

# RESEARCH AND DEVELOPMENT

## GLOBAL CREATIVITY NETWORK

To harness the power of diversity, SAP distributes the development of its new and existing software solutions across locations in strategic markets worldwide. In addition, together with leading universities, partners, and customers, we cultivate groundbreaking IT trends and technologies on a global scale.

### Worldwide Distribution of Development

SAP employs over 12,900 people in software development, at development centers in eight countries. These locations, known as SAP Labs, include major international centers in Germany, the United States, India, China, and Israel, as well as smaller SAP Labs in Bulgaria, Canada, and Hungary.

Thinking globally, acting locally, the network of SAP Labs generates significant and lasting competitive advantages for SAP. The global distribution of the labs enables us to secure the services of excellent employees from different cultures and with the widest range of market and specialist expertise. It also allows us to make the most effective and efficient use of our resources.

We devised the structure of the SAP Labs network to accelerate product innovation and raise productivity. Due to the network's excellent flexibility, we can quickly react to new customer and market requirements. Furthermore, the global arrangement of our development organization enables us to develop products and services in collaboration with leading customers and partners, always giving us access to the best know-how to match our needs.

In 2007, SAP invested €1.458 billion in research and development for business software solutions.

### Boundless Collaboration

The principle of sharing ideas and collaborating across company boundaries and geographies is also reflected in the SAP community network, which includes the SAP Developer Network (SDN) community and the Business Process Expert community. Each of these communities consists of members who work on SAP software and technology, both within SAP and in other companies, such as developers working for our customers and partners. In late 2007, roughly three years after its launch, the SAP community network welcomed its one millionth member.

### Capitalizing on Groundbreaking Technology

SAP Research is our research organization. It is dedicated to capitalizing on pioneering trends and technologies in IT that we can incorporate into the development of our products. SAP Research consists of 13 interconnected research centers on five continents. Each center is located in close proximity to an SAP development center or on a university campus.

SAP Research operates a model of co-innovation: Hand-in-hand with prestigious universities, partners, customers, and product development groups at SAP, SAP Research employees pursue groundbreaking ideas and create prototypes – always striving to generate the greatest possible customer value for future markets. To this end, single

customers get involved early on in research undertakings within special “lighthouse projects”, and dedicated “living labs” demonstrate technological research in real-world settings, thus making prospective SAP solutions a tangible experience.

### Global Research and Development Network of SAP



Among the leading research topics in 2007 were the "Internet of Services" and the "Internet of Things". The Internet of Things seamlessly integrates physical objects into the IT world and makes them an active part of business processes. Everyday objects, facilities, and machines communicate information about themselves among one another. In 2007, the results of the research into these "smart" items were applied in practice in the Future Retail Center and the Future Factory.

The Internet of Services is about finding and combining services and information in order to fulfill unique requirements as precisely as possible. SAP Research spearheads efforts in the "Theseus" research program, which is supported by the German government. The program aims to develop a new infrastructure that will make finding and consuming services and information on the Internet more effective. Within the program, the "Texo" project, led by SAP Research, is helping to create an Internet-based service economy: The project is developing the infrastructure components needed to discover new services and interconnect them to fulfill business requirements.

## Realizing Employees' Ideas

In the search for innovation, key impulses come from within the company, specifically, from our employees. The SAP Inspire program promotes our employees' creativity and entrepreneurial spirit by providing support for their revolutionary ideas. The program nurtures new concepts until they are ready for use in a product. Currently, we are in the process of extending the program and combining it with other initiatives to form a global incubator program that will connect innovation efforts from within SAP and the world outside.

## Investment in Innovative Companies

SAP's investment in other companies also adds to the process of innovation. Founded in 1996, SAP Ventures is the corporate venture capital arm of SAP AG, investing in companies that develop promising technologies and applications. SAP Ventures operates independently of SAP's overall business strategy and is therefore able to invest in entirely new fields that offer the promise of very high profitability. SAP Ventures brings substantial benefit to its portfolio companies and SAP by facilitating interaction between innovative young companies and the SAP ecosystem. In 2007, SAP Ventures invested in aspiring enterprises such as AmberPoint, Coghead, GroundWork Open Source, Right Hemisphere, JasperSoft, PayScale, Alfresco, Greenplum, and Endeca.