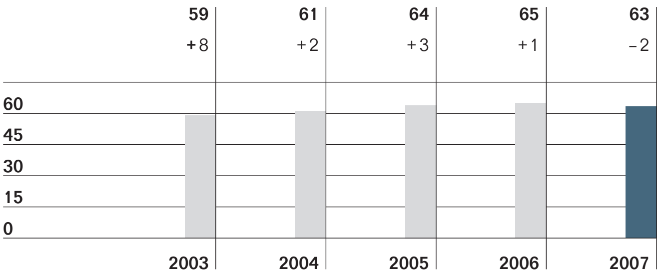
Strong net income growth reinforced shareholders' equity in 2007, adding €367 million. The equity ratio (that is, the ratio of shareholders' equity to total assets) decreased from 65% to 63% (2005: 64%), because while shareholders' equity grew 6%, our total liabilities grew 15%.

Ratio of Equity to Total Assets
Percent | change since previous year in percentage points



Competitive Intangibles

Market Value of Equity Significantly Higher Than Book Value

The assets that truly underpin our success today and in the future do not appear on the balance sheet. The extent of this phenomenon is apparent from a comparison of the market capitalization of SAP AG, which was €44.3 billion at the end of the year (2006: €51.0 billion; 2005: €48.5 billion), with the shareholders' equity on the balance sheet, which was €6.5 billion (2006: €6.1 billion; 2005: €5.8 billion). The difference is chiefly due to certain intangible assets that the applicable accounting standards do not allow to be recorded (at all or at fair value) on the balance sheet. They include customer capital (our customer base and customer relations), employees and their knowledge and skills, our ecosystem of partners, software we developed ourselves, our ability to innovate, the brands we have built up – in particular the SAP brand itself – and our organization.

We intensified our marketing activities in order to convince current and potential customers, as well as the general public, of the special benefits of our solution portfolio, while also increasing the value of the SAP brand. Our marketing efforts especially showcased our midmarket offerings. This work was rewarded with increased awareness.

In 2007, SAP ranked 34 on the Interbrand and Business Week scoreboard of 100 Top Global Brands, as in the previous year. Our brand equity grew 8%, the seventh successive annual increase. Interbrand determined a value of US$10.85 billion (2006: US$10 billion) for the SAP brand. In the German standings, the SAP brand ranked third behind Mercedes-Benz and BMW.

Our ranking among America's Most Admired Companies by Fortune magazine confirmed the success of our brand: We attained seventh place in the computer software category.

Customer, Human, and Organizational Capital Grows

Our customer capital also grew: We gained numerous new customers in various market segments and strengthened our existing customer relationships. With the help of independent service providers, we regularly measure the satisfaction and loyalty of our customers. The results of these surveys once again showed improved loyalty from customers that remained highly satisfied. For more information about our new customers, see the Significant New Customer Contracts section, above.

Employee-related and R&D activities increased the value of our employee base and our own software. For more information, see the Employees and Research and Development sections. We also increased the value of our partner ecosystem by continuing to develop sales and development partnerships. For more information, see the Partner Ecosystem Continues to Grow section.

End-Of-Year Financial Situation

Another Clean Bill of Health

SAP was in good health at the end of 2007, not least because of our sustained business success. Aside from the favorable economic climate, we can point to our broad, innovative range of solutions, highly qualified and highly motivated workforce, strong market position, efficient processes, sound profitability, and liquidity.