



# **SAP Systems Integration AG**

**Quarterly Report Q3/2004**

## **Preliminary remark:**

On September 16, 2004, SAP SI sold the subsidiaries SAP Systems Integration Holding Inc., including its subsidiary SAP Systems Integration America LLC, and SAP Systems Integration (Schweiz) AG to SAP AG with effect from October 1, 2004. In accordance with US GAAP FAS 144, it is no longer permitted that the results of these companies are shown. The quarterly financial statements complying with this US GAAP FAS 144 can be found appended to this Quarterly Report on pages 18 to 24. In order to guarantee that the results are comparable to the figures for the previous year and the previous quarters, all the other results disclosed in this Quarterly Report continue to include the results of the subsidiaries in Switzerland and the USA too (proforma quarterly financial statements).

## Key performance indicators for proforma quarterly financial statements as of September 30, 2004 (US-GAAP)

### SAP Systems Integration AG

Key revenue/earnings figures	Jan 01, 2004 - Sep 30, 2004	Jan 01, 2003 - Sep 30, 2003	Change in %, %-points	Jul 01, 2004 - Sep 30, 2004	Jul 01, 2003 - Sep 30, 2003	Change in %, %-points
Revenues in € thousands	253,340	200,917	26.1%	90,846	70,605	28.7%
of which foreign in € thousands	53,767	36,426	47.6%	18,682	12,983	43.9%
EBITDA in € thousands	45,628	30,838	48.0%	19,088	12,433	53.5%
EBITDA as a percent of revenue	18.0%	15.3%	2.7%P	21.0%	17.6%	3.4%P
EBIT in € thousands	42,110	27,117	55.3%	17,938	11,158	60.8%
EBIT as a percent of revenue	16.6%	13.5%	3.1%P	19.7%	15.8%	3.9%P
Balance-sheet figures	Sep 30, 2004	Sep 30, 2003		Sep 30, 2004	Sep 30, 2003	
Equity-to-total-assets ratio	75.8%	78.3%	-2.5%P	75.8%	78.3%	-2.5%P
Cash and cash equivalents/total assets	50.1%	46.6%	3.5%P	50.1%	46.6%	3.5%P
Working capital in € thousands	168,265	153,432	9.7%	168,265	153,432	9.7%
Other key figures	Jan 01, 2004 - Sep 30, 2004	Jan 01, 2003 - Sep 30, 2003		Jul 01, 2004 - Sep 30, 2004	Jul 01, 2003 - Sep 30, 2003	
Earnings per share (undiluted) in €	0.76	0.49	54.7%	0.32	0.20	63.2%
Earnings per share (diluted) in €	0.76	0.49	54.7%	0.32	0.20	63.2%
Cash flow in € thousands (all figures as per September 30)	32,990	22,539	46.4%	32,990	22,539	46.4%
Capital investment excluding goodwill in € thousands (all figures as per September 30)	1,530	5,434	-71.8%	1,530	5,434	-71.8%
Average number of employees	1,901	1,647	15.4%	1,934	1,629	18.7%
Revenue per employee in € thousands	133	122	9.2%	47	43	8.4%

#### Proforma revenues by entities in € thousands

	SAP SI D/CH	SAP SI America	Total
Third quarter 2004	81,656	9,190	90,846
Third quarter 2003	62,919	7,686	70,605

#### Proforma EBIT by entities in € thousands

	SAP SI D/CH	SAP SI America	Total	EBIT margin
Third quarter 2004	16,721	1,217	17,938	19.7%
Third quarter 2003	10,044	1,114	11,158	15.8%

## Group highlights

- Proforma quarterly revenues up 28.7 %, from €70.6 million in the previous year to €90.8 million; 22.7 % organic revenue growth
- Proforma EBIT significantly higher than in the previous year (€11.2 million) at €17.9 million (+ 60.8 %), EBIT margin of 19.7 % in the quarter (previous year: 15.8 %)
- Subsidiaries in Switzerland and the USA sold to SAP AG with effect from October 1, 2004
- Control and profit transfer agreement with SAP Germany and delisting from Frankfurt Stock Exchange planned

## Dear Stockholders,

Your Company developed very positively in the past three months too: SAP SI generated proforma EBIT (earnings before interest and tax) of €17.9 million in the third quarter (previous year: €11.2 million). This corresponds to an EBIT margin of 19.7 %, following 15.8 % in the previous year. SAP SI is maintaining the leading position it holds as one of the most profitable IT service providers in Europe with this EBIT margin. The proforma revenues reported by the SAP SI Group in the third quarter were substantially higher than in the same quarter the previous year (€70.6 million) at €90.8 million too. Disregarding the contribution made by SPM Technologies (SPM), which was acquired in the fourth quarter of 2003, quarterly revenues were up 22.7 % at €86.6 million. This revenue growth is attributable primarily to the encouraging development in Germany, particularly the ongoing high utilisation of our consultants' capacity, as well as to the greater use made of third-party services.

There is encouraging news from the Hosting/Application Management business too: revenues in the third quarter rose by 39.6 % over the same quarter the previous year to €11.4 million, while profitability was improved at the same time.

In September 2004, the SAP SI Executive Board and Supervisory Board decided to sell all SAP SI's shares in the two subsidiaries in Switzerland and the USA to SAP AG with effect from October 1, 2004. SAP SI will be concentrating on its core market Germany in future.

We received important commissions there from such companies as BG-PHOENICS GMBH and HSH Nordbank AG in the past quarter. Order backlog in Germany amounted to €148.0 million, which was slightly lower than the level at the end of the second quarter (€154 million).

SAP SI will in particular be continuing to expand the consulting programme for service providers on the basis of the existing business. In addition to implementation and module consulting about the SAP service provider solutions, special consulting packages are being developed, e.g. for logistic companies. The combination of technological skills with industry and large project experience is a crucial competitive edge SAP SI consultants hold on the German market.

We have succeeded in reaching important milestones in the area of the new architecture concept SAP Enterprise Services Architecture (ESA). Following the successful conclusion of an ESA assessment with LHI Leasing GmbH, the customer would like SAP SI to provide it with further assistance as it moves towards an ESA. Similar projects are about to be carried out with other customers in close co-ordination with the SAP NetWeaver initiative and SAP Consulting.

Your Company completed the third quarter very successfully too. We are working on the assumption that this development will continue in the rest of the year as well.

Dresden, November 2004

The Executive Board

## SAP SI STOCK

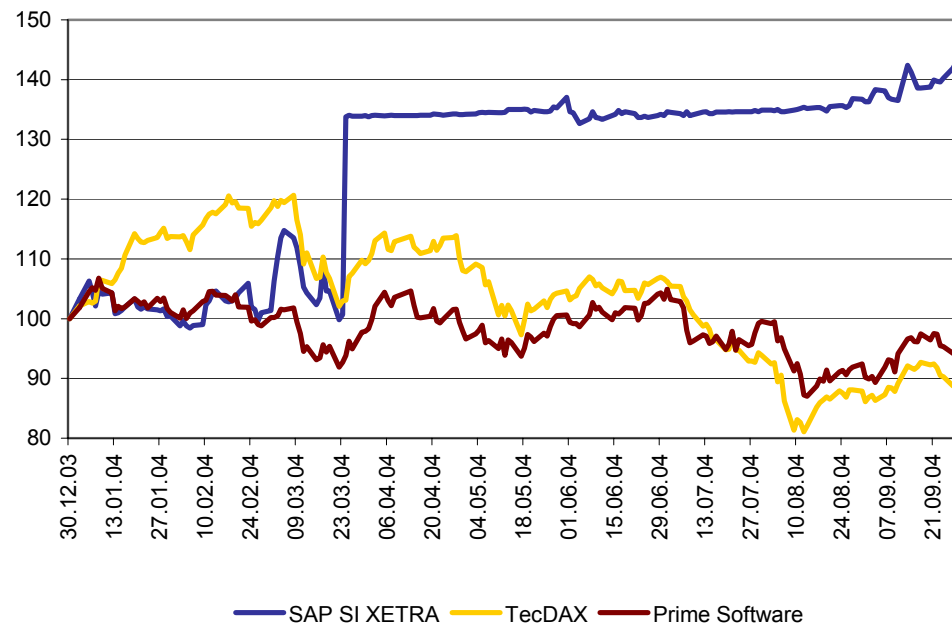
The international stock markets were heavily influenced by the development of the oil price in the third quarter of 2004. New oil price records led to a drop in share prices, particularly in the technology-oriented segments. The European stock exchanges were also depressed by the oil price and experienced a reduction in share prices in the past quarter.

The development on the German stock market was similar. Initial signs of a recovery only became apparent from mid-August onwards and the very negative connection between the stock markets and the big increase in the oil price eased. All in all, however, the TecDAX recorded particularly large losses in the third quarter.

The price of the SAP SI share developed largely independently of market events. After the offer made by SAP AG to buy Company shares was announced, the price originally settled around the level of the offer (€20.40 per share), exceeded the €21.00 mark at the end of September and has demonstrated an upward trend since then.

### Development of the SAP SI share price compared with relevant indices

Dec. 30, 2003 = 100



**Move to the General Standard and termination of membership of the TecDAX**

On September 3, 2004, the Deutsche Börse AG "Indices" committee decided to terminate SAP SI's membership of the TecDAX and NEMAX 50 with effect from September 20, 2004. This decision was attributable to the large reduction in the SAP SI share free float and the termination of our listing in the "Prime Standard" index at Frankfurt Stock Exchange, which was to take effect at the end of October 7, 2004. The SAP SI share has been listed in the "General Standard" index at Frankfurt Stock Exchange since October 8, 2004.

**Control and profit transfer agreement with SAP Deutschland AG & Co. KG and delisting planned**

On October 5, 2004, the Executive Board of SAP SI decided to take the action needed to conclude a control and profit transfer agreement with SAP Deutschland AG & Co. KG (SAP Germany), a wholly-owned subsidiary of SAP AG. The purpose of the planned control and profit transfer agreement is to facilitate co-operation between SAP SI and the SAP consulting organisation in Germany. On September 28, 2004, SAP AG transferred its shares to SAP Germany, which therefore holds about 92 % of the shares in SAP SI. The aim of the closer co-operation that is planned is to pool all the consulting and service capacities in the SAP Group and to create the basis for being a single, integrated source of all SAP consulting services for customers.

The Executive Board has also decided to prepare the delisting of the SAP SI shares from Frankfurt Stock Exchange and to propose this delisting to the Stockholders' Meeting.

A resolution about the planned control and profit transfer agreement has to be passed by the Stockholders' Meeting too. We are working on the assumption that an extraordinary Stockholders' Meeting about this will be held in January 2005.

**Directors' Holdings on September 30, 2004**

No SAP SI shares, convertible bonds or rights to SAP SI shares were held by members of the SAP SI Supervisory Board and Executive Board on September 30, 2004.

# INTERIM MANAGEMENT REPORT (Proforma)

## Economic environment

The Economic Research Institute at Munich University (Ifo Institut) is expecting the gross domestic product in Germany to grow slightly by 1.7 % in both 2004 and 2005. The Ifo Institut business climate index shows that the current situation and expectations have moved closer together at what is in general a mildly optimistic level. The present business environment is in fact considered to be somewhat more favourable by German companies. According to Ifo Institut, it can be assumed that the moderate economic recovery will continue.

The latest forecasts (September 2004) by IDC/EITO indicate that the world IT market will be growing by 3.9 % in 2004 (5.5 % in 2005). While IDE/EITO anticipates growth of 2.8 % in Europe in 2004 (4.6 % in 2005), only moderate growth of 1.2 % is predicted for the German IT market in 2004 (3.0 % in 2005).

The IT services market is expected to develop positively too: IDC/EITO forecasts that growth in Germany will be 1.3 % in 2004 and 2.6 % in 2005. The IDC figures are therefore slightly lower than the estimate made by the market research institute BITKOM, which anticipates growth of 2.3 % in 2004 and 4.4 % in 2005.

## Business development

### Order situation

We succeeded in obtaining a number of important, large-volume orders in the past quarter. The orders on hand in Germany on September 30, 2004 amounted to €148 million, which is slightly below the level in the previous quarter (€154 million; previous year: €129 million).

### Proforma revenue development

Consolidated revenues in the third quarter of fiscal 2004 increased significantly by 28.7 % to €90.8 million (previous year: €70.6 million). If the acquisition of SPM made in the fourth quarter of 2003 is disregarded, revenues were 22.7 % higher at €86.6 million. This revenue growth is attributable primarily to higher utilisation of the capacity of the Company's own consultants and greater use of third-party services.

While the Group revenues from service business were 27.5 % higher than in the same quarter the previous year, revenues in the Hosting/Application Management business increased by as much as 39.6 %.

Revenues in our core market Germany/Switzerland were 29.8 % up on the same quarter the previous year (€62.9 million) at € 81.7 million. The revenues generated by SAP SI America increased by 19.6 % over the same quarter the previous year (€7.7 million) and contributed €9.2 million to the consolidated total. In constant currency, the US company recorded substantial revenue growth of 30.0 % in the third quarter of fiscal 2004.

20.6 % of revenues (previous year: 18.4 %) were generated outside Germany in the third quarter. About 84.2 % (previous year: 84.6 %) of the consolidated revenues were accounted for by the consulting business and miscellaneous revenues, 12.6 % (previous year: 11.6 %) by Hosting/Application Management business and 3.2 % (previous year: 3.8 %) by product business.

Revenues have been increased by 26.1 % to €253.3 million (previous year: €200.9 million) since the beginning of the fiscal year.

### **Proforma cost development**

Total costs were 22.9 % higher than in the same quarter the previous year (€59.5 million) at €73.2 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 because of the acquisition of SPM in the fourth quarter of 2003.

### **Proforma earnings development**

The positive revenue development combined with a disproportionately small increase in costs led to an increase of 60.8 % in the earnings before interest and tax (EBIT) in the quarter to €17.9 million (previous year: € 11.2 million). The EBIT margin was 19.7 % (previous year: 15.8 %). SAP SI Germany/Switzerland contributed €16.7 million (previous year: €10.1 million) to quarterly earnings and SAP SI America €1.2 million (previous year: €1.1 million). The EBIT margin was 20.5 % in Germany/Switzerland (previous year: 16.0 %) and 13.2 % in the USA (previous year: 14.5 %). The write-off of a loan led to smaller net financial income (€0.4 million) than in the previous year (€0.7 million) in spite of the increase in cash and cash equivalents. Consolidated net income in the third quarter increased by 63.2 % from €7.0 million to €11.4 million, which corresponds to undiluted earnings per share of €0.32 (previous year: €0.20).

The EBIT of €42.1 million in the first nine months were 55.3 % higher than in the previous year (€27.1 million). The EBIT margin was 16.6 % (previous year: 13.5 %). Consolidated net income amounted to €27.1 million in the first nine months, which represents growth of 54.7 % over the previous year. This corresponds to undiluted earnings per share of €0.76 (previous year: €0.49).

### **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.

## **Assets and financial situation**

### **Proforma balance sheets**

The consolidated balance sheet on September 30, 2004 indicates a €32.5 million higher balance sheet total compared with the balance sheet on December 31, 2003. The addition to intangible assets (+ €3.3 million) was attributable mainly to the increase in goodwill arising from an agreement made with the sellers of what was SLI that linked the purchase price to earnings in fiscal 2003. Effective receivables management led to a reduction in total receivables by comparison with December 31, 2003, in spite of the considerable revenue growth in the first nine months. Cash and cash equivalents increased by 20.4 % or €32.8 million to €193.3 million.

Stockholders' equity was €27.3 million higher, essentially on account of the positive earnings development in the first nine months of the year. The equity-to-total-assets ratio increased from 75.1 % on December 31, 2003 to 75.8 %. The accruals were up by €18.5 million compared with December 31, 2003, while the liabilities were down by €13.3 million. The change in the accruals was attributable to the increase in the accruals for variable salary components as well as for taxes because of the good earnings. The reduction in liabilities was mainly due to the payment of part of the fix purchase price for SPM (€10.1 million) in 2004, which was included in the balance sheet as a liability on December 31, 2003.

### **Proforma capital investment**

In the first nine months of 2004, €1.5 million were invested in property and equipment, €0.9 million of this amount in hardware and €0.6 million in office equipment as well as leasehold improvements.



### Proforma statements of cash flow

The cash flow in the first nine months was 46.4 % higher than in the same period the previous year at €33.0 million. The change in net cash from operating activities increased by 5.1 % to €37.8 million, particularly because of the reduction in liabilities.

The outflow of net cash from investing activities during the first nine months of fiscal 2004 amounted to €5.2 million (previous year: €19.0 million) and was due in particular to the payment of a contractually agreed purchase price commitment (earn-out) to the sellers of what was SLI because of the annual earnings in 2003 as well as to capital investment in property and equipment. 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 €40.0 million or 26.1 % higher than on the same date the previous year (€153.3 million) at €193.3 million.

### Board changes

No board changes were made in the quarter under review.

### Employees

Compared with the same quarter the previous year (1,659 employees), the number of staff increased to 1,943 employees on September 30, particularly because of the acquisitions made in the second half of 2003. 1,829 (1,567) of the staff were deployed in Germany/Switzerland and 114 (92) in the USA. If the employees of SPM (which was acquired in the fourth quarter of 2003) are disregarded, the number of employees increased to 1,783. The average number of employees (total of the figures at the end of the months divided by the number of months) in the first nine months of 2004 was 1,901 (previous year: 1,647).

### Employee development

	09/30/2003	12/31/2003	09/30/2004
<b>SAP SI Group</b>	1,659	1,859	1,943
of which			
<b>SAP SI America</b>	92	99	114
<b>SAP SI D/CH</b>	1,567	1,760	1,829

### 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 Deutschland AG & Co. KG (SAP Germany) has informed us that it exceeded the 75 % mark in the SAP SI voting rights it held on September 28, 2004. The company now owns about 91.59 % of the voting rights. SAP Germany acquired these shares from SAP AG (cf. page 6).

**Events after the end of the quarter**

The subsidiaries SAP Systems Integration Holding Inc., including its subsidiary SAP Systems Integration America LLC, and SAP Systems Integration (Schweiz) AG were sold to SAP AG with effect from October 1, 2004. The flows of funds and impact on earnings arising from these transactions will be disclosed in the fourth quarter of 2004. The results and earnings of the subsidiaries sold are being shown as discontinued operations in accordance with FAS 144 (cf. Appendix).

On October 5, 2004, the Executive Board of SAP SI decided to take the action needed to conclude a control and profit transfer agreement with SAP Germany, a wholly-owned subsidiary of SAP AG, and to propose the conclusion of this agreement to the Stockholders' Meeting. The Executive Board has also decided to prepare the delisting of the SAP SI shares from Frankfurt Stock Exchange and to propose this delisting to the Stockholders' Meeting.

**Outlook and forecast**

The repeated positive development of the business in the third quarter of 2004 confirms our expectations for fiscal 2004. We are working on the assumption that we will reach the targets we set at the beginning of the year even without the contributions to revenues and earnings from Switzerland and the USA for the fourth quarter of 2004.

# PROFORMA INTERIM FINANCIAL STATEMENTS

## PROFORMA CONSOLIDATED INCOME STATEMENT (US-GAAP)

in € thousands	Jan 01, 2004 - Sep 30, 2004	Jan 01, 2003 - Sep 30, 2003	Jul 01, 2004 - Sep 30, 2004	Jul 01, 2003 - Sep 30, 2003
Software revenues	2,633	2,034	1,167	1,397
Maintenance revenues	4,903	3,908	1,746	1,312
<b>Revenues from products</b>	<b>7,536</b>	<b>5,942</b>	<b>2,913</b>	<b>2,709</b>
<b>Revenues from services</b>	<b>211,769</b>	<b>169,824</b>	<b>75,489</b>	<b>59,201</b>
<b>Hosting / Application management</b>	<b>31,805</b>	<b>23,542</b>	<b>11,466</b>	<b>8,214</b>
<b>Other revenues</b>	<b>2,230</b>	<b>1,609</b>	<b>978</b>	<b>481</b>
<b>Total revenues</b>	<b>253,340</b>	<b>200,917</b>	<b>90,846</b>	<b>70,605</b>
<b>Product costs</b>	<b>-4,754</b>	<b>-3,268</b>	<b>-2,159</b>	<b>-1,577</b>
<b>Service costs</b>	<b>-171,408</b>	<b>-144,160</b>	<b>-58,725</b>	<b>-48,656</b>
<b>Research and development</b>	<b>-328</b>	<b>-484</b>	<b>-223</b>	<b>-193</b>
<b>Sales and marketing</b>	<b>-17,906</b>	<b>-13,173</b>	<b>-6,194</b>	<b>-4,660</b>
<b>General administration</b>	<b>-17,553</b>	<b>-13,152</b>	<b>-5,815</b>	<b>-4,823</b>
<b>Other operating expenses and income, net</b>	<b>183</b>	<b>421</b>	<b>-44</b>	<b>386</b>
<b>Total costs</b>	<b>-211,766</b>	<b>-173,816</b>	<b>-73,160</b>	<b>-59,523</b>
<b>Operating profit</b>	<b>41,574</b>	<b>27,101</b>	<b>17,686</b>	<b>11,082</b>
<b>Other expenses and income, net</b>	<b>536</b>	<b>16</b>	<b>252</b>	<b>76</b>
<b>Earnings before interest and tax (EBIT)</b>	<b>42,110</b>	<b>27,117</b>	<b>17,938</b>	<b>11,158</b>
<b>Financial income, net</b>	<b>1,689</b>	<b>2,293</b>	<b>397</b>	<b>740</b>
<b>Earnings before tax (EBT)</b>	<b>43,799</b>	<b>29,410</b>	<b>18,335</b>	<b>11,898</b>
<b>Income tax</b>	<b>-16,746</b>	<b>-11,917</b>	<b>-6,905</b>	<b>-4,892</b>
<b>Consolidated net income</b>	<b>27,053</b>	<b>17,493</b>	<b>11,430</b>	<b>7,006</b>
<b>Earnings per share in €</b>				
Earnings per share (undiluted)	0.76	0.49	0.32	0.20
Earnings per share (diluted)	0.76	0.49	0.32	0.20
Average number of shares outstanding in thousands (undiluted)	35,800	35,800	35,800	35,800
Average number of shares outstanding in thousands (diluted)	35,801	35,814	35,801	35,823

## PROFORMA CONSOLIDATED BALANCE SHEET (US-GAAP)

<b>ASSETS</b>		
in € thousands	<b>Sep 30, 2004</b>	<b>Dec 31, 2003</b>
Intangible assets	117,198	113,928
Property and equipment	8,842	10,189
Financial assets	134	733
<b>FIXED ASSETS</b>	<b>126,174</b>	<b>124,850</b>
<b>Inventories</b>	<b>1,310</b>	<b>367</b>
Receivables from goods and services	31,588	41,418
Receivables from affiliated companies	21,702	16,188
Other current assets	7,962	6,156
<b>Receivables and other current assets</b>	<b>61,252</b>	<b>63,762</b>
<b>Cash and cash equivalents</b>	<b>193,306</b>	<b>160,569</b>
<b>NON-FIXED ASSETS</b>	<b>255,868</b>	<b>224,698</b>
<b>DEFERRED TAX ASSETS</b>	<b>1,894</b>	<b>2,355</b>
<b>PREPAID EXPENSES</b>	<b>2,156</b>	<b>1,652</b>
<b>TOTAL ASSETS</b>	<b>386,092</b>	<b>353,555</b>
of which short-term	254,955	225,239

<b>LIABILITIES</b>		
in € thousands	<b>Sep 30, 2004</b>	<b>Dec 31, 2003</b>
Capital stock <sup>1)</sup>	35,800	35,800
Additional paid-in capital	218,478	218,478
Retained earnings/accumulated loss	40,218	13,165
Accumulated other comprehensive income	-1,719	-1,921
<b>STOCKHOLDERS' EQUITY</b>	<b>292,777</b>	<b>265,522</b>
Accruals for pensions	4,890	2,927
Other accruals	63,169	46,674
<b>ACCRUED LIABILITIES</b>	<b>68,059</b>	<b>49,601</b>
Convertible bonds	7	2,056
Other liabilities	24,427	35,722
<b>LIABILITIES</b>	<b>24,434</b>	<b>37,778</b>
<b>DEFERRED INCOME</b>	<b>822</b>	<b>654</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>386,092</b>	<b>353,555</b>
of which short-term liabilities	88,403	82,693

<sup>1)</sup> Authorized-but-unissued capital at the relevant date € 7 thousands (Dec. 31, 2003: € 2.056 thousands)

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

in € thousands	Jan 01, 2004 - Sep 30, 2004	Jan 01, 2003 - Sep 30, 2003
Consolidated, net income	27,053	17,493
Depreciation and amortization of fixed assets, long-term investments and financial assets	3,977	3,721
Write-ups of financial assets	-3	0
Changes in accruals for pensions	1,963	1,325
Changes in deferred taxes	418	1,556
Changes in inventories	-943	12
Changes in receivables and other current assets	2,510	10,714
Changes in short-term accrued liabilities	16,538	10,716
Changes in short-term liabilities	-13,344	-8,867
Changes in other assets, and liabilities	-336	-657
<b>Net cash from operating activities</b>	<b>37,833</b>	<b>36,013</b>
Additions to intangible assets, property and equipment	-5,406	-11,879
Additions due to changes in the scope of consolidation	0	-6,036
Additions to financial assets	-9	-17
Disposals of fixed assets	252	186
Changes in minority interest	0	-1,286
<b>Net cash used in investing activities</b>	<b>-5,163</b>	<b>-19,032</b>
Other changes to stockholders' equity	0	408
<b>Net cash from financial activities</b>	<b>0</b>	<b>408</b>
Currency translation adjustments	67	244
<b>Net changes in cash and cash equivalents (term up to 3 months)</b>	<b>32,737</b>	<b>17,633</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>193,306</b>	<b>153,352</b>

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

in € thousands	Thousand shares	Comprehensive income/loss	Accumulated other comprehensive income/loss	Retained earnings	Additional paid-in capital	Capital stock	Total
<b>As of January 1, 2003</b>	<b>35,800</b>		<b>-640</b>	<b>-13,201</b>	<b>218,070</b>	<b>35,800</b>	<b>240,029</b>
Consolidated net income		17,493		17,493			17,493
Other comprehensive loss		-597	-597				-597
Comprehensive income		16,896					
Exceptional items from the gradual acquisition of COPA GmbH					408		408
<b>As of September 30, 2003</b>	<b>35,800</b>		<b>-1,237</b>	<b>4,292</b>	<b>218,478</b>	<b>35,800</b>	<b>257,333</b>
<b>As of January 1, 2004</b>	<b>35,800</b>		<b>-1,921</b>	<b>13,165</b>	<b>218,478</b>	<b>35,800</b>	<b>265,522</b>
Consolidated net income		27,053		27,053			27,053
Other comprehensive income		202	202				202
Comprehensive income		27,255					
<b>As of September 30, 2004</b>	<b>35,800</b>		<b>-1,719</b>	<b>40,218</b>	<b>218,478</b>	<b>35,800</b>	<b>292,777</b>

## Notes about the proforma financial statements for the third quarter 2004

### Companies consolidated

The following companies have been consolidated in full in the proforma financial statements 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

The companies consolidated that carry out operations which are being continued include not only SAP Systems Integration AG, Dresden, but also SAP Systems Integration Consulting GmbH, Walldorf.

### Contractual commitments

The most important contractual commitments of SAP SI are attributable to operating lease contracts and rental contracts. €13.6 million of them are due within one year and a further €30.9 million within the subsequent four years.

## Proforma 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):

in € millions	SAP Systems Integration AG (Germany & Switzerland)				SAP Systems Integration America				Total			
	Q3/2004	Q3/2003	Q 1-3 2004	Q 1-3 2003	Q3/2004	Q3/2003	Q 1-3 2004	Q 1-3 2003	Q3/2004	Q3/2003	Q 1-3 2004	Q 1-3 2003
Revenues	81.6	62.9	227.2	180.0	9.2	7.7	26.1	20.9	90.8	70.6	253.3	200.9
Costs	65.2	53.0	188.4	155.7	7.9	6.5	23.3	18.1	73.1	59.5	211.7	173.8
<b>Contribution (operatin profit)</b>	<b>16.4</b>	<b>9.9</b>	<b>38.8</b>	<b>24.3</b>	<b>1.3</b>	<b>1.2</b>	<b>2.8</b>	<b>2.8</b>	<b>17.7</b>	<b>11.1</b>	<b>41.6</b>	<b>27.1</b>
Number of employees on the reporting date	1,829	1,567	1,829	1,567	114	92	114	92	1,943	1,659	1,943	1,659



The following tables show the proforma 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).

in € millions	Consulting				Hosting / Application Management				Total			
	Q3/2004	Q3/2003	Q 1-3 2004	Q 1-3 2003	Q3/2004	Q3/2003	Q 1-3 2004	Q 1-3 2003	Q3/2004	Q3/2003	Q 1-3 2004	Q 1-3 2003
<b>Revenues</b>	79.4	62.4	221.5	177.4	11.4	8.2	31.8	23.5	90.8	70.6	253.3	200.9
<b>Segment costs</b>	59.2	49.2	170.9	143.9	8.1	5.9	23.5	17.2	67.3	55.1	194.4	161.1
<b>Segment contributions</b>	20.2	13.2	50.6	33.5	3.3	2.3	8.3	6.3	23.5	15.5	58.9	39.8
Segment profitability as a % of segment revenues	<b>25.4%</b>	<b>21.1%</b>	<b>22.8%</b>	<b>19.0%</b>	<b>28.9%</b>	<b>28.0%</b>	<b>26.1%</b>	<b>26.7%</b>	<b>25.9%</b>	<b>21.9%</b>	<b>23.3%</b>	<b>19.8%</b>

in € millions	Q3/2004	Q3/2003	Q 1-3 2004	Q 1-3 2003
Total contribution of all segments	23.5	15.5	58.9	39.8
Other unallocated costs	-5.8	-4.4	-17.3	-12.7
<b>Operating profit</b>	<b>17.7</b>	<b>11.1</b>	<b>41.6</b>	<b>27.1</b>
Other expenses and income, net	0.2	0.1	0.5	0.0
<b>Earnings before interest and tax (EBIT)</b>	<b>17.9</b>	<b>11.2</b>	<b>42.1</b>	<b>27.1</b>
Financial income, net	0.4	0.7	1.7	2.3
<b>Earnings before tax (EBT)</b>	<b>18.3</b>	<b>11.9</b>	<b>43.8</b>	<b>29.4</b>

The consulting business generated proforma revenues of €79.4 million in the third quarter, 27.2 % higher than in the same quarter the previous year. The disproportionately low cost increase of 20.1 % led to an increase in earnings in this business of 53.0 % to €20.2 million (25.4 % of revenues).

Proforma revenues in the Hosting/Application Management business were 39.6 % higher than in the same quarter the previous year at €11.4 million. Proforma earnings in this area increased by 43.5 % to €3.3 million (28.9 % of revenues).

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

## APPENDIX

### Preliminary remark:

On September 16, 2004, SAP SI sold the subsidiaries SAP Systems Integration Holding Inc., including its subsidiary SAP Systems Integration America LLC, and SAP Systems Integration (Schweiz) AG to SAP AG with effect from October 1, 2004. In accordance with US GAAP FAS 144, the results of these companies are shown as discontinued operations. The quarterly financial statements included in this Appendix comply with the requirements of US GAAP FAS 144. In order to guarantee that the results are comparable to the figures for the previous year and the previous quarters, all the other results disclosed in this Quarterly Report continue to include the results of the subsidiaries in Switzerland and the USA too (proforma quarterly financial statements).

**Income statements in accordance with US GAAP FAS 144**

The subsidiaries sold have been disregarded in the income statements prepared in accordance with FAS 144. The figures for the previous year have been adjusted accordingly.

Revenues in the third quarter amounted to €78.0 million and were therefore €16.0 million or 25.7 % higher than in the same period the previous year. In the first nine months, revenues increased by 21.7 % to €220.2 million (previous year: €181.0 million).

Total costs in the third quarter were 20.2 % higher than in the same quarter the previous year (€52.2 million) at €62.7 million due to the expansion of the business volume. Costs in the first nine months totalled €183.2 million and were up 16.7 % on the previous year.

The substantial revenue growth combined with a disproportionately small increase in costs led to EBIT of €15.5 million, which were 57.2 % above the figure for the previous year (€9.9 million).

EBIT were increased by 56.4 % to €37.4 million in the first nine months.

The discontinued operations include the after-tax earnings of the two subsidiaries that were sold on September 16, 2004 with effect from October 1, 2004. They amounted to €3.2 million in the first nine months of 2004 (previous year: €1.8 million).

## QUARTERLY FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT (US-GAAP)

in € thousands	Jan 01, 2004 - Sep 30, 2004	Jan 01, 2003 - Sep 30, 2003	Jul 01, 2004 - Sep 30, 2004	Jul 01, 2003 - Sep 30, 2003
Software revenues	2,233	2,264	945	1,490
Maintenance revenues	3,571	3,056	1,294	1,037
<b>Revenues from products</b>	<b>5,804</b>	<b>5,320</b>	<b>2,239</b>	<b>2,527</b>
<b>Revenues from services</b>	<b>180,585</b>	<b>150,362</b>	<b>63,450</b>	<b>50,910</b>
<b>Hosting / Application management</b>	<b>31,805</b>	<b>23,542</b>	<b>11,466</b>	<b>8,214</b>
<b>Other revenues</b>	<b>1,997</b>	<b>1,753</b>	<b>852</b>	<b>396</b>
<b>Total revenues</b>	<b>220,191</b>	<b>180,977</b>	<b>78,007</b>	<b>62,047</b>
<b>Product costs</b>	<b>-3,773</b>	<b>-3,279</b>	<b>-1,679</b>	<b>-1,580</b>
<b>Service costs</b>	<b>-149,256</b>	<b>-130,021</b>	<b>-50,345</b>	<b>-42,397</b>
<b>Research and development</b>	<b>-328</b>	<b>-484</b>	<b>-290</b>	<b>-193</b>
<b>Sales and marketing</b>	<b>-14,747</b>	<b>-12,053</b>	<b>-5,271</b>	<b>-3,973</b>
<b>General administration</b>	<b>-15,306</b>	<b>-11,541</b>	<b>-5,129</b>	<b>-4,215</b>
<b>Other operating expenses and income, net</b>	<b>175</b>	<b>356</b>	<b>-34</b>	<b>146</b>
<b>Total costs</b>	<b>-183,235</b>	<b>-157,022</b>	<b>-62,748</b>	<b>-52,212</b>
<b>Operating profit</b>	<b>36,956</b>	<b>23,955</b>	<b>15,259</b>	<b>9,835</b>
<b>Other expenses and income, net</b>	<b>466</b>	<b>-27</b>	<b>287</b>	<b>54</b>
<b>Earnings before interest and tax (EBIT)</b>	<b>37,422</b>	<b>23,928</b>	<b>15,546</b>	<b>9,889</b>
<b>Financial income, net</b>	<b>1,660</b>	<b>2,444</b>	<b>380</b>	<b>786</b>
<b>Earnings before tax from continuing operations (EBT)</b>	<b>39,082</b>	<b>26,372</b>	<b>15,926</b>	<b>10,675</b>
<b>Income tax</b>	<b>-15,180</b>	<b>-10,654</b>	<b>-6,083</b>	<b>-4,402</b>
<b>Consolidated net income from continuing operations</b>	<b>23,902</b>	<b>15,718</b>	<b>9,843</b>	<b>6,273</b>
<b>Result from discontinuing operations, after tax</b>	<b>3,151</b>	<b>1,775</b>	<b>1,587</b>	<b>733</b>
<b>Consolidated net income</b>	<b>27,053</b>	<b>17,493</b>	<b>11,430</b>	<b>7,006</b>
<b>Earnings per share in €</b>				
Earnings per share (undiluted)	0.76	0.49	0.32	0.20
Earnings per share (diluted)	0.76	0.49	0.32	0.20
Average number of shares outstanding in thousands (undiluted)	35,800	35,800	35,800	35,800
Average number of shares outstanding in thousands (diluted)	35,801	35,814	35,801	35,823

## CONSOLIDATED BALANCE SHEET (US-GAAP)

ASSETS		
in € thousands	Sep 30, 2004	Dec 31, 2003
Intangible assets	102,585	102,749
Property and equipment	8,615	9,905
Financial assets	134	677
<b>FIXED ASSETS</b>	<b>111,334</b>	<b>113,331</b>
<b>Inventories</b>	<b>1,172</b>	<b>367</b>
Receivables from goods and services	28,254	31,558
Receivables from affiliated companies	17,572	18,603
Other current assets	7,902	6,001
Investments in discontinuing operations	27,439	23,331
<b>Receivables and other current assets</b>	<b>81,167</b>	<b>79,493</b>
<b>Cash and cash equivalents</b>	<b>185,243</b>	<b>157,797</b>
<b>NON-FIXED ASSETS</b>	<b>267,582</b>	<b>237,657</b>
<b>DEFERRED TAX ASSETS</b>	<b>1,914</b>	<b>2,548</b>
<b>PREPAID EXPENSES</b>	<b>2,106</b>	<b>1,548</b>
<b>TOTAL ASSETS</b>	<b>382,936</b>	<b>355,084</b>
of which short-term	266,676	236,827

in € thousands	Sep 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	35,099	11,197
Retained earnings/accumulated loss from discontinuing operations	6,426	3,275
Accumulated other comprehensive income	-173	-144
<b>STOCKHOLDERS' EQUITY</b>	<b>295,630</b>	<b>268,606</b>
Accruals for pensions	4,890	2,927
Other accruals	59,074	44,098
<b>ACCRUED LIABILITIES</b>	<b>63,964</b>	<b>47,025</b>
Convertible bonds	7	2,056
Other liabilities	22,808	36,928
<b>LIABILITIES</b>	<b>22,815</b>	<b>38,984</b>
<b>DEFERRED INCOME</b>	<b>527</b>	<b>469</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>382,936</b>	<b>355,084</b>
of which short-term liabilities	82,416	83,551

<sup>1)</sup> Authorized-but-unissued capital at the relevant date € 7 thousands (Dec. 31, 2003: € 2.056 thousands)

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

in € thousands	Jan 01, 2004 - Sep 30, 2004	Jan 01, 2003 - Sep 30, 2003
Consolidated net income from continuing operations	23,902	15,718
Depreciation and amortization of fixed assets, long-term investments and financial assets	3,853	3,657
Write-ups of financial assets	-3	0
Changes in accruals for pensions	1,963	1,325
Changes in deferred taxes	379	458
Changes in inventories	-805	60
Changes in receivables and other current assets	2,434	12,899
Changes in short-term accrued liabilities	15,231	14,347
Changes in short-term liabilities	-16,169	-10,279
Changes in other assets, and liabilities	-500	-831
<b>Net cash from operating activities</b>	<b>30,285</b>	<b>37,354</b>
Additions to intangible assets, property and equipment	-1,986	-11,245
Additions to financial assets	-65	-4
Disposals of fixed assets	198	186
Changes in minority interest	0	-1,286
Changes due to discontinuing operations	-957	-6,051
<b>Net cash used in investing activities</b>	<b>-2,810</b>	<b>-18,400</b>
Other changes to stockholders' equity	-29	387
<b>Net cash from financial activities</b>	<b>-29</b>	<b>387</b>
<b>Net changes in cash and cash equivalents (term up to 3 months)</b>	<b>27,446</b>	<b>19,341</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>157,797</b>	<b>132,308</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>185,243</b>	<b>151,649</b>

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

in € thousands	Thousand shares	Comprehensive income/loss	Accumulated other comprehensive income/loss	Retained earnings	Additional paid-in capital	Capital stock	Total
<b>As of January 1, 2003</b>	<b>35,800</b>		<b>-137</b>	<b>-13,647</b>	<b>218,070</b>	<b>35,800</b>	<b>240,086</b>
Consolidated net income from continuing operations		15,718		15,718			15,718
Consolidated net income from discontinuing operations		1,775		1,775			1,775
Other comprehensive loss		-21	-21				-21
Comprehensive income		17,472					
Exceptional items from the gradual acquisition of COPA GmbH					408		408
<b>As of September 30, 2003</b>	<b>35,800</b>		<b>-158</b>	<b>3,846</b>	<b>218,478</b>	<b>35,800</b>	<b>257,966</b>
<b>As of January 1, 2004</b>	<b>35,800</b>		<b>-144</b>	<b>14,472</b>	<b>218,478</b>	<b>35,800</b>	<b>268,606</b>
Consolidated net income from continuing operations		23,902		23,902			23,902
Consolidated net income from discontinuing operations		3,151		3,151			3,151
Other comprehensive income		-29	-29				-29
Comprehensive income		27,024					
<b>As of September 30, 2004</b>	<b>35,800</b>		<b>-173</b>	<b>41,525</b>	<b>218,478</b>	<b>35,800</b>	<b>295,630</b>

## Notes for the third 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 September 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/.les/GB\\_2003\\_eng.pdf](http://www.sap-si.com/.les/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.



**Financial calendar 2004/2005 \*):**

Preliminary 2004 results	February 3, 2005
Annual Stockholders' Meeting 2005	June 9, 2005
Report on the 1st half of 2005	July 28, 2005

\*) Subject to change without notice

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