SAP Systems Integration AG
Quarterly Report Q2/2003

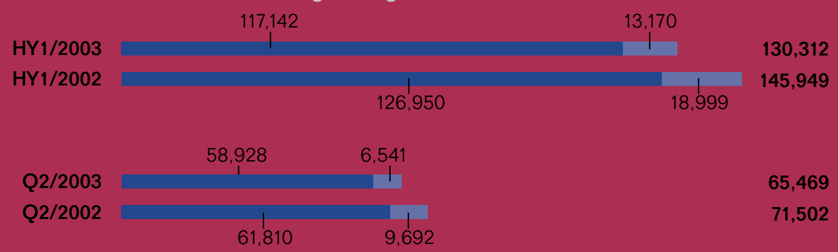
Integration for Customer Value

Key performance indicators as of June 30, 2003 (US-GAAP)

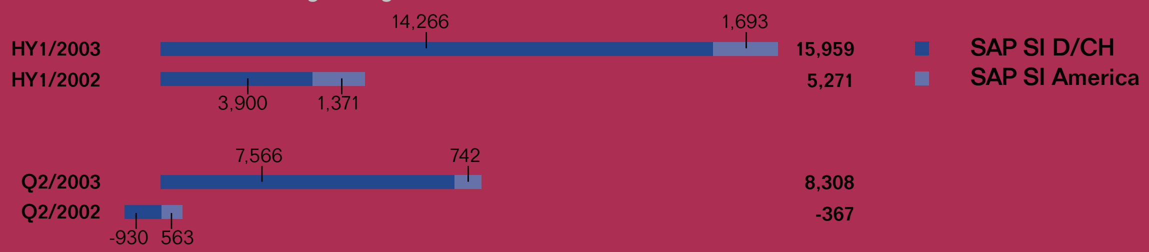
SAP Systems Integration AG

Revenue/earnings figures	Jan 01, 2003 – Jun 30, 2003	Jan 01, 2002 – Jun 30, 2002	Change in %, %-points	Apr 01, 2003 – Jun 30, 2003	Apr 01, 2002 – Jun 30, 2002	Change in %, %-points
Revenue in € thousands	130,312	145,949	-10.7%	65,469	71,502	-8.4%
of which foreign in € thousands	23,443	32,036	-26.8%	11,466	16,700	-31.3%
Restructuring costs in € thousands	0	4,495	-100.0%	0	3,729	-100.0%
Operating profit in € thousands	16,019	6,012	166.5%	8,347	467	1,687.4%
Operating profit as a percent of a revenue	12.3%	4.1%	8.2PP	12.7%	0.7%	12.0PP
EBITDA in € thousands	18,405	7,981	130.6%	9,575	1,007	850.8%
EBITDA as a percent of revenue	14.1%	5.5%	8.6PP	14.6%	1.4%	13.2PP
EBIT before restructuring costs in € thousands	15,959	9,766	63.4%	8,308	3,362	147.1%
EBIT before restructuring costs as a percent of revenue	12.2%	6.7%	5.5PP	12.7%	4.7%	8.0PP
EBIT in € thousands	15,959	5,271	202.8%	8,308	-367	N.A.
EBIT as a percent of revenue	12.2%	3.6%	8.6PP	12.7%	-0.5%	13.2PP
EBT in € thousands	17,512	7,369	137.6%	9,106	717	1170.0%
EBT as a percent of revenue	13.4%	5.0%	8.4PP	13.9%	1.0%	12.9PP
Balance-sheet figures	**Jun 30, 2003**	**Dec 31, 2002**		**Jun 30, 2003**	**Dec 31, 2002**	
Equitiy-to-total-assets ratio	80.6%	78.3%	2.3P%	80.6%	78.3%	2.3P%
Cash and cash equivalents/total assets	46.7%	44.3%	2.4P%	46.7%	44.3%	2.4P%
Working capital in € thousands	153,325	149,492	2.6%	153,325	149,492	2.6%
Other key figures	**Jan 01, 2003 – Jun 30, 2003**	**Jan 01, 2002 – Jun 30, 2002**		**Apr 01, 2003 – Jun 30, 2003**	**Apr 01, 2002 – Jun 30, 2002**	
Earnings per share (undiluted) in €	0.29	0.11	177.4%	0.14	0.00	N.A.
Earnings per share (diluted) in €	0.29	0.11	177.4%	0.14	0.00	N.A.
Cash flow in € thousands (all figures as per June 30th)	14,232	7,315	94.6%	14,232	7,315	94.6%
Capital investment excluding goodwill in € thousands (all figures as per June 30th)	4,222	3,138	34.5%	4,222	3,138	34.5%
Average number of employees	1,649	1,847	-10.7%	1,631	1,839	-11.3%
Revenue per employee in € thousands	79	79	0.0%	40	39	2.6%

Revenue according to Legal Entities in € thousands



EBIT according to Legal Entities in € thousands



HIGHLIGHTS

- **EBIT up considerably to €8.3 million from – €0.4 million in the same quarter the previous year**
- **EBIT margin for the quarter 12.7% after – 0.5% in the previous year**
- **94.6% increase in cash flow to €14.2 million in the first half of the year**
- **Quarterly revenues of €65.5 million 1.0% higher than in the previous quarter (€64.8 million), but 8.4% (constant currency: 6.0%) lower than last year (€71.5 million)**
- **Hosting/Application Management business is continuing to grow profitably**
- **Integration of COPA GmbH and merger with SAP SI AG completed**

Contents

DEAR STOCKHOLDERS

In spite of what is still a very difficult market environment, your Company operated highly profitable again in the past three months: the earnings before interest and tax (EBIT) went up from - €0.4 million in the second quarter 2002 to €8.3 million. This represents a substantial increase of 147.1% compared with the figure reported in the previous year following adjustment to eliminate restructuring costs (€3.4 million) too. EBIT continued to improve over the first three months of the current year (€7.7 million) with growth of 8.6% as well. The EBIT margin was 12.7% (previous year: - 0.5%).

Good capacity utilisation again and further cost management in particular enabled us to record this encouraging increase. Costs were reduced by 19.6% from €71.0 million in the previous year to €57.1 million in the second quarter of 2003.

SAP SI managed to improve revenues slightly to €65.5 million in the second quarter from €64.8 million in the first quarter, although this corresponded to a shortfall of 8.4% compared with the previous year (after -12.9% in the first quarter). The development in sales is attributable partly to further reluctance to invest on the IT service market due to the economic situation as well as to the changes in the euro / US dollar exchange rate. Revenues would have been down 6.0% over the previous year if adjusted to eliminate currency translation.

We can report an encouraging development in orders: the volume of orders on hand was slightly higher than in the previous quarter at €143 million. Major orders we received during the last quarter included those from Deutsche Telekom Network Projects & Services in Bonn and the central quality management department of Robert Bosch GmbH in Stuttgart. The list of projects completed with demanding customers also confirms our strategic approach as a systems integrator: we implemented a management information system at Roche Diagnostics, Basel, Switzerland, for example, and carried out an extensive integration project for N-Ergie AG, Nuremberg, that involves an information system for the company management as well.

With backdated effect from January 1, 2003 we integrated COPA in SAP SI. This means that we can now supply comprehensive industry-specific service to national and international companies in the beverage industry as well.

The latest Lünendonk analysis from May this year rates your Company as no. 8 among the IT consulting and systems integration companies in Germany on the basis of its revenues in 2002 - following 12th place last year. This is further evidence that SAP SI has the potential to continue improving its position on the IT service market even in a difficult environment by providing excellent performance and quality.

Dresden, Germany, July 2003

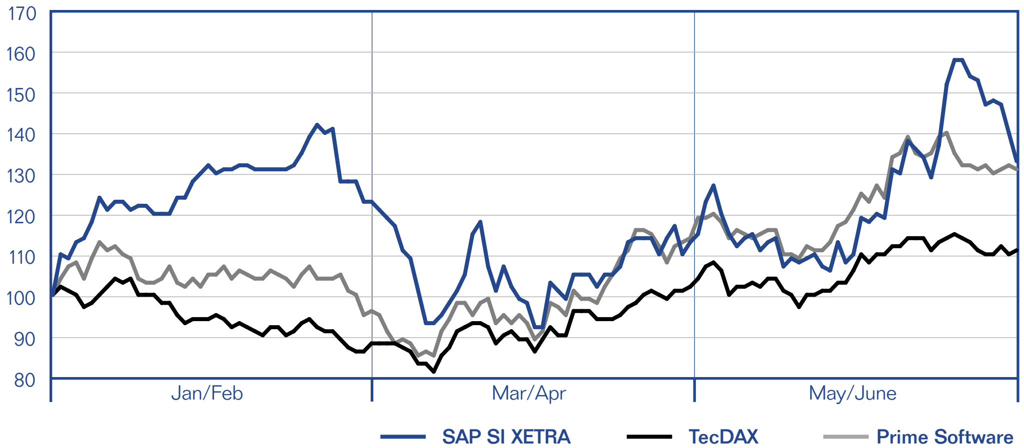
The Executive Board

SAP SI STOCK

The main features of the German stock market in particular during the last quarter were growing optimism and substantial increases in share prices. The fast end to the Iraq conflict and the rapid containment of the lung disease SARS led in some cases to euphoric responses in the form of share price increases. Whereas historic lows were reached in almost all the major indices towards the end of the previous quarter, prices at most stock exchanges all over the world are appreciably higher in the meantime. The DAX in particular has developed encouragingly, boosted - among other things - by initial successes on the IPO market and take-over rumours about a number of IT shares.

SAP SI STOCK PERFORMANCE IN COMPARISON WITH RELEVANT INDICES

Jan 2, 2003 = 100



This upward trend was reflected in the development of the SAP SI share price as well. The final price at the end of the previous quarter was €8.44 and the final price on June 30 was €12.20. This corresponds to a price increase of almost 45% (first half year: 33%). The TecDAX rose by about 29% (first half year: 11%) and the DAX by some 31% (first half year: 13%) in the same period.

This very encouraging price development is attributable not only to the generally more optimistic mood on the stock market but also to the high level of profitability that SAP SI was once again able to report in the first quarter of 2003. The price was stimulated in addition by the announcement of future acquisitions that support the strategic focus of your Company.

The management of SAP SI gave high priority to the maintenance of contacts with investors and analysts in the second quarter too. We provided information about the Company and the development of the business at two roadshows in London and Frankfurt as well as in numerous telephone conversations.

It is particularly encouraging to note that your Company's share is attracting more and more attention from international banks and capital investment companies. Citigroup SmithBarney and Equinet started covering the SAP SI share in the past three months.

The business magazine CAPITAL recently awarded the Company an investor relations prize for the high quality it has maintained in its investor relations activities. In a poll of analysts from 94 different banks, insurance companies and investment funds, SAP SI came in 3rd among all the TecDAX companies for its “particularly credible communication with private and institutional investors”.

The third annual stockholders' meeting of SAP SI took place in Dresden on May 22, 2003. The conduct of the Executive Board and Supervisory Board in fiscal 2002 was approved with more than 99% of the votes of the capital represented and the retained earnings of €47.3 million were carried forward to new account. SAP SI was authorised by the meeting to acquire company shares amounting up to 10% of the capital stock (this corresponds to 3,580,000 shares) on the stock market by October 31, 2004. In accordance with the requirements of the German Corporate Governance Code, the annual stockholders' meeting also decided to introduce performance-related remuneration for the members of the Supervisory Board from fiscal 2003 onwards. The size of the performance-related remuneration relates to long-term corporate success and is dependent on the earnings before tax and minority interests generated.

The Executive Board of SAP SI subscribed a total of 90,000 new convertible bonds for SAP SI shares in the past quarter. By doing this, the corporate management is once again expressing its confidence in the value and future prospects of your Company.

The company's strategy and potential are mirrored convincingly in the current SES risk rating as well: SAP SI again received the highest possible ranking A+ for “the company's particularly low specific risk” and is thus one of only seven companies in the TecDAX to be given this rating.

DIRECTORS HOLDINGS ACCORDING TO JUNE 30, 2003

Name	Shares	Convertible bonds	Other rights
Supervisory Board:			
Dr. Werner Brandt	0	0	0
Dr. Jürgen Fuchs	1,133	1,500	0
Erwin Gunst	0	0	0
Michael Kleinemeier	0	0	0
Thomas Maik Nestler	551	1,300	0
Richard Stewart	0	0	0
Executive Board:			
Dr. Bernd-Michael Rumpf	0	25,000	0
Alfred Ermer	0	50,000	0
Ronald Geiger	0	15,000	0
Joachim Müller	0	25,000	0

ECONOMIC ENVIRONMENT

The hopes of an early economic upswing that were held at the beginning of this year have not been fulfilled. Ifo-Institut reduced its forecast for this year again in June 2003 and is no longer expecting the GDP in Germany to grow - in contrast to the growth of 0.5% that was still anticipated at the beginning of the year. The association of German economic research institutes, to which Ifo-Institut also belongs, is now expecting GDP growth of 2.4% in the USA in 2003 instead of 2.5%.

In its study of March 2003, the industry association BITKOM continues to assume that the IT services market in Germany will decrease by 1.9% this year and that this market will only be growing again here from 2004 onwards. Gartner Group expects the North American IT service market to grow by 3.6% in its study of June 2003. Both of these forecasts for IT services include the faster-growing outsourcing market.

BUSINESS DEVELOPMENT

Order situation

Thanks to intensified co-operation with strategic key accounts, SAP SI again succeeded in obtaining important new orders in the second quarter in spite of the economic environment, which continues to be difficult. The Financial Services and Business Applications operations and the implementation of management information systems such as Business Intelligence in particular developed positively here. The volume of orders on hand (€143 million) was at roughly the same level as in the previous quarter (€142 million, previous year €151 million).

Revenue development

The overall economic environment continued to be difficult in the second quarter of fiscal 2003. Reluctance to invest in IT infrastructure combined with the development of the US dollar led to a revenue reduction of 8.4% from €71.5 million in the previous year to €65.5 million. The decrease was 6.0% if the currency translation effect is eliminated. Revenues were, however, slightly higher than in the previous quarter (€64.8 million).

SAP SI Germany/Switzerland contributed €58.9 million to revenues (previous year: €61.8 million). For the first time, this figure includes the revenues generated by COPA GmbH, which was merged with SAP SI AG with backdated effect from January 1, 2003. The revenues generated by SAP SI America decreased by 32.5% to €6.6 million (previous year: €9.7 million). Adjusted to eliminate the effects of currency translation, the revenue shortfall was 16.3%.

About 86.2% (previous year: 88.3%) of the quarterly revenues were accounted for by the consulting business and by other revenue, 11.7% (previous year: 9.6%) by Hosting/Application Management business and 2.1% (previous year: 2.1%) by product business. 17.5% of the quarterly revenues (previous year: 23.4%) were generated outside Germany.

Cost development

Costs were reduced by 19.6% over the same quarter the previous year, from €71.0 million to €57.1 million. Service costs were cut by 16.5% and general administration costs by 48.8%. The total costs of the same quarter the previous year included restructuring costs of €3.7 million. The reduction in costs would have been 17.6% if the effects of currency translation were eliminated.

The main reasons for the reduction are a cut of 11.5% in the number of employees by comparison with the same quarter the previous year, further systematic cost management and a substantial decrease in third-party expenses.

Earnings development

SAP SI's focus on profitability had an impact in the second quarter too: adjusted to eliminate the restructuring costs of €3.7 million incurred in the second quarter of the previous year, quarterly earnings before interest and tax (EBIT) increased by 147.1% to €8.3 million, while the EBIT margin amounted to 12.7% (comparable figure in the previous year: 4.7%). The EBIT margin was almost doubled in the first half of the year, from 6.7% (excluding restructuring costs) last year to 12.2%. SAP SI Germany/Switzerland contributed €7.6 million (previous year: - €0.9 million) to the quarterly earnings and SAP SI America €0.7 million (previous year: €0.6 million). The generally low interest level led to lower net financial income (€0.8 million) than in the previous year (€1.1 million) in spite of the increase in cash and cash equivalents.

Consolidated net income in the second quarter was €5.0 million (previous year: €0.2 million). In the first half of 2003, the consolidated net income increased by 177% over the previous year, from €3.8 million to €10.5 million. The earnings per share amounted to €0.14 in the second quarter (previous year: €0.00) and to €0.29 in the first half of the year (previous year: €0.11). The increase in earnings made over the previous year in spite of the revenue shortfall are attributable to a substantial reduction in costs and a significant improvement in capacity utilisation.

Research & development activities

The research and development expenses were incurred in the ongoing development of the software solution REA (Recycling Administration) and consisted mainly of personnel costs.

Changes in the companies consolidated

The subsidiary COPA GmbH, which operated in the beverage market, was merged with SAP SI AG with backdated effect from January 1, 2003. The results generated by “SAP SI Germany/Switzerland” that are shown in this and subsequent reports therefore include the results of former COPA GmbH as well.

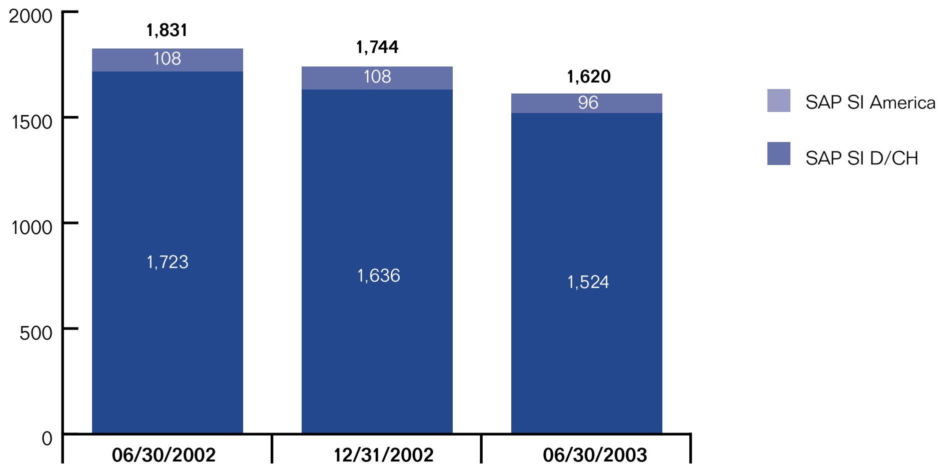
Assets and financial situation

Balance sheets:

On June 30, 2003, total assets amounted to €310.7 million (December 31, 2002: €306.5 million). The change on the assets side was due in particular to the reduction in receivables thanks to receivables management (- €1.4 million), the reduction in other current assets (- €10.9 million) as well as the increases in fixed assets (+ €7.3 million) and cash and cash equivalents (+ €9.3 million). This means that the cash on hand increased from 44.3% of the balance sheet total on December 31, 2002 to 46.7%.

On the liabilities side, liabilities decreased by - €10.3 million, whereas accruals increased by €4.7 million. Stockholders' equity rose by €10.5 million, mainly due to the positive earnings development in the first half of the year. The equity-to-total-assets ratio increased as a result from 78.3% to 80.6%, which is an impressive performance by international standards too.

EMPLOYEE DEVELOPMENT



Capital investment:

€4.2 million were invested during the first half of 2003, particularly in office equipment, hardware, leasehold improvements to the building rented at the Bensheim location and software licences.

Statements of cash flow:

The inflow of net cash from operating activities was €20.2 million (previous year: - €6.2 million). Systematic asset management measures were major reasons for this. The change in working capital (current assets without cash and cash equivalents minus current liabilities) led to an inflow of net cash of €6.0 million in the first half of the year (previous year: outflow of net cash of €13.6 million).

The outflow of net cash from investing activities during the first six months of fiscal 2003 amounted to €11.7 million (previous year: €8.3 million). The additions to fixed assets resulted mainly from the goodwill of COPA and the acquisition of property and equipment.

Board changes

The Supervisory Board appointed Ronald Geiger to the Executive Board of SAP SI with effect from April 1, 2003. He is responsible for the manufacturing and service industries areas as well as for sales. This means that the SAP SI Executive Board has consisted of four members again since April 1: Dr Bernd-Michael Rumpf (Chairman), Alfred Ermer, Ronald Geiger and Joachim Müller (CFO).

The annual stockholders' meeting elected two new members to the Supervisory Board on May 22, 2003: Michael Kleinemeier, director of SAP Deutschland AG & Co. KG and President of EMEA Central, and Erwin Gunst, management consultant from Le Landeron, Switzerland. Gunst and Kleinemeier are succeeding Professor Dr Henning Kagermann and Léo Apotheker, who resigned from the Supervisory Board as scheduled with effect from April 30, 2003.

Dr Jürgen Fuchs, consultant at SAP SI, Dresden, took over the position of employees' representative on the SAP SI Supervisory Board on June 1, 2003. He was thus the successor to Frank Ficker, who resigned from the Supervisory Board as scheduled with effect from May 31, 2003.

Employees

By comparison with the same quarter the previous year (1,831 employees), personnel was reduced as planned by 11.5% to 1,620 employees on June 30. 1,524 (1,723) of the staff were deployed in Germany/Switzerland and 96 (108) in the USA. The average number of employees (total of the figures at the end of the months divided by the number of months) for the second quarter of 2003 was 1,631 employees (previous year: 1,839). This reduction is still attributable to a very large extent to the restructuring programme carried out in the second half of 2002.

The staff at what has been the Alsbach-Hähnlein location in the past moved to a building rented by SAP SI in Bensheim on June 1, 2003.

Development of the risk situation

We reported in detail about the Company's exposure on pages 50 and 51 of the annual report of SAP Systems Integration AG for 2002. There have been no major changes in the risks of future development compared with the review presented there.

Events after the end of the quarter

No events of special importance occurred between the end of the quarter and the release of this quarterly report for publication.

Outlook and forecast

We are expecting the global economy to develop slowly during the rest of 2003, in line with the forecasts issued by well-known economic research institutes. A recovery of the market as a whole and of the IT service sector is not anticipated in our core German market in particular. In view of the continuing reluctance to invest, we are therefore continuing to expect that SAP SI will record no organic revenue growth in 2003. We have made further progress in our talks with potential take-over candidates about acquisitions and think that we will be able to announce appropriate agreements in the course of the second half of 2003.

Due to the present market environment, our main target in 2003 is still to increase our profitability. We already generated an EBIT margin of 12.2% in the first half of the year and assume as before that we will succeed in reporting an EBIT margin of 12 to 14% for fiscal 2003. This means that your Company will be one of the most profitable IT service providers in future too - also by international standards. In this position we are excellently placed for future growth phases as well.

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS (US-GAAP)

in € thousands	Jan 01, – Jun 30, 2003	Jan 01, – Jun 30, 2002	Apr 01, – Jun 30, 2003	Apr 01, – Jun 30, 2002
Software revenue	637	761	96	247
Maintenance revenue	2,596	2,467	1,285	1,240
Revenue from products	3,233	3,228	1,381	1,487
Revenue from services	110,623	128,439	56,194	62,774
Hosting/Application Management	15,328	13,090	7,629	6,900
Other revenue	1,128	1,192	265	341
Revenue	**130,312**	**145,949**	**65,469**	**71,502**
Product costs	-1,691	-1,980	-822	-936
Service costs	-95,504	-113,363	-47,297	-56,616
Research and development	-291	-510	-236	-271
Sales and marketing costs	-8,513	-9,415	-4,465	-4,969
General administrative costs	-8,329	-14,683	-4,253	-8,304
Other operating expenses and income, net	35	14	-49	61
Total costs	**-114,293**	**-139,937**	**-57,122**	**-71,035**
Operating profit	**16,019**	**6,012**	**8,347**	**467**
Other expenses and income, net	-60	-741	-39	-834
Earnings before interest and tax (EBIT)	**15,959**	**5,271**	**8,308**	**-367**
Financial income, net	1,553	2,098	798	1,084
Earnings before tax (EBT)	**17,512**	**7,369**	**9,106**	**717**
Income tax	-7,025	-3,152	-4,114	-416
Net income after tax	**10,487**	**4,217**	**4,992**	**301**
Minority interest	0	-437	0	-127
Consolidated net income	**10,487**	**3,780**	**4,992**	**174**
Earnings per share in €				
Earnings per share (undiluted)	0.29	0.11	0.14	0.00
Earnings per share (diluted)	0.29	0.11	0.14	0.00
Average number of shares outstanding in thousands (undiluted)	35,800	35,800	35,800	35,800
Average number of shares outstanding in thousands (diluted)	35,809	35,800	35,809	35,800

CONSOLIDATED BALANCE SHEETS (US-GAAP)

ASSETS

in € thousands	Jun 30, 2003	Dec 31, 2002
Intangible assets	88,153	82,056
Property and equipment	9,172	7,668
Financial assets	759	1,106
Fixed assets	**98,084**	**90,830**
Inventories	**831**	**883**
Receivables from goods and services	35,117	38,479
Receivables from affiliated companies	18,498	16,542
Other current assets	10,091	20,963
Receivables and other current assets	**63,706**	**75,984**
Cash and cash equivalents	**144,977**	**135,719**
Current assets	**209,514**	**212,586**
Deferred tax assets	**0**	**1,800**
Prepaid expenses	**3,137**	**1,253**
Total assets	**310,735**	**306,469**
of which short-term	209,747	214,079

LIABILITIES

in € thousands	Jun 30, 2003	Dec 31, 2002
Capital stock[1]	35,800	35,800
Additional paid-in capital	218,478	218,070
Retained earnings/accumulated loss	-2,714	-13,201
Accumulated other comprehensive income	-1,010	-640
Stockholders´ equity	**250,554**	**240,029**
Minority interest	**0**	**1,286**
Accruals for pensions	2,856	1,557
Other accruals	39,454	36,044
Accrued liabilities	**42,310**	**37,601**
Convertible bonds	1,107	1,210
Other liabilities	15,628	25,840
Liabilities	**16,735**	**27,050**
Deferred income	**1,136**	**503**
Total liabilities and stockholders´equity	**310,735**	**306,469**
of which short-term liabilities	56,218	62,387

[1] Authorized-but-unissued capital at the relevant date €1,107 thousands (Dec 31, 2002: €1,210 thousands)

CONSOLIDATED STATEMENTS OF CASH FLOWS (US-GAAP)

in € thousands	Jan 01, 2003 – Jun 30, 2003	Jan 01, 2002 – Jun 30, 2002
Consolidated net income	10,487	3,780
Depreciation and amortization of fixed assets, long-term investments and financials assets	2,446	2,710
Changes in accruals for pensions	1,299	825
Changes in deferred taxes	921	316
Changes in inventories	52	-2,744
Changes in receivables and other current assets	12,278	7,502
Changes in short-term accrued liabilities	4,289	-5,037
Changes in short-term liabilities	-10,315	-13,378
Changes in other assets, liabilities and in stockholders' equity	-1,251	-210
Net cash from operating activities	**20,206**	**-6,236**
Additions to intangible assets, property and equipment	-10,681	-3,138
Changes in the scope of consolidation	0	-4,775
Additions to financial assets	0	-434
Disposals of fixed assets	290	72
Changes in minority interest	-1,286	0
Net cash used in investing activities	**-11,677**	**-8,275**
Other changes to stockholders' equity	408	-454
Net cash from financial activities	**408**	**-454**
Currency translation adjustments	321	808
Net changes in cash and cash equivalents (term up to 3 months)	**9,258**	**-14,157**
Cash and cash equivalents at the beginning of the reporting period	**135,719**	**126,445**
Cash and cash equivalents at the end of the reporting period	**144,977**	**112,288**

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (US-GAAP)

in € thousands	Thousand shares	Comprehensive income	Accumulated other comprehensive income	Retained earnings	Additional paid-in capital	Capital stock	Total
As of January 1, 2002	35,800		7	-27,398	218,524	35,800	226,933
Consolidated net income		3,780		3,780			3,780
Other comprehensive income		-389	-389				-389
Comprehensive income		**3,391**					
Exceptional items from the initial consolidation of COPA GmbH					-454		-454
As of June 30, 2002	**35,800**	**3,391**	**-382**	**-23,618**	**218,070**	**35,800**	**229,870**
As of January 1, 2003	35,800		-640	-13,201	218,070	35,800	240,029
Consolidated net income		10,487		10,487			10,487
Other comprehensive income		-370	-370				-370
Comprehensive income		**10,117**					
Exceptional items from the step acquisition of COPA GmbH					408		408
As of June 30, 2003	**35,800**	**10,117**	**-1,010**	**-2,714**	**218,478**	**35,800**	**250,554**

NOTES

The consolidated financial statements have been prepared in accordance with the accounting principles for interim reports that are generally accepted in the United States of America (US-GAAP). The quarterly financial statements reflect all the adjustments that are necessary in order to present the asset, financial and earnings situation at the end of the periods which finished in June 2003 and 2002. All the adjustments are of an ordinary kind. The quarterly financial statements should be read in connection with the consolidated financial statements of SAP SI as per December 31, 2002. With the exception of specific explanations given about changes, the comments made there also apply to quarterly financial statements and are not included again here.

These quarterly financial statements include all the current business transactions and classifications that the Executive Board of SAP SI considers to be necessary in order to guarantee appropriate presentation of the interim results.

The Hosting/Application Management business created in the context of Company reorganisation includes the revenues from what used to be the Outsourcing/Application Services business, excluding the revenues from Technical Consulting (same quarter the previous year: €1.5 million). These revenues are now shown as revenues from services. The relevant figures for the previous year have been adjusted. In the Hosting/Application Management business, customers are in particular given the option of having their IT solutions (systems and applications) operated by SAP SI.

Companies consolidated

The following companies have been consolidated in full in addition to the parent company SAP SI, Dresden.

	Percentage of the capital
Affiliated companies	
SAP Systems Integration (Schweiz) AG, Frauenfeld, Switzerland	100.0
SAP Systems Integration Holding Inc., Atlanta, USA	100.0
SAP Systems Integration America LLC, Atlanta, USA	100.0
SAP Systems Integration Consulting GmbH, Walldorf, Germany	100.0

In accordance with the provisions of German legislation on company transformation, COPA Computer Organisation, Programmierung und Anwendersoftware GmbH, Wesel, was merged with SAP SI AG with backdated effect from January 1, 2003. The application for entry in the commercial register was filed on June 30, 2003.

Contractual commitments

The most important contractual commitments of SAP SI are attributable to operating lease contracts, including rental contracts. €14.6 million of them are due within one year and a further €25.4 million within the subsequent 4 years.

SEGMENT REPORT

The segment report has been revised in the context of the restructuring of SAP SI as per January 1, 2003. Information about the Company and its areas of operation as well as a reconciliation calculation of segment contributions to earnings before tax (EBT) are provided in the following segment report. The segment breakdown made as of January 1, 2003 has been structured in accordance with the opportunities and risks that the Company faces.

The accounting and valuation methods have been observed in compiling the segment data. The figures for the previous year have been adjusted.

A breakdown by the geographical location of the companies is given in the following table (revenues, costs and earnings of COPA GmbH have been allocated to SAP SI with backdated effect):

	SAP SI AG (Germany & Switzerland)				SAP SI America				Total			
in € millions	Q2 2003	Q2 2002	HY1 2003	HY1 2002	Q2 2003	Q2 2002	HY1 2003	HY1 2002	Q2 2003	Q2 2002	HY1 2003	HY1 2002
Revenue	58.9	61.8	117.1	126.9	6.6	9.7	13.2	19.0	65.5	71.5	130.3	145.9
Costs	51.3	61.9	102.7	122.3	5.9	9.1	11.6	17.6	57.2	71.0	114.3	139.9
Contribution (operating profit)	**7.6**	**-0.1**	**14.4**	**4.6**	**0.7**	**0.6**	**1.6**	**1.4**	**8.3**	**0.5**	**16.0**	**6.0**
Number of employees on the reporting date	1,524	1,723	1,524	1,723	96	108	96	108	1,620	1,831	1,620	1,831

The following tables show the quarterly revenues, costs and contributions in the two areas of consulting and Hosting/Application Management as well as a reconciliation calculation of segment contributions to EBT.

	Consulting				Hosting/ Application Management				Total			
in € millions	Q2 2003	Q2 2002	HY1 2003	HY1 2002	Q2 2003	Q2 2002	HY1 2003	HY1 2002	Q2 2003	Q2 2002	HY1 2003	HY1 2002
Segment revenue	57.9	64.6	115.0	132.8	7.6	6.9	15.3	13.1	65.5	71.5	130.3	145.9
Segment costs	47.3	56.5	94.7	113.1	5.7	6.3	11.3	12.2	53.0	62.8	106.0	125.3
Segment contribution	**10.6**	**8.1**	**20.3**	**19.7**	**1.9**	**0.6**	**4.0**	**0.9**	**12.5**	**8.7**	**24.3**	**20.6**
Segment profitability as a percent of segment revenue	18.3 %	12.5 %	17.7 %	14.9 %	25.0 %	8.7 %	26.2 %	6.9 %	19.1 %	12.2 %	18.7 %	14.2 %

in € millions	Q2 2003	Q2 2002	HY1 2003	HY1 2002
Total contribution of all segments	12.5	8.7	24.3	20.6
Other unallocated costs	-4.2	-8.2	-8.3	-14.6
Operating profit	**8.3**	**0.5**	**16.0**	**6.0**
Other expenses and income, net	0.0	-0.9	0.0	-0.7
Earnings before interest and tax (EBIT)	**8.3**	**-0.4**	**16.0**	**5.3**
Financial income, net	0.8	1.1	1.5	2.1
Earnings before tax (EBT)	**9.1**	**0.7**	**17.5**	**7.4**

The consulting business generated revenues of €57.9 million in the second quarter (10.6 % lower than in the same quarter the previous year), while costs were 16.4 % down on the comparable period the year before. Revenues in this business were increased by €0.6 million over the previous quarter.

Revenues in the Hosting/Application Management business were 10.6 % higher than in the same quarter the previous year at €7.6 million, while costs were reduced by 9.1 % at the same time. Profitability in this area increased from 8.7 % to 25.0 % as a result.

The improvements in profitability achieved in both businesses are attributable to higher capacity utilisation combined with a reduction at the same time of third-party expenses as well as to the additional cost-cutting measures already taken in the previous year.

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Index of the top 30 technology shares in Germany

Financial calendar 2003*	
Publication of the 9-monthly report	October 29, 2003

* Subject to change without notice