

PRESS RELEASE

Software AG achieves its second quarter financial targets despite more difficult market conditions

- Consolidated revenue (currency-adjusted) up 18 percent
- License revenue (currency-adjusted) up 15 percent
- EBIT up 11 percent
- Earnings per share rise to €0.95
- Revenue and margin forecasts for the full year reconfirmed

DARMSTADT, GERMANY, July 23, 2008: The second quarter of 2008 saw Software AG (Frankfurt TecDAX: SOW) achieve its financial targets and therefore continue the rise in earnings reported in recent quarters. Both product revenue and revenue in the two business divisions were within expectations. Consolidated revenue (IFRS) amounted to €168.8 million (Q2 2007: €152.2 million), a rise of 11 percent (currency-adjusted: 18 percent). The company increased license revenue to €61.4 million (Q2 2007: €57.3 million) and maintenance revenue to €61.8 million (Q2 2007: €51.4 million). Adjusted for currency exchange rate effects, this equates to growth of 15 percent in license revenue and 30 percent in maintenance revenue. Revenue in the ETS business division rose to €92.1 million (Q2 2007: €90.6 million), and in webMethods to €76.7 million (Q2 2007: €61.6 million), equating to increases of 7 percent and 34 percent respectively on a currency-adjusted basis. EBIT was up by 11 percent to just under €41 million, with the EBIT margin increased to 24.3 percent (Q2 2007: 24.1 percent).

Karl-Heinz Streibich, CEO of Software AG, explained: "The second quarter results are in line with our forecasts both for the company as a whole and for the ETS and webMethods business divisions. We also expect to see growth in revenue in the second half of the year, particularly in the fourth quarter. Given the changes to our sales and marketing organization that we carried out in May, I'm confident that we will achieve the challenging targets that we set ourselves for 2008."

Arnd Zinnhardt, CFO, added: "The stability we achieved in the second quarter demonstrates that we are on the right track and we are confident that we will be able to achieve our target EBIT margin of 24 percent. We will also continue to push ahead with the streamlining of our cost structure."

In Q2 2008, license revenue in the webMethods business division was a total of €26.6 million (Q2 2007: €24.5 million), a currency-adjusted increase of 19 percent compared to the equivalent period in 2007. Growth in webMethods license revenue in the EMEA region was up slightly in the second quarter and growth in the US business continued to be robust. Maintenance revenue in the webMethods business division climbed, as a result of both organic growth and acquisitions, to €22.5 million (Q2 2007: €11.8 million), a rise of 91 percent (currency-adjusted: 108 percent). The Professional Service business generated revenue of €27.6 million compared with €25.3

Software AG achieves its second quarter financial targets

million in the equivalent period in 2007. The lower revenue increase compared with the product business is attributable to the low webMethods license revenue in previous quarters.

In Q2 2008, the ETS business division contributed €92.1 million (Q2 2007: €90.6 million) to total revenue, equivalent to growth of 7 percent on a currency-adjusted basis. Revenue from licenses amounted to €34.7 million (Q2 2007: €32.8 million), up 11 percent on a currency-adjusted basis.

A notable development in the ETS business division is the growth in Brazil, where the company took over direct responsibility for its sales and marketing from the beginning of the year. Following an excellent performance in the first half of the year, Software AG is expecting to see further significant expansion in the business in Brazil over the rest of the year.

Employees

As at June 30, 2008, Software AG employed 3,427 people (full-time equivalent) compared with 3,719 as at June 30, 2007. At 754, the number of employees in Germany was roughly at the same level as in 2007 (June 30, 2007: 763), whereas the number of employees outside Germany fell to 2,673, down 9.6 percent (June 30, 2007: 2,956).

First six months of 2008

Consolidated revenue for the first six months of 2008 amounted to €328.2 million (Jan-June 2007: €276.9 million). On a currency-adjusted basis, this equates to an increase of 26 percent.

License revenue for the first half of the year was €116.8 million, up 12 percent (currency-adjusted: 21 percent) on the equivalent figure for 2007 of €104.2 million. Maintenance revenue amounted to €121.1 million, a currency-adjusted increase of 36 percent on the equivalent period in 2007. Revenue from the service business grew from €74.3 million to €88.7 million.

EBIT for the first six months of 2008 rose by just under 25 percent to €77 million (Jan-June 2007: €61.7 million). The EBIT margin for the six-month period was up from 22.3 percent in 2007 to 23.5 percent. Operating cash flow reached €60.2 million, up 75.5 percent on the first six months of 2007.

Outlook

The Management Board has confirmed its existing forecast for the whole of the 2008 fiscal year: growth in consolidated revenue is expected to be between 24 and 27 percent on a currency-adjusted basis with the EBIT margin rising to 24 percent. A rise in revenue forecasts for Brazil will allow the company to counter the risk of an economic slowdown in established markets. Similarly, the proportion of revenue growth accounted for by the ETS business division is expected to be greater than originally planned.

€ million	Q2 2008	Q2 2007	Change		2008 forecast
			Δ	Δ Currency-adjusted	
Financial statements in accordance with IFRS					
Consolidated revenue	168.8	152.2	+11%	+18%	+(24-27)%
- License revenue	61.4	57.3	+7%	+15%	+(24-28)%
- Maintenance revenue	61.8	51.4	+20%	+30%	+(26-28)%
- ETS business division	92.1	90.6	+2%	+7%	
- webMethods business division	76.7	61.6	+25%	+34%	
EBIT	40.9	36.7	+11%	-	
EBIT margin	24.3%	24.1%		-	24%
Net profit	27.1	24.6	+10%		
Earnings per share (€)	0.95	0.86	+10%		
Free cash flow	23.0	11.8	+95%		

Further information can be obtained during today's conference call from London (in English) to accompany the publication of the 2008 Q2 results at 10.00 a.m (CEST).

*To dial into the conference call, use:
+49 (0)6103 485 3001 or 0800 101 2072 (toll-free)
+44 (0) 207 153 2027 or 0800 358 0886 (toll-free)*

The long-form version of the press release will be dispatched following the press conference.

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Software AG is the world's largest independent provider of Business Infrastructure Software. Our 4,000 global enterprise customers achieve business results faster by modernizing, integrating and automating their IT systems and processes. As a result, they rapidly build measurable business value and meet changing business demands. Based on our solutions, organizations are able to liberate and govern their data, systems, applications, processes and services - achieving new levels of business flexibility.

Our leading product portfolio includes solutions for high performance data management, developing and modernizing applications, enabling service-oriented architecture, and improving business processes. By combining our technology with industry expertise and best practices experience, our customers improve and differentiate their businesses - faster.

Software AG has almost 40 years of global IT experience and over 3,600 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 €621 million in 2007.

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