
# SAP AG
# Q1 2003
# Preliminary Results Release

**Walldorf, April 17, 2003**

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# Safe Harbor Statement

Any statements contained in this document that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “project,” “predict,” “should” and “will” and similar expressions as they relate to SAP are intended to identify such forward-looking statements. SAP undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect SAP’s future financial results are discussed more fully in SAP’s filings with the U.S. Securities and Exchange Commission (“SEC”), including SAP’s most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates.

# Highlights 1st Quarter 2003

## Major Contracts 1st Quarter 2003

### Americas

- Computer Science Corporation
- ConocoPhillips
- Cooper Ind.
- Hasbro
- Manitoba Hydro
- Sauder Woodworking

### EMEA

- British Council
- Novartis
- Novo Nordisk
- Süddeutscher Verlag
- Telecom Italia
- Volvo

### Asia / Pacific (APA)

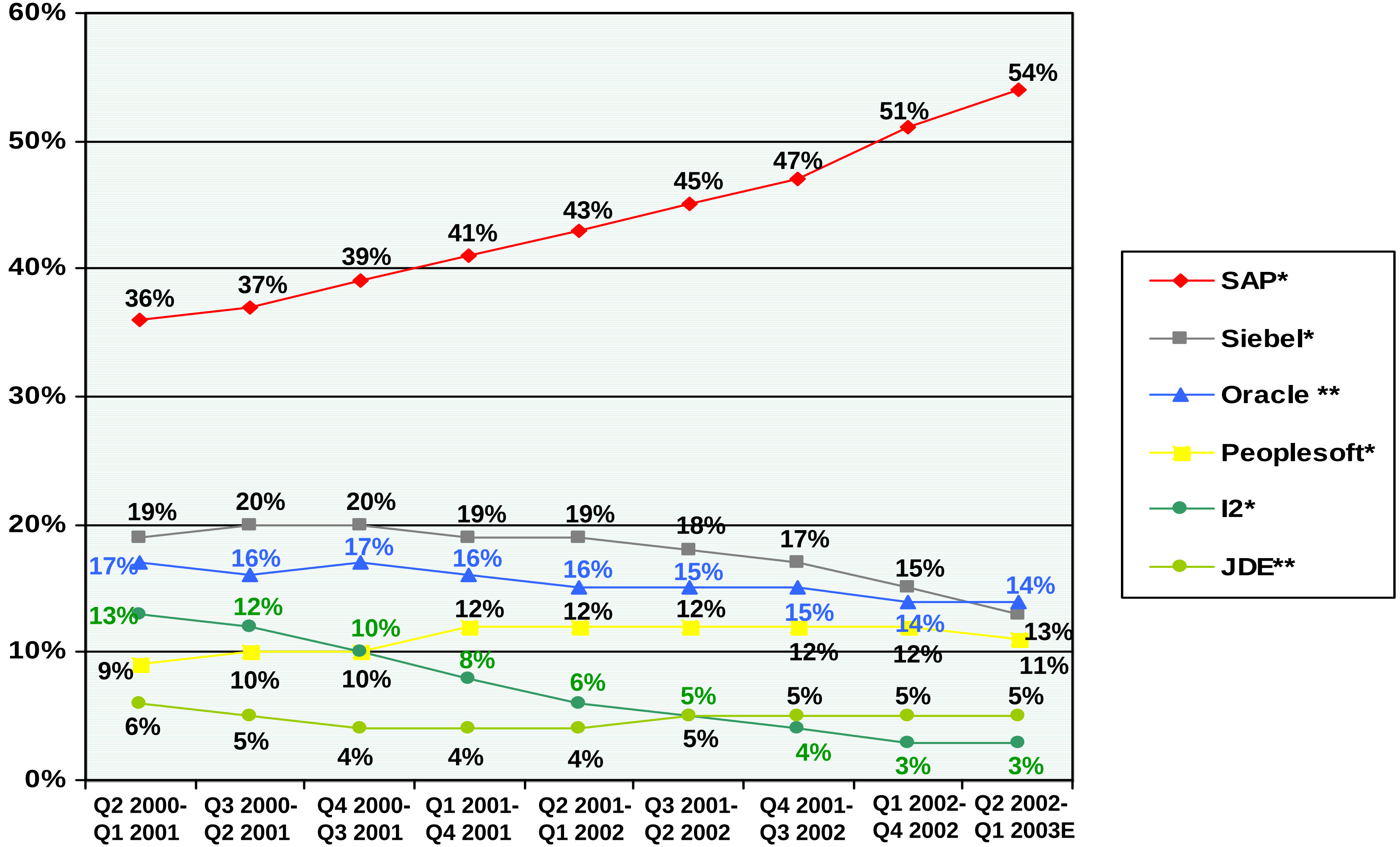
- CitiPower
- Daekyo
- Daewoo Shipbuilding
- Fraser & Neave
- Shanghai Pudong Development Bank

## Milestones

- SAP NetWeaver launched
- Enterprise Service Architecture
- mySAP SRM available
- Business One launched in US
- CeBit 2003

# Raising Market Share

## Total license revenue - Relative Market Shares
**(rolling 4 quarters; based on license revenues)**




Source: CMI Analysis based on Company Data and Financial Analysts Estimates as of April 8 2003
* Forecast by Company Data and Financial Analysts (SAP, Siebel, Peoplesoft, I2, JDE)
** Fiscal year is not calendar year - Comparison based on most recent quarter (e.g. SAP Q1 vs. Oracle Q3)



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# Agenda

➔ 1st Quarter 2003 Financials

License Revenue Analysis

Outlook 2003

# Key Figures – 1st Quarter 2003

| | Q1 2003 € millions | Q1 2002 € millions | Δ % |
|---|---|---|---|
| **License revenues** | 352 | 402 | -12<br>-4** |
| **Total revenues** | 1,520 | 1,658 | -8<br>1** |
| **Operating income**<br>- Margin as a % of sales | 298<br>20 | 186<br>11 | 60<br>9* |
| **Income before income taxes**<br>- Margin as a % of sales | 311<br>20 | 127<br>8 | 145<br>12* |
| **Net income**<br>- Margin as a % of sales | 186<br>12 | 65<br>4 | 186<br>8* |
| **Earnings per share** (in €) | 0.60 | 0.21 | 186 |

* percentage points

** % currency adjusted – actuals 2003 converted with the exchange rates of 2002

# Key Figures – 1st Quarter 2003

| | Q1 2003 € millions | Q1 2002 € millions | Δ % |
|---|---|---|---|
| **EBITDA**[2] | 348 | 240 | 45 |
| - Margin as a % of sales | 23 | 14 | 9* |
| **Pro forma Operating income** excl. stock-based comp. and acquisition-related charges[1] | 304 | 238 | 28 |
| - Margin as a % of sales | 20 | 14 | 6* |
| **Effective tax rate** | 40% | 47% | -7* |
| **Pro forma EPS** excluding stock-based compensation, acquisition-related charges, and impairment-related charges[1] | 0.64 | 0.35 | 83 |

* percentage points

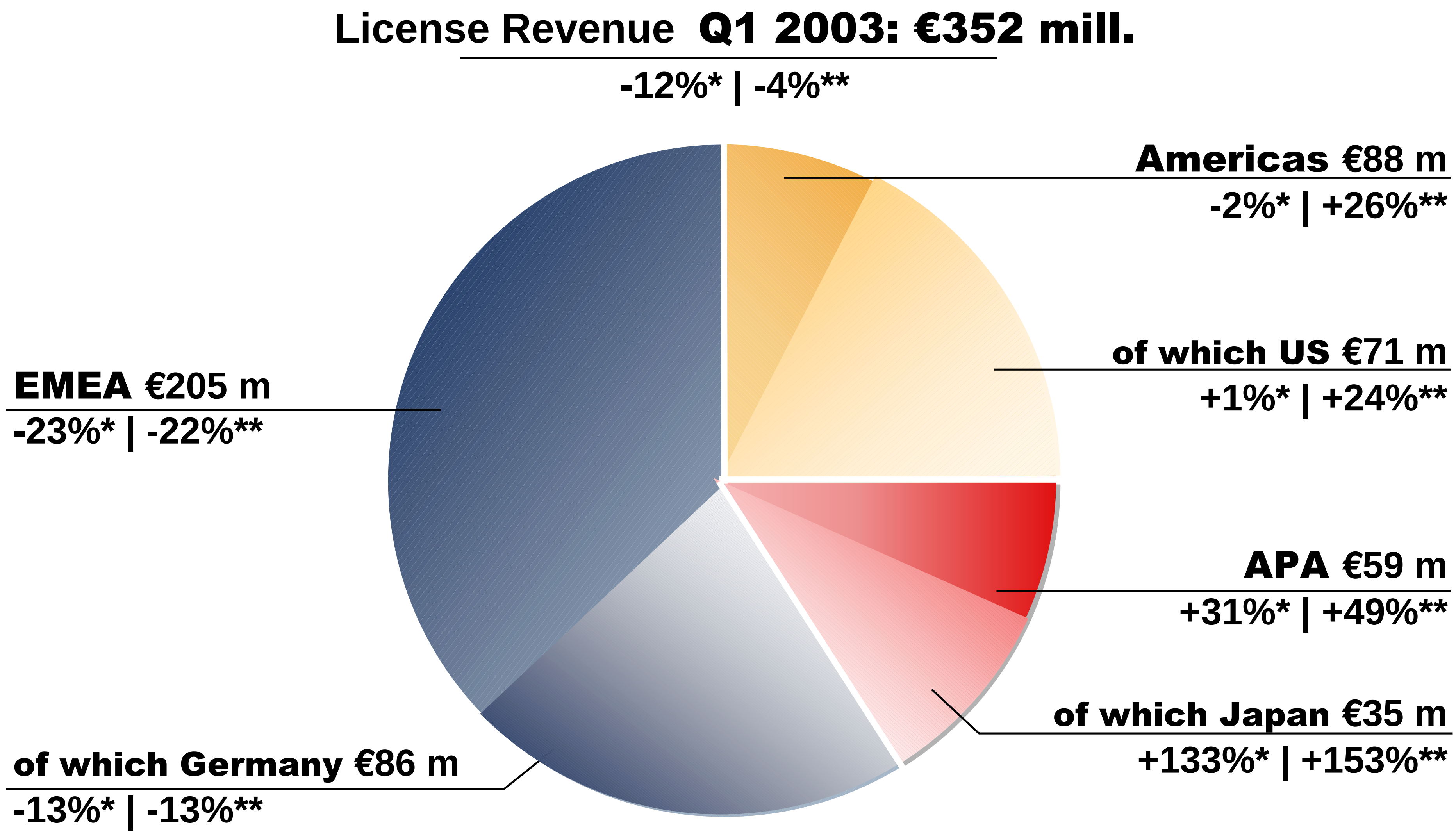
 

# Group Sales by Revenue Type – 1st Quarter 2003

| | Q1 2003 € millions | Q1 2002 € millons | △ % | Q1 2003 % of revenue | Q1 2002 % of revenue |
|---|---|---|---|---|---|
| **Product** | 960 | 999 | -4 | 63 | 60 |
| License | 352 | 402 | -12 | 23 | 24 |
| Maintenance | 608 | 597 | 2 | 40 | 36 |
| **Service** | 553 | 649 | -15 | 36 | 39 |
| Consulting | 476 | 539 | -12 | 31 | 33 |
| Training | 77 | 110 | -30 | 5 | 6 |
| **Other revenue** | 7 | 10 | -30 | 1 | 1 |
| **Total** | 1,520 | 1,658 | -8<br>1** | | |

** % currency adjusted – actuals 2003 converted with the exchange rates of 2002

# License Revenue by Region – 1st Quarter 2003



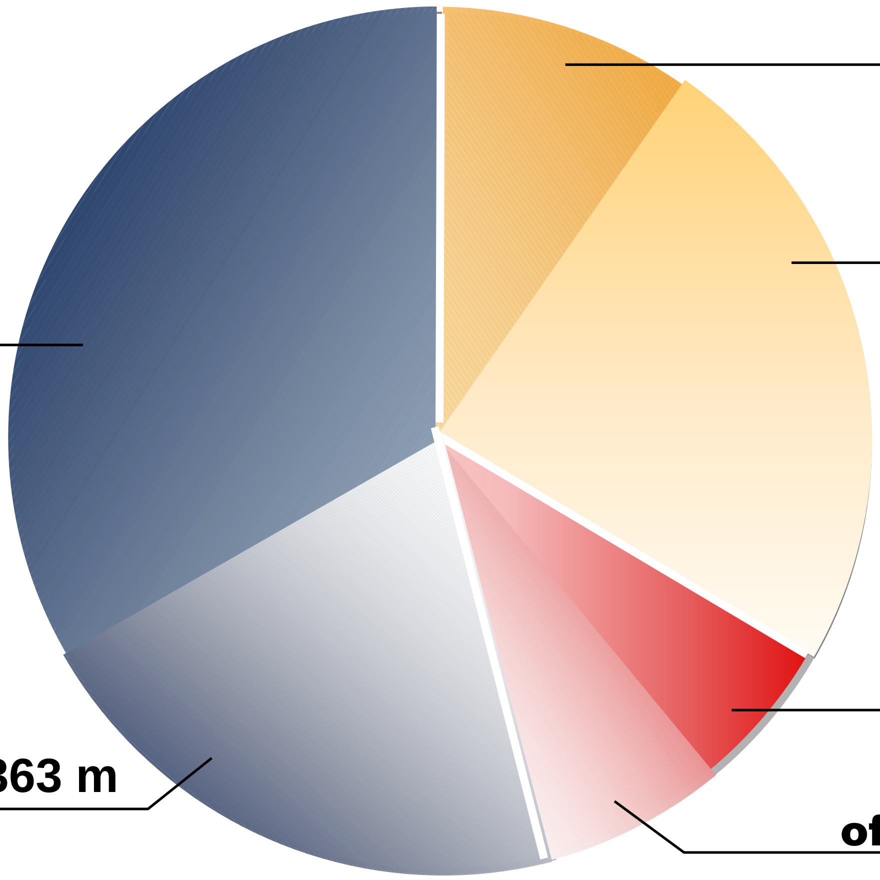

* Y-o-y growth

** % currency adjusted – actuals 2003 converted with the exchange rates of 2002

# Group Sales by Region – 1st Quarter 2003

**Total Revenue Q1 2003: €1,520 mill.**

**-8%* | +1%****




* Y-o-y growth

** % currency adjusted – actuals 2003 converted with the exchange rates of 2002

# Gross Margin Analysis – 1st Quarter 2003

| | Q1 2003 € millions | Q1 2002 € millions | Δ % |
|---|---|---|---|
| Product revenue | 960 | 999 | -4 |
| Cost of product | -184 | -221 | -17 |
| Product gross margin in % | 81 | 78 | 3* |
| Service revenue | 553 | 649 | -15 |
| Cost of service | -433 | -510 | -15 |
| Service gross margin in % | 22 | 21 | 1* |
| Product / Service revenue | 1,513 | 1,648 | -8 |
| Product / Service cost | -617 | -731 | -16 |
| Gross margin in % | 59 | 56 | 3* |

* In percentage points

# Cost Analysis – 1st Quarter 2003

| | Q1 2003 € millions | Q1 2002 € millions | Δ % | Δ % without SBCP |
|---|---|---|---|---|
| **Research & Development** | **-218** | **-222** | **-2** | |
| as % of sales | 14 | 13 | 1* | |
| **Sales & Marketing** | **-307** | **-402** | **-24** | |
| as % of sales | 20 | 24 | -4* | |
| **General & Admin.** | **-74** | **-115** | **-36** | |
| as % of sales | 5 | 7 | -2* | |
| **Other income/expenses** | **-6** | **-2** | **200** | |
| as % of sales | 0 | 0 | 0* | |
| **Total costs** | **-1,222** | **-1,472** | **-17** | **-14** |
| **Total revenues** | **1,520** | **1,658** | **-8** / **1**** | |

* In percentage points

** % currency adjusted – actuals 2003 converted with the exchange rates of 2002

# Worldwide Headcount* as of March 31, 2003

* in FTE

| | 03/2003 | 12/2002 | Δ abs. | Δ in % |
|---|---|---|---|---|
| **Group** | 28,654 | 28,797 | -143 | 0 |
| EMEA | 19,223 | 19,235 | -12 | 0 |
| Americas | 6,122 | 6,311 | -189 | -3 |
| APA | 3,309 | 3,251 | 58 | 2 |
| **Research & Development** | 8,195 | 7,966 | 229 | 3 |
| **Service & Support** | 12,432 | 12,753 | -321 | -3 |
| **Sales & Marketing** | 5,041 | 5,067 | -26 | -1 |
| **General & Administrative** | 2,986 | 3,011 | -25 | -1 |

| | Q1 2003 |
|---|---|
| **net new hires, FTE** | -143 |

# Consolidated Balance Sheet March 31, 2003

## Assets

| Mar 31, 03 | | Dec 31, 02 |
|---|---|---|
| 471 | Other assets | 490 |
| 1,886 | Liquid assets | 1,239 |
| 2,076 | Inventories/ Accounts receivable | 2,242 |
| 1,617 | Fixed assets | 1,639 |
| 6,050 | TOTAL | 5,610 |

## Shareholders‘ Equity & Liabilities

| Mar 31, 03 | | Dec 31, 02 |
|---|---|---|
| 667 | Other liabilities | 758 |
| 1,256 | Reserves, accrued liabilities | 1,562 |
| 53 | Minority interest | 56 |
| 1,114 | Deferred income | 362 |
| 2,960 | Shareholders‘ equity | 2,872 |
| 6,050 | TOTAL | 5,610 |

In € millions

# Balance Sheet & Cash Flow Analysis

* percentage points
** days

| in € mill. | Mar 31, 03 | Dec 31, 02 | △ % |
|---|---|---|---|
| DSO | 84** | 87** | -3** |

| | Q1 2003 | Q1 2002 | △ % |
|---|---|---|---|
| Change in Working Capital | 535 | 360 | 49 |
| Operating Cash Flow | 793 | 546 | 45 |
| CapEx | -37 | -58 | -36 |
| Free Cash Flow | 756 | 488 | 55 |
| Free Cash Flow as a % of Revenue | 50% | 29% | 21* |



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# Agenda

1st Quarter 2003 Financials

→ **License Revenue Analysis**

Outlook 2003

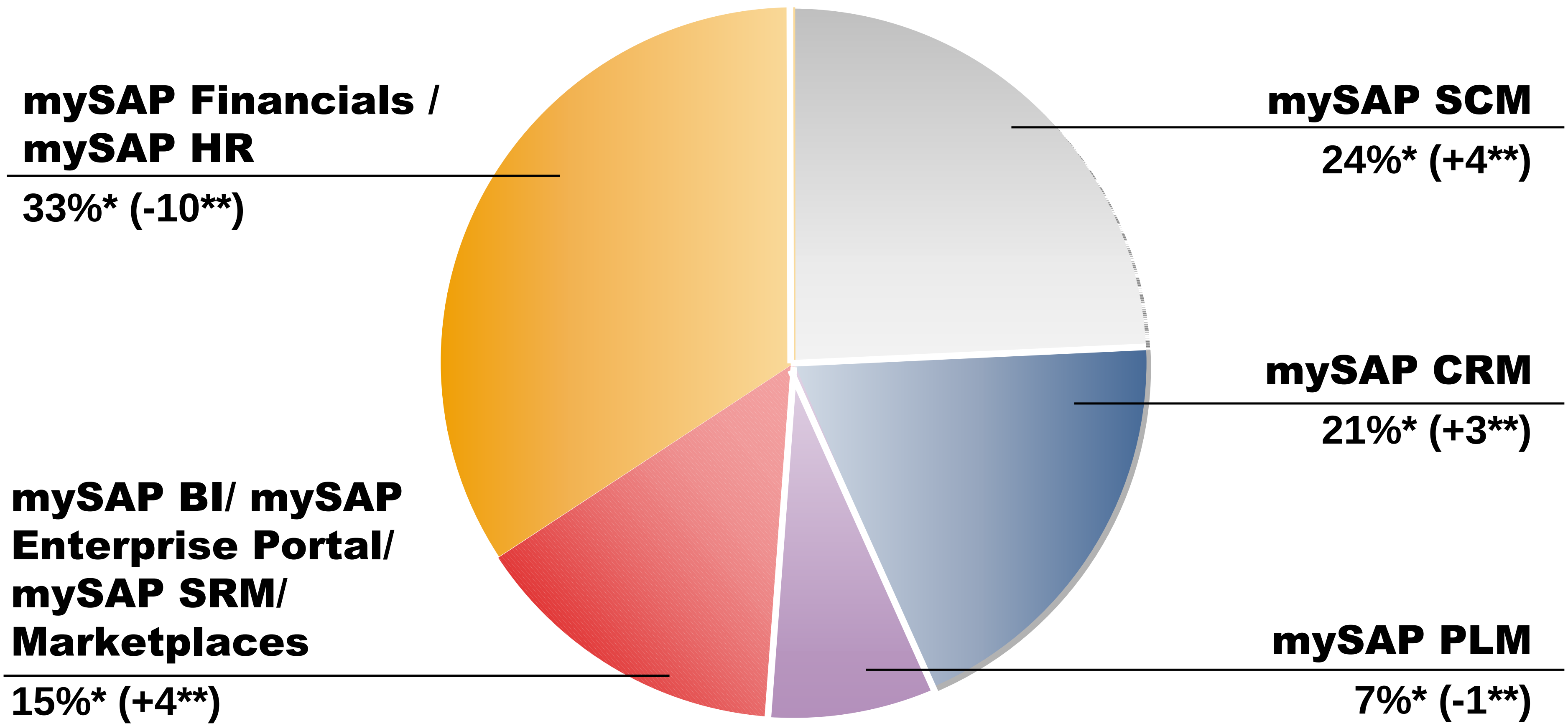
# License Revenue Analysis – by Order Entry

| | Q1 2003* % of license revenue | Q1 2002* % of license revenue | △ in percentage points |
|---|---|---|---|
| % mySAP Business Suite | 86% | 77% | 9 |
| % new customers mySAP BS | 29% | 31% | -2 |
| % new customers R/3, etc. | 19% | 11% | 8 |
| % new customers TOTAL | 28% | 27% | 1 |

* Based on order entry

# License Revenue Analysis – by Solution Q1 2003

## Total License Revenue Q1 2003 : € 352 mill.



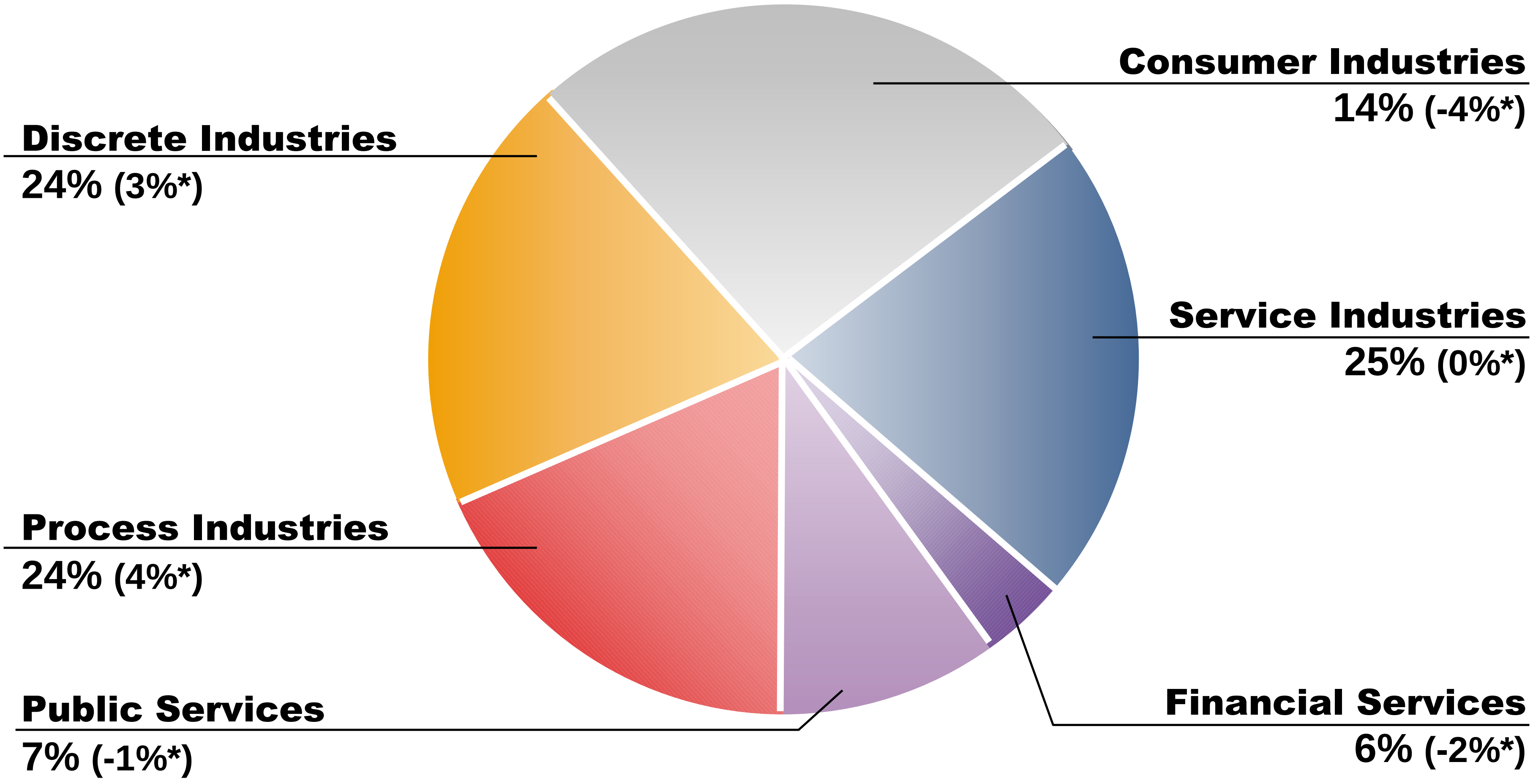

* Of license revenue

** Y-o-Y growth in percentage points

# License Revenue Analysis – by Solution Q1 2003

| | Q1 2003 € millions | Q1 2002 € millions | △ in % | Q1 2003 as % of revenue | Q1 2002 as % of revenue |
|---|---|---|---|---|---|
| mySAP CRM | 74 | 74 | 0 | 21 | 18 |
| mySAP SCM | 83 | 79 | 5 | 24 | 20 |
| mySAP PLM | 25 | 33 | -24 | 7 | 8 |
| mySAP BI / mySAP Enterprise Portal / mySAP SRM / Marketplaces | 52 | 44 | 18 | 15 | 11 |
| mySAP Financials / mySAP HR | 118 | 172 | -31 | 33 | 43 |

# License Revenue Analysis – by Industry Q1 2003




* Compared to FY 2002

# Agenda

1st Quarter 2003 Financials

License Revenue Analysis

→ **Outlook 2003**

# Outlook 2003

**While the world economy remains difficult and the geopolitical environment is still unpredictable, SAP has not changed its guidance for 2003. The Company expects to continue to gain market share, and based on modest revenue growth, continued cost containment and customer buying patterns in line with normal business seasonality, the Company continues to expect its 2003 pro forma operating margin,[1] excluding stock-based compensation programs and acquisition-related charges, to increase by around 1 percentage point compared to 2002. Pro forma earnings per share[1] for 2003, excluding stock-based compensation, acquisition-related charges and impairment-related charges are expected to be in the range of €3.45 per share to €3.60 per share.**

**Management does not provide its guidance on operating margin and earnings per share based on US-GAAP measures because these measures include expenses like stock based compensation, impairment related charges and acquisition related charges. Management deems these expenses as either not being meaningful to fully assess the financial performance of our core operations or as highly dependent on the movement of SAP's share price, or the share price of companies we acquire or in which we invest.**

# Pro forma information

[(1)] SAP has provided information in 2002 and 2001 using pro forma measures on a consolidated basis and released guidance based on these measures for 2003. Management believes that those pro forma measures provide supplemental meaningful information to the investor to fully assess our financial performance of the core operations. Management excludes stock-based compensation expenses because we have no direct influence over the actual expense of these awards once we enter into Stock-Based Compensation Plans.

Eliminated expenses in the pro forma measures are defined as follows:

- Acquisition-related charges include amortization of intangible assets acquired in acquisitions
- Impairment-related charges include other than temporary impairment charges on minority equity investments.
- Stock-based compensation includes expenses for stock-based compensation as defined under US GAAP (STAR and LTI 2000) as well as expenses related to the settlement of stock-based compensation plans in the context of mergers and acquisitions.

However these measures should be considered in addition to, and not as a substitute for, or superior to, operating income, cash flows, or other measures of financial performance prepared in accordance with generally accepted accounting principles. The pro forma measures used by us may be different from pro forma measures used by other companies.

# Pro forma information

[2] Management believes that EBITDA and free cash flow are widely accepted supplemental measures of evaluating operating performance and liquidity among companies. However these measures should be considered in addition to, and not as a substitute for, or superior to, operating income, cash flows, or other measures of financial performance prepared in accordance with generally accepted accounting principles.

# APPENDIX

# Key Figures – 1st Quarter 2003 Analysis – Part I

| | Q1 2003 € millions | Q1 2002 € millions | Δ % |
|---|---|---|---|
| **Operating income** | 298 | 186 | 60 |
| Depreciation & amortization | 50 | 54 | -7 |
| **EBITDA**[2] | 348 | 240 | 45 |
| **Operating income** | 298 | 186 | 60 |
| Stock-based compensation | 0 | 45 | -100 |
| Acquisition-related charges | 6 | 7 | -14 |
| **Pro forma Operating income** excl. stock- based comp. and acquisition-related charges[1] | 304 | 238 | 28 |
| **Finance income** | 3 | -59 | -105 |
| thereof impairment-related charges | -10 | -12 | -17 |



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# Key Figures – 1st Quarter 2003 Analysis – Part II

| | Q1 2003 € millions | Q1 2002 € millons | △ % |
|---|---|---|---|
| **Net income** | 186 | 65 | 187 |
| Stock-based compensation, net of tax | 0 | 29 | -100 |
| Acquisition-related charges, net of tax | 4 | 4 | 0 |
| Impairment-related charges, net of tax | 10 | 11 | -9 |
| **Pro forma Net income** excluding stock-based compensation, acquisition-related charges, and impairment-related charges(1) | 200 | 109 | 83 |
| | | | |
| **Earnings per share** (in €) | 0.60 | 0.21 | 186 |
| Stock-based compensation | 0.00 | 0.09 | -100 |
| Acquisition-related charges | 0.01 | 0.01 | 0 |
| Impairment-related charges | 0.03 | 0.04 | -25 |
| **Pro forma EPS** excluding stock-based compensation, acquisition-related charges, and impairment-related charges(1) | 0.64 | 0.35 | 83 |