



Stock Selection Guide[®]

The most widely used aid to good investment judgment

Company	SAP AG		Date	06/12/07	
Prepared by	jah		Data taken from	NAIC Data	
Where traded	NYSE		Major product/service	Application	
CAPITALIZATION --- Outstanding Amounts			Reference		
Preferred (\$M)	0.0	% Insiders	%		
Common (M Shares)	1,222.0	0.0	0.0		
Debt (\$M)	0.0	% to Tot.Cap.	0.0	% Potential Dil.	None

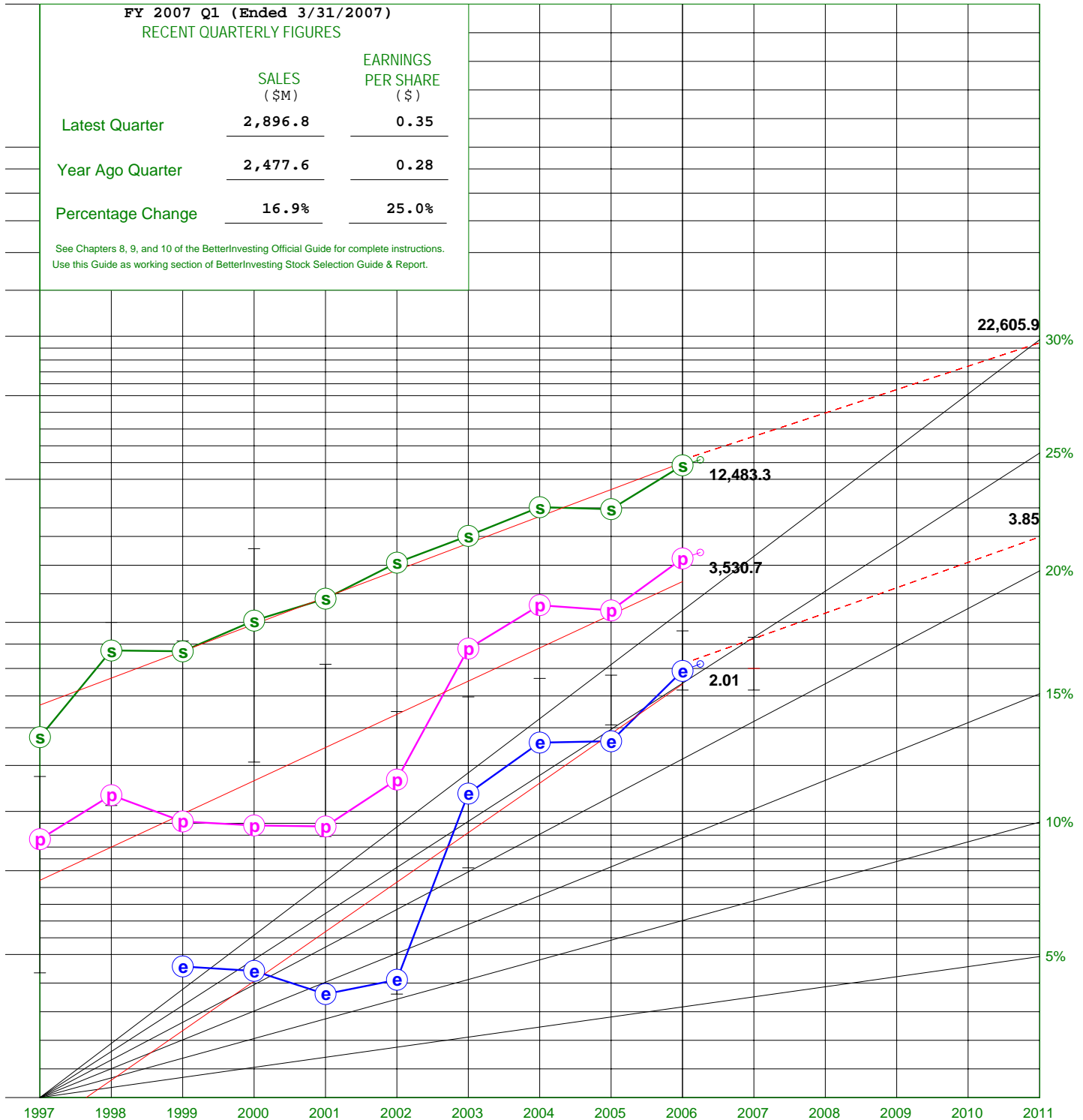
1 VISUAL ANALYSIS of Sales, Earnings and Price

SAP

FY 2007 Q1 (Ended 3/31/2007)
RECENT QUARTERLY FIGURES

	SALES (\$M)	EARNINGS PER SHARE (\$)
Latest Quarter	2,896.8	0.35
Year Ago Quarter	2,477.6	0.28
Percentage Change	16.9%	25.0%

See Chapters 8, 9, and 10 of the BetterInvesting Official Guide for complete instructions. Use this Guide as working section of BetterInvesting Stock Selection Guide & Report.



- (1) Historical Sales Growth 13.9 %
- (2) Estimated Future Sales Growth 12.0 %
- (3) Historical Earnings Per Share Growth 27.1 %
- (4) Estimated Future Earnings Per Share Growth 13.1 %

2 EVALUATING MANAGEMENT

Company **SAP AG** (SAP)

06/12/07

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	LAST 5 YEAR AVG.	TREND	
												UP	DOWN
A % Pre-tax Profit on Sales (Net Before Taxes ÷ Sales)	27.1	22.0	19.5	16.5	14.7	15.5	25.7	27.6	27.2	28.3	24.9	UP	
B % Earned on Equity (E/S ÷ Book Value)			9.8	9.1	19.1	18.6	29.5	28.4	25.9	30.2	26.5	UP	

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is a building block for translating earnings into future stock prices.

PRESENT PRICE **48.120** HIGH THIS YEAR **55.960** LOW THIS YEAR **43.300**

Year	PRICE		C Earnings Per Share	D Price Earnings Ratio		F Dividend Per Share	G % Payout F ÷ C X 100	H % High Yield F ÷ B X 100	
	HIGH	LOW		HIGH A ÷ C	LOW B ÷ C				
1 2002	39.0	9.9	0.45	86.7	22.0	0.131	29.1	1.3	
2 2003	41.9	18.3	1.11	37.7	16.5	0.172	15.5	0.9	
3 2004	45.8	35.0	1.42	32.3	24.6	0.236	16.6	0.7	
4 2005	46.6	36.6	1.43	32.6	25.6	0.347	24.3	0.9	
5 2006	57.7	43.3	2.01	28.7	21.5	0.461	22.9	1.1	
6 TOTAL		143.1		93.6	71.7		108.4		
7 AVERAGE		28.6		31.2	23.9		21.7		
8 AVERAGE PRICE EARNINGS RATIO	27.6			9	CURRENT PRICE EARNINGS RATIO		23.1		

4 Proj. P/E [20.46] Based on Next 4 qtr. EPS [2.35] Current P/E Based on Last 4 qtr. EPS [2.08] EVALUATING RISK and REWARD over the next 5 years PEG=156

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE -- NEXT 5 YEARS

Avg. High P/E ~~31.2~~ **32.0** X Estimate High Earnings/Share **3.85** = Forecast High Price \$ **123.2**
(3D7 as adj.) (4A1)

B LOW PRICE -- NEXT 5 YEARS

(a) Avg. Low P/E ~~23.9~~ **24.0** X Estimated Low Earnings/Share ~~2.01~~ **2.08** = \$ **49.9**
(3E7 as adj.)

(b) Avg. Low Price of Last 5 Years = **28.6**
(3B7)

(c) Recent Severe Market Low Price = **36.6**

(d) Price Dividend Will Support $\frac{\text{Present Divd.}}{\text{High Yield (H)}} = \frac{0.620}{0.013} = 46.9$

Selected Estimate Low Price = \$ **28.6**
(4B1)

C ZONING

123.2 (4A1) High Forecast Price Minus **28.6** (4B1) Low Forecast Price Equals **94.6** (C) Range. 1/3 of Range = **23.6** (4CD)

(4C2) Lower 1/3 = **28.6** (4B1) to **52.2** (Buy) Note: Ranges changed to 25%/50%/25%

(4C3) Middle 1/3 = **52.2** to **99.6** (Maybe)

(4C4) Upper 1/3 = **99.6** to **123.2** (4A1) (Sell)

Present Market Price of **48.120** is in the **Buy** (4C5) Range

D UP-SIDE DOWN-SIDE RATIO (Potential Gain vs. Risk of Loss)

High Price (4A1) **123.2** Minus Present Price **48.120** = **75.1** = **3.8** To 1
Present Price **48.120** Minus Low Price (4B1) **28.6** = **19.5** (4D)

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

High Price (4A1) **123.2** = (**2.560**) X 100 = (**256.0**) - 100 = **156.0** % Appreciation (4E)
Present Market Price **48.120**

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

Relative Value: 83.7% Proj. Relative Value: 74.1%

Note: Results are expressed as a simple rate; use the table below to convert to a compound rate.

A Present Full Year's Dividend \$ **0.620**
Present Price of Stock \$ **48.120** = **0.013** X 100 = **1.3** (5A) Present Yield or % Returned on Purchase Price

B AVERAGE YIELD OVER NEXT 5 YEARS

Avg. Earnings Per Share Next 5 Years **3.01** X Avg. % Payout (3G7) **21.7** = **65.3** = **1.4** % (5B)
Present Price \$ **48.120**

C ESTIMATED AVERAGE ANNUAL RETURN OVER NEXT FIVE YEARS

5 Year Appreciation Potential (4E) 156.0			P.A.R.	Tot. Ret.
$\frac{5}{156.0}$	31.2 %	Average Yield	0.8%	0.7%
Average Yield (5B) -----	1.4 %	Annual Appreciation	17.5%	20.7%
Average Total Annual Return Over the Next 5 Years (5C)	32.6 %	% Compd Ann Rate of Ret	18.3%	21.4%

TIMELINESS 3 Lowered 3/16/07	High: 60.1	55.0	85.9	49.1	39.0	41.9	45.8	46.6	57.7	56.0	Target Price Range		
SAFETY 3 New 11/25/05	Low: 29.7	23.8	30.6	21.3	9.9	18.3	35.0	36.6	43.3	44.2	2010	2011	2012
TECHNICAL 3 Raised 5/11/07	LEGENDS 28.0 x "Cash Flow" p ADR Relative Price Strength Options: Yes Shaded area indicates recession												
BETA 1.30 (1.00 = Market)													
2010-12 PROJECTIONS													
Price	Gain	Ann'l Total											
High 125	(+170%)	29%											
Low 80	(+70%)	16%											
Insider Decisions													
J	A	S	O	N	D	J	F	M					
to Buy	0	0	0	0	0	0	0	0	0	0	0	0	0
Options	0	0	0	0	0	0	0	0	0	0	0	0	0
to Sell	0	0	0	0	0	0	0	0	0	0	0	0	0
Institutional Decisions													
2Q2006	3Q2006	4Q2006	Percent	7.5									
to Buy	121	117	111	5									
to Sell	118	128	107	2.5									
Hld's(000)	102680	84596	77609										

Founded in 1972, SAP is the recognized leader in providing collaborative business solutions for all types of industries. SAP stock was first traded on November 4, 1988 on the German Stock Exchange. The SAP American Depositary Receipt (ADR) covered on this page has been listed on the New York Stock Exchange since August 3, 1998. The ratio between the ADR and the underlying ordinary shares is 1 to 1.	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	VALUE LINE, INC.	10-12	
	--	1.17	1.00	.94	.89	1.05	1.26	1.36	1.18	1.32	1.35	1.35	Translation Rate(Euro/\$)	1.35	
CAPITAL STRUCTURE as of 12/31/06 Total Debt None Due in 5 Yrs None LT Debt None	--	4.14	4.09	4.67	5.19	6.17	7.01	8.05	7.96	9.79	11.40	13.00	Revenues per ADR	17.35	
	--	.62	.62	.64	.61	.61	1.29	1.63	1.68	2.17	2.40	2.75	"Cash Flow" per ADR	4.00	
Leases: Annual rentals \$196.2 mill. Pension Liability 12/06 Assets \$421.8 mill. Oblig. \$416.1	--	.49	.48	.47	.41	.42	1.09	1.42	1.52	2.01	2.15	2.45	Earnings per ADR	3.65	
	--	.13	.14	.12	.13	.13	.17	.24	.35	.43	.62	.70	Gross Div'ds Decl'd/ADR	1.00	
Common Stock 1,218,286,872 shs. (Equivalent to 1,218,286,872 American Depositary Receipts) ^B MARKET CAP: \$57.0 billion (Large Cap)	--	.36	.28	.21	.27	.26	.28	.23	.24	.38	.60	.65	Cap'l Spending per ADR	.80	
	--	1.70	2.05	1.85	2.20	2.39	3.70	4.92	5.41	6.39	7.90	9.30	Book Value per ADR	15.25	
CURRENT POSITION 2004 2005 2006 (\$MILL.)	--	1254.8	1257.1	1258.9	1259.3	1259.9	1261.7	1264.0	1265.8	1267.5	1210.0	1200.0	Equip ADR's Outst'g ^B	1175.0	
	--	89.0	70.7	NMF	83.1	60.2	27.0	28.6	27.7	25.2	Bold figures are Value Line estimates			Avg Annual P/E Ratio	28.0
Cash Assets 4341.2 4053.7 4394.2 Receivables 2611.6 2665.7 3220.3 Inventory (Avg Cst) 15.8 22.9 5.2 Other 727.9 752.6 726.2 Current Assets 7696.5 7494.9 8345.9 Accts Payable 189.1 217.4 805.1 Other 3297.0 3179.4 2854.8 Current Liab. 3486.1 3396.8 3659.9	--	4.63	4.03	NMF	4.26	3.29	1.54	1.51	1.47	1.36				Relative P/E Ratio	1.85
	--	3%	4%	2%	4%	5%	6%	6%	8%	9%				Avg Annual Div'd Yield	1.0%
Revenues (\$mill) 20400 Operating Margin 33.0% Depreciation (\$mill) 425 Net Profit (\$mill) 4300 Income Tax Rate 35.0% Net Profit Margin 21.0% Working Capital (\$mill) 7150 Long-Term Debt (\$mill) Nil Shr. Equity (\$mill) 17900	--	5191.9	5146.0	5881.2	6534.1	7772.4	8848.9	10173	10080	12408	13800	15600	Revenues (\$mill)	20400	
	--	25.0%	19.0%	16.8%	23.0%	25.4%	27.7%	29.6%	29.6%	31.6%	29.0%	31.0%	31.0%	Operating Margin	33.0%
Sales -- 13.0% 13.0% "Cash Flow" -- 24.0% 14.0% Earnings -- 29.5% 14.0% Dividends -- 21.0% 20.0% Book Value -- 22.5% 19.0%	--	162.8	173.9	209.6	249.0	231.9	271.5	283.9	241.0	282.7	300	325	Depreciation (\$mill)	425	
	--	618.2	605.2	595.5	517.3	533.3	1356.8	1774.2	1890.2	2469.7	2625	2950	4300	Net Profit (\$mill)	4300
Return on Total Cap'l 24.0% Return on Shr. Equity 24.0% Retained to Com Eq 17.5% All Div'ds to Net Prof 27%	--	45.0%	38.4%	38.0%	44.6%	54.1%	39.0%	36.8%	35.3%	30.0%	33.0%	34.0%	Income Tax Rate	35.0%	
	--	11.9%	11.8%	10.1%	7.9%	6.9%	15.3%	17.4%	18.8%	19.9%	19.0%	19.0%	Net Profit Margin	21.0%	
Working Capital (\$mill) 7150 Long-Term Debt (\$mill) Nil Shr. Equity (\$mill) 17900	--	2703.9	2785.9	2653.8	1717.6	1304.9	3549.5	4210.4	4098.1	4686.0	5025	5600	Working Capital (\$mill)	7150	
	--	2133.3	2577.3	2332.3	2767.8	3011.4	4672.8	6219.7	6847.3	8097.5	9550	11175	Shr. Equity (\$mill)	17900	
Return on Total Cap'l 24.0% Return on Shr. Equity 24.0% Retained to Com Eq 17.5% All Div'ds to Net Prof 27%	--	29.0%	23.5%	25.5%	18.7%	17.7%	29.0%	28.5%	27.6%	30.5%	27.5%	26.5%	Return on Total Cap'l	24.0%	
	--	29.0%	23.5%	25.5%	18.7%	17.7%	29.0%	28.5%	27.6%	30.5%	27.5%	26.5%	Return on Shr. Equity	24.0%	
Retained to Com Eq 17.5% All Div'ds to Net Prof 27%	--	20.7%	17.0%	18.9%	12.9%	11.4%	24.0%	23.1%	21.7%	23.2%	20.0%	19.0%	Retained to Com Eq	17.5%	
	--	29%	28%	26%	31%	36%	17%	19%	21%	24%	29%	29%	All Div'ds to Net Prof	27%	

BUSINESS: SAP AG engages in the development, marketing, sale, and support of enterprise application software products for corporations, governmental agencies, and educational institutions. Its mySAP business suite enables companies to manage value chain across business networks. It also manages information technology infrastructure and can be deployed on various computer hardware types and software operating systems. The company provides consulting, custom development, education, hosting, and support services. Officers & directors own 20.4% of common stock (4/07 Annual Report). CEO: Professor Henning Kagermann. Has 39,355 employees. Address: Dietmar-Hopp-Allee 16, Walldorf, Germany 69190. Telephone: 49 62 2774 7474. Internet: www.sap.com.													
SAP AG's operating margin will likely narrow a bit more this year. The company is planning to invest as much as \$535 million (300 million-400 million euros) over the next seven quarters to build up new business. This new application suite will be specifically tailored to the small and medium-business (SMB) markets. Management feels that attending to the needs of smaller companies (typically firms with less than 500 employees) is the best avenue for long-term profit growth. Although we agree with SAP's decision to step up spending to better serve the relatively underserved SMB market, these upfront costs will probably set the operating margin back about 50 basis points in 2007. As a result, we look for share-earnings growth of only 7% this year, which is a far cry from the 32% advance experienced in 2006. Note, too, that our estimates depend largely on the timing and magnitude of these investments.													
The spending initiative should begin to bear fruit sometime in 2008. Thanks to prospects for newly generated business and a return to margin expansion, profit growth will probably return to a double-digit rate. Moreover, management remains confident that the new application suite will bolster revenues by \$1 billion by the end of the decade. Consequently, we look for annual share-earnings growth of nearly 15% out to 2010-2012.													
These shares have held steady at their current level. We think investor sentiment soured a bit in light of the speed and magnitude of SAP's new investment blueprint and the margin pressure that will follow. That said, this may be an advantageous entry point for investors, given the good 3- to 5-year price appreciation potential we project. In the meantime, this issue should mirror the broader market in terms of relative price performance.													
The company continues to buy back stock. SAP used its strong cash flow to retire another 9.6 million shares in the first quarter. The current repurchase initiative allows the company to buy back up to 120 million shares. Due to SAP's ability to generate discretionary cash, we expect further repurchases in the future. Finally, the board of directors also proposed a 43% dividend increase for this year.													
Erik M. Manning May 25, 2007													

(A) Dividend is paid annually the day after the yearly shareholders meeting, usually in May or June.	(B) Each SAP American Depositary Receipt represents one SAP ordinary share. Next earnings report due late August.	(C) Quarterly revenue totals are calculated by taking reported revenue figures in euros and multiplying that figure by euro/dollar ratio on last day of the quarter.	Company's Financial Strength A Stock's Price Stability 40 Price Growth Persistence 40 Earnings Predictability 45
---	--	---	---