

**SAP Systems Integration AG**  
Quarterly Report Q2/2004

**WE MAKE IT RUN**

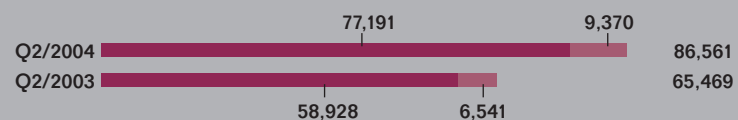


**Key performance indicators  
as of June 30, 2004 (US-GAAP)**

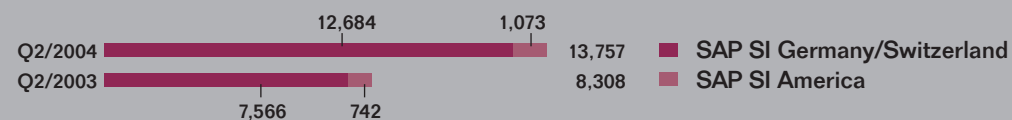
SAP Systems Integration AG

	Jan 01, 2004 – Jun 30, 2004	Jan 01, 2003 – Jun 30, 2003	Change in %, %-points	Apr 01, 2004 – Jun 30, 2004	Apr 01, 2003 – Jun 30, 2003	Change in %, %-points
<b>Key revenue/earnings figures</b>						
Revenues in € thousands	162,494	130,312	24.7 %	86,561	65,469	32.2 %
of which foreign in € thousands	35,085	23,443	49.7 %	18,731	11,466	63.4 %
EBITDA in € thousands	26,540	18,405	44.2 %	14,923	9,575	55.9 %
EBITDA as a % of revenue	16.3 %	14.1 %	2.2 %P	17.2 %	14.6 %	2.6 %P
EBIT in € thousands	24,172	15,959	51.5 %	13,757	8,308	65.6 %
EBIT as a % of revenue	14.9 %	12.2 %	2.7 %P	15.9 %	12.7 %	3.2 %P
<b>Key balance-sheet figures</b> (all figures as per June 30)						
Equity-to-total-assets ratio	77.4 %	80.6 %	-3.2 %P	77.4 %	80.6 %	-3.2 %P
Cash and cash equivalents/total assets	44.6 %	46.7 %	-2.1 %P	44.6 %	46.7 %	-2.1 %P
Working capital in € thousands	154,720	153,325	0.9 %	154,720	153,325	0.9 %
<b>Other key figures</b>						
Earnings per share (undiluted) in €	0.44	0.29	49.0 %	0.25	0.14	77.9 %
Earnings per share (diluted) in €	0.43	0.29	47.7 %	0.24	0.14	75.7 %
Cash flow in € thousands (all figures as per June 30)	19,976	14,232	40.4 %	19,976	14,232	40.4 %
Capital investment excluding goodwill in € thousands (all figures as per June 30)	855	4,222	-79.7 %	351	4,222	-91.7 %
Average number of employees	1,885	1,649	14.3 %	1,901	1,631	16.6 %
Revenue per employee in € thousands	86	79	9.1 %	46	40	13.4 %

Revenue according to entities in € thousands



EBIT according to entities in € thousands



## Highlights

- Revenues increased substantially over the same quarter the previous year, by 32.2 % from €65.5 million to €86.6 million
- EBIT up by 65.6 %, from €8.3 million to €13.8 million; EBIT margin of 15.9 % in the quarter (previous year: 12.7 %)
- Further increase in order backlog to €181 million
- SAP AG's offer to buy shares from SAP SI stockholders completed

## DEAR STOCKHOLDERS,

The second quarter of the current fiscal year went very well for your Company. Utilisation of the consultants' capacity remained high and a number of major projects with such customers as BHW in Germany and Degussa Corporation in the USA were implemented productively. The business in the USA continued to develop encouragingly.

Revenues in the SAP SI Group increased by 32.2% over the same quarter the previous year (€65.5 million) and totalled €86.6 million. Even if the contribution made by SLI Consulting (SLI) and SPM Technologies (SPM) – which were acquired in the previous year – is disregarded, quarterly revenues were still 21.0% higher at €79.2 million. Earnings before interest and tax (EBIT) amounted to €13.8 million (previous year: €8.3 million), while the EBIT margin again reached an excellent level at 15.9%.

The Hosting/Application Management (Managed Services) operations also developed very positively: revenues here were 35.8% higher than in the same quarter the previous year at €10.4 million and profitability was increased at the same time.

SAP AG's intention to integrate SAP SI AG with SAP AG's consulting and service organisation and bundle all consulting and services resources in the SAP Group has received a positive response from our customers. Order backlog continued to increase and amounted to €181 million at the end of the quarter. We received important commissions from such companies as Deutsche Post ITSolutions GmbH, Bonn, DHL Worldwide Express GmbH, Langen, DKV Euro Service GmbH+Co. KG, Düsseldorf, and ORIOR Food AG, Vevey, Switzerland, in the quarter under review.

On April 28, 2004, SAP AG published the offer it had announced to buy shares from SAP SI's external stockholders. Numerous investors accepted the offer, so that SAP's holding in SAP SI was more than 90% when the acceptance period expired at the end of May. Further details about this can be found in the "SAP SI stock" section.

All in all, we can look back on another very successful quarter and expect our business to develop positively in the coming months too.

Dresden, July 2004

The Executive Board

## SAP SI STOCK

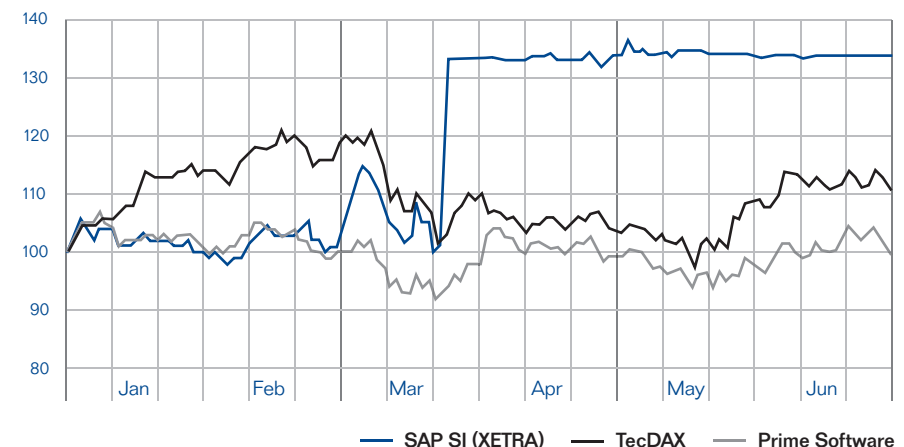
Share prices all over the world rose slightly in the second quarter of 2004. Further signs of better corporate profitability, a reduction in real long-term interest rates and less uncertainty on the stock markets were the reasons for this. Prices were, on the other hand, depressed by concerns about high oil prices and the expectation of higher long-term interest rates.

The German stock market recovered to a very large extent from the losses it experienced at the end of the first quarter of 2004 in April. In line with developments around the world, the substantial slump on the German stock exchanges at the beginning of May was attributable mainly to concerns about the possibility of an earlier increase in interest rates by the American Federal Reserve than planned.

After SAP AG's offer to buy shares was announced, the price of the SAP SI share stabilised at roughly the same level as the offer (€20.40 per share) and fluctuated between €20.10 (June 4, 2004) and €20.76 (May 31, 2004).

## DEVELOPMENT OF THE SAP SI SHARE PRICE COMPARED WITH RELEVANT INDICES

Dec. 30, 2003 = 100





**Voluntary public offer by SAP AG**

As announced on March 23, 2004, SAP AG made a voluntary public offer to buy all the shares owned by external SAP SI stockholders, with the aim of increasing its holding in SAP SI. SAP AG gave the following explanation for this offer in the offer document published on April 28, 2004 (excerpt):

“By making this offer, SAP AG is acknowledging that the consulting needs of its customers have changed. When SAP SI AG was founded in 2000, the focus of SAP AG’s consulting organisation was the successful implementation of mainly closed SAP systems, while consulting at SAP SI AG concentrated on integrating SAP systems with other systems. As a result of the introduction of the SAP NetWeaver technology platform and the open architecture of SAP’s solutions, integration is now at the heart of many implementation projects.

The SAP AG Executive Board intends to integrate SAP SI AG with SAP AG’s consulting and service organisation and bundle all consulting and services resources in the SAP Group. The entire SAP consulting organisation needs the integration and technology know-how of SAP SI AG. This bundling will make it easier to deploy SAP SI AG specialists for tasks throughout the SAP Group.

The transaction will enable SAP SI AG to share its strategy with the SAP Group.”

In the context of the tender offer, SAP AG proposed to the shareholders that it would make a cash payment of €20.40 per SAP SI share until the acceptance period expired on May 27, 2004. The SAP SI Executive Board supports the transaction and considered in the statement it published on May 5, 2004 “on the basis of the above, ... the offer price of €20.40 per share to be adequate”. 90.01 % of the SAP SI shares were owned by SAP AG when the acceptance period expired. This figure had increased to 91.14 % by June 30, 2004. Correspondingly, the free float at the end of the quarter was 8.86 %.

A team of SAP and SAP SI staff has started to plan the integration of the consulting and service organisation of the two companies. The implementation of new legal structures cannot, however, be expected before 2005. All SAP SI projects and sales activities are being continued systematically irrespective of the changes in the stockholder structure. The SAP SI brand is being maintained throughout the integration process.

**Annual Stockholders’ Meeting**

SAP SI’s fourth Annual Stockholders’ Meeting took place in Dresden on June 8, 2004. The conduct of the business by the Executive Board and the Supervisory Board in fiscal 2003 was approved by more than 99 % of the capital represented and the accumulated retained earnings of €60.6 million were carried forward to new account.

**Move to the General Standard**

Institutional and private investors’ interest in SAP SI has decreased considerably since the free float dropped below 10 % after the deadline for acceptance of SAP AG’s offer to buy shares passed on May 27, 2004. In view of this, it is no longer economically viable for SAP SI to continue satisfying the stricter obligations associated with admission to the Prime Standard at Frankfurt Stock Exchange. SAP SI has therefore submitted an application for withdrawal of its admission to the sector with stricter obligations (Prime Standard), which will be taking effect at the end of October 7, 2004. A major precondition for SAP SI’s membership of the TecDAX index will no longer be met when the transfer is made from the Prime Standard to the General Standard

**DIRECTORS’ HOLDINGS ON JUNE 30, 2004**

Name	Shares	Convertible bonds	Other rights
<b>Supervisory Board:</b>			
Dr Werner Brandt	0	0	0
Thomas Maik Nestler	0	0	0
Dr Jürgen Fuchs	0	0	0
Erwin Gunst	0	0	0
Michael Kleinemeier	0	0	0
Richard Stewart	0	0	0
<b>Executive Board:</b>			
Dr Bernd-Michael Rumpf	0	25,000	0
Alfred Ermer	0	0	0
Ronald Geiger	0	15,000	0
Joachim Müller	0	25,000	0

**INTERIM MANAGEMENT REPORT**

**Economic environment**

In the forecast it issued in June 2004, the Economic Research Institute at Munich University (Ifo Institut) expects the gross domestic product (GDP) to grow worldwide by 4.6 % in the current year and by 4.4 % in 2005. While Ifo Institut now anticipates GDP growth in the USA to be 4.7 % in 2004 (3.4 % in 2005), the estimate for Germany is a small increase of 1.7 % in both 2004 and 2005.

The most recent survey made by the European Information Technology Observatory (EITO) in March 2004 comes to the conclusion that there will also 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 4.7 % in the IT market (6.5 % in 2005), while Gartner anticipates growth of as much as 5.1 % in the world IT services market (6.3 % in 2005). Market research institutes are forecasting growth between 1.7 % (BITKOM) and 4.3 % (PAC) on the German IT services market in 2004 (3.9 % and 10.0 % per cent respectively for 2005).

## Business development

### Order situation

We succeeded in obtaining further major orders in the second quarter, both in Germany and elsewhere. The volume of orders we have on hand increased to €181 million on June 30 compared with €171 million at the end of the first quarter.

### Revenue development

Consolidated revenues in the second quarter of fiscal 2004 increased significantly by 32.2 % to €86.6 million (previous year: €65.5 million). If the acquisitions made in 2003 are disregarded, revenues were 21.0 % higher at €79.2 million. This revenue growth is attributable primarily to higher utilisation of Company staff capacity and greater use of third-party services.

While the Group revenues from service business were 29.7 % higher than in the same quarter the previous year, revenues in the Hosting/Application Management business increased by as much as 35.8 %.

Revenues in our core market Germany/Switzerland were 31.0 % up on the same quarter the previous year (€58.9 million) at €77.2 million. The revenues generated by SAP SI America increased by 43.3 % over the same quarter the previous year (€6.6 million) and contributed €9.4 million to the consolidated total. The US company even recorded significant revenue growth of 51.9 % in constant currency in the second quarter of fiscal 2004.

21.6 % of revenues (previous year: 17.5 %) were generated outside Germany in the second quarter. About 85.1 % (previous year: 86.2 %) of the consolidated revenues were accounted for by the consulting business and miscellaneous revenues, 12.0 % (previous year: 11.7 %) by Hosting/Application Management business and 2.9 % (previous year: 2.1 %) by product business.

Revenues were increased to €162.5 million in the first half of 2004 (previous year: €130.3 million). This represents growth of 24.7 % or €32.2 million.

### Cost development

Total costs were 27.5 % higher than in the same quarter the previous year (€57.1 million) at €72.8 million due to the expansion of the business volume and the increase in the number of companies consolidated.

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 further expansion of the sales function in all regions.

The growth in the administration costs was due primarily to the increase in the number of companies consolidated.

### Earnings development

The positive revenue development led to earnings before interest and tax (EBIT) in the quarter of €13.8 million, which is 65.6 % higher than in the previous year (€8.3 million). The EBIT margin was 15.9 % (previous year: 12.7 %). SAP SI Germany/Switzerland contributed €12.7 million to quarterly earnings (previous year: €7.6 million) and SAP SI America €1.1 million (previous year: €0.7 million). The EBIT margin was 16.4 % in Germany/Switzerland (previous year: 12.8 %) and 11.5 % in the USA (previous year: 11.3 %). The general decrease in interest rates led to smaller net financial income (€0.6 million) than in the previous year (€0.8 million) in spite of the increase in cash and cash equivalents. Consolidated net income in the second quarter increased by 77.9 % from €5.0 million to €8.9 million, which corresponds to undiluted earnings per share of €0.25 (previous year: €0.14).

The EBIT of €24.2 million in the first half of the year was 51.5 % higher than in the previous year (€16.0 million). Consolidated net income amounted to €15.6 million in the first half of the year, which represents growth of 49.0 % over the previous year. This corresponds to undiluted earnings per share of €0.44 (previous year: €0.29).

### 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, Regensburg, 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 Schweiz 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 is now able 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 June 30, 2004 indicates a €10.3 million higher balance sheet total compared with the balance sheet on December 31, 2003. The addition to intangible assets (€3.9 million) was attributable mainly to the increase in goodwill arising from an agreement made with the sellers of the former SLI that linked the purchase price to earnings in fiscal 2003. Due to the good revenue development in the first six months, total receivables were slightly higher on the reporting date. The cash and cash equivalents increased to €162.4 million, in spite of the payment of variable salary components that were incurred and provided for in the previous year and parts of the purchase price for the acquisition of SPM (together: €20.1 million).

Stockholders' equity was €16.2 million higher, essentially on account of the positive earnings development in the first six months of the year. The equity-to-total-assets ratio increased from 75.1 % to 77.4 %. The accruals were up by €4.1 million compared with December 31, 2003, while the liabilities were down by €10.5 million. The change in the accruals was attributable in particular to the change in accruals for tax liabilities (+ €2.4 million) and pensions (+ €1.9 million). The reduction in the liabilities was due to the payment of part of the purchase price for SPM (€10.1 million) in 2004.

### Capital investment

In the first six months of 2004, €0.9 million were invested in property and equipment, €0.6 million of this amount in hardware and €0.3 million in office equipment as well as leasehold improvements. A further €0.1 million were accounted for by investments in financial assets.

### Statements of cash flow

The cash flow in the first six months was 40.4 % higher than in the same period the previous year at €20.0 million. The change in net cash from operating activities was €6.2 million.

The outflow of net cash from investing activities during the first six months of fiscal 2004 amounted to €4.6 million (previous year: €11.7 million) and was due in particular to the payment of a contractually agreed purchase price commitment (earn-out) to the sellers of former SLI because of the annual earnings as well as to capital investment in property and equipment, and in software. The cash outflow for investments was financed entirely from the cash inflow from operating activities.

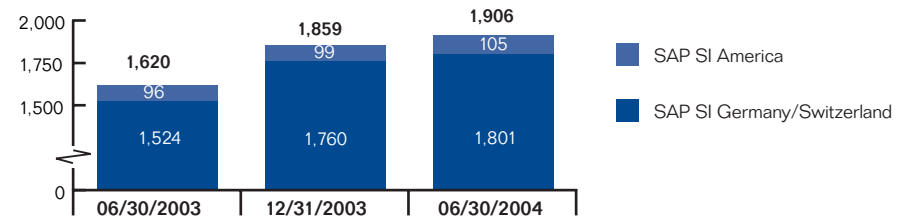
Taking the exchange rate changes into account, cash and cash equivalents were €17.4 million or 12.0 % higher than on the same date the previous year (€145.0 million) at €162.4 million.

### Board changes

No board changes were made in the quarter under review.

### Employees

## EMPLOYEE DEVELOPMENT



By comparison with the same quarter the previous year (1,620 employees), the number of staff increased to 1,906 employees on June 30, particularly because of the acquisitions made in the second half of 2003. 1,801 (1,524) of the staff were deployed in Germany/Switzerland and 105 (96) 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 half of 2004 was 1,885 (previous year: 1,649). If the employees of the companies SLI and SPM that were acquired in 2003 are disregarded, the number of employees increased to 1,688.

### 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 after the end of the quarter

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

### Outlook and forecast

SAP SI is not expecting the IT service market in the core market Germany/Switzerland to change significantly in the second half of the year either. We are working on the assumption that the US market will continue to develop positively during the rest of the year. The high revenue growth in the first half of the year was attributable, among other things, to additional revenues generated by the acquisitions made in the second half of 2003. Since the impact of initial consolidation will be ending as of the second half of 2004, we are anticipating somewhat slower growth again in future. We confirm the overall targets we set for 2004 (revenue growth of 8 to 12 % and an EBIT margin of 14 to 15 %).

Whether SAP SI develops positively in future as well depends to a large extent on if the Company succeeds in continuing to strengthen and expand its own position as one of the leading integration experts. Such new architecture concepts as SAP Enterprise Services Architecture (ESA) and such modern integration technologies as SAP NetWeaver are assuming an increasingly important role in customers' demands and require an integrated consulting approach that is guaranteed by SAP SI. We will be continuing to develop this approach systematically.

## INTERIM FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT (US-GAAP)

€ thousands	Jan 01, 2004 – Jun 30, 2004	Jan 01, 2003 – Jun 30, 2003	Apr 01, 2004 – Jun 30, 2004	Apr 01, 2003 – Jun 30, 2003
Software revenues	1,466	637	916	96
Maintenance revenues	3,157	2,596	1,596	1,285
Revenues from products	4,623	3,233	2,512	1,381
Revenues from services	136,280	110,623	72,883	56,194
Hosting/Application Management	20,339	15,328	10,357	7,629
Other revenues	1,252	1,128	809	265
<b>Total revenues</b>	<b>162,494</b>	<b>130,312</b>	<b>86,561</b>	<b>65,469</b>
Product costs	-2,595	-1,691	-1,434	-822
Service costs	-112,683	-95,504	-59,280	-47,297
Research and development	-105	-291	-56	-236
Sales and marketing	-11,712	-8,513	-6,019	-4,465
General administration	-11,738	-8,329	-6,146	-4,253
Other operating expenses and income, net	227	35	118	-49
<b>Total costs</b>	<b>-138,606</b>	<b>-114,293</b>	<b>-72,817</b>	<b>-57,122</b>
<b>Operating profit</b>	<b>23,888</b>	<b>16,019</b>	<b>13,744</b>	<b>8,347</b>
Other expenses and income, net	284	-60	13	-39
<b>Earnings before interest and tax (EBIT)</b>	<b>24,172</b>	<b>15,959</b>	<b>13,757</b>	<b>8,308</b>
Financial income, net	1,292	1,553	629	798
<b>Earnings before tax (EBT)</b>	<b>25,464</b>	<b>17,512</b>	<b>14,386</b>	<b>9,106</b>
Income tax	-9,841	-7,025	-5,503	-4,114
<b>Consolidated net income</b>	<b>15,623</b>	<b>10,487</b>	<b>8,883</b>	<b>4,992</b>
<b>Earnings per share in €</b>				
Earnings per share (undiluted)	0.44	0.29	0.25	0.14
Earnings per share (diluted)	0.43	0.29	0.24	0.14
Average number of shares outstanding in thousands (undiluted)	35,800	35,800	35,800	35,800
Average number of shares outstanding in thousands (diluted)	36,118	35,809	36,261	35,809

## CONSOLIDATED BALANCE SHEET (US-GAAP)

### ASSETS

€ thousands	Jun 30, 2004	Dec 31, 2003
Intangible assets	117,581	113,928
Property and equipment	9,149	10,189
Financial assets	637	733
<b>Fixed assets</b>	<b>127,367</b>	<b>124,850</b>
<b>Inventories</b>	<b>1,762</b>	<b>367</b>
Receivables from goods and services	38,915	41,418
Receivable from affiliated companies	19,954	16,188
Other current assets	7,845	6,156
<b>Receivables and other current assets</b>	<b>66,714</b>	<b>63,762</b>
<b>Cash and cash equivalents</b>	<b>162,399</b>	<b>160,569</b>
<b>Non-fixed assets</b>	<b>230,875</b>	<b>224,698</b>
<b>Deferred tax assets</b>	<b>2,685</b>	<b>2,355</b>
<b>Prepaid expenses</b>	<b>2,959</b>	<b>1,652</b>
<b>Total assets</b>	<b>363,886</b>	<b>353,555</b>
of which short-term	231,617	225,239

### LIABILITIES

€ thousands	Jun 30, 2004	Dec 31, 2003
Capital stock <sup>1)</sup>	35,800	35,800
Additional paid-in capital	218,478	218,478
Retained earnings/accumulated loss	28,788	13,165
Accumulated other comprehensive Income	-1,351	-1,921
<b>Stockholders' equity</b>	<b>281,715</b>	<b>265,522</b>
Accruals for pensions	4,856	2,927
Other accruals	48,860	46,674
<b>Accrued liabilities</b>	<b>53,716</b>	<b>49,601</b>
Convertible bonds	2,054	2,056
Other liabilities	25,241	35,722
<b>Liabilities</b>	<b>27,295</b>	<b>37,778</b>
<b>Deferred income</b>	<b>1,160</b>	<b>654</b>
<b>Total liabilities and stockholders' equity</b>	<b>363,886</b>	<b>353,555</b>
of which short-term liabilities	77,315	82,693

<sup>1)</sup> Authorized-but-unissued capital at the relevant date €2,054 thousands (Dec. 31, 2003: €2,056 thousands)



## CONSOLIDATED STATEMENTS OF CASH FLOWS (US-GAAP)

€ thousands	Jan 01, 2004 – Jun 30, 2004	Jan 01, 2003 – Jun 30, 2003
Consolidated net income	15,623	10,487
Depreciation and amortization of fixed assets, long-term investments and financial assets	2,426	2,446
Write-ups of financial assets	-2	0
Changes in accruals for pensions	1,929	1,299
Changes in deferred taxes	-202	921
Changes in inventories	-1,395	52
Changes in receivables and other current assets	-2,952	12,278
Changes in short-term accrued liabilities	2,058	4,289
Changes in short-term liabilities	-10,483	-10,315
Changes in other assets, liabilities and in stockholders' equity	-801	-1,251
<b>Net cash from operating activities</b>	<b>6,201</b>	<b>20,206</b>
Additions to intangible assets, property and equipment	-4,732	-10,681
Additions to financial assets	-59	0
Disposal of fixed assets	145	290
Changes in minority interest	0	-1,286
<b>Net cash used in investing activities</b>	<b>-4,646</b>	<b>-11,677</b>
Other changes to stockholders' equity	0	408
<b>Net cash from financial activities</b>	<b>0</b>	<b>408</b>
Currency translation adjustments	275	321
<b>Net changes in cash and cash equivalents (term up to 3 months)</b>	<b>1,830</b>	<b>9,258</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>160,569</b>	<b>135,719</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>162,399</b>	<b>144,977</b>

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

€ thousands	Thousand shares	Comprehensive income/loss	Accumulated other comprehensive income	Retained earnings	Additional paid-in capital	Capital stock	Total
<b>As of January 1, 2003</b>	35,800		-640	-13,201	218,070	35,800	240,029
Consolidated net income		10,487		10,487			10,487
Other comprehensive loss		-370	-370				-370
<b>Comprehensive income</b>		<b>10,117</b>					
Exceptional items from the initial consolidation of COPA GmbH					408		408
<b>As of June 30, 2003</b>	<b>35,800</b>		<b>-1,010</b>	<b>-2,714</b>	<b>218,478</b>	<b>35,800</b>	<b>250,554</b>
<b>As of January 1, 2004</b>	35,800		-1,921	13,165	218,478	35,800	265,522
Consolidated net income		15,623		15,623			15,623
<b>Other comprehensive income</b>		<b>570</b>	570				570
Comprehensive income		16,193					
<b>As of June 30, 2004</b>	<b>35,800</b>		<b>-1,351</b>	<b>28,788</b>	<b>218,478</b>	<b>35,800</b>	<b>281,715</b>

## Notes for the Second Quarter 2004

### 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 June 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](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. €14.9 million of them are due within one year and a further €23.3 million within the subsequent four 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			
	Q 2/2004	Q 2/2003	HY 1/2004	HY 1/2003	Q 2/2004	Q 2/2003	HY 1/2004	HY 1/2003	Q 2/2004	Q 2/2003	HY 1/2004	HY 1/2003
Revenues	77.2	58.9	145.6	117.1	9.4	6.6	16.9	13.2	86.6	65.5	162.5	130.3
Costs	64.6	51.3	123.2	102.7	8.3	5.9	15.4	11.6	72.9	57.2	138.6	114.3
<b>Contribution (operating profit)</b>	<b>12.6</b>	<b>7.6</b>	<b>22.4</b>	<b>14.4</b>	<b>1.1</b>	<b>0.7</b>	<b>1.5</b>	<b>1.6</b>	<b>13.7</b>	<b>8.3</b>	<b>23.9</b>	<b>16.0</b>
Number of employees on the reporting date	1,801	1,524	1,801	1,524	105	96	105	96	1,906	1,620	1,906	1,620

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			
	Q 2/2004	Q 2/2003	HY 1/2004	HY 1/2003	Q 2/2004	Q 2/2003	HY 1/2004	HY 1/2003	Q 2/2004	Q 2/2003	HY 1/2004	HY 1/2003
Revenues	76.2	57.9	142.1	115.0	10.4	7.6	20.4	15.3	86.6	65.5	162.5	130.3
Segment costs	58.6	47.3	111.7	94.7	8.2	5.7	15.4	11.3	66.8	53.0	127.1	106.0
<b>Segment contributions</b>	<b>17.6</b>	<b>10.6</b>	<b>30.4</b>	<b>20.3</b>	<b>2.2</b>	<b>1.9</b>	<b>5.0</b>	<b>4.0</b>	<b>19.8</b>	<b>12.5</b>	<b>35.4</b>	<b>24.3</b>
Segment profitability as a % of segment revenues	23.1 %	18.3 %	21.4 %	17.7 %	21.0 %	25.0 %	24.5 %	26.2 %	22.8 %	19.1 %	21.8 %	18.7 %

€ millions	Q 2/2004	Q 2/2003	HY 1/2004	HY 1/2003
Total contribution of all segments	19.8	12.5	35.4	24.3
Other unallocated costs	-6.1	-4.2	-11.5	-8.3
<b>Operating profit</b>	<b>13.7</b>	<b>8.3</b>	<b>23.9</b>	<b>16.0</b>
Other expenses and income, net	0.1	0.0	0.3	0.0
<b>Earnings before interest and tax (EBIT)</b>	<b>13.8</b>	<b>8.3</b>	<b>24.2</b>	<b>16.0</b>
Financial income, net	0.6	0.8	1.3	1.5
<b>Earnings before tax (EBT)</b>	<b>14.4</b>	<b>9.1</b>	<b>25.5</b>	<b>17.5</b>

The consulting business generated revenues of €76.2 million in the second quarter, 31.7 % higher than in the same quarter the previous year. The disproportionately low cost increase of 24.4 % led to an increase in earnings in this business of 63.8 % to €17.6 million (23.1 % of revenues).

Revenues in the Hosting/Application Management business were 35.8 % higher than in the same quarter the previous year at €10.4 million. Earnings in this area increased by 14.1 % to €2.2 million (21.0 % of revenues).

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.

## SAP SI AG

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### Financial calendar 2004/2005 \*)

Preliminary 2004 results

February 3, 2005

\* Subject to change without notice