

CORPORATE GOVERNANCE REPORT

RESPONSIBLE GOVERNANCE

The concept of corporate governance draws together all international and national values and principles for good and responsible management applying to a company's executive and supervisory bodies as well as its employees. However, corporate governance should not be seen as a rigid system of rules and regulations; rather it is a process in which values and principles constantly evolve in line with changing requirements. In our work, we, the Supervisory Board and the Executive Board of SAP, attach great importance to good governance practice.

Recognizing the need to practice good corporate governance in our day-to-day business operations, SAP led the way in Germany by publishing its own Principles of Corporate Governance ("Principles") in 2001, even before promulgation of the German Corporate Governance Code ("Code"). Ever since, SAP has worked at optimizing its corporate governance, guided not only by national standards but also by the internationally accepted principles. This is our report for fiscal year 2007, as required by section 3.10 of the Code.

Corporate Governance at SAP

SAP is a German listed company, and our corporate governance is primarily aligned to the mandatory requirements of the law and to the Code, as amended from time to time. Moreover, SAP complies with further provisions that are relevant to it as a German company listed on the New York Stock Exchange (NYSE). These include the Corporate Governance Standards of the NYSE and the U.S. Sarbanes-Oxley Act.

Executive Board

At the time this annual report went to press, the SAP Executive Board had seven members. It is solely responsible for managing the Company. It has a duty to exercise its management powers in the interest of the Company and in pursuit of the sustained growth of corporate value. It discusses and agrees its strategy for the Company with the Supervisory Board, ensures compliance with the requirements of the law throughout the Group, and maintains appropriate risk management structures and risk controls.

Supervisory Board

The SAP Supervisory Board has 16 members who in equal numbers represent the shareholders and the employees. When candidates for election to the Supervisory Board are selected, regard is had to the requirement that they be persons with the necessary knowledge, competencies, and relevant experience. At appropriate intervals, normally every October, the Supervisory Board conducts an investigation into the efficiency of its own work. Since the term of office of the current Supervisory Board membership only started at the end of the General Meeting of

Shareholders on May 10, 2007, the next such investigation was not conducted until February 2008. This was to give the newly elected members a chance to make their efficiency assessment on the basis of an adequate number of meetings of the full Supervisory Board and its committees.

Cooperation Between Executive Board and Supervisory Board

The Executive Board and Supervisory Board cooperate closely to the benefit of the Company. The Executive Board regularly provides to the Supervisory Board full and timely reports on all material matters of business planning and performance, including any deviations of actual business performance from plan, the risk situation, and risk management. The Supervisory Board has reserved to itself the approval of certain defined transactions of fundamental importance. For more information about the Executive and Supervisory Boards' work together, and about the work of the Supervisory Board and its committees, see the section titled Report of the Supervisory Board.

SAP's Principles of Corporate Governance

SAP published its own Principles of Corporate Governance as early as October 2001 and continually amended them, where necessary, in the light of changes made to the Code from time to time. When we last reviewed our Principles in October 2007, we came to the conclusion that the gap between them and the Code had greatly reduced over time and that changes to the legislation and current practice had made provisions in the Principles obsolete. The Code, which had been continuously improved, together with the pertinent legislation, which had gradually covered more of the ground, made the maintenance of our own Principles redundant. We therefore decided to discontinue our own Principles – thereby improving the clarity of our communications for the benefit of our shareholders, not least those outside of Germany. In the future, when discussing corporate governance standards, we will refer to the Code only. SAP will continue to provide its

shareholders with detailed information about its implementation of the Code's recommendations and suggestions by publishing the annual declaration of implementation of the Code and a corporate governance report in the SAP annual report.

Code Recommendations

The new recommendations and additions to existing recommendations adopted in the Code in 2007 chiefly concern the establishment of nomination committees as committees of supervisory boards, and provisions in executive board rules of procedure. They relate to the principle of collective responsibility and to the majorities required for resolutions, and there are also recommendations concerning the manner in which supervisory boards and their audit committees handle compliance matters.

The SAP Executive Board has established various controls to ensure that the Company, its governing bodies, and its employees comply with the law. SAP's Code of Business Conduct, published throughout the Group, contains standards for the day-to-day behavior of employees toward the Company and toward others. Within the Supervisory Board it is the Audit Committee that has particular responsibility for monitoring internal compliance controls. To evidence the Company's implementation of the new recommendation in section 5.3.2 of the Code, compliance was added to the Audit Committee's responsibilities listed in its rules of procedure.

At its regular meeting in October 2007, the Supervisory Board resolved to establish a Nomination Committee in accordance with the recommendation in section 5.3.3 of the Code. As recommended in the Code, the Nomination Committee is composed of shareholder representatives only. It is tasked with creating an appropriate requirements profile for Supervisory Board members in the light of the structure, size, and composition of the SAP Supervisory Board and to monitor the national and international fields for suitable people who are available to stand as candidates for election as shareholder representatives.

There were already provisions in the Executive Board rules of procedure concerning the principle of collective responsibility and responsibility for individually assigned areas of operations, and provisions in the Articles of Incorporation concerning majorities required for resolutions, corresponding to the new recommendation in section 4.2.1 of the Code.

Compliance Declaration Pursuant to the German Stock Corporation Act, Section 161

The SAP Executive and Supervisory Boards submitted their implementation declaration on October 26, 2007. In the declaration, the Executive and Supervisory Boards declared that SAP intends, as in the past, to follow all of the recommendations in the new version of the Code except as follows:

- No age limits for members of the Executive and Supervisory Boards
- Contracts do not provide for a deductible in directors' and officers' liability insurance policies
- A chairperson or member of the Executive Board can become chairperson of the Supervisory Board or chairperson of a Supervisory Board committee
- No consideration of individual performance in the variable remuneration of Executive Board members

We no longer maintain the reservation concerning reward for committee work in the compensation of Supervisory Board members, last recorded in our October 2006 declaration of implementation. The compensation provisions in the SAP Articles of Incorporation were amended by resolution of the Annual General Meeting of Shareholders on May 9, 2006, but because the resolution was challenged in Court, it did not become effective until December 2006, that is, after publication of the implementation declaration in October 2006.

The remaining deviations from the recommendations in the Code are due to the following reasons:

SAP considers the setting of an age limit on Supervisory Board members, as recommended by the Code, an inappropriate restriction of shareholders' rights to elect the members of the Supervisory Board. Therefore, SAP did not consider or set any age limits at the last election of Supervisory Board members. Similarly, despite the recommendation in the Code, SAP does not set any age limits for members of the Executive Board, because this would generally restrict the Supervisory Board in its choice of suitable Executive Board members.

The Code recommends that if a company takes out a liability insurance policy for its executive and supervisory board members (D&O liability insurance), a suitable deductible be agreed in members' contracts. We do not believe that the motivation and responsibility that the members of the SAP Executive and Supervisory Boards have for their duties can be improved by such a deductible element. We do not intend to change the current D&O insurance policies, under which no deductible is payable by Executive and Supervisory Board members.

The Code recommends that, as a rule, the former chairperson of the executive board and members of the executive board do not become the chairperson of the supervisory board or chairperson of a supervisory board committee. SAP cannot rule out the possibility that these kinds of appointments will take place in the future. It is not currently

possible to foresee whether this will be the case as a rule. Moreover, the chairperson of the Supervisory Board and chairpersons of Supervisory Board committees are appointed by the members of the Supervisory Board, who should be guided solely by the actual qualifications of the persons standing for election. Historically, our practice in respect of the appointment of Executive Board members or chairpersons (chief executive officers) to the chair of the Supervisory Board has proved worthwhile. However, we do not intend that such appointments should become automatic.

Executive Board members' remuneration takes into account their individual performance and responsibilities. However, SAP does not currently plan to set individualized targets for the purpose of determining Executive Board members' variable remuneration elements because their areas of responsibility are interrelated in such a way as to prevent or considerably hinder the definition of corporate targets for their individual areas of responsibility. We prefer to encourage the collective responsibility of the Executive Board for the Company, seeing this as a significant factor in its success.

Code Suggestions

We will partly follow the new suggestion in section 4.2.3 of the Code. The suggestion is that executive board membership contracts should not provide for severance pay on premature termination without just cause of more than two times annual compensation including expenses or more than the compensation for the remaining term of the contract. Our Supervisory Board has always insisted that the compensation contracts of Executive Board members must be reasonable, including, for example, provisions concerning severance pay, and it will continue to do so. Except where the termination arises out of a change of control, however, we do not believe it is practicable in Executive Board member contracts to cap severance pay on premature termination without just cause. To agree such a cap from the outset would be contrary to the spirit of our Executive Board contract, which is normally concluded for a fixed term and does not in principle provide for the possibility of ordinary termination by notice. Moreover,

in practice the Company would find a contractual severance pay cap difficult to enforce against an Executive Board member in the circumstances where it would be relevant. Also, an agreement in this respect that had been concluded in advance might not make adequate provision for the particular facts and surrounding circumstances that later actually give rise to the premature ending of an Executive Board member's work. We will follow the new suggestion where the termination arises out of a change of control, and also insofar as that, in the event of premature termination of an Executive Board member's contract by agreement, we will continue our past practice of negotiating severance pay that is reasonable.

There are also two other suggestions in the Code that we do not follow:

- We do not follow the suggestion in section 5.4.6 of the Code that Supervisory Board members be appointed at different times and for different terms. We hold block votes for all shareholder representatives on the Supervisory Board and they have equal terms of office. If a Supervisory Board seat becomes vacant during the regular period of office, by-elections are held for the remainder of the regular period of office. This ensures an efficient, standardized process for electing Supervisory Board members and enables them to work together effectively.
- We have not agreed to pay Supervisory Board members performance-oriented compensation based on SAP's long-term success as suggested in the Code, section 5.4.7 (2). We doubt whether the long-term success of SAP is the right basis for Supervisory Board compensation or improves the Supervisory Board members' motivation in respect of SAP. Variable remuneration at SAP is therefore linked to the dividend, and can thus be readily determined by applying the Supervisory Board compensation provisions in the Articles of Incorporation. We believe that this thus ensures transparent, appropriate compensation for Supervisory Board members that reflects their legal responsibilities.

Code of Business Conduct

The Code of Business Conduct for employees and the Executive Board expresses the high standards that we require from our employees and Executive Board members and how we deal with customers, business partners, and shareholders. SAP sees its Code of Business Conduct as the standard applicable to all dealings involving customers, business partners, vendors, shareholders, and competitors. By following our Code of Business Conduct, we demonstrate a commitment against all forms of unfair competitive practice, corruption, and misrepresentation.

Compliance

The Executive Board ensures that SAP AG and SAP Group companies comply with the requirements of the law and of our internal policies. We have deployed compliance officers throughout the company to monitor adherence to those requirements. Also, our chief global compliance officer has a dedicated compliance team to harmonize compliance work across the Group. This team is tasked with regularly reviewing and if necessary revising the Group's internal policies, such as our Code of Business Conduct and our Third Party Sales Commission Policy, delivering related training, and maintaining the development of the controls designed to ensure compliance with our internal policies. In addition, the compliance team coordinates the shared work of all compliance officers in the Group.

In 2007, the compliance team started a training program, which will be continued in 2008. The objective of the program is to deliver knowledge of the pertinent requirements of the law and of SAP's policies to all SAP employees who need it, from directors and executives of SAP Group companies, to their vice-presidents, to sales employees

throughout the Group. The Executive Board and members of the compliance team report regularly to the Supervisory Board and the Audit Committee on the compliance control structures set up by the Executive Board and on the work of the compliance team.

Risk Management

In German stock-corporation and commercial law, there are special requirements for internal risk management that apply to SAP. Our global risk management system therefore supports risk planning, identification, analysis, handling, and resolution. We also create standard documentation of all our internal control mechanisms and continually evaluate their effectiveness.

As an issuer on the NYSE, SAP is also required to adhere to requirements under the U.S. Sarbanes-Oxley Act. In 2006, we embarked for the first time on an assessment of our internal control structure for financial reporting in accordance with the complex requirements defined by the Sarbanes-Oxley Act, section 404, and we repeated the exercise in 2007.

The auditor for the SAP Group, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft is auditing the Executive Board's assessment of the effectiveness of the Company's internal control over financial reporting as well as the effectiveness of that control on December 31, 2007. The audit has not found any indication by March 19, 2008, that it was not effective on December 31, 2007.

The management of SAP's subsidiaries uses our internal certification system to confirm, among other things, the accuracy of its financial reporting. In particular, it confirms that, in all key areas, the financial data appropriately reflects the assets, finances, income, and cash flows of the units in the reports. SAP must also confirm that the management of each unit has verified its own disclosure controls and procedures and found that they were working at the end of the reporting period in question. This confirmation – in addition to the confirmation of adequate procedures from Executive Board members and regional management – forms the basis for the certifications that, according to the Sarbanes-Oxley Act, the CEO and CFO must sign and submit to the U.S. Securities and Exchange Commission (SEC) along with the Form 20-F annual report. In the certifications, SAP's CEO and CFO confirm that the details in Form 20-F are correct and that SAP's financial statements appropriately reflect SAP's assets, finances, and income in all key areas. They also confirm that the functioning of the disclosure controls and procedures was evaluated and that Form 20-F reports on the outcome of this evaluation and on any significant changes to it. These processes are supported by a software product that SAP developed for that purpose, the management of internal controls (MIC) tool. Another control mechanism deployed at SAP besides the processes described above is standardized reporting across the Group. The internal audit service, the Disclosure Committee, and the Supervisory Board are also closely involved in risk management.

The Disclosure Committee comprises the CEO, the CFO, and six more members. It met nine times in 2007. It has a duty to support the internal control procedures for financial reporting and in particular to deliberate on disclosure requirements and disclosures relating to the occurrence of material events of significance for the financial markets. In addition, the Disclosure Committee discusses the content and scope of the Company's ad-hoc disclosures (current reports) required by law, press statements, and regular reports. These include the annual report, the annual report on Form 20-F, and the quarterly press statements and reports.

Applying International Corporate Governance Standards

As an NYSE-listed company, SAP is subject to U.S. financial legislation and to the rules of the SEC and NYSE.

Besides implementing the requirements of the Sarbanes-Oxley Act, section 404, set out above, and other Sarbanes-Oxley Act requirements, we fulfill the rules for foreign private issuers set out in the NYSE Listed Company Manual, section 303A.06. These rules govern the establishment and membership of an audit committee and SAP's related duties to report to the NYSE.

In accordance with the NYSE Corporate Governance Rules, SAP has – as in the past two years – stated the extent to which the German corporate governance rules deviate from the rules that apply to U.S. companies listed on the NYSE. The report on the main deviations from the NYSE Corporate Governance Rules is available on SAP's Web site at www.sap.com/corpgovernance.

Transparency, Communication, and Service for Shareholders

Our shareholders can obtain full and timely information about SAP on our Web site and access current and historical company data. Among other information, SAP posts all of its financial reports, all relevant news about the Company's governing bodies, corporate governance documentation, news in frequently-asked-question format on current business measures, information requiring ad-hoc (current) disclosure, press releases, and news of directors' dealings notifiable pursuant to the German Securities Trading Act, section 15a.

Shareholders are also able to participate in the Annual General Meeting of Shareholders over the Internet. They can vote according to their shares at the meeting by instructing a proxy of their choice or one of the proxies provided for that purpose by SAP. All of the documentation related to the Annual General Meeting of Shareholders is posted in good time on SAP's Web site at www.sap.com/AGM.

Financial Statements

The May 2007 Annual General Shareholders' Meeting elected KPMG as the auditor. We prepare financial statements for SAP AG alone in accordance with the German Commercial Code, and our statutory financial statements are prepared in accordance with International Financial Reporting Standards (IFRS). We also voluntarily prepare financial statements in accordance with U.S. GAAP. The Executive Board is responsible for the SAP AG financial statements and the consolidated financial statements. The Supervisory Board approves the SAP AG financial statements and the statutory consolidated financial statements.

Executive Board and Supervisory Board Compensation Information Pursuant to Section 3.10 of the Code

The Code recommends that certain details of Executive and Supervisory Board member compensation and share ownership, stock options, and similar incentives be included in the corporate governance report or rather in the compensation report as part of the corporate governance report. These details as well as the legally required information about Executive and Supervisory Board members' compensation are all available in the compensation report. The compensation report is part of the audited Review of SAP Group Operations as well as forming part of this corporate governance report. The Supervisory Board has approved the Review of SAP Group Operations, including the compensation report, and adopted the compensation report's content for the purpose of corporate governance and compensation reporting as required by the Code.

REPORT OF THE SUPERVISORY BOARD

COOPERATION AND CONTROL



Dear Shareholders,

In 2007, we exceeded our own forecasts for growth in software and software related service revenue significantly. Moreover, our share of the highly competitive software market grew faster in 2007 than it had done in 2006. These successes reflect how we systematically implemented our growth strategy, which is based primarily on organic growth complemented by targeted acquisitions. We further strengthened SAP's position in the business software market and, at the same time, introduced breakthrough innovations in the software industry.

Our two most important milestones last year were the launch of the new SAP Business ByDesign solution for midsize companies and the announcement of the friendly takeover of French software company Business Objects S.A. With the on-demand solution SAP Business ByDesign, we are creating a completely new business model alongside our established business. Thanks to the acquisition of Business Objects S.A., SAP is taking the top spot in the market for business performance optimization, enabling management in real time. We can therefore look back on a year in which our innovativeness and policy of stable growth ensured that we again made a sustained contribution to our customers' success.

The SAP Supervisory Board closely monitored the work of the SAP Executive Board. In-depth and cooperative dialog with the Executive Board enables us to efficiently organize and perform our duties. That is why this report starts by explaining the ongoing partnership between the two Boards. The report also focuses on the main topics discussed by the Supervisory Board, the work of its committees, corporate governance at SAP, and the audit of the SAP AG and consolidated financial statements.

Cooperation Between the Executive and Supervisory Boards

In 2007, we discharged the duties imposed on us by the law and by the Company's Articles of Incorporation. We were regularly consulted by the Executive Board on the running of the Company and we scrutinized and monitored the work of the management. We monitored the Executive Board's management of the SAP Group with regard to legality, correctness, appropriateness, and cost-effectiveness. In particular, the Supervisory Board examined risk management, which included a discussion with the auditor. The Supervisory Board believes that risk management fully meets the requirements placed on it. In addition, the Executive and Supervisory Boards consulted on the Company's strategic orientation and regularly discussed its progress in implementing the strategy. We were involved whenever decisions of fundamental importance to SAP were made.

The Supervisory Board regularly received full and timely reports from the Executive Board, both from members in person and in written documents. The reports chiefly concerned planning, the Company's business performance including the risk situation, risk management, compliance, and transactions of special significance for SAP. The Executive Board also indicated when the course of business deviated from the plans and targets and explained these deviations.

The content and scope of the Executive Board's reports fully met the requirements that the Supervisory Board had placed on them. In addition, the Supervisory Board received supplementary information from the Executive Board. In particular, the Executive Board was available at Supervisory Board meetings for discussions and to answer our questions. We checked the information received from the Executive Board for plausibility as well as critically examining and discussing it. The Supervisory Board maintains a list of transactions for which the Executive Board requires the Supervisory Board's consent. We update the list regularly as required, most recently in 2006. The Supervisory Board dealt with the transactions on this list presented by the Executive Board and examined them thoroughly in cooperation with the Executive Board, focusing particularly on the benefits and effects of these transactions. The Supervisory Board agreed to all transactions where its consent was required.

The chairperson of the Supervisory Board was also kept fully informed between meetings of the Supervisory Board and its committees. For example, the CEO and the chairperson of the Supervisory Board met regularly to discuss SAP's strategy, current progress in business, and risk management as well as other key topics and decisions that arose. The CEO informed the Supervisory Board chairperson without delay of important events that were significant in the assessment of SAP's situation and progress or for the management of the Company.

As it does every year, the Supervisory Board discussed the Executive Board compensation regulations at the Compensation Committee's suggestion.

Supervisory Board Meetings

In 2007, there were four ordinary, one constituent, and four extraordinary Supervisory Board meetings. All resolutions of the Supervisory Board were made by the full committee in these meetings. The Supervisory Board discussed the following topics and, where necessary, adopted resolutions:

At our February 15, 2007, meeting, we discussed the 2006 fourth quarter and full-year results, business over the year, and implementation of the Company's strategy in 2006. We also received and discussed a report on the strategy for 2007 from the Executive Board and agreed to the planning for 2007 presented by the Executive Board, particularly the capital expenditure budget and cash plan. After an in-depth discussion, the Supervisory Board consented to the maximum total budget for awarding virtual stock options under the new SAP Stock Option Plan (SOP) 2007 and for awarding stock appreciation rights (STARs). It also consented to the appointment of a corporate officer of the SAP Group and approved a legal transaction between SAP AG and a Supervisory Board member. The meeting received annual reports from the corporate governance officer and the compliance officer. The reports did not identify any breaches of the applicable rules or any special occurrences. We also received a summary from the Executive Board of the equity investments made in 2006. The Compensation Committee, Finance and Investment Committee, Technology Committee, and

Audit Committee reported on topics discussed at their recent meetings. The Technology Committee's report dealt with medium-term product planning and the latest technological developments. Following the Compensation Committee's report and at its recommendation, the Supervisory Board decided to extend Henning Kagermann's term as CEO of SAP AG from January 1, 2008, through May 31, 2009. This extension is in line with the usual practice of the Supervisory Board when extending the term of office of Executive Board members over the age of 60, which is to only grant an extension of approximately one year.

At its March 21, 2007, meeting, the Supervisory Board focused on the documents concerning the 2006 financial statements, the audit conducted by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (KPMG), and the Executive Board's proposed resolution on the appropriation of retained earnings for 2006. The Audit Committee reported, among other things, on the form and scope of its examination of the documents concerning the financial statements and recommended that the Supervisory Board approve them. The auditor attended the meeting and reported in detail on the results of its audit. The auditor then discussed the results with the Supervisory Board and answered its questions. The Supervisory Board approved the audit. After the final result of its own audit, the Supervisory Board did not raise any objections to the financial statements for 2006 and it approved them. We checked and endorsed the Executive Board's proposal to appropriate retained earnings. In addition, we passed our proposed resolutions for the agenda of the May 2007 Annual General Meeting of Shareholders, which included approving the proposal to the Meeting concerning the election of an auditor. Also in relation to the agenda for the May 2007 Annual General

Meeting of Shareholders, the shareholder representatives on the Supervisory Board voted on the proposed candidates for election as shareholder representatives on the Supervisory Board. A further item on the agenda at this meeting was a report on business in the first quarter of 2007. The Supervisory Board approved various legal transactions between SAP and individual Executive and Supervisory Board members. The General Committee, Compensation Committee, Technology Committee, and Finance and Investment Committee gave reports on their recent committee meetings.

In our extraordinary meeting on March 28, 2007, we dealt with personnel changes on the Executive Board. The chairperson of the Supervisory Board explained the wish of Executive Board member Shai Agassi to leave the company by mutual agreement. The Supervisory Board consented to this and asked the Compensation Committee to negotiate and conclude a termination agreement with Shai Agassi. The Supervisory Board then decided to appoint Léo Apotheker as deputy CEO. The Supervisory Board also approved the appointment of a corporate officer of the SAP Group.

Our extraordinary meeting on May 4, 2007, focused on the acquisition of OutlookSoft Corporation of Stamford, Connecticut, United States. The Executive Board presented the planned transaction to the Supervisory Board for approval. As preparation for the resolution, the Finance and Investment Committee reported on its meeting of May 3, 2007, at which it had concentrated on the possible acquisition of OutlookSoft and come to a positive conclusion. We discussed the technological and financial aspects of the acquisition in detail with the Executive Board. The Supervisory Board then approved the acquisition of the company.

At the close of the Annual General Meeting of Shareholders on May 10, 2007, the term of office of all Supervisory Board members then in office ended. Therefore, the Annual General Meeting of Shareholders elected eight shareholder representatives. The regular election of the eight employee representatives on the Supervisory Board had taken place previously in April 2007. Immediately after the Annual General Meeting of Shareholders, the newly elected Supervisory Board held its constituent session and elected Hasso Plattner as its chairperson and Lars Lamadé as his deputy. The Supervisory Board also appointed the members of its individual committees.

At the meeting on July 27, 2007, we mainly discussed business in the second quarter of 2007, an assessment of the first half of the year and the forecast for the second half, and further planning. The Executive Board informed us about progress in the development of SAP Business ByDesign and about SAP's competitive situation in general.

Furthermore, the Supervisory Board approved the foundation of two new companies in Saudi Arabia and one in Dubai to take over the software licensing and maintenance business of previous partner SAP Arabia, including the conditions of the acquisition, which the Executive Board explained. The Executive Board also reported to us on the status of the lawsuit filed by Oracle against SAP AG and its subsidiary TomorrowNow. The Finance and Investment Committee, Audit Committee, Technology Committee, and Compensation Committee reported on the work at their last committee meetings.

At two extraordinary meetings on September 27, 2007, and October 7, 2007, the Supervisory Board thoroughly discussed the preparation and structure of SAP's tender offer to the shareholders of Business Objects S.A. In the September 27, 2007, meeting, the Executive Board provided extensive information about the main reasons behind the planned acquisition and about its financing. It also talked in detail about Business Object S.A.'s rating in relation to the planned transaction, the integration strategy, possible synergy effects, and the risks of the acquisition. Afterwards, the Supervisory Board authorized the Executive Board to enter into negotiations on the conclusion of a tender offer agreement with Business Objects S.A. It also authorized the Finance and Investment Committee to approve a purchase price range for the Business Objects shares to enable the Executive Board to negotiate with the management of Business Objects S.A. on the basis of a specific purchase price indication. In the October 7, 2007, meeting, the Executive Board provided us with detailed information about the progress and outcome of the negotiations that had been held in the meantime and about the structure of the tender offer's financing. Moreover, it explained the individual legal steps and the conditions of the tender offer. After an in-depth discussion, the Supervisory Board consented to the conclusion of the

tender offer agreement with Business Objects S.A. and the conclusion of financing contracts at the conditions presented by the Executive Board.

The topics covered at the Supervisory Board meeting on October 26, 2007, were business in the third quarter 2007, the forecast for the fourth quarter 2007, and the forecast for fiscal year 2008. The Executive Board reported to us on SAP's competitive situation, the activities of the main competitors, and the status of the legal proceedings with Oracle in the United States. We approved an amendment to the Articles of Incorporation, which was required due to the cancellation of 23 million shares and the resulting decrease in capital stock from €1,269,040,112 to €1,246,040,112. To implement the new and extended requirements of the German Corporate Governance Code ("Code"), the Supervisory Board decided to amend the rules of procedure of the Audit Committee, adding to them responsibility for monitoring compliance and ensuring the compliance of the control structures implemented by the Executive Board. To reflect new recommendations in the Code, we decided to form a Supervisory Board Nomination Committee. In addition, the Supervisory Board determined the independence of Supervisory Board members and approved the declaration of implementation of the Code. In relation to this, we agreed to stop updating SAP's Principles of Corporate Governance because the continuously evolving Code, together with the increase in pertinent legislation, has made the maintenance of our own Principles redundant. The Finance and Investment Committee, Audit Committee, Compensation Committee, and Technology Committee reported on the work at their last committee meetings.

The Work of the Supervisory Board Committees

The work of the Supervisory Board Committees supported us effectively. The General Committee, Compensation Committee, Finance and Investment Committee, Audit Committee, and Technology Committee all convened regular meetings.

Due to the election of new shareholder representatives and employee representatives on the Supervisory Board, there were changes to the committees' membership. The Compensation Committee grew from three to five members, while the Technology Committee increased from six to seven members.

The duties of the six-strong **General Committee** include coordinating the Supervisory Board's work, dealing with corporate governance topics, and allocating virtual stock options to employees under the new SAP SOP 2007. Its chairperson is Hasso Plattner.

The five-member **Compensation Committee**, also chaired by Hasso Plattner, carries out the preparatory work necessary for the personnel decisions made by the Supervisory Board, particularly with regard to the compensation – including share-based compensation – of Executive Board members and the conclusion of, amendments to, and termination of their employment contracts.

The **Finance and Investment Committee**, with four members, is responsible for matters related to financing as well as acquisitions and minority investments. Its chairperson was August-Wilhelm Scheer in 2007.

The **Audit Committee** is responsible for matters relating to financial reporting and auditing as well as risk management. It has four members and is chaired by Erhard Schipporeit. In line with the new and extended recommendations of the Code, compliance as one of the Audit Committee's supervisory functions has been added to the committee's rules of procedure for the sake of clarity.

The **Technology Committee**, which has seven members, regularly reviews the Company's strategy with regard to the development and deployment of technologies and software. It advises the Executive Board on technological and strategic decisions and on planned investments in research and development. It also monitors the implementation of the Company's strategy in terms of its technological direction and spending in this area. Hasso Plattner chairs the committee.

German law requires a **Mediation Committee**, which is responsible solely for drawing up personnel proposals if the required two-thirds majority is not reached when appointing and dismissing Executive Board members. Thus far, SAP has not required action from the Mediation Committee.

A new addition is the **Nomination Committee**, which the Supervisory Board decided to form at its meeting on October 26, 2007. It is composed solely of shareholder representatives. The Nomination Committee has three members and is chaired by Hasso Plattner. Its task is to define the requirements for SAP Supervisory Board members and suggest suitable candidates for nomination for election at the Annual General Meeting of Shareholders.

More information about the Supervisory Board committees, particularly their members, is available on SAP's Web site at www.sap.com/about/governance/supervisory.

During 2007, the committees focused on the following topics:

- The **General Committee** decided on the allocation of virtual stock options to employees under SAP SOP 2007 and the STAR program and on the use of treasury shares to satisfy conversion and subscription rights attaching to convertible bonds and stock options respectively that were granted to beneficiaries of employee stock option plans. It held two meetings in 2007.
- The **Compensation Committee** held five meetings. Among other matters, it deliberated and decided on changes to Executive Board compensation, stock option allocations to Executive Board members, and succession planning. The committee also dealt with the extension of Henning Kagermann's contract as a member of the Executive Board and, on behalf of the Supervisory Board, negotiated the agreement for termination by mutual consent from April 1, 2007, with former Executive Board member Shai Agassi.
- The **Finance and Investment Committee** held three meetings. It deliberated and decided on various acquisitions and minority investments. At the May 2007 meeting, the committee focused on the acquisition of OutlookSoft and decided to recommend this acquisition to the Supervisory Board. It assessed the development of the SAP NetWeaver Fund, which was established in 2006 to invest in companies operating in the SAP NetWeaver technology platform field. It dealt with the reorganization of SAP's business in Arabia with two companies in Saudi Arabia and one in Dubai created especially to take over software licensing and related services. It also approved a purchase price range for the Business Objects shares and thereby enabled the Executive Board to negotiate with the management of Business Objects S.A. on the basis of a specific purchase price indication.

- The **Audit Committee** met four times. It deliberated on the SAP AG and consolidated financial statements and the reviews of SAP AG and SAP Group operations, and the Form 20-F annual report for fiscal year 2006, the Executive Board's proposal for the appropriation of retained earnings, the progress of risk management in the SAP Group, the examination of the internal control structure as required by the U.S. Sarbanes-Oxley Act, section 404, and compliance in the SAP Group. It discussed the 2006 full-year and quarterly results, the results of the 2006 audit of the financial statements, and the auditor's quarterly reviews of software revenue. Besides these discussions in the committee meetings, the Executive Board held telephone conferences with the Audit Committee before the announcement of the preliminary quarterly results to inform committee members about the preparation and auditing of the quarterly financial reports and about the preliminary quarterly results. The Audit Committee studied SAP's progress in business and the quarterly results regularly throughout 2007. It did work preparatory to the Supervisory Board's proposal to the 2007 Annual General Meeting of Shareholders with respect to the election of an auditor and, with the auditor, decided on the focus areas of the audit. The committee also determined the auditor's fee and decided how it would be shared among the subsidiaries to be audited. The auditor attended all Audit Committee meetings and reported in depth on its audit work and quarterly reviews of software revenue.
- The **Technology Committee** held three meetings in 2007. It discussed the key developments in the software industry in the coming years and SAP's underlying strategy for its product and solution portfolio. It deliberated in detail on the work of the central software architecture group and the state of development of the SAP applications. At one meeting, the committee looked at how the integration of SAP's recent acquisitions was progressing.

The regular reports from the committees ensured that we received comprehensive information about all matters covered by the committees and were therefore able to discuss and deliberate on these topics thoroughly.

Corporate Governance

SAP's corporate governance officer monitored, and reported in detail to the Supervisory Board on, adherence to the recommendations in the Code with which SAP complies and to SAP's Principles of Corporate Governance, which have been discontinued. There were no conflicts of interests with regard to Supervisory Board members pursuant to the Code, section 5.5.2. The Supervisory Board granted its consent to the conclusion of contracts with Supervisory Board members where its consent was required. Prior to the constituent session of the newly elected Supervisory Board, the Supervisory Board then in office had held four meetings, although one Supervisory Board member attended less than half of these meetings. Moreover, one of the newly elected Supervisory Board members, who has been in office since May 10, 2007, attended less than half of the five meetings of the new Supervisory Board.

Corporate governance is a process of continuous development at SAP. Thus, we examined the new and extended recommendations and suggestions of the Code that were announced in June 2007. In the past, SAP has continually reviewed its Principles of Corporate Governance and, where necessary, adapted them to changes and additions to the Code as they were introduced. When we reviewed our Principles in October 2007, we concluded that the gap between them and the Code had greatly reduced over time and that changes to the legislation and current practice had made provisions in the Principles obsolete. The continuously evolving Code, together with the increase in pertinent legislation, has made the maintenance of our own Principles redundant. SAP has therefore discontinued its Principles of Corporate Governance. In the future, when discussing corporate governance standards, we will refer to the Code only. Detailed information about compliance with the Code is available in the Executive and Supervisory Boards' corporate governance report, as required by section 3.10 of the Code.

Shareholders' Legal Proceedings Against AGM Resolutions

Shareholders brought legal proceedings against individual resolutions of the Annual General Meeting of Shareholders on May 9, 2006. As well as the increase in subscribed capital from corporate resources, they challenged the resolutions formally approving the acts of the Executive and Supervisory Boards, the change to Supervisory Board compensation, the powers to acquire and use treasury shares, and the powers to use equity derivatives to repurchase shares. The increase in subscribed capital from corporate resources and further changes to the Articles of Incorporation approved by the Annual General Meeting of Shareholders on May 9, 2006, were entered in the commercial register on December 15, 2006, after the court granted an interim release, and thus became effective. The Heidelberg district court had already ruled against the main actions at the first instance. The plaintiffs then filed an appeal against the ruling with the regional appellate court in Karlsruhe, which means the main actions have not yet ended. Both the Supervisory and Executive Boards see no reason for nullifying or challenging the resolutions of the Annual General Meeting of Shareholders and are therefore jointly defending them.

Financial Statements and Reviews of Operations

KPMG again audited the SAP AG and consolidated accounts in 2007. The Annual General Meeting of Shareholders on May 10, 2007, elected that firm as the SAP AG and SAP Group auditor. Before proposing KPMG to the Annual General Meeting of Shareholders as auditor for the year, the chairperson of the Supervisory Board and the Audit Committee had obtained confirmation from the firm that circumstances did not exist that might prejudice its independence as the auditor.

KPMG examined the SAP AG financial statements prepared in accordance with the German Commercial Code, the SAP AG review of operations, the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as required by the German Commercial Code, section 315a, the consolidated financial statements voluntarily prepared in accordance with U.S. GAAP, and the reviews of SAP Group operations based on these consolidated financial statements, comparing them with the records on which they were based, and certified them without qualification. The auditor thus confirmed that, in its opinion based on the findings of the audit, the SAP AG and consolidated financial statements, in accordance with the applicable accounting regulations, accurately present SAP AG's and the SAP Group's assets, finances, and income.

All Audit Committee and Supervisory Board members received the documents concerning the financial statements mentioned above, the audit reports prepared by KPMG, and the Executive Board's proposal for the appropriation of retained earnings in good time.

Taking KPMG's audit reports into account, the Audit Committee and Supervisory Board audited the documents concerning the financial statements themselves after the Executive Board had explained them. The auditor attended the meeting of the Audit Committee on April 1, 2008, and the audit meeting of the full Supervisory Board on April 2, 2008, and reported on the audit and the results of the audit in detail. During the discussion with the auditor, both the Audit Committee and the Supervisory Board asked detailed questions about the form, scope, and results of the audit. Furthermore, the Audit Committee reported to the Supervisory Board on its audit of the financial statements, its discussions with the auditor, and its examination of the internal control structure. The Audit Committee and Supervisory Board were able to satisfy themselves that KPMG had conducted the audit properly. In particular, they concluded that both the audit reports and the audit itself fulfilled the legal requirements.

The Supervisory Board approved the audit and, because it did not raise any objections after the final result of its audit, gave its consent to the SAP AG financial statements, the consolidated financial statements, and the reviews of SAP AG and SAP Group operations. The financial statements and reviews of operations were thus formally adopted. The Supervisory Board's opinion of the Company and the Group coincided with that of the Executive Board as set out in the reviews of SAP AG and SAP Group operations. The Supervisory Board checked the proposal presented by the Executive Board for the appropriation of retained earnings, focusing on the stringency of the payout policy, the effects on liquidity, creditworthiness, and future financing requirements of SAP AG, as well as taking shareholders' interests into account – which included a discussion with the auditor. It then endorsed the Executive Board's proposal.

Changes on the Supervisory and Executive Boards

At the end of the Annual General Meeting of Shareholders on May 10, 2007, Christiane Kuntz-Mayr, Barbara Schennerlein, Bernhard Koller, Klaus Tschira, and Dieter Spöri stepped down from the Supervisory Board. Thomas Bamberger, Panagiotis Bissiritsas, Peter Koop, Joachim Milberg, and Klaus Wucherer were elected to the Supervisory Board for the first time, joining existing Supervisory Board members who had been reelected. With effect from April 1, 2007, Shai Agassi left the Executive Board. Following the successful acquisition of Business Objects S.A., its chief executive officer John Schwarz was appointed to the SAP AG Executive Board, effective March 1, 2008.

Supervisory Board member August-Wilhelm Scheer, who was a member of our Company's first Supervisory Board, stepped down from the Supervisory Board with effect from April 3, 2008. The Supervisory Board would like to thank August-Wilhelm Scheer for his many years of work on the Supervisory Board and for his valuable contributions to our business and product strategies. At its meeting on April 2, 2008, the Supervisory Board resolved to propose to the Annual General Meeting of Shareholders that Bernard Liautaud, the founder of Business Objects S.A., be elected to the Supervisory Board as August-Wilhelm Scheer's successor.

Léo Apotheker, previously deputy CEO of SAP AG, was appointed as co-CEO alongside Henning Kagermann, effective April 2, 2008.

The Supervisory Board thanks the Executive Board, the managers of the group companies, and all employees for their strong commitment and their work in 2007. We would also like to thank our customers and partners, who contributed significantly to our Company's success as well.



Prof. Dr. h.c. Plattner
for the Supervisory Board

COMPENSATION REPORT¹⁾

This compensation report outlines the criteria that we apply to determine compensation for Executive Board and Supervisory Board members, discloses the amount of compensation paid, and describes the compensation packages. It also contains information about Executive Board members' share-based compensation plans, shares held by Executive Board and Supervisory Board members, and the directors' dealings required to be disclosed in accordance with the German Securities Trading Act.

Compensation for Executive Board Members

Compensation Package

The Executive Board members' compensation package is defined by the Compensation Committee, a committee of the Supervisory Board chaired by Hasso Plattner (chairperson of the Supervisory Board). Its other members are Panagiotis Bissiritsas, Wilhelm Haarmann, Gerhard Maier, and Joachim Milberg.

Executive Board members' compensation is intended to reflect the Group's size and global presence as well as our economic and financial standing. The level is internationally competitive to reward committed, successful work in a dynamic environment.

The compensation of the Executive Board as a body is performance-based. It has three elements: a fixed element (salary), a performance-related element (directors' profit-sharing), and a long-term incentive element (share-based compensation).

A compensation target is set for the total of fixed and performance-related elements. We review the compensation target every year in the light of our business and directors' compensation at comparable companies on the international stage. Every year, the Compensation Committee sets the target performance-related compensation, reflecting

the relevant values in SAP's budget for that year. The number of virtual stock options issued in 2007 to each individual member of the Executive Board by way of share-based compensation was decided by the Compensation Committee at its meeting on March 21, 2007, and reflected the fair value of the options.

The following criteria apply to the elements of Executive Board compensation for 2007:

- The fixed element is paid as a monthly salary.
- The amount of performance-related compensation to be paid out in respect of 2007 depends on the SAP Group's achievement of its targets "operating income based on U.S. GAAP," on software and software-related revenue growth at constant currencies, and on the operating margin according to U.S. GAAP. On February 12, 2008, the Supervisory Board's Compensation Committee assessed SAP's performance against the agreed targets and determined how much performance-related compensation was payable. The payment will be made after the Annual General Meeting of Shareholders in June 2008.
- The regular form of share-based compensation is the issue of virtual stock options under the terms of the 2007 stock option plan (SAP SOP 2007). The terms and details of SAP SOP 2007 are reported in Note 27 in the Notes to Consolidated Financial Statements section.

In 2006, Executive Board members received additional nonrecurring, share-based compensation in the form of stock appreciation rights (STARs) awarded under the Incentive Plan 2010, a share-based compensation plan. In 2007, no such nonrecurring compensation was awarded.

Amount of Compensation

Executive Board members' compensation was as follows in fiscal year 2007:

€(000)	Fixed Elements		Performance-Related Element	Regular Long-Term Incentive Elements	Total
	Salary	Other ¹⁾	Directors' Profit-Sharing	Share-Based Compensation (SAP SOP 2007) ²⁾	
Prof. Dr. Henning Kagermann (CEO)	728.5	16.0	4,219.7	949.1	5,913.3
Shai Agassi (member until March 31, 2007) ⁴⁾	161.3	3.1	446.8 ³⁾	-	611.2
Léo Apotheker	485.6	59.0	2,813.1	632.7	3,990.4
Dr. Werner Brandt	443.4	41.3	2,568.5	577.7	3,630.9
Prof. Dr. Claus E. Heinrich	443.4	20.2	2,568.5	577.7	3,609.8
Gerhard Oswald	443.4	14.8	2,568.5	577.7	3,604.4
Dr. Peter Zencke	443.4	28.0	2,568.5	577.7	3,617.6
	3,149.0	182.4	17,753.6	3,892.6	24,977.6

¹⁾ Insurance contributions, benefits in kind, expenses for maintenance of two households due to work abroad, compensation from seats on other governing bodies in the SAP Group.

²⁾ Fair value at the time of allocation.

³⁾ The portion of the directors' profit-sharing for January through March 2007 was calculated on the basis of the actual directors' profit-sharing paid in 2006.

⁴⁾ Shai Agassi left the Executive Board on March 31, 2007. His employment contract with SAP ended on April 30, 2007.

Details of the benefits paid due to early contract termination are set out in the End-of-Service Undertakings section.

The values for regular share-based compensation in the table above result from the following allocations of SAP SOP 2007 virtual stock options granted in 2007.

The following table shows the total Executive Board Compensation including the SAP SOP 2002 stock options granted in 2006 and the STARs granted under the Incentive Plan 2010.

€(000)	Fixed Elements		Performance-Related Element	Regular Long-Term Incentive Elements		Nonrecurring Long-Term Incentive Element	
	Salary	Other ¹⁾	Directors' Profit-Sharing	Share-Based Compensation (SAP SOP 2002) ²⁾	Total Before Nonrecurring Element	Share-Based Compensation (Incentive Plan 2010) ²⁾	Total
Prof. Dr. Henning Kagermann (CEO)	710.7	17.0	2,673.7	949.0	4,350.4	4,680.1	9,030.5
Shai Agassi	474.4	59.5	1,782.5	632.7	2,949.1	3,120.1	6,069.2
Léo Apotheker	473.8	0.3	1,782.5	632.7	2,889.3	3,120.1	6,009.4
Dr. Werner Brandt	432.6	41.3	1,627.5	577.7	2,679.1	1,560.0	4,239.1
Prof. Dr. Claus E. Heinrich	432.6	20.0	1,627.5	577.7	2,657.8	1,560.0	4,217.8
Gerhard Oswald	432.6	14.8	1,627.5	577.7	2,652.6	1,560.0	4,212.6
Dr. Peter Zencke	432.6	27.7	1,627.5	577.7	2,665.5	1,560.0	4,225.5
					20,843.8		38,004.1

¹⁾ Insurance contributions, benefits in kind, compensation from seats on other governing bodies in the SAP Group.

²⁾ Fair value at the time of allocation.

Regular Share-Based Compensation Under SAP SOP 2007

	Quantity	Fair Value of Right at Time of Grant	Total Fair Value of Long-Term Incentive Elements at Time of Grant	Fair Value of Right on Dec. 31, 2007	Total Value on Dec. 31, 2007
		€	€(000)	€	€(000)
Prof. Dr. Henning Kagermann (CEO)	118,637	8.00	949.1	8.53	1,012.0
Shai Agassi	-	-	0		
Léo Apotheker	79,093	8.00	632.7	8.53	674.7
Dr. Werner Brandt	72,216	8.00	577.7	8.53	616.0
Prof. Dr. Claus E. Heinrich	72,216	8.00	577.7	8.53	616.0
Gerhard Oswald	72,216	8.00	577.7	8.53	616.0
Dr. Peter Zencke	72,216	8.00	577.7	8.53	616.0
	486,594		3,892.6		4,150.7

Regular Share-Based Compensation Under SAP SOP 2002 and Nonrecurring Share-Based Compensation Under Incentive Plan 2010 in 2006:

	Regular Share-Based Compensation			Nonrecurring Share-Based Compensation			Total Fair Value of Long-Term Incentive Elements at Time of Grant €(000)
	SAP SOP 2002			Incentive Plan 2010			
	Quantity	Fair Value at Time of Grant	Total	Quantity	Fair Value at Time of Grant	Total	
		€	€(000)		€	€(000)	
Prof. Dr. Henning Kagermann (CEO)	35,851	26.47	949.0	188,182	24.87	4,680.1	5,629.1
Shai Agassi	23,901	26.47	632.7	125,455	24.87	3,120.0	3,752.7
Léo Apotheker	23,901	26.47	632.7	125,455	24.87	3,120.0	3,752.7
Dr. Werner Brandt	21,823	26.47	577.7	62,727	24.87	1,560.0	2,137.7
Prof. Dr. Claus E. Heinrich	21,823	26.47	577.7	62,727	24.87	1,560.0	2,137.7
Gerhard Oswald	21,823	26.47	577.7	62,727	24.87	1,560.0	2,137.7
Dr. Peter Zencke	21,823	26.47	577.7	62,727	24.87	1,560.0	2,137.7
	170,945		4,525.2	690,000		17,160.1	21,685.3

End-of-Service Undertakings

Retirement Pension Plan

Members of the Executive Board receive a retirement pension when they reach the retirement age of 60 and vacate their Executive Board seat or a disability pension if, before reaching the regular retirement age, they become subject to occupational disability or permanent incapacity. A surviving dependent's pension is paid on the death of a former member of the Executive Board. The disability pension is 100% of the vested retirement pension entitlement and is payable until but not after the beneficiary's 60th birthday. The surviving dependent's pension is 60% of the retirement pension or vested disability pension entitlement at death. Entitlements are enforceable against SAP AG.

The benefit payable has been agreed with the active Executive Board members. If service is ended prematurely, pension entitlement is reduced in proportion as the actual length of service stands in relation to the maximum possible length of service.

On January 1, 2000, SAP AG introduced a contributory retirement pension plan. At that time, the performance-based retirement plan was discontinued for Executive Board members. Entitlements accrued up to December 31, 1999, were unaffected. The benefits are derived from any accrued entitlements on December 31, 1999, under performance-based pension agreements and a salary-linked contribution for the period commencing January 1, 2000. The contribution is 4% of applicable compensation up to the applicable income threshold plus 14% of applicable compensation above the applicable income threshold. For this purpose, applicable compensation is 90% of target annual salary. The applicable income threshold is the statutory annual income threshold for the state pension plan in Germany (West), as amended from time to time.

An exceptional agreement applies to Executive Board member Léo Apotheker. Léo Apotheker's agreement provides only for a retirement pension, and the pension contribution reflects his participation in the French social security system. Former Executive Board member Shai Agassi has rights to future benefits under the pension plan of SAP America Inc. The accrual was significantly reduced in 2007 because, when Shai Agassi left SAP, the rights to future benefits were paid out as a lump sum using the legal options available in the United States. Henning Kagermann's rights to retirement pension benefits will be increased by further annual contributions because he has remained a member of the Executive Board after his 60th birthday.

The following table shows the change in total projected benefit obligation (PBO) and in the total accruals for pension obligations to Executive Board members:

€(000)	Prof. Dr. Henning Kagermann (CEO)	Shai Agassi	Léo Apotheker	Dr. Werner Brandt	Prof. Dr. Claus E. Heinrich	Gerhard Oswald	Dr. Peter Zencke	Total
PBO January 1, 2006	5,592.1	172.0	462.1	529.4	3,252.4	3,525.8	4,127.5	17,661.3
Less plan assets market value January 1, 2006	3,952.4	113.6	579.1	313.8	1,512.3	1,732.5	2,559.7	10,763.4
Accrued January 1, 2006	1,639.7	58.4	-117.0	215.6	1,740.1	1,793.3	1,567.8	6,897.9
PBO change in 2006	- 257.4	184.8	- 16.7	63.9	- 237.1	- 241.5	- 251.6	- 755.6
Plan assets change in 2006	630.1	132.8	24.3	94.4	251.1	282.6	387.3	1,802.6
PBO December 31, 2006	5,334.7	356.8	445.4	593.3	3,015.3	3,284.3	3,875.9	16,905.7
Less plan assets market value December 31, 2006	4,582.5	246.4	603.4	408.2	1,763.4	2,015.1	2,947.0	12,566.0
Accrued December 31, 2006	752.2	110.4	- 158.0	185.1	1,251.9	1,269.2	928.9	4,339.7
PBO change in 2007	530.5	- 320.9	- 22.9	20.4	- 284.4	- 269.5	- 228.4	- 575.2
Plan assets change in 2007	645.5	- 199.0	27.0	102.5	265.3	301.3	407.9	1,550.5
PBO December 31, 2007	5,865.2	35.9	422.5	613.7	2,730.9	3,014.8	3,647.5	16,330.5
Less plan assets market value December 31, 2007	5,228.0	47.4	630.4	510.7	2,028.7	2,316.4	3,354.9	14,116.5
Accrued December 31, 2007	637.2	- 11.5	- 207.9	103.0	702.2	698.4	292.6	2,214.0

The following table shows the annual pension entitlement of each member of the Executive Board on reaching age 60 based on entitlements from performance-based and salary-linked plans vested on December 31, 2007:

€(000)	Vested on Dec. 31, 2007	Vested on Dec. 31, 2006
Prof. Dr. Henning Kagermann (CEO)	322.7 ¹⁾	289.8
Shai Agassi	13.2	13.5
Léo Apotheker	45.5	45.5
Dr. Werner Brandt	41.0	34.4
Prof. Dr. Claus E. Heinrich	175.2	165.5
Gerhard Oswald	192.8	184.6
Dr. Peter Zencke	216.9	207.2

¹⁾ Due to the extension of Henning Kagermann's contract beyond his 60th birthday, this value represents the retirement pension entitlement that he would receive after his current Executive Board contract expires on May 31, 2009, based on the entitlements vested on December 31, 2007.

These are vested entitlements. To the extent that members continue to serve on the Executive Board and that therefore more contributions are made for them in the future, pension actually payable at age 60 will be more than shown in the table.

In 2007, pension benefits of €743,000 were paid to former Executive Board members (2006: €725,000). On December 31, 2007, the projected benefit obligation for former Executive Board members was €11,587,000 (2006: €12,541,000).

Early Termination

The standard contract for all Executive Board members since January 1, 2006, provides that on termination before full term, SAP AG will pay to the member the outstanding part of the compensation target for the entire remainder of the term, appropriately discounted for early payment. A member has no claim to that payment if he or she leaves SAP for reasons for which he or she is responsible.

If an Executive Board member's post on the Executive Board expires or ceases to exist because of, or as a consequence of, change or restructuring or due to a change of control, SAP AG and each Executive Board member has the right to terminate the employment contract within eight weeks of the occurrence by giving six months' notice. There is a change of control when a takeover obligation to the shareholders of SAP AG arises under the German Securities Acquisition and Takeover Act, when SAP AG merges with another company and becomes the subsumed entity, or when a control or profit transfer agreement is concluded with SAP AG as the dependent company. An Executive Board member's contract can also be terminated before full term if his or her appointment as an SAP AG Executive Board member is revoked in connection with a change of control.

During the continuance of a 12-month postcontractual noncompete period, an Executive Board member is paid abstention compensation corresponding to 50% of his or her final average contractual compensation. SAP can deduct the abstention compensation from any other amount it owes the member such as a pension.

Payments of €3,910,400 were agreed for Shai Agassi in relation to the ending of his contract with SAP on April 30, 2007, in accordance with the above agreements on payments made for early termination and the postcontractual noncompete period. Abstention compensation paid for the postcontractual noncompete period was not deducted from the pension amounts payable by SAP.

Long-Term Incentives for the Executive Board

Members of the Executive Board hold virtual stock options under SAP SOP 2007, STARs under the Incentive Plan 2010, stock options under SAP SOP 2002, and stock options and convertible bonds under the LTI Plan 2000 that were granted to them in previous years. The terms and details of these plans are reported in Note 27 in the Notes to Consolidated Financial Statements section.

SAP SOP 2007

The table below shows Executive Board members' holdings, on December 31, 2007, of virtual stock options issued under the SAP SOP 2007 plan since its inception.

The exercise price for an option is 110% of the base price. The base price is the average closing price of one SAP share in the Frankfurt stock exchange Xetra trading system over the 20 consecutive business days immediately starting the day after the announcement of the Company's preliminary annual results. The premium of 10%, which is payable in addition to the base price, serves the purpose of rendering the exercise of the option economically reasonable only after the stock exchange price of the SAP share has risen by at least 10% as compared with the price used to determine the base price. The issued options have a term of five years and can only be exercised on specified dates after the two-year vesting period. Therefore, none of the options held could be exercised on December 31, 2007.

SAP SOP 2007 Stock Options

	Holding on Dec. 31, 2007	Fair Value of Unit at Time of Grant	Fair Value of Unit on Dec. 31, 2007	Accrual on Dec. 31, 2007
	Quantity of Options	€	€	€(000)
Prof. Dr. Henning Kagermann (CEO)	118,637	8.00	8.53	379.5
Léo Apotheker	79,093	8.00	8.53	253.0
Dr. Werner Brandt	72,216	8.00	8.53	231.0
Prof. Dr. Claus E. Heinrich	72,216	8.00	8.53	231.0
Gerhard Oswald	72,216	8.00	8.53	231.0
Dr. Peter Zencke	72,216	8.00	8.53	231.0
	486,594			1,556.5

Incentive Plan 2010

The additional nonrecurring share-based compensation awarded in 2006 comprises STARs for the Incentive Plan 2010 share-based compensation plan. The plan is a non-recurring incentive with a term of up to five years, intended to give more encouragement than previously for innovation and to ensure the Executive Board actions remain focused on a long-term goal. The Incentive Plan 2010 is a share-based compensation plan intended to reward a substantial increase in our market capitalization. The Executive Board will qualify for payout under the plan only if, not later than the end of 2010, SAP's average market capitalization during the last six months of a year is not less than 50% greater than its average value between July 1 and December 31, 2005, and SAP stock outperforms the GSTI Software Index over the same period. Payouts are scaled as follows:

- If market capitalization does not increase by 50% or more, the Executive Board will not receive a payout.
- If market capitalization increases by more than 50% but less than 100%, target achievement will be measured progressively.
- If SAP's market capitalization increases not less than twofold during the said period, the Executive Board will receive a payout of €100 million.

The STARs awarded to Executive Board members under this plan expire on December 31, 2010. If the target 100% increase in market capitalization is reached at an earlier date, while at the same time the stock is outperforming the GSTI Software Index, the plan ends at that earlier date. All payouts under the plan are cash; no new SAP shares will be issued. A beneficiary cannot exercise a STAR if he or she would take a windfall profit; that is, a substantial extraordinary unforeseen profit arising out of circumstances not intended by the Executive Board. All decisions in this regard or concerning appropriate reduction of plan payouts are at the sole discretion of the Compensation Committee of the Supervisory Board. The terms and details of this plan are reported in Note 27 in the Notes to Consolidated Financial Statements section.

Nonrecurring Share-Based Compensation: Incentive Plan 2010

	Original Quantity Granted	Fair Value of Unit at Time of Grant	Fair Value of Unit on Dec. 31, 2007	Accrual on Dec. 31, 2007
	Number of Rights	€	€	€(000)
Prof. Dr. Henning Kagermann (CEO)	188,182	24.87	8.06	575.3
Shai Agassi	125,455 ¹⁾	24.87	8.06	0.0
Léo Apotheker	125,455	24.87	8.06	383.5
Dr. Werner Brandt	62,727	24.87	8.06	191.8
Prof. Dr. Claus E. Heinrich	62,727	24.87	8.06	191.8
Gerhard Oswald	62,727	24.87	8.06	191.8
Dr. Peter Zencke	62,727	24.87	8.06	191.8
	690,000			1,726.0

¹⁾ The rights expired in the reporting period.

SAP SOP 2002

The table below shows Executive Board members' holdings, on December 31, 2007, of stock options issued under the SAP SOP 2002 plan since its inception.

The exercise prices for SAP SOP 2002 stock options are 110% of the base price of an SAP AG common share. The base price is the arithmetic mean closing auction price for SAP stock in the Xetra trading system (or its successor system) over the five business days immediately before the issue date of that stock option. The exercise price must be not less than the closing auction price on the day before the issue date. As a result of the issuance on December 21, 2006, of bonus shares at a one-to-three ratio under a capital increase from corporate funds, upon exercise each stock option now entitles its beneficiary to four shares. For better comparability with the price of SAP stock since implementation of the capital increase, the following table shows not the number (quantity) of options but the number (quantity) of shares to which they entitle the holder. Consequently, the exercise prices shown are prices per share and not per option. The number of shares shown in the table is four times the number of options, and the exercise price for an option is four times the exercise price per share shown in the table.

	Exercise Price per Share	Holding on January 1, 2007		Rights Exercised in 2007	Price on Exercise Day	Holding on December 31, 2007	
		Quantity of Shares	Remaining Term in Years			Quantity of Shares	Remaining Term in Years
	€				€		
Prof. Dr. Henning Kagermann (CEO)	22.59	320,000	1.16	320,000	38.7071	-	-
	37.50	200,000	2.13	-		200,000	1.13
	33.55	267,820	3.11	-		267,820	2.11
	46.48	143,404 ²⁾	4.10	-		143,404	3.10
Shai Agassi ¹⁾	22.59	120,000	1.16	120,000	36.805	-	-
	24.78	120,000	1.33	120,000	36.805	-	-
	37.50	112,000	2.13	-		112,000	1.13
	33.55	149,980	3.11	-		149,980	1.33
	46.48	95,604 ²⁾	4.10	-		95,604	1.33
Léo Apotheker	37.50	112,000	2.13	-		112,000	1.13
	33.55	149,980	3.11	-		149,980	2.11
	46.48	95,604 ²⁾	4.10	-		95,604	3.10
Dr. Werner Brandt	37.50	112,000	2.13	-		112,000	1.13
	33.55	149,980	3.11	-		149,980	2.11
	46.48	87,292 ²⁾	4.10	-		87,292	3.10
Prof. Dr. Claus E. Heinrich	22.59	180,000	1.16	180,000	38.7071	-	-
	37.50	112,000	2.13	-		112,000	1.13
	33.55	149,980	3.11	-		149,980	2.11
	46.48	87,292 ²⁾	4.10	-		87,292	3.10
Gerhard Oswald	33.55	149,980	3.11	-		149,980	2.11
	46.48	87,292 ²⁾	4.10	-		87,292	3.10
Dr. Peter Zencke	22.59	180,000	1.16	180,000	38.7071	-	-
	37.50	112,000	2.13	-		112,000	1.13
	33.55	149,980	3.11	-		149,980	2.11
	46.48	87,292 ²⁾	4.10	-		87,292	3.10
		3,531,480		920,000		2,611,480	

¹⁾ Shai Agassi can exercise his outstanding stock options under SAP SOP 2002 within the agreed two-year grace period in accordance with the applicable plan terms.

The rights exercised in 2007 were exercised by Shai Agassi after he left the Executive Board.

²⁾ These rights could not be exercised on December 31, 2007.

No rights expired or were forfeited in the report year.

LTI Plan 2000

Beneficiaries under the LTI Plan 2000 could choose between convertible bonds and stock options. The chief difference was in the way the exercise or conversion price was determined. The bond conversion price depends on the closing price of the SAP share the day before the bond was issued, while the option exercise price varies with the performance of SAP stock over time against the GSTI Software Index.

The table below shows stock options held by members of the Executive Board on December 31, 2007, granted in earlier years under the LTI Plan 2000. The exercise prices for LTI Plan 2000 stock options reflect the prices payable by an Executive Board member for one SAP common share upon exercise of the option on December 31, 2007. Exercise prices vary with the performance of SAP stock over time against the GSTI Software Index. As a result of the issuance on December 21, 2006, of bonus shares at a one-to-three ratio under a capital increase from corporate

funds, upon exercise each stock option now entitles its beneficiary to four shares. For better comparability with the price of SAP stock since implementation of the capital increase, the following table shows not the number (quantity) of options but the number (quantity) of shares to which they entitle the holder. Consequently, the exercise prices shown are prices per share and not per option. The number of shares shown in the table is four times the number of options, and the exercise price for an option is four times the exercise price per share shown in the table.

LTI Plan 2000 Stock Options

	Exercise Price per Share	Holding on January 1, 2007		Rights Exercised in 2007	Price on Exercise Day ¹⁾	Holding on December 31, 2007	
		Quantity of Shares	Remaining Term in Years			Quantity of Shares	Remaining Term in Years
Prof. Dr. Henning Kagermann (CEO)	20.09	112,128	3.14	-	-	112,128	2.14
	24.41	157,500	4.14	-	-	157,500	3.14
Léo Apotheker	30.16	87,500	5.14	-	-	87,500	4.14
Dr. Peter Zencke	20.09	27,924	3.14	-	-	27,924	2.14
	24.41	73,700	4.14	-	-	73,700	3.14
		458,752				458,752	

¹⁾ In 2007, no stock options under the LTI Plan were exercised. Therefore, the exercise price is not given here because it is variable and is only calculated on the exercise day.

The table below shows convertible bonds held by members of the Executive Board on December 31, 2007, granted in earlier years under the LTI Plan 2000. The exercise prices for LTI Plan 2000 convertible bonds reflect the prices payable by an Executive Board member for one SAP common share on conversion of the bond. The exercise prices are fixed and correspond to the quoted price of one SAP share on the business day immediately preceding the grant of the convertible bond. As a result of the issuance on December 21, 2006, of bonus shares at a one-to-three ratio under a capital increase from corporate

the following table shows not the number (quantity) of convertible bonds but the number (quantity) of shares to which they entitle the holder. Consequently, the exercise prices shown are prices per share and not per bond. The number of shares shown in the table is four times the number of bonds, and the exercise price for a bond is four times the exercise price per share shown in the table.

LTI Plan 2000 Convertible Bonds

	Exercise Price per Share	Holding on January 1, 2007		Rights Exercised in 2007	Price on Exercise Day	Holding on December 31, 2007	
		Quantity of Shares	Remaining Term in Years			Quantity of Shares	Remaining Term in Years
	€				€		
Prof. Dr. Henning Kagermann (CEO)	72.58	89,700	3.14	-		89,700	2.14
	47.81	126,000	4.14	-		126,000	3.14
	37.88	360,000	5.14	-		360,000	4.14
Léo Apotheker	83.67	95,400	3.19	-		95,400	2.19
	47.81	120,000	4.14	-		120,000	3.14
	37.88	70,000	5.14	-		70,000	4.14
Dr. Werner Brandt	47.81	20,000	4.14	-		20,000	3.14
	37.88	120,000	5.14	-		120,000	4.14
Prof. Dr. Claus E. Heinrich	72.58	65,700	3.14	-		65,700	2.14
	47.81	88,000	4.14	-		88,000	3.14
	37.88	200,000	5.14	-		200,000	4.14
Gerhard Oswald	72.58	65,700	3.14	-		65,700	2.14
	47.81	88,000	4.14	-		88,000	3.14
Dr. Peter Zencke	72.58	65,700	3.14	-		65,700	2.14
	47.81	88,000	4.14	-		88,000	3.14
	37.88	200,000	5.14	-		200,000	4.14
		1,862,200				1,862,200	

Total Expense for Share-Based Compensation

In 2006 and 2007, total expense for the share-based compensation plans of Executive Board members was recorded as follows:

€(000)	2007	2006
Prof. Dr. Henning Kagermann (CEO)	1,047.5	1,699.1
Shai Agassi	85.8	1,045.8
Léo Apotheker	690.3	1,045.8
Dr. Werner Brandt	601.4	868.6
Prof. Dr. Claus E. Heinrich	601.4	868.6
Gerhard Oswald	601.4	868.6
Dr. Peter Zencke	601.4	868.6
	4,229.2	7,265.1

Stock Held by Executive Board Members

No member of the Executive Board holds more than 1% of the common stock of SAP AG. Members of the Executive Board held a total of 86,515 SAP shares on December 31, 2007. On December 31, 2006, members of the Executive Board held a total of 287,384 SAP shares.

The table below shows transactions by Executive Board members and persons closely associated with them notified to SAP pursuant to the German Securities Trading Act, section 15a, in 2007:

Transactions in SAP Shares

	Transaction Date	Transaction	Quantity	Unit Price
				€
Léo Apotheker	April 23, 2007	Stock sale	120,000	38.5188
	October 19, 2007	Stock purchase	1,000	38.09
Dr. Werner Brandt	February 5, 2007	Stock purchase	2,000	35.58
	October 18, 2007	Stock purchase	1,000	38.20
Prof. Dr. Claus E. Heinrich	August 15, 2007	Stock sale	180,000	38.7071
Prof. Dr. Henning Kagermann	August 15, 2007	Stock sale	292,069	38.7071
	August 15, 2007	Stock purchase ¹⁾	27,931	22.5925
Dr. Peter Zencke	August 15, 2007	Stock sale	180,000	38.7071

¹⁾ Shares acquired by exercising SAP SOP 2002 stock options.

Executive Board: Other Information

We did not grant any compensation advance or credit to, or enter into any commitment for the benefit of, any member of our Executive Board in 2007 or the previous year.

As far as the law permits, SAP AG and SAP AG's affiliated companies in Germany and elsewhere indemnify and hold harmless their respective directors and officers against and from the claims of third parties. To this end, we maintain directors' and officers' group liability insurance. The policy is annual and is renewed from year to year. The insurance covers the personal liability of the insured group for financial loss caused by its managerial acts and omissions. There is no individual deductible as envisaged in the German Corporate Governance Code, section 3.8, paragraph 2. We believe the motivation and responsibility that the members of the Executive Board and Supervisory Board bring to their duties would not be improved by such a deductible element. For this reason, SAP regards a deductible as unnecessary for the insured group.

Compensation for Supervisory Board Members

Compensation Package

Supervisory Board members' compensation is governed by our Articles of Incorporation, section 16. Each member of the Supervisory Board receives, in addition to the reimbursement of his or her expenditure, compensation composed of fixed elements and a variable element. The variable element depends on the dividend paid by SAP on common shares.

The fixed element is €75,000 for the chairperson, €50,000 for the deputy chairperson, and €37,500 for other members. For membership of a Supervisory Board committee, members receive additional fixed compensation of €2,500 (provided that the relevant committee meets during the fiscal year) and the chairperson of the committee receives €5,000. The fixed remuneration element is due for payment after the end of the fiscal year.

The variable compensation element is €8,000 for the chairperson, €6,000 for the deputy chairperson, and €4,000 for the other members of the Supervisory Board for each €0.01 by which the dividend distributed per share exceeds €0.25.

However, the aggregate compensation excluding compensation for committee memberships must not exceed €200,000 for the chairperson, €150,000 for the deputy chairperson, and €100,000 for other members.

Any member of the Supervisory Board having served for less than the entire fiscal year receives one-twelfth of their respective remuneration for each month of service commenced. This also applies to the higher compensation levels for the chairperson and deputy chairperson and to the additional compensation for committee chairs and memberships.

Amount of Compensation

Subject to the resolution on the appropriation of retained earnings by the Annual General Meeting of Shareholders on June 3, 2008, the compensation paid to Supervisory Board members in respect of fiscal year 2007 will be as set out in the table below:

€(000)	2007				2006			
	Fixed Compensation	Variable Compensation	Compensation for Committee Work	Total	Fixed Compensation	Variable Compensation	Compensation for Committee Work	Total
Prof. Dr. h.c. mult. Hasso Plattner (chairperson)	75.0	125.0	15.0	215.0	75.0	125.0	15.0	215.0
Lars Lamadé (deputy chairperson from May 10, 2007)	49.0	80.2	2.5	131.7	37.5	62.5	2.5	102.5
Pekka Ala-Pietilä	37.5	62.5	2.5	102.5	37.5	62.5	2.5	102.5
Thomas Bamberger (from May 10, 2007)	25.0	41.7	1.7	68.3	0.0	0.0	0.0	0.0
Panagiotis Bissiritsas (from May 10, 2007)	25.0	41.7	3.3	70.0	0.0	0.0	0.0	0.0
Willi Burbach	37.5	62.5	4.2	104.2	37.5	62.5	2.5	102.5
Helga Classen (deputy chairperson until May 10, 2007)	45.8	75.0	2.5	123.3	50.0	100.0	2.5	152.5
Prof. Dr. Wilhelm Haarmann	37.5	62.5	7.5	107.5	37.5	62.5	7.5	107.5
Peter Koop (from May 10, 2007)	25.0	41.7	1.6	68.3	0.0	0.0	0.0	0.0
Bernhard Koller (until May 10, 2007)	15.6	26.0	1.0	42.7	37.5	62.5	2.5	102.5
Christiane Kuntz-Mayr (until May 10, 2007)	15.6	26.0	2.1	43.8	37.5	62.5	5.0	105.0
Dr. Gerhard Maier	37.5	62.5	5.0	105.0	37.5	62.5	5.0	105.0
Dr. h.c. Hartmut Mehdorn	37.5	62.5	0.0	100.0	37.5	62.5	0.0	100.0
Prof. Dr.-Ing. Dr. h.c. Dr.-Ing. E.h. Joachim Milberg (from May 10, 2007)	25.0	41.7	5.0	71.7	0.0	0.0	0.0	0.0
Prof. Dr. Dr. h.c. August-Wilhelm Scheer	37.5	62.5	7.5	107.5	37.5	62.5	7.5	107.5
Dr. Barbara Schennerlein (until May 10, 2007)	15.6	26.0	1.0	42.7	37.5	62.5	2.5	102.5
Dr. Erhard Schipporeit	37.5	62.5	5.0	105.0	37.5	62.5	5.0	105.0
Stefan Schulz	37.5	62.5	5.0	105.0	37.5	62.5	5.0	105.0
Dr. Dieter Spöri (until May 10, 2007)	15.6	26.0	1.0	42.7	37.5	62.5	2.5	102.5
Dr. h.c. Klaus Tschira (until May 10, 2007)	15.6	26.0	1.0	42.7	37.5	62.5	2.5	102.5
Prof. Dr.-Ing. Dr.-Ing. E.h. Klaus Wucherer (from May 10, 2007)	25.0	41.7	1.7	68.3	0.0	0.0	0.0	0.0
	672.9	1,118.8	76.3	1,867.9	650.0	1,100.0	70.0	1,820.0

In addition, we reimburse members of the Supervisory Board for their incurred expenses and the value-added tax payable on their compensation.

Long-Term Incentives for the Supervisory Board

We do not offer members stock options or other share-based compensation for their Supervisory Board work. Any stock options or other share-based compensation received by employee-elected members relate to their position as SAP employees and not to their work on the Supervisory Board.

Supervisory Board Members' Shareholdings

Note 20 in the Notes to Consolidated Financial Statements section shows the shareholdings of Supervisory Board members Hasso Plattner (chairperson) and Klaus Tschira (who left the Supervisory Board in May 2007), and the companies they control, on December 31, 2007. No other member of the Supervisory Board held more than 1% of the SAP AG common stock at the end of 2007 or of the previous year. Members of the Supervisory Board held a total of 128,993,710 SAP shares on December 31, 2007. On December 31, 2006, members of the Supervisory Board held a total of 262,623,884 SAP shares.

The table below shows transactions by Supervisory Board members and persons closely associated with them notified to SAP pursuant to the German Securities Trading Act, section 15a, in 2007:

Transactions in SAP Shares

	Transaction Date	Transaction	Quantity	Unit Price
				€
Peter Koop	August 13, 2007	Stock purchase	141	40.231
Dr. Gerhard Maier	October 30, 2007	Stock sale	7,600	37.4157
Helga Classen	December 10, 2007	Stock sale	7,556	35.7999

Supervisory Board: Other Information

We did not grant any compensation advance or credit to, or enter into any commitment for the benefit of, any member of our Supervisory Board in 2007 or the previous year.

Hasso Plattner, the chairperson of the Supervisory Board, entered into a consulting contract with SAP after he joined the Supervisory Board in May 2003. The contract does not provide for any compensation. The only cost we incurred in 2007 under the contract was the reimbursement of expenses.

As far as the law permits, we indemnify Supervisory Board members against, and hold them harmless from, claims brought by third parties. To this end, we maintain directors' and officers' group liability insurance. For more information about this insurance, see the Executive Board: Other Information section.

SPRINGING FROM THE BLOCKS FOR THE NEXT GROWTH SPRINT

WITH SAP ERP, NIKE IS IN TOP FORM
TO OUTPACE THE COMPETITION

Nike is a global marketer of athletic footwear, apparel and equipment and operates in over 160 countries. Nike is headquartered in Beaverton, OR, United States, and employs more than 30,000 people worldwide. For the fiscal year ending May 31, 2007, Nike reported record revenues of US\$16.3 billion, a US\$1.3 billion increase over last year's earnings. Nike has been an SAP customer since 1999.

As the global leader in the apparel and footwear industry, Nike orchestrates a dynamic business network of manufacturers, logistics providers, and other trading partners to respond rapidly to ever-shortening fashion cycles and deliver innovative products to its consumers. To deliver even higher customer value and achieve its goal of becoming a US\$23 billion sales company by 2011, the company has recognized the need to adopt a new market focus and transform its business network to take on a new role of being – or fostering – a consumer-intimate retail experience.

The strategic change in market focus emphasizes developing a systematic and continuous relationship with consumers via each “category” of sporting activities that they practice – men's fitness, women's fitness, running, soccer, football, basketball, golf, and others. This strategy will require flexible, end-to-end business processes within the company and across the business network to operate successfully on a global scale.

In order to develop intimacy with its consumers and meet the demands of accelerating fashion cycles in an increasingly competitive business environment, Nike is relying on the SAP Apparel and Footwear application and SAP's enterprise service-oriented architecture (enterprise SOA).

www.nike.com



In a highly competitive global business environment, Nike has consistently driven strong growth through a focus on product innovation and deep brand relationships with its consumers. With its complex global supply chain, Nike utilizes SAP to effectively deliver products and meet consumer demand.



BASKETBALL

01

REWRITING THE RULES OF THE RACE

WITH SAP ERP, NIKE IS IN TOP FORM
TO OUTPACE THE COMPETITION





It's all about speed – not only on the basketball court, but also in a highly competitive business environment.

MEN'S TRAINING

02



Nike's 30-year winning streak of product innovation has set new standards in each of its fiercely competitive market segments. IT has delivered an important competitive advantage by helping the company execute two key strategies: A single-minded focus on the consumer; and a highly effective category business approach.

Listening to the customer

"We want our customers to have a personal shopping experience that binds them closer to us," says Bill Mullen,

senior director of Process Excellence at Nike. "Customers today call for innovative, functional, stylish products in ever shorter cycles. SAP solutions help us understand our customers better – and rapidly respond to new trends and market signals."

Going the distance

For years, Nike managed its organization by product line. But to get closer to customers, the company shifted from a product orientation to a category-driven approach that

“Our SAP solutions were crucial to our success in establishing global processes and to our phenomenal revenue growth.”

Roland Paanakker, CIO of Nike



GOLF
03

includes basketball, running, football (soccer), men's training, women's fitness and sport culture. As a result, instead of focusing on transactions, Nike is driving a brand relationship and conversation with its consumers. With its deep insights into athletics and the needs of athletes, Nike delivers consumers a wide range of innovative products and compelling experiences tailored to their tastes, lifestyles and aspirations.

Executing a business model of this complexity on a global scale is a Herculean task. But with Nike's SAP landscape,

it is able to orchestrate a highly decentralized supply chain – linking the company's disparate groups of designers, suppliers, manufacturers, logistics providers, retailers and customers into a powerful global business network.

“Our SAP solutions were crucial to our success in establishing global processes,” says Roland Paanakker, CIO of NIKE. “They were essential to our phenomenal revenue growth between 2000 and 2007 from US\$8 billion to US\$16 billion. And they improved our key performance



Consumer-intimate retail experience: In a NikeStore customers can expect everything they need – plus expert advice.

SOCCER 04



numbers for greater cash flow, inventory management, and profitability.”

The integrated functionality of Nike’s SAP solutions also make it possible to consolidate large amounts of business data in real time, and to achieve tight integration with manufacturing partners across a shared logistics chain. “SAP solutions allow Nike to maintain a clear overview of our entire business network – they are crucial to our success,” says Roland Paanakker.

Keeping the lead

In the months ahead, Nike plans to upgrade to the latest version of SAP ERP, including SAP Apparel and Footwear – the comprehensive integrated solution for companies in the apparel, footwear, sports, and fashion industries. Together, the solutions will enable the company to transform its business network to deliver superior value to its consumers – and to maintain a strong lead in the race ahead.

Value Drivers

Strategic Goals

- Execute with perfection
- Develop relationship/intimacy with its consumers
- Build a consumer-driven supply network
- Product innovation and leadership
- Change core processes to enable retail growth
- Set up infrastructure for US\$23+ billion business
- Elevate Nike to a world-class operational organization

Key Challenges

- Competition is tougher and more diverse (consolidation, private labels, and others).
- Consumers demand more and more fashionable products that last for shorter times. Therefore, Nike needs to shrink time to market and to find ways to receive the signals from the market more quickly regarding new fashions that consumers are buying.
- Continuing escalation of sports marketing costs
- Decreasing effectiveness of key traditional advertising vehicles
- Overall, Nike needs to increase visibility into their suppliers' supply chain and manufacturing processes.

Value Realization

Results

- From 2000 to 2007, SAP has helped Nike to build a global foundation to position the company for growth.
- The SAP solutions contributed significantly in enabling Nike to adopt global processes. Consequently, Nike has seen material improvements in its performance: cash flow, inventory turns, profitability, and so on.
- Many of Nike's products, such as athletic footwear, contain a lot of complexity – a multitude of sizes, widths, colors, and extras. SAP's solutions help to manage this complexity.
- The lead time for products has gone from nine months to six, in some cases to three months.
- Inventory levels have been reduced.
- Nike's factory order interval time has been cut from one month to a week in some cases.

SAP Solutions

SAP ERP 6.0

SAP Apparel and Footwear 6.3

SAP Demand Planning

SAP Supply Network Collaboration

SAP NetWeaver Business Intelligence

SAP Custom Development services