-------------------------------------------------------------------------------------------------------- SAP 2001

DEAR STOCKHOLDERS, PARTNERS, AND CUSTOMERS,

During the past year, we were able to strengthen our relationships with existing customers and also gain new customers, which made up almost a third of our business. This conﬁrms that the business model we have sustained during our now thirty years of doing business is robust and ﬂexible. And the strong, sustained interest in our modern e-business solution, mySAP.com®, demonstrates how important this is, especially in terms of new customers. Within the context of this challenging business environment, SAP was able to conﬁrm its leadership position with a 17% increase in sales.

For the ﬁrst half of 2002, we do not foresee any major change in the market conditions, but do expect demand to increase signiﬁcantly by the end of the year.

The last several years have seen SAP position itself as a worldwide leader in the market of e-business solutions. By deﬁning the new, New Economy at the high point of the dot-com bubble, we pushed for a return to the true, timeless values of successful business: efﬁciency, customer satisfaction, and proﬁtability. Today, SAP solutions play an important role in helping companies increase efﬁciency.

With our strategic initiatives in the areas of customer relationship management (CRM), supply chain management (SCM), enterprise resource planning (ERP), and exchanges and portals, SAP continues to invest in technologies that protect our customers’ software investments and ensure the success of a “best-run business.”

In our modern world of doing business, complexity is growing and this is reﬂected in the corresponding complexity of a company’s IT landscape. Our customers, therefore, need effective support from us for dealing with these ever-increasing IT needs.

The big topic this year is open, integrated platforms. Openness is required because no software provider can meet every need of every customer with one suite of solutions. This means that, in the best interest of our customers, solutions from partners and even competitors must be able to be integrated. And here we mean integrating business processes across product, system, and enterprise boundaries. This goes far beyond just connecting the data; it requires a full understanding of the underlying business processes to effectively connect the systems.

SAP is a leader in this area and has been a global driver of these technologies and the open standards and transparent interfaces they require.

We recognized this fact early on and already offer products that fulﬁll these requirements and help our customers gain real advantages. For example, our mySAP.com® e-business platform is based on technologies that support these open standards. Companies can use this foundation to implement and combine all types of applications easily and ﬂexibly – both SAP systems and solutions from other providers. This leaves customers free to use any combination

of products, whatever they require that

best meets their needs. SAP stands ready with an offering that includes both complete solutions and customer- speciﬁc applications.

It is important to also note that employees of our customers see the world differently from their IT department. They aren’t interested in knowing which software products were implemented

and how they work together. What employees want is individualized access to the information they need for their role in the company, available using an intuitive and personalized user interface. Portals are the best answer to this challenge, which is why we bought one of the leading providers of portal technologies, TopTier, last year. We took their knowledge and resources and combined them with those of our teams dealing with business intelligence, knowledge management, and the workplace. We also added the expert consultants in those areas to this new company. All in all, we have created the leading provider of portals, SAP Portals.

SAP also expanded its strategic partnership with Commerce One, the specialist for electronic marketplaces on the Internet. We did this because we recognized that the technical basis for integrating business processes across company boundaries is very

close to the technologies needed to run these electronic marketplaces. This

is one of the ﬁrst areas where Web services are used. These are applications that allow a company to integrate other applications across company boundaries. We see Web services as a very important addition to SAP’s solution offering.

Along these same lines, we have extended our applications for CRM, SCM, and product lifecycle management (PLM) to support collaboration in heterogeneous

IT environments. And because all of these new applications can only be implemented when integrated in a strong back end, it’s no surprise that the traditional ERP market, which SAP

already dominates, is marked for growth.

Today, SAP is a leader in solutions both for portals and exchanges, and for SCM, PLM, ERP, and important areas of CRM. But our leadership is not only in market share. An important measure of our success is our own requirement that the mySAP.com solutions are of the highest quality and provide our customers with the optimum solution.

Our entire business is focused on building and maintaining long-term relationships with our customers. We work closely with our customers because it gives us not only an enormous amount of critical real- world experience, but also a feeling for what the market really wants. This ensures our customers’ investments are safe for the long-term and provides them with a substantial return on investment (ROI).

We know that our success during this difﬁcult year was only possible due to the hard work of our global employees and management as well as that of our customers and partners, all working

toward a common goal. We’d like to take this opportunity to thank all of them. Our investors were also put to the test this year. We’d like to thank you for your trust in us and hope that you will continue to accompany us on our road to success.

We have conﬁrmed our excellent position and the perspectives look very good.

We could very well see a repeat of our global success in the early 1990s, back when we wrote the book on ERP software.

Sincerely,



**Hasso Plattner**

Co-chairman and CEO, SAP AG



**Henning Kagermann**

Co-chairman and CEO, SAP AG

----------------------------------------------------------------------------------- Supplementary Information

**No one could have thought at the beginning of 2001 that** **we would be faced with the terrible events of September 11 and the resulting worldwide consequences. What we could see coming, however, was the slowing of the economy, which began in the U.S. and worked its way around the world. Nothing seemed to be able to stop this** **recessionary atmosphere, neither growth in Europe nor in Asia. While our competitors in the business software market were dealing with, in some cases, dramatic reductions in sales and the related loss of market share, SAP® demonstrated that it is** **a long-term, reliable business partner for our customers. And we have a strong market share in all relevant business arenas.**

-------------------------------------------------------------------------------------------------------- SAP 2002

Dear shareholders, customers and partners,

The year 2002, with its considerable difficulties, proved to be a challenging one for SAP. Continued economic uncertainty around the globe, the long-term effects of the terrorist attacks in the United States, and accounting scandals at the beginning of the year greatly influenced consumer and investor behavior. Numerous companies had to adapt their planning over and over again. And yet, SAP again performed exceedingly well in 2002. In fact, the fourth quarter of 2002 saw SAP achieve the best earnings in its 30-year history.

The greatest challenge was adjusting to slight or even no revenue growth – instead of the 15% growth originally expected – while increasing profitability. SAP has improved overall efficiency in the long term, not with massive reductions in staff, but through careful cost-cutting measures and rationalization of our global infrastructure. More intensive customer support, optimized product quality, and research and development spending remaining at the same levels as the previous year show that the savings were not to the detriment of our customers.

GROWING MARKET SHARE

SAP has proven its ability to adapt effectively and, compared to our competitors, is now in a better position than ever before. SAP’s market share is now more than that of our next five largest competitors combined. Our overall customer-satisfaction levels have increased in every region and we are outperforming our competitors in this area.

CUSTOMOER-FOCUSED INNOVATION

SAP develops solutions that best meet our customer’s needs. Today’s customers require quick return on investment (ROI), long-term security, and lower total cost of ownership (TCO) from their information technology (IT) investments. SAP delivered highly innovative products to the market in 200, leveraging our business and technological expertise.

The development of SAP NetWeaver™ and SAP Entreprise Services Architecture are the most significant technological advances since the move from SAP R/2\* to SAP R/3\*. SAP NetWeaver integrates heterogeneous IT systems and brings together business processes, information, and users, across company boundaries. The possibility of integrating other technologies, such as Microsoft NET and IBM WebSphere ensures flexible IT infrastructures. This means that customers can reduce the complexity of their IT infrastructures and reduce operating cost in the long term.

SAP NetWeaver is the technological basis for SAP Entreprise Services Architecture, and enables the design of state-of-the-art, all encompassing solutions for specific business tasks. With this technology, existing applications can be used more effectively and IT investments can be protected. Building on the SAP NetWeaver platform, we have enhanced nearly all the solutions in mySAP Business Suite (formerly mySAP.com) with new industry-specific functions. In 2002, we also developed the latest releases of mySAP Customer Relationship Management, mySAP Supplier Relationship Management, and other solutions.

During the past year, we further developed a generation of new software solutions that are particularly easy to configure: the new SAP cross applications (SAP x Apps™). These solutions are built on our customers’ heterogeneous applications, use their datasets, and bundle all the functions that the user requires. This facilitates the deployment of new functions by using existing systems and applications.

In addition, SAP established a new small and midsize businesses unit as an important step toward opening up an enormous market segment that is experiencing growth worldwide. With SAP Business One™ and mySAP All-in-One™, we have positioned SAP as a global brand for small and midsize businesses.

INCREASED PRODUCTIVITY

Our solutions are the core element of our customers’ business processes. The functional breadth and depth as well as the cost/benefit ratio of our solutions are crucial to the success of our customers. Our approach to quality is not limited to software components but extends to the capabilities of the entire solution. By further increasing efficiency, we have succeeded in delivering products of outstanding quality to the marker. We have also improved consulting, service, and support, thus enabling us to increase the number of customer systems going live by 8% in 2002. This was achieved without increasing support costs.

TRUSTED ADVISOR

By raising the level of quality, SAP managed to further increase its role as a trusted advisor, despite customer’s limited IT budgets. Today, over 19,300 customers worldwide are not only increasing efficiency with their SAP solutions but also trust SAO as a strong, strategic partner offering them in-depth knowledge to best address their specific needs. Key aspects of being a trusted advisor are reliability and independence, even in a difficult market economy. In 2002, SAP succeeded in increasing its profitability and focusing its organization more strongly on market demands. Therefore, the Company has created a strong foundation for maintaining its independence – now and in the future.

THE YEAR AHEAD

The overall economic climate is not likely to experience s strong recovery in 2003. On the contrary, decisions about IT spending will continue to be based on the added value IT can contribute, and spending is unlikely to increase. However, demand will continue to grow for business application software that optimizes critical business processes and minimizes investment risks.

SAP used 2002 to adapt to these new customer requirements. Our solutions, technology, and architecture provide business value to customers. This year, we will also focus on marketing issue-specific packaged solutions. These solutions will include predefined combinations of applications and services designed to handle specific business problems. The packages solutions will minimize implementation risks for customers and offer faster return on investment.

Overall, we have created the foundation for driving growth and gaining greater market share in 2003. Two factors will ensure that SAP can remain as stable as possible in an uncertain market: our comprehensive product portfolio with its powerful, integrative technologies, and our flexible, optimized infrastructure. In 2003, SAP will once again concentrate on efficiently deploying resources, further reducing costs to increase profitability, and strategically investing in research and development so that we can ensure our future growth.

BUSINESS INTEGRITY

Responsible corporate governance has been a fundamental value at SAP since the Company was founded. By expanding on its Principles of Corporate Governance in 2002, SAP has shown the importance it places on transparent communication.

ADAPTING, INNOVATING, WINNING

SAP’s corporate culture was essential to our excellent performance in a difficult year. The flexibility and innovative thinking of our 29,000 employees worldwide are what makes SAP stand out. We would like to take this opportunity to thank them, our partners, and our customers for their contribution and dedication.

We also thank you, our investors, for continuing to believe in SAP despite the prevailing uncertainties. We look forward to your continued support. Thanks to profitable applications for our customers, an open technology platform, and our investment in the future, SAP is well positioned for the years ahead.

Sincerely,

HassoPlattner, Co-Chairman and CEO, SAP AG

Henning Kagermann, Co-Chairman and CEO, SAP AG

-------------------------------------------------------------------------------------------------------- SAP 2003

Dear Shareholders, Customers, Partners, and Colleagues,

At the beginning of 2003, SAP, like many of our customers, was uncertain about the economic and political situation. Our strategic goals were therefore to significantly improve earnings per share and increase SAP’s market share, despite forecasts of a stagnant market. We executed well on this strategy and, despite the currency impact of a strong euro, were able to exceed guidance by reporting record operating income, earnings per share, and margin growth. Our gains in market share, measured against our four major peers, was also greater than ever before. The SAP share price increased 76% over the year and outperformed the German DAX by 39 percentage points, and the Goldman Sachs Software Index by 26 percentage points.

A CHALLENGING YEAR

In 2003, business priorities for companies worldwide included pressures for better corpo- rate governance; focus on core business, primarily cost controls, lean operations, and efficiency; and ensuring that customers were at the center of business. Companies sought to increase prof- itability by running their businesses more effectively, and wanted to ensure that they had the flexibility to exploit the new opportunities that an economic recovery would create. Technology was considered crucial to achieving these business goals. However, information technology (IT) investments needed to make a faster return than in the past and so this aspect was closely moni- tored in all projects. Companies were looking for, and will continue to look for, technology solutions to solve real business problems – gone are the days of technology for technology’s sake. Decision-makers thus preferred manageable, lower risk projects with a swifter return on invest- ment (ROI), which led to an overall decline in deal size, a trend that SAP successfully managed

to offset through a 13% increase in the number of deals signed during 2003.

Software vendors were under greater pressure to deliver ever-evolving, future- proof solutions to satisfy customers’ more exacting demands. 2003 saw substantial industry con- solidation and, in the business software sector, the effects were far-reaching. While SAP may

now face fewer competitors, the competitive landscape has become much more fierce. We expe- rienced unprecedented pricing pressures in 2003 but were able to benefit from good, long-estab- lished relationships with customers and our image as a reliable partner. As many of our competi- tors were looking internally to their own operations and faced self-induced challenges created through mergers and acquisitions, SAP was able to sharpen its focus on meeting customers’ needs. For example, despite the strong currency impact on our license revenues and an overall focus on growing operating margin, we increased spending on research and development (R&D) by 9 % year-on-year. Our commitment to innovating for our customers was recognized by Wall Street Journal Europe, which gave its European Innovation Award to SAP for our work in radio frequency identification (RFID) technology.

We restructured the Company to enable us to resolutely pursue our goals and react flexibly to changes in IT buying patterns. A management transition took place when

Hasso Plattner, co-founder and former co-CEO, decided to leave the day-to-day operations

of SAP to dedicate his time to the mid- and long-term strategic direction of the Company. This transition was effected smoothly, and the Company continued to execute on the strategy that Hasso and I developed during our five years of shared leadership as co-CEOs of SAP. At the Annual General Shareholders’ Meeting in May, you appointed Hasso to the Supervisory Board and he was immediately named as its Chairperson.

MARKET LEADERSHIP 2003 was another difficult year for the software industry, yet SAP continued to strengthen its global market leadership position. Translated into U.S. dollars, the reporting currency of our main competitors, we increased software license revenue 12% while the rest of the market saw another decrease (3 %). SAP’s worldwide share of the market against its four largest competitors was 59 % at the end of the fourth quarter of 2003, compared with 51 % at the end of the fourth quarter of 2002. In the United States, we became the market leader through a 2003 increase in market share of 14 %.

We also achieved market leadership in our major product lines. In particular, we accomplished our goal of becoming the number one customer relationship management vendor globally by offering the market a superior solution. With mySAP Customer Relationship Management (mySAP CRM), our customers enjoy the benefits of best-of-breed software while also benefiting from the lower total cost of ownership (TCO) offered by an integrated suite of solutions.

Our clear message delivered to customers at our annual SAPPHIRE conferences was a call to invest in innovation. We demonstrated that smart IT contributes to a company’s bottom line, providing ROI while reducing total cost of ownership, specifically in times of economic uncertainty. This message has resonated well in the market and has helped to put

SAP back into the number one position.

SAP’s corporate culture and our highly motivated employees were essential to our excellent performance. Our 30.000 employees worldwide are known for their flexibility, idealism, and innovative thinking. We would like to take this opportunity to thank them, our partners, and our customers for their contribution and dedication.

TECHNOLOGY LEADERSHIP

In 2003, one of SAP’s most significant accomplishments was the launch of Enter- prise Services Architecture and SAP NetWeaver technology platform, the technical enabler of this service-oriented architecture for adaptive business solutions. SAP NetWeaver helps compa- nies achieve growth through continuous change and innovation. It allows our customers to integrate existing assets into their SAP landscapes for further ROI and lower TCO. It also helps them to quickly automate new business processes that foster change. And, it provides business and financial transparency by integrating previously “siloed” business processes across SAP and non-SAP applications as well as between in-house and outsourced applications. SAP NetWeaver opens up a new dimension: It elevates an existing IT infrastructure from an enabler of work to an enabler of change, and makes change sustainable through reduced risk and contained cost.

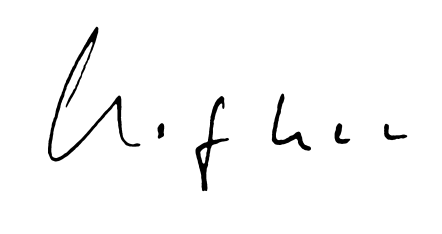
In an effort to better align the SAP development organization to deliver on the SAP NetWeaver promise and to continually add customer-oriented innovation to our offerings, SAP undertook its most significant corporate realignment ever during the summer of 2003.

The Strategic Cross-Organizational Realignment initiative created business solution groups to increase our focus on developing and delivering tailored industry solutions. We also created the Application Platform & Architecture group to set architectual standards and develop reusable software components.

THE YEAR AHEAD Our success in 2003 is not a one-time, short-term story. SAP does not operate in one-year cycles; our strategy is for the long-term. The overall economic outlook for 2004 is far more opti- mistic and SAP will focus strongly on increasing license revenue, while also continuing our focus on increasing profitability. We will execute on our strategy of offering an innovative product portfolio that helps customers identify and capitalize on growth opportunities through better business processes. We will continue to invest in business solutions for small and midsize businesses in order to improve our products and their delivery to new market segments. And, we will continue to invest in research and development, develop future growth areas of our busi- ness, and drive for market-wide adoption of SAP NetWeaver.

SAP has proven that it can outperform the market in both good and bad times. With the strengths highlighted above, our ongoing commitment to our customers’ success, and an overall better economic outlook for the year, SAP expects to benefit more than our competi- tion from the upswing in the economy. Analysts have expressed confidence that SAP will con- tinue to increase market share regardless of how quickly overall IT investment recovers, and that the Company will be able to continue to deliver high growth in earnings per share. We agree

with this analysis and look forward to sharing our success with you.



Sincerely,

Henning Kagermann

Chairman and CEO, SAP AG

-------------------------------------------------------------------------------------------------------- SAP 2004

Dear Shareholders, Customers, Partners, and Colleagues,

When we announced at the beginning of 2004 that we would grow our software license revenue by 10 %, many analysts thought this was going to be very difficult – if not impossible. 2003 had been a challenging year for SAP and the market, but we demonstrated our strength and proved that we were on the right path. That is why we were confident in our predictions for 2004. Now, as we look back at the year, we can say we met, and in some cases exceeded, our goals. While in 2003 our software revenues declined by 6 %, we have now returned to double-digit growth – with a 10 % increase – despite the rapid weakening of the U.S. dollar. In fact, if you adjust our 2004 software license revenue by currency, it grew by 13 %. In U.S. dollars, we grew our software revenue 19 %, while the rest of the market grew by only 4 %.

LEADING THE INDUSTRY

2004 was truly a year to remember for SAP, a major turning point in our more than 30-year history. We solidified our leadership position in the IT industry, reiterated our focus on our customers, and continued to drive our vision for the future of IT.

We demonstrated this leadership position time and time again in 2004. One of the major highlights was the general availability at the end of the third quarter of 2004 of our leading application and integration platform, SAP NetWeaver. We also delivered the latest version of our flagship product mySAP ERP, the successor to SAP R/3. This is an important milestone because

it is the first service-oriented business application on the market based on SAP NetWeaver. In addition, we have a clear maintenance strategy in place to help our customers smoothly transi- tion from SAP R/3 to mySAP ERP and therefore improve their productivity.

Our excellent results across the globe and across our product portfolio reflect the fact that our customers view us as the viable and leading expert in helping them prepare for the

ever-changing business environment in which we operate: SAP’s overall customer satisfaction is at an all-time high. Regional successes include 38 % constant-currency software growth in the United States and success in emerging markets, such as China, India, and Russia. Product high- lights include our now number-one position in all major solution areas: enterprise resource planning, customer relationship management, supply chain management, supplier relationship management, and product life-cycle management, as well as our success in several key industries.

Over the past year, our strength is also an indication of our successful transition to a volume business model: The number of contracts from the direct sales channel increased 12 % year-on-year and from the indirect channel the number increased by 47 % year-on-year.

Even more importantly, in 2004 we demonstrated our leadership not only in the large enterprise segment, but also in the midmarket – 31 % of SAP’s total order entry comes from companies

with less than 2,500 employees or less than US$1 billion in revenue. Based on these numbers,

SAP generated more business in the midmarket segment than any of our peer group competitors generated in total.

In addition, our pro-forma operating margin (excluding stock-based compensation and acquisition-related charges), a ratio that indicates management’s ability to control costs and expenses relative to business operations, increased by one percentage point to 28 %. This increase is particularly noteworthy given the continued investments we made in innovation and research and development throughout the year, as well as the increases in global headcount. We added sales and marketing personnel to capitalize on opportunities and leveraged low-cost locations for both R&D and support services.

DRIVING INNOVATION

Our continuing success is based on two key factors: a sharp focus on our customers and a winning product portfolio based on a solid road map for the future.

In dialog with our customers, we have come to the mutual conclusion that future business drivers will be the ability to quickly adapt the business strategy, speed of innovation, and time to market. We see IT as a strategic tool and a powerful enabler of this changing business environment. To succeed, however, requires a new type of IT architecture, one that is as flexible as the business itself and that can be quickly adapted as needed.

A WINNING PRODUCT PORTFOLIO SAP recognized early on that this must be a service- oriented architecture, allowing companies to easily create and change business applications to support their strategy. Our vision is Enterprise Services Architecture, introduced in 2003 along with an ambitious road map. Enterprise Services Architecture provides a flexible IT framework that combines our business expertise with the power of Web services. We are focused on deliver- ing this new architecture because we believe it will not only help our customers be much more

flexible and deploy technology more strategically, but it will mean we are better positioned for the road ahead.

To be able to create Enterprise Services Architecture, however, requires the right plat- form. SAP NetWeaver is the enabler of Enterprise Services Architecture that allows us to take our applications and infrastructure to the next level, and we are right in the middle of that journey.

In 2004, we hit several milestones and reiterated our commitment. We now have more than 1,500 SAP NetWeaver reference customers, including companies such as Intel, Johnson & Johnson, and Siemens. We also have 1,300 mySAP ERP customer contracts. This is significantly ahead of our own expectations.

In 2005 and beyond, SAP NetWeaver will be continuing its evolutionary course to a business process platform. Customers and industry experts acknowledge that the combination of a composition platform and service-enabled components creates the ideal business platform

for an economy that is driven by the need for growth through innovation. SAP’s business process platform supports operational processes that enable efficiency and business integrity, while

also providing tools that allow customers to compose highly differentiating business scenarios that can evolve in real time along with their strategies. With a business process platform, com- panies can easily reuse existing software capabilities without having to write customized software code. By 2007, our goal is to deliver all of mySAP Business Suite and all industry solutions on

this industry-leading business process platform.

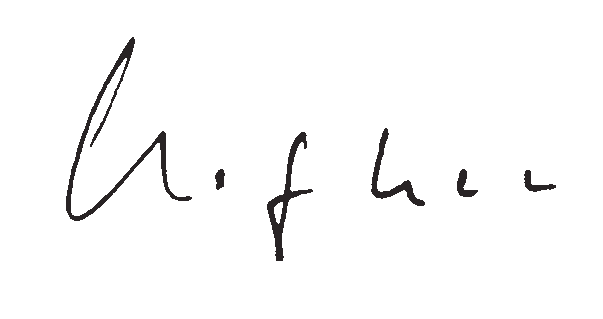
ORGANIZATION FOLLOWS STRATEGY To ensure we have the best organization structure in place to accelerate our growth in February 2005, we have realigned the responsibilities of the SAP Executive Board members along a solution value chain. The value chain begins with a new idea or breakthrough innovation, followed by product development; the production process and quality assurance; service, support, and maintenance; marketing, sales, training, and consulting; and finally implementation by the customer. The new structure will improve the speed of decision making and focus within each Board area. With the structure, SAP has all

the ingredients in place for successful execution of our strategy: the right technology, the right product portfolio, and the right organization.

INVESTING IN SUCCESS With a clear commitment to our customers, we are continuing our long history of leadership and growth in shaping the future of IT.

SAP’s long-term goal is to build on this leadership and, together with our customers, to redefine the technology landscape with our powerful vision of a service-enabled business process platform. Our investment in this platform, the culmination of our Enterprise Services Architec- ture strategy, enhances our competitive position and opens up new opportunities for revenue and profit growth. 2005 will be a year of investment in the success of this company. Without our tireless employees, however, we would not be where we are today. We would like to thank them for their contribution and extreme dedication.

This is truly an exciting time to be leading such a dynamic company and I am pleased to share our continued success with you.



Sincerely,

Henning Kagermann

Chairman and CEO, SAP AG

----------------------------------------------------------------------------------- Supplementary Information

Success

“Success is the ongoing realization of new ideas – and their validation by the market.”

Money

“We continue to invest in future growth opportunities while remaining committed to increase our profitability.”

Innovation

“Innovation is the springboard of success – for our customers and for SAP.”

Solutions

“SAP’s innovative solutions don’t appear from nowhere. They emerge from a synthesis of customers’ needs and drive tangible economic value.”

People

“Provide a culture of openness, excellence, and integrity, and people will respond with their best work.”

Service

“Service does not end at purchase. We believe in forging long-term partnerships.”

Customer

“We are privileged to serve tens of thousands of customers – but we strive to make each one as successful as if they are our only customer.”

-------------------------------------------------------------------------------------------------------- SAP 2005

Dear Shareholders, Customers, Partners, and Colleagues,

2005 was another outstanding year for SAP. We demonstrated that organic growth is not only possible in our industry, but that it is also a successful strategy to benefit our customers, partners, and shareholders. Customer satisfaction is at an all-time high and we extended our peer group share more significantly than in previous years. Companies recognize SAP as a strong, reliable partner and trusted advisor for innovating business with IT. This is all reflected in the 17% increase of the SAP share in 2005, which outperformed the Goldman Sachs GSTI Software Index.

2006 will be another cornerstone year for the company as we invest in people, new products, and new sales channels to expand our addressable market to US$70 billion by 2010.

When I look back over the past year, I am pleased with what we have accomplished. In spite of the challenging environment, we significantly outperformed our direct competitors and the worldwide software market. In addition, we extended our leadership in the small and midsize enterprise segment. I attribute our continued success to three long-term, core SAP values: our customer-centric approach, the excellence of our product offering, and a clear focus on delivering on our promises to our customers.

HIGHLIGHTS OF 2005

In 2005, we proved we are very well positioned, with our invest- ments in organic growth showing immediate return. We grew our software license revenue by 18% to €2.8 billion and the number of deals increased by 22%. Every region contributed to our success, most strongly in North America and Asia-Pacific. Our profitability rose by 0.5 percentage points to a pro-forma operating margin of 28.3%, while our pro-forma earnings per share were €5.01, an increase of 14%.

On the product side, we accelerated our progress toward enterprise services architecture (ESA), our leading vision for the next wave of computing now becoming a reality. We were the first software provider worldwide to develop and deliver our entire mySAP Business Suite solutions based on this new architecture, and more customers than expected are migrating to mySAP ERP.

By industry, we made significant gains throughout the year, with strong growth in process industries and a record increase of 63% in retail.

To support our delivery of business solutions, weare extending our worldwide development partner ecosystem. Using our technology, these companies are developing complementary solutions to our own. Through this process of co-innovation, customers have access to an even greater number of innovative solutions. Today, we have nearly 1,000 independent software vendors (ISVs) supporting our SAP NetWeaver platform, with 360,000 members in the SAP Developer Network. Three of the most significant partner- ships that we announced in 2005 were our partnership with Microsoft on Project Mendocino, with Siemens on healthcare, and with Intel to offer a high-performance analytics packaged solution available on HP and IBM technology.

To round out our product offering for our customers, we made some small acquisitions (Triversity and Khimetrics in retail, Lighthammer in manufacturing, and TomorrowNow

in maintenance and support of non-SAP systems). In coopera- tion with TomorrowNow, we signed nearly 200 customers for our Safe Passage program.

We also strengthened our dialog with our key share- holders. As in previous years, SAP set itself the highest objec- tives for transparency in our communication with the financial community. Investors around the world provided us with positive feedback on our long-term strategy.

Transparency is also a theme of SAP’s corporate social responsibility initiatives. We believe that the most effective form of engagement is to draw on our own unique strengths and expertise. That is why, along with transparency, we are focusing on education, good governance, and community development.

Our results this year again demonstrate that companies are seeking a long-term partnership with a software vendor they can trust. In this Annual Report, you will find four examples of companies around the world that are innovating through SAP solutions to be more efficient, manage complex businesses, support high quality of products, and provide fast access to information.

I would like to emphasize that our success would not be what it is without the exceptional dedication and creativity of our employees. Located close to our customers in over 50 countries, they are the reason we can offer the best products of the highest quality. In 2005, we added to our diverse talent pool with more than 3,600 employees hired worldwide.

SAP’S WINNING FORMUL A

SAP has always been at the forefront of business software, a market we created almost 35 years ago. To ensure we continue to deliver best-in-class products, we look not only at what

our customers need today, but also at what they will need over the next five to ten years. Our research has shown that com- panies will increasingly need to be able to flexibly change their business models to gain a competitive advantage. This will only be possible through the right IT: a new generation of IT architecture we call ESA. This new architecture revolutionizes not only how software is developed but also how it is imple- mented and used.

2006: A CORNERSTONE YEAR FOR SAP

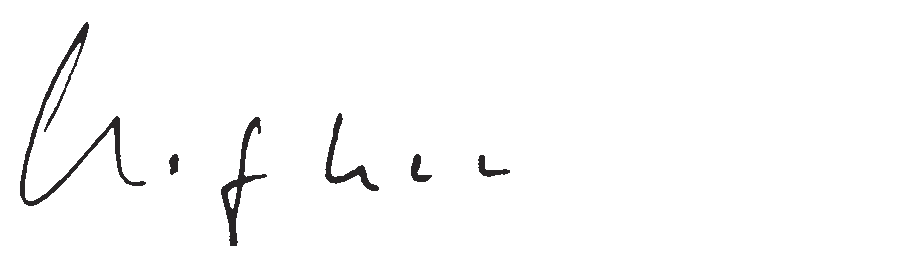
We have set high goals for ourselves over the next few years. SAP has a strong product pipeline and an excellent market position. In 2006, we will add new strategic products to make our offering more attractive for users in enterprises of all sizes. In essence, 2006 sets the foundation for our 2010 ambitions to expand our addressable market from US$30 billion to US$70 billion by 2010.

Due to the increased enthusiasm for our next-genera- tion technology with over 300 customers in our ESA Adoption Program, we have expanded our product road map for 2006 with additional proof points. One focus this year will be to evolve our SAP NetWeaver platform into a Business Process Platform, the flexible IT environment required to support the business models of the future. We will also launch new products for the midmarket and continue to expand our eco- system to involve ever more partners in our next-generation technology.

THANK YOU

In closing, I would like to say thank you to those who are accompanying us on our journey: our customers, partners, shareholders, and employees. We will continue to deliver high- quality business software that meets and exceeds the expecta- tions of our customers, we are creating long-term value for

our shareholders, and we are well positioned for the future. With IT that provides business model flexibility, we can enable companies of all sizes to reach new heights. Let us travel this road together.



Sincerely,

Henning Kagermann

Chairman and CEO, SAP AG

-------------------------------------------------------------------------------------------------------- SAP 2006

Dear Shareholders, customers, partners, and colleagues,

2006 was an important year for SAP. We achieved a number of significant milestones towards our long-term growth targets for 2010. We proved our ability to drive new innovation through the expansion of our product portfolio and through the global availability of the first business process platform. A 10% increase in revenues and a 27% increase in adjusted net income demonstrate that SAP continues to be a growth company that consistently delivers outstanding results.

We set ambitious targets for 2006 and were not able to meet all of them. We achieved 12% software revenue growth in constant currencies. Though short of our 15% target, this was an excellent result in comparison with our market peers. We increased our market share in all regions and against our main competitors.

In 2007 we will continue our strategy of organic growth based on our own innovation and co-innovation with customers and partners. As our customers’ ability to innovate becomes increasingly dependent on IT, our ability to innovate faster than our competitors will become ever more important, and we have proved that an organic growth strategy is the best way to sustain our first-mover advantage. We will successfully deliver on the product road map we announced three years ago and we will introduce a new software category that represents a radical innovation in both product and business models in our industry.

HIGHLIGHTS OF 2008

2006 was a year of strong growth on all fronts. We achieved double-digit growth in software license revenue across all regions. Our profitability rose by 0.5 percentage points to an adjusted operating margin of 28.8%.

We adjusted a high level of customer confidence by delivering on our promises to existing customers. We moved forward on target with our goal of service-enabling our software that will make it easier for our customers to execute on desired changes to their business. We now have over 7,300 customers of our service-enabled ERP application, SAP ERP. We announce that all new functional enhancements to SAP ERP 2005 in a series of optional enhancement packages, eliminating the need for customers to continually upgrade their systems to take advantage of the newest technology and business process innovations from SAP.

Providing software to meet the needs of companies that have not traditionally used SAP software is a core pillar of our strategy to double the size of the market we address. In 2006 we shipped a range of new products that address the needs of users who analyze data to gain new business insights. These include Duet software, a product we developed with Microsoft to enable users to access SAP data through familiar Microsoft products. We also introduced a new product deployment model with SAP CRM on-demand solutions.

We continued to grow by industry. We lead the market in 20 of the 25 industries we serve and our growth in 2006 was driven by a mix of strong performance in traditional industries such as chemicals, oil and gas, and utilities, as well as in strategic industries such as retail and financial services.

We executed on our policy of complementary acquisitions with the purchase of three software companies – Khimetrics, Virsa, and Frictionless Commerce – and the chief assets of two others – Praxis Software Solutions and Factory Logic.

We extended our global ecosystem of partners. In addition to new partnerships in Asia, with Tata Consultancy Services in India, Neusoft Group in China, and Fujitsu in Japan, we announced a new marketing cooperation agreement with Cisco Systems for the United States and Canada covering governance, risk, and compliance applications. We introduced industry value networks for five industries. These networks bring together independent software vendors and systems integrators with SAP and leading customer companies to develop solutions to industry-specific business pains.

This exchange of business best practice with customers and partners is fundamental to our success. We believe we have a responsibility to society to make this best practice – particularly in the areas of transparency and governance – available to a broader range of stakeholders, including tomorrow’s business leaders. We do this through membership in a number of stakeholder forums such as the UN Global Compact and the International Business Leaders’ Forum, our collaboration in the Extractive Industries Transparency Initiative, and through the continued expansion of tour SAP University Alliances program.

The testimony of the customers featured in this Annual Report is evidence of our continuing success. Across a range of different industries, geographies, and business needs, we support these customers in meeting their innovation and growth agendas. This would not be possible without our most important asset – our people. We continue to invest in employees and hired over 3,400 staff worldwide, almost half of them in global research and development centers.

GROWTH OPPORTUNITIES

We see enormous growth potential in 2007 and beyond. We will increase share of wallet among our existing large-and midsize customer base by bringing the entire SAP product suite to our business process platform. We will extend our platform with industry-specific versions. We will continue to develop our product offering for small businesses and midsize companies. In January 2007, we launched a new version of SAP Business One, our offering for small businesses.

We are also addressing a huge revenue opportunity among midsize companies that are not currently enterprise software buyers. Over the last three years, we have focused on developing a product for these ‘non-buyers’. We are now innovating on our own business model to meet their need for low cost and risk and swift return on their IT investments. In January 2007, we announced a €300-400 million investment over eight quarters to build our “try-run-adapt” model that will enable companies to quickly access, configure, and run software to meet their needs. To minimize the investment risk for these companies, we are looking at alternative licensing models such as leasing as well as different financing options. We expect to achieve US$1 billion revenue from this offering by 2010 and 10,000 new customers per year onwards of 2010.

THANK YOU

In closing, I would like to thank each member of our ecosystem of employees, partners, and customers, who together enable SAP to create long-term value for you, our shareholders.

-------------------------------------------------------------------------------------------------------- SAP 2007

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 acqui- sition 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 busi- ness, 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. Neverthe- less, 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 prof- itable. 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-Innova- tion 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 leader- ship, we can continually provide the right products to add value and create competitive advantages for our cus- tomers. This illustrates the changed role of enterprise soft- ware: Whereas eﬃciency and cost reduction were once

the primary concern, today’s enterprise software increas- ingly 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 cus- tomers, this spells greater agility and productivity, but also ensures signiﬁcantly easier implementations of future innovations. Instead of having to carry out complex up- grade 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 way 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 conduct- ing analyses, supporting decision-makers, and adapting business processes, we have created competitive advan- tages 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 em- ployees, 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 commit- ment was applauded worldwide.

The story of SAP’s success owes not only to the inge- niousness of its founders and the performance of all its employees, but also to our business partners and cus- tomers. 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

-------------------------------------------------------------------------------------------------------- SAP 2008

Letter to the Shareholders

INNOVATION STARTS WITH AN IDEA

Dear Shareholders, Customers, Partners, and Colleagues

A substantial part of the global economy now runs on SAP software. More than 82,000 companies and organizations of all sizes trust our innovative products and services – in every sector of industry and every region of the world. We are quite proud of that. This strong global presence, together with a well-diversified customer base, often makes us more resilient in times of crises in individual industries and regions. However, we are not immune to the current economic crisis, which is global in scale. Half way through September, business fell off sharply and unforeseeably. Thereafter, for the remainder of the year, we were unable to match the extraordinary growth we reported in the first-half of the year. Nonetheless, over the full year of 2008, we achieved 20 % more revenue from software and software-related services compared to the year before on a non-GAAP, constant-currency basis. Our market share grew 4.4 percentage points, of which 0.9 percentage points were from organic growth, while the acquisition of Business Objects accounted for 3.5 percentage points.

The stringent cost-containment measures we initiated in October have proven to be the right action to take. Without compromising the delivery of services and promised new products to our customers, we saved around € 220 million of costs in the final quarter, leading to an ap- proximately one percentage point increase in our non-GAAP operating margin for 2008. Such agility in a company of our size was well received by investors, and SAP stock outper- formed the major benchmark indexes in 2008.

However, the economic crisis has worsened and uncertainty has spread. Therefore, we must further reduce our costs. One area we must address is payroll, therefore, we intend to reduce our workforce globally by 3,000 positions by year-end 2009, taking full advantage of attrition as a factor in reaching this goal. This is a modest reduction, considering we creat- ed 14,000 new jobs in the past five years alone, not counting our Business Objects people.

We recognize that it is our committed and innovative workforce that drives our success, and we remain steadfast in maintaining SAP’s status as a great place to work.

SAP is well positioned to successfully handle a sustained economic crisis. We have doubled our addressable market since 2005, we are on track to pass 100,000 customers in 2010, and by then new products should be generating more than half of our license revenue. We also continued to improve our market lead in the small business and midsize company segment.

The investments of recent years are proving their worth. We have successfully transferred our portfolio to a service-oriented architecture (SOA) and continued to expand our offerings – including those from the recently acquired Business Objects. With SOA, our customers can flexibly adapt their business processes and business models, including those that involve other organizations; and with SAP BusinessObjects solutions, customers have the best real- time tools to analyze all of their relevant business information - more insight for better in- formed decisions, more flexibility to implement those decisions quickly, and, of course, the most efficient processes achievable. We offer our customers the strategic agility they need to weather the current storm and to start growing again.

Our own long term growth prospects critically depend on our ability to innovate. Here are three topical examples: One, SAP Business Suite 7, launched in February 2009, represents

a new milestone in the development of business software; two, SAP Business ByDesign will open up a whole new midmarket segment for us, but first we are concentrating on making the new business model for it more profitable; and three, SAP Enterprise Support, an essen­ tial new support offering to help customers navigate the complexities of today’s IT landscapes. These support services are unrivaled in the marketplace, and very competitively priced.

In the coming years, we will be offering more solutions to support sustainability. Growing con­ cerns about social and ecological issues and the global tide of regulation create great op­ portunities for SAP. We intend to lead the market in the field of sustainability, and one way to demonstrate our commitment is to set a good example by establishing our own company­ wide sustainability practices at SAP.

Sustainable success in business has always been a key focus for SAP, and one way we have been able to achieve this is our custom of maintaining a seamless management transi­ tion. With the two of us working together for many years now, that tradition continues. On behalf of the Executive Board, we both thank you for continuing to invest your trust in SAP.

I leave you with my warmest regards I welcome you with equally warm regards

Sincerely, Sincerely,

Henning Kagermann Léo Apotheker

Co­CEO Co­CEO SAP AG SAP AG

-------------------------------------------------------------------------------------------------------- SAP 2009

**Letter to the Shareholders**

Clarity fosters innovation

Dear Shareholders, Customers, Partners, and Colleagues,

The past year was marked by changes to the business environment, as customers adapted to a new market reality. Customer buying behavior shifted to an emphasis on smaller transactions and projects with immediate return; decision making moved increasingly to line of business executives and away from the traditional IT power base of the CIO; and there were increased requirements for solutions to help CEOs, COOs, and CFOs manage perfor- mance, compliance, and gain more business insight for faster decision making.

To respond quickly to this “new normal” of customer behavior, SAP began an ambitious transformation to bring us closer to customers and to increase speed to value. We laid a new foundation for sustainable growth, implemented lean principles and increased engagement with employees – our most powerful assets – while paying close attention to costs, reducing them by €662 million year-over-year, with a clear focus on improving our operating margin.

As 2009 drew to a close, these transformation efforts, combined with strong field execution and a renewed focus on innovation, allowed SAP to finish the year with better-than-expected fourth-quarter and full-year results as software and software-related service (SSRS) revenue was down only 5% for 2009 (non-GAAP, constant currencies). Execution was strong in the Asia Pacific and Americas regions, with the BRIC countries, the United States, the United Kingdom, and Germany leading the pack. We won some outstanding customers in key indus- tries, such as banking, insurance, public sector, and telecommunications. We also exceeded our operating margin target for the year at 27.5% (non-GAAP, constant currencies).

Today, companies in all industries and of all sizes are looking to SAP to help them grow again. They want to be more innovative, agile, and competitive, and they are focused on tech- nology investments that can help them take full advantage of a more positive economic outlook. As such, we expect 2010 to be a powerful year for SAP as we look to significantly expand our leadership of the enterprise application software market with new innovative products, new customer opportunities, and a focus on sustainable top-line and margin growth.

The changes in the SAP Executive Board made early this year were designed to intensify and accelerate our business strategy. SAP is more focused than ever on delivering a faster pace of innovation enabling customers to consume our solutions on-premise, on-demand, and on-device. We will help customers drive down their cost of operations by orchestrating their information technology, while providing consistency and security of data and business processes. Moreover, we will leverage the latest technologies, such as virtualization, cloud, and in-memory to ensure that our business solutions are easy to implement, easy to use, and seamlessly integrate across SAP and non-SAP environments.

At the forefront is the SAP Business ByDesign solution, which we anticipate delivering mid-2010 as a volume-ready cloud suite. In addition, this year SAP will begin delivering on-demand extensions to our market-leading SAP Business Suite 7, giving customers a choice of on- premise, on-demand, or a hybrid of both. We will also bring to market innovations such as networked applications, in-depth industry solutions, and applications designed to help busi- ness users be more informed, productive, and efficient. At the same time, SAP will more fully leverage the industry’s largest ecosystem to drive growth for SAP and innovation for our customers. We will provide our partners the support they need to help ensure their success when working and partnering with SAP.

Together, as co-CEOs, we believe our strong working relationship and complementary skills can help accelerate SAP’s transformation. Our joint ambition is to foster a culture of innova- tion at SAP that engages and inspires our people around one goal: helping our customers be best-run businesses. We stand at the beginning of a new era where information technology means more than just individual applications or products – it enables all facets of society to flourish. We look forward to strengthening our strong partnerships with all stakeholders as we lead SAP into a new generation of profitable growth.

The successful conclusion to 2009 is testimony to the market leadership of SAP, built upon the trusted advisor status we have earned with more than 95,000 customers, and to the innovative power and drive of SAP employees and partners. While the last year has been defined by a changed market environment and internal transformation, SAP is uniquely prepared and positioned to take full advantage of the opportunities that are in front of us.

Best regards,

Bill McDermott Jim Hagemann Snabe

Co-CEO Co-CEO SAP AG SAP AG

-------------------------------------------------------------------------------------------------------- SAP 2010

Letter from the Co-CEos

Run Better

Dear Shareholders, Customers, partners, and Colleagues,

We started 2010 with the goal of making SAp a growth company again. We decided to concentrate on delivering superior value to our customers and we refocused our strategy on innovation. We started with an ambitious vision: to make the world run better. We then centered everything on our mission to make our customers best-run businesses. this strategy allows us to both strengthen leadership in our traditional business and to double our addressable market by investing in new innovations that will change the game for our customers.

As we look back at 2010, our efforts to refine and accelerate our strategy, combined with excellent execution, produced solid results – capped off by our best fourth quarter ever. We saw broad-based, double-digit increases in software and software-related service (SSRS) revenue in all regions. High growth markets, the BRIC countries in particular, saw 70 % year-over-year gains in software revenue. Full-year non-IFRS SSRS revenue increased appro- ximately 20 % (13 % at constant currencies) and exceeded our company guidance. We added 15,000 new custom- ers during the year, including 5,800 small and midsize companies. Just as important, we met our guidance for full year 2010 non-IFRS operating margin at constant currencies.

our innovation strategy includes a focus on new game-changing technologies such as in-memory computing, mobile computing, and cloud computing. We delivered important innovations in all three categories. We success- fully launched SAP Business ByDesign, enabling companies to run best practices through the cloud – without any installation of It. We also launched our High-performance Analytic Appliance (SAP HANA) that allows customers to analyze, in real time, what is going on in their business, without any change to their landscape. The development of SAP HANA is a leading example of our rapid innovation cycle.

And as we look to this coming year, our innovation pipeline is full. Working closely with partners worldwide, we offer more powerful innovation to our customers. We strongly believe that in this world of innovation, one company cannot offer all of the options that businesses require. We promote co-innovation with partners to offer customers optimal choice, and embrace our role orchestrating our customers’ data and processes consistently and securely across their diverse It landscapes.

With our acquisition of Sybase, SAp became the leader in enterprise mobility, setting the stage for the unwired enterprise and the evolution of mobile devices as the “new desktop.” We are also aggressively pursuing other transformative technologies, such as virtualization, cloud, and in-memory computing, to deliver solutions that are easier to implement and use, integrated across SAP and non-SAP environments, enabling our customers to operate in real-time, with information at their fingertips.

Through lean development practices, we connected our development teams more closely to our customers and accelerated the delivery of solutions to the market. Our field sales teams grew savvier in positioning IT solu- tions with shorter implementation times and lower total cost of ownership to deliver the value our customers require. through our value management disciplines, we ensured that, for every dollar customers spend with SAP, they can expect ten in return. no other company can create this holistic cycle from strategy to business out- come for our customers like SAP and our open partner ecosystem.

In addition to the focus externally on our customers, we made significant strides with our people strategy. The appointment of Angelika Dammann as a member of the SAP executive Board in charge of human resources promises a new focus on our greatest asset – our employees. Across the organization, we are making SAP run better through a stronger focus on leadership and people development. We are fostering a culture at SAP that engages and inspires our people around one goal: helping our customers be best-run businesses.

The year was not without its setbacks. As the accountable company that we are, we took responsibility for any mistakes made by the defunct tomorrownow subsidiary. However, we believe that amount awarded by the jury in the trial is disproportionate and are pursuing options to reduce that amount. nonetheless, we learned a valu- able lesson about transparency and good governance. Fortunately, our customers realize that the actions at tomorrownow were isolated and discontinued years ago.

The strong momentum from our 2010 performance gives us full confidence that we will achieve our ambitious goals for the coming years and that SAP will expand its market leadership in business software. We continuously challenge ourselves to run better with the goal of making SAP more valuable for our customers, employees, and shareholders.

We have made great strides since we took the helm of SAP in February 2010, bringing back confidence in the company, our strategy, and our management team. We are running better to make SAP the innovator and undisputed market leader.

We look forward to strengthening our strong partnerships with all stakeholders as we lead SAP into a new generation of profitable growth.

Best regards,

Jim hagemann Snabe Bill McDermott

Co-Ceo SAp AG Co-Ceo SAp AG

-------------------------------------------------------------------------------------------------------- SAP 2011

Letter from the Co-CEOs

Dear Shareholders, Customers, Partners, and Colleagues,

As SAP celebrates its 40th anniversary, the world looks very different than it did in 1972. More than ever, it is a world of connections. Economies are increasingly dependent upon one another. Companies are truly global,

and operate within broader ecosystems that include partners, customers, and even competitors. Populations con- tinue to converge in urban areas – where people are living better, longer lives, yet putting immense strain on resources and our climate. Sustainable consumption is no longer optional, it is a necessity.

Much of today’s connectedness has been brought about by the emergence of digital technologies, which continue to evolve at incredible rates. The amount of data on the planet is doubling every 18 months. By 2013, more than 15 billion mobile devices will be connected to the Internet. Already, 80% of new software offerings are available from the cloud, making them easy and efficient to use. And over 1 billion people are linked virtually via social networks. These developments represent an immense opportunity. Technology, in particular innovative software such as ours from SAP, can make sense of the digitized world, helping it run better and more sustainably, while improving people’s lives. That is our vision at SAP, and it forms the foundation of our customer-driven innovation strategy.

We executed with excellence against this strategy in 2011. More organizations than ever before turned to SAP to help them innovate for growth, optimize the use of resources, and inspire people to be their best. This led to dou- ble-digit growth for us in every quarter. We exceeded market expectations with full-year non-IFRS software and software-related service revenue growth of 15% (17% at constant currencies). Full-year non-IFRS operating profit reached €4.71 billion (€4.78 billion at constant currencies), resulting in a full-year non-IFRS operating margin increase of 1.1 percentage points at constant currencies to 33.1%. These results are proof that our strategy of growth through innovation is winning in the marketplace. Our innovations are not only creating growth in new product areas, but also driving strong demand for our core applications and analytics software.

Delivering Value in Five Mark Categories

We deliver value to our customers through industry-specific and line-of-business solutions across five market categories: Applications, analytics, mobile, cloud, and database and technology. In 2011, we made significant prog- ress in each of these categories:

Applications: In applications, we introduced the SAP Business Suite Innovation Road Map. It provides customers with more innovation, less disruption, and greater long-term predictability through the extension of maintenance until 2020. We also ramped up the delivery of SAP Rapid Deployment solutions, which are software packages that are preconfigured with our industry expertise, allowing customers to reduce deployment time to as little as six weeks. With the acquisition of Right Hemisphere, we took an important step to further improve the user interface of our core products.

Analytics: Our analytics solutions give customers the power to turn insight into action by providing visibility into the data they need to run their business more effectively. In 2011, we introduced our latest portfolio of powerful analytics solutions. They enable our customers to better understand all facets of their businesses and make confi- dent, fact-based decisions as events unfold in real time.

Mobile: The trend to mobile continued in 2011. With our mobile solutions, customers benefit from new consumption models, device management, and the most robust security. We also brought the power of the enterprise into employees’ hands by releasing more than 50 mobile apps that allow our customers’ employees to work at any time and from anywhere via mobile devices. In this area, we surpassed our €100 million revenue target while extending the reach of SAP software.

Cloud: We expanded our cloud portfolio in 2011, allowing us to provide customers with the benefits of simple and efficient software consumption. We achieved a key goal of enlisting more than 1,000 companies to choose our cloud-based SAP Business ByDesign solution. To complement our cloud offering, we announced the acquisition of SuccessFactors, the leading provider of cloud-based human capital management solutions and the largest cloud company by number of users. This acquisition will significantly accelerate our momentum to become a €2 billion cloud business by 2015. We also acquired Crossgate, which supports the creation of virtual business networks.

Database and Technology: Our database and technology solutions began to redefine the market in 2011. Our technology solutions provide a cohesive platform on which our customers can accelerate and streamline their investments. This allows customers to extend their applications to reach more people and adopt new processes, devices, and consumption models. The Sybase database portfolio, combined with the power and potential of our SAP HANA in-memory technology platform, gives us the opportunity to address the market for structured and unstructured data and become the fastest growing database company.

Our SAP HANA platform merits special notice. This groundbreaking technology enables non-disruptive innovation across all five of the above market categories. It often increases computing speeds by a factor of 1,000 or more, allowing our customers to work with massive amounts of data in real time. SAP HANA will transform the market and allow us to renew our entire portfolio. It represents the future of SAP and we will continue to co-innovate with partners and customers to realize its full potential. SAP HANA generated revenue of more than €160 million for the year – making it the fastest growing product in our history.

Investing in Growth Markets

SAP expects above-average development in growth markets in the coming years. We continue to increase our investments in these markets. In China, for example, we will spend US$2 billion through 2015 on four key areas: Creating solutions, delivering these solutions by expanding our geographical footprint, building our support net- work, and nurturing the local IT ecosystem. We also invested in a new development lab near Moscow, Russia, pro- viding us with a unique opportunity to be at the center of a local network of partners, customers, and start-ups in this important market. Further growth market investments are planned for 2012.

Investing in Our People

Our innovative solutions and services would not be possible without our greatest asset – our employees. SAP con- tinues to strengthen its focus on leadership and employee development. This commitment has led to a 9% increase in the Employee Engagement Index, which measures employee satisfaction and motivation. We also made strides toward our goal of having women in 25% of our leadership positions. At the end of 2011, 18.6% of leadership positions were held by women. SAP considers employee engagement and diversity an important aspect of being a sustainable company. In the area of sustainability, we are also proud to report that we increased carbon and energy efficiency for the fifth consecutive year.

Building momentum

We have unprecedented momentum moving into 2012. Our customers value our focus on their needs and the non-disruptive breakthrough innovation we deliver. Organizations are shifting their IT spending to software from SAP because it helps them run better. We are well-positioned to exceed our goal of €20 billion in total revenue, achieve a 35% non-IFRS operating margin, and reach 1 billion people with beautiful software in 2015.

We look forward to continuing working with our customers, industry partners, employees, and shareholders as we help the world run better and improve people’s lives.

Best regards,

Bill McDermott Jim Hagemann Snabe

Co-CEO, SAP AG Co-CEO, SAP AG