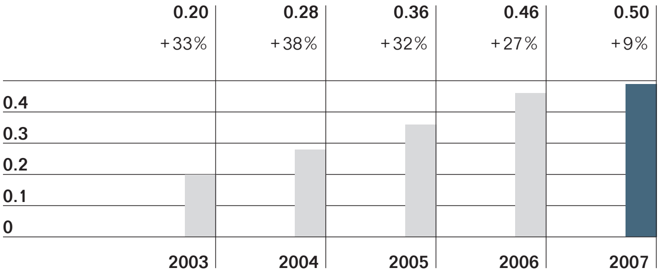
Dividend

Dividend Increase Recommended Again

We wish to continue our dividend policy of recent years and believe our shareholders should benefit appropriately from the Company's success in achieving increased income targets for 2007. The Executive Board and Supervisory Board will recommend to the Annual General Meeting of Shareholders that the dividend be increased 8.7% to €0.50 per share (2006: €0.46; 2005: €0.3625). The dividend payout ratio (which here means total distributed dividend as a percentage of net income) would be slightly higher at 31% (2006: 30%; 2005: 30%).

Dividend per Share

€ | change since previous year



If the shareholders approve this recommendation and treasury stock remains at the 2007 closing level, the provisional total amount distributed in dividends would be €599.1 million. The actual amount distributed is expected to be different from the provisional total because the number of repurchased shares held in treasury will probably change before the Annual General Meeting of Shareholders. Transactions related to share-based compensation could also change the amount of common stock. We distributed €556 million in dividends from our 2006 earnings (2005: €447 million). Aside from the distributed dividend, in 2007 we also returned €1,005 million to the shareholders by repurchasing SAP shares for treasury (2006: €1,149 million; 2005: €454 million).

Finances

Cash Flow and Liquidity

Operating Cash Flow Grows 5%

Our sound income position in 2007 had a positive impact on cash flow from continuing operations. Net cash provided by operating activities increased 5% to €1,950 million (2006: €1,855 million; 2005: €1,612 million), primarily because of greater net inflows associated with net income.

We used net cash of €1,392 million in investing activities, significantly more than in the previous year (2006: €132 million; 2005: €574 million). This was in part because in 2007 we reallocated €550 million cash and cash equivalents to SAP AG restricted cash in connection with financing the acquisition of Business Objects, and this is recorded as cash outflow. Also, the net inflow from sales and purchases of investments was significantly less than in 2006, because in 2006 we had liquidated and reallocated substantial amounts of investments. In addition, cash outflow for acquisitions was greater than in the previous year.

Our financing activities accounted for €1,287 million net cash outflow, which was around 6% less than in the previous year (2006: €1,375 million; 2005: €555 million). We distributed €556 million in dividends, a rise of 24% compared with 2006 (2006: €447 million; 2005: €340 million), but our outflow for treasury stock purchases declined 13% to €1,005 million (2006: €1,149 million; 2005: €454 million).

Group Liquidity Declines 17%

Cash and cash equivalents decreased 33% to stand at €1,608 million at the end of the year (2006: €2,399 million; 2005: €2,064 million), in part reflecting a €550 million reallocation to restricted cash. The restricted cash represents the portion of corporate funds allocated at the end of 2007 as acquisition finance in connection with our bid for Business Objects. Our Group liquidity, comprising cash and equivalents, restricted cash, and short-term investments, totaled €2,756 million (2006: €3,330 million; 2005: €3,846 million), the reduction since the previous year resulting from share buyback, dividend, and acquisition outflows.

To increase financial flexibility, in November 2004 we obtained a €1 billion syndicated credit facility through an international group of banks. We already had other lines of credit in place; the new line was arranged to provide additional financial flexibility. We did not draw any amounts under the facility in 2007.

At the end of 2007, other, bilateral lines of credit available to SAP AG totaled approximately €599 million (2006: €599 million; 2005: €553 million). We did not draw on these facilities during 2007, 2006, or 2005. Several subsidiaries in the Group had credit lines in their local currency. These totaled €44 million (2006: €109 million; 2005: €218 million), for most of which SAP AG was guarantor. At the end of the year, the subsidiaries had drawn €27 million under these facilities (2006: €26 million; 2005: €24 million).

In addition, at the end of 2007 we had a €4.45 billion credit facility in connection with our public offer to buy Business Objects. We did not draw any amounts under the facility in 2007.

We do not currently have a credit rating with any of the rating agencies. Our debt ratio is low, at 37% (2006: 35%; 2005: 36%), and we do not believe any change in credit conditions that might be obtained with a rating would have a substantial effect on our financial situation. Our liabilities comprised 83% current liabilities (2006: 83%; 2005: 84%) and 17% noncurrent liabilities (2006: 17%; 2005: 16%).

Of the current liabilities, 46% were classified as other liabilities (2006: 47%; 2005: 47%), 22% were accounts payable (2006: 22%; 2005: 20%), and 15% were deferred income (2006: 15%; 2005: 13%). The other liabilities comprised, among others, 73% other employee-related liabilities (2006: 73%; 2005: 70%) and 18% other taxes (2006: 17%; 2005: 18%).

Financial Management

Centralization

We use centralized global financial management to control liquid assets, interest, and currencies.

Its chief function is to secure a minimum level of liquidity for the SAP Group. Most SAP companies have their liquidity managed by the Group so that liquid assets across the Group can be consolidated, monitored, and invested in accordance with Group policy. High levels of liquid assets and marketable securities provide a strategic reserve, helping keep SAP flexible, sound, and independent. The €1 billion syndicated credit facility and other, bilateral lines of credit are available for additional liquidity if required.

Our global interest management policy is guided by liquidity and risk considerations, and investment strategy is conservative. Most of the liquidity reserve is available at short notice. Our net interest income is thus affected by both long-term and short-term interest rate fluctuations on the financial markets.

Currency management is also centralized. We determine exposures every week, based on balance-sheet items and cash flows expected in different currencies, and hedge them with the appropriate derivatives if necessary. We do not speculate in derivatives.

Financial Instruments Minimize Risks

Every month, the SAP sales companies in each country pay to SAP AG, the parent company and licensor, a license fee related to their software, maintenance, and subscription revenues. The sales companies generally pay in local currencies, and, to hedge the foreign exchange risks, we sell currencies forward under contracts that generally run for up to 15 months. Without exception, all of our currency futures transactions relate to actual underlying business that we are conducting.

Along with fixed salary, employee compensation may include components that vary with stock performance. The stock appreciation right (STAR) plan is such an element, passing on to our employees the value of stock appreciation we achieve over a defined term. We use derivative instruments from independent banks to manage some of the associated share-price risk. Each of these contracts is subject to our internal directives concerning the creditworthiness of each bank concerned. For details about the use of hedging contracts, see the Notes to Consolidated Financial Statements section.

The rules for the use of derivatives and other rules and processes concerning the management of financial risks are collected in our treasury guideline document that applies globally to all companies in the SAP Group.

Low Debt Ratio

Our debt ratio (total debt as a portion of total assets) rose from 35% in 2006 to 37% in 2007 (2005: 36%). That we are predominantly equity-financed is apparent from the fact that bank loans and overdrafts represented only 0.26% of total assets (2006: 0.28%; 2005: 0.27%). The cost of equity was slightly higher than in the previous year.

The average rate of interest on December 31, 2007, for our various fixed-interest bank loans was 8.03% (2006: 8.08%; 2005: 7.22%). Most of our fixed-interest bank loans were short-term loans taken by subsidiaries in different currencies at different levels of interest.

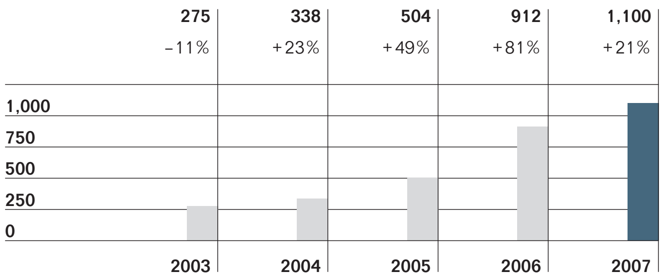
Assets

Growth of Assets; Analysis of Balance Sheet

In 2007, our total assets rose 9% from the previous year's €9,503 million to €10,366 million (2005: €9,040 million). Current assets increased slightly, chiefly as a result of a rise in net accounts receivable. Our long-term assets increased as we acquired intellectual property from third parties. Total long-term assets grew 25% to €3,958 million (2006: €3,179 million; 2005: €2,520 million).

Investments

€ millions | change since previous year



We reduced our rolling 12-month average collection period, which is measured in days' sales outstanding (DSO), by two days to 66 (2006: 68; 2005: 68). This was the result of further optimization of our receivables management efforts.

Consolidated Balance Sheet Breakdown

Percent