trade payables and other liabilities can be broken down as follows:

in € thousands	Dec. 31, 2021	Dec. 31, 2020
Payables to suppliers	42,151	35,161
Payments received on account of orders	11,356	11,418
Other liabilities	253	610
	<b>53,760</b>	<b>47,189</b>

## [26] OTHER NON-FINANCIAL LIABILITIES

Other non-financial liabilities relate to the following items:

in € thousands	Dec. 31, 2021	Dec. 31, 2020
Liabilities due to employees	105,238	104,102
Tax liabilities	21,394	20,501
Liabilities for social security	6,158	7,063
Remaining other current liabilities	6,662	7,715
	<b>139,452</b>	<b>139,381</b>

## [27] OTHER PROVISIONS

Other provisions changed as follows:

in € thousands	Other personnel-related provisions	Miscellaneous other provisions	Total other provisions
<b>Balance as of Jan. 1, 2021</b>	<b>33,150</b>	<b>16,752</b>	<b>49,902</b>
Currency translation differences	70	42	112
Additions	12,334	3,159	15,493
Utilization	-8,423	-726	-9,150
Reversal	-71	-238	-309
<b>Balance as of Dec. 31, 2021</b>	<b>37,060</b>	<b>18,988</b>	<b>56,048</b>
of which with a remaining term > 1 year	12,096	28	12,124
<b>Balance as of Jan. 1, 2020</b>	<b>31,866</b>	<b>13,593</b>	<b>45,459</b>
Currency translation differences	-75	-79	-154
Additions	9,318	6,237	15,555
Utilization	-7,467	-589	-8,056
Reversal	-491	-2,411	-2,902
<b>Balance as of Dec. 31, 2020</b>	<b>33,150</b>	<b>16,752</b>	<b>49,902</b>
of which with a remaining term > 1 year	11,047	30	11,077

**MISCELLANEOUS OTHER PROVISIONS**

Miscellaneous other provisions can be broken down as follows:

in € thousands	Dec. 31, 2021	Dec. 31, 2020
Litigation	13,189	12,141
Provisions arising from the malware incident	3,150	3,150
Anticipated losses related to Professional Services projects	1,158	34
Other provisions	1,491	1,427
	<b>18,988</b>	<b>16,752</b>

For further information on litigation, please refer to [Note \[36\]](#).

**[28] INCOME TAX LIABILITIES**

in € thousands	2021	2020
<b>Balance as of Jan. 1</b>	<b>35,428</b>	<b>38,212</b>
Currency translation differences	1,085	-2,257
Additions	14,038	8,537
Utilization	-7,132	-8,087
Reversal	-6,810	-977
<b>Balance as of Dec. 31</b>	<b>36,609</b>	<b>35,428</b>
of which with a remaining term of more than 1 year	1,629	2,135

## [29] PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

### Defined benefit plans

in € thousands	Defined benefit obligation (DBO)		Fair value of plan assets		Effect of asset caps		Net defined benefit balance	
	2021	2020	2021	2020	2021	2020	2021	2020
Germany	50,960	57,485	25,439	25,212	0	0	25,522	32,273
U.K.	103,614	103,584	99,687	86,697	0	0	3,927	16,887
Switzerland	8,785	8,726	5,967	5,538	0	0	2,818	3,188
Other insignificant pension plans and similar plans							2,775	3,091
							<b>35,042</b>	<b>55,439</b>

Pension benefits in Germany consist of fixed commitments to a select group of people. They are partially covered by life reinsurance policies. There are no minimum funding requirements or laws in Germany.

Pension benefits in the United Kingdom relate to commitments made by Software AG (UK) Limited. They comprise post-employment benefits for employees as well as benefits payable to their surviving dependents on the employees' death during their active service period.

The commitments in Switzerland result from legal requirements of the BVG (law on occupational, survivor and disability planning). The law stipulates that every employer must grant entitled employees benefits after termination of their employment.

The defined benefit commitments result in risks to the Company due to possible fluctuations in obligations from defined benefit plans and fluctuations in plan assets. Fluctuations in defined benefit obligations result primarily from changes to financial assumptions such as discount interest rates and changed demographic assumptions (changing life expectancies). Possible changes in expected long-term wage and salary increases have no significant impact on the obligations due to the structure of the commitments. The fair value of plan assets and the fluctuation thereof depends mainly on the situation of the capital markets. Software AG seeks to account for this by controlling its asset investments.

in € thousands	Defined benefit obligation (DBO)		Fair value of plan assets		Net defined benefit balance	
	2021	2020	2021	2020	2021	2020
<b>Balance as of Jan. 1</b>	<b>169,795</b>	<b>156,531</b>	<b>-117,447</b>	<b>-111,233</b>	<b>52,348</b>	<b>45,298</b>
Current service cost	4,032	4,097			4,032	4,097
Net interest income/expenses	2,010	2,459	-1,536	-1,953	475	506
	<b>6,042</b>	<b>6,556</b>	<b>-1,536</b>	<b>-1,953</b>	<b>4,506</b>	<b>4,603</b>
<b>Expenses/income resulting from adjustments</b>						
Return on plan assets less income recognized as net interest income/expenses	0	0	-8,241	-2,276	-8,241	-2,276
Expectation adjustment	-1,748	225	0	0	-1,748	225
Net actuarial gains/losses from changes to demographic assumptions	-712	-465	0	0	-712	-465
Net actuarial gains/losses from changes to financial assumptions	-6,487	13,823	0	0	-6,487	13,823
	<b>-8,948</b>	<b>13,583</b>	<b>-8,241</b>	<b>-2,276</b>	<b>-17,189</b>	<b>11,307</b>
Employer contributions	974	965	-6,907	-7,184	-5,932	-6,219
Employee contributions	230	394	-428	-394	-198	0
Plan-related payments	-1,719	-1,132	1,719	1,132	0	0
Settlement payments	-7,959	-820	7,959	820	0	0
	<b>-8,474</b>	<b>-593</b>	<b>2,344</b>	<b>-5,626</b>	<b>-6,130</b>	<b>-6,219</b>
Currency-related changes	4,945	-6,282	-6,213	3,641	-1,269	-2,641
<b>Balance as of Dec. 31</b>	<b>163,360</b>	<b>169,795</b>	<b>-131,093</b>	<b>-117,447</b>	<b>32,267</b>	<b>52,348</b>

The significant assumptions used for calculating the present value of the defined benefit obligations (DBO) are as follows:

as %	2021	2020
<b>Discount rate</b>		
Germany	1.25	0.75
U.K.	1.75	1.50
Switzerland	0.25	0.00
<b>Salary trend</b>		
Germany	2.00	2.00
U.K.	4.75	4.25
Switzerland	1.50	1.50
<b>Pension trend</b>		
Germany	1.75	1.75
U.K.	3.00	2.75
Switzerland	0.00	0.00

A change in the above assumptions by a half of a percentage point would have the following impact on the respective DBOs:

in € thousands	Change in DBO		
	Germany	U.K.	Switzerland
Discount rate (-0.5%)	4,729	12,434	873
Discount rate (+0.5%)	-4,154	-12,434	-760
Salary trend (-0.5%)	-203	-6,217	-99
Salary trend (+0.5%)	214	6,217	104
Pension trend (-0.5%)	-3,603	1,140	n/a <sup>1</sup>
Pension trend (+0.5%)	4,014	-1,140	527

<sup>1</sup> Pension trend was assumed at 0 percent for Switzerland (see above).

Sensitivities were calculated by varying the respective parameter with otherwise constant assumptions.

The plan assets can be broken down as follows:

in € thousands	Fair value	
	2021	2020
Equities	69,090	59,431
Life insurance policies	31,406	30,751
Cash and cash equivalents	17,330	24,483
Fixed-interest securities	13,267	2,783
	<b>131,093</b>	<b>117,447</b>

There was a market price quote in an active market for every component of the plan assets except for the life insurance policies.

Contributions from the Software AG Group to defined benefit plans for fiscal year 2022 are expected to amount to €8,277 thousand.

Expected benefit payments during the next ten years are expected to be as follows:

in € thousands	Expected benefit payments
2022	5,481
2023	4,392
2024	4,782
2025	5,404
2026	4,462
2027–2031	24,451

## DEFINED CONTRIBUTION PLANS

There is a minor volume of defined contribution pension commitments. Defined contributions are paid to external insurance companies or funds. Furthermore, Software AG makes contributions to the state and/or public pension fund primarily in Germany. Defined contribution pension commitments accounted for expenses of €18,029 thousand (2020: €16,533 thousand) in 2022.

## [30] EQUITY

### SHARE CAPITAL

As of December 31, 2021, Software AG's share capital totaled €74,000 thousand (2020: €74,000 thousand). Software AG's share capital is divided into 74,000,000 (2020: 74,000,000) registered shares. Each share entitles its holder to one vote.

### CONDITIONAL CAPITAL

Pursuant to the resolution of the Annual Shareholders' Meeting on May 12, 2021, the Management Board is authorized, subject to the consent of the Supervisory Board, to issue bearer and/or registered warrant and/or convertible bonds or combinations of these instruments (bonds) up to a total value of €750,000,000 with or without a specified maturity date and to grant bond owners or holders the right to convert the bonds to new no-par value registered shares in the Company representing up to a proportional amount of the share capital of €14,800,000, which are secured by the corresponding conditional capital in section 5 (3) of the Articles of Association. This authorization may be exercised until May 11, 2026.

Pursuant to a resolution from December 13, 2021, and with the consent of the Supervisory Board on the same date, the Management Board utilized its authorization to issue convertible bonds, excluding subscription rights, to the Silver Lake Group with a nominal value of €344.3 million. These bonds entitle the holders to convert them to a maximum of 7.4 million Software AG shares. (For further information, please refer to [Note \[41\]](#).)

### AUTHORIZED CAPITAL

As of December 31, 2021, the Management Board was authorized, subject to the consent of the Supervisory Board, to increase the Company's share capital on one or more occasions on or before May 11, 2026 by up to a total of €14,800 thousand by issuing new registered shares in return for cash contributions and/or contributions in kind (authorized capital). In doing so, the number of shares must increase in proportion to the share capital.

The Management Board did not make use of this authorization in fiscal year 2021.

## ACQUISITION OF TREASURY SHARES

At the beginning of the reporting period Software AG held 20,111 treasury shares representing €20,111 or 0.03 percent of the share capital.

The balance of treasury shares remained unchanged year-on-year as of December 31, 2021. There were no transactions in fiscal 2021 or 2020.

Pursuant to the Annual Shareholders' Meeting resolution from May 12, 2021, Software AG is authorized until May 11, 2026 to purchase Software AG shares totaling a maximum of 10 percent of the share capital at the time of the resolution. The shares purchased, together with other treasury shares that the Company has already purchased and still holds or that are attributable to it in accordance with sections 71d and 71e of AktG, may not account for more than 10 percent of the respective share capital at any time.

## EQUITY MANAGEMENT

The Software AG Group has an obligation to achieve long-term, profitable growth. Since software companies typically have a low level of capital expenditure for property, plant and equipment, equity is not a focus of corporate management. The dividend is based on Software AG's averaged net income (attributable to

Software AG shareholders) and free cash flow. This results in a total dividend sum of €56,225 thousand (2020: €56,225 thousand) and a dividend ratio of 64.2 percent (2020: 61.4 percent).

## DIVIDEND

Pursuant to the proposal of the Management Board and the Supervisory Board, the Annual Shareholders' Meeting resolved on May 12, 2021 to appropriate €56,224 thousand (2020: €56,224 thousand) for a dividend payout from the net retained profits of €113,764 thousand (2020: €128,479 thousand) reported by Software AG, the controlling Group Company, in fiscal 2020. This corresponded to a dividend of €0.76 (2020: €0.76) per share. A total amount of €57,540 thousand (2020: €72,255 thousand) was carried forward.

Based on the number of shares outstanding as of March 4, 2022, the Management Board and Supervisory Board will propose to the Annual Shareholders' Meeting to distribute the net retained profits of €65,452 thousand reported by Software AG in fiscal 2021, as follows: to appropriate €56,225 thousand for dividends and to carry forward €9,227 thousand. This corresponds to a dividend of €0.76 per share.

## OTHER RESERVES

Other reserves changed as follows, taking into account tax effects:

in € thousands	2021			2020		
	Pre-tax amount	Tax effects	Net amount	Pre-tax amount	Tax effects	Net amount
Currency translation differences from foreign operations	83,647	0	83,647	-78,113	0	-78,113
Net actuarial gain/loss on pension obligations	15,381	-1,496	13,885	-7,905	1,457	-6,448
Net gain/loss on remeasuring financial assets	355	87	442	611	-519	92
Currency translation gains/loss from net investments in foreign operations	0	0	0	1	0	1
<b>Gain/loss recognized in equity</b>	<b>99,383</b>	<b>-1,409</b>	<b>97,974</b>	<b>-85,406</b>	<b>938</b>	<b>-84,468</b>

Cash flow hedges had the following effects on the income statement and other comprehensive income:

in € thousands	Total gain/ (loss) recognized in other comprehensive income from the hedges	Ineffective portion recognized in earnings	Items from the income statement	Costs recognized in other comprehensive income from hedges	Amount reclassified from other comprehensive income to the income statement	Items from the income statement
<b>Fiscal year ending Dec. 31, 2021</b>						
Expected payments relating to awards to members of the Management Board, managers and employees	-1,293	0	n/a	0	-1,338	Functional costs
<b>Fiscal year ending Dec. 31, 2020</b>						
Expected payments relating to awards to members of the Management Board, managers and employees	-1,451	0	n/a	0	-1,803	Functional costs

# OTHER DISCLOSURES

## [31] NOTES TO THE STATEMENT OF CASH FLOWS

Cash and cash equivalents include €4 thousand (2020: €4 thousand), which were held by the sales subsidiary in Venezuela. Due to current legal limitations relating to foreign currency transactions in Venezuela, Software AG has only limited access to these funds.

Dividends paid reported in the Statement of Cash Flows include dividend payments of €404 thousand (2020: €342 thousand) to minority shareholders of subsidiaries.

Operating cash inflows and outflows are managed centrally based on free cash flow. Software AG defines free cash flow as cash flow from operating activities less cash flow from investing activities, not including cash outflows for investments in current financial assets, proceeds from the sale of current financial assets, proceeds from the sale of disposal groups or net cash outflows for acquisitions, less cash flows from the repayment of lease liabilities. Accordingly, free cash flow totaled €91,389 thousand (2020: €87,577 thousand) in fiscal 2021. Free cash flow is controlled at Group level, not based on the business segments. For this reason, no data is collected on cash flow in the segments.

Software AG has a credit line of around €791,000 thousand (2020: €801,000 thousand). Approximately €506,000 thousand (2020: €568,000 thousand) of that was unused as of December 31, 2021.

## [32] ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The table below shows the carrying amounts of financial assets and liabilities as well as fair values in accordance with the levels of the fair-value hierarchy. The three levels are defined as follows:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** Inputs for the quoted prices included within Level 1 but that are observable for the asset or liability either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data.

**December 31, 2021**

iin € thousands	Valuation category		Carrying amount	
	At amortized cost	At fair value	Other at FVPL (mandatory)	Fair value of hedging instruments
<b>Assets</b>				
Cash and cash equivalents	585,844			
Trade receivables, contract assets and other receivables	327,198			
<b>Other financial assets</b>				
Financial assets available for sale				
Debt securities		17,645	17,645	
Shareholders' equity		4,724		
Investment funds		3,569		
Loans and other financial receivables	14,636			
<b>Derivative financial instruments</b>				
Designated as hedging instrument				
Stock options		2,437		2,437
Forward equity contracts		740		740
Not designated as hedging instrument				
Forward currency contracts		71	71	
Forward equity contracts		437	437	
Stock options		947	947	
<b>Liabilities</b>				
Trade and other payables	53,760			
<b>Financial liabilities</b>				
Non-derivative financial liabilities				
Loans	284,700			
Other non-derivative financial liabilities	23,337			
<b>Derivative financial liabilities</b>				
Designated as hedging instrument				
Forward equity contracts		590	590	
Not designated as hedging instrument				
Forward currency contracts		6	6	

				Fair value			
Financial assets at amortized cost	Equity instruments FVOCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
585,844			585,844				
327,198			327,198				
			17,645		17,645		17,645
	4,724		4,724			4,724	4,724
	3,569		3,569	3,569			3,569
14,636			14,636				
			2,437		2,437		2,437
			740		740		740
			71		71		71
			437		437		437
			947		947		947
			53,760				
		284,700	284,700		284,202		284,202
		23,337	23,337		23,337		23,337
			590		590		590
			6		6		6

**December 31, 2020**

iin € thousands	Valuation category		Carrying amount	
	At amortized cost	At fair value	Other at FVPL (mandatory)	Fair value of hedging instruments
<b>Assets</b>				
Cash and cash equivalents	479,982			
Trade receivables, contract assets and other receivables	307,290			
<b>Other financial assets</b>				
Financial assets available for sale				
Shareholders' equity		4,293		
Investment funds		3,527		
Loans and other financial receivables	13,396			
<b>Derivative financial instruments</b>				
Designated as hedging instrument				
Stock options		3,005		3,005
Forward equity contracts		340		340
Not designated as hedging instrument				
Forward currency contracts		18	18	
Forward equity contracts		532	532	
<b>Liabilities</b>				
Trade and other payables	47,189			
<b>Financial liabilities</b>				
Non-derivative financial liabilities				
Loans	230,621			
Other non-derivative financial liabilities	28,305			
<b>Derivative financial liabilities</b>				
Not designated as hedging instrument				
Forward currency contracts		6	6	
Forward equity contracts		1,002	1,002	

				Fair value			
Financial assets at amortized cost	Equity instruments FVOCI	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
479,982			479,982				
307,290			307,290				
	4,293		4,293			4,293	4,293
	3,527		3,527	3,527			3,527
13,396			13,396				
			3,005		3,005		3,005
			340		340		340
			18		18		18
			532		532		532
			47,189				
		230,621	230,621		230,920		230,920
		28,305	28,305		28,305		28,305
			6		6		6
			1,002		1,002		1,002

No financial assets or liabilities were reclassified to different levels of the fair-value hierarchy during fiscal 2020 or 2021. All equity instruments were designated to measurement at fair value through other comprehensive income (FVOCI), to reflect a more long-term investment intension in earnings.

The following table illustrates how the fair values of financial assets and liabilities are determined:

Financial assets/ financial liabilities	Hierarchy level	Valuation technique and key inputs	Significant unobservable inputs	Correlation between unobservable inputs and fair value
Interest rate swaps	2	Discounted cash flow approach; future cash flows are estimated based on forward interest rates (observable interest rate curves as of balance sheet date) and fixed interest rates, discounted at an interest rate that accounts for the credit risk associated with the counter parties.	n/a	n/a
Forward currency contracts	2	Discounted cash flow approach; future cash flows are estimated based on forward exchange rates (observable exchange rates as of balance sheet date) and fixed forward exchange rates, discounted at an interest rate that accounts for the credit risk associated with the counter parties.	n/a	n/a
Stock options	2	Option pricing model, which accounts for influential option pricing factors (share price, exercise price of the option, share price volatility, dividends as dividend yield, interest rates, option's remaining term)	n/a	n/a
Forward equity contracts	2	The fair values are measured based on the intrinsic values of the forward equity contracts, which are calculated using the share prices from an active market	n/a	n/a
Investment funds	1	Prices quoted on active market	n/a	n/a
Shareholders' equity (currently non-listed securities only)	3	Comprehensive valuation approach based on multiple quantitative and qualitative factors such as current/planned earnings, liquidity, recent/planned transactions	n/a	n/a

The fair values of cash and cash equivalents, time deposits, current receivables, trade payables and other current financial liabilities correspond approximately with their carrying amounts, primarily due to the short terms of these instruments.

The Company uses various parameters to measure non-current receivables, mainly interest rates and the customers' individual credit ratings. Software AG calculates bad debt allowances to reflect expected defaults based on the measurement results. Accordingly, the carrying amounts of these receivables corresponded approximately with their fair values as of December 31, 2021 and December 31, 2020.

Software AG calculates the fair values of liabilities to banks and other financial liabilities as well as other non-current financial liabilities by discounting the estimated future cash flows using the interest rates appli-

cable to similar financial liabilities with comparable maturities.

The net gain/loss from loans and receivables is only affected significantly by currency translation and interest effects. The net loss from derivatives without qualifying hedging relationships amounted to €311 thousand (2020: €2,190 thousand) in fiscal 2021. The net gain from derivatives designated as cash flow hedges was included in the income statement and amounted to €2,046 thousand (2020: €826 thousand) in fiscal 2021.

Equity instruments were written down in the amount of €517 thousand (2020: -€127 thousand), which was recognized in other comprehensive income in fiscal 2021.

## MARKET RISK AND THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

As a result of its international operating activities as well as its investing and financing activities, Software AG is exposed to various financial risks. Management continuously monitors these risks. Derivative financial instruments are used in accordance with internal guidelines in order to reduce risks arising from changes in interest rates, exchange rates, cash flows, or the value of cash investments. Derivatives are generally entered into to hedge existing balance sheet exposures and highly probable forecast transactions.

### a) Interest rate risk

The Company is subject to interest rate fluctuations that affect both assets and equity and liabilities on the balance sheet.

On the assets side, income from investing available cash and cash equivalents and future interest income resulting from discounting non-current receivables are particularly subject to interest rate risk. On the equity and liabilities side, interest expenses for current and non-current financial liabilities as well as pension provisions and other items related to long-term borrowings are especially exposed to interest rate risk.

The sensitivity analysis required by IFRS 7 relates to interest rate risk arising from monetary financial instruments bearing variable interest rates.

Based on the current structure of the interest-bearing financial instruments, a hypothetical increase in the market interest level of 100 basis points would raise earnings by €2,942 thousand (2020: €2,137 thousand).

### b) Exchange rate risk

In order to hedge the risk of future fluctuations in exchange rates, the Company enters into currency forward contracts. Foreign currency receivables and liabilities are offset if possible, and only the remaining net exposure is hedged selectively. Estimated cash flows can also be hedged in accordance with internal guidelines.

Hedging transactions are measured at their fair value. The amounts are reported in the balance sheet under other financial assets or financial liabilities. Since hedging transactions are not normally designated as hedge accounting, changes in fair value are immediately recognized through profit or loss in the Consolidated Income Statement.

The sensitivity analysis required by IFRS 7 relates to exchange rate risk arising from monetary financial instruments that are denominated in a currency other than the functional currency in which they are measured. Exchange differences arising from the translation of financial statements into the Group currency (translation risk) and non-monetary items are not taken into account. Most significant monetary financial instruments are denominated in the functional currency. For Software AG, significant effects on earnings (earnings before income taxes) result only from the relationship of the euro to the U.S. dollar. Hedging transactions are based on existing hedges or estimated cash flows and thus reduce any potential effects on earnings. In the case of designated cash flow hedges, exchange rate changes affect other reserves included in equity.

Based on the monetary financial instruments available as of the reporting date, a devaluation of the euro in amount of 10 percent against the U.S. dollar would have increased earnings by €1,695 thousand (2020: €2,083 thousand) and other reserves by €0 thousand (2020: €0 thousand). This amount only represents a theoretical risk for Software AG as these instruments are hedges of balance sheet transactions, rather than open trading positions.

### c) Market risk

In line with Group policy, assets are controlled in terms of maturity, interest type, and rating such that the Company does not expect any significant fluctuations in value.

### d) Credit risk

Software AG is exposed to default risk in its operating business and in connection with certain financial transactions if contracting parties fail to meet their obligations. Major cash investments as well as derivative financial instruments are entered into with banks with credit ratings of at least investment grade and whose credit default swap (CDS) rates are monitored continuously. The theoretical maximum default risk exposure is indicated by the carrying amounts. The guidelines defined by management ensure that the credit risk from financial instruments is spread across various banks.

Receivables are monitored as part of operations on an ongoing basis. The need for impairment is evaluated on every balance sheet date using an impairment matrix for determining expected credit loss. As of

December 31, 2021, there was no indication of the existence of any risk beyond that taken into account through bad debt allowances. There is no concentration of credit risks with respect to single customers as a result of the size of our customer base or due to the distribution of our revenues across various sectors and countries. The theoretical maximum exposure to credit risk is reflected in the carrying amounts of the receivables, without taking any collateral into account.

**e) Liquidity risk**

A liquidity risk arises from the possibility that Group entities may not be able to satisfy their existing financial liabilities, for example, arising from loan agreements, lease agreements or trade accounts payable.

The risk is limited by active working capital management and Group-wide liquidity control and is, if necessary, balanced by available cash and bilateral lines of credit.

Under credit agreements having a total volume of €175.0 million (2020: €175.0 million), Software AG is required to limit net debt within the Group to a maximum of 3.25-times EBITDA and not fall below an interest coverage ratio of 4.25. Under credit agreements with a total volume of €110.0 million (2020: €50.0 million), Software AG is required to limit net debt within the Group to a maximum of 3.5-times EBITDA and not fall below an interest coverage ratio of 4.0. Further unused credit lines are also available to Software AG with a volume of €320.0 million (2020: €380.0 million); if Software AG draws on them, it is required to meet financial KPIs. As of year-end 2021, the Company's net debt in relation to EBITDA was significantly lower than this limit and the interest coverage ratio was significantly higher.

The table below shows the contractually fixed payments arising from financial liabilities. Liabilities in foreign currency are calculated at the exchange rate as of December 31, 2021.

**2021**

in € thousands	Up to 1 year	> 1 to 5 years	> 5 years	Total
Trade payables and other financial liabilities (of this item)	42,318	87	0	42,405
Financial non-derivative liabilities	76,463	160,798	48,000	285,261
Lease liabilities	8,212	13,657	907	22,776
Derivative financial liabilities	192	404	0	596

**2020**

in € thousands	Up to 1 year	> 1 to 5 years	> 5 years	Total
Trade payables and other financial liabilities (of this item)	35,767	4	0	35,771
Financial non-derivative liabilities	5,134	199,973	26,667	231,774
Lease liabilities	10,273	16,085	794	27,152
Derivative financial liabilities	1,008	0	0	1,008

## VOLUME AND MEASUREMENT OF DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used only to hedge existing or estimated currency risk, interest rate risk, or other market risk.

The table below shows the notional amounts, the carrying amounts, and the fair values of derivative financial instruments as of December 31, 2021 and

December 31, 2020. The fair values of forward currency contracts are determined on the basis of forward foreign exchange rates. The fair values of stock options and equity forward contracts used to hedge the performance phantom share plan as well as the MIP plans are based on market prices, which reflect the current market situation and are equivalent to the replacement costs as of the balance sheet date.

in € thousands	2021			2020		
	Notional amount	Fair value	Carrying amount	Notional amount	Fair value	Carrying amount
<b>Derivatives with positive fair value</b>						
Derivatives (without qualifying hedging relationship)	0	1,456	1,456	0	550	550
Forward currency contracts remaining term < 1 year	7,910	71	71	14,521	18	18
Forward equity contracts	23,080	1,384	1,384	14,691	532	532
Derivatives (cash flow hedges)	0	3,177	3,177	0	3,345	3,345
Stock options/forward equity contracts	28,259	3,177	3,177	60,800	3,345	3,345
<b>Derivatives with negative fair value</b>						
Derivatives (without qualifying hedging relationship)	0	-6	-6	0	-1,008	-1,008
Forward currency contracts remaining term < 1 year	5,448	-6	-6	776	-6	-6
Stock options/forward equity contracts	0	0	0	4,684	-1,002	-1,002
Derivatives (cash flow hedges)	0	-590	-590	0	0	0
Stock options/forward equity contracts	6,501	-590	-590	0	0	0

The derivative financial instruments are designated to hedge the fair value of recognized assets or liabilities. Changes in the value of hedging instruments were recognized through profit or loss in the Consolidated Income Statement.

Forward currency contracts and currency option transactions are entered into for the purpose of hedging foreign exchange risks related to future cash flows.

In order to hedge the risks arising from changes in value of the phantom share program and the MIPs, the Company has entered into hedging instruments on Software AG stock with banks.

The financial instruments for hedging currency and interest rate risk have maximum terms to maturity of 1.0 years. Hedging transactions on the phantom share and MIP plans have remaining maximum terms of 3.4 years.

## CASH INVESTMENT POLICY

Software AG takes a conservative approach with regard to its cash investments. The Company invests primarily in short-term time deposits and short-term fixed-income securities with a credit rating of at least "investment grade." Software AG has introduced a process in order to monitor the creditworthiness of the banks with which we maintain relationships whereby performance of the relevant credit default swaps (CDS) and external ratings are monitored continuously and investment decisions are adapted accordingly.

## [33] DISCLOSURES ON LEASES

### AS LESSEE

Software AG rents and leases office buildings and, to a minor extent, vehicles and hardware. Software AG also rents IT equipment with contract terms that are typically between one and three years. These lease agreements are either short-term or for an underlying

object of low value. Software AG opted for the simplified option granted by IFRS 16 and does not recognize right-of-use assets or lease liabilities for these agreements.

Right-of-use assets associated with rented office buildings, vehicles and hardware are presented under property, plant and equipment (see [Note \[21\]](#)) and changed as follows:

#### 2021

in € thousands	Land and buildings	Operating and office equipment	Total
<b>Balance as of Jan. 1, 2021</b>	<b>19,624</b>	<b>4,397</b>	<b>24,021</b>
Depreciation in the fiscal year	-8,219	-2,674	-10,893
Additions	6,144	2,474	8,618
Disposals	-1,669	-24	-1,693
Currency translation differences	-938	69	-869
<b>Balance as of Dec. 31, 2021</b>	<b>14,942</b>	<b>4,242</b>	<b>19,184</b>

#### 2020

in € thousands	Land and buildings	Operating and office equipment	Total
<b>Balance as of Jan. 1, 2020</b>	<b>28,251</b>	<b>5,016</b>	<b>33,267</b>
Depreciation in the fiscal year	-10,169	-3,024	-13,193
Additions	9,563	2,476	12,039
Disposals	-6,320	-65	-6,385
Currency translation differences	-1,701	-6	-1,707
<b>Balance as of Dec. 31, 2020</b>	<b>19,624</b>	<b>4,397</b>	<b>24,021</b>

Lease liabilities associated with rented office buildings, vehicles and hardware are presented as financial liabilities and changed as follows:

#### 2021

in € thousands	Lease liabilities
<b>Balance as of Jan. 1, 2021</b>	<b>27,152</b>
Changes in the fiscal year (for more information, refer to <a href="#">Note [24]</a> )	-4,376
<b>Balance as of Dec. 31, 2021</b>	<b>22,776</b>
thereof current	8,212
thereof non-current	14,564

#### 2020

in € thousands	Lease liabilities
<b>Balance as of Jan. 1, 2020</b>	<b>37,942</b>
Changes in fiscal year	-10,790
<b>Balance as of Dec. 31, 2020</b>	<b>27,152</b>
thereof current	10,273
thereof non-current	16,879

The following amounts for leases were recognized in the income statement in accordance with IFRS 16:

in € thousands	2021	2020
<b>Expenses from leases included in operating income</b>		
Depreciation in the fiscal year	10,893	13,193
Expenses for short-term leases and leases for assets of low value	1,710	1,489
<b>Expenses from leases included in net financial income/expenses</b>		
Interest expenses for lease liabilities	885	1,354

## AS LESSOR

Software AG leases out parts of its own office buildings or those rented, but only to a very minor extent.

## [34] CONTINGENT LIABILITIES

For more information on reportable contingent liabilities, please refer to the section on [Litigation in Note \[36\]](#).

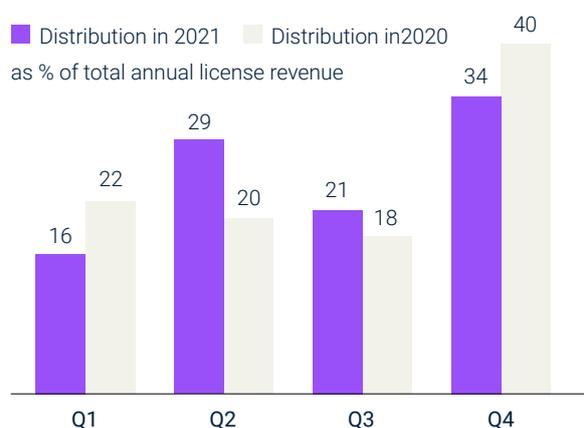
## [35] SEASONAL INFLUENCES

Revenues and pre-tax earnings were distributed over fiscal year 2021 as follows:

in € thousands	Q1 2021	Q2 2021	Q3 2021	Q4 2021	2021
License revenue	38,467	70,600	50,743	80,694	240,504
as % of license revenue for the year	16	29	21	34	100
Total revenue	183,106	218,188	197,962	234,586	833,842
as % of revenue for the year	22	26	24	28	100
Earnings before taxes	13,986	48,684	23,290	31,833	117,793
as % of earnings for the year	12	41	20	27	100

Based on historical data, the revenue and earnings distribution from 2021 is not fully representative. The distribution of revenue and earnings is regularly affected by large individual deals and is thus difficult to predict.

The following graph illustrates the development of license revenues in 2021 and 2020:



## [36] LITIGATION

A number of legal actions have been filed with the Regional Court of Saarbrücken in connection with the control and profit transfer agreement with IDS Scheer AG. In these proceedings, the petitioners are seeking an increase in their cash settlements and annual compensatory payments. Software AG considers the objections to valuation to be groundless. The Regional Court of Saarbrücken ruled on June 6, 2018 to reject the plaintiffs' appeal. Multiple plaintiffs filed complaints against the decision within the appeal period. There were no significant developments regarding this case in 2021.

In connection with the merger of IDS Scheer AG and Software AG, a large number of legal challenges were filed with the Regional Court of Saarbrücken, in which the plaintiffs seek a legal review of the set exchange ratio and cash compensation. Software AG considers the objections to valuation to be groundless. In its decision of March 15, 2013, the Regional Court of Saarbrücken determined that the market value ratio method be employed for valuation and that cash compensation in the amount of €7.22 plus interest for every share held by outside shareholders be paid. This could result in a maximum risk of approximately €7.6 million plus interest. Software AG appealed the decision. The court-ordered expert witness submitted a report in the third quarter of 2017. Software AG took a detailed position to the report in the fourth quarter of 2017. The court resolved on January 12, 2018 that the expert witness must appear for a hearing to explain the report and make additions to it prior to the appointment. The expert witness concluded in his supplementary report from May 25, 2021 that the ruling of the regional court was not tenable if the market value ratio is applied and the earnings values in the report at first instance must be corrected. With respect to Software AG's valuation, the expert witness ultimately considers an EBIT margin of 25 percent to be appropriate for the period of detailed planning and 20 percent for perpetual annuity. The resulting additional payment would amount to €7.33 per share, or a total of €7.7 million plus interest. This is slightly worse than the calculation of the exchange ratio based on the market value method, for which the regional court had ruled at first instance. Software AG does not deem the supplementary report accurate due to fundamental errors and therefore compiled and submitted a private report regarding actual develop-

ments. Through an order for evidence dated November 9, 2021, the relevant senate of the Saarland Higher Regional Court commissioned a superior report by an expert witness. The report has not yet been submitted, nor has the corresponding hearing been scheduled. Provisions are set up based on the estimated probable actual resource outflow.

The Spanish cartel authority (Comisión Nacional de los Mercados y la Competencia, CNMC) searched the offices of Software AG España, S.A. Unipersonal (Software AG Spain) on October 28 and 29, 2015 on the suspicion of an inadmissible anti-competitive agreement. On April 25, 2016, the CNMC published on its website that it was initiating antitrust proceedings against 11 companies, including Software AG Spain. CNMC extended the case to three additional companies on October 19, 2017. CNMC is accusing Software AG Spain of inadmissible price fixing and covert tenders. Following a hearing on June 12, 2018, the CNMC ruled on July 31, 2018 to impose a penalty on 11 companies, including Software AG Spain. The penalty for Software AG Spain was €6 million, which was paid by court order on January 28, 2019. Software AG appealed the agency's decision and submitted its concluding argument on May 23, 2019. A decision is not expected until 2022 due to COVID-19-related delays.

After a customer of Software AG in the USA, Shelby County, Tennessee, requested exemption from possible claims filed against the county and/or its employees by Software AG in 2017 and 2018, Software AG Cloud Americas, Inc. was added as a defendant in a class-action lawsuit in the U.S. District Court for the Western District of Tennessee ("Tennessee District Court") on January 18, 2019. The backdrop to this are various lawsuits against a customer of Software AG, Shelby County, Tennessee. Although the class-action suit has been pending since 2016, it has not yet been admitted by the courts and is still in the early discovery phase. Mediation between all parties took place in December 2020. The parties subsequently elaborated the terms of a settlement which was finalized as of June 30, 2021. The settlement was confirmed on December 9, 2021 by Judge Mays of the Tennessee District Court. Due to the court approval, the share of the settlement to be paid by Software AG is limited to 5.5 percent and will be covered in full by insurance.

The risk evaluation for other litigation and legal risks was updated; and provisions were set up based on a new calculation of the probable actual resource outflow.

Provisions for litigation totaled €13,189 thousand (2020: €12,141 thousand) as of December 31, 2021.

In addition, contingent liabilities in the amount of €37,028 thousand (2020: €46,939 thousand) existed. But since a resource outflow as of the balance sheet date was not probable, no provisions were set up. Those relate to individual lawsuits and €28,664 (2020: €24,400 thousand) for tax-related risks.

There were no other changes with respect to the legal disputes reported as of December 31, 2020, nor were there any new legal disputes or other legal risks that could potentially have a significant effect on the Group's financial position, financial performance or cash flows.

### **[37] SHARE-BASED REMUNERATION**

Software AG has various share-based remuneration plans for members of the Management Board, managers and other Group employees. All plans include the option of cash settlement.

Share-based remuneration resulted in a total expense of €9,870 thousand (2020: €10,608 thousand) in fiscal 2021.

No expenses for share-based compensation transactions were capitalized as inventories or non-current assets.

### **LONG-TERM INCENTIVE PLAN 2021**

Rights under Long Term Incentive Plan 2021 (LIP 2021) were allocated to members of the Management Board in May 2021.

LIP replaces the existing and also long-term Management Incentive Plan (MIP) for members of the Management Board. The rights have a term of four years. LIP 2021 consists of two equally weighted portions or virtual stock options: value right 1 (VR 1) and value right 2 (VR2). Shares under the first component are weighted with a performance factor dependent upon their performance relative to the MDAX, i.e. worse performance can result in a reduction to 0, and outperformance of more than 20 percent can result in a factor of 2. The target amount is equal to the share price on the grant date multiplied by the relative outperformance of Software AG shares and the performance factor. The disbursement amount for the rights (VR 2) is linked to a target achievement factor based on the average achievement of targets for revenue, profit margin and annual recurring revenue (ARR). A total of 130,890 (VR 1) rights and 264,085 (VR 2) rights were allocated.

	VR (1)	VR (2)
Term of rights (disbursement date)	May 2025	May 2025
<b>No. of rights allocated in 2021</b>	<b>130,890</b>	<b>264,085</b>
No. of rights expired in 2021	0	0
<b>Rights outstanding as of Dec. 31, 2021</b>	<b>130,890</b>	<b>264,085</b>
thereof vested as of Dec. 31, 2021	0	0
Cap per right (in €)	22.92	11.36
Fair value as of Dec. 31, 2021 (in €) without cap	7.12	7.00
Fair value as of Dec. 31, 2021 (in €) with cap	4.84	2.79

The fair values of LIPs (VR1) and (VR2) were calculated based on the prices of hedging transactions entered into with a bank; the parameters of the transactions generally correspond to the employees' awards but do not account for caps. In addition, the fair values of the LIPs were indicatively calculated based on an option price model that factors in model-influencing option price parameters as well as agreed caps.

A total expense of €648 thousand was incurred under this plan in fiscal 2021. This figure is the balance of an expense of €435 thousand in original commitments plus €213 thousand in expenses from hedging the commitments as cash flow hedges.

Provisions totaled €435 thousand as of December 31, 2021.

## MANAGEMENT INCENTIVE PLAN 2021

In July 2021, the first rights under the Management Incentive Plan 2021 were allocated to managers and employees in key positions.

The plan only consists of retention stock appreciation rights (RSARs).

Fair values of RSARs were calculated based on an option price model that factors in model-influencing option price parameters.

A total expense of €2,152 thousand was incurred under this plan in fiscal 2021. This figure is the balance of an expense of €1,944 thousand in original commitments plus €208 thousand in expenses from hedging the commitments as cash flow hedges.

Provisions totaled €1,944 thousand as of December 31, 2021.

	RSARs	RSARs	RSARs
Term of rights (disbursement date)	July 2022	July 2023	July 2024
<b>No. of rights allocated in 2021</b>	<b>76,279</b>	<b>76,279</b>	<b>76,294</b>
No. of rights expired in 2021	-1,884	-1,884	-1,883
<b>Rights outstanding as of Dec. 31, 2021</b>	<b>74,395</b>	<b>74,395</b>	<b>74,395</b>
thereof vested as of Dec. 31, 2021	0	0	0
Fair value as of Dec. 31, 2021 (in €)	34.68	33.60	32.96

**MANAGEMENT INCENTIVE PLAN 2020**

In June 2020, the first rights under Management Incentive Plan 2020 were allocated to members of the Management Board, managers and employees in key positions.

The plan differentiates between three types of stock appreciation rights (SARs): two types of performance shares, PSARs (1) and PSARs (2), and retention stock appreciation rights (RSARs).

The number of PSARs (1) relevant to disbursement is based on the number of rights allocated times a factor which is the result of the performance of Software AG's share price relative to a benchmark index. The MDAX was defined as the benchmark index. The resulting factor can be between zero and two.

Outperformance is calculated as follows:  

$$\left[ \frac{\text{Average settlement price for PSARs (1), minus base price}}{\text{base price}} \right] - \left[ \frac{\text{final reference index price minus beginning reference index price}}{\text{beginning reference index price}} \right]$$

Dividend payments are not taken into account when calculating the performance factor.

The factor to use is calculated based on the out-performance achieved as follows:

Outperformance	Factor
≥ 20%	2
< 20% ≥ 18%	1.9
< 18% ≥ 16%	1.8
< 16% ≥ 14%	1.7
< 14% ≥ 12%	1.6
< 12% ≥ 10%	1.5
< 10% ≥ 8%	1.4
< 8% ≥ 6%	1.3
< 6% ≥ 4%	1.2
< 4% ≥ 2%	1.1
< 2% ≥ 0%	1.0
< 0%	0

	PSARs (1)	PSARs (2)	RSARs
Term of rights (disbursement date)	June 2023	June 2023	June 2023
Fair value as of Dec. 31, 2020 (in €)	5.20	5.12	31.76
Fair value as of Dec. 31, 2021 (in €)	3.60	4.72	34.02
Cap per right in €	25.47	20.37	101.88

Fair values of PSARs were calculated based on the prices of hedging transactions entered into with a bank; the parameters of the transactions generally correspond to the employees' awards. Fair values of RSARs were calculated based on an option price model that factors in model-influencing option price parameters.

The rights granted under Management Incentive Plan 2020 changed as follows in fiscal year 2021:

	PSARs (1)	PSARs (2)	RSARs
<b>Balance as of Dec. 31, 2019</b>	<b>0</b>	<b>0</b>	<b>0</b>
Granted	184,382	230,474	241,776
Expired	-3,046	-3,808	-5,323
<b>Balance as of Dec. 31, 2020</b>	<b>181,336</b>	<b>226,666</b>	<b>236,453</b>
Expired	-29,153	-36,440	-31,707
<b>Balance as of Dec. 31, 2021</b>	<b>152,183</b>	<b>190,226</b>	<b>204,746</b>

A total expense of €3,044 thousand (2020: €1,648 thousand) was incurred under this plan in fiscal 2021. This figure is the balance of €2,532 thousand (2020: €1,395 thousand) in expenses from original commitments plus €512 thousand (2020: €253 thousand) in expenses from cash flow hedges on the commitments.

Provisions totaled €3,927 thousand (2020: €1,395 thousand) as of December 31, 2021.

**MANAGEMENT INCENTIVE PLAN 2019**

In May and June 2019, rights under the Management Incentive Plan 2019 were allocated to members of the Management Board, executives and employees in key positions.

The plan differentiates between two types of stock appreciation rights (SARs): retention shares (RSARs) and performance shares (PSARs).

Provided specific conditions are met, both types grant entitlement to payment of a monetary amount equal to the average share price on 20 trading days up to the due date.

The number of PSARs relevant to disbursement is based on the number of rights allocated times a factor which is the result of the performance of Software AG's share price relative to a benchmark index. The Nasdaq 100 was defined as the benchmark index. The resulting factor can be between zero and two.

Outperformance is calculated as follows:

$$\left[ \frac{\text{[(Average settlement price for PSARs, minus base price)]}}{\text{base price}} \right] \text{ minus } \left[ \frac{\text{[(final reference index price minus beginning reference index price)]}}{\text{beginning reference index price}} \right]$$

Dividend payments are not taken into account when calculating the performance factor.

The factor to use is calculated based on the out-performance achieved as follows:

Outperformance	Factor
≥ 20%	2
< 20% ≥ 18%	1.9
< 18% ≥ 16%	1.8
< 16% ≥ 14%	1.7
< 14% ≥ 12%	1.6
< 12% ≥ 10%	1.5
< 10% ≥ 8%	1.4
< 8% ≥ 6%	1.3
< 6% ≥ 4%	1.2
< 4% ≥ 2%	1.1
< 2% ≥ 0%	1.0
< 0%	0

	PSARs	RSARs 1st Tranche	RSARs 2nd Tranche	RSARs 3rd Tranche	RSARs 4th Tranche
Term of rights (disbursement date)	March 2023	March 2020	March 2021	March 2022	March 2023
Fair value as of Dec. 31, 2019 (in €)	17.72	30.93	30.41	29.76	29.01
Fair value as of Dec. 31, 2020 (in €)	8.08	26.63 <sup>1</sup>	33.20	32.56	31.86
Fair value as of Dec. 31, 2021 (in €)	1.62	26.63 <sup>1</sup>	34.87 <sup>1</sup>	34.92	34.23
Cap per right in €	73.80	73.80	73.80	73.80	73.80

<sup>1</sup> Corresponds to the actual payment value per right on date of disbursement.

Fair values of PSARs were calculated based on the prices of hedging transactions entered into with a bank; the parameters of the transactions generally correspond to the employees' awards. Fair values of RSARs were calculated based on an option price model that factors in model-influencing option price parameters.

The rights granted under Management Incentive Plan 2019 changed as follows in fiscal year 2021:

	PSARs	RSARs 1st Tranche	RSARs 2nd Tranche	RSARs 3rd Tranche	RSARs 4th Tranche
<b>Balance as of Dec. 31, 2019</b>	<b>142,128</b>	<b>61,554</b>	<b>61,554</b>	<b>61,554</b>	<b>108,427</b>
Expired	-19,987	-4,240	-6,418	-8,225	-8,225
Exercised/disbursed	0	-57,314	0	0	0
<b>Balance as of Dec. 31, 2020</b>	<b>122,141</b>	<b>0</b>	<b>55,136</b>	<b>53,329</b>	<b>100,202</b>
Expired	-16,042	0	0	-6,117	-14,779
Exercised/disbursed	0	0	-55,136	0	0
<b>Balance as of Dec. 31, 2021</b>	<b>106,099</b>	<b>0</b>	<b>0</b>	<b>47,212</b>	<b>85,423</b>

A total expense of €1,202 thousand (2020: €3,367 thousand) was incurred under this plan in fiscal 2021. This figure is the balance of €485 thousand (2020: €2,580 thousand) in expenses from original commitments plus €717 thousand (2020: €787 thousand) in expenses from cash flow hedges on the commitments.

Provisions totaled €4,581 thousand (2020: €6,055 thousand) as of December 31, 2021.

### MANAGEMENT INCENTIVE PLAN 2018

The share performance-based Management Incentive Plan 2018 for members of the Management Board, managers and employees in key positions was approved in December 2017, as in the previous year. It consists of standard European call options to be settled in cash. Allocation took place in four tranches, differing only by terms. Gains on the exercise for members of the Management Board are paid contingent upon an exercise threshold. The exercise threshold has been reached if Software AG's volume weighted average share price (VWAP) in Xetra trading exceeds a defined price on ten consecutive trading days during the relevant period of time. The relevant share price is equal to the exercise target (€54.32) less dividends received since the beginning of the plan. Because the threshold was not met in 2020, all rights of Management Board members expired and lost all value in the previous year.

Allocation was based on the following parameters:

<b>Reference price at issue/base price</b>	<b>€45.27</b>
Term of rights	
Tranche 1	36 months
Tranche 2	39 months
Tranche 3	42 months
Tranche 4	45 months
Exercise target	€54.32
Relevant period for reaching the exercise threshold (only applies to members of the Management Board)	Dec. 1, 2019 to Nov. 30, 2020
<b>Cap</b>	<b>€67.91</b>

In December 2017, 1,464,122 rights were awarded under Management Incentive Plan 2018.

The rights granted under Management Incentive Plan 2018 changed as follows in fiscal year 2021:

<b>Balance as of Dec. 31, 2019</b>	<b>1,155,808</b>
Expired	-323,595
Exercised	-284,764
<b>Balance as of Dec. 31, 2020</b>	<b>547,449</b>
Expired	-547,449
<b>Balance as of Dec. 31, 2021</b>	<b>0</b>

Fair values were calculated based on the prices of hedging transactions entered into with a bank; the parameters of the transactions correspond to the employees' awards.

The fair values as of December 31, 2021 and December 31, 2020 were:

in €	2021	2020
Tranche 1	0.00 <sup>1</sup>	0.00 <sup>1</sup>
Tranche 2	0.00 <sup>1</sup>	0.00
Tranche 3	0.00 <sup>1</sup>	0.12
Tranche 4	0.00 <sup>1</sup>	0.30

<sup>1</sup> Corresponds to the actual payment value per right.

A total expense of €462 thousand (2020: €1,832 thousand) was incurred under this plan in fiscal 2021. This figure is the balance of €104 thousand (2020: €291 thousand) in earnings from original commitments plus €566 thousand (2020: €2,123 thousand) in expenses from cash flow hedges on the commitments.

Provisions totaled €0 (2020: €103 thousand) as of December 31, 2021.

## PERFORMANCE PHANTOM SHARE PLAN

A portion of the variable management remuneration is paid out as a medium-term component on the basis of a Performance Phantom Share (PPS) Plan. As in the previous year, the portion accruing for fiscal year 2021 will be converted into PPS on the basis of the average share price of Software AG stock in February 2022, less 10 percent. The resulting number of shares will become due in three identical tranches with terms of one, two and three years. On the due dates in March 2023 to 2025, the number of PPS will be multiplied by the then-applicable share price for February. The beneficiaries will receive an amount per PPS equal to the dividends paid to Software AG shareholders prior to payment of a phantom share tranche.

Beneficiaries may elect to let Software AG dispose of any PPS that have become due after the defined vesting period for six years and four months after leaving the Company and thus continue to participate in the success of the Company. However, all PPS that have not yet been disbursed as of January 15 of the seventh year after a Management Board member has left the Company become due for payment in the seventh year after the member's departure at the latest, on the trading day following the release of the preliminary first-quarter figures.

At the time of payment, the number of PPS is multiplied by the average price of Software AG shares on the sixth to tenth trading days after the decision to exercise the relevant PPS. The decision to exercise options must be disclosed to the Company from the date of publication of the financial results until the following fifth trading day. Those entitled receive an amount per phantom share equal to the dividends paid to Software AG shareholders prior to payment of the phantom shares.

This plan resulted in expenses of €2,362 thousand (2020: €3,635 thousand) in fiscal 2021. This figure is the balance of expenses of €3,339 thousand (2020: €4,709 thousand) in original commitments plus earnings of €977 thousand (2020: €1,074 thousand) from hedging transactions on the commitments with banks.

Provisions for the rights outstanding under the PPS plan amounted to €18,918 thousand (2020: €18,906 thousand) as of December 31, 2021.

The intrinsic value of the rights exercisable under the PPS plan as of December 31, 2021 amounted to €13,614 thousand (2020: €12,283 thousand) as of December 31, 2021.

## [38] CORPORATE BODIES

### MEMBERS OF THE SUPERVISORY BOARD:

	<p><b>Christian Lucas</b> MBA, Harvard Business School Shareholder representative Chair since February 3, 2022</p>	<p>Managing Director and Co-Head EMEA, Silver Lake</p>
<p><i>Other supervisory board and similar seats:</i></p>	<ul style="list-style-type: none"> <li>• Member of the board of Global Blue Group Holding AG, Eysins, Switzerland</li> <li>• Member of the board (vice chair) of Claudius France SAS, Lyon, France</li> <li>• Chair of the board of Mistral Midco SAS, Paris, France</li> <li>• Member of the board of Mirakl SAS, Paris, France</li> </ul>	
	<p><b>Karl-Heinz Streibich</b> Graduate in communications engineering Shareholder representative Chair until January 31, 2022</p>	<p>President, acatech—German Academy of Science and Engineering, Berlin, Germany</p>
<p><i>Other supervisory board seats:</i></p>	<ul style="list-style-type: none"> <li>• Member of the supervisory board of Deutsche Telekom AG, Bonn, Germany</li> <li>• Member of the supervisory board of Siemens Healthineers AG, Erlangen, Germany</li> <li>• Member of the supervisory board of Münchener Rück AG, München, Germany</li> </ul>	
	<p><b>Ralf Dieter</b> Graduate in economics Shareholder representative until January 31, 2022</p>	<p>CEO, Dürr AG, Stuttgart (until December 31, 2021)</p>
<p><i>Other supervisory board and similar seats:</i></p>	<ul style="list-style-type: none"> <li>• Member of the supervisory board of Körber AG, Hamburg, Germany</li> <li>• Other seats within the Dürr Group (until December 31, 2021)</li> </ul>	
	<p><b>Madlen Ehrlich</b> Graduate in international business Employee representative Deputy chair since November 4, 2021</p>	<p>Senior Director, Bid Operations and Sales Programs Software AG, Berlin, Germany</p>
<p><i>Other supervisory board seats:</i></p>	<p>none</p>	
	<p><b>Guido Falkenberg</b> Graduate in computer science Employee representative Deputy chair until November 4, 2021</p>	<p>Senior Vice President, Product Management, Software AG, Darmstadt, Germany</p>
<p><i>Other supervisory board seats:</i></p>	<p>none</p>	
	<p><b>Bettina Schraudolf</b> Graduate in business information systems Employee representative since November 4, 2021</p>	<p>Chair of the Works Council of Software AG, Darmstadt, Germany</p>
<p><i>Other supervisory board seats:</i></p>	<p>none</p>	
	<p><b>Ursula Soritsch-Renier</b> Graduate in philosophy with a minor in computer science Shareholder representative</p>	<p>Group Chief Digital and Information Officer, Saint Gobain, La Défense, France</p>
<p><i>Other supervisory board seats:</i></p>	<p>none</p>	

	<p><b>Markus Ziener</b> Graduate in economics B.A. in business administration Shareholder representative</p> <p><i>Other supervisory board and similar seats:</i></p>	<p>Managing Director, Asset and Financial Management, Software AG Foundation, Darmstadt, Germany</p> <ul style="list-style-type: none"> <li>• Member of the supervisory board of GLS Bank eG, Bochum, Germany</li> <li>• Member of the advisory board of Aceite de Oliva Valderrama S.L., Madrid, Spain</li> </ul>
	<p><b>Christian Zimmermann</b> Graduate in business information systems Employee representative until November 4, 2021</p> <p><i>Other supervisory board seats:</i></p>	<p>Director Marketing SAG Deutschland GmbH, Darmstadt</p> <p><i>none</i></p>

## MEMBERS OF THE MANAGEMENT BOARD:

	<p><b>Sanjay Brahmawar</b> M.B.A. in finance and marketing Bachelor's degree in civil engineering</p> <p><i>Supervisory board and other seats:</i></p>	<p>Chief Executive Officer Marketing, Corporate Communications, CTO Office (until Oct. 31, 2021), CISO Office (since Nov. 1, 2021), Processes &amp; Quality, Audit &amp; Compliance, Corporate Office and Environment, Social &amp; Governance (ESG)</p> <ul style="list-style-type: none"> <li>• Member of the foundation board of trustees of the Frankfurt School of Finance &amp; Management, Frankfurt am Main, Germany</li> <li>• Member of the advisory board of ADAMOS GmbH, Darmstadt, Germany</li> </ul>
	<p><b>Dr. Elke Frank</b> Degree in law</p> <p><i>Supervisory board and other seats:</i></p>	<p>Chief Human Resources Officer Global Human Resources, Helix Transformation Office, Global Legal, Global Information Services (IT)</p> <ul style="list-style-type: none"> <li>• Member of the supervisory board, chair of the remuneration committee of Scout24 AG, Munich, Germany</li> <li>• Member of the advisory board of Fraunhofer IAO, Stuttgart, Germany</li> </ul>
	<p><b>Dr. Matthias Heiden</b> Degree in business administration</p> <p><i>Supervisory board and similar seats:</i></p>	<p>Chief Financial Officer Global Finance, Controlling, Corporate Development (including Investor Relations, Mergers &amp; Acquisitions and Post Merger Integration), Treasury, Global Services, Taxes and Business Operations</p> <ul style="list-style-type: none"> <li>• Member of the executive board and presidency of the German-Swedish Chamber of Commerce (DSHK), Stockholm, Sweden</li> <li>• Member of the advisory board of IKB Deutsche Industriebank AG, Düsseldorf, Germany</li> </ul>
	<p><b>John Schweitzer</b> Bachelor of Science in economics and finance</p> <p><i>Other supervisory board seats:</i></p>	<p>Chief Revenue Officer (until January 13, 2021) Global Sales, Professional Services and Alliances &amp; Channels</p> <p><i>none</i></p>
	<p><b>Dr. Stefan Sigg</b> Degree in mathematics</p> <p><i>Supervisory board seats:</i></p>	<p>Chief Product Officer Product Development and Delivery, CTO Office (since Nov. 1, 2021), Product Management, Research and University Alliances, Global Support, Product Design and Architecture, R&amp;D Operations and Shared Services, Cloud Operations</p> <ul style="list-style-type: none"> <li>• Member of the supervisory board of Deutsches Forschungszentrum für Künstliche Intelligenz GmbH (DFKI), Kaiserslautern, Germany</li> <li>• Member of the supervisory board of Fischer Information Technology AG, Radolfzell, Germany (since May 20, 2021)</li> </ul>

## REMUNERATION OF THE MANAGEMENT BOARD PURSUANT TO SECTION 314 (1), NO. 6 OF HGB

Total remuneration for members of the Management Board in fiscal 2021, including newly issued LIP 2021 (2020: MIP 2020) stock options, was €12,826 thousand (2020: €12,394 thousand). This includes awards under the new LIP 2021 stock option plan (2020: MIP 2020) in the amount of €3,000 thousand (2020: €2,419 thousand). Because of a different valuation interpretation, the figure in the previous year—as well as total remuneration in the previous year—was reduced by €2,170 thousand. This value was determined by an external auditor.

The remuneration of the Management Board still includes consideration paid for 58,165 (2020: 46,764) committed PPS totaling €1,935 thousand (2020: €1,709 thousand). The awarded PPS had a fair value as of the grant date of €33.26 (2020: €36.54) per PPS.

Remuneration under this plan totaled €2,006 thousand (2020: €1,821 thousand) in the 2021 fiscal year.

Remuneration for former Management Board members totaled €1,426 thousand (2020: €1,172 thousand).

Pension provisions, offset against plan assets for former Management Board members, totaled €16,375 thousand (2020: €19,658 thousand). Pension obligations for former Management Board members amounted to €35,299 thousand (2020: €39,613 thousand). These amounts include provisions for periods of time in which two members of the Management Board were executive employees or members of the Group Executive Board.

Software AG did not grant any advances or loans to Management Board members in fiscal 2021 or in fiscal 2020. It also did not enter any contingent liabilities for these individuals.

Detailed disclosures on the remuneration paid to Management Board members are presented in the [Remuneration Report](#).

## REMUNERATION OF THE SUPERVISORY BOARD PURSUANT TO SECTION 314 (1), NO. 6 OF HGB

Total remuneration for the Supervisory Board amounted to €620 thousand (2020: €606 thousand) in the 2021 fiscal year.

Software AG did not grant any advances or loans to Supervisory Board members in fiscal 2021 or in fiscal 2020. It also did not enter any contingent liabilities for these individuals.

Detailed disclosures on the remuneration paid to Supervisory Board members are presented in the [Remuneration Report](#).

## [39] RELATED PARTY TRANSACTIONS

A related party as defined by IAS 24 Related Party Disclosures is any legal or natural person able to exercise control over Software AG or a Software AG subsidiary, that is controlled by Software AG or a Software AG subsidiary, or in which Software AG or a Software AG subsidiary has an interest that gives it significant influence over such legal or natural person. This also includes any legal or natural person having an interest in Software AG that gives it significant influence over Software AG (Software AG Foundation), unconsolidated subsidiaries, and the members of Software AG's executive bodies, whose remuneration is specified in [Note \[38\]](#) as well as in the [Remuneration Report](#).

## DISCLOSURES ON REMUNERATION PAID TO RELATED PARTIES PURSUANT TO IAS 24

Parties related to Software AG consist of the members of the Management Board and the Supervisory Board.

Remuneration paid to the Management Board can be broken down as follows:

in € thousands	2021	2020
Short-term benefits	5,762	8,168
Post-service benefits <sup>1</sup>	1,491	2,126
Share-based remuneration <sup>2</sup>	2,143	2,980
	<b>9,396</b>	<b>13,274</b>

<sup>1</sup> The service cost of pension obligations pursuant to IAS 19 and the employer share of statutory unemployment insurance as well as voluntary payments to pension insurance companies in the USA are shown here. Furthermore, payments for Dr. Sigg's acquired pension entitlements in the amount of €1,913 thousand and the disbursement of a contribution to a private pension plan in the amount of €150 thousand are also included. Due to these payments, past service costs already recognized for Dr. Sigg in the amount of €1,921 thousand could be used to offset expenses.

<sup>2</sup> Expenses incurred under the PPS plan, MIP 2019, MIP 2020, MIP 2021 and LIP 2021 are shown here. Due to John Schweizer's departure from the Management Board as of January 13, 2021, portions of his PPS, his entire MIP 2019 and MIP 2020 expired. This caused a total decrease in expenses for share-based remuneration of €827 thousand. The amount in the previous year had been reduced by €406 thousand due to a different valuation interpretation.

Net pension obligations for Management Board members amounted to €699 thousand (2020: €1,249 thousand). Gross pension obligations for Management Board members amounted to €3,577 thousand (2020: €4,687 thousand). The decrease in net and gross pension obligations resulted primarily from the disbursement of pension entitlements to Dr. Sigg as part of the transition from direct awards to a supplement model for the Management Board's benefit plan. A significantly smaller portion of the decrease resulted from the increase in the discount rate from 0.75 percent in 2020 to 1.25 percent in fiscal 2021.

Furthermore, obligations from share-based compensation plans, including bonuses converted to PPS at year-end, for members of the Management Board amounted to €7,559 thousand (2020: €6,491 thousand).

Obligations to members of the Management Board from short-term variable remuneration components amounted to €2,554 thousand (2020: €4,796 thousand).

Remuneration paid to the members of the Supervisory Board in fiscal year 2021 totaled €620 thousand (2020: €606 thousand). This remuneration included a fixed short-term component and compensation for

committee work. Furthermore, Supervisory Board chair, Mr. Karl-Heinz Streibich, received compensation related to his former role as CEO of €633 thousand (2020: €454 thousand) in dividends from outstanding PPS as well as his company pension plan.

Remuneration of the Management and Supervisory Boards is outlined in detail in the Remuneration Report. The Remuneration Report presents the structure and amount of the individual components. In accordance with section 162 of AktG, the Remuneration Report is a separate report and since 2021 no longer part of the annual financial statements.

No other business transactions took place between Software AG and the members of the Management Board or the Supervisory Board in fiscal year 2021.

## [40] AUDITOR FEES

Software AG's general and administrative expenses include expenses for auditors' fees paid to BDO AG, the Group auditor, totaling €1,039 thousand (2020: €985 thousand). Of this amount, €995 thousand (2020: €953 thousand) relates to the audit of the domestic entities' and the Group's financial statements and €44 thousand (2020: €32 thousand) to other testation services. Other testation services refer primarily to audits in the context of the combined non-financial statement and EMIR compliance.

## [41] EVENTS AFTER THE BALANCE SHEET DATE

At the Supervisory Board meeting on December 13, 2021, the chair of the Supervisory Board, Karl-Heinz Streibich, and the chair of the Audit Committee, Ralf Dieter, submitted their resignations from their positions, effective at the end of January 31, 2022. The Darmstadt District Court appointed Mr. Christian Yannick Lucas, Managing Director and Co-Head of EMEA at Silver Lake, as member of the Supervisory Board by a resolution dated January 27, 2022, which went into effect on February 3, 2022. Based on the Supervisory Board resolution, he accepted the chair of the Supervisory Board.

As announced and previously stipulated in a framework agreement in December 2021, Software AG entered a final agreement on February 3, 2022 with Silver Lake who will subscribe to subordinate unsecured convertible bonds with a total nominal value of €344 million to reach maturity at the beginning of 2027. Software AG issued the subordinate unsecured convertible bonds on February 3, 2022, excluding subscription rights. They were transferred to Silver Lake against payment of the nominal amount of €344 million on February 15, 2022. The convertible bonds have a coupon rate of 2 percent p.a., an initial conversion price of €46.54, and a five-year term to maturity. The initial conversion price would change if Software AG were to approve and disburse dividends above the reference dividend price of €0.76 before the convertible bonds reach maturity.

It is not yet possible to predict the impact on Software AG of the sanctions imposed by western nations on Russia. Annual revenue from Russian and Ukrainian end customers is in the low single-digit million euro range. The balance of cash and cash equivalents held by the Limited Liability Company Software AG (RUS), Moscow, Russia, was also in the low single-digit million euro range as of the end of February.

Software AG signed an agreement on February 28, 2022 to acquire StreamSets, Inc., a leader in data integration for modern data stacks, via its subsidiary, Software AG USA, Inc., by way of a reverse triangular merger. Subject to certain conditions precedent being met, a newly acquired subsidiary of Software AG USA, Inc. will merge with StreamSets. The preliminary purchase price consideration amounts to €524 million. The transaction will be funded by cash and the Group's

existing credit facilities. To financially secure the purchase price, Software AG is holding considerable dollar reserves which could lead to a significant currency translation impact in the balance sheet until the acquisition is finalized.

StreamSets' focus is data integration for modern data stacks. StreamSets empowers enterprise customers to collect, consolidate and move a broad range of ever-changing data. StreamSets' hybrid data integration platform is an ideal complement to Software AG's hybrid application integration offerings.

StreamSets will be allocated to the Digital Business segment.

Software AG currently assumes that with the addition of StreamSets, IFRS Group product revenue before purchase price allocation effects will grow by approximately 12 to 16 percent (prior to the acquisition: 7 to 11 percent) in the 2022 fiscal year. Software AG expects an impact on non-IFRS EBITA before purchase price allocation effects of between -€17 million and -€13 million and a likely impact on EBITA based on IFRS indicators before purchase price allocation effects in the amount of -€29 million to -€22 million.

The transaction is subject to approval by the relevant authorities, mainly concerning merger control clearance. Software AG assumes that the transaction will be finalized by the end of the first half of 2022.

There were no further events that occurred between December 31, 2021 and the date of release of the consolidated financial statements that were of significance to the consolidated financial statements.

## [42] STATEMENT ON CORPORATE GOVERNANCE

Pursuant to section 315 d of HGB in conjunction with 289 f of HGB, Software AG submitted its Statement on Corporate Governance on February 28, 2022 and published it on March 1, 2022 at [Statement on Corporate Governance](#).

This statement includes the Declaration of Compliance with the German Corporate Governance Code pursuant to section 161 of AktG, which was issued separately on January 25, 2022 and published at [softwareag.com/compliance-declaration](https://softwareag.com/compliance-declaration).

## [43] EXEMPTION FOR DOMESTIC GROUP COMPANIES PURSUANT TO SECTION 264 (3) OF HGB

With the approval of the relevant shareholders' meetings, SAG Deutschland GmbH, Darmstadt, Germany, SAG Consulting Services GmbH, Darmstadt, Germany, Cumulocity GmbH, Düsseldorf, Germany, and SAG LVG mbH, Darmstadt, Germany, which are included in the consolidated financial statements of Software AG, have been exempt from the duty to prepare and publish annual financial statements and a management report, and from the duty to have them audited, in compliance with provisions applicable to corporations in accordance with section 264 (3) of HGB.

## DATE AND AUTHORIZATION FOR ISSUE

Software AG's Management Board approved the consolidated financial statements on March 4, 2022.

Darmstadt, March 4, 2022  
Software AG



S. Brahmawar



Dr. E. Frank



Dr. M. Heiden



Dr. S. Sigg



# AUDITOR'S REPORTS

**AUDIT REPORT ON THE COMBINED  
NON-FINANCIAL STATEMENT P. 260**



**INDEPENDENT AUDITOR'S  
REPORT** P. 252



# INDEPENDENT AUDITOR'S REPORT

To Software Aktiengesellschaft, Darmstadt

## REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

### AUDIT OPINIONS

We have audited the consolidated financial statements of Software Aktiengesellschaft, Darmstadt, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021 and the consolidated income statement, statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the financial year from January 1, 2021 to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In addition, we have audited the combined management report (report on the position of the company and of the group) of Software Aktiengesellschaft for the financial year from January 1, 2021 to December 31, 2021. In accordance with the German legal requirements we have not audited the content of those parts of the combined management report listed in "OTHER INFORMATION" section.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements

of German commercial law pursuant to § 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at December 31, 2021, and of its financial performance for the financial year from January 1, 2021 to December 31, 2021, and

- the accompanying combined management report as a whole provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not cover the content of the parts of the combined management report listed in the "OTHER INFORMATION" section.

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the combined management report.

### BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and of the combined management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer

[Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the COMBINED MANAGEMENT REPORT" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements.

In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and on the combined management report.

## KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1, 2021 to December 31, 2021. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, we do not provide a separate audit opinion on these matters.

We have identified the following items as key audit matters:

1. Revenue recognition for software licenses
2. Impairment of goodwill
3. Recognition and measurement of income taxes

## REVENUE RECOGNITION FOR SOFTWARE LICENSES

### FACTS AND CIRCUMSTANCES

In the consolidated financial statements of Software AG, revenue amounting to € 833.8 million was disclosed in the consolidated income statement and was mainly generated by granting software licenses (€ 240.5 million), from maintenance (€ 399.4 million) and from services (€ 149.8 million). Frequently, the Company's customers are granted software licenses combined with maintenance and/or services in multiple element con-

tracts. To ensure that revenue generated from these highly complex business transactions is uniformly and consistently recognized, Software AG has implemented detailed accounting policy guidelines in line with the applicable accounting standards, and has established uniform processes throughout the Group. Due to the size of individually large contracts, management decisions requiring significant judgment may materially affect the consolidated financial statements. These decisions by management may especially be necessary in identifying performance obligations of a contract, as well as determining and allocating the transaction price to those separate obligations.

The respective revenue disclosures presented by Software AG are to be found in the notes to the consolidated financial statements in sections "[2] Accounting Policies and Measurement Methods", "[4] Segment Reporting" and "[5] Total Revenue".

## AUDIT RESPONSE AND FINDINGS

We examined whether the Software AG accounting policies complied with IFRS 15 *Revenue from Contracts with Customers*. We assessed the processes and controls for recognizing revenues generated by granting software licenses, especially in transactions involving multiple element contracts established by the Group, and examined their effectiveness. In particular, controls involving the proper identification of performance obligations, the determination and the allocation of the transaction price were thereby tested. By involving our IT specialists, we additionally assessed the related systems used in accounting for revenue. For all of the significant contracts and a selection of the remaining contracts for granting software licenses we performed substantial audit procedures and assessed management decisions with regards to the identification of performance obligations, determination of the transaction price and allocation of this price among the separate performance obligations. We examined the contracts to the extent required for assessing if they were presented in the consolidated financial statements in accordance with IFRS, and if the accounting policies of Software AG had been uniformly applied throughout the Group. By giving appropriate instructions to the component auditors and then performing an assessment of the reporting from their audit, we ensured that the audit procedures were performed uniformly throughout the Group. Furthermore we examined the disclo-

asures required by IFRS 15 *Revenue from Contracts with Customers* as presented in the notes.

Based on the audit procedures we performed, we are of the opinion that the underlying assumptions and management's judgment used for revenue recognition, in particular in the area of identifying performance obligations, determining transaction prices and allocation of the transaction prices among separate obligations, were presented fairly, in all material respects.

## IMPAIRMENT OF GOODWILL

### FACTS AND CIRCUMSTANCES

In the consolidated financial statements of Software AG, goodwill as presented under non-current assets, amounts to € 986.1 million, representing 44 % of the balance sheet total. Goodwill was allocated to cash-generating units.

Cash-generating units with goodwill are subject to impairment tests (according to IAS 36) by the company at least once a year as well as to an additional impairment test if there are any indications of an impairment. The valuation is thereby made by using the discounted cash flow method. If the carrying amount of a cash-generating unit is higher than its recoverable amount, the carrying amount is written down to the recoverable amount.

Assessing the recoverability of goodwill is complex and requires that management make numerous estimates and use significant judgment, especially with regard to revenue growth and the development of profit margins within a detailed four year budget period, a sustainable growth rate for cash flows expected for a forecast beyond the detailed budget period, and the discount rate to be used. This is a key audit matter due to the significance of the balance for goodwill in the consolidated financial statements of Software AG and because of considerable uncertainties associated with such a measurement.

Software AG's disclosures concerning goodwill are contained in sections "[2] Accounting Policies and Measurement Methods" and "[20] Intangible Assets and Goodwill" in the notes to the consolidated financial statements.

## AUDIT RESPONSE AND FINDINGS

In the course of our audit we assessed the appropriateness of the material assumptions and the valuation parameters as well as the calculation methods used for impairment testing by involving our valuation specialists. We gained an understanding of the planning system and planning processes of management as well as of the significant assumptions they used. The budget for the subsequent year, as approved by the Supervisory Board, thereby constitutes the starting point for forecasting future cash flows within the detailed budget period. We examined the underlying budget assumptions and growth rates assumed for the expected cash flows beyond the detailed budget period by comparing past developments and current industry-specific market expectations. We reconciled the forecast of future cash flows in the first year of the detailed budget period with the budget approved by the Supervisory Board and determined reasonableness of the company's historical forecasting accuracy by means of an analysis of budget-to-actual variances. Furthermore, we critically analysed the discount rates used on the basis of the average costs of capital of a peer group. Our audit also encompassed sensitivity analyses made by Software AG. Regarding the effects of possible changes in costs of capital and the growth rates assumed, we additionally performed our own sensitivity analyses.

Overall, we were able to gain reasonable assurance that the assumptions made by management when performing impairment tests and the valuation parameters used were traceable and within an appropriate range.

## RECOGNITION AND MEASUREMENT OF INCOME TAXES

### FACTS AND CIRCUMSTANCES

In the consolidated financial statements of Software AG, income taxes reduced earnings before income taxes by 28.4 %. This reduction comprised expenses for current taxes (33.2 %) as well as income from deferred taxes (4.8 %). Software AG conducts business in numerous jurisdictions and is consequently subject to many tax laws worldwide. The recognition and measurement of income tax liabilities and tax receivables, including estimating the probability and extent income tax-related issues result in payment obligations, require significant judgment, and demand a high degree of expertise. In

addition, the assessment of the extent to which tax authorities will question tax-related facts is subject to a high amount of uncertainty. Along with current taxes, tax items also encompass deferred taxes that result from temporary differences and tax loss carryforwards that will be realized in future financial years. In particular, the assessment of recoverability for deferred tax assets, which result from deductible temporary differences and tax loss carryforwards, requires significant judgment by management.

Software AG's disclosures on income taxes and deferred taxes are contained in sections "[2] Accounting Policies and Measurement Methods", "[12] Income Taxes", "[19] Income Tax Receivables", "[23] Deferred Taxes" and "[28] Income Tax Liabilities" in the notes to the consolidated financial statements.

### AUDIT RESPONSE AND FINDINGS

We involved internal specialists from our Tax Department, who worked closely with the audit team. With their support we assessed, amongst others, the methodical procedures for determining, measuring, and accounting for all tax items. We examined the calculations of income tax liabilities and of tax receivables according to IAS 12 *Income Taxes* and IFRIC 23 *Uncertainty over Income Tax Treatments* on the basis of our knowledge of the relevant tax regulations as well as their present application by government authorities and courts. In order to assess income tax risks, we furthermore read the correspondence with tax authorities as well as the transfer pricing documentation critically. The plausibility of the assumptions of the legal representatives about the future taxable income situation was assessed, as it serves as the basis for the recognition and measurement of deferred tax assets resulting from deductible temporary differences and tax loss carryforwards. Tax specialists in our international network supported us in assessing tax items as well as in estimating the tax risks of significant foreign entities and reported the results of their assessments to us. We had our tax specialists analyse these reports.

On the basis of the accounting procedures performed by us, we were, on the whole, able to gain reasonable assurance over the underlying assumptions held and the judgment used by management in accounting for and measuring current and deferred taxes.

### OTHER INFORMATION

The executive directors are responsible for the other information. The other information comprises:

- the non-financial group statement included in the section „combined non-financial statement“ of the combined management report
- the separately published statement on corporate governance to which section „statement on corporate governance“ of the combined management report refers
- the remaining parts of the annual report, with the exception of the audited consolidated financial statements and combined management report and our auditor's report.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the combined management report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the executive directors are responsible for such internal control as they

have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The supervisory board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our

audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial

statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e (1) HGB.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, includ-

ing any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## **OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 (3A) HGB**

#### **REASONABLE ASSURANCE OPINION**

We have performed assurance work in accordance with § 317 (3a) HGB to obtain reasonable assurance as to whether the rendering of the consolidated financial statements and the combined management report (hereinafter the "ESEF documents") contained in the electronic file [Software\_KAP21\_ESEF.zip: 3b5f09090ac-5e8f8640574aa0b82d336c800f12fa47fabcb108e022-570a25a5a] and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the consolidated financial statements and the combined management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the file identified above.

In our opinion, the rendering of the consolidated financial statements and the combined management report contained in the above-mentioned electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 (1) HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying consolidated financial statements and the combined management report for the financial year from January 1, 2021 to December 31, 2021 contained in the „REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT“ above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the file identified above.

### **BASIS FOR THE REASONABLE ASSURANCE OPINION**

We conducted our assurance work on the rendering of the consolidated financial statements and the combined management report contained in the above-mentioned attached electronic file in accordance with § 317 (3a) HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 (3a) HGB (IDW AsS 410 (10.2021)). Accordingly, our responsibilities are further described below in the “Auditor’s Responsibilities for the Assurance Work on the ESEF documents” section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

### **RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD FOR THE ESEF DOCUMENTS**

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic reproduction of the consolidated financial statements and the combined management report in accordance with § 328 (1) sentence 4 no. 1 HGB and for the tagging of the consolidated financial statements in accordance with § 328 (1) sentence 4 no. 2 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have determined necessary to enable the preparation of ESEF documents that are free from material intentional or

unintentional non-compliance with the requirements of § 328 (1) HGB for the electronic reporting format.

The executive directors of the Company are also responsible for the submission of the ESEF documents together with the auditor’s report and the attached audited consolidated financial statements and audited combined management report as well as other documents to be published to the operator of the Federal Gazette.

The supervisory board is responsible for overseeing the process for preparation the ESEF documents as part of the financial reporting process.

### **AUDITOR’S RESPONSIBILITIES FOR THE ASSURANCE WORK ON THE ESEF DOCUMENTS**

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB. We exercise professional judgment and maintain professional scepticism throughout the assurance work. We also:

- identify and assess the risks of material intentional or unintentional non-compliance with the requirements of § 328 (1) HGB, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinions.
- obtain an understanding of internal control relevant to the assurance on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- evaluate the technical validity of the ESEF documents, i.e. whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, on the technical specification for this electronic file.
- evaluate whether the tagging of the ESEF documents with Inline XBRL technology (iXBRL) in accordance with the requirements of Articles 4 and 6 of the Delegated Regulation (EU) 2019/815, in the version in force at the date of the financial statements, enables an appropriate and complete machine-readable XBRL copy of the XHTML rendering.

## **FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION**

We were elected as group auditor by the annual general meeting on May 12, 2021. We were engaged by the supervisory board on August 4, 2021. We have been the group auditor of Software AG without interruption since the financial year 1997.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

## **OTHER MATTER – USE OF THE AUDITOR'S REPORT**

Our auditor's report must always be read together with the audited consolidated financial statements and the audited combined management report as well as the assured ESEF documents. The consolidated financial statements and the combined management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited consolidated financial statements and the audited combined management report and do not take their place. In particular, the ESEF report and our assurance opinion contained therein are to be used solely together with the assured ESEF documents provided in electronic form.

## **GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT**

The German Public Auditor responsible for the engagement is Ralf Pfeiffer.

Berlin, March 9, 2022

BDO AG  
Wirtschaftsprüfungsgesellschaft



Eckmann  
German Public Auditor



Pfeiffer  
German Public Auditor



# AUDIT REPORT ON THE COMBINED NON-FINANCIAL STATEMENT

## **INDEPENDENT AUDITOR'S REPORT ON A LIMITED ASSURANCE ENGAGEMENT OF THE COMBINED NON-FINANCIAL STATEMENT<sup>1</sup>**

### **TO SOFTWARE AG, DARMSTADT**

We have performed a limited assurance engagement on the combined non-financial statement of Software AG, Darmstadt (hereinafter referred to as Software AG or the Company), included in the section "Combined non-financial statement" of the combined management report as well as the section "Business model" being incorporated by reference for the period from January 1 to December 31, 2021.

### **RESPONSIBILITY OF THE EXECUTIVE DIRECTORS**

The executive directors of the Company are responsible for the preparation of the combined non-financial statement in accordance with §§ 315c in conjunction with 289c to 289e HGB ["Handelsgesetzbuch": German Commercial Code] and Article 8 of REGULATION (EU) 2020/852 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 18. June 2020 on establishing a framework to facilitate sustainable investment and amending Regulation (EU) 2019/2088 (hereinafter the "EU Taxonomy Regulation") and the Delegated Acts adopted thereunder, as well as for making their own interpretation of the wording and terms contained in the EU Taxonomy Regulation and the Delegated Acts adopted thereunder,

as set out in section "Fundamental Aspects" of the combined non-financial statement.

This responsibility includes the selection and application of appropriate non-financial reporting methods and making assumptions and estimates about individual non-financial disclosures of the Company that are reasonable in the circumstances. Furthermore, the executive directors are responsible for such internal control as the executive directors consider necessary to enable the preparation of a combined non-financial statement that is free from material misstatement, whether due to fraud or error.

The EU Taxonomy Regulation and the Delegated Acts issued thereunder contain wording and terms that are still subject to considerable interpretation uncertainties and for which clarifications have not yet been published in every case. Therefore, the executive directors have disclosed their interpretation of the EU Taxonomy Regulation and the Delegated Acts adopted thereunder in section "Fundamental Aspects" of the combined non-financial statement. They are responsible for the defensibility of this interpretation. Due to the immanent risk that indeterminate legal terms may be interpreted differently, the legal conformity of the interpretation is subject to uncertainties.

<sup>1</sup> We have performed a limited assurance engagement on the German version of the combined non-financial statement and issued an Independent Practitioner's Report in German language, which is authoritative. The following text is a translation of the original German Independent Practitioner's Report.

**INDEPENDENCE AND QUALITY ASSURANCE OF  
THE ASSURANCE PRACTITIONER'S FIRM**

We have complied with the German professional requirements on independence as well as other professional conduct requirements.

Our audit firm applies the national legal requirements and professional pronouncements - in particular the By-laws Regulating the Rights and Duties of Wirtschaftsprüfer and vereidigte Buchprüfer in the exercise of their Profession and the IDW *Quality Assurance Standard* issued by the Institute of Public Auditors in Germany (IDW): *Requirements for Quality Management in the Audit Firm (IDW QS 1)*. and accordingly maintains a comprehensive quality management system that includes documented policies and procedures with regard to compliance with professional ethical requirements, professional standards as well as relevant statutory and other legal requirements.

**RESPONSIBILITY OF THE ASSURANCE  
PRACTITIONER**

Our responsibility is to express a conclusion with limited assurance on the combined non-financial statement based on our assurance engagement.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" issued by the IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance about whether any matters have come to our attention that cause us to believe that the company's combined

non-financial financial statement, for the period of January 1 to December 31, 2021, has not been prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e of the German Commercial Code (HGB) and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors disclosed in section "Fundamental Aspects" of the combined non-financial statement. This does not mean that a separate audit opinion is issued for each disclosure.

In a limited assurance engagement, the procedures performed are less extensive than in a reasonable assurance engagement, and accordingly, a substantially lower level of assurance is obtained. The selection of the assurance procedures is subject to the professional judgment of the assurance practitioner.

In the course of our assurance engagement we have, among other things, performed the following assurance procedures and other activities:

- Obtainment of an understanding of the structure of the sustainability organization and stakeholder engagement
- Inquiries of employees responsible for materiality analysis at the Group level to obtain an understanding of Software AG's approach to identifying material topics and corresponding reporting boundaries
- A risk assessment, including a media analysis, of relevant information about Software AG's sustainability performance during the reporting period
- Analytical assessment of selected quantitative data
- Inquiries of personnel responsible for determining the disclosures of concepts, due diligence processes,

results and risks, performing internal control procedures and consolidating the disclosures

- Inspection of selected internal and external documents
- Evaluation of the process for identifying the taxonomy-eligible economic activities and the corresponding disclosures in the combined non-financial statement
- Assessment of the overall presentation of the disclosures

In determining the disclosures in accordance with Article 8 of the EU Taxonomy Regulation, the executive directors are required to interpret undefined legal terms. Due to the immanent risk that undefined legal terms may be interpreted differently, the legal conformity of their interpretation and, accordingly, our assurance engagement thereon are subject to uncertainties.

#### ASSURANCE OPINION

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the combined non-financial statement of Software AG for the period from the 1st of January to the 31st of December 2021 is not prepared, in all material respects, in accordance with §§ 315c in conjunction with 289c to 289e HGB and the EU Taxonomy Regulation and the Delegated Acts issued thereunder as well as the interpretation by the executive directors as disclosed in section “Fundamental Aspects” of the combined non-financial statement.

## RESTRICTION OF USE

We draw attention to the fact that the assurance engagement was conducted for the Company’s purposes and that the report is intended solely to inform the Company about the result of the assurance engagement. Consequently, it may not be suitable for any other purpose than the aforementioned. Accordingly, the report is not intended to be used by third parties for making (financial) decisions based on it. Our responsibility is to the Company alone. We do not accept any responsibility to third parties. Our assurance opinion is not modified in this respect.

## GENERAL ENGAGEMENT TERMS

This engagement is based on the “Special Engagement Terms and Conditions of BDO AG Wirtschaftsprüfungsgesellschaft” of March 1, 2021, agreed with the Company as well as the “General Engagement Terms and Conditions for Auditors and Auditing Firms” of January 1, 2017, issued by the IDW ([www.bdo.de/terms-and-conditions](http://www.bdo.de/terms-and-conditions)).

Hamburg, March 9, 2022

BDO AG Wirtschaftsprüfungsgesellschaft

Viola Möller

Nils Borchering  
German Public Auditor

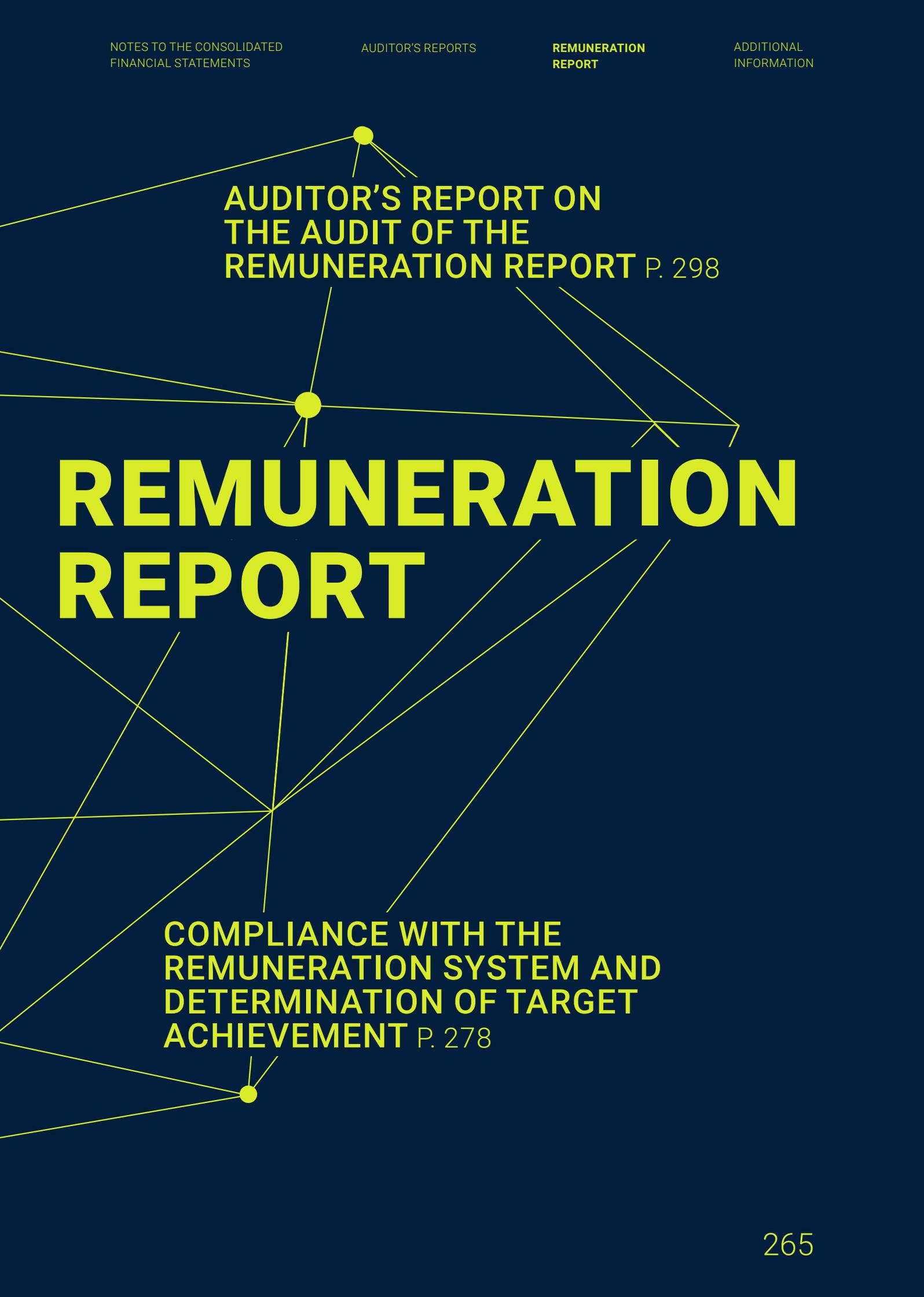




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# REMUNERATION REPORT

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# REMUNERATION REPORT

## 1 CONTENTS OF THE REMUNERATION REPORT

The Remuneration Report was prepared in accordance with the provisions of section 162 of German Stock Corporation Act (AktG), which were mandatory for first-time application in the 2021 fiscal year. The Remuneration Report for the 2021 fiscal year is primarily oriented to the recommendations of the German Corporate Governance Code (GCGC) and the legal regulations of the AktG. Furthermore, questions and answers regarding the preparation of a remuneration report provided by the Institut der Wirtschaftsprüfer (Institute of Public

Auditors in Germany, IDW) dated December 21, 2021 were taken into consideration. The Remuneration Report is a separate report which provides details on the remuneration system for the Management and Supervisory Boards as well as reports the amounts and structure of their compensation.

## 2 MANAGEMENT BOARD MEMBER REMUNERATION

### 2.1 CHANGES IN THE REMUNERATION SYSTEM AS OF FISCAL 2021

In fiscal 2020, Software AG's Supervisory Board focused intensively on the remuneration system for its Management Board members and carried out changes that took effect as of January 1, 2021. These changes ensure compliance with the GCGC and with

the AktG as amended by the Act Implementing the Second Shareholders' Rights Directive (ARUG II) of December 12, 2019.

The current remuneration system for Management Board members came into effect as of fiscal 2021 and was approved by the Annual Shareholders' Meeting of May 12, 2021 pursuant to section 120a (1) of AktG with a majority of 94.83 percent. The Remuneration Report

will be presented to the 2022 Annual Shareholders' Meeting for the first time, for a non-binding vote of the shareholders.

The remuneration system applies to any future contract extensions and any new employment contracts signed with Management Board members as of January 1, 2021. In connection with the extension of his mandate to March 31, 2027, application of the current remuneration system was agreed with Dr. Stefan Sigg, effective retroactively as of January 1, 2021. The remaining

Management Board members are still serving under their current employment contracts and thus are not yet subject to all amended policies of the new Management Board remuneration system. Aspects of remuneration which still fall under the old remuneration system are described separately in the Remuneration Report where relevant.

The following changes under the new remuneration system for Management Board members compared with the old system are particularly noteworthy:

### Changes in the New Remuneration System Compared with the Old Remuneration System

Requirements	Remuneration system until Dec. 31, 2020	Remuneration system from Jan. 1, 2021
<b>Section 87 (1), s. 2 of AktG</b> [...] At listed companies, the remuneration structure must be geared toward the company's sustainable and long-term development. [...]	The old remuneration system only partially addressed environment, social and governance (ESG) targets.	The new remuneration system includes ESG targets in the Short-Term Incentive (STI) Plan.
<b>Section 87a (1) s. 2 no. 1 of AktG</b> This remuneration system contains, at a minimum, the following information—with regard to remuneration components, however, only those components that are actually in effect: Establishment of a maximum remuneration for Management Board members	The old remuneration system established maximum percentages for variable remuneration components, based on which the maximum remuneration amounts could then be calculated. No explicit maximum amount for overall remuneration was defined.	Under the new remuneration system, the individual maximum remuneration amount is €5,900,000 for the CEO and €2,900,000 for the other Management Board members.
<b>G.10 GCGC</b> [...] Management Board members can access long-term variable amounts only after four years have elapsed.	Under the old remuneration system, the term for long-term variable remuneration components was shorter.	Under the new remuneration system, the term for long-term variable remuneration components was increased to four years.
<b>G.11 GCGC</b> [...] It should be possible to withhold or reclaim variable remuneration for due cause.	The old remuneration system did not contain any clawback or penalty policies.	The adoption of penalty and clawback provisions is planned under the new remuneration system.
<b>G.14 GCGC</b> No payment obligations should be agreed with regard to premature termination of the employment contract by the Management Board member due to a change of control.	The old remuneration system provided for such obligations in the event of a change of control.	The new remuneration system does not grant any awards in connection with a change of control.
<b>Market/investor/proxy advisor requirements:</b> Management Board members should make a significant investment in company stock.	The old remuneration system did not include any share ownership guidelines.	The new remuneration system obligates the Management Board members to hold 100 percent of one net annual fixed salary in Software AG shares (after a four-year accrual period).
<b>Pension benefits</b>	The old remuneration system provided for pension commitments with reinsurance cover.	Under the new remuneration system, pension benefits take the form of an annual cash payment in the amount of €250,000 for the CEO and €150,000 for the other Management Board members.

## 2.2 REMUNERATION SYSTEM FOR MANAGEMENT BOARD MEMBERS IN 2021

The remuneration system for Management Board members was assessed and adopted by the Supervisory Board in compliance with the legal requirements of sections 87 and 87a of AktG and the recommendations of GCGC. In this connection, the Supervisory Board consulted an independent external consultant. The Personnel Committee is responsible for preparing the resolution of the Supervisory Board and for regularly supplying the Supervisory Board with all information which the Supervisory Board requires in order to carry out an assessment of the remuneration system. The Supervisory Board carries out an assessment of the remuneration system at its reasonable discretion, but every four years at the latest.

The remuneration system for the members of the Software AG Management Board is designed in a clear and comprehensible manner and is geared towards promoting sustainable and long-term value creation, implementation of the business strategy, and growth of the business lines.

### 2.2.1 COMPONENTS OF MANAGEMENT BOARD REMUNERATION

The remuneration system for the Management Board members consists of fixed and variable remuneration components. Fixed non-performance-based compensation consists of the fixed annual salary, contributions to private pension plans, and additional benefits. Variable performance-based compensation consists of the variable short-term incentive (STI) and the variable long-term incentive (LTI), with the latter subdivided into the Performance Phantom Share (PPS) Plan and the Long-Term Incentive Plan (LIP) (see Figure 1).

#### 2.2.1.1 Fixed non-performance-based remuneration components

Fixed non-performance-based remuneration consists of a fixed annual base salary, contributions to private pension plans and additional benefits.

##### Fixed annual salary

The Management Board members receive a fixed annual salary. The fixed annual salary is paid in 12 equal monthly installments. The amount of the fixed annual salary is geared towards the duties and the strategic and operational responsibilities of the individual Management Board member.

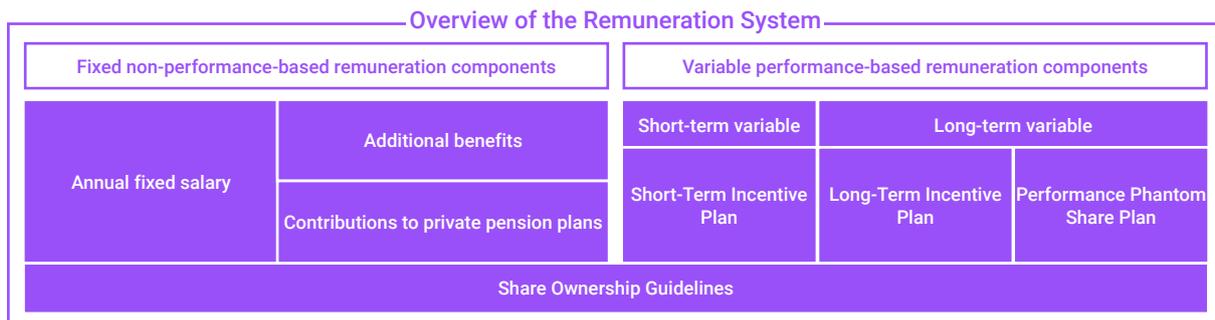
##### Pension benefits under the new system

Management Board members residing in Germany receive an annual cash payment to support their private pension planning. This pension policy under the new remuneration system applies to Dr. Sigg. He receives an annual payment in the amount of €150,000.00. In addition, in 2021 Dr. Sigg received a one-time payment in the amount of €1,913,097.00 as compensation for the old pension commitment.

##### Pension benefits under the old system

Mr. Brahmawar, Dr. Frank and Dr. Heiden will be subject to the new pension benefits provisions only in the event that their employment contracts are extended and the new remuneration system then applies to them accordingly. Under the old pension benefit system, members of the Management Board who reside in Germany receive pensions for life after completing their 62nd year of age, regardless of their age when they join the Company. The monthly pension for two members of the Management Board is €13,200.20, for one member €13,627.32, and for the CEO €20,109.18.

Figure 1 Components of Management Board Remuneration



These pensions are increased annually by the percentage by which the consumer price index for Germany published by the German Federal Statistical Office has increased in comparison to the previous year. The pension commitment also includes a survivor annuity of 60 percent of the Management Board member's pension. In the event that a Management Board member leaves the Company prior to the age of 62 (60 in the case of one member) and before reaching the 15th year as a member of the Company's Management Board, the benefit entitlement is retained, but is reduced. In the event that a Management Board member leaves the Company prior to the age of 62, but after reaching the 15th year as a member of the Company's Management Board, the benefit entitlement is retained in full.

The change in the present value of pension commitments (IFRS) in 2021 and the present value of defined benefit obligations (DBO) as of December 31, 2021 is as follows:

#### Prior-Year Supervisory Board Remuneration

in €	Change in present value (DBO) from pension commitments in 2021	Present value of pension commitments Dec. 31, 2021
Sanjay Brahmawar Chief Executive Officer	400,238.00	2,015,983.00
Dr. Elke Frank Chief Human Resources Officer	312,145.00	936,404.00
Dr. Matthias Heiden Chief Financial Officer	389,724.00	624,150.00
Dr. Stefan Sigg Chief Product Officer	-2,212,211.00	0.00

#### Additional benefits

Additional benefits consist of the provision of a suitable company car for work and personal use or, alternatively, a monthly car allowance. In addition, the Company maintains accident insurance policies for the Management Board members with an insured amount equaling €1,500 thousand in the event of death and €3,000 thousand in the event of disability. Furthermore, Software AG carries director and officer (D&O) insurance which covers members of the Management Board; the deductible is 10 percent of the damages but no more than 1.5-times the fixed annual salary of the Management Board member.

#### 2.2.1.2 Variable performance-based remuneration components

The variable remuneration of the Management Board members is made up of a short-term component (STI) and two long-term components (LTI). The long-term components are the PPS plan and the LIP. The variable remuneration is linked to the duties and the strategic and operational responsibilities of the Management Board members and to the short-term and long-term results of the Company. The amounts disbursed depend on the Company's results.

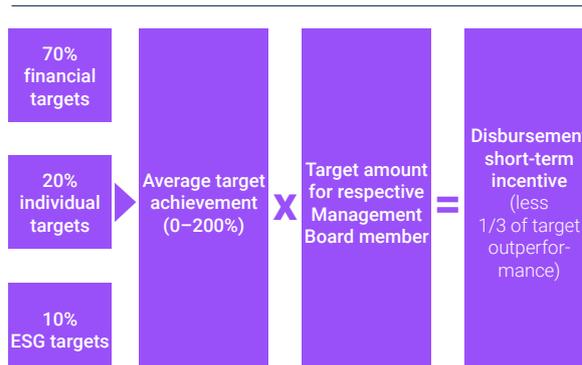
The Supervisory Board ensures that the targets set are rigorous and ambitious and contribute to sustainable value creation. In the event that the targets are not achieved, the variable remuneration can decline to as low as zero. In the event that the targets are exceeded, variable remuneration is limited to 200 percent of the individual target amount.

#### Short-term variable remuneration components (Short-Term Incentive Plan)

The Short-Term Incentive (STI) Plan is geared towards the achievement of financial, individual and ESG targets for the given fiscal year. For each year in which the STI is to be granted, the Supervisory Board establishes the STI targets, their weighting, and the criteria for measuring target achievement (see Figure 2).

The financial targets are the revenue and earnings targets communicated to the capital market for the fiscal year. The individual targets are the quantitative or qualitative objectives established with each of the Management Board members regarding the areas for which they are responsible and aimed at supporting the medium to long-term strategic growth of the Company.

Figure 2 Calculation of the Short-Term Incentive



The individual targets may support the achievement of revenue and growth targets defined in the business strategy, for example, or the implementation of a sustainable approach to operations (e.g. in the area of diversity, succession planning or innovation performance) in the business line for which the Management Board member is responsible.

ESG targets are non-financial performance indicators and can consist of ESG ratings, customer satisfaction, employee satisfaction, or occupational safety (health and safety). Overall achievement of the ESG target is calculated as average target achievement across the individual ESG performance criteria.

Target achievement is calculated by the Supervisory Board. Average target achievement is calculated based on achievement of the financial, individual and ESG targets and on their weighting. The disbursement amount is the individual target amount multiplied by average target achievement.

If performance equals 100 percent, the disbursement amount is equal to the target amount. If performance equals 0 percent, no disbursement is made ("threshold amount"). If performance is 200 percent or more, the disbursement amount is 200 percent of the target amount ("maximum amount"). Linear interpolation is carried out between the threshold amount and the target amount and between the target amount and the maximum amount. If the targets are exceeded by more than 100 percent, one-third of the outperformance is transferred to the PPS plan and disbursed at a later point in time, taking the future share price into account.

**Long-term variable remuneration components**

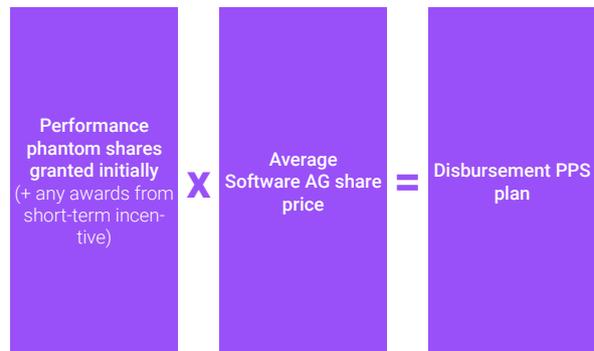
The long-term variable remuneration of the Management Board members consists of the PPS and the LIP plans. There were no disbursements under the current MIP and LIP long-term incentive plans in 2021 since the PPS periods have not yet concluded. There were disbursements under the PPS plan in 2021 (please see tables "Granted and Owed Remuneration for Active/Former Management Board Members").

**PPS plan**

The amount granted under the PPS plan equals the contractual target amount multiplied by the individual Management Board member's performance in achieving the STI targets. At the point when the amount is granted, the contractual individual amount, plus the

amount transferred to each Management Board member under the STI, is converted into virtual shares of the Company (PPS) on the basis of Software AG's reference share price and allocated to the respective Management Board members as a computational amount. The reference share price is the average share price of Software AG's share in the February prior to the award of the amount, less 10 percent. Each tranche has a term of four years in the future (see Figure 3).

**Figure 3 Calculation of the PPS Plan**



Upon expiration of the four-year term, a cash amount is disbursed based on the average price of Software AG's share in Xetra trading in the February after the end of the term. The disbursement amount under the PPS plan is limited to 200 percent of the contractual individual target amount.

The new PPS plan described above applies to the Management Board member Dr. Sigg. For the CEO Mr. Brahmawar, and the Management Board members Dr. Frank and Dr. Heiden, the old PPS plan applies.

The details of the old PPS plan are as follows:

In contrast to the new PPS plan, the term under the old plan is three years. The number of shares becomes due in three identical tranches with terms of one, two and three years. On the respective due dates, in March of each year, the number of PPS will be multiplied by the applicable share price for February. A limit applies, defined as a maximum of twice the reference price at the time at which the respective PPS tranches were issued. This payment cap is determined annually for the balance of PPS allocated to the members of the Management Board based on the average award price. Plan beneficiaries will receive an amount per phantom share equal to the dividend paid to Software AG shareholders per share. Beneficiaries may elect to let the Company dispose of any PPS that have become due

**PPS Granted in Fiscal Year and Prior Year, Total Balance**

	Awarded in 2021 No.	Value awarded in 2021 in €	Awarded in 2020 No.	Value awarded in 2020 €	Total balance as of Dec. 31, 2021 No.	Value of provi- sions for total balance as of Dec. 31, 2021 in €
Sanjay Brahmawar	24,563	816,851.86	22,004	804,106.48	79,666	2,749,865.09
Dr. Elke Frank	5,541	184,274.08	4,945	180,705.37	11,894	407,137.32
Dr. Matthias Heiden	11,967	397,974.08	5,365	196,055.61	17,332	586,178.28
Dr. Stefan Sigg	16,094	535,214.81	14,450	528,077.41	43,230	1,487,145.69
Total	58,165	1,934,314.82	46,764	1,708,944.87	152,122	5,230,326.38

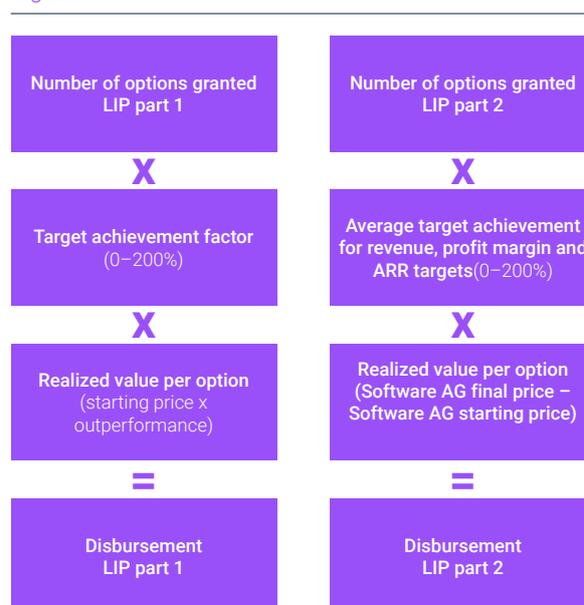
after the defined vesting period and thus continue to participate in the success of the Company. However, all PPS that have not yet been disbursed as of January 15 of the seventh year after a Management Board member has left the Company become due for payment in the seventh year after the member's departure at the latest, on the trading day following the release of the preliminary first-quarter figures. The disbursement amount is determined on the date of disbursement using the disbursement price per share, multiplied by the number of PPS due to be converted. For tranches that are not renewed, the disbursement share price is equal to the average closing price of Software AG's share in Xetra trading on the Frankfurt stock exchange on trading days during the month of February before PPS disbursement. For tranches that are disbursed within the extension period, the disbursement share price is equal to the average closing price for Software AG's share in Xetra trading on the sixth to tenth trading days after the decision to exercise the phantom shares. The decision to exercise options can be made during the period from the date of publication of the financial results until the following fifth trading day. This plan led to expenses relating to the members of the Management Board in the amount of €1,486 thousand (2020: €1,827 thousand) in fiscal year 2021.

The number of PPS is shown in the table above.

**LIP**

As of fiscal 2021, the LIP replaced the Management Incentive Plan (MIP), the long-term plan that had previously been granted (see Figure 4).

Figure 4 LIP



Remuneration under the LIP is granted to the Software AG Management Board members annually in the form of virtual stock options. The LIP consists of two equally weighted parts. At the point at which the LIP is granted, 50 percent of the annual target amount for the LIP for each Management Board member is converted into virtual stock options for part 1 and part 2 of the LIP and allocated to the respective Management Board members as a computational amount. On the basis of a fair-value calculation, virtual stock options for part 1 and part 2 are issued, with expected values that correspond to 50 percent, respectively, of the individual target amounts for the respective Management Board members. The target amount has been contractually agreed

for Dr. Stefan Sigg; for the other members of the Management Board, the target amounts are decided by the Supervisory Board on an annual basis. Each tranche has a term of four years in the future. The number of granted virtual options at the end of the four-year term is determined by the target achievement factors.

**Part 1**

For part 1 of the LIP, the target achievement factor is based on the outperformance of the Software AG share in comparison to the MDAX (see Figure 5). The outperformance is calculated as the difference between the appreciation of the Software AG share and the appreciation of the MDAX price index over the four-year term of the LIP tranche, respectively. The target achievement factor is a minimum of 0 in the case of outperformance of less than 0 percent. The target achievement factor reaches the maximum value of 2 in the case of outperformance of at least 20 percent. Between the minimum and maximum values, the target achievement factor increases on a linear basis. The value per option for part 1 is calculated as the product of outperformance and the starting price of the Software AG share (see Figure 4). The starting price is calculated as the average price of the Software AG share over the course of the 20 trading days before (and including) May 14, 2021 and amounts to €35.44. The disbursement for part 1 of the LIP is calculated as the product of the number of options granted with the target achievement factor and the value per option. The disbursement for part 1 of the LIP is limited to 200 percent of the target amount.

**Figure 5 Target Achievement Factor Part 1 LIP**

	Target achievement factor
outperformance ≥ 20%	200%
20% > outperformance ≥ 18%	190%
18% > outperformance ≥ 16%	180%
16% > outperformance ≥ 14%	170%
14% > outperformance ≥ 12%	160%
12% > outperformance ≥ 10%	150%
10% > outperformance ≥ 8%	140%
8% > outperformance ≥ 6%	130%
6% > outperformance ≥ 4%	120%
4% > outperformance ≥ 2%	110%
2% > outperformance ≥ 0%	100%
0% > outperformance	0

**Part 2**

Under part 2 of the LIP, the target achievement factor is calculated as the average fulfillment of the targets for earnings, profit margin and annual recurring revenue (ARR). For each target, the Supervisory Board sets minimum target achievement (“threshold amount”), a target amount, and maximum target achievement (“maximum amount”) for the fourth fiscal year after the target is issued. Below the threshold amount, target achievement equals 0 percent. At the target amount, target achievement equals 100 percent. Above the maximum amount, target achievement equals 200 percent. Linear interpolation is carried out between the threshold amount and the target amount and between the target amount and the maximum amount. Depending on the target and in general, target achievement is thus limited to a range between 0 and 200 percent. In determining average target achievement, the three targets for the fiscal year are weighted equally, at one-third each. The value per option for part 2 is defined as the appreciation of the Software AG share from the beginning to the end of the term of the LIP tranche (see Figure 4). The disbursement amount for part 2 of the LIP is calculated as the product of the number of options allocated, average target achievement and value per option. The disbursement for part 2 of the LIP is limited to 200 percent of the target amount.

The profit margin is calculated as the ratio of Software AG’s earnings to revenue. The profit margin supports the Company’s long-term profitability and thus strengthens the lasting implementation of the Company’s strategy. ARR shows the respective value of all active contracts at the end of the reporting period with their recurring revenue. ARR is thus an indicator of the recurring annualized cash flows that can be expected for active contracts that are continued and is of key value for Software AG.

Each LIP tranche has a term of four years in the future. The disbursement amount under the LIP plan is limited to 200 percent of the target amount.

Figure 6 Calculation of MIP 2019



### Management Incentive Plan 2019 (MIP 2019)

MIP 2019 was launched in March 2019. The rights under MIP 2019 were allocated to members of the Management Board in June 2019.

MIP 2019 consists of two differently weighted parts. At the point at which MIP 2019 was granted, the target amount for the MIP, as determined by the Supervisory Board individually for each member, was converted into stock appreciation rights (SARs) on the basis of a weighted initial value. These rights were then subdivided into performance SARs (PSARs), at 60 percent, and retention SARs (RSARs), at 40 percent, and allocated to the Management Board members as computational amounts. Each tranche has a term of four years in the future, i.e. to 2023.

### PSARs

The number of granted PSARs at the end of the four-year term is determined by the target achievement factor. For the PSARs, the target achievement factor is based on the outperformance of the Software AG share in comparison to the Nasdaq 100 stock index (see Figure 7). The outperformance is calculated as the difference between the appreciation of the Software AG share and the appreciation of the Nasdaq price index over the four-year term of the MIP tranche. The target achievement factor is a minimum of 0 in the case of outperformance of less than 0 percent. The target achievement factor reaches the maximum value of 2 in the case of outperformance of at least 20 percent. Between the minimum and maximum values, the target achievement factor increases on a linear basis.

The value per PSAR is calculated as the product of the target achievement factor and the average share price of the Software AG share during the 20 trading days before (and including) March 24, 2023.

The disbursement amount for PSARs is limited to 300 percent of the target amount multiplied by 0.6 percent.

Figure 7 PSAR Target Achievement Factor

	Target achievement factor
outperformance $\geq$ 20%	200%
20% > outperformance $\geq$ 18%	190%
18% > outperformance $\geq$ 16%	180%
16% > outperformance $\geq$ 14%	170%
14% > outperformance $\geq$ 12%	160%
12% > outperformance $\geq$ 10%	150%
10% > outperformance $\geq$ 8%	140%
8% > outperformance $\geq$ 6%	130%
6% > outperformance $\geq$ 4%	120%
4% > outperformance $\geq$ 2%	110%
2% > outperformance $\geq$ 0%	100%
0% > outperformance	0

**RSARs**

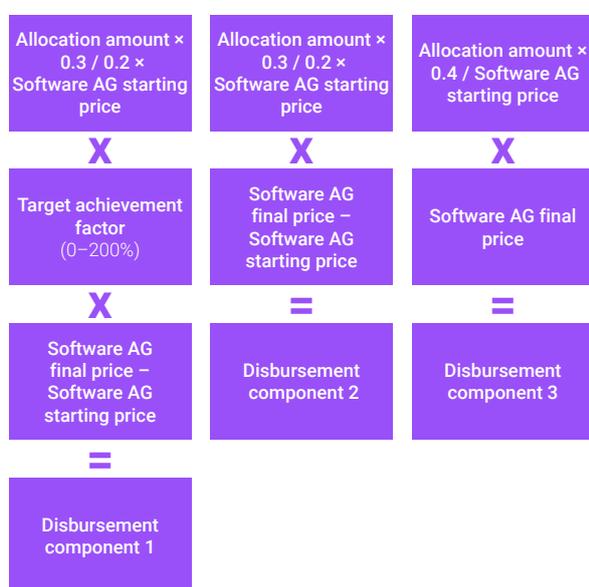
The number of allocated RSARs does not change over the course of the term. The disbursement amount depends on the average share price of the Software AG share during the 20 trading days before (and including) March 24, 2023.

Disbursement for RSARs is limited to 300 percent of the target amount multiplied by 0.4 percent.

**Management Incentive Plan 2020 (MIP 2020)**

Rights under MIP 2020 were allocated to Management Board members in June 2020.

Figure 8 Calculation of MIP 2020



The plan differentiates between three types of value rights (VRs): two types of performance shares (components 1 and 2) and retention shares (component 3).

**Component 1**

The number of granted VRs under component 1 at the end of the three-year term is determined by the target achievement factor. For PSARs, the target achievement factor is defined as the outperformance of the Software AG share in comparison to the MDAX price index (see Figure 8). The outperformance is calculated as the difference between the appreciation of the Software AG share and the appreciation of the MDAX price index over the three-year term of the MIP tranche. The target achievement factor is a minimum of 0 in the case of outperformance of less than 0 percent. The target achievement factor reaches the maximum value

of 2 in the case of outperformance of at least 20 percent. Between the minimum and maximum values, the target achievement factor increases on a linear basis.

The value of the VRs under component 1 is calculated as the product of the target achievement factor and the difference between the starting and final price of the Software AG share. The starting price is defined as the average Software AG share price during the 20 trading days before (and including) June 8, 2020, i.e. €33.96. The final price is calculated as the average Software AG share price during the 20 trading days before (and including) June 8, 2023.

The disbursement amount for component 1 is limited to 300 percent of the target amount established by the Supervisory Board, multiplied by 0.3 percent.

**Components 2 and 3**

The number of allocated VRs under components 2 and 3 does not change over the course of the term. The disbursement amount for both components depends on the Software AG share price. Component 2 is defined

**Virtual Stock Options Granted, Allocated or Held in the Fiscal Year**

	Performance period	
	Stock option plan	In years
Sanjay Brahmawar Chief Executive Officer	LIP	4.00
	MIP 2020	3.00
	MIP 2019	3.79
Dr. Elke Frank Chief Human Resources Officer	LIP	4.00
	MIP 2020	3.00
	MIP 2019	3.76
Dr. Matthias Heiden Chief Financial Officer	LIP	4.00
	MIP 2020	2.94
	MIP 2019	n/a
Dr. Stefan Sigg Chief Product Officer	LIP	4.00
	MIP 2020	3.00
	MIP 2019	3.79
Arnd Zinnhardt Joined May 1, 2002 Resigned from Management Board March 31, 2020 Employment contract ended Sept. 30, 2020	MIP 2020	n/a
	MIP 2019	0.82
John Schweitzer Joined Nov. 1, 2018 Resigned from Management Board Jan. 13, 2021 End of contract Feb. 28, 2021	MIP 2020	3.00
	MIP 2019	3.79

as the difference between the starting price and the final price of Software AG's shares. This is calculated as the average share price of the Software AG share during the 20 trading days before (and including) June 8, 2020. The final price is calculated as the average Software AG share price during the 20 trading days before (and including) June 8, 2023. Component 2 is not disbursed, however, if the average price of the Software AG share is not equal to or higher than €32.72 for at least 10 consecutive trading days between May 10, 2022 and May 10, 2023.

The value for component 3 is based exclusively on this final price.

The disbursement amount for component 2 is limited to 300 percent of the target amount multiplied by 0.3 percent. The disbursement amount for component 3 is limited to 300 percent of the target amount multiplied by 0.4 percent.

The number of virtual stock options is as shown in the table below.

### Clawback

Under the new 2021 remuneration system, the Company is entitled, at its reasonable discretion, to adjust and reclaim the amounts disbursed as variable remuneration if the audited consolidated financial statements, and/or the basis for establishing the targets on which calculation of the variable remuneration was based, must subsequently be corrected because they prove to be objectively incorrect, and such error has led to false calculation of the variable remuneration. The amount of the repayment claim is equal to the difference between the amounts actually disbursed by the Company and the amounts that should have been disbursed under the policies on variable remuneration, based on the corrected basis of calculation.

In the event of a breach of duty by a Management Board member pursuant to section 93 of AktG, or a material breach of the Code of Conduct of the Company, the Supervisory Board can reduce or reclaim the variable remuneration components in part or in full (to zero).

Allocation date	Stock options granted No.	Value on date granted in €	Stock options expired No.	Value of expired stock options	No. of stock options as of Dec. 31, 2021	Value of stock options as of Dec. 31, 2021
May 17, 2021	157,990	1,200,000.00	0	0.00	157,990	1,112,212.72
June 10, 2020	109,541	879,463.99	0	0.00	109,541	898,650.40
June 7, 2019	48,779	1,216,744.78	0	0.00	48,779	731,893.50
May 17, 2021	78,995	600,000.00	0	0.00	78,995	556,106.36
June 10, 2020	54,771	439,734.44	0	0.00	54,771	449,327.00
June 7, 2019	10,162	253,481.63	0	0.00	10,162	152,477.34
May 17, 2021	78,995	600,000.00	0	0.00	78,995	556,106.36
July 1, 2020	27,386	219,883.14	0	0.00	27,386	224,681.04
n/a	n/a	n/a	n/a	n/a	n/a	n/a
May 17, 2021	78,995	600,000.00	0	0.00	78,995	556,106.36
June 10, 2020	54,771	439,734.44	0	0.00	54,771	449,327.00
June 7, 2019	24,390	608,384.16	0	0.00	24,390	365,947.56
n/a	n/a	n/a	n/a	n/a	n/a	n/a
June 7, 2019	24,390	608,384.16	-12,195	-304,192.08	12,195	182,973.78
June 10, 2020	54,771	439,734.44	-54,771	-439,734.44	0	0.00
June 7, 2019	21,655	540,162.32	-21,655	-540,162.32	0	0.00

If the corrected basis of calculation for variable remuneration or the specified breaches affect several of the variable remuneration components that have been disbursed, then all amounts disbursed for the variable remuneration components can be reduced or reclaimed. This repayment claim remains valid until four years have elapsed after disbursement of the variable remuneration components in question.

The clawback policy under the new remuneration system applies to Dr. Sigg, Mr. Brahmawar, Dr. Frank and Dr. Heiden will be subject to the new clawback policy only in the event that their employment contracts are extended and the new remuneration system applies to them accordingly.

In fiscal 2021, no variable salary components from previous years were reclaimed.

## 2.2.2 MAXIMUM REMUNERATION

The total remuneration (sum of all remuneration amounts paid for the relevant fiscal year including fixed annual salaries, variable remuneration components, service costs for contributions to private pension plans, and additional benefits) granted to members of the Management Board in a fiscal year is capped ("maximum remuneration") at an absolute amount—whether payment is made during the given year or at a later date.

Maximum remuneration for the CEO is €5,900,000.00 and for the other members of the Management Board €2,900,000.00 each. If total remuneration calculated for one year exceeds the limit, the LTI disbursement amount is reduced as necessary so as to comply with the maximum remuneration policy. If necessary, the Supervisory Board may reduce other remuneration components or demand reimbursement of remuneration already granted, at its reasonable discretion. The defined maximum Management Board remuneration was observed in the 2021 fiscal year.

The new remuneration system's maximum remuneration is applicable to Dr. Sigg, Mr. Brahmawar, Dr. Frank and Dr. Heiden are only subject to the new maximum remuneration policy if their employment contracts are renewed and the current remuneration system is accordingly applicable. Under the old remuneration system, there are no caps on variable remuneration components in absolute terms; caps are expressed as percentages, from which an absolute amount can be

calculated. There is no explicit cap expressed as an absolute amount on total remuneration.

## 2.2.3 SHARE OWNERSHIP GUIDELINES

As per the Share Ownership Guidelines, after the end of a four-year accrual period, members of the Management Board are contractually required to hold one fixed net annual salary in Software AG shares for the duration of their Management Board term. Compliance with this requirement must be verified at the conclusion of the four-year accrual period and once per year thereafter. If the value of the accrued balance of Software AG shares drops below the required amount, the Management Board member must purchase more retrospectively.

The Share Ownership Guidelines are applicable to Dr. Sigg. They will only be applicable to Mr. Brahmawar, Dr. Frank and Dr. Heiden if their employment contracts are renewed and, accordingly, the current remuneration system becomes applicable.

## 2.2.4 CALCULATION OF REMUNERATION FOR ADDITIONAL ACTIVITIES

If a Group-internal supervisory board appointment is undertaken by a member of the Management Board, remuneration for the appointment will be credited against total remuneration. If a Supervisory board appointment is undertaken by a member of the Management Board outside of the Group, the Supervisory Board decides based on its best judgment if and how much of that remuneration to offset. No remuneration for additional activities was recognized in the 2021 fiscal year.

## 2.2.5 OBLIGATIONS IN CONNECTION WITH TERMINATION OF SERVICE

### 2.2.5.1 Termination through regular expiration of the appointment

No severance or special payments will be provided.

If a Management Board contract is terminated by the Management Board member or is terminated with good cause for which the member him/herself is responsible, a severance payment will not be paid.

### **2.2.5.2 Obligations when a Management Board member leaves**

If a Management Board contract is terminated without good cause, a possible severance payment to the Management Board member is limited to the value of one maximum total target remuneration (excluding LIP, contributions to private pension plans, and additional benefits) and may not exceed the contractually stipulated remuneration for the remaining term (severance cap).

### **2.2.5.3 Post-contractual non-competition clause**

In the case of agreement on a post-contractual non-competition clause, a severance payment will be offset against the compensation. Currently, only one Management Board member's employment contract contains a post-contractual non-competition clause valid for a period of 12 months from the end of the contract. This Board member shall receive monthly compensation in the amount of the monthly total target remuneration (not including additional benefits) for the duration of the post-contractual non-competition period. Accordingly, the total severance payment by Software AG as described above—consisting of one total target remuneration (excluding LIP, contributions to private pension plans, and additional benefits) and non-competition compensation—does not exceed the severance cap of two years' annual remuneration as recommended by the GCGC.

### **2.2.5.4 Obligations in the context of company control**

If an employment contract ends due to a change of control, no additional severance will be paid.

The policy on change of control is applicable to Dr. Sigg. It would only apply to Mr. Brahmawar, Dr. Frank and Dr. Heiden if their employment contracts were renewed and, accordingly, the current remuneration system were applicable. They are subject to the old policy which stipulates that, if terminated without good cause within 12 months of a change of control, the Management Board member will receive a severance payment equal to 1.5 annual salaries based on the most recently agreed annual target remuneration, capped at the amount of target remuneration for the remaining term of the contract. In the case of resignation by a member of the Management Board, the above mentioned policy is not applicable if the position of the Management Board member has only been altered marginally through the change of control.

## **2.2.6 REMUNERATION IN THE EVENT OF ILLNESS**

In the event of illness, the members of the Management Board will receive full pay based on their annual target remuneration for a period of six (in three Management Board members' contracts) and 12 months (in one Management Board member's contract). Thereafter, the variable remuneration component will be reduced by one-twelfth for every month that follows. Salary payments will cease at the end of the term of the contract in any event. Any health insurance benefits received must be credited against such payments.

## **2.2.7 REMUNERATION IN THE EVENT OF PERMANENT DISABILITY**

In the event of permanent disability, the employment contract of the Management Board member concerned will terminate at the end of the third month from that in which the permanent disability was determined. When in doubt, permanent disability is determined by an expert assessment. In the case of two Management Board members' contracts, a permanent disability is deemed to be present when the Board member has been unable to work for 12 consecutive months. From the date of departure due to permanent disability until completion of the 62nd year of age, one member of the Management Board will receive a monthly disability pension of €13.6 thousand (2020: €13.6 thousand), two members of the Management Board will receive €13.2 thousand (2020: €13.2 thousand) and the CEO €20.1 thousand (2020: €20.1 thousand). The disability pension is increased annually by the percentage by which the consumer price index for Germany published by the Federal Statistical Office has increased in comparison to the previous year.

## **2.2.8 NO ADDITIONAL OTHER AWARDS**

No commitments beyond those outlined above have been made regarding severance pay in the event the employment contract is not renewed or a shareholder change occurs nor regarding continuation of salary payments in the event of early termination of employment or severance annuities.

# 3 COMPLIANCE WITH THE REMUNERATION SYSTEM AND DETERMINATION OF TARGET ACHIEVEMENT

## 3.1 SUPPORTING THE COMPANY'S SUSTAINABLE DEVELOPMENT

The remuneration system supports Software AG's business strategy and the long-term interests of the Company, investors and shareholders, thereby contributing to Software AG's long-term sustainable development. Driving profitable and sustainable growth in Software AG's business lines is the focus of and basis for the Management Board's remuneration system's structure. The remuneration system addresses sustainable and long-term growth with various objectives geared toward profitability, company growth, enterprise value creation, as well as environmental and social sustainability. These targets prioritize the long-term goals defined by Software AG's Helix strategy. The remuneration system uses financial and non-financial metrics with differing, often multi-year, terms so as to sustainably support the Company's strategic success. In creating the remuneration system, particular emphasis was given to harmonizing shareholder interests and expectations with the Management Board's remuneration.

## 3.2 COMPLIANCE WITH THE REMUNERATION SYSTEM

The applicable remuneration system was observed without deviation for each member of the Management Board in the 2021 fiscal year.

## 3.3 TARGET ACHIEVEMENT

### 3.3.1 SHORT-TERM INCENTIVE PLAN

#### Performance criteria for 2021

Target achievement for the 2021 fiscal year was comprised as follows: 70 percent financial company targets, 20 percent individual targets for each Board member, and 10 percent ESG targets. If the targets are exceeded by more than 100 percent, one-third of the outperformance is transferred to the PPS plan. The financial targets applicable to all members of the Management Board for 2021 and their target achievement were as follows:

**Financial Company Targets**

Description of performance criteria	Relative weighting of performance criteria	Target achievement 0%	Target achievement 100%	Target achievement 200%	Target achievement as %	Target achievement weighted at 100% as %
Digital Business Group product bookings	20%	2020 +17.8%	2020 +23.4%	2020 +28.9%	0.0%	0.0%
A&N Group product bookings	10%	2020 -28.8%	2020 -23.3%	2020 -17.9%	200.0%	20.0%
Digital Business product revenue	15%	2020 +4.9%	2020 8.2%	2020 +11.5%	12.9%	1.9%
A&N product revenue	5%	2020 -9.2%	2020 -4.7%	2020 -0.2%	158.7%	7.9%
Group EBITA margin (non-IFRS)	20%	13.9%	16.4%	18.9%	200.0%	40.0%
<b>Total</b>	<b>70%</b>					<b>69.9%</b> projected to 100% >> 99.8%

**Achievement of Financial Targets by Management Board Member**

Name	Remuneration for target achievement 0% in €	Remuneration for target achievement 100% in €	Remuneration for target achievement 200% in €	Actual remuneration in €
Sanjay Brahmawar CEO	0.00	1,088,888.89	2,290,123.45	1,092,516.43
Dr. Elke Frank	0.00	357,777.78	743,209.88	359,376.48
Dr. Matthias Heiden	0.00	474,444.46	1,002,469.16	475,821.61
Dr. Stefan Sigg	0.00	517,222.22	1,104,012.36	518,233.40

The ESG targets applicable to all Management Board members in 2021 and their target achievement were as follows:

#### Environmental, Social and Governance (ESG) Targets

Description of performance criteria	Relative weighting of performance criteria	Target achievement 0%	Target achievement 100%	Target achievement 200%	Target achievement as%	Target achievement weighted at 100% as %
Employee Engagement Score	5%	3.80	3.95	4.10	200.0%	10.0%
Net Promoter Score	5%	44	50	56	167.0%	8.4%
<b>Total</b>	<b>10%</b>					<b>18.4%</b> projected to 100% >> 183.5%

#### Environmental, Social and Governance (ESG) Target Achievement

Name	Remuneration for target achievement 0% in €	Remuneration for target achievement 100% in €	Remuneration for target achievement 200% in €	Actual remuneration in €
Sanjay Brahmawar CEO	0.00	155,555.56	327,160.05	286,913.38
Dr. Elke Frank	0.00	51,111.12	106,172.86	94,378.37
Dr. Matthias Heiden	0.00	67,777.78	143,209.88	124,958.84
Dr. Stefan Sigg	0.00	73,888.88	157,716.04	136,096.90

**Individual Targets by Management Board Member and their Achievement**

Name	Weighting as %	Topic	Target	Target achievement by target as %	Total target achievement as %
Sanjay Brahmawar CEO	10%	Customer and partner engagement	Generation of new market opportunities	200%	200.0%
	10%	Helix transformation strategy	Adherence to implementation plan including employee engagement	200%	
Dr. Elke Frank	10%	Talent management	Achievement degree of defined KPIs on schedule	200%	200%
	10%	Helix transformation with focus on SecureBiz program	Achievement degree of defined KPIs on schedule	200%	
Dr. Matthias Heiden	10%	Investor relations transparency	Achievement degree of defined transparency-related KPIs including capital market feedback	200%	200.0%
	10%	Cash flow and customer contract management	Development of new systems to improve cash flow and contract management through defined measures	200%	
Dr. Stefan Sigg	7.5%	Product innovation and positioning with analysts	Improved product positioning and acceleration of growth toward IoT market leadership	200%	200%
	7.5%	Product innovation and positioning: competitive performance	Improved market positioning compared with competition; increased percentage of deals won against competition	200%	
	5%	Product quality: average response time to customer queries	Achievement of defined KPIs for response time to customer queries	200%	

**Achievement of Individual Targets by Management Board Member**

Name	Remuneration for target achievement 0% in €	Remuneration for target achievement 100% in €	Maximum remuneration <sup>1</sup> for target achievement 200% in €	Actual remuneration in €
Sanjay Brahmawar CEO	0.00	311,111.12	654,321.02	625,555.38
Dr. Elke Frank	0.00	102,222.22	212,172.84	205,772.56
Dr. Matthias Heiden	0.00	135,555.56	276,419.76	272,446.96
Dr. Stefan Sigg	0.00	147,777.78	315,432.10	296,731.18

**Total Target Achievement and Bonuses for 2021**

Name	Remuneration for target achievement 0% in €	Remuneration for target achievement 100% in €	Remuneration for target achievement 200% in €	Total target achievement as %	Bonus <sup>2</sup> remuneration amount in €	Of which one-year variable remuneration in €
Sanjay Brahmawar CEO	0.00	<b>1,555,555.57</b>	3,271,604.52	128.2%	2,004,985.19	1,188,133.33
Dr. Elke Frank	0.00	<b>511,111.12</b>	1,061,555.58	128.2%	659,527.41	475,253.33
Dr. Matthias Heiden	0.00	<b>677,777.80</b>	1,422,098.80	128.2%	873,227.41	475,253.33
Dr. Stefan Sigg	0.00	<b>738,888.88</b>	1,577,160.50	128.2%	951,061.48	415,846.67

<sup>1</sup> The values only apply if all other targets were achieved by either 0 or 200 percent. This logic results from the non-linear calculation of target achievement amounts due to the 10 percent deduction to the average share price in February of the following year when converting target achievement amounts in euros to PPS. The conversion of one-third of the target achievement over 100 percent to PPS is also accounted for.

<sup>2</sup> The included multi-year remuneration component is not shown as remuneration until disbursement.

# 4 BENEFITS IN THE 2021 FISCAL YEAR

The introduction of section 162 of AktG significantly changes the presentation of Management Board remuneration as compared to the existing provisions of the GCGC under no. 4.2.5, appendix tables 1 and 2, in the version dated February 7, 2017. Neither the revised GCGC effective as of March 20, 2020 nor the ARUG II version of section 162 of AktG recommends or requires reporting “Benefits Granted” as previously presented. Because past reporting of “Benefits Granted” pursuant to GCGC (old version) is not equivalent to “Granted and Owed Remuneration” pursuant to section 162 (1), sentence 1 of AktG, the key differences will be explained as follows:

- “Benefits Granted” pursuant to GCGC (old version) are—regardless of the date of disbursement—remuneration components that were allocated (at least for a reason) to a member of the Management Board in the fiscal year and their (future) amount can at least be estimated.
- By contrast, “Granted and Owed Remuneration” pursuant to section 162 (1), sentence 1 of AktG is only that remuneration which was actually paid in the fiscal year or that remuneration which, pursuant to the draft justification (BT-Drs. 19/9739, p. 111), can be proven to be “due in accordance with legal categories, but not (yet) paid.”
- This interpretation of section 162 of AktG corresponds to IDW’s interpretation 1 of this new section. Furthermore, the IDW also prepared an interpretation 2 of section 162 of AktG. According to interpretation 2, remuneration completely earned but not due until the following year can also be presented as management board remuneration. Because the IDW’s interpretation 2 more accurately reflects business reality than the purely cash flow-oriented approach in the IDW’s interpretation 1, Software AG’s Management Board and Supervisory Board opted to apply interpretation 2 in this Remuneration Report. Overall, this presentation is significantly closer to the previously used form of reporting pursuant to GCGC.
- The presentation used to report remuneration from share-based remuneration has changed fundamentally compared with previous presentation. Up to now, this remuneration has been shown at fair value in the year of award. The IDW also provided two different presentation options for this. According to interpretation 1, stock appreciation rights, or PPS, are only shown as remuneration in the amount of disbursement in the year they are disbursed. According to the IDW’s interpretation 2, stock appreciation rights are usually shown as remuneration in the year in which all exercise conditions are met and thus the stock appreciation rights become due. This is often the case in the year before actual disbursement. If, due to additional share price changes, the final payments are in amounts other than those indicated in the previous year, these differences must be reported unequivocally in the Remuneration Report in the year of disbursement.
- Interpretation 2 makes reporting of stock appreciation rights significantly more complicated. Specifically regarding PPS, under the old PPS model, these would always have to be shown as remuneration based on the tranches due in the respective year; and the difference between the final payment amounts in the following year and the figure indicated the year before would have to be corrected. Under the new PPS model (Dr. Sigg), one-third of the original award would be earned annually and thus presented as remuneration as per the IDW’s interpretation 2. Here, as well, deviations from remuneration reported in the Remuneration Report in previous years would have to be disclosed in the fifth year, the disbursement year. To avoid the complex presentation of the IDW’s interpretation 2, the Management Board and Supervisory Board opted to present remuneration from stock options in accordance with the IDW’s interpretation 1. Accordingly, remuneration from stock options under all plans will be shown consistently for the year of disbursement.

- In contrast to the previous GCGC presentation, service cost will no longer be shown in the year pension entitlements are earned. Under the new provisions of section 162 of AktG, pension will be shown as remuneration in the year of allocation to beneficiaries. Only if a contribution is paid to set up a private pension plan, as per the new Management Board remuneration model, or if pension entitlements acquired to date are paid in one or multiple sums (new model Dr. Sigg), will the pension benefit be shown as remuneration in the year of disbursement or the year it becomes due for disbursement. Pensions will only be shown as remuneration in the years they are disbursed to the pensioner, who will be named. In accordance with the data protection regulations in section 162 (5) of AktG, these disclosures will be made individually for up to 10 years after the end of the fiscal year in which the member left the Management Board.

#### **4.1 GRANTED AND OWED REMUNERATION PURSUANT TO SECTION 162 OF AKTG**

According to section 162 (1), sentence 1, sentence 2, no. 1 of AktG, all fixed and variable remuneration components that were "granted and owed" to individual members of the Management Board in 2020 and 2021 are to be disclosed. This does not correspond to the disclosures previously required in accordance with the GCGC (old version) under "allocation." The difference to the previous allocation disclosure is in the application of the IDW's interpretation 1 and the period postponement of the one-year variable remuneration. But because Software AG follows the IDW's interpretation 2, there is no difference regarding one-year variable remuneration compared with the previously presented allocation table pursuant to GCGC. There is however a difference with regard to the former disclosure of service cost as a component of total remuneration in that the service cost will no longer be shown as a component of remuneration or allocation. In contrast to the former allocation disclosures, pension entitlements will now be shown in the year in which they are actually paid to Board members, not in the year in which they were earned. Pension allocations are only shown when they are actually paid to the pensioner. Accordingly, only contributions to setting up a private pension plan and disbursements of previously earned pension entitlements for the transition from the old benefit model to the new, as in the case of Dr. Sigg in 2021, will be presented during active duty of Management Board members.

**Granted and Owed Remuneration for Active Management Board Members (1)**

in €		Sanjay Brahmawar Chief Executive Officer Joined Aug. 1, 2018			
		2020	2020 (as %)	2021	2021 (as %)
Non-performance-based components	Fixed compensation (base salary)	999,999.96	45.2%	999,999.96	44.7%
	Additional benefits <sup>1</sup>	9,675.13	0.4%	6,731.67	0.3%
	<b>Total</b>	<b>1,009,675.09</b>	<b>45.6%</b>	<b>1,006,731.63</b>	<b>45.0%</b>
Performance-based components	One-year variable remuneration <sup>2</sup>	1,178,956.67	53.3%	1,188,133.33	53.1%
	<b>Multi-year variable remuneration</b>				
	with long-term share-based incentive	Performance Phantom Shares (PPS) <sup>3</sup>	25,155.24	1.1%	41,878.28
<b>Other</b>		0.00	0.0%	0.00	0.0%
Repayment claims pursuant to section 162 (1), s.2 , no. 4 AktG		0.00	0.0%	0.00	0.0%
<b>Total</b>		<b>2,213,787.00</b>	<b>100.0%</b>	<b>2,236,743.24</b>	<b>100.0%</b>
Payout for pension plan <sup>4</sup>		0.00	0.0%	0.00	0.0%
<b>Total remuneration</b>		<b>2,213,787.00</b>	<b>100.0%</b>	<b>2,236,743.24</b>	<b>100.0%</b>
<b>Percentage of fixed remuneration in total remuneration</b>			<b>45.6%</b>		<b>45.0%</b>
<b>Percentage of variable remuneration in total remuneration</b>			<b>54.4%</b>		<b>55.0%</b>

<sup>1</sup> Additional benefits include provision of a company car, voluntary social security and accident insurance premiums, and vacation allowances.

<sup>2</sup> The one-year variable remuneration depends, firstly, on the achievement of the Company's bookings and earnings targets communicated to the capital market for the respective fiscal year and, secondly, on the achievement of individual strategic, qualitative or quantitative targets specifically defined according to the responsibilities of the member of the Management Board. The possible range of achieving a target is between 0 and 200 percent. One-third of over achievement (greater than 100 percent) of a target is not paid in cash, but rather must be invested in phantom shares. The highest attainable one-year variable remuneration decreases accordingly.

<sup>3</sup> Members of the Management Board invest a portion of their variable compensation in PPS shares, which have a vesting period of one, two and three years for each third of PPS shares respectively. Under the new Management Board remuneration model, first applicable to Dr. Sigg in 2021, the vesting period is consistently four years for all PPS. The investment amount depends, firstly, on the Company's achievement of the revenue and earnings targets communicated to the capital market for the respective fiscal year; secondly, it depends on the achievement of individual strategic, quantitative, ESG or qualitative targets specifically defined according to the responsibilities of the member of the Management Board. The possible range of meeting a target is between 0 and 200 percent. When performance is greater than 100 percent, the conversion amount increases by one-third of the outperformance amount of the one-year variable remuneration, which is not paid out but invested in phantom shares. Conversion to PPS is based on the average price of Software AG's share in February of the following year less 10 percent. When the vesting period is over, members of the Management Board can choose if they want to receive payment of the due amount or to reinvest it partially or entirely in PPS. The term of this reinvestment is limited to a maximum of six years and four months after the term of the Management Board member's contract has ended. Members of the Management Board can request to receive payment at any time during defined windows of time.

<sup>4</sup> The revised pension policy under the new remuneration system applies to Dr. Sigg for the first time in 2021. He receives an annual contribution to a private pension plan in the amount of €150,000.00. In 2021, Dr. Sigg additionally received a one-time payment in the amount of €1,913,097.00 as compensation for the old pension plan. This one-time payment was not included in the calculation of his maximum remuneration since it represents a severance payment for pension entitlements acquired in previous years. In total, pension payments of €2,063,097.00 were therefore presented in the Remuneration Report.

Dr. Elke Frank  
Chief Human Resources Officer  
Joined Aug. 1, 2019

	2020	2020 (as %)	2021	2021 (as %)
	500,000.04	50.5%	500,000.04	49.9%
	16,706.19	1.7%	21,458.19	2.1%
	<b>516,706.23</b>	<b>52.2%</b>	<b>521,458.23</b>	<b>52.0%</b>
	471,582.67	47.7%	475,253.33	47.5%
	1,070.08	0.1%	4,828.28	0.5%
		0.0%	0.00	0.0%
	0.00	0.0%	0.00	0.0%
	<b>989,358.98</b>	<b>100.0%</b>	<b>1,001,539.84</b>	<b>100.0%</b>
	0.00	0.0%	0.0	0.0%
	<b>989,358.98</b>	<b>100.0%</b>	<b>1,001,539.84</b>	<b>100.0%</b>
		<b>52.2%</b>		<b>52.1%</b>
		<b>47.8%</b>		<b>47.9%</b>



## Granted and Owed Remuneration for Active Management Board Members (2)

in €		Dr. Matthias Heiden Chief Financial Officer Joined July 1, 2020			
		2020	2020 (as %)	2021	2021 (as %)
Non-performance-based components	Fixed compensation (base salary)	300,000.00	54.8%	600,000.00	54.4%
	Additional benefits <sup>1</sup>	12,226.40	2.2%	23,364.39	2.1%
	<b>Total</b>	<b>312,226.40</b>	<b>57.0%</b>	<b>623,364.39</b>	<b>56.5%</b>
Performance-based components	One-year variable remuneration <sup>2</sup>	235,791.33	43.0%	475,253.33	43.1%
	<b>Multi-year variable remuneration</b>				
	with long-term share-based incentive	Performance Phantom Shares (PPS) <sup>3</sup>	0.00	0.0%	4,077.40
<b>Other</b>		0.00	0.0%	0.00	0.0%
Repayment claims pursuant to section 162 (1), s.2, no. 4 AktG		0.00	0.0%	0.00	0.0%
<b>Total</b>		<b>548,017.73</b>	<b>100.0%</b>	<b>1,102,695.12</b>	<b>100.0%</b>
Payout for pension plan <sup>4</sup>		0.00	0.0%	0.00	0.0%
<b>Total remuneration</b>		<b>548,017.73</b>	<b>100.0%</b>	<b>1,102,695.12</b>	<b>100.0%</b>
<b>Percentage of fixed remuneration in total remuneration</b>			<b>57.0%</b>		<b>56.5%</b>
<b>Percentage of variable remuneration in total remuneration</b>			<b>43.0%</b>		<b>43.5%</b>

<sup>1</sup> Additional benefits include provision of a company car, voluntary social security and accident insurance premiums, and vacation allowances.

<sup>2</sup> The one-year variable remuneration depends, firstly, on the achievement of the Company's bookings and earnings targets communicated to the capital market for the respective fiscal year and, secondly, on the achievement of individual strategic, qualitative or quantitative targets specifically defined according to the responsibilities of the member of the Management Board. The possible range of achieving a target is between 0 and 200 percent. One-third of over achievement (greater than 100 percent) of a target is not paid in cash, but rather must be invested in phantom shares. The highest attainable one-year variable remuneration decreases accordingly.

<sup>3</sup> Members of the Management Board invest a portion of their variable compensation in PPS shares, which have a vesting period of one, two and three years for each third of PPS shares respectively. Under the new Management Board remuneration model, first applicable to Dr. Sigg in 2021, the vesting period is consistently four years for all PPS. The investment amount depends, firstly, on the Company's achievement of the revenue and earnings targets communicated to the capital market for the respective fiscal year; secondly, it depends on the achievement of individual strategic, quantitative, ESG or qualitative targets specifically defined according to the responsibilities of the member of the Management Board. The possible range of meeting a target is between 0 and 200 percent. When performance is greater than 100 percent, the conversion amount increases by one-third of the outperformance amount of the one-year variable remuneration, which is not paid out but invested in phantom shares. Conversion to PPS is based on the average price of Software AG's share in February of the following year less 10 percent. When the vesting period is over, members of the Management Board can choose if they want to receive payment of the due amount or to reinvest it partially or entirely in PPS. The term of this reinvestment is limited to a maximum of six years and four months after the term of the Management Board member's contract has ended. Members of the Management Board can request to receive payment at any time during defined windows of time.

<sup>4</sup> The revised pension policy under the new remuneration system applies to Dr. Sigg for the first time in 2021. He receives an annual contribution to a private pension plan in the amount of €150,000.00. In 2021, Dr. Sigg additionally received a one-time payment in the amount of €1,913,097.00 as compensation for the old pension plan. This one-time payment was not included in the calculation of his maximum remuneration since it represents a severance payment for pension entitlements acquired in previous years. In total, pension payments of €2,063,097.00 were therefore presented in the Remuneration Report.

Dr. Stefan Sigg  
Chief Product Officer  
Joined April 1, 2017

	2020	2020 (as %)	2021	2021 (as %)
	699,999.96	48.6%	699,999.96	19.1%
	29,194.79	2.0%	42,082.03	1.1%
	<b>729,194.75</b>	<b>50.6%</b>	<b>742,081.99</b>	<b>20.2%</b>
	412,634.83	28.6%	415,846.67	11.3%
	300,297.08	20.8%	456,143.62	12.4%
	0.00	0.0%	0.00	0.0%
	0.00	0.0%	0.00	0.0%
	<b>1,442,126.66</b>	<b>100.0%</b>	<b>1,614,072.28</b>	<b>43.9%</b>
	0.00	0.0%	2,063,097.00	56.1%
	<b>1,442,126.66</b>	<b>100.0%</b>	<b>3,677,169.28</b>	<b>100.0%</b>
		<b>50.6%</b>		<b>76.3%</b>
		<b>49.4%</b>		<b>23.7%</b>

**Granted and Owed Remuneration for Active Management Board Members (3)**

**John Schweitzer**  
Chief Revenue Officer  
Joined Nov. 1, 2018  
Resigned from  
Management Board Jan. 13, 2021  
End of contract Feb. 28, 2021

in €		2020	2020 (as %)	2021	2021 (as %)
Non-performance-based components	Fixed compensation (base salary)	614,293.79	25.7%	96,148.12	13.6%
	Additional benefits <sup>1</sup>	53,738.55	2.3%	72,940.71	10.3%
	<b>Total</b>	<b>668,032.34</b>	<b>28.0%</b>	<b>169,088.83</b>	<b>23.9%</b>
Performance-based components	One-year variable remuneration <sup>2</sup>	1,687,995.68	70.6%	137,764.96	19.5%
	<b>Multi-year variable remuneration</b>				
	with long-term share-based incentive	Performance Phantom Shares (PPS) <sup>3</sup>	20,525.17	0.9%	398,064.60
<b>Other (severance payments)</b>		0.00	0.0%	0.00	0.0%
Repayments claims pursuant to section 162 (1), s.2 , no. 4 AktG		0.00	0.0%	0.00	0.0%
<b>Total</b>		<b>2,376,553.19</b>	<b>99.5%</b>	<b>704,918.39</b>	<b>99.7%</b>
Payout for pension plan <sup>4</sup>		12,759.30	0.5%	2,065.77	0.3%
<b>Total remuneration</b>		<b>2,389,312.49</b>	<b>100%</b>	<b>706,984.16</b>	<b>100%</b>
<b>Percentage of fixed remuneration in total remuneration</b>			<b>28.5%</b>		<b>24.2%</b>
<b>Percentage of variable remuneration in total remuneration</b>			<b>71.5%</b>		<b>75.8%</b>

<sup>1</sup> Additional benefits include provision of a company car, voluntary social security and accident insurance premiums, and vacation allowances.

<sup>2</sup> The one-year variable remuneration depends, firstly, on the achievement of the Company's bookings and earnings targets communicated to the capital market for the respective fiscal year and, secondly, on the achievement of individual strategic, qualitative or quantitative targets specifically defined according to the responsibilities of the member of the Management Board. The possible range of achieving a target is between 0 and 200 percent. One-third of over achievement (greater than 100 percent) of a target is not paid in cash, but rather must be invested in phantom shares. The highest attainable one-year variable remuneration decreases accordingly.

<sup>3</sup> Members of the Management Board invest a portion of their variable compensation in PPS shares, which have a vesting period of one, two and three years for each third of PPS shares respectively. Under the new Management Board remuneration model, first applicable to Dr. Sigg in 2021, the vesting period is consistently four years for all PPS. The investment amount depends, firstly, on the Company's achievement of the revenue and earnings targets communicated to the capital market for the respective fiscal year; secondly, it depends on the achievement of individual strategic, quantitative, ESG or qualitative targets specifically defined according to the responsibilities of the member of the Management Board. The possible range of meeting a target is between 0 and 200 percent. When performance is greater than 100 percent, the conversion amount increases by one-third of the outperformance amount of the one-year variable remuneration, which is not paid out but invested in phantom shares. Conversion to PPS is based on the average price of Software AG's share in February of the following year less 10 percent. When the vesting period is over, members of the Management Board can choose if they want to receive payment of the due amount or to reinvest it partially or entirely in PPS. The term of this reinvestment is limited to a maximum of six years and four months after the term of the Management Board member's contract has ended. Members of the Management Board can request to receive payment at any time during defined windows of time.

<sup>4</sup> The revised pension policy under the new remuneration system applies to Dr. Sigg for the first time in 2021. He receives an annual contribution to a private pension plan in the amount of €150,000.00. In 2021, Dr. Sigg additionally received a one-time payment in the amount of €1,913,097.00 as compensation for the old pension plan. This one-time payment was not included in the calculation of his maximum remuneration since it represents a severance payment for pension entitlements acquired in previous years. In total, pension payments of €2,063,097.00 were therefore presented in the Remuneration Report.

**Granted and Owed Remuneration for Former Management Board Members (4)**

	Arnd Zinnhardt Chief Financial Officer Joined May 1, 2002 Resigned from Management Board March 31, 2020 End of contract Sept. 30, 2020				Karl-Heinz Streibich Chief Executive Officer Served Oct. 1, 2003- July 7, 2018			
	2020	2020 (as %)	2021	2021 (as %)	2020	2020 (as %)	2021	2021 (as %)
	110,428.83	2.4%	0.00	0.0%	0.00	0.0%	0.00	0.0%
	9,425.53	0.2%	0.00	0.0%	0.00	0.0%	0.00	0.0%
	<b>119,854.36</b>	<b>2.6%</b>	<b>0.00</b>	<b>0.0%</b>	<b>0.00</b>	<b>0.0%</b>	<b>0.00</b>	<b>0.0%</b>
	808,968.83	17.7%	0.00	0.0%	0.00	0.0%	0.00	0.0%
	1,321,321.55	28.9%	1,216,403.58	84.4%	274,386.60	43.3%	274,386.60	43.3%
	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%
	0.00	0.0%	0.00	0.0%	0.00	0.0%	0.00	0.0%
	<b>4,573,140.41</b>	<b>100%</b>	<b>1,441,403.58</b>	<b>100%</b>	<b>274,386.60</b>	<b>43.3%</b>	<b>274,386.60</b>	<b>43.3%</b>
	0.00	0.0%	0.00	0.0%	358,926.72	56.7%	358,926.72	56.7%
	<b>4,573,140.41</b>	<b>100%</b>	<b>1,441,403.58</b>	<b>100%</b>	<b>633,313.32</b>	<b>100%</b>	<b>633,313.32</b>	<b>100%</b>
		<b>2.6%</b>		<b>0.0%</b>		<b>56.7%</b>		<b>56.7%</b>
		<b>97.4%</b>		<b>100%</b>		<b>43.3%</b>		<b>43.3%</b>

## 4.2 PROPORTIONAL DISTRIBUTION OF REMUNERATION COMPONENTS

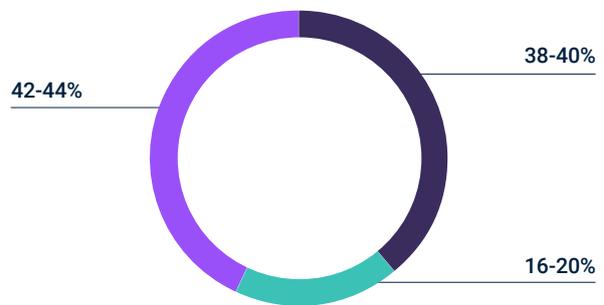
The Supervisory Board determines the total target remuneration for the individual Management Board members. Target remuneration comprises the sum of all remuneration components relevant to total remuneration. For the short-term and long-term variable remuneration components, the respective target amounts correspond to 100 percent (“Target Amounts for the Variable Remuneration Components”) of the budgeted values when targets are achieved. The Supervisory Board reviews the variable remuneration components’ target amounts each fiscal year. Based on past years’ results in the context of budget planning for the current year, the Supervisory Board decides which objectives the Company and the members of the Management Board need to meet with regard to the stated performance criteria.

Under the new remuneration system, the CEO’s fixed remuneration (fixed annual salary, service cost for contributions to private pension plans and additional benefits) is approximately 32 percent of the total target remuneration; the CEO’s variable remuneration is approximately 68 percent of the total target remuneration. Of that, the CEO’s STI (target amount) accounts for about 25 percent of total target remuneration and the LTI (target amount) for about 43 percent of total target remuneration. For the other members of the Management Board in the 2021 fiscal year, fixed remuneration (fixed annual salary, service cost for contributions to private pension plans, and additional benefits) is between approximately 38 and 40 percent of total target remuneration; and variable remuneration is between approximately 60 and 62 percent of total target remuneration. Of that, their STI (target amount) accounts for between approximately 16 and 20 percent of total target remuneration and the LTI (target amount) for between about 42 and 44 percent of total target remuneration.

Figure 9 CEO’s Target Remuneration Components as %



Figure 10 Management Board Members’ Target Remuneration Components as %



- Long-term variable remuneration
- Fixed remuneration components
- Short-term variable remuneration

The proportional distribution of remuneration components is applicable to Dr. Sigg. This distribution would only apply to Mr. Brahmawar, Dr. Frank and Dr. Heiden if their employment contracts were renewed and, accordingly, the current remuneration system were applicable.

The introduction of section 162 of AktG changed the presentation of the long-term variable remuneration components. In contrast to previous presentation under which long-term share-based remuneration components were shown at fair value on the award date, this remuneration is now only presented in the year of disbursement (usually after four years).

**The active Management Board members’ remuneration components in the 2021 fiscal year were as follows:**

In the 2021 fiscal year, the CEO’s fixed remuneration (fixed annual salary, service cost for contributions to private pension plans, and additional benefits) is approximately 45 percent of total target remuneration and the CEO’s variable remuneration is approximately 55 percent

of total target remuneration. The CEO's STI (target amount) accounts for about 53 percent of total target remuneration and the LTI (target amount) for about 2 percent of total target remuneration. For the other members of the Management Board in the 2021 fiscal year, fixed remuneration (fixed annual salary and additional benefits) is between approximately 20 and 57 percent of total target remuneration; variable remuneration is between approximately 24 and 48 percent of total target remuneration. Their STI (target amount) accounts for between approximately 11 and 48 percent of total target remuneration and the LTI (target amount) for between 0 and 12 percent of total target remuneration. Due to the transition to the new Management Board Remuneration System, disbursements for pension plans for Dr. Sigg represented 56 percent of total remuneration in the 2021 fiscal year.

Figure 11 CEO's Actual Remuneration Components in 2021 as %

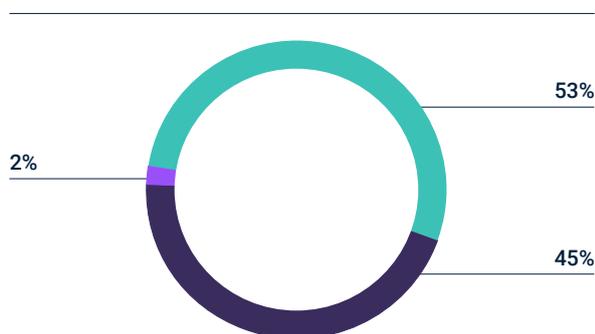
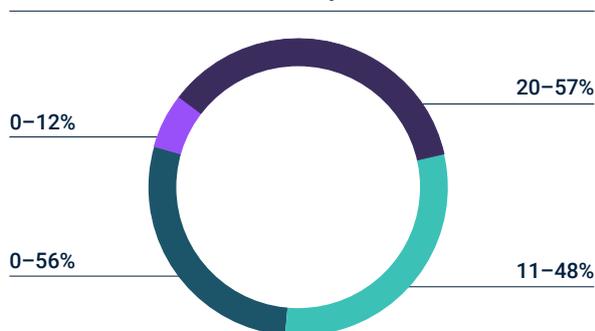


Figure 12 Management Board Members' Actual Remuneration Components in 2021 as %



- Long-term variable remuneration
- Fixed remuneration components
- Short-term variable remuneration
- Payout for pension plan

### 4.3 COMPARISON OF ANNUAL CHANGE IN REMUNERATION WITH GROWTH OF EARNINGS AND EMPLOYEE SALARIES

In determining the remuneration system, the Supervisory Board's internal considerations included Software AG's compensation and employment conditions for senior management and all other employees, and particularly how salaries progressed over the course of past years. In accordance with the recommendations of the GCGC, the Supervisory Board defined the groups pertaining to senior management and to other employees consistently throughout the years of comparison; furthermore, in considering Management Board member remuneration compared with that of senior management and other employees, the Supervisory Board thoroughly verified that the Management Board members' remuneration does not increase at a faster rate than for senior management and other employees.

The table on the following page illustrates the rate of change of the Management Board members' remuneration compared with Software AG's earnings development and employees' (FTE) average remuneration year-on-year. The Management Board remuneration presented in the table are the amounts actually paid in the respective fiscal year. For current members of the Management Board, these values for the 2021 fiscal year correspond to the values indicated in the table "Granted or Owed Remuneration" in accordance with section 162 (1), sentence 1 of AktG. If a member of the Management Board was compensated on a pro rata basis in a particular fiscal year, for example due to having joined the Company mid-year, remuneration for that fiscal year was projected based on a full year for the purpose of accurate comparability.

The following section is a mandatory disclosure pursuant to section 162 (1), sentence 2, no. 2 of AktG and is not subject to the audit pursuant to section 162 (3), sentence 2 of AktG.

Earnings development is generally presented based on Software AG's net income development in accordance with section 275 (2), no. 17 of HGB. Because Software AG's net income is regularly and significantly influenced by subsidiaries' dividend disbursements in varying degrees, the comparison does not make sense from a business point of view, but is nevertheless legally required. Therefore, the Company also compares the

**Comparison of Annual Change in Management Board Remuneration:**

	Remuneration 2020 in € thousands	Remuneration 2021 in € thousands	Rate of change 2021 vs. 2020	Notes
<b>1. Remuneration of current Management Board members</b>				
Sanjay Brahmawar CEO (since Aug. 1, 2018)	2,214	2,237	+1.0%	
Dr. Elke Frank (since Aug. 1, 2019)	989	1,002	+1.2%	
Dr. Matthias Heiden (since July 1, 2020)	1,096	1,103	+0.6%	Dr. Heiden's salary in the previous year was projected based on a full year (due to starting date on July 1, 2020).
Dr. Stefan Sigg (since April 1, 2017)	1,142	1,614	+11.9%	Dr. Sigg received payments in 2021 in the amount of €1,913 thousand for previously acquired retirement entitlements and in the amount of €150 thousand to set up a private pension plan; these were therefore recognized as remuneration in accordance with section 162 of AktG. Both pension components were subtracted from calculations to ensure accurate comparability.
John Schweitzer (joined Nov. 1, 2018 resigned from Management Board Jan. 13, 2021, end of contract Feb. 28, 2021)	2,389	2,389	0.0%	Mr. Schweitzer's salary was calculated based on 12 full months due to the termination of his employment contract on Feb. 28, 2021.
<b>Total</b>	<b>8,131</b>	<b>8,344</b>	<b>+2.6%</b>	
<b>2. Remuneration of former Management Board members</b>				
Arnd Zinnhardt (resigned from Management Board March 31, 2020, end of contract Sept. 30, 2020)	4,573	1,441	-68.5%	The decrease is due to Mr. Zinnhardt's resignation from the Management Board on March 31, 2020; therefore no adjustment for resignation-related one-time effects in the previous year's salary.
Karl-Heinz Streibich (CEO) Served Oct. 1, 2003- July 7, 2018	633	633	0.0%	
<b>Software AG's financial performance</b>				
Operating EBITA (non-IFRS) Software AG Group	177,049	163,756	-7.5%	
Net income after tax Software AG	41,509	7,912	-80.9%	
<b>Average salary growth for employees</b>				
Salary growth of all employees	82.7	84.3	+1.9%	These figures represent the average salaries of all employees worldwide. Part-time salaries have been translated into full-time equivalents.
Salary growth in the second tier of management	312.1	327.5	+4.9%	These figures represent the average salaries of all members of management who report directly to the Management Board.

growth of Management Board remuneration with the growth of the Software AG Group's operating EBITA (non-IFRS), which, through the EBIT (non-IFRS) margin, accounts in part as a target for variable Management Board remuneration.

The average remuneration of Software AG's staff worldwide is used in the comparison with the growth of employees' average remuneration. This comparison group was also used to assess the appropriateness of the Management Board's remuneration. This assessment examined the remuneration of all employees, including senior managers, in accordance with section 5 (3) of Germany's Works Constitution Act (BetrVG). Additional compensation for employees serving on the Supervisory Board of Software AG was not included. For the purpose of accurate comparability, remuneration for part-time staff members was calculated on the basis of full-time equivalents. To increase transparency, the growth of Management Board remuneration was also compared with the growth of remuneration for employees in the second tier of management, i.e. one level below the Management Board.

As per the IDW's "Questions and Answers: Preparation of a Remuneration Report in Accordance with Section 162 of AktG" of December 21, 2021, due to the ambiguous legal situation, there are three possible time ranges for a vertical comparison of growth of Management Board remuneration, growth of average employee salary, and growth of Software AG's earnings. A year-on-year comparison can be carried out over five years, four years and one year. A comparison of the figures for 2021 and for 2020 therefore meets the legal requirements. For the purpose of reporting efficiency, Software AG's Management Board and Supervisory Board opted to present the vertical comparison for 2021 and 2020.

## 4.4 ASSESSMENT OF THE APPROPRIATENESS OF THE MANAGEMENT BOARD'S REMUNERATION

Software AG's Supervisory Board assessed the appropriateness of the Management Board's remuneration in 2020 and arrived at the conclusion that the Management Board's remuneration is appropriate from a legal point of view in accordance with section 87 (1) of AktG.

To assess the appropriateness of the Management Board's remuneration and pension, the Supervisory Board regularly makes use of external consultancy services. On one hand, the amount and structure of the Management Board's remuneration are evaluated relative to the remuneration of senior management and the staff as a whole from a company-external perspective (vertical comparison). In addition to presenting the status quo, the vertical comparison also illustrates changes in remuneration proportions over time. On the other hand, the remuneration amount and structure are evaluated from the point of view of Software AG's position relative to the market (horizontal comparison). The comparison market is comprised of companies from the MDAX, the index where Software AG is listed consisting of companies of comparable size, structure, country of origin and sector as of the date of evaluation. Companies in the financial service sector are not included because their remuneration is subject to different regulations and their remuneration structures are not comparable with other industries. In addition to fixed remuneration, the horizontal comparison also includes short and long-term remuneration components as well as additional benefits and contributions to private pension plans. The Supervisory Board compiled the comparison group carefully so as to avoid an automatic upward remuneration progression.

# 5 SUPERVISORY BOARD REMUNERATION

## 5.1 SUPERVISORY BOARD REMUNERATION FOR THE 2021 FISCAL YEAR

The Supervisory Board's remuneration system is approved by the Annual Shareholders' Meeting based on a proposal by the Management Board and Supervisory Board. The remuneration is specified by way of resolution passed at the Annual Shareholders' Meeting. At regular intervals no longer than four years apart, the Management Board and Supervisory Board review whether the amount and structure of the Supervisory Board's remuneration have remained market-oriented and in appropriate relation to the duties of the Supervisory Board and to the position of the Company. This includes a horizontal market comparison conducted by the Supervisory Board for which external independent experts can be consulted. The remuneration system's market suitability was confirmed in the 2021 fiscal year. If there are grounds to change the Supervisory Board's remuneration system, the Management Board and Supervisory Board will make a proposal to the Annual Shareholders' Meeting to amend the Supervisory Board's remuneration.

The current remuneration system for the members of the Supervisory Board of Software AG was approved at the Annual Shareholders' Meeting on May 12, 2021 with a majority of 99.91 percent of shareholders' voting shares, in accordance with section 113 (3), sentence 1 and 2 of AktG, in conjunction with section 14 of Software AG's Articles of Association.

### 5.1.1 COMPONENTS OF SUPERVISORY BOARD REMUNERATION

The Supervisory Board's remuneration consists solely of fixed remuneration, plus compensation for attending committee meetings. There are no variable components or share-based remuneration. The Management Board and Supervisory Board do not consider success-based remuneration to be appropriate for the Supervisory Board based on the understanding of the Supervisory Board's function. The Management Board and the

Supervisory Board are of the opinion that the governing role of the Supervisory Board should be carried out independently of the Company's success targets. Granting remuneration that is entirely fixed reflects common practice in other listed companies as well as corresponds to the GCGC's suggestion (G.18, sentence 1).

In accordance with the policies approved at the Annual Shareholders' Meeting, the fixed annual base remuneration for the chair of the Supervisory Board equals €145,200, for each deputy chair €99,000, and for every other member of the Supervisory Board €66,000. As per the recommendations of the GCGC, the larger time commitment of the chair and deputy chair on the Supervisory Board is accounted for in the calculation of their remuneration.

The larger time commitment is also accounted for with respect to membership in and chairing committees. Committee members receive €2,000 each time they attend a meeting of one of their committees. Attendance compensation is €4,000 for the committee chairs. Attendance compensation is granted only once for multiple committee sessions occurring on the same day or for a session that takes place over consecutive days.

Maximum Supervisory Board remuneration is the sum of fixed remuneration, the individual amounts of which depend upon tasks assumed within the Supervisory Board, and of meeting attendance compensation, the amount of which is calculated according to tasks assumed within the committees and attendance of committee meetings. The Supervisory Board's remuneration is not capped at a specific amount.

Members of the Supervisory Board are covered by a D&O liability insurance plan that the Company carries for members of its corporate bodies and whose premiums are paid by Software AG. In addition, the Company reimburses Supervisory Board members for any expenses incurred as well as any statutory value added tax on their income.

The details of Supervisory Board members' remuneration is finalized by the Annual Shareholders' Meet-

ing; no additional or supplementary agreements exist. Remuneration is contingent upon the length of appointment as member of the Supervisory Board.

Members of the Supervisory Board who were only on the Supervisory Board for part of the fiscal year will receive pro rated fixed remuneration. Their remuneration

is adjusted on a pro rata temporis basis and rounded to the next full month. Awards for severance payments, pension plans and early retirement plans do not exist.

The remuneration policies apply equally to the Supervisory Board's shareholder representatives and employee representatives.

### Supervisory Board Members' Remuneration in the 2020 and 2021 Fiscal Years

in €	Fiscal year	Fixed remuneration	Remuneration for committee work	Total
<b>Remuneration of Current Supervisory Board Members</b>				
Karl-Heinz Streibich Chair (since June 26, 2020) Personnel Committee (chair)	2021	145,200.00	32,000.00	177,200.00
Nominating Committee (chair)	2020	74,776.02	8,000.00	82,776.02
Guido Falkenberg Dep. chair Personnel Committee	2021	82,454.79	14,000.00	96,454.79
	2020	99,000.00	12,000.00	111,000.00
Ralf Dieter (Since June 26, 2020) Audit Committee (chair)	2021	66,000.00	24,000.00	90,000.00
Nominating Committee	2020	33,989.10	16,000.00	49,989.10
Madlen Ehrlich (Since Nov. 4, 2021) Dep. chair Audit Committee	2021	16,545.21	4,000.00	20,545.21
	2020	--	--	--
Bettina Schraudolf (Since Nov. 1, 2021) Personnel Committee	2021	11,030.14	2,000.00	13,030.14
	2020	--	--	--
Ursula Soritsch-Renier (Since June 26, 2020) Audit Committee	2021	66,000.00	10,000.00	76,000.00
	2020	33,989.10	8,000.00	41,989.10
Alf Henryk Wulf (Until June 26, 2020) Personnel Committee	2021	--	--	--
Nominating Committee	2020	32,010.90	10,000.00	42,010.90
Markus Ziener Personnel Committee (since June 26, 2020) Audit Committee (until June 26, 2020)	2021	66,000.00	18,000.00	84,000.00
Nominating Committee	2020	66,000.00	10,000.00	76,000.00
Christian Zimmermann Audit Committee	2021	54,969.86	8,000.00	62,969.86
	2020	66,000.00	10,000.00	76,000.00
<b>Remuneration of Former Supervisory Board Members</b>				
Dr. Andreas Berezky Chair (until June 26, 2020) Personnel Committee (chair)	2021	--	--	--
Nominating Committee (chair)	2020	70,423.98	20,000.00	90,423.98
Eun-Kyung Park (Until June 26, 2020) Audit Committee (chair)	2021	--	--	--
	2020	32,010.90	4,000.00	36,010.90
Total Supervisory Board remuneration	2021	508,200.00	112,000.00	620,200.00
	2020	508,200.00	98,000.00	606,200.00

### 5.1.2 COMPARISON OF ANNUAL CHANGE IN REMUNERATION WITH GROWTH OF EARNINGS AND EMPLOYEE SALARIES

The table on the following page illustrates the rate of change of the Supervisory Board members' remuneration compared with Software AG's earnings development and employees' (FTE) average remuneration year-on-year. The Supervisory Board remuneration presented in the table are the amounts actually paid in the respective fiscal year.

For the 2021 fiscal year, these values correspond to the values provided in the table "Granted and Owed Remuneration" in accordance with section 162 (1), sentence 1 of AktG. If a member of the Supervisory Board was compensated on a pro rata basis in a particular fiscal year, for example due to having joined or left the Company mid-year, remuneration was projected based on a full year for the purpose of accurate comparability. Because the number of meetings differed in the two years presented, the projections cause total amounts to deviate from the Supervisory Board's actual remuneration. For this reason, a comparison with the Supervisory Board's actual total remuneration was also carried out. This comparison seems to make the most sense from a business point of view. Any remuneration received by a member of the Supervisory Board for previous service on Software AG's Management Board, is not included in the comparison.

The following section is a mandatory disclosure pursuant to section 162 (1), sentence 2, no. 2 of AktG and is not subject to the audit pursuant to section 162 (3), sentence 2 of AktG.

Earnings development is generally presented based on Software AG's net income development in accordance with section 275 (2), no. 17 of HGB. Because Software AG's net income is regularly and significantly influenced by subsidiaries' dividend disbursements in varying degrees, the comparison does not make sense from a business point of view, but is nevertheless legally required. The Company therefore additionally compares the growth of Supervisory Board remuneration with the growth of operating EBITA (non-IFRS).

The average remuneration of Software AG's staff worldwide is used in the comparison with the growth of employees' average remuneration. This comparison group was also used to assess the appropriateness of the Management Board's remuneration. This assessment examined the remuneration of all employees,

including senior managers, in accordance with section 5 (3) of BetrVG. Additional compensation for employees serving on the Supervisory Board of Software AG was not included. For the purpose of accurate comparability, remuneration for part-time staff members was calculated on the basis of full-time equivalents. To increase transparency, the growth of Supervisory Board remuneration was also compared with the growth of remuneration of employees in the second tier of management, i.e. one level below the Management Board.

As per the IDW's "Questions and Answers: Preparation of a Remuneration Report in Accordance with Section 162 of AktG" dated December 21, 2021, due to the ambiguous legal situation, there are three possible time ranges for a vertical comparison of the growth of Supervisory Board remuneration, growth of the average employee salary, and growth of Software AG's earnings.

A year-on-year comparison can be carried out over five years, four years and one year. A comparison of the figures for 2021 and for 2020 therefore meets the legal requirements. For the purpose of reporting efficiency, Software AG's Management Board and Supervisory Board opted to present the vertical comparison for 2021 and 2020.

**Comparison of Annual Change in Supervisory Board Remuneration Pursuant to Section 162 (1), No. 2 of AktG**

	Remuneration 2020 in € thousands	Remuneration 2021 in € thousands	Rate of change 2021 vs. 2020	Notes
Karl-Heinz Streibich Since June 26, 2020 Chair of the Supervisory Board and of the Personnel Committee	160.7	177.2	+10.3%	
Dr. Andreas Bereczky Until June 26, 2020 Chair of the Supervisory Board and of the Personnel Committee	186.5	0.0	-100.0%	
Guido Falkenberg Until Nov. 4, 2021 Deputy chair and member of the Per- sonnel Committee	111.0	114.7	+3.3%	
Bettina Schraudolf Since Nov. 4, 2021 Member of the Personnel Committee	0.0	83.4	+100.0%	
Madlen Ehrlich Since Nov. 4, 2021 Deputy chair and member of the Audit Committee	0.0	131.6	+100.0%	
Eun-Kyung Park Until June 26, 2020 Chair of the Audit Committee	74.3	0.0	-100.0%	
Ralf Dieter Since June 26, 2020 Chair of the Audit Committee	97.0	90.0	-7.3%	
Markus Ziener Until June 26, 2020 Member of the Audit Committee Since June 26, 2020 Member of the Personnel Committee	76.0	84.0	+10.5%	
Ursula Soritsch-Renier Since June 26, 2020 Member of the Audit Committee (Until Nov. 22, 2021) Since Nov. 22, 2021 Member of the Personnel Committee	81.5	76.0	-6.8%	
Christian Zimmermann Until Nov. 4, 2021 Member of the Audit Committee	76.0	74.9	-1.5%	
Alf Henry Wulf Until June 26, 2020 Member of the Personnel Committee	86.6	0.0	-100.0%	
<b>Total projected Supervisory Board remuneration</b>	<b>949.6</b>	<b>831.7</b>	<b>-12.4%</b>	
<b>Total actual Supervisory Board Remuneration</b>	<b>606.2</b>	<b>620.2</b>	<b>2.3%</b>	
<b>Software AG's financial performance</b>				
Operating EBITA (non-IFRS) Software AG Group	177,049	163,756	-7.5%	
Net income after tax Software AG	41,509	7,912	-80.9%	
<b>Average salary growth for employees</b>				
Salary growth of all employees	82.7	84.3	+1.9%	These figures represent the average salaries of all employees worldwide. Part-time salaries have been translated into full-time equivalents.
Salary growth in the second tier of management	312.1	327.5	+4.9%	These figures represent the average salaries of all members of management who report directly to the Management Board.

# AUDITOR'S REPORT

To Software Aktiengesellschaft, Darmstadt

## AUDITOR'S REPORT ON THE AUDIT OF THE REMUNERATION REPORT

We have audited the accompanying remuneration report of Software Aktiengesellschaft, Darmstadt, prepared to comply with Sec. 162 AktG (Aktengesetz: German Stock Corporation Act) for the financial year from January 1, 2021 to December 31, 2021 and the related disclosures.

### RESPONSIBILITIES OF THE EXECUTIVE DIRECTORS AND THE SUPERVISORY BOARD

The Executive Directors and the Supervisory Board of Software Aktiengesellschaft are responsible for the preparation of the remuneration report and the related disclosures in compliance with the requirements of § 162 AktG. The Executive Directors and the Supervisory Board are also responsible for internal controls they consider to be necessary to enable the preparation of a remuneration report including the related disclosures, that is free from material misstatement, whether due to fraud or error.

### AUDITOR'S RESPONSIBILITIES

Our responsibility is to express an opinion on this remuneration report, including the related disclosures, based on our audit. We conducted our audit in accordance with German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (Institut der Wirtschaftsprüfer, IDW). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report, including the related disclosures, is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the remuneration report. The procedures selected

depend on the auditor's professional judgment. This includes the assessment of the risks of material misstatement, whether due to fraud or error, in the remuneration report and related disclosures. In making those risk assessments, the auditor considers the internal control system relevant to the preparation of the remuneration report including the related disclosures. The objective of this is to plan and perform audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Directors and the Supervisory Board, as well as evaluating the overall presentation of the remuneration report, including the related disclosures.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### AUDIT OPINION

In our opinion, based on the evidence obtained in our audit, the remuneration report for the financial year from January 1 to December 31, 2021, including the related disclosures, complies in all material respects with the accounting provisions of § 162 AktG.

## **OTHER MATTER – FORMAL AUDIT OF THE REMUNERATION REPORT**

The audit of the remuneration report described in this auditor's report comprises the formal audit of the remuneration report required by § 162 (3) AktG, including the issuance of a report on this audit. As we express an unqualified audit opinion on the content of the remuneration report, this also includes the opinion that the information required by § 162 (1) and (2) AktG has been disclosed in all material respects in the remuneration report.

## **ENGAGEMENT TERMS AND LIABILITY**

This auditor's report is intended exclusively for Software Aktiengesellschaft, Darmstadt, for information on the result of the audit and liability is limited in accordance with the "BDO AG Wirtschaftsprüfungsgesellschaft - Special Terms and Conditions" dated March 1, 2021 agreed with the company and the "General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften [German Public Auditors and Public Audit Firms]" dated January 1, 2017 as issued by the IDW ([www.bdo.de/terms-and-conditions](http://www.bdo.de/terms-and-conditions)).

It was explicitly agreed in the audit contract with the client that the inclusion of third parties in the scope of protection is not intended. Therefore, we do not assume any responsibility towards third parties.

Berlin, March 9, 2022

BDO AG  
Wirtschaftsprüfungsgesellschaft



Klaus Eckmann  
German Public Auditor

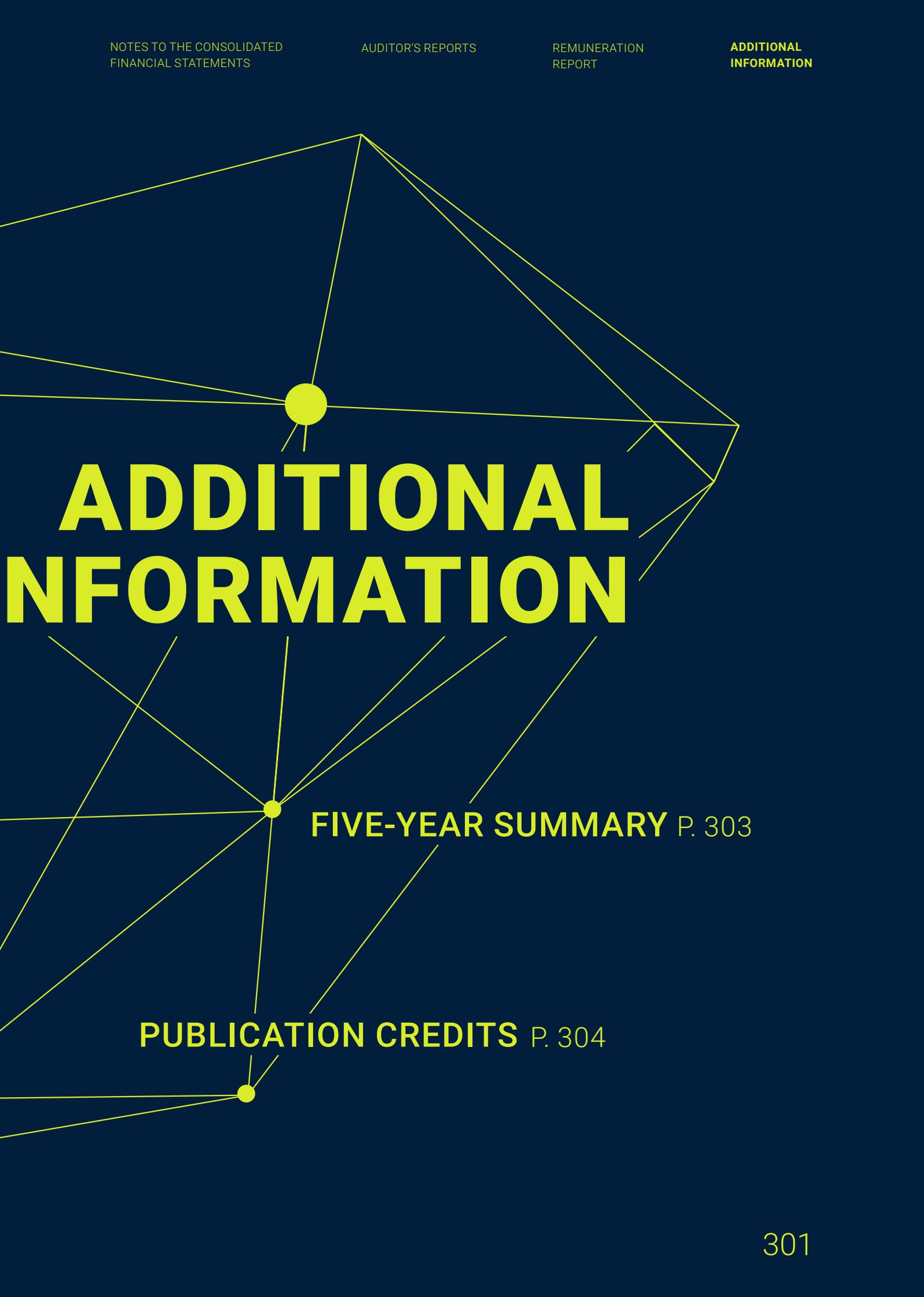


Ralf Pfeiffer  
German Public Auditor



**RESPONSIBILITY  
STATEMENT** P. 302

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# **ADDITIONAL INFORMATION**

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# RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The Combined Management Report includes a fair review of the development and performance of the business and the position of the Company and Group, together with a description of the principal opportunities and risks associated with the expected development of the Company and Group.

Darmstadt, March 4, 2022  
Software AG

S. Brahmawar

Dr. E. Frank

Dr. M. Heiden

Dr. S. Sigg

# FIVE-YEAR SUMMARY

## Key Group Figures

in € millions (unless otherwise stated)	2021	2020	2019	2018	2017
<b>Revenue</b>	<b>833.8</b>	<b>834.8</b>	<b>890.6</b>	<b>865.7</b>	<b>879.0</b>
<b>By type</b>					
Products					
thereof licenses	240.5	217.2	245.1	249.4	250.1
thereof maintenance	399.4	422.6	435.0	415.4	420.2
thereof SaaS	44.1	31.3	22.7	17.6	9.1
Services and other revenue	149.8	163.7	187.8	183.3	199.6
<b>By business line</b>					
Digital Business	469.5	448.5	474.5	464.7	456.5
Adabas & Natural (A&N)	214.5	222.8	228.9	218.3	223.7
Consulting	149.8	163.6	187.2	182.6	198.8
<b>EBIT<sup>1</sup></b>	<b>122.1</b>	<b>136.4</b>	<b>214.8</b>	<b>231.6</b>	<b>222.8</b>
as % of revenue	14.6	16.3	24.1	26.8	25.3
<b>Net income</b>	<b>84.3</b>	<b>96.1</b>	<b>155.3</b>	<b>165.2</b>	<b>140.6</b>
as % of revenue	10.1	11.5	17.4	19.3	16.0
<b>Employees (full-time equivalents)</b>	<b>4,819</b>	<b>4,700</b>	<b>4,948</b>	<b>4,763</b>	<b>4,596</b>
in Germany	1,385	1,314	1,278	1,243	1,155
<b>Balance sheet</b>					
<b>Total assets</b>	<b>2,221.4</b>	<b>2,039.9</b>	<b>2,116.1</b>	<b>2,007.9</b>	<b>1,907.5</b>
Cash and cash equivalents	585.9	480.0	513.6	462.3	365.8
Net debt/net cash	277.3	220.1	217.0	149.0	55.2
Equity	1,438.2	1,312.5	1,357.5	1,239.1	1,118.3
as % of total assets	64.7	64.3	64.2	61.7	58.6

<sup>1</sup> EBIT: net income + income taxes + other taxes + net financial income/expenses.

# Financial Calendar

## HIGHLIGHTS OF 2022

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April 27 Q1/22 financial results (IFRS, unaudited)

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May 17 Annual Shareholders' Meeting<sup>1</sup> Darmstadt, Germany

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July 27 Q2/22 financial results (IFRS, unaudited)

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October 27 Q3/22 financial results (IFRS, unaudited)

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<sup>1</sup> The 2022 Annual Shareholders' Meeting will be held virtually due to the COVID-19 pandemic and the associated precautionary measures and restrictions on gatherings.

For the latest information on events and roadshows, please visit our website at  
→ [softwareag.com/FinancialCalendar](https://softwareag.com/FinancialCalendar)

# Publication Credits

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## CONCEPT AND LAYOUT

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