

FINANCIAL MEASURES CITED IN THIS REVIEW

Reporting Standards

Our financial statements are prepared in accordance with the International Financial Reporting Standards (IFRS). Alongside the IFRS financial statements, we also voluntarily prepare financial statements in accordance with the accounting principles generally accepted in the United States (U.S. GAAP). They are filed with the SEC as part of our Annual Report on Form 20-F.

Managing for Value

In 2008, we expressed our internal management reporting and operational objectives and targets in terms of financial measures derived from U.S. GAAP, adjusted by eliminating currency and certain extraordinary effects. We refer to these measures as constant currency non-GAAP measures. This non-GAAP information differs both from our numbers according to U.S. GAAP and from our IFRS numbers.

We use various value-based performance measures to manage the accomplishment of our primary aim, the sustained growth of corporate value, and our ancillary goal of profitable revenue growth.

We eliminated a nonrecurring deferred support revenue writedown from the acquisition of Business Objects S.A. (Business Objects) and acquisition-related charges from the U.S. GAAP-derived key measures we mainly used during the year to manage our operational business, which are non-GAAP growth of software and software-related service revenue and non-GAAP operating margin. To compare rates of growth in underlying business volumes, we use unadjusted measures and we also exclude currency effects from the numbers compared by translating them at the exchange rates from the previous year, 2007. We refer to measures from which currency effects have been eliminated as constant currency measures.

- Our software and software-related service revenue includes software and support revenue plus subscription and other software-related services. Software revenue growth is the key revenue growth driver because it tends to stimulate our other revenue streams. The principal source of software revenue is the fees customers pay for software licenses. Generally, customers that buy software licenses also enter into maintenance contracts, and after the software sale these generate recurring software-related service revenue in the form of support revenue. Maintenance contracts cover support services, regular software maintenance, and software updates and enhancements. We also generate software-related ser-

vice revenue when we provide software on subscription or obligatory hosting terms. Software revenue stimulates service revenue from consulting and training sales.

- We use non-GAAP operating margin and constant currency non-GAAP operating margin to measure our overall operational process efficiency and the performance of our core business (software licenses, support, and other software-related service revenue). Non-GAAP operating margin is the ratio of our non-GAAP operating income, which excludes Business Objects support revenue that Business Objects would have reported had it been an independent company and acquisition-related charges, to total non-GAAP revenue, expressed as a percentage.

We also use performance measures – chiefly net financial income/expense and the effective Group tax rate – to manage non-operating items.

- Financial income provides insight especially into the return on liquid assets and capital investments and the cost of borrowed funds. To manage financial income, we focus on cash flow, the composition of our liquid asset and capital investment portfolio, and the average rate of interest at which assets are invested. We also monitor average outstanding borrowings and the associated interest expense. Another aspect is management of working capital by controlling the days' sales outstanding for receivables.
- The effective Group tax rate is the ratio of income taxes to income from continuing operations before income taxes and minority interests (in accordance with U.S. GAAP), expressed as a percentage.

Earnings per share (EPS) is a measure of the overall performance of the Group, because it catches all operating and non-operating elements of profit. It represents the portion of profit after income taxes allocable to each SAP share outstanding (using the weighted average number of shares outstanding over the reporting period). EPS is influenced not only by our operating and non-operating business but also by the weighted average number of shares outstanding. We see buying back stock as another good way (in addition to distributing a dividend) of returning value to shareholders, so we repurchase SAP stock for treasury pursuant to powers granted by our shareholders at their meetings.

Our holistic view of the performance measures described above and our associated analyses together make up the information base we use for value-based management. We use planning and control processes to manage the compilation of these key measures and their availability to the decision makers.

The Company's long-term strategic plans are the point of reference for SAP's other planning and controlling processes, including creating a multiyear plan: We identify future growth and profitability drivers at a highly aggregated level. The process is intended to identify the best areas in which to target sustained investment. The next step is to distill multiyear plans for areas of development and for customer-facing and support functions, and to break them down by sales region. We allocate resources to achieve targets we derive from detailed annual plans. We also use quarterly forecasting processes, which we can adapt ad-hoc, to quantify success in realizing strategic revenue and income goals and to identify any deviations from plan. We closely monitor the concerned units in the Group to analyze such developments and define any appropriate actions.

The entire network of planning, control, and reporting processes is implemented in integrated planning and information systems across all organizational units so that we can conduct the evaluations and analyses needed to make informed decisions. For example, we can precisely analyze differences in profitability between subsidiaries or investigate the impact of revenue growth on profit.

Measures Reported in This Review of Group Operations

Our guidance information for 2008 was expressed in non-GAAP terms, so in this *Review of Group Operations* we report on our performance against that guidance in IFRS and non-GAAP terms. This section explains the non-GAAP terms and provides a reconciliation to the closest IFRS financial information. Our outlook guidance for 2009 is also expressed in non-GAAP terms.

Reconciliation

Non-GAAP to U.S. GAAP to IFRS

€ millions, unless otherwise stated

2008

	IFRS	IFRS vs. U.S. GAAP Difference	U.S. GAAP	Adjustment	Non-GAAP	Currency Effect	Non-GAAP Constant Currency
Revenue							
Software revenue	3,606	0	3,606	0	3,606	139	3,745
Support revenue	4,602	-9	4,593	166	4,759	155	4,914
Subscription and other software-related service revenue	258	0	258	0	258	2	260
Software and software-related service revenue	8,466	-9	8,457	166	8,623	296	8,919
Consulting revenue	2,498	0	2,498	0	2,498	92	2,590
Training revenue	434	0	434	0	434	18	452
Other service revenue	107	0	107	0	107	4	111
Professional services and other service revenue	3,039	0	3,039	0	3,039	114	3,153
Other revenue	70	-1	69	0	69	3	72
Total revenue	11,575	-10	11,565	166	11,731	413	12,144
Total operating expenses							
Cost of software and software-related services	-1,743	97	-1,646	193	-1,453		
Cost of professional services and other services	-2,285	-11	-2,296	0	-2,296		
Research and development	-1,627	-4	-1,631	17	-1,614		
Sales and marketing	-2,546	6	-2,540	86	-2,454		
General and administration	-624	1	-623	1	-622		
Other income/expense, net	-49	60	11	0	11		
Total operating expenses	-8,874	149	-8,725	297	-8,428	-266	-8,694
Operating profit and margin							
Operating profit	2,701	139	2,840	463	3,303	147	3,450
Operating margin	23.3%		24.6%		28.2%		28.4%

Revenue by Region

Non-GAAP to U.S. GAAP to IFRS

	IFRS	IFRS vs. U.S. GAAP Difference	U.S. GAAP	Adjustment	Non-GAAP	Currency Effect	Non-GAAP Constant Currency
€ millions							2008
Software revenue by region¹⁾							
EMEA region	1,844	0	1,844	0	1,844	48	1,892
Americas region	1,184	0	1,184	0	1,184	75	1,259
Asia Pacific Japan region	578	0	578	0	578	16	594
Software revenue	3,606	0	3,606	0	3,606	139	3,745
Software and software-related service revenue by region¹⁾							
Germany	1,515	0	1,515	4	1,519	1	1,520
Rest of EMEA region	3,062	-1	3,061	62	3,123	100	3,223
EMEA region	4,577	-1	4,576	66	4,642	101	4,743
United States	1,983	-8	1,975	84	2,059	132	2,191
Rest of Americas region	748	0	748	6	754	39	793
Americas region	2,731	-8	2,723	90	2,813	171	2,984
Japan	410	0	410	3	413	-32	381
Rest of Asia Pacific Japan region	748	0	748	7	755	56	811
Asia Pacific Japan region	1,158	0	1,158	10	1,168	24	1,192
Software and software-related service revenue	8,466	-9	8,457	166	8,623	296	8,919
Total revenue by region¹⁾							
Germany	2,193	0	2,193	4	2,197	0	2,197
Rest of EMEA region	4,013	-2	4,011	62	4,073	128	4,201
EMEA region	6,206	-2	6,204	66	6,270	128	6,398
United States	2,890	-8	2,882	84	2,966	201	3,167
Rest of Americas region	990	0	990	6	996	51	1,047
Americas region	3,880	-8	3,872	90	3,962	252	4,214
Japan	515	0	515	3	518	-40	478
Rest of Asia Pacific Japan region	974	0	974	7	981	73	1,054
Asia Pacific Japan region	1,489	0	1,489	10	1,499	33	1,532
Total revenue	11,575	-10	11,565	166	11,731	413	12,144

1) Based on location of customer

Reconciliation

Non-GAAP to U.S. GAAP to IFRS

€ millions, unless otherwise stated

2007

	IFRS	IFRS vs. U.S. GAAP Difference	U.S. GAAP	Adjustment	Non-GAAP
Revenue					
Software revenue	3,407	0	3,407	0	3,407
Support revenue	3,852	-14	3,838	0	3,838
Subscription and other software-related service revenue	182	0	182	0	182
Software and software-related service revenue	7,441	-14	7,427	0	7,427
Consulting revenue	2,221	0	2,221	0	2,221
Training revenue	410	0	410	0	410
Other service revenue	113	0	113	0	113
Professional services and other service revenue	2,744	0	2,744	0	2,744
Other revenue	71	0	71	0	71
Total revenue	10,256	-14	10,242	0	10,242
Total operating expenses					
Cost of software and software-related services	-1,350	40	-1,310	53	-1,257
Cost of professional services and other services	-2,091	0	-2,091	2	-2,089
Research and development	-1,461	3	-1,458	0	-1,458
Sales and marketing	-2,173	11	-2,162	6	-2,156
General and administration	-499	-7	-506	0	-506
Other income/expense, net	16	1	17	0	17
Total operating expenses	-7,558	48	-7,510	61	-7,449
Operating profit and margin					
Operating profit	2,698	34	2,732	61	2,793
Operating margin	26.3%		26.7%		27.3%

Revenue by Region

Non-GAAP to U.S. GAAP to IFRS

€ millions	2007				
	IFRS	IFRS vs. U.S. GAAP Difference	U.S. GAAP	Adjustment	Non-GAAP
Software revenue by region¹⁾					
EMEA region	1,697	0	1,697	0	1,697
Americas region	1,228	0	1,228	0	1,228
Asia Pacific Japan region	482	0	482	0	482
Software revenue	3,407	0	3,407	0	3,407
Software and software-related service revenue by region¹⁾					
Germany	1,433	-1	1,432	0	1,432
Rest of EMEA region	2,542	-1	2,541	0	2,541
EMEA region	3,975	-2	3,973	0	3,973
United States	1,849	-11	1,838	0	1,838
Rest of Americas region	658	-1	657	0	657
Americas region	2,507	-12	2,495	0	2,495
Japan	340	0	340	0	340
Rest of Asia Pacific Japan region	619	0	619	0	619
Asia Pacific Japan region	959	0	959	0	959
Software and software-related service revenue	7,441	-14	7,427	0	7,427
Total revenue by region¹⁾					
Germany	2,005	-1	2,004	0	2,004
Rest of EMEA region	3,387	-1	3,386	0	3,386
EMEA region	5,392	-2	5,390	0	5,390
United States	2,717	-11	2,706	0	2,706
Rest of Americas region	872	-1	871	0	871
Americas region	3,589	-12	3,577	0	3,577
Japan	447	0	447	0	447
Rest of Asia Pacific Japan region	828	0	828	0	828
Asia Pacific Japan region	1,275	0	1,275	0	1,275
Total revenue	10,256	-14	10,242	0	10,242

1) based on location of customer

Non-GAAP Financial Information

As already noted and as shown in the tables above, this Review of Group Operations for fiscal year 2008 includes certain non-GAAP financial information. This document discloses certain financial measures, such as non-GAAP revenues, non-GAAP expenses, non-GAAP operating income, non-GAAP operating margin, free cash flow, constant currency revenue and operating income measures as well as U.S. dollar-based revenue numbers that are not prepared in accordance with U.S. GAAP or IFRS and are therefore considered non-GAAP financial measures. Our non-GAAP financial measures may not correspond to non-GAAP financial measures that other companies report. The non-GAAP

financial measures that we report should be considered as additional to, and not as substitutes for or superior to, revenue, operating income, cash flows, or other measures of financial performance prepared in accordance with U.S. GAAP or IFRS.

We believe that it is of interest to investors to receive certain supplemental historical and prospective non-GAAP financial information used by our management in running our business and making financial, strategic and operational decisions – in addition to financial data prepared in accordance with U.S. GAAP – to attain a more transparent understanding of our past performance and our future results. Begin-

ning in 2008, we use these non-GAAP measures as defined below consistently in our planning, forecasting, reporting, compensation and external communication. Specifically,

- Our management uses these non-GAAP numbers rather than U.S. GAAP numbers as the basis for financial, strategic and operating decisions.
- The variable remuneration components of our board members and employees that are tied to our company's growth and operating performance are based on SAP's achievement of its targets for non-GAAP operating income, non-GAAP software and software-related revenue growth at constant currencies, and non-GAAP operating margin at constant currencies.
- The annual budgeting process involving all management units is based on non-GAAP revenues and non-GAAP operating income numbers rather than U.S. GAAP numbers.
- All monthly forecast and performance reviews with all senior managers globally are based on these non-GAAP measures rather than U.S. GAAP numbers.
- Both company-internal target setting and guidance provided to the capital markets are based on non-GAAP revenues and non-GAAP income measures rather than U.S. GAAP numbers.

We believe that our non-GAAP measures are useful to investors for the following reasons:

- The non-GAAP measures provide investors with insight into management's decision-making since management uses these non-GAAP measures to run our business and make financial, strategic and operating decisions.
- The non-GAAP measures provide investors with additional information that enables a comparison of year-over-year operating performance by eliminating certain direct effects resulting from the acquisition of Business Objects.

Our non-GAAP financial measures reflect adjustments based on the following items, as well as the related income tax effects:

Non-GAAP Revenue

Revenues in this document identified as "non-GAAP revenue" have been adjusted from the respective U.S. GAAP numbers by including the full amount of Business Objects support revenues that would have been reflected by Business Objects had it remained a stand-alone entity but which are not permitted to be reflected as revenues under U.S. GAAP as a result of fair value accounting for Business Objects support contracts in effect at the time of the Business Objects acquisition.

Under U.S. GAAP we record at fair value the Business Objects support contracts in effect at the time of the acquisition of Business Objects. Consequently, our U.S. GAAP support revenues, our U.S. GAAP software and software-related service revenues and our U.S. GAAP total revenues for periods subsequent to the Business Objects acquisition do not reflect the full amount of support revenue that Business Objects would have recorded for these support contracts absent the acquisition by SAP. Adjusting revenue numbers for this nonrecurring revenue impact provides additional insight into our ongoing performance: The support contracts are typically one-year contracts, and we expect customers will renew them, which would result in revenues from the support fees. However, we cannot provide absolute assurance that these contracts will in fact be renewed.

Non-GAAP Operating Expense

We exclude acquisition-related charges, which are defined as follows:

- Amortization expense of intangibles acquired in business combinations and certain stand-alone acquisitions of intellectual property;
- Expense from purchased in-process research and development; and
- Restructuring expenses as far as incurred in connection with a business combination

Non-GAAP Operating Income, Non-GAAP Operating Margin

Operating income and operating margin in this document identified as "non-GAAP operating income" and "non-GAAP operating margin" have been adjusted from the respective operating income and operating margin numbers as recorded under U.S. GAAP by adjusting for the above mentioned non-GAAP revenues and expenses.

We include these non-GAAP revenues and exclude these non-GAAP expenses for the purpose of calculating non-GAAP operating income and non-GAAP operating margin when evaluating the continuing operational performance of the Company because these expenses generally cannot be changed or influenced by management after the acquisition other than by disposing of the acquired assets. As management at levels below the Executive Board has no influence on these expenses we generally do not consider these expenses for purposes of evaluating the performance of management units. As we believe that our Company-wide performance measures need to be aligned with the measures generally applied by management at varying levels throughout the Company we exclude these expenses when making decisions to allocate resources both, on a Company level

and at lower levels of the organization. In addition, we use these non-GAAP measures to gain a better understanding of the Company's comparative operating performance from period-to-period and as a basis for planning and forecasting future periods. Considering that management at all levels of the organization is heavily focused on our non-GAAP measures in our internal reporting and controlling, we believe that it is in the interest of our investors that they are provided with the same information.

We believe that our non-GAAP financial measures described above have limitations, which include but are not limited to the following:

- The eliminated amounts may be material to us.
- Without being analyzed in conjunction with the corresponding U.S. GAAP measures the non-GAAP measures are not indicative of our present and future performance, foremost for the following reasons:
 - The additional insight into our potential future financial performance that our non-GAAP revenue numbers are intended to provide assumes that Business Objects customers renew their maintenance contracts. Projections of our future revenues made based on these numbers would be overstated if such maintenance renewals do not occur.
 - While our non-GAAP income numbers reflect the elimination of certain acquisition-related expenses, no eliminations are made for the additional revenues that result from the acquisitions.
 - The acquisition-related one-time charges that we eliminate in deriving our non-GAAP income numbers are likely to recur should SAP enter into material business combinations in the future.
 - The acquisition-related amortization expense that we eliminate in deriving our non-GAAP income numbers are recurring expenses that will impact our financial performance in future years.
 - While our non-GAAP revenue numbers are adjusted for a one-time impact only, our non-GAAP expenses are adjusted for both one-time and recurring items. Additionally, the revenue adjustment for the fair value accounting for Business Objects support contracts and the expense adjustment for one-time and recurring acquisition-related charges do not arise from a common conceptual basis as the revenue adjustment aims at improving the comparability of the initial post-acquisition period with future post-acquisition periods while the expense adjustment aims at improving the comparability between post-acquisition periods and pre-acquisition periods. This should particularly be considered when evaluating our non-GAAP operating income and non-

GAAP operating margin numbers as these combine our non-GAAP revenues and non-GAAP expenses despite the absence of a common conceptual basis.

We believe, however, that the presentation of the non-GAAP measures in conjunction with the corresponding GAAP measures provide useful information to management and investors regarding present and future business trends relating to our financial condition and results of operations. We therefore do not evaluate our growth and performance without considering both non-GAAP measures and U.S. GAAP measures. We caution the readers of this document to follow a similar approach by considering our non-GAAP measures only in addition to, and not as a substitute for or superior to, revenues or other measures of our financial performance prepared in accordance with U.S. GAAP or IFRS.

Constant Currency Non-GAAP Financial Information

We believe it is important for investors to have information that provides insight into our sales. Revenue measures determined under U.S. GAAP provide information that is useful in this regard. However, both growth in sales volume and currency effects impact period-over-period changes in sales revenue. We do not sell standardized units of products and services, so we cannot provide data expressed in such units to present changes in the volume of products and services sold. To provide information that may be useful to investors in breaking down and evaluating sales volume changes, we do present information adjusted for foreign currency effects about revenue changes and various values and components relating to operating income. We calculate constant currency year-over-year changes in revenue and operating income by translating foreign currencies using the average exchange rates from the previous (comparator) year instead of the report year.

We believe that data on constant currency period-over-period changes has limitations, particularly because the currency effects that are eliminated constitute a significant element of our revenues and expenses and may materially affect our performance. We therefore limit our use of constant currency period-over-period changes to the analysis of changes in volume as one element of the full change in a financial measure. We do not evaluate our growth and performance without considering both constant currency period-over-period changes on the one hand and changes in revenues, expenses, profit, or other measures of financial performance prepared in accordance with U.S. GAAP on the other. We caution the readers of this report to follow a similar approach by considering constant currency period-over-period changes in measures of financial performance

only in addition to, and not as a substitute for or superior to, changes in revenues, expenses, income or other measures prepared in accordance with U.S. GAAP.

Non-GAAP Revenue Information in U.S. Dollars

Almost all of our major competitors report their financial performance in U.S. dollars. Consequently, changes in exchange rates, particularly in the U.S. dollar to euro rate, affect the financial statements of our competitors differently than our euro-based financial statements. We therefore believe that revenue information in U.S. dollars provides investors with useful additional information that enables them to better compare SAP's revenue growth with SAP's competitors' revenue growth without currency effects.

We prepare our U.S. dollar non-GAAP revenue information as if SAP's reporting currency were the U.S. dollar. In fact, the reporting currency of our U.S. GAAP and IFRS financial statements as filed in Germany and in the United States with the SEC is the euro. Additionally, our non-GAAP revenue numbers in U.S. dollars have been adjusted from the

respective U.S. GAAP revenue numbers by the same fair-value adjustment for Business Objects support revenue as the non-GAAP revenue numbers in euros discussed above.

SAP's management uses our non-GAAP revenue information in U.S. dollars to obtain a better understanding of SAP's growth in comparison to that of our major competitors.

We believe that our U.S. dollar non-GAAP revenue information has limitations, particularly because the impact of currency exchange rate fluctuations and the eliminated amounts may be material to us. We therefore do not evaluate our growth and performance without considering not only our non-GAAP operating income and margin but also our U.S. GAAP operating income and margin in euros. We caution the readers of this document to follow a similar approach by considering our U.S. dollar non-GAAP measures only in addition to, and not as a substitute for or superior to, revenue or other measures of our financial performance prepared in accordance with U.S. GAAP in euros.

Reconciliation of Non-GAAP Revenue in U.S. Dollars to IFRS Revenue in Euros

	Software Revenue			Software and Software-Related Revenue		
	2008	2007	Change	2008	2007	Change
IFRS revenue (€ millions)	3,606	3,407	6 %	8,466	7,441	14 %
+/- Difference between IFRS revenue and U.S. GAAP revenue (€ millions)	0	0	0	-9	-14	-36 %
= U.S. GAAP revenue (€ millions)	3,606	3,407	6 %	8,457	7,427	14 %
+/- Adjustment between U.S. GAAP revenue and non-GAAP revenue (€ millions)	0	0	0	166	0	0
= Non-GAAP revenue (€ millions)	3,606	3,407	6 %	8,623	7,427	16 %
+/- Adjustment (US\$ millions)	1,632	1,349	21 %	3,967	2,848	39 %
= Non-GAAP revenue (US\$ millions)	5,238	4,756	10 %	12,590	10,275	23 %

Free Cash Flow

We believe that free cash flow is a widely accepted supplemental measure of liquidity. Free cash flow measures a company's cash flow remaining after all expenditures required to maintain or expand the business have been paid off. We calculate free cash flow as operating cash flow minus additions to long-lived assets and to intangibles, excluding additions from acquisitions. Free cash flow should be considered in addition to, and not as a substitute for or superior to, cash flow or other measures of liquidity and financial performance prepared in accordance with U.S. GAAP or IFRS.

Free Cash Flow

€ millions	2008	2007	Change
Net cash provided by operating activities	2,158	1,932	12 %
Additions to long-lived assets and intangibles excluding additions from acquisitions	- 339	- 400	- 15 %
Free cash flow	1,819	1,532	19 %