SAP | Annual Report 1999

Profile

The business models of the future target new opportunities for inter-enterprise collaboration using the Internet. SAP has reoriented its entire business and product strategy to the Internet so that customers can fully profit from those opportunities. Our primary ambition is to simplify day-to-day work for all of our customers' employees in their different roles, making a sustained contribution to value creation. This is being achieved through in-depth knowledge of business processes and their optimization, and by thorough and continuous customer relationship management throughout the life cycle of a solution.

Today, with more than 25,000 installations to its name, SAP not only clearly leads the market for business applications software (IDC reports that SAP's share is 36 %); the Company has also become the top supplier of end-to-end inter-enterprise solutions for the collaborative business processes that enable customers to profit from the new economy, the virtual economy of the Internet.

mySAP.com comprises the products, services, and solutions that SAP delivers for processing business transactions collaboratively. Enterprises and organizations of all sizes and in all sectors can use mySAP.com to completely integrate their employees, their customers, and their business partners into their business via the Internet. Thus the mySAP.com solutions platform and the Company's redefinition as an Internet business confirm the analysis made by respected observers of the market that SAP, alone among leading software providers, has both the vision to conceive new solutions and the strength to quickly implement them as powerful products.

In the future, permanent innovation will continue to springboard SAP's enhancement of its leading position in the worldwide market. The mySAP.com solutions platform is the hub around which existing products are continuously improved, and new development initiatives and technologies are rapidly turned into the applications that the market wants. This includes work on the SAP R/3 components, the 19 industry solutions, and, above all, the e-business applications such as E-Commerce with mySAP.com, Customer Relationship Management with mySAP.com, Business Intelligence with mySAP.com, and Supply Chain Management with mySAP.com.

The driving force behind this sustained development process are the 5,400 research and development employees worldwide. One in four of our employees are now working on developing new solutions or improving existing ones. In 1999 SAP again increased R&D investment – by 30 % to € 745 million, corresponding to 14.6 % of 1999 revenues.

The unstinting commitment of SAP's 21,700 employees rapidly established SAP as a major player in the Internet economy. The outlook for growth is very encouraging, considering that the new economy is just out of the blocks and that mySAP.com can offer superior software applications and services. SAP solutions give customers the strategic infrastructure that they want to grow the productivity and job satisfaction of their employees and to exploit new openings for business.

SAP AG

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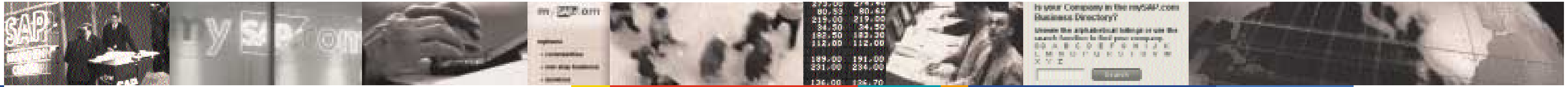
D-69190 Walldorf, Germany



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Selected Financial Highlights

SELECTED FINANCIAL HIGHLIGHTS			
	in millions of €, unless otherwise indicated		
	1999	1998	1997
Total revenue	**5,110.2**	**4,315.6**	**3,021.8**
thereof product revenue as a %	60.6	63.0	67.5
- per employee (in thousands of €)	244	249	261
Number of employees, annual average	**20,975**	**17,323**	**11,558**
Personnel expenses	**2,031.7**	**1,547.4**	**1,059.9**
- as a % of total revenue	39.8	35.9	35.1
Research and development expenses	**744.7**	**572.4**	**362.7**
- as a % of total revenue	14.6	13.3	12.0
Net income	**601.0**	**526.9**	**446.7**
- as a % of total revenue	11.8	12.2	14.8
Cash earnings according to DVFA/SG[1]	**896.9**	**586.1**	**547.2**
- as a % of total revenue	17.6	13.6	18.1
Shareholders' equity	**2,559.4**	**1,818.3**	**1,451.1**
	(in €)	(in €)	(in €)
Earnings per ordinary share	**5.73**	**5.03**	**4.28**
Earnings per preference share	**5.76**	**5.07**	**4.33**
Dividend per ordinary share	**1.57**[2]	**1.57**	**1.43**
Dividend per preference share	**1.60**[2]	**1.60**	**1.46**

[1] German Society of Investment Analysts and Asset Managers
[2] 1999 proposed dividend

E-Business Products and Solutions

mySAP.com is a new solution platform that puts profit opportunities in the new Internet economy at the fingertips of SAP's customers. It is another example of SAP's ability to quickly develop and deliver innovative products for the software market.

The idea of a new generation of powerful software solutions to help enterprises do business together via the Internet stems directly from SAP's unique competency set. These skills include the Company's comprehensive expertise in the field of business processes, including industry-specific processes, its sound understanding of the needs and preferences of the people who work with business software, and its experience in identifying new information technology trends and applying them to make profitable products.

SAP had already introduced Internet-enabled software in 1996 with its SAP R/3 Release 3.1: In a typical scenario, an order placed through an online store triggers the relevant business process in the SAP software, giving the purchaser immediate access to the current availability, price, and delivery details. This made SAP one of the first vendors to link electronic commerce and business applications, substantially preparing the ground for the long-term success of e-business. In 1998, SAP started to develop applications that can be used as an integral part of SAP R/3 or as standalone products. These include SAP Human Resources and the new SAP products such as SAP Customer Relationship Management and SAP Supply Chain Management. By September 1999 – only five months after its announcement – the first customers were already installing mySAP.com.

The EnjoySAP strategic initiative continues to play a central role in all software development at SAP, putting the requirements of the people who work with SAP solutions at the forefront of the design and development processes. The result is improved usability: software solutions that are easier to learn, tailor, and handle. The visual design has been optimized, and users now find it simpler to understand intuitively how to have their software do what they want it to do. EnjoySAP is vital for the success of mySAP.com, because mySAP.com aims to include ever more employees, working for ever more companies and organizations, in inter-enterprise value processes.

SAP Annual Report

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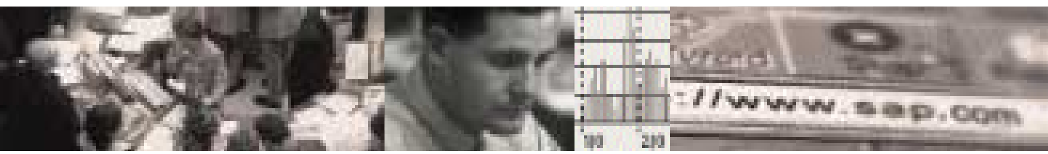
Contents



New York | USA | 57th Street – 5th Avenue

"With collaborative customer relationship management as part of mySAP.com our sales reps can access customer information from anywhere at any time."

Ed Toben | CIO | Colgate-Palmolive Company | New York, N.Y.

As a $ 9 billion company, marketing its products in over 200 countries and territories, it is critical for Colgate-Palmolive to have an integrated, synchronized view of customers and activities across front-end and back-end systems. With its strategy to deliver end-to-end solutions SAP provides a comprehensive portfolio of applications to manage Colgate-Palmolive's customer relationships.

From the Executive Board

Dear shareholders, partners, and customers

In 1999, SAP once again grew to meet bigger challenges and mastered difficult situations successfully. Nearly all providers of enterprise software suffered a negative impact from the millennium change in 1999, after having profited from a year-2000-driven boost in demand in the previous few years. SAP's customers prepared to pass the critical date change with as little disturbance as possible. Many therefore delayed decisions to implement new enterprise software.

Parallel to the relatively subdued developments in our markets, there was a sea of change in our core business in the space of a few months. To succeed in the market of the future, enterprise software must not just be Internet-enabled, which SAP R/3 has been since 1996, it must access the new opportunities offered to enterprises by e-business. It was in our chief market, the United States, that it first became clear that the Internet was dramatically changing business-to-business trading, that is, the business processes between enterprises.

With the double challenge of year-2000 issues and the Internet revolution, it is especially pleasing that SAP again increased its market lead in 1999. By the end of the year, there were more than 25,000 system and product installations worldwide. Revenues and income before income taxes (excluding expenses for the employee STAR program) grew by 18 %.

The speed and scale of the change to the Internet age surprised us, but we responded more quickly than our competitors, and totally reoriented SAP's business. Today the Internet is at the focus of all our initiatives and developments. As of 1999, SAP has become the number one supplier of end-to-end inter-enterprise solutions for collaborative business processes.

The efforts of SAP's employees deserve special mention. It was their skills and dedication that enabled us not just to announce the redefinition of SAP in 1999, but also to deliver on that redefinition in the same year. SAP reworked its entire product offering and successfully introduced mySAP.com, a completely Internet-oriented, open software and service solution. Announced in May 1999, we supplied the first customers in September 1999.

Employees of our customers using mySAP.com have new ways to take ownership of their work and working environment. At the enterprise level, SAP is giving its customers access to new added value and company growth, plus completely new business models. mySAP.com has struck a very positive note with customers and was already making a very substantial 16 % contribution to sales revenues in our successful fourth quarter. In the final weeks of the year, we won over several prestigious partners to build and run Internet marketplaces – the trading centers of the future. In 1999, SAP also managed to consolidate or build on its position as a strategic partner in several sectors, among others in the area served by our banking solution.

This permanent realignment of SAP as an Internet business was also reflected in a reallocation of responsibilities on the Executive Board. Now these are no longer geographically defined; instead, responsibilities are oriented to the Internet strategy and the worldwide solutions offering.

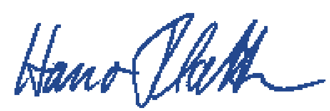
To secure and build on its success in this age of the Internet, SAP again invested massively in highly qualified new employees in 1999. The number of employees rose 12 % to approximately 21,700. Very many of the employees participate in the success of our enterprise, measured by the rising share price, through the STAR program. SAP's attractiveness as an employer in the highly competitive market for IT specialists grew at the end of 1999 with the inception of the SAP AG 2000 Long Term Incentive Plan, which offers stock options and convertible bonds.

SAP's mid- to long-term success as an Internet company depends heavily on intensifying research and development still further. One in four of our employees are now working on developing new solutions or improving existing ones. In 1999, we continued to decentralize development and bring it closer to our customers. A quarter of our R&D employees currently work at our SAP Labs outside Germany, be it in Silicon Valley or France, India or Japan. The focal points of development in 1999 and the current year include EnjoySAP – making SAP solutions easier to use – and the business solutions and many e-business applications for mySAP.com.

Prestigious investment bankers Goldman Sachs see mySAP.com as a good strategy for SAP to extend its leadership in the enterprise software market into the promising market for business-to-business and e-business solutions. One route to benefiting from the growth opportunities is that the mySAP.com Workplace could increase the proportion of SAP users in a typical enterprise from today's approximately 15 % to as much as 80 %. We are also busy increasing our potential market with outsourcing offerings for midsize enterprises.

The Executive Board stands by its prediction that within three years the Company can approximately double its 1998 revenue. We anticipate that product revenues will grow more than service revenues in 2000, which would further improve our profitability. Software revenue growth from mySAP.com should be particularly vigorous this year. We believe new product sales will account for about 50 % of software license revenue. We expect especially strong growth in the United States and Asia.

We hope you will accompany us along this road. Thank you for your continued interest and confidence in SAP.



Hasso Plattner | Co-chairman and CEO, SAP AG

Henning Kagermann | Co-chairman and CEO, SAP AG

Executive Board

Prof. Dr. Claus E. Heinrich
Development of industry solutions, development SAP R/3 product, supply chain management, human resources

Dr. Peter Zencke
Development of industry solutions, customer relationship management, coordination of global research, e-business

Prof. Dr. h. c. Hasso Plattner
Co-Chairman and CEO
mySAP.com Internet strategy, industry solution development, basis technology, marketing, corporate communications

Prof. Dr. Henning Kagermann
Co-Chairman and CEO, Sales, distribution, consulting, and global customer relations, industry solutions, strategic development projects, finance and administration

Gerhard Oswald
SAP R/3 corporate services, IT infrastructure

Extended Management Board

Karl-Heinz Hess
Basis and mySAP.com development

Dieter Matheis
Chief financial officer

Kevin S. McKay
SAP America, Inc., (CEO), Americas

Leo Apotheker
Southwest Europe

Les Hayman
Asia-Pacific

Report by the Supervisory Board

Dear shareholders

Last year saw SAP's value grow substantially. The key reason for this growth was SAP's focus on the interests of its key stakeholders: its customers, partners, employees, and shareholders. The Supervisory Board believes that SAP's success will continue because of our well-earned reputation for reliability and continuity in our dealings with customers and partners, our innovation and ability to deliver products and solutions, and our efficient and motivated employees – at all levels in the Company.

In 1999, SAP showed its flexibility as it reinvented itself around the mySAP.com Internet strategy. With mySAP.com, the Internet is the focus for the entire range of SAP solutions for every company in every sector. The Supervisory Board played an active role in SAP's strategic repositioning both in an advisory capacity and through its discussions with the Executive Board. At the same time, the Board performed its supervisory role, and is satisfied that the Executive Board improved SAP's competitive position in a challenging market.

In response to the singular importance of the mySAP.com Internet strategy, the Supervisory Board agreed to a realignment of responsibilities of the five Executive Board Members. The traditional allocation of responsibilities based on individual product functions and regional responsibilities was replaced by a new structure more in line with SAP's position as a provider of global Internet solutions.

Supervisory Board Meetings

The SAP AG Executive Board kept the Supervisory Board apprised of current business policy and the Company's circumstances in the course of 1999. Six regular Supervisory Board meetings and one extraordinary meeting took place. Topics of discussion were: the current state of the business, future business development, an analysis of orders received and anticipated, as well as human resources, financial, and investment planning for the next few years. The Executive Board's plans were discussed and supported by the Supervisory Board. The one extraordinary meeting was convened to agree the detail and launch of the SAP AG 2000 Long Term Incentive Plan. The Supervisory Board Chairperson remained in close contact with the Executive Board, and was kept informed of current business issues.

The Supervisory Board discussed and oversaw acquisitions, divestitures, and other actions requiring its input or agreement. The Supervisory Board also examined all agreements concluded between SAP AG and members of the SAP Boards or companies in which Board members have a substantial stake.

The SAP AG 2000 Long Term Incentive Plan

Launching a stock option program was one of the Supervisory Board's main concerns in 1999. After carefully assessing the experience gained from the virtual stock option program (STAR), the Executive and Supervisory Boards decided it was essential to set up an additional compensation system for selected managers and other top performers in order to maintain SAP's competitiveness. The Boards are convinced that the SAP AG 2000 Long Term Incentive Plan is the right vehicle to provide long-term performance incentives. The LTI Plan will contribute to a lasting increase in the Company's value that is in the interests of the Company and its shareholders.

An extraordinary general shareholders' meeting was convened for January 18, 2000 to approve the LTI Plan.

Committees

The Supervisory Board has three committees: Human Resources, Auditing, and the Committee of Conference required by the German Participation Act, section 27(3). During the 1999 fiscal year, the Human Resources Committee met on three occasions; on the agenda were human resources issues and the 1999 STAR program.

The Auditing Committee met twice in 1999, and examined the annual financial statements and the Group financial statements for 1998. It also determined the auditing focus for the 1999 annual financial statements, and discussed the internal audit report together with the auditors. The Committee of Conference, formed pursuant to the Participation Act, section 27(3), did not meet.

Financial Reporting

The auditors ARTHUR ANDERSEN Steuerberatungsgesellschaft Wirtschaftsprüfungsgesellschaft mbH, Eschborn/Frankfurt were elected by the general meeting of shareholders, and appointed by the Supervisory Board. They examined the consolidated financial statements, the SAP AG financial statements, and the review of Group operations, which includes a review of the operations of SAP AG, for the 1999 fiscal year, and issued an unqualified audit opinion. They also confirmed that the Group financial statements, which were prepared in accordance with U.S. GAAP, complied with the exemption requirements of the German Commercial Code, section 292a. The existing SAP AG risk management system was examined, and the results showed that management duties stipulated by German legislation on corporate control and disclosure were carried out, and that the current risk management system performs satisfactorily.

The Auditing Committee meeting on March 9, 2000 was followed by the Supervisory Board's meeting to approve the statements. All members of the Supervisory Board had access to the appropriate documents and auditors' report. The auditors attended both these meetings to report on the audit and provide information as required.

The Supervisory Board approved and finalized the annual financial statements, the Group financial statements, and the combined review of Group and SAP AG operations at its meeting on March 9, 2000.

The Supervisory Board approves the Executive Board's proposal for appropriation of earnings retained in 1999. The proposed total for distribution to shareholders is € 165.8 million. The proposed dividends are € 1.57 per no-par ordinary share and € 1.60 per no-par preference share.

The Supervisory Board thanks the Executive Board and all SAP employees for their commitment and achievements, particularly with respect to the strategic repositioning based on the mySAP.com Internet strategy.

Walldorf, March 9, 2000

The Supervisory Board

Dietmar Hopp

Dietmar Hopp | Chairperson

Stavanger | Norway

"With mySAP.com we are able to establish an efficient platform to utilize e-business opportunities and ensure our continued success."

Peter Tronslin | Vice President | Statoil A.S. | Stavanger, Norway

Industry and technology expertise, coupled with the ability to provide an e-business environment that is both open and completely integrated, uniquely positions SAP to deliver online market places for the oil and gas industry. Out of the world's top 30 oil and gas companies 29 use SAP solutions.

Review of Operations

Any statements contained in this document that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as "believe", "estimate", "intend", "may", "will", "expect", "anticipate", "predict" and "project" and similar expressions as they relate to the Company are intended to identify such forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect the Company's future financial results are discussed more fully in the Company's filings with the U.S. Securities and Exchange Commission, including the Company's Form 20-F for 1999 that is expected to be filed before June 30, 2000. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates.

Pictures and graphs are included for illustrative purposes only and are not part of the Review of Operations.

Success, Despite Company's Most Difficult Year to Date

Overall, 1999 was a successful year for SAP in which the results contributed substantially to the growth of the Company's value. A tough market and generally sluggish progress in the enterprise software industry added up to the most difficult year SAP has experienced to date; nevertheless both consolidated revenues and income (excluding expenses for the employee stock appreciation rights (STAR) program) before income taxes grew 18 %. SAP thus reinforced its position as clear leader in the business software market.

Millennium Change Slows Demand

The global economy was generally stronger. Sustained expansion in the United States, accelerated recovery in East Asia, first signs of an end to the financial crisis in Latin America, and the beginnings of an upturn in Germany provided an encouraging background. However, exceptional circumstances specific to the business software industry meant that SAP enjoyed only limited success in riding the tide.

Once again the millennium change influenced trends in the sector, but this year its impact was negative rather than positive. Particularly in the years 1996 to 1998, many enterprises replaced their non-2000-compliant software with new systems, leading to an increase in demand for standard enterprise resource planning (ERP) software. In 1999, in contrast, many companies decided against introducing new enterprise software at the same time as coping with the millennium change. As the millennium change approached, it became more difficult for companies to plan the necessary preparation time for software implementation projects. This resulted in considerably reduced demand in the sector, which was even more noticeable in the United States than in Europe. Demand did not start to pick up again until the last few months of 1999, when companies had for the most part dealt with the year-2000 compliance issue, and increasingly began to spend again independently of the millennium change.

Growing Impact of Internet

A second factor to decisively impact the business software market was the Internet. Especially in the United States, customers were unexpectedly quick to demand business software products that are not just Internet-enabled, but that fully exploit the Internet and the possibilities it offers. All vendors of "classic" ERP software were thus confronted with the need to demonstrate that they are fully Internet-oriented by reworking and expanding their product range. The same trend in demand also tended to continually reduce the differentiation between the markets for standard ERP software and new enterprise software on the one hand, and for e-commerce applications on the other. In the new unified market there are many more vendors than in the ERP market, which previously has been SAP's main target and in which SAP is the clear leader.

Reorientation in Response to Problematic Market Environment

SAP met this challenge to its own industry by orienting its whole enterprise strategy to the Internet. The most important move in this realignment was a complete overhaul of its product range. The first step was to finalize the EnjoySAP development initiative to improve the usability of SAP software, which kicked off in 1998. Parallel to that, the New Dimension initiative was advanced, and the focus on the new Internet product line development was sharpened. Then all initiatives were gathered into the comprehensive Internet strategy mySAP.com, which was announced in May 1999. Just four months later, SAP presented the mySAP.com product to the public as a fully Internet-oriented software and service solution. It became available in October 1999. mySAP.com was well received in the market and already made a substantial contribution to the increase in SAP revenues in the final quarter of fiscal 1999.

Orientation to the Internet also triggered other related changes. For example, the Company set up the new Internet Demonstration and Evaluation System (IDES), on which partners, prospects, and customers can test mySAP.com via Internet. For live use, mySAP.com can be transmitted via the Internet to the customer site, or SAP or a partner can run it for the customer. Customers can also draw on SAP and SAP partner consulting competencies via the Internet. Because the fields in which mySAP.com can be used are very diverse, the Company adopted a new price list for this product that ties the cost of licensing more closely to the level of usage or the transactions used.

SAP's change from an intra-enterprise business software solution vendor to a provider of comprehensive inter-enterprise Internet solutions was advanced in June 1999 by a restructuring of portfolios on the SAP AG Executive Board. Board members' regional responsibilities were dissolved, and replaced by a division of responsibilities in line with the Internet strategy and the Company's global solutions offerings.

Revenues Increase by 18 %

Despite the tough market in the ERP software sector, SAP consolidated revenues increased 18 % to € 5,110 million. Excluding the foreign exchange effect, which was positive in 1999, revenue growth was 16 %.

As in previous years, revenue performance was not even across 1999. Whereas in 1998 revenue growth eased off in the second half as the exceptional year-2000 boom receded and the effects of financial crises in Asia and Russia were felt, the pattern was reversed in 1999 when customers' reluctance to invest was overcome, the recovery in Asia began and the Internet strategy started to show results. The effect was that, in 1999, the fastest rate of revenue growth, 30 %, was achieved in the final quarter.

Maintenance and Consulting Revenues Grow Fastest

Different activities made varying contributions to the generally positive revenue picture. As expected, software revenues were hampered by the unusual conditions prevailing in the sector market. In this light, it is especially pleasing that SAP achieved a 2 % increase in software license revenues (to € 1,932 million) – primarily due to a strong fourth quarter. The number of installations from which the license revenues are derived grew by 31 % to 25,412 in 1999. This means that, even in a difficult year, SAP managed to take a bigger market share in this segment. It is apparent that the strategic reorientation was crucial to maintaining revenues and market share growth from the fact that 17 % of the software license revenues came from mySAP.com and its innovative components that were introduced as New Dimension products. Thanks to the exceptionally strong last quarter, the contribution made by the new products was considerably greater than expected, and exceeded the decline in revenues from SAP R/3. The new products also contributed to the rise in the number of new software installations by 9 % to 7,091.

Stimulated by the clear increase in software revenues in 1997 and 1998, maintenance revenues grew by 42 % to € 1,162 million. With the help of this growth, product revenues overall (software and maintenance revenues) rose 14 % to € 3,094 million. Income from consulting also developed strongly. SAP's consulting revenues increased 38 % to € 1,547 million. This is in part the dividend from the large-scale personnel expansion of 1998.

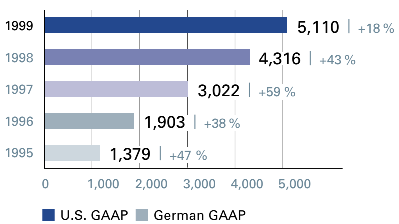
In many enterprises, employee resources were tied down by work connected with the millennium change, so training revenues were not expected to rise. Also, training times decreased thanks to more efficient training and the improved user-friendliness of SAP software – a result of the EnjoySAP initiative. Nonetheless, the posted reduction to € 394 million (a 4 % decrease from 1998 training revenues) was disappointing. Improving training revenues will be one of the challenges for 2000. Other income grew 19 % to € 74 million.

Revenues Rise Steeply in Germany

The negative impact of the year-2000 issue on revenues was not as strong in Europe as in the United States. U.S. customers also hesitated in anticipation of SAP's Internet strategy, until mySAP.com was presented. Revenues climbed just 5 % in the United States, and that growth was attained primarily in the strong fourth quarter. By contrast, 1999 witnessed an encouraging 34 % revenue growth in Germany. These diverging trends in

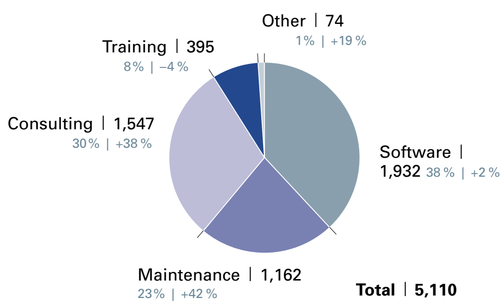
Consolidated Revenue

in € millions | change since previous year



Revenue Breakdown by Types of Activity

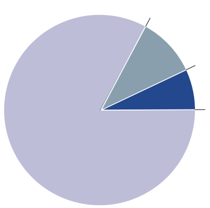
in € millions | percent | change since 1998



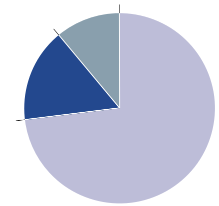
Software License Revenue Breakdown by Product

in € millions | percent

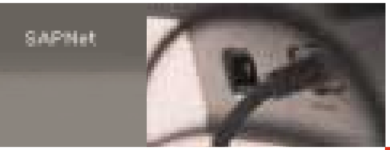
1999



Fourth Quarter 1999

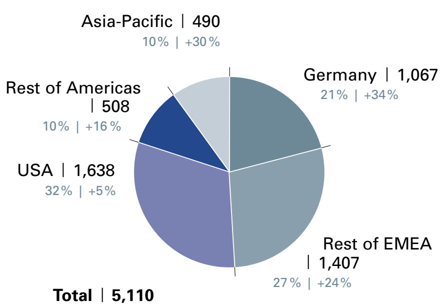


1999		Product	Fourth Quarter 1999	
129	7 %	mySAP.com	16 %	129
187	10 %	New Dimension	11 %	92
1,616	83 %	R/3	73 %	590
1,932		**Total**		**811**



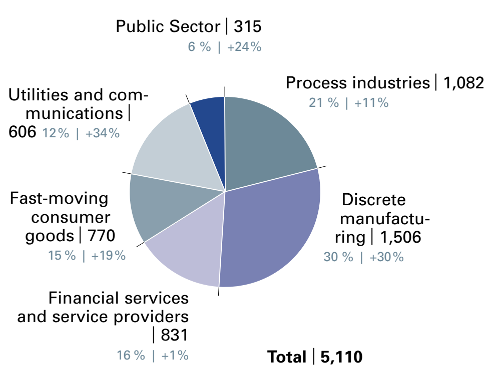
Revenue Breakdown by Sales Destination

in € millions | percent | change since 1998



Revenue Breakdown by Industry

in € millions | percent | change since 1998



SAP's two biggest markets were the main reason why revenues outside Germany declined as a proportion of total revenues from 82 % to 79 %.

At 16 %, revenue growth in the rest of the Americas region affected by the financial crisis in Latin America also lagged behind the Group average. In the Europe, Middle East, and Africa (EMEA) region (excluding Germany) SAP's revenues fared better, achieving a rise of 24 %. One contributing factor was the improvement of conditions in Russia.

After the disappointment of 1998, business in Japan did recover, but not enough to regain the momentum lost in the economic and financial decline. The organizational restructuring in Japan helped revenues there contribute to an overall rise of 30 % in the Asia-Pacific region.

The breakdown of total revenues by industry was similar to 1998. As before, discrete manufacturing (30 % in 1999; 27 % in 1998) and process industries (21 % in 1999; 23 % in 1998) made the biggest contributions to revenues.

Reasonable Cost Growth, Despite Exceptional Circumstances

The unusual conditions prevailing in SAP's industry and the Company's strategic reorientation both affected expenditure trends in 1999. mySAP.com development and marketing in particular required a large outlay. Also, the steep rise in the price of the preference share at the end of the year gave rise to costs in connection with the employees' STAR program.

At the same time, however, more stringency and centralization in purchasing, controls on travel expenses, the use of in-house services to replace those previously purchased, and other measures all produced savings.

As a result, despite the specific circumstances in the business-software-industry, operating costs rose only 26 % to € 4,314 million. This figure is justifiable in the context of these circumstances and the 18 % increase in revenues. After excluding STAR program expenditure (for better comparison with other companies and with 1998 results) the rise in costs was only 23 %.

As in 1998, the biggest expenditure was for personnel. Personnel expenses increased 31 % to € 2,032 million. After excluding the cost of the STAR program the rise in personnel expenses was only 24 %. The rise in average personnel expenses per employee (excluding STAR expenses) was only 1.5 %.

Expense Developments

Although SAP's own products are year-2000-compliant, extensive measures were taken in advance of the millennium change to ensure the proper functioning of customers' systems used in conjunction with non-SAP software products. This impacted cost of product, which totaled € 527 million (1998: € 372 million). Excluding STAR expenses, cost of product amounted to € 511 million, representing an increase of 37 % over 1998. This is a lower rate of increase than that for the corresponding maintenance revenues.

The development and launch of mySAP.com and its components was associated with increased development and marketing expenses. This contributed to the rise in sales and marketing expenses by 17 % to € 1,132 million. Even after excluding the € 25 million STAR expenses in that figure, sales and marketing expenses increased by a higher rate than that for the software revenues to which it largely corresponds. Research and development expenses climbed by 30 % to € 745 million (or by 23 % to € 705 million excluding STAR expenses).

Costs of service totaled € 1,625 million in 1999. The corresponding figure excluding STAR expenses, which is more comparable to the 1998 figure, was € 1,584 million. This represents an increase of 27 % over 1998, which is consistent with the increase in consulting and training service revenues. General and administrative expenses were € 260 million (€ 241 million excluding STAR expenses). A relatively high portion of these expenses is attributable to the STAR accruals because the senior management expenses for all SAP Group companies are allocated to administrative expenses. The rise in general and administrative costs excluding STAR expenses was 19 %, only slightly higher than the increase in revenues.

Healthy Growth in Finance Income

In the conditions prevailing in 1999, the operating income of € 796 million may be regarded as a satisfactory achievement. It represents a gross margin of 15.6 %. Excluding the total 1999 expenses of € 140 million for the employees' STAR program, the gross margin was 18.3 % (1998: 21.3 %).

Finance income, net, increased significantly to € 235 million (1998: € 14 million). The main contributing factor was the sale of minority investments, which was undertaken for two reasons: pursuit of the corporate policy of reducing strategic minority holdings to 5 % where SAP's original stake was less than 30 %; and realization of profits from venture capital investments. These investments result from SAP's ongoing commitment to support promising startups in the software field with equity capital. SAP generally intends each such investment to be medium term, and to exit when the enterprise concerned is established on a sound financial footing.

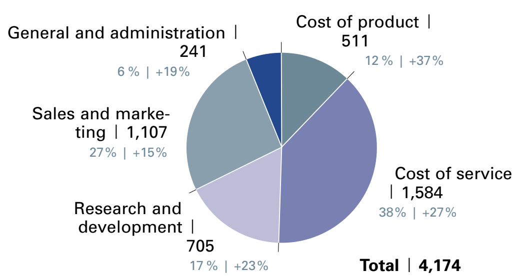
Net Income Increases by 14 %

Income before income taxes rose 5 % to € 980 million. Excluding STAR expenses (for better comparison with other companies and with 1998), the income before income taxes was € 1,121 million. This represents an increase of 18 % over 1998, which matches the increase in revenues. Positive effects of German tax legislation and loss carryforwards resulting from the negative development in Japan in 1998 led to an effective tax rate that, at 38.4 %, was lower than the 1998 rate of 43.3 %. For this reason, the rise in net income (14 %, to € 601 million) was higher than the rise in income before income taxes. The margin on net income, at 11.8 %, was slightly lower than in 1998 (12.2 %). Earnings per share calculated in accordance with U.S. GAAP were € 5.73 (1998: € 5.03) for ordinary shares, and € 5.76 (1998: € 5.07) for preference shares. This calculation takes into account the fact that, because some employees exercised rights under the 1994/2004 convertible bonds program in December 1999, the number of preference shares was 0.17 million higher than in 1998.

Operating Expenses Breakdown

(excluding STAR)

in € millions | percent | change since 1998



Changeover to Euro and U.S. GAAP

On January 1, 1999, SAP changed over to the euro as the group currency. At the same time SAP fully adopted the United States Generally Accepted Accounting Principles (U.S. GAAP) as the basis for all of the group's financial accounting. With these measures, SAP further improved the transparency and international comparability of its consolidated financial statements. SAP reports its financial results solely in accordance with U.S. GAAP pursuant to an amendment to the German Commercial Code that permits listed companies to prepare their consolidated financial statements in accordance with internationally accepted accounting principles instead of German GAAP.

Very Strong Asset and Capital Development Continues

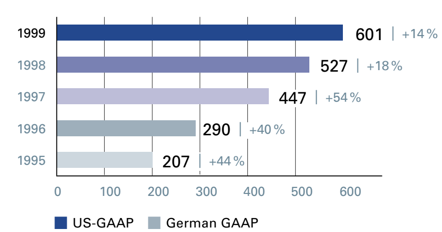
SAP's total assets rose 40 % to € 4,827 million, due mainly to increases in fixed assets, which increased 69 % to € 1,524 million. Investment in intangible fixed assets included purchase of software programs and additions to goodwill. This increased by 67 % to € 95 million compared to 1998. Investment in property, plant, and equipment was mainly for office facility and computer capacity expansion and at € 259 million was 22 % less than in 1998. The increased stock market valuation of equity securities led to a 232 % rise in financial assets to € 610 million, as under U.S. GAAP certain marketable securities are valued at fair value with the resulting unrealized gains and losses not affecting net income. The equity-to-fixed-assets ratio declined to 168 %, but this is still extraordinarily high and again enabled SAP to fund all capital expenditures from its own resources.

Current assets rose 27 % to € 2,967 million. The 17 % rise in receivables was lower than revenue growth. The days sales outstanding (DSO) key figure, which permits evaluation of the average period of time until settlement of accounts receivable, decreased from 104 to 103 days as a result of tight receivables management. Other assets increased by € 215 million to € 308 million as a result of the sales of marketable equity securities that had not been settled at year-end. Liquid assets increased 21 %.

Shareholders' equity grew 41 % to € 2,559 million. Among the reasons for this increase were significant unrealized gains, recorded in other comprehensive income, associated with increase in market value of certain of the Company's marketable securities. The equity ratio was unchanged at 53 %, and the return on equity fell from 29 % to 23 %. This fall – and the substantial increase in accrued liabilities – is explained largely by the impact of the STAR program.

Net Income

in € millions | change since 1998



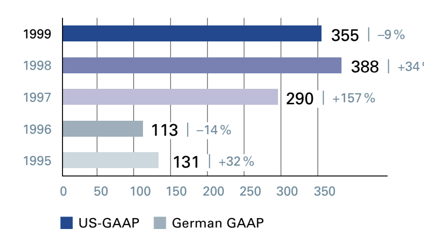
Annual Financial Statement for SAP AG Shows Positive Trend

The good results and the healthy balance sheet structure are also evident in SAP AG's annual financial statements, drawn up in accordance with German GAAP (HGB) as in previous years. In these financial statements, more significant for their role in determining distributable profits than from an information perspective, revenues increased 19 % to € 1,898 million. Like the consolidated statements, the SAP AG statements also show increases in costs. The entire expense of the STAR program is recognized in the SAP AG statements (which is not the case in the consolidated statements). This resulted in a decrease in net income of 24 % to € 361 million. Total SAP AG assets increased 41 % to € 1,986 million. Shareholders' equi-

Capital Expenditure

(Intangible Assets and Property, Plant and Equipment)

in € millions | change since 1998



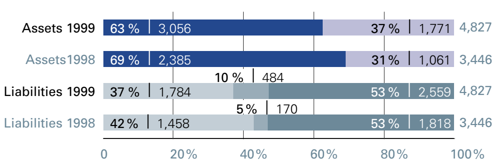
ty easily covered fixed assets; the ratio was 128 % compared to 137 % in the previous year. Mainly due to the STAR program obligation, the equity ratio declined to 59 % (72 % in 1998).

Dividend Unchanged

As in previous years it is the Executive Board's intention that value should be returned to the shareholders for 1999, and at the annual general meeting it will recommend paying the same dividend of € 1.57 per ordinary share and € 1.60 per preference share as for 1998. Should the annual general meeting agree to this dividend proposal, a total of € 165.8 million (€ 165.5 million in 1998) will be paid to shareholders. With the tax credits of € 0.67 and € 0.69 respectively, shareholders entitled to tax credit will receive € 2.24 per ordinary share and € 2.29 per preference share.

Consolidated Balance Sheet Breakdown

in % | in € millions



Assets
- Short-term assets
- Long-term assets

Shareholders' Equity and Liabilities
- Short-term liabilities
- Long-term liabilities
- Shareholders' Equity

Personnel Expansion

In 1999, SAP again increased investment in its most important asset: its employees. In light of the more difficult surrounding circumstances, however, prudence was exercised in recruitment by restraining the number of new hires in line with the uneven development of business over the year. For this reason, personnel expansion was slower than in 1998, when it was deliberately forced ahead. Overall headcount increased 12 % to 21,699. This figure includes employees of newly consolidated subsidiary companies.

Research and Development Intensified

1999 saw intense research and development activity aimed at realizing the Company's Internet strategy. The developer headcount grew 12 % to reach 5,403 at year-end. These employees are very highly qualified, as befits SAP's requirements: More than 90 % have university degrees, predominantly in technical and scientific disciplines.

The increase in the number of developers led to a rise in R&D expenses, which are overwhelmingly comprised of personnel costs. As a percentage of revenues, R&D costs excluding STAR expenses increased 0.5 % to 13.8 %. Thus once again, SAP's commitment to R&D was among the highest in the industry.

The majority of SAP's development work takes place in Germany at the Walldorf headquarters. The Company also has major development facilities in California's Silicon Valley, in Japan, India, and France. With the aim of cultivating greater customer-proximity, the Company continued to push decentralization of development activities in 1999. The proportion of developers working outside Germany grew from 21 % to 27 % in the course of the year.

EnjoySAP Improves Working Efficiency

The main focus of development in 1999 was the EnjoySAP and mySAP.com initiatives, as well as further development of the various industry solutions and New Dimensions products. The objective of the EnjoySAP initiative is to improve the ergonomics of SAP software, and in August 1999 the Company began shipment of the EnjoySAP Release of SAP R/3. An independent study concluded that EnjoySAP R/3 software is easier to learn, easier to tailor, and easier to use, and can improve working efficiency by as much as 65 %.

mySAP.com as a Complete Internet Solution

The outcome of the intensive development efforts aimed at completely reorienting SAP's product offerings to the Internet is mySAP.com. mySAP.com both unifies and enhances the Company's range of products. It comprises four main elements:

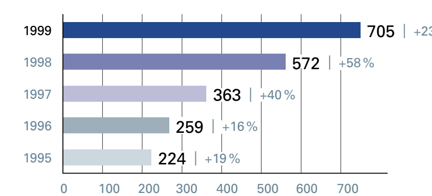
- The mySAP.com Marketplace, an open electronic marketplace where business partners can conduct purchasing, selling, and other collaborative inter-enterprise processes together
- The mySAP.com Workplace, an enterprise portal that provides employees in companies with a browser-based, personalized working environment from which they access all the functions they need daily in their particular role
- mySAP.com Business Scenarios, providing inter-enterprise role-based solutions for business-to-business as well as business-to-consumer transactions using SAP or other software
- mySAP.com Application Hosting, providing fast and inexpensive access to applications across the whole bandwidth of mySAP.com solutions

The first few months since shipment of mySAP.com showed that the product is already favorably received by customers. The product innovation ratio, measuring the new product portion of total product revenues, rose from 6 % in 1998 to 17 % in 1999. In the new field of establishing and running Internet marketplaces, progress was also encouraging. By the end of the year more than 38,420 people and 2,630 companies registered in the open horizontal marketplace at http://mysap.com. SAP also signed up partners who will cooperate in setting up vertical marketplaces, for example for the chemicals and pharmaceuticals industry and for healthcare.

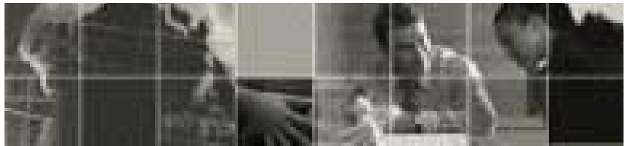
Research and Development Expenses

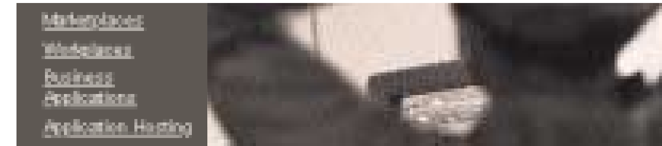
(excluding STAR expenses)

in € millions | change since 1998



- US-GAAP
- German GAAP





Quiet Millennium Change – Eventful Start to 2000

Hardly any of the computer-related problems predicted by many all over the world for the millennium date change materialized. The opening weeks of the new fiscal year thus proved relatively quiet for the economy as a whole and for the business software industry in particular. SAP and its customers enjoyed a smooth start to the new year as a result of the effective precautions that had been taken.

The repositioning of SAP as an Internet enterprise boosted public confidence in the Company's outlook. This was rewarded by a steep upturn in SAP stock prices early in 2000. From the beginning of the year to mid-February 2000, the SAP preference share climbed 42 % to € 852.

For this success thanks are due first and foremost to SAP's employees. By setting up the 1999 STAR program at the beginning of the year, the Executive Board ensured that a substantial proportion of the employees would participate in the success of the enterprise as measured by the performance of the stock. The value of a STAR is the increase in the stock market price of the SAP preference share between the average of the first ten calendar days following announcement of the figures for the first quarter of 1999 (average price € 337) and the average of the first twenty trading days following announcement of the preliminary results for the 1999 fiscal year (average price € 822). Total expenses resulting from the 1999 STAR program depend upon forfeitures and are estimated to be in the range from € 670 million to € 720 million. Under U.S. GAAP, these expenses are distributed over the measurement period and the payout period. The final payment will be made in 2001, so the 1999 STAR program expenses will not only impact the Company's 1999 figures but also the 2000 and 2001 figures.

In the software industry, the market for IT and management professionals is tight. In order to remain an attractive employer, at the end of 1999 SAP proposed a stock option and convertible bond program, the SAP AG 2000 Long Term Incentive Plan (LTI 2000 Plan). By an overwhelming majority, the shareholders approved the adoption of the Plan at an extraordinary general meeting in January 2000. In addition, the shareholders authorized the Company to issue a maximum of 6.25 million additional preference shares (contingent capital) to satisfy shares needed in conjunction with the LTI 2000 Plan. Subject to certain regulations, the Company may also acquire shares from the market to satisfy obligations under the LTI 2000 Plan. The Plan adds another share-based component to SAP's compensation system that will motivate selected managers and top performers to grow the value of the enterprise and stay with the Company.

Share Price 1999 | in €

Encouraging Outlook

Economic researchers are expecting encouraging developments in the global economy in 2000. They predict sustained expansion in the United States, continued upward trends in Japan and the emerging East Asian economies, and stronger growth in Western Europe. Encouraging growth rates are also projected for South America and Eastern Europe.

The outlook for the business software and Internet solutions industry is also promising. The market research institute Gartner Group, Inc., envisions average growth of 25 % in the classic ERP software market for the period 2000 through 2001. In the business-to-business software market 178 % growth in 2000 has been predicted, with average growth for the period 2000 through 2004 at 119 %. Of this growth, 37 % is expected to go to virtual marketplaces. Forrester Research, Inc. predicts that virtual marketplaces will enjoy average annual growth of 88 % during the period through 2003. International Data Corporation, another market research institute, projects revenues of software for running such marketplaces to rise 102 % per year on average. At the same time it is expected that the markets for ERP software and Internet solutions will continue to coalesce, and that the number of vendors in the unified market will decline.

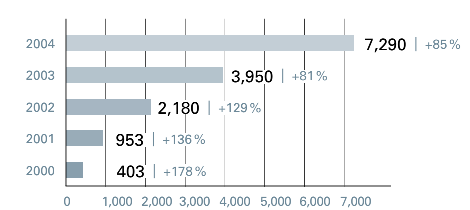
Potential for Success

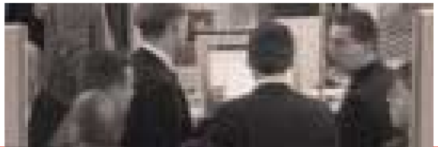
Strategic measures in 1999 have put SAP in a position to take a leading position in the developing integrated market for enterprise and Internet solutions. SAP has already undergone the reorientation to the Internet that experts foresaw business software vendors would take in the years to come. mySAP.com, the Company's comprehensive new product, has been very well received by customers and the public alike.

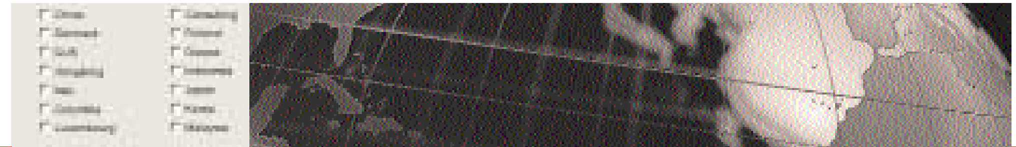
The following strategic opportunities for the mySAP.com solution are expected to be highly significant for the future progress of SAP:

- The wide variety of fields in which mySAP.com can be applied increases the number of customer employees who use SAP software in their work. The way is now open to increase the proportion of people

Projected Growth of Business-to-Business Market Volume | in US $ billions | change since previous year
(as predicted by Gartner Group, Inc.)







in a company who use SAP products from the previous average of about 15 % to 80 % in some industries. The new pricing model for mySAP.com encourages this trend by relating the cost of licensing more closely to usage or even to the number of transactions completed using the software.

- Web-based mySAP.com Application Hosting allows enterprises to outsource their applications instead of installing and running a system. As this may be of special interest for smaller enterprises it puts SAP software within the range of a bigger potential market.
- The availability of SAP software on leasing terms instead of purchase also puts it into range for more potential customers. If leasing proves popular with customers, it could make the development of SAP's revenues more constant over time.
- Building and operating virtual marketplaces taps new sources of income in the medium term, especially in the light of the Company's broad customer base.
- The IDES demonstration system, which anyone can access via Internet, gives prospects the opportunity to experience for themselves the superiority of the SAP solution. Using IDES is also expected to reduce sales and marketing costs in the medium term.

Strong Revenue Growth Expected

In the context of the described general economic trends and developments specific to SAP's industry, and in the light of the mySAP.com growth potential, the Executive Board holds to the prediction it made early in 1999 that the year's revenues recorded for 1998 will be approximately doubled within three years. The rate of increase is expected to be higher in 2001 than in 2000.

It is predicted that in 2000 the rate of product revenue growth will be higher than the rate of service revenue growth. In particular, it is believed that the mySAP.com portion of software revenues will grow strongly. Its proportion of software revenues from new business is expected to rise to 50 %. The United States and Asia are expected to experience stronger growth compared to 1998.

It is expected that the increase in 2000 research and development expenses will be in line with the rise in revenues. This in turn means that SAP expects to continue spending approximately 13 % to 14 % of its revenues on R&D. Excluding STAR expenses, the remaining expenses are projected to rise less quickly than the expected revenues in the next two years. It is believed this will be achieved with the help of cost-saving measures. These include more support for sales and marketing from IDES and organizational changes in the maintenance area. However, the first few months of 2000 will still see investment in mySAP.com causing expenses to rise.

Income and Headcount Predicted to Rise

Operating income (excluding expenses for the employees' STAR program) is predicted to rise in 2000 because revenues will grow faster than costs, and because product revenues will grow faster than service revenues. SAP intends to cover a major part of the STAR expenses by income from the sale of investments. This income is mainly expected from SAP's venture capital investments and will not require strategically detrimental divestitures. SAP may also sell portions of certain subsidiaries to the public, which could result in additional income.

In this light, income before income taxes is projected to rise. The effective tax rate is expected to be approximately 40 %, so an increase in net income is also predicted. SAP expects to continue its practice of returning value to shareholders with a dividend for 2000.

In order to achieve its planned rise in revenues, SAP will hire more employees. Headcount growth is predicted to be greater in 2000 than in 1999, but not to reach the unprecedented 1998 growth numbers.

Risk Factors

Certain assumptions about the future underlie SAP's expectations of developments in the next two years. If the assumptions are wrong, actual results could differ materially from expectations.

- Although SAP's business is not strongly cyclical, unexpected declines in economic activity or other major macroeconomic shifts, worldwide or in particular countries or regions, can negatively impact the development of revenues and incomes. Also, SAP's revenues and results are sensitive to exchange rate fluctuations because of the Company's highly internationalized business. SAP has an active foreign exchange management policy to address these risks, and this policy includes the use of derivative financial instruments.
- Like any other enterprise, SAP is subject to the risk of bad debt. In 1999, this risk was addressed by an allowance for doubtful accounts, totaling € 97 million (1998: € 80 million). The risk of physical damage caused by catastrophe, accident, or other events is managed by insurance. An independent external appraisal was commissioned, and found that there were no substantial uninsured risks, and that levels of cover are adequate. Insurance is also in place for product and other liability risks.
- Prospects for the future depend to a large extent on market acceptance of mySAP.com. The initial acceptance accorded to mySAP.com by customers and by the public so far is encouraging. There is, however, no guarantee that this level of acceptance will continue. The prediction that costs will grow more slowly than revenues is based on the assumption that mySAP.com will change the revenue profile with the effect that software license revenues will gain in importance. If, on the contrary, consulting revenues should grow in relative importance, there will be a corresponding increase in expenses, because experience has shown that consulting revenues are associated with higher expenses relative to the associated revenues. Customers' unwillingness to accept the new pricing concept introduced with mySAP.com could also impact the projected growth of revenues.
- The Company's success will also depend in part on its ability to continue to develop and introduce to the market product enhancements and new solutions that respond to the rapid changes in hardware and software technology, and in communication and business channels, such as the Internet.
- Like any other enterprise that makes use of the Internet, SAP is subject to the risks of relying on this global network. These include hacker and virus attacks. The company addresses this risk with extensive security measures.
- Among the competitive advantages that are factors in the predicted revenue growth is the fact that SAP is the biggest company in its sector. Unexpected mergers could alter the competitive landscape and impact SAP's business development.

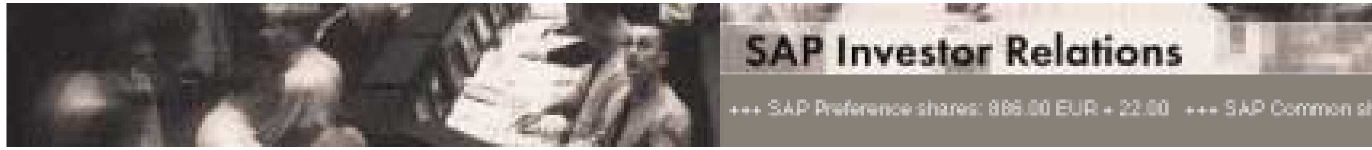
Despite the risks described, SAP is confident that it will achieve the goals it has set itself and honor its responsibilities to its customers, shareholders, employees, and business partners.

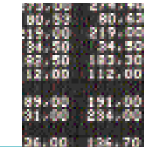
New York | USA | Brooklyn Bridge

"Markets are in continuous flux. For the years to come e-marketplaces will build virtual bridges for the movement of goods between companies. With our marketplaces we provide efficient connections that allow for cooperation and exchange around the world."

Michael W.G. Fix | President and CEO | Industry To Industry, Inc. (i2i) | Boston, Mass.

With the help of the mySAP.com Marketplace solution i2i, a pioneer in e-marketplaces, seamlessly integrates customer operations with its powerful dynamic pricing trading platforms. It connects buyers and sellers into an industrial-strength e-marketplace for confidential and completely secure transactions. The trading environment can be customized to fit individual customer needs. Global logistics and consultancy partners offer support services ranging from goods inspection, shipping to customs handling. Its filtering system enables customers to screen potential trading partners as well as negotiate anonymously. By providing a dynamic, cross-industry trading platform, i2i enables mySAP.com Marketplace customers to trade across industries, providing greater liquidity, speed and effciency in all transactions.





Investor Relations

RETURN ON SAP SHARES		
Initial Investment: DM 10,000		
Date of investment	Dec. 31, 1989	Dec. 31, 1994
Period of investment	10 years	5 years
DM value, Dec. 31, 1999		
– SAP ordinary share	346,329	96,113
– SAP preference share [1]	–	137,357
Average annual return (%)		
– SAP ordinary share	42.5	57.2
– SAP preference share [1]	–	68,9
Comparable return: DAX	14.5	27.0
Comparable return: REXP [2]	7.6	7.8

[1] SAP preference share admitted in 1990

[2] Performance index of the German bond market

The Financial Community Reacts Positively to mySAP.com

Analysts and investors around the world responded positively to SAP's new positioning in 1999 as the Company redefined itself in the dot.com world. This was especially true in the United States, the world's largest financial market, where the SAP American Depositary Receipt (ADR), listed on the New York Stock Exchange since August 1998, climbed 36 % in 1999 to hit $ 52 1/4 at the end of the year. Twelve SAP ADRs are equivalent to one preference share. In Germany, the SAP preference share outpaced the Frankfurt DAX index as well, gaining 48 % (DAX: 39 %) over the year to reach € 598. The market for ERP software shares was held back in 1999 by the reluctance of many companies to introduce new systems as the millennium date change approached. In mid-March the SAP preference share stood at € 257. In May, SAP announced its mySAP.com Internet strategy at the SAPPHIRE user conference in Nice, France. The announcement proclaimed the complete reorientation of the Company to business via the Internet, and this reorientation had an increasingly positive effect on the SAP share price during the remaining months of 1999. This further boosted the preference share to its 1999 peak of € 632.50, after SAP announced in December that it was establishing virtual marketplaces.

Critical Factors for Analysts

Analysts and investors base their recommendations and investment decisions on more than just the figures. Equally important in their assessment is their impression of the quality of a company's management and vision. Accordingly, SAP met analysts, fund managers, and private investors at more than 250 one-on-one meetings and 50 group discussions and round-table sessions, and hosted several teleconferences and online chat sessions in 1999. These investor relations efforts helped the financial community to better understand the potential of the Company's redefinition as a provider of e-business solutions.

SAP Investor Days at User Conferences

Each year SAP demonstrates new products at a series of investor sessions. These Investor Days are a permanent feature of the Company's direct engagement with the financial community. At this year's SAPPHIRE user conference in Philadelphia, more than 130 institutional investors and financial analysts attended SAP's Investor Day. There, in addition to presentations given by SAP management, customers testified to the quality of SAP's products and showed insight into the ways in which enterprises benefit from using SAP software. SAP recognizes that prospective customers look to a variety of sources for opinions on its products, and that the regard with which the financial community holds SAP feeds back directly into its business. The sound reputation of SAP stock in the world financial markets helps to sell SAP products in the software market – and of course the reverse is also true.

Reaching out to Private Investors

SAP's retail investors need to be fully informed about Company and product developments as well. In 1999, SAP continued to develop methods to meet the demands of this audience by leveraging the Internet and the latest Wireless Application Protocol (WAP) mobile phone technology. Members of the SAP investor relations team host online chat sessions twice a year and press conferences, major presentations, and press announcements are immediately available on the SAP Web site. In addition, private investors can listen in to the financial community's quarterly teleconferences with SAP to hear the discussion of the interim results. This access gives private investors the ability to make their investment decisions based on first-hand information.

Awards

In 1999, SAP won multiple awards and international recognition for innovative investor relations work toward company value growth. SAP's investor relations Web site was placed first in *Wirtschaftswoche* magazine's ranking of 250 top German companies for its professionalism, simplicity, and interactive navigation. *Investor Relations* magazine ranked SAP's site third in a similar Europewide survey. Similarly, SAP took *Capital* magazine's 1999 Investor Relations prize for financial communications. The Boston Consulting Group's analysis of top value creators placed SAP third in the world and first in Europe, and in an analysis published by the German *manager magazin*, SAP's financial statements earned recognition for the best blue-chip figures.

High Market Volume on NYSE

An average of 780,000 SAP ADRs were bought and sold on the New York Stock Exchange every day, making SAP the most heavily traded German stock on the NYSE in 1999. The SAP preference share was also the fourth most actively traded stock on the Frankfurt exchange. SAP's market capitalization at the end of 1999 was € 56.3 billion, an increase of € 16.0 billion during the year. This gives SAP the sixth largest market capital-

ization of the German market. SAP's stock weighting in the Frankfurt DAX index at the end of 1999 was 6.06 %.

Average Return 57.2 %

SAP's stock has consistently achieved one of the highest returns of German securities. Investors who bought SAP ordinary shares at the end of 1989 and reinvested their dividends (excluding tax credits) and the proceeds from rights issues into SAP ordinary shares would have received, at the end of 1999, an average annual return of 42.5 % (equivalent to a 3,363 % increase in the value of the investment). A REX portfolio of fixed-interest German government bonds yielded 7.6 % per year over the same period. The comparable yield on an investment tied to the DAX index of Frankfurt securities was 14.5 % per year. The average return on SAP ordinary shares over the last five years was 57.2 % per year (1999 alone: 32.8 %).

SAP SHARES: KEY FIGURES		
€ per share except as stated	1999	1998
Earnings per ordinary share – basic	5.73	5.03
Earnings per ordinary share		
– diluted	5.71	5.00
Ordinary share dividend*	1.57	1.57
– with German tax credit	2.24	2.24
Ordinary share high/low for year**	500.00/226.00	628.89/263.83
Earnings per preference share		
– basic	5.76	5.07
Earnings per preference share		
– diluted	5.71	5.02
Preference share dividend*	1.60	1.60
– with German tax credit	2.29	2.29
Preference share high/low		
for year**	632.50/257.00	677.46/286.32
Cash earnings according		
to DVFA/SG***	8.56	5.61
Equity	24.43	17.39
Number of shares (millions)	104.8	104.6
Market capitalization (€ billions)	56.3	40.3

* Proposed dividend for 1999
** Frankfurt Stock Exchange floor
*** DVFA/SG: German Society of Financial Analysts and Investment Consultants

Proposed Dividends

Unlike many of SAP's competitors – startups and established companies alike – in 1999 the company continued to increase its total return to investors by paying a dividend. Subject to the approval of the shareholders, SAP's 1999 dividend for the ordinary share will be € 1.57, as it was in 1998. The proposed 1999 dividend for the preference share is also the same as last year, € 1.60. SAP's dividend payments for the fiscal year 1999 will thus total € 165.8 million. In addition, eligible ordinary and preference shareholders receive German tax credits of € 0.67 and € 0.69 per share respectively.

Increased Earnings per Share

SAP's 1998 consolidated financial statements, prepared in accordance with German accounting standards, included a reconciliation to United States Generally Accepted Accounting Principles (U.S. GAAP). On January 1, 1999 the Company fully adopted U.S. GAAP as the basis for all its group financial accounting, and now reports earnings per share (EPS) separately for the ordinary and preference shares. In the 1997-1999 period, the EPS development of both shares was positive. EPS for the SAP ordinary share increased to € 5.73 in 1999 (1998: € 5.03; 1997: € 4.28). EPS for the preference share rose to € 5.76 in 1999 (1998: € 5.07; 1997: € 4.33).

Increasingly Diversified Shareholder Base

At the end of 1999, there were 61 million ordinary shares and approximately 43.8 million preference shares in circulation. SAP's three founders, their families, and their trusts and holding companies held approximately 64 % of the ordinary shares and 5 % of the preference shares.
The remainder, some 61 % of the capital stock, is widely dispersed. Of this, holdings in the hands of German institutional investors (such as mutual funds, insurers, and money managers) grew one percentage point to 40 % in 1999. Interest in SAP among members of the international institutional investment community also grew. For example, companies in North America strengthened their SAP positions two percentage points to 20 % of the freely floating stock. The portion held by institutions in continental Europe (excluding Germany) also grew during 1999, by three percentage points to 11 %. British and Irish institutions together hold 8 %. The shareholder base also widened in 1999. In particular, a greater number of U.S. and European institutions now include SAP in their portfolio. This reflects the high level of awareness and growing investor interest SAP has cultivated since it was listed on the NYSE in August 1998.

CASH EARNINGS ACCORDING TO DVFA/SG*		
in € millions unless otherwise indicated	1999	1998
Net income before minority interest	601.0	526.9
Minority interest	2.9	1.5
Net income	**603.9**	**528.4**
Depreciation and amortization	174.9	141.9
Write-ups	–0.6	–0.5
Change in reserves and		
accrued liabilities	88.2	–25.3
Change in deferred taxes	14.7	–92.0
Other material non cash expenses		
and income	15.8	33.6
Cash Earnings according to		
DVFA/SG	**896.9**	**586.1**
Cash Earnings per share		
according to DVFA/SG* (in €)	**8.56**	**5.61**

* DVFA/SG: German Society of Financial Analysts and Investment Consultants

München | Germany | Säbener Strasse

"Sure, our players' jerseys are unique, but by merchandizing over the Internet we can sell them in the thousands."

Uli Hoeness | Manager | FC Bayern München e.V. | Munich, Germany

Electronic commerce with mySAP.com and the SAP Online Store gives the Bayern München soccer team's fan item business the benefits of improved efficiency and customer service. So the Bayern team now also has a top-league Internet merchandizing operation.

Human Resources

Personnel Development in the Internet Economy

SAP's transformation into a provider of e-business solutions places new demands on the Company's nearly 22,000 employees worldwide. With the development of mySAP.com, the Company has dedicated itself to employing a new crop of committed and qualified candidates.

Recruiting the most qualified employees has recently become as challenging as competing for customers and market share within the software industry. SAP is responding to this challenge in three ways: Through the introduction of a stock option program that enhances the existing compensation system; through AdvancedHR, a project created to aid the development of individual employees and the organization as a whole; and through the foundation of SAP University (for ongoing employee training) in the Fall of 1999.

EMPLOYEES: BREAKDOWN (December 31, 1999)	
Management	51
Research and development	5,403
Service	10,956
Sales and marketing	3,809
Administration	1,234
Facilities	246
Total	**21,699**
Germany	8,912
Africa	292
Rest of Europe	3,870
EMEA region[1]	**13,074**
USA	4,408
Rest of Americas	1,597
Americas region	**6,005**
Asia-Pacific region	**2,620**

[1] Europe/Middle East/Africa

Attracting and Retaining the Best

The SAP AG 2000 Long Term Incentive Plan, the Company's new stock option program, provides additional incentive for managers and top performers within SAP to not only stay with the Company, but to work towards growing its value. The program was approved at an extraordinary general meeting in January, 2000 and increases SAP's worldwide appeal as an employer.

The LTI 2000 Plan consists of two key programs involving stock options and convertible bonds. Both programs are competitive in the American market, and remain compliant with German legislation on corporate control and disclosure. The stock options may be exercised if the SAP preference share price outperforms the Goldman, Sachs & Co GSTI™ Software Index over a defined period. The convertible bonds may be converted to SAP preference shares within a defined period.

A Compensation System for the Long Term

The new stock option program complements SAP's existing compensation systems. These include the stock appreciation rights (STAR) program introduced in 1998 for employees who have been with SAP for two years. Participation in the STAR program is dependent upon an individual's performance and position within the Company. There is also a stock purchase plan for SAP employees to purchase SAP stock on preferential terms.

SAP's incentive plans are well-balanced, transparent, and focused on the long term, while recognizing country-specific differences. These aspects help ensure that SAP remains an attractive employer now and in the future for qualified, ambitious new recruits as well as for experienced industry professionals.

Optimal Use of Skills

To compete in the global software industry, SAP must effectively use the diverse skills of its employees on a worldwide basis. Personnel management worldwide has taken great strides forward in achieving this goal during 1999. SAP's large-scale AdvancedHR project introduced global processes and tools to quickly locate the knowledge and experience of individual employees using individual qualification profiles. These profiles are generated on the basis of a standardized global skills catalog, and they play a significant role in building project teams, which have become increasingly important since the introduction of mySAP.com.

The qualification profile is also an important tool for individual employees to create and implement a personal development plan together with their managers. Using the additional AdvancedHR functions, SAP can more easily determine which resources will be required on a medium- and long-term basis and where these resources will be most needed – offering employees even more diverse career opportunities.

One Global Training Standard

Speed and flexibility are essential in the e-business world. The mySAP.com initiative requires an employee base that is more up to date than ever. By establishing the SAP University concept, SAP has made important strides in this direction. With mySAP.com, each employee requires specific new skills for their work. With the new worldwide qualification concept and state-of-the-art information technology, SAP ensures that the right training material is delivered to its employees faster. This avoids redundancy, cuts costs, and most importantly improves the quality of information transfer. SAP University thus plays a major role in communicating the mySAP.com strategy, development and goals to the global SAP organization.

A Marketplace for Knowledge

Similar in concept to the mySAP.com marketplace, SAP University aims to be the marketplace for e-business knowledge, and is cooperating internationally with renowned universities, institutes, and partners throughout the IT world. SAP University's range of courses offers something for all employees in their specific company roles, and SAP University's virtual campus will be part of the mySAP.com Workplace, the role-based work environment on employees' desktops.

In 2000, SAP University is building up the technical infrastructure for instructors to deliver taught course content – the Virtual Classroom. An additional major task is to contribute to the further market penetration of mySAP.com by providing the necessary employee and customer training courses.

SAP's Core Asset

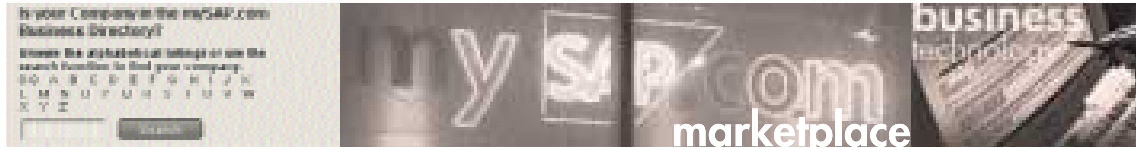
SAP's most important assets are its employees – our continued success will be driven by their innovation and entrepreneurial thinking. An enhanced compensation system, a greater emphasis on global personnel development, and the establishment SAP University are all examples of the Company's commitment to its workforce.

Duxbury | Massachusetts | USA

"E-tailing is a world in which margins are thin and labor is intensive. The more efficiently you build bridges to customers, the more viable your business will be."

John Cagno | Vice President | Streamline.com, Inc. | Boston, Mass.

Streamline.com, a pioneer in the consumer direct industry, provides busy suburban families in the Boston and Washington D.C. regions with groceries and a wide range of quality household goods and services through Internet-based ordering. In order to achieve greater operational efficiency and deliver exceptional customer service, Streamline.com counts on SAP solutions based on mySAP.com.



Solutions, Products, and Services

1999 saw the Internet driving change in the world economy, transforming business-to-business and business-to-consumer relationships through new product and price transparency. Competitive pressures grew, spurring new standards of efficiency, productivity, flexibility, and speed.

In 1999, SAP demonstrated its ability to deliver the reliable strategic consulting support its customers want and the powerful, holistic product that their employees need to succeed in the Internet economy. When mySAP.com became available in September 1999, SAP became the world's first software manufacturer to offer a complete solution for meeting the challenges and taking advantage of the opportunities that e-business offers. The mySAP.com product is the realization of SAP's Internet strategy, and it encompasses the entire SAP product offering.

Collaboration in the Virtual Marketplace

mySAP.com puts SAP ahead in technology and ahead of the competition. Recognizing the challenges inherent in e-business, SAP has delivered a solution that will open up new dimensions of inter-enterprise collaboration in the virtual marketplace and that turns the promise of the Internet economy into increased revenues and profits for SAP customers. The strength of mySAP.com rests upon its comprehensive scope and the decades of experience that SAP has in successfully integrating software for business processes.

The Four Pillars of mySAP.com

As an open e-business solutions environment, mySAP.com enables everyone, regardless of their level of experience or their own specific software requirements, to work efficiently and flexibly – both within their company and in collaboration with other enterprises. The four pillars of mySAP.com are the mySAP.com Marketplace, the mySAP.com Workplace, mySAP.com Application Hosting, and the mySAP.com Business Scenarios. Together they provide a resilient platform for greater added value by promoting efficient business processes and opening up new avenues for relations with customers.

The Business-to-Business Platform

In the future, the most important platforms for negotiating and handling business between companies will be virtual marketplaces on the Internet. The latest research predicts worldwide growth of inter-enterprise electronic commerce reaching U.S.$ 7.29 billion in 2004, a dramatic increase on earlier projections. The mySAP.com Marketplace supports such preconfigured e-commerce applications as catalogs, auctions, and collaborative business scenarios.

In December 1999, just a few weeks after the introduction of mySAP.com, SAP had already announced the Company's first ten marketplace projects with key customers in the chemical, pharmaceutical, automotive, telecommunications, and electronics industries. SAP will either run these marketplaces as a service or sell them as a product to be run by the customer or jointly with SAP. mySAP.com marketplaces improve the efficiency of not just enterprises but entire business communities by, for example, enabling a more transparent bidding process and by reducing the cost of product assessment. They also reduce the time required to negotiate and close deals and provide opportunities to streamline sales and distribution structures.

Helping People Work Independently

The mySAP.com Workplace is an enterprise portal that company employees, business partners, and customers can access using an Internet browser. The Workplace presents information and applications to users based on predefined roles, such as professional purchaser or storeperson, which can be customized by companies and personalized by individual employees.

Employees can open any application from one screen that is easy to understand and personalize – giving them direct access to information and functions residing within the company or business partners' systems. This makes the mySAP.com Workplace a key tool in the drive for greater efficiency, independence, and satisfaction at work.

The mySAP.com Workplace is a single entry point for any SAP or non-SAP application, and links Internet resources and business software solutions together. To operate in the mySAP.com Workplace, employees log on once (Single Point of Access, Single Sign-On), and then have no need to switch around among applications. For example, a professional purchaser can quickly locate a delayed delivery and, on the screen, "drop" it on the displayed delivery service icon (a Drag&Relate function). The purchaser is then taken directly to the delivery service site that has details of the consignment's status. Time-consuming and repetitive steps (like opening a browser, or entering order details) are eliminated.

Scenarios for One-Step Business

To work faster and more flexibly, as required by the Internet economy, each enterprise must bind its IT system more closely to the systems of its business partners and cut out unnecessary steps in business processes. Companies can join processes in this way through mySAP.com and the one-step business concept. A purchase order can be processed in one step with mySAP.com because the business partners are linked realtime via the Internet. If, for example, material must be replenished, the software automatically places a purchase order with the company's vendor. It also informs those in the company who need to know about the transaction and arranges for delivery, all without faxes, phone calls, or anyone having to enter any new details on their computer. Everyone with a role in the process is thus able to manage his or her time more efficiently.

One-step business implementations rely on business scenarios, on which specific processes are based. Presently, mySAP.com has more than one hundred inter-enterprise business scenarios and this number is growing. Customers can build their own Internet business processes with them, and they draw upon the required SAP applications and services.

The business scenarios also support and control cooperation between the various management chains within enterprises. Available solutions include sales and marketing, accounting, logistics, human resources, knowledge management, and strategic enterprise management.

Software Outsourcing with Application Hosting

The Company quickly recognized that the Internet will completely alter the way in which SAP's software is marketed and used. Accordingly, the fourth pillar supporting mySAP.com is Application Hosting. Today SAP customers can opt to have their SAP solutions installed, maintained, operated, and optimized as a life-cycle service from a certified application service provider. In the United States alone there are already more than 10,000 people using SAP software with mySAP.com Application Hosting, which SAP first shipped in January 1999. The customers are midsize businesses, like the office furniture manufacturer with 200 users at various facilities, or the hotel and catering provider with 400 users in 39 countries.

It is projected that the application hosting market will generate U.S.$ 2 billion in 2003, a steep increase from 1999's U.S.$ 150 million. As one of the market's original and leading players, SAP is well placed to benefit with its partners from that growth. In March 2000, the Company established a new affiliate dedicated to securing the application service provision market for SAP.

Before deciding on an SAP solution, potential customers can assemble their desired system online – and test it to see that it meets their requirements. SAP has developed unique tools (the Solution Map Composer and IDES, the Internet Demonstration and Evaluation System), which are used to identify specific business processes. By using these tools, a customer can produce a preconfigured system that is tailored to its industry. The customer then decides whether to install the necessary hardware and software, or to outsource it to SAP or an SAP outsourcing partner. mySAP.com Application Hosting gives customers fast, easy access to all the competitive benefits of e-business in their Web browser.

E-Business: Challenge and Opportunity

Throughout the global economy, it became evident in 1999 that the mid- and long-term future of enterprises would be critically dependent on how well they are able to leverage e-business. The mySAP.com open solution environment has the portals (mySAP.com Marketplace, mySAP.com Workplace), the concepts (SAP Business Scenarios, mySAP.com Application Hosting), and the comprehensive e-business products needed to meet this complex but potentially rewarding challenge. Key mySAP.com application areas include: SAP Electronic Commerce, SAP Customer Relationship Management, SAP Supply Chain Management, and SAP Business Intelligence. SAP is continuously improving and updating the mySAP.com e-business product suite so that it is always at the forefront of development. Coupled with the SAP business applications and industry solutions, it makes a fully integrated end-to-end product.

Transparent Procurement

Another part of SAP's e-commerce solution is SAP Business-to-Business Procurement, which has already been purchased by 400 customers from a wide variety of industries. Customer employees use SAP Business-to-Business Procurement in the mySAP.com Workplace to select maintenance, repair, and operating (MRO) supplies from a vendor's offering, put them in a shopping cart, and check their availability. A manager then confirms and reports the purchase.

There are new business scenarios for professional purchasers as well. Purchasers can now publish bid

invitations to the appropriate industry marketplace on the Internet. Suppliers then access the invitation and submit their bids into the marketplace.

SAP Business-to-Business Procurement also interfaces with the SAP Business Information Warehouse, offering yet another competitive advantage: Professional purchasers can have information from the Data Warehouse analyzed to assess vendors' offerings or employee purchasing behavior.

Independent research indicates that systematic, transparent procurement results in savings of up to one third of expenses associated with the process. An investment in the right procurement solution will therefore pay for itself three times over.

Active Customer Management

To SAP, customer relationship management (CRM) means more than just products that help efficiently organize customer relationships. CRM is an entire approach to exploiting new business opportunities that use customer-focused business processes.

Companies can continuously update existing customer relationships and focus on building new ones with SAP Customer Relationship Management in the mySAP.com Marketplace and mySAP.com Workplace. One leading German dealer of installation and assembly equipment and chemicals uses the Field Sales component of SAP CRM to ensure that sales employees in Japan have the most current information on their laptops about the 14,000 company products. As a result, the salespeople are able to make reliable statements to their customers, increasing their chance of improving sales. Individual mySAP.com CRM business scenarios cover the role-specific requirements of employees in contact with customers, such as call-center employees, service technicians, and sales assistants.

SAP's CRM software also includes role portals for customers, consumers, and employees. E-commerce functions and industry solutions complete the portfolio. Customer Relationship Management with mySAP.com links front and back offices, unstructured and structured data, and heterogeneous internal and external IT systems. The SAP CRM installation count has already reached 400, and SAP's growth projections are very promising in a market that is expected to total U.S.$ 17 billion by 2003.

Solutions Where They're Needed, When They're Needed

Customers' employees can, of course, access the mySAP.com Customer Relationship Management solutions using their laptop computer or in the office on their PC, but they can also use handheld Internet devices instead. This pervasive computing empowers customers to make informed decisions quickly, where and when they are called for. Sales employees and managers enjoy greater flexibility in dealing with their customer relationships and handling their workload.

SAP's involvement in this promising area has clearly defined aims: to open up new opportunities for business to customers and help them add more value. SAP is working together with leading technology partners to offer customers the very best pervasive computing solutions. The Pervasive Marketplace builds on the existing Marketplace architecture and WAP technology to give customers portal access to the services they require.

Efficient Planning Tools

Supply Chain Management (SCM) with mySAP.com includes comprehensive functions for the entire range of SCM needs from demand and master planning to shipping and warehouse management. To succeed in e-business, you need firm control over the value chain so that you can plan flexibly with an eye to the future. The market acceptance of these SAP solutions is reflected in the success of SAP Advanced Planner and Optimizer (SAP APO), for which more than 300 installations have already been recorded worldwide. Customers use SAP APO to integrate and synchronize the processes in a logistics chain at a global level. The application offers support for realtime planning and management decision-making.

The majority of SCM customers are manufacturers. One of the world's leading producers of tires uses the SAP Advanced Planner and Optimizer to increase the accuracy of its production planning, to reduce time to market and costs, and to improve business relationships along the entire logistics chain. SAP's customers in the chemical industry particularly appreciate SAP APO because it makes it easier to forecast market demand and to produce an accurate demand plan – the only way to guarantee that their customers never run out of raw materials.

Strategic Enterprise Management for Value Growth

Increasing corporate value has become a central objective for international enterprises as competition for customers and capital becomes more intense. Although many wide-ranging strategies have been developed, nine out of ten companies fail in their pursuit of value creation because the dynamics of global business have

reached a level of complexity that cannot be managed without the support of powerful software. Sustained growth requires systematic management of information and knowledge. With more than 1,100 installations since introduction in August 1998, SAP's Business Intelligence solutions – SAP Strategic Enterprise Management (SAP SEM), SAP Business Information Warehouse (SAP BW), SAP Knowledge Management (SAP KM), and SAP Corporate Finance Management (SAP CFM) – are providing the tools for that job.

Managers require data that is clearly presented and helps them make fully informed decisions. SAP Business Information Warehouse provides them with a panoramic view of a company's condition, ensuring that assessments made at the top level are based on all the relevant available information, allowing managers to accelerate the decision-making process and turn growth opportunities into new revenue.

Fully Open for Integration

Business partners can reap the benefits and profit from inter-enterprise business process integration only if their IT systems understand each other. Like the R/3 System before it, mySAP.com is open and standards-based. SAP's technological edge is apparent in its Internet Business Framework, which uses XML (eXtensible Markup Language), a data format for structured document exchange via the Internet. The Internet Business Framework uses SAP's WebFlow technology to handle all of the business processes in the enterprise, whether they are running on SAP applications or not.

Solutions for Linux

A further example of SAP's open approach to technologies and platforms is the Company's enthusiastic embrace of the Linux operating system. SAP presented its new Linux solution at the TechEd '99 international technology congress. The attendees saw how the entire installation process – from brand-new blank computer to fully functional SAP system – is completed in only a few hours. The first SAP solutions on Linux were delivered to customers in 1999. Potentially, SAP on Linux represents another highly profitable platform for inter-company solutions. Major hardware and software partners, such as Compaq, Hewlett-Packard, IBM, and Siemens, have already responded with Linux-based systems, tools, databases, and support offerings. SAP Business Information Warehouse and SAP Business-to-Business Procurement for Linux with mySAP.com are also planned.

Life-Cycle Services

Providing quality service to customers throughout the life cycle of a software installation has always been an SAP priority. SAP's largely online service infrastructure is a strategic factor in the success of SAP's customers.

In 1999, SAP developed and introduced the SAP Services Map (based on the proven methodology of the SAP Solution Maps for industries). This tool makes it easier for customers to define the processes for which they wish to have SAP support. A new maintenance agreement, TeamSAP Support, includes the proactive services SAP EarlyWatch Alert and SAP GoingLive Check, also for release upgrades and euro currency changeover. Other services offered include consulting and technical support for every phase in the life cycle of a software application and of a complete IT system – from project preparation to going live, live operation and support, and continuous improvement.

The service that SAP provides for the R/2 System for mainframes is unique in the industry. Although the core of the system was developed over 20 years ago, and SAP R/3 has been alongside it in the market for eight years with the new generation client/server architecture, SAP will continue to fully maintain and support R/2 until the end of 2004. In addition, customers with a support contract will receive the tools needed to move to new SAP products free of charge. SAP is honoring the commitment it makes to its customers to protect their investment in the Company's products.
SAP service employees' efforts were concentrated on the changeover to the euro at the start of 1999 and then the millennium date change. SAP customers had no problems as Europe entered the dual-currency phase of Economic and Monetary Union or at the beginning of year 2000.

Competent Solutions

mySAP.com has shifted the focus of SAP's business activities to the Internet and established the Company as an e-business solution provider. In developing mySAP.com software, SAP is considering the people who use its products at work more than ever before. SAP will continue to improve the look and feel of the products, making them even easier to learn, personalize, and use.

SAP's strength as an e-commerce solution provider is based upon the usability of its technology, products, and services. The Company's comprehensive offering is unrivaled and it puts SAP in the position to strategically plan for the future while laying the foundation for further e-business innovations. For SAP customers, mySAP.com makes now the ideal time to join the Internet economy.

Ludwigshafen | Germany | BASF AG

"The mySAP.com Marketplace has the potential to optimize the chemicals industry's logistics processes and to become the central hub of electronic buying and selling."

Bernd Flickinger | Head of Logistics and IT | BASF AG | Ludwigshafen, Germany

Marketplaces based on mySAP.com solutions enable new business models that draw companies from all industries closer together. Enterprises that trade in such marketplaces profit from inter-enterprise collaboration, making participation in them a major factor in securing and advancing a company's strategic position in the e-business age. The maintenance of customer relationships in virtual marketplaces is the shape of the future for world trade.

Report of Independent Auditors

We have audited the consolidated balance sheets of SAP Aktiengesellschaft Systeme, Anwendungen, Produkte in der Datenverarbeitung and subsidiaries as of December 31, 1999 and 1998, and the related statements of income, cash flows and changes in shareholders' equity for each of the years in the three-year period ended December 31, 1999. Company management is responsible for the preparation and content of the consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with professional standards prescribed by the German Institute of Certified Public Accountants (IDW) and in accordance with United States generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. The determination of audit procedures considers the knowledge about the group's business and legal environment as well as expectations about possible errors. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. The audit also includes stating an opinion on assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SAP Aktiengesellschaft Systeme, Anwendungen, Produkte in der Datenverarbeitung and subsidiaries as of December 31, 1999 and 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with United States generally accepted accounting principles.

Our audit, which also covered the management's review of operations for the fiscal year from January 1, 1999 through December 31, 1999, did not raise any qualifications. In our opinion, the management's review of operations presents fairly the position of the group as well as the risks related to future developments. Furthermore we confirm that the consolidated financial statements for the fiscal year from January 1, 1999 through December 31, 1999, are in compliance with the exemption rules for the preparation of consolidated financial statements according to German law.

ARTHUR ANDERSEN
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Prof. Dr. Weber
Wirtschaftsprüfer

Klein
Wirtschaftsprüfer

Eschborn/Frankfurt/M., February 21, 2000

Consolidated Income Statements

SAP GROUP For the years ended December 31, In thousands except per share data	Note	1999 USD	1999 €	1998 €	1997 €
Software revenue		1,945,918	1,932,391	1,899,932	1,508,857
Maintenance revenue		1,170,196	1,162,062	819,824	531,057
Product revenue		**3,116,114**	**3,094,453**	**2,719,756**	**2,039,914**
Consulting revenue		1,557,762	1,546,933	1,121,404	639,692
Training revenue		397,239	394,478	412,221	296,512
Service revenue		**1,955,001**	**1,941,411**	**1,533,625**	**936,204**
Other revenue		**74,869**	**74,349**	**62,233**	**45,655**
Total revenue	(4)	5,145,984	5,110,213	4,315,614	3,021,773
Cost of product		**–530,339**	**–526,653**	**–372,365**	**–234,413**
Cost of service		**–1,636,472**	**–1,625,096**	**–1,255,805**	**–772,607**
Research and development		**–749,879**	**–744,666**	**–572,382**	**–362,675**
Sales and marketing		**–1,139,840**	**–1,131,917**	**–964,735**	**–673,264**
General and administration		**–261,951**	**–260,130**	**–207,541**	**–186,041**
Other operating income/expenses, net	(5)	**–25,750**	**–25,571**	**–41,992**	**–17,544**
Total operating expenses	(6)	–4,344,231	–4,314,033	–3,414,820	–2,246,544
Operating income		801,753	796,180	900,794	775,229
Other non-operating income/expenses, net	(7)	**–51,365**	**–51,008**	**17,186**	**–8,548**
Finance income, net	(8)	**236,821**	**235,175**	**13,972**	**29,744**
Income before income taxes		987,209	980,347	931,952	796,425
Income taxes	(9)	**–379,051**	**–376,416**	**–403,469**	**–348,626**
Minority interest		**–2,950**	**–2,930**	**–1,539**	**–1,148**
Net income		605,208	601,001	526,944	446,651
Earnings per share – basic (in USD and €)	(10)				
Ordinary shares		**5.77**	**5.73**	**5.03**	**4.28**
Preference shares		**5.80**	**5.76**	**5.07**	**4.33**
Earnings per share – diluted (in USD and €)	(10)				
Ordinary shares		**5.75**	**5.71**	**5.00**	**4.24**
Preference shares		**5.75**	**5.71**	**5.02**	**4.24**

The 1998 and 1997 amounts have been restated from Deutsche Marks into euros at an exchange rate of DM 1.95583 to € 1.00, the fixed exchange rate as of January 1, 1999.

The 1999 figures have been translated solely for the convenience of the reader at an exchange rate of € 1.00 to $1.007, the Noon Buying Rate certified by the Federal Reserve Bank of New York on December 31, 1999.

See Notes to Consolidated Financial Statements

Consolidated Balance Sheets SAP Group

ASSETS				
As of December 31, 1999 and 1998 (in thousands)	Note	12/31/1999 USD	12/31/1999 €	12/31/1998 €
Intangible assets	(11)	120,724	119,885	74,607
Property, plant & equipment	(12)	799,836	794,276	645,412
Financial assets	(13)	614,084	609,815	183,918
FIXED ASSETS		**1,534,644**	**1,523,976**	**903,937**
Inventories	(14)	3,160	3,138	2,772
Accounts receivable	(15)	1,858,315	1,845,397	1,572,730
Accounts due from related parties		224	222	329
Other assets	(16)	310,066	307,911	92,829
Accounts receivable and other assets		2,168,605	2,153,530	1,665,888
Liquid assets	(17)	815,949	810,277	670,217
SHORT-TERM ASSETS		**2,987,714**	**2,966,945**	**2,338,877**
DEFERRED TAXES		**286,283**	**284,293**	**182,483**
PREPAID EXPENSES AND DEFERRED CHARGES	**(18)**	**52,036**	**51,675**	**20,638**
Total assets		**4,860,677**	**4,826,889**	**3,445,935**
thereof Current assets		**3,540,178**	**3,515,569**	**2,453,982**

SHAREHOLDERS' EQUITY AND LIABILITIES				
As of December 31, 1999 and 1998 (in thousands)	Note	12/31/1999 USD	12/31/1999 €	12/31/1998 €
Subscribed capital *)	(19)	269,680	267,805	267,315
Additional paid-in capital	(20)	251,109	249,364	243,035
Retained earnings		1,710,117	1,698,229	1,263,560
Other comprehensive income		346,365	343,957	44,357
SHAREHOLDERS' EQUITY		**2,577,271**	**2,559,355**	**1,818,267**
MINORITY INTERESTS		**8,798**	**8,737**	**7,233**
SPECIAL RESERVES FOR CAPITAL INVESTMENT SUBSIDIES AND ALLOWANCES	**(21)**	**167**	**166**	**135**
Pension liabilities and similar obligations	(22)	11,669	11,588	14,445
Other reserves and accrued liabilities	(23)	1,275,427	1,266,561	699,056
RESERVES AND ACCRUED LIABILITIES		**1,287,096**	**1,278,149**	**713,501**
Bonds	(24)	1,272	1,263	1,752
Other liabilities	(25)	673,919	669,235	597,802
OTHER LIABILITIES		**675,191**	**670,498**	**599,554**
DEFERRED INCOME	**(26)**	**312,154**	**309,984**	**307,245**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**4,860,677**	**4,826,889**	**3,445,935**
thereof Current liabilities		**1,796,401**	**1,783,914**	**1,457,585**

*) Contingent capital € 1,263 thousand (1998: € 1,753 thousand)

The 1998 amounts have been restated from Deutsche Marks into euros at an exchange rate of DM 1.95583 to € 1.00, the fixed exchange rate as of January 1, 1999.

The 1999 figures have been translated solely for the convenience of the reader at an exchange rate of € 1.00 to $1.007, the Noon Buying Rate certified by the Federal Reserve Bank of New York on December 31, 1999.

See Notes to Consolidated Financial Statements

Consolidated Statements of Changes in Shareholders' Equity

SAP GROUP For the years ended December 31,	Number of shares issued and outstanding (000)	(in thousands of €) Compre-hensive income	Retained earnings	Other compre-hensive income	Additional paid-in capital	Sub-scribed capital	Total
January 1,1997	103,507		567,267	14,035	192,964	264,612	1,038,878
Net income		446,651	446,651				446,651
Other comprehensive income, net of tax*)							
Unrealized gains on marketable securities		2,487					
Currency translation adjustment		49,050					
Other comprehensive income		51,537		51,537			51,537
Comprehensive income		**498,188**					
Convertible bonds exercised	795				38,411	2,033	40,444
Dividends			–122,808				–122,808
Other			–4,799		1,174		–3,625
December 31,1997	**104,302**		**886,311**	**65,572**	**232,549**	**266,645**	**1,451,077**
Net income		526,944	526,944				526,944
Other comprehensive income, net of tax*)							
Unrealized gains on marketable securities		31,991					
Currency translation adjustment		–53,206					
Other comprehensive income		–21,215		–21,215			–21,215
Comprehensive income		**505,729**					
Convertible bonds exercised	262				12,468	670	13,138
Dividends			–150,429				–150,429
Other			734		–1,982		–1,248
December 31,1998	**104,564**		**1,263,560**	**44,357**	**243,035**	**267,315**	**1,818,267**

SAP GROUP For the years ended December 31,	Number of shares issued and outstanding (000)	(in thousands of €) Compre-hensive income	Retained earnings	Other compre-hensive income	Additional paid-in capital	Sub-scribed capital	Total
December 31, 1998	**104,564**		**1,263,560**	**44,357**	**243,035**	**267,315**	**1,818,267**
Net income		601,001	601,001				601,001
Other comprehensive income, net of tax*)							
Unrealized gains on marketable securities		224,127					
Currency translation adjustment		90,628					
Additional minimum pension liability		–1,625					
Cash flow hedges		–13,530					
Other comprehensive income		299,600		299,600			299,600
Comprehensive income		**900,601**					
Convertible bonds exercised	192				9,307	490	9,797
Dividends			–165,473				–165,473
Other			–859		–2,978		–3,837
December 31, 1999	**104,756**		**1,698,229**	**343,957**	**249,364**	**267,805**	**2,559,355**

*) Taxes related to other comprehensive income are € 142,563 thousand, € 25,944 thousand and € 1,866 thousand for the years ended December 31, 1999, 1998 and 1997, respectively.

The 1998 and 1997 amounts have been restated from Deutsche Marks into euros at an exchange rate of DM 1.95583 to € 1.00, the fixed exchange rate as of January 1,1999.

See Notes to Consolidated Financial Statements

Consolidated Statements of Cash Flows

SAP GROUP For the years ended December 31, (in thousands)	Note	1999 USD	1999 €	1998 €	1997 €
Net income before minority interest		605,208	601,001	526,944	446,651
Minority interest		2,951	2,930	1,539	1,148
Net income		608,159	603,931	528,483	447,799
Depreciation and amortization		173,889	172,680	139,836	101,298
Write-up of property, plant and equipment		0	0	0	–52
Gain on disposal of property, plant and equipment		1,072	1,065	–692	–1,057
Write-downs of financial assets		2,255	2,239	2,094	1,437
Write-up of financial assets		–617	–613	–553	–441
Change in pension reserves		–6,357	–6,313	3,081	5,130
Change in other long-term liabilities		95,153	94,492	–28,375	13,006
Change in deferred taxes		14,817	14,714	–92,061	–41,574
Change in inventories		–369	–366	1,070	145
Change in accounts receivable and other assets		–491,055	–487,642	–268,685	–542,855
Change in short-term liabilities		209,143	207,689	175,832	235,150
Change in long-term liabilities		64,938	64,487	129,201	163,409
Change in prepaid expenses and deferred charges		–31,254	–31,037	–1,736	–9,331
Change in deferred income		2,758	2,739	27,451	88,365
Net cash provided by operating activities	27)	**642,532**	**638,065**	**614,946**	**460,429**
Purchase of intangible assets and property, plant and equipment		–356,708	–354,228	–388,588	–289,873
Purchase of financial assets		–97,054	–96,380	–38,838	–40,446
Change in the scope of consolidation		–2,026	–2,012	0	0
Proceeds from disposal of fixed assets		50,385	50,035	35,009	43,656
Change in special reserves for capital investment subsidies and allowances		31	31	–78	180
Change in liquid assets (maturities greater than 90 days)		–51,815	–51,455	155,084	–31,086
Net cash used by investing activities	28)	**–457,187**	**–454,009**	**–237,411**	**–317,569**
Dividends paid		–166,631	–165,473	–150,429	–122,809
Proceeds from premium on convertible bonds		9,372	9,307	12,468	38,411
Other changes to additional paid-in capital		–2,999	–2,978	–1,982	1,174
Proceeds from the increase in capital stock from the exercise of conversion rights		493	490	670	2,033
Payments made on the conversion of convertible bonds		–492	–489	–657	–2,023
Proceeds from the issuance of long-term debt		0	0	24,596	162
Principal payments made on long-term debt		–289	–287	–103	–30
Net cash used in financing activities	29)	**–160,546**	**–159,430**	**–115,437**	**–83,082**
Effect of foreign exchange rates on cash		64,426	63,979	–46,599	44,380
Net increase in cash and cash equivalents		**89,225**	**88,605**	**215,499**	**104,158**
Cash and cash equivalents at the beginning of the year		**625,202**	**620,856**	**405,357**	**301,199**
Cash and cash equivalents at the end of the year	17)	**714,427**	**709,461**	**620,856**	**405,357**

The 1998 and 1997 amounts have been restated from Deutsche Marks into euros at an exchange rate of DM 1.95583 to € 1.00, the fixed exchange rate as of January 1, 1999.

The 1999 figures have been translated solely for the convenience of the reader at an exchange rate of € 1.00 to $1.007, the Noon Buying Rate certified by the Federal Reserve Bank of New York on December 31,1999.

See Notes to Consolidated Financial Statements

Notes to the Consolidated Financial Statements

A. Significant Accounting Principles

1 | Basis of Presentation

The consolidated financial statements of the SAP Aktiengesellschaft Systeme, Anwendungen, Produkte in der Datenverarbeitung ("SAP AG"), together with its subsidiaries (collectively, "SAP," "Group" or "Company"), have been prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

In 1998 and 1997 the consolidated financial statements were prepared in accordance with accounting principles generally accepted in Germany ("German GAAP") with a reconciliation to U.S. GAAP. For purposes of the 1999 presentation, the 1998 and 1997 consolidated financial statements have been restated to reflect U.S. GAAP for comparative purposes. The consolidated income statements have been presented using the cost of sales format. Certain reclassifications were made to prior year amounts to conform them to the current year presentation.

SAP is using the relief outline in section 292a of the German Commercial Code ("HGB"), which exempts companies from preparing consolidated financial statements in accordance with German GAAP if the consolidated financial statements are prepared in accordance with an internationally accepted accounting principle (i.e. U.S. GAAP or International Accounting Standards). A description of the significant differences between U.S. GAAP and HGB is set forth in note 36.

Effective January 1, 1999 the Company converted its internal and external reporting to the euro ("€") and, therefore, restated the consolidated financial statements to € using the exchange rate as of January 1, 1999. Accordingly, the Deutsche Mark ("DM") consolidated financial statements for each period prior to 1999 have been restated to euro using the official fixed DM/€ exchange rate as of January 1, 1999, of € 1.00 = DM 1.95583. SAP's restated euro financial statements depict the same trends as would have been presented, if it had continued to present its consolidated financial statements in DM. All euro financial data that has been presented in U. S. Dollars ("$" or "Dollars") has been converted, for the convenience of the reader, at the Noon Buying Rate certified by the Federal Reserve Bank of New York on December 31, 1999, which was € 1.00 per $ 1.007.

2 | Scope of Consolidation

The consolidated financial statements include SAP AG and subsidiaries in which SAP AG holds, directly or indirectly, a majority of the voting rights.

The following table summarizes the number of companies included in the consolidated financial statements:

	German	Foreign	Total
December 31, 1998	7	45	**52**
Additions	4	6	**10**
Disposals	0	0	**0**
December 31, 1999	**11**	**51**	**62**

Three companies in which SAP AG directly holds between 20% and 50% of the voting rights ("associated companies") are reported under the equity method.
The impact of including new companies in the consolidated financial statements during 1999 does not limit comparability of the annual financial statements with those of the previous years.
All affiliated companies and other associated companies are listed on page 100 to 101 with ownership percentages, revenues, net income, equity, and numbers of employees.

3 | Significant Accounting Policies

Consolidation Policies

The Company accounts for its business combinations using the purchase accounting method. At the date of acquisition differences between acquisition costs and attributable shareholders' equity are first allocated to identifiable assets acquired or liabilities assumed to the extent of their fair market values. Any remaining goodwill is capitalized as an intangible asset and amortized using the straight-line method over its estimated useful life.
Intercompany receivables, payables, revenues, expenses and profits among the consolidated companies are eliminated. Deferred taxes are calculated for consolidation entries affecting income. Minority interest is identified for subsidiaries not wholly owned by the parent company. Goodwill arising from associated companies' equity is calculated based upon the same principles.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent amounts at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Currency Translation

The financial statements of the fully consolidated foreign subsidiaries are translated according to the functional currency method. Since all subsidiaries are economically independent, and thus their functional currency is the local currency, their balance sheets are translated into the Group's functional currency at median rates on the balance sheet date ("closing rate") and their income statements are translated at annual average rates. Differences from the prior year's translation of assets and liabilities and translation differences between the balance sheet and the income statement do not affect income. The effects of foreign currency translation are included in other comprehensive income in the consolidated statements of changes in shareholders' equity.
Assets and liabilities denominated in foreign currencies are translated at the closing rate with resulting gains and losses reflected in income.

The exchange rates of key currencies affecting the Group changed as follows:

		Closing rate at December 31, to € 1.00		Annual average exchange to € 1.00 for the year ended		
		1999	1998	1999	1998	1997
U.S. Dollar	USD	1.0028	1.1691	1.0595	1.1196	1.1259
Japanese Yen	JPY	102.51	134.84	119.28	147.61	136.69
British Pound	GBP	0.6202	0.6990	0.6525	0.6762	0.6864
Canadian Dollar	CAD	1.4574	1.8160	1.5582	1.6735	1.5639
Australian Dollar	AUD	1.5570	1.9119	1.6349	1.8076	1.5274

The exchange rates for 1998 and 1997 have been restated for comparative purposes at the fixed rate of € 1.00 = DM 1.95583.

Revenue Recognition

The Company recognizes software revenue in accordance with the American Institute of Certified Public Accountants ("AICPA") Statement of Position 97-2, "Software Revenue Recognition" ("SOP 97-2"), which is effective for transactions entered into in fiscal years beginning after December 15, 1997. Because prior to the issuance of SOP 97-2 the Company had not previously issued financial information or financial statements on a U.S. GAAP basis, SOP 97-2 has been applied for all years reported.
In accordance with SOP 97-2, software license fee revenues are recognized when persuasive evidence of an arrangement exists, delivery has occurred, the license fee is fixed and determinable and the collection of the fee is probable. The Company allocates a portion of its software revenues to post-contract support activities or other services or products provided to the customer free of charge or at non-standard discounts when included under the licensing arrangement. Amounts allocated are based upon standard prices charged for those services or products.
Revenues from post-contract support are recognized ratably over the term of the maintenance contract on a straight-line basis. Consulting and training services are generally recognized at the time the service is performed. Fees from licenses sold together with consulting services are generally recognized upon shipment provided that the contract has been executed, delivery of the software has occurred, fees are fixed and determinable and collection is probable. In instances where the aforementioned criteria have not been met both the license and the consulting fees are recognized under the percentage of completion method of contract accounting. The Company provides for sales returns and allowances.
In limited instances, the Company will enter into fixed fee consulting arrangements. Revenues under such arrangements are recognized using the percentage of completion method. Provisions for estimated losses on uncompleted contracts are made in the period such losses are determined.

Research and Development

Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed" ("SFAS 86"), requires the capitalization of research and development costs incurred upon achieving technological feasibility until such product is available for sale. Historically such costs have not been material. Development costs incurred prior to achieving technological feasibility are expensed as incurred.

Intangible Assets and Property, Plant and Equipment
Purchased intangible assets are recorded at cost and amortized on a straight-line basis over a maximum of five years. All existing goodwill included in the consolidated financial statements is derived from the acquisition of software related companies and is amortized on a straight-line basis over its estimated life of five years. In 1997, the Company expensed € 4.0 million of acquired in-process research and development costs relating to software products for which technological feasibility had not yet been established at the date of acquisition. Acquisitions in 1999 and 1998 did not result in a charge for in-process research and development.
Property, plant and equipment are shown at cost less accumulated depreciation, where appropriate, based on their expected useful lives. If assets are deemed to be permanently impaired, carrying amounts are reduced accordingly. For the years ended December 31, 1999, 1998 and 1997, no such write-offs have been made.

	Useful lives of property, plant and equipment
Buildings (placed in service until the end of 1990)	50 years
Buildings (placed in service after 1990)	25 years
Leasehold improvement	Based upon the lease contract
IT equipment	3 to 5 years
Office furniture	4 to 20 years
Automobiles	5 years

Buildings and leasehold improvements are depreciated using the straight-line method. Other fixed assets are generally depreciated using the straight-line method. Certain assets with expected useful lives in excess of three years are depreciated using the declining balance. Low-value assets are expensed in the year of acquisition.

Financial Assets
Shares in affiliated companies and other loans are recorded at cost. A write-down in the value of such financial assets at the balance sheet date only occurs if there is a permanent impairment. There were no such write-downs for any periods presented. Interest-free loans to employees and to third parties are discounted to their present value.
In accordance with Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," marketable debt and equity securities, other than investments accounted for by the equity method, are categorized as either trading, available-for-sale or held-to-maturity, depending on management's intent with respect to holding such investments. The Company's securities are considered to be available-for-sale and, therefore, are valued at fair market value at the balance sheet date. Unrealized gains and losses are excluded from earnings and reported net of tax in comprehensive income within shareholders' equity. Market values were obtained based on available market prices as of December 31, 1999, 1998 and 1997. Gains or losses recognized on sales of securities are based on specific identification.

Short-Term Assets
Inventories are shown at the lower of purchase/production cost or market value. Production costs consist of direct salaries, indirect salaries, and materials. Other costs are not included in inventories. No write-downs of inventory were necessary for the periods presented.
Accounts receivable are stated at their nominal value, which approximates fair market value. Included in accounts receivable are unbilled receivables related to fixed fee consulting arrangements. Receivables with foreseeable individual and country risks are written down to their net realizable value. Non-interest bearing receivables with a term exceeding one year are discounted to their present value using local interest rates.
During the fiscal year, SAP AG acquired 58,048 of its own shares, representing 0.06 % of the capital stock, at an average market price of € 355. Such shares were transferred to employees during the year at an average price of € 275 per share. Certain of the Company's foreign subsidiaries purchased 472,446 American Depository Receipts ("ADRs"), at an average price of $ 33 and were distributed by an administrator to employees. Twelve ADRs are equivalent to one preference share. The Company did not hold any of its own shares or ADRs as of the balance sheet closing date. Shares and ADRs acquired by the Company were transferred to employees under various employee stock purchase plans. Discounts provided to employees through such plans are treated either as expense if such discounts exceed 15% or as a direct reduction of equity if such discounts are less than 15%.
Other assets are shown at their nominal value, which approximates fair value.
Liquid assets are comprised of cash and cash equivalents and time deposits with maturities exceeding 90 days. Cash and cash equivalents consist of cash at banks and highly liquid investments with original maturities of 90 days or less. Liquid assets are reconciled to cash and cash equivalents in note 17.

Prepaid Expenses and Deferred Charges
Prepaid expenses and deferred charges are determined by allocating expenses to the periods to which they are attributable.

Deferred Taxes
Deferred taxes are established for temporary differences between assets, liabilities and net income calculated for tax purposes and for financial reporting purposes. Moreover, deferred taxes are established on the consolidated balance sheets for temporary differences resulting from consolidation measures.
Deferred taxes are computed by the "liability method," under which the enacted tax rate applicable to the local subsidiaries is applied. In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"), deferred tax amounts are shown gross on the consolidated balance sheets. Net operating loss carryforwards that are available to reduce future taxes are recognized as deferred tax assets. Such amounts are reduced by a

valuation allowance to the extent that it is more likely than not that some portion or all of the deferred tax assets will not be realized.
Deferred tax liabilities are provided for the unremitted earnings of non-German subsidiaries unless management considers such amounts to be permanently reinvested.

Liabilities
Provisions for pensions of domestic and foreign subsidiaries are based on actuarial computations according to the "Projected Unit Credit Method." In accordance with the Projected Unit Credit Method, current pensions and remuneration existing at the balance sheet date as well as expected future increases in these obligations are included in the valuation. The assumptions used to calculate the provision for pensions are shown in note 22.
Accrued taxes are calculated on the basis of the planned distribution of income.
Other reserves and accrued liabilities are recorded when an obligation to a third party has been incurred, payment is probable and reasonably estimable. In determining other accrued liabilities all applicable costs are taken into consideration.
Liabilities are shown at the amounts payable, which approximate fair market value.

Derivatives
The Group primarily uses forward exchange derivatives to reduce the currency risk that results from engaging in transactions denominated in currencies other than the €, including anticipated cash flows resulting from transactions with subsidiaries. These anticipated cash flows reflect forecast assumptions, which historically have reflected actual results.
Effective January 1, 1999, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 requires derivative financial instruments to be recorded in the balance sheet at their fair value. The effective portion of the realized and unrealized gain or loss on a derivative designated as a cash flow hedge is reported net of tax in other comprehensive income at the time related changes in the fair value of such instruments occur. The portion of gains or losses on derivatives is reclassified from other comprehensive income into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. The ineffective portion of gain or loss on a derivative designated as a cash flow hedge is reported in earnings when the ineffectiveness occurs. In measuring the effectiveness of cash flow hedges, the Company excludes differences resulting from the time value (i.e. spot rates versus forward rates for forward contracts). Changes in value resulting from the excluded component are recognized in earnings immediately.
Prior to the implementation of SFAS 133, the Company accounted for its foreign exchange forward contracts in accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation" ("SFAS 52"). Forward contracts used to manage risk relating to anticipated cash flows do not qualify for hedge accounting treatment under SFAS 52 and are therefore recorded on the balance sheet at fair value with changes in fair value recognized in earnings immediately. Forward contracts hedging firm commitments are also recorded at fair value with changes in value offset against the foreign exchange gains or losses recognized on the item being hedged.

Credit Arrangements
Certain of the Company's foreign subsidiaries have lines of credit available which allow them to borrow in the local currency to the extent SAP AG has guaranteed such amounts. At December 31, 1999, the Company had approximately € 327 million available through such arrangements under which the Company may borrow on an overdraft or short-term basis. Interest under all lines is determined at the time of borrowing based on current market rates.

Comprehensive Income
Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130"), requires companies to separately report the components of comprehensive income which is comprised of net income and other comprehensive income. Other comprehensive income comprises the change in equity from transactions and other events not effecting net income except those resulting from investments by owners and distributions to owner.
Both other comprehensive income and comprehensive income are disclosed in the consolidated statements of changes in shareholders' equity. Other comprehensive income includes currency translation differences, additional minimum pension liabilities, unrecognized gains and losses from derivatives designated as cash flow hedges and unrealized gains and losses from marketable debt and equity securities.

Cash Flows
The consolidated statements of cash flows show the effect of inflows and outflows during the course of the fiscal year on the Group's cash and cash equivalents, and has been prepared in accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows" ("SFAS 95"). The statement distinguishes between cash flows from operating activities, investing activities, and financing activities. The statement of cash flows is reconciled to cash and cash equivalents, which are reconciled to liquid assets in note 17.

B. Notes to the Consolidated Income Statements

4 | Other Revenue

Other revenue is derived mainly from marketing events. Segment information with respect to revenue is disclosed in note 34.

5 | Other Operating Income / Expenses, Net

Other operating expenses for the years ended December 31, are as follows:

	1999 € (000)	1998 € (000)	1997 € (000)
Amortization expense	–16,725	–11,319	–7,396
General bad debt expense	–9,582	–17,339	–11,708
Other operating expense	–3,083	–15,863	–2,206
Other operating expense	**–29,390**	**–44,521**	**–21,310**
Receipt of insurance proceeds	1,535	684	619
Rental income	1,510	1,375	1,819
Other operating income	774	470	1,328
Other operating income	**3,819**	**2,529**	**3,766**
	–25,571	**–41,992**	**–17,544**

6 | Functional Costs and Other Expenses

Cost of Services and Materials

Cost of services and materials, which is included in various operating expenses in the consolidated financial statements for the years ended December 31, are as follows:

	1999 € (000)	1998 € (000)	1997 € (000)
Raw materials and supplies, purchased goods	15,176	12,069	8,429
Purchased services	758,238	591,329	301,270
	773,414	**603,398**	**309,699**

The changes in purchased services resulted from additional purchases of consulting services.

Personnel Expenses / Number of Employees

Personnel expenses, which are included in various operating expenses in the consolidated financial statements for the years ended December 31, are as follows:

	1999 € (000)	1998 € (000)	1997 € (000)
Salaries	1,750,770	1,326,505	913,668
Social costs	226,736	171,434	111,455
Pension expense	54,233	49,508	34,794
	2,031,739	**1,547,447**	**1,059,917**

Included in personnel expenses for the years ended December 31, 1999 and 1998, are expenses associated with the stock appreciation rights program ("STAR program"), in the amount of € 140,324 thousand and € 16,327 thousand, respectively.

The average number of employees was as follows:

	1999	1998	1997
Employees	20,975	17,323	11,558

7 | Other Non-Operating Income / Expenses, Net

Other non-operating expenses for the years ended December 31, are as follows:

	1999 € (000)	1998 € (000)	1997 € (000)
Foreign currency losses	–89,707	–44,014	–35,826
Losses on disposals of fixed assets	–3,131	–2,293	–1,477
Other non-operating expenses	–2,916	–1,937	–3,564
Other non-operating expenses	**–95,754**	**–48,244**	**–40,867**
Foreign currency gains	34,828	59,609	26,182
Gains on disposals of fixed assets	2,066	2,987	2,518
Other non-operating income	7,852	2,834	3,619
Other non-operating income	**44,746**	**65,430**	**32,319**
	–51,008	**17,186**	**–8,548**

8 | Finance Income, Net

	1999 € (000)	1998 € (000)	1997 € (000)
Interest and similar income	34,472	34,635	28,808
Interest and similar expenses	–3,265	–3,540	–1,933
Interest income, net	**31,207**	**31,095**	**26,875**
Income from unconsolidated affiliated companies	16	441	302
Income/(loss) from associated companies	–19,647	–16,558	1,487
Income/(loss) from investments, net	**–19,631**	**–16,117**	**1,789**
Income from marketable securities and loans of			
financial assets	910	958	751
Write-down of financial assets	–2,239	–2,094	–1,437
Gains on sales of marketable equity securities	224,912	1,769	574
Other net	16	–1,639	1,192
Other finance income/(loss), net	**223,599**	**–1,006**	**1,080**
	235,175	13,972	29,744

Interest income is derived primarily from cash and cash equivalents, long term investments and other assets. The negative results from associated companies includes a € 23,354 thousand and € 18,687 thousand loss from Pandesic LLC, for 1999 and 1998, respectively.

9 | Income Taxes

Income tax expense for the years ended December 31, are as follows:

	1999 € (000)	1998 € (000)	1997 € (000)
Current taxes – Germany	110,071	209,755	172,059
Current taxes – Foreign	226,442	226,145	213,291
	336,513	**435,900**	**385,350**
Deferred taxes – Germany	88,183	–1,922	–2,554
Deferred taxes – Foreign	–48,280	–30,509	–34,170
	39,903	**–32,431**	**–36,724**
	376,416	403,469	348,626

Income before income taxes is attributable to the following geographic locations:

	1999 € (000)	1998 € (000)	1997 € (000)
Germany	454,745	448,948	408,380
Foreign	525,602	483,004	388,045
	980,347	931,952	796,425

The effective tax rate of the SAP Group for the years ended December 31, 1999, 1998 and 1997, was 38.4%, 43.3% and 43.8%, respectively. The table below shows the reconciliation of the current German statutory retained earnings corporate income tax rate of 40% (45% for 1998 and 1997) and the effective tax rate. Because of the lower German tax rate for income distributed to shareholders, the domestic corporation tax is reduced according to the Executive Board's proposal for income appropriation.

The corporation tax reduction applies to the year that gives rise to dividend distribution. In addition, shareholders tax-resident in Germany receive a credit of the full corporation tax against their personal income tax liability. A solidarity surcharge of 5.5% is imposed in respect of German corporation tax liability. The effective German trade tax rate, before income taxes, for the years ended December 31, 1999, 1998 and 1997 was 13.8 %, 14.3% and 13.7 %, respectively.

	1999 € (000)	1998 € (000)	1997 € (000)
Income before income taxes	980,347	931,952	796,425
German trade tax on income	–62,742	–66,554	–54,836
Income after German trade tax on income	**917,605**	**865,398**	**741,589**
Corporation tax on income			
40 % in 1999, 45 % in 1998 and 1997	367,042	389,429	333,715
German trade tax on income	62,742	66,554	54,836
Solidarity charge	1,611	6,544	8,143
Tax reduction for dividend payments	–28,331	–35,459	–32,235
Foreign tax rate differential, net	–28,006	–49,035	–24,908
Utilization of loss carryforwards	–19,938	–475	–313
Tax on non-deductible expenses	11,383	9,736	5,671
Tax effect on current year losses	395	27,265	870
Consolidation effects	–3,130	–3,937	1,017
Other	12,648	–7,153	1,830
Income taxes	376,416	403,469	348,626

In accordance with the liability method, the differences between assets, liabilities and net income calculated for tax purposes and for financial reporting purposes that are expected to reverse in the future are shown below. Based upon past results of subsidiaries and expectations of similar performance in the future, the taxable income of these subsidiaries will more likely than not be sufficient to fully recognize the net deferred tax assets related to these subsidiaries.

	1999 € (000)	1998 € (000)
DEFERRED TAX ASSETS		
Fixed assets	13,026	13,939
Financial assets	3,763	2,214
Accounts receivable	70,395	14,852
Net operating loss carry forwards	11,317	28,314
Pension provisions	2,214	298
STAR provisions	23,001	2,899
Other provisions	81,484	49,648
Deferred income	76,977	81,932
Other	2,588	7,668
	284,765	**201,764**
Less: Valuation allowance	**–472**	**–19,281**
Deferred tax assets	**284,293**	**182,483**
DEFERRED TAX LIABILITIES		
Fixed assets	19,291	28,679
Financial assets	146,665	24,181
Accounts receivable	18	1,668
Pension provisions	3,324	3,329
STAR provisions	111,850	1,723
Other provisions	14,244	4,616
Deferred income	10,992	1,753
Other	68	2,321
Deferred tax liabilities	**306,452**	**68,270**
Net deferred tax (liabilities)/assets	**–22,159**	**114,213**

With regard to their duration, deferred tax assets and deferred tax liabilities are classified as follows:

	1999 € (000)	1998 € (000)
DEFERRED TAX ASSETS		
Short-term	224,333	139,336
Long-term	59,960	43,147
	284,293	**182,483**
DEFERRED TAX LIABILITIES		
Short-term	60,503	10,596
Long-term	245,949	57,674
	306,452	**68,270**

Certain foreign subsidiaries of the Company have net operating loss carryforwards at December 31, 1999 and 1998, totaling approximately € 30,393 thousand and € 64,409 thousand, respectively, which may be used to offset future taxable income. These net operating loss carryforwards include € 25,015 thousand for 1999 and € 56,358 thousand for 1998 relating to the Japanese subsidiary. The majority of net operating loss carryforwards will expire at different dates over the next three to five years. The deferred tax assets, which have been established for these net operating loss carryforwards, have been reduced by a valuation allowance to the extent that it is more likely than not that some portion or all of the deferred tax assets will not be realized. The valuation allowance relating to Japan was reduced by € 17,850 thousand in 1999 as a result of net operating loss utilization and changes in facts and circumstances. Deferred tax liabilities are provided for the unremitted earnings of non-German subsidiaries unless management considers such amounts to be permanently reinvested. As of December 31, 1999, the cumulative amount of earnings considered permanently reinvested is approximately € 793 million.

10 | Earnings Per Share

Earnings per ordinary share and preference share for the years ended December 31, 1999, 1998 and 1997, have been calculated using the two-class method in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" ("SFAS 128"). Net income is allocated between ordinary shares and preference shares in calculating earnings per share for each class of stock. This allocation weights net income available (net income less dividends) to the extent that each class of stock may participate in the earnings as if all of the earnings for the period had been distributed. Distributed earnings are allocated to each class of stock based on the respective dividends paid. In arriving at earnings per share, the total allocated earnings for each class of stock is divided by the weighted average number of shares outstanding to which the earnings are allocated. Because the Company's convertible bonds have a dilutive effect, they were considered outstanding for the diluted earnings per ordinary and preference share calculations.

	1999 € (000)	1998 € (000)	1997 € (000)
Net income applicable to basic and diluted EPS	601,001	526,944	446,651
Less dividends:			
Ordinary shares	95,770	87,323	71,725
Preference shares	69,703	63,106	51,084
Net income available to holders of ordinary shares and preference shares	**435,528**	**376,515**	**323,842**

	1999		1998		1997	
	€ (000) Ord.	€ (000) Pref.	€ (000) Ord.	€ (000) Pref.	€ (000) Ord.	€ (000) Pref.
Allocated net income available	253,977	181,551	219,267	157,248	189,607	134,235
Distributed earnings	95,770	69,703	87,323	63,106	71,725	51,084
Total allocated earnings						
– basic EPS	349,747	251,254	306,590	220,354	261,332	185,319
Conversion of convertible bonds	–1,557	1,557	–1,707	1,707	–2,563	2,563
Total allocated earnings – diluted EPS	**348,190**	**252,811**	**304,883**	**222,061**	**258,769**	**187,882**

	1999 [1)]		1998 [1)]		1997 [1)]	
	Ord.	Pref.	Ord.	Pref.	Ord.	Pref.
Weighted average shares – basic	61,000	43,605	60,998	43,436	60,994	42,842
Conversion convertible bonds	0	645	2	814	6	1,408
Weighted average shares – diluted	**61,000**	**44,250**	**61,000**	**44,250**	**61,000**	**44,250**
Earnings per shar – basic	5,73	5,76	5,03	5,07	4,28	4,33
Earnings per share – diluted	5,71	5,71	5,00	5,02	4,24	4,24

[1)] Amounts are in (i) thousands, except for per share information and (ii) €, except for share information.

C. Notes to the Consolidated Balance Sheet

11 | Intangible Assets

€ (000)	Trademarks, similar rights and assets	Goodwill	Total
Purchase cost			
1/1/99	49,965	59,783	**109,748**
Foreign currency exchange rate			
changes	680	0	**680**
Changes in the scope of			
consolidation	639	0	**639**
Additions	39,178	56,301	**95,479**
Retirements/disposals	–164	–177	**–341**
Transfers	–8,676	–14,565	–23,241
12/31/99	**81,622**	**101,342**	**182,964**
Accumulated amortization			
1/1/99	20,658	14,483	**35,141**
Foreign currency exchange rate			
changes	556	60	**616**
Changes in the scope of			
consolidation	483	0	**483**
Additions	21,131	16,725	**37,856**
Retirements/disposals	–164	–47	**–211**
Transfers	–5,238	–5,568	–10,806
12/31/99	**37,426**	**25,653**	**63,079**
Book value 12/31/99	**44,196**	**75,689**	**119,885**
Book value 12/31/98	**29,307**	**45,300**	**74,607**

The additions to trademarks, similar rights and assets relate to acquired software programs. The additions to goodwill in the Group relate to acquisitions during the year.

12 | Property, Plant and Equipment

€ (000)	Land, leasehold improvements, and buildings, including buildings on third party land	Other property, plant and equipment	Payments and construction in progress	Total
Purchase cost				
1/1/99	431,018	443,282	124,152	**998,452**
Foreign currency exchange				
rate changes	15,954	21,101	12,422	**49,477**
Changes in the scope of				
consolidation	267	4,386	63	**4,716**
Additions	110,746	135,912	12,652	**259,310**
Retirements/disposals	–5,141	–35,255	–69	**–40,465**
Transfers	129,494	5,089	–134,788	**–205**
12/31/99	**682,338**	**574,515**	**14,432**	**1,271,285**
Accumulated depreciation				
1/1/99	75,454	277,586	0	**353,040**
Foreign currency exchange				
rate changes	5,268	14,847	0	**20,115**
Changes in the scope of				
consolidation	104	2,756	0	**2,860**
Additions	33,831	100,993	0	**134,824**
Retirements/disposal	–4,097	–29,727	0	**–33,824**
Transfers	208	–214	0	**–6**
12/31/99	**110,768**	**366,241**	**0**	**477,009**
Book value 12/31/99	**571,570**	**208,274**	**14,432**	**794,276**
Book value 12/31/98	**355,564**	**165,696**	**124,152**	**645,412**

The additions in other property, plant and equipment comprise primarily the purchase of computer hardware.

13 | Financial Assets

€ (000)	Shares in affiliated companies	Investments In other associated companies	Equity securities	Debt securities	Other loans	Total
Purchase cost						
1/1/99	6,441	13,141	32,268	54,669	23,639	**130,158**
Foreign currency exchange						
rate changes	–188	144	1,666	493	56	**2,171**
Additions	0	8,220	78,291	0	9,869	**96,380**
Retirements	–6,240	–3,272	–29,770	–489	–5,014	**–44,785**
Transfers	0	–10,930	23,564	0	0	**12,634**
12/31/99	**13**	**7,303**	**106,019**	**54,673**	**28,550**	**196,558**
Marketable securities						
1/1/99	0	0	54,955	4,014	0	**58,969**
Changes in unrealized gains/losses	0	0	363,556	–2,889	0	**360,667**
12/31/99	**0**	**0**	**418,511**	**1,125**	**0**	**419,636**
Accumulated depreciation						
1/1/99	52	0	0	0	5,157	**5,209**
Additions	0	0	0	0	2,239	**2,239**
Retirements	–52	0	0	0	–404	**–456**
Write-ups	0	0	0	0	–613	**–613**
12/31/99	**0**	**0**	**0**	**0**	**6,379**	**6,379**
Book value 12/31/99	**13**	**7,303**	**524,530**	**55,798**	**22,171**	**609,815**
Book value 12/31/98	**6,389**	**13,141**	**87,223**	**58,683**	**18,482**	**183,918**

Amounts pertaining to equity and debt securities at December 31, 1999 and 1998, are as follows:

	1999			
	Amortized cost € (000)	Gross unrealized gains € (000)	**Gross unrealized losses € (000)**	**Market value € (000)**
Equity securities	**106,019**	421,730	3,219	524,530
Debt securities	**54,673**	1,125	0	55,798
	160,692	422,855	3,219	580,328

	1998			
	Amortized cost € (000)	Gross unrealized gains € (000)	**Gross unrealized losses € (000)**	**Market value € (000)**
Equity securities	**32,268**	57,886	2,931	87,223
Debt securities	**54,669**	4,014	0	58,683
	86,937	61,900	2,931	145,906

Upon sales of marketable equity securities in 1999, the Company reclassified € 22,542 thousand of gains/losses included in other comprehensive income as of December 31, 1998, into finance income/loss. As of December 31, 1999 and 1998, unrealized losses were not considered permanent in nature.

Financial assets include marketable debt securities at December 31, as follows:

	1999			1998		
	Amortized cost € (000)	**Market value € (000)**	Unrealized gains € (000)	**Amortized cost € (000)**	**Market value € (000)**	Unrealized gains € (000)
Securities with fixed maturities	**51,129**	52,254	1,125	**51,129**	55,143	4,014
Other securities	**3,544**	3,544	0	**3,540**	3,540	0
	54,673	55,798	1,125	54,669	58,683	4,014

Securities with fixed maturities mature within five years.

The other loans include interest bearing and non-interest bearing loans to employees and third parties.

14 | Inventories

Inventories consist of office supplies and documentation.

15 | Accounts Receivable

Amounts shown on the consolidated balance sheets are net of allowance for bad debts of € 96,734 thousand and € 80,364 thousand at December 31, 1999 and 1998, respectively.

Accounts receivable based on due dates at December 31, are as follows:

	1999 € (000)	1998 € (000)
Due within one year	1,742,219	1,544,026
Due between one and five years	103,178	28,704
Due in greater than five years	0	0
	1,845,397	1,572,730

License fees having extended payment terms are deferred if such payments are not considered fixed and determinable under SOP 97-2. Included in accounts receivable are unbilled receivables related to fixed fee consulting arrangements.

Concentrations of operating risks are limited due to the Company's large customer base and its dispersion across many different industries and countries worldwide. No single customer accounted for 10 % or more of revenues for fiscal year 1999, 1998 or 1997.

16 | Other Assets

	1999 € (000)	1998 € (000)
Other assets	307,911	92,829
– thereof with a remaining term greater than 1 year	43,174	49,637

The increase in other assets is primarily related to the sale of marketable equity securities for which the sales proceeds were received in January 2000. Other assets also include interest receivable for the period, tax refund claims, notes receivable, cash surrender value of insurance policies and rental deposits.

17 | Liquid Assets

Liquid assets at December 31, consists of the following:

	1999 € (000)	1998 € (000)
Cash at banks	195,889	160,190
Time deposits with maturities of 3 months or less at the date of acquisition	513,572	460,666
Cash and cash equivalents	**709,461**	**620,856**
Time deposits with maturities greater than 3 months and less than 1 year	60,125	13,571
Time deposits with maturities exceeding 1 year	40,691	35,790
	810,277	670,217

18 | Prepaid Expenses and Deferred Charges

This balance sheet line item is mainly comprised of prepayments for rental contracts, leases and maintenance contracts.

19 | Subscribed Capital

At December 31, 1999, issued and outstanding subscribed capital of SAP AG was as follows:

Number and type of shares	€
61,000,000 no-par ordinary shares	155,944,024
43,756,114 no-par preference shares	111,860,729
	267,804,753

Preference shares rank equally with the ordinary shares with respect to liquidation rights and preemptive rights. A holder of preference shares is entitled to a cumulative annual preferred dividend which exceeds the annual dividend paid to holders of ordinary shares by an amount equal to € 0.03 per preference share but in no event less than a minimum dividend equal to € 0.03 per preference share. Holders of preference shares have no voting rights except in limited instances. The preference shares are not entitled to a preference in liquidation but rank pari passu with the ordinary shares.

By resolution of the Annual General Meeting held May 7, 1998, the Executive Board was authorized, subject to the approval of the Supervisory Board, to issue additional no-par bearer preference shares which may be issued through the period ending May 15, 2003. The issuance of all of these additional preference shares would increase capital stock by € 5,113 thousand. The additional shares are subject to the preemptive rights of existing preference shareholders. No such additional preference shares were issued during the fiscal year.

The subscribed capital increased only to the extent holders exercised their conversion rights under convertible bonds. As conversion rights under the 1994/2004 convertible bond issue were exercised in 1999, € 490 thousand of contingent capital (corresponding to 191,615 no-par preference shares) was converted into capital stock. As a result, contingent capital decreased by € 490 thousand, and totaled € 1,263 thousand on December 31, 1999. Subsequent to the conversion of these bonds, there were 493,886 approved preference shares remaining that had not yet been converted at December 31, 1999. Contingent capital represents share which have been authorized in conjunction with a convertible bond or stock option program which are not yet issued or outstanding.

Refer to the Consolidated Statements of Changes in Shareholders' Equity in the consolidated financial statements.

20 | Additional Paid-In Capital

The increase of additional paid-in capital of € 6,329 thousand is primarily related to an increase from the exercise of convertible bonds of € 9,307 thousand and a decrease of € 2,978 thousand related to discounts provided to employees under stock purchase programs.

21 | Special Reserves for Capital Investment Subsidies and Allowances

The consolidated balance sheets include special reserves for capital investment subsidies and allowances pursuant to regional development programs.

22 | Pension Liabilities and Similar Obligations

	1999 € (000)	1998 € (000)
Domestic pension plans	5,245	11,302
Foreign pension plans	4,330	0
Other pension plans and similar obligations	2,013	3,143
	11,588	14,445

Reserves for pension obligations are established on the basis of benefit plans that promise old age, disability and survivors' benefits. In most cases, the benefit plans are performance-oriented, based on the length of service and compensation of employees.

Domestic Plans

The pension plans in Germany are performance-oriented and the related plan assets are held in accordance with the Company's policies by SAP Altersvorsorge e. V., a legally independent relief fund sponsored by SAP AG. Members of the Executive Board are covered by individual, performance-oriented benefit plans, for which reserves have been established. During 1999, the Company implemented a defined contribution plan which replaced the benefits of the existing defined benefit plan for certain eligible employees. In accordance with the provisions of Statement of Financial Accounting Standards No. 88, "Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits" ("SFAS 88"), this change resulted in net curtailment gain of € 10,763 thousand and a net settlement gain of € 374 thousand.

The change of the pension obligation and the change in plan assets for the domestic plans are as follows:

	1999 € (000)	1998 € (000)
Change in benefit obligation		
Benefit obligation at beginning of year	95,641	77,511
Service cost	4,582	11,146
Interest cost	2,440	5,042
Liability decreased due to curtailment	–38,628	0
Liability decreased due to settlement	–42,176	0
Actuarial loss	1,088	2,013
Benefits paid	–98	–71
Payments for settlement of deferred vested employees	–155	0
Benefit obligation at end of year	**22,694**	**95,641**
Change in plan assets		
Fair value of plan assets at beginning of the year	54,211	40,525
Actual return on plan assets	8,353	3,197
Employer contributions	1,597	12,366
Life/disability insurance premiums and expenses	–298	–1,806
Benefits paid	–98	–71
Payments for settlement of deferred vested employees	–155	0
Assets transferred to defined contribution plan	–48,619	0
Fair value of plan assets at end of year	**14,991**	**54,211**
Funded status	7,703	41,430
Unrecognized net actuarial loss	–2,687	–16,261
Unrecognized transition asset	–703	–13,867
Net amount recognized	**4,313**	**11,302**
Amounts recognized in the consolidated balance sheets:		
Accrued benefit liability	5,245	11,302
Accumulated other comprehensive income	–932	0
Net amount recognized	**4,313**	**11,302**

The following assumptions were used to develop the change in pension obligation and the changes in plan assets of the German plans:

	1999 %	1998 %	1997 %
Discount rate	6.5	6.0	6.0
Expected return on plan assets	6.5	6.5	6.5
Rate of compensation increase	4.0	4.0	4.0

Components of Net Periodic Benefit Cost

	1999 € (000)	1998 € (000)	1997 € (000)
Service cost	4,582	11,146	9,370
Interest cost	2,440	5,042	4,071
Expected return on plan assets	–2,013	–3,384	–2,626
Net amortization	741	1,329	1,311
Net periodic benefit cost	**5,750**	**14,133**	**12,126**

Foreign Plans

SAP has non-contributory defined benefit plans for certain of its foreign employees. These plans provide benefits based upon compensation levels, age and years of service.

The change of the pension obligation and the change in plan assets for the foreign plans are as follows:

	1999 € (000)	1998 € (000)
Change in benefit obligation		
Benefit obligation at beginning of year	19,422	11,492
Service cost	12,283	6,829
Interest cost	1,544	831
Actuarial loss	2,869	1,486
Benefits paid	–1,956	0
Foreign currency exchange rate changes	4,475	–1,216
Benefit obligation at end of year	**38,637**	**19,422**
Change in plan assets		
Fair value of plan assets at beginning of year	19,808	10,693
Actual return on plan assets	4,533	1,125
Employer contribution	9,307	9,215
Benefits paid	–1,956	0
Foreign currency exchange rate changes	3,649	–1,225
Fair value of plan assets at end of year	**35,341**	**19,808**
Funded status	3,296	–386
Unrecognized net actuarial gain/(loss)	–3,335	–2,982
Net amount recognized	**–39**	**–3,368**
Amounts recognized in the consolidated balance sheets:		
Prepaid benefit cost	–1,688	–3,368
Accrued benefit liability	4,330	0
Intangible asset	–677	0
Accumulated other comprehensive income	–2,004	0
Net amount recognized	**–39**	**–3,368**

The following assumptions were used to develop the change in pension obligation and the change in plan assets of the foreign plans:

	1999 %	1998 %	1997 %
Discount rate	7.75	6.75	7.0
Expected return on plan assets	8.0	8.0	8.0
Rate of compensation increase	6.0	6.0	6.0

Components of Net Periodic Benefit Cost

	1999 € (000)	1998 € (000)	1997 € (000)
Service cost	12,283	6,829	3,566
Interest cost	1,544	831	712
Expected return on plan assets	–1,766	–1,013	–460
Net amortization and deferral	175	59	30
Net periodic benefit cost	**12,236**	**6,706**	**3,848**

23 | Other Reserves and Accrued Liabilities

	1999 € (000)	1998 € (000)
Current and deferred taxes	456,916	221,051
Other reserves and accrued liabilities	809,645	478,005
	1,266,561	**699,056**

Accrued taxes include current and prior year tax obligations.

Other reserves and accrued liabilities at December 31, are as follows:

	1999 € (000)	1998 € (000)
Obligations to employees	342,525	294,183
STAR program obligations	157,397	16,327
Obligations to suppliers	142,267	88,923
Vacation entitlement	79,479	57,435
Customer claims	36,393	6,614
Fair value of foreign exchange contracts	29,363	111
Warranty and service costs	7,955	3,861
Auditing and reporting costs	3,261	1,878
Contribution to employees' accident insurance account	2,330	2,784
Other	8,675	5,889
	809,645	478,005

Other reserves and accrued liabilities of € 107,376 thousand (€ 11,908 thousand in 1998) are due in greater than one year.

Obligations to employees relate primarily to variable bonus payments tied to earnings performance, paid out after the balance sheet date. Obligations to suppliers represent services received or goods purchased for which SAP has not yet been invoiced. Warranty and service costs accruals represent estimated future warranty obligations and other minor routine items provided under maintenance.

Stock Appreciation Rights Plan

In 1998, the Company implemented a stock appreciation rights ("1998 STAR") plan. Under the 1998 STAR plan, eligible employees were entitled to receive cash equal to a portion of the appreciation in SAP AG preference shares during the measurement period, approximately one year. The grant price of the 1998 plan was DM 785 (€ 401), the end price was DM 659 (€ 337). Accordingly no payments were made with respect to the 1998 STAR.

In May 1999, the Company granted stock appreciation rights ("1999 STAR") to eligible employees. Amounts to be paid are based upon the appreciation in SAP AG preference shares during the measurement period, approximately 9 months. The grant price was set at € 337. The end price for the 1999 plan of € 822 was the average mid-session auction price of a preference share over the 20 business days immediately following the announcement of the SAP's preliminary 1999 full year earnings on January 24, 2000. As a result, each STAR has a value of € 485. Although the ultimate payout will depend upon forfeitures, management estimates additional expenses in 2000 ranging from € 460 million to € 500 million with slightly over 50% of such expenses recorded in the first quarter of 2000. Payments under the STAR plan will be made in three equal installments (July 2000, January 2001 and July 2001) provided that, subject to certain exceptions, the eligible employee continues to be actively employed on the payment dates. Compensation expenses related to STAR are recorded based upon the appreciation of the STAR's market price over the vesting period (May 1999 – July 2001) after consideration of estimated forfeitures. Due to the reversal of € 16,327 thousand accrual for the 1998 STAR program, as well as the impact of currency exchange rates, the 1999 accrual exceeds the 1999 expense for this program. See note 5.

Long Term Incentive Plan

On January 18, 2000, the Company's shareholders approved the SAP AG 2000 Long Term Incentive Plan (LTI 2000 Plan). The LTI 2000 Plan is a stock based compensation program providing members of the SAP AG Executive Board, members of subsidiaries' executive boards and selected employees a choice between convertible bonds, stock options, or a 50 % mixture of each. If chosen, the participant receives 25 % more stock options than convertible bonds. Under the LTI 2000 Plan, each convertible bond having a € 3 nominal value may be converted into one preference share over a maximum of 10 years subject to certain vesting requirements. The conversion price is equal to the market price of a preference share as quoted on the XETRA trading system the day immediately preceding the granting. Each stock option may be exercised in exchange for one preference share over a maximum of 10 years subject to the same vesting requirements. The exercise price varies based upon the outperformance of the preference share price appreciation versus the appreciation of the Goldman Sachs Technology Software Index from the day immediately preceding granting to the date being measured. In addition, the shareholders authorized the Company to issue a maximum of 6,250,000 additional preference shares (contingent capital) to satisfy shares needed in conjunction with the LTI 2000 Plan. Subject to certain regulations, the Company may also acquire shares from the market to satisfy obligations under the LTI 2000 Plan.

24 | Bonds

This item comprises the outstanding portion of the SAP AG 6 % 1994/2004 convertible bond issue, which amounts to € 1,263 thousand (€ 1,752 thousand as of December 31, 1998). The 1994/2004 convertible bond issue is comprised of 4,000,000 registered convertible bonds with a value of DM 5 each. These convertible bonds carry a right, which can be exercised on June 30, July 31, August 31, September 30, October 31, or November 30 of any year up until June 30, 2004, to convert to preference shares. The exercise of remaining conversion rights would result in the issuance of 493,886 no-par preference shares.

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25 | Other Liabilities

Other liabilities based on due dates at December 31, are as follows:

	Term less than 1 year € (000)	Term between 1 and 5 years € (000)	Term more than 5 years € (000)	Balance on 12/31/1999 € (000)	Balance on 12/31/1998 € (000)
Bank loans and overdrafts	24,600	31,637	13	56,250	120,994
Advance payments received	63,626	2,687	0	66,313	78,386
Accounts payable	300,799	33	0	300,832	230,174
Payables due to unconsolidated					
affiliates	2,769	0	0	2,769	4,319
Taxes	137,902	0	0	137,902	92,906
Social security	38,762	0	0	38,762	30,151
Other liabilities	51,849	36	14,522	66,407	40,872
	620,307	34,393	14,535	669,235	597,802

The liabilities are unsecured, excluding retention of title and similar rights customary in the industry. The bank loans and overdrafts relate primarily to loans taken out in Japan due to the low interest rates prevailing in that country (€ 39,996 thousand).

In 1998, liabilities with a remaining term not exceeding one year amounted to € 560,573 thousand and those with a remaining term exceeding five years amounted to € 12,520 thousand.

26 | Deferred Income

Deferred income consists mainly of deferred software license revenues. Such amounts will reverse as software, maintenance or service revenue depending upon the reasons for the deferral.

D. Information on the Consolidated Statements of Cash Flows

See the reconciliation from cash and cash equivalents to liquid assets in note 17.

27 | Net Cash Provided by Operating Activities

Net cash provided by operating activities increased in 1999 and 1998 due to an increase in the Company’s net income. The 1999 net cash increase was lowered by an increase in other assets, which primarily resulted from the sale of marketable equity securities for which the sales proceeds were received in January 2000.

Interest payments in 1999, 1998 and 1997 were € 3,511 thousand, € 3,122 thousand and € 1,944 thousand, respectively. Income taxes paid in fiscal 1999, 1998 and 1997, net of refunds were € 419,471 thousand, € 450,575 thousand and € 286,694 thousand, respectively.

28 | Net Cash Used by Investing Activities

In 1998 net cash used by investing activities decreased as a result of a decrease in liquid assets with maturities greater than 90 days. This was not the case in 1999. Furthermore in 1999 financial assets increased mainly as a result of SAP’s venture capital activities. This resulted in net cash used by investing activities being higher in 1999 than in 1998. In all years shown, cash provided by operating activities was sufficient to fund the Company’s investing activities.

29 | Net Cash Used for Financing Activities

Financing activities used cash primarily for payments of dividends for the prior year. Net cash used for financing activities was higher in 1999 than in 1998 as the total dividends paid in 1999 for 1998 were higher than the dividends paid in 1998 for 1997.

E. Additional information

30 | Contingent Liabilities

	1999 € (000)	1998 € (000)
Notes receivable sold	9	21
Guarantees and endorsements	2,331	1,541
Guarantees for unused lines of credit and other commitments	278,066	223,705
Liabilities from the extension of collateral securities for others	27,253	28,243
	307,659	253,510

Contingent liabilities listed above have not been accrued because the associated risk of loss is not probable.

31 | Other Financial Commitments

Other financial commitments amounted to € 562,721 thousand and € 442,469 thousand as of December 31, 1999 and 1998, respectively, and are comprised of commitments under rental and operating leases of € 488,814 thousand and € 356,541 thousand as of December 31, 1999 and 1998, respectively, and purchase commitments of € 73,907 thousand and € 85,928 thousand as of December 31, 1999 and 1998, respectively.

Commitments under rental and operating leasing contracts as of December 31, 1999:

	€ (000)
Due 2000	148,346
Due 2001	113,912
Due 2002	66,864
Due 2003	41,581
Due 2004	33,189
Due thereafter	84,922

Rent expense was € 182,064 thousand, € 143,271 thousand and € 103,315 thousand for the years ended December 31, 1999, 1998 and 1997, respectively.

32 | Litigation and Claims

The bankruptcy trustee of the U.S. company FoxMeyer Corp. ("FoxMeyer") has instituted legal proceedings against SAP America, Inc., the American subsidiary of SAP AG, and SAP AG, claiming damages in an amount in excess of $ 500 million, punitive damages and other relief. FoxMeyer was a pharmaceutical wholesaler that filed for bankruptcy protection in 1996. FoxMeyer's bankruptcy trustee has alleged that SAP America, Inc., and SAP AG made false assurances concerning the functionality of the R/3 System software. A motion to dismiss brought by SAP AG and SAP America, Inc., was ruled by the court on September 13, 1999, dismissing five of the trustee's counts against SAP America and one of the trustee's counts against SAP AG. The discovery phase of the litigation is now proceeding. While the ultimate outcome of this matter cannot be determined presently with certainty, the Company believes that FoxMeyer's claims in this action are without merit. The Company is vigorously defending against the claims, and believes that this action is not likely to have a material effect on its results of operations, financial condition or cash flows.

SAP is subject to legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business. Although the outcome of these proceedings and claims cannot be predicted with certainty, management does not believe that the outcome of any of these matters will have a material adverse effect on the Company's results of operations, financial condition or cash flows.

33 | Financial Instruments

Fair Value of Financial Instruments

The Company utilizes various types of financial instruments in the ordinary course of business. The market values of these financial instruments are determined as follows:

- Marketable debt and equity securities: The fair values of marketable debt and equity securities, are based upon available quoted market prices on December 31.
- Other loans, bank loans and overdrafts: The fair values of other loans, bank loans and overdrafts approximate their carrying values.
- Derivative financial instruments: The fair value of derivatives generally reflects the estimated amounts the Company would pay or receive to terminate the contracts at the reporting date.

A summary of the Company's financial instrument fair values is presented below.

	12/31/1999		12/31/1998	
	Carrying value € (000)	Fair value € (000)	Carrying value € (000)	Fair value € (000)
Debt securities	524,530	524,530	87,223	87,223
Equity securities	55,798	55,798	58,683	58,683
Other loans	22,171	22,171	18,482	18,482
Bank loans and overdrafts	56,250	56,250	120,994	120,994
Derivative financial instruments				
Forward exchange contracts	–29,355	–29,355	310	310
Equity swap	5,070	5,070	0	0
	634,464	634,464	285,692	285,692

Detailed information about the fair value of debt and equity securities as well as other loans is included in note 13.

Derivative Financial Instruments

As an internationally active enterprise, the Company is subject to risks from interest-rate and currency fluctuations in its ordinary operations. The Company utilizes derivative financial instruments to reduce such risks as described below. The derivative financial instruments employed by the Company are exclusively marketable instruments with sufficient liquidity. The Company has established internal guidelines that govern the use of derivative financial instruments.
The Company is exposed to credit-related losses in the event of non-performance by counterparties to derivative financial instruments. To avoid these counterparty risks, the Company conducts business exclusively with major financial institutions.

Foreign Exchange Risk Management

Most of SAP AG's subsidiaries have entered into license agreements with SAP AG pursuant to which the subsidiary has acquired the right to sublicense SAP AG software products to customers within a specific territory. Under these license agreements, the subsidiaries generally are required to pay SAP AG a royalty equivalent to a percentage of the product fees charged by them to their customers within 90 days following the end of the month in which the subsidiary recognizes the revenue. These intercompany royalties payable to SAP AG are generally denominated in the respective subsidiary's local currency in order to centralize foreign currency risk with SAP AG in Germany. Because these royalties are denominated in the various subsidiaries' local currencies, whereas the functional currency of the Company is Euro, SAP AG's anticipated cash flows are subjected to foreign exchange risks. In addition, the delay between the date when the subsidiary records product revenue and the date when the subsidiary remits payment to SAP AG also exposes the Company to foreign exchange risk.
The Company enters into derivative instruments, primarily foreign exchange forward contracts, to protect all or a portion of anticipated cash flows from foreign subsidiaries. Specifically, these foreign exchange contracts offset anticipated cash flows and existing intercompany receivables relating to the countries with significant operations, including the United States, Japan, the United Kingdom, Switzerland, Australia and Canada. The Company uses foreign exchange forwards that generally have maturities of six months or less, which are usually rolled over to provide continuing coverage until the applicable royalties are received.
Generally, anticipated cash flows represent expected intercompany amounts resulting from revenues generated within the next twelve months from the purchase date of the derivative instrument. However, management extends the future periods being hedged for a period of up to two years from the purchase date of the derivative instrument based on the Company's forecasts and anticipated exchange rate fluctuations in various currencies. Management believes the use of foreign currency derivative financial instruments reduces the aforementioned risks that arise from doing business in international markets and holds such instruments for purposes other than trading.
Foreign exchange contracts are recorded at fair value in the consolidated balance sheets. Gains or losses on derivatives hedging anticipated cash flows are included in accumulated other comprehensive income, net of tax. When intercompany accounts receivables resulting from product revenue royalties are recorded, the applicable gain or loss is reclassified to other non-operating income/expense. Going forward, any additional gains or losses relating to that derivative are posted to other non-operating income/expense until the position is closed or the derivative expires.
At December 31, 1999, approximately €13.5 million of losses net of tax were deferred on foreign exchange contracts, of which €13.0 are expected to be recognized into income within the next 12 months. During 1999 € 47.0 million of net losses were reclassified into earnings of which €15.0 million was reclassified due to ineffectiveness when it became probable that the originally forecasted transactions would not occur in the period of time designated.

Equity Derivative

In conjunction with the 1999 sale of a certain equity security which resulted in substantial finance income, the Company entered into an equity swap whereby the Company receives or pays money to the extent the value of the underlying share price increases or decreases compared to the value of such shares at the inception of the swap. Amounts are received or paid monthly until the earlier of the expiration of the swap in 2000 or termination. At any time during the life of the derivative, both the Company and the counterparty may terminate the equity swap at fair value . The equity swap is recorded at fair value in the consolidated balance sheets. Gains or losses are based on changes in the fair market value and are immediately recognized in non-operating income.

The notional values and fair values of the derivative financial instruments as of December 31, are as follows:

Foreign exchange derivatives	1999		1998	
	Notional value € (000)	Fair value € (000)	Notional value € (000)	Fair value € (000)
Forward exchange contracts				
Gains	4,978	8	227,519	421
Losses	476,752	–29,363	86,611	–111
	481,730	**–29,355**	**314,130**	**310**
Equity swap				
Gains	69,030	5,070	0	0

34 | Segment Information

SAP discloses segment information in accordance with Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Disclosures" ("SFAS 131"). SFAS 131 presents standards for reporting information about operating segments as well as for related disclosures about products and services and geographic areas.

SFAS 131 generally requires financial information about operating segments to be reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources to segments. Until 1998, SAP did not have a structure of operational segments for which separate financial data was available. In 1999, SAP adopted the cost of sales-format for its consolidated income statements and changed the accounting principles under which its consolidated financial statements are prepared from German GAAP to U.S. GAAP. These changes also resulted in a major change in the Company's internal reporting. The Company now prepares its internal use financial data based upon its major line of business operating segments; however, such line of business information has only been prepared as far as it was necessary for consolidated income statement purposes. It would therefore be impracticable to disclose operating segment data for the fiscal years 1998 and 1997.

SAP is organized by line of business and geographically. Furthermore, certain subsets of the Company are organized by industry segments. The Company's internal reporting system produces reports in which business activities are presented in a variety of different ways. Based on these reports, the Executive Board, which has been identified as the chief operating decision-maker according to the criteria of SFAS 131, evaluates business activities in a number of different ways. Neither the line of business nor the geographic structure can be identified as primary. Therefore, in accordance with SFAS 131, the line of business structure is regarded as constituting the operating segments.

SAP has three line of business operating segments: "Product", "Consulting" and "Training". The Product segment is primarily engaged in the marketing and licensing of the Company's software products and in the performance of maintenance services that include technical support for the Company's products, assistance in resolving problems, the provision of user documentation, updates for software products, and new releases, versions and correction levels. The Consulting segment assists customers in the implementation of SAP software products. It furthermore supports the customer in project planning, feasibility studies, analyses, organizational consulting, system adaptation, system optimization, release change, and interface setup. The Training segment provides training services on the use of SAP software products and related topics.

Accounting policies for each of the line of businesses are the same as those described in the summary of significant accounting policies as disclosed in note 3 except for differences in the currency translation that results in minor differences between the figures reported internally and the respective figures of the financial statements. Depending on the type of service provided, SAP accounts for internal sales and transfers either on a cost basis or at current market prices.

	1999			
	Product € (000)	Consulting € (000)	Training € (000)	Total € (000)
External revenue	3,091,511	1,514,030	453,758	5,059,299
Internal revenue	68,253	276,905	60,007	405,165
Total revenue	**3,159,764**	**1,790,935**	**513,765**	**5,464,464**
Segment expenses	–1,477,462	–1,527,995	–334,871	–3,340,328
Segment contribution	**1,682,302**	**262,940**	**178,894**	**2,124,136**
Segment profitability	**53.2 %**	**14.7 %**	**34.8 %**	

Revenues

The reported external revenue figures for the operating segments differ from the respective figures disclosed in the consolidated income statements as internally revenues are generally allocated to the segment that is responsible for the related project while the figures reported in the consolidated income statements reflect the kind of transaction regardless of the segment it was provided by. Internal revenues comprise revenues from transactions with other parts of the Company.

The following table represents a reconciliation from the total of the segments' revenues to the total consolidated revenues as reported in the consolidated income statements:

	1999 € (000)
Total revenue for reportable segments	5,464,464
Elimination of internal revenues	–405,165
Other external revenues	62,298
Other differences	–11,384
	5,110,213

Other external revenues result from services provided from outside the reportable segments. Other differences primarily comprise currency translation differences.

Segment Contribution

The segment contributions reported reflect only expenses that are allocated to the segments. They do not represent the actual margins for the operating segments since general and administrative, development and other expenses are not allocated to the segments. Interest revenues and expenses are not included in segment contributions. Depreciation, depletion and amortization expenses are mainly charged to the segments indirectly as part of cost allocations. They are therefore not identified separately on the segment level in the internal reporting system. It would therefore be impractical to provide such disclosure.
The following table represents a reconciliation from the total of the segment contribution to the income before income taxes as reported on the face of the consolidated income statements:

	1999 € (000)
Total contribution for reportable segments	2,124,137
Contribution from activities outside the reportable segments	–1,181,841
STAR expenses	–140,324
Other differences	–5,792
Operating income	**796,180**
Other non-operating income/expenses, net	–51,008
Finance income, net	235,175
	980,347

The contribution from activities outside the reportable segments mainly comprises research and development, general and administrative and other corporate expenses that are not allocated to the operating segments. Other differences primarily comprise currency translation differences.

Segment Profitability

A segment's profitability is calculated as the ratio of the segment's contribution to the segment's total revenues.

Segment Assets

The company does not track assets or capital expenditures by operating segments. It would therefore be impractical to show assets, capital expenditures or related data by operating segments.

Geographic Information

The following table presents a summary of operations by geographic region. The Company did not prepare geographic information on a U.S. GAAP basis for 1997. The following amounts are based upon consolidated data. Therefore, the total of each of the following categories reconciles to the consolidated financial statements.

in thousands of €	Sales by destination		Sales by operation	
	1999	1998	1999	1998
Germany	1,067,266	797,883	1,154,288	882,387
Rest of EMEA [1]	1,407,437	1,138,714	1,347,150	1,058,877
Total EMEA	**2,474,703**	**1,936,597**	**2,501,438**	**1,941,264**
United States	1,638,277	1,564,320	1,630,094	1,570,541
Rest of Americas	507,528	437,602	506,255	437,230
Total Americas	**2,145,805**	**2,001,922**	**2,136,349**	**2,007,771**
Asia-Pacific	**489,705**	**377,095**	**472,426**	**366,579**
	5,110,213	**4,315,614**	**5,110,213**	**4,315,614**

in thousands of €	Income before income taxes		Total assets	
	1999	1998	1999	1998
Germany	454,746	448,948	1,525,095	1,078,513
Rest of EMEA [1]	199,968	174,694	997,172	820,359
Total EMEA	**654,714**	**623,642**	**2,522,267**	**1,898,872**
United States	234,974	257,866	1,634,374	1,002,311
Rest of Americas	75,657	58,334	333,556	223,737
Total Americas	**310,631**	**316,200**	**1,967,930**	**1,226,048**
Asia-Pacific	**15,002**	**-7,890**	**336,692**	**321,015**
	980,347	**931,952**	**4,826,889**	**3,445,935**

[1] Europe/Middle East/Africa

in thousands of €	Property, plant and equipment		Capital expenditures	
	1999	1998	1999	1998
Germany	433,059	345,160	156,160	162,766
Rest of EMEA [1]	137,337	130,442	35,075	57,346
Total EMEA	**570,396**	**475,602**	**191,235**	**220,112**
United States	177,433	130,866	43,690	90,128
Rest of Americas	16,586	15,624	8,286	9,149
Total Americas	**194,019**	**146,490**	**51,976**	**99,277**
Asia-Pacific	**29,861**	**23,320**	**16,099**	**12,023**
	794,276	645,412	259,310	331,412

in thousands of €	Depreciation		Employees as of December 31,	
	1999	1998	1999	1998
Germany	67,226	61,174	8,912	7,679
Rest of EMEA [1]	29,695	24,164	4,162	3,281
Total EMEA	**96,921**	**85,338**	**13,074**	**10,960**
United States	16,994	13,899	4,408	4,463
Rest of Americas	7,598	7,892	1,597	1,521
Total Americas	**24,592**	**21,791**	**6,005**	**5,984**
Asia-Pacific	**13,311**	**9,960**	**2,620**	**2,364**
	134,824	117,089	21,699	19,308

[1] Europe/Middle East/Africa

Germany incurs all research and development as SAP AG has title to all internally developed software. Approximately 73 % of the research and development personnel are located in Germany, 6 % in the rest of EMEA, 13 % in the United States and 8 % in the Asia-Pacific region.

In 1998, the Company allocated total sales revenues by industry sectors for the first time. The six major groups of industry sectors generated the following total sales revenues for the year ended:

	1999 € (000)	1998 € (000)
Process industries	1,082,198	974,219
Discrete manufacturing	1,506,534	1,159,823
Fast-moving consumer goods	770,309	649,569
Utilities and communication	605,609	452,143
Financial services and service providers	831,031	826,657
Public sector	314,532	253,203
	5,110,213	4,315,614

The following table represents software revenue by type for the year ended December 31, 1999:

	1999 € (000)
R/3	1,616,179
mySAP.com	128,792
New Dimension	187,420
	1,932,391

35 | Board of Directors

Subject to the adoption of the dividend resolution by the shareholders at the Annual General Shareholders' Meeting on May 5, 2000, the total annual remuneration of the Supervisory Board for the year ended December 31, 1999, will amount to € 560 thousand. The total annual remuneration of the Executive Board for the year ended December 31, 1999, was € 5,529 thousand. Additionally, the Executive Board received € 3,351 related to the STAR program. As of December 31, 1999 and 1998, the Company did not provide any loans, warranties or guaranties to the Executive Board. The pension accrual as of December 31, 1999, for former Executive Board members was € 1,263 thousand.

The members of the Supervisory Board and Executive Board of SAP AG are listed on pages 97 to 99.

36 | Major Differences Between German and U.S. Accounting Principles

Introduction

Being a holding corporation that owns the majority of voting rights in other enterprises, SAP AG is generally obliged to prepare consolidated financial statements in accordance with the accounting regulations set out in the German Commercial Code ("Handelsgesetzbuch – HGB"). Section 292a HGB offers however an exemption from this obligation, if consolidated financial statements are prepared and published that are in accordance with an internationally accepted accounting principle (U.S. GAAP or IAS). To make use of this exemption, the Company is required to describe the significant differences between the accounting methods applied and German accounting methods.

Fundamental Differences

German HGB accounting rules and U.S. GAAP are based on fundamentally different perspectives. While accounting under the German HGB emphasizes the principle of caution and creditor protection, the availability of relevant information for shareholder decision-making is the chief objective of U.S. GAAP. The comparability of the financial statements – both from year to year and from company to company – and the determination of performance on an accrual basis therefore rank higher under U.S. GAAP than under HGB.

Revenue Recognition

Under German HGB, payment terms generally have no impact on revenue recognition. Under the American Institute of Certified Public Accountants Statement of Position 97-2, "Software Revenue Recognition" ("SOP 97-2") extended payment terms may indicate that license fees are not fixed and determinable and should therefore be recognized as payments become due.
Generally, software maintenance agreements are concluded in conjunction with the software license agreement. Maintenance fees are mostly based upon a standard percentage of the related software license fee. Under German HGB, the expected costs of the maintenance service are accrued if a free-of-charge service period is provided. SOP 97-2 regards both maintenance fees below the standard percentage and the provision of free maintenance service as discounts to be considered in recognizing software revenue. Therefore the relative fair market value of nonstandard maintenance arrangements including free service periods reduce the related software license revenue and are recognized as maintenance revenue when such services are provided in subsequent periods.

Pension Benefits

Until 1997, reserves for pension obligations in Germany were determined by the ongoing-concern method applying an interest rate of 6 % per annum, in accordance with German tax law. In 1998 the Company adopted the Projected Unit Credit Method, which is required under U.S. GAAP and permitted under German tax law. In contrast to the ongoing-concern method, the Projected Unit Credit Method makes allowance for projected compensation and pension increases and is based on actual rates of interest derived from the long-term borrowing rates in the countries concerned.

In-Process Research and Development

Under German GAAP, the in-process research and development costs of companies acquired are not identified separately. Under U.S. GAAP, these costs are separately determined at the time of acquisition and charged to expense.

Deferred Taxes

Under German GAAP, deferred tax assets are not recorded for net operating losses. Under U.S. GAAP, deferred tax assets are recorded for net operating losses and a valuation allowance is established when it is more likely than not that deferred tax assets will not be realized.

Stock Appreciation Rights Program ("STAR")

The STAR program rewards selected employees based on the appreciation of SAP's preference share price over a predetermined period of time, the nine month period between May 1999 through February 2000, for the 1999 STAR program. The compensation arising from this measurement period is paid to participants in three installments. Under German GAAP, the total expense is recognized in 1999 as the STAR program was established as a 1999 compensation program. In addition, the accrual is based on the SAP preference share appreciation through the last date available before the preparation of the financial statements is finished. Under U.S. GAAP, the expense is recognized over a period beginning with the start of the STAR program in May 1999 and ending with the payment of the last installment in the middle of 2001. In addition, the accrual is based on the SAP preference share appreciation through December 31, 1999. Since the preference share price increased significantly after December 31, 1999, the accrual was larger under German GAAP.

Marketable Securities

Under German GAAP, marketable debt and equity securities are valued at the lower of acquisition cost or market value at the balance sheet date. Under U.S. GAAP, marketable debt and equity securities are categorized as either trading, available-for-sale or held to maturity. The Company's securities are considered to be available-for-sale and, therefore, are valued under U.S. GAAP at fair market value as of the balance sheet date. Unrealized gains and losses are excluded from earnings and reported net of deferred tax in other comprehensive income.

Derivatives

Under German GAAP, most derivatives are not recorded on the balance sheet. Unrealized gains are not recognized, unrealized losses are accrued. Under SFAS 133 (which SAP implemented in 1999), derivatives are recorded on the balance sheet at their fair value. Gains or losses on derivatives qualifying as cash flow hedges are reported in other comprehensive income net of tax and are realized in earnings in conjunction with the gain or loss on the hedged item or transaction.

Employee Discounted Stock Purchase Program
Under certain employee discounted stock purchase programs, SAP employees are provided a discount on the purchase of SAP shares. Under German GAAP, all discounts provided under these programs are expensed whereas under U.S. GAAP, certain discounts provided are recorded as a direct reduction in additional paid-in capital.

Walldorf, February 18, 2000

SAP Aktiengesellschaft
Systeme, Anwendungen, Produkte in der Datenverarbeitung
Walldorf/Baden

Executive Board
Plattner Kagermann Heinrich Oswald Zencke

Executive Board

Membership of supervisory boards and other comparable governing bodies of enterprises in Germany and other countries on December 31, 1999

Prof. Dr. h. c. Hasso Plattner Schriesheim-Altenbach Co-Chairman and CEO mySAP.com Internet strategy, industry solution development, basis technology, marketing, corporate communications	Management Board, SAP (Schweiz) AG Systeme, Anwendungen und Produkte der Datenverarbeitung, Biel, Switzerland
Prof. Dr. Henning Kagermann Hockenheim Co-Chairman and CEO Sales, distribution, consulting, and global customer relations, industry solutions, strategic development projects, finance and administration	Supervisory Board, DaimlerChrysler Services (debis) AG, Berlin Supervisory Board, IDS Scheer AG, Saarbrücken Supervisory Board, Münchener Rückversicherungs-Gesellschaft AG, Munich Supervisory Board, SAP Solutions GmbH, Freiberg a. N.
Prof. Dr. Claus E. Heinrich Walldorf Development of industry solutions, development SAP R/3 product, supply chain management, human resources	Supervisory Board, SVC AG Schmidt Vogel Consulting, Bielefeld
Gerhard Oswald Wiesloch SAP R/3 corporate services, IT infrastructure	Supervisory Board, SAP Systems Integration GmbH, Alsbach-Hähnlein
Dr. Peter Zencke Gorxheimertal Development of industry solutions, customer relationship management, coordination of global research, e-business	Supervisory Board, iXOS AG, Grasbrunn Supervisory Board, Pixelpark AG, Berlin

Extended Management Board

Karl-Heinz Hess
Stutensee
Basis and mySAP.com development

Kevin S. McKay
Doylestown, PA, United States
SAP America, Inc., (CEO)
Americas

Les Hayman
Singapore
Asia-Pacific
as of July 22, 1999

Dieter Matheis
Mühlhausen
Chief financial officer

Leo Apotheker
Fourqueux, France
Southwest Europe
as of July 22, 1999

Supervisory Board

Membership of other supervisory boards and comparable governing bodies of enterprises in Germany and other countries on December 31, 1999

Dietmar Hopp Walldorf Chairperson	Supervisory Board, SAP Solutions GmbH, Freiberg a. N.
Helga Classen *) St. Leon-Rot Service manager Deputy Chairperson	
Willi Burbach *) Ratingen Developer	
Dr. Wilhelm Haarmann Kronberg/Taunus RA WP StB HAARMANN, HEMMELRATH & PARTNER, Frankfurt am Main	Supervisory Board, iXOS AG, Grasbrunn Supervisory Board, Häussler AG, Stuttgart Management Board, R. Oldenbourg GmbH & Co. KG, Munich Supervisory Board, Immobilien- und Baumanagement der Bankgesellschaft Berlin GmbH, Berlin
Bernhard Koller *) Walldorf Development leader Remote Services	
Klaus-Dieter Laidig Böblingen Business consultant Laidig Business Consulting GmbH, Böblingen	Supervisory Board, Heiler Software AG, Stuttgart Supervisory Board, Henninger-Bräu AG, Frankfurt Supervisory Board, Varetis AG, Munich Board of Directors, Agile Software Corporation, San José, CA, United States Board of Directors, Latitude Communications, Santa Clara, CA, United States
Dr. Gerhard Maier *) Wiesloch Development Manager	
Hartmut Mehdorn Heidelberg Chairman of the Executive Board Deutsche Bahn AG, Berlin	Supervisory Board, Lufthansa Technik AG, Hamburg Supervisory Board, DB Station & Service AG, Berlin Supervisory Board, DB Reise & Touristik AG, Berlin Supervisory Board, DB Regio AG, Berlin Supervisory Board, DB Cargo AG, Berlin Supervisory Board, DB Netz AG, Berlin
Dr. Barbara Schennerlein *) Dresden Consultant	
Alfred Simon *) Malsch Documentation shipping associate	
Dr. Dieter Spöri Backnang Head of Corporate Representation Federal Affairs, DaimlerChrysler AG, Berlin	Advisory Council, Contraf Nicotex Tobacco GmbH, Heilbronn
Dr. h. c. Klaus Tschira Heidelberg Managing director, Klaus Tschira Foundation gGmbH, Heidelberg	Supervisory Board, Lion bioscience AG

*) elected by the employees

Subsidiaries, Joint Ventures, and Associated Companies

SAP AG AND THE GROUP					as of 12/31/1999
Name and location of company	Ownership %	in thousands of €			Number of employees as of 12/31/1999[2]
		Sales revenue in 1999[1]	Net income/ loss (–) for 1999[1]	Equity as of 12/31/1999[1]	
I. AFFILIATED COMPANIES					
GERMANY					
SAP Retail Solutions GmbH & Co., St. Ingbert[4]	100	79,807	16,150	24,916	570
SAP Systems Integration GmbH, Alsbach-Hähnlein	60	63,584	5,670	18,809	347
SAP Solutions GmbH Systeme, Anwendungen, Produkte					
in der Datenverarbeitung, Freiberg a. N.	90	35,269	7,169	2,363	226
Steeb Anwendungssysteme GmbH, Abstatt	100	28,869	1,907	6,526	158
SAP CRM Consulting GmbH & Co. KG, Mannheim	100	21,658	2,220	3,473	208
SAP Learning Solutions GmbH, Immenstaad	85	3,584	404	1,373	16
e-SAP.de GmbH & Co. KG, Walldorf[3]	100	925	–468	1,631	33
DACOS Software Holding GmbH, St. Ingbert	100	0	3,339	8,617	0
SAP Retail Solutions Beteiligungsgesellschaft mbH, Walldorf	100	0	5	30	0
e-SAP.de Beteiligungs GmbH, Walldorf[3]	100	0	0	25	0
SAP CRM Consulting Beteiligungsgesellschaft mbH, Mannheim[3]	100	0	–1	24	0
REST OF EUROPE, MIDDLE EAST AND AFRICA					
SAP (UK) Limited, Feltham/UK	100	248,534	–2,007	64,669	560
SAP France Systèmes Applications et Progiciels S.A., Paris/France	100	203,559	13,618	31,368	522
SAP (Schweiz) AG Systeme, Anwendungen und Produkte der					
Datenverarbeitung, Biel/Switzerland	100	176,667	34,462	103,578	315
S.A.P. Italia Sistemi Applicazioni Prodotti in Data Processing					
S.p.A., Milan/Italy	100	109,915	14,296	31,034	248
SAP Nederland B.V., 's Hertogenbosch/The Netherlands	100	106,401	16,611	36,013	318
SAP Österreich GmbH, Vienna/Austria	100	74,296	8,612	26,411	218
SAP ESPANA Y PORTUGAL SISTEMAS APLICACIONES Y PRODUCTOS					
EN LA INFORMATICA, S.A., Madrid/Spain	100	67,843	6,478	17,851	184
NV SAP BELGIUM SA, Brussels/Belgium	100	67,365	9,790	21,188	165
SAP Svenska Aktiebolag, Stockholm/Sweden	100	52,772	4,551	14,403	183
SYSTEMS APPLICATIONS PRODUCTS (SOUTHERN AFRICA)					
(PTY) LTD, Woodmead/South Africa	100	44,486	1,492	11,037	293
SAP Danmark A/S, Brondby/Denmark	100	44,278	7,893	13,231	180
SAP Finland Oy, Espoo/Finland[3]	100	34,492	4,022	13,993	102
SAP Portugal Sistemas, Aplicações e Productos Informáticos,					
Sociedade Unipessoal, Lda. Paco d´Arços/Portugal[3]	100	33,885	4,415	12,536	87
SAP CR, spol. s.r.o., Prague/Czech Republic	100	32,160	2,156	10,138	141
SAP Norge AS, Lysaker/Norway[3]	100	25,805	–3,647	8,528	88
SAP Polska Sp. z.o.o., Warsaw/Poland	100	23,451	173	6,289	121
SAP Hungary Rendszerek, Alkalmazások és Termékek az					
Adatfeldolgozásban Informatikai Kft., Budapest/Hungary	100	13,149	588	5,043	86
SAP Slovensko s.r.o., Bratislava/Slovakia	100	9,189	673	934	42
SAP Consult C.I.S., Moscow/Russia	100	8,707	1,347	1,778	85
SAP Retail Solutions Nederland B.V., 's Hertogenbosch/The					
Netherlands[4]	100	6,792	26	227	0
SAP Service and Support Centre (Ireland) Limited, Dublin/Ireland	100	5,824	1,818	3,608	99
SAP-OFEK Ltd., Industrial Area Herzliya/Israel[3]	58	4,250	810	1,974	47
SAP Labs France S.A., Paris/France	100	2,409	266	2,043	17
CADRA S.A., Chazay D`Azergues/France[3]	100	2,268	192	1,784	55
SAP Ireland Ltd., Dublin/Ireland	100	0	811	26,607	6

SAP AG AND THE GROUP					as of 12/31/1999
Name and location of company	Ownership %	in thousands of €			Number of employees as of 12/31/1999[2]
		Sales revenue in 1999[1]	Net income/ loss (–) for 1999[1]	Equity as of 12/31/1999[1]	
AMERICAS					
SAP America, Inc., Newtown Square/USA	100	1,617,889	87,787	528,637	3,584
SAP Canada Inc., North York/Canada	100	187,065	16,545	43,041	469
SAP BRASIL LTDA., Sao Paulo/Brazil	100	137,104	8,385	20,714	505
SAP Labs, Inc., Palo Alto, CA/USA[4]	100	125,045	4,736	12,713	490
SAP MEXICO S.A. DE C.V., Mexico City/Mexico	100	91,888	11,724	31,373	255
SAP Public Sector and Education, Inc., Washington D.C./USA[4]	100	88,370	–19,917	–26,772	233
SAP ARGENTINA S.A., Buenos Aires/Argentina	100	52,655	5,903	21,889	184
SAP Andina y del Caribe S.A., Caracas/Venezuela	100	50,544	5,697	8,935	184
Campbell Software Inc., Chicago/USA[3, 4]	100	13,359	668	4,408	58
SAP International, Inc., Miami,FL/USA[4]	100	11,493	–1,086	–2,013	43
SAP Investment Inc., Wilmington, DE/USA[4]	100	0	71,279	388,705	0
ASIA-PACIFIC					
SAP Japan Co., Ltd., Tokyo/Japan	100	184,994	7,994	2,455	999
SAP AUSTRALIA PTY LTD, Sydney/Australia	100	152,582	3,389	20,221	367
SAP Asia Pte. Ltd., Singapore	100	61,969	2,360	13,761	268
SAP India Systems, Applications and Products in Data Processing					
Private Limited, Bangalore/India[4]	100	31,766	2,950	10,240	106
SAP Taiwan Co. Ltd., Taipei/Taiwan	100	21,220	4,791	11,173	86
SAP Korea Limited, Seoul/Korea	100	19,265	884	10,034	121
SAP Malaysia Sdn. Bhd., Kuala Lumpur/Malaysia	100	18,834	1,317	4,895	69
SAP (Beijing) Software System Co., Ltd., Beijing/China	100	18,177	1,028	4,102	182
SAP New Zealand Limited, Auckland/New Zealand	100	12,819	119	6,551	43
SAP HONG KONG CO. LIMITED, Taikoo Shing/Hong Kong	100	12,148	1,393	6,367	56
SAP Philippines, Inc., Makati City/Philippines	100	7,566	598	1,873	39
SAP SYSTEMS, APPLICATIONS AND PRODUCTS					
IN DATA PROCESSING (THAILAND) LTD., Bangkok/Thailand	100	7,347	30	3,682	48
SAP Labs India Pvt. Ltd., Bangalore/India	100	6,694	–5	3,256	224
PT SAP Asia, Jakarta/Indonesia	100	2,027	219	–434	12
SAP India (Holding) Pte. Ltd., Singapore	100	0	–14	406	0
II. OTHER ASSOCIATED COMPANIES					
SRS AG, Dresden/Germany	50.0	53,274	5,893	9,956	410
Pandesic LLC, Santa Clara/USA	50.0	7,064	–44,109	–8,400	278
Industry To Industry Inc., Boston/USA[3]	34.3	161	–8,173	20,989	29
SAP Hellas S.A. – SOCIETE ANONYME OF SYSTEMS,					
APPLICATIONS & PRODUCTS IN DATA PROCESSING,					
Athens/Greece[5]	25.0	0	0	0	0

1) These figures do not include eliminations resulting from consolidation and therefore do not reflect the contribution of these companies included in the consolidated financial statements.

2) As of December 31, 1999, including managing directors

3) Consolidated for the first time in 1999

4) Represents a wholly owned entity of a subsidiary

5) Figures not available

Five-Year Summary

SAP GROUP					
(in millions of €, unless otherwise stated)	HGB		U.S. GAAP		
	1995	1996	1997	1998	1999
Total revenue	**1,378.6**	**1,903.1**	**3,021.8**	**4,315.6**	**5,110.2**
– % generated by foreign subsidiaries	*67 %*	*73 %*	*71 %*	*80 %*	*77 %*
– % product revenue	*72 %*	*71 %*	*68 %*	*63 %*	*61 %*
– per employee (in thousands of €)	214	233	261	249	244
Net income	**207.0**	**290.2**	**446.7**	**526.9**	**601.0**
– Return on equity					
(net income as % of average equity)	*30 %*	*30 %*	*35 %*	*32 %*	*27 %*
– Income before income taxes	339.2	485.7	796.4	932.0	980.3
– Return on sales					
(Income before income taxes as a % of total revenue)	*25 %*	*26 %*	*26 %*	*22 %*	*19 %*
Total assets	**1,134.2**	**1,721.5**	**2,755.2**	**3,445.9**	**4,826.9**
Fixed assets	**384.5**	**403.4**	**601.0**	**903.9**	**1,524.0**
– Intangible assets	3.8	2.9	39.9	74.6	119.9
– Property, plant & equipment	294.0	318.0	444.6	645.4	794.3
– Financial assets	86.7	82.5	116.5	183.9	609.8
Short-term assets (incl. deferred taxes and					
prepaid expenses and deferred charges)	**749.7**	**1,318.1**	**2,154.2**	**2,542.0**	**3,302.9**
– Inventories	2.9	4.0	3.8	2.8	3.1
– Accounts receivable	543.5	937.1	1,640.4	1,869.0	2,489.5
– Liquid assets	203.3	377.0	510.0	670.2	810.3
Shareholders' Equity	**782.0**	**1,130.6**	**1,451.1**	**1,818.3**	**2,559.4**
– as % of fixed assets	*203 %*	*280 %*	*241 %*	*201 %*	*168 %*
– Subscribed capital	258.8	264.6	266.6	267.3	267.8
– Other shareholders' equity	523.2	866.0	1,184.5	1,551.0	2,291.6
Liabilities (incl. deferred charges and from 1997					
onwards minority interests)	**352.2**	**590.9**	**1,304.1**	**1,627.6**	**2,267.5**
– Long term liabilities	21.6	38.1	178.1	170.0	483.6
– Current liabilities	330.6	552.8	1,126.0	1,457.6	1,783.9
% of total assets					
– Fixed assets	*34 %*	*23 %*	*22 %*	*26 %*	*32 %*
– Short-term assets	*66 %*	*77 %*	*78 %*	*74 %*	*68 %*
– Shareholders' equity	*69 %*	*66 %*	*53 %*	*53 %*	*53 %*
– Liabilities	*31 %*	*34 %*	*47 %*	*47 %*	*47 %*
Financial liabilities	**41.0**	**50.7**	**86.0**	**122.8**	**57.5**
– Long-term	10.5	4.5	2.6	26.5	32.9
– Short-term	30.5	46.2	83.4	96.3	24.6
Interest income, net	+11.4	+14.2	+26.9	+31.1	+31.2

SAP GROUP					
(in millions of €, unless otherwise stated)	HGB		U.S. GAAP		
	1995	1996	1997	1998	1999
Purchases/depreciation and amortization					
– Purchases of property, plant & equipment and					
intangible assets	130.7	112.8	289.9	388.1	354.8
– Depreciation and amortization	73.9	84.2	101.3	139.8	172.7
– Depreciation and amortization as % of purchases	*57 %*	*75 %*	*35 %*	*36 %*	*49 %*
Cash earnings according to DVFA/SG [1]	**281.2**	**351.2**	**547.2**	**586.1**	**896.9**
– as % of total revenue	*20 %*	*18 %*	*18 %*	*14 %*	*18 %*
– as % of investments	*215 %*	*311 %*	*189 %*	*151 %*	*253 %*
Employees and personnel expenses					
– Number of employees, year end	6,857	9,202	12,856	19,308	21,699
– Number of employees, annual average	6,443	8,177	11,558	17,323	20,975
– Personnel expenses	489.2	684.4	1,059.9	1,547.4	2,031.7
– Personnel expenses – excluding STAR	489.2	684.4	1,059.9	1,531.1	1,891.4
– Personnel expenses per employee – excluding STAR					
(in thousands of €)	76	84	92	88	90
Research and development expenses	**224.0**	**258.5**	**362.7**	**572.4**	**744.7**
– as % of total revenue	*16 %*	*14 %*	*12 %*	*13 %*	*15 %*

SAP AG					
(in millions of €, unless otherwise stated)	HGB				
	1995	1996	1997	1998	1999
Net income	97.0	155.7	228.7	268.7	312.2
Transfer to reserves	28.6	32.7	78.5	102.3	146.5
Dividend distributions	68.3	122.80	150.4	165.5	165.8
Dividend per ordinary share (in €) [2]	0.66	0.92	1.43	1.57	1.57
Dividend per preference share (in €) [2]	0.69	0.95	1.46	1.60	1.60
Stock prices at year-end (spot rate in €):					
ordinary share	113.51	107.63	278.91	368.13	488.00
preference share	111.36	108.29	298.70	408.78	605.50
Number of shares at year-end (in thousands):	101.233	103.507	104.303	104.565	104.756
– ordinary shares	60.986	60.991	60.996	61.000	61.000
– preference shares	40.247	42.516	43.307	43.565	43.756
Market capitalization (in billion €)	11.4	11.1	30.0	40.3	56.3

[1] German Society of Investment Analysts and Asset Managers
[2] 1999 proposed dividend

Addresses and Financial Calendar

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	All international subsidiaries and sales partners are listed at **www.sap.com** under “Contact us”.

	Financial Calendar
2000	
April 19	Interim report: January – March 2000
May 5	Annual General Meeting, Mannheim
May 25/26	Investor Workshop (SAPPHIRE Berlin)
July 20	Interim report: January – June 2000
October 19	Interim report: January – September 2000
2001	
January 23	Preliminary figures for fiscal 2000
May 3	Annual General Meeting