

SAP Third-Quarter 2006 Results

SAP Senior Management

Oct. 19, 2006

Disclaimer:

Certain information discussed in this presentation including software license revenue, operating income, income before income tax, net income and earnings per share in the third quarter 2006 as well as operating income, income before income tax and net income in the second quarter 2006 is incorrect and has been superseded by information contained in footnote 2 (on page 23) and footnote 4 (on pages 24-27) of SAP's press release dated January 24, 2007 announcing SAP's 2006 preliminary results. The January 24, 2007 press release was furnished to the US Securities and Exchange Commission under cover of Form 6-K on January 25, 2007 - a link is attached here for convenience <http://www.sec.gov/Archives/edgar/data/1000184/000132693207000040/f01530exv99w1.htm>. Please read those footnotes carefully before reviewing this presentation and please disregard any information contained herein insofar as it relates to information that has been superseded (including figures derived from superseded information such as software and product revenue growth, operating margin and operating and net income growth).



SAP AG

Q3 & 9M 2006

Preliminary Results

Release

Oct. 19, 2006

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.

→ **Third Quarter & Nine Months 2006 At a Glance**

Revenue Analysis

Market Share Analysis

Operating Expense Analysis

Balance Sheet, Cash Flow & Headcount Analysis

Outlook 2006

Key Figures – Third Quarter 2006

	Q3 2006 € millions	Q3 2005 € millions	Δ %
Software revenues	691	590	17 20**
Total revenues	2,245	2,014	11 14**
Operating income	583	517	13
- margin as a % of sales	26.0	25.7	0.3*
Income before income taxes	598	517	16
- margin as a % of sales	26.6	25.7	0.9*
Effective tax rate	35.0%	35.2%	-0.2*
Net income	388	334	16
- margin as a % of sales	17.3	16.6	0.7*
Earnings per share (in €)	1.27	1.08	16

* percentage points

** % currency adjusted – actuals 2006 converted with the exchange rates of 2005



Key Figures – Third Quarter 2006

	Q3 2006 € millions	Q3 2005 € millions	Δ %
Pro forma operating income excl. stock-based comp. and acquisition-related charges¹⁾	606	520	17
- margin as a % of sales	27.0	25.8	1.2*
Pro forma EPS excluding stock-based compensation, acquisition-related charges, and impairment-related charges¹⁾	1.32	1.09	20

* percentage points

Key Figures – First Nine Months 2006

	9M 2006 € millions	9M 2005 € millions	Δ %
Software revenues	1,840	1,600	15 15***
Total revenues	6,481	5,759	13 12***
Operating income - margin as a % of sales	1,523 23.5	1,351 23.5	13 0**
Income before income taxes - margin as a % of sales	1,580 24.4	1,354 23.5	17 0.9**
Effective tax rate*	31.3%	35.1%	-3.8**
Net income* - margin as a % of sales	1,084 16.7	877 15.2	24 1.5**
Earnings per share* (in €)	3.53	2.83	24

* Nine months 2006 net income, earnings per share, pro forma net income and pro forma earnings per share were positively impacted by approximately €30 million, or €0.10 per share, from a second quarter reduced effective tax rate of 25% mainly due to a settlement with the fiscal authorities on one specific item.

** percentage points

*** % currency adjusted – actuals 2006 converted with the exchange rates of 2005

Key Figures – First Nine Months 2006

	9M 2006 € millions	9M 2005 € millions	Δ %
Pro forma operating income excl. stock-based comp. and acquisition-related charges¹⁾ - margin as a % of sales	1,621 25.0	1,397 24.3	16 0.7**
Pro forma EPS* excluding stock-based compensation, acquisition-related charges, and impairment-related charges¹⁾	3.75	2.94	27

* Nine months 2006 net income, earnings per share, pro forma net income and pro forma earnings per share were positively impacted by approximately €30 million, or €0.10 per share, from a second quarter reduced effective tax rate of 25% mainly due to a settlement with the fiscal authorities on one specific item.

** percentage points

Selected Customer Wins Third Quarter 2006

AMERICAS

- Banco Bradesco S.A
- Banesco
- Governo Estado do Ceará
- Servicios Nacional de Chocolates
- State of Michigan (Dept. of Treasury)
- Tiffin Motorhomes, Inc.

EMEA

- ABN Amro
- BMW AG
- Fujitsu Siemens Computers
- OC Oerlikon Management AG
- Stadt Nürnberg
- T-Systems Enterprise Services GmbH
- Tommy Hilfiger Europe B.V.

ASIA-PACIFIC

- AGL Corporate Services Pty Limited
- China National Offshore Oil Corp.
- Firefly Electric and Lighting Corp
- IndiaBulls Financial Services Limited
- Kyocera Mita Corporation
- Multimedia Development Corporation

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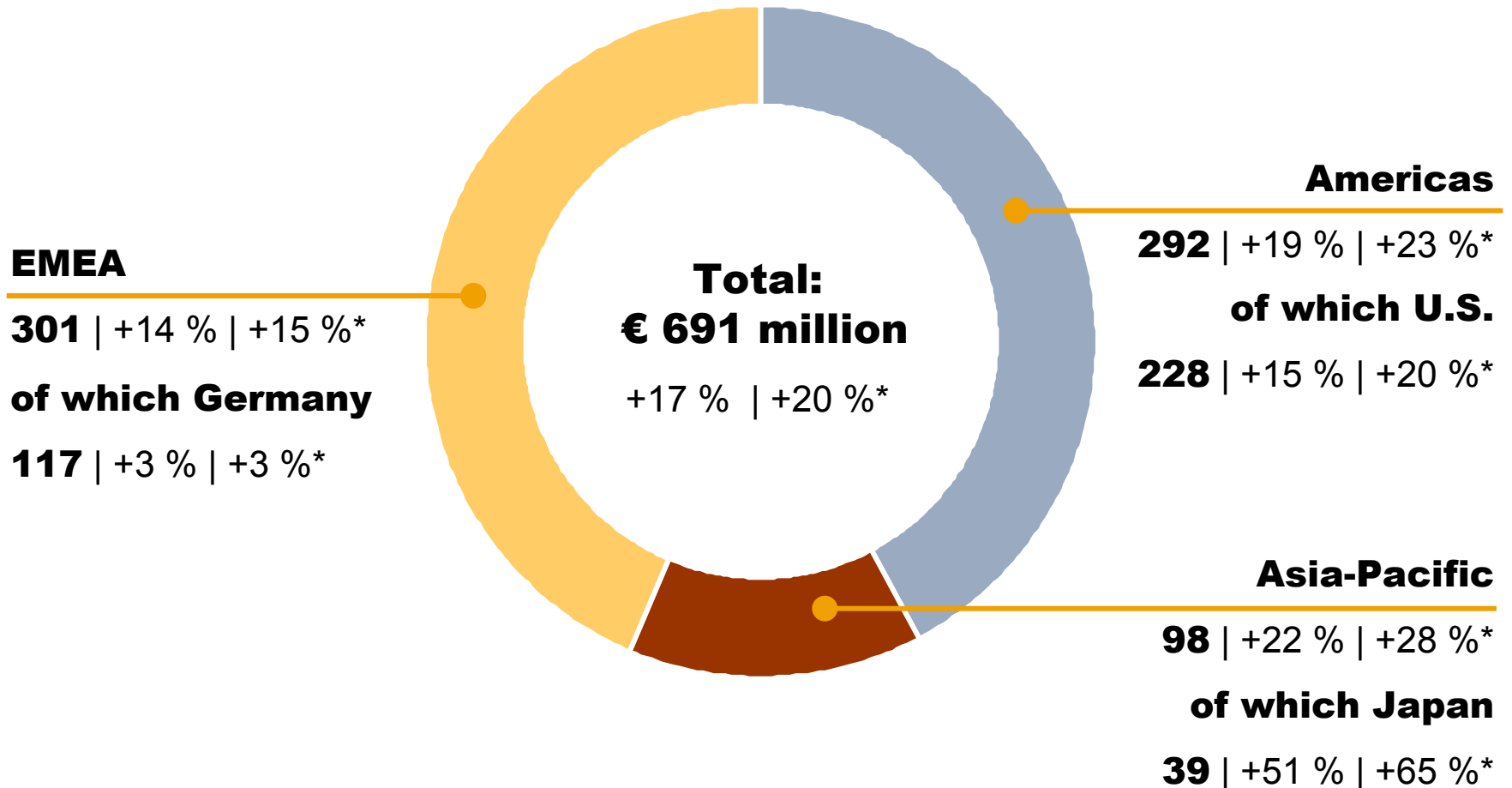
Group Sales by Revenue Type – Third Quarter 2006

	Q3 2006 € millions	Q3 2005 € millions	Δ %	Δ % currency adjusted	Q3 2006 % of revenue	Q3 2005 % of revenue
Product	1,575	1,392	13	16*	70	69
- Software	691	590	17	20*	31	29
- Maintenance	884	802	10	13*	39	40
Service	653	603	8	11*	29	30
- Consulting	562	519	8	11*	25	26
- Training	91	84	8	10*	4	4
Other revenue	17	19	-11	-10*	1	1
Total	2,245	2,014	11	14*	100	100

* % currency adjusted – actuals 2006 converted with the exchange rates of 2005

Software Revenue by Region – Third Quarter 2006

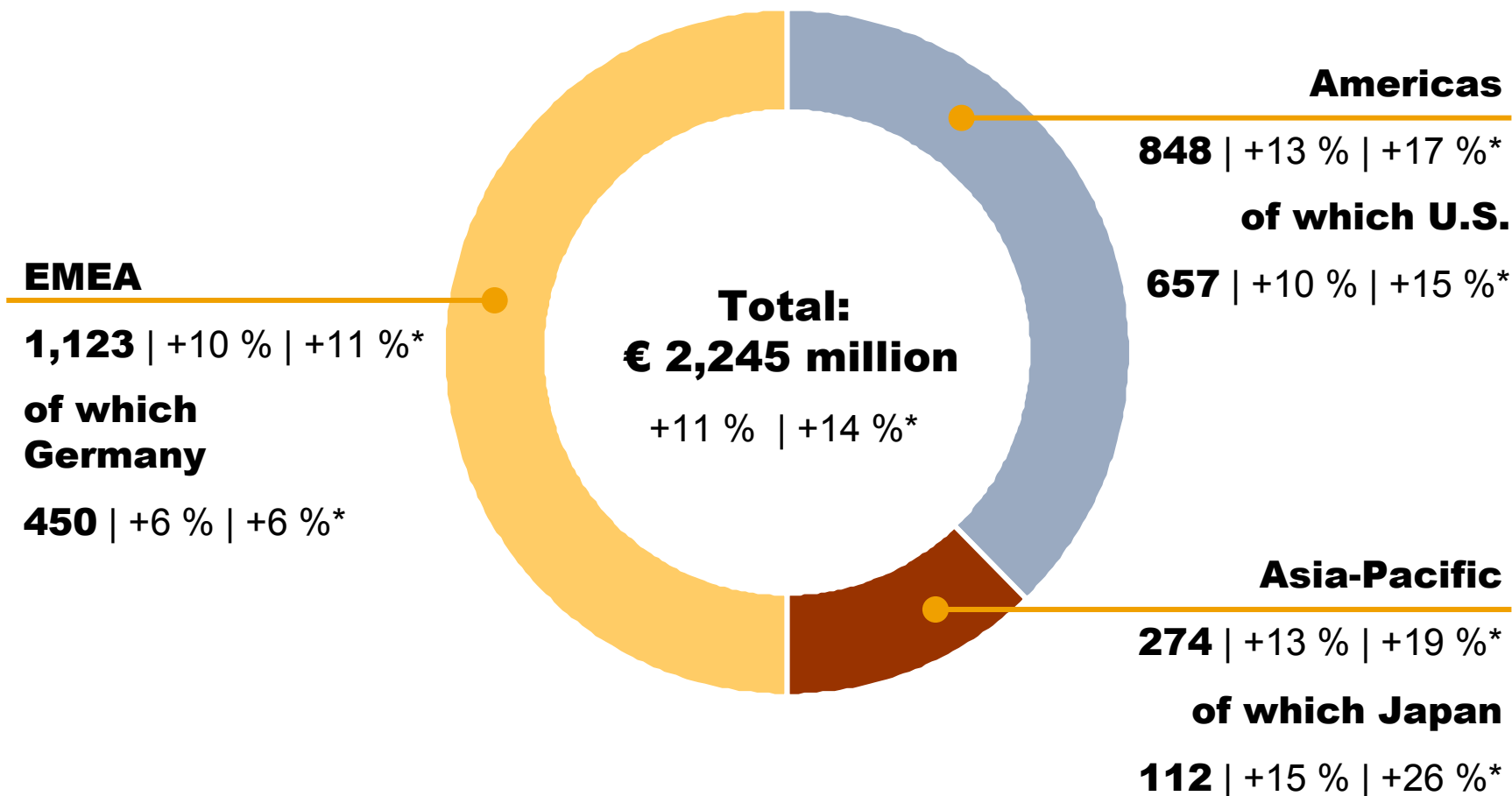
in € millions | percent change | percent constant currency change



* % currency adjusted – actuals 2006 converted with the exchange rates of 2005

Total Revenue by Region – Third Quarter 2006

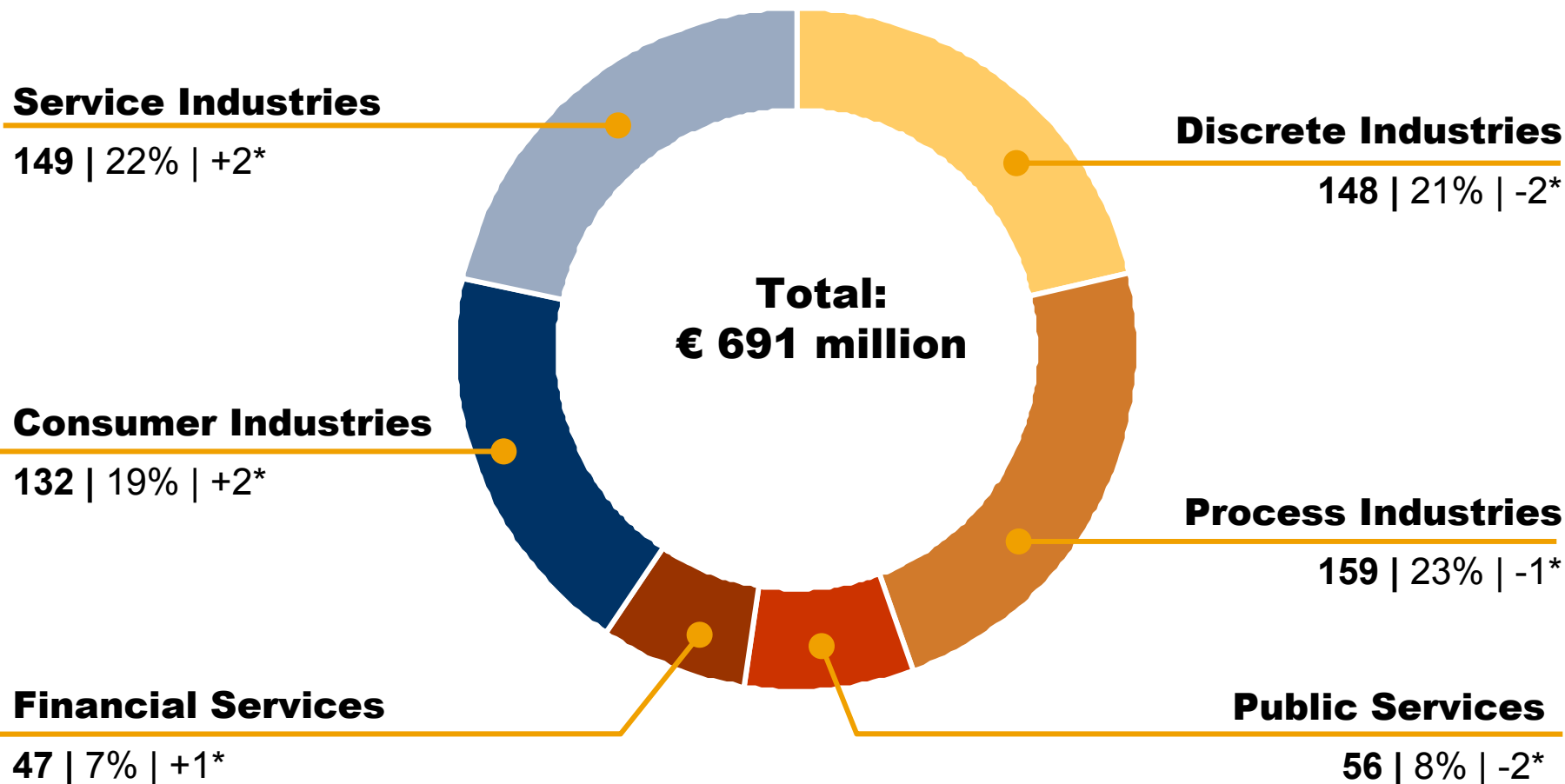
in € millions | percent change | percent constant currency change



* % currency adjusted – actuals 2006 converted with the exchange rates of 2005

Software Revenue by Industry – Third Quarter 2006

in € million | in percent of software revenue | change compared to FY 2005



* in percentage points

Third Quarter & Nine Months 2006 At a Glance

Revenue Analysis

→ Market Share Analysis

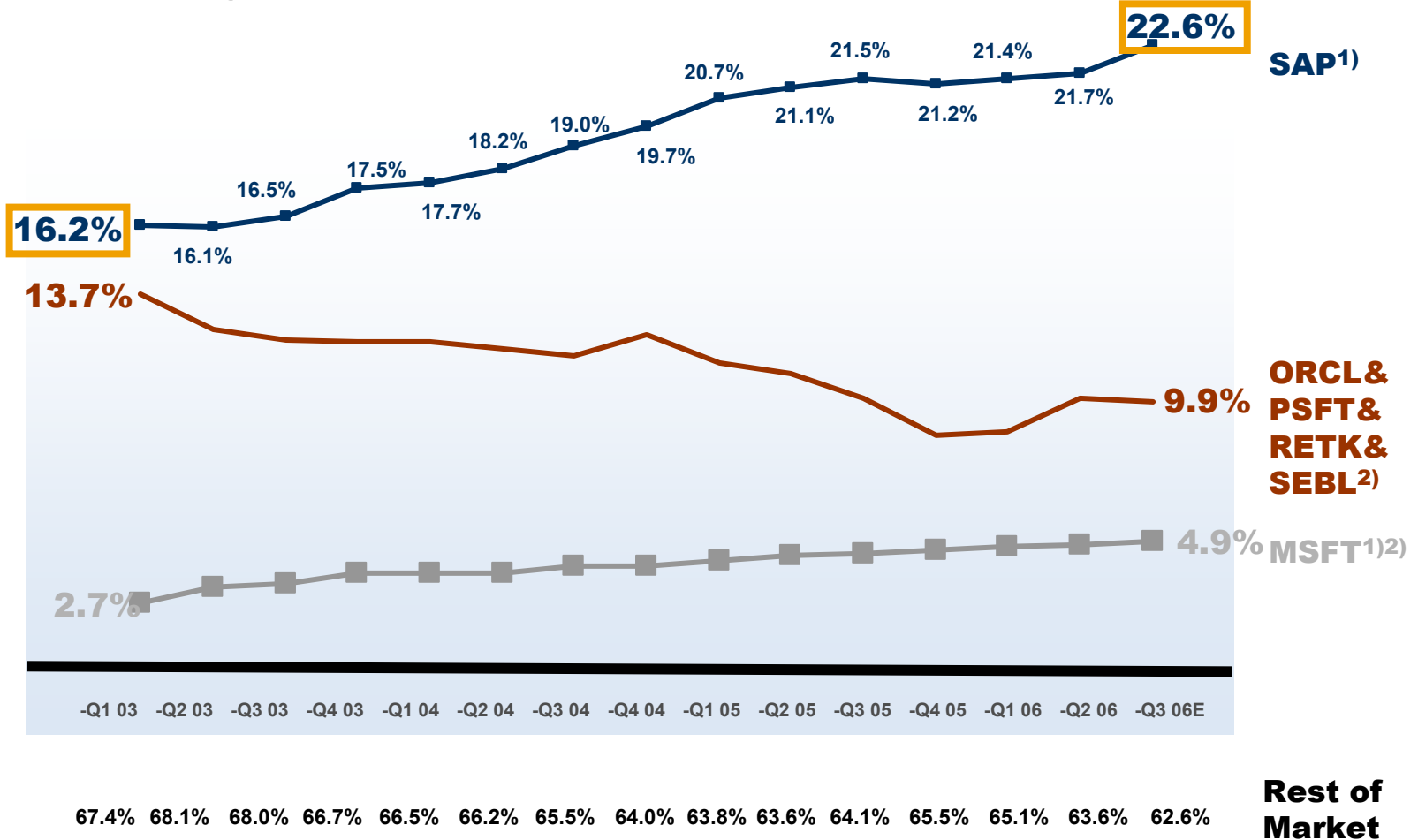
Operating Expense Analysis

Balance Sheet, Cash Flow & Headcount Analysis

Outlook 2006

SAP Global Market Share - \$16.4bn Relevant Market

SAP Global Software Market Share Core Enterprise Application Software Market Rolling 4 Quarters as of Q3 2006E Application Software Revenues



Source: SAP internal analysis based on Company Data and Financial Analysts Estimates as of October 12th 2006

¹⁾ Forecast by Financial Analysts (MSFT) and SAP internal estimates

²⁾ Fiscal year is not calendar year - Comparison based on most recent quarter (e.g. SAP Q1 vs. Oracle Q3)

Third Quarter & Nine Months 2006 At a Glance

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Outlook 2006

Pro Forma Gross Margin* Analysis – Third Quarter 2006

	Q3 2006 € millions	Q3 2005 € millions	Δ %
Product revenue	1,575	1,392	+13
pro forma cost of product¹⁾			
(excl. SBC & AC)*	-259	-235	+10
- Pro forma product gross margin ¹⁾ in %	83.5	83.1	+0.4 **
Service revenue	653	603	+8
pro forma cost of service¹⁾			
(excl. SBC & AC)*	-496	-463	+7
- Pro forma service gross margin ¹⁾ in %	24.0	23.2	0.8 **
Product + service revenue	2,228	1,995	12
pro forma product + service cost¹⁾			
(excl. SBC & AC)*	-755	-698	+8
- Pro forma gross margin ¹⁾ in %	66.1	65.0	+1.1 **

* all pro forma cost excluding stock-based compensation and acquisition-related charges

** in percentage points

Pro Forma Operating Cost* Analysis – Third Quarter 2006

	Q3 2006 € millions	Q3 2005 € millions	Δ %
Pro forma Research & Development¹⁾ - as % of total revenues	-326 14.5	-256 12.7	+27 +1.8 **
Pro forma Sales & Marketing¹⁾ - as % of total revenues	-448 20.0	-431 21.4	+4 -1.4 **
Pro forma General & Administration¹⁾ - as % of total revenues	-107 4.8	-108 5.4	-1 -0.6 **
Pro forma other income / expenses¹⁾	-3	-1	N/A
Pro forma total operating expenses¹⁾	-1,639	-1,494	+10

* all pro forma figures excluding stock-based compensation and acquisition-related charges

** in percentage points

Third Quarter & Nine Months 2006 At a Glance

Revenue Analysis

Market Share Analysis

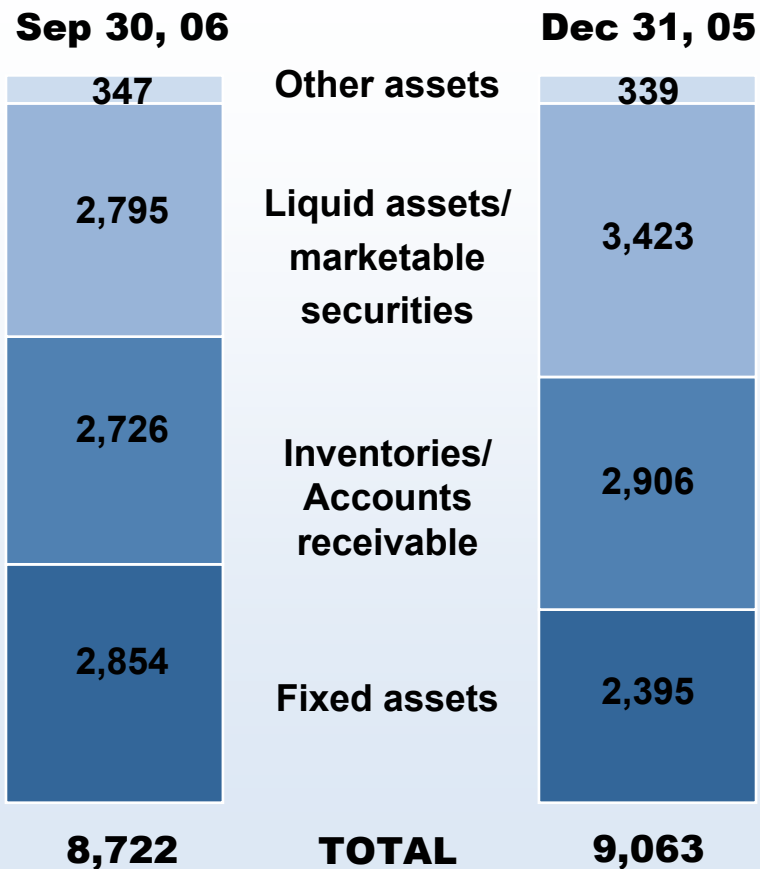
Operating Expense Analysis

→ Balance Sheet, Cash Flow & Headcount Analysis

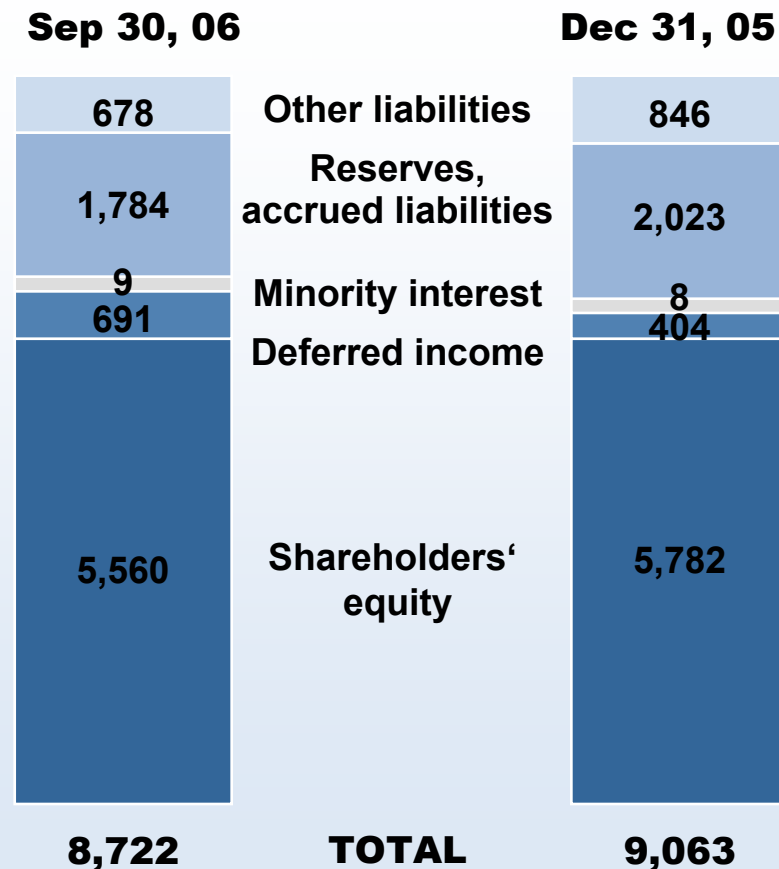
Outlook 2006

Consolidated Balance Sheet as of Sep 30, 2006

Assets



Shareholders' Equity & Liabilities



in € millions

Balance Sheet & Cash Flow Analysis

	09/30/06	12/31/05	Δ %
DSO	69 days	68 days	+1 day
Equity ratio	64%	64%	0*

* percentage points

in € millions	9M 2006	9M 2005	Δ %
Operating cash flow	1,267	1,084	17
- Capital expenditure	-233	-183	27
Free cash flow¹⁾	1,034	901	15
Free cash flow as a % of revenue	16%	16%	0*

* percentage points

Worldwide Headcount* as of Sep 30, 2006

	9/2006	6/2006	9/2005	△ % seq. Sept/Jun	△ % yoy 06/05
Group	38,468	37,743	35,022	2	10
- EMEA	22,097	21,951	21,439	1	3
- Americas	8,900	8,749	7,617	2	17
- Asia-Pacific	7,471	7,043	5,966	6	25
Product¹⁾	5,119	4,907	4,326	4	18
Service	11,296	11,331	11,360	0	-1
R & D	11,657	11,228	9,810	4	19
Sales & Marketing	6,957	6,890	6,274	1	11
General & Administration	2,332	2,278	2,189	2	7
Infrastructure²⁾	1,107	1,109	1,063	0	4
	Q3 2006				
Net new hires	725				

1) Support and Custom Development

2) IT and Facilities

* in full time equivalents



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→ Outlook 2006

The Company announced an update to its outlook for the full-year 2006:

- **The Company increased its expected full-year 2006 pro forma earnings per share¹⁾, which excludes stock-based compensation, acquisition-related charges and impairment-related charges. The Company now expects pro forma earnings per share¹⁾ to be slightly above the previously communicated range of €5.80 to €6.00 per share.**
- **The Company reaffirmed that it expects full-year 2006 product revenues to increase in a range of 13% - 15% compared to 2005. This growth rate is based on the Company's expectation for full-year 2006 software revenue growth in a range of 15% - 17% compared to 2005. From today's perspective it appears less likely that product or software revenue growth will reach the upper end of the aforementioned ranges.**
- **The Company reaffirmed that it expects the full-year 2006 pro forma operating margin¹⁾, which excludes stock-based compensation and acquisition-related charges, to increase in a range of 0.5 – 1.0 percentage points compared to 2005. From today's perspective it appears less likely that the pro forma operating margin¹⁾ increase will be at the upper end of the aforementioned range.**
- **The outlook continues to be based on an U.S. Dollar to Euro exchange rate of \$1.23 per €1.00.**
- **Expected headcount increase of ~3,500 FTEs.**

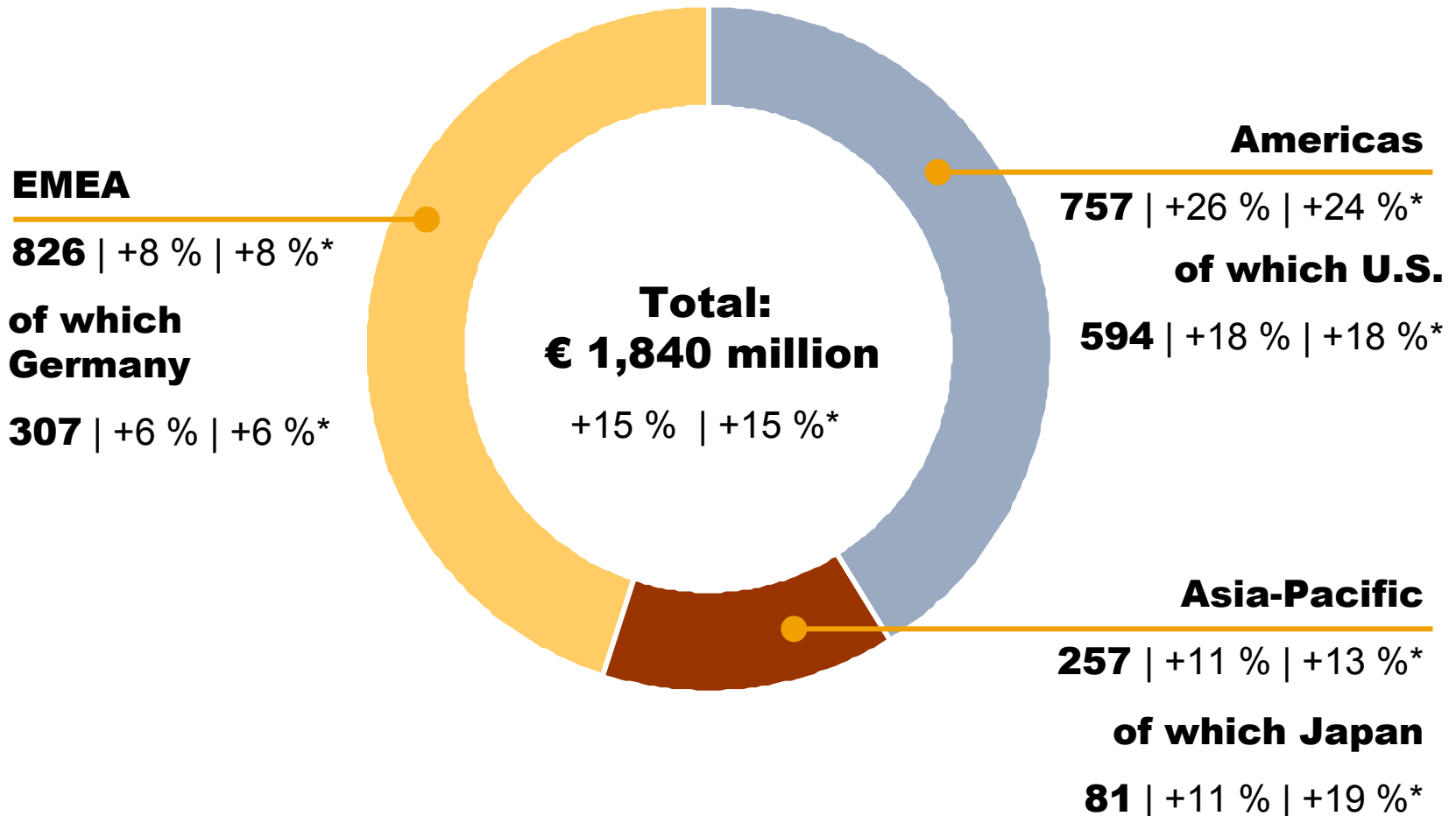


APPENDIX



Software Revenue by Region – First Nine Months 2006

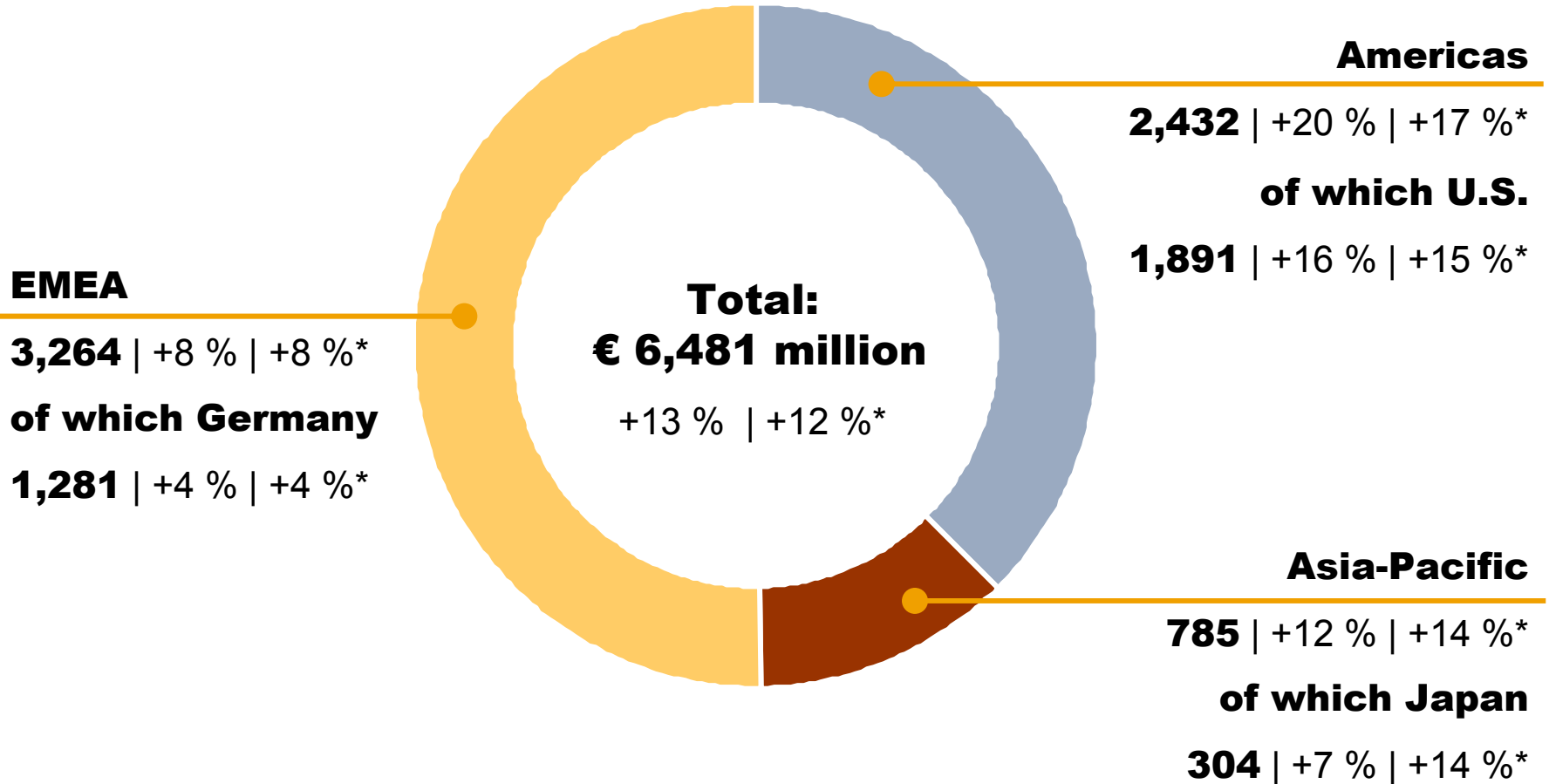
in € millions | percent change | percent constant currency change



* % currency adjusted – actuals 2006 converted with the exchange rates of 2005

Total Revenue by Region – First Nine Months 2006

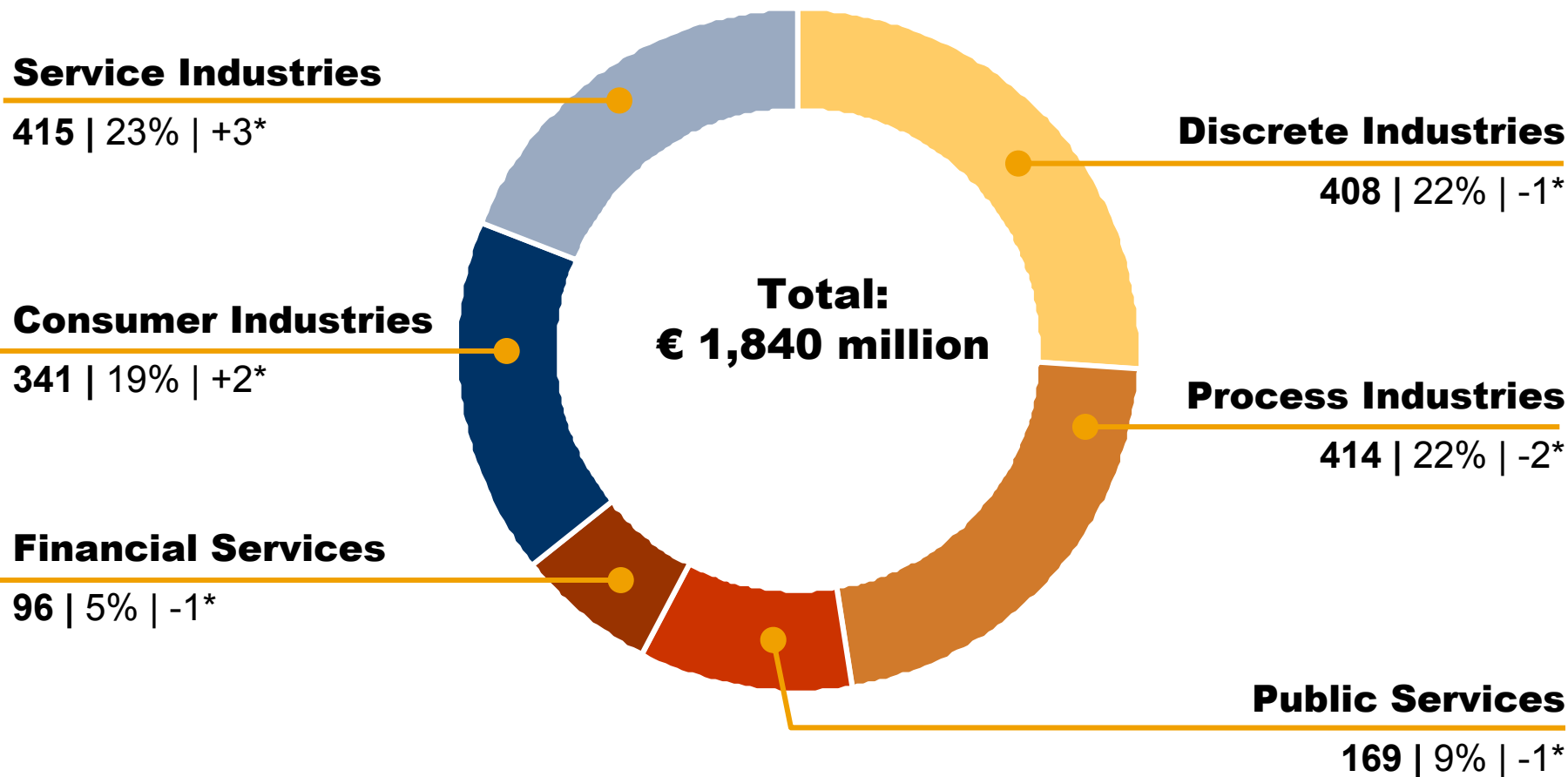
in € millions | percent change | percent constant currency change



* % currency adjusted – actuals 2006 converted with the exchange rates of 2005



Software Revenue by Industry – First Nine Months 2006

in € million | in percent of software revenue | change compared to FY 2005



* in percentage points

Operating Expenses¹⁾ – Third Quarter 2006

	Q3 2006 € millions		Q3 2005 € millions		 % yoy. U.S. GAAP incl. SBC/AC	 % yoy. pro forma excl. SBC/AC
	U.S. GAAP incl. SBC/AC	pro forma excl. SBC/AC	U.S. GAAP incl. SBC/AC	pro forma excl. SBC/AC		
Cost of product	-267	-259	-241	-235	11	10
Cost of service	-498	-496	-464	-463	7	7
R & D	-330	-326	-254	-256	30	27
Sales & Marketing	-452	-448	-430	-431	5	4
General & Administration	-112	-107	-107	-108	5	1
Other income / expense	-3	-3	-1	-1	N/A	N/A
Total costs	-1,662	-1,639	-1,497	-1,494	11	10

Key Figures – Third Quarter 2006 Analysis – Part I

	Q3 2006 € millions	Q3 2005 € millions	Δ %
Operating income (as reported under U.S. GAAP)	583	517	13
- <i>LTI / STAR</i>	14	-6	N/A
- <i>Settlement of stock-based compensation prog.</i>	0	0	N/A
- Total stock-based compensation	14	-6	N/A
- Acquisition-related charges	9	9	0
Pro forma operating income¹⁾ (excl. stock-based compensation and acquisition-related charges)	606	520	17
Finance income	19	11	73
- thereof impairment-related charges	-1	-1	0

Key Figures – Third Quarter 2006 Analysis – Part II

	Q3 2006 € millions	Q3 2005 € millions	Δ %
Net income (as rep. under U.S. GAAP)	388	334	16
- Stock-based compensation, net of tax	10	-4	N/A
- Acquisition-related charges, net of tax	6	6	0
- Impairment-related charges, net of tax	1	1	0
Pro forma net income¹⁾ excluding stock-based compensation, acquisition-related charges, and impairment-related charges	405	337	20
Earnings per share (in €) as reported under U.S. GAAP	1.27	1.08	16
- Stock-based compensation	0.03	-0.01	N/A
- Acquisition-related charges	0.02	0.02	0
- Impairment-related charges	0.00	0.00	0
Pro forma EPS¹⁾ excluding stock-based compensation, acquisition-related charges, and impairment-related charges	1.32	1.09	20

Pro Forma Information

(1) Non-GAAP Measures: This presentation discloses certain financial measures, such as pro-forma operating income, pro-forma operating margin, pro-forma expenses, pro-forma net income, pro-forma earnings per share (EPS), and currency-adjusted year-on-year changes in revenue and operating income, which are not prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and are therefore considered non-GAAP measures. The non-GAAP measures that SAP reports may not correspond to non-GAAP measures that other companies report. The non-GAAP measures that SAP reports should be considered as additional to, and not as a substitute for or superior to, operating income, operating margin, cash flows, or other measure of financial performance prepared in accordance with U.S. GAAP. The non-GAAP measures included in this report are reconciled to the nearest U.S. GAAP measure.

Pro-forma operating income, pro-forma operating margin, pro-forma expenses, pro-forma net income, pro-forma earnings per share (pro-forma EPS)

SAP believes that pro-forma operating income, pro-forma operating margin, pro-forma net income, and pro-forma EPS, all based on pro-forma expenses, provide supplemental meaningful information that can help investors assess the financial performance of the Company using the same measures that SAP uses in its internal management reporting.

The following expenses are eliminated from pro-forma expenses, pro-forma operating income, pro-forma operating margin, pro-forma net income, pro-forma EPS, and other pro-forma measures:

- Stock-based compensation, including expenses for stock-based compensation as defined under U.S. GAAP as well as expenses related to the settlement of stock-based compensation plans in the context of mergers and acquisitions. SAP excludes stock-based compensation expenses because it has no direct influence over the actual expense of these awards once it has entered into stock-based compensation commitments.
- Acquisition-related charges, including amortization of identifiable intangible assets acquired in acquisitions of businesses or intellectual property. Although acquisition-related charges include recurring items from past acquisitions such as amortization of acquired intangible assets, they also include an unknown component relating to current year acquisitions for which the Company has not yet finalized its purchase price allocation and therefore, cannot accurately assess the impact of the acquisition related charges.
- Impairment-related charges include other-than-temporary impairment charges on minority equity investments. These charges are excluded because they are outside the control of the Company's management.

The pro-forma measures disclosed are the same measures that SAP uses in its internal management reporting. Pro-forma operating income is one of the criteria, alongside the software revenue increase, for performance-related elements of management compensation.

In addition, SAP gives full year and long term guidance based on non-GAAP financial measures. The guidance is provided on pro-forma operating performance excluding stock-based compensation expenses and acquisition-related charges to focus on components that reflect the operational performance that management can directly influence and reasonably forecast for the periods covered by the guidance.

Free Cash Flow: Management believes that free cash flow is a widely accepted supplemental measure of liquidity among companies. Free cash flow measures a company's cash flow remaining after all expenditures required to maintain or expand the business have been paid off. SAP calculates free cash flow as operating cash flow minus capital expenditures. Free cash flow should be considered in addition to, and not as a substitute, or superior to, cash flow, or other measures of liquidity and financial performance prepared in accordance with U.S. GAAP.

Constant-Currency Period over Period Changes: SAP believes it is important for investors to have information that provides insight into its sales growth. Revenue amounts determined under U.S. GAAP provide information that is useful in this regard. Period over period changes in such revenue amounts are impacted by both growth in sales volume as well as currency effects. Under its business model SAP does not sell standardized units of products and services. Therefore SAP cannot provide relevant information on sales volume growth by providing data on the growth in product and service units sold. In order to provide additional information that is useful to investors in evaluating sales volume growth SAP presents information about its revenue and income growth adjusted for foreign currency effects. SAP calculates constant-currency period over period changes in revenue and income by translating foreign currencies using the average exchange rates from 2005 instead of 2006. Constant-currency period over period changes should be considered in addition to, and not as a substitute, or superior to, changes in revenues, expenses, income or other measures of financial performance prepared in accordance with U.S. GAAP.