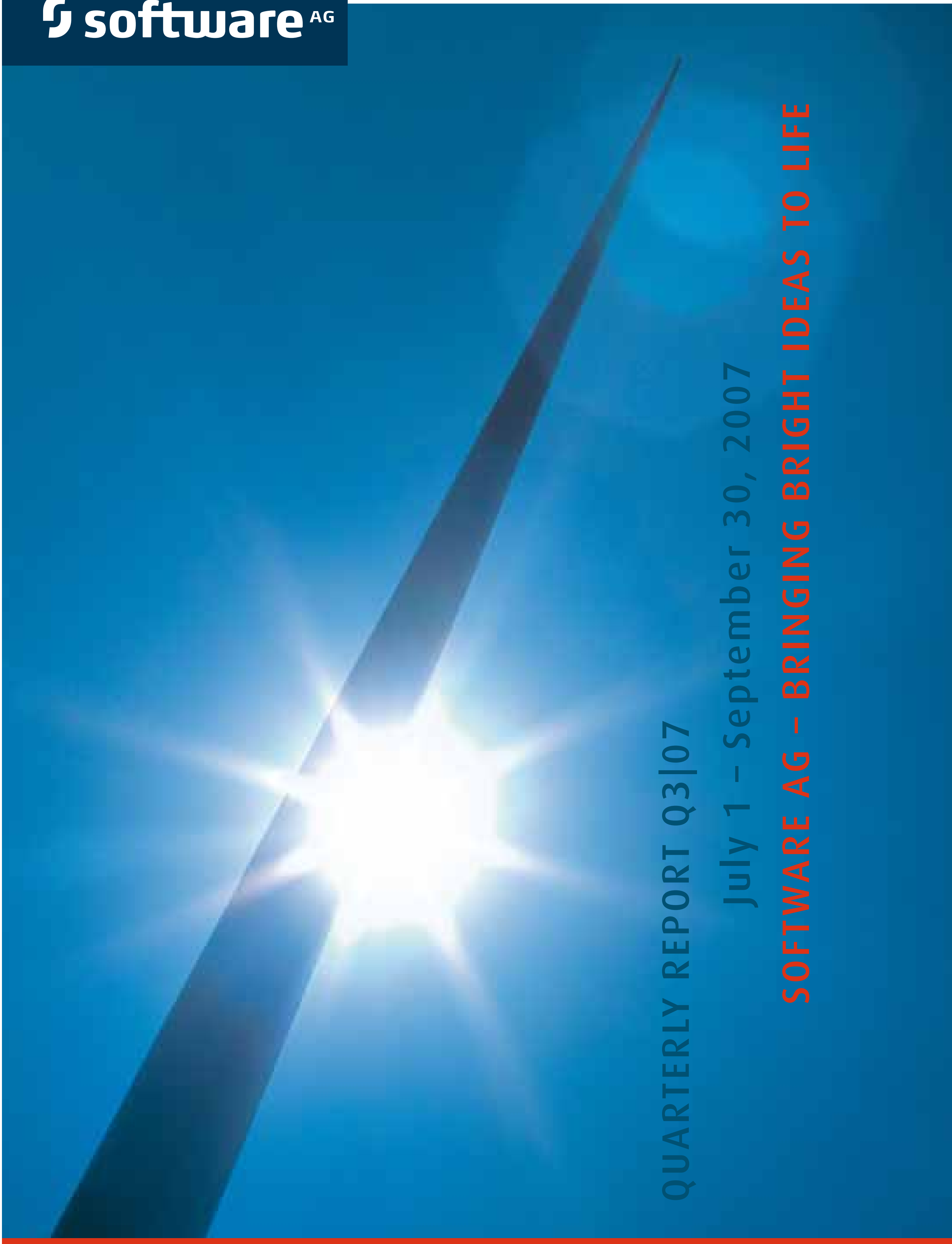
software AG



QUARTERLY REPORT Q3|07

July 1 – September 30, 2007

SOFTWARE AG – BRINGING BRIGHT IDEAS TO LIFE

Key figures

KEY FIGURES IFRS, UNAUDITED

€ million (unless otherwise stated)	Sept. 30, 2007	Sept. 30, 2006	Q3 2007	Q3 2006
Revenue IFRS	**434.7**	**348.6**	**157.8**	**113.8**
IFRS Adjustment on Maintenance	7.2	0.0	4.6	0.0
Revenue operating	**441.9**	**348.6**	**162.4**	**113.8**
Products IFRS	315.1	253.8	115.1	85.0
IFRS Adjustment on Maintenance	7.2	0.0	4.6	0.0
Products operating	**322.3**	**253.8**	**119.7**	**85.0**
of which:				
Licenses	161.6	111.7	57.4	37.0
IFRS Adjustment on Licenses	0.4	0	0.4	0
Licenses operating	**162.0**	**111.7**	**57.8**	**37.0**
Maintenance	153.5	142.1	57.7	48.0
IFRS Adjustment on Maintenance	6.8	0.0	4.2	0.0
Maintenance operating	**160.3**	**142.1**	**61.9**	**48.0**
Professional services	116.6	93.1	42.3	28.2
Other	3.0	1.7	0.4	0.6
EBITA	**98.3**	**76.8**	**35.3**	**25.6**
IFRS Adjustment on Maintenance	7.2	0.0	4.6	0.0
EBITA operating	**105.5**	**76.8**	**39.9**	**25.6**
as % of revenue operating	23.9	22.0	24.6	22.5
EBIT	**94.0**	**76.8**	**32.4**	**25.6**
IFRS Adjustment on Maintenance	7.2	0.0	4.6	0.0
EBIT operating	**101.2**	**76.8**	**37.0**	**25.6**
as % of revenue operating	22.9	22.0	22.8	22.5
Net income	**61.5**	**50.9**	**19.2**	**17.1**
as % of revenue	14	15	12	15
Earnings per share (EUR) basic	**2.16**	**1.81**	**0.67**	**0.61**
Earnings per share (EUR) diluted	**2.16**	**1.81**	**0.67**	**0.61**
Total assets	**1,025.7**	**611.4**		
Cash and cash equivalents	**71.0**	**165.6**		
Shareholders' equity	**442.9**	**404.6**		
as % of total assets	43	66		
Employees[1]	**3,552**	**2,666**		
of which in Germany	759	783		

KEY SHARE DATA

	Sept. 30, 2007	Sept. 30, 2006
Closing price (Xetra) in €	65.84	48.28
High in €	77.20	39.00
Low in €	65.61	21.80
Total number of shares	28,513,498	28,112,715
Market capitalization in € millions	1,877	1,357

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.

Software AG has more than 37 years of global IT experience and approximately 3,700 employees serving customers in 70 countries. The company is headquartered in Germany and listed on the Frankfurt Stock Exchange (TecDAX, ISIN DE 0003304002 / SOW).

Software AG posted total revenues of €483 million in 2006.

Karl-Heinz Streibich, Chief Executive Officer

Dear Ladies and Gentlemen,

The Q3, 2007 result is the best third quarter result in the history of Software AG. This success is based on a highly profitable core business in data management, dynamic growth in integration software and an overall, efficient organization. Software AG's profitable growth confirms that the acquisitions of the software companies SPL in Israel and webMethods in the U.S. were correct and the integration of the two companies is proceeding successfully in the third quarter. The financial markets have also lauded the transaction: In September 2007, Software AG received the award "Best Cross-Border Deal of 2007" for the webMethods acquisition in the U.S.

The integration of webMethods, which was acquired on May 25, 2007, is proceeding according to plan. Sales activities in the EMEA (Europe, Middle East, Africa) and APJ (Asia, Pacific, Japan) regions were merged in the third quarter. In addition, the Professional Services activities were combined in one unit and the integration of the R&D divisions was started. Further to the integration process, the organizational structure of Software AG was systematically aligned with the two business divisions Enterprise Transaction Systems (ETS) (data management) and webMethods (integration software).

Our new, customer-oriented organization gives us a strong market position and is the starting point for our success in 2008. The current consolidation trend in the software market shows how important a good market position is in such a dynamic industry. Our technology, our global customer base, financial strength and high efficiency will lead to further growth for Software AG, with the objective of becoming one of the three leading infrastructure software suppliers in the world.

Organizational structure modified

In the third quarter, we restructured our company's organization, basing it on the two business divisions ETS and webMethods. This enabled the global concentration of forces on two business divisions initiated at the beginning of the year. The Company's reporting was changed accordingly. A change in the composition of the Executive Board accompanied the reorganization. David Mitchell, CEO of webMethods, Inc. before the merger, was appointed to the Executive Board of Software AG in late July. Since then, his responsibilities include global sales for the webMethods division. Both business divisions are now represented by a member of the Executive Board responsible for sales and a member responsible for research and development.

What specific advantages can be expected from the adjustments? The new structure will primarily lead to an improved customer orientation. Sales are now organized as a continuous process chain within one business division, from the management level to the individual customer. The sales staff is made up of persons who are either data management experts or integration software experts. They are competent partners for our customers and receive optimum support from their respective business divisions.

“The Power of Two” is now paying off

The market confirms our strategy: In the third quarter, we recorded more than 250 new business transactions. Moreover, various market research firms, including AMR Research and Forrester Research, have given our products high marks. In September, we combined the former product group the “crossvision Suite” with the products from webMethods in the new product line “webMethods 7.1”. It combines first-rate products for SOA governance, business integration and business process management in an entirely modular product suite. We presented the new Version 7.1 at our customer conference “Integration World” in early November in Orlando, Florida, USA.

The first great joint sales success has already occurred in the third quarter just ended. By combining forces, Software AG obtained a large order in the financial services industry, which neither Software AG nor webMethods would have been able to obtain alone previously. This proves the acquisition’s potential for sales synergies.

Business figures are in line with our expectations

As a result of the positive business development we continued to improve all significant key figures in the third quarter. This was also the first time that webMethods has been fully consolidated for the full period. Software AG increased its Group revenues to €157.8 million in Q3 2007 (Q3 2006: €113.8 million). An important factor in this result was the significant expansion of business in the webMethods division which contributed 44 percent to total revenues in the third quarter. Licensing revenues across both business divisions grew disproportionately in Q3 2007, reaching €57.4 million (Q3 2006: €37.0 million). EBIT for Q3 2007 rose to €32.4 million (Q3 2006: €25.6 million). With these key figures, we are fully on track for meeting our forecast for the entire year.

Confirmation of the 2007 forecast and expansion of business in 2008

We reaffirm our forecast for 2007 with an increase in Group operating revenues (currency-adjusted) of 30 to 35 percent year-on-year, with licensing revenues climbing by 45 to 50 percent. According to our estimate, positive synergy effects will result in earnings per share of €3.10 to €3.25.

For 2008 as a whole, we anticipate continued robust growth in Group revenues, with operating revenues improving by 22-25 percent. According to our estimate, the EBIT margin will be around 23 percent, i.e. 1 percentage point above 2007 planning.

Software AG has again set high targets for itself and is building on the previous successes with customers and business partners.

Yours sincerely,

Karl-Heinz Streibich
Chief Executive Officer

Solid Upward Trend for Software AG's Shares

The third quarter of 2007 saw a phase of consolidation for Software AG stock (ISIN DE 0003304002 / SOW). After a definite rise in the second quarter, due primarily to the acquisition of webMethods, the TecDAX-listed stock could not fully sustain the high level it reached in the previous quarter. Software AG's share began the third quarter at €74.14 in Xetra trading and closed the quarter at €65.84. The benchmark indices TecDax and NASDAQ Composite held steady. Software AG stock gained 9.2 percent in the first nine months of the year while the TecDax rose 27.3 percent and the NASDAQ 11.5 percent.

After the positive trend at the end of the second quarter, Software AG stock continued to rise until mid-July. On July 19, it reached its high for the quarter and a new 5-year high at €77.20. Following the trend of a general softening of the market, the value of Software AG shares declined significantly until mid-August and reached a quarterly low of €65.61 on August 20. From mid-August, the mortgage crisis contributed to substantial uncertainty among market participants. Additional negative factors were the persistent weakness of the dollar and profit warnings from Software AG competitors.

Even after the end of the quarter, market uncertainty persisted and the share price showed increased volatility.

A factual statement made by the Company was erroneously interpreted as a profit warning by financial analysts and led to severe price fluctuations on October 16. The announcement of the quarterly results and the confirmation of the whole-year targets on October 26 led the price to stabilize, reaching €67.40 on October 26.

Coverage

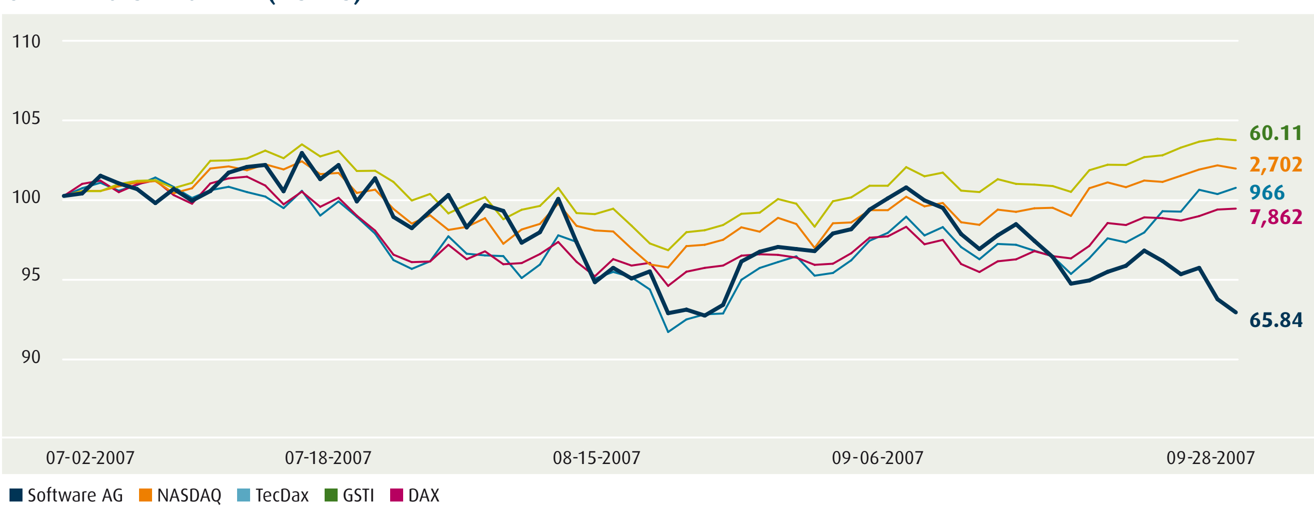
Software AG's acquisition of webMethods was very well received by the capital markets. A total of 24 analysts in Germany, the United Kingdom and France currently cover Software AG's stock. Sixteen of them have issued "buy" recommendations while one issued a "sell" recommendation. Seven analysts have decided to assume a waiting posture ("hold") until the effects of the integration are reflected in the business figures.

Investor Relations

Our investor relations activities during this quarter were focused on the U.S. due to the increased attention following the acquisition of webMethods, Inc.

We have held numerous roadshows in the U.S., Germany, UK and France in which we comprehensively explained our corporate strategy to investors and analysts. Our investor relations activities also included participation in a number of international capital market conferences: Merrill Lynch in San Francisco, Citigroup, UBS and Dresdner Kleinwort in New York, Deutsche Bank in London and Unicredit/HVB in Munich.

SHARE PRICE DEVELOPMENT (INDEXED)



Software AG Accelerates Growth with the Power of Two

Software AG's segment report is prepared in accordance with IAS 14 (Segment Reporting). Primary segment reporting is by business division and corresponds to the internal control and reporting lines of the Group. As of January 1, 2007, Software AG began breaking down its segment report into the business divisions of ETS and crossvision, whereas in fiscal 2006 primary segment reporting was still by geographical segments. In the report on the second quarter, the former crossvision business line was combined with the acquired software company, webMethods, and a new business division operating under the name webMethods was established.

1. Significant Events during the Reporting Period

Software AG continued the dynamic growth of the previous quarters also in the third quarter. In addition to reaching the quarterly targets, activities were focused on the further integration of webMethods, Inc., which was acquired on May 25, 2007.

¬ Organizational structures modified

The acquisitions of SPL in Israel and webMethods in the United States have made it possible to make changes in the Company to achieve higher customer orientation. In September 2007, the regional structure was replaced by a business division organization. Following that, the Professional Services division was established in addition to the two globally active business divisions, ETS and webMethods. This new structure will lead to an improved customer orientation. In this regard, the Executive Board was reorganized in late July. David Mitchell, the former CEO of webMethods, Inc., now has global responsibility for the sales of the webMethods business division. Former Executive Board member Alfred Pfaff left from the Board by mutual agreement.

¬ Integration of webMethods pays off quickly

The possibilities of IT systems based on service-oriented architecture (SOA) are changing the world of IT infrastructure. Integration, modernization and automation are our customers' issues. In September 2007, Software AG's webMethods 7.1 SOA Suite was the first release within the integrated product line to satisfy these needs even better. The product line combines the technologies for SOA governance, business integration and business process management. As a fully integrated solution, it offers customers significant added value through simple usability and fast implementation. We presented the new Version 7.1 at our customer conference "Integration World" in early November in Orlando, Florida.

The integration of webMethods continues to proceed very smoothly. Sales activities in the EMEA (Europe, Middle East, Africa) and APJ (Asia, Pacific, Japan) regions were merged in the third quarter. Professional Services was also combined into one unit. In addition, the consolidation of the R&D divisions was started as planned. Furthermore, the first major joint sales success has already occurred in the quarter just ended. "The Power of Two" made it possible for Software AG to conclude a large seven figure order for process automation with the Raiffeisen Group/Uniqa Group. Neither Software AG nor webMethods, Inc. would have been able to obtain the order alone.

¬ More than 250 new business transactions
In the third quarter, more than 250 new business transactions were closed, twelve of them with a business volume of more than one million euros. Software AG did not detect a softening of demand due to the U.S. mortgage crisis in the quarter just ended. Furthermore, various market research institutions including AMR Research, Forrester Research, Yphise and Current Analysis gave the company's products high marks.

Software AG celebrated 30 years of market presence in Israel where SPL has represented the Company since 1977. In March 2007, Software AG acquired 80 percent of the shares of SPL, from which we expect revenue of approximately €22 million for the entire year. The market entry in Japan has also been very successful where 150 customers use our products. We expect revenue for 2007 to total €17 million.

2. Financial Performance

Significant growth in Group revenues

Group revenues increased to €157.8 million (Q3 2006: €113.8 million) in the third quarter of 2007, up 39 percent from the previous year. This increase resulted primarily from organic growth and the acquisition of webMethods, Inc. Excluding the IFRS adjustment for the initial consolidation of webMethods, Group operating revenue came to €162.4 million. Currency-adjusted, the increase over the previous year was 48 percent.
Product revenues (licenses and maintenance) increased by 35 percent to €115.1 million (Q3 2006: €85.0 million). Adjusted for currency and first-time consolidation effects, the growth even amounted to 47 percent.

The licensing revenues, included in product revenues, performed especially well, climbing 55 percent (adjusted: 62 percent) to €57.4 million (adjusted: €57.8 million). In 2006 licensing revenues came to €37.0 million.

Software AG's Professional Services business division generated revenues of €42.3 million, 50 percent (adjusted: 53 percent) more than in 2006 (€28.2 million).

Revenues by business line

Significant increase for webMethods Revenues of the webMethods business division rose in the third quarter by 136 percent (adjusted: 161 percent) to €69.9 million. Revenues in the prior-year quarter amounted to €26.9 million. The major share of the growth resulted from the acquisition of webMethods, Inc., which was fully consolidated in this quarter for the first time. The webMethods business division contributed 44 percent to Group revenues.

ETS results again encouraging Revenue from the ETS business division amounted to €87.9 million in the third quarter, thus slightly exceeding the prior-year level (Q3 2006: €84.2 million). The development was characterized by growing licensing and service revenues while the maintenance revenues were even significantly weaker. Maintenance revenues are not expected to grow until 2008.

Overall, the ETS business division contributed 56 percent to total revenues.

REVENUES BY BUSINESS LINE
IFRS, UNAUDITED

€ millions	30. Sept. 07	30. Sept. 06	Change in %	Q3 2007	Q3 2006	Change in %
webMethods						
Licenses	64.3	27.3	135.5	26.0	9.9	162.6
Maintenance	37.2	19.2	93.8	19.3	6.4	201.6
Professional Services	64.3	40.2	60.0	24.4	13.0	87.7
Other	2.1	1.1	91.0	0.2	0.4	– 50.0
Total	**167.9**	**87.8**	**91.2**	**69.9**	**29.7**	**135.4**
ETS						
Licenses	97.3	84.4	15.3	31.4	27.1	15.9
Maintenance	116.3	122.9	– 5.4	38.5	41.6	– 7.5
Professional Services	52.2	52.9	– 1.5	17.9	15.3	17.0
Other	0.9	0.5	80.0	0.2	0.2	
Total	**266.7**	**260.7**	**2.3**	**88.0**	**84.2**	**4.5**

Revenues by type

Licensing business continues to boom Our customers' high demand continued unabated in the third quarter. This led to another significant increase in licensing revenues to €57.4 million, up from €37.0 million in the third quarter of 2006. The rate of increase was therefore 55 percent, adjusted 62 percent.

Licensing revenues in the webMethods business division came to €26.0 million, up 163 percent (adjusted: 176 percent) from 2006. Licensing revenues in the ETS business division grew by 16 percent (adjusted: 21 percent) to €31.4 million.

Continued growth in maintenance business The acquisition of SPL and webMethods caused the maintenance business to grow by 20 percent (adjusted: 34 percent) to €57.7 million in the third quarter.

In the webMethods business division, maintenance revenues were increased significantly by 202 percent (adjusted: 286 percent) to €19.3 million (Q3 2006: €6.4 million). Maintenance revenues in the ETS business division declined by 8 percent (adjusted 4 percent) to €38.5 million (Q3 2006: €41.6 million), therefore keeping the division from repeating its 2006 figure.

Professional Services business benefits from webMethods business division Our Professional Services business division increased its revenues by 50 percent (adjusted: 53 percent) to €42.3 million (Q3 2006: €28.2 million), therefore contributing to the company's success in addition to ETS and webMethods.

In the webMethods business division, we increased Professional Services revenues by 88 percent (adjusted: 90 percent) to €24.4 million in the third quarter of 2007, up from €13.0 million a year earlier. Professional Services revenues in the ETS business division grew by 17 percent (adjusted: 19 percent) to €17.9 million (Q3 2006: €15.3 million). According to plan, our Professional Services business is again reporting increasing revenues in the second half of 2007 after the restructuring completed in 2006.

EBIT continues to rise

EBITA increased by 38 percent to €35.3 million (Q3 2006: €25.6 million) in the third quarter of 2007, while EBIT grew by 27 percent to €32.4 million. The increase results from the implementation of planned cost synergies and optimized business processes. For 2007 as a whole, cost savings of USD 15 million are projected in relation to the acquisition of webMethods. The EBIT margin thus amounted to 20.5 percent compared to 22.5 percent in the third quarter of 2006.

At €18.4 million, research and development expenses in the third quarter were 67 percent higher than the 2006 figure of €11.0 million. This is related to the merger of the R&D divisions which was not initiated until the quarter under review. Expenses for marketing and sales also saw an acquisition-related increase of 38 percent to €42.5 million (Q3 2006: €30.9 million).

Segment earnings contributions

Our webMethods business division made an earnings contribution of €13.4 million in the third quarter of 2007 (Q3 2006: loss of €2.0 million). Therefore the first quarter of the full consolidation of webMethods shows a significantly positive upsurge in the business division's earnings contribution of more than €15 million. The rise in revenue caused the cost of sales to increase by 71 percent to €27.7 million (Q3 2006: €16.2 million). The acquisition also caused selling costs to increase by 87 percent to €28.8 million from €15.4 million in Q3 2006.

Our ETS business division again made a high contribution to segment earnings, improving once again to €54.3 million in the third quarter of 2007, up 8 percent from €50.3 million a year earlier. The cost of sales increased by 8 percent to €20.0 million (Q3 2006: €18.4 million) following an increase in revenues; nevertheless selling costs fell to €13.7 million in Q3 2007, down 13 percent from €15.5 million in Q3 2006.

Corresponding increase in net income and earnings

Earnings after taxes increased in the reporting period to €19.2 million, up from €17.1 million a year earlier. Earnings per share climbed to €0.67, up 10 percent from €0.61 a year earlier. At an average of 28.5 million shares, the number of shares in circulation grew by 384,270 in the third quarter of 2007 as compared to the same quarter of 2006.

Nine month figures for 2007 support forecast for the entire year

In the first nine months of 2007, Group revenues totaled €434.7 million, up 25 percent over the 2006 figure of €348.6 million. Total operating revenue (excluding first-time consolidation) increased by 27 percent to €441.9 million in the nine month period.

KEY EARNINGS INDICATORS

€ millions	Jan. 1 – Sept. 30, 2007	Jan. 1 – Sept. 30, 2006	Change in %
EBIT	94	76.8	22
EBITA	98.3	76.8	28
Net interest result	2.5	6.4	– 61
Earnings before taxes	96.5	83.2	16
Net income	61.5	50.9	21
Earnings per share (in euros)	2.16	1.81	19

KEY EARNINGS INDICATORS

€ millions	Q3 2007	Q3 2006	Change in %
EBIT	32.4	25.6	27
EBITA	35.3	25.6	38
Net interest result	– 1.9	2.2	
Earnings before taxes	30.4	27.8	9
Net income	19.2	17.1	12
Earnings per share (in euros)	0.67	0.61	10

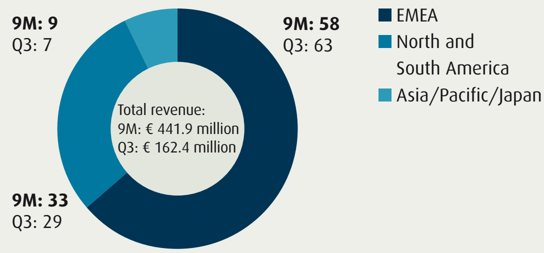
Earnings before interest and taxes (EBIT) rose to €94.0 million in the first nine months of 2007, up 22 percent from €76.8 million in the first nine months of 2006. As in the prior-year period, the EBIT margin was approximately 22 percent. Operating cash flow reached €46.6 million, 23 percent more than on September 30, 2006.

Revenues by region

Software AG increased its revenues in all regions. The EMEA region continued to have the largest share in Group revenues. It increased its operating revenues in the first nine months of 2007 to €256.6 million, up 14 percent from 224.8 million for the first nine months of 2006. The Americas region saw an acquisition-related increase of 43 percent to €148.3 million, up from €103.6 million. The APJ (Asia, Pacific, Japan) region grew by 56 percent to €40.1 million (prior-year period: €25.7 million).

Based on the requirements of IAS 14.69a, the segment report in the notes to the consolidated financial statements includes a breakdown by geographical segment (EMEA, APJ, and the Americas regions) in addition to the primary segment reporting by business segment (ETS and webMethods). This breakdown by region does not reflect the areas of responsibility of our internal management and is entirely based on the IFRS requirements. For these reasons, we do not perform an analysis and commentary on revenues by region. As soon as the new IFRS 8 is approved by the European Union, we will no longer publish a breakdown of revenue by geographical segment.

SHARE OF KEY MARKETS IN GROUP REVENUES IN PERCENT



3. Financial Position

Operating cash flow in the black

In the third quarter, operating cash flow was €12.3 million (Q3 2006: €12.6 million). Free cash flow came to €10.4 million (Q3 2006: €11.2 million), representing a share of 7 percent of Group revenues.

Increase in total assets and capital expenditure

Total assets grew to €1,025.7 million as of September 30, 2007 (December 31, 2006: €643.9 million), reflecting additional borrowings to finance the acquisition. The equity-to-assets ratio decreased accordingly from 66 percent at year-end 2006 to 43 percent as of September 30, 2007. Shareholders' equity rose 5 percent to €442.9 million (December 31, 2006: €422.2 million). Capital expenditure amounted to €1.9 million in the quarter under review (Q3 2006: €1.4 million).

4. Risks and Opportunities

We are subject to acquisition and integration risks based on those acquisitions already implemented and possible additional acquisitions. We are currently preparing for a market entry into Brazil where we are involved in a legal dispute with our contracting party in that country.

Other than that, in the third quarter of 2007, there were no changes to the risk situation of the Software AG Group as portrayed in the Risk Report of the 2006 Annual Report.

The related opportunities are detailed in the Outlook section of this report and in the Outlook section of the 2006 Annual Report.

5. Events After the Balance Sheet Date

There were no significant events after the end of the period under review.

6. Outlook

Confirmation of the 2007 forecast and the expansion of business in 2008 Software AG has increased its forecast to reflect the acquisition of webMethods, Inc. in May 2007. Adjusted Group revenues are now expected to increase by approximately 30 to 35 percent (currency-adjusted) in comparison with 2006. Previously, the Company had projected an increase of approximately 14 percent. Software AG expects licensing revenues for 2007 to increase by 45 to 50 percent. Based on the initial positive effects of the acquisition, earnings per share should increase to €3.10 to €3.25.

For 2008, Software AG plans for Group operating revenues to increase (currency-adjusted) 22 to 25 percent. In the coming year, the EBIT margin should be approximately 23 percent.

Medium-term planning

Software AG is aiming to increase revenues to €1 billion by 2011. The acquisition of webMethods, Inc. has brought the Company considerably closer to meeting this goal. In addition, we intend to continue to improve the EBIT margin in the medium term. The following factors are expected to contribute to improved operating earnings: higher revenue per sales employee, faster growth in the high-margin licensing business, increased maintenance revenues, and economies of scale.

CONSOLIDATED INCOME STATEMENT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
IFRS, UNAUDITED

€ thousands	Sept. 30. 2007	Sept. 30. 2006	Change in %	Q3 2007	Q3 2006	Change in %
Licenses	161,583	111,672	45	57,352	37,013	55
Maintenance	153,554	142,084	8	57,713	47,994	20
Professional services	116,565	93,136	25	42,272	28,199	50
Other	3,013	1,696	78	460	556	– 17
Total revenue	**434,715**	**348,588**	**25**	**157,797**	**113,762**	**39**
Total costs of sales	– 130,670	– 106,696	22	– 47,640	– 34,574	38
Gross profit	**304,045**	**241,892**	**26**	**110,157**	**79,188**	**39**
Research and development	– 45,320	– 33,395	36	– 18,390	– 11,028	67
Sales, marketing and distribution	– 112,386	– 93,929	20	– 42,513	– 30,921	37
Administrative costs	– 40,522	– 37,949	7	– 13,985	– 13,467	4
Operating result	**105,817**	**76,619**	**38**	**35,269**	**23,772**	**48**
Other income	17,324	17,077	1	8,046	10,627	– 24
Other expenses	– 24,886	– 16,882	47	– 7,981	– 8,765	– 9
Earnings before interest and taxes and amortization (EBITA)	**98,255**	**76,814**	**28**	**35,334**	**25,634**	**38**
Amortization	– 4,217	0		– 2,981	0	
Earnings before interest and taxes (EBIT)	**94,038**	**76,814**	**22**	**32,353**	**25,634**	**26**
Interest result	2,484	6,404	– 61	– 1,941	2,161	
Earnings before taxes	**96,522**	**83,218**	**16**	**30,412**	**27,795**	**9**
Income taxes	– 33,158	– 30,990	7	– 10,555	– 10,350	2
Other taxes	– 1,866	– 1,340	39	– 689	– 354	95
Consolidated income	**61,498**	**50,888**	**21**	**19,168**	**17,091**	**12**
						–
Thereof for shareholders of Software AG	**61,333**	**50,888**	**21**	**19,105**	**17,091**	**12**
Thereof for minority interest	**165**	**0**		**63**	**0**	
Earnings per share (EUR, basic)	2.16	1.81	19	0.67	0.61	10
Earnings per share (EUR, diluted)	2.16	1.81	19	0.67	0.61	10
Weighted average shares outstanding (basic)	28,411,120	28,075,445	–	28,496,985	28,112,715	–
Weighted average shares outstanding (diluted)	28,452,561	28,116,241	–	28,538,426	28,119,716	–

CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2007
IFRS, UNAUDITED

Assets

€ thousands	Sept. 30, 2007	Dec. 31, 2006	Sept. 30, 2006
Current assets			
Cash on hand and bank balances	69,370	163,199	148,402
Securities	1,614	21,575	17,157
Inventories	73	339	356
Trade receivables	228,597	172,440	156,277
Other receivables and other assets	10,642	10,877	5,352
Deferred expense	6,070	4,654	4,626
	316,366	**373,084**	**332,170**
Non-current assets			
Intangible assets	147,471	4,694	5,066
Goodwill	445,070	187,947	187,962
Property, plant and equipment	53,000	44,403	44,657
Financial assets	3,008	1,699	2,304
Trade receivables	12,966	10,039	8,259
Deferred taxes	47,775	22,011	30,951
	709,290	**270,793**	**279,199**
	1,025,656	**643,877**	**611,369**

Equity and Liabilities

€ thousands	Sept. 30, 2007	Dec. 31, 2006	Sept. 30, 2006
Current liabilities			
Current financial liabilities	3,536	1,851	2,882
Trade payables	36,587	22,931	19,123
Other current liabilities	43,237	28,937	29,367
Current provisions	37,037	37,186	27,725
Tax provisions	23,006	14,726	12,735
Deferred income	97,623	62,231	63,317
	241,026	**167,862**	**155,149**
Non-current liabilities			
Non-current financial liabilities	224,402	26	188
Trade payables	94	33	0
Other non-current liabilities	12,531	2,765	2,768
Provision for pension	23,719	24,609	24,970
Non-current provisions	9,040	6,075	4,050
Deferred taxes	71,531	18,174	17,202
Deferred income	412	2,102	2,488
	341,729	**53,784**	**51,666**
Equity			
Share capital	85,540	84,338	84,338
Capital reserve	31,668	23,576	23,296
Retained earnings	294,907	247,447	247,339
Consolidated income	61,333	72,920	50,888
Currency translation differences	– 57,984	– 41,133	– 33,311
Other reserves	26,635	34,446	31,623
Minority interest	802	637	381
	442,901	**422,231**	**404,554**
	1,025,656	**643,877**	**611,369**

STATEMENT OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
IFRS, UNAUDITED

€ thousands	Sept. 30, 2007	Sept. 30, 2006	Q3 2007	Q3 2006
Income after taxes	61,498	50,888	19,168	17,091
Income taxes	33,158	30,990	10,554	10,350
Interest result	– 2,484	– 6,404	1,940	– 2,161
Depreciation	11,195	5,687	5,915	1,891
Non-cash income/expense	2,384	– 9,208	1,030	– 9,675
Cash generated from operations	**105,751**	**71,953**	**38,607**	**17,496**
Changes in inventories, receivables and other current assets	– 24,142	– 15,196	– 506	2,368
Changes in payables and other liabilities	– 9,069	2,567	– 12,645	– 2,495
Income taxes paid	– 28,567	– 27,710	– 10,417	– 6,944
Interest paid	– 5,431	– 1,438	– 4,603	– 99
Interest received	8,107	7,835	1,875	2,320
Net cash used in / provided by operating activities	**46,649**	**38,011**	**12,311**	**12,646**
Cash received from the sale of tangible/intangible assets	1,061	730	536	22
Investments in tangible/intangible assets	– 4,729	– 4,249	– 2,460	– 1,260
Cash received from the sale of financial assets	2,697	193	125	104
Investments in financial assets	– 1,233	– 264	– 126	– 227
Investments in consolidated companies	– 360,626	– 173	– 1,845	– 173
Net cash used in / provided by investing activities	**– 362,830**	**– 3,763**	**– 3,770**	**– 1,534**
Cash proceeds from issuing shares	6,771	2,157	631	0
Dividend payments	– 25,302	– 22,429	0	0
Increase in loans from acquisitions and other finance liabilities	325,829	0	0	0
Repayment of loans from acquisitions and other finance liabilities	– 102,643	– 1,448	– 50,656	– 466
Net cash used in / provided by financing activities	**204,655**	**– 21,720**	**– 50,025**	**– 466**
Change in cash funds from cash relevant transactions	– 111,526	12,528	– 41,484	10,646
Adjustment from currency translation	– 2,264	– 8,547	– 2,038	– 1,008
Net change in cash and cash equivalents	**– 113,790**	**3,981**	**– 43,522**	**9,638**
Cash and cash equivalents at the beginning of the period	184,774	161,578	114,506	155,921
Cash and cash equivalents at the end of the period	**70,984**	**165,559**	**70,984**	**165,559**

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE POSTED DIRECTLY TO EQUITY* FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
IFRS, UNAUDITED

€ thousands	Sept. 30, 2007	Sept. 30, 2006	Q3 2007	Q3 2006
Currency translation differences	– 16,851	– 18,108	– 10,289	336
Net gain/loss from fair value measurement of financial instruments not recognized in income	– 242	165	– 205	146
Net gain/loss from fair value measurement of net investments in foreign operations not recognized in income	– 7,569	– 2,048	– 8,420	– 10,311
Total income and expense directly recognized in equity	**– 24,662**	**– 19,991**	**– 18,914**	**– 9,829**
Net income for the period (from P&L)	61,498	50,888	19,168	17,091
Total recognized income and expense	**36,836**	**30,897**	**254**	**7,262**

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

SEGMENT REPORT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
IFRS, UNAUDITED

€ thousands	ETS Sept. 30, 2007	ETS Sept. 30, 2006	webMethods Sept. 30, 2007	webMethods Sept. 30, 2006	TOTAL Sept. 30, 2007	TOTAL Sept. 30, 2006
Licenses	97,292	84,382	64,291	27,290	161,583	111,672
Maintenance	116,316	122,896	37,238	19,188	153,554	142,084
Product revenue	**213,608**	**207,278**	**101,529**	**46,478**	**315,137**	**253,756**
Services	52,245	52,914	64,320	40,222	116,565	93,136
Other	940	549	2,073	1,147	3,013	1,696
Total revenue	**266,793**	**260,741**	**167,922**	**87,847**	**434,715**	**348,588**
Cost of sales	– 59,102	– 59,547	– 71,568	– 47,149	– 130,670	– 106,696
Gross profit	**207,691**	**201,194**	**96,354**	**40,698**	**304,045**	**241,892**
Sales, Marketing & Distribution	– 42,785	– 44,040	– 69,601	– 49,889	– 112,386	– 93,929
Business line contribution	**164,906**	**157,154**	**26,753**	**– 9,191**	**191,659**	**147,963**
Research & Development					– 45,320	– 33,395
Administrative costs					– 40,522	– 37,949
Other income / expenses					– 7,562	195
EBITA					**98,255**	**76,814**
Amortization					– 4,217	0
EBIT					**94,038**	**76,814**
Interest result					2,484	6,404
Profit before tax					**96,522**	**83,218**
Taxes					– 35,024	– 32,330
Net income					**61,498**	**50,888**

SEGMENT REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2007
IFRS, UNAUDITED

€ thousands	ETS Q3 2007	ETS Q3 2006	webMethods Q3 2007	webMethods Q3 2006	TOTAL Q3 2007	TOTAL Q3 2006
Licenses	31,372	27,120	25,980	9,893	57,352	37,013
Maintenance	38,453	41,630	19,260	6,364	57,713	47,994
Product revenue	**69,825**	**68,750**	**45,240**	**16,257**	**115,065**	**85,007**
Services	17,866	15,251	24,406	12,948	42,272	28,199
Other	228	183	232	373	460	556
Total revenue	**87,919**	**84,184**	**69,878**	**29,578**	**157,797**	**113,762**
Cost of sales	– 19,955	– 18,411	– 27,685	– 16,163	– 47,640	– 34,574
Gross profit	**67,964**	**65,773**	**42,193**	**13,415**	**110,157**	**79,188**
Sales, Marketing & Distribution	– 13,698	– 15,514	– 28,815	– 15,407	– 42,513	– 30,921
Business line contribution	**54,266**	**50,259**	**13,378**	**– 1,992**	**67,644**	**48,267**
Research & Development					– 18,390	– 11,028
Administrative costs					– 13,985	– 13,467
Other income / expenses					65	1,862
EBITA					**35,334**	**25,634**
Amortization					– 2,981	0
EBIT					**32,353**	**25,634**
Interest result					– 1,941	2,161
Profit before tax					**30,412**	**27,795**
Taxes					– 11,244	– 10,704
Net income					**19,168**	**17,091**

Notes to the Quarterly Financial Statements

Accounting Policies

Basis of presentation Software AG's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB) and as applicable in the EU. The IAS/IFRSs applicable as of December 31, 2006 were observed, as were the corresponding interpretations of the International Financial Reporting Interpretations Committee (IFRIC – formerly SIC). The same accounting policies were used as in the financial statements for 2006 with the exception of the new standard IFRS 8. Accounting policies are not, therefore, explained in detail in these quarterly financial statements. Since the new IFRS 8 standard has not yet been approved by the European Union, this interim report contains an additional segment report according to the previous standard, IAS 14. The quarterly financial statements are prepared in accordance with IAS 34, Interim Financial Reporting, as well as the regulations of the German Securities Trading Act (WpHG) and the rules of the Frankfurt Stock Exchange.

These interim financial statements have not been audited in accordance with section 317 of the German Commercial Code (HGB) or reviewed by an auditor.

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

Changes in the consolidated group

The companies in the consolidated group changed as follows in comparison with December 31, 2006.

SPL Software, Ltd., Israel Effective April 1, 2007, Software AG acquired 80.08 percent of the shares in SPL Software, Ltd., Israel, along with its five subsidiaries. The fixed cost for obtaining 80.08 percent of the shares, including costs directly attributable to the acquisition, amounted to €43,174 thousand. With regard to the remaining 19.92 percent of the shares, Software AG holds a call option and the seller holds a put option that may be exercised within two years of purchase of the company. The purchase price for the remaining shares will be calculated on the basis of the operating result for fiscal 2007. The price was set at €7,888 thousand in connection with initial inclusion of SPL in the consolidated financial statements of Software AG. Based on the requirements of IFRS 3 regarding the treatment of combined put and call options, 100 percent of the shares in the SPL companies was initially included in the consolidated financial statements of Software AG as of the date of acquisition. At the time of their acquisition, these companies contributed equity of €2,958 thousand to the consolidated accounts. In fiscal 2006, the SPL companies generated revenues amounting to €31,298 thousand.

webMethods, Inc., USA On May 25, 2007, a majority shareholding was assumed in webMethods, Inc., Fairfax, Virginia, USA. A 100-percent shareholding was subsequently acquired as of June 1, 2007. Given that Software AG effectively acquired control of webMethods as of May 25, 2007 (date of acquisition), webMethods and its 23 subsidiaries were included in the consolidated accounts of Software AG as of that date.

The cost for acquiring 100 percent of the shares, including costs directly attributable to the acquisition, amounted to €416,640 thousand (USD 559,548 thousand). As of the date of acquisition, the webMethods Group contributed equity of €150,244 thousand to the consolidated accounts. In the fiscal year extending from April 1, 2006 to March 31, 2007, the webMethods Group generated revenues in the amount of €156,719 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 outstanding during the reporting period and have been presented accordingly. Software AG has only issued common shares. In the third quarter of 2007, the weighted average number of shares was 28,496,985; in the first three quarters of 2007, the weighted average number of shares was 28,411,120.

In the first three quarters of 2007, a total of 400,783 stock options were exercised, of which 33,027 options were exercised under the first and second stock option plan.

The number of shares increased correspondingly by 400,783. Another 41,441 stock options may be exercised from the second stock option plan in fiscal 2007. The diluted earnings per share figure was thus calculated for these potential shares using the treasury stock method and presented accordingly for the reporting period. Diluted earnings per share were computed by dividing net income for the period attributable to Software AG's shareholders by the number of shares issued and the exercisable stock options.

Notes to the Consolidated Balance Sheet

Goodwill

Goodwill as of September 30, 2007, in the amount of €445,070 thousand showed an increase of €257,123 thousand over December 31, 2006. This increase resulted from the acquisition of SPL Software Ltd., Israel, (€38,246 thousand) and the company webMethods Inc., USA, (€220.682 thousand), as well as subsequent changes in the acquisition costs and exchange rate fluctuations in the amount of €-1,805 thousand related to the companies acquired in 2005, Sabratec Ltd. Israel, APS-Gruppe, Venezuela and Casabac Technologies GmbH, Bammental near Heidelberg.

Shareholders' equity

The change in shareholder's equity is shown in the following Statement of Changes in Equity as of September 30, 2007.

STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2007
IFRS, UNAUDITED

€ thousands	Shares		Capital reserve	Retained earnings	Consolidated income	Currency translation differences	Other reserves	Minority interest	Total
	Number	Share capital							
Equity as of January 1, 2007	**28,112,715**	**84,338**	**23,576**	**320,367**	**0**	**– 41,133**	**34,446**	**637**	**422,231**
Cash proceeds from issuing shares	400,783	1,202	5,569						6,771
Stock options			2,523						2,523
Consolidated income of the period					61,333			165	61,498
Dividend payment				– 25,302					– 25,302
Currency translation differences						– 16,851			– 16,851
Net result from fair value valuation of securities not recognized in income statement							– 242		– 242
Net result from fair value valuation of net investments in foreign operations not recognized in income statement							– 7,569		– 7,569
Net result from actuarial gain/loss not recognized in income statement				– 158					– 158
Equity as of September 30, 2007	**28,513,498**	**85,540**	**31,668**	**294,907**	**61,333**	**– 57,984**	**26,635**	**802**	**442,901**
Equity as of January 1, 2006	**28,036,009**	**84,108**	**20,428**	**269,768**	**0**	**– 15,203**	**33,506**	**381**	**392,988**
Cash proceeds from issuing shares	76,706	230	1,927						2,157
Stock options			941						941
Consolidated income of the period					50,888				50,888
Dividend payment				– 22,429					– 22,429
Currency translation differences						– 18,108			– 18,108
Net result from fair value valuation of securities not recognized in income statement							165		165
Net result from fair value valuation of net investments in foreign operations not recognized in income statement							– 2,048		– 2,048
Equity as of September 30, 2006	**28,112,715**	**84,338**	**23,296**	**247,339**	**50,888**	**– 33,311**	**31,623**	**381**	**404,554**

The composition of the individual accounts of shareholders' equity did not change compared to December 31, 2006. The exercise of stock options under the first and second stock option plans increased the number of bearer shares in issue by 400,783 to 28,513,498 shares in the first three quarters. This increased the Company's share capital by €1,202 thousand and the capital reserve by €5,569 thousand. Due to recognition of the issued stock options as personnel expenses pursuant to IFRS 2, the capital reserve increased in the first three quarters of 2007 by €2,523 thousand.

Dividend payment

The Annual Shareholders' Meeting resolved on May 11, 2007 to appropriate €25,302 thousand for a dividend payout from the 2006 unappropriated profit (€77,080 thousand) of the parent company of Software AG and to carry forward €51,779 thousand. This corresponded to a dividend of €0.90 per share.

Other Disclosures

Seasonal influences

Revenues and earnings before taxes were distributed over fiscal 2006 as follows:

€ thousands	Q1 2006	Q2 2006	Q3 2006	Q4 2006	2006
Revenue including webMethods	163,226	157,624	153,622	174,529	650,019
in % of annual revenue	25.1	24.3	23.6	27.0	100.0
Earnings before taxes not including webMethods	23,602	31,822	27,794	35,338	118,556
in % of net income for the year	19.9	26.8	23.5	29.8	100.0

Due to the purchase of SPL Software, Ltd., Israel, effective April 1, 2007, and the acquisition of webMethods, Inc., USA, in the second quarter of 2007, the revenues of the Software AG Group and the revenues of webMethods for the four quarters of fiscal 2006 were combined. In 2007, based on the purchasing behavior of our customers, the distribution of revenue over the quarters is expected to approximate that of the previous year. However, the distribution of earnings before taxes over the quarters cannot yet be projected, since the extent of the cost synergies anticipated from the acquisition of webMethods cannot at this point be reliably predicted. For this reason, the table above only presents the earnings before taxes of the previous Software AG Group not including webMethods.

Stock option plans

Software AG, after the introduction of a new stock price based incentive program in the third quarter of 2007, now has a total of three different stock price based remuneration plans for members of the Executive Board, officers and employees. Due to the transition regulations set out in IFRS 2, they resulted in personnel expenses of €2,523 thousand in the first three quarters of 2007, of which €1,041 thousand were incurred in the third quarter. Additional personnel expenses of roughly €1,331 thousand are anticipated for the remainder of fiscal 2007.

All three criteria for exercising options under the first stock option program for members of the Executive Board, officers and other employees were met in the first three quarters. The 6,750 options outstanding under this plan were exercised during the first quarter. No other options are available for exercise from this plan.

The two conditions for exercising stock options under the second stock option plan were met in fiscal 2006: revenue increased by more than 10 percent over the previous year, and the return on sales was 23 percent. As a result, 394,033 stock options under this plan were exercised in the first three quarters, of which 33,027 were exercised in the third quarter.

A total of 400,873 options were exercised in the first three quarters; 33,027 were exercised in the third quarter. A further 37,918 stock options were withdrawn in the first three quarters; 16,500 were withdrawn in the third quarter alone.

A new stock price based incentive plan for members of the Executive Board and officers was launched during the third quarter. To date 1,754,000 participation rights were issued to Executive Board members and officers. Holders of the options are entitled to payment of the difference of the price of the Software AG share over the strike price of €72.36 upon achievement of certain performance targets by June 30, 2016, although the Company is entitled to elect to issue shares instead at its discretion. The defined performance target is reaching the €1,000,000 thousand mark for Group revenues by no later than 2011, while at the same time doubling after-tax earnings compared to fiscal 2006. These options were valued at the grant date based on an option price model and the relevant expenses distributed over the assumed term of 4.7 years taking into consideration turnover of beneficiaries calculated on a historical basis. This option plan resulted in personnel expenses amounting to €959 thousand in the third quarter.

As a result, as of September 30, 2007, a total of 1,975,366 stock options and participation rights have been issued to members of the Executive Board and officers. As of December 31, 2006, a total of 660,067 stock options had been issued to members of the Executive Board and officers.

Please refer to the 2006 Annual Report for further disclosures on the option plans.

Contingent liabilities

€ thousands	
Guarantees	11,770
Other	1,102
Total	**12,872**

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 year 2007 amount to €2,751 thousand. Obligations of €38,608 thousand exist for the period up until the end of fiscal year 2012, and obligations of €8,844 thousand for the period after fiscal year 2012. The lease agreements are operating leases as defined in IAS 17.

Segment report

The segment report for the first three quarters of 2007 will be prepared and published for the first time broken down by product line (primary segment reporting) due to the realignment of Executive Board areas of responsibility to reflect the product lines of ETS and webMethods and the corresponding change in internal segment reporting.

The segment report preceding this interim report has been prepared in accordance with the new regulations of IFRS 8. Since, however, this standard has not yet been endorsed by the European Union, we have also included a breakdown by region, as required by IAS 14, which is still in effect for the EU, to supplement the segment report in accordance with IFRS 8. To comply with the requirements of IAS 14, the Company has broken down revenue to reflect the geographical regions of Europe, the Middle East, and Africa (EMEA), Asia, Pacific and Japan (APJ), and North and South America (the Americas).

SEGMENT REPORT FOR THE PERIOD JANUARY 1 TO SEPTEMBER 30, 2007
IFRS, UNAUDITED

€ thousands	The Americas	EMEA	APJ	Total regions	Elimination	Group total
Licenses	57,740	81,208	22,970	161,918	–335	161,583
Maintenance	66,775	80,458	13,511	160,744	– 7,190	153,554
Product revenue	**124,515**	**161,666**	**36,481**	**322,662**	**– 7,525**	**315,137**
Professional Services	22,835	93,266	3,596	119,697	– 3,132	116,565
Other	927	1,646	0	2,573	440	3,013
Total revenue	**148,277**	**256,578**	**40,077**	**444,932**	**– 10,217**	**434,715**

SEGMENT REPORT FOR THE PERIOD JANUARY 1 TO SEPTEMBER 30, 2006
IFRS, UNAUDITED

€ thousands	The Americas	EMEA	APJ	Total regions	Elimination	Group total
Licenses	30,788	71,325	12,500	114,613	– 2,941	111,672
Maintenance	58,282	73,271	12,253	143,806	– 1,722	142,084
Product revenue	**89,070**	**144,596**	**24,753**	**258,419**	**– 4,663**	**253,756**
Professional Services	14,207	79,322	928	94,457	– 1,321	93,136
Other	343	916	0	1,259	437	1,696
Total revenue	**103,620**	**224,834**	**25,681**	**354,135**	**– 5,547**	**348,588**

SEGMENT REPORT, Q3 2007
IFRS, UNAUDITED

€ thousands	The Americas	EMEA	APJ	Total regions	Elimination	Group total
Licenses	22,940	27,743	6,837	57,520	– 168	57,352
Maintenance	26,816	29,818	5,238	61,872	– 4,159	57,713
Product revenue	**49,756**	**57,561**	**12,075**	**119,392**	**– 4,327**	**115,065**
Professional Services	10,363	31,080	1,931	43,374	– 1,102	42,272
Other	153	212	0	365	95	460
Total revenue	**60,272**	**88,853**	**14,006**	**163,131**	**– 5,334**	**157,797**

SEGMENT REPORT, Q3 2006
IFRS, UNAUDITED

€ thousands	The Americas	EMEA	APJ	Total regions	Elimination	Group total
Licenses	15,208	19,656	3,264	38,128	– 1,115	37,013
Maintenance	18,958	24,373	3,848	47,179	815	47,994
Product revenue	**34,166**	**44,029**	**7,112**	**85,307**	**– 300**	**85,007**
Professional Services	4,025	24,259	402	28,686	– 487	28,199
Other	69	308	0	377	179	556
Total revenue	**38,260**	**68,596**	**7,514**	**114,370**	**– 608**	**113,762**

Notes on Significant Business Events

Acquisition of SPL Software, Ltd., Israel and webMethods, Inc., USA Software AG carried out two acquisitions in the second quarter of 2007. As a result, due to IFRS requirements for measuring the cost of business combinations, deferred income has been stated at the lower fair value in the opening balance sheet, instead of at the carrying amount. Initial inclusion of these acquisitions in the consolidated accounts of Software AG has, therefore, reduced the Company's revenues, since the deferred income primarily relates to future maintenance revenues as well as future licensing and service revenues. On the whole revenues in the second and third quarter were reduced by €7,200 thousand (€4,391 thousand in the third quarter), of which €6,823 thousand (third quarter: €4,220 thousand) relates to maintenance, €347 thousand for non-perpetual licenses (€171 thousand in the third quarter) and €30 thousand for professional services revenues. The €7,170 thousand lower maintenance and license revenues according to IFRS have been presented separately by Software AG in the overview of key figures for both revenue and EBIT as well as EBITA.

In fiscal 2007, revenues according to IFRS will be lower than operating revenues by €10,522 thousand, of which €9,863 thousand applies to maintenance, €629 thousand to licenses and €30 thousand to professional services. Additional revenue reductions of €2,943 thousand will occur in fiscal 2008, with maintenance revenue declining by €2,193 thousand and licensing revenue by €750 thousand.

a) Acquisition of SPL Software Ltd., Israel Effective April 1, 2007, Software AG acquired 80.08 percent of the shares in SPL Software, the Company's former Israeli sales partner. This acquisition has established Software AG directly in the Israeli market. Prior to the takeover, SPL Software was a wholly-owned subsidiary of the Silverboim Group and was Software AG's sales partner in Israel for 30 years. With its high-performance IT business solutions, SPL Software is well positioned in banking and insurance, public utilities, and the public sector. Silverboim will retain a 19.92 percent share in SPL Software to secure its extensive contacts in the financial sector.

Cost of the business combination: The fixed cost for the 80.08 percent of the shares acquired amounted to €43,174 thousand. The first installment was paid on April 1, 2007. With regard to the remaining 19.92 percent of the shares, Software AG holds a call option and the seller holds a put option, both of which may be exercised within two years of purchase of the company. The purchase price for the remaining shares will be calculated on the basis of the operating result for fiscal 2007. The price was set at €7,888 thousand in connection with initial inclusion of SPL in the consolidated financial statements of Software AG.

The cost of the business combination has been allocated provisionally in accordance with IFRS 3.62 as follows:

€ thousands	Fair value	Carrying amount prior to acquisition
Cash and cash equivalents	4,833	4,833
Trade receivables and other current assets	6,957	6,957
Intangible assets – customer base	19,270	0
Goodwill	39,411	7,248
Property, plant and equipment	2,185	2,185
Non-current financial assets	108	108
Deferred tax assets	219	219
Liabilities to banks	– 3,416	– 3,416
Trade payables and other current liabilities	– 9,246	– 9,246
Deferred tax liabilities	– 6,341	– 141
Deferred income	– 2,918	– 5,789
Carrying amount of the assets acquired		2,958
Cost of the business combination	51,062	

Initial accounting pursuant to IFRS 3.62: As a result of the close proximity in time between the date of acquisition (April 1, 2007) and the balance sheet date of the quarterly financial statements (September 30, 2007), Software AG Israel was initially accounted for using provisional fair values.

Goodwill: It was necessary to recognize goodwill in the amount of €39,411 thousand due to the good market position of SPL Software and the possibility of leveraging this position to establish direct client relationships and penetrate new market segments.

Customer base and company name: SPL Software has been Software AG's exclusive sales partner in Israel for 30 years. Based on modern software infrastructure technology from Software AG such as the "Adabas 2006" database software, the "Natural 2006" programming language, and the "SOA Crossvision Suite", SPL has developed modern business applications for its customers. SPL's customers include leading companies in Israel, among them banks, insurance carriers, telecommunications service providers, industrial enterprises, and government agencies. Over 80 companies and public institutions utilize Software AG products distributed by SPL Software. For these reasons a total of €19,270 thousand was recorded as part of the initial consolidation for the customer base and company name.

Deferred income: Deferred income mainly includes future maintenance and licensing revenues for non-perpetual licenses for which customers had already made advance payments as of the acquisition date. Based on the requirements of IFRS 3, these items have been stated in the opening balance sheet at the fair values of future maintenance obligations, which are €2,871 thousand less than the carrying amounts. Revenues in the second and third quarter of 2007 were reduced by €1,086 thousand (€480 thousand in the third quarter) due to the effects of the cost of the business combination. Revenue will decrease by an additional €539 thousand in the fourth quarter of 2007 and another €1,101 thousand in fiscal 2008.

Earnings contribution since the date of acquisition: Since the date of acquisition, the acquired company, SPL Software, Ltd., Israel, has contributed €1,016 thousand to Software AG's net income for the second and third quarter of 2007. Of this amount, €801 thousand were recorded in the third quarter.

Contribution to revenue and earnings since initial inclusion in the consolidated accounts as of January 1, 2007: If SPL Software Ltd., Israel, had been included in the Software AG Group since January 1, 2007, the company would have contributed €19,950 thousand to Group revenues in the first three quarters of 2007 (of which €6,174 thousand would have been in the third quarter) and €3,559 thousand to net income (of which €764 thousand would have been in the third quarter).

Expenses related to the acquisition of SPL Software, Ltd., Israel: The customer base of SPL Software, Ltd., Israel, which was identified as an asset in connection with the acquisition, will be amortized over a period of 17 years for the Enterprise Transaction Services (ETS) division and 8 years for the webMethods division. Amortization totaled €353 thousand in the second and third quarter of 2007, of which €178 thousand was recorded in the third quarter.

The deferred tax liabilities resulting from the accounting treatment of the customer base will be reversed in line with the amortization period. Deferred tax liabilities also resulted from the reduction in deferred income. These tax liabilities will be reversed in line with the corresponding reductions in revenue. The three factors together resulted in deferred tax income of €403 thousand in the second and third quarter of 2007, of which €184 thousand relates to the third quarter.

b) Acquisition of webMethods, Inc., USA The acquisition of webMethods is intended to significantly enhance the leading position of the combined companies in the growth market of service-oriented architecture (SOA) and business process management (BPM). The regional strengths of Software AG and webMethods complement each other in these areas. The two companies have more than 4,000 customers and 100 partner companies, which will benefit in the future from an expanded product range. In North America in particular, Software AG will more than double its customer base. Moreover, the merger combines complementary strengths in specific customer industries with only minimal overlap in the customer bases of the two companies, thus supplying direct, mutual access to additional customer segments, especially in the areas of financial services, production, and in the public sector. The transaction builds on the excellent reputation and market position of both companies and represents a major step toward reaching Software AG's recently announced target of doubling revenues to €1 billion in the period between 2007 and 2011. The takeover gives Software AG a leading product portfolio in the areas of SOA and BPM with outstanding breadth and depth. The portfolio includes software solutions for SOA governance & enablement, BPM, business activity monitoring, application integration, and legacy modernization.

The cost of acquiring 100 percent of the shares, including costs directly attributable to the acquisition, amounted to €416,640 thousand (USD 559,548 thousand).

Cost of the business combination: The cost of the business combination has been allocated provisionally in accordance with IFRS 3.62 as follows:

€ thousands	Fair value as of May 25, 2007	Carrying amount prior to acquisition
Cash and cash equivalents	95,247	95,247
Trade receivables and other current assets	29,842	29,842
Intangible assets – software, rights, and licenses	54,796	10,021
Intangible assets – customer base	62,993	4,114
Intangible assets – company name	18,615	0
Goodwill	231,778	59,208
Property, plant and equipment	8,959	8,959
Non-current financial assets	3,467	3,467
Deferred tax assets	31,822	6,580
Trade payables and other current liabilities	– 48,038	– 39,293
Deferred tax liabilities	– 56,643	– 683
Deferred income	– 16,198	– 27,218
Carrying amount of the assets acquired		– 150,244
Cost of the business combination	416,640	

Initial accounting pursuant to IFRS 3.62: As a result of the close proximity in time between the date of acquisition (May 25, 2007) and the balance sheet date of the quarterly financial statements (September 30, 2007), webMethods was initially accounted for using provisional fair values.

Goodwill: Based on webMethod's technology leadership in integration software and the opportunity for the new merged company to further develop and significantly increase its market share, goodwill of €230,140 thousand was initially recognized in connection with the business combination.

Software: webMethods supplies software solutions in three market segments.

1. Enterprise Application Integration (EAI)
2. Service Oriented Architecture (SOA)
3. Business Process Management (BPM)

All three of these product lines are technologically mature and are the leaders in their respective market segments. For this reason, webMethod's technology was stated at €52,345 thousand in the opening balance sheet. In addition, the item "Intangible assets – software, rights, and licenses" as presented above includes licensed software such as PC and server software in the amount of €2,451 thousand.

Customer base: The company acquired has approximately 1,400 key corporate clients. There was only minimal overlap with Software AG's customer base. The customer base was, therefore, recorded in the opening balance sheet at €62,993 thousand.

Company name: webMethod's brand name is very well positioned and enjoys an excellent reputation in the U.S. market where its products are associated with the brand name of webMethods. In order to maintain this strong link, the Crossvision product line has been renamed webMethods. The webMethods brand name is now used for distributing both the webMethods products as well as the Crossvision products. Accordingly, the company name was initially capitalized at €18,615 thousand.

Deferred income: Deferred income includes future maintenance revenues for which customers had already made advance payments as of the acquisition date. Based on the requirements of IFRS 3, these items have been stated in the opening balance sheet at the fair value of future maintenance obligations. As a result of these influences from allocating the costs of the business combination, revenues were depressed by €6,114 thousand in the second and third quarter of 2007, of which €3,911 can be attributed to the third quarter. Revenue will decrease by an additional €2,782 thousand in the fourth quarter of 2007 and another €1,841 thousand in fiscal 2008.

Earnings contribution since the date of acquisition: webMethods, which was acquired on May 25, 2007, has contributed approx. €4.5 million to Software AG's net income since the date of acquisition, approx. €2.0 million of this amount in the third quarter of 2007.

Contribution to revenue and earnings since initial inclusion in the consolidated accounts as of January 1, 2007: In the event of an initial inclusion of webMethods in the consolidated accounts as of January 1, 2007, webMethods would have contributed a total of €103–109 million to Software AG's Group revenue. Of this, approx. €32–38 million would have applied to the third quarter. The Group's net income rose approx. €2.0 million in the third quarter of 2007 due to the acquisition of webMethods. Group net income for the first nine months would have decreased by approx. €15–16 million in the event of an initial inclusion of webMethods in the consolidated accounts as of January 1, 2007. As existing revenue and cost synergies cannot exactly be allocated, the estimated revenue and income figures mentioned above represent sales and earnings figures of the webMethods subgroup.

Expenses related to the acquisition of webMethods, Inc., USA: The customer base of webMethods, which was identified as an asset in connection with the acquisition, will be amortized over a period of 12 years. webMethods' software identified as an asset during acquisition will be amortized over a period of 7 years. The company's name was also recognized as an asset. However, the company name is not subject to amortization as its use is not limited in time. Amortization totaled €3,718 thousand in the second and third quarter of 2007, of which €2,668 thousand was recorded in the third quarter.

The deferred tax liabilities resulting from the accounting treatment of the customer base, software, and company name will be reversed in line with the amortization period. Deferred tax liabilities also resulted from the reduction in deferred income. These tax liabilities will be reversed in line with the corresponding reductions in revenue. The three factors together resulted in deferred tax income of €3,795 thousand in the second and third quarter of 2007, of which €2,539 thousand relates to the third quarter.

Court cases As part of the planned business restructuring of Software AG in Brazil, this market will be serviced by our own sales company starting on January 1, 2008. Software AG has accordingly not prolonged its exclusive distribution agreement with its previous sales partner beyond December 31, 2007. The sales partner in Brazil has filed a suit against this action in New York, USA, in August of 2007. In the meantime, the initial damage claim has been dropped and the case is now limited to problems of termination. As a result, no provisions needed to be created. A court decision is expected for December 2007.

A small software company in Canada sued Software AG together with webMethods, Inc. and 20 additional defendants including Microsoft and IBM for a patent violation relating to its software in August of 2007. The lawsuit has been filed with a court located in Texas. To date no details concerning the nature of the patent violation have been provided. Software AG sees no indications substantiating the claimed patent violation. Moreover, no quantifiable information regarding alleged damage has been submitted. For these reasons this legal dispute could not be taken into account in the quarterly financial statements according to the rules of IAS 37.

Other Due to the strong Euro, in particular in relation to the US dollar, negative currency translation effects on Group revenues resulted - compared to the same period in the previous year - in the amount of €16,267 thousand, €5,626 thousand of which was recorded in the third quarter. The currency translation effects on Group EBIT were €7,947 thousand, of which €1,286 thousand is attributable to the third quarter.

Expenses of €10,006 thousand arose from restructuring measures in the first three quarters of 2007; €3,066 thousand of this was incurred in the third quarter.

In the first nine months of 2007, specific bad debt allowances in the amount of €10,148 thousand were created, of which €5,589 thousand was recorded in the third quarter. These bad debt allowances refer to customers in Spain and Latin America. Average specific bad debt allowances in comparable periods of the first nine months from 2003 to 2006 amounted to a total of €2,575 thousand.

Employees

As of September 30, 2007, the effective number of employees (i.e., part time employees are taken into account on a pro-rata basis only) amounted to 3,552 (September 30, 2006: 2,666), 78.6 percent of whom were employed abroad (prior year: 70.65 percent). In absolute terms, i.e., with part-time employees taken into account in full, the Group employed 3,662 people (prior year: 2,751) at the end of the third quarter (September 30, 2007).

Executive Board

In addition to the executive area of responsibility for Crossvision, Software AG set up an executive area of responsibility for ETS effective January 8, 2007, for which David Broadbent is responsible. Mr. Broadbent was appointed to the Executive Board effective January 8, 2007. In addition, the sales territories of Software AG have been reallocated. In connection with the reorganization, Executive Board member Christian Barrios Marchant, previously responsible for the Southern and Western Europe/Latin America region left the Company effective January 8, 2007.

The Supervisory Board appointed David Mitchell to the Executive Board effective August 1, 2007. David Mitchell was previously CEO of the U.S. software manufacturer webMethods, Inc., which was taken over by Software AG effective May 25, 2007. He is responsible for sales of the webMethods business line world-wide. This appointment marks the discontinuation of the previous regional sales structure and a continuation of the Company's focus on the two product divisions of Enterprise Transaction Systems (ETS) and webMethods. The former Executive Board member ,Alfred Pfaff, left the Board on August 8, 2007.

Supervisory Board

Mr. Karl Heinz Achinger, deputy chairman of the Supervisory Board, resigned from office as of the end of the Annual Shareholders' Meeting on May 11, 2007. Dr. Andreas Bereczky was appointed as the new deputy chairman. The Annual Shareholders' Meeting elected Mr. Alf Henryk Wulf as a new member of the Supervisory Board. Mr. Reinhard Springer's term as employee representative on the Supervisory Board ceased with the end of the Annual Shareholders' Meeting on May 11, 2007. The employees elected Mr. Rainer Burckhardt as his replacement on April 25, 2007. He assumed his duties on the Supervisory Board as of May 11, 2007.

Events After the Balance Sheet Date

No significant events have occurred since September 30, 2007, which would warrant inclusion in this report.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim 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, November 14, 2007

Karl-Heinz Streibich

Arnd Zinnhardt

David Broadbent

Mark Edwards

Dr. Peter Kürpick

David Mitchell

Financial Calendar

FINANCIAL CALENDAR

	2007/2008
November 14	WestLB Conference, Frankfurt, Germany
November 20	Roadshow Dublin, UK
November 27	Roadshow London, UK Roadshow Frankfurt, Germany
November 28/29	Roadshow Scandinavia
December 04	Roadshow Paris, France
January 23, 2008	Q4/FY 2007 financial figures (IFRS, unaudited)

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