

LETTER TO THE SHAREHOLDERS

GROWTH THROUGH INNOVATION

Dear shareholders, customers, partners, and colleagues,

SAP experienced an outstandingly dynamic year in 2007. We introduced an entirely new solution for small businesses and midsize companies and carried out the largest acquisition in our history. As these two milestones illustrate, we are moving forward and setting the course for the future. At the same time, our innovations in our product and business models successfully enhanced our core business, enabling us to achieve excellent results for the year: SAP generated revenue in excess of €10 billion for the first time. On a constant currency basis, our growth was the strongest for seven years, with an operating margin at the upper limit of our guidance. With 8,100 new customers, we increased our market share by another four percentage points.

So was it a successful year all round? Unfortunately not. As an SAP shareholder, you cannot be satisfied with the development of our share price. Neither are we. Nevertheless, you invested in SAP or decided to hold true to your investment. For that, I would like to thank you on behalf of the SAP Executive Board and our employees. We strongly believe that you have made a good decision. We also believe that we, too, have made good decisions that justify the trust you have shown in us.

Strong Growth from Inside

We continued to pursue our strategy of organic growth in 2007, increasing software and software-related service revenue by 17% on a constant-currency basis. This result significantly exceeds our forecast. It is an excellent bill of health for our core business, which remains very profitable. The results were slightly hampered by the additional investments announced in early 2007 for SAP Business ByDesign. We are convinced, however, that these short-term investments will reward us with medium- to long-term benefits.

SAP Business ByDesign completes our offering for small business and midsize companies. We are already market leaders in that area, and have been since 2005, with our products SAP Business All-in-One and SAP Business One.

With SAP Business ByDesign, a newly developed product with a new business model, SAP has entered the on-demand market. Unlike the on-demand products from other vendors, however, SAP Business ByDesign supports all business processes that customers require. Our portfolio now encompasses solutions for enterprises of all sizes and in all industries. Our industry expertise in particular is one of SAP's key strengths.

Co-innovation within a network of partners is essential in the software industry. Working with our partners to gain new know-how and generate fresh ideas enables SAP to stay decisively ahead of the competition. We are therefore enhancing our own research and development organization with many other centers of innovation, ranging from select universities (including our University Alliance program), industry forums and online communities to the Co-Innovation Lab opened in Palo Alto, California, in mid-2007.

Secure Innovations for our Customers

Because of our uncompromising commitment to fulfilling our customers' requirements and our innovation leadership, we can continually provide the right products to add value and create competitive advantages for our customers. This illustrates the changed role of enterprise software: Whereas efficiency and cost reduction were once the primary concern, today's enterprise software increasingly focuses on providing new ways to add value and differentiate companies from the global competition. This shift is enabled by a business process platform based on our enterprise service-oriented architecture (enterprise SOA). With this platform, it is much easier for companies to implement process improvements and new business models.

In 2004, we drew out a road map to establish enterprise SOA – a task we have now completed with the release of SAP ERP 6.0. The more than 5,100 customers using enterprise SOA in production at the end of 2007 are the strongest evidence for the success of this innovation strategy for SAP Business Suite, complemented by the

29,000 live installations of SAP NetWeaver. For our customers, this spells greater agility and productivity, but also ensures significantly easier implementations of future innovations. Instead of having to carry out complex upgrade projects, customers can now choose new functions and implement them using SAP enhancement packages. This form of delivery adds new capabilities to customers' software without the risks to system stability that were inherent with traditional upgrades.

In December, the latest release of our customer relationship management (CRM) application, SAP CRM 7.0, part of SAP Business Suite, was received with great excitement. Our developers successfully united new functions with significantly improved usability. The user interface is based on Internet technology and also works on mobile devices. As this combination of usability, functionality, and flexibility is still a rarity in the world of enterprise applications, the demand for SAP CRM 7.0 is understandably very high.

Further Growth Opportunities

In light of these immense innovations, you may wonder why SAP looked beyond its strategy of acquiring small, specialized software vendors and also carried out large acquisitions in 2007. The answer is simple: When there is a market segment with excellent potential for growth and which complements SAP's portfolio, but where other vendors have already established their presence, it can make sense for SAP to increase its own growth in that area with one strategic move.

With the completed acquisition of Business Objects S.A., we leapt straight to the top of the business user market. This market covers personnel from all levels of a company – from employees to the executive board – who rely on business data and real-time analyses for their day-to-day jobs. As the market leader in its field, Business Objects offers an ideal addition to our own products. Because we can now offer all software for quickly and easily conducting analyses, supporting decision-makers, and adapting business processes, we have created competitive advantages for both our customers and for SAP.

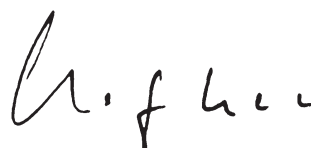
Nevertheless, the markets have reacted hesitantly to the acquisition, much as they did to the new business model for SAP Business ByDesign. Indeed, we still have to prove that we will be successful in each of these new areas. However, SAP has often proved that it can turn ambitious plans into reality; establishing enterprise SOA is a recent example of such a success. I am therefore convinced that the share price will again come to reflect our continued success. Our operating income is in excellent condition and our ambitious growth strategy offers superb potential with promise of impressive increases in both the revenue and the margin.

As always, we will need outstanding employees in order to fulfill this promise. We strive to be an attractive employer worldwide and to be a magnet for the best talent. In 2007, we were able to secure the services of nearly 4,700 employees, all of whom will do their part to further enhance our company's performance. We are pleased that SAP's headquarters in Germany was once again acknowledged as Germany's best employer and that our social commitment was applauded worldwide.

The story of SAP's success owes not only to the ingenuity of its founders and the performance of all its employees, but also to our business partners and customers. Their united efforts are the foundation for creating lasting value for our shareholders.

For this, I want to thank you all.

Sincerely,



Henning Kagermann
Chairman and CEO, SAP AG