



Shareholder Meeting 2010
Jim Hagemann Snabe

Confidential until

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- The Spoken Word Applies -

Jim Hagemann Snabe

[Slide 13: Name Slide]

Thank you Bill. A warm welcome to all our shareholders here today and to all those participating on the Web. It is a pleasure to be here in the SAP Arena at the center of the region where SAP had its start and today has a strong presence.

As Bill said, the market changed drastically in the global economic crisis. We are pleased that we reacted quickly to these changes. It meant that we finished 2009 on an upwards trend and made a successful start into 2010. But we are even more excited about what is to come and what we are setting out to achieve together. These are truly exciting times for SAP as we demonstrate once again that we lead the pack in innovation.

[Slide 14: New Market Reality]

We have a good compass to point the way to the future: it is our orientation to our customers. We spend a lot of our time with our customers, and we analyze the changing market reality very precisely. The global financial crisis has spotlighted the importance of efficiency, transparency, and agility for best-run companies, which increases the strategic role of IT for businesses.

At the same time, companies' priorities are changing.

They are looking for software that provides instant value for their business. They are looking to lower their IT cost as a percentage of revenue. They want to clear the jungle that is their IT landscape. Ever more of their workers are using software, for instance for their up-to-the-minute customer data. They want solutions that come ready to use and are easy to use. That people can work with any place, any time.

IT is now crucial for companies to succeed. As a result, business departments are getting involved in the buying process for IT at an increasingly early stage. That means we don't have to convince just the CIO that our solutions are the best; we also have to show the people in the business departments that they can work even more successfully using our software.

New technologies really are opening doors to completely new opportunities in business: Companies can work together in real time on the Net. They can optimize entire intercompany business processes. Massive amounts of data can be analyzed in a fraction of a second – not this week's data, not yesterday's data, but today's data, real-time data, now. And using today's mobile devices, the employees can draw on live data wherever they are, at any time, to work and share decision-making with coworkers.

Such is business in the digital age, and SAP is ideally placed to play a leading part in shaping these developments.

[Slide 15: Build on a Strong Foundation]

Around the world, more than 97,000 customers in business and government rely on SAP software. Working in 25 industries, we are a significant contributor to the world economy. We lead not only in the classic ERP segment, but also in analytics and software for small and midsize businesses. Customers value our people's all-round expertise in IT, industry requirements, and business processes. They expect technical innovation from us that will give them an edge and new growth potentials – without interrupting the flow of their operations. And they know that is what we deliver, with the strongest portfolio of business software anywhere in the IT industry.

[Slide 16: The New SAP: Innovative and Inspiring]

It is not enough to see new opportunities, you have to use them. We want a new SAP, an SAP that actively contributes to the developments of the future and is true to the expectations of our customers and shareholders. To achieve that, we need a highly skilled and highly motivated workforce and the very best organization. For example, Bill and I have brought the product development and sales areas of the company even closer together. Our customers will be involved in the development process even earlier, and the products we develop will be ready for market more quickly. This significantly increases the value we generate for our customers.

Our products will be developed by people working together in small project teams that are directly responsible for the success of their products. That way, they will be faster, more motivated, and they will carry more of their own responsibility – which will improve the quality of our products. We have a consistent architecture and methodology so that all parts fall exactly into place. This approach combines the best of two worlds: The tempo and entrepreneurial spirit of small teams and the scale advantages of a big multinational company. The ultimate goal is energizing empowered employees who are dedicated to the highest customer satisfaction.

[Slide 17: Product Strategy: Innovation for Value]

Our product strategy is the response to the new situation in our market. Now, I would like to explain exactly how we are going to do this, with a product strategy that has four main pillars.

For many years, we have been market leaders for software that is installed and run on-site at the customer. We want to continue expanding this on-premise business. With SAP Business Suite, we offer a comprehensive solution for optimized business processes supporting 25 industries. Following the acquisition and integration of Business Objects, we are now also the market leader for analytics applications. By continuing to enhance SAP Business Suite and strengthening the integration with analytics tools, we will build on our leadership position in on-premise business.

We are already the market leader in on-premise software for small and midsize enterprises as well. Small and midsize enterprises comprise around three quarters of our customer base. We have an attractive portfolio for this market, with SAP Business One for small businesses and SAP All-in-One for midsize companies.

The second pillar of our product strategy is on-demand solutions. With this delivery model, software is not installed on site at customers' facilities. Instead, customers can access business software functionality on demand across the Internet. Companies can quickly add functionality to their landscape without the cost or time of implementing a new system themselves. We are totally convinced that this is an attractive offering for many customers, especially small and midsize enterprises. That is why we will rapidly grow our on-demand portfolio alongside our on-premise core business.

Our flagship in this area is SAP Business ByDesign. We will deliver a new version, 2.5, that will be a game changer for the industry. This is a next-generation on-demand platform. We are dedicated to scaling our go-to-market model and already have diverse, innovative midsize charter clients gaining real benefit from SAP Business ByDesign. They include the beverage company VitaCoco (US), Excel Polymers (China), the market researcher Prognosys (IN), the chip manufacturer Sequans (FR), Symbian (UK), and the online gaming provider Game Duell (D). SAP Business ByDesign enables them to quickly respond to changing market conditions and customer demands and to fuel their future growth.

SAP Business ByDesign is a complete solution for companies that want to run all of their business processes on an on-demand platform. For large companies that only want to manage select business processes across the Internet, we offer targeted on-demand solutions for specific lines of business. These solutions will allow our customers to grow their business by adding specific functions that they require. Customers therefore do not have to choose between on premise or on demand solutions; they can also opt for what we call a hybrid environment. By enabling this choice for our customers, we will maintain and expand our leadership of the business software industry and dominate the competition.

With the third pillar of our strategy, we will enable users to access our applications using any kind of device, be it in the office or on the road. We term this on device. People today want to access to information and data, participate in projects, and conduct their business wherever they are, whenever they want. With on device, we will greatly extend the reach of SAP software to many more users. The pervasiveness and popularity of mobile devices shows that there is a lucrative market connected to the on device pillar of our strategy. It makes companies more flexible and more agile when their employees can use SAP systems on the fly while on business trips or during visits to customers. We are already delivering applications for the business and technical user on many mobile devices. With our plan to acquire Sybase, we have the opportunity to become market leader in this growth area as well.

I would like to show you a short video as an example of how innovative SAP software can be used with a mobile device. You have probably already heard a lot about the iPad. Now you will see it working with SAP software. (Please start the video.)

(1 min 30 s demo video: SAP Business ByDesign and SAP BusinessObjects Explorer on the iPad)

What we just saw was more than SAP software being used on a state-of-the-art mobile computer. The application also leveraged a disruptive technology: in memory technology. With this technology, data is no longer stored in a separate database. Instead it is available directly in the main memory. That means mountains of data can be processed in a fraction of a second, enabling real-time analytics.

On premise, on demand, on device – these pillars are not three separate entities. They have to be carefully and consistently integrated with one another so that customers obtain the greatest benefit from all of their solutions. The fourth pillar of our strategy is therefore what we call “orchestration.” Just as a conductor keeps all the pieces of an orchestra together, we ensure that all applications work together and that data is consistent across all of them. And we enable our customers to execute end-to-end business processes, supported both by our software and customers’ existing software acquired from other vendors. In doing so, our primary goal is to reduce the total cost of ownership for our customers and to ensure the easy usability of our applications throughout the entire product life cycle.

[Slide 18: Expand Our Leadership Position]

With the four pillars of our product strategy, SAP is well poised not just to remain number 1 in the years to come: We want to extend our lead over our competitors and significantly increase our addressable market. In the future, we will be market leaders in all four pillars of our product strategy. We will be able to offer our customers end-to-end solutions for their business processes and the lowest total cost of ownership, regardless of which delivery model they choose. That will be our unique selling point. Our customers will enjoy greater benefits from our software, and we will generate more revenue.

To be successful in all these areas, we are collaborating with strong partners such as Cisco, Intel, EMC, and many others. Together, we are driving co-innovation that will bring together the latest innovations in hardware and software. This creates new possibilities for our customers who utilize the software with a wide range of offerings from our ecosystem.

To enhance our market position even more, we continue to search for acquisitions to provide us with innovative functionality and software to complement, enhance, and round out our industry, product, and technology offerings. We have been very successful with this strategy, bringing such companies into the SAP family in 2009 as Clear Standards for carbon management, Highdeal for telecommunications, and SAF for retail. We are also open to larger acquisitions, if it means more value for our customers and shareholders. We have certainly proven the power of the combination of SAP and BusinessObjects; together we are stronger than before. Not only have we been able to enhance our product offering with BusinessObjects software, but together we have created new innovative products, such as SAP BusinessObjects Explorer.

In addition, we are very excited about our offer to acquire Sybase. It will help us deliver solutions for mobile devices as well as help us leverage in-memory technology.

Social responsibility

In all that we do as a company for our customers, we never lose sight of our commitment to the world around us. Doing business today means supporting the society you live and work in. Many of our customers also expect that from us, as their long-term, responsible partner. At SAP, we have made a long-term commitment to social responsibility. Our activities in this area are focused around four pillars: education, transparency & good governance, bridging the digital divide, and environmental stewardship.

In each category, we are making a difference. Some important examples are: First LEGO League introduces thousands of children to technology and science each year, making them exciting and interesting. Last year, over 350 of our employees coached and mentored more than 1,500 kids in 29 countries in this competition.

During our global Volunteering Days our employees give back to the communities in which they live and work. In 2009, they contributed more than 62,000 hours of volunteering work. In the Month of Service held in October 2009 in our locations in the Americas, more than 40% of employees gave their time to volunteering projects. Here in the Rhine-Neckar region, we supported 40 community projects, from building a kitchen to enabling free lunches for children in Ludwigshafen to giving kids with disabilities the opportunity to organize their own summer camp to a climate change project with families in Wiesloch.

[Slide 19: Sustainability]

Sustainability is very important to us as well. We have a two-pronged strategy to be an enabler and exemplar – from running our company in a sustainable manner to helping our customers holistically manage their sustainability strategy.

In 2009, we launched several sustainability solutions, such as SAP BusinessObjects Sustainability Performance Management and the SAP Carbon Impact on-demand solution. These solutions are being implemented by such companies as Autodesk, Hitachi Consulting, and Lexmark.

Internally, we used our own sustainability solutions to better manage our carbon emissions, leading to a reduction of 15% over 2008 and cost savings of €90 million in 2009. Our long-term goal is to reduce our carbon emissions by half by 2020, based on our emissions in 2007.

We are focusing on being more than a software vendor for our customers with accelerated innovation to deliver better business value. With nearly 48,000 employees in over 60 countries, we have a vast fountain of creativity and diversity to make this happen. To turn this strategy into reality requires a culture that inspires and engages all our employees. The entire Executive Board, along with Angelika Dammann, our future labor relations director, will do its utmost to ensure that SAP continues to offer an ideal work environment.

We are in the middle of a transformation to ensure that each and every employee is empowered and engaged in our future. In addition, we are launching a new incentive program to encourage employees' long-term commitment to SAP. This plan includes an attractive share matching program and a virtual stock option plan for specific target groups. The shares for our share matching plan will be from our stock buyback program and from authorized capital.

[Slide 20: Thank You]

Without the full dedication and commitment of each and every employee over the long term, we will not achieve lasting success against the competition of leading global IT companies. That is why I want to take this opportunity to send a very special thank you to all of our employees. Your hard work has paid off! 2009 and certainly 2010 have been challenging. But I know that together as one team we are ready for whatever the future brings. Bill and I are certain it will be filled with success.

To our shareholders: please join us as we lead SAP into a new generation of profitable growth. We are looking forward to a winning year.

Thank you.