

Consolidated Income Statements SAP-Group 4th quarter

PRELIMINARY and UNAUDITED

(in EUR millions)

	2005	2004	Δ
Software revenue	1,183	1,003	18%
Maintenance revenue	855	739	16%
Product revenue	2,038	1,742	17%
Consulting revenue	605	560	8%
Training revenue	96	79	22%
Service revenue	701	639	10%
Other revenue	15	20	-25%
Total revenue	2,754	2,401	15%
Cost of product	-274	-230	19%
Cost of service	-539	-510	6%
Research and development	-328	-288	14%
Sales and marketing	-508	-443	15%
General and administration	-126	-101	25%
Other income/expenses, net	1	4	-75%
Total operating expense	-1,774	-1,568	13%
Operating income	980	833	18%
Other non-operating income/ expenses, net	-25	15	N/A
Financial income, net	8	5	60%
Income before income taxes	963	853	13%
Income taxes	-343	-310	11%
Minority interest	-1	-1	0%
Net income	619	542	14%
Basic earnings per share (in €)	2.00	1.74	14%

Consolidated Income Statements

SAP-Group 4th quarter

PRELIMINARY and UNAUDITED

additional information (in EUR millions)

	2005	2004	Δ
Pro-forma EBITDA reconciliation:			
Net income	619	542	14%
Minority interest	1	1	0%
Income taxes	343	310	11%
Net income before income taxes	963	853	13%
Financial income, net	-8	-5	60%
Other non-operating income/expenses, net	25	-15	N/A
Operating Income	980	833	18%
Depreciation and amortization	49	57	-14%
Pro-forma EBITDA^{4,6)}	1,029	890	16%
as a % of Sales	37%	37%	
Pro-forma operating income reconciliation:			
Operating Income	980	833	18%
LTI/STAR/SOP	22	9	N/A
Settlement of stock-based compensation programs	0	0	N/A
Total stock-based compensation	22	9	N/A
Acquisition-related charges	11	9	22%
Pro-forma operating income excluding stock-based compensation and acquisition-related charges⁴⁾	1,013	851	19%

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SAP-Group 4th quarter

PRELIMINARY and UNAUDITED

additional information (in EUR millions)

	2005	2004	Δ
Financial income, net	8	5	60%
- thereof impairment-related charges	-1	-2	-50%
Income before income taxes	963	853	13%
Income taxes	343	310	11%
Effective Tax Rate	36%	36%	
Pro-forma Net income reconciliation:			
Net income	619	542	14%
Stock-based compensation, net of tax	15	5	200%
Acquisition-related charges, net of tax	7	5	40%
Impairment-related charges, net of tax	1	2	-50%
Pro-forma net income excluding stock-based compensation, acquisition-related charges, and impairment-related charges⁴⁾	642	554	16%
Pro-forma EPS reconciliation:			
Earnings per share (in €)	2.00	1.74	14%
Stock-based compensation	0,05	0.02	N/A
Acquisition-related charges	0,02	0.02	N/A
Impairment-related charges	0,00	0.00	N/A
Pro-forma EPS excluding stock-based compensation, acquisition-related charges and impairment-related charges (in €)⁴⁾	2.07	1.78	16%
Weighted average number of shares (in thousands)	309,779	310,639	

Consolidated Income Statements
SAP-Group Twelve months ended December 31,
PRELIMINARY and UNAUDITED

(in EUR millions)

	2005	2004	Δ
Software revenue	2,783	2,361	18%
Maintenance revenue	3,175	2,823	12%
Product revenue	5,958	5,184	15%
Consulting revenue	2,139	1,971	9%
Training revenue	343	302	14%
Service revenue	2,482	2,273	9%
Other revenue	73	57	28%
Total revenue	8,513	7,514	13%
Cost of product	-910	-804	13%
Cost of service	-1,925	-1,784	8%
Research and development	-1,172	-1,020	15%
Sales and marketing	-1,747	-1,524	15%
General and administration	-434	-366	19%
Other income/expenses, net	6	2	200%
Total operating expense	-6,182	-5,496	12%
Operating income	2,331	2,018	16%
Other non-operating income/ expenses, net	-25	14	N/A
Financial income, net	11	41	N/A
Income before income taxes	2,317	2,073	12%
Income taxes	-818	-757	8%
Minority interest	-3	-5	-40%
Net income	1,496	1,311	14%
Basic earnings per share (in €)	4.83	4.22	14%

Consolidated Income Statements
SAP-Group Twelve months ended December 31,
PRELIMINARY and UNAUDITED

additional information
(in EUR millions)

	2005	2004	Δ
Pro-forma EBITDA reconciliation:			
Net income	1,496	1,311	14%
Minority interest	3	5	-40%
Income taxes	818	757	8%
Net income before income taxes	2,317	2,073	12%
Financial income, net	-11	-41	-73%
Other non-operating income/expenses, net	25	-14	N/A
Operating Income	2,331	2,018	16%
Depreciation and amortization	204	210	-3%
Pro-forma EBITDA^{4,6)}	2,535	2,228	14%
as a % of Sales	30%	30%	
Pro-forma operating income reconciliation:			
Operating Income	2,331	2,018	16%
<i>LTI/STAR/SOP</i>	45	37	22%
<i>Settlement of stock-based compensation programs</i>	0	1	N/A
Total stock-based compensation	45	38	18%
Acquisition-related charges	34	30	13%
Pro-forma operating income excluding stock-based compensation and acquisition-related charges⁴⁾	2,410	2,086	16%

Consolidated Income Statements

SAP-Group Twelve months ended December 31,

PRELIMINARY and UNAUDITED

additional information (in EUR millions)

	2005	2004	Δ
Financial income, net	11	41	-73%
- thereof impairment-related charges	-4	-5	-20%
Income before income taxes	2,317	2,073	12%
Income taxes	818	757	8%
Effective Tax Rate	35%	37%	
Pro-forma Net income reconciliation:			
Net income	1,496	1,311	14%
Stock-based compensation, net of tax	31	24	29%
Acquisition-related charges, net of tax	21	18	17%
Impairment-related charges, net of tax	4	5	-20%
Pro-forma net income excluding stock-based compensation, acquisition-related charges, and impairment-related charges⁴⁾	1,552	1,358	14%
Pro-forma EPS reconciliation:			
Earnings per share (in €)	4.83	4.22	14%
Stock-based compensation	0.10	0.08	N/A
Acquisition-related charges	0.07	0.06	N/A
Impairment-related charges	0.01	0.01	N/A
Pro-forma EPS excluding stock-based compensation, acquisition-related charges and impairment-related charges (in €)⁴⁾	5.01	4.37	14%
Weighted average number of shares (in thousands)	309,816	310,802	

Consolidated Balance Sheets SAP Group

PRELIMINARY and UNAUDITED
(in EUR millions)

ASSETS

	12/31/2005	12/31/2004	Δ	Δ
Intangible assets	766	525	241	46%
Property, plant and equipment	1,095	999	96	10%
Financial assets	534	100	434	434%
FIXED ASSETS	2,395	1,624	771	47%
Accounts receivables	2,250	1,929	321	17%
Inventories and other assets	673	549	124	23%
Liquid assets/Marketable securities	3,423	3,207	216	7%
CURRENT ASSETS	6,346	5,685	661	12%
DEFERRED TAXES	217	206	11	5%
PREPAID EXPENSES	87	70	17	24%
TOTAL ASSETS	9,045	7,585	1,460	19%

SHAREHOLDERS' EQUITY AND LIABILITIES

	12/31/2005	12/31/2004	Δ	Δ
SHAREHOLDERS' EQUITY	5,783	4,594	1,189	26%
MINORITY INTEREST	8	22	-14	-64%
RESERVES AND ACCRUED LIABILITIES	2,004	1,908	96	5%
OTHER LIABILITIES	846	736	110	15%
DEFERRED INCOME	404	325	79	24%
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	9,045	7,585	1,460	19%
Days Sales Outstanding	68	71		

Consolidated Statements of Cash Flows

SAP Group

(unaudited)

Twelve months ended December 31,
(in EUR millions)

	2005	2004
Net income	1,496	1,310
Minority interest	3	5
Income before minority interest	1,499	1,315
Depreciation and amortization	204	210
Gains/Losses on disposal of property, plant and equipment and marketable equity securities, net	-6	-13
Gains from equity investments, net	-1	0
Write-downs of financial assets, net	13	18
Impacts of hedging	7	-7
Change in accounts receivables and other assets	-380	-165
Change in deferred stock compensation	-36	0
Change in reserves and liabilities	191	435
Change in deferred taxes	-39	18
Change in other current assets	-23	-4
Change in deferred income	77	20
Net cash provided by operating activities	1,506	1,827
Acquisition of minorities in subsidiaries	-60	-168
Other acquisitions, net of cash and cash equivalents	-182	-19
Purchase of intangible assets and property, plant and equipment	-266	-193
Purchase of financial assets	-458	-43
Proceeds from disposal of fixed assets	31	117
Change in liquid assets (maturities greater than 90 days) and marketable securities	573	-581
Net cash used in investing activities	-362	-887
Dividends paid	-340	-249
Change in treasury stock	-206	-108
Proceeds from issuance of common stock (Stock-based compensation)	43	19
Other changes to additional paid-in-capital	44	5
Principal payments made on/Proceeds from line of credit and long-term debt	-1	4
Proceeds from acquired derivative equity instruments (STAR-hedge)	39	0
Acquisition of derivative equity instruments (STAR-hedge)	-47	-43
Net cash used in financing activities	-468	-372
Effect of foreign exchange rates on cash	114	-39
Net change in cash and cash equivalents	790	529
Cash and cash equivalents at the beginning of the period	1,513	984
Cash and cash equivalents at the end of the period	2,303	1,513

Full Year 2005 Free Cash Flow (in €millions, unaudited)

SAP Group

	FY 2005	FY 2004	% Change
Operating Cash Flow	1,506	1,827	-18
Capital Expenditure	-261	-189	+38
Free Cash Flow ^{4,6}	1,245	1,638	-24
Free Cash Flow as a % of Revenue	15%	22%	-7 PP
Total Revenue	8,513	7,514	+13

Footnotes

- 1) Constant currency data excludes the impact of currency exchange rates.
- 2) Worldwide share of what SAP considers to be its peer group of Microsoft Corp. (business solutions segment only), Oracle Corp. (business applications only) and Siebel Systems, Inc. is based on comparable software revenues in U.S. dollars (for those vendors that did not yet announce or pre-announce software revenues, analyst estimates were used). SAP's results have been converted into U.S. dollars. For Oracle Corp. (business applications only), the software revenues of Oracle, PeopleSoft and Retek were combined based on publicly available data. Subsequent revisions of peer group data will often occur as a result of using estimated data at the time the peer group share is originally calculated because actual data is often not yet available.
- 3) U.S. share of what SAP considers to be its peer group of Microsoft Corp. (business solutions segment only), Oracle Corp. (business applications only), and Siebel Systems, Inc. is based on comparable U.S. software revenues in U.S. dollars (for those vendors that did not yet announce or pre-announce software revenues, analyst estimates were used, and for some vendors U.S. software revenues are estimated). SAP's results have been converted into U.S. dollars. For Oracle Corp. (business applications only), the software revenues of Oracle, PeopleSoft and Retek were combined based on publicly available data. Subsequent revisions of peer group data will often occur as a result of using estimated data at the time the peer group share is originally calculated because actual data is often not yet available.
- 4) *Non-GAAP Measures:*
This press release discloses certain financial measures such as pro forma EBIDTA, free cash flow, pro forma operating income, pro forma expenses, pro forma net income, pro forma earnings per share (EPS) and currency-adjusted year-on-year changes in revenue and operating income. These measures are not prepared in accordance with generally accepted accounting principles and are, therefore, considered non-GAAP financial measures. The non-GAAP measures should be considered in addition to, and not as a substitute for, or superior to, operating income, cash flows, or other measures of financial performance prepared in accordance with generally accepted accounting principles. The pro forma measures used by SAP may be different from pro forma measures used by other companies.

Management believes that pro forma operating income, pro forma expenses, pro forma net income and pro forma EPS provide supplemental meaningful information to the investor to

fully assess the financial performance of SAP's core operations. The pro forma operating measures disclosed are the same SAP uses in its internal management reporting and as criteria for variable elements of management compensation.

Eliminated expenses in pro forma expenses, pro forma operating income, pro forma net income and pro forma EPS are defined as follows:

- Stock-based compensation includes expenses for stock-based compensation as defined under U.S. GAAP (STAR, LTI and SOP) as well as expenses related to the settlement of stock-based compensation plans in the context of mergers and acquisitions. Management excludes stock-based compensation expenses because SAP has no direct influence over the actual expense of these awards once the Company enters into stock-based compensation plans.
- Acquisition-related charges include amortization of intangible assets acquired in acquisitions of businesses or intellectual property.
- Impairment-related charges include other-than-temporary impairment charges on minority equity investments.

Please note: In the second quarter of 2005, SAP changed its definition of "acquisition-related charges" which is used to determine SAP's pro forma operating income, pro forma earnings per share and other pro forma information provided by SAP. In the past, SAP regarded amortization of intangibles only as acquisition-related charges if the intangibles were acquired as part of an acquisition of an entire business. In the future, SAP expects to conduct acquisitions more frequently by acquiring from the target only the intellectual property rights and other related intangibles instead of acquiring the target's entire business. Therefore, beginning in the second quarter of 2005, SAP will also regard as acquisition-related charges the amortization of intellectual property rights, patents etc. that were acquired individually, i.e. not as part of a business combination. This change in definition has no material impact on any pro forma information provided in the past, as SAP has so far not conducted any material acquisitions of intangibles outside of business combinations.

- 5) These figures include revenues from designated solution contracts, as well as figures from integrated solution contracts, which are allocated based on usage surveys provided by SAP's customers. SAP's solution reporting includes the following specific software solutions: ERP (Enterprise Resource Planning), SCM (Supply Chain Management), CRM (Customer Relationship Management), SRM (Supplier Relationship Management), PLM (Product Lifecycle Management) and SAP NetWeaver and other related products.
- 6) Management believes that pro forma EBITDA and free cash flow are widely accepted supplemental measures of evaluating operating performance and liquidity among companies. However these measures should be considered in addition to, and not as a substitute for, or superior to, operating income, cash flows, or other measures of financial performance prepared in accordance with generally accepted accounting principles.