UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
Case Number: C 04-00807 VRW
DEFT EXHIBIT NO. D5822
Date Admitted:
By:

From: Cindy Bates
Sent: Tuesday, June 17, 2003 9:34 PM
To: Steve Ballmer; Bill Gates; Doug Burgum; Paul Flessner; Eric Rudder; Richard Emerson
Cc: Tivanka Ellawala; Dave O'Hara (MBS)
Subject: FW: Re: Mensa/Sagittarius combination

Sensitivity: Confidential

ProjectConstellation – June17...

Enclosed is a presentation outlining our preliminary view of a Sagittarius/Mensa combination. My understanding from Doug was that there was some degree of urgency in the request and thus what I'm sending is the result of only a few days of concentrated effort. Given the timing, our assumptions are high level and have not benefited from your input or the input of select others in the business groups and finance who would provide valuable insight.

To highlight just a few takeaways:

- Pegasus' aggressive defensive moves may well thwart Ophiuchus' hostile bid. But regardless of the outcome, the dynamics in the industry have changed. We should think proactively in determining our fate, as no doubt the folks in Armonk are doing. It is probably wise to let Sagittarius know that we would be willing to have conversations with them (with some indication of reasonably aggressive pricing) so that should Indus change its stated strategy and approach Sagittarius about an acquisition, we would be positioned to have a seat at the table too. If we did decide to approach them more proactively, it would be important to have a well-thought through proposition beforehand. They would no doubt test the market by also approaching Indus and at that point, besides monetary terms, it would come down to which firm would be a better partner for the continued strength and growth of Sagittarius, their management and employees.
- Redacted Redacted
- With what seem to be reasonable, high level assumptions, the financial benefits of a transaction could justify a likely market clearing price. A deal would be accretive in Redacted up to a Redacted premium, including our preliminary synergy assumptions and excluding Redacted of amortization. Given the magnitude and the Redacted year cliff on these amortization charges, the Street would likely look through them. The positive financial impact is compounded if we believe our relationship with Sagittarius is at risk of a much tighter "alliance" between them and Indus.
- Redacted

One significant strategic question is how such a combination would impact our strategy of building a global eco-system of ISVs, targeting especially the SMB space. In the enterprise space one could argue that given the consolidation trends (and Sagittarius' strong and broad offering), it's less of an issue. Strengthening our SI relationships through a combination with Sagittarius would likely outweigh alienation of the remaining large enterprise ISVs.

However, determining if a combination would impede us in developing our strategy of building a robust global partner eco-system to verticalize our current Business Solutions products is an important consideration. I'm aware that there is a strategy project getting underway to analyze the vertical question. Our current assumption is that Sagittarius' vertical expertise for the enterprise is not something we could (or would?) scale down for distribution through our SMB channel.

Obviously there are many nuances to such a discussion and this deck does not include all of those.

Opportunity Review Material

Project Constellation

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1 Executive Summary

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Changing Dynamics in the Enterprise Software Market

Announcements by Pegasus and Ophiuchus underline changing industry assumptions

- Overall industry R&D and S&M spending are not justified by current levels of license revenue
  - Maintenance revenue currently drives profitability of many participants
  - Development and sales of a new release is a negative NPV project for many smaller participants
- Acquisition of companies with customers on obsolete platforms can be more economical than competing for the customers – the "Sage" model of acquisition for service and maintenance revenue streams, and for an improved chance to ultimately migrate the customers
- Better-integrated products are better for customers, while capturing more revenue for core vendors
  - Ophiuchus' future ERP releases would continue to require Ophiuchus databases
  - Sagittarius (with increased functionality of NetWeaver) and Mensa also moving in this direction

➢ Spread of these assumptions likely to accelerate consolidation
  - Two key impediments have also eroded: (i) inclination of targets to bet their cash reserves on a strong IT recovery, and (ii) perceived difficulty in realizing growth synergies (to justify high multiples)

➢ Customers should ultimately benefit from more-integrated, easier-to-deploy products… but with many suffering near-term disruption

➢ Ophiuchus' moves will push Indus – along with remaining SIs – to look for ways to cooperate more closely with Sagittarius
  - Indus' broader services strategy, of playing Switzerland and benefiting from tumult and incompatibilities among applications providers, will also become more difficult to implement

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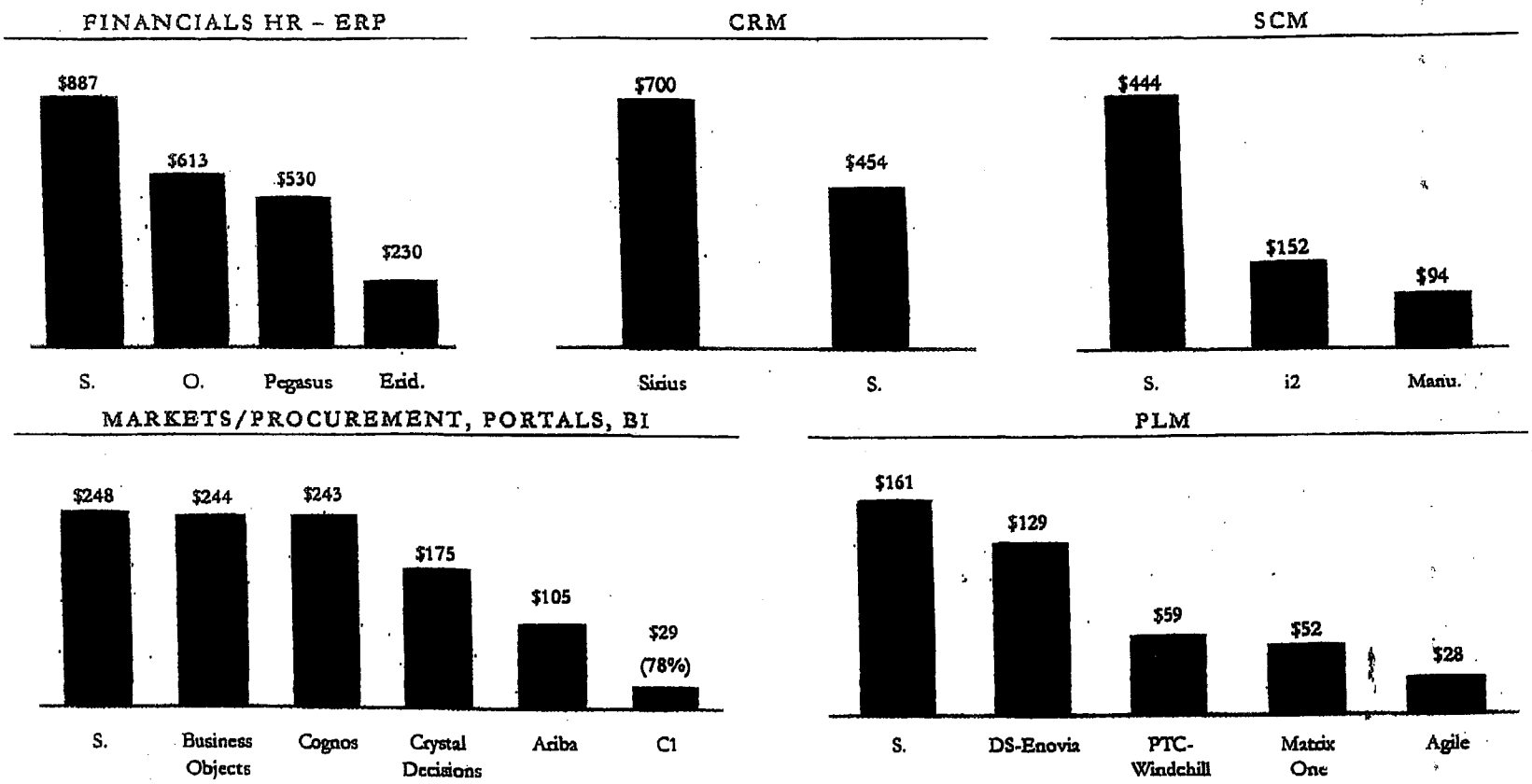
Sagittarius Positioning Among Applications Providers

(2002 license revenue; license revenue growth – 2002 vs. 2001)

- Sagittarius has used its core ERP strength across a variety of applications
- Its strengthening business position reinforces its likely position as partner of choice for Indus and others



Note: Data for Crystal Decisions based on LTM to 3/03 vs. prior four quarters
Source: Deutsche Bank, Redacted

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Overview of the Potential 3-Player Ecosystem

- Sagittarius' core strengths complement Mensa's
- Such a 3-player ecosystem without a strong Enterprise Apps play could put Mensa in a very weak position in the enterprise

	OPHIUCHUS/PEGASUS	INDUS	MENSA	SAGITTARIUS
Enterprise Applications	Ophiuchus (Pegasus 8)	Partners (Sagittarius)	Partners (Sagittarius)	R/3, mySagittarius suite; xApps
Mid Market Applications	Small Business Suite Net Ledger	Partners (Sagittarius, others)	Business Solutions	All-in-One (mid-market) Business One (SME)
Desktop	Interoperable with Office but has StarOffice partnership	Lotus Smart Suite (part of Collaboration Suite)	Office	
Middleware	Ophiuchus App Server 9iAS, J2EE 9iJDeveloper Collaboration Suite	WebSphere Rational	.NET	NetWeaver TopTier Technology Interoperable with J2EE/.NET, major app servers, and independent B2Bi EAI vendors
Databases	Ophiuchus 9i	DB2 / Informix	SQL	Sagittarius DB (mySQL partnership)
Operating Systems	Interopperable, Focus on Linux	Unix/AIX, Windows, Linux, OS400/390, but Focus on Linux	Windows	
Services	Ophiuchus Services Partnerships	Global Services	Partnerships	Sagittarius GPSO but mostly external

SECONDARY PLAYERS
BEA
Sirius
Sun

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Mensa/Sagittarius Combination - Strategic Considerations

Sagittarius would bring a franchise of unique value to Mensa

- Strategic benefits from large account leadership
  - Key position to realize vision of moving enterprise applications from specialists' to everyone's desks
  - Drive cross-sell of SQL servers and O/S platforms
  - Use current Sagittarius upgrade cycle to drive near-term benefits and increase Mensa mindshare with CIOs
  - Potential to significantly strengthen relationships with global SIs, including Indus, with a more strategic offering for the enterprise
  - Complementary distribution strength; significantly enhances enterprise selling capability
- Control Mensa's fate pro-actively in the current market consolidation
  - Pre-empt tightened relations between Sagittarius and Indus, others
- Financial benefits could justify likely "market clearing" premium
  - Highly preliminary analysis suggests EBIT synergies could be as high as [Redacted] by 2008
  - On a pro-forma basis (excluding amortization), transaction could [Redacted]
  - From a defensive perspective, a significantly enhanced Indus-Sagittarius partnership/acquisition could have a very negative impact on Mensa's financial performance
- Technology fit considerations
  - Need to accept cross-platform mindset
- Risks may include:
  - Execution risk if not willing to give Sagittarius significant degree of autonomy
  - Leadership position in enterprise is based on maturing core market, possibly susceptible to new models (e.g., software as a service)
  - Ophiuchus could make further disruptive acquisitions, including key SI partners

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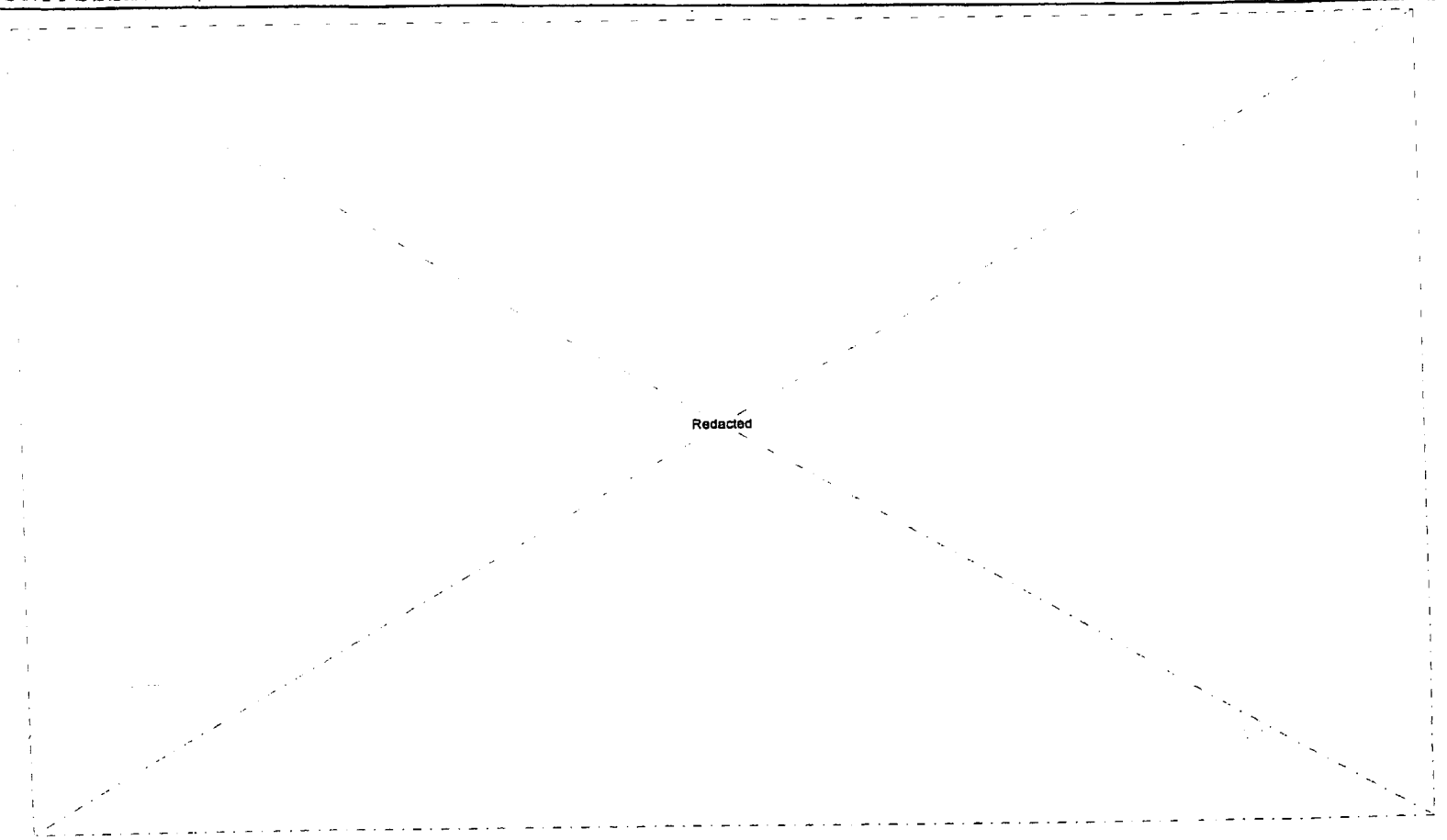

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II Industry Dynamics

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Summary Observations: Pegasus Situation

- While the timing of the recent transaction announcements in light of respective earnings results favors Ophiuchus, its bid has received little support from Pegasus' shareholders and customers
  - Absence of any meaningful premium
  - EOL concerns relating to Pegasus' code
  - Possible poison pill, legal (tortuous interference claims by Pegasus) and anti-trust obstacles
- However, even an unsuccessful bid creates opportunities for Ophiuchus – weakening Pegasus sales and upgrade momentum, casting doubts over the future of Pegasus and others, and distracting executives and employees (with further damage at Eridanus)
  - More broadly, the bid has given Ellison a platform to market his view of the future in which dominant, broadly integrated vendors are little troubled by narrow best-of-breeds
- Pegasus is currently attempting to "just say no" and has implemented several defensive measures; however, continued pressure may require it to investigate transactional alternatives
  - First steps were to reject the offer while strengthening and accelerating the agreement with Eridanus by eliminating the requirement for shareholder votes
  - A reported "double your money back guarantee" to customers if Ophiuchus succeeds in acquiring Pegasus and subsequently EOLs Pegasus' code
  - The pursuit of a white knight (as a last resort) would be relatively difficult, given (i) the lack of compelling partners and (ii) that it would be an implicit admission by Pegasus of weakness in its go-it-alone strategy
  - However, a recapitalization, perhaps supported by a capital injection, would be relatively easy to defend as an alternative to an Ophiuchus offer at current levels – to be sure of success, substantial amounts of stock would need to be placed in friendly hands

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Impact on Mensa of Proposed Transactions

Dissatisfaction of Pegasus customers with Ophiuchus will likely present short- to medium-term opportunities but success depends on Indus actions. However, the duopolistic long-term future envisioned by Ophiuchus would be unattractive to Mensa (and many others). If Indus drops its enterprise apps agnosticism, Mensa will face more challenging infrastructure environment

	PEGASUS/ERIDANUS	OPHIUCHUS /PEGASUS
[redacted]	■ Over time will create stronger participant in upper mid-market ■ However, Pegasus has limited SME experience: merger may disrupt Eridanus operations	■ Medium term, somewhat discredits both Pegasus and Eridanus ■ Vision of Sagittarius/Ophiuchus duopoly highly unattractive in long term
[redacted]	■ Merger might accentuate importance of Indus (and inclination towards non-MS platforms) because of IGS/PwC relations ■ However, Eridanus' customers already Indus-focused ■ Opportunity if customers transition to Indus Win-based platforms ■ Pegasus also known for affinity towards BEA (vs. Indus) in app server	■ Ophiuchus would continue focus on Linux and Unix as well as J2EE – and away from Mensa ■ Pegasus 2001 ERP licenses on Unix exceeded Win licenses 3 to 1 ($90m Win revenue) ■ Unlikely Indus will benefit at OS level. Sagittarius will be more important to customers who want to use Windows environment
[redacted]	■ Marginal decrease in opportunity due to increased Indus focus (Indus DB2). Unlikely Indus will allow strong SQL presence ■ Pegasus employs SQL as its primary database production environment for Windows implementations ■ DB2 still has low share of new ERP licenses	■ Ophiuchus application suite likely to be sold together with database products ■ Sagittarius likely to capture disenfranchised Pegasus SQL customers
[redacted]	■ Likely impacts (in channel) are of limited importance	■ Disruption of Indus alliance and of channel ■ Disruption of existing infrastructure alliances

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Summary Observations: Indus' Potential Steps

A tightened Indus/Sagittarius relationship would likely hurt Mensa's infrastructure business

- **Post-Ophiuchus/Pegasus, Indus would likely strive to tighten relations with Sagittarius**
  - Aim to increase influence of DB2 in ERP implementations, protect Global Services organization and encourage platform/software cross-sell
  - Capitalize on difficulties in transitioning Pegasus customers and related attrition
  - However, Sagittarius' "price" for any preference would likely be high, and Indus would also face significant conflict with other ISV partners
- **One could contemplate dramatic moves by Indus that fall short of a full acquisition**
  - E.g., contributing some or all of its 13,500 dedicated Sagittarius consultants (along with cash) to Sagittarius in exchange for equity ownership
- **The impact on Mensa of such a significantly tightened relationship could be significant**
  - Short-term loss of market share with Sagittarius on SQL/OS
    - Significance could be magnified by current upgrade cycle
  - Consolidation or tight coordination of Indus' and Sagittarius' approaches would amplify their influence on enterprises' fundamental technology decisions over time – to Mensa's detriment

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III Analysis of Sagittarius Business

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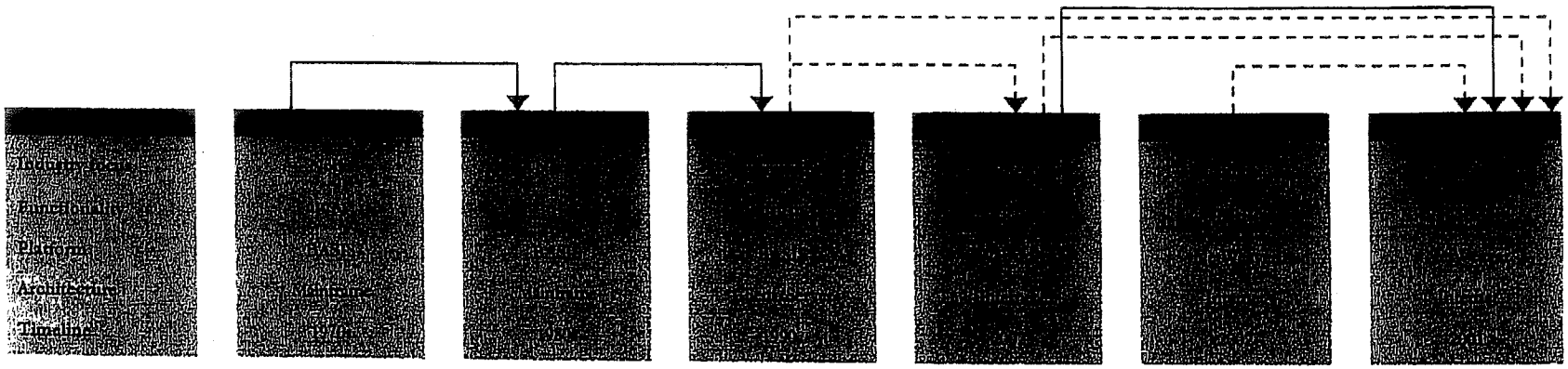
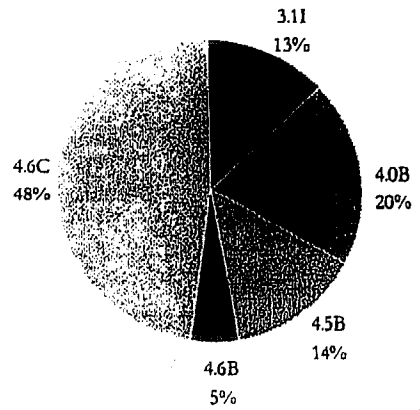
Core Product Evolution

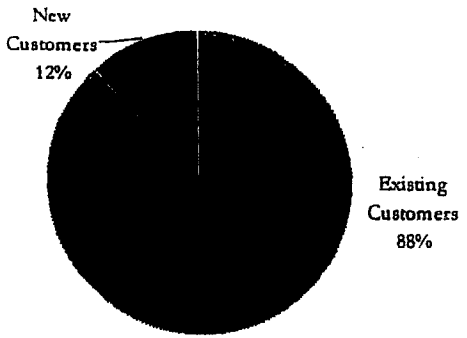
- mySagittarius is an upgrade from its R/2 and R/3 product lines – 25-30% of the installed customer base has upgraded
- mySagittarius ERP is available as a standalone product, which includes mySagittarius Human Resources, mySagittarius Financials and NetWeaver



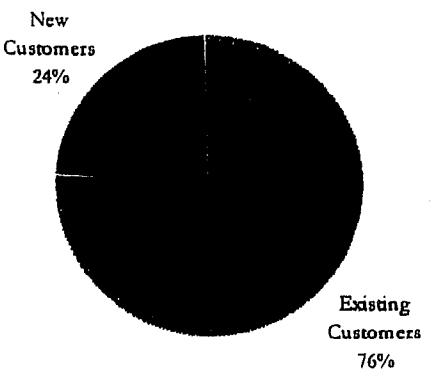
Old Sagittarius Version % of Install Base



R/3 LTM License Revenue by Customer Type



mySagittarius LTM License Revenue Breakdown



Source: Company data, Goldman Sachs research

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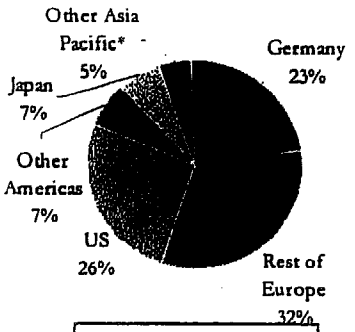
Customer Analysis

- Approximately 65% of the Fortune 500 and majority of Global 2000 organizations run Sagittarius applications
- Mid-tier organizations of growing importance, with 30% of sales (~ $2.4bn) coming from companies that have less than $1bn in annual revenue
  - And 2/3 of total 20,000 customers have <€500 revenue
- The upgrade cycle to mySagittarius is expected to peak in 6-18 months and be complete by 2008
  - 52% of the installed base is on versions older than R3 4.6C; Sagittarius expects the 12% increase in maintenance charges in 2004, followed by the termination of maintenance at year-end, to drive upgrades
  - Strong track record of customer retention (R2 to R3 was 97%)
  - Customer satisfaction ratings increased in every geographic region in 2002 and exceeded competitors

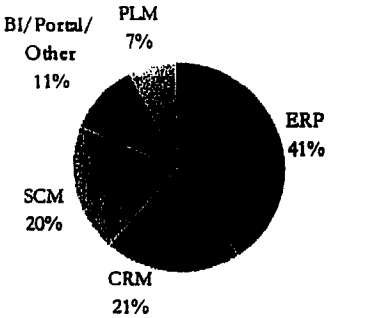
GEOGRAPHIC SALES(1)



Total Revenue: €7,413

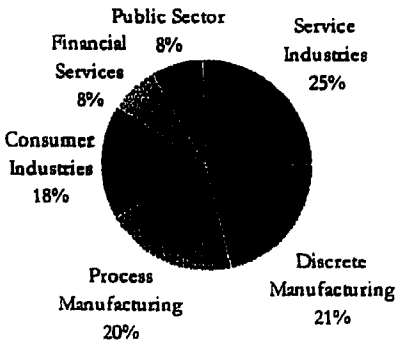
* 50% market share in Japan
120% growth in China in 2002. Customers include many of China's largest companies (PAW-Volkswagen, Sinochem, Legend, Haier, Changhong, Konka)

2002 LICENSE REVENUE MIX(1)



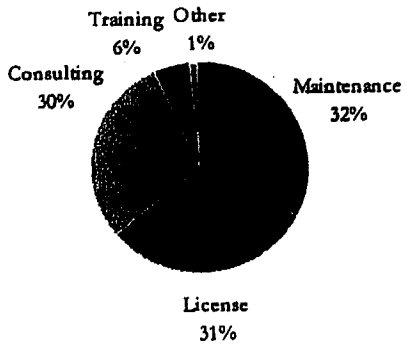
Total License Revenue: €2,291

2002 LIC. REV. BY VERTICAL(1)



* Products tailored to 23 segment verticals

2002 REVENUE BY PRODUCT(1)



(1) Source: Company data and Goldman Sachs report dated June 11, 2003

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Selected Systems Integrators' Sagittarius Practices

(as available data on June 13, 2003)

[redacted]	[redacted]
Indus	13,500
Accenture	10,000
Deloitte Consulting	6,200
CSC	3,200
Sagittarius SI	1,700 (total employees)
Plaut Consulting	1,500 (total employees)
LogicaCMG	1,000
Satyam Computer	800
Hewlett Packard	Undisclosed
Atos Origin	Undisclosed
BearingPoint	Undisclosed
Cap Gemini E&Y	Undisclosed
Siemens Business Services	Undisclosed

Source: Company documents and news

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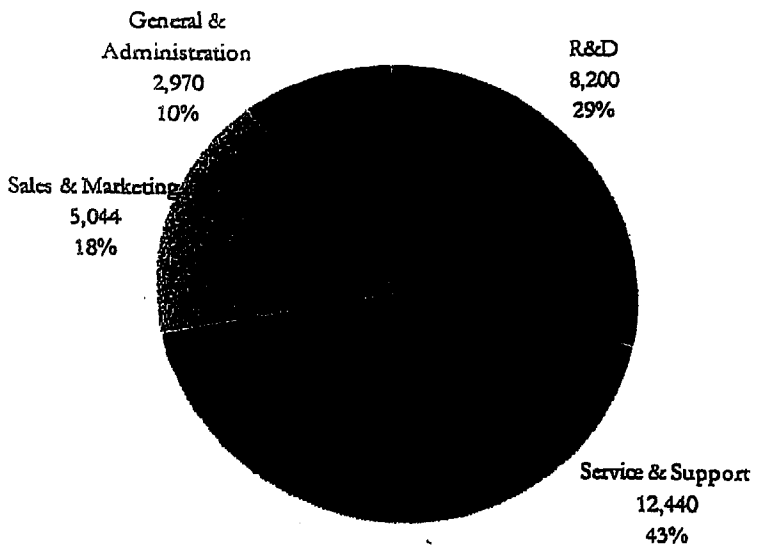
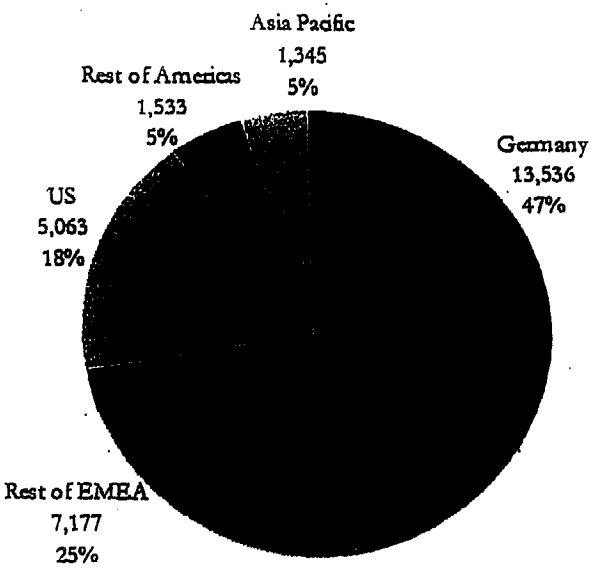
Sagittarius Headcount Analysis

HEADCOUNT BY BUSINESS UNIT (AS OF 1Q03)[1]



HEADCOUNT BY COUNTRY (AS OF 1Q03)[1]



TOTAL HEADCOUNT = 28,654

(1) Source: Company Data and Morgan Stanley report dated April 23, 2003

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Sagittarius R&D Activities

($ in millions)

R&D Organization

- 8,200 Developers/Researchers
  - 70% in Germany
  - 12% in U.S. (Palo Alto)
  - Also in Bangalore and Israel (TopTier/TopManage)
- 2,000 developers focused on high growth areas of Portals, BI, CRM, SCM
  - Headcount has grown 30% since December 2000, while corporate headcount grew 19% to 28,000+

Areas of R&D Focus

- RFID tags/smart items to allow "touch-free" ID of products
- "Smart shelves" to self identify low stock
- Mobile solutions
- xApps to allow "snap-on" of new business processes to existing systems (e.g., Sagittarius' xApps Mergers & Acquisitions)

Customer Funded R&D

- Currently engaged on 15 customer funded projects to ensure incorporation of industry best practices into software development process

Sales, Customer Support and Service

- 17,000 professional sales and service staff, with over 10,000 consultants and 2,000 support consultants
- A worldwide network of 180,000 partners operating 77 training centers in 50 countries

Comparable Analysis

	LTM Operating Expenses		As % of Revenues	
	R&D	S&M	R&D	S&M
Sagittarius	$898	$1,614	12.4%	22.4%
Ophiuchus	1,164	2,092	12.4%	22.2%
Pegasus	343	510	17.8%	26.5%
Sirius	350	421	23.5%	28.3%
Eridanus	127	265	14.3%	29.9%
i2	181	190	34.6%	36.4%
Manugistics	63	96	23.2%	35.3%
Mensa	$4,507	$5,960	14.4%	19.0%

Source: Goldman Sachs research. Operating expenses at overall corporate level

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IV Valuation Analysis

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Stand-Alone Key Investment Thesis

- Leading position is making Sagittarius the strategic vendor of choice
  - Dramatic strides to enhance the breadth and depth of its integrated product suite
  - Historical focus on verticalization serving it well
- Large installed base of 20,000 customers provides compelling opportunity to cross-sell and up-sell
  - Available market of $20 billion in license revenue
  - High customer retention (97% retention R2 to R3)
- Financial strength and stability
- Strong newly recruited team in U.S. offers opportunities for share gain
- Proven ability to expand operating margins – projecting 27-28%, compared to 24% at present and target of 30%
  - Lower cost geographies for support/development
  - Low support cost as older products get phased out
  - Eliminating overlap in development and testing process
  - Other G&A rationalizations

Risks: Macro weakness, currency exposure in Europe; difficulty penetrating SMBs, possible pressure on maintenance revenues/pricing

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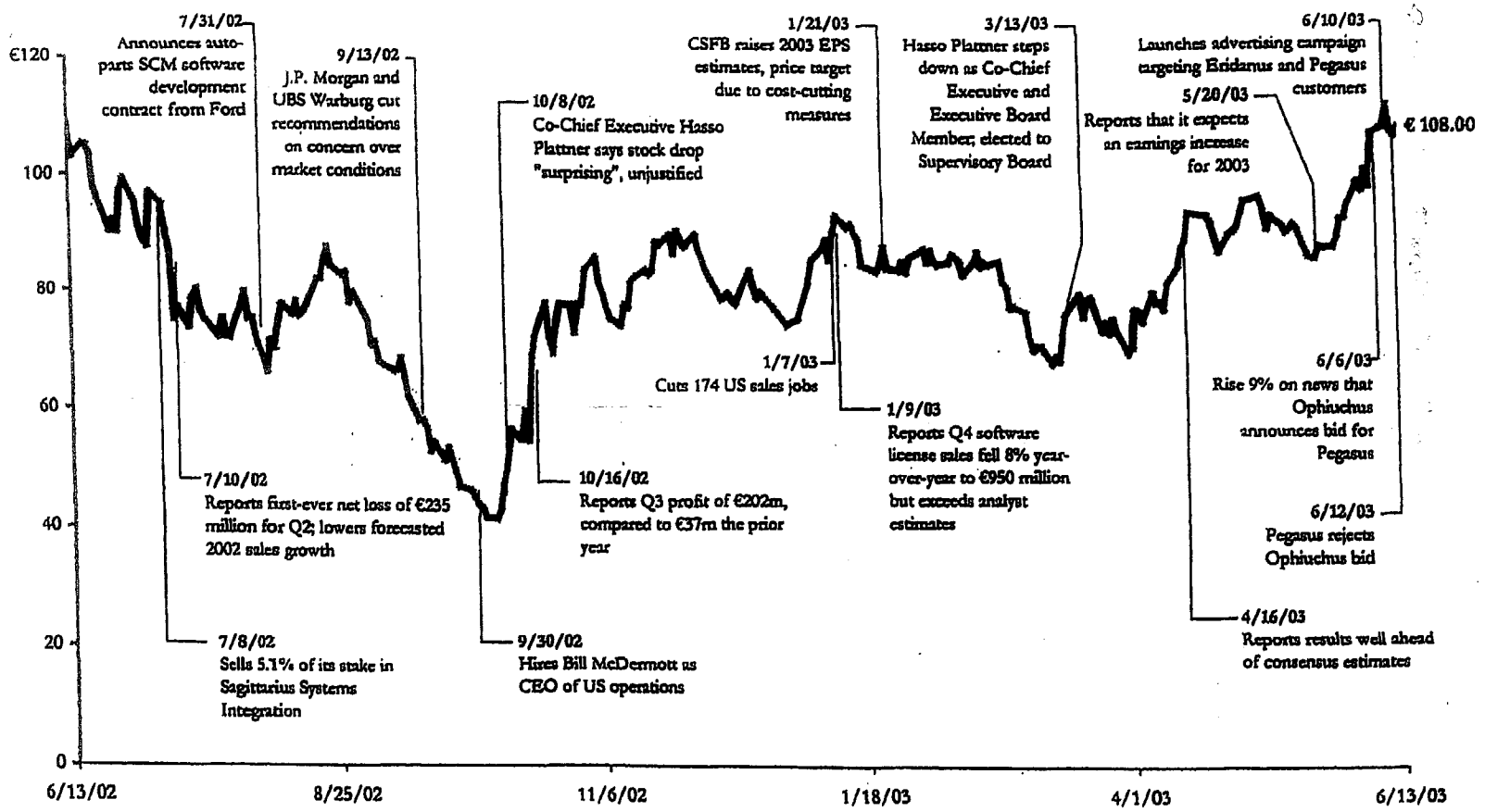
Sagittarius One-Year Annotated Stock Price Graph



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Sagittarius Summary Financials

($ in millions)

	Fiscal Year Ended December 31					
	2001A	2002A	2003E	2004E	2005E	2006E
Revenues						
Licenses	$3,045	$2,703	$2,543	$2,655	$2,978	$3,249
% Growth		*(11.2%)*	*(5.9%)*	*4.4%*	*12.2%*	*9.1%*
Maintenance	2,503	2,859	2,982	3,156	3,541	3,863
% Growth		*14.2%*	*4.3%*	*5.9%*	*12.2%*	*9.1%*
Services	3,007	3,089	2,902	3,168	3,554	3,877
% Growth		*2.7%*	*(6.0%)*	*9.1%*	*12.2%*	*9.1%*
Other	106	96	51	47	53	58
% Growth		*(10.0%)*	*(46.9%)*	*(7.0%)*	*12.2%*	*9.1%*
Revenues	8,661	8,746	8,477	9,026	10,126	11,047
% Growth		*1.0%*	*(3.1%)*	*6.5%*	*12.2%*	*9.1%*
Gross Profit	5,340	5,431	5,367	5,694	6,506	7,175
% Margin	*61.7%*	*62.1%*	*63.3%*	*63.1%*	*64.2%*	*64.9%*
EBITDA	1,994	2,191	2,322	2,517	2,900	3,242
% Margin	*23.0%*	*25.1%*	*27.4%*	*27.9%*	*28.6%*	*29.3%*
EBITA	1,723	1,959	2,041	2,242	2,633	2,950
% Margin	*19.9%*	*22.4%*	*24.1%*	*24.8%*	*26.0%*	*26.7%*
Net Income	1,020	1,235	1,277	1,390	1,565	1,763
% Margin	*11.8%*	*14.1%*	*15.1%*	*15.4%*	*15.5%*	*16.0%*
EPS	$3.24	$3.95	$4.12	$4.48	$5.05	$5.69
% Growth		*21.6%*	*4.3%*	*9.0%*	*12.6%*	*12.6%*

Source: Goldman Sachs Research Report dated 6/11/03 for 2003E and 2004E. Extrapolation thereafter. €/$ exchange rate of 1.1799 as of 6/13/03

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Comparable Company Analysis

($ and € in *millions, except per share data*)

Company	Share Price 6/13/03	Change from 52-Wk High	Change from 52-Wk Low	Equity Value	Enterprise Value	Ent. Value as a Multiple of: Revenues 2003E	Revenues 2004E	EBIT 2003E	EBIT 2004E	P/E 2003E	P/E 2004E	*IBES LT Growth*	PEG 2003E
Indus	$82.75	(8%)	53%	$148,316	$164,788	1.87x	1.77x	14.8x	13.7x	19.2x	17.0x	9.4%	2.05x
Ophiuchus	$13.48	(4%)	85%	$73,416	$67,226	6.88	6.49	18.9	17.3	29.1	26.0	14.1%	2.07
Sagittarius	€ 108.00	(6%)	171%	€ 33,636	€ 31,828	4.43	4.16	18.4	16.8	31.0	28.4	18.3%	1.70
Sirius	$10.85	(32%)	104%	$5,791	$4,022	2.83	2.73	47.5	26.3	67.8	43.4	15.6%	4.34
Pegasus	$16.92	(25%)	44%	$5,123	$3,170	1.67	1.50	14.4	11.5	33.2	26.9	13.1%	2.54
Eridanus	$13.04	(13%)	59%	$1,608	$1,207	1.39	1.31	29.6	20.6	56.6	41.7	17.3%	3.28
[redacted]													
Mensa	$24.65	(16%)	19%	$268,238	$222,060	6.69x	6.50x	15.1x	14.2x	23.8x	22.5x	13.6%	1.76x

Company	Revenue 2003E	Revenue 2004E	Revenue Growth 2003E	Revenue Growth 2004E	EBIT Margin 2003E	EBIT Margin 2004E	Net Income Margin 2003E	Net Income Margin 2004E
Indus	$88,295	$93,351	8.8%	5.7%	12.6%	12.9%	8.6%	9.2%
Ophiuchus	$9,778	$10,365	2.3%	6.0%	36.3%	37.6%	25.8%	27.3%
Sagittarius	€ 7,185	€ 7,650	(3.1%)	6.5%	24.1%	24.8%	15.1%	15.5%
Sirius	$1,424	$1,476	(13.0%)	3.7%	6.0%	10.4%	6.0%	9.0%
Pegasus	$1,898	$2,114	(2.6%)	11.4%	11.6%	13.1%	8.1%	9.0%
Eridanus	$869	$922	(3.1%)	6.1%	4.7%	6.4%	3.3%	4.2%
[redacted]								
Mensa	$33,178	$34,150	7.8%	2.9%	44.2%	45.7%	34.0%	34.9%

Source: Wall Street research

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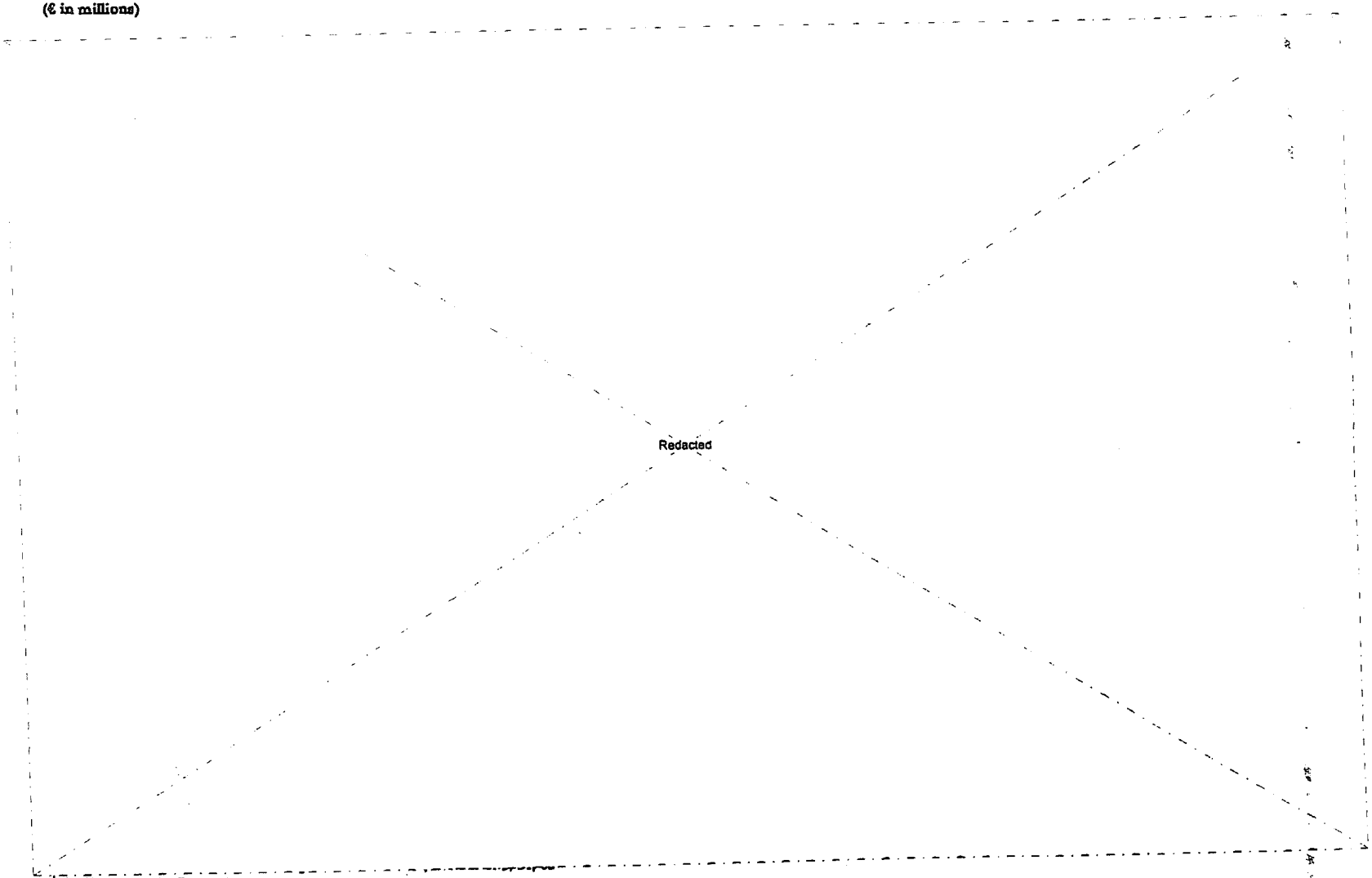
Discounted Cash Flow Analysis

(€ in millions)



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Analyst Price Targets

EUROPEAN COVERAGE

Date	Bank	Analyst Name	Stock Rating	Forward Price Target	Implied Mkt. Cap.	Price at Pub.	Prem. at Pub.	Prem. to Current
6/13/03	Deutsche Bank	Kevin Ashton	Buy	€ 130	€ 40,488	€ 108	20.4%	20.4%
6/13/03	Dresdner Kleinwort Wasserstein	Bob Liao	Hold	100	31,145	108	(7.4%)	(7.4%)
6/11/03	Goldman Sachs	Richard Leggett	Outperform	NA	NA	108	NA	NA
6/11/03	Bear Stearns	Tony McCullagh	Market Weight	NA	NA	108	NA	NA
6/10/03	Credit Suisse First Boston	David Clayton	Overweight	100	31,145	112	(10.5%)	(7.4%)
6/9/03	Morgan Stanley	Ross Macmillan	Underweight	100	31,145	108	(7.5%)	(7.4%)
6/9/03	SG Cowen	Michael Finney	Hold	100	31,145	108	(7.5%)	(7.4%)
6/9/03	Citigroup Smith Barney	Marc Geall	Outperform	110	34,259	108	1.7%	1.9%
6/5/03	Lehman Brothers	Peter McNally	Equal Weight	100	31,145	98	1.6%	(7.4%)
5/23/03	BNP Paribas	Alex Ryshawy	Neutral	100	31,145	88	13.7%	(7.4%)
5/16/03	J.P. Morgan	David Reynolds	Overweight	105	32,702	91	14.9%	(2.8%)
5/12/03	WestLB Panmure	Torsten Schellscheidt	Neutral	95	29,587	92	3.4%	(12.0%)
4/29/03	Julius Baer	Stefan Muehlbauer	Hold	81	25,227	91	(10.8%)	(25.0%)
4/25/03	HSBC	Laurence Dejean	Add	100	31,145	87	14.8%	(7.4%)

ADR COVERAGE

Date	Bank	Analyst Name	Stock Rating	Implied € Price Target	Implied Mkt. Cap.	Price at Pub.	Prem. at Pub.	Prem. to Current
6/13/03	Merrill Lynch	Lucy McFetrich	Neutral	NA	NA	€ 108	NA	NA
6/11/03	Goldman Sachs	Richard Leggett	Outperform	NA	NA	108	NA	NA
6/10/03	UBS Warburg	Heather Bellini	Outperform	€ 103	€ 31,992	112	(8.0%)	(5.5%)
6/9/03	Robert Baird	Patrick Snell	Outperform	102	31,782	108	(5.6%)	(6.1%)
6/9/03	Thomas Weisel Partners	Tom Ernst	Outperform	136	42,376	108	25.8%	25.2%
6/4/03	Prudential Securities	Brent Thill	Buy	110	34,139	101	8.4%	0.9%
5/20/03	Banc of America Securities	Bob Austrian	Buy	100	31,004	86	15.7%	(8.4%)
5/19/03	RBC Capital Markets	Cameron Steele	Outperform	116	36,244	86	34.6%	7.1%

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V Mensa-Sagittarius Combination Analysis

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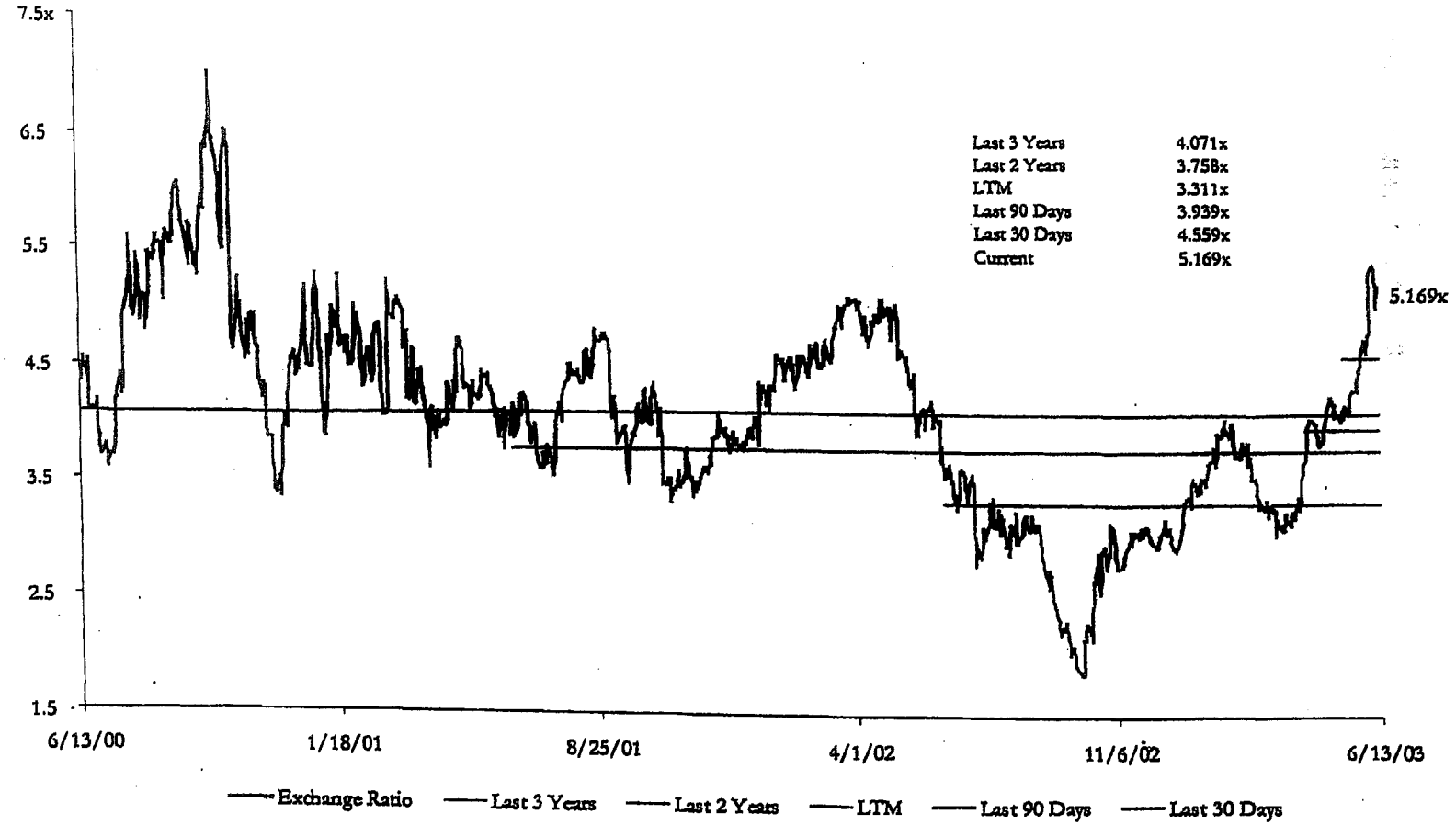
Exchange Ratio Analysis

Mensa/Sagittarius exchange ratio recently reached a 52-week high due to unfavorable $/€ exchange rates and uncertainties relating to its competitors



Note: Sagittarius' stock price is in € and is converted to $ based on the €/$ spot rate of the day

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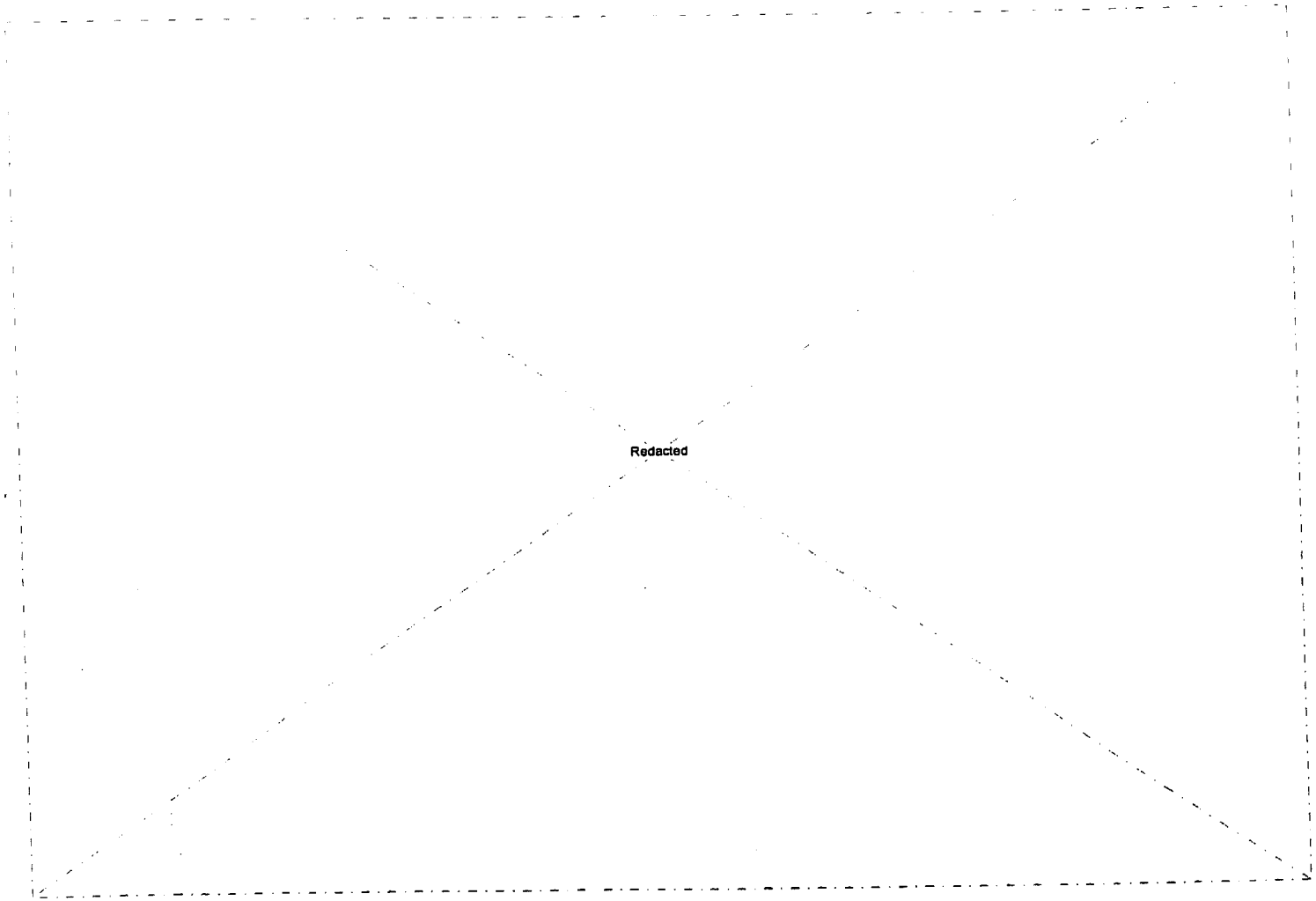
Contribution Analysis

($ in millions, except per share data)



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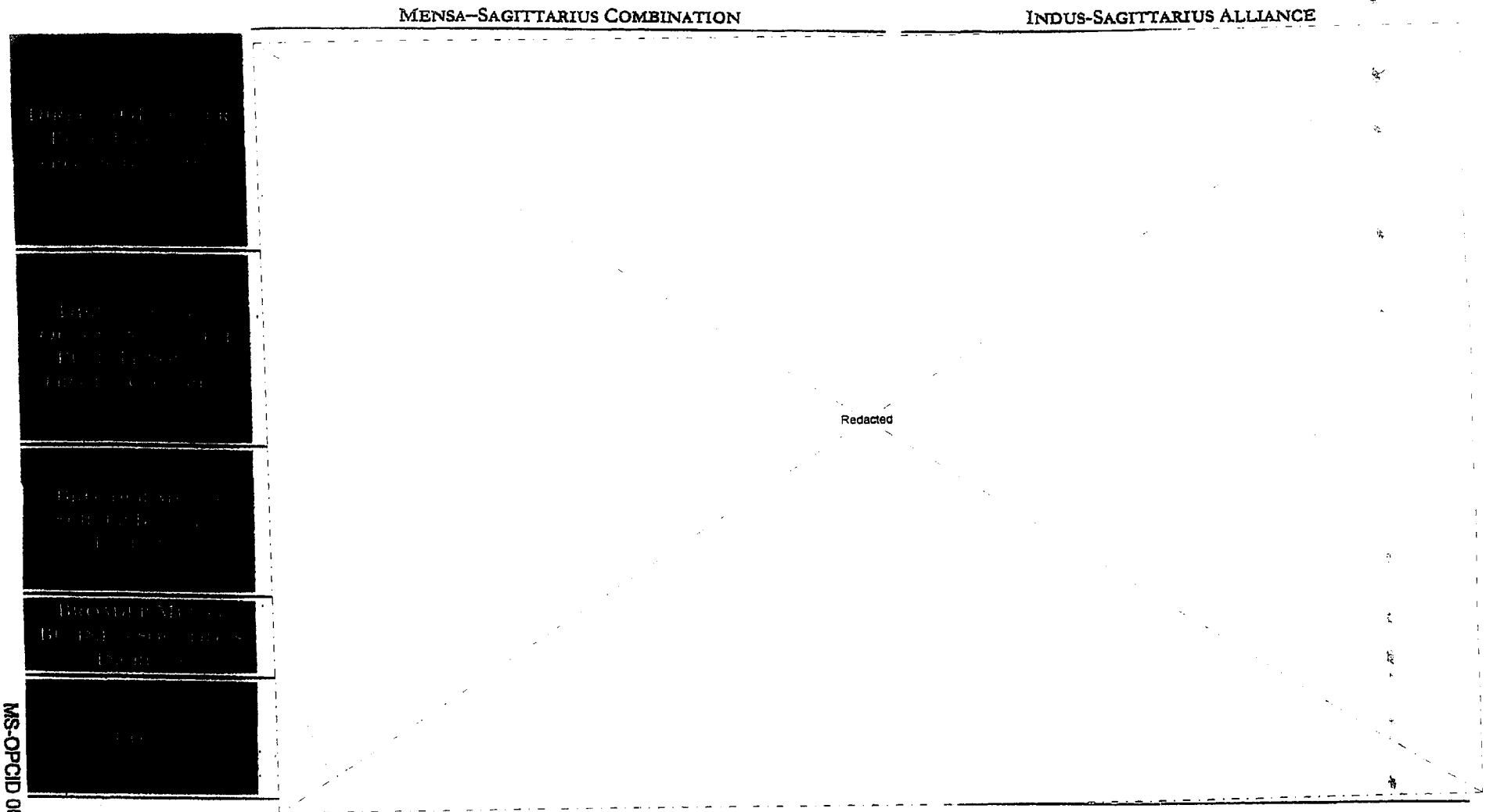
Preliminary High-Level Assumptions on Potential Synergies



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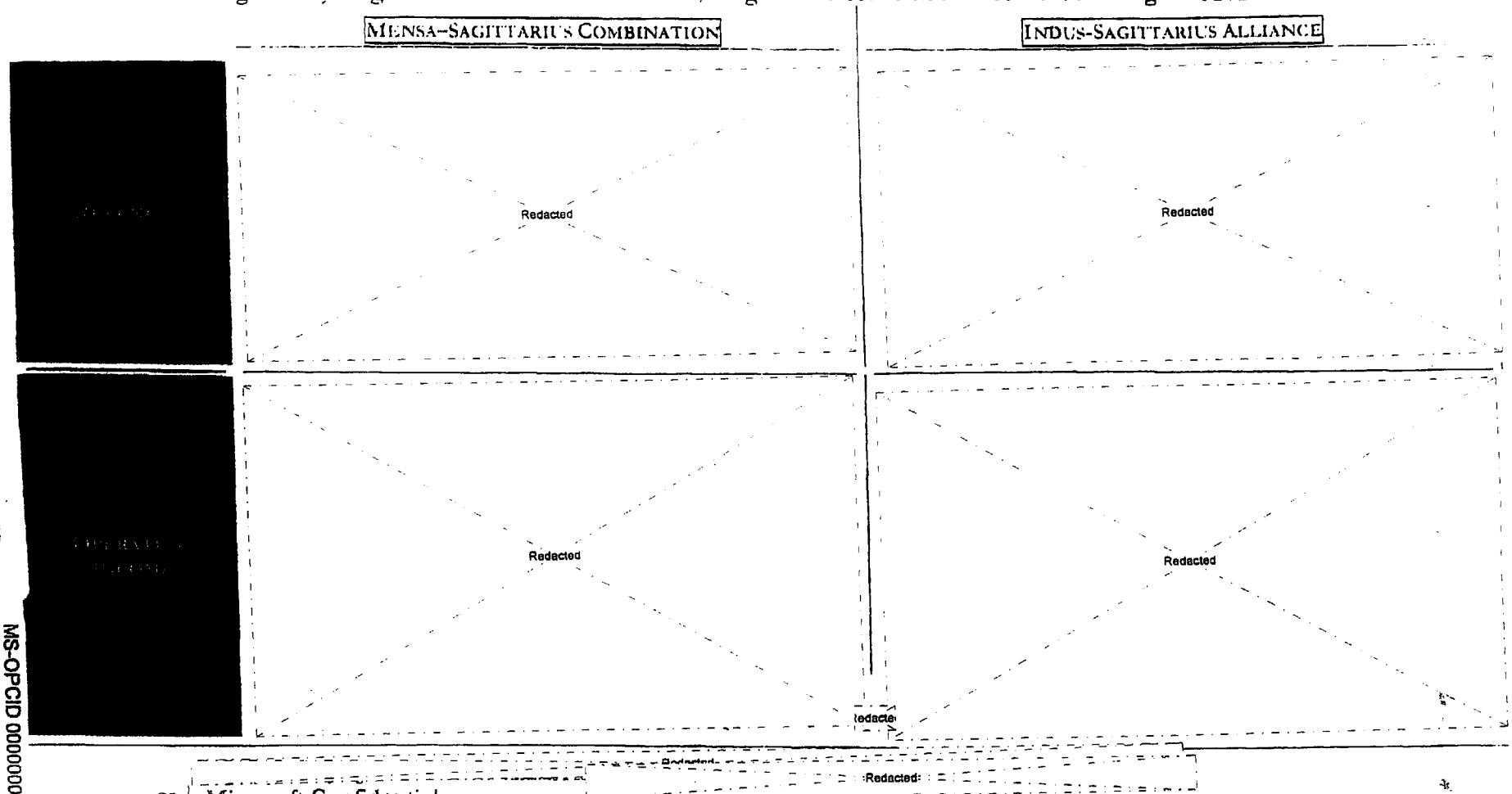
5-Year Potential Synergies

($ in millions)

The NPV of positive synergies from a combination with Sagittarius could be as high as Redacted the NPV of negative synergies to Mensa from an Indus / Sagittarius combination could be as high as Redacted



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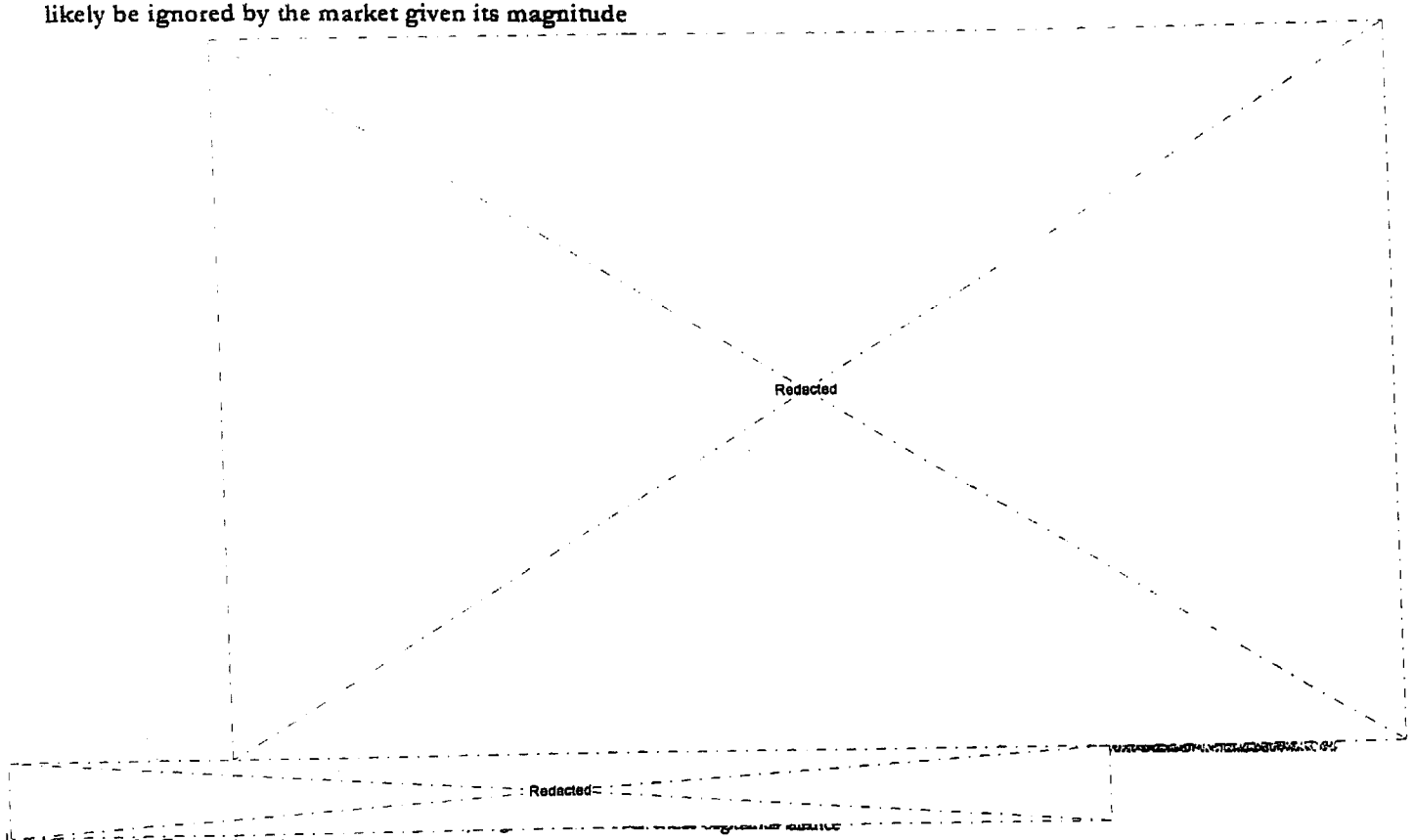
Accretion/(Dilution) Analysis

($ and € in millions)

- Combining with Sagittarius will have an estimated EPS impact of Redacted in 2004, Redacted in 2005 and Redacted in 2006, ex. amortization
- If Mensa does not combine, and Indus and Sagittarius do, Mensa will have an EPS impact of Redacted in 2004, Redacted in 2005 and Redacted in 2006
- The analysis includes synergies but excludes goodwill amortization charges of approx. Redacted or Redacted per share, which will likely be ignored by the market given its magnitude



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VI Structural Considerations

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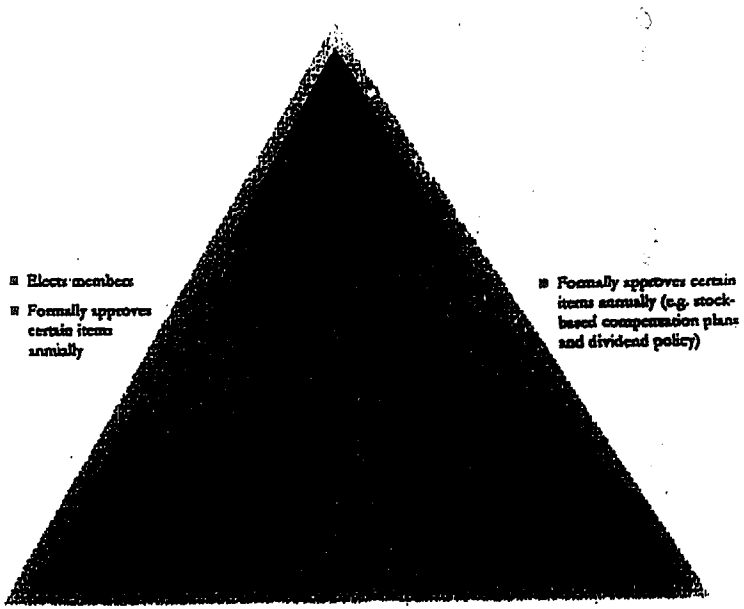
Governance Structure/Take-Over Code

GOVERNANCE CHARACTERISTICS

- Sagittarius has a typical German corporate structure, which places significant autonomy and power in the hands of the Executive Board or Management Board which has wide latitude and discretion in managing the company and has to act in the best interest of all stakeholders (shareholders, employees, creators)
  - Does not have to follow shareholder directives except in certain instances
- Supervisory Board is only 50% elected by shareholders (majority of voting share capital); remaining 50% elected by employees (by law)
- Supervisory Board plays a purely supervisory role – it does not have authority to force management to take specific action; however appoints (and dismisses) management



TAKE-OVER CODE

- The German Takeover Code (adopted in 2002) governs the acquisition of German corporations. Relevant aspects include:
  - Companies are generally acquired through tender offers (for shares or cash); the concept of a shareholder vote on a merger agreement is not common
    - Mandatory cash offer if bidder purchased (i) >5% of target in 3 months prior to offer or (ii) >1% of target for cash during offer period
  - 75% of shares required to force a "dependency agreement" which relieves the Management Board of the obligation to act in best interests of all stakeholders; 95% of shares required to squeeze-out minorities
    - With 75%, can take certain integration steps, but must maintain separate financial statements until reach 95% threshold
  - Non-public information may be shared with bidder (if in the best interests of the target) and does not have to be provided to potential alternative bidders
  - Ability to "lock-up" insiders pre-offer, but required to make general offer if 30% ownership is exceeded

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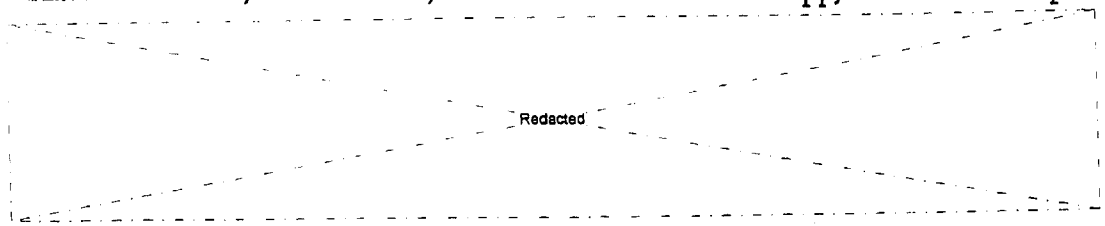
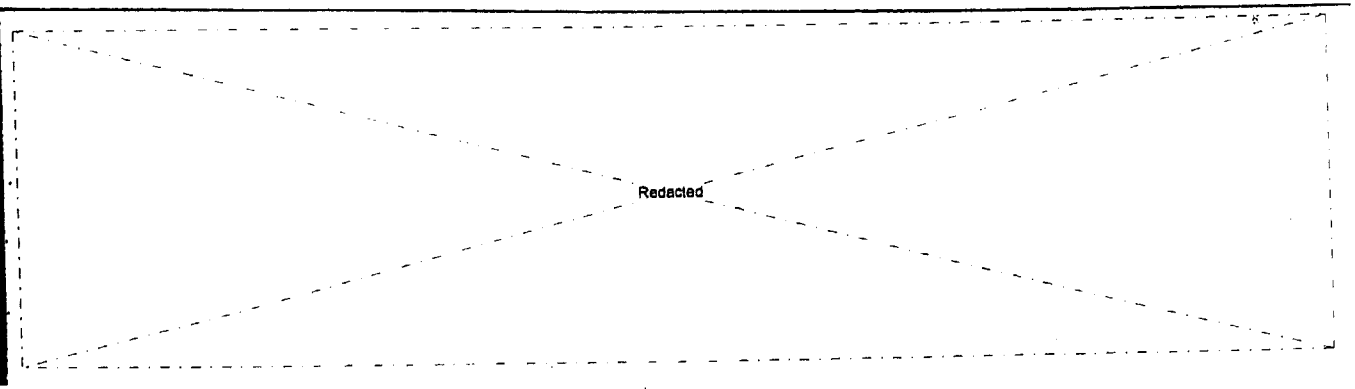
Key Structural Observations

[redacted]

- As the third-largest listed company in Germany and the leading technology company, Sagittarius is highly visible and highly regarded
- Three co-founders, Hasso Plattner, Klaus Tschira and Dietmar Hopp, remain on the Supervisory Board:



[redacted]



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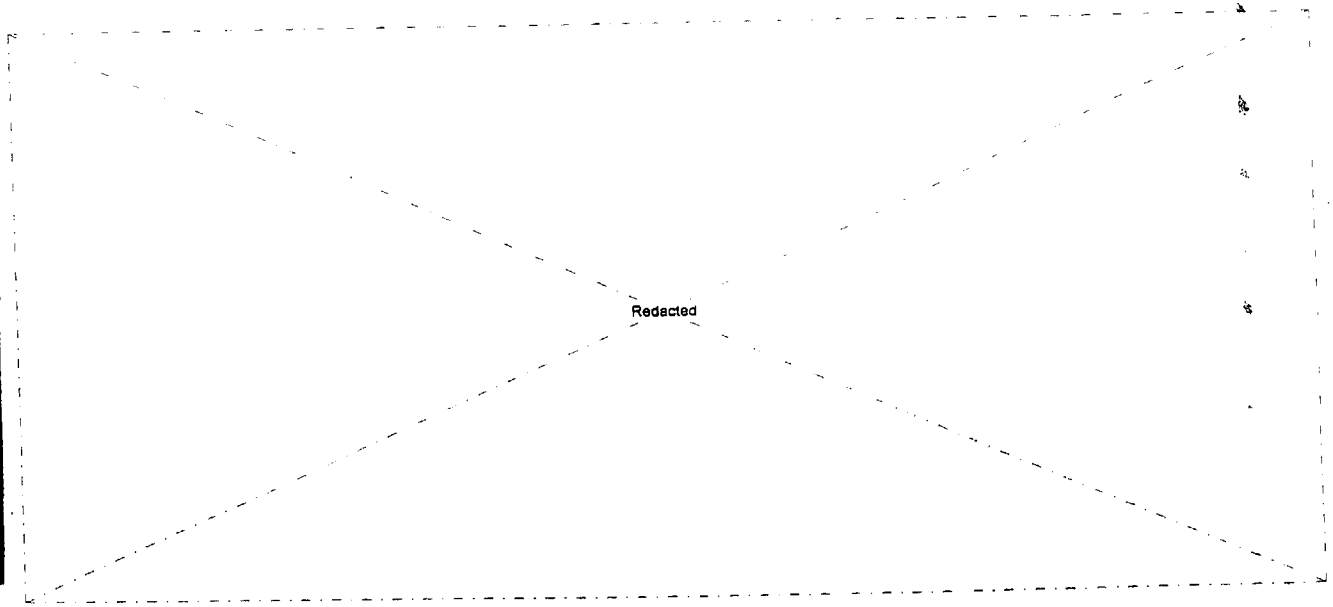
Key Structural Observations (cont'd)

[redacted]



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Overview of Management and Board

Executive Board	Supervisory Board (Shareholder Elected)
■ Henning Kagermann *(55)* ■ *CEO*	■ Hasso Plattner *(59)* ■ *Chairman, Co-founder*
■ Werner Brandt *(49)* ■ *CFO*	■ Dietmar Hopp *(62)* ■ *Co-founder*
■ Léo Apotheker *(49)* ■ *President, Global Field Operations*	■ Dr. h.c. Klaus Tschira *(62)* ■ *Co-founder*
■ Claus E. Heinrich *(47)* ■ *Executive Board, Human Resources, Industry Solutions Division*	■ Dr. Dieter Spöri *(59)* ■ *Head of Corp. Rep. Fed. Affairs, DaimlerChrysler*
■ Shai Agassi *(34)* ■ *Responsible for Technology Strategy*	■ Pekka Ala-Pietilä *(46)* ■ *President, Nokia Corp.*
■ Gerhard Oswald *(49)* ■ *Responsible for Global Support and IT infrastructure*	■ Prof. Dr. Wilhelm Haarmann *(52)* ■ *Attorney, CPA*
■ Peter Zencke *(53)* ■ *Responsible for development of mySagittarius and international research*	■ Hartmut Mehdorn *(60)* ■ *Chairman of Executive Board, Deutsche Bahn AG*
	■ Prof. Dr. h.c. August-Wilhelm Scheer *(61)* ■ *Professor of Information Services*

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Other Executives

- Leslie Hayman
- *Chairman EMEA, Head of Global Sagittarius HR and Education*

- Martin Homlish
- *Global Chief Marketing Officer*

- Wolfgang Kemna
- *EVP, Global Initiatives*

- Karl-Heinz Hess
- *Technology Development*

- Bill McDermott
- *President and CEO, Sagittarius America*
  - Hired Oct. 2002 (ex-Sirius, Gartner). Has since hired 7 Sr. VP's including John Nugent, key sales executive at Ophiuchus

Supervisory Board (Employee Elected)

- Helga Classen *(52)*
- *Deputy Chairperson*

- Dr. Barbara Schennerlein *(46)*
- *Consultant*

- Stefan Schulz *(33)*
- *Consultant*

- Willi Burbach *(40)*
- *Developer*

- Bernhard Koller *(53)*
- *Manager of Idea Management*

- Christiane Kuntz-Mayr *(40)*
- *Development Manager*

- Lars Lamadé *(31)*
- *Sagittarius Alliance Manager*

- Dr. Gerhard Maier *(49)*
- *Development Manager*

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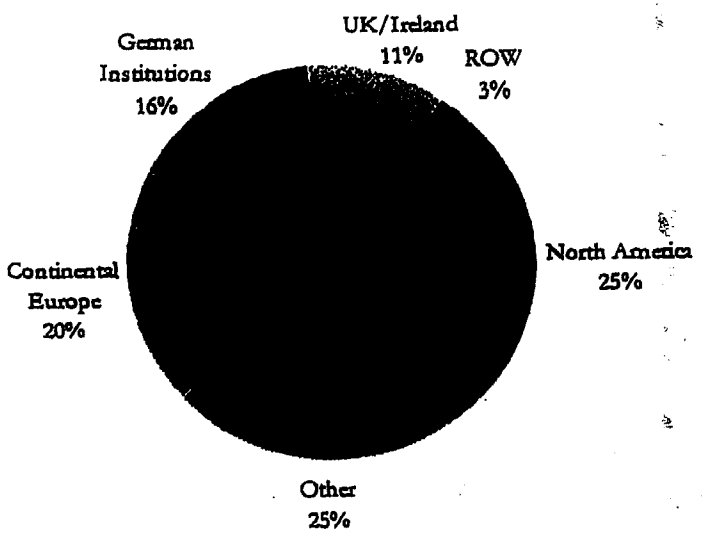
Sagittarius Shareholder Analysis

ORDINARY SHAREHOLDERS[1]

	Market Value ($m)	Shares (m)	Percent Ownership
Founders			
Klaus Tschira (62)	$4,968	39.0	12.5%
Hasso Plattner (59, Chairman)	4,745	37.2	12.0%
Dietmar Hopp (62)	4,209	33.0	10.6%
Total	$13,922	109.3	35.1%
Top Institutional Holders:			
Deka Investment	$579	4.5	1.5%
DWS Investment	447	3.5	1.1%
Jennison Associates *(ADR Holder)*	382	3.0	1.0%
Union Inv Privatfonds	366	2.9	0.9%
Waddell & Reed *(ADR Holder)*	352	2.8	0.9%
Capital Research & Mgmt	280	2.2	0.7%
Cominvest Asset Mgmt	248	1.9	0.6%
Dit Allianz Dresdner Asset Mgmt	247	1.9	0.6%
Deutsche Asset Mgmt Investment	219	1.7	0.6%
Other Known Ordinary Holders	7,528	59.1	19.0%
Other Known ADR Holders	3,278	25.7	8.3%
Total	$13,925	109.3	35.1%
Other Shareholders (Undisclosed Institutional/Retail)	$11,839	92.9	29.8%
Total	$39,686	311.4	100.0%

GEOGRAPHIC DISTRIBUTION OF EQUITY



(1) Source: CDA Shareworld, Bloomberg, and Company documents. Shares reflect ordinary shares and ADR equivalents
(2) Source: Company Website; data as of February 2003. Other includes private investors or undisclosed institutional positions

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Appendix

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A Overview of IGS' Key Software Relationships

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Overview of IGS' Key Software Relationships

Since 1999, Indus has struck sales and marketing agreements with over 300 independent software vendors, of which approximately 100 are described as strategic alliances in which Indus ensures that software runs well on Indus' infrastructure products

- Among its core software relationships, Indus lists Sagittarius, Ophiuchus, Sirius and Pegasus, as well as Eridanus, Dassault, and i2

PARTNER	IGS DEDICATED EMPLOYEES	COMMENTS
Mensa	2,500	▪ Indus services and supports various Mensa business products ranging from OS' and servers to desktop applications and application development offerings ▪ Indus specialists are especially skilled in migration services
Sagittarius	13,500 *(was roughly doubled by PwC acquisition)*	▪ Indus and Sagittarius collaborate well across all of their major brand offerings (e.g., Indus' DB2, WebSphere, Lotus, Tivoli, servers, and storage products) ▪ For hosting, however, Sagittarius has preferred alliances with EDS and HP ▪ Indus serves over 70% of Sagittarius' Fortune 500 installed base; during 20-year relationship, have implemented over 5,000 solutions in 138 countries
Ophiuchus	4,000	▪ Relationship based primarily on Ophiuchus enterprise applications-related services ▪ Indus' Ophiuchus specialist practice areas include business intelligence and data warehousing
Pegasus	2,000 *(over 1,500 were PwC consultants)*	▪ Indus has a long relationship with Pegasus (e.g., an alliance for human capital management, Pegasus Linux support through Indus, and an OEM agreement with WebSphere) ▪ With the acquisition of PwC Consulting, Indus has the market's largest Pegasus practice ▪ 11-year relationship has seen over 800 implementations completed in more than 50 countries
Sirius	1,500	▪ Strength of services relationship built primarily on software/infrastructure alliance: ▪ Significant collaboration with Sirius and Indus in order to deliver WebSphere-based applications ▪ DB2 is the favored data management system for Sirius ▪ 130 Indus professionals are dedicated to the design, configuration and sizing of Sirius solutions running on Indus platforms

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B Additional Sagittarius Details

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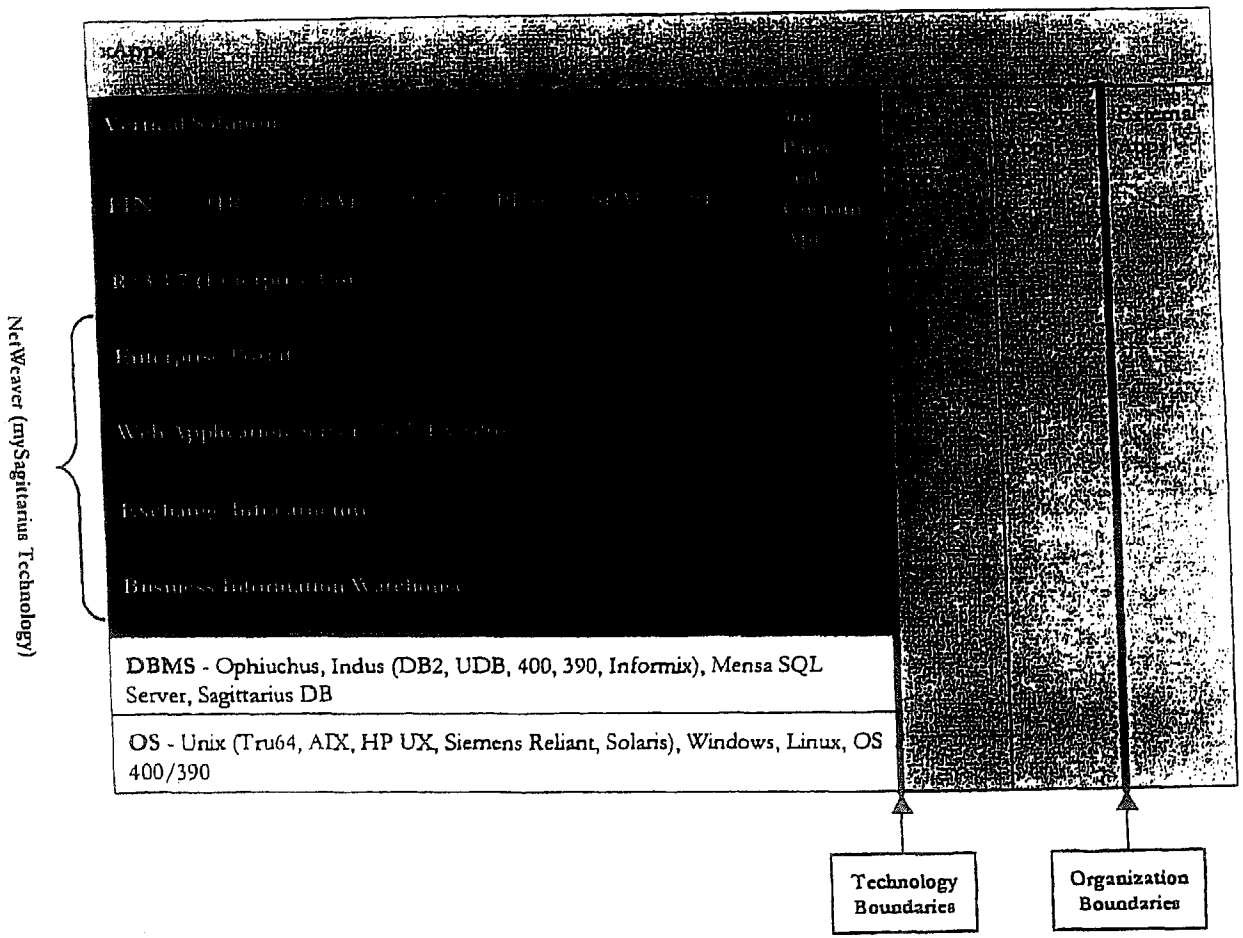
Schematic of mySagittarius Platform Architecture



Source: Company data, Goldman Sachs research

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Product Analysis

As it withdraws support for older products, Sagittarius' existing customers are upgrading to mySagittarius Business Suite; all customers are expected to be upgraded by 2008 (as R/3 4.6 support ends in 2006 and Enterprise R/3 support is scheduled to end in 2008)

- Sagittarius R/3 Enterprise – Designed to provide existing customers with a stepping stone to mySagittarius Business Suite
  - Comprises the R/3 core, including the incorporation of Sagittarius' Web Application Server (common architecture with Business Suite)
  - Can subsequently be upgraded with components of mySagittarius Business Suite (such as CRM, SCM, SRM, etc.)
  - R/3 Enterprise available as part of maintenance agreement for R/3
- mySagittarius Business Suite – Sagittarius' flagship suite of internet-based applications which spans the front-and back-office and supply chain
  - Offers solutions in ERP, CRM, SCM, PLM, SRM, and mobile business
  - Solutions offered in nearly all industries
- Sagittarius NetWeaver – Essentially a re-branding of what was previously known as mySagittarius Technology (including Enterprise Portal, Web App Server Exchange Infrastructure, Business Information Warehouse, Mobile Infrastructure)
  - Allows integration with non-Sagittarius application (both third-party and legacy)
  - Fosters development of business process management software
  - The Master Data Management (MDM) component is a standardized offering designed to allow companies with different software/IT systems to consolidate and centrally master data
  - Interoperable with Indus WebSphere (J2EE) and to a lesser degree Mensa .NET

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Product Analysis (cont'd)

- Sagittarius xApps – Collaborative applications which run on top of existing applications and cut across multiple functional areas to address business processes
  - Underlying technology comes from Exchange Infrastructure technology, which allows a company to structure business processes using various Sagittarius and third-party applications – includes data warehouse capabilities, information management features, and a portal
  - Resource and Program Management (RPM) is its first product shipped (on limited release) and includes a range of existing Sagittarius functions to allow ready access to project costs, staffing and schedules
  - Other xApps currently in development include xApp Mergers & Acquisitions, xApp Product Definition and xApp Employee Productivity, all of which are scheduled to be released in 3Q03
  - Division is likely to partner with SIs to develop many xApps spanning a variety of business processes
- MySagittarius All-in-One – Targeted at SMEs requiring some vertical functionality in addition to cost-effectiveness and ease of installation
  - Based on a pre-configured mySagittarius Business Suite (for specific industries)
  - Competes with Eridanus. Targets companies with 250-1,000 employees (<450m sales per annum)
  - Approximately 3,500 customers, ASP €130,000-170,000; over 200 industry modules
- Business One – Business One is a standalone solution for small and midsize businesses (10-250 employees) based on TopManage (acquired 2002)
  - Designed to meet common business needs in accounting, reporting, logistics, sales force automation, etc.
  - Separate code from other Sagittarius solutions (but has some common interoperability with core products through open integration standards)
  - Product supports the Mensa platform, Windows OS, and SQL server database
  - Roughly 1,300 customers. 2003 rollout in US, France, UK following 2002 Germany debut. ASP: €21,000. Has partnered with American Express for US distribution

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Upgrade Options: Analyst Estimates/Review

COSTS OF UPGRADE OPTIONS[1]

PRODUCT	FREE	ESSENTIAL COST	OPTIONAL COST
4.6C	Upgrade for existing users on existing HR/Financials	IT Services	Add new HR/financial users Add new functionality Add new users
R/3 Enterprise	Upgrade for existing users on existing HR/Financials	IT Services	Add new HR/financial users Add new functionality Add new users Purchase mySagittarius ERP
mySagittarius		IT Services Re-license existing ERP seats to new mySagittarius HR/Financials Gain additional HR/Financials functionality & NetWeaver	Add new HR/financial users Add new functionality Add new users
mySagittarius Business Suite		IT Services Re-license existing ERP seats to new mySagittarius HR/Financials Commitment to have 10% of workforce on mySagittarius components	Add new HR/financial users Add new functionality Add new users

UPGRADE CYCLE OPPORTUNITY[2]

- $15bn worth of software sold in past 10 years since 1992 unveiling of R3
- 30-35% of installed base has upgraded already, or 5,700 to 6,650 customers of 19,000
- Remaining 70% of installed base (or 13,000 customers) that has not upgraded represents $10.5bn opportunity
- Assumes 4-5 years left on upgrade cycle
- Assumes customer will spend 1.0x to 2.5x original license investment to gain access to the new platform, new users and new modules

	% of customer base left to upgrade	Revenue Base ($bn)	1.0x Original License Conversion	1.5x Original License Conversion	2.0x Original License Conversion	2.5x Original License Conversion
Best Case	65%	9.8	9.75	14.63	19.50	24.38
	50%	7.5	7.50	11.25	15.00	18.75
	40%	6.0	6.00	9.00	12.00	15.00
	30%	4.5	4.50	6.75	9.00	11.25
Worst Case	20%	3.0	3.00	4.50	6.00	7.50

(1) Deutsche Bank research report dated April 22, 2003
(2) Prudential Securities research report dated May 28, 2003

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License Revenue by Product 2002-2004E

($ in millions)

	No. Current Customers	2002	2003E	2004E	CAGR '02-'04
mySagittarius SCM	6,000	$464	$458	$481	2%
mySagittarius CRM	2,000	473	469	503	3%
mySagittarius PLM	NA	168	155	163	(2%)
ERP (Financials, HR)	20,000	927	863	901	(1%)
mySagittarius Other*	NA	259	272	280	4%
Total License Revenue		$2,291	$2,217	$2,283	(0%)

* Includes Analytics, Portals, Marketplaces and E-Procurement

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Source: Company reports and Prudential Securities research dated May 28, 2003

Overview of Sagittarius Services

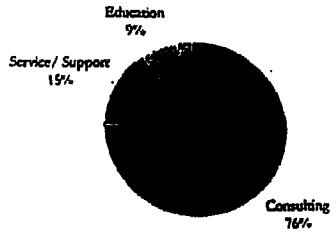
(€ in millions)

SERVICES STATISTICS

Financials	2001	2002	2003E	'02-'03 % Change
Consulting	€ 2,083	€ 2,204	€ 2,121	(4%)
Training	466	414	339	(18%)
Services Revenue	€ 2,549	€ 2,618	€ 2,460	(6%)
% of Total Revenue	*35%*	*35%*	*34%*	
Gross Margin	24%	26%	25%	

Services Employees: 12,000
Services Revenue per Employee: $205,000

Services Employees Breakdown:



SERVICES MANAGEMENT

- Dr. Uwe Hommel, *Head of Active Support*
- Dick Stewart, *SVP of Consulting*

BUSINESS OVERVIEW

- Sagittarius products are supported by a 17,000 person sales and service staff, with over 9,000 consultants and 1,800 support staff
  - Complementing internal staff, Sagittarius maintains a significant global partnership
- Sagittarius services consist of the following:
  - **Active Global Support** – support and maintenance services to ensure optimum system performance and use of system resources
  - **Consulting** – business and IT Strategy, implementation, optimization, and life-cycle management services
  - **Global Custom Development Services** – customizes Sagittarius software for each customer by integrating software through customized interfaces, managing IT projects, and offering development and outsourcing services. The group was introduced in 2H '02 to give customers direct access to Sagittarius developers, partners and business professionals
  - **Hosting** – application hosting (hosted in EDS or HP data centers and managed by Sagittarius) and remote application operations (deployment in customer premises and managed by Sagittarius)
  - **Education** – customized training solutions
- Sagittarius remains relatively product development-focused and relies on strategic systems integration partnerships for direct customer interaction. Has taken a number of steps to become more customer-focused including:
  - Reorganizing its services organization structure from a regional to a global focus
  - Increasing its ownership stake in publicly-traded Sagittarius Systems Integration AG ("Sagittarius SI")(1), a 1,700 person IT consultancy firm primarily focused on implementing Sagittarius software in Germany
    - — Sagittarius currently owns approximately 68% of Sagittarius SI
    - — In September 2002, Sagittarius replaced the head of Sagittarius SI to increase its control
- Sagittarius minimizes channel conflict with Sagittarius SI by focusing on major international customers operating on a global basis, a client base that is positioned above Sagittarius SI's targeted customer segments

Source: Company documents, Gartner and Wall Street research

(1) Sagittarius SI AG was created and went public in 2000: pro forma ownership after the public offering was Sagittarius 54%; Software AG 11%; and Siemens Business Services ("SBS") 7%. Since 2000, Software AG has sold over 5% of its stake and SBS sold its stake back to Sagittarius in July 2001. Sagittarius SI is seeking to grow through small acquisitions (currently looking at small U.S.-based acquisition targets); in 2001, the Company purchased U.S.-based Prescient and Germany-based Copa

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Sagittarius' Mid-Tier Product Offering at a Glance

Sagittarius' Mid-Market Offerings – Targeting Organizations Under $500M in Total Revenue

	ALL-IN-ONE	BUSINESS ONE
TARGET MARKET	Below $500m	Below $250m
TARGET USERS	Above 200 users	10 to 200 employees
TOTAL CUSTOMERS	4,000	1,400
PRICING	Varies on size	$3,750/seat
IMPLEMENTATION	More than 10 days	5 to 10 days
INDUSTRY FOCUS	Pre-configured for 200 industries	
DISTRIBUTION	IBM, HP, VARs; 220 regional partners	American Express, IBM, HP; 140 partners, VARs; 13 countries, with 22 new ones planned
ARCHITECTURE	Scaled down mySagittarius Business Suite	Based on product acquired in 2002 from TopManage
PRODUCT FUNCTIONALITY	Scaled down mySagittarius Business Suite	Financial management, order management, SFA, inventory management, shipping, drag and relate for reporting/analysis
COMPETITORS	Eridanus, Ophiuchus, Pegasus	Mensa Business Solutions
% OF LICENSE REVENUE (ORGANIZATIONS UNDER $1BN 30% OF REVENUE FOR SAGITTARIUS) =	NA	6%, 04 $130M+ annual
NOTE	Both solutions will offer integration capabilities into Sagittarius' high-end product to enable suppliers or small divisions to link to the master corporate system	

Source: Sagittarius and Prudential Securities research dated May 28, 2003

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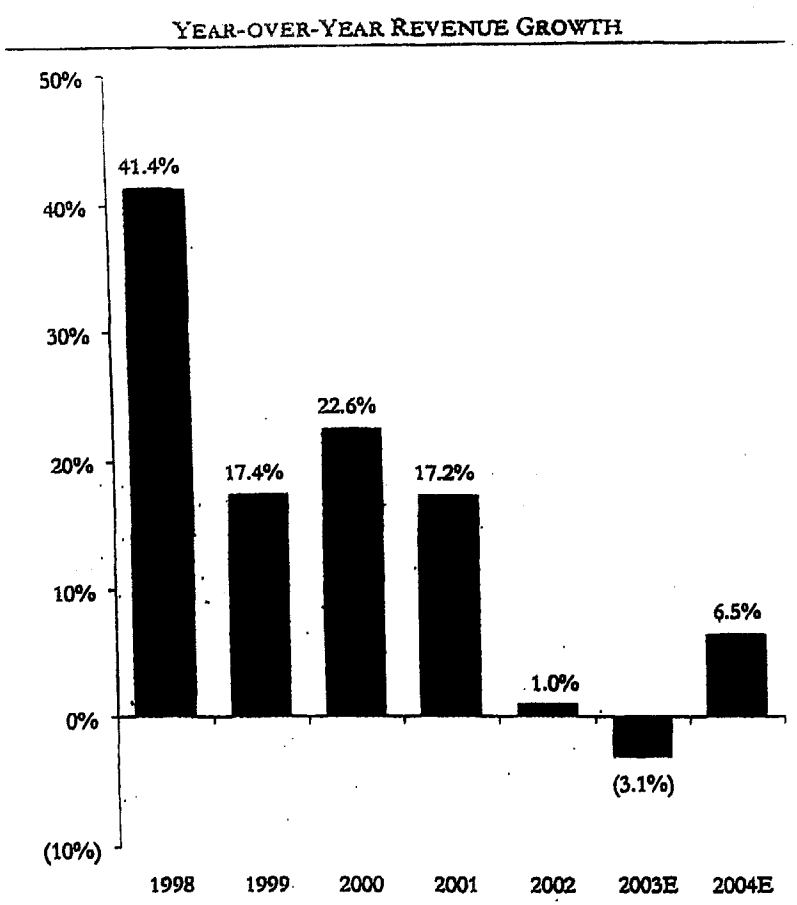
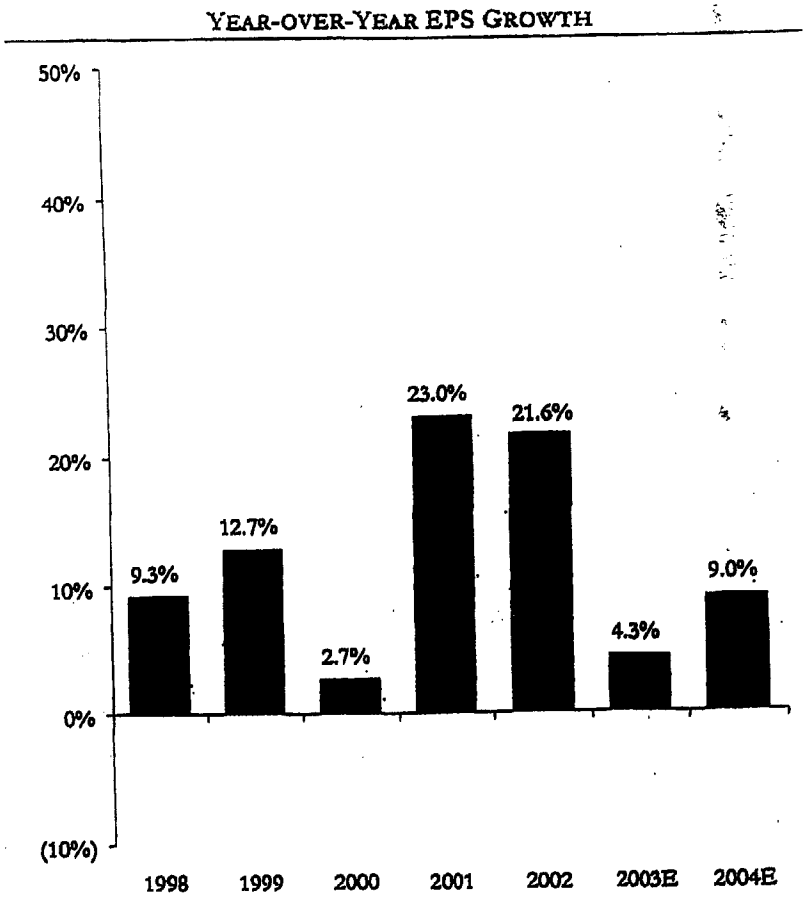
Sagittarius Growth Analysis

Sagittarius has consistently delivered EPS growth, even when revenues were flat/declining





Source: Company data, Goldman Sachs

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C Analyst Commentary on Sagittarius

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Analyst Commentary

Market Position

"Industry leading product solution: Sagittarius' mySagittarius Business Suite solution is one of the most comprehensive in the enterprise application software market...Recent extensions of the product line enable Sagittarius to provide solutions for the mid-market as well as xApps.

"Large installed base to leverage: Sagittarius' installed base of 20,000 provides the company with a compelling opportunity to cross-sell and up-sell its suite of products. In a more challenging macro environment this provides a source of profitable growth for Sagittarius, as it upgrades its customers from older versions of products (R/2 and R/3) to its newer offerings (mySagittarius Business Suite) and offers some of its emerging products (small business, vertical specific solutions).

"Its strong balance sheet (€1.9bn net cash) coupled with its stronger relative financial performance gives customers reassurance about the company's future standing when making software commitments"

Richard Leggett, Goldman Sachs 6/11/03

Risk

"Customers simply don't have the money to spend and can't hijack other parts of their IT budgets. This might mean the upgrade cycle is pushed out further, perhaps aided by more extensions to the support period by Sagittarius. Equally, we have seen license revenue signings impacted by economic or political shocks in the past, a scenario which can not be ruled out at present.

"Sagittarius still gets some 30% of its revenues from initial license fees. These represent client capital expenditures and can be highly volatile. There is also the problem that the build of the license fee signings tend to happen towards the last couple of weeks of the quarter, further reducing visibility. License revenues are also staggered towards the back end of the year, more so for Sagittarius than for most software companies.

"It is the US where the bulk of the older systems that need to be upgraded are, and it is the US where Sagittarius has failed to execute in the past"

Kevin Ashton, Deutsche Bank, 4/22/03

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Analyst Commentary (cont'd)

VALUATION

"Sagittarius is fundamentally better positioned than its competitors, in our view. Despite this positioning, the stock continues to trade in-line with its peer group, on our estimates – the shares trade 29x our 2004E EPS estimates versus its peer group, which trades at 27x-30x 2004E consensus estimates. The current valuation is near the lower end of the company's historical pre-bubble range of 40x to 70x – however growth is also lower...Our analysis also indicates the current valuation is pricing in an acceleration of business. Shares are currently pricing in a more optimistic set of estimates for 2004"

Richard Leggett, Goldman Sachs, 6/11/03

"With the stock trading at 30x and 27x 2003E and 2004E earnings, it seems to be discounting a significant upgrade to the estimates and ignoring the potential near term risks of further revenue downgrades as a result of poor European trading conditions"

David Clayton, Credit Suisse First Boston 6/10/03

"We estimate the stock is now discounting a 10-year CAGR in EPS from our 2003 forecast of 15%, a growth rate that we believe is achievable but is now discounting a sector wide recovery and improved performance of the US business. Our price target of €110 represents 25x our 2004 EPS, which we feel is appropriate for the stock given its strong execution, resilient earnings and market share gains"

Marc Geall, Citigroup Smith Barney, 6/9/03

"We think the company's combination of product breadth, R&D capability, and market coverage will enable it to continue to gain market share going forward. Our $32 [ADR] price target represents a P/E of 29x our 2004 EPS estimate of $1.11 and an Enterprise Value/Revenue multiple of 5.0x 2004 revenue. At our target price, these multiples are largely in line with those of Sagittarius' peers"

Brent Thill, Prudential Securities, 5/28/03

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Analyst Commentary (cont'd)

US Operations

"Sagittarius had a difficult 2002 in the US, contending not only with restructuring of its own operations, but also an unfavorable exchange rate...We estimate that the US will gain a higher level of importance in the coming years, as the US sales force under the new head of the US subsidiary Bill McDermott makes more progress in acquiring contracts" *Stefan Muehlbauer, Julius Baer, 4/29/03*

"As the recession has deepened and small companies have struggled and even gone bankrupt, buyers have gravitated to large, well-established vendors. The channel has similarly found itself in a situation of overcapacity. Thus, many key channel partners such as Accenture, Indus and HP have made renewed pushes on the Sagittarius side as other 'e-business' areas have gone up in smoke" *Kevin Ashton, Deutsche Bank, 4/22/03*

"Under the leadership of Bill McDermott, and following some restructuring initiatives in 2002, Sagittarius has started to show greater consistency in its US performance in terms of improved execution. Early indications are that the US business will continue its 1Q strength into 2Q. We will be particularly focused on Sagittarius' relationships with the customers, sales force morale, and any additional reorganization initiatives that may emerge to further improve the US business' top- and bottom-line performance" *Richard Leggett, Goldman Sachs, 6/11/03*

"McDermott has focused on four associated priorities –

- 1) Enhanced Customer Focus. While the U.S. has been conscious about customer success, the entire field is moving to a more proactive versus reactive strategy that is yielding stronger customer success stories
- 2) Re-Architected Sales. U.S. sales operations are still organized around 23 primary industry verticals, but have been rebuilt around a regional model to enhance customer service
- 3) Upgraded Senior U.S. Bandwidth. Sagittarius' improving momentum has attracted a strong list of very capable software veterans. McDermott has added six new VPs to his management arsenal, with an upcoming seventh VP to be named...This current list includes industry veterans such as John Nugent who arguably ran Ophiuchus' most important Northeast sales region. McDermott has also been able to pick up a number of executives from Pegasus and Unisys that have made tremendous contributions to the team
- 4) New Tactical Plan. McDermott set some very straightforward goals for his team back in the '03 sales kickoff in January. This includes three primary goals:
  - Focus on license revenue segmented by solution, not consulting
  - Enhance system integration relationships with vendors such as Accenture, Indus, and Bearing Point
  - Set higher execution goals for new emerging products such as CRM and SCM recognizing other areas such as financials and HR are slowing based on broader consumption" *Brent Thill, Prudential Securities, 6/4/03*

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Upgrade Options and Upside: Analyst Commentary

UPGRADE TO MYSAGITTARIUS BUSINESS SUITE

"Upgrades from older versions of R/3 (primarily 4.6C and 4.6B) to R/3 Enterprise and mySagittarius Business Suite represent a significant growth driver over the next five years. We currently estimate that 25% to 30% of the installed base has moved up to mySagittarius Business Suite and 1% to R/3 Enterprise (which was introduced in 3Q02)...In terms of revenue opportunity, the move to R/3 Enterprise is not a revenue event, but does offer Sagittarius the opportunity to sell additional functions to the customer (i.e. increase penetration) and also represents an intermediate step to the mySagittarius Business Suite upgrade – in essence, elongating the upgrade cycle...The move to mySagittarius Business suite generates revenue in two ways:

- Addition of new users – mySagittarius Business Suite requires a customer deploy professional and limited professional licenses to approximately 25% of the organization (vs. 15% for R/3)
- Payment for additional functionality – customers pay for the additional modules and technology features of the mySagittarius Business Suite.

"How large is the opportunity? We estimate it would be greater than €13bn; and could be as high as €35bn. Currently, we estimate that 67% of the installed base is running R/3 or previous products. Over the next several years, assuming the minimum penetration of 25% required for mySagittarius Business Suite, we believe the license revenue opportunity from migrating the customer base from older products represents an incremental €13bn cumulatively.

"Cross-selling additional functionality: While mySagittarius Business Suite requires a base penetration rate of 25%, the product is designed to reach 100% employee penetration via expansion from back office to front office, supply chain and portals. We believe that over time Sagittarius will be able to extend its penetration - a 'stretch' target of 60% looks achievable to us through these products that can reach almost the entire enterprise"

Richard Leggett, Goldman Sachs, 6/11/03

"Many companies implemented (or upgraded their ERP systems in the late 1990s in preparation for Y2K. On average an ERP system will have a five- to seven-year support life, and this means that many of these systems are nearing the end of their supported lives.

"ERP upgrades are expensive, and from this perspective it makes very little sense to do ERP upgrades incrementally...With a small upgrade of a few users, AMR Research has estimated that the cost of the upgrade per user can be $1,000 per head, if done in a 'big-bang' manner, this cost can fall to $300 per head.

"Second, it is difficult to justify the ROI of an upgrade alone to the CIO or CFO. The threat of de-support can be a powerful argument but in many cases IT managers will justify the cost of the upgrade with a business case built around ROI of the additional functionality. We would again highlight AMR Research, which has found that 82% of companies use the upgrade as an opportunity to add functionality"

Kevin Ashton, Deutsche Bank, 4/22/03

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D Illustrative Valuation of Synergies

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Illustrative Valuation of Synergies

($ in millions)

	Mensa-Sagittarius Combination					Indus-Sagittarius Alliance				
Synergies by Year	Mensa Fiscal Year Ended June 30					Mensa Fiscal Year Ended June 30				
	2004E	2005E	2006E	2007E	2008E	2004E	2005E	2006E	2007E	2008E
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E Summary German Takeover Timetable

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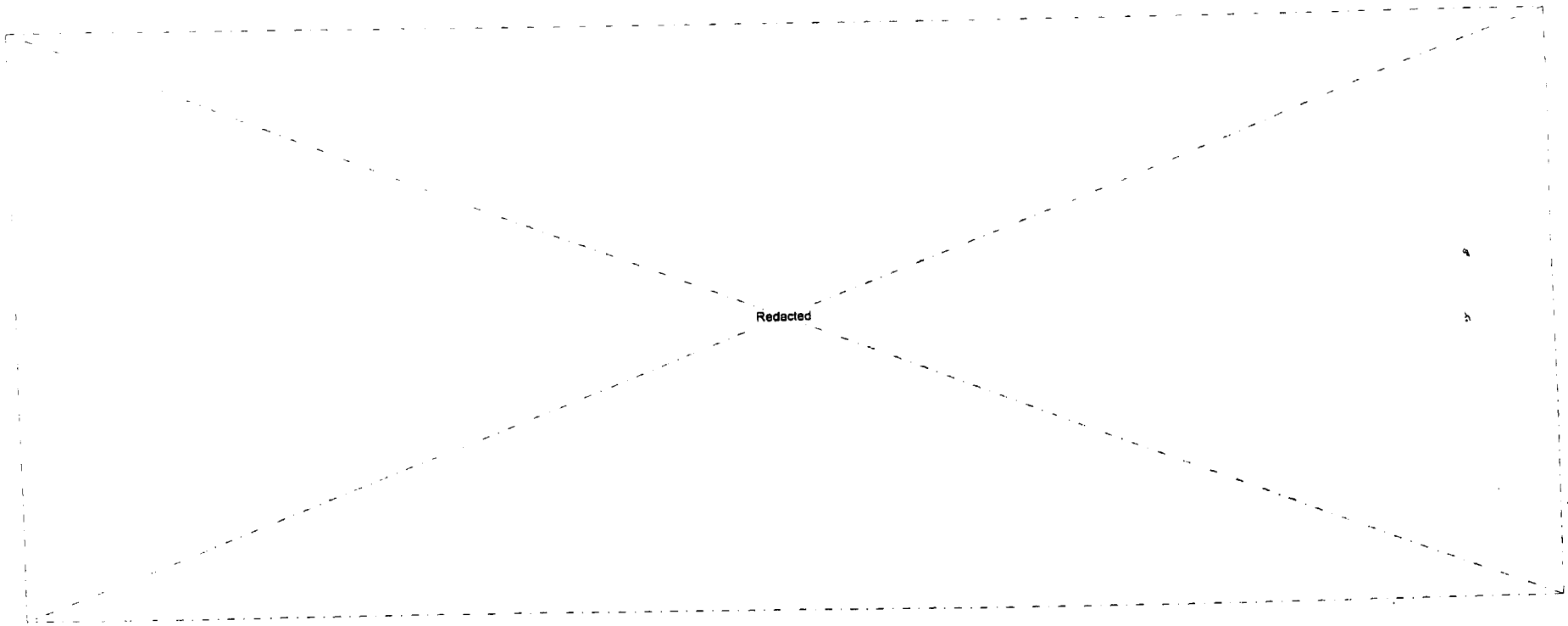
Summary German Takeover Timetable



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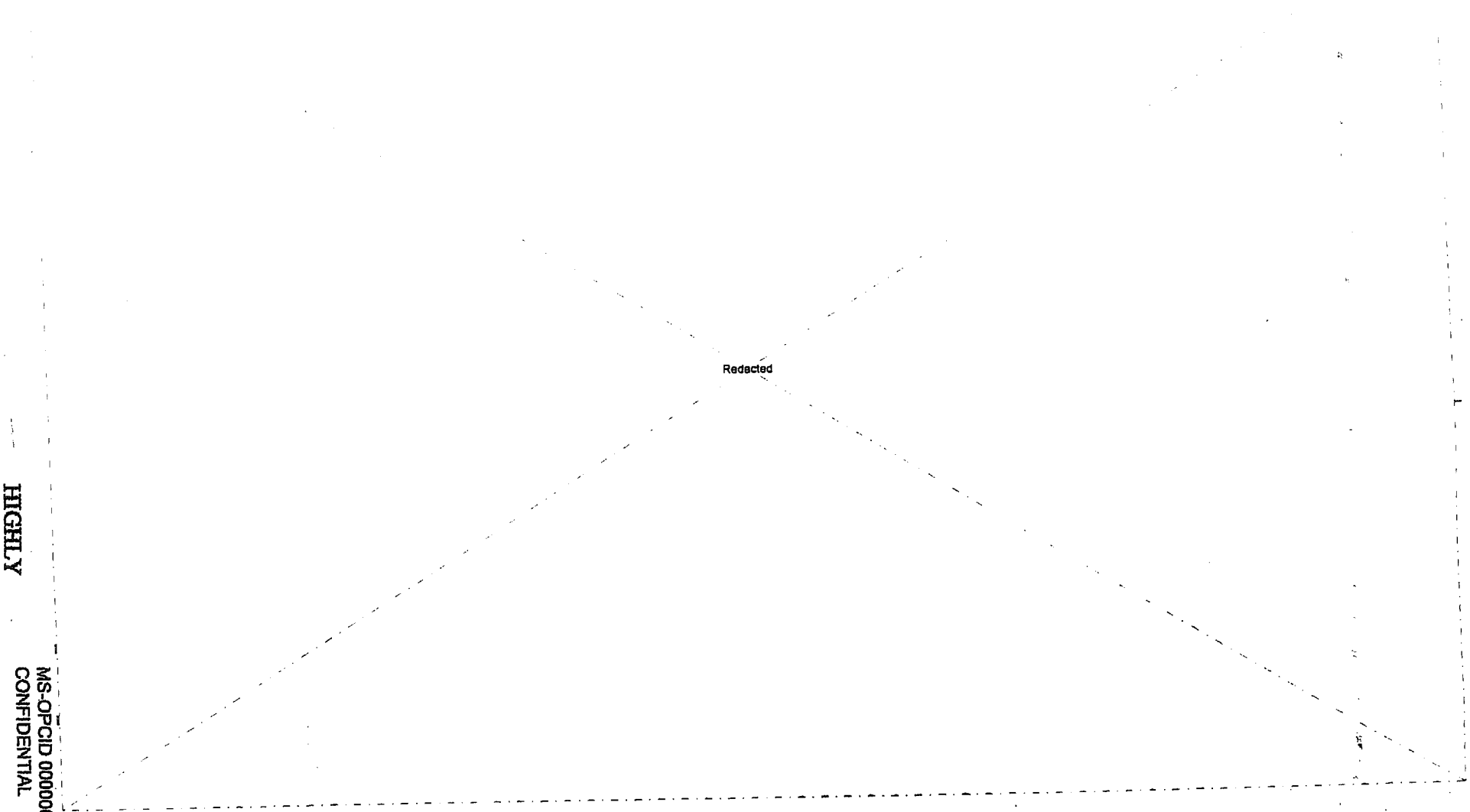

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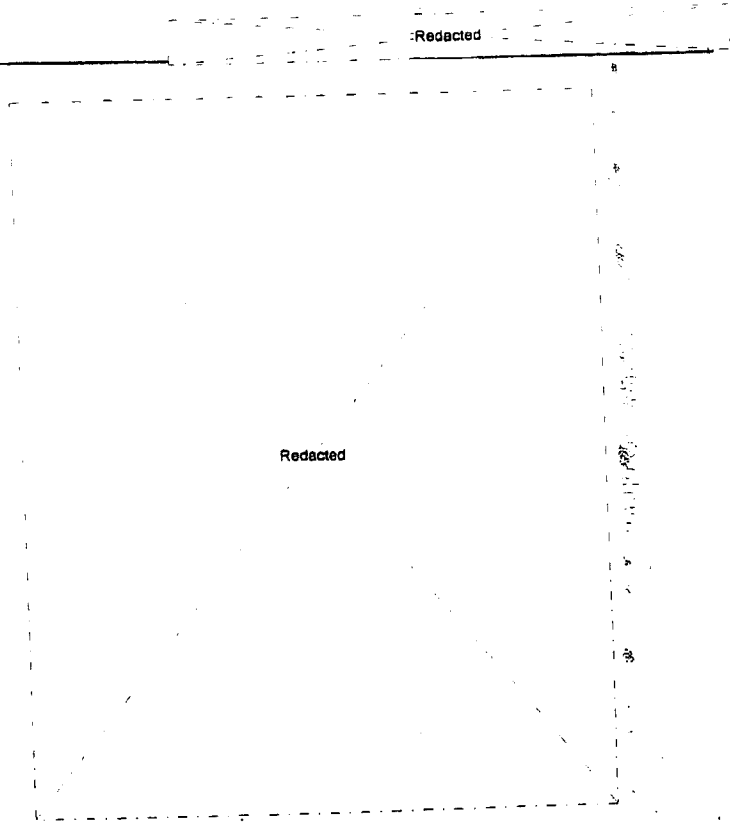

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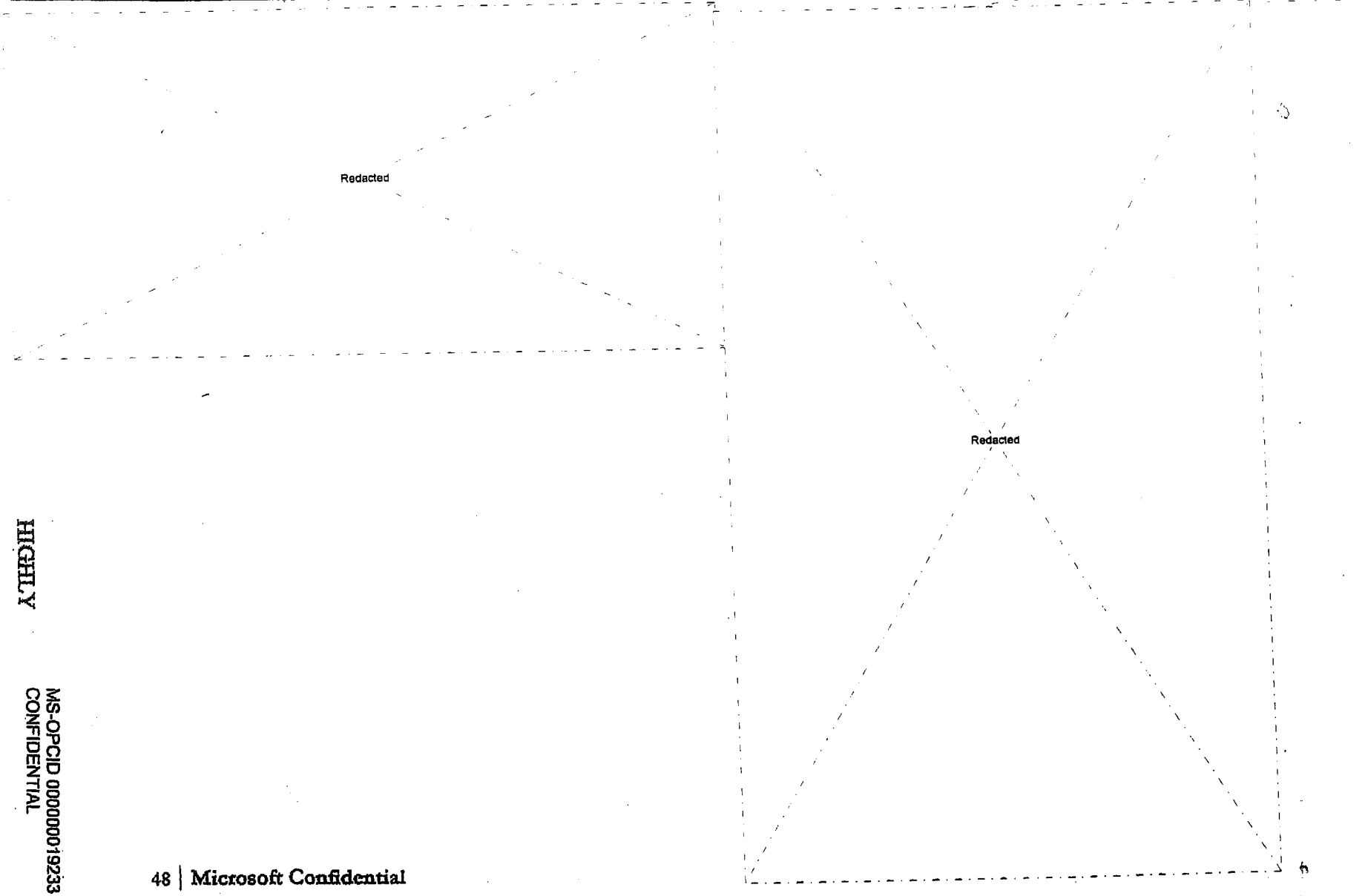

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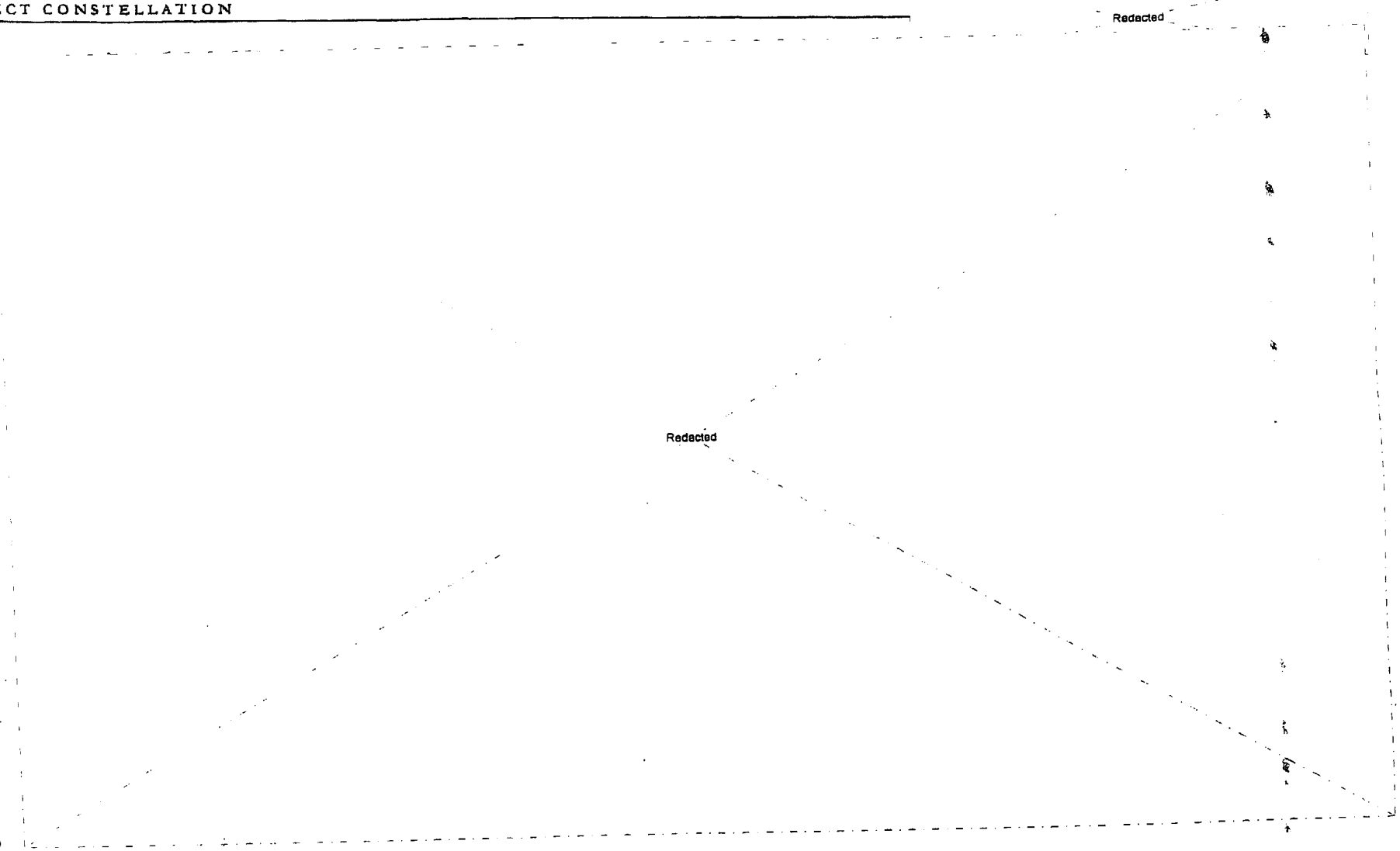

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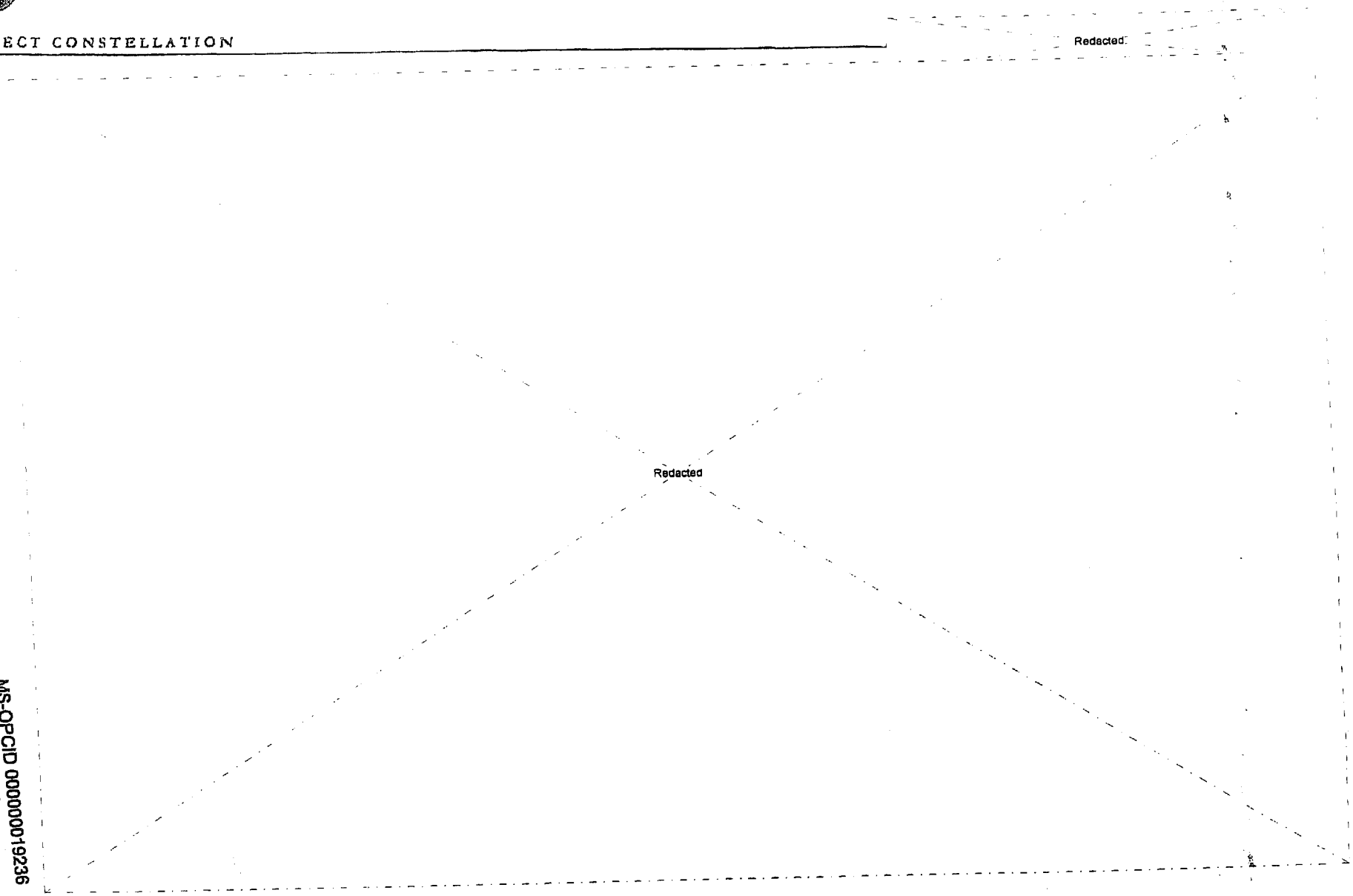

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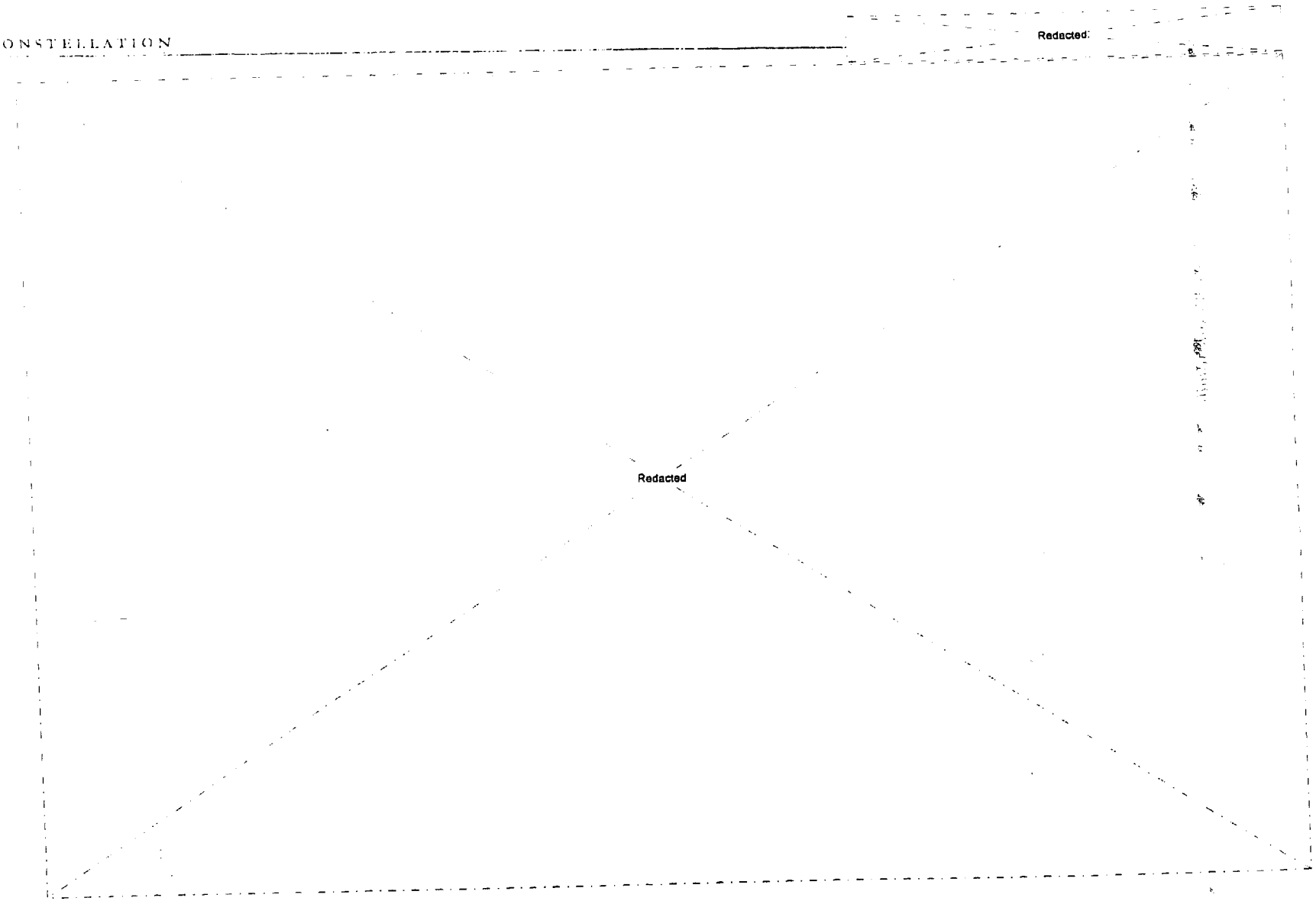

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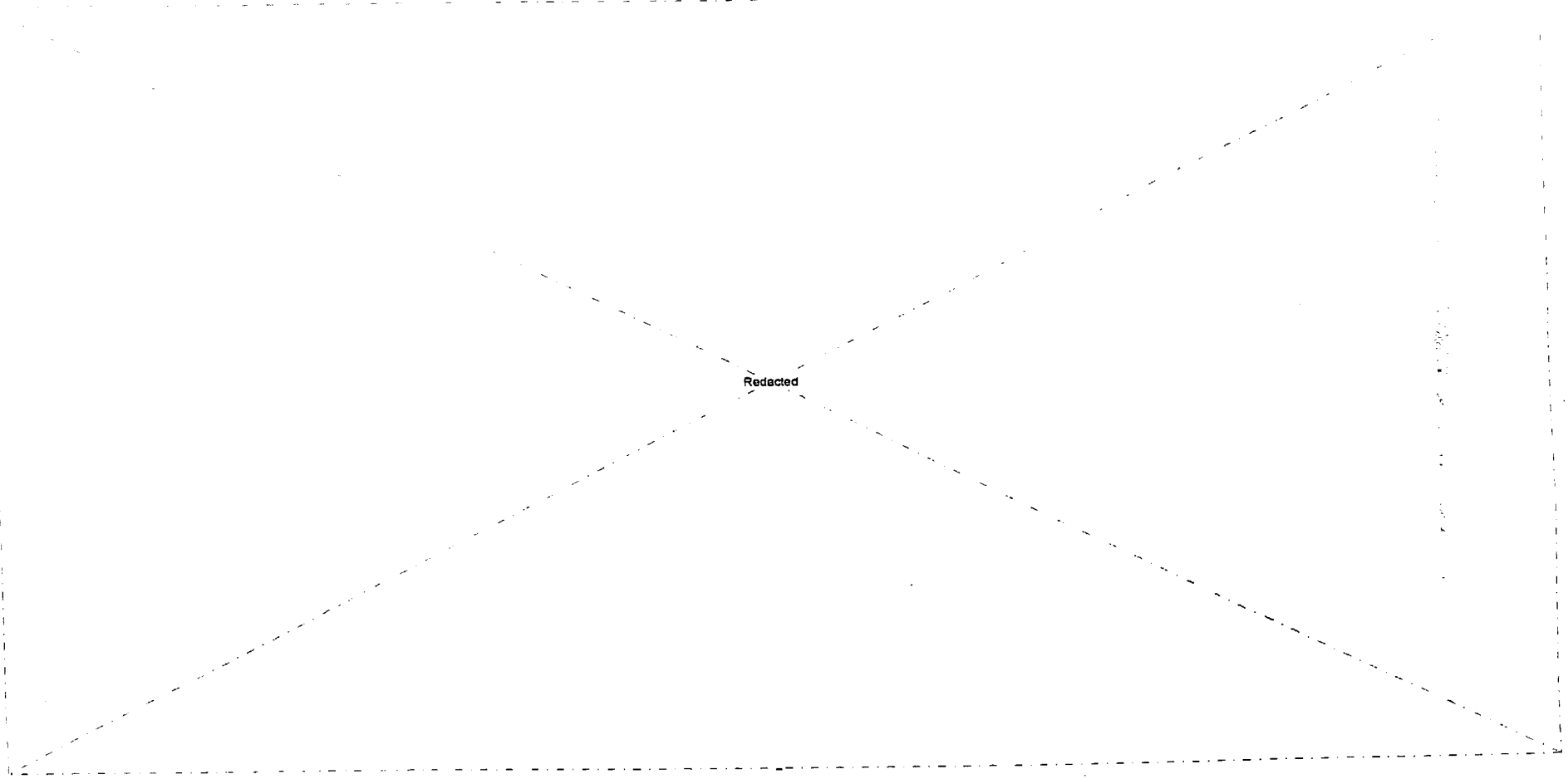

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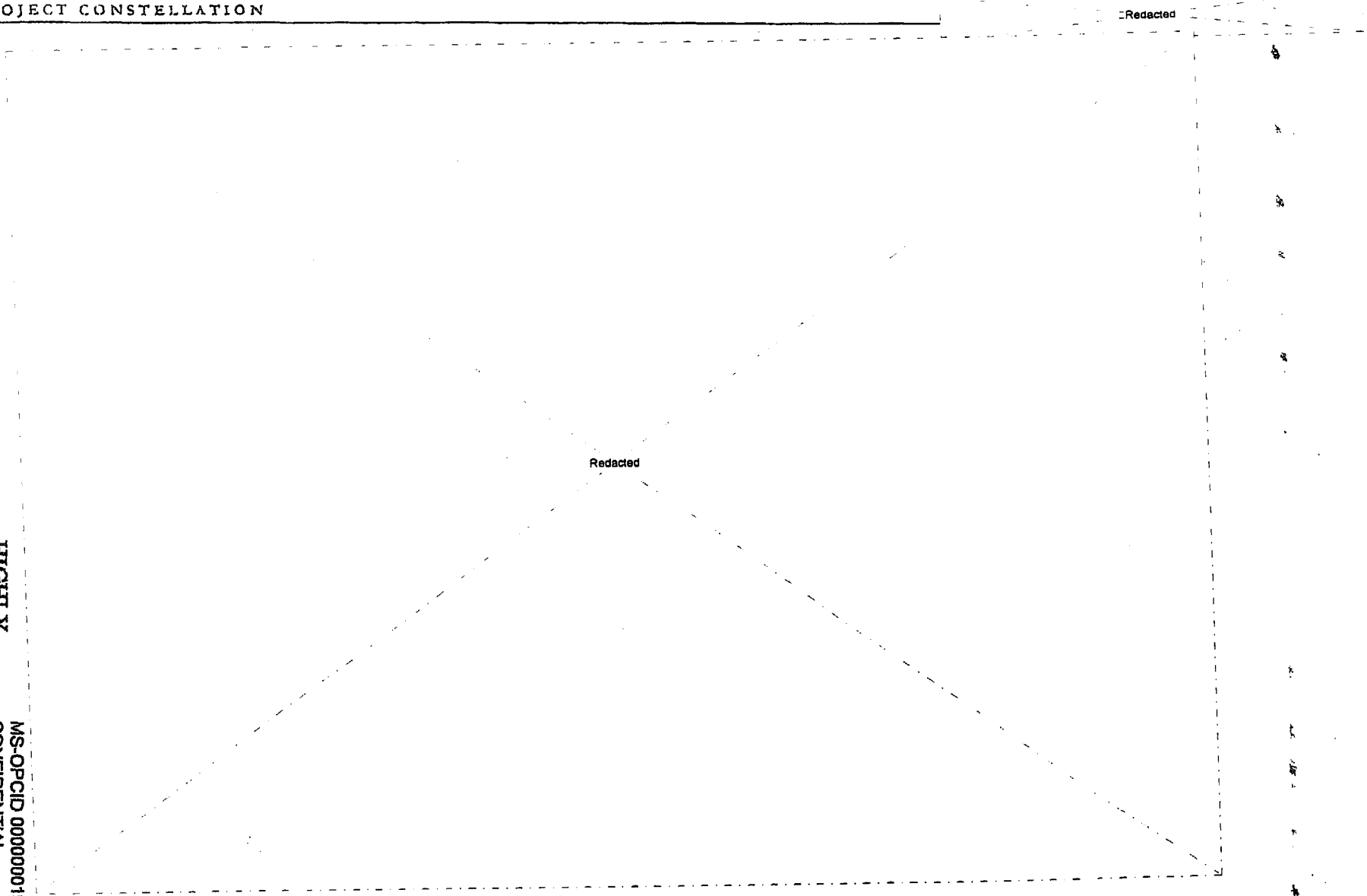

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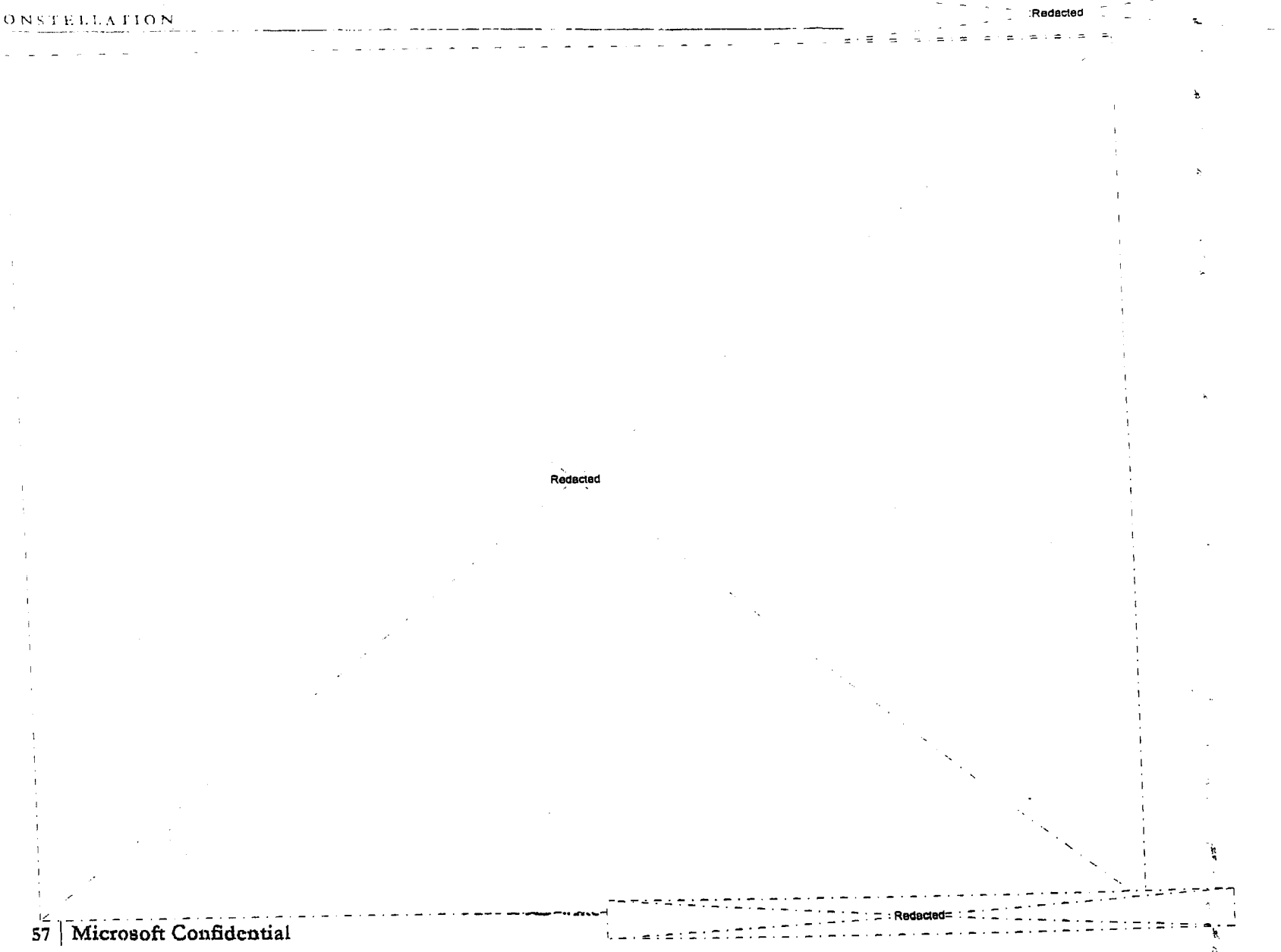

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