software AG

GET THERE FASTER

Quarterly Report Q2|08

April 1 – June 30, 2008

KEY FIGURES

KEY FIGURES
IFRS, UNAUDITED
(JANUARY 1 – JUNE 30, 2008)

€ million (unless otherwise stated)	January 1 – June 30, 2008	January 1 – June 30, 2007	Q2|2008	Q2|2007
Revenue IFRS	**328.2**	**276.9**	**168.8**	**152.2**
Product revenue IFRS	237.9	200.0	123.2	108.7
of which				
Licenses	116.8	104.2	61.4	57.3
Maintenance	121.1	95.8	61.8	51.4
Professional Services	88.7	74.3	44.8	41.7
Other	1.6	2.6	0.8	1.8
EBITA	**84.5**	**62.9**	**44.4**	**37.9**
as % of revenue	25.7	22.7	26.3	24.9
EBIT	**77.0**	**61.7**	**40.9**	**36.7**
as % of revenue	23.5	22.3	24.3	24.1
Net income	**49.6**	**42.3**	**27.1**	**24.6**
as % of revenue	15	15	16	16
Earnings per share (€, basic)	1.74	1.49	0.95	0.86
Earnings per share (€, diluted)	1.73	1.48	0.95	0.86
Total assets	**1,001.2**	**1,092.4**		
Cash and cash equivalents	**59.4**	**114.5**		
Shareholders' equity	**457.3**	**441.1**		
as % of total assets	46	40		
Employees[1]	**3,427**	**3,719**		
of which in Germany	754	763		

KEY SHARE DATA

	June 30, 2008	June 30, 2007
Closing price (Xetra) in €	38.54	72.35
High in €	52.13	73.40
Low in €	38.54	62.10
Total numbers of shares	28,602,827	28,480,471
Market capitalization in € million	1,102.4	1,143.6

Frankfurt (Prime Standard/TecDAX), ISIN DE 0003304002
[1] Full-time equivalents

MISSION

Software AG’s 4,000 global customers achieve measurable business results by modernizing and automating their IT systems and rapidly building new systems to meet growing business demands.

The company’s industry-leading product portfolio includes best-in-class solutions for managing data, enabling service oriented architecture, and improving business processes. By combining proven technology with industry expertise and best practices, our customers improve and differentiate their businesses – faster.

CONTENTS

Software AG Stock

Software AG's share price (ISIN DE 0003304002/SOW) continued to decline during the second quarter of 2008. As in previous months, the share price suffered from the sustained uncertainty in the markets as well as profit warnings from competitors. The opening price for Software AG stock in the second quarter of 2008 was €48.60; the closing price was €38.54.

The TecDax and Nasdaq Composite benchmark indices were able to maintain their levels despite large fluctuations within the quarter, as did the DAX. By contrast, Software AG stock lost 20.7 percent in value during the second quarter of 2008. As in prior months, a variety of factors contributed to the decline. Despite many "buy" recommendations from bank analysts who had calculated a fair value of approximately €60 for Software AG shares, investors were influenced by the general uncertainty of the markets and increasingly favored blue chips, leaving smaller IT stocks on their sell lists.

On April 7, 2008, Software AG shares reached their highest price for the second quarter at a level of €52.13. Following the publication of the financial figures for the first quarter of 2008, the share price fell by 6.8 percent. Many investors felt uncertain about Software AG's ability to meet its ambitious forecast for 2008 as a whole. In particular, they were disappointed with the revenue growth in the webMethods business division. At the end of May, Software AG's share price once again rose to just under €50, but was unable to maintain this level during the month of June. The quarterly closing price of €38.54 represented the lowest price for the entire second quarter of 2008.

With the publication of the half-year results on July 23, 2008, investor opinion improved again and the share price moved upwards (closing price on July 31: €49.01). The increase in licensing sales in the webMethods division and in Brazil were the primary factors in establishing renewed confidence in the forecast for the entire fiscal year.

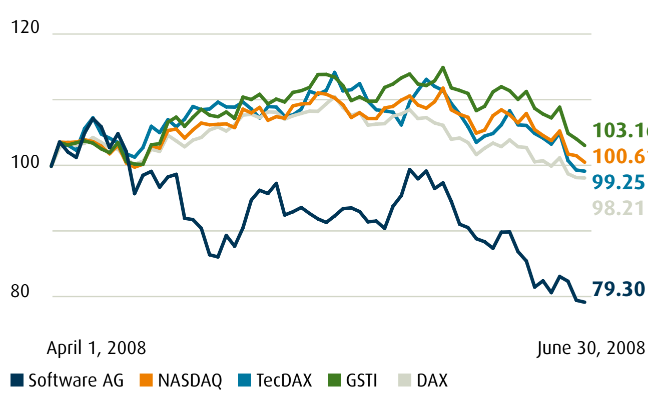
Investor Relations

Our intensive investor relations work in the months of April, May, and June 2008 included eight road show events in Europe and the USA, two speed-investing conferences, and three other important conferences and forums. On April 29, 2008 we conducted our Annual Shareholders Meeting, which was held for the first time in the newly erected "darmstadtium" conference center in Darmstadt. With 450 participants, attendance was almost double that of 2007. As a result of this increase, our 2009 Annual Shareholders Meeting will be held at the "darmstadtium" as well.

Once again, our investor relations work set industry standards and won several awards. Software AG took second place in the "Best IR in the TecDAX" ranked by Thomson Financial and published by the German financial magazine Wirtschaftswoche. We also received second place in a ranking by Capital, another leading German financial magazine. In addition, in the "Online Investor Relations Benchmark" survey published annually by the German online media consultancy, NetFederation Interactive Media GmbH, Software AG's Investor Relations website was awarded first place in the category "Best IR Website in the TecDAX."

Analyst coverage remained unchanged from the first quarter of 2008. There are 24 analyst firms covering Software AG's stock; 19 of them gave a "buy" recommendation in the second quarter of 2008.

SHARE PRICE DEVELOPMENT (INDEXED)



INTERIM MANAGEMENT REPORT

Consolidated Financial Statements

SOFTWARE AG REMAINS ON COURSE IN DIFFICULT MARKET CONDITIONS

Software AG's segment reporting is prepared in accordance with IAS 8 (Segment Reporting). Primary segment reporting is by business division and corresponds to the Group's internal control and reporting lines. As of January 1, 2007, Software AG began breaking down its segment report into the business divisions of ETS (data management) and webMethods (integration software; this segment was formerly called Crossvision), whereas in fiscal 2006 primary segment reporting was still by geographical segments.

1. Significant events during the reporting period

Software AG successfully continued its growth trend in the second quarter of 2008, and reported the best Q2 and half-year results in the Company's history. We have continued to pursue important operational improvements, which are contributing to the achievement of our ambitious goals for fiscal 2008 as a whole. Despite difficult market conditions, we can reaffirm our forecast for the year 2008 as a whole, with revenue growth of between 24 and 27 percent and an increase in the EBIT margin from 22 to 24 percent.

First anniversary of the integration of webMethods and Software AG

June 2008 was the first anniversary of the merger between Software AG and webMethods, Inc. This US acquisition was clearly the right decision for Software AG. We have acquired an excellent product portfolio, outstanding experts, a recognized brand, and very good customers in the integration software market segment, where our goal is to become the world leader in Service-Oriented Architecture (SOA) and Business Process Management (BPM). Moreover, by taking over a US company we have significantly expanded our presence in the USA, the world's largest IT market and have achieved the critical size needed to expand our market share. Software AG grew its share of the integration software market to 6.4 percent, and is currently the world's third-largest vendor in this market segment, following Oracle and IBM.

Reorganization of sales units

The Supervisory Board approved a reorganization of the Executive Board in April 2008, with the goal of increasing sales efficiency and in particular promoting revenue growth in the webMethods division. Although webMethods reported stable revenue figures in the US during the first quarter, revenues were weak in the EMEA and Asia/Pacific regions. The reorganization should supplement the current focus of the webMethods division on the US market with an effective global market presence. Accordingly, at the Executive Board level, there will be two regional managers responsible for the sales of both the ETS and webMethods business divisions:

- Executive Board member Mark Edwards, previously responsible for the ETS division, will head "Region West" encompassing North and South America, as well as Western and Southern Europe.
- Executive Board member David Broadbent, previously CTO of the ETS division, will head "Region East" encompassing Northern and Central Europe, Africa, Asia, and Australia.

Both Mark Edwards, Executive Board member of Software AG since 2003, and David Broadbent, member of the Executive Board since 2007, have many years of sales experience in the business infrastructure software market. The restructuring will create greater sales efficiency primarily for our webMethods product portfolio and above all in Europe and Asia. The two sales organizations will remain part of the ETS and webMethods divisions but will be split regionally, East and West. Within the regions, both sales organizations will have a common manager at the Executive Board level. This structure will preserve the focus of sales activities in the different business divisions, while simultaneously allowing management to integrate both sales organizations under a unified and customer-focused market strategy. Management of both sales units will concentrate on acquiring major projects from new and existing customers in the software market for Service-Oriented Architecture.

Dr. Peter Kürpick, responsible for R&D in the webMethods division, will now also be responsible for ETS R&D, previously overseen by David Broadbent. This intergration into a single R&D organization promises to create significantly increase efficiency, particularly with regard to the development of complementary products.

New technologies and awards

At the end of June, we presented two product innovations at the user conference in Seville: Natural SQL Gateway and Event Replicator for Adabas on Open Systems. Both of these products improve the exchange of real-time data for mainframes and open systems.

Natural SQL Gateway offers users a comprehensive and uniform view of data, which extends across different applications and databases. By consolidating data access into a single application, data can be optimally analyzed and used with existing Natural applications. Natural SQL Gateway can also be used to outsource non-business-critical data from mainframe systems, thereby reducing hardware platform costs.

Event Replicator for Adabas on Open Systems uses SQL to automatically replicate Adabas data in third-party databases and messaging systems on open system platforms. By making centralized business data immediately available to other important operational systems such as business intelligence tools or ERP systems, all users can work on the basis access to complete and up-to-date data.

In this way, Software AG is investing in the continuous refinement of the ETS product portfolio, with approximately US$40-50 million annually in research and development for Adabas and Natural. Adabas is one of the world's most widely used mainframe databases, and forms the basis for the centralized transaction systems used in one-fifth of Global 500 companies. Natural, Software AG's development and execution environment for business applications, is well-known for its ability to rapidly and efficiently create company-wide transaction systems for mainframe and open system platforms.

A recent study by a leading international market research company notes that based upon its market share in 2007, Software AG is currently the third-largest vendor in the markets for Business Process Management Suites (BPMS) and Enterprise Service Bus (ESB). Another leading market research firm has also rated us as the "leader" in B2B Gateway software.

Expansion of customer base and partnerships

Software AG acquired a total of 118 new customers in the first half of the year, 75 of which were acquired in the second quarter alone, further expanding its global customer base. The new IT strategy implemented by the Swedish financing group Volvofinans, for example, is based upon Software AG's technology. The company uses Software AG's CentraSite as a company-wide platform for governance and metadata management in a Service-Oriented-Architecture in order to accelerate the market introduction of new products and services. Other new customers of the webMethods division in Germany include T-Mobile and the Federal State of Brandenburg.

In addition to the new customers, successful ongoing projects with well-known customers such as UNIQA, SaskTel, Unique, and 3Com have also been reported to the market in press releases and case studies during the second quarter of 2008.

Following the success of their joint BPM project at Zurich airport, Software AG and Qualysoft are expanding their partnership in Germany and Switzerland. The companies will work together to develop innovative BPM solutions throughout the entire German-speaking region. A recent new industry study has shown that many companies still have development needs in the area of Business Process Management. Our aim is to address this potential.

Software AG assumes corporate responsibility

Although it has become a successful global company, Software AG has not forgotten its local roots. We are convinced that assuming responsibility for our region is an important component in the Company's overall success. The first IT Forum Darmstadt Rhein Main Neckar was held in May 2008 in order to establish this region as a top IT location in Europe. The goal was to begin promoting inter-company and inter-industry networks, strengthen the marketing of the area as a business location, and improve the competitive situation of regional business concerns. Hosts of the event included Germany's Minister of Justice, Brigitte Zypries, and Karl-Heinz Streibich, CEO of Software AG, and the president of the Darmstadt chamber of commerce, Dr. Michael Römer.

In addition, the Hesse Ministry of Economic Affairs gave an award to Software AG as part of a state competition for the creation of an IT cluster. Project proposals submitted by Software AG and its partners TU Darmstadt, SAP Research (Darmstadt), and IHK Darmstadt Rhein Main Neckar were singled out, and their cluster network will be subsidized with state funds of €350,000 for three years. The cluster network will have its headquarters in Darmstadt.

We reached a milestone in the field of "Green IT" following a one-year research project with the Potsdam-based Hasso Plattner Institute for Software Systems Engineering (HPI). Together we were able to develop methods and tools to optimize the interaction of different IT systems, thus reducing energy use and hardware costs.

2. Financial performance

Continued significant growth in Group revenue

Software AG's group revenue was €168.8 million in Q2 2008 (Q2 2007: €152.2 million), exceeding the previous year's figure by 11 percent, or 18 percent following currency adjustment. The comparative values from the previous year only contain a part of the webMethods sales which were consolidated from May 25, 2007 onwards.

Product revenue (licenses and maintenance) increased by 13 percent to €123.2 million in Q2 2008 (Q2 2007: €108.7 million). Currency-adjusted growth totaled 22 percent.

The licensing revenue, included in product revenue, rose 15 percent following currency adjustment, or 7 unadjusted, to €61.4 million in Q2 2008 (Q2 2007: €57.3 million). Maintenance revenue grew by 30 percent following currency adjustment (unadjusted: 20 percent) to €61.8 million (Q2 2007: €51.4 million).

The Professional Services area generated revenue of €44.8 million in Q2 2008, thus increasing its result by 7 percent (currency-adjusted: 12 percent) compared to Q2 2007 (€41.7 million).

Revenues by division

webMethods within plan

The webMethods division increased its revenue significantly in Q2, 2008, by 25 percent (currency-adjusted: 34 percent) to €76.7 million. The prior-year figure of €61.6 million includes revenue by webMethods, Inc. from May 25, 2007. webMethods licensing revenue improved slightly in the EMEA region in Q2 2008, and the US business continued to demonstrate robust growth. The webMethods division expects growth of approximately 40 to 45 percent for the year as a whole. webMethods contributed 45 percent to Group revenue in Q2.

ETS shows stable growth

Revenue in the ETS division grew by 2 percent to €92.1 million in Q2 (Q2 2007: €90.6 million). Following currency adjustment, this figure rose to 7 percent. Licensing revenue in this division was €34.7 million (Q2 2007: €32.8 million), a currency-adjusted increase of 11 percent. The ETS division saw particularly noteworthy growth in Brazil, where Software AG took over sole distribution at the beginning of the year. We signed 22 contracts in recent months with a total volume of more than €12 million, €6 million of which was booked in Q2 2008. We expect a significant expansion of business in the second half of the year. Based on the current situation, we project an overall 12 to 14 percent revenue increase following currency adjustment for ETS for the fiscal year as a whole. The ETS division contributed 55 percent to total revenue in Q2 2008.

Revenues by type

Licensing business shows robust growth

Our licensing business is continuing its positive growth trend. Licensing revenue rose by 7 percent in Q2 2008 (currency adjusted: 15 percent) to €61.4 million (Q2 2007: €57.3 million).

Licensing revenue in the webMethods division was €26.6 million in Q2 2008, compared to €24.5 million in Q2 2007, corresponding to a 19 percent increase following currency adjustment. In the ETS division, licensing revenue rose by 11 percent following currency adjustment, to €34.7 million (Q2 2007: €32.8 million).

Maintenance business continues encouraging trend

The maintenance business once again made a high overall contribution in Q2 2008: Revenue grew by 20 percent (currency adjusted: 30 percent) to €61.8 million (Q2 2007: €51.4 million).

In the webMethods division, maintenance revenue improved both organically and through acquisitions to €22.5 million (Q2 2007: €11.8 million), which translates into a growth rate of almost 91 percent, or 108 percent following currency adjustment. The ongoing growth in the ETS division is a particular source of satisfaction. Growth in Q2 2008 was 6 percent (currency-adjusted), reaching €39.3 million in revenue (Q2 2007: €39.6 million).

Service business has room for improvement

Professional Services increased its revenue in Q2 2008 by 7 percent to €44.8 million, compared to €41.7 million in Q2 2007.

The service business in the webMethods division grew from €24.1 million to €27.6 million (+14 percent). The lower increase in revenue compared to the product business can be attributed primarily to lower licensing revenue in the previous quarters; these licensing revenues form the basis for subsequent service business. With revenue of €17.3 million, the ETS division maintained the high level of its service business (Q2 2007: €17.7 million).

EBIT once again at record levels

EBITA grew by 17 percent to €44.4 million in Q2 2008 (Q2 2007: €37.9 million). EBIT grew from €36.7 million in Q2 2007 to €40.9 million, an increase of 11 percent. The EBIT margin amounted to 24.3 percent, compared to 24.1 percent in Q2 2007.

At €18.5 million, research and development expenses in Q2 2008 significantly exceeded expenses of €14.8 million in Q2 2007. This 25-percent increase can be attributed primarily to the consolidation of the acquired company webMethods, Inc. Marketing and sales expenses increased slightly by 7 percent to €39.8 million (Q2 2007: €37.2 million) for the same reason.

REVENUES BY DIVISION

IFRS, unaudited in € million	January 1 – June 30, 2008	January 1 – June 30, 2007	Change in %	Q2|2008	Q2|2007	Change in %
webMethods						
Licenses	48.8	38.3	27	26.6	24.5	9
Maintenance	43.5	18.0	142	22.5	11.8	91
Service	52.5	39.9	32	27.5	24.1	14
Other	0.5	1.8	– 72	0	1.2	100
Total	**145.3**	**98.0**	**48**	**76.7**	**61.6**	**25**
ETS						
Licenses	68.0	65.9	3	34.7	32.8	6
Maintenance	77.6	77.9	0	39.3	39.6	– 1
Service	36.2	34.4	5	17.3	17.7	– 2
Other	1.1	0.7	57	0.8	0.5	60
Total	**182.9**	**178.9**	**2**	**92.1**	**90.6**	**2**

KEY EARNINGS INDICATORS

in € million	Q2|2008	Q2|2007	Change in %	January 1 – June 30, 2008	January 1 – June 30, 2007	Change in %
EBIT	40.9	36.7	11.4	77.0	61.7	24.8
EBITA	44.4	37.9	17.2	84.5	62.9	34.3
Financial income/expense, net	– 1.4	1.3		– 2.9	4.4	
Earnings before taxes	39.5	37.9	4.2	74.1	66.1	12.1
Net income	27.1	24.6	10.2	49.6	42.3	17.3
Earnings per share in Euro (basic)	0.95	0.86	10.5	1.74	1.49	16.8

Segment earnings contributions

The webMethods division contributed €23.4 million to earnings in Q2 2008 (Q2 2007: €13.4 million), representing an increase of almost 75 percent. Cost of sales increased by 20 percent to €28.9 million (Q2 2007: €24.0 million) due to revenue growth. Selling expenses increased slightly to €24.4 million (Q2 2007: €24.2 million). These figures underline the planned increase in process efficiency as well as the full realization of synergy effects.

Our ETS division even exceeded the high segment contribution it achieved in Q2 2007, rising by 2 percent, from €56.7 million to €57.8 million in Q2 2008. In the process, selling expenses increased faster than revenue, reaching €15.4 million, compared to €13.0 million in the previous year. This increase can be attributed primarily to the build-up of our business in Brazil. Cost of sales, on the other hand, decreased by 10 percent to €18.9 million in Q2 2008 (Q2 2007: €20.9 million).

Net income and earnings show positive growth

Net income grew from €24.6 million to €27.1 million in Q2 2008: an increase of 10 percent. Earnings per share rose to €0.95, compared to €0.86 in Q2 2007. As of June 30, 2008, there were 28.6 million shares (undiluted) issued and outstanding, approximately 130,000 more than on the previous year's balance sheet date.

Half-year figures support ambitious forecasts for the fiscal year

Group revenue reached €328.2 million in the first half of 2008. It therefore grew by 19 percent compared to the figure of €276.9 million for the first half of 2007. Currency-adjusted revenue grew by 26 percent. Licensing revenue in this period rose by 12 percent (currency-adjusted: 21 percent) to €116.8 million (H1 2007: €104.2 million). Maintenance revenue grew by 36 percent following currency adjustment to €121.1 million (H1 2007: €95.8 million). Revenue from services totaled €88.7 million, compared to €74.3 million in the previous year.

Earnings before interest and taxes (EBIT) rose to €77.0 million in the first six months of 2008, up 25 percent (H1 2007: €61.7 million), leading to an increase in the EBIT margin from 22.3 to 23.5 percent. Operating cash flow achieved a particularly high value of €60.2 million, 75 percent higher than on June 30, 2007.

3. Financial position

Particularly strong growth in cash flow

Operating cash flow in Q2 2008 was €24.0 million, compared to €11.0 million in Q2 2007, and thus improved by an outstanding 118 percent. A further reduction of the average period allowed for payment to 89 days in Q2 2008 (Q2 2007: 101 days) contributed to this outcome. Free cash flow was €23.0 million (Q2 2007: €11.8 million). The share of group revenue thus amounted to 13.6 percent, compared to 7.8 percent in Q2 2007.

Increase in total assets and capital expenditure

Total assets of the Software AG Group declined from €1,092.4 million (June 30, 2007) to €1,001.2 million (June 30, 2008). Cash and cash equivalents declined from €114.5 million to €59.4 million due to the acquisitions and dividend payments. Equity rose by 4 percent, from €441.1 million to €457.3 million. The equity-to-assets ratio increased accordingly, from 40 percent on June 30, 2007 to 46 percent on June 30, 2008. On the other hand, a portion of the debt incurred through the acquisitions in the previous year was reduced from €279 million to the present level of €204 million. Non-current liabilities therefore decreased considerably, from €351.9 million to €273.1 million. Current liabilities declined compared to the previous year, from €299.4 million to €270.8 million.

4. Risks and opportunities

We have made a number of acquisitions in the past, and do not rule out further acquisitions in the future. Software AG is therefore subject to the risks inherent in acquisitions and integration. There were no changes in the second quarter of 2008 to the risk situation of the Software AG Group as portrayed in the Risk Report of the 2007 Annual Report.

The related opportunities are detailed in the Outlook section of this report and in the Outlook section of the 2007 Annual Report.

5. Events after the balance sheet date

No relevant events occurred at Software AG after the balance sheet date.

6. Outlook

We reaffirm the previously announced forecast for fiscal 2008: Group revenue should grow by 24 to 27 percent following currency adjustment. The EBIT margin should be approximately 24 percent in the current fiscal year. Our markets for SOA and BPM are growing at an excellent pace. Our current market share of more than 6 percent holds potential for further expansion. With our excellent, world-class products for these markets, we believe that Software AG is well positioned to continue its profitable course of growth.

The Company can counter the risk of a weakening business climate in the established markets with increased sales expectations in Brazil, based on the projection that the ETS division will have a greater share in the growth of overall revenue in 2008 than originally planned. From our current standpoint, we therefore project currency-adjusted revenue growth of approximately 12-14 percent for ETS, and expect that the webMethods division will grow by approximately 40-45 percent over the entire fiscal year. The change in the sales organization undertaken in May will also help to achieve our objectives as it increases our opportunities to win larger projects.

Medium-term planning

Our goal is to reach the revenue threshold of €1 billion by 2010, latest 2011 by way of organic growth as well as growth by acquisitions. At the same time, we intend to continue improving the EBIT margin; our medium-term target is an EBIT margin of 27 percent.

CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2008
IFRS, UNAUDITED

in € thousands	January 1 – June 30, 2008	January 1 – June 30, 2007	Change in %	Q2|2008	Q2|2007	Change in %
Licenses	116,747	104,231	12	61,352	57,326	7
Maintenance	121,136	95,841	26	61,780	51,371	20
Professional Services	88,700	74,293	19	44,781	41,736	7
Other	1,575	2,553	– 38	854	1,749	– 51
Total revenue	**328,158**	**276,918**	**19**	**168,767**	**152,182**	**11**
Costs of sales	– 95,513	– 83,030	15	– 47,770	– 44,871	6
Gross profit	**232,645**	**193,888**	**20**	**120,997**	**107,311**	**13**
Research and development expenses	– 37,324	– 26,930	39	– 18,457	– 14,772	25
Sales, marketing and distribution expenses	– 79,880	– 69,874	14	– 39,802	– 37,206	7
General and administrative expenses	– 32,089	– 26,536	21	– 16,676	– 14,752	13
Operating result	**83,352**	**70,548**	**18**	**46,062**	**40,581**	**14**
Other operating income	14,122	9,278	52	2,638	6,996	– 62
Other operating expenses	– 12,971	– 16,905	– 23	– 4,280	– 9,670	– 56
Earnings before interest and taxes and amortization (EBITA)	**84,503**	**62,921**	**34**	**44,420**	**37,907**	**17**
Amortization	– 7,536	– 1,236		– 3,484	– 1,236	
Earnings before interest and taxes (EBIT)	**76,967**	**61,685**	**25**	**40,936**	**36,671**	**12**
Net financial income	– 2,887	4,424		– 1,418	1,276	
Earnings before taxes	**74,080**	**66,109**	**12**	**39,518**	**37,947**	**4**
Income taxes	– 23,309	– 22,604	3	– 11,504	– 12,693	– 9
Other taxes	– 1,124	– 1,175	– 4	– 905	– 697	30
Net income	**49,647**	**42,330**	**17**	**27,109**	**24,557**	**10**
thereof attributable to shareholders of Software AG	49,647	42,228	18	27,109	24,497	11
thereof attributable to minority interest	0	102		0	60	
Earnings per share (EUR, basic)	1.74	1.49	17	0.95	0.86	10
Earnings per share (EUR, diluted)	1.73	1.48	17	0.95	0.86	10
Weighted average shares outstanding (basic)	28,573,305	28,368,188	–	28,589,148	28,460,127	–
Weighted average shares outstanding (diluted)	28,633,623	28,441,648	–	28,649,466	28,533,587	–

CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2008
IFRS, UNAUDITED

Assets

in € thousands	June 30, 2008	Dec. 31, 2007	June 30, 2007
Current assets			
Cash on hand and bank balances	59,378	80,822	112,751
Securities	32	472	1,755
Inventories	77	90	59
Trade receivables	225,003	209,311	228,960
Other receivables and other assets	15,163	10,125	14,447
Prepaid expenses	6,611	5,794	8,027
	306,264	**306,614**	**365,999**
Non-current assets			
Intangible assets	142,356	139,265	157,283
Goodwill	423,239	431,596	453,147
Property, plant and equipment	49,660	49,847	54,096
Financial assets	8,179	8,232	3,799
Trade receivables	11,869	15,704	6,549
Other receivables and other assets	5,041	16,582	0
Prepaid expenses	33	0	0
Deferred taxes	54,546	55,484	51,548
	694,923	**716,710**	**726,422**
	1,001,187	**1,023,324**	**1,092,421**

Equity and liabilities

in € thousands	June 30, 2008	Dec. 31, 2007	June 30, 2007
Current liabilities			
Financial liabilities	36,315	46,652	49,961
Trade payables	33,418	31,300	48,478
Other liabilities	41,838	64,199	55,866
Other provisions	37,757	42,802	37,038
Tax provisions	7,586	11,485	21,783
Deferred income	113,872	83,878	86,289
	270,786	**280,316**	**299,415**
Non-current liabilities			
Financial liabilities	167,347	167,648	228,969
Trade payables	64	64	69
Other liabilities	406	2,966	12,770
Pension provision	16,530	17,229	24,331
Other provisions	7,928	9,686	9,908
Deferred taxes	77,729	79,621	74,493
Deferred income	3,122	3,332	1,333
	273,126	**280,546**	**351,873**
Equity			
Share capital	85,808	85,618	85,441
Capital reserve	33,739	31,933	30,095
Retained earnings	359,368	299,532	295,065
Net income attributable to shareholders of Software AG	49,647	88,375	42,228
Currency translation differences	− 102,667	− 80,008	− 47,695
Other reserves	31,380	36,343	35,260
Minority interest	0	669	739
	457,275	**462,462**	**441,133**
	1,001,187	**1,023,324**	**1,092,421**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2008
IFRS, UNAUDITED

in € thousands	January 1 – June 30, 2008	January 1 – June 30, 2007	Q2|2008	Q2|2007
Net income for the year	49,647	42,330	27,109	24,557
Income taxes	23,309	22,604	11,504	12,693
Net financial income	2,887	– 4,424	1,418	– 1,276
Amortization/depreciation of non-current assets	12,491	5,280	6,717	3,472
Other non-cash income/expense	2,496	1,354	1,368	37
Operating cash flow before changes in working capital	**90,830**	**67,144**	**48,116**	**39,483**
Changes in inventories, receivables and other current assets	– 18,031	– 23,636	– 12,916	– 8,526
Changes in payables and other liabilities	18,594	3,576	539	– 8,698
Income taxes paid	– 29,643	– 18,150	– 11,805	– 13,727
Interest paid	– 3,618	– 828	– 885	– 571
Interest received	2,117	6,232	953	3,044
Net cash from operating activities	**60,249**	**34,338**	**24,002**	**11,005**
Proceeds from sale of tangible/intangible assets	187	525	10	280
Purchase of tangible/intangible assets	– 3,812	– 2,269	– 1,424	– 947
Proceeds from the sale of financial assets	1,109	2,572	1,101	2,378
Purchase of financial assets	– 718	– 1,107	– 685	– 858
Payment for acquisitions, net	– 38,819	– 358,781	– 463	– 358,781
Net cash used in investing activities	**– 42,053**	**– 359,060**	**– 1,461**	**– 357,928**
Proceeds from issue of share capital	1,116	6,140	459	718
Dividends paid	– 28,539	– 25,302	– 28,539	– 25,302
Proceeds from financial liabilities	0	325,829	0	325,829
Repayments of financial liabilities	– 10,237	– 51,987	– 81	– 51,897
Payments for hedging instruments	– 675	0	0	0
Net cash provided by/ used in financing activities	**– 38,335**	**254,680**	**– 28,161**	**249,348**
Change in cash and cash equivalents from cash relevant transactions	– 20,139	– 70,042	– 5,620	– 97,575
Adjustment from currency translation	– 1,745	– 226	266	906
Net change in cash and cash equivalents	**– 21,884**	**– 70,268**	**– 5,354**	**– 96,669**
Cash and cash equivalents at the beginning of the period	81,294	184,774	64,764	211,175
Cash and cash equivalents at the end of the period	**59,410**	**114,506**	**59,410**	**114,506**

SEGMENT REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2008
IFRS, UNAUDITED

	ETS		webMethods		Total	
in € thousands	January 1 – June 30, 2008	January 1 – June 30, 2007	January 1 – June 30, 2008	January 1 – June 30, 2007	January 1 – June 30, 2008	January 1 – June 30, 2007
Licenses	67,949	65,920	48,798	38,311	116,747	104,231
Maintenance	77,632	77,863	43,504	17,978	121,136	95,841
Product revenue	**145,581**	**143,783**	**92,302**	**56,289**	**237,883**	**200,072**
Professional services	36,204	34,379	52,496	39,914	88,700	74,293
Other	1,059	712	516	1,841	1,575	2,553
Total revenue	**182,844**	**178,874**	**145,314**	**98,044**	**328,158**	**276,918**
Cost of sales	– 39,623	– 39,146	– 55,890	– 43,884	– 95,513	– 83,030
Gross profit	**143,221**	**139,728**	**89,424**	**54,160**	**232,645**	**193,888**
Sales, Marketing & Distribution expenses	– 33,755	– 29,088	– 46,125	– 40,786	– 79,880	– 69,874
Business line contribution	**109,466**	**110,640**	**43,299**	**13,374**	**152,765**	**124,014**
Research and development expenses					– 37,324	– 26,930
General and administrative expenses					– 32,089	– 26,536
Other operating income / expenses					1,151	– 7,627
EBITA					**84,503**	**62,921**
Amortization					– 7,536	– 1,236
Earnings before interest and taxes					**76,967**	**61,685**
Net financial income					– 2,887	4,424
Earnings before taxes					**74,080**	**66,109**
Taxes					– 24,433	– 23,779
Net income for the period					**49,647**	**42,330**

SEGMENT REPORT FOR THE QUARTER ENDED JUNE 30, 2008
IFRS, UNAUDITED

	ETS		webMethods		Total	
in € thousands	Q2|2008	Q2|2007	Q2|2008	Q2|2007	Q2|2008	Q2|2007
Licenses	34,748	32,824	26,604	24,502	61,352	57,326
Maintenance	39,290	39,569	22,490	11,802	61,780	51,371
Product revenue	**74,038**	**72,393**	**49,094**	**36,304**	**123,132**	**108,697**
Professional services	17,261	17,676	27,520	24,060	44,781	41,736
Other	810	514	44	1,235	854	1,749
Total revenue	**92,109**	**90,583**	**76,658**	**61,599**	**168,767**	**152,182**
Cost of sales	– 18,927	– 20,835	– 28,843	– 24,036	– 47,770	– 44,871
Gross profit	**73,182**	**69,748**	**47,815**	**37,563**	**120,997**	**107,311**
Sales, Marketing & Distribution expenses	– 15,397	– 13,034	– 24,405	– 24,173	– 39,802	– 37,207
Business line contribution	**57,785**	**56,714**	**23,410**	**13,390**	**81,195**	**70,104**
Research and development expenses					– 18,457	– 14,772
General and administrative expenses					– 16,676	– 14,752
Other operating income / expenses					– 1,642	– 2,673
EBITA					**44,420**	**37,907**
Amortization					– 3,484	– 1,236
Earnings before interest and taxes					**40,936**	**36,671**
Net financial income					– 1,418	1,276
Earnings before taxes					**39,518**	**37,947**
Taxes					– 12,409	– 13,390
Net income for the period					**27,109**	**24,557**

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE POSTED DIRECTLY TO EQUITY*
FOR THE SIX MONTHS ENDED JUNE 30, 2008
IFRS, UNAUDITED

in € thousands	January 1 – June 30, 2008	January 1 – June 30, 2007	Q2|2008	Q2|2007
Currency translation differences	– 22,659	– 6,562	4,179	– 3,753
Net gain/loss from fair value measurement of financial instruments not recognized in income	– 5,296	– 37	– 1,359	0
Net loss/gain from fair value measurement of net investments in foreign operations not recognized in income	333	851	– 8	– 67
Total income and expense recognized directly in equity	**– 27,622**	**– 5,748**	**2,812**	**– 3,820**
Net income for the period (from P&L)	49,647	42,330	27,109	24,557
Total recognized income and expense	**22,025**	**36,582**	**29,921**	**20,737**

* These valuation impacts are posted directly to equity and are therefore not recognized as a part of the P&L statement

NOTES TO THE QUARTERLY FINANCIAL STATEMENTS FOR THE SECOND QUARTER OF 2008

Accounting policies

Basis of presentation

Software AG's consolidated financial statements as of June 30, 2008 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB). The IASs/IFRSs applicable as of December 31, 2007 were observed, as were the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC – formerly SIC). The same accounting policies have been applied as in the consolidated financial statements as of December 31, 2007. Accordingly, accounting policies are not explained in detail in these quarterly financial statements. These quarterly financial statements have been prepared in accordance with IAS 34, Interim Financial Reporting.

Software AG is a joint stock corporation under German law with registered offices in Darmstadt. The Company is the parent company of a Group which is active in the fields of development, licensing, and maintenance of software as well as IT services.

The consolidated financial statements of Software AG are expressed in thousands of euros unless stated otherwise.

Changes in the consolidated group

The group of consolidated companies changed in comparison with December 31, 2007 as a result of the following transactions.

1. Mergers within the Group effective as of January 1, 2008:

¬ Software AG, Ltd., Tokyo/Japan was merged into webMethods Japan Kabushiki Kaisha (webMethods Co., Ltd.), Tokyo/Japan

¬ webMethods B.V., Amsterdam/Netherlands was merged into Software AG Nederland B.V., Nieuwegein/Netherlands

¬ webMethods France Sarl, Paris/France was merged into Software AG France S.A.S., Gentilly/France

2. In addition, on June 5, 2008, Software AG Argentina S.R.L. was established in Buenos Aires, Argentina, with a share capital of €100 thousand.

Earnings per share

Earnings per share were calculated by dividing net income for the period attributable to Software AG's shareholders by the weighted average number of shares issued and outstanding during the period under review. Software AG has issued only common shares. The weighted average number of shares amounted to 28,573,305 in the first half of 2008. The weighted average number of shares amounted to 28,589,148 in the second quarter 2008.

A total of 63,372 stock options were exercised in the first half of 2008, of which 27,359 were exercised in the second quarter. The number of shares increased correspondingly by 63,372 in the first half of 2008. Another 60,318 stock options may be exercised from the second stock option plan in fiscal 2008. Therefore, diluted earnings per share were calculated for these potential shares in the quarterly financial statements using the treasury stock method. Diluted earnings per share were computed by dividing net income for the period attributable to Software AG's shareholders by the weighted average number of shares issued and outstanding plus the weighted average number of exercisable stock options.

Notes to the consolidated balance sheet

Goodwill

Goodwill as of June 30, 2008 amounted to €423,239 thousand, a decrease of €8,357 thousand over December 31, 2007. The decline was a result of changes in currency exchange rates, particularly the weak US dollar, which had a negative impact on goodwill in the amount of €8,283 thousand, and from the final adjustment of the earn-out payment arising on the purchase of Sabratec with a negative impact of €411 thousand, contrasted by a positive €337 thousand from the purchase of the remaining shares (49 percent) in SPL Idor Business Solutions, Or-Yehuda, Israel.

Equity

The change in equity is shown in the following Statement of Changes in Equity as of June 30, 2008.

STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDING JUNE 30, 2008 (JANUARY 1 TO JUNE 30, 2008 AND JANUARY 1 TO JUNE 30, 2007) IFRS, UNAUDITED

in € thousands	Shares								
June 30, 2008	Number	Share capital	Capital reserve	Retained earnings	Net income attributable to share-holders	Currency translation adjustments	Other reserves	Minority interest	Total
Equity as of January 1, 2008	**28,539,455**	**85,618**	**31,933**	**387,907**		**– 80,008**	**36,343**	**669**	**462,462**
New shares issued	63,372	190	926						1,116
Stock options			880						880
Purchase of minority interest in fully consolidated companies								– 669	– 669
Net income for the year					49,647				49,647
Dividend payment				– 28,539					– 28,539
Currency translation differences						– 22,659			– 22,659
Net gain from fair value measurement of financial instruments not recognized in income							– 5,296		– 5,296
Net gain from fair value measurement of net investments in foreign operations not recognized in income							333		333
Equity as of June 30, 2008	**28,602,827**	**85,808**	**33,739**	**359,368**	**49,647**	**– 102,667**	**31,380**	**0**	**457,275**

in € thousands	Shares								
June 30, 2007	Number	Share capital	Capital reserve	Retained earnings	Net income attributable to share-holders	Currency translation adjustments	Other reserves	Minority interest	Total
Equity as of January 1, 2007	**28,112,715**	**84,338**	**23,576**	**320,367**	**0**	**– 41,133**	**34,446**	**637**	**422,231**
New shares issued	367,756	1,103	5,037						6,140
Stock options			1,482						1,482
Net income for the year					42,228			102	42,330
Dividend payment				– 25,302					– 25,302
Currency translation differences						– 6,562			– 6,562
Net gain from fair value measurement of financial instruments not recognized in income							– 37		– 37
Net gain from fair value measurement of net investments in foreign operations not recognized in income							851		851
Equity as of June 30, 2007	**28,480,471**	**85,441**	**30,095**	**295,065**	**42,228**	**– 47,695**	**35,260**	**739**	**441,133**

The composition of the individual equity accounts did not change compared to December 31, 2007. The exercise of stock options under the second stock option plan increased the number of bearer shares in issue by 63,372 to 28,602,827 shares in the first half of 2008. In response, the Company's share capital rose by €190 thousand and the capital reserve by €926 thousand.

Dividend payment

The Annual Shareholders' Meeting resolved on April 29, 2008 to transfer an amount of €9,455 thousand from the €113,907 thousand in accumulated profit of the controlling Group company Software AG for 2007 to other revenue reserves, to appropriate €28,539 thousand for a dividend payout, and to carry forward €75,913 thousand to a new account. This corresponded to a dividend of €1.00 per share.

Other disclosures

Seasonal influences

Revenues and pre-tax earnings per quarter were as follows in fiscal 2007:

in € thousands	Q1 2007	Q2 2007	Q3 2007	Q4 2007	2007
Total revenue	172,581	167,093	157,797	186,544	684,015
in % of annual revenue	25.2	24.4	23.1	27.3	100.0
Earnings before taxes	28,163	37,946	30,412	40,570	137,091
in % of net income for the year	20.5	27.7	22.2	29.6	100.0

In order to show seasonal influences, the revenues of SPL Software Ltd., Israel from January 1, 2007 through March 31, 2007 as well as the revenues of webMethods, Inc., USA from January 1, 2007 through May 24, 2007 were added to the revenues of the Software AG Group. Prior years showed a similar structure of revenues per quarter, which primarily reflects the purchasing behavior of our customers.

Pre-tax earnings show unadjusted values for the Software AG Group, excluding minority interests of acquired companies from the beginning of the year up to the date of acquisition. Because of the acquisitions of these companies and the cost synergies achieved during fiscal year 2007, the presentation does not reflect the normalized profit allocation. For this reason, no forward-looking statements can be derived from this profit allocation.

Given the forward-looking nature of these disclosures, the presentation of the previous year's figures was omitted.

Contingent liabilities

in € thousands	March 31, 2008	Dec. 31, 2007	June 30, 2007
Guarantees	12,922	15,337	11,577
Warranties	632	0	0
Other	1,426	1,341	5,339
	14,980	16,678	16,916

The carrying amount of collateral received is €521 thousand (Q2 2007: €0 thousand).

Other financial commitments

The Company has entered into rent and lease agreements for buildings, land, computer and telephone equipment, and vehicles. The obligations under these agreements for their remaining non-cancelable terms up until the end of fiscal 2008 amount to €6,006 thousand (Q2 2007: €7,407 thousand). Obligations of €40,650 thousand exist for the period up until the end of fiscal year 2013 (Q2 2007: €41,090 thousand until the end of fiscal 2012), and obligations of €5,943 thousand for the period after fiscal 2013 (Q2 2007: €17,267 thousand for the period after fiscal 2012). The lease agreements are operating leases as defined in IAS 17.

Stock option plans and stock appreciation rights program

Software AG has different stock option plans for members of the Executive Board, officers, and employees of the Group. In the first half of 2008, in accordance with IFRS 2, personnel expenses of €880 thousand (H1 2007: €1,482 thousand) were recognized for stock option plans with optional fulfillment through equity instruments, of which €571 thousand related to the second quarter (Q2 2007: €97 thousand). In addition, personnel expenses recognized in the first half of 2008 for stock option plans with fulfillment through cash settlement amounted to €1,608 thousand (H1 2007: €0 thousand), of which €764 thousand related to the second quarter (Q2 2007: €0 thousand). In the first half of 2008, a total of 63,372 (H1 2007: 367,756) stock options were exercised from the second stock option plan, of which 27,359 were exercised in the second quarter (Q2 2007: 40,689). A total of 3,504 (H1 2007: 21,418) options were withdrawn in the first half of 2008, of which 3,002 (Q2 2007: 4,689) were exercised in the second quarter. A further total of 125,031 (H1 2007: 270,893) stock options issued to Executive Board members and officers under this plan is outstanding.

Another 14,500 (H1 2007: 0) stock options with an exercise price of €72.36 were issued to officers and employees in the first half of 2008 as part of the third stock price-based compensation plan; as in the previous year, no stock options from the third compensation plan were issued in the second quarter. In addition, a total of 35,190 (H1 2007: 0) stock options were withdrawn from officers and employees due to departure from the

Company in the first half of 2008, of which 14,190 (Q2 2007: 0) were withdrawn in the second quarter. In addition, a total of 85,613 (H1 2007: 0) stock appreciation rights were withdrawn from members of the Executive Board, officers and employees due to departure from the Company in the first half of 2008, of which 85,613 (Q2 2007: 0) were withdrawn in the second quarter. Another 160,613 (H1 2007: 0) subscription rights granted as stock options were converted into stock appreciation rights in the first half of 2008, of which 85,613 (Q2 2007: 0) subscription rights granted as stock options were converted in the second quarter. Thus 751,000 (H1 2007: 0) subscription rights were granted as stock options and an additional 1,100,000 (H1 2007: 0) as stock appreciation rights from the third stock price-based compensation plan as of the end of the quarter.
A total of 388,717 (H1 2007: 0) stock options were not measured due to expected employee fluctuation.

Please refer to the 2007 Annual Report for further disclosures on the option plans.

Notes on Significant Business Events

1. Acquisition of the software division of Jacada Ltd., Israel

As of January 1, 2008, Software AG acquired business units and assets of Jacada Ltd., Israel. Through its acquisition of Jacada's Application Modernization division, Software AG enhanced its product portfolio by adding new products for the modernization of user interfaces in applications that run on large and medium-sized systems. Jacada Ltd. is publicly listed on the Nasdaq (Nasdaq: JCDA).

Breakdown of purchase price

The purchase price paid for Jacada's Application Modernization division was €17,665 thousand (US$26,000 thousand). The purchase price was paid on January 2, 2008. The cost of the business combination has been allocated provisionally in accordance with IFRS 3.62 as follows:

in € thousands	Fair value as of January 01, 2008	Carrying amount prior to acquisition
Intangible assets – customer base	15,195	0
Software	2,470	0
Carrying amount of the assets acquired		0
Cost of the business combination	17,665	

Initial consolidation pursuant to IFRS 3.62

Because of the close proximity in time between the date of acquisition (January 1, 2008) and the balance sheet date of the half-yearly financial statements (June 30, 2008), the Application Modernization division acquired from Jacada was initially accounted for using provisional fair values.

Intangible assets – customer base

The Application Modernization division acquired from Jacada generated annual revenue of approximately US$12 million in 2007. The achieved profit margin was higher than the Group average of Software AG. Software AG gained more than 200 corporate customers, primarily from the USA, as a result of this acquisition. For these reasons, a customer base was recognized as part of the initial accounting.

Software

The software that the Group has acquired is designed for the modernization of user interfaces in applications that run on large and medium-sized systems. It supplements Software AG's product portfolio in the field of legacy modernization. Based upon a preliminary assessment, the software was valued at €2,470 thousand.

Contribution to revenue and earnings since acquisition on January 1, 2008

Since the date of acquisition on January 1, 2008, the Application Modernization division acquired from Jacada has contributed €1,545 thousand to Group revenues, of which €947 thousand related to the second quarter. The Application Modernization division contributed a negative €15 thousand to total Group net income since the date of acquisition, while in the second quarter of 2008 it contributed €92 thousand. As the Jacada software division has been completely integrated into Software AG, the contribution to Group net income for the year could be determined only by means of an estimate. As the date of acquisition was January 1, 2008, a presentation of these profit figures as if the acquisition had occurred at the beginning of fiscal 2008 can be omitted.

Expenses related to the acquisition of the Jacada software division

The customer base, which was identified as an asset in connection with the acquisition of Jacada's Application Modernization division, will be amortized over a period of 10 years and the acquired software will be amortized over a period of 5 years. Total amortization in the first half of 2008 was €1,071 thousand, of which €567 thousand related to the second quarter. There were no other expenses connected with this acquisition, and no further expenses are expected.

2. Software AG also acquired the remaining minority interests of the following companies in the first half of 2008:
- Purchase of 49.0 percent of shares in Software AG (India) Private Limited, India for €609 thousand, effective March 14, 2008
- Purchase of 19.92 percent of shares in SPL Software Ltd., Israel for €18,935 thousand, effective January 1, 2008
- Purchase of 49 percent of shares in SPL Idor E Business Solutions, Israel and 49 percent of shares in SPL Idor Management Ltd., Israel for a total of €327 thousand, effective January 1, 2008

These acquisitions of remaining minority interests eliminated the need to report minority interests in equity and net income in the half-yearly consolidated financial statements as of June 30, 2008.

3. Earn-out payments for earlier acquisitions
Revenue-based earn-out payments of €951 thousand (Q2 2008: €463 thousand) for Software A.G. (Israel) Ltd. (previously Sabratec Ltd., Israel) and €332 thousand (Q2 2008: 0) for Casabac Technologies GmbH, Germany, were paid in the first half of 2008.

4. Currency translation effects
In the first half of 2008, the strong euro, particularly in relation to the US dollar, caused negative currency translation effects on Group revenues compared to the same period in the previous year in the amount of €22,046 thousand, €11,006 of this amount in the second quarter of 2008.

Employees
As of June 30, 2008, the effective number of employees (i.e., part-time employees taken into account on a pro-rata basis only) amounted to 3,427 (June 30, 2007: 3,719), 78.0 percent of whom were employed abroad (June 30, 2007: 79.5 percent). In absolute terms (i.e., part-time employees are taken fully into account), the Group employed 3,501 people (June 30, 2007: 3,841) at the end of the second quarter on June 30, 2008.

Supervisory Board
The term of office of Mr. Justus Mische, who had been a member of the Supervisory Board since December 9, 2002, and who was elected by the Annual Shareholders' Meeting, ended with the end of the Annual Shareholders' Meeting on April 29, 2008, as he had reached the age limit specified in the Articles of Association.

Mr. Willi Berchtold, Dipl. Oec., Chief Financial Officer, Controlling and Informatics at ZF Friedrichshafen AG, and residing in Überlingen, was elected by the Annual Shareholders' Meeting on April 29, 2008 as a new member of the Supervisory Board.

Reorganization of the Executive Board
On April 29, 2008, the Supervisory Board approved a reorganization of the Executive Board. The sales organizations of the two business divisions, webMethods and ETS, have been placed under the joint direction of two Executive Board members with different regional responsibilities. Region West (North and South America, Western and Southern Europe), will be headed by Executive Board member Mark Edwards, previously Chief Operation Officer for the ETS division. Region East (Northern and Central Europe, Africa, Australia, and Asia) will be headed by David Broadbent, previously Chief Product Officer for the ETS Division, who directed sales in the Asia/Pacific region.

Dr. Peter Kürpick, who was previously responsible for R&D in the webMethods division, will in addition assume responsibility for R&D in the ETS division. Mr. David Mitchell resigned his office as member of the Executive Board on April 29, 2008. He had previously been responsible for sales in the webMethods business division.

Events after the balance sheet date
No significant events occurred between the end of the second quarter and the date of release of these quarterly financial statements by the Executive Board that would warrant inclusion in this report.

Date of release of the consolidated interim financial statements
Software AG's Executive Board approved the quarterly consolidated financial statements on August 1, 2008.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the fiscal year.

Darmstadt, August 1, 2008

Software AG

Karl-Heinz Streibich

David Broadbent

Mark Edwards

Dr. Peter Kürpick

Arnd Zinnhardt

FINANCIAL CALENDAR

FINANCIAL CALENDAR

	2008
October 24	Q3 2008 financial figures (IFRS, unaudited)
	2009
January 27	Q4/FY 2008 financial figures (IFRS, unaudited)

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