Shareholder Meeting 2010
Bill McDermott

Confidential until

June 8, 2010, 10:30 a.m. CET

- The Spoken Word Applies -

Shareholder Meeting 2010
Bill McDermott / English Speech

> *Herzlich Willkommen zur SAP-Hauptversammlung 2010! Ich freue mich, heute in Mannheim zu sein; SAP hat hier begonnen. Jim und ich, zusammen mit dem ganzen Vorstand, wollen diese Erfolgsgeschichte weiterschreiben.*
>
> [Translation: Welcome to the SAP Annual Shareholder Meeting 2010. I am very proud to be here in Mannheim, where SAP began. Jim and I, together with the entire Board, are committed to continuing the amazing story of SAP.]

And even though my German ends here, the success of SAP continues on!

[Slide 4: 2009: Year of Change]

2009 was a challenging year. Companies across the globe had to adjust to a new market reality due to the global financial crisis.

Businesses changed their cost structure to preserve cash. They invested their capital in projects aligned with their strategy with a fast return on investment. And, businesses recognized that they needed to be able to assess real-time information to survive and thrive in a volatile market. These changes in the market accelerated existing trends in the IT industry. In fact, the new market reality made IT even more strategic and moved IT and business closer together.

In order to run better, businesses are integrating their business processes, standardizing on core platforms and lowering their IT costs as a percentage of revenue. This fuels investments for innovation in key areas such as real-time computing, analytics, mobility and sustainability.

From a global market perspective, the world is dynamic. No longer are the G8 countries solely responsible for the growth of the world economy. The emerging markets, such as Brazil, Russia, India and China have arrived. From an industry perspective, we see Financial Services, Public Sector, Telecommunications and Retail as core growth drivers.

From a competitive standpoint, 2009 was a year of change. Our competition intensified with increased consolidation and new companies entering the OnDemand market.

SAP reacted decisively to these market shifts. We focused on customer intimacy and long term customer relationships. SAP released new innovative world-class products such as the SAP Business Suite 7.0. We also delivered SAP Business Objects Explorer which allows customers to access business information at the speed of thought. We segmented and tailored our go-to-market to our largest customers as well as our customers in Fast Growth Markets. We extended relationships to new buying centers across the C-Suite and line of business executives. We did all of this by leveraging our entire ecosystem of partners. We also took immediate and decisive actions to address our cost structure.

Now, I will share with you how SAP performed in the challenging 2009 environment. I will then review the first 4 months that Jim and I have been Co-CEOs and our plans for 2010.

[Slide 5: 2009 Financial Overview]

SAP was also impacted by the financial crisis in 2009. Software license revenues were down 28% to 2.6 Billion Euros. We were able to grow our annually recurring support and subscription revenues in 2009 by 11% and 19% respectively to a total of 5.6 Billion Euros. This allowed us to counterbalance a large part of the software license decline. Software and software-related service revenue in total was down only 5% to 8.2 Billion Euro.

Note that all financial data we will provide today in our remarks are non-IFRS numbers. This means they are adjusted for acquisition related costs and discontinued operations and include adjustments for BusinessObjects Support revenues.

[Slide 6: 2009 Focus on Efficiency]

Our focus on efficiency helped us reduce our costs by €675 million compared to 2008, allowing us to exceed our guidance from early 2009 with an operating margin of 27.6% at constant currencies. Without restructuring charges the operating margin is even 1.8% higher. We kept our focus on cutting costs such as travel and the efficient use of external resources. This focus certainly paid off.

[Slide 7: 2009 Our Agility Paid Off]

The financial crisis impacted our business mainly in the first three quarters of 2009. Thanks to increased efficiency, strong field execution, and increased innovation, we ended the year on a high note. We demonstrated that when we come together as one SAP, one team, we were once again very successful.

In fact, in the fourth quarter, we saw a turnaround of our business, with software license revenue topping EUR 1.1 Billion. Just to put that in perspective, this is nearly twice the software license revenue than our closest competitor generates in their strongest quarter. Software and software-related service revenue was down only 5%, thanks to the strong execution in North and Latin America and Asia Pacific regions. The BRIC countries and the United States led the pack.

We won some outstanding customers in key industries such as:

- Banking: National Australia Bank Limited (Australia), Deutsche Bank AG (Germany)
- Insurance: Talanx AG (Germany), the third-largest insurance group in Germany
- Public sector: Fairfax County, Virginia (USA)
- Telecommunications: Tata Teleservices Ltd (India), Telefónica S.A. (Iberia), Verizon Services Corp. (USA)

We demonstrated once again that SAP is a trusted advisor to businesses. I would like to share a few customer examples with you:

[Slide 8: Customer Proof Points]

The first customer example is crucial this year as the World Cup kicks off this week in South Africa. I know we are all looking forward to an exciting tournament. And may the best team win!

Adidas, a long-time SAP customer, looked to us to help improve its global supply chain. They are using our SAP Apparel and Footwear application to increase efficiency, improve supply chain performance, and ensure industry best practices across the organization. Now they can meet the demands that the World Cup will put on their supply chain.

Another topic close at hand this year is relief assistance, particularly in light of terrible natural disasters, such as the earthquakes in Haiti, China, and Chile. Direct Relief International works to provide medical assistance to improve the quality of life for people affected by poverty, disaster, and civil unrest. The number of donations they receive skyrocketed after the tsunami in the Indian Ocean in December 2004. They looked to SAP to help them improve their IT infrastructure to cope with the increased demand. By leveraging SAP Customer Relationship Management, they have streamlined their financial, compliance, and warehouse management systems, allowing them to save more lives around the globe.

[Porsche Video] A third example of a company using SAP software to improve their business is Porsche. Let’s watch how this looks on the assembly line for the Porsche Panamera…

[Slide 9: Strong Stock Performance]

2009 was a successful year, also reflected in our share price as our stock significantly outperformed all of the international benchmark indices. The SAP stock increased 30.7% over the course of the year, while the DAX 30 and EURO STOXX 50 benchmark indexes rose only 23.8% and 21.1%, respectively. I am sure you are pleased with this good news.

On a related note, I would like to touch upon our share buyback program. In 2009, we did not buy back any shares for treasury. Instead, we used our excess cash for a number of purposes, mainly for repayment of the loan we took to acquire Business Objects, and for the dividend payment for Fiscal 2008.

For fiscal 2009, we recommend a dividend on the same level as the previous year, at €0.50 per share – you will be asked to vote on this later on in the shareholder meeting.

[Slide 10: The New SAP: Focus on the Customer]

While 2009 was a year of transition, 2010 is the year of returning to growth. Jim and I have been Co-CEOs for four months and I know you are very interested in hearing from both of us on what we have accomplished over this time and what we are planning for the future.

Jim and I immediately set clear priorities for the entire business that we will believe will benefit all our stakeholders:

- Communicate a clear growth strategy for our business
- Deliver strong quarterly growth starting with Q1
- Accelerate the speed of our innovation
- Focus on our employees and ecosystem

Between Jim and me, we divided our roles very clearly. We are benefiting from each other's strengths and recognize that our complementary skills are greater than the sum of the parts. In this spirit, I will talk about our market strategy as well as give you a short summary of Q1 and an outlook for 2010. Jim will then describe our product strategy and our increased focus on employee engagement.

Our strategy is based on a very strong foundation. We have 97,000 customers in 25 distinctly different industries. Our experience exceeds 35 years in the industry and we now touch 60% of the world's transactions.

This heritage differentiates us in the marketplace. SAP plays an important role in the global economy. We believe by making one customer at a time a best-run business; we can make the world run better. This is our vision.

We can reach this vision by focusing on being the world's best business application software company regardless if the software is delivered and consumed OnPremise, OnDemand or OnDevice. And we can ensure the orchestration between these layers so that they are consistent.

By expanding our focus on OnDemand and OnDevice, we can double our addressable market and this will ultimately benefit you, our shareholders.

Our mission remains to make every customer a best-run business. This starts by understanding our customers' value lifecycle. We first need to understand our customer's business strategy, their pain points, and their goals whatever the size of their company, whatever the industry. Then we build a SAP roadmap with milestones that ties their business strategy to business outcomes.

Most importantly, we believe in customer choice. We don't believe in vendor lock in, we believe in a vibrant ecosystem as a force multiplier for driving customer success. We are also providing more choice beyond our standard license agreements to allow customers to consume software at their own speed. We are now offering Flexible Licensing Agreements, or FLAs. For large multinationals, we offer Global Enterprise Agreements, or GEAs. Both of these additional licensing types help us build stronger long-term customer partnerships.

In the context of choice, let me address a topic that I know you are all interested in learning more about: SAP Enterprise Support. With SAP Enterprise Support, we help customers optimize the operation of their entire SAP landscape including life-cycle management, quality checks, and continuous improvement. We are absolutely convinced that it provides the best value for our customers, but we recognized that customers wanted choice. We have re-introduced choice, and now the situation has largely changed in Germany as well as globally. In fact, 82% of our customers have chosen SAP Enterprise Support over SAP Standard Support. This is great news for our business, our customers and our shareholders. As a final note, on the situation in Germany, I would like to welcome back Michael Kleinemeier to SAP.

Our go-to-market strategy will continue to be tailored to serve our customer needs from the very large to the very small. For larger customers we focus on value delivery through our direct sales channel and services business. We are increasing our sales coverage in markets where we see growth such as for line of business and analytics solutions, as well as fast growth markets like Brazil and China, and financial services and retail. We also continue to invest in our volume business by strengthening our Inside Sales organization, indirect and web channels across all segments. We have also created dedicated focus on SAP BusinessByDesign and OnDemand in our go-to-market model as we ramp-up these new businesses.

[Slide 11: Q1 2010: Return to Growth]

A strategy is only as good as the execution. Jim and I - as well as the Executive Board - see it is as essential to deliver quarterly growth to our shareholders on a year-on-year basis. I am happy to report that we returned to double-digit growth in Q1. Software and software-related service revenue increased 11% to €1.95 billion, with non-IFRS software revenue up 11% to €464 million. At constant currencies these growth rates were 10% and 7%, respectively. This was driven by an increase in software revenue across all regions and a very strong support business.

In fact, support revenue increased sequentially by more than 2%, which demonstrates that we are well on track with the retention and adoption of Enterprise Support within our customer base and for new customers. We also reported double-digit growth in our small and midsized enterprise business, in SAP BusinessObjects and in our focus industries such as financial services, up 17%, and retail, up 31%. In the BRIC countries we even doubled our business, and we saw a reemergence in the U.S.

Another positive sign is that volume has stabilized with strong deal volume across direct and indirect channels and a healthy mix of small to large transactions. We also saw a return to some large transformational deals – deals over €5 million accounted for 27% of order entry compared to 12% in last year's first quarter and average deal size was up 36% year-over-year.

This strong top-line performance coupled with reduction in costs resulted in further margin expansion. Non-IFRS operating margin increased 8.0 percentage points to 24.4% year-over-year. 6.6 percentage points of this margin expansion are related to restructuring expenses incurred in last year´s first quarter results.

Important financial highlights also include share buyback and our placement of a Eurobond. In the first quarter, we bought back 3.5 million shares for a total of approximate €120 million. For the full year, we continue to expect to buy back shares in an amount of at least €250 million. We placed a Eurobond with a two-tranche structure consisting of a €500 million four-year tranche and a €500 million seven-year tranche. The transaction was heavily oversubscribed and generated strong international demand.

[Slide 12: Business Outlook 2010]

We are looking forward to a strong 2010. We believe that our return to growth in Q1 is the beginning of a new SAP. We have strong momentum in key markets and industries and are uniquely positioned to help our customers transform and grow. We will continue to invest and fund our fastest growing business such as our SAP BusinessObjects business and in the emerging markets. We are also excited for the launch of SAP BusinessByDesign and our OnDemand portfolio.

We have set a clear strategy for SAP and we will take bold moves to accelerate our strategy. In this context, I like to comment on our intent to acquire Californian-based Sybase. This acquisition is about accelerating growth for both businesses. This transaction is fully aligned with our strategic objective to significantly expand our addressable market; opening up new opportunities in mobility, in memory computing and analytics. It is also a sound financial move, as both companies are growing, and have high margins, and strong, free cash flow.

As a result of this transaction, SAP will be the only company to deliver a full suite of enterprise software and next generation business intelligence on any device at any time, harnessing the power of Sybase's industry leading mobile platform.

End of April, we reiterated our 2010 outlook in which we expect full-year non-IFRS software and software-related service revenue to increase in a range from 4% to 8% at constant currencies. For our non-IFRS margin, we expect a range of 30% to 31% at constant currencies. Long-term we are striving toward a non-IFRS operating margin of 35%.

I am looking forward to a very successful 2010 as we place our customers at the center of all we do, whatever their size, wherever they are. With a strong team in place as we have today at SAP, we are unstoppable. Here's to a powerful SAP.

Thank you.