

The background of the entire page is a high-contrast, black and white photograph of a large, circular industrial component, likely a turbine or a large valve, with many concentric rings and radial segments. The lighting creates bright highlights and deep shadows, giving it a three-dimensional appearance. On the left side, there is a solid dark red vertical bar.

SAP Systems Integration AG
Quarterly Report Q1/2004

WE MAKE IT RUN

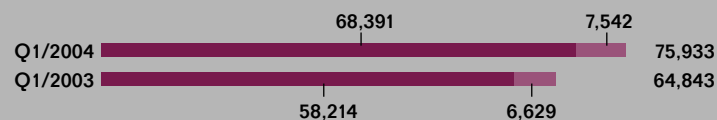
SAP **SI**

**Key performance indicators
as of March 31, 2004 (US-GAAP)**

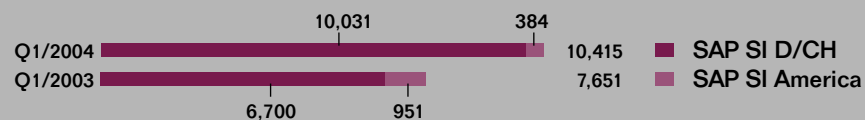
SAP Systems Integration AG

	Jan 01, 2004 – Mar 31, 2004	Jan 01, 2003 – Mar 31, 2003	Change in %, %-points
Key revenue/earnings figures			
Revenues in € thousands	75,933	64,843	17.1%
of which foreign in € thousands	16,354	11,977	36.5%
EBITDA in € thousands	11,617	8,830	31.6%
EBITDA as a % of revenue	15.3%	13.6%	1.7%P
EBIT in € thousands	10,415	7,651	36.1%
EBIT as a % of revenue	13.7%	11.8%	1.9%P
Key balance-sheet figures			
Equity-to-total-assets ratio	77.8%	75.1%	2.7%P
Cash and cash equivalents/total assets	44.6%	45.4%	-0.8%P
Working capital in € thousands	146,285	140,246	4.3%
Other key figures			
Earnings per share (undiluted) in €	0.19	0.15	22.7%
Earnings per share (diluted) in €	0.19	0.15	22.7%
Cash flow in € thousands (all figures as per March 31st)	7,940	6,692	18.6%
Capital investment excluding goodwill in € thousands (all figures as per March 31st)	504	649	-22.3%
Average number of employees	1,869	1,679	11.3%
Revenue per employee in € thousands	41	39	5.2%

Revenue according to entities in € thousands



EBIT according to entities in € thousands



Highlights

- Revenues increased significantly over the same quarter the previous year, by 17.1 % from €64.8 million to €75.9 million
- EBIT up substantially by 36.1 %, from €7.7 million in the previous year to €10.4 million; EBIT margin of 13.7 % in the quarter (previous year: 11.8 %)
- Revenue growth in the USA over the same quarter the previous year of 13.8 % to €7.5 million (constant currency: +32.3 %)
- SPM Technologies merged with SAP SI as scheduled, know-how in the area of service-oriented architectures on the basis of SAP NetWeaver strengthened further
- SAP AG is planning to increase its holding in SAP SI to up to 100 %

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DEAR STOCKHOLDERS,

Your Company continued to develop positively in the first quarter: revenues were considerably higher than in the same quarter the previous year (€64.8 million) at €75.9 million. Even if the contribution made by SLI Consulting (SLI) and SPM Technologies (SPM) – which were acquired in the previous year – is disregarded, revenues still increased 7.3%. EBIT (earnings before interest and tax) rose significantly from €7.7 million in the previous year to €10.4 million too. This represents an EBIT margin of 13.7%.

By generating this EBIT margin, SAP SI not only exceeded the figure of 11.8% recorded in the previous year appreciably but also confirmed the leading position it holds as one of the most profitable IT service providers in Europe. This was attributable both to the increase in capacity utilisation and to the good development that is continuing in the US business: revenues there went up by 13.8% to €7.5 million, while the growth amounted to as much as 32.3% in constant currency.

There are signs of an encouraging recovery in order intake too: order backlog totalled €171 million compared with €163 million at the end of 2003. Major orders we received during the last quarter included commissions from DZ Bank AG, Forschungszentrum Jülich GmbH and the Preiss-Daimler Group.

The Hosting/Application Management (Managed Services) operations also developed positively: revenues here were 29.7% higher than in the same quarter the previous year at €10.0 million, while profitability was increased too.

The success achieved in the expansion of individual strategic business areas that continued in the past fiscal year was documented by new independent analyses made by Meta Group in the period under review: SAP SI once again reached top positions among IT service providers in Germany as regards both performance and awareness in the sectors of business intelligence and mobile solutions & services.

A further milestone was reached in strengthening the know-how about service-oriented architectures on the basis of the technology platform SAP NetWeaver with the merger of SPM with SAP SI that was completed as scheduled.

On March 23, SAP AG announced its intention to take over up to 100% of the shares in SAP SI. SAP AG's aim in doing this is to make the strategic move of strengthening its consulting operations. SAP AG is planning to submit an offer to the outside SAP SI stockholders to acquire their SAP SI shares at a price of €20.40 each. The Executive Board of SAP SI supports the planned transaction.

All in all, we can look back on another very successful quarter and are working on the assumption that our business will develop positively in the coming months too.

Dresden, April 2004

The Executive Board

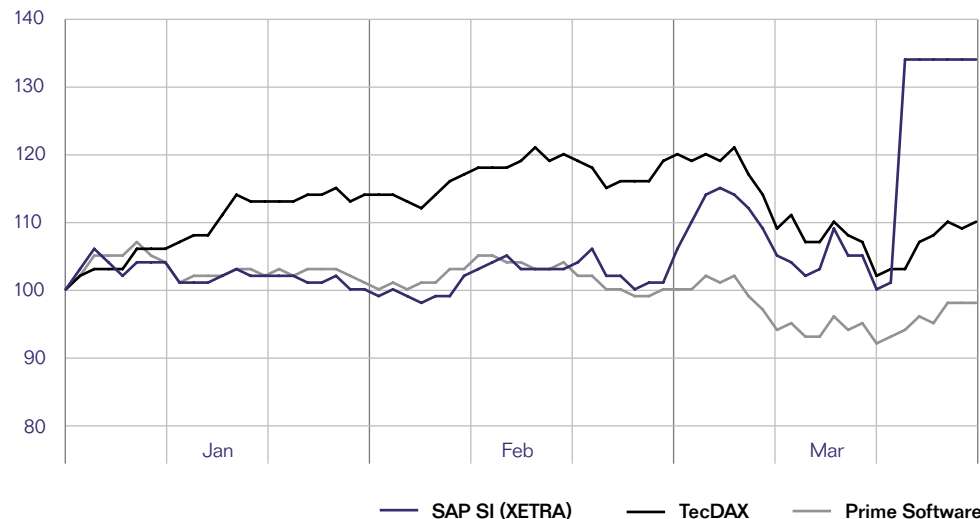
SAP SI STOCK

Following considerable share price increases in 2003 as a whole, particularly during the second half of the year, stock markets all over the world only went up slowly in the first quarter of 2004. Although encouraging economic and corporate data stimulated share prices and turnover on the stock markets at the beginning of the year above all, optimism was quickly subdued by debates about interest rate increases in the USA and the terror attacks in Madrid.

The German stock market therefore tended to move mainly sideways from February onwards after making a good start on the new year. Shares in fast-growing businesses were among the particular winners on the markets in the first three months of the year.

DEVELOPMENT OF THE SAP SI SHARE PRICE COMPARED WITH RELEVANT INDICES

Dec. 30, 2003 = 100



Our share moved sideways around the €15 mark from the beginning of the year onwards. The €17 mark was only exceeded briefly in early March. When the offer to be made by SAP AG to buy SAP SI shares for €20.40 per share was announced on March 23, the price went up to €20.31 and has settled just below the level of the planned offer since then.

After the announcement of its offer to buy shares, in the period under review SAP AG increased its holding in SAP SI again from 70.0% to 73.3% by making market purchases. This means that the free float was 26.7% on March 31.

Our investor relations activities again focussed on the cultivation of contacts with our stockholders in the first quarter of 2004. The Executive Board presented the preliminary results for fiscal 2003 and explained the outlook for fiscal 2004 at the press conference about the corporate financial statements and a DVFA conference for analysts both held in Frankfurt on January 30. Numerous talks were held with existing and potential investors at roadshows in Frankfurt, Milan and London. SAP SI also took advantage of CeBIT in Hanover to meet with analysts and investors. An event organised by the 'Boersianertreff in Leipzig' was specially designed for private investors: SAP SI made a presentation to about 100 interested participants there.

DIRECTORS' HOLDINGS ON MARCH 31, 2004

Name	Shares	Convertible bonds	Other rights
Supervisory Board:			
Dr Werner Brandt	0	0	0
Thomas Maik Nestler	571	1,900	0
Dr Jürgen Fuchs	1,153	2,550	0
Erwin Gunst	0	0	0
Michael Kleinemeier	0	0	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

INTERIM MANAGEMENT REPORT

Economic environment

The Economic Research Institute at Munich University (Ifo Institut) is expecting the gross domestic product (GDP) to grow worldwide by 4.4% in 2004. While Ifo Institut expects GDP growth in the USA to be 4.2%, the estimate for Germany is a small increase of 1.8%. The most recent survey made by the European Information Technology Observatory (EITO) in March 2004 also comes to the conclusion that there will be slight real GDP growth of 1.4% in our core market Germany in 2004.

The IT markets are expected to develop positively in 2004 too: IDC estimates global growth of 4.1% in the IT market, while Gartner Dataquest anticipates growth of as much as 5.2% in the world IT services market. Market research institutes are forecasting growth between 1.5% (BITKOM) and 1.8% (PAC) on the German IT services market.

Business development

Order situation

We succeeded in obtaining major orders in the first quarter, both in Germany and elsewhere. Our order backlog increased from €163 million at the end of 2003 to €171 million on March 31. Managed services, manufacturing and SAP SI America were areas that developed particularly positively.

Revenue development

While the economy as a whole continued to develop slowly, consolidated revenues in the first quarter of the fiscal year increased to €75.9 million and were therefore considerably higher than in the same period the previous year (€64.8 million), which corresponds to growth of 17.1% (constant currency: +19.0%). Revenues were 7.3% higher at €69.6 million if the acquisitions made in 2003 are disregarded too.

While the revenues from service business were 16.5% higher than in the same quarter the previous year, the revenue increase in the Hosting/Application Management business was as large as 29.7%.

Revenues in our core market Germany/Switzerland were 17.5% or €10.2 million up on the same quarter the previous year at €68.4 million. The revenues generated by SAP SI America increased substantially over the same quarter the previous year (€6.6 million) as well and contributed €7.5 million to the consolidated total. The US company even recorded significant growth of 32.3% in constant currency.

21.5% of revenues (previous year: 18.5%) were generated outside Germany in the first quarter. About 84.1% (previous year: 85.2%) of the consolidated revenues were accounted for by the consulting business and miscellaneous revenues, 13.1% (previous year: 11.9%) by Hosting/Application Management business and 2.8% (previous year: 2.9%) by product business.

Cost development

Costs were 15.1% higher than in the same quarter the previous year (€57.2 million) at €65.8 million due to the higher revenues and the increase in the number of companies consolidated. This means that cost growth was 2%-points lower than the revenue growth of 17.1%. The cost increase was 16.6% in constant currency.

The higher service costs are attributable to the larger business volume. The main reason for the strong increase in the sales and marketing costs was the strengthening of the sales function. The growth in the administration costs was due primarily to the increase of companies consolidated (€1.0 million).

Earnings development

SAP SI managed to improve the earnings before interest and tax (EBIT) again from €7.7 million in the previous year to €10.4 million in spite of the economic and market situation, which continued to be depressed. The EBIT margin was 13.7% (previous year: 11.8%). SAP SI Germany/Switzerland contributed €10.0 million to quarterly earnings (previous year: €6.7 million) and SAP SI America €0.4 million (previous year: €0.9 million). The decrease in the USA is due to expansion of the sales organisation and an accrual for a projekt associated with some risk (€0.4 million). The generally low level of interest rates led to smaller net financial income (€0.7 million) than in the previous year (€0.8 million) in spite of the increase in cash and cash equivalents.

Consolidated net income increased by 22.7% from €5.5 million to €6.7 million, which corresponds to earnings per share of €0.19 (previous year: €0.15).

Research & development activities

Most of 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

SAP SI took over 100% of the shares in SLI Consulting AG, Regensdorf, Switzerland, (SLI) in September 2003 in order to strengthen its market presence in Switzerland. The main aim of the acquisition was to strengthen SAP SI's access to the Swiss market and to expand the business in Switzerland substantially. The company was merged with SAP SI Switzerland with effect from November 1, 2003.

100% of the shares in SPM Technologies Deutschland GmbH (SPM), which is based in Berlin, were acquired in December 2003. By making this take-over, SAP SI strengthened its own service portfolio appreciably and will be able in future to support its customers even more effectively in the IT strategy and IT architecture consulting fields. The company was merged with SAP SI with effect from January 1, 2004.

Assets and financial situation

Balance sheets

The consolidated balance sheet on March 31, 2004 indicates a €2.9 million lower balance sheet total compared with the balance sheet on December 31, 2003. Due to the good business results in the first quarter, the cash and cash equivalents at the end of the quarter were only €4.1 million lower at €156.5 million, in spite of the payment of commitments to staff arising from variable salary components that were incurred and provided for in 2003 and of parts of the purchase price for the acquisition of SPM (together: €20.1 million). This means that the cash on hand decreased slightly from 45.4% of the balance sheet total on December 31, 2003 to 44.6% on March 31, 2004.

Capital investment

In the first three months of 2003, €0.5 million were invested, as far as property and equipment are concerned particularly in office equipment (€0.1 million) and hardware (€0.4 million). The addition to intangible assets (€3.3 million) was attributable mainly to an agreement made with what used to be SLI – which was merged with SAP Systems Integration (Schweiz) AG in 2003 – that linked the purchase price to earnings in fiscal 2003.

Statements of cash flow

The cash flow in the first three months was 18.7% higher than in the same period the previous year at €7.9 million. The change in net cash from operating activities (-€0.4 million) was attributable in particular to the payment of variable salary components for 2003 and of parts of the purchase price for SPM (together: -€20.1 million).

The outflow of net cash from investing activities during the first three months of fiscal 2004 amounted to €3.8 million (previous year: €8.4 million) and was due in particular to the payment of a contractually agreed purchase price commitment (earn-out) to the sellers of what used to be SLI because of the annual earnings as well as to capital investment in property and equipment.

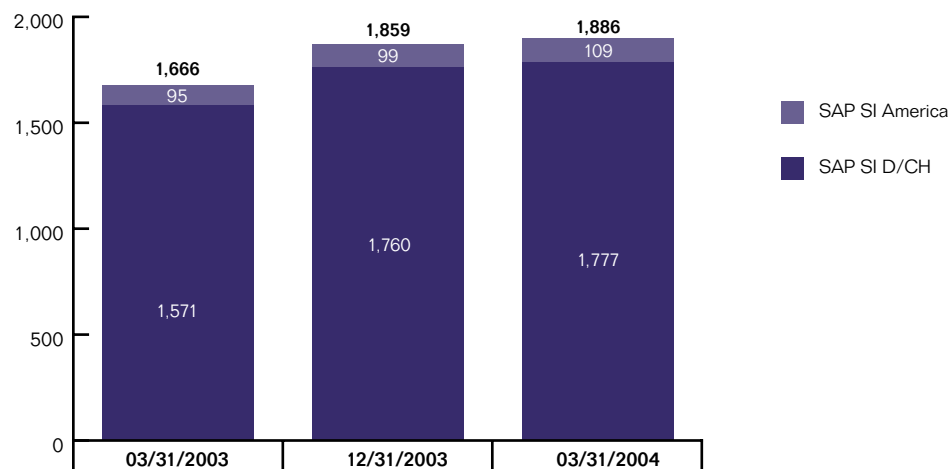
Board changes

No board changes were made in the quarter under review.

Employees

By comparison with the same quarter the previous year (1,666 employees), the number of staff increased to 1,886 employees on March 31, particularly because of the acquisitions made in the second half of 2003. 1,777 (1,571) of the staff were deployed in Germany/Switzerland and 109 (95) in the USA. The average number of employees (total of the figures at the end of the months divided by the number of months) in the first quarter of 2004 was 1,869 (previous year: 1,679). If the employees of the companies SLI and SPM that were acquired in 2003 are disregarded, the number of employees decreased slightly to 1,652.

EMPLOYEE DEVELOPMENT



Development of the risk situation

We reported in detail about the Company's exposure on pages 42 and 43 of the annual report of SAP Systems Integration AG for 2003. There have been no major changes in the risks of future development compared with the review presented there.

Events during the quarter

SAP AG, Walldorf, intends to make the stockholders of SAP SI a voluntary public offer to acquire their SAP SI shares in return for payment of an amount of €20.40 per SAP SI share and in accordance with the other provisions and conditions that still have to be announced in the offer document. SAP AG's aim in doing this is to increase its interest in SAP SI to up to 100%. The Executive Board of SAP SI supports the planned transaction.

Events after the end of the quarter

As it revealed in the ad hoc release it published on April 14, 2004, Software AG has sold its remaining holding of 3.55% in SAP SI to SAP AG. SAP AG informed us in a letter of April 15, 2004 that it now owns 78.05% of SAP SI.

Outlook and forecast

As already reported at the press conference about the corporate financial statements that was held on January 30, 2004, SAP SI is expecting business in the core market Germany/Switzerland to develop slowly in the first half of the year, with an improvement in the second half. We are still confident to reach our targets for 2004 (organic growth of 8 to 12% and an EBIT margin of 14 to 15%).

INTERIM FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT (US-GAAP)

€ thousands	Jan 01, 2004 – Mar 31, 2004	Jan 01, 2003 – Mar 31, 2003
Software revenues	550	541
Maintenance revenues	1,561	1,311
Revenues from products	2,111	1,852
Revenues from services	63,397	54,429
Hosting/Application Management	9,982	7,699
Other revenues	443	863
Total revenues	75,933	64,843
Product costs	-1,161	-869
Service costs	-53,403	-48,207
Research and development	-49	-55
Sales and marketing	-5,693	-4,048
General administration	-5,592	-4,076
Other operating expenses and income, net	109	84
Total costs	-65,789	-57,171
Operating profit	10,144	7,672
Other expenses and income, net	271	-21
Earnings before interest and tax (EBIT)	10,415	7,651
Financial income, net	663	755
Earnings before tax (EBT)	11,078	8,406
Income tax	-4,338	-2,911
Consolidated net income	6,740	5,495
Earnings per share in €		
Earnings per share (undiluted)	0.19	0.15
Earnings per share (diluted)	0.19	0.15
Average number of shares outstanding in thousands (undiluted)	35,800	35,800
Average number of shares outstanding in thousands (diluted)	36,032	35,800

CONSOLIDATED BALANCE SHEET (US-GAAP)

ASSETS

€ thousands	Mar 31, 2004	Dec 31, 2003
Intangible assets	117,274	113,928
Property and equipment	9,735	10,189
Financial assets	735	733
Fixed assets	127,744	124,850
Inventories	1,890	367
Receivables from goods and services	39,214	41,418
Receivable from affiliated companies	16,496	16,188
Other current assets	5,608	6,156
Receivables and other current assets	61,318	63,762
Cash and cash equivalents	156,514	160,569
Non-fixed assets	219,722	224,698
Deferred tax assets	2,278	2,355
Prepaid expenses	881	1,652
Total assets	350,625	353,555
of which short-term	219,903	225,239

LIABILITIES

€ thousands	Mar 31, 2004	Dec 31, 2003
Capital stock ¹⁾	35,800	35,800
Additional paid-in capital	218,478	218,478
Retained earnings/accumulated loss	19,905	13,165
Accumulated other comprehensive Income	-1,489	-1,921
Stockholders' equity	272,694	265,522
Accruals for pensions	2,925	2,927
Other accruals	37,314	46,674
Accrued liabilities	40,239	49,601
Convertible bonds	2,033	2,056
Other liabilities	34,090	35,722
Liabilities	36,123	37,778
Deferred income	1,569	654
Total liabilities and stockholders' equity	350,625	353,555
of which short-term liabilities	72,973	82,693

¹⁾ Authorized-but-unissued capital at the relevant date €2,033 thousands (Dec 31, 2003: €2,056 thousands)

CONSOLIDATED STATEMENTS OF CASH FLOWS (US-GAAP)

€ thousands	Jan 01, 2004 – Mar 31, 2004	Jan 01, 2003 – Mar 31, 2003
Consolidated net income	6,740	5,495
Depreciation and amortization of fixed assets, long-term investments and financial assets	1,202	1,179
Changes in accruals for pensions	-2	18
Changes in deferred taxes	122	848
Changes in inventories	-1,523	-286
Changes in receivables and other current assets	2,444	8,761
Changes in short-term accrued liabilities	-9,405	-3,088
Changes in short-term liabilities	-1,655	-5,007
Changes in other assets, liabilities and in stockholders' equity	1,686	1,207
Net cash from operating activities	-391	9,127
Additions to intangible assets, property and equipment	-3,879	-7,133
Additions to financial assets	-21	0
Disposal of fixed assets	54	64
Changes in minority interest	0	-1,286
Net cash used in investing activities	-3,846	-8,355
Other changes to stockholders' equity	0	408
Net cash from financial activities	0	408
Currency translation adjustments	182	129
Net changes in cash and cash equivalents (term up to 3 months)	-4,055	1,309
Cash and cash equivalents at the beginning of the reporting period	160,569	135,719
Cash and cash equivalents at the end of the reporting period	156,514	137,028

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

€ thousands	Thousand shares	Comprehensive income/loss	Accumulated other comprehensive income	Retained earnings	Additional paid-in capital	Capital stock	Total
As of January 1, 2003	35,800		-640	-13,201	218,070	35,800	240,029
Consolidated net income		5,495		5,495			5,495
Other comprehensive loss		-185	-185				-185
Comprehensive income		5,310					
Exceptional items from the initial consolidation of COPA GmbH					408		408
As of March 31, 2003	35,800		-825	-7,706	218,478	35,800	245,747
As of January 1, 2004	35,800		-1,921	13,165	218,478	35,800	265,522
Consolidated net income		6,740		6,740			6,740
Other comprehensive income		432	432				432
Comprehensive income		7,172					
As of March 31, 2004	35,800		-1,489	19,905	218,478	35,800	272,694

Notes

General information

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 March 2004 and 2003. 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, 2003 (http://www.sap-si.com/files/GB_2003_eng.pdf). 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.

Companies consolidated

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

Affiliated companies/subsidiaries	Percentage of the capital
SAP Systems Integration (Schweiz) AG, Regensdorf, 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	100.0

Contractual commitments

The most important contractual commitments of SAP SI are attributable to operating lease contracts and rental contracts. €16.5 million of them are due within one year and a further €26.9 million within the subsequent 4 years.

Segment report

Information about the Company and its areas of operation as well as a reconciliation calculation of the segment contributions to earnings before tax (EBT) are provided in the following segment report. The segment breakdown as of January 1, 2003 has been made according to the services provided. The accounting and valuation methods have been observed in compiling the segment data.

A breakdown by the geographical location of the companies is given in the following table (the revenues, costs and contributions to earnings of SPM, which was merged with SAP SI with effect from January 1, 2004, have been allocated to SAP SI AG):

€ millions	SAP Systems Integration AG (Germany & Switzerland)		SAP Systems Integration America		Total	
	Q1/2004	Q1/2003	Q1/2004	Q1/2003	Q1/2004	Q1/2003
Revenues	68.4	58.2	7.5	6.6	75.9	64.8
Costs	58.6	51.5	7.2	5.7	65.8	57.2
Contribution (operating profit)	9.8	6.7	0.3	0.9	10.1	7.6
Number of employees on the reporting date	1,777	1,571	109	95	1,886	1,666

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 earnings before tax (EBT).

€ millions	Consulting		Hosting/Application Management		Total	
	Q1/2004	Q1/2003	Q1/2004	Q1/2003	Q1/2004	Q1/2003
Revenues	66.0	57.2	10.0	7.7	75.9	64.8
Segment costs	53.1	47.5	7.2	5.6	60.3	53.1
Segment contributions	12.8	9.6	2.8	2.1	15.6	11.7
Segment profitability as a % of segment revenues	19.4%	16.8%	28.3%	27.4%	20.6%	18.1%

€ millions	Q1/2004	Q1/2003
Total contribution of all segments	15.6	11.7
Other unallocated costs	-5.5	-4.0
Operating profit	10.1	7.7
Other expenses and income, net	0.3	0.0
Earnings before interest and tax (EBIT)	10.4	7.7
Financial income, net	0.7	0.7
Earnings before tax (EBT)	11.1	8.4

The consulting business generated revenues of €66.0 million in the first quarter, 15.4% higher than in the same quarter the previous year. The disproportionately low cost increase of 11.7% led to an increase in segment contribution in this business of 33.9% to €12.8 million (19.4%).

Revenues in the Hosting/Application Management business were 29.7% higher than in the same quarter the previous year at €10.0 million. Segment contribution in this area increased by 34.4% to € 2.8 million (28.3%).

The improvements in profitability achieved were attributable to higher capacity utilisation as well as to the additional cost-cutting measures already taken in the previous year.

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or send an inquiry via e-mail to
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Financial calendar 2004/2005 *)

2004 Annual Stockholders' Meeting	June 8, 2004
Interim report on the 1st half of 2004	July 29, 2004
Interim report on the 1st 3 quarters of 2004	November 2, 2004
Preliminary 2004 results	February 3, 2005

* Subject to change without notice