



# **SAP AG**

## **Q1 2007**

### **Preliminary Results Release**

Walldorf, April 20, 2007

## 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.**

## → **First Quarter 2007 At a Glance**

**Revenue Analysis**

**Operating Expense Analysis**

**Balance Sheet, Cash Flow & Headcount Analysis**

**Outlook 2007**

## Key Figures – First Quarter 2007

	<b>Q1 2007</b> € millions	<b>Q1 2006</b> € millions	$\triangle$ %
<b>Software and Software Related Service Revenue</b>	<b>1,519</b>	<b>1,388</b>	<b>9</b> <b>15**</b>
<b>Total revenues</b>	<b>2,166</b>	<b>2,041</b>	<b>6</b> <b>11**</b>
<b>Operating income</b>	<b>433</b>	<b>409</b>	<b>6</b>
- margin as a % of sales	20.0	20.0	0*
<b>Income before income taxes</b>	<b>466</b>	<b>428</b>	<b>9</b>
- margin as a % of sales	21.5	21.0	0.5*
<b>Effective tax rate</b>	<b>33.5%</b>	<b>34.1%</b>	<b>-0.6*</b>
<b>Net income</b>	<b>310</b>	<b>282</b>	<b>10</b>
- margin as a % of sales	14.3	13.8	0.5*
<b>Earnings per share in €</b>	<b>0.26</b>	<b>0.23</b>	<b>10</b>

\* percentage points

\*\* % currency adjusted – actuals 2007 converted with the exchange rates of 2006

# Selected Customer Wins First Quarter 2007

## AMERICAS

- Adobe Systems, Inc.
- Diblo Corporativo, S.A. de C.V.
- INFRA S.A.
- Lojas Quero Quero S.A.
- Northwest Natural Gas
- Public Service Enterprise Group, Inc.

## EMEA

- Bobst SA
- Coop Norge AS
- Deutsche Lufthansa AG
- Grundfos Management A/S
- Service Birmingham Ltd.
- Swiss Re
- Wärtsilä Oyj Abp.

## ASIA PACIFIC JAPAN (APJ)

- Alaska Milk Corporation
- Fittec Electronics Co., Ltd.
- GMR Group
- KOBE STEEL, Ltd.
- Marubeni-Itochu Steel, Inc.
- The Hong Kong and China Gas
- Welspun India Limited

**First Quarter 2007 At a Glance**

**→ Revenue Analysis**

**Operating Expense Analysis**

**Balance Sheet, Cash Flow & Headcount Analysis**

**Outlook 2007**

# Group Sales by Revenue Type

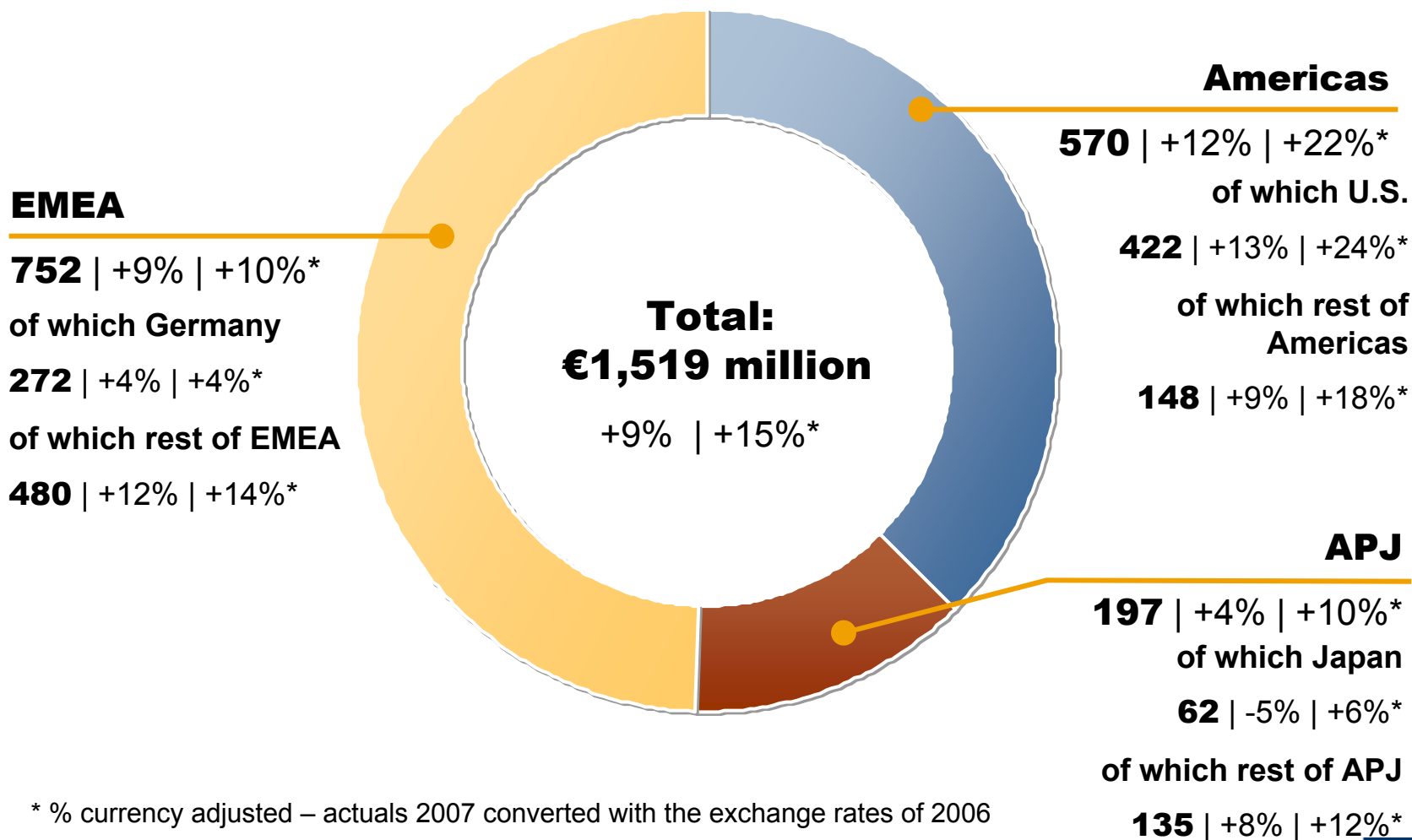
## First Quarter 2007

	<b>Q1 2007</b> € millions	<b>Q1 2006</b> € millions	$\Delta$ %	$\Delta$ % currency adjusted	<b>Q1 2007</b> % of revenue	<b>Q1 2006</b> % of revenue
Software	563	514	10	16*	26	25
Support	917	850	8	12*	42	42
Subscriptions and other softw. rel. serv.	39	24	63	70*	2	1
<b>SW &amp; SW related serv.</b>	<b>1,519</b>	<b>1,388</b>	<b>9</b>	<b>15*</b>	<b>70</b>	<b>68</b>
Consulting	518	535	-3	1*	24	26
Training	94	89	6	10*	5	5
Other services	28	22	27	32*	1	1
<b>Professional services</b>	<b>640</b>	<b>646</b>	<b>-1</b>	<b>3*</b>	<b>30</b>	<b>32</b>
<b>Other revenue</b>	<b>7</b>	<b>7</b>	<b>0</b>	<b>10*</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>2,166</b>	<b>2,041</b>	<b>6</b>	<b>11*</b>	<b>100</b>	<b>100</b>

\* % currency adjusted – actuals 2007 converted with the exchange rates of 2006

# Software and Software Related Service Revenue by Region First Quarter 2007

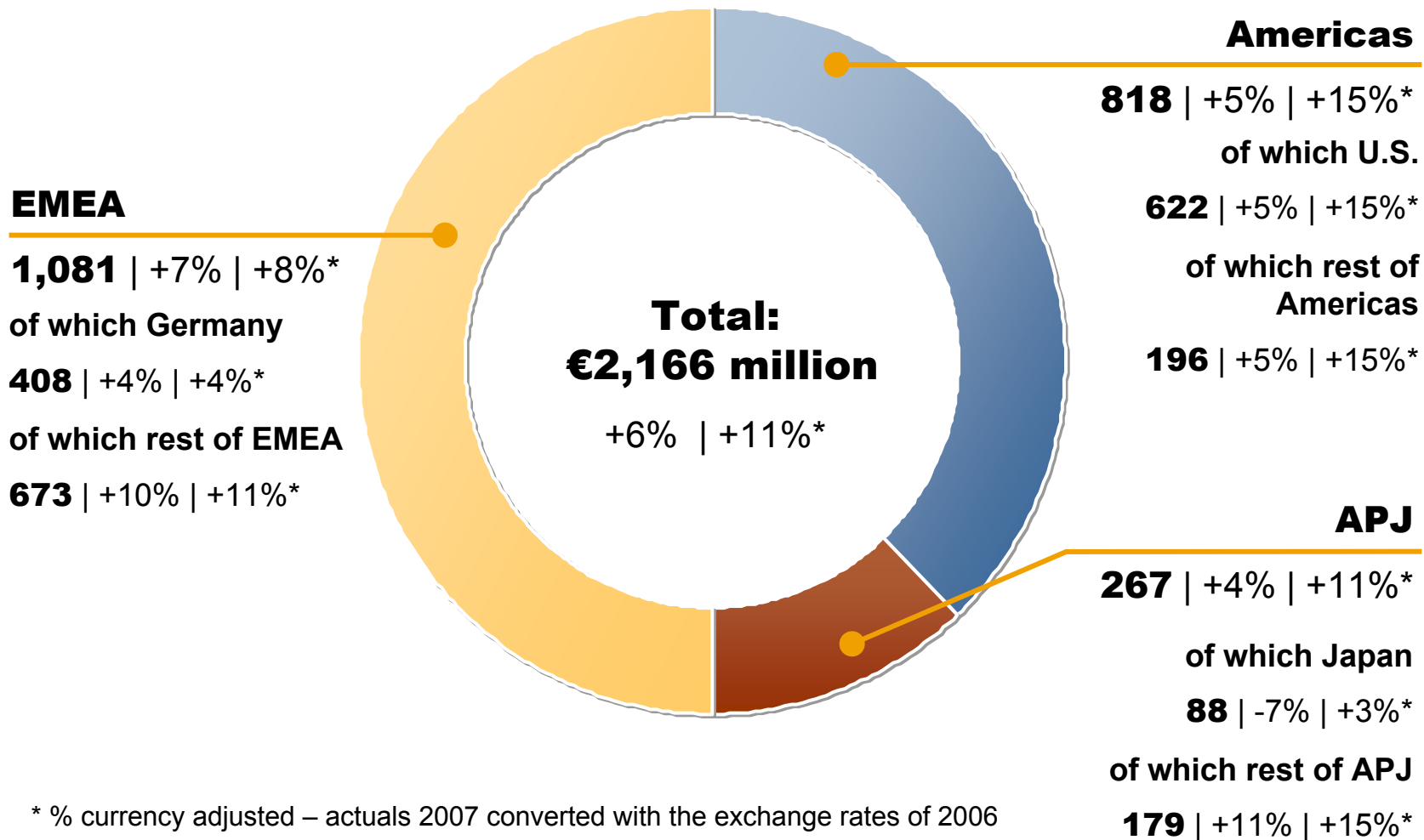
in € millions | yoy percent change | yoy percent constant currency change



\* % currency adjusted – actuals 2007 converted with the exchange rates of 2006

# Total Revenue by Region First Quarter 2007

in € millions | yoy percent change | yoy percent constant currency change



\* % currency adjusted – actuals 2007 converted with the exchange rates of 2006

**First Quarter 2007 At a Glance**

**Revenue Analysis**

**→ Operating Expense Analysis**

**Balance Sheet, Cash Flow & Headcount Analysis**

**Outlook 2007**

# Gross Margin Analysis – First Quarter 2007

	<b>Q1 2007</b> € millions	<b>Q1 2006</b> € millions	$\Delta$ %
<b>Software and software related service revenue</b>	<b>1,519</b>	<b>1,388</b>	<b>+9</b>
<b>Cost of software and software related services</b>	<b>-292</b>	<b>-271</b>	<b>+8</b>
- Software related gross margin in %	80.8	80.5	+0.3*
<b>Professional services and other serv. revenue</b>	<b>640</b>	<b>646</b>	<b>-1</b>
<b>Cost of professional services and other services</b>	<b>-505</b>	<b>-505</b>	<b>0</b>
- Professional services gross margin in %	21.1	21.8	-0.7*
<b>Software, software related service, professional services and other service revenue</b>	<b>2,159</b>	<b>2,034</b>	<b>+6</b>
<b>Cost of software, software related services, professional services and other services</b>	<b>-797</b>	<b>-776</b>	<b>+3</b>
- Gross margin in %	63.1	61.8	+1.3*

\* in percentage points




## Cost Analysis – First Quarter 2007

	<b>Q1 2007</b> € millions	<b>Q1 2006</b> € millions	$\Delta$ %
<b>Research &amp; Development</b> - as % of total revenues	<b>-339</b> 15.7	<b>-311</b> 15.2	<b>+9</b> 0.5*
<b>Sales &amp; Marketing</b> - as % of total revenues	<b>-480</b> 22.2	<b>-439</b> 21.5	<b>+9</b> 0.7*
<b>General &amp; Administration</b> - as % of total revenues	<b>-119</b> 5.5	<b>-110</b> 5.4	<b>+8</b> 0.1*
<b>Other operating income / expenses</b>	<b>+2</b>	<b>+4</b>	<b>-50</b>
<b>Total operating expenses</b>	<b>-1,733</b>	<b>-1,632</b>	<b>+6</b>
<b>Total revenues</b>	<b>2,166</b>	<b>2,041</b>	<b>+6</b>

\* in percentage points

# Operating Cost Analysis

	<b>2007</b> € millions	 volume	 currency	<b>2006</b> € millions
<b>Q1 total operating expenses</b>	<b>1,733</b>	<b>+169</b>	<b>-68</b>	<b>1,632</b>

- Personnel**  Hiring (3,847 FTEs, net since Q1 2006)
- 3rd Party**  Usage of third party services
- Travel**  Increased business activity

**First Quarter 2007 At a Glance**

**Revenue Analysis**

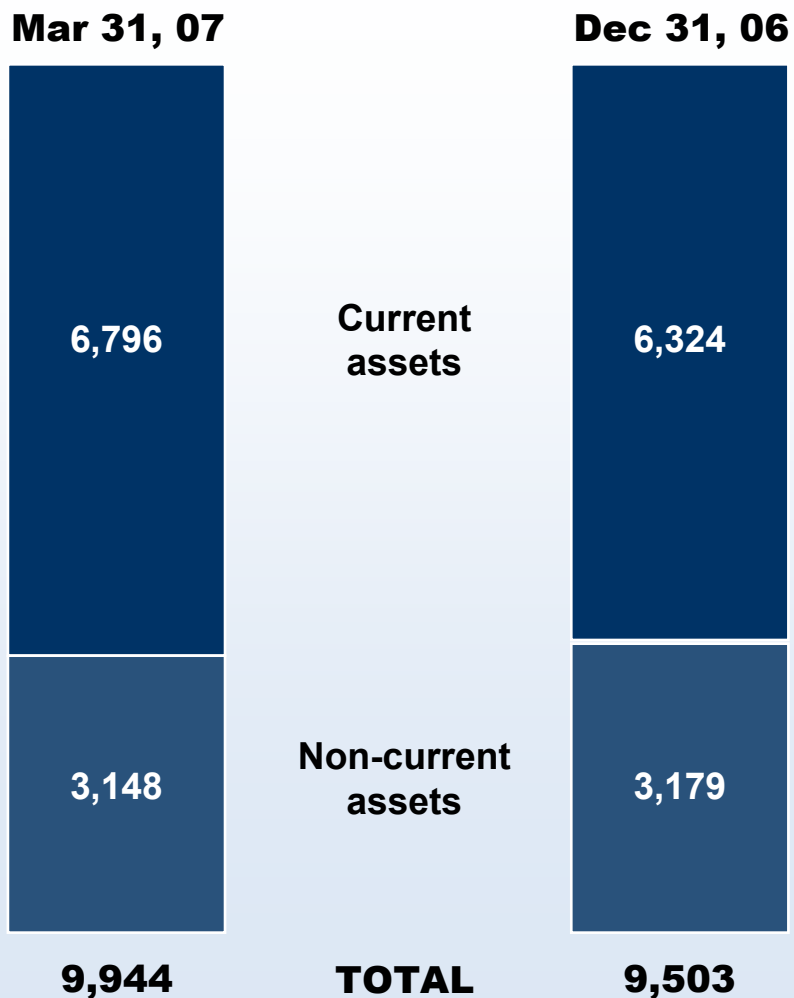
**Operating Expense Analysis**

**→ Balance Sheet, Cash Flow & Headcount Analysis**

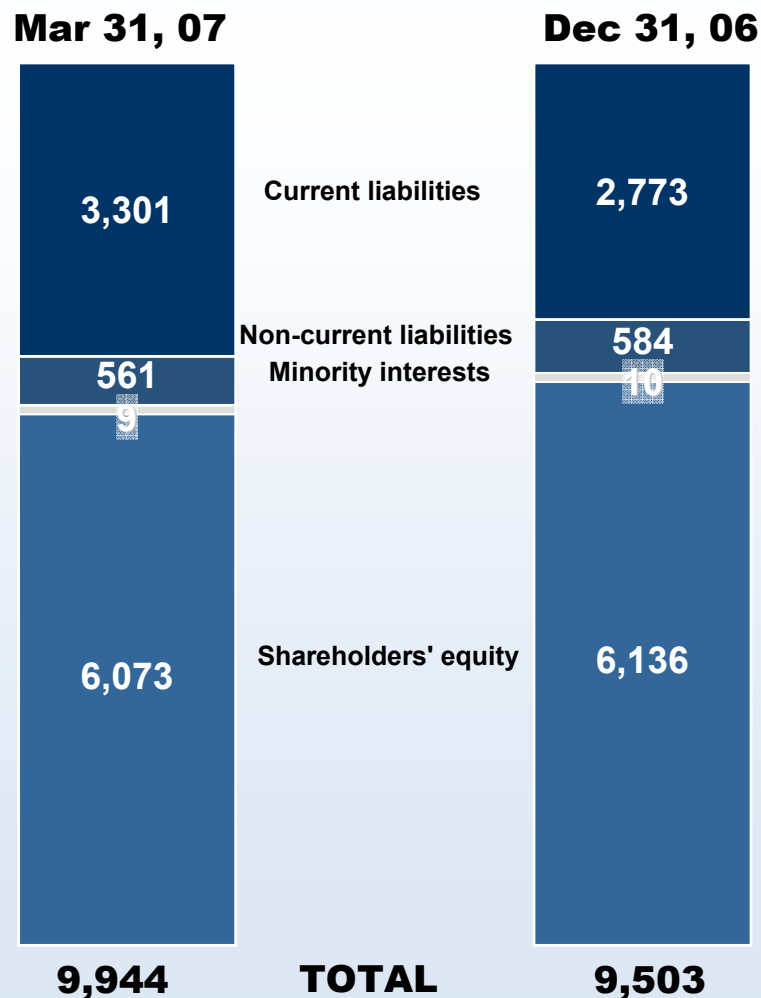
**Outlook 2007**

# Consolidated Balance Sheet as of Mar 31, 2007

## Assets



## Shareholders' Equity & Liabilities



in € millions

# Balance Sheet & Cash Flow Analysis

	<b>3/31/07</b>	<b>12/31/06</b>	$\Delta$ %
<b>DSO</b>	<b>67 days</b>	<b>68 days</b>	<b>-1 day</b>
<b>Equity ratio</b>	<b>61%</b>	<b>65%</b>	<b>-4 *</b>

\* percentage points

in € millions	<b>Q1 2007</b>	<b>Q1 2006</b>	$\Delta$ %
<b>Operating cash flow</b>	<b>848</b>	<b>858</b>	<b>-1</b>
- Capital expenditure	-79	-63	25
<b>Free cash flow<sup>1)</sup></b>	<b>769</b>	<b>795</b>	<b>-3</b>
<b>Free cash flow as a % of revenue</b>	<b>36%</b>	<b>39%</b>	<b>-3*</b>

\* percentage points

## Share Buy-Back



- **In Q1 2007 SAP bought back 9.6 million shares at an average price of €35.16 spending €339 million.**
  - **As of March 31, 2007, the Company held 58.3 million shares at an average price of €35.33 in Treasury stock, which represents approx. 4.6% of total shares outstanding**
  - **SAP used approximately 0.6 million treasury shares to service exercised options and for equity related compensation programs.**
- **Current share buy-back authorization allows SAP to buy back up to 120 million shares**
- **Given the Company's strong free cash flow<sup>1)</sup> generation, SAP plans to further evaluate opportunities to buy back shares in the future**

# Worldwide Headcount\* as of Mar 31, 2007

	<b>3/2007</b>	<b>12/2006</b>	<b>3/2006</b>	$\triangle$ % seq. Mar/Dec	$\triangle$ % yoy 07/06
<b>Group</b>	<b>40,494</b>	<b>39,355</b>	<b>36,647</b>	<b>3</b>	<b>11</b>
- EMEA	22,718	22,360	21,860	2	4
- Americas	9,650	9,225	8,240	5	17
- APJ	8,127	7,770	6,547	5	24
<b>SW &amp; SW rel. services**</b>	<b>5,590</b>	<b>5,368</b>	<b>4,673</b>	<b>4</b>	<b>20</b>
<b>Prof. &amp; other services</b>	<b>11,777</b>	<b>11,518</b>	<b>11,307</b>	<b>2</b>	<b>4</b>
<b>R &amp; D</b>	<b>11,936</b>	<b>11,801</b>	<b>10,649</b>	<b>1</b>	<b>12</b>
<b>Sales &amp; Marketing</b>	<b>7,477</b>	<b>7,082</b>	<b>6,670</b>	<b>6</b>	<b>12</b>
<b>General &amp; Administration</b>	<b>2,581</b>	<b>2,472</b>	<b>2,258</b>	<b>4</b>	<b>14</b>
<b>Infrastructure***</b>	<b>1,133</b>	<b>1,114</b>	<b>1,090</b>	<b>2</b>	<b>4</b>
	<b>Q1 2007</b>				
<b>Net new hires</b>	<b>1,139</b>				

\* In full time equivalents

\*\* Support and Custom Development

\*\*\* IT and Facilities

**First Quarter 2007 At a Glance**

**Revenue Analysis**

**Operating Expense Analysis**

**Balance Sheet, Cash Flow & Headcount Analysis**

**→ Outlook 2007**



■ The Company continues to provide the following outlook for the full-year 2007 as described in its January 24, 2007 fourth quarter results press release

- The Company expects full-year 2007 software and software related service revenues to increase in a range of 12% - 14% at constant currencies compared to 2006 growth of 12% at constant currencies
- In order to address additional growth opportunities in new, untapped segments in the midmarket, the Company will invest an additional €300 million – €400 million over eight quarters to build up a new business

Depending on the exact timing of these accelerated investments, this is equivalent to the Company reinvesting approximately one to two percentage points of margin in 2007 into additional future growth opportunities

Therefore, the Company expects the full-year 2007 operating margin to be in the range of 26.0% to 27.0% compared to the 2006 operating margin of 27.3%

- The Company is projecting an effective tax rate of 32.5% - 33.0% for 2007
- Expected headcount increase of ~3,500 FTE's

# Non-GAAP Measures (1/3)

## NON-GAAP MEASURES

This presentation discloses certain financial measures, such as free cash flow, and constant currency period-over-period changes in revenue and operating income, that are not prepared in accordance with U.S. GAAP and are therefore considered non-GAAP measures. Our non-GAAP measures may not correspond to non-GAAP measures that other companies report. The non-GAAP measures that we report should be considered as additional to, and not as substitutes for or superior to, revenue, operating income, cash flows, or other measures of financial performance prepared in accordance with U.S. GAAP. Our non-GAAP measures are reconciled to the nearest U.S. GAAP measure in this report.

### FREE CASH FLOW

We believe that free cash flow is a widely accepted supplemental measure of liquidity. Free cash flow measures a company's cash flow remaining after all expenditures required to maintain or expand the business have been paid off. We calculate free cash flow as operating cash flow minus additions to long-lived assets excluding additions from acquisitions. Free cash flow should be considered in addition to, and not as a substitute for or superior to, cash flow or other measures of liquidity and financial performance prepared in accordance with U.S. GAAP.

Reconciliation three months ended March 31

€ millions | unaudited

	2007	2006
Net cash provided by operating activities	848	858
Additions to long-lived assets excluding additions from acquisitions	79	63
Free cash flow	769	795

## CONSTANT CURRENCY PERIOD-OVER-PERIOD CHANGES

We believe it is important for investors to have information that provides insight into our sales growth. Revenue measures determined under U.S. GAAP provide information that is useful in this regard. However, both growth in sales volume and currency effects impact period-over-period changes in sales revenue. We do not sell standardized units of products and services, so we cannot provide relevant information on sales volume growth by providing data on the growth in product and service units sold. To provide additional information that may be useful to investors in breaking down and evaluating sales volume growth, we present information about our revenue growth and various values and components relating to operating income that are adjusted for foreign currency effects. We calculate constant currency year-over-year changes in revenue and operating income by translating foreign currencies using the average exchange rates from the previous (comparator) year instead of the report year.

Constant currency period-over-period changes should be considered in addition to, and not as a substitute for or superior to, changes in revenues, expenses, income, or other measures of financial performance prepared in accordance with U.S. GAAP.

## Non-GAAP Measures (2/3)

We believe that data on constant currency period-over-period changes have limitations, particularly as the currency effects that are eliminated constitute a significant element of our revenues and expenses and may severely impact our performance. We therefore limit our use of constant currency period-over-period changes to the analysis of changes in volume as one element of the full change in a financial measure. We do not evaluate our growth and performance without considering both constant currency period-over-period changes on the one hand and changes in revenues, expenses, income, or other measures of financial performance prepared in accordance with U.S. GAAP on the other. We caution the readers of this report to follow a similar approach by considering constant currency period-over-period changes only in addition to, and not as a substitute for or superior to, changes in revenues, expenses, income or other measures of financial performance prepared in accordance with U.S. GAAP.

Constant currency year-over-year changes in revenue and operating income reconcile to the respective unadjusted year-over-year changes as follows:

Reconciliation 1st Quarter  
in %

	Percentage change from 2006 to 2007 as reported	Constant currency percentage change from 2006 to 2007	Currency effect
	%	%	%
Software revenue	10	16	-6
Support revenue	8	12	-4
Subscription and other software related service revenue	63	70	-7
<b>Software and Software Related Service Revenue</b>	9	15	-6
Consulting revenue	-3	1	-4
Training revenue	6	10	-4
Other service revenue	27	32	-5
<b>Professional Services and Other Service Revenue</b>	-1	3	-4
Other revenue	0	10	-10
<b>Total revenue</b>	6	11	-5
<b>Software revenue:</b>			
EMEA region	8	9	-1
Americas region	11	22	-11
Asia Pacific Japan region	10	16	-6
<b>Software revenue</b>	<b>10</b>	<b>16</b>	<b>-6</b>

## Non-GAAP Measures (3/3)

<b>Software and Software Related Service Revenue by Region <sup>1)</sup>:</b>			
Germany	4	4	0
Rest of EMEA Region	12	14	-2
<b>EMEA region</b>	9	10	-1
United States	13	24	-11
Rest of Americas region	9	18	-9
<b>Americas region</b>	12	22	-10
Japan	-5	6	-11
Rest of Asia Pacific Japan region	8	12	-4
<b>Asia Pacific Japan region</b>	4	10	-6
<b>Software and Software Related Service Revenue</b>	9	15	-6
<b>Total Revenues by Region <sup>1)</sup>:</b>			
Germany	4	4	0
Rest of EMEA Region	10	11	-1
<b>EMEA region</b>	7	8	-1
United States	5	15	-10
Rest of Americas region	5	15	-10
<b>Americas region</b>	5	15	-10
Japan	-7	3	-10
Rest of Asia Pacific Japan region	11	15	-4
<b>Asia Pacific Japan region</b>	4	11	-7
<b>Total revenue</b>	6	11	-5

<sup>1)</sup> Based on customer location