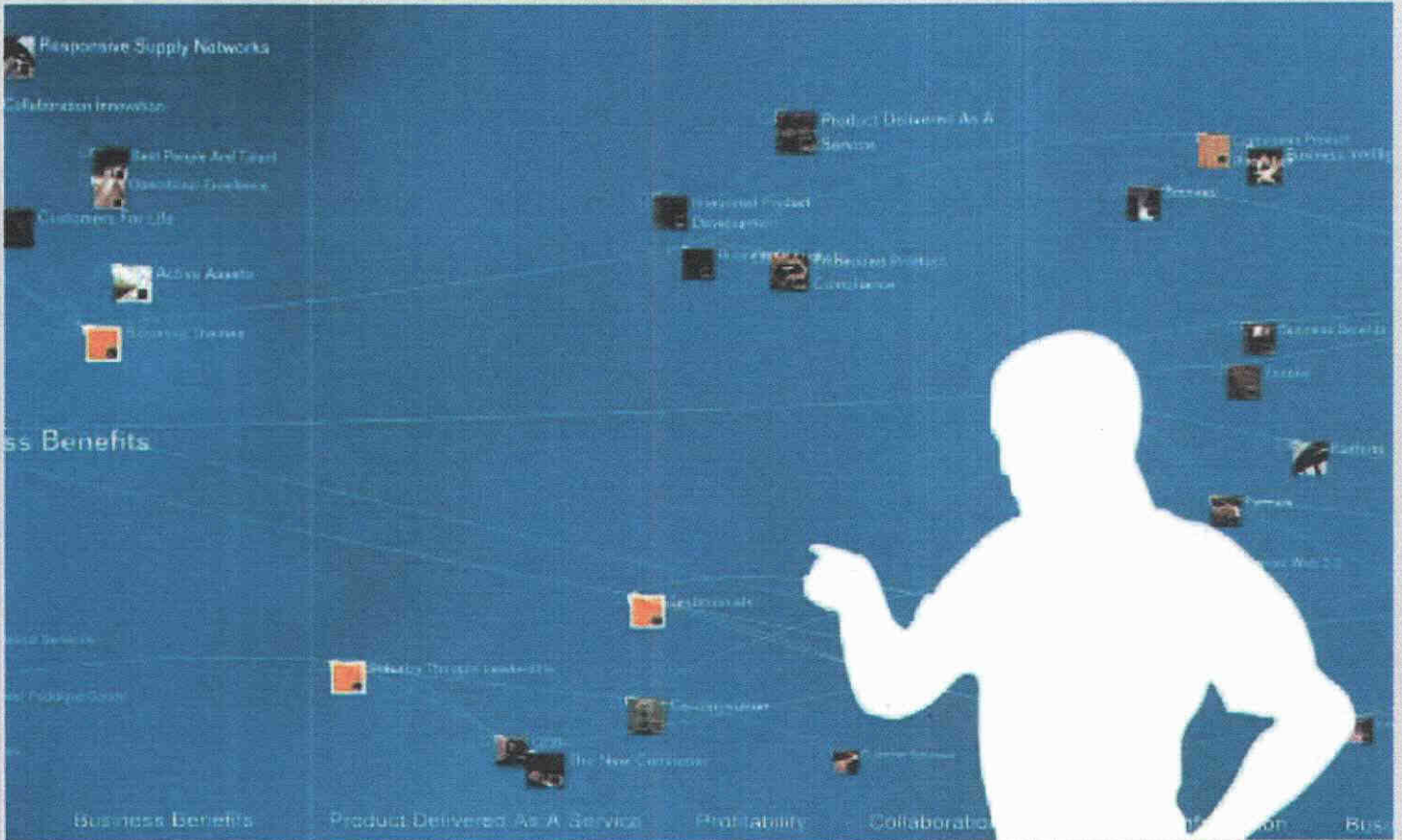


# EXHIBIT 42



# SAP ANNUAL REPORT 2007

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## (4) Acquisitions

In 2007, we acquired the outstanding shares of five unrelated companies and the net assets of two other unrelated businesses. The results of these acquired businesses have been included in our Consolidated Statements of Income since the respective acquisition dates. Acquisitions in 2007 were as follows:

Acquired Businesses	Sector	Acquired business	Acquisition date
Pilot Software Inc., Mountain View, CA (USA)	Privately held provider of strategy management software	100% of shares	02/14/2007
Wicom Communication Ltd, Espoo (Finland)	Privately held provider of all-IP contact center and enterprise communications software	100% of shares	05/07/2007
MaXware AS, Lysaker (Norway)	Privately held provider of identity management software	100% of shares	05/21/2007
OutlookSoft Corp., Stamford, CT (USA)	Privately held provider of integrated planning, budgeting, forecasting and consolidation software	100% of shares	6/1/2007
YASU Technologies Private Ltd., India	Privately held leader in business rules management systems	Asset purchase	10/18/2007
Arabian Company for Systems, Applications and Products in Data Processing Ltd., Jeddah, Kingdom of Saudi Arabia	Privately held exclusive reseller of SAP software in the Arab region	Asset purchase	10/31/2007
Silk Europe N.V., Belgium	Privately held reseller of OutlookSoft software in Belgium and Netherlands	100% of shares	11/28/2007

These transactions were immaterial individually to SAP. The acquired businesses developed and/or sold software in specific areas with strategic interest to us. The aggregate purchase price of these acquisitions was paid in cash and amounted to €671 million net of cash received. It was allocated as follows: €172 million as identifiable intangible assets with estimated useful lives ranging from one to 12 years, €1 million as in-process research and development which was expensed at the respective acquisition date since the respective acquired technologies had no alternative future use, and €18 million net assets acquired. The remaining €480 million was allocated as goodwill, of which €205 million is expected to be fully deductible for tax purposes over an amortization period of up to 15 years.

With the purchase of the software license and support business of our exclusive partner SAP Arabia we also reacquired some contracts and rights, including our trademark and the existing exclusive distribution arrangement. The amount allocated to the reacquired software distribution right was €37 million (which is included in the above amount of acquired intangibles). The settlement of pre-existing rights and contracts resulted in a settlement loss of €3 million and was recognized in Cost of sales and marketing.

In 2007, we acquired the remaining outstanding shares of our subsidiary SAP Systems Integration AG ("SAP SI"). We accounted for the acquisition of SAP SI shares using the purchase method. The aggregate purchase price for the SAP SI shares acquired in 2007 was €48 million, which was paid in cash. The purchase price was based on SAP's cash offer of €38.83 per share which was made under the German Stock Corporation Act, section 327a, paragraph 1, "squeeze-out". That provision entitled us, as the holder of at least 95% of the outstanding shares, to

acquire for cash all remaining shares owned by the non-controlling shareholders. We allocated €9 million to minority interest, €2 million to identifiable intangible assets and €37 million of the aggregate purchase price to goodwill in the Consulting segment. The recorded goodwill is not tax deductible.

Additionally, in 2007 we paid achieved milestones and earn-out considerations relating to prior years acquisitions and escrow returns with a net amount of €1 million resulting in a total net cash outflow of €672 million in 2007.

None of the purchase agreements provides for any contingent consideration to the former shareholders. We are still in the process of evaluating the assumed pre-acquisition contingencies particularly related to tax and customer contracts.

In connection with the 2007 transactions discussed above, we assigned the following amounts to identifiable intangible assets:

	Estimated useful lives	
	€ millions	years
Customer contracts	51	4 to 12
Intellectual property	82	5 to 10
Distribution right	37	6
Tradename	4	1 to 2
In-process research and development	1	Expensed at the acquisition date
<b>Total</b>	<b>175</b>	

The goodwill recognized in 2007 was assigned to our Product, Consulting, and Training segments in the amounts of €430 million, €76 million, and €14 million, respectively.

In October 2007 we announced our intention to acquire Business Objects S.A. (Nasdaq: BOBJ; Euronext Paris ISIN code: FR0004026250 - BOB) by way of a tender offer for the outstanding shares of Business Objects S.A.. This acquisition closed in the first quarter of 2008 and represents a material business combination. Business Objects S.A. is a provider of business intelligence solutions. Through a combination of technology, consulting, education services, and its partner network, Business Objects S.A. provides information and business decision making resources to small and large companies. Business Objects S.A. has dual headquarters in San Jose, California and Paris, France and its stock was traded on both the Nasdaq and Euronext Paris stock exchanges. The transaction took the form of a tender offer under French and United States law for all Business Objects S.A. common stock, all American depositary shares representing Business Objects S.A. common stock, and all convertible bonds and warrants issued by Business Objects S.A.. Under the terms and conditions of the tender offer agreement, we made a cash offer of €42.00 per common stock and the U.S. dollar equivalent of €42.00 per American depositary share determined using the euro to U.S. dollar exchange rate on settlement of the tender offers and of €50.65 per convertible bond, and a range of €12.01 to €24.96 per warrant, depending on the warrant grant date. After reaching the initial minimum tender condition of more than 50% as at January 21, 2008 the tender offer period was reopened under the same conditions until January 29 resulting in an ownership level of more than 95%. This allowed SAP to commence an immediate "squeeze-out" acquisition of the shares of the remaining shareholders. Taking into account estimated transaction costs we estimate the cost for acquiring Business Objects S.A. to slightly exceed €4.8 billion. The costs include the nominal value of the outstanding bond of approx. €0.5 billion which SAP acquired as part of the transactions. As a result the purchase price for equity related securities amounts to approximately €4.3 billion.



Based on preliminary valuations we expect to acquire assets of approximately €1.9 billion to €2.0 billion including identifiable intangible assets of approximately €0.9 billion and cash of around €0.8 billion. The assumed liabilities are expected to amount to €1.2 billion to €1.3 billion including the face value of the acquired convertible bond. We expect that goodwill resulting from this planned acquisition will be approximately €3.5 billion, which will not be tax deductible. Due to the fact that valuations of assets, liabilities and contingencies are ongoing the presented figures can still change significantly. The allocation of goodwill to our reportable segments will depend on our final management structure which has not yet been determined. The goodwill results from expected synergies and acquired workforce which are not identifiable intangible assets under SFAS 142, Goodwill and Other Intangible Assets ("SFAS 142"), and can therefore not be capitalized separately but are included in goodwill.

In 2006, we acquired the outstanding shares of three unrelated companies and the net assets of two other unrelated companies. The income of these acquired businesses has been included in our results since the respective acquisition dates. These transactions were immaterial individually to SAP. The acquired businesses developed and sold software that was deemed to be complementary to our business. The aggregate purchase price of these acquisitions was paid in cash and amounted to €491 million net of cash received and was allocated as follows: €133 million as identifiable intangible assets with estimated useful lives ranging from two to 11 years, €2 million as in-process research and development which was expensed at the respective acquisition dates since the respective acquired technologies had no alternative future use and €36 million as liabilities net of tangible assets acquired. The remaining €392 million was allocated to goodwill, of which €1 million is fully deductible for tax purposes over an amortization period of up to 15 years. The goodwill recognized in 2006 was assigned to our Product, Consulting, and Training segments in the amounts of €336 million, €39 million, and €17 million, respectively after minor adjustments related

to the final allocation of purchase prices for prior year acquisitions that had not been finalized as of the previous year-end.

In connection with the 2006 transactions discussed above, we assigned the following amounts to identifiable intangible assets:

	€ millions	Estimated useful lives
		years
Customer contracts	17	2 to 11
Intellectual property	118	5 to 10
In-process research and development	2	Expensed at the acquisition date
<b>Total</b>	<b>137</b>	

## B. Notes to the Consolidated Statements of Income

### (5) Revenue

Software revenue represents fees earned from the sale or license of software to customers. Support revenue represents fees earned from providing customers with technical support services and unspecified software upgrades, updates, and enhancements. SAP does not separately sell technical support services or unspecified software upgrades, updates, and enhancements. Accordingly, SAP does not distinguish within Software and software-related service revenue or within Cost of software and software-related services the amounts attributable to technical support services and unspecified software upgrades, updates, and enhancements.

Subscriptions and other software-related service revenue includes revenue from subscriptions, software rentals, on-demand solutions, and other software-related services. Subscription revenues flow from contracts that have both a software element and a support services element. Such a contract typically gives our customer the use of current software and unspecified future products. We take a fixed monthly fee for a definite term – generally, five years. Software rental revenue flows from software rental contracts, also with software and support services elements – but here the customer receives the use of current products only. Our revenue from our on-demand offerings includes, for example, the SAP CRM on-demand solution, any future on-demand revenue from our new midmarket product Business ByDesign and revenue from hosting contracts that do not entitle the customer to exit the arrangement at any time without significant penalty. Our revenue from other software-related service includes revenue from software-related revenue-sharing arrangements, for example our share of revenue from collaboratively developed products. Thus Software and software-related service revenue is the sum of our software revenue, our support revenue, and our revenue from subscriptions and other software-related services.

Service revenue consists of consulting and training. Consulting revenue primarily comprises revenue from implementation support for customers related to the installation and configuration of our software products. Training revenue comprises educational services on the use of our software products and related topics for customers and partners.

Other service revenue includes revenue streams from non-mandatory hosting revenue, application management services (AMS) and referral fees. Non-mandatory hosting revenue is based on hosting contracts that entitle the customers to exit the hosting arrangement at any time and to transfer the software to its own premises without significant penalty. Our application management services deliver post implementation application support, optimization, and improvement for a customer's SAP centric IT solution to ensure availability and performance of the customer's business processes. Referral fees are based on commissions from partners to which we referred customers. Thus Professional services and other service revenue is the sum of our consulting revenue, our training revenue, and our Other service revenue.

Other revenue primarily relates to income derived from marketing events.

Revenue information by segment and geographic region is disclosed in Note 28.

Deferred income consists mainly of prepayments for support services and deferred software license revenues. Deferred software license revenue will be recognized as software revenue, support revenue, or service revenue, depending on the reasons for the deferral. The current portion of deferred income is expected to be recognized within the next 12 months. Recognition of deferred income is possible when the basic applicable revenue recognition criteria have been met (see Note 3).

**(6) Functional Costs and Other Expenses**

The information provided below is classified by the type of expense. The Consolidated Statements of Income include these amounts in various categories based on the applicable line of business.

**Services and Materials**

Cost of purchased development and consulting services and materials was as follows:

€ millions	2007	2006	2005
Purchased services	862	879	828
Raw materials and supplies, purchased goods	37	32	30
	<b>899</b>	<b>911</b>	<b>858</b>

**Sales and Marketing**

Sales and marketing expense includes advertising costs, which amounted to €165 million, €172 million, and €185 million in 2007, 2006, and 2005 respectively.

**Personnel Expenses/Number of Employees**

Personnel expenses were as follows:

€ millions	2007	2006	2005
Salaries	3,603	3,277	2,877
Social security costs	449	416	379
Pension expense	122	125	109
	<b>4,174</b>	<b>3,818</b>	<b>3,365</b>

Included in personnel expenses for the years ending December 31, 2007, 2006, and 2005, are expenses associated with the share-based compensation plans as described in Note 27.

The average number of employees, measured in full-time equivalents, was as follows:

Full-time equivalents	2007	2006	2005
Employees			
- from continuing operations	42,129	37,919	34,483
- from discontinued operations	173	134	67

Employees who are not currently operational, who work on a part-time basis while finishing a university degree, or who are temporary are excluded from the calculation of full-time equivalents. The number of such excluded employees is not material.

**Government Grants**

During the fiscal year 2007 we received €16 million (2006: €11 million, 2005: €6 million) of government grants and similar assistance which we have offset against our related expenses. All conditions required to obtain these grants have either been met or are reasonably assured of being met.

In addition we have received conditional promises of a further €45 million, which relate to research- and development-related expenses (€35 million), recruitment and training of personnel related expenses (€1 million), and tax (€9 million), which have not been recorded as at December 31, 2007 because the conditions required to obtain them are not yet reasonably assured of being achieved.



## (7) Other Operating Income, Net

Other operating income/expense for the years ending December 31 was as follows:

€ millions	2007	2006	2005
Bad debt expense	0	0	- 3
Restructuring costs - severance obligations	0	- 1	- 1
Restructuring costs - unused lease space	0	0	- 1
Miscellaneous other operating expenses	- 1	0	- 3
<b>Other operating expense</b>	<b>- 1</b>	<b>- 1</b>	<b>- 8</b>
Bad debt income	3	43	0
Rental income	5	5	7
Receipt of insurance proceeds	3	2	1
Miscellaneous other operating income	7	7	6
<b>Other operating income</b>	<b>18</b>	<b>57</b>	<b>14</b>
	<b>17</b>	<b>56</b>	<b>6</b>

Charges to bad debt expense are based on a regular systematic review and evaluation of outstanding receivables that is performed every month. Specific customer credit loss risks are also included in the allowance for doubtful accounts, but are charged to the respective cost of software and software-related services or cost of service sold. The amount of these provisions for specific customer risks charged to the respective functional cost category of software and software-related services or cost of service was €9 million, €3 million, and €9 million during 2007, 2006, and 2005, respectively.

For more information about restructuring costs incurred in connection with exit activities, see Note 19b.

## (8) Other Non-Operating Income/Expense, Net

Other non-operating income/expense, net for the years ending December 31 was as follows:

€ millions	2007	2006	2005
Foreign currency losses	- 379	- 255	- 117
Other non-operating expenses	- 16	- 20	- 19
<b>Total other non-operating expenses</b>	<b>- 395</b>	<b>- 275</b>	<b>- 136</b>
Foreign currency gains	385	251	78
Other non-operating income	11	12	33
<b>Total other non-operating income</b>	<b>396</b>	<b>263</b>	<b>111</b>
<b>Total other non-operating income/expense, net</b>	<b>1</b>	<b>- 12</b>	<b>- 25</b>



**(9) Financial Income, Net**

Financial income, net for the years ending December 31 was as follows:

€ millions	2007	2006	2005
Interest and similar income	142	124	94
Interest and similar expenses	- 7	- 4	- 4
Income from securities, net	240	154	63
Expenses from other financial assets and loans	- 244	- 157	- 74
Gains/losses on STAR hedge	0	7	- 66
Loss from other investments	- 6	- 1	- 3
<b>Other financial income/expense, net</b>	<b>- 10</b>	<b>3</b>	<b>- 80</b>
Share of loss/gain of associates accounted for using the equity method	- 1	- 1	1
<b>Financial income, net</b>	<b>124</b>	<b>122</b>	<b>11</b>

We derive interest income primarily from Cash and cash equivalents, Short-term and Long-term investments, and Other financial assets.

**(10) Income Taxes**

Income tax expense for the years ending December 31 comprised the following components:

€ millions	2007	2006	2005
Current taxes - Germany	498	426	515
Current taxes - Foreign	416	381	319
	<b>914</b>	<b>807</b>	<b>834</b>
Deferred taxes - Germany	33	0	15
Deferred taxes - Foreign	- 26	- 2	- 31
	<b>7</b>	<b>- 2</b>	<b>- 16</b>
<b>Income tax expense</b>	<b>921</b>	<b>805</b>	<b>818</b>

In 2007, 2006, and 2005, the German government enacted several new tax laws. In 2007 these new tax laws included among others the 2008 Tax Act which has major effects on corporations. For us the most significant effect results from the reduction of the German corporate income tax rate from 25% to 15%, effective January 1, 2008. In 2007 this reduction in the German corporate income tax rate affected the calculation of deferred taxes, which are required to be calculated using the enacted tax rate applicable to the year in which the deferred tax item is expected to be realized or settled. The impact of all tax

In the table above, income from securities and expense from other financial assets and loans both include €241 million in 2007 (€156 million in 2006; €63 million in 2005) resulting from collateral held to secure capital investments made. While holding the collateral, we directly transfer to the debtor any income received on the collateral. Interest income received on the capital investment is included in interest income. We decide on a case by case basis whether to require collateral for our financial investments. We did not obtain assets by taking possession of collateral held for security purposes in 2007, 2006 or 2005.

For information about gains and losses recognized directly in equity or in profit and loss for our financial assets and impairments, see Note 13. For information about our financial liabilities, see Note 18. For information about unrealized gains/losses on STAR hedges, see Note 25.

law changes enacted in 2007, and the new tax laws enacted in 2006 and 2005, was not material to the Consolidated Financial Statements for the years ending December 31, 2007, 2006, and 2005.

Income from continuing operations before income tax and minority interests consisted of the following:

€ millions	2007	2006	2005
Germany	1,639	1,519	1,455
Foreign	1,218	1,169	868
	<b>2,857</b>	<b>2,688</b>	<b>2,323</b>

The effective income tax rate for the years ending December 31, 2007, 2006, and 2005, was 32.2%, 29.9%, and 35.2%, respectively. The following table reconciles the expected income tax expense computed by applying our combined German corporate tax rate of 35.49% (2006: 35.66%; 2005: 36.32%) to the actual income tax expense. Our 2007 combined German corporate tax rate includes a corporate income tax rate, after the benefit of deductible

trade tax, of 21.91%, (2006: 21.85%; 2005: 21.62%), plus a solidarity surcharge of 5.5% thereon, and trade taxes of 12.38% (2006: 12.61%; 2005: 13.51%).

€ millions	2007	2006	2005
<b>Income from continuing operations before income taxes</b>	<b>2,857</b>	<b>2,688</b>	<b>2,323</b>
Expected income taxes 35.49% in 2007 (35.66% in 2006, 36.32% in 2005)	1,014	958	844
Foreign tax rate differential	- 47	- 26	- 6
Tax effect on non-deductible expenses	49	23	19
Prior year taxes	- 18	- 80	- 6
Tax effect on tax exempt income	- 77	- 72	- 40
Other	0	2	7
<b>Actual income tax expense</b>	<b>921</b>	<b>805</b>	<b>818</b>

Deferred income tax assets and liabilities as at December 31, 2007 and 2006 relate to the underlying items as follows:

€ millions	2007	2006
<b>Deferred tax assets</b>		
Intangible assets, net	58	15
Property, plant, and equipment, net	7	8
Financial assets	39	24
Receivables	15	12
Net operating loss carryforwards	18	9
Pension provisions	39	45
Share-based compensation	23	34
Other provisions	109	122
Deferred income	31	33
Other	29	4
	<b>368</b>	<b>306</b>
Less: Valuation allowance	- 8	- 10
<b>Deferred tax assets</b>	<b>360</b>	<b>296</b>
<b>Deferred tax liabilities</b>		
Intangible assets, net	55	37
Property, plant, and equipment, net	31	24
Financial assets	54	23
Receivables	14	34
Pension provisions	27	17
Share-based compensation	2	7
Other provisions	6	5
Deferred income	3	5
Other	17	19
<b>Deferred tax liabilities</b>	<b>209</b>	<b>171</b>
<b>Deferred tax assets, net</b>	<b>151</b>	<b>125</b>

In assessing the realizability of deferred tax assets, we consider whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets depends on the generation of future taxable income during the periods in which those temporary differences become deductible. Based on the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are recoverable, we believe it is more likely than not that the Company will realize the benefits of these deductible differences, net of the existing valuation allowances as at December 31, 2007. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if our estimates of future taxable income during the carryforward period were reduced.

At December 31, 2007, certain of our foreign subsidiaries had net operating loss carryforwards amounting to €114 million (2006: €48 million), which may be used to offset future taxable income. Of this amount €73 million predominantly relates to state net operating loss carryforwards in the United States, of which €43 million expire during the years 2023 through 2027 if not used earlier. The remaining amount is available to be used to offset state taxable income, if any, over the next 15 years. Further €9 million relates to other net operating loss carryforwards that will expire if not used within one to seven years. Thereof €1 million will expire within one to two years and €8 million will expire within three to seven years. The remaining €32 million relates to other net operating loss carryforwards that do not expire and therefore can be utilized indefinitely.

Deferred tax assets as at December 31, 2007, and 2006 have been reduced by a valuation allowance of €8 million and €10 million respectively to a net amount that we believe is more likely than not to be realized.

We recognized deferred income tax liabilities of €17 million (2006: €9 million) for income taxes on future dividend distributions from foreign subsidiaries, which is based on €1,335 million (2006: €297 million) cumulative undistributed earnings of those foreign subsidiaries because such earnings are intended to be repatriated. We have not recognized a deferred income tax liability on approximately €2,249 million (2006: €2,938 million) for undistributed earnings of our foreign subsidiaries that arose in 2007 and prior years because we plan to permanently reinvest those undistributed earnings. It is not practicable to estimate the amount of unrecognized tax liabilities for these undistributed foreign earnings.

Total income taxes including the items charged or credited directly to related components of shareholder's equity for the years ending December 31, 2007, 2006, and 2005 consist of the following:

€ millions	2007	2006	2005
Income tax from continuing operations	921	805	818
Income tax from discontinued operations	- 7	- 4	- 1
Income tax recognized in Additional paid-in capital related to share-based compensation	0	- 11	- 23
Income tax recognized in other comprehensive income/loss	- 5	- 16	7
	<b>909</b>	<b>774</b>	<b>801</b>

For information about the income tax impact of the components of Accumulated other comprehensive income/loss, see Note 20.

At January 1, 2007, unrecognized income tax benefits relating to uncertain tax positions amounted to €72 million and were accounted for as income tax provisions. At December 31, 2007, uncertainties in income taxes had increased by €24 million to €96 million.

#### (11) Assets and Liabilities Held for Sale and Discontinued Operations

In November of 2007 the Company committed to a plan to sell the business of TomorrowNow, Inc., a wholly-owned subsidiary of SAP America, Inc. (a wholly owned subsidiary of SAP AG) and to cease engaging in the business model of providing support services relating to third party software. Negotiations with several interested parties have subsequently taken place. The assets and liabilities of TomorrowNow, including assets and liabilities of TomorrowNow entities in Europe, Australia and Asia which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the accompanying balance sheet as at December 31, 2007.

The amounts of unrecognized tax benefits that would affect the effective tax rate if they were recognized are as follows:

€ millions	2007
Unrecognized income tax benefits on 1/1/2007	72
Acquisitions related to the current year	8
Additions related to prior year	18
Settlements with tax authorities	0
Exchange rate differences	- 2
<b>Unrecognized income tax benefits on 12/31/2007</b>	<b>96</b>

On December 31, 2007, the amount of interest expenses and penalties on income taxes is not material.

For the major tax jurisdictions in Germany, fiscal years 2003 through 2007 and for the United States, fiscal years 2002 through 2007 remain subject to examination. It is reasonably possible that the total amounts of unrecognized tax benefits may increase or decrease within the next 12 months. However we do not anticipate that unrecognized income tax benefits will significantly change within 12 months of the reporting date.

TomorrowNow, Inc. is a distinct asset group with cash flows and operations that are separable from those of the rest of SAP. The operations of this disposal group were accounted for as a part of the product segment. U.S. GAAP requires the results of operations of any assets held for sale and any liabilities directly associated with those assets that qualify as a component of an entity with distinguishable operations and cash flows to be removed from income from continuing operations and reported as discontinued operations. The results of operations of such a component of an entity for any prior periods presented must also be reclassified as discontinued operations. The following table details the amounts reclassified to discontinued operations:

€ millions	2007	2006	2005
Total revenue	14	9	3
Total operating expense	- 36	- 23	- 10
Operating loss before taxes	- 22	- 14	- 7
Income taxes	7	4	1
<b>Net loss from discontinued operations</b>	<b>- 15</b>	<b>- 10</b>	<b>- 6</b>



The following table details the major classes of assets and liabilities held for sale as at December 31, 2007:

€ millions	2007
Accounts receivable, net	2
Other assets	4
<b>Current assets</b>	<b>6</b>
Goodwill	7
Property, plant, and equipment, net	1
Other assets	1
<b>Noncurrent assets</b>	<b>9</b>
<b>Total Assets held for sale</b>	<b>15</b>
Accounts payable	1
Provisions	3
Deferred income	5
Current liabilities	9
<b>Total Liabilities held for sale</b>	<b>9</b>

#### (12) Earnings per Share

Convertible bonds and stock options granted to employees under our share-based compensation programs are included in the diluted earnings per share calculations to the extent they have a dilutive effect. The dilutive impact is calculated using the treasury stock method. The computation of diluted earnings per share does not include certain convertible bonds and stock options issued in connection with the SAP AG 2000 Long Term Incentive Plan ("LTI 2000 Plan") and the SAP Stock Option Plan 2002 ("SAP SOP 2002") because their underlying exercise prices were higher than the average market prices of SAP shares in the periods presented. Such convertible bonds and stock options, if converted or exercised, represented 37.3 million SAP common shares in 2007, 23.6 million SAP common shares in 2006 and 25.2 million SAP common shares in 2005. The number of outstanding stock options and convertible bonds is presented in Note 27.

	2007	2006	2005
<b>Income from continuing operations in € millions</b>	<b>1,934</b>	<b>1,881</b>	<b>1,502</b>
Weighted average number of shares in millions - basic	1,207	1,226	1,239
Dilutive effect of stock options/convertible bonds in millions	3	5	4
Weighted average number of shares in millions - diluted	1,210	1,231	1,243
<b>Earnings per share - from continuing operations - basic in €</b>	<b>1.60</b>	<b>1.53</b>	<b>1.21</b>
<b>Earnings per share - from continuing operations - diluted in €</b>	<b>1.60</b>	<b>1.53</b>	<b>1.21</b>
<b>Income from discontinued operations, net of tax in € millions</b>	<b>- 15</b>	<b>- 10</b>	<b>- 6</b>
Earnings per share - from discontinued operations - basic in €	- 0.01	0.00	0.00
Earnings per share - from discontinued operations - diluted in €	- 0.01	- 0.01	0.00
<b>Net income in € millions</b>	<b>1,919</b>	<b>1,871</b>	<b>1,496</b>
<b>Earnings per share - from net income - basic in €</b>	<b>1.59</b>	<b>1.53</b>	<b>1.21</b>
<b>Earnings per share - from net income - diluted in €</b>	<b>1.59</b>	<b>1.52</b>	<b>1.20</b>

### C. Notes to the Consolidated Balance Sheets

#### (13) Cash and cash equivalents, Restricted Cash and Investments

Cash and cash equivalents, Restricted Cash and Investments as at December 31 consisted of the following:

€ millions	Cash and cash equivalents		Restricted cash		Short-term investments		Equity and other investments	
	2007	2006	2007	2006	2007	2006	2007	2006
Cash	546	478	0	0	0	0	0	0
Time deposits	376	1,598	0	0	35	19	0	0
Money market funds	686	204	0	0	0	0	0	0
Commercial paper	0	119	0	0	0	0	0	0
Restricted cash	0	0	550	0	0	0	0	0
Fund securities (at fair value)	0	0	0	0	8	0	0	12
Auction rate securities	0	0	0	0	0	155	0	0
Variable rate demand notes	0	0	0	0	0	34	0	0
Other debt securities	0	0	0	0	549	716	0	0
Debt securities (at fair value)	0	0	0	0	549	905	0	0
Marketable equity securities (at fair value)	0	0	0	0	0	4	7	10
Equity securities at cost	0	0	0	0	8	3	63	55
Equity method securities	0	0	0	0	0	0	19	18
<b>Total</b>	<b>1,608</b>	<b>2,399</b>	<b>550</b>	<b>0</b>	<b>598</b>	<b>931</b>	<b>89</b>	<b>95</b>

#### Restricted Cash

Funds classified as Restricted cash as at December 31, 2007 related to a security deposit that served as collateral for SAP's credit facility entered into in connection with the acquisition of Business Objects S.A., as described in Note 4 and 18.

#### Debt Securities and Marketable Equity Securities

Proceeds from sales of available-for-sale securities in 2007 were €45 million (2006: €199 million; 2005: €0 million). Gross gains realized from sales of available-for-sale securities in 2007 were €2 million (2006: €0 million; 2005: €0 million). Gross losses realized from sales of available-for-sale securities in 2007 were €1 million (2006: €2 million; 2005: €0 million). Due to these sales of available-for-sale securities we recognized gains of €2 million (2006: €0 million; 2005: €0 million) and losses of €1 million (2006: €2 million; 2005: €0 million) which had previously been included in Accumulated other comprehensive income.

None of our Investments were past due as at December 31, 2007 or 2006, although some of our equity investments at cost were impaired as at those dates as discussed below.

Amounts pertaining to debt and available-for-sale equity securities as at December 31 were as follows:

€ millions	Securities not in loss position		Securities in loss position		Total securities	
	Fair value	Unrealized gains	Fair value	Unrealized losses	Fair value	Unrealized gains/ losses (net)
<b>2007</b>						
Marketable equity securities (available-for-sale)	7	2	0	0	7	2
Debt securities (available-for-sale)	172	0	377	2	549	- 2
Investment fund securities (available-for-sale)	8	0	0	0	8	0
<b>2006</b>						
Marketable equity securities (available-for-sale)	11	6	3	0	14	6
Debt securities (available-for-sale)	227	1	678	2	905	- 1
Investment fund securities (available-for-sale)	0	0	12	0	12	0

For the securities in a loss position, the fair values were categorized according to the duration of the loss position as follows:

€ millions	Securities in loss position			
	for less than 12 months		for more than 12 months	
	Fair value	Unrealized losses	Fair value	Unrealized losses
<b>2007</b>				
Marketable equity securities (available-for-sale)	0	0	0	0
Debt securities (available-for-sale)	363	2	14	0
Investment fund securities (available-for-sale)	0	0	0	0
<b>2006</b>				
Marketable equity securities (available-for-sale)	3	0	0	0
Debt securities (available-for-sale)	452	1	226	1
Investment fund securities (available-for-sale)	12	0	0	0



For the year ending December 31, 2007, we recorded other-than-temporary impairment charges related to Marketable equity securities of €1 million (2006: €0 million; 2005: €0 million) and therefore removed unrealized losses recorded directly in equity up to that point of €1 million (2006: €0 million; 2005: €0 million).

The marketable debt securities as at December 31, 2007, consisted of investment grade bonds. The impairments of marketable debt securities in 2007 resulted from changes in market interest rates and not from changes in the credit-worthiness of the underlying debtor. We determine these impairments to be temporary given the short duration of the respective declines in value and the Company's intention and ability to hold these investments for a reasonable period of time sufficient for a forecasted recovery.

The estimated year-end fair values of auction rate securities, variable rate demand notes and other debt securities (excluding debt-based funds), are presented by contractual maturity below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

€ millions	2007	2006
Due within 1 year	449	457
Due 1 year through 2 years	100	448
Total of auction rate securities, variable rate demand notes and debt securities	549	905

#### Equity Securities at Cost

The carrying value of all equity securities at cost was €69 million and €58 million as at December 31, 2007, and 2006, respectively. Equity securities at cost, which primarily include venture capital investments, are not included in the table above, because market values for those securities are generally not readily obtainable. In 2007, we sold two (2006: two; 2005: three) investments with a carrying value at the time of sale of €3 million (2006: €2 million; 2005: €1 million) and realized a gain of €0 million (2006: €0 million; 2005: €1 million). As at December 31, 2007 we intend to dispose of two equity securities at cost.

During 2007, 2006, and 2005, the Company recorded €6 million, €1 million, and €4 million, respectively, in charges related to other-than-temporary impairments of equity securities at cost.

#### Equity Method Investments

The excess of our initial investment in equity method companies over our ownership percentage in the underlying net assets of those companies amounts to €11 million as at December 31, 2007 (2006: €15 million) and is attributed to certain fair value adjustments with the remaining portion recognized as goodwill. Although we own less than 20% of the voting stock of the investee company, we account for our investments in ("Procurement Negócios Electronicos S/A", Rio de Janeiro, Brazil and "ArisGlobal Holdings, LLC", Stamford, Connecticut, USA) using the equity method, because we can exercise significant influence over the operating and financial policies of these entities through holding seats on their boards.

We recorded no impairment losses or reversals thereof on equity method investments during 2007, 2006 and 2005. Therefore, no allocation to our reportable segments was necessary.

Our equity method investment Procurement Negócios Electronicos S/A, with a carrying amount of €2 million has been pledged in 2007 in order to serve as a guarantee for an ongoing lawsuit with the Brazilian tax authorities. In case of an unfavourable outcome of the lawsuit for SAP, for which probability is considered remote, the Brazilian tax authorities are allowed to make use of the collateral.