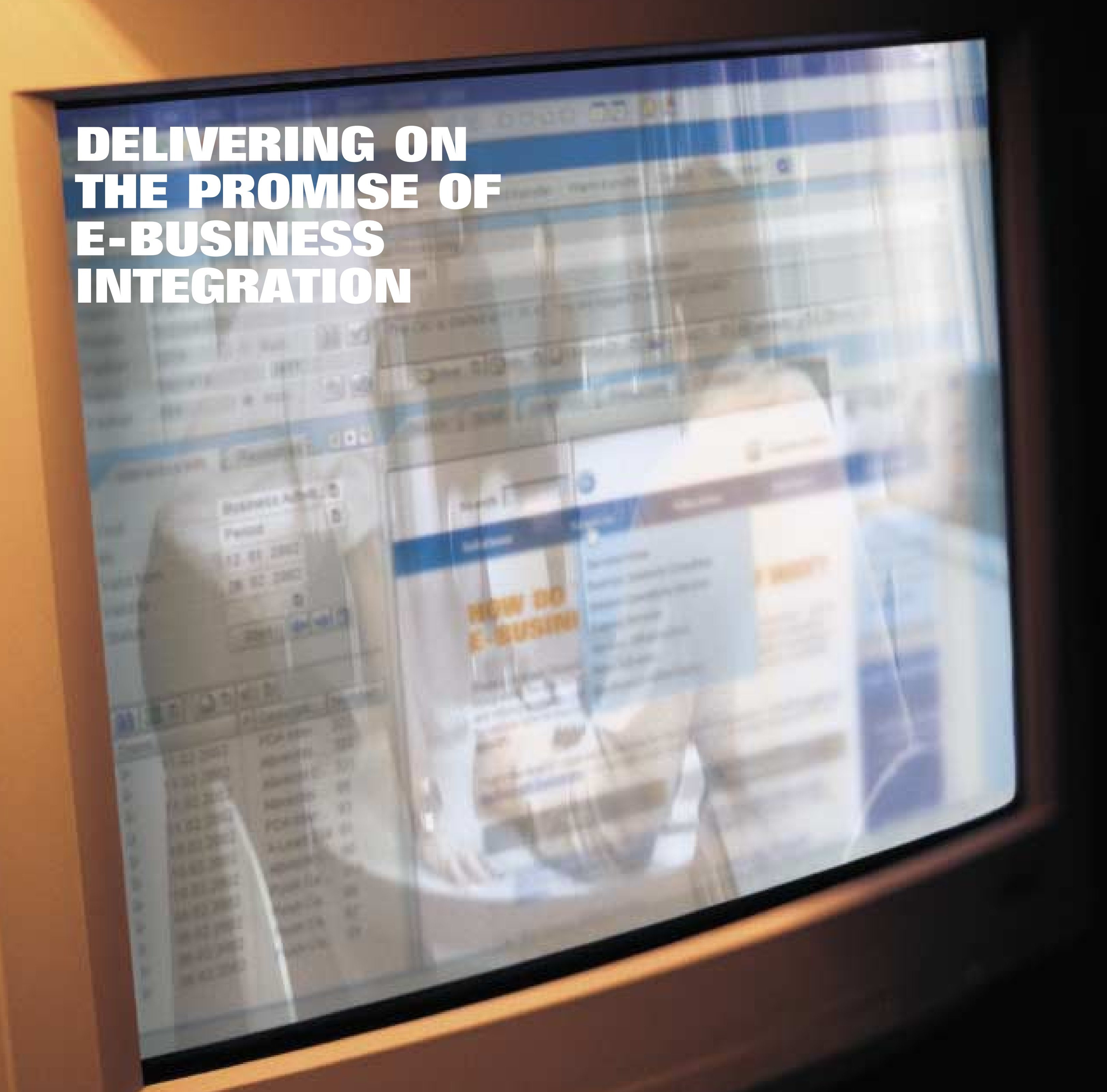
SAP ANNUAL REPORT 2001

WITH OPEN TECHNOLOGY, WE HELP OUR CUSTOMERS FOSTER GROWTH, INNOVATION AND VALUE...

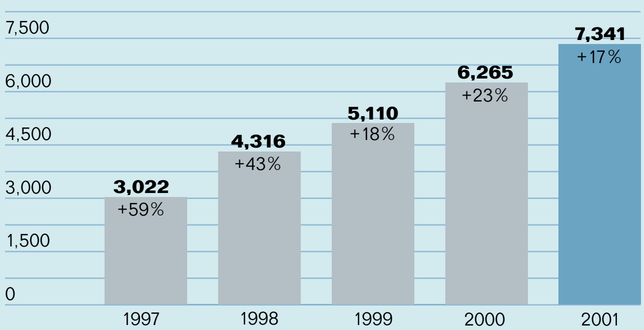
THE BEST-RUN E-BUSINESSES RUN SAP

DELIVERING ON THE PROMISE OF E-BUSINESS INTEGRATION



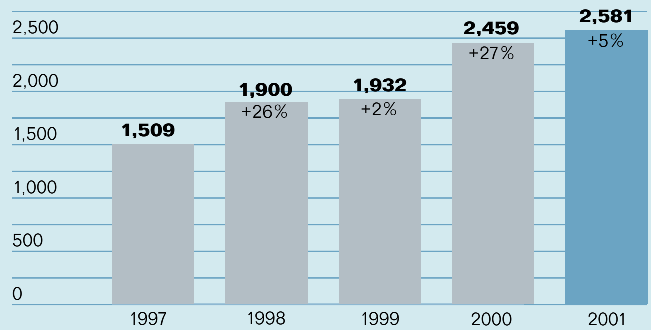
TOTAL REVENUE

in € millions | change since previous year



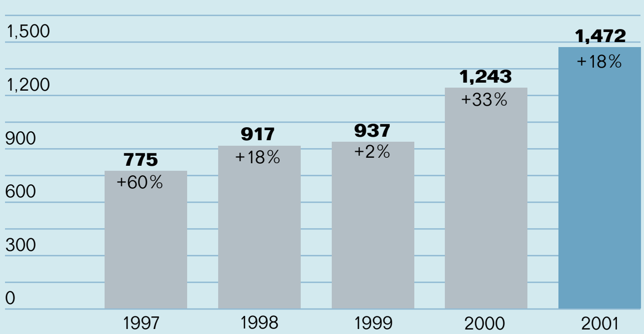
LICENSE REVENUE

in € millions | change since previous year



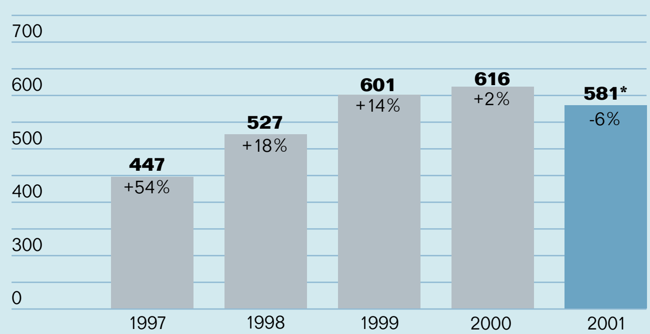
OPERATING INCOME (BEFORE STAR, LTI & TOP TIER)

in € millions | change since previous year



NET INCOME

in € millions | change since previous year



*incl. €162 mill. Commerce One impact

REVENUE BREAKDOWN – BY TYPE OF ACTIVITY

in € millions | percent | change since previous year

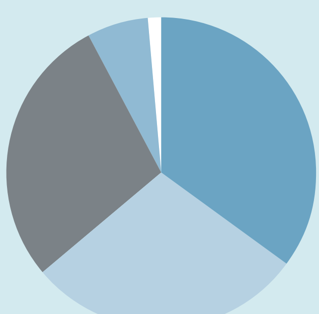
Software
2,581 | 36% | +5%

Maintenance
2,121 | 29% | +27%

Consulting
2,083 | 28% | +27%

Training
466 | 6% | +16%

Other
90 | 1% | 0%



REVENUE BREAKDOWN – BY SALES DESTINATION

in € millions | percent | change since previous year

Germany
1,469 | 20% | +19%

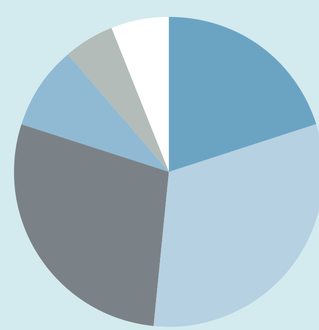
Rest of EMEA
2,317 | 32% | +26%

U.S.
2,084 | 28% | +13%

Rest of Americas
640 | 9% | +9%

Asia-Pacific region
387 | 5% | -6%

Japan
444 | 6% | +29%



DEAR STOCKHOLDERS, PARTNERS, AND CUSTOMERS,

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

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

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

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

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

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

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

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

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

Hasso Plattner

Henning Kagermann

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

It is important to also note that employees of our customers see the world differently from their IT department. They aren't interested in knowing which software products were implemented and how they work together. What employees want is individualized access to the information they need for their role in the company, available using an intuitive and personalized user interface. Portals are the best answer to this challenge, which is why we bought one of the leading providers of portal technologies, TopTier, last year. We took their knowledge and resources and combined them with those of our teams dealing with business intelligence, knowledge management, and the workplace. We also added the expert consultants in those areas to this new company. All in all, we have created the leading provider of portals, SAP Portals.

SAP also expanded its strategic partnership with Commerce One, the specialist for electronic marketplaces on the Internet. We did this because we recognized that the technical basis for integrating business processes across company boundaries is very close to the technologies needed to run these electronic marketplaces. This is one of the first areas where Web services are used. These are applications that allow a company to integrate other applications across company boundaries. We see Web services as a very important addition to SAP's solution offering.

Along these same lines, we have extended our applications for CRM, SCM, and product lifecycle management (PLM) to support collaboration in heterogeneous IT environments. And because all of these new applications can only be implemented when integrated in a strong back end, it's no surprise that the traditional ERP market, which SAP already dominates, is marked for growth.

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

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

We know that our success during this difficult year was only possible due to the hard work of our global employees and management as well as that of our customers and partners, all working toward a common goal. We'd like to take this opportunity to thank all of them. Our investors were also put to the test this year. We'd like to thank you for your trust in us and hope that you will continue to accompany us on our road to success.

We have confirmed our excellent position and the perspectives look very good. We could very well see a repeat of our global success in the early 1990s, back when we wrote the book on ERP software.

Sincerely,

Hasso Plattner
Co-chairman and CEO, SAP AG

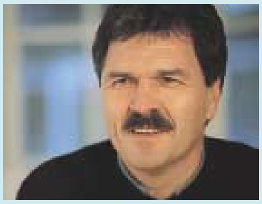
Henning Kagermann
Co-chairman and CEO, SAP AG

A COMPANY GUIDED BY THREE DECADES OF STABLE, INNOVATIVE LEADERSHIP

HASSO PLATTNER
Hasso Plattner is CEO, co-chairman, and co-founder of SAP AG. He has served as co-chairman since 1997. In 1972, he founded SAP together with four IBM colleagues. An electrical engineer, he is responsible for strategy, marketing, corporate communications and product development. Further, he leads the Product Technology Board.

HENNING KAGERMANN
Henning Kagermann is co-chairman and CEO of SAP AG. He has been co-chairman since 1998 and a member of the Executive Board since 1991. A physicist and mathematician, he joined SAP in 1982. His areas of responsibility include sales and distribution, consulting, and international customer relations. Further, he leads the Field Management Board.

WERNER BRANDT
Werner Brandt is the chief financial officer of SAP AG. He has been a member of the Executive Board since February 1, 2001. Before joining SAP he was a member of the executive management board of Fresenius Medical Care AG, where he acted as CFO and labor relations director.

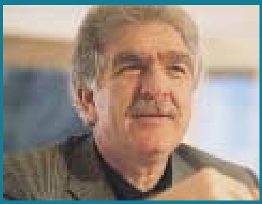


CLAUS E. HEINRICH
Claus E. Heinrich, a business economist, joined SAP in 1987 and the Executive Board in 1996. His responsibilities include the development of SAP solutions in the areas of finance and accounting, human resources management, logistics, and supply chain management. He has also been responsible for labor relations since 1998.

GERHARD OSWALD
Gerhard Oswald joined SAP from Siemens AG as an application consultant. A member of the Executive Board since 1996, he oversees SAP's internal systems as well as the entire service and support sector. In addition, he is responsible for hosting-services.

PETER ZENCKE
Peter Zencke, a mathematician, joined SAP in 1984. As a member of the Executive Board since 1993, he is responsible for the development of new solutions for customer relationship management and the coordination of SAP's international research groups as well as development labs.

LEO APOTHEKER
Leo Apotheker joined the Extended Management Board in 2000 and is responsible for the Europe, Middle East, and Africa (EMEA) region. He joined SAP France as president in 1988 before taking on southwest Europe in 1995.



LESLIE HAYMAN
Leslie Hayman joined the Extended Management Board in 2000 to manage the Asia-Pacific region. He joined SAP in 1994 and has held several executive positions in Australia, New Zealand, and the South Asia-Pacific region.

KARL-HEINZ HESS
Karl-Heinz Hess joined SAP in 1980 and has held a variety of research and development posts. He has been a member of the Extended Management Board since 1996 with responsibility for technology development.

WOLFGANG KEMNA
Wolfgang Kemna joined SAP in 1987 and has served in executive positions in sales and management in Africa, the Middle East, southeast Europe, and Germany. He joined the Extended Management Board in 2000 with responsibility for the Americas. He is chief executive officer of SAP America, Inc.

FOR SAP, E-BUSINESS INTEGRATION MEANS A NEW WORLD OF OPEN STANDARDS, OPEN APPLICATIONS, AND OPEN IDEAS

For too long, technology has been limited by restrictive standards that prevented the kind of collaboration that business people really want. But now SAP is proving that the path to the future is wide open.

SAP was among the first to embrace the power of the Internet, which enables users to expand their critical business applications beyond corporate boundaries. Through our hugely successful mySAP.com e-business platform, we have transformed our company, our applications, and the way our customers do business.

At the same time, we avoided the excesses of the dot-com era, remaining true to our goal of providing practical, mission-critical business solutions. The reason is simple. We believe that even in an age of e-business, the fundamentals – like efficiency, customer value, and return on investment – still matter. And judging by our continued growth, customers agree.

Now, as we celebrate our thirtieth anniversary, SAP is pursuing an even broader vision that encompasses not only all SAP® applications, but the entire world of business technology. It is a vision of fully integrated solutions that provide the infrastructure needed to conduct e-business. And it's already taking shape.

The value of integration

In an integrated environment, systems and processes are interconnected like never before. Information flows seamlessly from one application to another. One company to another. One person to another.

Processes are fully automated. People find the answers they need when they need them. And decision makers can see every aspect of their internal and external operations in real time for the ultimate in visibility.

For SAP customers worldwide, this level of integration has already become a reality through mySAP.com.

More than 17,500 customers – and growing

Through our global network of offices, SAP serves more than 17,500 organizations in more than 120 countries. Our growing customer list includes numerous Fortune 500 corporations, many of which have been SAP customers for years – even decades.

And through the affordability and scalability of mySAP.com, we have also established a large and expanding base of customers among small and midsize companies who leverage our tools so they can better compete in their respective industries. In fact, approximately half of our installations worldwide are in companies with annual revenues of less than $200 million.

We continue to aggressively pursue ever-higher sales objectives, working to bring in new customers and to increase our presence with existing customers.

TO OUR CUSTOMERS, SAP IS NOT A SOFTWARE COMPANY, BUT AN AUTOMOTIVE SOLUTIONS COMPANY, A RETAIL SOLUTIONS COMPANY, A BANKING SOLUTIONS COMPANY...

No two industries are alike. Each has its own set of standards, processes, and challenges. To deliver real value, SAP solutions must support the needs of each industry as though they were created for that industry alone.

Such in-depth understanding and customization have been core strengths of SAP since its founding three decades ago. Over the years, we have built an unparalleled base of knowledge about 21 distinct industries. And we have used that knowledge to develop solutions with rich functionality and highly specialized tools.

In addition, we have built a staff that includes many developers and customer service personnel who have worked in the industries they serve. This inside perspective helps us understand the unique challenges that our customers experience every day, and makes our solutions even more practical and valuable.

The major industries served by SAP fall into six basic groups: consumer, discrete, financial, process, public, and service. Each group faces a unique set of challenges for which SAP offers unique and fully customized solutions.

Industry Solution Maps

To help each customer and prospect understand the full depth of our solutions, SAP has created Solution Maps for each of the 21 industries we serve. Available at www.sap.com or in printed form, these maps detail how SAP supports every step in the business process, and show how our solutions integrate with those of our global network of certified solution partners.

We also offer dozens of Collaborative Business Maps that contain detailed blueprints for how companies can collaborate with their business partners. Customers and prospects find that our Solution Maps and Collaborative Business Maps provide valuable tools for planning, implementing, and visualizing SAP solutions.

Solutions for all industries

SAP also provides a full range of solutions that work across all industries, including solutions for customer relationship management (CRM), supply chain management (SCM), business intelligence (BI), product life-cycle management (PLM), and many more. These cross-industry solutions enable companies to gain a real competitive advantage by managing all aspects of their business processes.

SAP cross-industry solutions are open and flexible, supporting databases, applications, operating systems, and hardware platforms from most major vendors. They also uphold the highest standards of quality and deliver unparalleled levels of performance. And virtually any organization – from global conglomerates to small businesses and nonprofit institutions – can take advantage of their power.

SAP technology leadership

The mySAP.com e-business platform is based on open Internet standards. mySAP.com is built on mySAP™ Technology, which provides the reliable runtime environment for business applications and one common, open infrastructure for integration and collaboration inside and outside company boundaries. Now, SAP customers can easily incorporate systems from any vendor in any technology environment. Here's a look at the key building blocks of mySAP Technology.

SAP solutions let people work the way they want to work – intelligently, intuitively, and collaboratively.

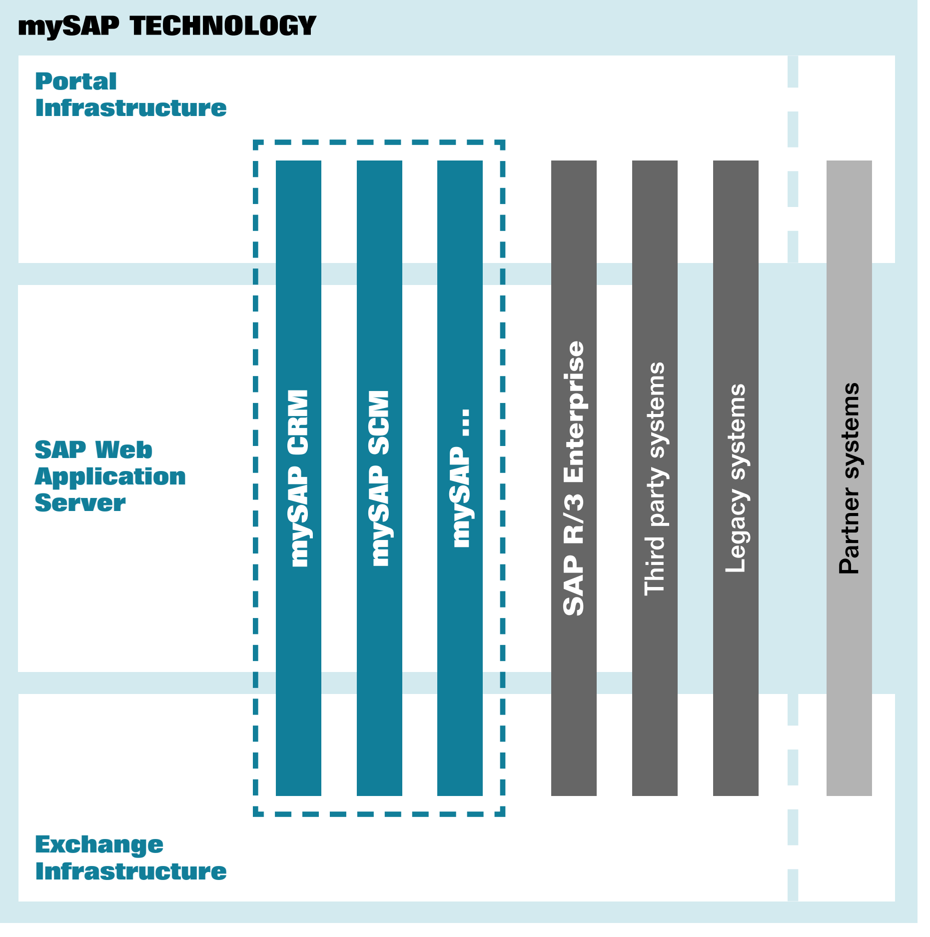
First, there's SAP® Web Application Server, the core building block of mySAP Technology and the foundation for all mySAP.com solutions. Open, scalable, and incredibly reliable, this versatile platform supports the development and implementation of Web applications and Web services.

Then, there's the process-centric exchange technology used in mySAP™ Exchanges solutions. Today, SAP has more exchanges in operation than any other solution provider. And because our exchange infrastructure is open and connects all collaborative participants to drive collaborative business processes, no company is forced to abandon its own applications. This efficiency helps to reduce integration costs.

And finally, there are the user-centric portal technologies used in mySAP™ Enterprise Portals, SAP's personalized, role-based enterprise portal. mySAP Enterprise Portals not only facilitates the exchange of information, it also facilitates profitability. It delivers customized information on a single screen to everyone within and beyond the organization so users can do more business, more quickly.

Reducing the cost of ownership

The mySAP.com e-business platform provides a stable environment that can adapt, absorb, and facilitate rapid changes. It evolves and grows with a company. So a customer's investment in SAP solutions provides both short-term benefits and long-term possibilities.



NO ONE OFFERS A MORE COMPREHENSIVE FAMILY OF E-BUSINESS SOLUTIONS

For many SAP competitors, e-business solutions are stand-alone Web-based applications that access information from only a limited range of data sources. Too often, these partial solutions lack interfaces to a company's wide information resources.

The fact is, only an integrated e-business platform that links front-end and back-office systems – creating new opportunities for dynamic information sharing – can achieve the full potential of e-business. mySAP.com is that platform.

From role-based portals to mobile business applications, mySAP.com provides all the solutions and services companies need to eliminate enterprise boundaries and to participate in the global marketplace.

Creating powerful combinations

mySAP.com offers best-in-class solutions for every area of business: back-office accounting, human resources, production, sales and service – and more. These solutions are all built on the latest technology platforms and are embedded in one cohesive e-business suite.

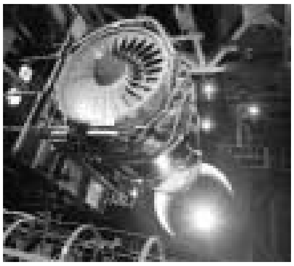
Each mySAP.com solution provides a deep and comprehensive array of powerful features. But more important, each is designed to work seamlessly with all other mySAP.com solutions. And in the best-run e-businesses, that's exactly what they do.

For example, a company that combines mySAP Customer Relationship Management (mySAP CRM) with mySAP Exchanges can enable its customers to configure their products over the Internet so that all buyers receive exactly the combination of features and pricing they want. And that adds up to greater efficiency, faster delivery, and increased customer satisfaction.

If that same company adds mySAP Supply Chain Management (mySAP SCM), customer orders can be sent directly to the factory where the solution instantly checks the availability of all components and notifies each customer of an exact shipment date. Add mySAP Financials, and all billing is accomplished automatically.

And if the company accesses all of these solutions with mySAP Enterprise Portals, staff members can get a real-time, customized view of all relevant business processes right on their desktops.

From the factory floor to the front office, mySAP.com is a platform for unlimited access and unlimited opportunity.



SAP Cross-Industry Solutions

SAP cross-industry solutions provide powerful e-business capabilities for all industries, helping companies gain a real competitive advantage.
The cross-industry solutions are:

mySAP™ Business Intelligence (mySAP BI)

mySAP™ Customer Relationship Management (mySAP CRM)

mySAP™ Enterprise Portals

mySAP™ Exchanges

mySAP™ Financials

mySAP™ Human Resources (mySAP HR)

mySAP™ Mobile Business

mySAP™ Product Lifecycle Management (mySAP PLM)

mySAP™ Supplier Relationship Management (mySAP SRM)

mySAP™ Supply Chain Management (mySAP SCM)

SAP R/3 Enterprise

SAP Industry Solutions

SAP industry solutions offer in-depth functionality for 21 business groups, building on the powerful functions and comprehensive capabilities of our cross-industry solutions. These solutions fall under the following two categories:

Manufacturing

mySAP™ Aerospace & Defense
mySAP™ Automotive
mySAP™ Chemicals
mySAP™ Consumer Products
mySAP™ Engineering & Construction
mySAP™ High Tech
mySAP™ Mill Products
mySAP™ Mining
mySAP™ Oil & Gas
mySAP™ Pharmaceuticals

Service

mySAP™ Banking
mySAP™ Financial Service Providers
mySAP™ Healthcare
mySAP™ Higher Education & Research
mySAP™ Insurance
mySAP™ Media
mySAP™ Public Sector
mySAP™ Retail
mySAP™ Service Providers
mySAP™ Telecommunications
mySAP™ Utilities

SAP Infrastructure and Services

SAP infrastructure and services support SAP's cross-industry and industry solutions. They help ensure that our solutions are implemented quickly and operate smoothly. They are:

mySAP™ Hosted Solutions

mySAP™ Services

mySAP™ Technology

SAP DOESN'T SIMPLY DEVELOP PRODUCTS FOR OUR CUSTOMERS. WE ARE A PRODUCT OF OUR CUSTOMERS

From development to sales to service, our entire global organization is geared toward responding to the changing needs of the businesses and institutions we serve. And we continually use our knowledge to transform our company, our products, and the entire software industry.

By staying closely attuned to customers, SAP has successfully kept pace – and has often set the pace – with recent trends, including the following:

Open Integration
Computer users worldwide have long been frustrated with proprietary software standards that prevent them from sharing information. That's why SAP has balanced its proprietary rights with a measure of open integration to embrace open technology standards that make it easy to interface with virtually all types of SAP and non-SAP systems for more efficient operations.

Return on Investment
Increasingly, customers measure technology by its impact on bottom-line profitability. So we deliver solutions that offer real bottom-line value through streamlined operations, lower costs, increased revenues, and expanded business opportunities.

Globalization
Customers large and small told us that they need to participate in the global economy. SAP has responded with solutions that erase the boundaries of place and time. For example, SAP solutions are available in 30 languages and handle all major world currencies. In addition, they deliver global best practices to help our customers compete on the international stage. And through our marketplace solutions, companies of all sizes can build sophisticated e-commerce sites that attract buyers, sellers, and partners from around the world.

Personalization
Customers are no longer satisfied with standardized interfaces. Through mySAP Enterprise Portals, we enable users to create their own unique desktops with exactly the features and functions that help them work productively.

Collaborative Commerce
Today's companies view themselves not as stand-alone entities, but as part of broader value chains composed of suppliers, consultants, customers – even competitors. Through our open, Web-enabled solutions, SAP facilitates easy interaction and collaboration throughout these value chains. As a result, we enable customers to exchange ideas, information, products, and transactions that lead to higher productivity and profitability.

Entrepreneurship
Small and midsize companies have told us they want solutions that are not simply scaled-down versions of those used by giant corporations. So SAP now provides a full range of products and services that are designed and priced expressly for entrepreneurial companies worldwide. In addition, our Small and Medium Business Solutions team is dedicated to serving the special needs of this large and rapidly growing market.

Ease of Use
By watching how people use our products in their daily work, we have created a whole generation of advanced business solutions that are as intuitive and easy to use as a Web browser.

Operating in the world's most dynamic industry, SAP must continually anticipate customer needs, and develop solutions to meet them.

Because our solutions address ongoing customer needs, SAP is well positioned to achieve continued growth and market leadership.

In today's economy, where productivity is more critical than ever, three-quarters of Fortune 1000 corporations surveyed plan to begin new information technology application projects in 2002. And despite economic uncertainty, studies show that 40% of the world's largest companies plan to actually increase technology spending over 2001 levels.

Among the top three priorities within corporate technology budgets are two areas in which SAP excels: Application integration is first on corporate wish lists, reinforcing our emphasis on providing solutions that work together. E-commerce initiatives are ranked third, playing to SAP's reputation as a leader in delivering comprehensive online solutions and services.

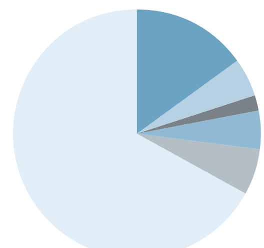
TOP THREE PRIORITIES

1	**Integration**
2	**Security software**
3	**E-commerce initiatives**

Source: Morgan Stanley CIO Survey, 2002

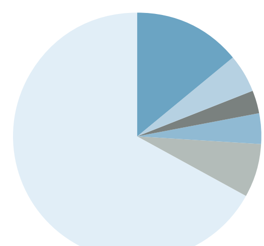
MARKET SHARE FY 2001 – TOTAL REVENUE (of $43,600M)

SAP	15%
Siebel	5%
i2	2%
Peoplesoft	5%
Oracle	6%
Other	67%



MARKET SHARE FY 2000 – TOTAL REVENUE (of $40,000M)

SAP	14%
Siebel	5%
i2	3%
Peoplesoft	4%
Oracle	7%
Other	67%



Source: IDC/Gartner

"SAP DEMONSTRATES A DEEP UNDERSTANDING OF OUR BUSINESS AND A LONG-TERM COMMITMENT TO INNOVATION. WE CONSIDER THEM A PARTNER IN OUR SUCCESS."

Steve David, CIO and Business to Business Officer, Procter & Gamble

BY STAYING IN FRONT OF OUR CUSTOMERS, WE STAY AHEAD OF CHANGE

Our secret to understanding customer needs is no secret at all. It's the result of a very public, companywide effort that keeps SAP people in constant touch with the people who use our products.

For example, our annual SAPPHIRE® user conferences attract thousands of customers and prospects from around the world to share ideas, learn about new business solutions, and meet with colleagues and peers.

Our TechEd series provides a similar forum that helps technology executives keep pace with change. And our participation in numerous industry-specific conferences worldwide ensures that we maintain a continuous dialogue with each of the industry sectors we serve.

SAP also sponsors a number of users' groups around the world. These organizations hold regular meetings that attract thousands of participants. And they provide a valuable forum for sharing ideas and resources – and influencing SAP product development.

In addition, our extensive customer education program is a virtual university of business technology. Every day in dozens of languages, SAP and its customers participate in seminars, Web broadcasts, and educational courses that not only transfer knowledge to customers, but also gather knowledge on product usability and value.

But perhaps the most valuable source of customer knowledge is our informal, everyday contact with SAP customers around the world. The people of SAP are strongly encouraged to stay close to their customers and to listen carefully for new ideas on how our products and services can create more value.

These ideas are continually transmitted throughout the SAP organization and become the basis for new products and services. Their real-world results can be seen in the customer stories that appear in this report.

A clear vision

To remain one step ahead, SAP must continuously and accurately anticipate the future needs of our customers.

For that reason, SAP senior management participates fully in our knowledge-gathering process, traveling the world to meet with customers, employees, and business partners. At the same time, they watch closely for global economic, political, and social trends that may impact our customers.

The result is a clear vision that guides our company through a world of constant change and continually sharpens our organizational focus on customer needs. Because we believe that when our customers earn a strong return on investment, our shareholders will, too.

In the pages ahead, we highlight a few of the 17,500 customers who use SAP's uniquely integrated approach to generate real bottom-line results.

"OUR EFFICIENCY GAINS CONTINUE TO EXCEED OUR EXPECTATIONS AS THE NEXT GENERATION OF SAP APPLICATIONS AND OTHER PRODUCTIVITY PROGRAMS ARE IMPLEMENTED AROUND THE GLOBE."

Reuben Mark, Chairman and CEO, Colgate-Palmolive Company

SAP E-BUSINESS SOLUTIONS HELP COLGATE CLEAN UP

Colgate-Palmolive is one of the world's largest and most successful consumer products companies, with more than $9 billion in annual sales and over 38,000 employees. Since 1994, Colgate has been a leading proponent of SAP e-business solutions, for a very simple reason: SAP delivers results.

"We have had a very good return on investment," says Ed Toben, Colgate-Palmolive's Chief Information Officer.

Reengineering key business processes

Colgate began its SAP relationship with SAP R/3, the world's number one enterprise resource planning (ERP) solution. Since then, it has migrated to a full suite of mySAP.com e-business solutions, including mySAP Supply Chain Management and mySAP Business Intelligence.

With the help of mySAP.com solutions, Colgate has improved critical aspects of its supply chain management, data warehousing, and other key business processes. Major enhancements include:

- **Fine-tuned inventory management:** In North America, Colgate uses mySAP.com solutions to automatically forecast customer demand and inventory levels for 1,000 Colgate products and over 40 distribution centers. As a result, fully 98% of all customer orders are now received on time, resulting in an average replenishment cycle of just one day.

- **Global sourcing:** mySAP.com solutions enable Colgate's global operations to determine which offshore manufacturing facilities can meet demand most efficiently. In North America, results include a sharp reduction in order cycle times, inventory reductions of 22%, and order fulfillment rates exceeding 95%.

- **Customer collaboration:** With the help of mySAP.com solutions, Colgate's promotional forecasts are now up to three times more accurate than before, which translates into stronger sales and lower inventory levels.

Enthusiasm for SAP

Colgate is so enthusiastic about its SAP relationship, it devoted several paragraphs of its own Year 2000 Annual Report to telling shareholders, in part, "... In 2000, Colgate brought the benefits of SAP to 14 additional countries in Latin America, increasing to 80 percent the Colgate revenues supported by this powerful technology. Moreover, the benefits of SAP are growing as Colgate adopts the newest generation of applications, further leveraging its investment."

And in announcing that 2001 marked six consecutive years of double-digit earnings per share increases, Colgate-Palmolive Chairman and CEO Reuben Mark stated, "Our efficiency gains continue to exceed our expectations as the next generation of SAP applications and other productivity programs are implemented around the globe."

New initiatives

By mid-2002, 96% of Colgate's global operations will use SAP e-business solutions. "Our strategy," says Colgate's Ed Toben, "is to have the same systems with the same information everywhere in the company."

In addition, Colgate is pursuing the following new SAP initiatives:

- **Repetitive Manufacturing:** Colgate will use the production planning and detailed scheduling capabilities of mySAP.com to smooth out peaks and valleys in its manufacturing processes.

- **Third-Party Manufacturing:** Colgate will use the collaborative capabilities of mySAP.com to work more closely with its third-party manufacturers worldwide.

- **Transportation Planning:** mySAP SCM transportation planning functionality will help Colgate optimize its transportation network and reduce costs.

- **Supply Chain Event Management:** mySAP.com will enable Colgate to track customer shipments and receive early warning of delays.

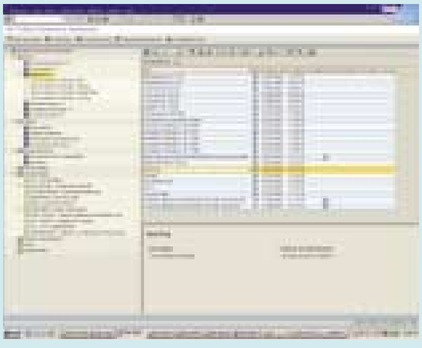
In all of its SAP initiatives, Colgate's ultimate goal remains the same: "Our focus is on funding new products," says Ed Toben. "What we are always striving for is to lower our costs so that we can reinvest in new products and advertising and grow the top line of our business."

COMPANIES WORLDWIDE DISCOVER THERE'S NO BUSINESS LIKE E-BUSINESS

Benefits of SAP R/3

SAP R/3 delivers powerful, bottom-line benefits, including the following:

- Increased enterprise efficiency and productivity through optimized, integrated business processes
- Comprehensive functionality in all enterprise business areas (including financials, human resources, order fulfillment, materials, and project management)
- Faster responsiveness throughout an organization via real-time information and reporting
- Reliable, scalable, and open technology platform, suitable for mission-critical applications



FOR BHARAT PETROLEUM, $8 MILLION IN ANNUAL SAVINGS

For Bharat Petroleum Corporation Limited (BPCL), India's second-largest oil company, the recent implementation of SAP R/3 means online, real-time details on all company processes and systems. The result is a projected annual saving of approximately U.S. $8 million – and potential for even greater savings in the years ahead.

In a recent address to shareholders, BPCL chairman U. Sundararajan spoke of his company's SAP R/3 implementation, stating, "The integration and seamless flow of real-time information will result in faster decision making and a quicker response to the customer. Benefits are expected in many areas, ranging from optimization of resources and inventories to efficient credit and treasury management."

FOR DELPHI AUTOMOTIVE, AN ENTERPRISE-WIDE TUNE-UP

Delphi Automotive Systems is a world leader in mobile electronics and transportation components and systems technology with 198,000 employees and more than 300 facilities in 43 countries.

Recently, Delphi migrated a wide range of older common systems to a new enterprise solution based on SAP R/3, giving the company unprecedented freedom to tailor its business systems to specific business processes.

"Our primary objective was to get down to a common set of systems, business processes, and data elements, and therefore, lower operating and support costs," says Pete Janak, Delphi corporate CIO and vice president. "So not only are we striving to gain business efficiencies through common processes, but we are also shoring up our internal IT structure."

SAP R/3 Enterprise

SAP R/3 Enterprise is the successor to SAP R/3 Version 4.6C and is scheduled for release in the third quarter of 2002. SAP R/3 Enterprise is available to existing customers as part of their maintenance contracts. The advantages of SAP R/3 Enterprise include:

- New business process functionality
- New flexibility through modular software design
- New SAP Web Application Server architecture for easy migration to mySAP.com

Used by the majority of our global customers, SAP R/3 is more than a solution; it is a way of doing business

FOR RYANAIR, THE ABILITY TO SOAR BY 25 % ANNUALLY

Headquartered in Dublin, Ryanair has transformed the European airline industry by providing low-price, no-frills flights to more than 10 million passengers each year. With an annual growth of 25%, Ryanair needed a robust and fully integrated IT solution that could support its continuing expansion. After thorough research, the company chose SAP R/3.

"Ryanair had several reasons for selecting SAP," explains Patricia Carr, SAP delivery manager at Fusion Business Solutions, an SAP implementation partner. "First, SAP gives the airline full integration and wide interfacing capabilities, which provides the basis for increasing Ryanair's internal control and better reporting. In addition, SAP R/3 provides the flexibility to roll out the solution to other countries and to support Ryanair's continued growth and development. And SAP solutions can easily handle transactions that involve multiple currencies and companies."

Monitoring costs and profitability

Lorraine Cassidy, financial accountant at Ryanair, explains, "One of our main objectives was to establish an outstanding route profitability system that would allow us to monitor costs."

These costs include passenger costs, route charges, landing charges, handling charges, fuel costs, and maintenance. They vary considerably by route and type of aircraft used. "We knew that to achieve such detailed reporting," Cassidy says, "we needed a fully integrated solution that has wide area network capability and the capability of interfacing with our other operational systems. SAP R/3 provides those capabilities."

Immediate benefits

"We saw benefits almost immediately after going live," Cassidy notes. "We can now store up to three years' data accessibly and automatically with SAP R/3, and we have avoided a large amount of manual drudgery through the effective use of SAP R/3."

"For example," she explains, "with SAP, we no longer have to key engineering invoices into both the engineering stock control and ordering system plus the financial system. Now we enter this information once, and it is interfaced to SAP R/3. These time-saving processes are mirrored in all departments and allow the staff to spend more time on analysis. The staff is more productive, and this has further contributed to the lowering of costs."

She adds, "SAP R/3 has proven to be a tremendous tool for us. We now recognize that SAP R/3 can offer a wide variety of solutions to help Ryanair achieve its business objectives. We will continue to use SAP to optimize our business operations even further and are interested in the opportunities provided by mySAP.com."

FOR FINCANTIERI, SMOOTHER OPERATIONS AT EIGHT SHIPYARDS

For Trieste-based Fincantieri, one of Europe's largest shipbuilders, SAP solutions mean greater control over eight shipyards located along the Italian peninsula.

The chief of Fincantieri Information Technology and Systems, Gianantonio Rui, cites two main reasons for selecting SAP. "First," he says, "we wanted to get a better handle on our costs. Second, SAP offered dedicated production scenarios for the shipbuilding industry."

Initially Fincantieri implemented SAP R/3 to standardize its key business processes, including financials and project management. Now, to bring similar uniformity to its engineering processes, Fincantieri recently added mySAP Product Lifecycle Management to its suite of SAP solutions.

"Thanks to the collaborative processes of mySAP PLM," says Claudio Chierici, Fincantieri's senior vice president for business improvement, "we can easily exchange data both internally and with external companies. This network means we can build any ship in any shipyard."

Going forward, Fincantieri plans to implement mySAP.com solutions for e-procurement, strategic enterprise management, and supply chain management. With SAP, says Chierici, "It's simple to integrate new technologies."

"SAP IS A PLATFORM TO HELP US MOVE TOWARD BECOMING A HIGH-SERVICE, LOW-COST PROVIDER IN A HIGHLY COMPETITIVE ENVIRONMENT."

Mehrdad Laghaeian, Chief Information Officer, OSRAM SYLVANIA

mySAP CRM HELPS OSRAM SYLVANIA BRING THE SPEED OF LIGHT TO ITS SALES PROCESS

OSRAM is one of the few companies whose products can be seen on a nighttime flight at 30,000 feet. With roots dating back to the earliest days of electric lighting, OSRAM illuminates millions of homes, buildings, city streets, sports arenas, and vehicles around the world. Given this history, it seems fitting that OSRAM SYLVANIA, its North American subsidiary, was also one of the first companies in the world to give its customers full visibility of their transactions with the help of mySAP Customer Relationship Management.

Part of the Siemens organization, Munich-based OSRAM adopted mySAP CRM in its North American operations even before it was officially released, recognizing that leadership in customer relationships meant overall leadership in the competitive lighting market.

Since then, OSRAM has been one of the most innovative users of mySAP CRM, incorporating it into all sales, marketing, supply chain management, and product management strategies. And because mySAP CRM is modular, OSRAM continues to phase in additional capabilities as they are needed.

"SAP is a platform to help us move toward becoming a high-service, low-cost provider in a highly competitive environment," says Mehrdad Laghaeian, OSRAM SYLVANIA's chief information officer. "By focusing on costs and driving operating efficiencies, we're perfectly positioned to expand our customer service leadership and market opportunities."

An online lighting superstore

OSRAM SYLVANIA used mySAP CRM to develop a virtual lighting superstore, with more than 2,000 products available on a 24x7 basis.

By visiting mySYLVANIA.com, an end user or a reselling partner can quickly and easily browse catalogs, purchase products, check availability, and obtain immediate order status – online and in real time. When they do, mySAP CRM automatically adjusts for each customer's contract terms, including discounts and payment schedules, while communicating with OSRAM SYLVANIA's back-end SAP R/3 system.

In addition, consumers are welcomed at sylvania.com, the company's public Web site. There, mySAP CRM powers a catalog of suggestions for home lighting and associated product applications, along with quick references on where to buy SYLVANIA products.

Fostering innovation with mySAP Product Lifecycle Management

To strengthen its culture of creativity, OSRAM GmbH, the German parent company, recently implemented another SAP solution: mySAP Product Lifecycle Management.

mySAP PLM encourages continuous collaboration among everyone involved in the development and management of new products, including those who specialize in design, engineering, marketing, sales, planning, production, procurement, and maintenance. As a result, it helps companies get the right products to market at the right time and at the right cost.

For example, OSRAM designers in Germany can now share initial concept drawings with salespeople and customers in Asia. Then they can review their design documents with manufacturing specialists located in Latin America and share ideas on how the new product can be produced efficiently.

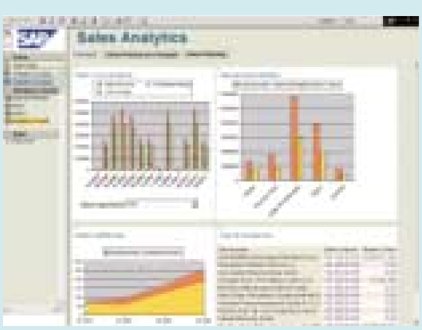
"With mySAP PLM we now have the opportunity to leverage advanced product development capabilities that allow for collaborative engineering across different countries and divisions within the company," says Franz-Josef Bierbrauer, OSRAM's vice president and general manager for ballasts and luminaires. "As a result, we expect to achieve a 30% time reduction for product information retrieval and a 20 to 30% reduction of engineering change cycle times."

IN A WIDE RANGE OF INDUSTRIES, SERVICE LEADERSHIP MEANS MARKET LEADERSHIP

FOR RATIOPHARM, INCREASED SALES EFFICIENCY

Benefits of mySAP CRM
mySAP CRM provides:

- **The insight and analysis to anticipate customer needs**
- **The ability to marry and match transactions and decision processes across departments and around customers**
- **Increased customer retention, richer customer and market insights, and faster time to market**
- **Increased revenues through efficient customer acquisition, improved marketing campaign targeting and response, and decreased customer churn**
- **Lower costs through automation of interactions, increased field productivity, reduced marketing expenses, optimized inventories, and streamlined processes**
- **Support for the entire customer interaction cycle**
- **A complete and integrated suite of CRM applications**



Headquartered in Ulm, Germany, ratiopharm international has established a global presence through its expertise in manufacturing and marketing high-quality, generic pharmaceuticals. It is a competitive, cost-conscious business that depends on strong relationships with physicians in clinics, private practices, and pharmacies.

After striving for years to provide its sales force with consistent, up-to-date information on each customer and prospect, ratiopharm implemented mySAP Customer Relationship Management and its powerful field sales functions.

"mySAP CRM enables us to identify our customers' needs and deploy this knowledge to tailor our work to each customer," says Stefan Langthaler, ratiopharm's head of business systems. "This significantly increases the efficiency of our sales force and lets us react more quickly to the dynamic pharmaceutical market."

Using their desktop or laptop computers, ratiopharm sales reps can now prepare for each sales call by accessing detailed information on products, prices, medical data, and the customer's purchasing history. Because this data comes directly from ratiopharm's mySAP CRM database, it is always accurate and always current.

The mobile sales capabilities of mySAP CRM even provide such practical assistance as appointment scheduling, route planning, and a library of letters and e-mails that can be easily customized to each customer or prospect.

In the hands of ratiopharm's talented sales force, the mobile sales capabilities of mySAP CRM have helped increase efficiency, expand the customer base, and strengthen customer retention.

With features that include in-depth analysis and mobile access, mySAP Customer Relationship Management helps companies get closer to their customers than ever before

FOR TYROLIT, A NEW STANDARD FOR CUSTOMER SERVICE

Innovation is the name of the game at Tyrolit, Europe's leading manufacturer of grinding tools. The Austrian company is breaking new ground not only with its own products, but also in customer relationship management. Tyrolit chose mySAP Customer Relationship Management to set new industry standards in customer service.

Tyrolit, based in Schwaz, Austria, has developed a business-to-business portal for its business partners and customers. The cornerstone of this new portal is the e-selling capability of mySAP CRM.

Tyrolit's Web Shop is an important first step toward effective customer relationship management, says Markus Piber, CRM project manager and head of e-business at Tyrolit. "The extendable platform of mySAP CRM allows us to continuously strengthen existing customer relationships by adding new functions, such as campaign management or one-to-one marketing. With support from mySAP CRM, we will extend our range of services, optimize our analysis of customer relationships, and gear our products and marketing strategies toward the different target groups."

Real-time pricing

Tyrolit went live with the e-selling functions of mySAP CRM in February 2001. Now, customers can access a customized view of Tyrolit's Web Shop using a personalized login. Once logged in, Tyrolit's customers can locate products in a multimedia catalog, check that the products are in stock, and place an order. Customers can also check the status of their orders at any time. mySAP CRM's Internet pricing and configuration engine displays prices in real time. The prices quoted in the product catalog or in the customer's shopping basket are constantly updated to match current sales conditions or promotions. Tyrolit is also developing an intelligent drill-down tool that will allow customers to use pull-down menus to search by category.

"We have created an entirely new distribution channel with the Web Shop," says Piber. "We are not working against the market and our existing customers and partners; we want to integrate them. What's more, we now have additional sales and marketing instruments at our fingertips."

Business partners

Tyrolit has tapped into other distribution channels through its connection to the automobile and mechanical engineering industries' e-marketplaces. Tyrolit uses the open catalog interface (OCI), the most popular standard communications interface for electronic catalogs, which is fully compatible with mySAP CRM. In addition, Tyrolit supplies its business partners with online product catalogs that they can integrate into their own procurement solutions.

To build on its success with mySAP CRM E-Selling, Tyrolit intends to implement mySAP Business Intelligence, SAP's data warehousing and analytical solution, to analyze customer behavior.

Tyrolit has ambitious plans to become the world leader in its field, and mySAP CRM is sure to be a key factor in the company's success.

FOR JONES LANG LASALLE, AN EASY WAY TO KEEP IN TOUCH

For the Asia-Pacific operations of Jones Lang LaSalle (JLL), the world's leading real estate services and investment firm, mySAP Customer Relationship Management helps everyone – including an admittedly technophobic field sales force – keep in touch with customers.

"In the past we had CRM systems in place, but they were generally limited for use by senior personnel," says Wallace Scales, JLL's CRM project manager. "It was important to us that our new CRM solution should be available to all operatives without regard to their level of business.

"We also needed to provide seamless integration with our back-office systems to capitalize on the information that all parts of the business collected in its dealings," he adds. "Without seamless integration our CRM solution would not be anywhere as effective as it is."

"WE ARE PLEASED WITH THE EFFECT mySAP SCM IS HAVING ON SHARP AS A COMPANY. IT IS SO EASY TO GET ACCURATE INFORMATION IN EACH PROCESS AND TO MANAGE INFORMATION ALTOGETHER."

Shigemitsu Shimamoto,
Information Technology Strategic Planning Group, Sharp Corporation

mySAP SUPPLY CHAIN MANAGEMENT HELPS SHARP CORPORATION SLASH PRODUCTION LEAD TIMES BY 90%

Headquartered in Osaka, Japan, Sharp Corp. is one of the world's largest manufacturers of advanced electronics products for home and business. These products are manufactured at locations around the world and sold through a global network of distributors.

Traditionally, Sharp's distributor network accepted quantity commitments three months in advance of actual production. That gave the company and its suppliers a full 90 days to gear up for the manufacturing process.

But in the late 1990s, major distributors in the United States notified Sharp that they would require firm quantity commitments just three weeks prior to manufacturing – a 75% reduction in time.

Sharp's manufacturing capabilities were already among the most sophisticated and efficient in the world, but this sudden acceleration required a complete reinvention of the way the company worked.

Sharp quickly realized that it would need immediate, accurate information – not just on internal processes, but on all processes within its global supply chain network. Strategic business process reengineering was executed, and Sharp achieved superior results: the quantity commitments seven days prior to the manufacturing – a 90% reduction in time.

The solution: mySAP Supply Chain Management

As a long-time user of SAP R/3, Sharp trusted mySAP Supply Chain Management to provide the innovative technology and massive processing power to help control the company's enormously complex manufacturing network.

Used by more than 5,200 customers worldwide, mySAP SCM allows companies like Sharp to manage every aspect of their supply chains – the many links that make up a production process.

With mySAP SCM, companies can keep track of every function from raw materials procurement to final production and shipment. They can communicate and collaborate with colleagues, suppliers, and business partners over the Internet. And they can measure the efficiency and productivity of their manufacturing processes as those processes take place.

And because mySAP SCM integrates seamlessly with other solutions, such as customer relationship management and financial accounting, companies can conduct manufacturing operations in the greater context of their overall businesses.

With mySAP SCM now installed, Sharp's production personnel get the latest details on sales order volume so they can produce exactly what's needed. Inventory managers can easily track demand trends, reducing oversupply. The documents necessary for the export customs clearance are automatically generated by linking to the demand-planning information. In addition, the company's suppliers are fully synchronized with Sharp's manufacturing process so they can deliver components just in time for production.

Most important, Sharp distributors improved their ability to meet their commitments to their retail customers. At the same time, accurate manufacturing in the worldwide locations to deliver the products in seven days is performed under the firm management for comprehensive optimization.

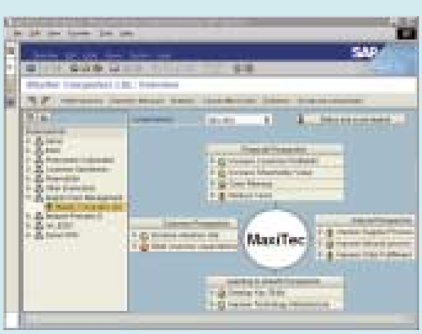
According to Shigemitsu Shimamoto, general manager of the Supply Chain Management Project Team in Sharp's IT Strategic Planning group, "We are pleased with the effect mySAP SCM is having on Sharp as a company. It is so easy to get accurate information in each process and to manage information altogether."

Because of these advantages, Sharp plans to extend mySAP SCM to all of its worldwide production sites, including those in North America, Europe, Malaysia, Thailand, the Philippines, and China.

A BETTER WAY TO MANUFACTURE THOUSANDS OF PRODUCTS, FROM CHEMICALS TO COMPUTERS

Benefits of mySAP SCM
mySAP SCM delivers:

- **Reduced costs, increased revenues, and improved service to customers**
- **Integration with e-marketplaces, for easy interaction with global suppliers**
- **The ability to match supply and demand using integrated, collaborative planning tools**
- **Reduced inventories and increased productivity**
- **Faster order processing and streamlined administration**
- **Seamless collaboration with internal and external business partners**
- **Improved use of assets for reduced capital expenditures**
- **Faster product development and increased innovation**
- **Competitive pricing**
- **Detailed and accurate order status information for greater customer satisfaction**



FOR DOW CORNING, INVENTORY REDUCTIONS OF UP TO 20%

Headquartered in Midland, Michigan, Dow Corning manufactures more than 7,000 silicon-based products, including sealants and advanced ceramics, at factories around the world. Its customer base includes more than 25,000 companies worldwide in industries as diverse as construction, aerospace, food, plastics, and healthcare.

With so many products, customers, and locations, Dow Corning needed a solution that could synchronize supply and demand on a global scale. It chose mySAP Supply Chain Management.

Today, mySAP SCM helps Dow Corning executives view the company's entire operations in real time, adjusting production levels at each location based on current and anticipated demand levels. In addition, Dow Corning uses the supply chain planning capabilities of mySAP SCM to more accurately forecast future trends.

The results have been impressive.

Since implementing the SAP solutions, Dow Corning has improved the accuracy of its forecasts by up to 25% for higher productivity and lower costs. Inventory levels have been reduced by up to 20% for better cash flow. Orders are shipped more quickly, improving customer satisfaction. And the company can now accept more high-profit custom orders that were too often lost to the competition.

Based on the success of its initial implementation, Dow Corning recognizes that improved visibility and responsiveness can result in tremendous value for its worldwide enterprise. As a result, the company plans to continue its global supply chain improvement project by adding more mySAP SCM capabilities over the course of 2002.

In a fully connected supply chain, every partner benefits from greater efficiency, higher quality, and less waste

FOR COMPAQ, A NEW BUSINESS MODEL

Headquartered in Houston, Compaq Computer Corp. is a leading global provider of enterprise technology and solutions. Through sales in more than 200 countries, Compaq posted revenues of $33 billion in 2001.

Having built a reputation for quality and innovation, Compaq today faces the most challenging business environment in its 20-year history. "The PC industry is becoming more of a commodity business," says Eric Harper, Compaq's director of solution architecture and strategy. "Our product life cycles are shortening, and the supply chain has emerged as more of a differentiator. This is especially true as you look at the direct-sales business where you have to sell and fulfill with shorter cycle times and reduce inventory to drive down costs and be more competitive."

That's where mySAP Supply Chain Management comes in.

Responding in real time

Through its integrated capabilities, mySAP SCM improves visibility into Compaq's supply chain, helping the company update products more quickly and respond to customer demand in real time.

"Integration is the key, and that is SAP's heritage," Harper says. "SAP designs and builds for integration. There is nothing out there that even compares with it, both for the integration within any one of its components, as well as the integration between the components."

Collaborative planning

Using the demand planning capabilities of mySAP SCM, Compaq makes its suppliers full partners in the manufacturing process.

"We push demand out to the suppliers over the Web through Internet planning books where they can see the demand and in real time enter their commitments back against that demand," Harper says. "We also provide suppliers with demand information via EDI. Throughout the whole process, we have visibility into vendor-owned inventory within the supplier-managed hub."

And inside Compaq's manufacturing facilities, Harper says, "We're committing against that inventory and sending material pull signals as orders are received."

The system is incredibly efficient. Says Harper, "We don't take ownership of inventory until it arrives at our factory, so we only own material for a few hours as it passes through the build process."

Enabling direct orders through real-time availability checks

mySAP SCM will help Compaq establish an even stronger position in the make-to-order market in which products are built in response to direct orders that are received electronically.

As customers configure Compaq products online, mySAP SCM checks the availability of all components and immediately sends a commitment as to exactly when the order will be ready to ship. If the system finds a difficulty in any component of the product, it automatically seeks an alternate component using predefined rules. This multilevel available-to-promise functionality is part of the new release of SAP Advanced Planner & Optimizer (SAP APO) 3.1, which is a core component in mySAP SCM.

Piloted in Europe, Compaq's implementation of mySAP SCM will soon be rolled out across Europe and the United States in parallel, with Asia-Pacific and Latin America to follow.

In the year ahead, Compaq will also become one of the world's largest users of mySAP Product Lifecycle Management. Compaq's designers and engineers will use mySAP PLM to collaborate on the development of new products – a critical factor in the innovation-driven technology industry.

"WITH OUR NEW SAP MARKETS SYSTEM, WE'RE GETTING OUR GEAR FASTER, WE HAVE FEWER ERRORS TO CORRECT, AND I KNOW OUR PURCHASING MANAGERS ARE GETTING THE BEST PRICES POSSIBLE. I WOULDN'T HAVE IT ANY OTHER WAY."

Young-Kyu Park, Project Manager, SK Telecom

SAP MARKETS HELPS SK TELECOM SAVE BIG ON PROCUREMENT

SK Telecom Co. Ltd. is a major wireless telecommunications service provider in Korea, serving more than 11 million mobile phone customers. Recently, the company installed e-procurement software from SAP Markets to simplify and accelerate the purchase of essential equipment and materials.

As it continues to build one of the world's most advanced mobile networks, SK Telecom needs a method for purchasing critical components as quickly and efficiently as possible. The company also must ensure that it receives the best prices by adhering to previously negotiated bulk sales agreements with preferred suppliers. "Once we decide to buy and install new equipment, we need it now," says Young-Kyu Park, a group project manager who led the e-procurement project at SK Telecom. "The wireless industry is growing so fast that we don't have time to wait around for weeks or months."

With the SAP Markets solution, purchasing professionals at SK Telecom can now select goods and services using a simple electronic shopping basket. The solution generates a purchase requisition, routes it for approval, and dispatches the subsequent purchase order. Purchasing professionals can check their order status and make changes at any time. The fully automated system frees SK Telecom purchasing managers to focus more on the strategic elements of their jobs, such as cost analysis and price negotiations.

"With our new SAP Markets system," says SK Telecom project manager Young-Kyu Park, "we're getting our gear faster, we have fewer errors to correct, and I know our purchasing managers are getting the best prices possible. I wouldn't have it any other way."

With the mySAP™ E-Procurement system (now part of the mySAP SRM solution) in place, SK Telecom expects to save substantially over its previous procurement costs, according to Park. And by purchasing most items electronically, the company hopes to eliminate as many as 30,000 paper documents each year.

Advantages for suppliers

SK Telecom's suppliers also have gained new levels of efficiency. For example, purchase and shipment approvals previously took about three hours during face-to-face meetings to sign paperwork. Now with the use of digital signatures, these approvals will be accomplished almost instantly. About 500 vendors use SK Telecom's new e-procurement system today, with plans for about 1,000 suppliers to join the system.

Eventually SK Telecom plans to connect all its suppliers and customers on an Internet-based exchange built around the SAP Markets private exchange solution.

"A broader exchange could lead to greater efficiency across the company's Asian operations," Park says. "That will allow SK Telecom to continue satisfying its customers and stay ahead of the competition."

The company also plans to expand its procurement system to streamline the purchase of high-end engineering equipment, which is currently obtained through traditional methods.

"We can pour the money we save back into developing new features," Park adds. "And the time we save will be better spent on other projects."

SAP EXCHANGES AND PORTALS HELP PEOPLE TURN INFORMATION INTO ACTION

FOR PROCTER & GAMBLE, A SMARTER WAY TO SHOP

Benefits of mySAP Exchanges
mySAP Exchanges tightens supply chains by providing the following benefits:

- Better management of supplier and business partner relationships
- Collaboration across the value chain
- Integration of multiple systems and business processes
- Greater flexibility and efficiency
- Reduced costs
- Automatic compliance with purchasing rules
- Reduced inventory holding costs
- Assured supplier involvement through shared savings

Procter & Gamble (P&G), the Cincinnati-based consumer products giant, spends billions of dollars each year on raw materials, packaging, and other business essentials, purchasing from thousands of suppliers worldwide. But for too long these purchases were conducted using low-tech, paper-based processes.

With the help of mySAP E-Procurement (now part of the mySAP SRM solution) from SAP Markets, P&G now posts all requisition orders over the Internet and requires that vendors submit their bids electronically. Once a vendor is chosen, the entire purchase process takes place electronically – all the way through invoicing and payment.

According to Keith Kerrison, associate director of Global Business Services, IT Business Solutions for P&G, "Integration between the SAP enterprise and Web procurement solutions means the buying transactions link seamlessly with the right business units, departments, and business processes. This allows us to optimize the total process."

"Without this tight linkage between the standardized global information backbone and Web front end," says Lee Kelsey, P&G's Director for Global Business Services Information Technology, "P&G and its customers, suppliers, and employees would not be able to take advantage of the Web to streamline communication, reduce costs, and improve business relationships."

P&G expects big benefits from e-procurement. "We anticipate discounts from leverage of scale using the data captured by mySAP E-Procurement, increased procurement compliance and elimination of renegade spending, transaction cost reductions, and improved order-delivery times on indirect purchases transacted through mySAP E-Procurement," Kerrison says.

An extensive analysis

"We performed a very extensive analysis of the software solution providers in the marketplace," says Jos VanPee, P&G's vice president for Global Business Services Information Technology. "SAP was the most advanced in terms of scope, functionality, and integration of that functionality."

"SAP provides a completely integrated enterprise system that includes the majority of the business processes an organization needs to manage its business," VanPee adds.

Great collaboration

"We have a great collaboration with SAP," VanPee says. "SAP has been very responsive to everything we requested of it. The SAP solution is a comprehensive, open architecture that incorporates a tremendous amount of thought, design, architecting, programming, and testing. This provides us with the backbone and crucial enabler for our move to the Web."

With SAP technologies, people and organizations can overcome obstacles and achieve their full potential

FOR GETRONICS, NEW PORTALS TO PRODUCTIVITY

Benefits of mySAP Enterprise Portals

mySAP Enterprise Portals provides benefits for both individual users and companies, including:

- **Increased efficiency and productivity**
- **Higher quality customer, partner, and supplier relationships**
- **Maximized value of all enterprise information and applications**
- **Proactive, dynamic information and tools customized to every user's job requirements**
- **Anywhere, anytime, anyhow access to enterprise information, tools, and services**

Headquartered in Amsterdam, Getronics is a leading global provider of information and communication technology services and solutions to large and midsize businesses. When the company's U.S. operation undertook an e-transformation, it began with its most valuable resource.

"We decided our initial focus would be our employees," says Glen Slater, vice president of e-business and business processes in the United States. "We have many systems spread around our organization with multiple logins, and people cannot find information easily. We want to provide our people with a way to get information to make them more productive."

Getronics selected the Enterprise Unification Portal from SAP Portals, the portals development company of the SAP group, to provide its users with a single, role-based entry point into SAP R/3, as well as databases, documents, Web content, other data sources, and a variety of applications, tools, and services.

"The Enterprise Unification Portal enables us to funnel users to specific information based on their roles within the organization," Slater says.

In addition, iViews, dynamic, role-based snapshots of business information, provide Getronics with a direct path to the data they need to do their jobs. And SAP Portals' patented "Drag&Relate™" technology lets users access material by simply clicking on the information and dragging it to another data source to which they want to relate it.

"Drag&Relate technology is the key," Slater says. "It enables you to communicate with multiple systems and correlate information. This capability provides people with rapid answers to crucial business questions, without the need to patch together systems in a complex manner."

GLOBAL LEADERSHIP BUILT ON INDIVIDUAL PERFORMANCE

For 30 years, SAP has built a global franchise on the knowledge and energy of extraordinary people. To keep that franchise growing stronger, we continue to invest in training, recruitment, compensation, incentive, and benefits programs that make our company an employer of choice in the competitive technology industry.

Knowledge as a strategic initiative

Knowledge is SAP's primary form of capital. We have succeeded by developing a global knowledge base that is unique in our industry. To keep this critical asset growing, SAP has made continuous employee learning a major strategic initiative.

In the past year, we have tripled our learning curricula in such key areas as e-business, customer relationship management, supply chain management, and the Java development platform. We have also helped our managers develop leadership skills through specific programs for various levels of management.

To make learning more convenient and efficient, SAP is offering a greatly expanded e-learning program that makes training available to our people anywhere at any time. This program provides online training in such high-value skills as Java, Microsoft Office, HTML, and people management.

Our investment in knowledge development is substantial, accounting for fully 5% of our overall personnel costs. In 2001, it resulted in an average of 10 days of learning per employee (at SAP or in external training programs), and it will continue to yield strong returns in the years ahead.

Attracting talent

At SAP, we believe that having the best available talent is one of the most important factors for staying ahead of our competitors. Hiring the right people requires an ongoing program of recruitment. In recent years, our recruitment efforts have tapped the large pools of educated and experienced professionals in the markets of Eastern Europe and India. We have also become more effective in our efforts to attract people with rare talents, using highly focused approaches that help us compete for the very best and brightest.

One key to our success in recruitment is an increasingly sophisticated and targeted marketing campaign. This campaign leverages our position as an employer who provides our people with global opportunities, competitive benefits packages, a culture of innovation, and the chance to share the success of a long-term leader in e-business.

Nurturing continued growth

Perhaps our single greatest talent pool is the more than 28,000 professionals who are current SAP employees. To ensure that our people and organization continue to grow, SAP has launched a number of coordinated employee advancement programs. These include an improved site on our corporate intranet that alerts our people to current openings within the company.

To ensure that the individual potential of each employee is used to its fullest, SAP operates a robust talent management program. Focused on high potential employees, this program helps employees identify and prepare for advancement opportunities for their areas of interest.

The people of SAP are knowledgeable, hard-working, and highly motivated to help customers achieve their goals

Rewarding excellence

In addition to above average pay for performance, SAP is proud to offer competitive benefits programs, including:

- **Stock Appreciation Rights (STAR) Plan:**
  Our STAR plan offers stock appreciation rights to employees who have been with the company for at least one year. A stock purchase plan is also available, enabling employees to purchase company shares on preferential terms.

- **Long-Term Incentive (LTI) Plan:**
  Our LTI plan offers top managers a worldwide stock option plan to ensure their continuing contribution to the company's success. The financial incentives are well-balanced, geared to retaining top employees, and focused on the long-term success of the company.

- **Generous employee benefits:**
  Our benefits packages offer health and life insurance, time-for-money programs, and capital-forming programs.

- **Work-life balance programs:**
  We also seek to improve the quality of life for our people, through work-life balance programs and generous family healthcare services.

- **Employee self-service:**
  To minimize the costs of administering these programs while allowing the flexibility to implement individual designs, SAP employees can manage their own benefits packages over a secure intranet site.

Creating a global culture

SAP is a truly global organization, bringing together talented and motivated people from every area of the world. At our headquarters in Walldorf, Germany, for example, 30% of all new hires in 2001 came from abroad, representing 82 nations.

We are also an organization on the move. Our global mobility program supports international teamwork, with 400 international transfers in 2001 and integration programs for foreign employees.

To help our people succeed in this widespread workplace, SAP provides project managers with special training on how to meet global standards of cooperation, as well as global leadership development programs for management excellence. We also offer a global bonus plan for specific employee groups.

Benefiting from diversity

Over the years, SAP has built a corporate culture that gives our organization a distinct strategic advantage in the global economy. SAP benefits from the diverse skills, personalities, and perspectives of our employees. This unique culture is the reason why our company and our customers can look forward to a future without limits.

CORPORATE RESPONSIBILITY BEGINS AT HOME – AND EXTENDS WORLDWIDE

SAP's Principles of Corporate Governance

The purpose of SAP's Principles of Corporate Governance is to provide a framework for responsible, value-oriented management and control of the SAP group of companies, according to – or, where necessary, complementing – the applicable provisions of the law.

It is SAP's firm conviction that by adopting and following such corporate governance guidelines and standards, the company materially reinforces the long-term confidence of shareholders, customers, employees, and other stakeholders in the leadership of the company and strengthens SAP's standing in the capital markets. These corporate standards bind not only the Supervisory and Executive Boards but also SAP's employees. The Executive Board is charged with the responsibility of ensuring that these Principles of Corporate Governance are respected throughout the SAP group.

Corporate governance is not a directive to be set in stone for all time. Rather, it is an ongoing process. From time to time SAP reviews its Principles of Corporate Governance and, if necessary, amends them in the light of experience gained, the needs of the day, the law, and national and international standards.

The policies and practices detailed within SAP's Principles of Corporate Governance include:

- **Principles for the work of the SAP Executive Board and the SAP Supervisory Board**
- **Principles of cooperation between the SAP Executive Board and the SAP Supervisory Board**
- **Principles for relations between SAP and its shareholders**
- **Principles of communication with the public**

SAP as Corporate Citizen

At SAP we believe that as the world becomes increasingly networked, it is more important than ever that the public and private sectors work together toward creating a global society in which future generations can continue to prosper.

SAP and the United Nations

SAP knows the U.N. family well, not only as customer and research partner, but also through our social programs. SAP has supported UNICEF for several years, and has made its software available to help improve management of its regional programs. In 2001, SAP donated 500,000 Euros to UNESCO to help the organization modernize its technology infrastructure.

SAP is proud to be one of the first German companies to sign the United Nations Global Compact, an initiative that seeks to foster sustainable growth and good citizenship by bringing industry and civil society into direct dialogue with one another. SAP is committed to promoting the nine global principles outlined by U.N. Secretary General Kofi Annan in the Compact, focusing on human rights, labor standards, and environmental protection.

SAP runs several projects which support the principles of the U.N. Global Compact. Most were initiated by SAP employees in response to needs they perceived in the regions where they work. In addition to these projects, SAP is working with the Secretary General's office to help the U.N. better manage and communicate the growing amount of information on Global Compact initiatives.

SAP subscribes to the United Nations Global Compact, which seeks to foster sustainable growth and good citizenship

SAP is proud to be listed on FTSE4Good and DJSI, indices for socially responsible investment

Promoting transparency, accountability, and fair business

At SAP we believe that the experience we acquire in our business can often have broader relevance. For example, SAP's solutions help make business processes more transparent. This is a critical issue in areas where corruption – aided by hidden or obscured business practices – is rampant. SAP offers transparency, accountability, and fraud control to those who want to take action against corruption. As a corporate citizen, SAP extends this expertise in a socially responsible manner. In Nigeria, for example, SAP is driving a civil initiative to fight corruption in business practices and to introduce an international convention on business ethics.

Promoting innovation in e-learning

Our commitment to education is also mirrored in our corporate citizenship activities. SAP sponsors university chairs for Entrepreneurship and Innovation Management in Karlsruhe, Dresden, Berlin, and Bruchsal, Germany. And, SAP's L3 tele-learning project, supported by the Federal German Ministry for Education and Research, brings education to students via the Internet. Through our University Alliance Program, SAP provides software training free of cost to students at hundreds of institutions of higher learning around the world. And in the Western Cape Region of South Africa, SAP participates in an e-learning initiative that is working to extend the benefits of education to a broader segment of the population.

Helping the younger generation get a foothold on opportunity

The right of a child to a safe and supportive environment is one of the building blocks of a humane global society. That's why SAP is co-founder of the World Childhood Foundation. Under the patronage of Queen Silvia of Sweden and in close cooperation with the U.N., the foundation sponsors a multitude of projects worldwide that help children in need. In the United States, SAP is a long time supporter of the United Way, which also helps children by distributing funds to a wide range of local and national organizations.

Moreover, SAP has donated U.S. $1.2 million to United Way. United Way functions as an umbrella organization that collects donations from American companies and redistributes the money to various relief organizations, such as the Salvation Army, the American Cancer Society, and Boy Scouts and Girl Scouts groups.

In Bangalore, India, SAP Labs employees sponsor the education and upbringing of a group of 81 needy and abandoned children in a local orphanage. They also follow developments in the home with personal interest, organizing events that bring employees and the children together. SAP Labs also supports the foundation that manages the project, CONCERN India, with donated personal computers and software.

Speaking out for tolerance of diversity and cross-cultural understanding

At SAP we are proud of the rich mix of cultures that defines our organization. We believe this diversity makes a significant difference in our ability to retain an innovative edge. And we extend this conviction to our corporate citizenship activities, with a focus on projects that promote tolerance and cross-cultural understanding.

In Germany, SAP supports the Berlin Amadeu Antonio Foundation (www.amadeu-antonio-stiftung.de), a non-profit organization named after an Angolan immigrant who was murdered in 1990 by right-wing youth in a small town in Brandenburg. This independent foundation involves youth from the right-wing scene in eastern Germany in work projects that bring them into contact with other cultures.

In the wake of the September 11 terrorist attacks SAP America made a significant contribution to the relief efforts and to the families of victims. Because we believe that these events underscore the importance of bridging cultural divides, SAP America also made a contribution in 2001 to the work of the Center for Christian and Muslim Understanding at Georgetown University in Washington, D.C.

At SAP we take pride in the commitment of our people to active social engagement and we stand behind the principles that make this company unique. As a corporate citizen, we will continue to put our experience and expertise to work in projects that reflect these principles.

SOLID PROGRESS IN A CHALLENGING MARKET

2001 was a tumultuous year for the world and for business. Yet even with these challenges, SAP ended the year strongly, driven by robust advances in mySAP technology and an even stronger focus on customers. As the software sector experienced considerable turbulence, investors looked to SAP – the leader in open, integrated software solutions – for strength, reliability, and performance.

SAP's stock has consistently generated some of the highest returns among German securities, ending 2001 as the second best performer in the 30-stock DAX index of leading German companies. The Company also outperformed the S&P 500 by nearly 27 percentage points during the year. From a high of €180.4 in May, a weak economic trend, and the shock of terrorist attacks in the United States combined, pushed SAP shares to a low of €99.8 in mid-September. However, investor and consumer confidence rebounded in the fourth quarter, positively affecting the share price, which climbed to €147.21 at the end of the year. SAP’s ordinary shares achieved a return on investment of 19.5% in 2001, compared to the 31.7% decline in the Goldman Sachs Software Index over same period.

SAP’s shares traded actively in 2001, with the ordinary share trading an average of 1.5 million shares per day on the Frankfurt Stock Exchange, and the ADR trading around 900,000 shares a day in the United States, a significant increase over 2000.

Echoing this, 20.6% of the free float is now held in the United States by almost 200 institutional investors, with 20.4% held in Germany, and 33.1% in the rest of Europe. SAP’s free float is the Company’s total shares outstanding minus the 120 million shares held by the Company’s three founders, their families, trusts, and holding companies.

Openness in integration, openness in communication

In June, SAP simplified its share structure by converting the two-share system into a single class of shares, creating greater transparency and flexibility for shareholders. The move to a one-share, one-vote standard puts SAP more closely in line with international corporate governance practices and capital market expectations. At the end of 2001, SAP had 314.8 million ordinary shares in

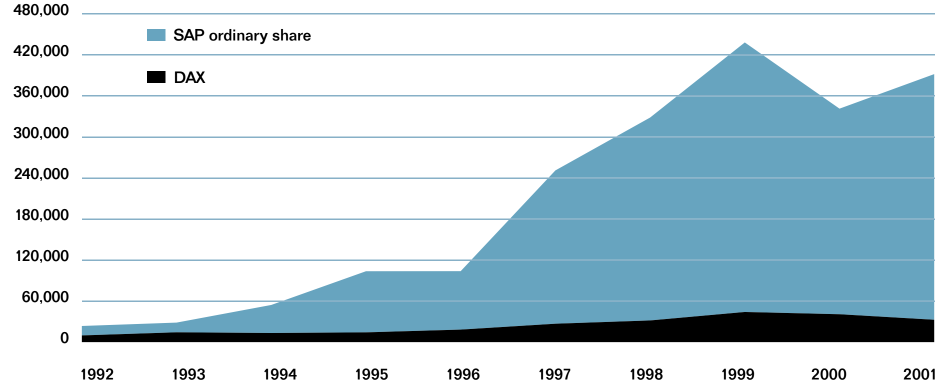
SAP SHARES: KEY FIGURES € per share except as stated	2001	2000
Earnings per ordinary share – basic	1.85	1.96
Earnings per ordinary share – diluted	1.85	1.95
Ordinary share dividend [1]	0.58	0.57
Ordinary share high/low for year [2]	180.40/99.80	286.33/107.00
Cash earnings according to DVFA/SG	3.24	2.10
Equity (€ billions)	3.1	2.9
Number of shares (millions)	314.8	314.7
Market capitalization (€ billions)	46.1	42.7

[1] proposed dividend for 2001 [2] Frankfurt Stock Exchange

SAP LISTED NYSE®

RETURN ON SAP ORDINARY SHARES VS. DAX PORTFOLIO

Initial Investment 10,000 €



circulation, including the preference share conversion. With one ADR representing one fourth of an ordinary share, 33.8 million ADRs were also in circulation at the end of the year, compared to 19.9 million at the end of 2000.

During 2001, SAP hosted over 350 one-on-one meetings with investors and analysts, held several large group meetings, and participated in more than 30 investor conferences worldwide. Complementing its quarterly results conference calls, management hosted additional teleconferences to exhibit new technology and discuss SAP's strategy, continuing its commitment to educate the financial community on SAP's strategic advantages. Specifically, management addressed investors and analysts to discuss the acquisition of TopTier Software, Inc. in April to create SAP Portals, Inc., the Company's increased investment in Commerce One in July, and its new strategy for mySAP technology announced during the TechEd Conference in November.

SAP hosted its second quarter results presentation at the SAP Global Marketing Headquarters in New York City for the second consecutive year. In addition, the establishment of a U.S. investor relations office further enabled SAP to communicate the Company's investment attractions to U.S.-based investors and analysts. The financial community also participated in product-focused investor workshops in 2001, and hundreds attended the three SAPPHIRE conferences around the globe where live product demonstrations showcased SAP's solutions in action. SAP will continue its rigorous investor relations schedule throughout 2002, communicating the Company's leading technology and strategic successes to the financial community on a global scale.

RETURN ON SAP ORDINARY SHARES

Initial Investment: 10,000 €

Date of investment	Dec 31 1991	Dec 31 1996	Dec 31 2000
Period of investment	10 years	5 years	1 year
Value, Dec 31 2001			
– SAP ordinary share	359,302	42,025	11,949
Average annual return (in %)			
SAP ordinary share	43.1	33.3	19.5
Comparable return:			
– DAX	12.6	12.3	–19.8
– REXP	7.6	5.6	5.6
– S&P 500 (-Basis)	17.3	18.9	–7.0
– Goldman Sachs Software Index GSO (-Basis)	–	18.1	–31,7

CASH EARNINGS ACCORDING TO DVFA/SG

€ millions	2001	2000
Net income before minority interest	581,1	615,7
Minority interest	11,4	5,4
Net income	**592,5**	**621,1**
Depreciation and amortization	351,8	243,1
Write-ups	–0,7	–0,7
Change in reserves and accrued liabilities	23,4	–99,5
Change in deferred taxes	–144,7	–132,0
Other material non cash expenses and income	199,0	29,4
Cash Earnings according to DVFA/SG	**1.021,3**	**661,4**
Cash Earnings per share according to DVFA/SG (in €)	**3,24**	**2,10**

REPORT BY THE SUPERVISORY BOARD

Dear shareholders,

In 2001, SAP resolutely pursued its e-business-oriented corporate strategy, took active steps to implement it, and consolidated its market position.

The Company succeeded despite the extremely difficult economic conditions that were marked by the drastically weakening global economy and the consequences of the events of September 11, 2001, which shook us all. The mySAP.com open e-business platform has won over the market. mySAP Customer Relationship Management and mySAP Supply Chain Management became a major source of SAP's license revenues.

With its innovative strength and customer orientation, supported by greater focus on its own knowledge and employee know-how, SAP was able to weather the economic turbulence.

The Executive and Supervisory Boards have cooperated closely over the last year. Thanks to in-depth consultation and constructive discussion, they set up the instruments that SAP needs to maintain its course for success now and in the future. Also, the Executive Board kept the chairperson of the Supervisory Board informed on all key topics.

The Supervisory Board's work during 2001

SAP AG's Supervisory Board held four ordinary and three extraordinary meetings in 2001.

During the course of the ordinary meetings, the Executive Board apprised the Supervisory Board, among other things, of the Company's current situation and of its plans for the future. The two Boards extensively discussed the strategic positioning of your company and the human resources, investment, and finance measures necessary to carry it through and the Supervisory Board supported and approved them.

In its supervisory and monitoring capacity, the Supervisory Board dealt with all actions requiring its input or agreement as required by law or under SAP AG's internal rules. Furthermore, the Executive Board involved the Chairperson of the Supervisory Board without delay in important issues at the Company and always kept him informed. In addition, specific key matters were fully discussed, such as the employee participation programs, quality assurance standards, planned acquisitions, the development of SAP venture funds, and strategies for SAP's subsidiaries SAP Portals and SAP Markets. After discussions with the Executive Board, the Supervisory Board approved the intensification of the strategic alliance with U.S. company Commerce One, Inc. and the increase of SAP's stake in that company from approximately 2.5% to 20%. It also agreed the acquisition of TopTier, Inc., the aim of which was to gain a leading position in the enterprise portal market.

The Supervisory Board fully supported the emergency measures that SAP AG's Executive Board took to protect SAP Group employees around the world after the terrorist attacks on September 11, 2001 as well as the support offered for the victims.

Further improvements to corporate governance

The Supervisory Board passed SAP's Principles of Corporate Governance in its last meeting of 2001. The rules laid down about the tasks and cooperation of the Executive Board and Supervisory Board as well as the public relations work and relations with shareholders meet national and international corporate governance standards.

The Supervisory Board implemented further corporate governance measures

Dietmar Hopp

Dietmar Hopp
Chairperson of Supervisory Board

by accepting the insider trading compliance officer's report and the Executive Board's report about SAP's policy on gifts. A Corporate Governance Committee was set up to ensure the Company continues to give due attention in the future to these matters.

Share merger of preference and ordinary shares
SAP AG changed its capital structure by merging the preference shares into ordinary shares so that there is only one class of share. The steps required to do this were the subject of the extraordinary Supervisory Board meeting in February 2001 and were then jointly proposed by the Executive and Supervisory Boards at the Annual General Shareholders' Meeting. The Annual General Shareholders' Meeting voted in favor of this proposal on May 3, 2001.

The work of the Supervisory Board committees
Identification of technology trends, strategic issues about the Company's positioning, and new legal and public requirements are leading to tasks and responsibilities for the Supervisory Board that are becoming ever more wide-ranging and complex. The SAP AG Supervisory Board met this growing challenge in 2001 by increasing the work of its committees.

Since setting up the Corporate Governance Committee and the Finance Committee in 2001, the Supervisory Board has had seven committees. The Corporate Governance Committee, formed in October, facilitates the involvement of the Supervisory Board in SAP's corporate governance work and the continuing development of that work. The Supervisory Board showed its commitment to this issue by designating one of its members as a permanent contact person for SAP AG's corporate governance officer.

The Finance Committee, established to discuss financial matters, did not meet in 2001.

The Technology Committee set up in 2000 met three times during 2001. The Venture Capital Committee did not need to meet because there were no venture investments above the agreed approval limit. Nor did the Mediation Committee, required by the German Codetermination Act, section 27 (3), need to meet.

The Compensation Committee and the Audit Committee both held two meetings. An important matter for the Audit Committee was the audits of SAP AG's Company and Group annual financial statements. It also discussed the internal auditing report and agreed the focus of the 2002 audit with the auditors. The Compensation Committee discussed various matters relating to the members of the Executive Board during their meetings.

Election of new Supervisory Board members in 2002
The SAP AG Supervisory Board currently comprises 12 members – six shareholder representatives and six employee representatives. They were originally elected to office until the Annual General Shareholders' Meeting in 2003.

However, new elections are necessary before their term of office expires because the number of employees in the SAP Group in Germany has now risen to over 10,000, which means that under the German Codetermination Act, section 7 (1) no. 2, the Supervisory Board must consist of 16 members (eight shareholder and eight employee representatives).

SAP AG's Executive Board implemented the required legal processes to enable elections for a new Supervisory Board. The preparations for the election of the eight employee representatives are largely complete; the Annual General Shareholders' Meeting on May 3, 2002 will elect the eight shareholder representatives.

Finalization of the financial statements
The Annual General Shareholders' Meeting on May 3, 2001 elected ARTHUR ANDERSEN Steuerberatungsgesellschaft Wirtschaftsprüfungsgesellschaft mbH, Eschborn/Frankfurt, as auditors. The Supervisory Board appointed the auditors immediately after this election to examine the Group and Company annual financial statements.

The auditors thoroughly examined the consolidated financial statements, the SAP AG financial statements, and the review of SAP Group operations, which includes a review of the operations of SAP AG, for the 2001 fiscal year. They

REPORT BY THE SUPERVISORY BOARD

issued an unqualified audit opinion for both reports. They also confirmed that the consolidated financial statements, which were prepared in accordance with U.S. GAAP, complied with the exemption requirements of the German Commercial Code, section 292a. The auditors also examined the Company's risk management system and confirmed that the Executive Board had taken the necessary measures stipulated by the German Stock Corporation Act, section 91 (2) to set up a suitable monitoring system and that the risk management system performs satisfactorily.

The Audit Committee meeting and the audit meeting of the Supervisory Board took place on March 14, 2002. All members of the Supervisory Board received the auditors' reports by ARTHUR ANDERSEN Steuerberatungsgesellschaft Wirtschaftsprüfungsgesellschaft mbH on March 4, 2002 so that they could inspect and check them before the meetings on March 14, 2002.

The auditors attended the Audit Committee meeting and the audit meeting of the Supervisory Board and reported extensively on the important aspects of the audit results. Through its discussions with the auditors, the Supervisory Board was able to satisfy itself that the audit was carried out properly.

The Supervisory Board approved the audit results at its audit meeting on March 14, 2002. It approved the SAP AG annual financial statements, the SAP Group consolidated financial statements, and the combined review of SAP Group and SAP AG operations. The financial statements were thus finalized.

The Executive Board proposes that the shareholders appropriate retained earnings to pay dividends of €0,58 per no-par ordinary share on capital entitled to dividend in 2001. The Supervisory Board endorses the Executive Board's proposal.

As in previous years, the Executive Board voluntarily produced a report for 2001 concerning the relations between the Company, the voting pool established by SAP's founder-shareholders, the members of the voting pool, and these members' companies. It also voluntarily produced reports for 2001 about the legal relations between the Company and Mr. Dietmar Hopp and Prof. Dr. h.c. Hasso Plattner and the companies in which they have a controlling interest. The Supervisory Board accepted and noted these reports.

The Supervisory Board would like to thank the members of the Executive Board and all of the employees at SAP AG and its subsidiaries for their commitment and contribution to implementing SAP's strategy and for rising to the challenges of the past year.

Walldorf, March 14, 2002

The Supervisory Board

FINANCIAL INFORMATION

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

We have audited the consolidated balance sheets of SAP Aktiengesellschaft Systeme, Anwendungen, Produkte in der Datenverarbeitung and subsidiaries as of December 31, 2001 and 2000, and the related consolidated statements of income, changes in shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2001. These financial statements are the responsibility of Company's management. 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 auditing standards generally accepted in the United States (US-GAAS). 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing of 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, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States.

As explained in Note 2 to the financial statements, the Company has given retroactive effect to the year ended December 31, 2000, for the change in accounting related to an investment that qualifies for the equity method of accounting during the year ended December 31, 2001.

Our audit which also includes the management report for the fiscal year from January 1, to December 31, 2001, which is the responsibility of the Company's management has not given rise to any reservations. In our opinion the management report conveys a suitable presentation of the situation of the Company taken as a whole and presents the risks to its future developments adequately.

Additionally, we confirm that the consolidated financial statements and the group's management report for the fiscal year from January 1, to December 31, 2001, meet the requirements for an exemption to prepare consolidated financial statements and the group's management report in accordance with the rules and regulations of the German Commercial Code.

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Gross
Wirtschaftsprüfer

Turowski
Wirtschaftsprüfer

Eschborn/Frankfurt/M.
January 21, 2002

REVIEW OF SAP GROUP AND SAP AG OPERATIONS

Forward-looking statements

Any statements contained in the review of operations 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", "expect", "anticipate", "predict", "project", "forecast", "should", "will", 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 2000 filed with the SEC on March 28, 2001 and the Company's Form 20-F for 2001, which will be filed before June 30, 2002. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates.

Although the environment was extremely difficult in 2001, SAP strengthened its position in the market and gained important ground in strategic market segments. Despite the sluggish global economy, the Company's sales continued to grow substantially – by 17%. SAP also took decisive action to advance its medium-term performance.

Pronounced global downturn

Global economic growth was at its steepest for more than a decade through 2000, but slowed at the end of that year and maintained a downward course all through 2001. The downturn in growth was so evident that many countries – notably the United States and Japan, followed by Germany – slipped toward recession, and in the rest of the euro zone output growth also nearly came to a standstill. In late summer a return to growth seemed apparent. However, this changed after the September attacks in the United States, and economists calculate global growth to have been only 1% for the fiscal year 2001.

Recession impacts industry progress

The slowdown in world economic growth impacted the software industry, and in particular the e-business software segment in which SAP is active, on a number of levels:

- Overall, information technology demand declined tangibly. In light of economic and political uncertainties, many companies postponed decisions about substantial IT investments. Research by financial services provider Morgan Stanley indicated that more than 50% of companies revised their information technology budgets downward in the course of the year. Consequently, IT budgets grew only 1.5% overall, compared to 12% in the previous year.

- Because of the lower level of demand, the e-business software segment failed to grow as anticipated. Independent research organizations IDC and Gartner Group estimate that growth in 2001 was less than 10%, whereas at the beginning of the year growth rates of a little over 20% had been expected.

- The "new economy" continued to suffer. Reasons for the decline included greater caution among venture capital investors, accompanied by a slump in the concerned segments of the equity markets. The software industry experienced a growing reluctance among customers to procure their software requirements from any vendor lacking either a mature solution offering or a secure financial outlook. Many smaller software companies fell into financial difficulties and had to close down their business.

- Encouraged chiefly by the low market capitalization of small software companies, many larger vendors made acquisitions, which drove changes in the structure of the supplier-side of the market for e-business software. Microsoft Corp., for example, now has software components for the enterprise resource planning (ERP) market at its disposal for the first time as a result of its acquiring Great Plains Software, Inc.

- The decline of the "new economy" also reduced prior year's excess demand on those labor markets in which SAP competes for its employees. It was, however, not enough to completely balance the shortage of qualified IT employees.

- The economic slow down prompted many companies to intensify their efforts to identify and realize potential cost savings. In part companies focused on IT investments that support cost savings and enable appreciable efficiency gains. Many customers identified deficiencies of systems' integration as an area offering significant improvements. This led customers to increase interest in software solutions that enable quick and simple integration of applications from different manufacturers, speeding up the return on investments already made.

Focus on reinforcing strategic position

At the start of 2001, the overall e-business software market remained highly fragmented. Industry analysts estimated that the five largest vendors accounted for only about 33% of all business, with the clear leader, SAP, accounting for approximately 15% of the market. The picture was somewhat different in individual segments of the market. For example, the supply chain management (SCM) application market was dominated by specialist i2 Technologies, Inc., while SAP's share was only 10%. The analysts found that another specialist vendor, Siebel Systems, Inc., was well ahead in the market for customer relationship management (CRM) software, with SAP trailing at 3%.

REVIEW OF SAP GROUP AND SAP AG OPERATIONS

Against this background, and despite the industry's mounting difficulties in 2001, SAP concentrated its efforts during this year on consolidating and building on its leadership position achieved in the previous years, namely as the source of the most comprehensive e-business solution offering in the overall market, while at the same time expanding profitably. The Company's primary focus was on its SCM and CRM solutions, its Product Lifecycle Management (PLM) solution, and on electronic marketplaces and portals. These offerings, together with the Company's proven ERP solution, are the cornerstones of SAP's strategy. The challenge in 2001 was to continue to improve these and other SAP solutions, to widen the range of solutions and services offered, to again reinforce the Company's orientation to its customers, and to even more effectively communicate the high quality of SAP's solution offerings. The strategy included protecting or improving the Company's leading position in the overall e-business software market and gaining market share in the CRM and SCM markets.

SAP adopted numerous measures in 2001 to achieve these goals:

- It further intensified its development efforts to optimize its CRM and SCM solutions. mySAP CRM and mySAP SCM became, in the opinion of various industry experts, one of the best solutions in their respective markets by virtue of their wealth of functions and their product quality.

- The Company acquired United States-based TopTier Software, Inc., one of the leading enterprise portal vendors. SAP immediately merged its existing affiliate eSAP and the Business Intelligence (BI) and Workplace divisions of SAP with TopTier to form a new subsidiary, SAP Portals. The Company thus attained a leading role in the strategically significant portals market. An alliance with the U.S. company Yahoo! Inc. also brought attractive content to SAP's portals solution.

- The strategic development and marketing alliance initiated in 2000 with Commerce One, Inc., a leader in e-marketplace infrastructure solutions, was intensified. An aspect of the strengthened relationship was the increase of SAP's equity stake in Commerce One from 2.5% to slightly more than 20%.

- With mySAP Technology, SAP presented a new, open integration platform and thus strengthened the Company's focus on system integration – for which, industry analysts report, companies are currently earmarking on average 35% of their IT budgets. The new SAP infrastructure allows heterogeneous IT landscapes to be integrated with one another, helping customers to automate business processes between facilities and across company boundaries. mySAP Technology enables customers to mix solutions and Internet services from different vendors and providers, which increases flexibility and reduces costs.

- The Company organized its industry business units (IBUs), which develop SAP industry solutions, into two industry business sectors (IBSs), named IBS Manufacturing and IBS Services, in order to align them more closely with field operations and facilitate SAP's accumulation of industry expertise.

- SAP further strengthened its cooperation with sales and consulting partners. For example, SAP agreed closer cooperation with several well-known consulting firms that will enable the acceleration of CRM implementation projects.

- SAP embarked on the establishment of a global consulting organization, the Global Professional Services Organization or Global PSO, to more efficiently address the consulting needs of major multinational corporations. The Global PSO supports the international projects of SAP customers that are globally active, offering a service that is consistent worldwide because it applies uniform methodologies and procedural standards.

- The maintenance services were also restructured to increase both customer satisfaction and medium-term profitability for SAP. The new organizational structure encourages closer collaboration with the development area, allows more timely intervention in critical situations, and provides the right context to support large multinational customers.

- In view of the rapidly changing market environment, SAP pressed on with the optimization and refocusing of its global organization. This included increasing headcount where appropriate to meet demands of the workforce, but also – notably in the United States – adjusting headcount and employee profiles.

- The Company continued to intensify its marketing efforts to build brand value and to ensure that customers, potential customers, and the public are more aware of the special strengths of SAP's solution offering. These efforts were rewarded with improved brand recognition. SAP ranked 43rd in the Interbrand/BusinessWeek survey of the top 100 global brands, the only technology brand to gain value in 2001.

REVIEW OF SAP GROUP AND SAP AG OPERATIONS

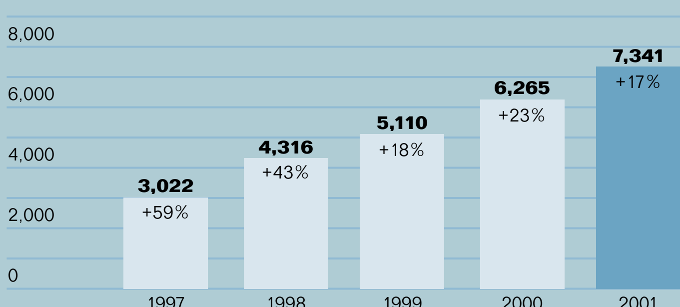
- SAP also implemented various measures to optimize corporate governance in anticipation of further growth of the Company. In line with the principle "one share, one vote", the Company's non-voting preference shares were exchanged into voting ordinary shares, leaving a single class of voting stock for all shareholders. The Company also codified its corporate governance practice in a consolidated document that is in line with today's national and international demands.

Revenues grow 17% despite weakened economy

In recent years SAP has elaborated a strong strategic position by timely identification of trends and planning accordingly, and in fiscal 2001 this positioning bore fruit. Whereas many competitors were taxed by the difficult conditions and had to accept reduced sales revenues, SAP achieved a healthy revenue increase of 17% to €7,341 million. Excluding foreign exchange effects, revenue growth was 18%. Thus the Company exceeded its target, set in mid-October 2001, of a 15% increase in revenue for the year 2001, and despite the unexpected economical developments, fell only a few percentage points short of the 20% revenue growth it publicly predicted mid-year.

Total Revenues

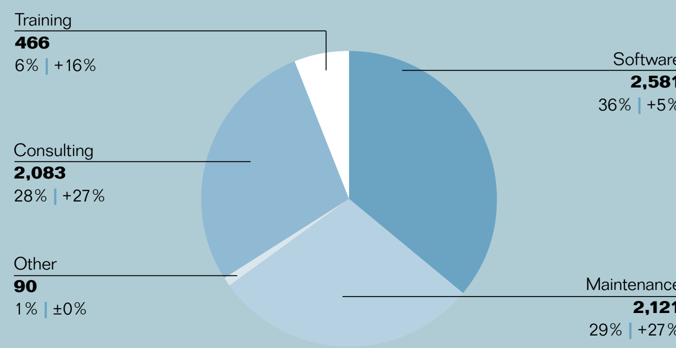
in € millions | change since 2000



Given the difficult circumstances, the positive revenue numbers were all the more pleasantly surprising, and SAP's operations around the globe contributed to the success.

Revenue Breakdown by Types of Activity

in € millions | percent | change since 2000



Market share gained in strategic fields

As expected, the difficult economic situation impacted software sales most. It therefore came as no surprise that license revenue growth, at 5%, was less vigorous than in the previous year. However, SAP's modest growth stood out against the gloomy background of the average 10% revenue slippages that were posted by the other players that SAP sees as important competitors.

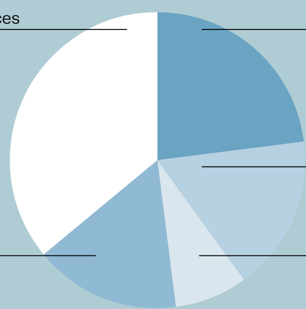
Based on orders booked, the installed customer base accounted for 68% of SAP's 2001 software revenue, with the remaining 32% coming from new customers (66% and 34% respectively in 2000). Those figures demonstrate that SAP managed both to improve its standing with its existing customers and also to win new business thus expanding its customer base.

Also based on orders booked, mySAP.com accounted for 76% of software revenue. This means the Company attained its goal of increasing the proportion of software revenues generated by mySAP.com share to a level of approximately 70% to 80%.

Since the beginning of 2001, SAP has kept statistics on the revenue share contributed by its various software solutions. These figures include revenues from designated solution contracts, as well as figures from integrated solution contracts that are allocated based on usage surveys.

Software Revenue Breakdown by Solutions

in € millions | percent



Under this revenue allocation methodology, SAP's new strength in the strategically significant fields of CRM and SCM becomes apparent. It shows, for example, that mySAP CRM contributed €445 million, which was 17% of all software revenue for the year. Based upon these numbers, SAP believes it is globally now in second position as a vendor of customer relationship management software. A comparison of quarterly sales attributable to mySAP CRM to the corresponding software revenues achieved by Siebel Systems, Inc., generally regarded as the market leader, also indicates that SAP somewhat caught up on the frontrunner in the course of the year.

Revenues attributable to mySAP SCM were €583 million, or 23% of SAP's total software revenue. This greatly exceeds the corresponding license revenues attained by i2 Technologies, Inc., which previously was regarded as the leader in the SCM market. Accordingly, SAP believes that it has established itself as the world's leading supplier of SCM software.

Maintenance and consulting both up 27%

SAP's maintenance revenues increased 27% to €2,121 million, growing mainly due to the significant-growth in 2000 software sales. As a result, overall product revenue (that is, software and maintenance) grew 14% to €4,702 million.

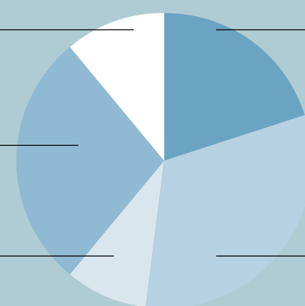
The increased software sales in 2000 also had a positive impact on consulting revenues in 2001. In 2000 SAP's consulting revenues grew only 6%, while in 2001, this segment achieved 27% growth, totaling €2,083 million for the year. After a decline in 1999, SAP's positive trend in 2000 training revenues continued in 2001. Training revenues in 2001 increased 16% to €466 million for the year. Total 2001 service revenue (consulting and training) grew 25% to €2,549 million.

All regions improve sales revenue

The Company demonstrated its strength on the international stage by posting healthy growth in each of the regions in 2001. This achievement, considering the problematic global economy, is particularly encouraging.

Revenue Breakdown by Sales Destination

in € millions | percent | change since 2000



As in the previous year, Europe, the Middle East, and Africa (EMEA) was the strongest region. Germany generated an increase in revenues of 19% in 2001 compared to the prior year, even though 2000 had itself been a good year for revenue growth in that country. Elsewhere in the EMEA region, 2001 revenues grew 26% to €2,317 million. The total 2001 EMEA revenue growth was 23%, just below the previous year's increase despite the marked deterioration in conditions.

The slowing of the global economy was felt earliest in the United States, and was expected to impact SAP's business there. Misgivings were heightened after the attacks of September 11. The Company's increased efforts, especially in the final quarter, overcame these factors, and total U.S. sales revenues improved 13% to €2,084 million in 2001. Excluding foreign exchange effects, growth for the year was 10%. The rest of the Americas region posted 2001 revenues of €640 million, 9% higher than the previous year, and 2001 revenues for the entire region were 12% higher at €2,724 million.

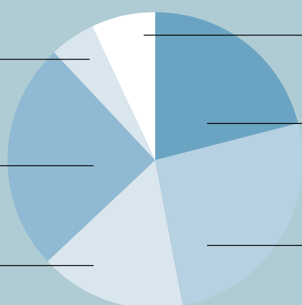
In the Asia-Pacific region, the Company recorded 2001 revenues of €831 million, representing an increase of 10% (17% excluding foreign exchange effects). The 25% growth posted in Japan (37% excluding foreign exchange effects) to €345 million was particularly significant in 2001. Revenue growth in Japan was also high in 2000, and the Company is now confident that the reorganization it implemented there in 1999 has led to a sustained turning point in operations in that country.

33% in the financial services sector

The breakdown of total revenue by sector shows that the service industries slightly overtook discrete manufacturing to become the single biggest source of revenue. It also shows that the steepest rates of revenue growth were achieved in the financial services and public services sectors. The increased effort SAP invested in these sectors in recent years is thus showing a return.

Revenue Breakdown by Sector

in € millions | percent | change since 2000



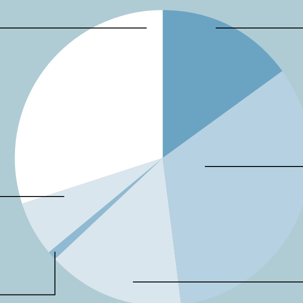
Costs rise slightly less than revenues

SAP's 2001 target was to keep the rate at which expenses increase below the growth in revenues and produce a one-to-two-point improvement in gross operating margin. Expenses for this purpose are operating expenses excluding stock-based compensations and TopTier acquisition-related charges. As a result of the unforeseeable developments in the second half of the year, the Company did not achieve this. SAP did, however, respond to the changing environment with cost-saving measures, which mainly impacted the final quarter. This was the main reason why expenses before stock-based compensation and TopTier acquisition-related charges did not rise beyond €5,869 million. This resulted in a 16.9% increase in expenses, just below the 17.2% increase in revenues. Expenses after stock-based compensations (which cost less than in the previous year) and TopTier acquisition-related charges were €6,028 million, a rise of 10% over the 2000 figure.

Operating Expenses Breakdown

(before charges for stock-based compensation and TopTier acquisition-related charges)

in € millions | percent | change since 2000



As in previous years, the biggest element in operating expenses in 2001 was personnel expenses. Excluding expenses for stock-based compensations, personnel expenses rose 19% to €2,810 million. In 2001, the impact of the 1999 employees' STAR plan was significantly less than in 2000, resulting in a reduced personnel expense growth of 3%.

Because of closer links between maintenance and development, SAP's development area carried out more preventive maintenance work during the year, checking live systems and systems still in the implementation process. These measures are assignable to maintenance, so the associated expense (€60 million) is recorded not under development expenses but as cost of product. As a result of this allocation of development resources to maintenance, cost of product rose 23% to €887 million. Excluding stock-based compensations and TopTier acquisition-related charges, cost of product rose 27% to €852 million, keeping pace with the increase in maintenance revenue to which such expenses substantially corresponds. Without altered allocation of efforts, the rise would have been 18% instead of 27%.

REVIEW OF SAP GROUP AND SAP AG OPERATIONS

In 2001, SAP shifted certain responsibilities from the development departments to the service area. Consequently, the associated expense of €18 million was recorded not as a development expense but as a cost of service. Including this element, service expenses totaled €1,965 million. The corresponding figure before stock-based compensations, which gives a better comparison with previous years, was €1,944 million. It represents a 19% cost increase compared with 2000, which is appreciably less than the 25% improvement in service revenues (that is, revenues from consulting and training).

The increase in maintenance work recorded by developers and the reassignment of the certain responsibilities to the service area had the result that the associated costs are no longer posted under expenses for research and development. Further, fewer third party services were bought in than in 2000. Consequently, research and development expenses before charges for stock-based compensation rose minimally, by 1% to €866 million. Without altered allocation of efforts and responsibilities, the rise would have been 10%. Research and development expenses including expenses for stock-based compensation decreased by 7% to €898 million.

At the beginning of the year, SAP announced an expansion of marketing activities to drive an improvement in market awareness. SAP regards the associated expense as an investment in the future and expects that in the medium term it will have an increasingly positive impact on the growth of the Company's business. Among others this expansion of marketing efforts lead to a 19% increase in sales and marketing expenses to €1,777 million (representing a 14% rise to €1,798 million after allowing for stock-based compensation expenses) exceeded the rate of growth in the corresponding software revenues, as it did in the previous year.

Fiscal year 2000 saw administrative expenses increase by an exceptional 47%, even before employees' STAR plan expenses. By contrast, SAP succeeded in saving costs in precisely this area in 2001. Excluding stock-based compensations and TopTier acquisition-related charges, administrative costs were €373 million, representing a 6% rise, which is well below the Company's revenue growth. Including stock-based compensations and TopTier acquisition-related charges, administrative expenses decreased by 8% to €386 million.

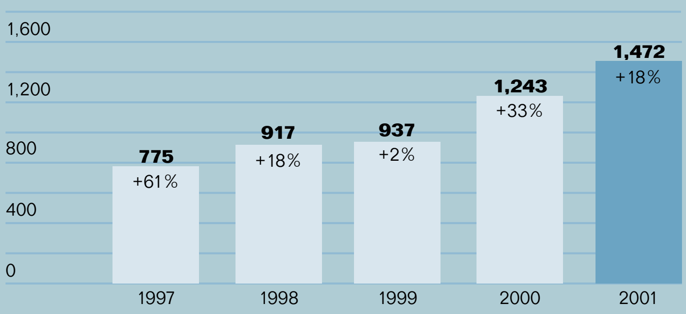
Operating margin slightly improved

Operating income before stock-based compensations and TopTier acquisition-related charges rose 18% to €1,472 million. Thus, despite the adverse conditions, SAP enjoyed a gross operating margin of 20.1% in 2001, slightly better than the previous year's figure of 19.8%. Including stock-based compensations and TopTier acquisition-related charges, operating income was €1,312 million, representing a 64% increase. On this basis, the gross operating margin was 17.9%.

Operating Income

(before stock-based compensations and TopTier acquisition-related charges)

in € millions | changes since 2000



Minority investments reduce finance income

In July 2001, SAP increased its investment in Commerce One, Inc. to more than 20%. As a consequence, this investment had to be accounted for using the equity method, and, to improve comparability, U.S. GAAP required the retroactive application of the equity method of accounting. The negative effect on finance income was €161.6 million in fiscal 2001 and €18.6 million in 2000. In addition, a write-down of some minority investments was necessitated by the decline of the "new economy". These write-downs chiefly resulted from SAP's venture capital activities. Measures taken to hedge possible payout obligations under the 2000 employees' STAR plan also resulted in finance expenses.

Interest income and gains from the sale of securities were insufficient to offset these expenses. As a result in contrast to the previous year, SAP recorded a finance loss of €–233 million.

REVIEW OF SAP GROUP AND SAP AG OPERATIONS

6% rise in income before income tax

Income before income taxes rose 6% to €1,069 million. For comparison with previous years and with other companies, income before income taxes excluding stock-based compensations and TopTier acquisition-related charges was €1,228 million, a 15% decrease since the previous year. This decrease in 2001 is primarily the result of negative finance income.

The majority of costs associated with the TopTier acquisition and other non-operating expenses were not tax effective. This was the primary reason the effective tax rate climbed to 44.6% from 38.7% in the previous year. Adjusted for certain unusual effects the tax rate was 38.0%, unchanged from 2000.

Net income for the year was €581 million, which is 6% less than in the previous year. Net income as a percentage of sales declined 1.9 percentage points to 7.9%. Undiluted earnings per share calculated in accordance with U.S. GAAP were €1.85 (€1.96 in the previous year). Excluding TopTier acquisition-related charges and the impact of SAP's investment in Commerce One on finance income, undiluted earnings per share were €2.53 (€2.02 in the previous year).

Acquisitions increase intangibles

SAP's total assets rose 10% to €6,196 million in 2001. The increase in intangibles primarily resulted from the acquisition of TopTier Software, Inc. and the 53.7% to 60.4% increase in the Company's holding in its affiliate SAP Systems Integration AG (SAP SI). This was primarily responsible for the almost 800% increase in intangible assets to €504 million. Investment in property, plant, and equipment – mainly additional IT infrastructure and office facility construction – was €295 million in 2001 (€222 million in 2000).

Increasing the Company's strategic holding in Commerce One during 2001 increased financial assets as of end of 2001. Offsetting this was the write-down of certain investments in equity securities and the decline in from the fair value of other marketable securities from 2000. Overall, financial assets increased 11% to €707 million.

These changes increased fixed assets by 36% to €2,203 million, reducing the equity-to-fixed-assets ratio from 180% to 141%. This is still a strong financial metric.

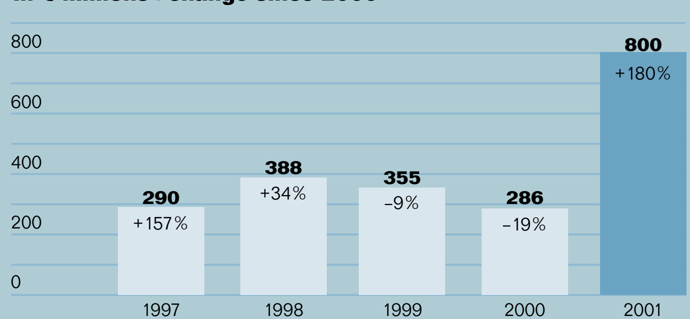
Current assets of €3,358 million decreased by 6% from 2000. The main factor in this decrease was a 20% reduction in liquid assets to €866 million. This resulted from the net cash inflow from operations being lower than the net cash outflows used by investing and financing activities which were impacted (among other things) by the acquisition of TopTier and the increase in the Company's investment in Commerce One and SAP SI, payouts on the 1999 employees' STAR plan, hedging of 2000 and 2001 STAR plan payout obligations, and purchases of the Company's own shares. The 1% rise in accounts receivable was well below the gain in revenues. Despite the difficult economic circumstances, days' sales outstanding, which measures the average time before accounts receivable are settled, rose by only one day to 94 days, due to continued stringent receivables management.

In 2001, shareholders' equity rose to €3,110 million, an increase of 6% over the 2000 figure, including temporary equity. The equity ratio fell slightly from 52% to 50%. The return on equity also declined two points to 19%, mainly due to negative finance results from SAP's investment in Commerce One, which were not tax effective expenses in 2001.

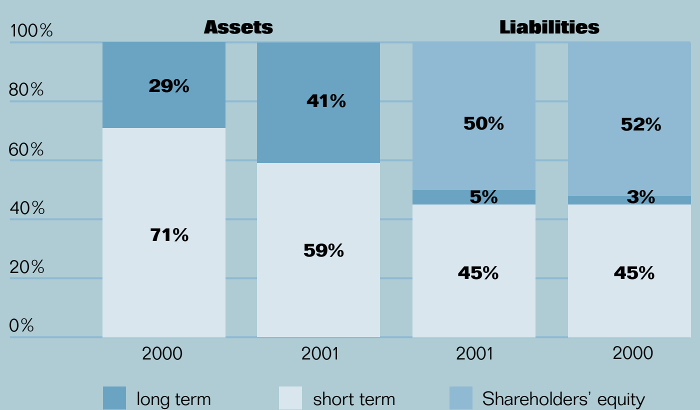
Capital Expenditure

(Intangible Assets and Property, Plant and Equipment)

in € millions | change since 2000



Consolidated Balance Sheet Breakdown



SAP AG revenues and income rise

SAP AG's annual financial statements for 2001, which were prepared in accordance with German GAAP (HGB), show that total revenues grew 4% to €2,604 million, operating income climbed 58% to €661 million, and annual net income rose 284% to €1,070 million. German operations were transferred from SAP AG to SAP Deutschland AG & Co. KG effective January 1, 2001 and are therefore not recorded in the SAP AG annual financial statements for 2001. Without that transfer, total revenue would have increased to 51% – mainly because of an increase in license fee payments by SAP subsidiaries to SAP AG. If the effect of the transfer is excluded, the operating income increase was 236%. Since the entire income of SAP Deutschland AG & Co KG is allocated to SAP AG, the annual net income of SAP AG is also €1,070 million when the effect of the transfer is excluded.

Dividend unchanged

It is not internationally customary for software companies to pay a dividend. However, as in previous years, SAP believes shareholders should participate appropriately in the year's results. As evidence of the Company's commitment to its shareholders, the Executive Board plans to match the previous year's dividend despite the decline in the Group's income. Further, it plans to honor its commitment, given when the preference shares were merged with the ordinary shares, that dividends should reflect the slightly higher level of dividend previously associated with the preference shares. The Executive Board will therefore recommend to the Annual General Shareholders' Meeting that a dividend of €0.58 be paid per share. If the shareholders approve this recommendation, the total amount distributed in dividends would not exceed €182.7 million. This amount would be higher than the previous year's amount of €180.4 million, because the higher dividend previously reserved for preference shares is now available for all shares. The actual amount distributed may be less if on the qualifying date the Company itself owns SAP shares, because such shares would not be entitled to dividend payments.

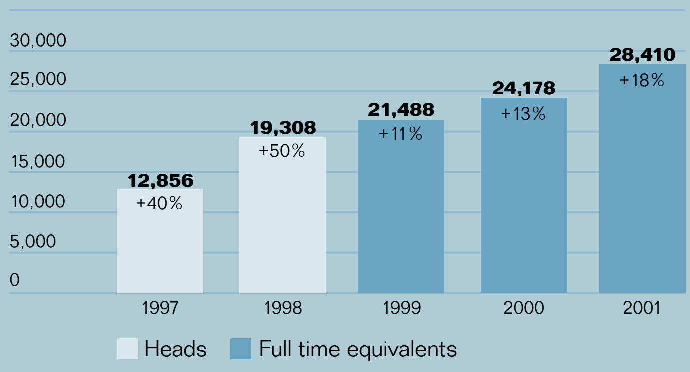
Sustained headcount growth

The most important factor in the Company's success is its employees. Even though 2001 was a difficult year, SAP therefore continued to increase headcount. However, because of the increasing economic uncertainties, the Company lowered the rate of increase in the second half of 2001. Thus the fourth quarter only accounted for 12% of the full year headcount additions.

Headcount rose to 28,878 at year end. Converted to full-time equivalents, headcount was 28,410, representing an increase of 18% on the previous year's total.

Employees at Year End

as of year end | change since 2000



SAP employees are very highly qualified, as befits the Company's needs. More than 90% have a university degree, predominantly in technology or a science discipline. To maintain and develop workforce skills, in 2001 the Company continued to provide a comprehensive training and education program for its employees. SAP University, founded in 2000 expressly for this purpose, and the internal training area were the main training providers.

Development progress in strategically important areas

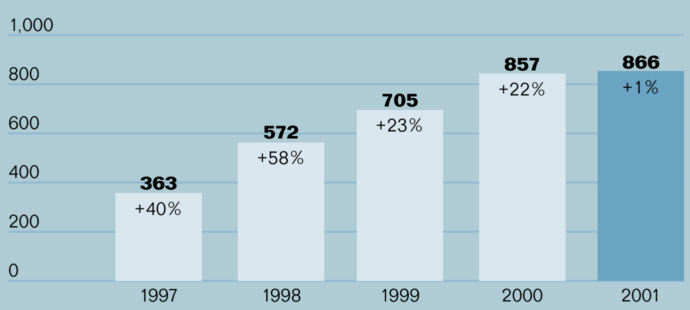
The Company aligned the thrust of its development activity to its strategic focus by concentrating on its CRM, SCM, enterprise portal, and electronic marketplace solutions. Areas at which the Company directed further development efforts included the improvement and expansion of other mySAP.com solutions and capabilities, especially the ERP solution. Development of the various industry solutions also moved ahead. A key goal in all of the Company's development work was openness and easy integration of SAP solutions. To this end, the technical framework for mySAP.com was restructured to create mySAP Technology.

To ensure that the development enterprise area could reliably meet the additional demands placed on it, the developer headcount, expressed in full-time equivalents, was increased by 22% to 7,491. The rate of associated cost increase was much lower at 1% to €866 million (before stock-based compensation) as a result primarily of various restructuring initiatives and also because of a reduction in the purchase of third-party services. For example, an aspect of the reorganization of SAP's support services was a closer alignment of maintenance with development. This measure, aimed at improving the customer orientation of SAP's solutions, had the effect that more of the work undertaken by development employees was related to maintenance. Also, certain responsibilities were reassigned from the development departments to the service area. The associated costs were therefore no longer reflected as research and development. Thus the increase in research and development costs was not as pronounced in 2001 as in previous years.

Research and Development Expenses

(excluding stock-based compensations)

in € millions | change since 2000



As in previous years, the majority of the Company's development work took place in Germany at the Walldorf headquarters. 70% of the employees assigned to development efforts were located in Germany. SAP also has development facilities in Palo Alto, Calif., Bulgaria, France, India, Japan, and elsewhere.

One of the most important milestones in the Company's 2001 development activities in 2001 was shipping the latest version of mySAP CRM on schedule in September. This solution is available in more than 20 languages and includes more than 100 preconfigured business processes with operative and analytic customer relationship management functions for inter-enterprise scenarios. Customers can also integrate it with other e-business solutions.

The success of these development efforts is demonstrated not only by growing demand for the SAP solutions but also by customer and industry analyst assessment. For instance IDC, an independent market research company, characterized mySAP E-Procurement as "a convincing solution that covers all aspects of direct and indirect procurement". IDC also described SAP's progress in the field of supply chain management as impressive. Hurwitz Group, another independent industry analyst, described the new version of mySAP CRM as "package of breathtaking scope".

Outlook in world economy and SAP`s industry is uncertain

At the beginning of the year, it is difficult to predict economic developments in fiscal 2002. It is generally anticipated that the U.S. economy will recover first, and that this will stimulate the economies of the other developed countries. However, it is not clear when this trend will begin or to what extent the effect will be felt in 2002. The Organisation for Economic Co-operation and Development (OECD) does not expect global economic growth to exceed 1% in 2002, but predicts 2003 will experience a significant improvement, with growth at 3.2%. The Kiel Institute for World Economics predicts that, in 2002, the industrialized nations will experience 1.5% growth, with the United States' economy performing better than Western Europe in general and specifically better than Germany, with growth rates of 2.0%, 1.9%, and 1.2% respectively.

The uncertain economic prospects for the world as a whole make it impossible at the start of the year to reliably estimate what lies ahead for the IT-industry in 2002. On the basis of its survey, investment bank Morgan Stanley forecasts that spending on information technology will increase 2% in 2002. In contrast, another survey leads research company Line56 to expect growth of 4.4%.

The research by Line56 suggests that expenditure on e-business solutions in the current year could grow much more quickly than on all IT, at a rate of 10.6%. It expects total spending on e-business solutions to be U.S. $240 billion, corresponding to 18.2% of all IT expenditure. Researchers Gartner Group and IDC expect the increase in license sales alone to attain 11% to 12% – Gartner Group's assumption being that the market for licenses will amount to U.S. $40 billion. It is also predicted that business intelligence, SCM, and CRM will be among the categories seeing the highest levels of demand. The Morgan Stanley research paper forecasts that demand will be focused on, among others, e-commerce, system integration, and ERP.

REVIEW OF SAP GROUP AND SAP AG OPERATIONS

Setting strategic roadmarks at the start of the year

SAP introduced various strategic organizational measures at the start of the 2002 to prepare the Company for the challenges to come:

- SAP customers' requirements change rapidly but product development cycles are long. The Company overhauled the structure of management below the Executive Board level to harmonize these disparate rhythms. This involved delegation by the Executive Board of certain decision-making processes and preparatory work for strategic decisions to two new management boards. The Customer Solutions Group, led by the Field Management Board (FMB), is responsible for all activities and processes that are customer oriented. The Product and Technology Group, led by the Product and Technology Board (PTB), concentrates on the development of generic and cross-industry solutions and will drive technical innovations.

- In the Company's experience, customers implementing integration projects increasingly require solutions encompassing both SAP Markets and SAP Portals products. SAP has announced that it is preparing to merge the SAP Markets and SAP Portals companies to be in a better position to respond to this trend and to consolidate the resources of the two organizations. The new company will begin with a global headcount of approximately 1,700. It will develop and market business solutions for supplier relationship management, extended e-selling, and business intelligence. Its continuing development work on enterprise portals, electronic marketplace solutions, and exchange technology will play a major role in shaping the mySAP Technology of the future.

- The strategic significance of small and medium-sized enterprises (SMEs) as a class of customers has recently become much greater. It is expected that this segment of the market will enjoy high rates of growth. From the Company's viewpoint, increasing SAP's presence in the SME segment helps to defend its leading position against competitors, some of which attempt to use SME customers as a vehicle to gain ground in the e-business market. Also, the simpler solutions required by such customers stimulate developments for the Company's standard products. SAP has therefore kicked off an initiative with the aim of advancing its own position in this market segment. The medium-term goal is to lead the market in the SME segment. To achieve it, the Company is setting up a dedicated business unit. It will develop its own suite of products that will be based on the mySAP.com e-business solutions, but they will be specially tailored to the needs of SME customers.

Well positioned for a year of challenges

Because of the general economic outlook and the situation in the software industry, SAP assumes that 2002 will be another challenging year. However, the Company believes itself to be strategically well positioned to meet the challenges it foresees and once again have a successful year.

- SAP's product offering, with its mix of cross-industry solutions and vertical industry solutions, is particularly well suited to meet customers' needs.

- The openness of SAP's solutions and the fact that the Company offers in parallel individual and comprehensive solutions in parallel increases the flexibility it can offer customers. Customers are able to opt for SAP as their preferred strategic vendor without committing themselves to an unwanted dependency.

- mySAP Technology reinforces SAP's position as the leading vendor of open, integrated software solutions. The particular structure of mySAP Technology protects the value of customers' existing investments in software and opens new avenues for developing further applications as well as for integrating non-SAP products with SAP solutions.

- SAP R/3 Enterprise represents the forward development of its SAP's successful R/3 product. For SAP's customers, R/3 Enterprise provides both a contribution to the protection of their past IT investments and a functional extension of their software. It also eases their move to mySAP.com.

- Increasingly, customers value e-business solution vendors with financial stability and a proven record of reliability. This gives SAP a competitive advantage over many of its competitors.

- The Company's intensified marketing efforts are helping customers and the public to better understand SAP's offering, and that will tend to improve sales and profit in the medium term.

- By consolidating responsibilities within management below the Executive Board, the Company has created an organizational structure that enables SAP to reduce new product time-to-market and reap more of the synergy benefits in its extensive development organization.

- SAP's increased readiness to enter into cooperative partnerships and invest in or acquire businesses means it can extend its solution offering through a healthy combination of development efforts, cooperation, capital investments, and acquisition. It can realize forward-looking initiatives more quickly and integrate innovative solutions into its own portfolio more easily.

- The improved customer orientation of SAP's organizational structure is bolstering customer confidence as well as helping the Company to align the SAP solutions more closely to the needs of customers' employees.

- The current weakness of the economy is reawakening customer interest in classic ERP products. This is stimulating a market segment in which SAP has a great deal more experience than most of its competitors and in which it is the uncontested leader.

- The Company's much-enhanced standing in strategically important segments of the market and its success in the face of the economic ebb in 2001 have stiffened the resolve of SAP's employees.

15% growth expected

Although conditions will probably be difficult, the Company again expects to grow stronger than the market in 2002 because of its strong strategic position. Revenues for the full year 2002 are expected to increase by about 15%. As in previous years, it is anticipated that software license revenues in the second half of the year will exceed those in the first.

The Company forecasts that in 2002 operating expenses excluding stock-based compensation and acquisition-related charges will not rise as steeply as sales revenues. An important factor will be careful personnel recruitment that is even more tightly aligned to the development of business. SAP also expects that its new management structure will enable it to intensify its efforts to identify and realize potential cost savings.

The Company predicts that by increasing expenses at a lower rate than the improvement in revenues, the gross operating margin before stock-based compensation and acquisition-related charges will be boosted to at least 21%. The extent of the improvement in margin is expected to become clearer during the second half of the year.

The target SAP has set itself for the medium-term beyond 2002, assuming general and industry specific economic conditions are sufficiently positive, is to advance the rate of revenue growth beyond the 15% predicted for 2002 while profitability improves.

Value drivers identified for 2002

SAP has identified value drivers in its solution portfolio, as well as in the regions and customer groups, to achieve the revenue and performance targets it has set for itself and to further improve its strategic position. Particular attention will be focused on these drivers in 2002.

The value drivers in the solution suite are CRM, SCM, ERP, exchanges, portals, and the mySAP Technology platform. The Company aims to at least protect its leading position in the ERP market, and to strengthen its frontrunner position in the SCM market. It also aims to further improve its position in the CRM market and to gain ground on the market leader. It intends to significantly grow its portals and exchanges business, and aims to see mySAP Technology make a substantial contribution to satisfying the growing demand for solution integration capability.

In the Americas region, the focus will be on the United States. SAP expects the upward curve entered in the final quarter of 2001 to continue. In Europe and Asia, the Company identified certain countries as growth markets from which it expects higher-than-average growth rates.

Of the customer segments, it is the small and medium-sized enterprise bracket that SAP will particularly concentrate on. The Company already has a strong position in this category in Germany and Italy, and aims to reproduce this success in other countries. Its efforts will be especially directed at building a position in the U.S. SME market.

Risk factors

The targets SAP has set for itself with respect to revenue growth and the improvement of gross operating margin in 2002 are challenging. They are based on a number of assumptions concerning conditions in the future. If any of these assumptions are not valid, expectations may be adversely impacted.

A system comprising multiple mechanisms is in place across the SAP Group to recognize and analyze risks early and respond appropriately. These mechanisms include recording, monitoring, and controlling internal enterprise processes using internal reporting functions, a number of management and controlling systems, and a planning process that is uniform throughout the Company. Further elements of the system include the Group internal audit, comprehensive published reports, and the work of the Supervisory Board in monitoring and controlling the Executive Board. SAP's Principles of Corporate Governance, ratified by SAP's Supervisory Board at the end of 2001, constitute the remaining component in the system. They are standards and guidelines for the work of the

Executive Board and the Supervisory Board, and for the cooperation between them.

The mechanisms can, however, only address effects that are within the scope of SAP's influence. No guarantee can be given that all risks are covered, because, as is the case for any company, many risks are outside SAP's control.

- It is impossible to exclude the possibility of further attacks like those of September 11, 2001. Such attacks could damage the world economy and affect companies' investment decisions over an extended period. As a vendor of software solutions, which are effectively capital goods, SAP operates in a sector of the economy that would be impacted by the effects of any such attack.

- Because of its strategic positioning, SAP regards its medium-term progress as being largely immune to cyclical fluctuations. However, any further sharp regional or global declines in economic activity could have a negative influence on trends in revenues and income in particular countries or even throughout the Group.

- The Company maintains extensive insurance coverage against many of its liability risks. The extent of insurance coverage is under continuous review and is changed if necessary. The goal of the Company's insurance coverage is to ensure that financial effects, to the largest extent possible, resulting from risk occurrences are excluded or at least limited. Despite these measures, it is impossible to completely exclude the possibility that claims brought by trading partners or others for damages might have a negative impact on the Company's results.

- SAP operates globally and therefore is exposed to certain currency risks. These are addressed by active foreign exchange management, especially by way of derivative financial instruments. Such instruments are used solely to hedge license fee payments from SAP subsidiaries to SAP AG. The Company uses derivatives in accordance with detailed policies, giving consideration to the applicable risk assessment.

- SAP takes numerous measures to protect its intellectual property. To this end it uses copyright and rights of authorship, patents, trademarks and other marks, license agreements, confidentiality agreements, and various technical precautions. There can be no assurance, however, that such measures will be completely effective. Despite the steps the Company takes to protect its intellectual property, it is possible for a third party to copy SAP products, to use them as the basis for further development, or to obtain from elsewhere information that SAP regards as its own. Moreover, in some countries the law offers less protection for SAP's intellectual property than it enjoys under the law of Germany or the United States.

- Among the competitive advantages that are factors in predicted revenue growth is the fact that SAP is one of the biggest companies in the industry. Significant mergers and or acquisitions could alter the competitive environment and impact SAP's business development.

- SAP tests new products and versions thoroughly before it releases them. Nonetheless, the possibility of latent defects in delivered products cannot be excluded. Eliminating such defects can require the dedication of considerable resources. In addition, the possibility cannot be excluded that customers may bring actions for damages, make claims for replacement of software, or demand other concessions from SAP.

- SAP takes numerous measures to ensure its products are shipped on time. However, the possibility of delays in the delivery of new products cannot be excluded. Such delays could impact the market acceptance and acquisition of SAP software and negatively affect SAP's prospects.

- The Company's activities are focused on the Internet. The typical Internet risks, such as hacker and virus attacks, are addressed with comprehensive security measures throughout the Group. However, if significant problems were to arise in this area, they could impact SAP's results and prospects.

- To ensure that it retains its innovative and competitive edge, SAP makes minority investments, acquires companies, and enters into strategic alliances and joint ventures. Such activities can involve considerable capital outlay. The associated risks are carefully assessed before decisions are made and are also addressed with an extensive range of measures at the time when human capital, technologies, business processes, and products are integrated. However, most of the concerned companies in question are recently established, and their prospects can be assessed only to a limited extent.

- SAP's success in the future is inextricably linked to the commitment, motivation, skills, and competencies of its employees. Attractive compensation packages, stock-based compensation, and wide-ranging internal training and education programs are just some of the continuous means the Company uses to ensure that SAP remains attractive as an employer. The targets that the Company has set itself for its future development are based on the assumption that these endeavors will be successful and that the described easing of the relevant employment markets will continue, so that all Company needs for additional specialist and management employees can be met. If this is not the case, a negative impact on the predicted progress of the Company cannot be excluded. The operating income of the Company may also be impacted by increases in expenses incurred to meet its personnel requirements.

Despite the risks portrayed, SAP is confident that it can meet the targets it has set for itself for 2002. That confidence is based on the Company's trust in its solution offering, which is tailored to the demands of the market, its customer orientation, its innovativeness, and the ability and commitment of its employees.

CONSOLIDATED STATEMENTS OF INCOME

for the years ended December 31, (in thousands except for per share and exchange rate data)	**Note**	**2001[1] US$**	**2001 €**	**2000[2] €**	**1999 €**
Software revenue		2,296,919	2,580,518	2,458,725	1,932,391
Maintenance revenue		1,888,125	2,121,250	1,670,364	1,162,062
Product revenue		**4,185,044**	**4,701,768**	**4,129,089**	**3,094,453**
Consulting revenue		1,853,949	2,082,855	1,645,198	1,546,933
Training revenue		414,986	466,224	400,566	394,478
Service revenue		**2,268,935**	**2,549,079**	**2,045,764**	**1,941,411**
Other revenue	(5)	**80,071**	**89,957**	**89,742**	**74,349**
Total revenue		**6,534,050**	**7,340,804**	**6,264,595**	**5,110,213**
Cost of product		**–789,901**	**–887,429**	**–721,556**	**–526,653**
Cost of service		**–1,749,046**	**–1,965,000**	**–1,750,487**	**–1,625,096**
Research and development		**–799,533**	**–898,251**	**–969,377**	**–744,666**
Sales and marketing		**–1,599,996**	**–1,797,546**	**–1,577,330**	**–1,131,917**
General and administration		**–343,570**	**–385,990**	**–417,570**	**–260,130**
Other operating income/expense, net	(6)	**–83,860**	**–94,214**	**–25,617**	**–25,571**
Total operating expenses	(7)	**–5,365,906**	**–6,028,430**	**–5,461,937**	**–4,314,033**
Operating income		**1,168,144**	**1,312,374**	**802,658**	**796,180**
Other non-operating income/expense, net	(8)	**–9,473**	**–10,643**	**–55,340**	**–51,008**
Finance income, net	(9)	**–207,370**	**–232,974**	**265,551**	**235,175**
Income before income taxes		**951,301**	**1,068,757**	**1,012,869**	**980,347**
Income taxes	(10)	**–423,949**	**–476,293**	**–391,807**	**–376,416**
Minority interest		**–10,083**	**–11,328**	**–5,330**	**–2,930**
Net income		**517,269**	**581,136**	**615,732**	**601,001**
Earnings per share – basic	(11)	**1.65**	**1.85**	**1.96**	**1.92**
Earnings per share – diluted	(11)	**1.65**	**1.85**	**1.95**	**1.90**

[1] The 2001 figures have been translated solely for the convenience of the reader at an exchange rate of €1.00 to US$0.8901, the Noon Buying Rate certified by the Federal Reserve Bank of New York on December 31, 2001.

[2] The 2000 figures have been adjusted for the effect of the change in the investment in Commerce One, Inc. to the equity method of accounting.

See Notes to Consolidated Financial Statements.

CONSOLIDATED BALANCE SHEETS

as of December 31, (in thousands except for exchange rate data)	Note	2001[2] US$	2001 €	2000[3] €
ASSETS				
Intangible assets	(12)	444,473	499,352	116,093
Property, plant and equipment	(13)	887,476	997,052	870,676
Financial assets	(14)	629,375	707,083	636,924
Fixed assets		**1,961,324**	**2,203,487**	**1,623,693**
Inventories	(15)	4,088	4,593	5,801
Accounts receivable net	(16)	1,967,934	2,210,913	2,194,505
Accounts due from related parties		644	723	3,777
Other assets	(17)	158,103	177,624	188,615
Accounts receivable and other assets		2,126,681	2,389,260	2,386,897
Marketable securities	(18)	87,357	98,143	95,643
Liquid assets	(19)	770,871	866,050	1,086,721
Short-term assets		**2,988,997**	**3,358,046**	**3,575,062**
Deferred taxes		**427,022**	**479,747**	**305,460**
Prepaid expenses and deferred charges	(20)	**137,364**	**154,324**	**114,756**
Total assets		**5,514,707**	**6,195,604**	**5,618,971**
thereof current assets		3,245,942	3,646,716	4,011,526

	Note	2001[2] US$	2001 €	2000[3] €
SHAREHOLDERS' EQUITY AND LIABILITIES				
Subscribed capital[1]		280,227	314,826	314,715
Treasury stock		–83,858	–94,212	0
Additional paid-in capital		144,836	162,719	35,203
Retained earnings		2,267,458	2,547,419	1,976,588
Accumulated other comprehensive income		159,115	178,761	190,575
Shareholders' equity	(21)	**2,767,778**	**3,109,513**	**2,517,081**
Temporary equity	(22)	**0**	**0**	**409,500**
Minority interests		**55,903**	**62,805**	**61,151**
Pension liabilities and similar obligations	(24)	46,128	51,823	24,832
Other reserves and accrued liabilities	(25)	1,225,264	1,376,547	1,409,956
Reserves and accrued liabilities		**1,271,392**	**1,428,370**	**1,434,788**
Bonds	(26)	6,494	7,296	4,412
Other liabilities	(27)	1,077,211	1,210,214	826,969
Other liabilities		**1,083,705**	**1,217,510**	**831,381**
Deferred income	(28)	**335,929**	**377,406**	**365,070**
Total shareholders' equity and liabilities		**5,514,707**	**6,195,604**	**5,618,971**
thereof current liabilities		2,493,107	2,800,929	2.510.891

[1] Contingent capital €43,276 thousand (2000: €44,785 thousand)

[2] The 2001 figures have been translated solely for the convenience of the reader at an exchange rate of €1.00 to US$0.8901 the Noon Buying Rate certified by the Federal Reserve Bank of New York on December 31, 2001.

[3] The 2000 figures have been adjusted for the effect of the change in the investment in Commerce One, Inc, to the equity method of accounting.

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the years ended December 31,		(in thousands of €)						
	Number of shares issued and outstanding (000)	Compre-hensive income	Accumulated other compre-hensive income	Retained earnings	Additional paid-in capital	Treasury stock	Subscribed capital	Total
December 31, 1998[1]	**104,564**		**44,357**	**1,263,560**	**243,035**	**0**	**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						
Unrealized losses on 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**		**343,957**	**1,698,229**	**249,364**	**0**	**267,805**	**2,559,355**
Effect of 3-for-1 stock split	209,512				–46,463		46,463	
Net income		615,732		615,732				615,732
Other comprehensive income, net of tax								
Unrealized losses on marketable securities		–233,868						
Currency translation adjustment		45,207						
Additional minimum pension liability		–3,780						
Unrealized gains on cash flow hedges		39,059						
Other comprehensive income		–153,382	–153,382					–153,382
Comprehensive income		**462,350**						
Convertible bonds exercised	447				7,160		447	7,607
Dividends				–165,780				–165,780
Effect of put option				–170,232	–209,699			–379,931
Other				–1,361	34,841			33,480
December 31, 2000[2]	**314,715**		**190,575**	**1,976,588**	**35,203**	**0**	**314,715**	**2,517,081**

[1] The 1998 amounts have been restated from Deutsche Marks into Euros at an exchange rate of DM1.95583 to €1.00, the fixed exchange rate as of January 1, 1999.

[2] The 2000 figures have been adjusted for the effect of the change in the investment in Commerce One, Inc. to the equity method of accounting.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

for the years ended December 31,

	Number of shares issued and outstanding (000)	Compre-hensive income	Accumulated other compre-hensive income	Retained earnings	Additional paid-in capital	Treasury stock	Subscribed capital	Total
		(in thousands of €)						
December 31, 2000	**314,715**		**190,575**	**1,976,588**	**35,203**	**0**	**314,715**	**2,517,081**
Net income		581,136		581,136				581,136
Other comprehensive income, net of tax								
Unrealized losses on marketable securities		–24,241						
Currency translation adjustment		41,098						
Additional minimum pension liability		–3,142						
Unrealized losses on cash flow hedges		–25,529						
Other comprehensive income		–11,814	–11,814					–11,814
Comprehensive income		**569,322**						
Convertible bonds exercised	111				1,781		111	1,892
Dividends				–180,414				–180,414
Share repurchase						–94,212		–94,212
Effect of put option				170,232	152,177			322,409
Other				–123	–26,442			–26,565
December 31, 2001	**314,826**		**178,761**	**2,547,419**	**162,719**	**–94,212**	**314,826**	**3,109,513**

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

for the years ended December 31, (in thousands except exchange rate data)	**Note**	**2001[1] US $**	**2001 €**	**2000[2] €**	**1999 €**
Net income before minority interest		517,269	581,136	615,732	601,001
Minority interest		10,083	11,328	5,330	2,930
Net income		527,352	592,464	621,062	603,931
Calculated gain from initial public offering of a subsidiary		0	0	–44,234	0
Depreciation and amortization		249,043	279,792	223,308	172,680
Losses from equity investments, net		147,311	165,499	96,943	19,631
In Process R&D		4,981	5,596	0	0
Losses on disposal of property, plant and equipment and marketable equity securities, net		–20,186	–22,678	–348,692	–223,847
Write-downs of financial assets, net		63,493	71,332	19,137	1,626
Impacts of hedging		73,237	82,279	29,436	0
Change in accounts receivable and other assets		–16,816	–18,892	–202,275	–369,043
Change in deferred stock compensation		–10,362	–11,641	0	0
Change in reserves and liabilities		13,687	15,377	553,776	382,327
Change in deferred taxes		–128,746	–144,642	–132,001	14,714
Change in other current assets		–33,459	–37,590	–65,744	–31,403
Change in deferred income		10,637	11,950	–10,743	–41,543
Net cash provided by operating activities	**(29)**	**880,172**	**988,846**	**739,973**	**529,073**
Purchase of intangible assets and property, plant and equipment		–336,319	–377,844	–285,435	–354,228
Purchase of financial assets		–68,285	–76,716	–216,975	–92,156
Change in the scope of consolidation		–4,086	–4,591	–4,129	–2,012
Proceeds from disposal of fixed assets		58,365	65,572	370,367	154,834
Investment in Commerce One		–270,623	–304,037	–270,442	0
Purchase of TopTier, net of cash acquired		–337,342	–378,993	0	0
Change in liquid assets (maturities greater than 90 days) and marketable securities		32,561	36,581	–38,639	–51,455
Net cash used in investing activities	**(30)**	**–925,729**	**–1,040,028**	**–445,253**	**–345,017**
Dividends paid		–160,587	–180,414	–165,780	–165,473
Effect of 2000 STAR-hedge, net		–106,751	–119,931	29,569	0
Purchase of treasury stock		–83,858	–94,212	0	0
Impact of convertible bonds, net		4,251	4,776	10,756	9,308
Other changes to additional paid-in-capital		–4,167	–4,682	8,537	–2,978
Proceeds from line of credit and long-term debt		301,444	338,663	100,000	0
Principal payments made on long-term debt		–1,826	–2,052	–29,519	–287
Effect of 2001 STAR-hedge		–60,918	–68,440	0	0
Proceeds from initial public offering of a subsidiary		0	0	87,324	0
Net cash used in/provided by financing activities	**(31)**	**–112,412**	**–126,292**	**40,887**	**–159,430**
Effect of foreign exchange rates on cash		–3,665	–4,117	–2,159	63,979
Net decrease/increase in cash and cash equivalents		**–161,634**	**–181,591**	**333,448**	**88,605**
Cash and cash equivalents at the beginning of the year		**928,293**	**1,042,909**	**709,461**	**620,856**
Cash and cash equivalents at the end of the year	**(19)**	**766,659**	**861,318**	**1,042,909**	**709,461**

[1] The 2001 figures have been translated solely for the convenience of the reader at an exchange rate of €1.00 to US$0.8901, the Noon Buying Rate certified by the Federal Reserve Bank of New York on December 31, 2001.

[2] The 2000 figures have been adjusted for the effect of the change in the investment in Commerce One, Inc. to the equity method of accounting.

See Notes to Consolidated Financial Statements.

NOTES TO 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").

SAP is using the relief outlined 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). The required description of the significant differences between U.S. GAAP and German GAAP is set forth in note 38.

Amounts included in the consolidated financial statements are reported in thousands of euros ("€") unless otherwise stated. All euro financial data that has been presented in U.S. Dollars ("$" or "USD") 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, 2001, which was €1.00 per $0.8901.

(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:

Number of companies consolidated in the financial statements	German	Foreign	Total
December 31, 2000	16	60	76
Additions	5	14	19
Disposals	1	3	4
December 31, 2001	**20**	**71**	**91**

Eight companies in which SAP directly holds between 20% and 50% of the voting rights and has the ability to exercise significant influence over the financial and operating policies ("associated companies"), are reported using the equity method of accounting. U.S. GAAP requires retroactive restatement in cases where an investment in common stock previously accounted for under the cost method of accounting qualifies for use of the equity method. The Company retroactively applied the equity method as a result of surpassing the 20% ownership threshold in Commerce One, Inc. ("Commerce One") in August 2001. The investment in Commerce One was previously accounted for in accordance with Statement of Financial Accounting Standard No. 115, "Accounting for Certain Investments in Debt and Equity Securities." This retroactive restatement resulted in a €18,593 thousand and €0.06 reduction of 2000 net income and basic earnings per share, respectively. Financial assets and certain amounts within the consolidated statements of changes in shareholders' equity previously reported in 2000 were also impacted.

The impact of including new companies in the consolidated financial statements during 2001 and 2000 does not limit comparability of the annual financial statements with those of the previous years.

All affiliated companies and associated companies are listed on page 94 to 96 with ownership percentages, revenues, net income, equity, and numbers of employees.

Separate individual financial statements were not prepared for the following subsidiaries as allowed under § 264b of HGB:

SAP CRM Consulting GmbH & Co. KG, Mannheim
SAP Deutschland AG & Co. KG, Walldorf
SAP Hosting AG & Co. KG, St. Leon-Rot
SAP Portals Holding GmbH & Co.KG, Walldorf
SAP Retail Solutions GmbH & Co. KG, St. Ingbert

(3) Significant Accounting Policies

Consolidation Policies

The Company accounts for its business combinations using the purchase accounting method. As of the date of acquisition, differences between acquisition costs and attributable shareholders' equity are first allocated to identifiable tangible and intangible assets acquired or liabilities assumed to the extent of their fair market values. The fair value of any identifiable in-process research and development ("in-process R&D"), which represents functionality that has not reached technological feasibility and research and development having no alternative future uses, is expensed immediately. Any remaining goodwill is capitalized as an intangible asset. Accounting for associated companies under the equity method is calculated based upon the same principles as described above. However, amounts capitalized under the equity method are recorded in financial assets and related income statement impacts are reflected in finance income.

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.

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 the reported amounts of revenues and expenses during the reporting period. In making estimates, the Company uses historical and forecast information. Changes in regional and industry economic conditions in which the Company and/or its customers participate, may negatively impact the estimates made by management in assessing the valuation and recoverability of investments and other assets in particular. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 reporting currency at period-end closing exchange rates 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 period-end closing rate with resulting gains and losses reflected in income.

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

Exchange Rates		**Closing rate at December 31,**		**Annual average exchange rate**		
		to €1.00 2001	**to €1.00 2000**	**to €1.00 2001**	**to €1.00 2000**	**to €1.00 1999**
U.S. Dollar	USD	0.8823	0.9302	0.8929	0.9162	1.0595
Japanese Yen	JPY	115.69	106.83	108.85	99.071	119.28
British Pound	GBP	0.6091	0.6233	0.6207	0.6087	0.6525
Canadian Dollar	CAD	1.4101	1.3929	1.3871	1.3716	1.5582
Australian Dollar	AUD	1.7310	1.6770	1.7297	1.5932	1.6349

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", as amended by SOP 98-4 and SOP 98-9 (collectively, "SOP 97-2").

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 maintenance activities or other services or products provided to the customer free of charge or at non-standard discounts when provided in conjunction with the licensing arrangement. Amounts are allocated using the residual method whereby revenue is deferred for undelivered elements based upon standard prices charged for those undelivered services or products and the residual amounts are recognized as revenue for the delivered elements. Software license fees for resellers or other members of the indirect sales channel are based on a fixed percentage of the Company's standard prices. The Company recognizes software license revenue for such contracts based upon the terms and conditions provided by the reseller to their customer.

Maintenance revenues are recognized ratably over the term of the 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 SOP 97-2 criteria described above are fulfilled. 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 generally 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", 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.

Advertising Costs

The Company generally expenses advertising costs as incurred.

Earnings per Share

Earnings per share ("EPS") are calculated in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share". Basic EPS are computed by dividing consolidated net income by weighted average number of ordinary shares outstanding. Diluted EPS is computed by dividing consolidated net income by the sum of the weighted average number of ordinary shares outstanding and the weighted average number of potential ordinary shares outstanding to the extent they are dilutive. Prior year amounts are adjusted for the Company's 1-for-1 conversion of preference shares to ordinary shares in 2001 and the Company's 3-for-1 stock split in 2000 as described in note 21.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Intangible Assets and Property, Plant and Equipment
Purchased intangible assets are recorded at cost and amortized on a straight-line basis over their estimated life, generally three to five years. Goodwill arising from business combinations consummated prior to July 1, 2001 is amortized using the straight-line method over its estimated useful life, which does not exceed five years. Goodwill resulting from business combinations on or subsequent to such date is not amortized, but rather is subject to at least an annual assessment for impairment in accordance with Statement of Financial Accounting Standards No.142, "Goodwill and Other Intangible Assets" ("SFAS No. 142") as described below.

Property, plant and equipment are shown at cost less accumulated depreciation, where appropriate, based on their expected useful lives. Interest incurred during the construction of qualifying assets are capitalized and amortized over the related assets' estimated useful lives.

	Useful lives of property, plant and equipment
Buildings	25 to 50 years
Leasehold improvements	Based upon the lease contract
Information technology equipment	3 to 5 years
Office furniture	4 to 20 years
Automobiles	5 years

Generally, property, plant and equipment are depreciated using the straight-line method. Certain assets with expected useful lives in excess of three years are depreciated using the declining balance method. Low-value assets are expensed in the year of acquisition. If assets are deemed to be impaired based upon an estimate of future undiscounted operating cash flows, carrying amounts are reduced to fair value. For the years ended December 31, 2001, 2000 and 1999, no such impairments have been recorded.

Financial Assets
Other loans represent amounts due to the Company. 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 marketable securities within financial assets 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. Investments in privately held companies for which the Company does not have the ability to exercise significant influence are accounted for under the cost method of accounting. A write-down in the value through a charge to finance expense occurs if a decline in market value is deemed to be other than temporary, that is, if the fair market value remains below carrying value for an extended period. Gains or losses recognized on sales of securities are based on the average cost method.

Investments in associated companies are accounted for under the equity method. Such investments are initially recorded at cost, are adjusted for the Company's share of the investments' net income or loss and are reduced for amortization of any step-up in the value of acquired assets over the investee's book value, excluding goodwill for acquisitions consummated on or after July 1, 2001.

The Company reviews its investments in associated companies on a quarterly basis for impairment. Factors considered in determining other than temporary impairment are significant or prolonged declines in share price, if publicly traded, based upon available market prices. Additional consideration is given to the ability to recover the carrying amount of the investment or ability of the investee to sustain an earnings capacity which would justify the carrying amount of the investment.

Short-Term Assets
Inventories are shown at the lower of purchase/production cost or market value. Production costs consist of direct salaries, materials, and production overhead. No write-downs of inventory were necessary for the periods presented.

Accounts receivable are stated at their nominal value, which approximates fair value. Included in accounts receivable are unbilled receivables related to fixed fee consulting arrangements. Allowances are provided when deemed necessary to reduce accounts receivables to their estimated net realizable value after giving consideration to specific customer and regional economic risks. Non-interest bearing receivables with a term exceeding one year are discounted to their present value using local interest rates. Other assets are shown at their nominal value, which approximates fair value.

Marketable securities within short-term assets are considered trading. Accordingly, these securities are valued at fair market value at the balance sheet date with realized and unrealized gains/losses included in earnings. Recognized gains or losses are based on the average cost method.

Liquid assets are comprised of cash and cash equivalents and time deposits with original 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 19.

Deferred Taxes
Deferred taxes are established for temporary differences arising between the tax and financial reporting basis of assets, liabilities and net income. Deferred taxes are also recorded for temporary differences resulting from consolidation.

Deferred taxes are computed by the "liability method," under which the enacted tax rate applicable to the local subsidiaries is applied.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

In accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes", deferred tax amounts are shown gross on the consolidated balance sheets. Deferred tax assets are recognized for net operating loss carryforwards that are available to reduce future taxes. 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.

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

Liabilities
Pension provisions 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 on 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 24. The Company accrues amounts due under the provisions of its various defined contribution plans.

Other reserves and accrued liabilities are recorded when an obligation to a third party has been incurred and payment is probable and reasonably estimable. All applicable direct and indirect costs are considered in determining other accrued liabilities.

Liabilities are shown at the amounts payable, which approximate fair market value.

Accounting for Stock-Based Compensation
As permitted under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), the Company applies the intrinsic value-based method in accordance with Accounting Principles Board Opinion 25 ("APB No. 25") for its employee stock-based compensation plans. Under APB No. 25, the Company records no expenses relating to the convertible bonds issued under its 2000 Long Term Incentive Program ("LTI 2000 Plan") since the conversion price is equal to the market price of a SAP ordinary share on the date of grant. Because the exercise price for stock options issued under the LTI 2000 Plan is variable, an expense is recorded over the vesting period based upon the stock options' intrinsic value on the reporting date. See note 23 for a description of the Company's LTI 2000 Plan and for a summary of the pro forma effects on reported net income and earnings per share based on the fair value of convertible bonds and stock options as required by SFAS No. 123.

Derivatives
The Group primarily uses forward exchange derivatives to reduce the currency risk of anticipated cash flows from engaging in transactions with subsidiaries denominated in currencies other than the euro. 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" as amended by Statement of Financial Accounting Standards 137 and 138 (collectively "FAS 133"). SFAS No. 133 requires derivative financial instruments to be recorded on 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 foreign currency related 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.

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, 2001, SAP and its subsidiaries had approximately €1,216,386 thousand available through its lines of credit under which they may borrow on an overdraft or short-term basis. As of December 31, 2001, SAP AG had €430,000 thousand borrowed against these lines of credit. 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", requires companies to separately report the components of comprehensive income, which is comprised of net income and other comprehensive income. Other comprehensive income is comprised of the change in equity from transactions and other events not affecting net income except changes resulting from investments by shareholders and distributions to shareholders.

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 considered available for sale. Both other comprehensive income and comprehensive income are disclosed in the consolidated statements of changes in shareholders' equity.

Cash Flows
The consolidated statements of cash flows illustrate the effect of inflows and outflows during the course of the fiscal year on the Group's cash and cash equivalents, and have been prepared in accordance with Statement of Financial Accounting Standards No. 95, "Statement of Cash Flows". The consolidated statements of cash flows distinguish 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 19.

Recent Accounting Pronouncements
In June 2001, the Financial Accounting Standards Board approved the issuance of Statements of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS No.141") and No. 142.

SFAS No. 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. For acquisitions accounted for under the purchase method which are consummated on or after July 1, 2001, SFAS No. 141 requires acquired intangible assets obtained through contractual or legal right, or are capable of being separately sold, transferred, licensed, rented or exchanged be recognized as an asset apart from goodwill.

Under SFAS No. 142, goodwill and intangibles with indefinite lives will no longer be subject to amortization, but will be subject to at least an annual assessment for impairment. Impairment testing specific to goodwill is determined by applying a fair value based test on a reporting unit level, which is defined as an operating segment or one level lower. Additionally, goodwill on equity method investments will no longer be amortized; however, it will continue to be tested for impairment in accordance with APB No. 18, "The Equity Method of Accounting for Investments in Common Stock". All other intangible assets will continue to be amortized over their estimated useful lives. SFAS No. 142 is effective for fiscal years beginning after December 15, 2001 although goodwill and intangible assets with an indefinite life acquired in business combinations consummated on or after July 1, 2001 will not be amortized.

The Company is currently quantifying the impact of implementing SFAS No. 141 and No. 142 and has not yet determined whether or the extent to which they will effect the financial statements. As of December 31, 2001 the company has goodwill and intangible assets with a carrying amount of €342,301 thousand and €157,051 thousand respectively, which are subject to the provisions of SFAS No. 142. Amortization of goodwill was €62,884 thousand, €33,485 thousand and €16,725 thousand for the years ended December 31, 2001, 2000 and 1999, respectively.

In June 2001, the FASB issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for financial statements issued for fiscal years beginning after June 15, 2002. The Company does not anticipate that the adoption of SFAS No. 143 will have a material impact on its consolidated financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations – Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", for the disposal of a segment of a business. SFAS No. 144 retains the fundamental provisions of SFAS No. 121 for recognition and measurement of the impairment of long-lived assets to be held and used and for measurement of long-lived assets to be disposed of by sale. It requires recognition of an impairment loss for long-lived assets to be held and used only if the carrying amount of the asset is not recoverable from its undiscounted cash flows. The impairment loss continues to be measured as the difference between the carrying amount and fair value of the asset. SFAS No. 144 is effective in its entirety for financial statements issued for fiscal years beginning after December 15, 2001. Adoption of SFAS No. 144 is not expected to have a significant effect on the Company's consolidated financial statements.

In November 2001, the Emerging Issues Task Force ("EITF") reached a consensus on EITF No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products". EITF No. 01-9 applies to vendors that derive their revenue from sales of services, as well as those that derive their revenue from sales of products. Consideration includes sales incentive offers labeled as discounts, coupons, rebates, and free products or services. EITF No. 01-9 is effective for financial statements issued for fiscal years beginning after December 15, 2001, but earlier adoption is encouraged. The Company's accounting policies are consistent with the practices outlined in EITF No. 01-9, and accordingly, EITF No. 01-9 is not expected to have a significant effect on the Company's consolidated financial statements.

(4) Acquisitions

In April 2001, SAP AG acquired 100 % of the outstanding shares of TopTier Inc. ("TopTier"), for approximately €379 million in cash excluding cash acquired. TopTier, renamed SAP Portals Inc., specializes in technologies and know-how for creating enterprise portals. The acquisition was accounted for under the purchase method of accounting, and accordingly, the operating results have been included in the Company's consolidated results of operations from the date of acquisition.

Acquired intangibles totalling approximately €138 million included the fair value of software, workforce and tradenames. In addition, approximately €6 million of in-process R&D was identified and immediately expensed. Goodwill resulting from the purchase price allocation was approximately €278 million. Amounts paid to settle the portion of TopTier's outstanding, vested stock options are included in the purchase price. SAP AG agreed to compensate former TopTier employees for the unvested portion of such outstanding options based upon the original vesting schedule provided such employees remain continuously employed by the Company. These amounts are included as deferred compensation within shareholders' equity and are recorded as compensation expense over the remaining vesting period.

In the second and third quarters of 2000, SAP acquired 2.4% and 0.6% of Commerce One's outstanding voting shares, respectively, for approximately €270 million. The investment was accounted for as an available for sale security to the extent the underlying shares were not restricted. Restricted shares were recorded at cost until considered available for sale, twelve months prior to the date they were no longer restricted. SAP AG made additional investments in Commerce One, during the second quarter of 2001, resulting in a cumulative ownership interest of slightly less than 5%. In August 2001, SAP AG acquired approximately 17% of the outstanding voting stock of Commerce One, resulting in SAP AG having significant influence. Amounts invested in 2001 approximated €304 million. See note 2 for a description of the retroactive application of the equity method of accounting relating to acquisitions of Commerce One. SAP allocated the purchase price for each step in the acquisition based on the ownership percentage of the Commerce One's recorded net equity at such time. The purchase price allocation resulted in acquired intangibles totaling approximately €44 million including primarily software and technology, €11 million for in-process R&D and €300 million of goodwill.

The following table presents summarized consolidated financial information for Commerce One for the years ended December 31.

	2001 €(000)[1]	2001 US$(000)	2000 US$(000)
Net revenues	**459,015**	**408,569**	**401,796**
Loss from operations	**–2,901,549**	**–2,582,669**	**–345,564**
Net loss	**–2,903,156**	**–2,584,099**	**–344,947**
Current assets	383,679	341,513	512,768
Non-current assets	545,050	485,149	2,557,787
Total assets	**928,729**	**826,662**	**3,070,555**
Current liabilities	206,546	183,847	266,805
Notes payable and capital lease obligations	21,346	19,000	4,339
Shareholder's equity	700,837	623,815	2,799,411
Total liabilities and equity	**928,729**	**826,662**	**3,070,555**

[1] The 2001 figures have been translated for the convenience of the reader at an exchange rate of €1.00 to U.S.$0.8901, the Noon Buying Rate certified by the Federal Reserve Bank of New York on December 31, 2001.

B. NOTES TO THE CONSOLIDATED INCOME STATEMENTS

(5) Revenue

Revenue information by segment is disclosed in note 36. Other revenue is derived mainly from marketing events.

(6) Other Operating Income/Expense, Net

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

	2001 €(000)	2000 €(000)	1999 €(000)
Amortization of goodwill	–62,884	–33,485	–16,725
General bad debt expense	–14,706	0	–9,582
Restructuring costs	–13,636	0	0
Expenses to obtain rental income	–7,737	–5,308	0
Other operating expense	–6,667	–5,477	–3,083
Other operating expense	**–105,630**	**–44,270**	**–29,390**
Rental income	9,774	6,988	1,510
Reductions of general bad debt allowance	0	5,792	0
Receipt of insurance proceeds	1,137	1,389	1,535
Other operating income	505	4,484	774
Other operating income	**11,416**	**18,653**	**3,819**
	–94,214	**–25,617**	**–25,571**

Restructuring costs primarily relate to severance packages for personnel located in the United States. Severance arrangements were communicated to the affected personnel as of December 31, 2001 and all such payments are expected to be made in the first quarter of 2002.

(7) Functional Costs and Other Expenses

The information provided below is classified based upon the type of expense. The consolidated income statements include these amounts in various expenses based upon the applicable line of business.

Cost of Services and Materials

Cost of services and materials, which is included in various operating expense line items in the consolidated income statements for the years ended December 31, is as follows:

	2001 €(000)	2000 €(000)	1999 €(000)
Raw materials and supplies, purchased goods	22,033	18,444	15,176
Purchased services	806,550	725,097	758,238
	828,583	**743,541**	**773,414**

The changes in purchased services in 2001 resulted from additional purchases of external consulting services.

Personnel Expenses/Number of Employees

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

	2001 €(000)	2000 €(000)	1999 €(000)
Salaries	2,497,261	2,450,329	1,750,770
Social costs	313,813	275,839	226,736
Pension expense	97,030	86,599	54,233
	2,908,104	**2,812,767**	**2,031,739**

Included in personnel expenses for the years ended December 31, 2001, 2000 and 1999, are expenses associated with stock based compensation as described in note 23.

The average number of employees was as follows:

	2001	2000	1999
Employees	27,452	23,335	20,975

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

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

	2001 €(000)	2000 €(000)	1999 €(000)
Foreign currency losses	–145,318	–176,785	–89,707
Losses on disposal of fixed assets	–4,419	–9,192	–3,131
Other	–10,041	–5,333	–2,916
Other non-operating expenses	**–159,778**	**–191,310**	**–95,754**
Foreign currency gains	139,589	82,729	34,828
Gains on disposal of fixed assets	3,465	2,745	2,066
Gain from IPO of subsidiary	0	44,234	0
Other	6,081	6,262	7,852
Other non-operating income	**149,135**	**135,970**	**44,746**
	–10,643	**–55,340**	**–51,008**

In July 2000, two of the Company's subsidiaries, SAP Solutions GmbH and SRS AG, merged into SAP Systems Integration GmbH to form SAP Systems Integration AG ("SAP SI"). SAP SI completed an initial public offering in September 2000, which resulted in the dilution of the Company's beneficial ownership of SAP SI voting shares from 62% to 54%. Net proceeds received by SAP SI from the offering, based on the offering price of €19 per share totaled € 87,324 thousand, resulting in an unrealized gain of €44,234 thousand.

(9) Finance Income, Net

Finance income, net for the years ended December 31, are as follows:

	2001 €(000)	2000 €(000)	1999 €(000)
Interest and similar income	55,910	69,658	34,472
Interest and similar expenses	–22,244	–10,464	–3,265
Interest income, net	**33,666**	**59,194**	**31,207**
Loss from associated companies	**–165,499**	**–96,943**	**–19,631**
Income from marketable securities and loans of financial assets	1,771	1,071	910
Write-down of financial assets	–75,586	–19,845	–2,239
Gains on sales of marketable equity securities	23,632	355,139	224,912
Unrealized loss on STAR hedge	–50,901	–29,436	0
Other net	–57	–3.629	16
Other finance income/loss, net	**–101,141**	**303,300**	**223,599**
	–232,974	**265,551**	**235,175**

Interest income is derived primarily from cash and cash equivalents, long-term investments and other assets. The negative results from associated companies include losses of €161,592 thousand and €18,593 thousand in 2001 and 2000 as restated, respectively, from the Company's investment in Commerce One, Inc. and €69,829 thousand and €23,354 thousand in 2000 and 1999, respectively, resulting from Pandesic LLC, a joint venture founded in 1997 with Intel Corp. The 2001 figures include the Company's share of Commerce One's impairment and restructuring charges of approximately €81,900 thousand. The 2000 figure also includes the Company's share of a non-recurring charge of approximately €23,400 thousand for exit costs recorded in conjunction with the decision and plan design for Pandesic LLC to cease operations. Amounts accrued for Pandesic LLC exit costs were fully utilized and Pandesic LLC has essentially ceased operations in 2001. See notes 14 and 23 regarding write-down of financial assets and unrealized loss on STAR hedge, respectively.

(10) Income Taxes

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

	2001 €(000)	2000 €(000)	1999 €(000)
Current taxes – Germany	461,890	235,679	110,071
Current taxes – Foreign	170,878	279,342	226,442
	632,768	**515,021**	**336,513**
Deferred taxes – Germany	–124,552	–106,752	88,183
Deferred taxes – Foreign	–31,923	–16,462	–48,280
	–156,475	**–123,214**	**39,903**
	476,293	**391,807**	**376,416**

Changes to German tax laws ("Steuersenkungsgesetz – StSenkG"), effective in 2001, were enacted in October 2000. The new tax laws reduce the existing German corporate tax rates from 30% for distributed earnings and 40% for undistributed earnings to 25% for both, effective 2001. Additionally, capital gains and losses are or will no longer be taxable depending upon the location of the investee. The change in the corporate tax rates and non-deductibility of capital gains and losses reduced the Company's 2001 tax expense by approximately €86 million. In 2000, the changes in tax law did not materially impact earnings and resulted in a net deferred tax asset increase of approximately €13.4 million at December 31, 2000. This included reductions of deferred tax liabilities associated with unrealized capital gains for which the Company does not expect to incur a tax liability under the new laws.

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

	2001 €(000)	2000 €(000)	1999 €(000)
Germany	802,375	288,827	454,745
Foreign	266,382	724,042	525,602
	1,068,757	**1,012,869**	**980,347**

The effective tax rate of the Group for the years ended December 31, 2001, 2000 and 1999, is 44.6%, 387% and 38.4%, respectively. The table below shows the reconciliation of the current German statutory corporate income tax rate of 25 % in 2001 (40% in 2000 and 1999) and the Company's effective tax rate. A solidarity surcharge of 5.5% is imposed with respect to German corporation tax liability. The effective German trade tax rate, before income taxes for the years ended December 31, 2001, 2000 and 1999 was 14.9 %, 15.0% and 13.8%, respectively.

	2001 €(000)	2000 €(000)	1999 €(000)
Income before income taxes	1,068,757	1,012,869	980,347
German trade tax on income	–119,169	–43,431	–62,742
Income after German trade tax on income	**949,588**	**969,438**	**917,605**
Corporation tax on income	237,397	387,775	367,042
German trade tax on income	119,169	43,431	62,742
Solidarity charge	13,277	6,127	1,611
Tax reduction for dividend payments	0	–28,014	–28,331
Foreign tax rate differential, net	51,353	–44,954	–28,006
Utilization of loss carryforwards	–8,334	–3,697	–19,938
Tax on non-deductible expenses	60,471	24,495	11,383
Tax effect on current year losses	3,611	588	395
Consolidation effects	4,849	–7,598	–3,130
Other	–5,500	13,654	12,648
Income taxes	**476,293**	**391,807**	**376,416**

The impact of non-deductible expenses increased significantly in 2001 and 2000 as a result of the tax treatment for SAP AG's portion of Commerce One's losses recorded under the equity method of accounting.

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.

	2001 €(000)	2000 €(000)
Deferred tax assets		
Property plant & equipment and intangibles	122,112	20,455
Financial assets	24,828	3,510
Accounts receivable	41,752	36,699
Net operating loss carryforwards	123,615	40,440
Pension provisions	14,283	4,368
STAR provisions	0	40,832
Other provisions	100,936	99,348
Deferred income	46,990	55,560
Other	8,842	4,836
	483,358	**306,048**
Less: Valuation allowance	–3,611	–588
Deferred tax assets	**479,747**	**305,460**
Deferred tax liabilities		
Property plant & equipment and intangibles	55,045	8,825
Financial assets	21	24,835
Accounts receivable	1,583	688
Pension provisions	2,695	3,482
STAR provisions	0	10,555
Other provisions	14,123	12,183
Deferred income	7,201	3,007
Other	282	69
Deferred tax liabilities	**80,950**	**63,644**
Net deferred tax (liabilities)/assets	**398,797**	**241,816**

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

	2001 €(000)	2000 €(000)
Deferred tax assets		
Short-term	188,432	232,131
Long-term	291,315	73,329
	479,747	**305,460**
Deferred tax liabilities		
Short-term	21,643	26,223
Long-term	59,307	37,421
	80,950	**63,644**

Certain foreign subsidiaries of the Company have net operating loss carryforwards at December 31, 2001 and 2000, totalling €343,623 thousand and €112,785 thousand, respectively, which may be used to offset future taxable income. The majority of net operating loss carryforwards will expire at different dates over the next three to twenty 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.

In 2001, SAP Japan utilized their remaining net operating loss of €22,322 thousand. The 1998 valuation allowance of €17,850 thousand relating to Japan was eliminated 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, 2001, the cumulative amount of earnings considered permanently reinvested is approximately €1,499,320 thousand.

(11) Earnings per Share

The Company's convertible bonds and stock options are considered for the diluted earnings per share calculations to the extent they have a dilutive effect. The dilutive impact is calculated using the treasury stock method. Additionally, the dilutive effect of the Company's written put option described in note 23 is considered in 2000 diluted earnings per share using the reverse treasury stock method.

In thousands except per share data	2001	2000	1999
Net income	**€581,136**	**€615,732**	**€601,001**
Weighted average shares – basic	**314,309**	**314,423**	**313,815**
Convertible bonds and stock options	103	1,216	1,935
Put options	0	98	0
Weighted average shares – diluted	**314,412**	**315,737**	**315,750**
Earnings per share – basic	**€1.85**	**€1.96**	**€1.92**
Earnings per share – diluted	**€1.85**	**€1.95**	**€1.90**

C. NOTES TO THE CONSOLIDATED BALANCE SHEET

(12) Intangible Assets

€(000)	Trademarks, similar rights and other intangibles	Goodwill	Total
Purchase cost			
1/1/01	**115,680**	**130,928**	**246,608**
Exchange rate differences	124	490	**614**
Changes in the scope of consolidation	758	0	**758**
Additions	166,222	338,255	**504,477**
Retirements/disposals	–24,860	0	**–24,860**
Reclassifications	83	–17,089	**–17,006**
12/31/01	**258,007**	**452,584**	**710,591**
Accumulated amortization			
1/1/01	**71,332**	**59,183**	**130,515**
Exchange rate differences	238	315	**553**
Changes in the scope of consolidation	165	0	**165**
Amortization expense	47,847	62,884	**110,731**
Retirements/disposals	–18,631	0	**–18,631**
Reclassifications	5	–12,099	**–12,094**
12/31/01	**100,956**	**110,283**	**211,239**
Book value 12/31/01	**157,051**	**342,301**	**499,352**
Book value 12/31/00	**44,348**	**71,745**	**116,093**

The majority of additions relates to the acquisition of TopTier as described in note 4.

(13) 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				
1/1/01	**729,757**	**674,018**	**38,448**	**1,442,223**
Exchange rate differences	11,665	5,187	716	**17,568**
Changes in the scope of consolidation	792	3,545	0	**4,337**
Additions	43,564	176,496	75,236	**295,296**
Retirements/disposals	–19,297	–59,839	-6	**–79,142**
Reclassifications	19,458	3,964	–23,509	**–87**
12/31/01	**785,939**	**803,371**	**90,885**	**1,680,195**
Accumulated depreciation				
1/1/01	140,378	431,169	0	**571,547**
Exchange rate differences	1,597	3,225	0	**4,822**
Changes in the scope of consolidation	34	373	0	**407**
Depreciation expense	41,985	127,076	0	**169,061**
Retirements/disposals	–9,912	–52,773	0	**–62,685**
Reclassifications	–55	46	0	**–9**
12/31/01	**174,027**	**509,116**	**0**	683,143
Book value 12/31/01	**611,912**	**294,255**	**90,885**	**997,052**
Book value 12/31/00	**589,379**	**242,849**	**38,448**	**870,676**

The additions in other property, plant and equipment relate primarily to the purchase of computer hardware acquired in the normal course of business. Additions to payments and construction in progress mainly relate to costs incurred by SAP AG for the construction of additional office space in Walldorf, Germany.

(14) Financial Assets

€(000)	Investments in associated companies	Available for sale securities Equity securities	Debt securities	Other loans	Total
Purchase cost					
1/1/01	**304,354**	**218,652**	**55,862**	**35,285**	**614,153**
Exchange rate differences	16,127	3,570	201	–601	**19,297**
Change in the scope of consolidation	0	0	0	68	**68**
Additions	326,801	38,069	8,511	31,098	**404,479**
Retirements	–192,232	–18,208	–3,334	–7,570	**–221,344**
Reclassifications	17,089	0	0	0	**17,089**
12/31/01	**472,139**	**242,083**	**61,240**	**58,280**	**833,742**
Changes in fair value of marketable securities					
1/1/01	**0**	**55,310**	**511**	**0**	**55,821**
Exchange rate differences	0	1,875	0	0	**1,875**
Changes in unrealized gains/losses	0	–59,912	1,457	0	**–58,455**
12/31/01	**0**	**–2,727**	**1,968**	**0**	**–759**
Accumulated write off					
1/1/01	**12,835**	**13,193**	**6**	**7,016**	**33,050**
Exchange rate differences	0	1,030	0	19	**1,049**
Additions	13,508	65,294	0	4,267	**83,069**
Retirements	0	–700	0	–1,997	**–2,697**
Reclassifications	12,099	0	0	0	**12,099**
Write-ups	0	0	0	–670	**–670**
12/31/01	**38,442**	**78,817**	**6**	**8,635**	**125,900**
Book value 12/31/01	**433,697**	**160,539**	**63,202**	**49,645**	**707,083**
Book value 12/31/00	**291,519**	**260,769**	**56,367**	**28,269**	**636,924**

Investments in associated companies primarily relate to the Company's investment in Commerce One. Amounts pertaining to 2000 have been restated to reflect the retroactive application of the equity method of accounting for investments. Additions primarily relate to purchases of Commerce One ordinary shares. The Company's share of Commerce One's net loss included in retirements is based upon ownership percentages at the time of such loss. The carrying value of the Company's investment in Commerce One is €425.2 million and €276.8 million as of December 31, 2001 and 2000, respectively. Other loans include interest bearing and non-interest bearing loans to employees and third parties.

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

2001 €(000)	Cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Equity securities	**242,083**	**5,090**	**86,634**	**160,539**
Securities with fixed maturities	51,129	1,968	0	53,097
Other securities	10,111	0	6	10,105
Debt securities	**61,240**	**1,968**	**6**	**63,202**
	303,323	**7,058**	**86,640**	**223,741**

2000 €(000)	Cost	Gross unrealized gains	Gross unrealized losses	Carrying value
Equity securities	**218,652**	**67,743**	**25,626**	**260,769**
Securities with fixed maturities	51,129	511	0	51,640
Other securities	4,733	0	6	4,727
Debt securities	**55,862**	**511**	**6**	**56,367**
	274,514	**68,254**	**25,632**	**317,136**

The Company recorded a charge of €65,294 thousand and €15,764 thousand in 2001 and 2000, respectively, to reduce the value of certain available for sale marketable securities for declines in value considered other than temporary. Unrealized losses which are unrecognized are considered temporary.

Securities with fixed maturities mature in 2004.

(15) Inventories

Inventories consist of cost of services for which revenues have been deferred, office supplies and documentation.

(16) Accounts Receivable

Amounts shown on the consolidated balance sheets are net of allowance for bad debts of €110,269 thousand and €76,223 thousand at December 31, 2001 and 2000, respectively.

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

	2001 €(000)	2000 €(000)
Due within one year	2,202,055	2,184,716
Due between one and five years	8,858	9,789
Due in greater than five years	0	0
	2,210,913	**2,194,505**

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 5% or more of revenues for fiscal year 2001, 2000 or 1999.

(17) Other Assets

	2001 €(000)	2000 €(000)
Tax receivables	38,444	40,664
Assets for employee financed pension plans	29,679	6,263
Rent deposits	26,116	25,240
Fair value of derivatives	20,162	42,330
Proceeds due from sale of marketable securities	0	20,289
Others	63,223	53,829
Total other assets	**177,624**	**188,615**
– thereof with a remaining term greater than 1 year	67,407	34,560

Amounts within "Others" include interest receivable and short-term loans.

(18) Marketable Securities

Marketable securities primarily consist of investments the Company has made with three creditworthy financial institutions. These financial institutions have created individual funds in which they independently trade securities, subject to guidelines prescribed by the Company. Such guidelines limit investments in equity securities to 20% of the total value with the remaining amounts invested in interest bearing securities. Securities held by the funds are limited to investments in companies within the European market. The Company considers these short-term marketable securities as trading. Fair values are based on available market prices as of December 31, 2001 and 2000 as reported by the financial institutions.

Amounts pertaining to marketable securities at December 31 are as follows:

2001 €(000)	Amortized cost	Unrealized gains	Carrying value
	95,193	2,950	98,143

2000 €(000)	Amortized cost	Unrealized gains	Carrying value
	91,516	4,127	95,643

(19) Liquid Assets

Liquid assets at December 31, consist of the following:

	2001 €(000)	2000 €(000)
Cash at banks	296,285	209,269
Restricted cash	106,367	80,464
Time deposits with original maturities of 3 months or less	458,666	753,176
Cash and cash equivalents	**861,318**	**1,042,909**
Time deposits which mature in less than 1 year	4,278	38,911
Time deposits with maturities exceeding 1 year	454	4,901
	866,050	**1,086,721**

Restricted cash is used to collateralize the Company's obligation under its operating lease arrangement with a financial institution in conjunction with capital expenditures made for SAP America's headquarters. Amounts collateralized increase as the Company incurs additional obligations under its lease arrangement. Interest earned on restricted funds is substantially equal to amounts accrued as rent expense under the terms of the lease. See note 33.

(20) Prepaid Expenses and Deferred Charges

Prepaid expenses and deferred charges are mainly composed of prepayments for software royalties, operating leases and maintenance contracts. Increases in 2001 and 2000 primarily relate to prepaid royalties to software vendors.

(21) Shareholders' Equity

By resolution of the Annual General Shareholders' Meeting held May 3, 2001, the Company's outstanding preference shares were converted on a one-to-one basis into fully voting ordinary shares. The conversion was completed in June 2001. Following the share conversion, special rights and provisions previously held by preference share holders cease to exist. SAP's American Depository Receipts ("ADRs"), which trade on the New York Stock Exchange and previously were based on the preference share, are now based on the ordinary share.

Accordingly, the resolutions discussed below were modified through resolutions affected by the Annual General Shareholders' Meeting held May 3, 2001. References to preference shares have been replaced by ordinary shares as appropriate due to the conversion of preference shares to ordinary shares.

Subscribed Capital

At December 31, 2001, SAP AG had 314,825,685 no-par ordinary shares issued and outstanding with a calculated nominal value of €1 per share.

By resolution of the Annual General Shareholders' Meeting held May 5, 2000, the shareholders approved a 3-for-1 stock split of the Company's ordinary shares. In connection with the stock split, the Company reclassified €46,463 thousand from additional paid-in capital to subscribed capital in 2000 to adjust the calculated nominal value per share to €1. After giving effect to the 3-for-1 stock split, four ADRs are equivalent to one ordinary share.

In 2001, the number of shares increased by 111,030 (corresponding to €111,030) resulting from the conversion of the 1994/2004 convertible bonds.

The shareholdings in SAP AG at December 31, 2001 were as follows:

	2001 Number of shares (000)	2001 % of subscribed capital	2000 % of subscribed capital
Dietmar Hopp (including immediate family)	8,721	2.8%	5.1%
Dietmar Hopp Stiftung GmbH	28,017	8.9%	8.9%
Golfplatz St. Leon-Rot GmbH & Co. Beteiligungs-KG	5,161	1.6%	0.0%
Hasso Plattner GmbH& Co. Beteiligungs-KG	31,241	9.9%	9.9%
Hasso Plattner Förderstiftung GmbH	6,000	1.9%	1.9%
Dr. h.c. Klaus Tschira (including immediate family)	4,134	1.3%	6.3%
Dr. h. c. Tschira Beteiligungs GmbH & Co. KG	15,833	5.0%	0.0%
Klaus Tschira Stiftung GmbH	21,155	6.7%	6.7%
Free float	194,564	61.9%	61.2%
	314,826	**100.0%**	**100.0%**

In 2001, all shares directly owned by Dietmar Hopp were transferred to Golfplatz St. Leon-Rot GmbH & Co. Beteiligungs-KG, which he wholly owns. Accordingly, 2001 shares reported as "Dietmar Hopp (including immediate family members)", belong only to immediate family members.

Authorized and Contingent Capital

Authorized Capital
By resolution of the Annual General Shareholders' Meeting held May 7, 1998, the Executive Board was authorized to issue up to €5,113 thousand additional preference shares ("Authorized Capital I"). No additional shares were issued under Authorized Capital I. As a result of the preference share conversion to ordinary shares, Authorized Capital I was replaced by resolution of the Annual General Shareholder's Meeting held May 3, 2001. New Authorized Capital allows the Executive Board, subject to consent of the Supervisory Board, to increase its subscribed capital up to a maximum of €60 million through the period ending May 1, 2006 by issuing of additional ordinary shares in return for contributions in cash or in kind. The issuance of the additional ordinary shares is subject to the preemptive rights of existing shareholders. No such additional ordinary shares were issued during the fiscal year.

By resolution of the Annual General Shareholders' Meeting held May 3, 2001, the Executive Board was authorized, subject to the consent of the Supervisory Board, to increase subscribed capital up to €60 million through May 1, 2006 through the issuance of additional ordinary shares in return for contributions in cash or in kind ("New Authorized Capital II"). Subject to certain preconditions and the consent of the Supervisory Board, the Executive Board is authorized to exclude the shareholders' preemptive rights. By the same resolution, originally Authorized Capital II of €25 million, previously authorized by resolution of the Annual General Shareholders' Meeting held May 5, 2000 and based on preference shares, was replaced by New Authorized Capital II. No additional ordinary shares were issued under the originally Authorized Capital II or New Authorized Capital II.

Contingent Capital
Contingent capital represents shares that have been authorized in conjunction with a convertible bond or stock option program, which are not yet issued or outstanding. By resolution of the Annual General Shareholders' Meeting held May 3, 2001, Contingent Capital IIa, IIIa and V were authorized and Contingent Capital II, III and IV were amended, effective June 2001.

By resolution of the Annual General Shareholders' Meeting held on June 22, 1994, Contingent Capital II was authorized to satisfy shares needed in conjunction with the 1994/2004 Convertible Bond Program. As of December 31, 2000, Contingent Capital II was €1,035 thousand, which was reduced by €3 thousand as a result of expirations prior to the Annual Shareholders' Meeting in May 2001. To satisfy the remaining conversion rights under the 1994/2004 Convertible Bond Program, a new Contingent Capital IIa, which authorizes the Board to issue a maximum of 1,032,495 ordinary shares, was established. Contingent Capital IIa at December 31, 2001 was reduced to €921 thousand as a result of 1994/2004 bond conversions. Contingent Capital II is maintained at the same levels as Contingent Capital IIa in case any participants require preference shares upon conversion.

In 2000, the Company received authorization at the Extraordinary General Shareholders' Meeting to issue a maximum of 6,250 thousand (18,750 thousand after 3-for1 stock split) preference shares ("Contingent Capital III") to satisfy shares required in conjunction with the SAP AG Long Term Incentive Plan ("LTI 2000 Plan"). As of March 16, 2001, 7,376,311 awards were granted under the LTI 2000 Plan which were convertible into preference shares. Contingent Capital IIIa was authorized to satisfy ordinary share requirements for these previously issued awards under the LTI 2000 Plan. Contingent Capital III of €7,376 thousand is maintained at the same levels as Contingent Capital IIIa in case any participants require preference shares upon exercise of awards. To satisfy the future share requirements for LTI 2000 Plan awards granted subsequent to March 16, 2001, Contingent Capital V was authorized, permitting the Board to issue a maximum of 9,978,199 ordinary shares. The Company may also acquire shares from the market to satisfy obligations under the LTI 2000 Plan.

On May 5, 2000, the Annual General Shareholders Meeting authorized the Executive Board to issue bonds with detachable warrants and/or convertible bonds carrying warrant rights or convertible rights, as appropriate, with respect to non-voting preference shares through May 4, 2005. Contingent Capital IV authorizes the issuance of up to a maximum of 25 million preference shares to satisfy the related share requirements. Shareholders' preemptive rights were excluded. The Annual General Shareholders' Meeting held on May 3, 2001 replaced the authorisation concerning the issue of bonds with detachable warrants and/or convertible bonds and the Contingent Capital IV with New Contingent Capital IV, permitting the issuance of bonds with detachable warrants and/or convertible bonds carrying warrant rights or convertible rights, as appropriate, with respect to ordinary voting shares up to a maximum of €25 million through May 1, 2006. Shareholders' preemptive rights may be excluded.

Refer to the consolidated statements of changes in shareholders' equity.

Treasury Stock
As authorized by resolution of the January 18, 2000 Extraordinary Shareholders' Meeting, SAP AG acquired 500 thousand of its own shares in 2001. Such shares were acquired at an average price of approximately €188.42 per share, and remain held in treasury at December 31, 2001. Although such shares are legally considered outstanding, SAP AG has no dividend or voting rights associated with treasury stock. Subsequent to the share repurchase, the resolution was replaced by a resolution of the Annual General Shareholders' Meeting held May 3, 2001, authorizing the Executive Board to acquire up to 30 million of SAP AG ordinary shares through October 31, 2002. The Company may either redeem or resell shares held in treasury. The Company held no ADRs at December 31, 2001 or 2000.

Additional Paid-In Capital
The change of additional paid-in capital of €127,516 thousand is primarily related to a €152,177 thousand impact resulting from the settlement of a put option described in note 23.

Refer to the consolidated statements of changes in shareholders' equity.

Accumulated Other Comprehensive Income
Accumulated other comprehensive income consists of the following at December 31:

€(000)	Unrealized gains/losses on securities	Currency translation adjustment	Additional minimum pension liability	Cash flow hedges	Total
December 31, 2001					
Before tax	759	–186,501	14,002	0	–171,740
Tax impact	–1,566	0	–5,455	0	–7,021
Net amount	**–807**	**–186,501**	**8,547**	**0**	**–178,761**
December 31, 2000					
Before tax	–42,628	–145,403	8,783	–37,271	–216,519
Tax impact	17,580	0	–3,378	11,742	25,944
Net amount	**–25,048**	**–145,403**	**5,405**	**–25,529**	**–190,575**
December 31, 1999					
Before tax	–419,636	–100,196	2,936	30,377	–486,519
Tax impact	160,720	0	–1,311	–16,847	142,562
Net amount	**–258,916**	**–100,196**	**1,625**	**13,530**	**–343,957**

Upon sale of marketable equity securities, the Company reclassified €9,901 thousand in 2001, €174,827 thousand in 2000 and €125,046 thousand in 1999 of gains, net of tax, from accumulated other comprehensive income to finance income/loss. The Company reclassified €12,483 thousand, €-53,161 thousand and €-47,323 thousand of net foreign exchange gains/(losses), net of tax, relating to the Company's anticipated cash flow hedges in 2001, 2000 and 1999, respectively, from accumulated other comprehensive income to other non-operating income/expenses.

Miscellaneous
Under the German corporation law (Aktiengesetz), the amount of dividends available for distribution to shareholders is based upon the earnings of SAP AG as reported in its statutory financial statements determined in accordance with the German commercial code (Handelsgesetzbuch). For the year ended December 31, 2001, SAP management has proposed a distribution in 2002 of €0.58 per share relating to the 2001 earnings of SAP AG as a dividend to the shareholders. Dividends paid for 2000 and 1999 were as follows:

	2000 €	1999 €
Dividend per ordinary share	0.57	0.52
Dividend per preference share	0.58	0.53

(22) Temporary Equity

Due to a put option, as explained in note 23, the Company reclassified amounts from additional paid in capital and retained earnings to temporary equity in 2000. Amounts represented the cash redemption amount the Company would have paid if physical settlement had been elected under the terms of the put option. Instead, the Company elected a net cash settlement of the put option, and remaining amounts were reclassified to retained earnings and additional paid in capital as discussed in note 23 below.

(23) Stock Based Compensation Plans

The Company maintains several stock based compensation plans. Amounts expensed in conjunction with these programs were €98,377 thousand, €440,818 thousand and €140,324 thousand in 2001, 2000 and 1999, respectively, primarily related to the 1999 STARs.

Employee Discounted Stock Purchase Programs
The Company acquires SAP AG ordinary shares and ADRs under various employee stock purchase plans and transfers the shares to employees. Discounts provided to employees through such plans do not exceed 15% and are treated as a direct reduction of equity. During the fiscal year, SAP AG acquired 175,764 of its own ordinary shares, representing 0.06% of the total shares outstanding at December 31, 2001 at an average market price of €144.94 per share. Such shares were transferred to employees during the year at an average price of €129.23 per share. Certain of SAP AG's foreign subsidiaries purchased 495,895 ADRs, at an average price of $34.77 per ADR and were distributed to employees during the year at an average price of $29.68 per ADR by an administrator.

Stock Appreciation Rights Plan
In February 2001, the Company granted approximately 3.4 million stock appreciation rights ("2001 STARs") to selected employees who are not participants in the LTI 2000 Plan. The 2001 STAR grant value of €193.51 is based upon the average fair market value of one ordinary share over the 20 business days commencing the day after the January 23, 2001

announcement of the Company's 2000 preliminary results. The valuation of the 2001 STARs is calculated quarterly over a period of two years. Each quarterly valuation is weighted as follows in determining the final valuation of the 2001 STARs:

Quarter ended factor	Weighting	Quarter ended factor	Weighting
March 31, 2001	5%	March 31, 2002	10%
June 30, 2001	5%	June 30, 2002	10%
Sept 30, 2001	10%	Sept 30, 2002	10%
Dec 31, 2001	20%	Dec 31, 2002	30%

The valuations for the quarterly periods ending December 31, 2001 and 2002 are based on the amount by which the grant price of €193.51 is exceeded by the average fair market value of one ordinary share as quoted on the XETRA trading system over the 20 consecutive business days commencing on the day after the announcement of the Company's preliminary annual results for 2001 (January 23, 2002) and 2002, respectively. The other quarterly valuations are based on the amount by which the grant price of €193.51 is exceeded by the average fair market value of one ordinary share quoted on the XETRA trading system over the five consecutive business days commencing on the day after the announcement of the Company's quarterly results. Because each quarterly valuation is measured independently, it will be unaffected by any other quarterly valuation.

The cash payout value of each 2001 STAR will be calculated quarterly as follows: (i) 100% of the first €50 value appreciation for such quarter; (ii) 50% of the next €50 value appreciation; and (iii) 25% of any additional value appreciation. Participants will receive payments with respect to the 2001 STARs as follows: an initial payment on June 30, 2002, equal to 50% of the first-year measurement value; and two installments one on March 31, 2003 and the last on January 31, 2004, each equal to 50% of the total payout amount minus the initial payment. Participants will receive 2001 STAR payments provided that, subject to certain exceptions, they continue to be actively employed by the Company on the payment dates. Compensation expenses related to 2001 STARs are recorded based upon the appreciation of the 2001 STAR's market price over the vesting period (February 2001 – January 2004) after consideration of estimated forfeitures. No 2001 STAR expenses were accrued as of December 31, 2001 since the grant price exceeded the average fair market value for all quarters in 2001.

In February 2000, the Company granted stock appreciation rights ("2000 STARs") to eligible employees. As of December 31, 2000 and the final measurement date, the 2000 STARs grant price of €274 exceeded the preliminary end price based on SAP AG's preference share price on such date and, accordingly, no payments were made.

In May 1999, the Company granted stock appreciation rights ("1999 STARs") to eligible employees. Amounts paid are based upon the €161.67 appreciation in SAP AG preference shares during the measurement period of approximately nine months after consideration of the 3-for-1 stock split. Payments under the 1999 STARs were made in three equal installments (July 2000, January 2001 and July 2001) provided that, subject to certain exceptions, the participants continued to be actively employed on the payment dates. Compensation expenses related to 1999 STARs are recorded based upon the appreciation of the 1999 STAR's market price over the vesting period (May 1999 – July 2001) after consideration of forfeitures.

In February 2001, SAP AG purchased various call options from a sophisticated financial institution to hedge the anticipated cash flow exposure resulting from the non vested expense relating to the 2001 STARs. Upon exercise of the call options, SAP AG would receive cash equal to a portion of the market price appreciation for 3.2 million ordinary shares in excess of €193.51. These call options have been structured to replicate the payouts required, if any, under the terms of the 2001 STARs. As a result of the Company's hedging strategy, expenses incurred in connection with the 2001 STARs, if any, will be reduced by a corresponding gain on the hedging instruments. The premiums paid by the Company to purchase the derivative instruments will be recognized as finance expense over the lives of the derivatives.

In September 2000, the Company purchased a call option from a sophisticated financial institution to hedge the cash flow exposure resulting from the non vested expense relating to the 2000 STARs. The call option expired in February 2001 and was recorded in other assets at its fair market value as of December 31, 2000. Changes in value were recorded in earnings and shareholders' equity, depending upon the effectiveness of the hedging relationship.

As of December 31, 2001 and 2000, approximately €51 million and €29 million has been recorded as an expense in financial income. These amounts represent fair market value changes attributable to time value, which on a cumulative basis through expiration are equal to the original cost of the option.

Long Term Incentive Plan

On January 18, 2000, the Company's shareholders approved the 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 stock options are chosen, the participant receives 25% more stock options than convertible bonds. Under the LTI 2000 Plan, each convertible bond having a €1 nominal value may be converted into one ordinary share over a maximum of 10 years subject to vesting requirements. The conversion price is equal to the market price of an ordinary share as quoted on the XETRA trading system the day immediately preceding the granting. Each stock option may be exercised in exchange for one ordinary share over a maximum of 10 years subject to the same vesting requirements. The exercise price varies based upon the outperformance of the ordinary share price appreciation versus the appreciation of the Goldman Sachs Technology Software Index from the day immediately preceding granting to the day which the exercise price is being determined. Both the convertible bonds and stock options vest as follows: 33% after 2 years from date of grant, 33% after 3 years and 34% after 4 years. Forfeited convertible bonds or stock options are disqualified and may not be reissued.

A summary of the LTI 2000 Plan activity for both convertible bonds and stock options is as follows:

		Stock Options		Convertible Bonds	
	Shares available for grant (000)	Number of options outstanding (000)	Weighted average exercise price per option €	Number of bonds outstanding (000)	Weighted average exercise price per bond €
January 1, 2000	–	–	–	–	–
Additional shares authorized	18,750	–	–	–	–
Granted	3,145	767	167.08	2,378	289.78
Reduction due to option/bond ratio (25% of bonds issued)	595	–	–	–	–
Exercised	–	–	–	–	–
Forfeited	–	111	168.07	216	293.25
December 31, 2000	**15,010**	**656**	**166.91**	**2,162**	**289.43**
Additional shares authorized	–	–	–	–	–
Granted	4,352	1,075	142.37	3,277	190.43
Reduction due to option/bond ratio (25% of bonds issued)	819	–	–	–	–
Exercised	–	–	–	–	–
Forfeited	–	153	128.78	248	237.83
December 31, 2001	**9,839**	**1,578**	**132.73**	**5,191**	**229.40**

The following tables summarize information about convertible bonds and stock options outstanding as of December 31, 2001:

Outstanding Stock Options

Range of exercise prices €	Number of options (000)	Weighted average remaining contractual life (in years)	Weighted average exercise price €
86.85 – 97.45	12	8.40	91.09
109.67 – 116.81	571	8.08	116.74
138.53 – 158.44	995	9.11	142.40
86.85 – 158.44	**1,578**	**8.73**	**132.73**

Outstanding Convertible Bonds

Range of exercise prices €	Number of bonds (000)	Weighted average remaining contractual life (in years)	Weighted average exercise price €
131.81 – 183.67	82	9.43	157.67
191.25 – 247.00	3,135	9.07	192.12
290.32 – 334.67	1,974	8.09	291.58
131.81 – 334.67	**5,191**	**8.70**	**229.40**

See note 37 for stock options and convertible bonds awarded to members of the board.

As of December 31, 2001, none of the outstanding stock options or convertible bonds were exercisable.

In September 2000, SAP AG sold a put option to a sophisticated financial institution. The put option, which was exercised in February 2001, required SAP AG at its sole discretion to either a) acquire 1.5 million of its preference shares for €273 per share (represents €409 million of temporary equity) or b) not to acquire shares but rather to pay cash equal to any decline in the preference share market price upon exercise below €273 per share for 1.5 million preference shares. SAP AG opted to settle the option in cash.

The put option is considered an equity instrument as a result of its settlement terms. Accordingly, the original fair market value of €29,569 thousand received is recorded as an increase in shareholders' equity as of December 31, 2000 with no recognition for changes in such value. In 2000, additional paid in capital and retained earnings have been reduced for amounts shown in temporary equity. Upon settlement of the put option in 2001, SAP AG made a cash payment of approximately €120 million, thus resulting in a net reduction of approximately €90 million. Amounts considered temporary equity in 2000 were reclassified in 2001 to retained earnings and additional paid in capital. See the consolidated statements of changes in shareholders' equity and note 22 for additional details.

Accounting for Stock Based Compensation

SFAS No. 123 requires disclosure of pro forma information regarding net income and earnings per share as if the Company had accounted for its stock-based awards granted to employees using the fair value method. The fair value of the Company's stock based awards was estimated as of the date of grant using the Black-Scholes option-pricing model. The fair value of the Company's stock-based awards described above was calculated using the following weighted average assumptions:

	2001	2000
Expected life (in years)	4.5	4,5
Risk free interest rate	4.96%	5.36%
Expected volatility	50%	50%
Expected dividends	0.30%	0.25%

For pro forma purposes, the estimated fair value of the Company's stock-based awards is amortized over the vesting period. The Company's pro forma information for the year ended December 31, is as follows:

	2001	2000
Net income (in thousands of €):		
As reported	581,136	615,732
Pro forma	490,221	541,908
Earnings per share (in €):		
Basic - as reported	1.85	1.96
Diluted - as reported	1.85	1.95
Basic - pro forma	1.56	1.72
Diluted - pro forma	1.56	1.72

The weighted-average fair value of all stock options and convertible bonds granted during 2001 was €69.77 and €87.71, respectively (2000: €96.33 and €120.95). In 1999, the fair value method did not materially impact net income or earnings per share. The effects of applying SFAS No. 123 on pro forma disclosures of net income and earnings per share for fiscal 2001 and 2000 are not likely to be representative of the pro forma effects on net income and earnings per share in the future since the assumptions used to determine fair value can vary significantly.

(24) Pension Liabilities and Similar Obligations

The Company maintains several defined benefit and defined contribution plans for its employees both in Germany and within foreign subsidiaries which provide for old age, disability and survivors' benefits. Individual, performance-oriented benefit plans have been established for members of the Executive Board. The accrued pension and other similar obligations at December 31, consists of the following:

	2001 €(000)	2000 €(000)
Domestic benefit plans	6,149	7,218
Foreign benefit plans	14,358	10,485
Employee financed plans	29,679	6,263
Other pension and similar obligations	1,637	866
	51,823	**24,832**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Domestic Benefit Plans
The defined benefit plans are based on the length of service and compensation of employees.

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

	2001 €(000)	2000 €(000)
Change in benefit obligation:		
Benefit obligation at beginning of year	25,616	22,694
Service costs	590	1,002
Interest costs	1,657	1,438
Liability decreased due to settlement	–503	–267
Actuarial loss	125	1,477
Settlement	0	–494
Benefits paid	–192	–186
Payments for settlement of deferred vested employees	–4	–48
Benefit obligation at end of year	**27,289**	**25,616**
Change in plan assets:		
Fair value of plan assets at beginning of year	17,391	14,991
Actual return on plan assets	1,474	766
Employer contributions	2,346	2,610
Life/disability insurance premiums and expenses	–372	–631
Benefits paid	–192	–186
Payments for settlement of deferred vested employees	–4	–48
Assets transferred to defined contribution plan	–194	–111
Fair value of plan assets at end of year	**20,449**	**17,391**
Funded status	6,840	8,225
Unrecognized net actuarial loss	–4,657	–4,766
Unrecognized prior service cost	–1	–2
Unrecognized transition assets	–616	–658
Net amount recognized	**1,566**	**2,799**
Amounts recognized in the consolidated balance sheets:		
Accrued benefit liability	6,149	7,218
Intangible asset	–37	–41
Accumulated other comprehensive income	–4,546	–4,378
Net amount recognized	**1,566**	**2,799**

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

	2001 %	2000 %	1999 %
Discount rate	6.0	6.5	6.5
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:

	2001 €(000)	2000 €(000)	1999 €(000)
Service cost	590	1,002	4,582
Interest cost	1,657	1,438	2,440
Expected return on plan assets	–1,303	–1,096	–2,013
Net amortization	456	246	741
	1,400	**1,590**	**5,750**

Foreign Benefit Plans
Defined benefit plans are 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:

	2001 €(000)	2000 €(000)
Change in benefit obligation:		
Benefit obligation at beginning of year	68,229	38,637
Service costs	24,466	20,944
Interest costs	5,446	3,246
Plan amendments	–4,065	505
Actuarial loss	1,952	6,568
Benefits paid	–2,404	–3,741
Foreign currency exchange rate changes	2,746	2,070
Benefit obligation at end of year	**96,370**	**68,229**
Change in plan assets:		
Fair value of plan assets at beginning of year	50,106	35,341
Actual return on plan assets	–3,444	–164
Employer contributions	30,043	15,178
Benefits paid	–1,855	–3,140
Foreign currency exchange rate changes	2,953	2,891
Fair value of plan assets at end of year	**77,803**	**50,106**
Funded status	18,567	18,123
Unrecognized transition (asset)/obligation	–526	–610
Unrecognized prior service cost	3,766	–462
Unrecognized net actuarial gain/(loss)	–16,905	–12,043
Net amount recognized	**4,902**	**5,008**
Amounts recognized in the consolidated balance sheets:		
Prepaid benefit cost	0	0
Accrued benefit liability	14,358	10,485
Intangible assets	0	–1,072
Accumulated other comprehensive income	–9,456	–4,405
Net amount recognized	**4,902**	**5,008**

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

	2001 %	2000 %	1999 %
Discount rate	6.6	7.5	7.8
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:

	2001 €(000)	2000 €(000)	1999 €(000)
Service cost	24,466	20,944	12,283
Interest cost	5,446	3,246	1,544
Expected return on plan assets	–4,975	–3,358	–1,766
Net amortization	596	517	175
	25,533	**21,349**	**12,236**

Contribution Plans
The Company also maintains domestic and foreign defined contribution plans. Amounts contributed by the Company under such plans are based upon a percentage of the employees' salary or the amount of contributions made by employees. The costs associated with defined contribution plans were €70,097 thousand, €63,660 thousand and €36,248 thousand in 2001, 2000 and 1999, respectively.

Germany maintains an unqualified employee financed plan whereby employees may contribute a limited portion of their salary. SAP AG purchases and holds guaranteed fixed rate insurance contracts which are recorded in Other Assets and are equal to its obligations under the plan.

(25) Other Reserves and Accrued Liabilities

	2001 €(000)	2000 €(000)
Current and deferred taxes	476,700	241,292
Other reserves and accrued liabilities	899,847	1,168,664
	1,376,547	**1,409,956**

Accrued taxes include current and prior year tax obligations.

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

	2001 €(000)	2000 €(000)
Other obligations to employees	540,174	457,356
Obligations to suppliers	184,174	189,516
Vacation entitlement	120,560	99,238
Customer claims	29,873	38,014
Auditing and reporting costs	4,803	3,521
Warranty and service costs	4,600	5,184
Contribution to employees' accident insurance account	3,150	2,506
Fair value of foreign exchange contracts	2,973	0
STAR program obligations	93	366,530
Other	9,447	6,800
	899,847	**1,168,664**

Other reserves and accrued liabilities of €2,461 thousand (€1,960 thousand in 2000) are due in more 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.

(26) Bonds

This item consists primarily of outstanding convertible bonds related to the Company's LTI 2000 Plan as described in note 23. Additional amounts pertain to outstanding bonds issued in conjunction with the Company's 1994/2000 convertible bond program and other subsidiaries' convertible bond programs.

(27) Other Liabilities

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

€(000)	Term less than 1 year	Term between 1 and 5 years	Term more than 5 years	2001	2000
Bank loans and overdrafts	458,266	79	0	458,345	149,008
Advanced payments received	34,213	0	0	34,213	21,085
Accounts payable	391,208	0	0	391,208	355,547
Taxes	160,288	0	0	160,288	173,686
Social security	38,439	0	0	38,439	39,068
Other liabilities	107,360	784	19,577	127,721	88,574
	1,189,774	**863**	**19,577**	**1,210,214**	**826,969**

The liabilities are unsecured, excluding retention of title and similar rights customary in the industry. The bank loans and overdrafts relate primarily to outstanding lines of credit in Germany with an effective interest rate of 3.86% and 4.91% in 2001 and 2000, respectively.

In 2000, liabilities with a remaining term not exceeding one year amounted to €809,040 thousand and those with a remaining term exceeding five years amounted to €15,176 thousand.

(28) 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 19.

(29) Net Cash Provided by Operating Activities

Net cash provided by operating activities was negatively impacted in 2001 by an increase of deferred tax assets. The Company expects these tax assets to result in positive cash flows in the periods they become reductions of the Company's current tax obligations. Additionally, a reduction of other reserves and accrued liabilities resulting primarily from the Company's 2001 final payment of the 1999 STAR obligation further reduced the net cash provided by operating activities. In 2000, the increase in 1999 STAR accruals increased the Company's operating cash flow.

Interest payments in 2001, 2000 and 1999 were €20,834 thousand, €6,847 thousand and €3,511 thousand, respectively. Income taxes paid in fiscal 2001, 2000 and 1999, net of refunds were €500,098 thousand, €459,629 thousand and €419,471 thousand, respectively.

(30) Net Cash Used by Investing Activities

In 2001, the Company used cash to invest in Commerce One and acquire TopTier. The Company also invested in property, plant and equipment during 2001, 2000, and 1999 to keep pace with the overall growth in business activities and related headcount increases. In 2001, the Company utilized cash provided by financing activities to fund a portion of the significant investments made during the year.

In 2000 and 1999, the Company received significant proceeds upon the sale of its marketable equity securities within financial assets. The Company's continued venture capital and strategic investment activities offset these cash receipts, particularly in 2000. This includes the investment in Commerce One during 2000. In 2000 and 1999, cash provided by operating activities was sufficient to fund the Company's investing activities.

(31) Net Cash Provided By/Used in Financing Activities

In 2001, the Company obtained proceeds from financing activities in order to fund a portion of the investing activities described above. The payments of dividends for the prior year continued to be the primary use of cash for financing activities. Additionally, financing activities were impacted by the Company's cash settlement of the put option as described in note 23.

In 2000, the Group received cash from lines of credit and the initial public offering of a subsidiary.

E. ADDITIONAL INFORMATION

(32) Contingent Liabilities

	2001 €(000)	2000 €(000)
Notes receivable sold	11	10
Guarantees and endorsements	1,304	4,530
Guarantees for unused lines of credit and other commitments	210,742	206,305
Liabilities from the extension of collateral securities for others	642	13,467
	212,699	**224,312**

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

(33) Other Financial Commitments

Other financial commitments amounted to €771,641 thousand and €673,028 thousand as of December 31, 2001 and 2000, respectively, and are mainly comprised of commitments under rental and operating leases of €660,936 thousand and €553,917 thousand as of December 31, 2001 and 2000, respectively, and purchase commitments of €102,191 thousand and €119,111 thousand as of December 31, 2001 and 2000, respectively.

In October 2000, SAP Properties, Inc. ("Properties"), a wholly owned subsidiary of SAP America, Inc. entered into a seven year lease arrangement with a sophisticated financial institution for office space and also agreed to serve as an agent to oversee the renovations of the office space. Under the terms of the lease, Properties is required to restrict cash equal to the amount spent by the financial institution on such renovations. See note 19. This lease is accounted for as an operating lease in accordance with SFAS No. 13 "Accounting for Leases".

Commitments under rental and operating lease contracts as of December 31, 2001:

	€(000)
Due 2002	157,914
Due 2003	117,203
Due 2004	90,488
Due 2005	69,144
Due 2006	55,698
Due thereafter	170,489

Rent expense was €208,908 thousand, €209,172 thousand and €182,064 thousand for the years ended December 31, 2001, 2000 and 1999, respectively.

(34) Litigation and Claims

The bankruptcy trustee of the U.S. company FoxMeyer Corp. ("FoxMeyer") instituted legal proceedings against SAP America, Inc., the U.S. subsidiary of SAP AG, and SAP AG, in 1998. FoxMeyer was a pharmaceutical wholesaler that filed for bankruptcy protection in 1996. The discovery phase of the litigation is now proceeding. While the ultimate outcome of this matter cannot be presently determined 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 also subject to other legal proceedings and claims, either asserted or unasserted, that 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.

(35) Financial Instruments

Fair Value of Financial Instruments

	2001	2001	2000	2000
	Carrying value €(000)	Fair value €(000)	Carrying value €(000)	Fair value €(000)
Investments in associated companies	433,697	238,291	291,519	151,149
Debt/equity securities	223,741	223,741	317,136	317,136
Marketable securities	98,143	98,143	95,643	95,643
Other loans	49,645	49,645	28,269	28,269
Bank loans and overdrafts	–458,345	–458,345	–149,008	–149,008
Derivative financial instruments:				
Forward exchange contracts	–467	–467	37,890	37,890
Currency options	0	0	4,440	4,440
Equity swaps	0	0	–2,312	–2,312
	346,414	**151,008**	**623,577**	**483,207**

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.

Investments in associated companies include investments accounted for under the equity method of accounting, primarily the Company's investment in Commerce One. On December 31, 2001 and January 18, 2002, the aggregate fair market value of the Company's investment in Commerce One was €229,825 thousand and €176,234 thousand respectively, based upon available market prices and the Noon Buying Rate as certified by the Federal Bank of New York on such dates. The Company does not believe that the share price of Commerce One is indicative of a loss in value that is other than temporary.

Detailed information about the fair value of the Company's financial instruments is included in notes 14 and 18.

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 each 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 30 days in 2001 and 90 days in prior years 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 SAP AG 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 exposes SAP AG to foreign exchange risk.

SAP AG enters into derivative instruments, primarily foreign exchange forward contracts and currency options, to protect all or a portion of anticipated cash flows from foreign subsidiaries. Specifically, these foreign exchange forward 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, Canada and Australia. SAP AG uses foreign exchange derivatives that generally have maturities of twelve months or less, which may be 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 twelve months following the purchase date of the derivative instrument. However, management infrequently 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 derivatives 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.

Equity Derivatives
SAP AG enters into call options with sophisticated financial institutions to hedge the anticipated cash flow exposure resulting from the non-vested expense relating to its various stock appreciation rights programs. The fair values recorded as of December 31 represent the amount the Company would be required to pay in order to purchase a call option with those similar terms. See note 23 for additional information.

SAP AG infrequently enters into equity swap arrangements with creditworthy financial institutions. Under the terms of such equity swaps, SAP AG either receives or pays money to the extent the value of the underlying marketable security changes compared to the value of such securities at the inception of the swap. Gains or losses are immediately recognized in non-operating income and are based on changes in the fair value. The fair values recorded as of December 31 represent the amount the Company would receive or pay if the equity swaps were terminated on such date.

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

	2001 Notional value €(000)	**2001** Fair value €(000)	**2000** Notional value €(000)	**2000** Fair value €(000)
Forward exchange contracts:				
Gains	403,164	2,506	757,232	37,985
Losses	194,503	–2,973	18,249	–95
	597,667	**–467**	**775,481**	**37,890**
Currency options	**0**	**0**	**77,869**	**4,440**
Call options	**468,160**	**17,656**	**228,000**	**133**
Equity swaps:				
Gains	0	0	0	0
Losses	0	0	20,289	–2,312
	0	**0**	**20,289**	**–2,312**

(36) 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 No. 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 No. 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. The Company prepares financial data for its internal use, based upon its major line of business operating segments.

SAP is organized by line of business and geographically. Furthermore, certain subsets of the Company are organized by industry segments. Additionally, beginning in 2001, the Company has provided information on revenues from certain specific software solutions. The Company's internal reporting system produces reports in which business activities are presented in a variety of 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 No. 131, the line of business structure is regarded as constituting the operating segments.

SAP has three operating segments: "Product," "Consulting" and "Training". The product segment is primarily engaged in the marketing and licensing of the Company's software products and performing 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. Consulting services also include customer support in project planning, feasibility studies, analyses, organizational consulting, system adaptation, system optimization, release change and interface setup. The training segment provides educational services on the use of SAP software products and related topics.

Accounting policies for each segment 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 deviations between the figures reported internally and the figures reported in 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.

2001 **€(000)**	**Product**	**Consulting**	**Training**	**Total**
External revenue	4,819,436	2,012,749	479,817	7,312,002
Internal revenue	480,457	445,589	118,451	1,044,497
Total revenue	**5,299,893**	**2,458,338**	**598,268**	**8,356,499**
Segment expenses	–2,875,836	–2,034,119	–419,008	–5,328,963
Segment contribution	**2,424,057**	**424,219**	**179,260**	**3,027,536**
Segment profitability	**45.7%**	**17.3%**	**30.0%**	

2000 **€(000)**	**Product**	**Consulting**	**Training**	**Total**
External revenue	4,208,863	1,575,490	401,260	6,185,613
Internal revenue	118,024	379,587	67,322	564,933
Total revenue	**4,326,887**	**1,955,077**	**468,582**	**6,750,546**
Segment expenses	–2,070,409	–1,663,082	–338,910	–4,072,401
Segment contribution	**2,256,478**	**291,995**	**129,672**	**2,678,145**
Segment profitability	**52.2%**	**14.9%**	**27.7%**	

1999 **€(000)**	**Product**	**Consulting**	**Training**	**Total**
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%**	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revenues
The external revenue figures for the operating segments differ from the revenue figures disclosed in the consolidated income statements because internally revenue is generally allocated to the segment that is responsible for the related project whereas in the consolidated income statements, revenue is allocated based on the nature of the transaction regardless of the segment it was provided by. Internal revenues comprise revenues from transactions with other parts of the Company. In 2001, internal revenues increased mainly due to a change in the intercompany allocation of support and marketing expenses.

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:

	2001 €(000)	2000 €(000)	1999 €(000)
Total revenue for reportable segments	8,356,499	6,750,546	5,464,464
Elimination of internal revenues	–1,044,497	–564,934	–405,165
Other external revenues	28,503	78,808	62,298
Other differences	299	175	–11,384
	7,340,804	**6,264,595**	**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 reflect only expenses that are allocated to the segments. They do not represent the actual margins for the operating segments since general and administrative, stock based compensation, research and development and other corporate expenses are not allocated to the operating segments. Interest revenues and expenses are not included in segment contributions. Because depreciation and amortization expenses are mainly charged to the segments indirectly as part of cost allocations, they are 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 contribution for reportable segments to income before income taxes as reported in the consolidated income statements:

	2001 €(000)	2000 €(000)	1999 €(000)
Total contribution for reportable segments	3,027,537	2,678,145	2,124,136
Contribution from activities outside the reportable segments	–1,616,697	–1,440,777	–1,181,840
Stock based compensation expenses	–98,377	–440,818	–140,324
Other differences	–89	6,108	–5,792
Operating income	**1,312,374**	**802,658**	**796,180**
Other non-operating income/expenses, net	–10,643	–55,340	–51,008
Finance income, net	–232,974	265,551	235,175
	1,068,757	**1,012,869**	**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 segment contribution to segment total revenues.

Segment Assets
The Company does not currently track assets or capital expenditures by operating segments in its internal reporting system. It would therefore be impractical to show assets, capital expenditures or related data by operating segments. As part of implementing SFAS No. 142, the Company is in the process of allocating assets and liabilities to various segments.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Geographic Information

The following table presents a summary of operations by geographic region. The following amounts are based on consolidated data. Therefore, the total of each of the following categories reconciles to the consolidated financial statements.

Sales by destination are based upon the location of the customer whereas sales by operation reflect the location of the SAP subsidiary responsible for the sale.

Germany incurs the majority of research and development costs as SAP AG has title to the majority of internally developed software. As of December 31, 2001, approximately 70% of the research and development personnel are located in Germany, 7% in the rest of EMEA, 14% in the United States and 9% in the Asia-Pacific region.

	Sales by destination			Sales by operation		
€(000)	**2001**	**2000**	**1999**	**2001**	**2000**	**1999**
Germany	1,468,726	1,237,383	1,067,266	1,615,777	1,380,439	1,154,288
Rest of EMEA [1]	2,317,456	1,836,550	1,407,437	2,211,982	1,710,632	1,347,150
Total EMEA	**3,786,182**	**3,073,933**	**2,474,703**	**3,827,759**	**3,091,071**	**2,501,438**
United States	2,084,140	1,848,281	1,638,277	2,102,136	1,877,879	1,630,094
Rest of Americas	639,980	587,287	507,528	613,503	561,973	506,255
Total Americas	**2,724,120**	**2,435,568**	**2,145,805**	**2,715,639**	**2,439,852**	**2,136,349**
Asia-Pacific	**830,502**	**755,094**	**489,705**	**797,406**	**733,672**	**472,426**
	7,340,804	**6,264,595**	**5,110,213**	**7,340,804**	**6,264,595**	**5,110,213**

	Income before income tax			Total assets		
€(000)	**2001**	**2000**	**1999**	**2001**	**2000**	**1999**
Germany	802,375	288,827	454,746	2,276,865	1,965,450	1,525,095
Rest of EMEA [1]	250,458	239,773	199,968	1,247,286	1,235,233	997,172
Total EMEA	**1,052,833**	**528,600**	**654,714**	**3,524,151**	**3,200,683**	**2,522,267**
United States	–128,792	336,299	234,974	1,905,382	1,647,102	1,634,374
Rest of Americas	53,846	70,041	75,657	355,646	356,925	333,556
Total Americas	**–74,946**	**406,340**	**310,631**	**2,261,028**	**2,004,027**	**1,967,930**
Asia-Pacific	**90,870**	**77,929**	**15,002**	**410,425**	**414,261**	**336,692**
	1,068,757	**1,012,869**	**980,347**	**6,195,604**	**5,618,971**	**4,826,889**

	Property, plant and equipment			Capital expenditures		
€(000)	**2001**	**2000**	**1999**	**2001**	**2000**	**1999**
Germany	543,954	472,900	433,059	168,964	117,758	156,160
Rest of EMEA [1]	158,284	136,353	137,337	54,593	30,143	35,075
Total EMEA	**702,238**	**609,253**	**570,396**	**223,557**	**147,901**	**191,235**
United States	257,757	215,916	177,433	58,396	46,874	43,690
Rest of Americas	9,791	13,608	16,586	2,592	3,960	8,286
Total Americas	**267,548**	**229,524**	**194,019**	**60,988**	**50,834**	**51,976**
Asia-Pacific	**27,266**	**31,899**	**29,861**	**10,751**	**23,215**	**16,099**
	997,052	**870,676**	**794,276**	**295,296**	**221,950**	**259,310**

[1] Europe/Middle East/Africa

	Depreciation			Employees as of December 31,		
	2001 €(000)	2000 €(000)	1999 €(000)	2001	2000	1999
Germany	86,419	75,350	67,226	12,356	10,432	8,912
Rest of EMEA [1)]	32,638	33,914	29,695	6,504	5,196	4,162
Total EMEA	**119,057**	**109,264**	**96,921**	**18,860**	**15,628**	**13,074**
United States	29,674	21,784	16,994	5,228	4,498	4,408
Rest of Americas	5,934	7,592	7,598	1,522	1,579	1,597
Total Americas	**35,608**	**29,376**	**24,592**	**6,750**	**6,077**	**6,005**
Asia-Pacific	**14,396**	**16,278**	**13,311**	**3,268**	**2,775**	**2,620**
	169,061	**154,918**	**134,824**	**28,878**	**24,480**	**21,699**

[1)] Europe/Middle East/Africa

In 2000, the original sectors were modified. Accordingly, prior year amounts have been reclassified for comparative purposes. Six groups of industry sectors generated the following total sales revenues for the year ended:

	2001 €(000)	2000 €(000)	1999 €(000)
Process industries	1,524,330	1,342,149	1,027,156
Discrete industries	1,807,468	1,582,676	1,441,820
Consumer industries	1,186,839	999,299	776,166
Service industries	1,849,741	1,578,801	1,266,563
Financial services	448,229	336,028	247,484
Public services	524,197	425,642	351,024
	7,340,804	**6,264,595**	**5,110,213**

In 2001, the Company allocated software revenues to specific software solutions for the first time. These allocations include revenues from designated solution contracts, as well as figures from integrated solution contracts, which are allocated based on usage surveys:

	2001 €(000)
mySAP SCM	582,892
mySAP CRM	444,918
mySAP PLM	195,963
mySAP BI/Portals – mySAP E-Procurement/Marketplaces	415,922
mySAP Financials – mySAP Human Resources	940,823
	2,580,518

(37) Board of Directors

Subject to the adoption of the dividend resolution by the shareholders at the Annual General Shareholders' Meeting on May 3, 2002, the total annual remuneration of the Supervisory Board for the year ended December 31, 2001 will amount to €560 thousand. The total annual remuneration of the Executive Board for the year ended December 31, 2001 was €8,043 thousand. This amount includes €2,419 thousand fixed and €5,624 thousand variable remuneration including stock based compensation amounts of €1,120 thousand in 2001 for the 1999 STAR program. As of December 31, 2001, 2000 and 1999, the Company did not provide any loans, warranties or guaranties to the Executive Board. The pension accrual as of December 31, 2001 for former Executive Board members was €1,396 thousand.

The ordinary shares owned by Dietmar Hopp (Chairman of the Supervisory Board), Hasso Plattner (Co-Chairman of the Executive Board) and Klaus Tschira (Member of the Supervisory Board), their family members and related entities are disclosed in note 21. All other members of the Supervisory Board and the Executive Board own less than 1% of SAP AG shares.

Information relating to awards granted under the LTI 2000 Plan to Members of the Executive Board as of December 31, 2001 is as follows:

	Stock Options		
	Number of stock options	**First year of vesting**	**Year of expiration**
Prof. Dr. h.c. Hasso Plattner	–	–	–
Prof. Dr. Henning Kagermann	9,251	2002	2010
	9,251	2003	2010
	9,530	2004	2010
	12,993	2003	2011
	12,994	2004	2011
	13,388	2005	2011
	67,407		
Dr. Werner Brandt	2,062	2003	2011
	2,063	2004	2011
	2,125	2005	2011
	6,250		
Prof. Dr. Claus Heinrich	6,776	2002	2010
	6,776	2003	2010
	6,980	2004	2010
	9,075	2003	2011
	9,075	2004	2011
	9,350	2005	2011
	48,032		
Gerhard Oswald	6,776	2002	2010
	6,776	2003	2010
	6,980	2004	2010
	9,075	2003	2011
	9,075	2004	2011
	9,350	2005	2011
	48,032		
Dr. Peter Zencke	6,776	2002	2010
	6,776	2003	2010
	6,980	2004	2010
	9,075	2003	2011
	9,075	2004	2011
	9,350	2005	2011
	48,032		
	217,753		

Convertible Bonds

	Number of convertible bonds	Par value per bond	Conversion Price per bond	First year of vesting	Year of expiration
Prof. Dr. h.c. Hasso Plattner	–	–	–	–	–
Prof. Dr. Henning Kagermann	7,400	1	290	2002	2010
	7,400	1	290	2003	2010
	7,625	1	290	2004	2010
	10,395	1	191	2003	2011
	10,395	1	191	2004	2011
	10,710	1	191	2005	2011
	53,925				
Dr. Werner Brandt	1,650	1	191	2003	2011
	1,650	1	191	2004	2011
	1,700	1	191	2005	2011
	5,000				
Prof. Dr. Claus Heinrich	5,420	1	290	2002	2010
	5,420	1	290	2003	2010
	5,585	1	290	2004	2010
	7,260	1	191	2003	2011
	7,260	1	191	2004	2011
	7,480	1	191	2005	2011
	38,425				
Gerhard Oswald	5,420	1	290	2002	2010
	5,420	1	290	2003	2010
	5,585	1	290	2004	2010
	7,260	1	191	2003	2011
	7,260	1	191	2004	2011
	7,480	1	191	2005	2011
	38,425				
Dr. Peter Zencke	5,420	1	290	2002	2010
	5,420	1	290	2003	2010
	5,585	1	290	2004	2010
	7,260	1	191	2003	2011
	7,260	1	191	2004	2011
	7,480	1	191	2005	2011
	38,425				
	174,200				

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Executive Board

	Membership of supervisory boards and other comparable governing bodies of enterprises, other than the subsidiaries of the Company, in Germany and other countries, on December 31, 2001.*
Prof. Dr. h.c. Hasso Plattner Co-Chairman and CEO mySAP.com Internet Strategy, Industry Solution Development, Basis Technology, Marketing, Corporate Communications	Board of Directors, Industry To Industry Inc., Boston/USA Board of Directors, Pandesic LLC, Santa Clara/USA
Prof. Dr. Henning Kagermann Co-Chairman and CEO Sales, Distribution, Consulting and Global Customer Relations, Industry Solutions, Strategic Development Projects	Supervisory Board, Deutsche Bank AG, Frankfurt/M. Supervisory Board, DaimlerChrysler Services AG, Berlin Supervisory Board, IDS Scheer AG, Saarbruecken Supervisory Board, Muenchener Rueckversicherungs-Gesellschaft AG, Munich
Dr. Werner Brandt Chief Financial Officer (as of February 1, 2001) Finance and Administration	
Prof. Dr. Claus E. Heinrich Human Resources Development of Industry Solutions, Development mySAP.com Solutions	Supervisory Board, SVC AG Schmidt Vogel Consulting, Bielefeld (up to August 9, 2001)
Gerhard Oswald Global Support, IT Infrastructure	
Dr. Peter Zencke Development of Industry Solutions, Development mySAP.com Solutions, e-business, Coordination of Global Research	Supervisory Board, Pixelpark AG, Berlin Supervisory Board, SupplyOn AG, Hallbergmoos (as of January 1, 2001)

* Memberships of supervisory boards and comparable governing bodies of subsidiaries are displayed in the financial statements of SAP AG which can be obtained from the company on request.

Extended Management Board

Leo Apotheker EMEA	**Karl-Heinz Hess** Technology Development
Erwin Gunst Germany and Switzerland (up to December 31, 2001)	**Wolfgang Kemna** Americas
Les Hayman Asia-Pacific	**Dieter Matheis** Chief Financial Officer (up to February 1, 2001) Purchasing and Facilities Management (up to December 31, 2001)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Supervisory Board	Membership of other supervisory boards and comparable governing bodies of enterprises, other than the Company, in Germany and other countries on December 31, 2001
Dietmar Hopp[2,4,6,7,8] Chairperson	Supervisory Board, MLP AG, Heidelberg Supervisory Board, Actris AG, Frankfurt/M.
Helga Classen[1,4,5,6,7] Deputy Chairperson Development Architect	
Willi Burbach[1,4,5] Developer	
Prof. Dr. Wilhelm Haarmann[2,3,4,7,8] Attorney at Law, Certified Public Auditor, Certified Tax Advisor, Kronberg Managing Partner of Haarmann, Hemmelrath & Partner, Frankfurt/M.	Supervisory Board, iXOS AG, Grasbrunn Supervisory Board, Häussler AG, Stuttgart Supervisory Board, Depfa IT Services AG, Mainz Supervisory Board, Vodafone AG, Düsseldorf Supervisory Board, IBAG Immobilien und Beteiligungen AG, Berlin
Bernhard Koller[1,3,4,7] Manager Idea Management	Supervisory Board, LION CONSULT AG, Heddesheim
Klaus-Dieter Laidig[5,6] Business Consultant Laidig Business Consulting GmbH, Boeblingen	Supervisory Board, Heiler Software AG, Stuttgart Supervisory Board, Varetis AG, Munich Supervisory Board, Grau Data Storage AG, Schwäbisch Gmünd Supervisory Board Knorr Capital Partner AG, Munich Board of Directors, Agile Software Corporation, San José, USA Board of Directors, Latitude Communications, Santa Clara, USA Management Board, Mach HiTECH AG, Zug, Schweiz
Dr. Gerhard Maier[1,2,6,8] Development Manager	
Hartmut Mehdorn 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 Supervisory Board, DEVK Deutsche Eisenbahn Versicherung Lebensversicherungsverein a.G., Köln
Dr. Barbara Schennerlein[1] Consultant	
Alfred Simon[1] Documentation Shipping Associate	
Dr. Dieter Spoeri Head of Corporate Representation Federal Affairs, DaimlerChrysler AG, Berlin	Advisory Council, Contraf Nicotex Tobacco GmbH, Heilbronn
Dr. h.c. Klaus Tschira[3] Managing Director, Klaus Tschira Foundation, Heidelberg	Supervisory Board, Lion bioscience AG, Heidelberg Supervisory Board, SRH Learnlife AG, Heidelberg

1) Elected by the employees
2) Member of the Company's Compensation Committee
3) Member of the Company's Audit Committee
4) Member of the Company's Mediation Committee
5) Member of the Company's Technology Committee
6) Member of the Company's Venture Capital Committee
7) Member of Finance Committee
8) Member of Corporate Governance Committee

(38) Significant Differences Between German and U.S. Accounting Principles

Introduction

Because SAP AG is a holding corporation that owns the majority of voting rights in other enterprises, it 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 an exemption from this obligation if consolidated financial statements are prepared and published 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 primary objective of U.S. GAAP.

Revenue Recognition

Under German HGB, payment terms generally have no impact on revenue recognition. Under 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 fair market value of nonstandard maintenance arrangements, including free service periods, reduce the related software license revenue and is recognized as maintenance revenue when such services are provided in subsequent periods.

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.

STAR Plan

The STAR plan rewards selected employees based on the appreciation of SAP AG's share price over a predetermined period of time. The compensation arising from this measurement period is paid to participants in several installments. Under German GAAP, the total expense is recognized in the year the STARs were granted. In addition, the accrual is based on the share appreciation through the last date available before the completion of SAP AG's financial statements. Under U.S. GAAP, the expense is recognized over a period beginning with the granting of the STARs and ending with the payment of the last installment. In addition, the accrual is based on the SAP share appreciation through December 31.

Put Option

During 2000, SAP AG sold a put option, as described in note 23, which entitles the option holder to sell 1.5 million SAP AG preference shares to the SAP AG for €273 per share, or receive cash equal to any decline in the preference share market price upon exercise below €273. Under German GAAP, any amounts due by the Company are recorded as an expense. Under U.S. GAAP, the put option is considered an equity instrument with no charge to earnings.

LTI Plan

Participants of the LTI 2000 Plan may choose convertible bonds, stock options, or a 50% mixture of each. Under German GAAP, the Company records expense over the vesting period only to the extent the Company provides shares it acquired from the market to the participant upon conversion or exercise. The expense amount is based upon the intrinsic value on the reporting date. No expense is recorded if the Company issues shares from contingent capital to the participant. Under U.S. GAAP, no expense is recorded for convertible bonds issued since the grant price is equal to the fair market value of a SAP AG ordinary share on the date of grant. Because the exercise price for stock options is variable, U.S. GAAP requires recognition of an expense over the vesting period based upon the stock options' intrinsic value on the reporting date.

Goodwill and Intangible Assets

According to German GAAP, goodwill and intangible assets acquired in business combinations are either capitalized or recorded as a direct reduction to shareholders' equity. If capitalized, amounts are subject to amortization and impairment testing. As described in note 3, SFAS No. 142 prohibits amortization of goodwill and intangible assets with an indefinite life acquired in business combinations after June 30, 2001.

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. Unrealized losses are included in earnings. 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 either trading or 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 for available for sale securities are reported net of tax, in accumulated other comprehensive income. A write-down in the value through a charge to finance expense occurs if a decline in market value is deemed to be other than temporary, that is, if the fair market value remains below cost for an extended period. Unrealized gains and losses from trading securities are included in earnings.

Derivatives

Under German GAAP, most derivatives are not recorded on the balance sheet. Unrealized gains are not recognized, unrealized losses are accrued. Under SFAS No. 133, derivatives are recorded on the balance sheet at their fair value. Gains or losses on derivatives qualifying as cash flow hedges are reported in accumulated other comprehensive income net of tax and are realized in earnings in conjunction with the gain or loss on the hedged item or transaction.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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, discounts provided under these programs are expensed, whereas under U.S. GAAP, discounts provided are recorded as a direct reduction in additional paid-in capital.

Treasury Stock
According to HGB, treasury stock is considered a marketable security and is valued at the lower of cost or market at the balance sheet date. Unrealized and realized losses and realized gains are included in earnings. Under U.S. GAAP, as applied by the Company, treasury stock is recorded at cost within shareholders' equity. Changes in value, whether realized or unrealized, are not recognized.

Walldorf, January 21, 2002
SAP Aktiengesellschaft

Systeme, Anwendungen, Produkte in der Datenverarbeitung
Walldorf/Baden

Executive Board
Plattner Kagermann Brandt Heinrich Oswald Zencke

FINANCIAL STATEMENTS OF SAP AG (SHORT VERSION)

(Prepared in accordance with German GAAP)

INCOME STATEMENT

€ (000)	2001	2000
Total revenue	2,603,803	2,499,160
Increase in inventory of unfinished services	0	–11,697
Other operating income	138,466	162,816
Cost of services and materials	–815,356	–704,746
Personnel expenses	–508,592	–653,248
Depreciation and amortization	–95,651	–102,742
Other operating expenses	–661,827	–771,487
Finance income	340,713	105,441
Income from ordinary activities	**1,001,556**	**523,497**
Extraordinary income	487,400	0
Income taxes	–419,114	–244,997
Net income	**1,069,842**	**278,500**

BALANCE SHEET

as of December 31,

€ (000)	2001	2000
Intangible assets	24,647	33,288
Property, plant and equipment	463,498	412,586
Financial assets	2,316,830	959,394
Fixed assets	**2,804,975**	**1,405,268**
Inventories	24,045	8,527
Accounts receivable	999,587	759,732
Marketable securities	166,195	94,127
Liquid assets	36,156	77,329
Short-term assets	**1,225,983**	**939,715**
Deferred taxes	**18,685**	**37,308**
Prepaid expenses and deferred charges	**19,554**	**11,515**
Total assets	**4,069,197**	**2,393,806**
Shareholders' equity	**2,178,338**	**1,286,685**
Reserves and accrued liabilities	**470,913**	**644,605**
Other liabilities	**1,416,966**	**459,918**
Deferred income	**2,980**	**2,598**
Total shareholders' equity and liabilities	**4,069,197**	**2,393,806**

The complete Financial Statements and unqualified auditors' report for SAP AG are published in the Bundesanzeiger (German Federal Gazette) and deposited with the Commercial Registry of the Heidelberg Municipal Court. They can be obtained from SAP AG on request.

SUBSIDIARIES, ASSOCIATED COMPANIES AND OTHER INVESTMENTS

as of December 31, 2001

Name and location of company	Ownership %	Sales revenues in 2001[1)]	Net income/loss (–) for 2001[1)]	Equity as of 12/31/2001[1)]	Number of employees as of 12/31/2001[2)]
		amounts in thousands of €			
I. Affiliated Companies					
Germany					
SAP Deutschland AG & Co. KG, Walldorf [3)]	100	1,291,353	280,989	342,016	2,346
SAP Systems Integration AG, Dresden [6)]	60	242,053	–16,522	229,928	1,532
SAP Markets Europe GmbH, Walldorf [4)]	100	113,388	–3,937	15,798	460
SAP Retail Solutions GmbH & Co. KG, St. Ingbert [4)]	100	83,635	12,519	30,087	599
SAP Portals Europe GmbH, Walldorf [3), 4), 5)]	100	81,400	5,689	84,748	496
Steeb Anwendungssysteme GmbH, Abstatt	100	46,404	4,839	5,715	198
SAP CRM Consulting GmbH & Co. KG, Mannheim [4)]	100	34,507	7,537	8,744	241
SAP Hosting AG & Co. KG, St. Leon-Rot [4)]	100	12,702	1,192	1,743	71
SAP Learning Solutions GmbH, Immenstaad	100	3,417	415	703	23
In-Q-My Technologies GmbH, Walldorf	100	4	–6,704	–4,065	14
SAP Beteiligungs GmbH, Walldorf	100	3	3	29	0
DACOS Software Holding GmbH, St. Ingbert	100	0	6,531	7,609	0
SAPHosting Beteiligungs GmbH, St. Leon-Rot	100	0	5	25	0
SAP Retail Solutions Beteiligungsgesellschaft mbH, Walldorf	100	0	3	33	0
SAP CRM Consulting Beteiligungsgesellschaft mbH, Mannheim	100	0	3	28	0
eSAP Beteiligungs GmbH, Walldorf	100	0	2	27	0
SAP Portals Holding GmbH & Co. KG, Walldorf [3), 4)]	100	0	0	566,553	0
SAP Portals Holding Beteiligungs GmbH, Walldorf [3), 4)]	100	0	0	27	0
sky7home GmbH, Walldorf	100	0	0	25	0
SAP Beteiligungsverwaltungs GmbH, Walldorf [3)]	100	0	0	0	0
Prescient Consulting GmbH, Walldorf [3), 4)]	100	0	-3	15	0
Rest of Europe/Middle East/Africa					
SAP (UK) Limited, Feltham/Great Britain	100	443,492	32,527	89,488	753
SAP FRANCE SYSTEMES APPLICATIONS ET PROGICIELS S.A., Paris/France	100	304,090	22,190	39,065	636
SAP (Schweiz) AG Systeme, Anwendungen und Produkte der Datenverarbeitung, Biel/Switzerland	100	280,131	33,684	100,681	512
SAP Nederland B.V., ʻs Hertogenbosch/The Netherlands	100	185,856	21,223	48,248	413
S.A.P. Italia Sistemi Applicazioni Prodotti in Data Processing S.p.A., Milan/Italy	100	182,535	15,423	60,121	365
SAP Österreich GmbH, Vienna/Austria	100	114,778	4,717	24,642	385
SAP España Sistemas Aplicaciones y Productos en la Informática, S.A., Madrid/Spain	100	102,818	3,506	30,377	280
NV SAP BELGIUM SA, Brussels/Belgium	100	102,474	6,101	28,596	239
SAP Svenska Aktiebolag, Stockholm/Sweden	100	83,471	4,855	14,285	199
Systems Applications Products (Africa) (Proprietary) Limited, Woodmead/South Africa	100	62,584	2,587	10,465	278
SAP Finland Oy, Espoo/Finland	100	62,476	3,558	15,068	172
SAP Danmark A/S, Brondby/Danmark	100	61,231	2,225	11,949	191
SAP Portugal – Sistemas, Aplicações e Produtos Informáticos, Sociedade Unipessoal, Lda., Paco d´Arços/Portugal	100	57,004	6,312	17,873	122
SAP ČR, spol. s.r.o., Prague/Czech Republic	100	51.949	1.412	15.818	202

SUBSIDIARIES, ASSOCIATED COMPANIES AND OTHER INVESTMENTS

as of December 31, 2001

Name and location of company	Ownership %	Sales revenues in 2001[1] (amounts in thousands of €)	Net income/loss (–) for 2001[1] (amounts in thousands of €)	Equity as of 12/31/2001[1] (amounts in thousands of €)	Number of employees as of 12/31/2001[2]
SAP Polska Sp. z.o.o., Warsaw/Poland	100	34.312	–214	9.127	155
SAP Hellas S.A. Societe Anonyme of Systems, Applications & Information Technology Products, Athens/Greece	100	29,786	1,433	3,410	207
SAP Hungary Rendszerek, Alkalmazások és Termékek az Adatfeldolgozásban Informatikai Kft., Budapest/Hungary	100	27,958	1,057	9,675	141
SAP Norge AS, Lysaker/Norway	100	26,973	–1,934	8,307	89
SAP Public Services (Pty) Ltd., Woodmead/South Africa [4]	70	24,780	2,170	1,734	38
SAP Service and Support Centre (Ireland) Limited, Dublin/Ireland	100	23,443	5,783	11,309	261
SAP Portals UK, Guildford/Great Britain [3, 4]	100	23,209	8,987	449	64
OOO SAP Consult C.I.S., Moscow/Russia	100	19,994	4,791	8,017	190
SAP Portals Israel, Ra'anana/Israel [3, 4]	100	17,456	–596	–2,978	149
SAP Slovensko s.r.o., Bratislava/Slovakia	100	14,273	627	3,768	42
SAP Labs France S.A., Sophia Antipolis/France	100	8,210	544	2,741	118
SAP Systems Integration (Schweiz) AG, Frauenfeld/Switzerland [4]	60	7,988	636	822	10
SAP Labs Israel Ltd. formerly SAP-OFEK Ltd., Industrial Area Herzliya/Israel	100	6,101	299	2,773	63
CADRA S.A., Chazay D`Azergues/France [4]	100	5,021	–766	780	53
IN-Q-MY Labs EOOD, Sofia/Bulgaria [4]	100	2,140	48	62	120
SAP Cyprus Ltd., Nicosia/Cyprus [4]	100	2,039	–315	368	24
SAP Systems Yazilim Uretim A.S., Istanbul/Turkey [3]	100	1,607	–246	332	21
SAP d.o.o., Zagreb/Croatia [3]	100	1,403	360	386	7
LLC SAP Consult Ukraine, Kiev/Ukraine	100	1,121	237	292	13
SAP Bulgaria Ltd., Sofia/Bulgaria [4]	100	832	–617	–1,976	27
Systems Application Products Limited, Lagos/Nigeria [4]	100	312	–30	–253	0
IthinQ.com (Pty) Ltd., Woodmead/South Africa [4]	60	5	419	–126	0
SAP sistemi, aplikacije in produkti za obdelavo podatkov d.o.o., Ljubljana/Slovenia [3]	100	0	0	25	0
SAP Portals Nederland B.V., 's-Hertogenbosch/The Netherlands [3, 4]	100	0	0	18	0
Ambin Properties (Pty) Ltd., Woodmead/South Africa [3, 4]	100	0	–1	–1	0
SAP Ireland Limited, Dublin/Ireland	100	0	0	0	0
KGM 46 Investments (Pty) Limited, Woodmead/South Africa [3, 4]	100	0	0	0	0
Americas					
SAP America, Inc., Newtown Square/USA	100	1,915,913	76,573	735,258	3,552
SAP Canada Inc., North York/Canada	100	254,773	21,227	82,775	593
SAP Public Services, Inc., Washington D.C./USA [4]	100	205,913	–10,509	–54,785	259
SAP Labs, Inc., Palo Alto/USA [4]	100	176,089	2,550	22,782	713
SAP Brasil Ltda., Sao Paulo/Brazil	100	139,769	1,689	19,521	396
SAP Markets, Inc., Palo Alto/USA	100	116,702	–137,900	–77,822	329
SAP Global Marketing, Inc., New York/USA [3]	100	105,410	1,082	607	50
SAP México, S.A. de C.V., Mexico City/Mexico	100	99,297	4,422	30,060	193
SAP ANDINA Y DEL CARIBE C.A., Caracas/Venezuela	100	83,521	5,446	19,877	159
SAP ARGENTINA S.A., Buenos Aires/Argentina	100	64,375	–3,360	17,972	181

SUBSIDIARIES, ASSOCIATED COMPANIES AND OTHER INVESTMENTS

as of December 31, 2001

Name and location of company	Ownership %	Sales revenues in 2001 [1]	Net income/loss (–) for 2001 [1]	Equity as of 12/31/2001 [1]	Number of employees as of 12/31/2001 [2]
		amounts in thousands of €			
SAP Systems Integration America LLC, Atlanta/USA [3, 4]	100	23,910	–1,531	9,766	117
SAP Portals Inc. USA, San Jose/USA [3]	100	18,456	–94,077	856,046	189
SAP International, Inc., Miami/USA [4]	100	13,968	473	456	19
SAP Properties, Inc., Newtown Square/USA [4]	100	3,153	83	119	0
SAP Systems Integration America Holding, Inc., Newtown Square/USA [3, 4]	100	0	–209	4,548	0
SAP Investments, Inc., Wilmington/USA [4]	100	0	–1,907	725,643	0
Asia/Pacific					
SAP JAPAN CO., LTD., Tokio/Japan	100	462,740	38,320	65,335	1,149
SAP AUSTRALIA PTY LTD, Sydney/Australia	100	112,142	–583	5,524	337
SAP Asia Pte. Ltd., Singapore	100	71,533	3,303	17,207	298
SAP Korea Limited, Seoul/Korea	100	63,765	–2,165	10,236	273
SAP MALAYSIA SDN. BHD., Kuala Lumpur/Malaysia	100	33,744	3,775	9,744	92
SAP INDIA SYSTEMS, APPLICATIONS AND PRODUCTS IN DATA PROCESSING PRIVATE LIMITED, Bangalore/India [4]	100	31,058	6,009	23,334	137
SAP HONG KONG CO. LIMITED, Taikoo Shing/Hong Kong	100	23,276	1,240	5,496	51
SAP (Beijing) Software System Co., Ltd., Beijing/China	100	21,795	254	749	174
SAP Labs India Private Limited, Bangalore/India	100	19,178	1,004	5,695	521
SAP Taiwan Co. Ltd., Taipei/Taiwan	100	13,711	–2,284	10,255	64
PT SAP Indonesia formerly PT SAP ASIA, Jakarta/Indonesia	100	13,579	2,048	2,592	32
SAP SYSTEMS, APPLICATIONS AND PRODUCTS IN DATA PROCESSING (THAILAND) LTD., Bangkok/Thailand	100	12,568	1,282	7,321	44
SAP NEW ZEALAND LIMITED, Auckland/New Zealand	100	8,037	–858	2,685	30
SAP Philippines, Inc., Makati City/Philippines	100	6,035	–1,593	–432	37
SAPMARKETS ASIA PACIFIC SOLUTIONS PTE LTD, Singapore [4]	100	1,570	–6,579	–5,870	29
SAP India (Holding) Pte. Ltd., Singapore	100	0	–15	389	0
II. Associated Companies					
Commerce One, Inc., Pleasanton/USA	20	459,015	–2,903,156	700,837	1,896
Global Virtual Marketplace GmbH, Munich/Germany	50	480	–2,765	3,418	0
Emaro Verwaltungs AG, Walldorf/Germany	40	1,485	–6,779	1,492	39
ec4ec.GmbH, Duesseldorf/Germany	20	144	–10,000	13,800	31
Industry To Industry Inc., Boston/USA	31	1,043	–8,845	2,563	20
COPA GmbH, Wesel/Germany [4]	25	28,300	854	2,595	230
SAP LEARNING SOLUTIONS PTE LTD, Singapore [3]	40	1,020	–1,041	–960	19
Pandesic LLC i.L., Santa Clara/USA	50	0	0	0	0

SUBSIDIARIES, ASSOCIATED COMPANIES AND OTHER INVESTMENTS

III. Other Investments (ownership of five or more percent)	
ABACO P.R., Inc., Roswell/USA	MarketFirst Software, Inc., Mountain View/USA
ABC Technologies Inc., Beaverton/USA	Marketline HU, Budapest/Ungarn
Achilles Group Ltd., Oxon/Great Britain	mysaar.com Betreibergesellschaft mbH & Co. KG, Saarbruecken/Germany
Catalyst International Inc., Milwaukee/USA [6]	mysaar.com Betreibergesellschaft Verwaltungs GmbH, Saarbruecken/Germany
cc-chemplorer Ltd., Dublin/Ireland	Onventis GmbH, Stuttgart/Germany
CENTRADE, a.s., Prague/Czech Republic	opsXchange.com, Inc., San Francisco/USA
CPGmarket.com SA, Geneva/Switzerland	Orbian Corp., New York/USA
DFKI GmbH, Kaiserslautern/Germany	Orbian Management Ltd., London/Great Britain
e-millennium 1 GmbH & Co. KG, Munich/Germany	PowerSim Corporation, Reston/USA
Grau Datastorage AG, Schwaebisch Gmuend/Germany	ProSyst Software AG, Cologne/Germany
Heiler Software AG, Stuttgart/Germany [6]	Realize Corp., Tokio/Japan
humanIT Human Information Technologies GmbH, Sankt Augustin/Germany	SALT Logistics AG, Wuerzburg/Germany
IDS Scheer AG, Saarbruecken/Germany [6]	Sequencia Corporation, Phoenix/USA
imc information multimedia communication GmbH, Saarbruecken/Germany	SupplyAccess, Inc., El Segundo/USA
Intellicorp Inc., Mountain View/USA [6]	SupplyOn AG, Munich/Germany
InterWise Ltd., Tel Aviv/Israel	TeaLeaf, Inc., San Francisco/USA
Isochron Data Corp., Austin/USA	UTILITePlace AG, Hamburg/Germany
Iwaytrade.com (formerly OCIXEM) – Serviços de Informação, S.A., Lisbon/Portugal	VCB Virtueller Campus Bayern GmbH, Hof (Saale)/Germany
	Venture Capital Beteiligungs GbR, Stuttgart/Germany
Jet2Web Bizmarket e-Business Services GmbH, Vienna/Austria	YellowMap AG, Munich/Germany

[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, 2001, including managing directors

[3] Consolidated for the first time in 2001

[4] Represents a wholly or majority owned entity of a subsidiary

[5] Includes eSAP GmbH & Co. KG, Walldorf which was merged into this new company.

[6] Publicly held company

FIVE YEARS SUMMARY

SAP Group (in millions of €, unless otherwise stated)	1997	1998	1999	2000	2001
Total revenue	**3,021.8**	**4,315.6**	**5,110.2**	**6,264.6**	**7,340.8**
% generated by foreign subsidiaries	71%	80%	77%	78%	78%
% product revenue	68%	63%	61%	66%	64%
per employee (in thousands of €)	261	249	244	268	267
Net income	**446.7**	**526.9**	**601.0**	**615.8**	**581.1**
Return on equity (net income as a % of average equity)	35%	32%	27%	22%	19%
Income before income tax	796.4	932.0	980.3	1,012.9	1,068.8
Return on sales (income before income tax as a % of total revenue)	26%	22%	19%	16%	15%
Total assets	**2,755.2**	**3,445.9**	**4,826.9**	**5,619.0**	**6,195.6**
Fixed assets	**601.0**	**903.9**	**1,524.0**	**1,623.7**	**2,203.5**
Intangible assets	39.9	74.6	119.9	116.1	499.4
Property, plant & equipment	444.6	645.4	794.3	870.7	997.0
Financial assets	116.5	183.9	609.8	636.9	707.1
Short-term assets (incl. deferred taxes, prepaid expenses and deferred charges)	**2,154.2**	**2,542.0**	**3,302.9**	**3,995.3**	**3,992.1**
Inventories	3.8	2.8	3.1	5.8	4.6
Accounts receivable	1,318.8	1,573.0	1,845.6	2,198.3	2,211.6
Liquid assets	510.0	670.2	810.3	1,086.7	866.1
Other short-term assets incl. deferred taxes, prepaid expenses and deferred charges	321.6	296.0	643.9	704.5	909.8
Shareholders' equity (incl. Temporary equity)	**1,451.1**	**1,818.3**	**2,559.4**	**2,926.6**	**3,109.5**
as a % of fixed assets	241%	201%	168%	180%	141%
Subscribed capital	266.6	267.3	267.8	314.7	314.8
Other shareholders' equity	1,184.5	1,551.0	2,291.6	2,202.4	2,794.7
Temporary equity	0.0	0.0	0.0	409.5	0.0
Liabilities (incl. deferred charges and minority interests)	**1,304.1**	**1,627.6**	**2,267.5**	**2,692.4**	**3,086.1**
Long-term liabilities	178.1	170.0	483.6	181.5	285.2
Current liabilities	1,126.0	1,457.6	1,783.9	2,510.9	2,800.9
% of total assets:					
Fixed assets	22%	26%	32%	29%	36%
Short-term assets	78%	74%	68%	71%	64%
Shareholders' equity	53%	53%	53%	52%	50%
Liabilities	47%	47%	47%	48%	50%
Financial liabilities	**86.0**	**122.8**	**57.5**	**153.4**	**465.7**
Long-term	2.6	26.5	32.9	6.5	7.4
Short-term	83.4	96.3	24.6	146.9	458.3
Interest income, net	+26.9	+31.1	+31.2	+59.2	+33.7

FIVE YEARS SUMMARY

SAP Group (in millions of €, unless otherwise stated)	1997	1998	1999	2000	2001
Purchases/depreciation and amortization:					
Purchase of property, plant & equipment (including purchase of TopTier in 2001)	289.9	388.1	354.8	285.9	799.8
Depreciation and amortization	101.3	139.8	172.7	223.3	279.8
Depreciation and amortization as a % of purchases	35%	36%	49%	78%	35%
Cash earnings according to DVFA/SG [1]	**547.2**	**586.1**	**896.9**	**621.1**	**1,021.3**
as a % of total revenue	18%	14%	18%	10%	14%
as a % of investments	189%	151%	253%	217%	128%
Employees and personnel expenses:					
Number of employees, year-end	12,856	19,308	21,699	24,480	28,878
Number of employees, year-end – based on full-time equivalents [2]	N/A	N/A	21,488	24,177	28,420
Number of employees, annual average	11,558	17,323	20,975	23,335	27,452
Personnel expenses	1,059.9	1,547.4	2,031.7	2,812.8	2,908.1
Personnel expenses – excluding stock compensation plans	N/A	1,531.1	1,891.4	2,372.0	2,809.7
Personnel expenses per employee – excluding stock compensation plans (in thousands of €)	92	88	90	102	102
Research and development expenses	**362.7**	**572.4**	**744.7**	**969.4**	**898.3**
as a % of total revenue	12%	13%	15%	15%	12%

SAP AG (in millions of €, unless otherwise stated)	1997	1998	1999	2000	2001
HGB					
Net income	228.7	268.7	312.2	278.5	1,069.8
Transfer of reserves	78.5	102.3	146.5	98.0	534.9
Dividend distributions	150.4	165.5	165.8	180.4	182.3
Dividend per ordinary share (in €) [3] [4]	0.48	0.52	0.52	0.57	0.58
Dividend per preference share (in €) [3] [4]	0.49	0.53	0.53	0.58	N/A
Stock prices at year-end (up to year 2000 spot rate in €, since 2001 closing price in €):					
ordinary share	92.97	122.71	162.67	124.00	146.30
preference share	99.57	136.26	201.83	152.00	N/A
Number of shares at year-end (in thousands) [4]	**312,909**	**313,695**	**314,268**	**314,715**	**314,826**
ordinary shares	182,988	183,000	183,000	183,000	314,826
preference shares	129,921	130,695	131,268	131,715	N/A
Market capitalization (in billions of €)	**30.0**	**40.3**	**56.3**	**42.7**	**46.1**

[1] German Society of Investment Analysts and Asset Managers
[2] Not available for the years prior to 1999
[3] Value adjusted for 3-for-1 stock split, for year 2001 proposed dividend
[4] Value adjusted for 3-for-1 stock split, for year 2001 only ordinary shares as all preference shares have been converted

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Financial Calendar

2002

April 18
Interim report:
January – March 2002

May 3
Annual General Meeting –
Mannheim, Germany

May 6
Dividend payment

July 18
Interim report:
January – June 2002

October 17
Interim report:
January – September 2001

2003

January 23
Preliminary figures for fiscal 2002

May 9
Annual General Meeting –
Mannheim, Germany

May 12
Dividend payment

ACKNOWLEDGEMENTS

Overall responsibility:
SAP AG
Global Corporate Communications

Design and Production:
Addison Corporate Marketing Limited, London

Writing:
Bill Kozel, U.S.
Hiller, Wüst & Partner, Aschaffenburg

Photography:
Dan Hallman, New York
Simon Potter and Ben Jennings, London

Print:
ColorDruck, Leimen

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