

To our shareholders, partners, and customers:



Co-Chairmen and CEOs of SAP AG:
Hasso Plattner and Henning Kagermann

This year's Annual Report is more than just an account of another successful year in SAP's 26 years of thriving business. We hope it will provide you with insight into the variety of environments in which our customers use our products, and the benefits they – and in turn their customers – derive from them. SAP's recipe for success includes more than good business results: The quality and variety of our products and the innovative spirit of our employees are essential ingredients. Our ambition is to help everyone who uses our products gain more satisfaction from their work and from the results of their work. A strict orientation to the needs of our customers is our incentive. Future development will be driven not by what is technically

achievable, but by what will benefit our customers. The EnjoySAP initiative channels all our efforts toward this goal. EnjoySAP is much more than a regular product development project: It expresses the vision and culture of SAP as a company.

We reached some important milestones this year: SAP co-founders Dietmar Hopp and Klaus Tschira became Supervisory Board members, signaling a new phase for the company. SAP's debut on Wall Street was the biggest new listing in the history of the New York Stock Exchange. Quotation on the NYSE was a natural step for us as a global organization.

One of our most significant accomplishments in fiscal 1998 was the recruitment of nearly 6,500 highly qualified new employees worldwide. This sizeable investment creates the right conditions for our continued success, enabling us to reach out to new customers and offer existing customers new products. We needed efficient human resources management to manage recruitment on that scale: We are developing Advanced HR, a software platform for optimizing differentiated utilization of all resources, for our own use – and soon for the benefit of our customers. In the past we've demonstrated our speed and reliability in responding to customer and market issues like the euro changeover and year 2000. Our job now is to exploit our lead with new initiatives and developments.

Global business conditions were challenging in 1998 and we're pleased to have met our target sales revenue growth of 40%. We also increased profit before taxes and before creation of STAR program accruals by 18%, although this was short of our target. This shortfall was caused by unanticipated sales delays in Japan at the end of the 1998 fiscal year. These challenges notwithstanding, we again grew our share of the big five competitors' market by 2% to just under 60%. In fact, SAP's software sales revenues are four times

greater than the software sales revenues of all four biggest competitors combined. According to a study by Gartner Group, a noted U.S. market researcher in the field of information technology, SAP is the only Enterprise Resource Planning software vendor with both a complete vision of new software solutions as well as the ability to execute them. Industry Business Units and Solution Maps of complete business processes support our successful orientation toward industry sectors. We are expanding our indirect marketing to small and medium-sized enterprises – in the Value Added Resellers field alone we doubled our installed base during 1998.

New Dimensions is the initiative behind our drive to become a multi-product vendor. We anticipate that in

five years or less, Supply Chain Management, Customer Relationship Management, and Business Intelligence will account for a third of SAP's sales revenues. In 1999 we will be able to achieve greater profitability by focusing more on expenses, particularly the cost of buying services, and by improving the efficiency of our sales, marketing, and development operations. Our productivity will receive an extra boost with new employees "going live" in 1999. Our target for sales revenue growth this year is 20% to 25%, and we aim to double sales over the coming three years. This will strengthen our position as market leader.

Thank you all for your continued confidence in SAP's business and technological vision. We look forward to achieving sustained success together.



| Hasso Plattner | Co-Chairman and CEO, SAP AG



| Henning Kagermann | Co-Chairman and CEO, SAP AG