GET THERE FASTER

Quarterly Report Q1|08

January 1 – March 31, 2008

KEY FIGURES

KEY FIGURES
IFRS, UNAUDITED
(JANUARY 1 – MARCH 31, 2008)

€ million (unless otherwise stated)	Q1|2008 IFRS	Q1|2007 IFRS
Revenue IFRS	**159.4**	**124.7**
Product revenue IFRS	114.8	91.4
of which		
Licenses	55.4	46.9
Maintenance	59.4	44.5
Professional Services	43.9	32.6
Other	0.7	0.7
EBITA	**40.1**	**25.0**
as % of revenue	25.2	20.0
EBIT	**36.0**	**25.0**
as % of revenue	22.6	20.0
Net income	**22.5**	**17.8**
as % of revenue	14	14
Earnings per share (€, basic)	0.79	0.63
Earnings per share (€, diluted)	0.79	0.62
Total assets	**1,000.1**	**684.0**
Cash and cash equivalents	**64.8**	**211.2**
Shareholders' equity	**454.8**	**444.9**
as % of total assets	45	65
Employees[1]	**3,426**	**2,599**
of which in Germany	755	749

KEY SHARE DATA

	31.03.2008	31.03.2007
Closing price (Xetra) in €	48.60	63.91
High in €	60.37	64.13
Low in €	43.12	55.12
Total numbers of shares	28,575,468	28,439,782
Market capitalization in € million	1,390.0	1,871.6

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.

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LETTER TO SHAREHOLDERS

Dear Ladies and Gentlemen,

Software AG maintained its profitable growth trend in early fiscal 2008. Despite the slowing economy, we continued to experience stable IT demand in our market segment of infrastructure software for business customers. Our US business was particularly robust: we met all of our targets there during the first quarter in both divisions, and are confident of further positive performance in this market.

What were the highlights of the first quarter? We continued to grow, despite difficult macroeconomic conditions. The strongest drivers of this growth were our outstanding product portfolio in both divisions and our ongoing geographic expansion, as well as our positioning as a technology leader at CeBIT. All of these factors, together with yet another increase in profitability, leave us confident of further growth in the current fiscal year.

Increases in revenues in all segments

We enjoyed growth in all revenue segments in the first quarter of 2008 compared to 2007. In the ETS Division, we were able to report continuous positive business performance worldwide. The constant growth in licensing revenues at ETS provides Software AG with a profitable core business. The maintenance business also turned in a positive performance. This reflects the restructuring and efficiency enhancement measures introduced in recent months. With operating revenues of €91.1 million, ETS has doubled its sales in five years, and is now helping customers adapt to the future with its modern products, while also making a positive contribution to the future of Software AG.

We have similarly been able to successfully build webMethods into a second division. This has brought our company into the top tier of the integration software market. The webMethods Division turned in a strong performance in its domestic market in the USA, our most important individual market, during the first quarter. We still have some work to do, however, in EMEA and Asia. Our successes from the USA should help in these regions over the coming months. We have already introduced the necessary measures.

Total currency-adjusted group revenue increased by 37 percent compared to the same quarter of the previous year, to €159.4 million compared to €124.7 million in Q1 2007.

Particularly strong growth in profitability

The trend in profitability was particularly encouraging. Thanks to significantly improved economies of scale in the wake of the acquisition of webMethods Inc., increased process efficiency, and the effects of synergies, we were able to increase our EBIT by 44 percent to €36.0 million and our EBIT margin from 20.0 percent to 22.6 percent. Earnings per share rose to €0.79, a new record for the first quarter, and a figure that provides us with a solid foundation for achieving our targets for the year.

Successful entry into the Brazilian market

One of the growth engines for Software AG's business is growth through geographic expansion. Our goal is to increase revenues by replacing indirect sales through distributors with a direct market presence in Israel, Venezuela, South Africa, Japan, and Brazil. Other Latin American countries are to follow. We are also planning to expand in the burgeoning markets of countries in the Near East, Eastern Europe, and Russia.

With regard to this direct entry strategy, I would like to make a few brief points about the Brazilian market in particular: As a prerequisite for this market entry, we won all court proceedings in the first instance, and have been directly represented in Brazil by an expert team since the beginning of the year. More than 150 companies and public institutions already use Software AG products. We signed our first major maintenance contract in April. Because the potential in Brazil is even higher than originally assumed, we have increased our projections for total revenue from Brazil in 2008 from US$25 million to US$30 million.

CeBIT participation reinforces technology leadership
Our participation in the world's largest computer trade show, CeBIT in Hannover, Germany, was also important this year, providing us with the opportunity to enhance our image as SOA experts. We spoke with more than 450 customers as well as 70 government representatives and politicians from 50 countries, including German Chancellor Angela Merkel. Media coverage in more than 20 countries speaks for the international reach of this event. Visitors to the show were once again able to verify our products' technology leadership. We believe more new awards and evaluation from independent market research companies also support our position as a leader: Forrester Research recognized Software AG as a 'Leader' in The Forrester Wave™: SOA Service Life-Cycle Management, Q1 2008[1], Gartner positioned Software AG in the Leader's Quadrant for Business Process Management Suites[2] and SOA Governance[3][4]. In a market assessment issued December 31, 2007, Current Analysis recognized Software AG as a market leader in application infrastructure. In a similar assessment issued December 14, 2007, the research firm also named Software AG a market leader in Service-Oriented Architecture. SearchSOA.com recognized the webMethods ESB v.7.1 and webMethods BPMS v.7.1 as "2007 Products of the Year" in their respective categories.

We also have an impressive list of new sales contracts to report in both the ETS and webMethods divisions. For example, we have expanded our customer list with the addition of Coca-Cola Enterprises in the USA and Woolworths in Australia.

Confirmation of forecasts for 2008
We have reaffirmed our ambitious goals for the current fiscal year: We are planning a currency-adjusted improvement of 24-27 percent in Group operating revenues for 2008. The EBIT margin should be approximately 24 percent for the year as a whole. Our improved operational measures will help us to reach these targets. These measures include growth in the area of operations, utilization of the potential presented by burgeoning markets, further strengthening of sales and distribution structures for webMethods in the EMEA and APJ regions, new technical innovations, and the expansion of our partner network, to name only a few.

Our vision is to further enhance our market position as a leading independent provider of infrastructure software and to become the world leader in the markets of the future, SOA and BPM. We consider ourselves well-equipped to reach our goal!

Sincerely,

Karl-Heinz Streibich
Chief Executive Officer

1) The Forrester Wave™: SOA Service Life-Cycle Management, Q1 2008 [by Larry Fulton with Randy Heffner and David D'Silva (January 28, 2008)]
2) Gartner, Inc., Magic Quadrant for Business Process Management Suites, 2007 by Janelle Hill, Michele Cantara, Eric Deitert and Marc Kerremans (December 14, 2007)
3) Magic Quadrant for Integrated SOA Governance Technology Sets, 2007 by L. Frank Kenney and Darryl C. Plummer (December 31, 2007)
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Software AG Stock

Software AG stock (ISIN DE 0003304002/SOW) suffered from the generally weak economic conditions, in the first quarter of 2008, and the associated uncertainty in the capital markets. Software AG's stock began the new fiscal year at €60.37 per share and ended the quarter with an Xetra closing price of €48.60.

The benchmark indices, the TecDax and NASDAQ Composite, performed at the same level or slightly better than the Software AG share price. Software AG stock lost 19.5 percent of its value in the first quarter, while the TecDax declined by 18.5 percent.

The trend of the second half of 2007 continued in the first quarter of 2008. Due to macroeconomic uncertainties such as the U.S. mortgage crisis and its effects on the financial sector many investors shifted their portfolios away from small and midsize companies and into the large caps. Further profit-taking also occurred. All of these factors led to a downward trend in share prices during the first months of the new fiscal year.

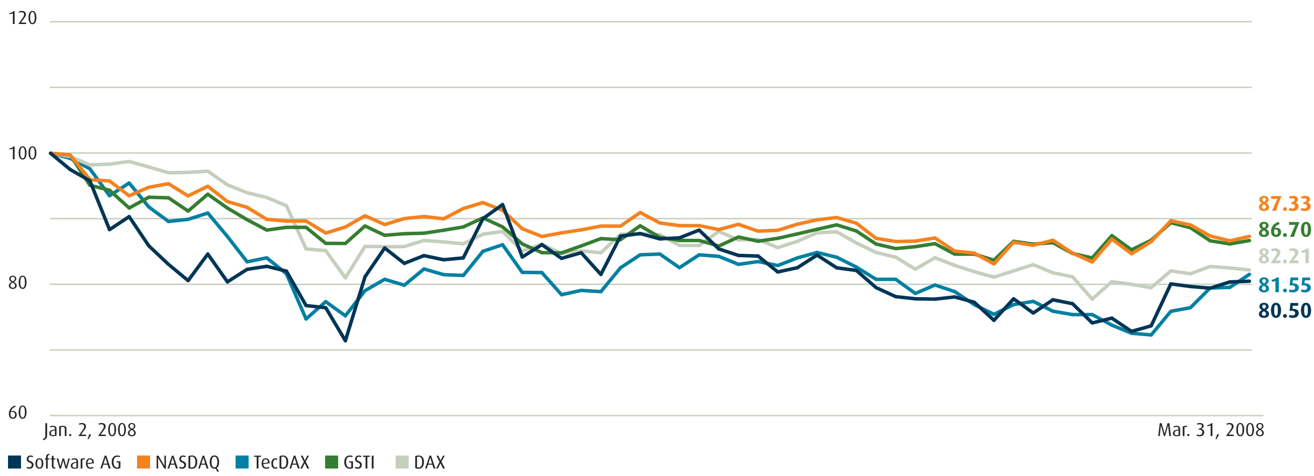
The starting price of €60.37 per share was the highest price in the first quarter. Our stock reached its low point for the quarter at €43.12 per share on January 23, prior to the announcement of our financial figures for 2007. However, with the announcement of our figures on January 24 and the accompanying good forecast for 2008, Software AG stock once again enjoyed a significant upward movement, and remained relatively constant in the following weeks at a price of around €50, plus or minus 10 percent. The stock closed on March 31 at €48.60 per share.

The publication of results from the first quarter on April 22, 2008 led to another decline in share price to €44.75 as investors had expected higher licensing growth in the webMethods Business Division.

Coverage

A total of 24 analysts in Germany, the United Kingdom, and France cover Software AG's stock as previously. The majority of these analysts see high potential for the stock currently, and have therefore rated Software AG stock as a "Buy" in 18 studies.

SHARE PRICE DEVELOPMENT (INDEXED)



Investor Relations

We also had an ongoing dialogue with investors and analysts in the first quarter of 2008. Our activities included visits to five capital market conferences as well as a number of road-shows in 12 cities in Germany, USA/Canada, France, and United Kingdom. Here we participated for the first time in a “speed investing” conference in the USA and Canada, where we presented our business strategy to new investors in twenty-minute segments. We also received positive feedback from our road-show in Paris, where the company presentations were made in French.

CEBIT was a very successful event for Software AG from an IR perspective: We participated in the Deutsche Börse and WestLB conferences, and held intensive discussions with some 30 analysts and investors. Visitors to CeBIT were particularly interested in the presentation of our technologies.

SOFTWARE AG CONTINUES STRONG PROFIT GROWTH

Software AG's segment reporting is prepared in accordance with IFRS 8 (Segment Reporting). The primary segment reporting is by 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 ETS and Crossvision divisions, whereas in fiscal 2006 primary segment reporting was still by geographical segments. The Crossvision Division was renamed as the webMethods Division beginning with the second quarter report 2007.

1. Significant Events during the Reporting Period

During the first quarter of 2008, Software AG successfully continued the activities it had initiated in fiscal 2007. These activities are aimed at expanding the Company's technology and market leadership as an independent provider of infrastructure software for business processes. The highlights of the first quarter included our strategically important market entry into Brazil, our successful participation in CeBIT with many new customer contacts and the expansion of our partnerships, as well as the ongoing integration of webMethods.

Brazilian market entry started on schedule

As planned, we began to service the Brazilian market directly at the beginning of the year. We won the legal disputes with our former distributor, and began operations with an initial team of employees. The more than 150 users of our software products in Brazil represent an enormous potential for new business. The overall potential is higher than we had originally assumed. We have therefore increased our projections of total 2008 revenue in Brazil, now in the range from US$25 million to US$30 million. By April we had signed our first contract for more than US$1 million.

A demonstration of our new technology leadership at CeBIT

Our participation in CeBIT, the world's largest computer trade show, was an important exhibition highlight for Software AG in the first months of 2008. We were visited by more than 70 politicians from over 50 countries and received press coverage in more than 20 nations, which also made this event very interesting for us from an international perspective. We held intensive discussions with more than 450 existing and potential customers in Hanover and presented our technology to them. We were also able to announce the signing of important contracts with international companies.

Important contracts signed

We were able to sign significant orders with well-known customers in the first quarter of 2008. We also expanded our partnership with Satyam, one of the world's leading IT consulting and service providers. Together we are introducing a new process framework for the insurance industry. We entered into an important agreement with GFT, with whom we will collaborate in developing the markets in Brazil and the USA.

Major new international customers such as Coca-Cola Enterprises, T-Mobile, and many others were added in Q1 2008. Coca-Cola Enterprises, for example, purchased licenses for BPMS and CentraSite. T-Mobile, a company of the Deutsche Telekom Group, selected Software AG as its strategic partner in the area of SOA and BPM. This contract is the largest BPM/SOA order that Software AG has yet received in Germany, and is also the second important order from the telecommunications sector this year.

Leading products receive new awards and evaluation

Our products have once again received evaluation and recognition from independent market research companies. For example, Software AG was positioned as a 'Leader' in The Forrester Wave™: SOA Service Life-Cycle Management, Q1 2008 by Forrester Research[1]. In addition, Gartner positioned Software AG in the Leader's Quadrants for Business Process Management Suites[2] and SOA Governance[3][4],In a market assessment issued December 31, 2007, Current Analysis recognized Software AG as a market leader in application infrastructure. In a similar assessment issued December 14, 2007, the research firm also named Software AG a market leader in Service-Oriented Architecture.

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Software AG was also recognized by SearchSOA.com with "2007 Products of the Year" awards within two categories. webMethods BPMS v.7.1. was named the "2007 Product of the Year" in the Service Design and Modeling category. The webMethods ESB v.7.1 was recognized in the Service Assembly and Integration category. Software AG was the only company to receive multiple awards in this year's competition.

Integration of webMethods continues to proceed on schedule

The most important areas of Software AG and webMethods, Inc., such as administration, sales (excluding the USA), and Professional Services, were already consolidated by the end of 2007. In the first half of 2008 we will be concerned primarily with the complete integration of Research & Development as well as Sales for the USA. Here, as in all of the other areas, we are placing top priority on combining our strengths to the "Power of Two," or in this case, the "Power of Software AG." The Company now has more than eight integrated and specialized webMethods R&D locations in Darmstadt, Fairfax, Seattle, Denver, San José, Sofia, Chennai, and Bangalore. The consolidation of Sales in the USA is also proceeding according to plan. The combined product portfolio received an extraordinarily positive response at CeBIT. Here we introduced for the first time products such as the webMethods Application Modernization Suite, which significantly enhances the functionality and utility of mainframe applications.

2. Financial performance

Significant growth once again in Group revenues

Group revenue rose to €159.4 million in Q1 2008 (Q1 2007: €124.7 million). It therefore exceeded the previous year's result by 28 percent, or 37 percent following currency adjustment. This increase can be attributed to the acquisition of webMethods, Inc. as well as a positive trend in our operational business. This quarter also gave no indications that the weakened economy has influenced demand for IT products and services.

Product revenues (licenses and maintenance) increased by 26 percent to €114.8 million (Q1 2007: €91.4 million). Growth totaled 36 percent following currency adjustment.

The licensing revenues included in product revenues rose 28 percent following currency adjustment, or 18 unadjusted, to €55.4 million (Q1 2007: €46.9 million). Maintenance revenues grew by 44 percent following currency adjustment (unadjusted: 33 percent) to €59.4 million (Q1 2007: €44.5 million).

The Professional Services area generated revenues of €43.9 million, 35 percent (currency-adjusted: 40 percent) more than in 2007 (€32.6 million).

Revenues by division

webMethods particularly strong in USA

Our webMethods Division achieved revenue growth of 88 percent in Q1 2008, earning a total of €68.7 million. Revenues in Q1 2007 amounted to €36.4 million. The largest share of this growth resulted from the acquisition of webMethods, Inc., which was not yet consolidated in Q1 2007. New business in the USA also turned in a very positive performance, although new business in Europe was somewhat less than expected. In the coming weeks we will be focusing on strengthening sales structures and management in order to ensure that we reach our targets for the year. The webMethods Division contributed 43 percent to Group revenues.

ETS enjoys worldwide success

Revenues in the ETS Division were €90.7 million in the first quarter (Q1 2007: €88.3 million). This represents a slight growth of 2 percent, or 9 percent following currency adjustment. The maintenance business was particularly encouraging, with a significant rise of 7 percent following currency adjustment. The measures introduced in recent months contributed to this positive outcome. Overall, the ETS Division contributed 57 percent to total revenues.

REVENUES BY DIVISION

IFRS, unaudited in € million	Q1|2008	Q1|2007	Change in %
webMethods			
Licenses	22.2	13.8	+61
Maintenance	21.0	6.2	+268
Service & other	25.4	16.4	+55
Total	**68.6**	**36.4**	**+93**
ETS			
Licenses	33.2	33.1	+1
Maintenance	38.3	38.3	0
Service & other	19.2	16.9	+14
Total	**90.7**	**88.3**	**+3**

Revenues by type

Licensing

We were able to conclude a number of significant licensing agreements in the first quarter. Licensing revenues grew by 18 percent in Q1 2008, or 28 percent following currency adjustment, to €55.4 million (Q1 2007: €46.9 million).

Licensing revenues in the webMethods Division grew by 61 percent to €22.2 million (Q1 2007: €13.8 million). Licensing revenues in the ETS Division remained stable at €33.2 million (Q1 2007: €33.1 million).

Maintenance business makes high overall contribution

The maintenance business was particularly encouraging again in the first quarter: Revenues rose by 33 percent to €59.4 million (Q1 2007: €44.5 million). This shows that our increased focus on sales has had a sustained positive affect on the maintenance business.

In the webMethods Division, we were able to significantly increase maintenance revenues by 240 percent to €21.0 million (Q1 2007: €6.2 million). The ETS Division was able to build upon its results from the previous year with a currency-adjusted increase of 7 percent to €38.3 million.

Professional Services business makes solid earnings contribution

The Professional Services area exceeded its figures from the previous year by 35 percent. Revenues were €43.9 million, compared to €32.6 million in the previous year, and the margin also improved. Therefore Professional Services has once again made a strong contribution to the success of Software AG.

In the webMethods Division, Professional Services revenues increased by 57 percent to €25.0 million in Q1 2008, up from €15.9 million in Q1 2007. The ETS Division expanded its Professional Services business by 13 percent to €18.9 Million (Q1 2007: €16.7 Million).

EBIT benefits from synergy effects

In Q1 2008, the EBITA grew significantly by 60 percent to €40.1 million (Q1 2007: €25.0 million). The EBIT was €36.0 million, compared to €25.0 million in Q1 2007, representing an increase of 44 percent. This proves that process efficiency has once again risen according to plan, reinforced by the synergy effects and economies of scale produced by the acquisition of webMethods, Inc. The strong growth in EBIT during the first quarter is also a very good basis for achieving our target operating margin of 24 percent for the entire year. The EBIT margin for the first quarter was 22.6 percent, compared to 20.0 percent in Q1 2007.

At €18.9 million, research and development expenses in the first quarter exceeded expenses in Q1 2007 (€12.2 million) by 55 percent. This can be attributed to the consolidation of the R&D departments of Software AG and webMethods, Inc. Expenses for marketing and sales also saw an acquisition-related increase of 23 percent to €40.1 million (Q1 2007: €32.7 million). They account for approximately 25 percent of revenues, which is in line with the target margin.

KEY EARNINGS INDICATORS

in € million	Q1|2008	Q1|2007	Change in %
EBIT	36.0	25.0	44
EBITA	40.1	25.0	60
Financial income/expense, net	–1.5	3.1	
Earnings before taxes	34.6	28.2	23
Net income	22.5	17.8	26
Earnings per share in Euro (basic)	0.79	0.63	25

Segment earnings contributions

The webMethods Division made a segment earnings contribution of €19.9 million in the first quarter of 2008 (Q1 2007: €6,000). Cost of sales rose by 36 percent to €27.1 million (Q1 2007: €19.8 million). The acquisition also caused selling expenses to increase by 31 percent to €21.7 million, from €16.6 million in Q1 2007. These figures are evidence of the previously mentioned increase in process efficiency and the leveraged synergy effects.

The particularly high-margin business in the ETS Division has once again made an important contribution, although it declined slightly compared to Q1 2007 as a result of the selling expenses ahead of the market entry in Brazil. The segment contribution in the first quarter was €51.7 million (Q1 2007: €53.9 million). Because of the expansion of sales, cost of sales increased by 13 percent to €20.7 million (Q1 2007: €18.3 million). Selling expenses grew by 16.1 percent to €18.4 million (14 percent increase).

Net income and EPS set new records

Net income rose 27 percent year-on-year, to €22.5 million as of March 31, 2008 (March 31, 2007: €17.8 million). Earnings per share reached a new record of €0.79 (March 31, 2007: €0.63). As of March 31, 2008, there were 28.6 million shares in circulation (undiluted), an increase of some 300,000 shares year-on-year.

3. Financial Position

Significant increase in cash flow

Operating cash flow was €36.2 million during the first quarter (Q1 2007: €23.3 million), and thus improved even more than earnings (55 percent increase). Free cash flow was €34.0 million (Q1 2007: €22.2 million). This represents a 21 percent share of Group revenues.

Increase in total assets and capital expenditure

Total assets of the Software AG Group rose from €684.0 million (March 31, 2007) to €1,000.1 million (March 31, 2008). Cash and cash equivalents decreased from €211.2 million to €64.8 million due to the acquisitions. The equity-to-assets ratio decreased accordingly from 65 percent at the end of the quarter in 2007 to 45 percent on the 2008 balance sheet date. Equity increased to €454.8 million (March 31, 2007: €444.9 million). Current and non-current liabilities both increased significantly over the previous quarter due to the acquisition of webMethods, Inc. and the associated financing. Particularly worth noting here is the significant increase in prepaid expenses, which involve previously contracted future maintenance revenues.

4. Risks and Opportunities

We are subject to acquisition and integration risks based on the acquisitions already implemented and possible new acquisitions. Apart from this, in the first quarter of 2008, there were no changes 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

Supervisory Board

The term of office of Mr. Justus Mische, who has been a member of the Supervisory Board since December 09, 2002, and who was selected 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 selected by the Annual Shareholders' Meeting on April 29, 2008 as a new member of the Supervisory Board.

Executive Board

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.

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, will each be placed under the direction of two Executive Board members with different regional responsibility. Region West (North and South America, Western and Southern Europe), will be led by Executive Board member Mark Edwards, who was previously the Chief Operation Officer for the ETS Division. Region East (Northern and Central Europe, Africa, Australia, and Asia) will be led by David Broadbent, who was previously the Chief Product Officer for the ETS Division, and who directed sales in the Asia/Pacific region. Dr. Peter Kürpick, who was previously responsible for R&D in the webMethods Division, will also assume responsibility for R&D in the ETS Division.

6. Outlook

Software AG is planning for an increase of Group operating revenues to 24 to 27 percent (currency-adjusted) in 2008. The EBIT margin should be approximately 24 percent in the current fiscal year. These ambitious growth plans will be supported primarily by the following measures: exploitation of the market potential in Brazil, strengthening of sales structures for webMethods in the EMEA region while maintaining dynamic growth in the USA, using management capacities for important webMethods projects, stronger focus by Professional Services on consulting as well as training in the area of stand-alone project acquisition, further technical innovations for existing products, supplementing of distribution channels through an expanded partner network and entry into up-and-coming markets such as Russia and the Middle East.

Medium-term planning

Software AG is planning to increase revenues to €1 billion by 2010. 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 over the medium term.

Consolidated financial statements

CONSOLIDATED INCOME STATEMENT FOR THE THREE MONTHS ENDED MARCH 31, 2008
IFRS, UNAUDITED

in € thousands	Q1|2008	Q1|2007	Change in %
Licenses	55,395	46,906	18
Maintenance	59,356	44,470	33
Professional Services	43,920	32,556	35
Other	720	804	– 10
Total revenue	**159,391**	**124,736**	**28**
Costs of sales	– 47,743	– 38,159	25
Gross profit	**111,648**	**86,577**	**29**
Research and development expenses	– 18,867	– 12,158	55
Sales, marketing and distribution expenses	– 40,078	– 32,667	23
General and administrative expenses	– 15,413	– 11,784	31
Operating result	**37,290**	**29,968**	**24**
Other operating income	11,484	2,282	403
Other operating expenses	– 8,691	– 7,235	20
Earnings before interest and taxes and amortization (EBITA)	**40,083**	**25,015**	**60**
Amortization	– 4,052	0	
Earnings before interest and taxes (EBIT)	**36,031**	**25,015**	**44**
Net financial income	– 1,469	3,148	
Earnings before taxes	**34,562**	**28,163**	**23**
Income taxes	– 11,805	– 9,911	19
Other taxes	– 219	– 479	– 54
Net income	**22,538**	**17,773**	**27**
thereof attributable to shareholders of Software AG	22,538	17,731	27
thereof attributable to minority interest	0	– 42	
Earnings per share (EUR, basic)	0,79	0,63	25
Earnings per share (EUR, diluted)	0,79	0,62	27
Weighted average shares outstanding (basic)	28,577,462	28,276,249	–
Weighted average shares outstanding (diluted)	28,645,139	28,406,761	–

CONSOLIDATED BALANCE SHEET AS OF MARCH 31, 2008
IFRS, UNAUDITED

Assets

in € thousands	March 31, 2008	Dec. 31, 2007	March 31, 2007
Current assets			
Cash on hand and bank balances	64,286	80,822	199,034
Securities	478	472	12,142
Inventories	81	90	328
Trade receivables	213,452	209,311	191,692
Other receivables and other assets	12,311	10,125	8,593
Prepaid expenses	7,286	5,794	6,257
	297,894	**306,614**	**418,046**
Non-current assets			
Intangible assets	146,118	139,265	4,608
Goodwill	420,865	431,596	188,150
Property, plant and equipment	49,694	49,847	43,712
Financial assets	8,387	8,232	1,755
Trade receivables	12,763	15,704	6,338
Other receivables and other assets	10,139	16,582	0
Prepaid expenses	41	0	0
Deferred taxes	54,187	55,484	21,385
	702,194	**716,710**	**265,948**
	1,000,088	**1,023,324**	**683,994**

Equity and liabilities

in € thousands	March 31, 2008	Dec. 31, 2007	March 31, 2007
Current liabilities			
Financial liabilities	36,717	46,652	1,268
Trade payables	32,410	31,300	27,807
Other liabilities	42,050	64,199	38,386
Other provisions	29,920	42,802	23,492
Tax provisions	5,357	11,485	15,511
Deferred income	121,625	83,878	82,660
	268,079	**280,316**	**189,124**
Non-current liabilities			
Financial liabilities	167,011	167,648	24
Trade payables	62	64	4
Other liabilities	2,331	2,966	1,103
Pension provision	16,543	17,229	24,328
Other provisions	10,204	9,686	5,623
Deferred taxes	77,782	79,621	18,046
Deferred income	3,241	3,332	858
	277,174	**280,546**	**49,986**
Equity			
Share capital	85,726	85,618	85,319
Capital reserve	32,763	31,933	29,402
Retained earnings	387,907	299,532	320,367
Net income attributable to shareholders of Software AG	22,538	88,375	17,731
Currency translation differences	– 106,846	– 80,008	– 43,942
Other reserves	32,747	36,343	35,328
Minority interest	0	669	679
	454,835	**462,462**	**444,884**
	1,000,088	**1,023,324**	**683,994**

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2008
IFRS, UNAUDITED

in € thousands	Q1|2008	Q1|2007
Net income for the year	22,538	17,773
Income taxes	11,805	9,911
Net financial income	1,469	– 3,148
Amortization/depreciation of non-current assets	5,774	1,808
Other non-cash income/expense	1,128	1,317
Operating cash flow before changes in working capital	**42,714**	**27,661**
Changes in inventories, receivables and other current assets	– 5,115	– 15,110
Changes in payables and other liabilities	18,055	12,274
Income taxes paid	– 17,838	– 4,423
Interest paid	– 2,733	– 257
Interest received	1,164	3,188
Net cash from operating activities	**36,247**	**23,333**
Proceeds from sale of tangible/intangible assets	177	245
Purchase of tangible/intangible assets	– 2,388	– 1,322
Proceeds from the sale of financial assets	8	194
Purchase of financial assets	– 33	– 249
Payment for acquisitions, net	– 38,356	0
Net cash used in investing activities	**– 40,592**	**– 1,132**
Proceeds from issue of share capital	657	5,422
Dividends paid	0	0
Proceeds from financial liabilities	0	0
Repayments of financial liabilities	– 10,156	– 90
Payments for hedging instruments	– 675	0
Net cash provided by/ used in financing activities	**– 10,174**	**5,332**
Change in cash and cash equivalents from cash relevant transactions	– 14,519	27,533
Adjustment from currency translation	– 2,011	– 1,132
Net change in cash and cash equivalents	**– 16,530**	**26,401**
Cash and cash equivalents at the beginning of the period	81,294	184,774
Cash and cash equivalents at the end of the period	**64,764**	**211,175**

CONSOLIDATED STATEMENT OF RECOGNIZED INCOME AND EXPENSE POSTED DIRECTLY TO EQUITY*
FOR THE THREE MONTHS ENDED MARCH 31, 2008
IFRS, UNAUDITED

in € thousands	Q1|2008	Q1|2007
Currency translation differences	– 26,838	– 2,809
Net gain/loss from fair value measurement of financial instruments not recognized in income	– 3,937	– 37
Net loss/gain from fair value measurement of net investments in foreign operations not recognized in income	341	919
Total income and expense recognized directly in equity	**– 30,434**	**– 1,927**
Net income for the period (from P&L)	22,538	17,773
Total recognized income and expense	**– 7,896**	**15,846**

* 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 THREE MONTHS ENDED MARCH 31, 2008
IFRS, UNAUDITED

	ETS		webMethods		Total	
in € thousands	Q1|2008	Q1|2007	Q1|2008	Q1|2007	Q1|2008	Q1|2007
Licenses	33,201	33,097	22,194	13,809	55,395	46,906
Maintenance	38,342	38,294	21,014	6,176	59,356	44,470
Product revenue	**71,543**	**71,391**	**43,208**	**19,985**	**114,751**	**91,376**
Professional services	18,944	16,702	24,976	15,854	43,920	32,556
Other	248	198	472	606	720	804
Total revenue	**90,735**	**88,291**	**68,656**	**36,445**	**159,391**	**124,736**
Cost of sales	– 20,691	– 18,333	– 27,052	– 19,826	– 47,743	– 38,159
Gross profit	**70,044**	**69,958**	**41,604**	**16,619**	**111,648**	**86,577**
Sales, Marketing & Distribution expenses	– 18,358	– 16,054	– 21,720	– 16,613	– 40,078	– 32,667
Business line contribution	**51,686**	**53,904**	**19,884**	**6**	**71,570**	**53,910**
Research and development expenses					– 18,867	– 12,158
General and administrative expenses					– 15,413	– 11,784
Other operating income / expenses					2,793	– 4,953
EBITA					**40,083**	**25,015**
Amortization					– 4,052	0
Earnings before interest and taxes					**36,031**	**25,015**
Net financial income					– 1,469	3,148
Earnings before taxes					**34,562**	**28,163**
Taxes					– 12,024	– 10,390
Net income for the year					**22,538**	**17,773**

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

Accounting Policies

Basis of presentation

Software AG's consolidated financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS) as promulgated by the International Accounting Standards Board (IASB). The IAS/ 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 2007 financial statements. Accounting policies are not, therefore, explained in detail in these quarterly financial statements. The quarterly financial statements are prepared in accordance with IAS 34, Interim Financial Reporting.

Software AG is a registered 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 otherwise stated.

Changes in the consolidated group

As a result of mergers within the Group effective as of January 01, 2008, the companies in the consolidated group changed as follows in comparison with December 31, 2007.

¬ 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

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 28,557,462 in the first quarter of 2008.

A total of 36,013 options were exercised during that time period, resulting in a corresponding increase in the number of shares by 36,013. Another 87,677 stock options may be exercised from the second stock option plan in fiscal 2008. Diluted earnings per share were calculated for these potential shares 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 March 31, 2008 in the amount of €420,865 thousand showed a total decrease of €10,731 thousand over December 31, 2007 as a result of changes in currency exchange rates, particularly the weak US dollar, which impacted goodwill with € -11,067 thousand, as well as €336 thousand from the purchase of the remaining shares of 49 percent in SPL Idor Business Solutions, Or-Yehuda, Israel.

Shareholders' equity

The change in shareholder's equity is shown in the following Statement of Changes in Equity as of March 31, 2008.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD JANUARY 01 TO MARCH 31, 2008 AND JANUARY 01 TO MARCH 31, 2007 IFRS, UNAUDITED

in € thousands	Shares								
	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	36,013	108	549						657
Stock options			281						281
Purchase of minority interest in fully consolidated companies								– 669	– 669
Net income for the year					22,538				22,538
Currency translation differences						– 26,838			– 26,838
Net gain from fair value measurement of financial instruments not recognized in income							– 3,937		-3,937
Net gain from fair value measurement of net investments in foreign operations not recognized in income							341		341
Equity as of March 31, 2008	**28,575,468**	**85,726**	**32,763**	**387,907**	**22,538**	**– 106,846**	**32,747**	**0**	**454,835**

in € thousands	Shares								
	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	327,067	981	4,441						5,422
Stock options			1,385						1,385
Net income for the year					17,731			42	17,773
Currency translation differences						– 2,809			– 2,809
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							919		919
Equity as of March 31, 2007	**28,439,782**	**85,319**	**29,402**	**320,367**	**17,731**	**– 43,942**	**35,328**	**679**	**444,884**

The composition of the individual accounts of shareholders' equity did not change compared to December 31, 2007. The exercise of stock options under the first and second stock option plans increased the number of bearer shares in issue by 36,013 to 28,575,468 shares in the first quarter. This increased the Company's share capital by €108 thousand and the capital reserve by €549 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 retained earnings; to appropriate €28,539 thousand for a dividend payout; and to carry forward €75,913 thousand to a new account. This corresponds 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 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 the fiscal year, 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	March 31, 2007
Guarantees	13,286	15,337	11,497
Warranties	632	0	0
Other	1,333	1,341	5,243
	15,251	16,678	16,740

The carrying amount of collateral received is €521 thousand (Q1 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 €7,506 thousand (Q1 2007: €6,318 thousand). Obligations of €40,915 thousand exist for the period up until the end of fiscal year 2013 (Q1 2007: €23,822 thousand until the end of fiscal 2012), and obligations of €6,130 thousand for the period after fiscal 2013 (Q1 2007: €4,612 thousand for the period after fiscal 2012). The lease agreements are operating leases as defined in IAS 17.

Stock option plans

Software AG has different stock option plans for members of the Executive Board, officers, and employees of the Group. In the first quarter of 2008, in accordance with IFRS 2, personnel expenses of €281 thousand were recognized for stock option plans with optional fulfillment through equity instruments, and personnel expenses of €844 thousand were posted for stock option programs with fulfillment through cash settlement. A total of 36,013 options were exercised in the first quarter from the second stock option plan, and 502 stock options were withdrawn. A further total of 155,392 options from this plan were issued to Executive Board members and officers.

Another 14,500 stock options with an exercise price of €72.36 were issued to officers and employees in Q1 2008 as part of the third stock price based compensation plan, and 21,000 stock options were withdrawn from officers and employees due to departure from the Company. Another 75,000 subscription rights granted as stock options were converted into stock appreciation rights. Thus 907,500 subscription rights were granted as stock options and an additional 1,100,000 as stock appreciation rights from the third stock price based compensation plan as of the end of the quarter. A total of 574,825 stock options were not measured due to expected employee turnover.

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 US Nasdaq exchange (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
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 quarterly financial statements (March 31, 2008), the Application Modernization Division acquired from Jacada was initially accounted for using provisional fair values.

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, it 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 €598 thousand to Group revenues and has impacted Group net income for the year with €-107 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. Because 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. Jacada's acquired software will be amortized over a period of 5 years. Total amortization in Q1 2008 was €504 thousand. 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 Q1 2008:
¬ Purchase of 49.0% of shares in Software AG (India) Private Limited, India for €609 thousand, effective March 14, 2008
¬ Purchase of 19.92% of shares in SPL Software Ltd., Israel for €18,935 thousand, effective January 01, 2008
¬ Purchase of 49% of shares in SPL Idor E Business Solutions, Israel and 49% of shares in SPL Idor Management Ltd., Israel for a total of €327 thousand, effective January 01, 2008

These acquisitions of remaining minority interests eliminated the need to report minority interests in equity and net income in the quarterly consolidated financial statements as of March 31, 2008.

3. Earn-out payments for earlier acquisitions
Revenue-based earn-out payments of €488 thousand for Software A.G. (Israel) Ltd. (previously Sabratec Ltd., Israel) and €332 thousand for Casabac Technologies GmbH, Germany, were paid in Q1 2008.

4. Currency translation effects
The strong euro, particularly in relation to the U.S. dollar, caused negative currency translation effects on Group revenues compared to the same period in the previous year in the amount of €11,040 thousand.

Employees
As of March 31, 2008, the effective number of employees (i.e., part-time employees are taken into account on a pro-rata basis only) amounted to 3,426 (March 31, 2007: 2,599), 77.9 percent of whom were employed abroad (March 31, 2007: 71.2 percent). In absolute terms (i.e., part-time employees are taken fully into account), the Group employed 3,576 people (March 31, 2007: 2,711) at the end of the first quarter on March 31, 2008.

Events after the balance sheet date
Supervisory Board
The term of office of Mr. Justus Mische, who has been a member of the Supervisory Board since December 09, 2002, and who was selected 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 selected by the Annual Shareholders' Meeting on April 29, 2008 as a new member of the Supervisory Board.

Executive Board
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.

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, will each be placed under the direction of two Executive Board members with different regional responsibility. Region West (North and South America, Western and Southern Europe), will be led by Executive Board member Mark Edwards, who was previously the Chief Operation Officer for the ETS Division. Region East (Northern and Central Europe, Africa, Australia, and Asia) will be led by David Broadbent, who was previously the Chief Product Officer for the ETS Division, and who directed sales in the Asia/Pacific region.
Dr. Peter Kürpick, who was previously responsible for R&D in the webMethods Division, will also assume responsibility for R&D in the ETS Division.

Date of release of the consolidated interim financial statements
Software AG's Executive Board approved the quarterly consolidated financial statements on May 9, 2008.

Declaration by the legal representatives

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, May 09, 2008

Software AG

Karl-Heinz Streibich

David Broadbent

Mark Edwards

Dr. Peter Kürpick

Arnd Zinnhardt

FINANCIAL CALENDAR

FINANCIAL CALENDAR

	2008
July 23	Q2/H1 2008 financial figures (IFRS, unaudited)
October 24	Q3 2008 financial figures (IFRS, unaudited)
	2009
January 27	Q4/FY 2008 financial figures (IFRS, unaudited)

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