

SAP AG
Form 20-F
March 23, 2012
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

.. **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2011

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
OR

.. **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

For the transition period from _____ to _____

Commission file number: 1-14251

SAP AG

(Exact name of Registrant as specified in its charter)

SAP CORPORATION

(Translation of Registrant's name into English)

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Federal Republic of Germany

(Jurisdiction of incorporation or organization)

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Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each Representing	New York Stock Exchange
one Ordinary Share, without nominal value	
Ordinary Shares, without nominal value	New York Stock Exchange*

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares, without nominal value: 1,228,083,382 (as of December 31, 2011)**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes No

Note: Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer
Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP International Financial Reporting Standards as issued by the International Accounting Standards Board Other

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

* Listed not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares representing such ordinary shares pursuant to the requirements of the Securities and Exchange Commission.

** Including 37,765,849 treasury shares.

Table of Contents

Table of Contents

<u>INTRODUCTION</u>	1
<u>FORWARD-LOOKING STATEMENTS</u>	2
<u>FINANCIAL MEASURES CITED IN THIS REPORT</u>	3
<u>PART I</u>	11
<u>ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS</u>	11
<u>ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE</u>	11
<u>ITEM 3. KEY INFORMATION</u>	11
<u>Selected Financial Data</u>	11
<u>Exchange Rates</u>	13
<u>Dividends</u>	13
<u>Risk Factors</u>	14
<u>ITEM 4. INFORMATION ABOUT SAP</u>	28
<u>The SAP Group of Companies</u>	28
<u>Portfolio of Software and Services</u>	35
<u>Research and Development</u>	45
<u>Partner Ecosystem</u>	54
<u>Acquisitions and Disposals</u>	56
<u>Energy and Emissions</u>	58
<u>Seasonality</u>	59
<u>Sales, Marketing and Distribution</u>	59
<u>Intellectual Property, Proprietary Rights and Licenses</u>	60
<u>Organizational Structure</u>	60
<u>Description of Property</u>	61
<u>ITEM 4A. UNRESOLVED STAFF COMMENTS</u>	63
<u>ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS</u>	63
<u>Overview</u>	63
<u>Economic Conditions</u>	64
<u>Outlook for 2011</u>	65
<u>Foreign Currency Exchange Rate Exposure</u>	84
<u>Outlook</u>	85
<u>Liquidity and Capital Resources</u>	90
<u>Off-Balance Sheet Arrangements</u>	94
<u>Contractual Obligations</u>	95
<u>Research and Development</u>	95
<u>Critical Accounting Estimates</u>	96
<u>New Accounting Standards not yet Adopted</u>	96
<u>ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES</u>	97
<u>Supervisory Board</u>	97
<u>Executive Board</u>	98

Table of Contents

<u>Compensation Report</u>	99
<u>Employees</u>	117
<u>Share Ownership</u>	118
<u>Share-Based Compensation Plans</u>	118
<u>ITEM 7. MAJOR SHAREHOLDERS AND RELATED-PARTY TRANSACTIONS</u>	119
<u>Major Shareholders</u>	119
<u>Related-Party Transactions</u>	120
<u>ITEM 8. FINANCIAL INFORMATION</u>	120
<u>Consolidated Financial Statements and Financial Statement Schedule</u>	120
<u>Other Financial Information</u>	120
<u>ITEM 9. THE OFFER AND LISTING</u>	121
<u>General</u>	121
<u>Trading on the Frankfurt Stock Exchange and the NYSE</u>	122
<u>ITEM 10. ADDITIONAL INFORMATION</u>	123
<u>Articles of Incorporation</u>	123
<u>Corporate Governance</u>	123
<u>Change in Control</u>	128
<u>Change in Share Capital</u>	128
<u>Rights Accompanying our Shares</u>	129
<u>Taxation</u>	130
<u>Material Contracts</u>	136
<u>Documents on Display</u>	136
<u>ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	136
<u>ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES</u>	137
<u>American Depositary Shares</u>	137
<u>PART II</u>	139
<u>ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES</u>	139
<u>ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS</u>	139
<u>ITEM 15. CONTROLS AND PROCEDURES</u>	139
<u>Evaluation of Disclosure Controls and Procedures</u>	139
<u>Management's Annual Report on Internal Control Over Financial Reporting</u>	139
<u>Changes in Internal Control Over Financial Reporting</u>	139
<u>ITEM 16. [RESERVED]</u>	140
<u>ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT</u>	140
<u>ITEM 16B. CODE OF ETHICS</u>	140
<u>ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	140
<u>Audit Fees, Audit Related Fees, Tax Fees and All Other Fees</u>	140
<u>Audit Committee's Pre-Approval Policies and Procedures</u>	140

Table of Contents

<u>ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES</u>	141
<u>ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS</u>	141
<u>ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT</u>	142
<u>ITEM 16G. DIFFERENCES IN CORPORATE GOVERNANCE PRACTICES</u>	142
<u>PART III</u>	146
<u>ITEM 17. FINANCIAL STATEMENTS</u>	146
<u>ITEM 18. FINANCIAL STATEMENTS</u>	146
<u>ITEM 19. EXHIBITS</u>	146
<u>Signatures</u>	148
<u>SAP AG and Subsidiaries</u>	F-1
<u>Report of Independent Registered Public Accounting Firm</u>	F-2
<u>Consolidated Financial Statements</u>	F-3

Table of Contents

INTRODUCTION

SAP AG is a German stock corporation (Aktiengesellschaft) and is referred to in this report, together with its subsidiaries, as SAP, or as Company, Group, we, our, or us. Our Consolidated Financial Statements included in Item 18. Financial Statements in this report have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, referred to as IFRS throughout this report.

In this report: (i) references to US\$, \$, or dollars are to U.S. dollars; (ii) references to or euro are to the euro. Our financial statements are denominated in euros, which is the currency of our home country, Germany. Certain amounts that appear in this report may not add up because of differences due to rounding.

Unless otherwise specified herein, euro financial data have been converted into dollars at the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on December 30, 2011, which was US\$1.2973 per 1.00. No representation is made that such euro amounts actually represent such dollar amounts or that such euro amounts could have been or can be converted into dollars at that or any other exchange rate on such date or on any other date. The rate used for the convenience translations also differs from the currency exchange rates used for the preparation of the Consolidated Financial Statements. This convenience translation is not a requirement under IFRS and, accordingly, our independent registered public accounting firm has not audited these US\$ amounts. For information regarding recent rates of exchange between euro and dollars, see Item 3. Key Information Exchange Rates. On March 8, 2012, the Noon Buying Rate for converting euro to dollars was US\$1.3256 per 1.00.

Unless the context otherwise requires, references in this report to ordinary shares are to

SAP AG's ordinary shares, without nominal value. References in this report to ADRs are to SAP AG's American Depositary Receipts, each representing one SAP ordinary share.

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Throughout this report, whenever a reference is made to our website, such reference does not incorporate by reference into this report the information contained on our website.

We intend to make this report and other periodic reports publicly available on our Web site (www.sap.com) without charge immediately following our filing with the U.S. Securities and Exchange Commission (SEC). We assume no obligation to update or revise any part of this report, whether as a result of new information, future events or otherwise, unless we are required to do so by law.

Table of Contents

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements and information based on the beliefs of, and assumptions made by, our management using information currently available to them. Any statements contained in this report that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations, assumptions, and projections about future conditions and events. As a result, our forward-looking statements and information are subject to uncertainties and risks. A broad range of uncertainties and risks, many of which are beyond our control, could cause our actual results and performance to differ materially from any projections expressed in or implied by our forward-looking statements. The uncertainties and risks include, but are not limited to:

Uncertainty in the global economy, financial markets, and in political conditions could have material negative impact on our business, financial position, profit, and cash flows.

Third parties have claimed, and might claim in the future, that we infringe their intellectual property rights, which could lead to damages being awarded against us and limit our ability to utilize certain technologies in the future and could have a material negative impact on our business, financial position, profit, or cash flows.

Undetected security flaws in our software or our proprietary systems or those of our third-party service and software providers may be exploited by other persons, which could damage SAP or our customers and significantly impact our financial position, profit, cash flows, and reputation.

If our established customers do not buy additional software products, renew maintenance agreements, or purchase additional professional services, this could have a material adverse impact on our business, financial position, profit, and cash flows.

We describe these and other risks and uncertainties in the Risk Factors section.

If one or more of these uncertainties or risks materializes, or if management's underlying assumptions prove incorrect, our actual results could differ materially from those described in or inferred from our forward-looking statements and information.

The words aim, anticipate, assume, believe, continue, could, counting on, is confident, estimate, expect, forecast, guidance, outlook, plan, project, predict, seek, should, strategy, want, will, would, and similar expressions as they relate to us are intended to identify forward-looking statements. Such statements include, for example, those made in the Operating Results section, our quantitative and qualitative disclosures about market risk pursuant to the International Financial Reporting Standards (IFRS), namely IFRS 7 and related statements in our Notes to the Consolidated Financial Statements, the Risk Factors section, our outlook guidance, and other forward-looking information appearing in other parts of this report. To fully consider the factors that could affect our future financial results, both our Annual Report and Annual Report on Form 20-F should be considered, as well as all of our other filings with the Securities and Exchange Commission (SEC). Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date specified or the date of this report. Except where legally required, we undertake no obligation to publicly update or revise any forward-looking statements as a result of new information that we receive about conditions that existed upon issuance of this report, future events, or otherwise unless we are required to do so by law.

This report includes statistical data about the IT industry and global economic trends that comes from information published by sources including International Data Corporation (IDC), a provider of market information and advisory

Table of Contents

services for the information technology, telecommunications, and consumer technology markets; investment bank Goldman Sachs; the European Central Bank (ECB); the International Monetary Fund (IMF); and the Organisation for Economic Co-operation and Development (OECD). This type of data represents only the estimates of IDC, Goldman Sachs, the ECB, the IMF, the OECD and other sources of industry data. SAP does not adopt or endorse any of the statistical information provided by sources such as IDC, Goldman Sachs, the ECB, the IMF, the OECD or other similar sources that is contained in this report. In addition, although we believe that data from these companies is generally reliable, this type of data is inherently imprecise. We caution readers not to place undue reliance on this data.

FINANCIAL MEASURES CITED IN THIS REPORT

Measures we Use to Manage Operating Performance

We use various performance measures to help promote our primary goal of sustained growth in corporate value and our ancillary goal of profitable revenue growth. The following are the key measures we used in 2011:

Non-IFRS SSRS revenue: Our software and software-related service (SSRS) revenue includes software and support revenue plus subscription and other software-related service revenue. The principal source of software revenue is the fees customers pay for software licenses. Software revenue is our key revenue driver because it tends to affect our other revenue streams. Generally, customers who buy software licenses also enter into maintenance contracts, and these generate recurring software-related service revenue in the form of support revenue after the software sale. Maintenance contracts cover support services and software updates and enhancements. We generate subscription and software-related service revenue when we provide software on subscription or in a cloud mode, that is, with obligatory hosting terms. Software revenue also tends to stimulate service revenue from consulting and training sales.

Non-IFRS operating profit/non-IFRS operating margin: In 2011, we used non-IFRS operating profit/non-IFRS operating margin and constant currency non-IFRS operating profit/non-IFRS operating margin to measure our overall operational process efficiency and overall business performance. Non-IFRS operating margin is the ratio of our non-IFRS operating profit to total non-IFRS revenue, expressed as a percentage. See below for a discussion of the IFRS and non-IFRS measures we use.

Measures we Use to Manage Non-Operating Performance

We use the following performance measures to manage non-operating items:

Finance income, net: This measure provides insight especially into the return on liquid assets and capital investments and the cost of borrowed funds. To manage our financial income, net, we focus on cash flow, the composition of our liquid asset and capital investment portfolio, and the average rate of interest at which assets are invested. We also monitor average outstanding borrowings and the associated finance costs.

DSO and DPO: We manage working capital by controlling the days sales outstanding for operating receivables, or DSO (defined as average number of days from the raised invoice to cash receipt from the customer), and the days payables outstanding for operating liabilities, or DPO (defined as average number of days from the received invoice to cash payment to the vendor).

Measures we Use to Manage Overall Performance

For managing our overall performance we use the following measures:

Earnings per share (EPS): EPS measures our overall performance, because it captures all operating and non-operating elements of profit as well as income tax expense. It represents the portion of profit after tax allocable to each SAP share outstanding (using the weighted average number of shares

Table of Contents

outstanding over the reporting period). EPS is influenced not only by our operating and non-operating business, and income taxes, but also by the weighted average number of shares outstanding. We believe that stock repurchases and dividend distributions are a good means to return value to shareholders in accordance with the authorizations granted by them.

Effective tax rate: We define our effective tax rate as the ratio of income tax expense to profit before tax, expressed as a percentage.

Operating, investing and financing cash flows: Our consolidated statement of cash flows provides insight as to how we generated and used cash and cash equivalents. When used in conjunction with the other primary financial statements it provides information that helps us evaluate the changes of our net assets, our financial structure (including our liquidity and solvency), and our ability to affect the amounts and timing of cash flows in order to adapt to changing circumstances and opportunities.

Value-Based Management

Our holistic view of the performance measures described above together with our associated analyses comprise the information we use for value-based management. We use planning and control processes to manage the compilation of these key measures and their availability to our decision makers across various management levels.

SAP's long-term strategic plans are the point of reference for our other planning and controlling processes, including creating a multi-year plan until 2015. We identify future growth and profitability drivers at a highly aggregated level. This process is intended to identify the best areas in which to target sustained investment. Next, we evaluate our multi-year

plans for our support and development functions and break down the customer-facing plans by sales region. Based on our detailed annual plans we determine the budget for the respective year. We also have processes in place to forecast revenue and profit on a quarterly basis to quantify whether we expect to realize our strategic goals and to identify any deviations from plan. We continuously monitor the concerned units in the Group to analyze these developments and define any appropriate actions.

Our entire network of planning, control, and reporting processes is implemented in integrated planning and information systems, based on SAP software, across all organizational units so that we can conduct the evaluations and analyses needed to make informed decisions.

Measures Used in this Report

Like in prior years, we provided our 2011 outlook on the basis of certain non-IFRS measures as described above. Therefore, this report contains a non-IFRS based comparison of our actual performance in 2011 against that outlook.

This introductory section provides:

A reconciliation of IFRS measures to the respective and most comparable non-IFRS measures

An explanation of the non-IFRS measures we disclose in this report including an explanation of changes we made effective from January 1, 2012

The reasons why management believes these non-IFRS measures are useful to investors and the limitations of these measures

An explanation of our constant currency information

Table of Contents**Reconciliations of IFRS to Non-IFRS Numbers for 2011 and 2010**

The following tables reconcile our IFRS numbers to the respective and most comparable non-IFRS numbers for each of 2011 and 2010. Our 2010 non-IFRS comparative amounts have been adjusted to conform to the amended non-IFRS definitions introduced in 2011 that also exclude expenses for share-based compensation and restructuring. Due to rounding, the sum of the numbers presented in these tables might not precisely equal the totals we provide.

Reconciliations of IFRS to Non-IFRS Numbers for 2011 and 2010

millions, unless otherwise stated	for the years ended December 31,								
	2011			Non-IFRS			2010		
	IFRS	Adj.	Non-IFRS	Currency Impact	Constant Currency	IFRS	Adj.	Non-IFRS	
Revenue									
Software revenue	3,971	0	3,971	96	4,067	3,265	0	3,265	
Support revenue	6,967	27	6,994	58	7,052	6,133	74	6,207	
Subscription and other software-related service revenue	381	0	381	1	380	396	0	396	
Software and software-related service revenue	11,319	27	11,346	153	11,499	9,794	74	9,868	
Consulting revenue	2,341	0	2,341	35	2,376	2,197	0	2,197	
Other service revenue	573	0	573	8	581	473	0	473	
Professional services and other service revenue	2,914	0	2,914	43	2,957	2,670	0	2,670	
Total revenue	14,233	27	14,260	196	14,456	12,464	74	12,538	
Total operating expenses									
Cost of software and software-related services	2,107	285	1,822			1,823	202	1,621	
Cost of professional services and other services	2,248	32	2,216			2,071	18	2,053	
Research and development	1,939	41	1,898			1,729	23	1,706	
Sales and marketing	3,081	127	2,954			2,645	95	2,550	
General and administration	715	30	685			636	26	610	
Restructuring	4	4	0			3	3	0	
TomorrowNow litigation	717	717	0			981	981	0	
Other operating income/expense, net	25	0	25			9	0	9	
Total operating expenses	9,352	198	9,550	127	9,677	9,873	1,342	8,531	
Operating profit and margin									
Operating profit	4,881	171	4,710	69	4,779	2,591	1,416	4,007	
Operating margin in %	34.3		33.0		33.1	20.8		32.0	

Explanation of Non-IFRS Measures

We disclose certain financial measures, such as non-IFRS revenue, non-IFRS operating expenses, non-IFRS operating profit, non-IFRS operating margin, non-IFRS earnings per share,

constant currency revenue and operating profit measures that are not prepared in accordance with IFRS and are therefore considered non-IFRS financial measures. Our non-IFRS financial measures may not correspond to

Table of Contents

non-IFRS financial measures that other companies report. The non-IFRS financial measures that we report should only be considered in addition to, and not as substitutes for or superior to, revenue, operating expenses, operating profit, operating margin, earnings per share or other measures of financial performance prepared in accordance with IFRS.

We believe that the disclosed supplemental historical and prospective non-IFRS financial information provides useful information to investors because management uses this information, in addition to financial data prepared in accordance with IFRS, to attain a more transparent understanding of our past performance and our anticipated future results. In 2011, we used these non-IFRS measures consistently in our internal planning and forecasting, reporting and compensation, as well as in our external communications as follows:

Our management primarily uses these non-IFRS measures rather than IFRS measures as the basis for making financial, strategic and operating decisions.

The variable remuneration components of our Executive Board members and employees are based on non-IFRS revenue and non-IFRS operating profit measures rather than the respective IFRS measures.

The annual budgeting process for all management units is based on non-IFRS revenue and non-IFRS operating profit numbers rather than the respective IFRS numbers.

All forecast and performance reviews with all senior managers globally are based on these non-IFRS measures, rather than the respective IFRS numbers.

Both our internal performance targets and the guidance we provided to the capital markets are based on non-IFRS revenues and non-IFRS profit measures rather than the respective IFRS numbers.

Our non-IFRS financial measures reflect adjustments based on the items below, as well as adjustments for the related income tax effects.

Non-IFRS Revenue

Revenue items identified as non-IFRS revenue have been adjusted from the respective IFRS numbers by including the full amount of support revenue that would have been recorded by entities acquired by SAP had they remained stand-alone entities but which we are not permitted to record as revenue under IFRS due to fair value accounting for the support contracts in effect at the time of the respective acquisitions.

Under IFRS, we record at fair value the support contracts in effect at the time entities were acquired. Consequently, our IFRS support revenue, our IFRS software and software-related service revenue, and our IFRS total revenue for periods subsequent to acquisitions do not reflect the full amount of support revenue that would have been recorded for these support contracts absent these acquisitions by SAP. Adjusting revenue numbers for this revenue impact provides additional insight into the comparability across periods of our ongoing performance.

In light of our continuing focus on the cloud business and considering our recent acquisition of SuccessFactors, we are widening the range of revenues for which acquisition-related deferred revenue write downs are adjusted for in determining our non-IFRS revenue and profit numbers. We continue to adjust for deferred revenue write downs, that is for revenues that would have been recognized had the acquired entities remained stand-alone entities but that we are not permitted to recognize as revenue under IFRS as a result of business combination accounting rules. However, in the definitions of our non-IFRS measures used through 2011, such adjustments for deferred revenue write downs were limited to support revenue. From 2012 onwards, we will also make such deferred revenue write down adjustments for cloud subscription revenue and other similarly recurring revenues. All other

Table of Contents

non-IFRS measures will remain unchanged. As the deferred revenue write-down adjustments for recurring revenues other than support revenue from acquisitions that were executed through 2011 were immaterial, we do not restate prior period non-IFRS measures to align with the new definition.

Non-IFRS Operating Expense

Operating expense figures that are identified as non-IFRS operating expenses have been adjusted by excluding the following expenses:

Acquisition-related charges

Amortization expense/impairment charges of intangibles acquired in business combinations and certain stand-alone acquisitions of intellectual property (including purchased in-process research and development)

Settlements of pre-existing business relationships in connection with a business combination

Acquisition-related third-party expenses

Discontinued activities: Results of discontinued operations that qualify as such under IFRS in all respects except that they do not represent a major line of business. Under U.S. GAAP, which we reported under until 2009, we presented the results of operations of the TomorrowNow entities as discontinued operations. Under IFRS, results of discontinued operations may only be presented as discontinued operations if a separate major line of business or geographical area of operations is discontinued. Our TomorrowNow operations were separate, but were not a major line of business and thus did not qualify for separate presentation under IFRS.

Expenses from our share-based compensation plans

Restructuring expenses

Non-IFRS Operating Profit, Non-IFRS Operating Margin, and Non-IFRS Earnings Per Share

Operating profit, operating margin, and earnings per share identified as non-IFRS operating profit, non-IFRS operating margin, and non-IFRS earnings per share have been adjusted from the respective IFRS measures by adjusting for the above-mentioned non-IFRS revenue and non-IFRS operating expenses.

We exclude certain acquisition-related expenses for the purpose of calculating non-IFRS operating profit, non-IFRS operating margin, and non-IFRS earnings per share when evaluating SAP's continuing operational performance because these expenses generally cannot be changed or influenced by management after the relevant acquisition other than by disposing of the acquired assets. Since management at levels below the Executive Board has no influence on these expenses, we generally do not consider these expenses for the purpose of evaluating the performance of management units. Additionally, these non-IFRS measures have been adjusted from the respective IFRS measures for the results of the discontinued activities, share-based compensation expenses and restructuring expenses.

Usefulness of Non-IFRS Measures

We believe that our non-IFRS measures are useful to investors for the following reasons:

The non-IFRS measures provide investors with insight into management's decision-making, since management uses these non-IFRS measures to run our business and make financial, strategic and operating decisions.

The non-IFRS measures provide investors with additional information that enables a comparison of year-over-year operating performance by eliminating certain direct effects of acquisitions and discontinued activities.

Non-IFRS and non-GAAP measures are widely used in the software industry. In

Table of Contents

most cases, our non-IFRS measures are more suitable for comparison with our competitors' corresponding non-IFRS and non-GAAP measures than are our IFRS measures.

Additionally, we believe that our adjustments to our IFRS numbers for the results of our discontinued TomorrowNow activities are useful to investors for the following reasons:

Despite the migration from U.S. GAAP to IFRS, we will continue to internally treat the ceased TomorrowNow activities as discontinued operations and thus will continue to exclude potential future TomorrowNow results, which are expected to mainly comprise expenses in connection with the Oracle lawsuit, from our internal management reporting, planning, forecasting, and compensation plans. Therefore, adjusting our non-IFRS measures for the results of the discontinued TomorrowNow activities provides insight into the financial measures that SAP uses internally.

By adjusting the non-IFRS numbers for the results from our discontinued TomorrowNow activities, the non-IFRS numbers are more comparable to the non-GAAP measures that SAP used through the end of 2009. That enhances the comparability of SAP's performance measures before and after the full IFRS migration.

We include the revenue adjustments outlined above and exclude the expense adjustments outlined above when making decisions to allocate resources, both on a company level and at lower levels of the organization. In addition, we use these non-IFRS measures to gain a better understanding of SAP's operating performance from period to period.

We believe that our non-IFRS financial measures described above have limitations, including but not limited to the following:

The eliminated amounts may be material to us.

Without being analyzed in conjunction with the corresponding IFRS measures, the non-IFRS measures are not indicative of our present and future performance, foremost for the following reasons:

While our non-IFRS profit numbers reflect the elimination of certain acquisition-related expenses, no eliminations are made for the additional revenue and other revenue that result from the acquisitions.

While we adjust for the fair value accounting of the acquired entities' recurring revenue contracts we do not adjust for the fair value accounting of deferred compensation items that result from commissions paid to the acquired company's sales force and third parties for closing the respective customer contracts.

The acquisition-related charges that we eliminate in deriving our non-IFRS profit numbers are likely to recur should SAP enter into material business combinations in the future.

The acquisition-related amortization expense that we eliminate in deriving our non-IFRS profit numbers is a recurring expense that will impact our financial performance in future years.

The revenue adjustment for the fair value accounting of the acquired entities' support contracts and the expense adjustment for acquisition-related charges do not arise from a common conceptual basis. This is because the revenue adjustment aims to improve the comparability of the initial post-acquisition period with future post-acquisition periods while the expense

Table of Contents

adjustment aims to improve the comparability between post-acquisition periods and pre-acquisition periods. This should particularly be considered when evaluating our non-IFRS operating profit and non-IFRS operating margin numbers as these combine our non-IFRS revenue and non-IFRS expenses despite the absence of a common conceptual basis.

Our discontinued activities and restructuring charges could result in significant cash outflows. The same applies to our share-based compensation expense because most of our share-based compensation plans are to be settled in cash rather than shares.

The valuation of our cash-settled, share-based payment plans could vary significantly from period to period due to the fluctuation of our share price and other parameters used in the valuation of these plans.

We have in the past issued share-based compensation awards to our employees every year, and intend to continue doing so in the future. Thus our share-based compensation expenses are recurring although the amounts usually change from period to period.

Despite these limitations, we believe that the presentation of the non-IFRS measures and the corresponding IFRS measures, together with the relevant reconciliations, provides useful information to management and investors regarding present and future business trends relating to our financial condition and results of operations. We do not evaluate our growth and performance without considering both non-IFRS measures and the relevant IFRS measures. We caution the readers of our financial reports to follow a similar approach by considering our

non-IFRS measures only in addition to, and not as a substitute for or superior to, revenue or other measures of our financial performance prepared in accordance with IFRS.

Constant Currency Information

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

We believe that constant currency measures have limitations, particularly as the currency effects that are eliminated constitute a significant element of our revenue and expenses and could materially impact our performance. We therefore limit our use of constant currency measures to the analysis of changes in volume as one element of the full change in a financial measure. We do not evaluate our results and performance without considering both constant currency measures in non-IFRS revenue and non-IFRS operating profit measures on the one hand and changes in revenue, operating expenses, operating profit, or other measures of financial performance prepared in accordance with IFRS on the other. We caution the readers of our financial reports to follow a similar approach by considering constant currency measures only in addition to, and not as a substitute for or superior to, changes in revenue, operating expenses, operating profit, or other measures of financial performance prepared in accordance with IFRS.

Table of Contents**Free Cash Flow**

We use our free cash flow measure to estimate the cash flow remaining after all expenditures required to maintain or expand our organic business have been paid off. This measure provides management with supplemental information to assess our liquidity needs. We calculate free cash flow as net cash from operating activities minus purchases, other than purchases made in connection with business combinations, of intangible assets and property, plant, and equipment.

Free Cash Flow

millions	2011	2010	Change
Net cash flows from operating activities	3,775	2,922	29%
Purchase of intangible assets and property, plant, and equipment	445	334	33%
Free cash flow	3,330	2,588	29%

Table of Contents

Part I

Item 1, 2, 3

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

SELECTED FINANCIAL DATA

The following table sets forth our selected consolidated financial data as of and for each of

the years in the five-year period ended December 31, 2011. The consolidated financial data has been derived from, and should be read in conjunction with, our Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), presented in Item 18. Financial Statements of this report.

Our selected financial data and our Consolidated Financial Statements are presented in euros. Financial data as of and for the year ended December 31, 2011 has been translated into U.S. dollars for the convenience of the reader.

Table of Contents

Part I

Item 3

SELECTED FINANCIAL DATA: IFRS

millions, unless otherwise stated	2011 ⁽¹⁾ US\$	2011	2010	2009	2008	2007
Income Statement Data: Years ended December 31,						
Software and software-related service revenue	14,684	11,319	9,794	8,198	8,457	7,427
Total revenue	18,464	14,233	12,464	10,672	11,575	10,256
Operating profit	6,332	4,881	2,591	2,588	2,701	2,698
Operating margin in % ⁽²⁾	34.3	34.3	20.8	24.3	23.3	26.3
Profit after tax	4,461	3,439	1,813	1,750	1,848	1,908
Profit attributable to owners of parent	4,460	3,438	1,811	1,748	1,847	1,906
Earnings per share ⁽²⁾						
Basic in	3.75	2.89	1.52	1.47	1.55	1.58
Diluted in	3.75	2.89	1.52	1.47	1.55	1.58
Other Data:						
Weighted-average number of shares outstanding						
Basic	1,189	1,189	1,188	1,188	1,190	1,207
Diluted	1,190	1,190	1,189	1,189	1,191	1,210
Statement of Financial Position Data: At December 31,						
Cash and cash equivalents	6,441	4,965	3,518	1,884	1,280	1,608
Total assets ⁽³⁾	30,130	23,225	20,839	13,374	13,900	10,161
Current financial liabilities ⁽⁴⁾	1,727	1,331	142	146	2,563	82
Non-current financial liabilities ⁽⁴⁾	3,795	2,925	4,449	729	40	6
Issued capital ⁽⁵⁾	1,593	1,228	1,227	1,226	1,226	1,246
Total equity	16,485	12,707	9,824	8,491	7,171	6,478

⁽¹⁾ Amounts presented in US\$ have been translated for the convenience of the reader at 1.00 to US\$1.2973, the Noon Buying Rate for converting 1.00 into dollars on December 30, 2011. See Item 3. Key Information Exchange Rates for recent exchange rates between the Euro and the dollar.

⁽²⁾ Operating profit is the numerator and total revenue is the denominator in the calculation of operating margin. Profit attributable to owners of parent is the numerator and weighted average number of shares outstanding is the denominator in the calculation of earnings per share.

⁽³⁾ The large increase in total assets from 2009 to 2010 was mainly due to the acquisition of Sybase in 2010 and the large increase in total assets from 2007 to 2008 was due to the acquisition of Business Objects in 2008. See Note (4) to our Consolidated Financial Statements for more information on acquisitions.

⁽⁴⁾ The balances include primarily bonds, private placements and bank loans. Current is defined as

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having a remaining life of one year or less; non-current is defined as having a remaining term exceeding one year. The significant increase in current financial liabilities during 2008 was due to financial debt incurred to finance the acquisition of Business Objects. The significant increase in non-financial liabilities in 2010 was due to an acquisition-term loan used to finance the acquisition of Sybase. In addition, we issued two bonds and a U.S. private placement transaction, of which, the proceeds were primarily used to finance the acquisition of Sybase. See Note (18b) to our Consolidated Financial Statements for more information on our liabilities.

- ⁽⁵⁾ The 2007 and 2008 figures reflect cancellations of 23 million and 21 million treasury shares effective September 7, 2007 and September 4, 2008, respectively. See Item 9. The Offer and Listing General for more detail on the cancellation of shares.

Table of Contents

Part I

Item 3

EXCHANGE RATES

The prices for ordinary shares traded on German stock exchanges are denominated in euro. Fluctuations in the exchange rate between the euro and the U.S. dollar affect the dollar equivalent of the euro price of the ordinary shares traded on the German stock exchanges and, as a result, may affect the price of the ADRs traded on the NYSE in the United States. See Item 9. The Offer and Listing for a description of the ADRs. In addition, SAP AG pays cash dividends, if any, in euro. As a result, any exchange rate fluctuations will also affect the dollar amounts received by the holders of ADRs on the conversion into dollars of cash dividends paid in euro on the ordinary shares represented by the ADRs. Deutsche Bank Trust Company Americas is the depositary (the Depositary) for SAP AG's ADR program. The deposit agreement with respect to the ADRs requires the Depositary to convert any dividend payments from euro into dollars as promptly as practicable upon receipt. For additional information on the Depositary and the fees associated with SAP's ADR program see Item 12 Description of Securities Other Than Equity Securities American Depositary Shares.

A significant portion of our revenue and expense is denominated in currencies other than the euro. Therefore, fluctuations in the exchange rate between the euro and the respective currencies in which we conduct business could materially affect our business, financial position, income or cash flows. See Item 5. Operating and Financial Review and Prospects Foreign Currency Exchange Rate Exposure for details on the impact of these exchange rate fluctuations.

The following table sets forth (i) the average, high and low Noon Buying Rates for the euro expressed as U.S. dollars per 1.00 for the past five years on an annual basis and (ii) the high and low Noon Buying Rates on a monthly basis from July 2011 through March 8, 2012.

Year	Average ⁽¹⁾	High	Low
2007	1.3797	1.4862	1.2904
2008	1.4695	1.6010	1.2446
2009	1.3955	1.5100	1.2547
2010	1.3216	1.4536	1.1959
2011	1.4002	1.4875	1.2926

Month	High	Low
2011		
July	1.4508	1.4014
August	1.4510	1.4158
September	1.4283	1.3446
October	1.4172	1.3281
November	1.3803	1.3244
December	1.3487	1.2926
2012		
January	1.3192	1.2682
February	1.3463	1.3087
March (through March 8, 2012)	1.3320	1.3114

⁽¹⁾ The average of the applicable Noon Buying Rates on the last day of each month during the relevant period. The Noon Buying Rate on March 8, 2012 was US\$1.3256 per 1.00.

DIVIDENDS

Dividend Distribution Policy

Dividends are jointly proposed by SAP AG's Supervisory Board (Aufsichtsrat) and Executive Board (Vorstand) based on SAP AG's year-end stand-alone statutory financial statements, subject to approval by the shareholders. Dividends are officially declared for the prior year at SAP AG's Annual General Meeting of Shareholders. SAP AG's Annual General Meeting of Shareholders usually

Table of Contents

Part I

Item 3

convenes during the second quarter of each year. Dividends are usually remitted to the custodian bank on behalf of the shareholder within one business day following the Annual General Meeting of Shareholders. Record holders of the ADRs on the dividend record date will be entitled to receive payment of the dividend declared in respect of the year for which it is declared. Cash dividends payable to such holders will be paid to the Depositary in euro and, subject to certain exceptions, will be converted by the Depositary into U.S. dollars.

Dividends paid to holders of the ADRs may be subject to German withholding tax. See Item 8. Financial Information Other Financial Information Dividend Policy and Item 10. Additional Information Taxation, for further information.

Annual Dividends Paid and Proposed

The following table sets forth in euro the annual dividends paid or proposed to be paid per ordinary share in respect of each of the years indicated. One SAP ADR currently represents one SAP AG ordinary share. Accordingly, the final dividend per ADR is equal to the dividend for one SAP AG ordinary share and is dependent on the euro/U.S. dollar exchange rate. The table does not reflect tax credits that may be available to German taxpayers who receive dividend payments. If you own our ordinary shares or ADRs and if you are a U.S. resident, refer to Item 10. Additional Information Taxation, for further information.

Year Ended December 31,	Dividend Paid per Ordinary Share	
		US\$
2007	0.50	0.77 ⁽¹⁾
2008	0.50	0.68 ⁽¹⁾
2009	0.50	0.60 ⁽¹⁾
2010	0.60	0.85 ⁽¹⁾
2011 (proposed)	1.10 ^{(2),(4)}	1.46 ^{(2),(3)}

⁽¹⁾ Translated for the convenience of the reader from euro into U.S. dollars at the Noon Buying Rate for converting euro into U.S. dollars on the dividend payment date. The Depositary is required to convert any dividend payments received from SAP as promptly as practicable upon receipt.

⁽²⁾ Subject to approval at the Annual General Meeting of Shareholders of SAP AG currently scheduled to be held on May 23, 2012.

⁽³⁾ Translated for the convenience of the reader from euro into U.S. dollars at the Noon Buying Rate for converting euro into U.S. dollars on March 8, 2012 of US\$1.3256 per 1.00. The dividend paid may differ due to changes in the exchange rate.

⁽⁴⁾ Thereof a special dividend of 0.35 per share to celebrate our 40th anniversary.

The amount of dividends paid on the ordinary shares depends on the amount of profits to be distributed by SAP AG, which depends in part upon our performance. In addition, the amount of dividends received by holders of ADRs may be affected by fluctuations in exchange rates (see Item 3. Key Information Exchange Rates). The timing and amount of future dividend payments will depend upon our future earnings, capital needs and other relevant factors, in each case as proposed by the Executive Board and the Supervisory Board of SAP AG and approved at the Annual General Meeting of Shareholders.

RISK FACTORS

Economic, Political, Social, and Regulatory Risk

Uncertainty in the global economy, financial markets, and in political conditions could have material negative impact on our business, financial position, profit, and cash flows.

Our customers' willingness to invest in acquiring and implementing our products generally varies with economic and political conditions as well as any periods of disruption or volatility in global financial markets. A global economic crisis, a U.S. or euro area recession, or the current euro area debt crisis could have a negative impact on SAP. In the regions in which we do business and the industries in which our customers operate, economic uncertainty or

Table of Contents

Part I

Item 3

volatility in financial markets could have negative effects, including:

General reluctance to invest in IT

Decreased customer demand for our software and services, including delayed, canceled, and smaller orders

Customers' inability to obtain credit on acceptable terms, or at all, to finance purchases of our software and services

Increased incidence of default and insolvency of customers, business partners, and key suppliers

Increased default risk, which may lead to significant write-downs in the future

Greater pressure on the prices of our products and services

Pressure on our operating margin

Economic, financial market, or political instability could have a material negative impact on our business, financial position, profit, and cash flows, and could also exacerbate the other risks we describe in this report.

Our international business activities subject us to numerous and potentially conflicting regulatory requirements, and the associated risks could harm our business, financial position, profit, and cash flows.

We currently market our products and services in more than 120 countries in the Americas, APJ, and EMEA regions. Sales in these countries are subject to numerous risks inherent in international business operations. Among others, these risks include:

Conflict and overlap among different tax regimes

Possible tax constraints impeding business operations in certain countries

Expenses associated with the customization of our products on a local level and transacting business in compliance with local regulatory requirements

Operational difficulties in countries with a high corruption perception index

Protectionist trade policies

Demands of works councils and labor unions, and immigration law requirements, in different countries

Data privacy and access by foreign authorities to customer, partner, or employee data

As we expand further into new regions and markets, these risks could intensify. One or more of these factors could negatively impact our operations globally or in one or more countries or regions. This could result in significant negative impact to our reputation and our business, financial position, profit, and cash flows.

Social and political instability caused, for example, by terrorist attacks, civil unrest, war or international hostilities, pandemic disease outbreaks, or natural disasters could have a significant negative impact on our business.

Terrorist attacks and other acts of violence or war, civil and political unrest (such as that in the Middle East and North Africa), pandemic disease outbreaks, or natural disasters (such as the earthquakes in Japan) could have a significant negative impact on the related economy or beyond. An event that results, for example, in the loss of significant numbers of employees or in the disruption of operations at our headquarters or other key locations could affect our ability to provide normal business services and to generate the expected income. That could lead to a significant negative impact on our customers and their investment decisions. This could in turn lead to a significant negative impact on our reputation and on our business, financial position, profit, and cash flows.

Table of Contents

Part I

Item 3

Market Risks

If our established customers do not buy additional software products, renew maintenance agreements, or purchase additional professional services, this could have a material adverse impact on our business, financial position, profit, and cash flows.

In 2011, we continued to offer a wide range of support services. We continue to depend materially on the success of our support portfolio and on our ability to deliver high-quality services. Traditionally, our large installed customer base generates additional new software, maintenance, consulting, and training revenue. If existing customers cancel or do not renew their maintenance contracts, accept alternative offerings from other vendors, or decide not to buy additional products and services, this would have a material negative impact on our business, financial position, profit, and cash flows.

Our market share and profit may decline due to intense competition, consolidation, and technological innovation in the software industry.

The software industry continues to evolve rapidly, due to competition, consolidation, and technological innovation. As a result, the market for our products and services is intensely competitive. Over the last decade, we have diversified from our large enterprise resource planning (ERP) offerings to new products and services, like on-device, cloud, and in-memory computing, which exposes us to competitors varying in size, geographic location, and specialty. New development models and new delivery and licensing models, such as software as a service (SaaS), platform as a service (PaaS), business process outsourcing (BPO), and cloud computing, enable competitors to offer integrated packaged solutions that compete with ours. SaaS providers and other participants in the growing SaaS ecosystem for applications also compete with SAP for segment share. Cloud

computing is driving fast adoption of Web-based business models. As a result, it is easier for new entrants to orchestrate or own end-to-end value chains and to impact our key growth markets. Aggressive tactics by mobile device platform providers and database providers could impact the market potential for our mobile apps and in-memory computing and could cut us off from potential revenue sources. In addition, competitors may gain market share because of acquisitions. Current and potential competitors are establishing or may in the future establish or extend cooperative relationships among themselves or with third parties to better address their customers' needs. This increased competition could result in increased price pressure, cost increases, and loss of market share and therefore have a significant negative impact on our business, financial position, profit, and cash flows.

Business Strategy Risks

Demand for our new products may not develop as planned and our strategy for new markets, new business models, and new consumption models may not be successful.

Our strategy centers on innovating on our stable core products and services, and developing on-premise, cloud, and mobile solutions. We focus on continuous innovation through new business and consumption models, by enhancing our technology, by expanding our partner ecosystem, and by creating the infrastructure for volume business. The demand for, and customers' acceptance of, new products, technologies, and services we introduce are subject to uncertainty. Despite our efforts, demand for our products, technologies, and services may fail to develop as planned, and this could have a material negative impact on our business, financial position, profit, or cash flows. In addition, entering new market segments exposes us to the risks associated with developing and launching new products and services. For more information, see the Product Risks section.

Table of Contents

Part I

Item 3

If we fail to develop new relationships and enhance existing relationships with channel partners, software suppliers, system integrators, value-added resellers, and independent software vendors (ISVs) that contribute to the success of our products and services, our business, financial position, profit, and cash flows may be adversely impacted.

A fundamental pillar of our success is a solid partner ecosystem. We have entered into cooperation agreements with channel partners and leading software and hardware vendors. Most of these agreements are of relatively short duration and are nonexclusive. The parties concerned typically maintain similar arrangements with our competitors, and some are our competitors. Additionally, we maintain a network of ISVs that develop their own business applications for the SAP NetWeaver technology platform. We are still exposed to risks related to our third-party relationships, such as that the relevant counterparties might not:

Devote sufficient resources to promote, sell, support, and integrate their products within our portfolio

Comply with applicable regulations, resulting in delayed, disrupted, or terminated sales and services

Renew their agreements with us at all or on terms acceptable to us

Provide high-quality products and services

If one or more of these risks materialize, the marketing of and demand for our products and services may be adversely impacted, and we may not be able to compete successfully with other software vendors. This could harm our reputation or adversely impact our business, financial position, profit, and cash flows.

Human Capital Risks

If we do not effectively manage our geographically dispersed workforce, our business may not operate efficiently, and this could have a negative impact on our business, financial position, profit, and cash flows.

Our success is dependent on appropriate alignment of our workforce planning process and location strategy with our general strategy. Changes in headcount and infrastructure needs could result in a mismatch between our expenses and revenue. It is critical that we manage our internationally dispersed workforce effectively, taking short and long term workforce and skill requirements into consideration. Our failure to do so could hinder our ability to operate our business efficiently, which could have a negative impact on our financial position, profit, and cash flows.

If we are unable to attract and retain managers and employees with specialized knowledge and technology skills, we might not be able to manage our operations effectively or develop successful new products and services.

Our highly qualified employees and managers provide the foundation for our continued success. Competition in our industry for highly skilled and specialized personnel and leaders is intense. In certain regions and specific technology and product areas, we have set ambitious growth targets (for example, in China). If we are unable to attract well-qualified personnel, or if our highly skilled and specialized personnel leave SAP and good replacements are not available, we may not be able to manage our operations effectively or develop successful new products and services as planned. This is particularly true as we continue to introduce new and innovative technology offerings and expand our business in emerging markets. Hiring such personnel may also expose us to claims by other companies seeking to prevent their employees from working for

a competitor.

Table of Contents

Part I

Item 3

Organizational and Governance-Related Risks

Corporate governance laws and regulatory requirements in Germany, the United States, and elsewhere have become much more stringent.

As a stock corporation domiciled in Germany with securities listed in Germany and the United States, we are subject to German, U.S., and other governance-related regulatory requirements. The regulatory requirements have become significantly more stringent in recent years, and some legislation, such as the U.S. Foreign Corrupt Practices Act, is being applied more rigorously. The rules are highly complex, and there can be no assurance that we will not be held in breach of regulatory requirements if, for example, one or more employees behave fraudulently or negligently, or if we fail to comply with certain formal documentation requirements. Any related allegations of wrongdoing against us, whether merited or not, could have a material negative impact on our reputation as well as on the trading price of our ordinary shares and American depositary receipts (ADRs).

Failure on our part to implement our sustainability strategy in a way that meets customer, partner, or other stakeholder expectations or generally accepted sustainability standards could harm our reputation and have a negative impact on our results of operations and our business.

For SAP, sustainability means the holistic management of environmental, social, and economic risks and opportunities. We have identified sustainability risks in three major areas:

Functionality of our software

Sustainability in our solutions and green IT

Accessibility and security of our products

Privacy and data protection in connection with the use of SAP products (For more information, see the Product Risks section.)

SAP's own sustainable operations

Energy management and other environmental issues like carbon management, water use, and waste

Business conduct

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Human capital management, including health, safety, diversity, employee satisfaction, and talent attraction and retention (For more information, see the Human Capital Risks section.)

The ethical behavior of suppliers and partners

Customer satisfaction

Social investment

Education

Role models

Economic opportunity

If our sustainability strategy and operations, which are described in our Sustainability Report at www.sapsustainabilityreport.com, are not sufficient to meet the expectations of our customers, investors, and partners, or generally accepted sustainability standards, this could harm our reputation and have an adverse impact on our business, financial position, profit, and cash flows.

Principal shareholders may be able to exert control over our future direction and operations.

If SAP AG's principal shareholders and the holdings of entities controlled by them vote in the same manner, this could delay, prevent or facilitate a change in control of SAP or other significant changes to SAP AG or its capital structure. See Item 7. Major Shareholders and Related-Party Transactions - Major Shareholders for further information.

Table of Contents

Part I

Item 3

U.S. judgments may be difficult or impossible to enforce against us or our Board members.

Currently, except for Bill McDermott and Vishal Sikka, all members of SAP AG's Executive Board and all members of the Supervisory Board are non-residents of the United States. A substantial portion of the assets of SAP and our Board members are located outside the United States. As a result, it may not be possible to effect service of process within the United States upon non-U.S. resident persons or SAP or to enforce against non-U.S. resident persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the securities laws of the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere may be unenforceable in Germany.

Communication and Information Risks

We may not be able to prevent unauthorized disclosure of information that is subject to regulatory requirements, or are trade secrets, and such disclosure may harm our business and reputation.

Confidential communications and information about sensitive subjects, such as our future strategies, technologies, and products; mergers and acquisitions; unpublished financial results; or customer, employee, or other personal data could be inadvertently or prematurely disclosed. Such disclosure may require notification of multiple regulatory agencies and the data owner, where appropriate, which may damage our market position, reduce future revenue, or lead to fines and penalties, any of which could have a significant negative impact on our business, reputation, financial position, profit, and cash flows.

Financial Risks

Our sales are subject to quarterly fluctuations and our sales forecasts may not be accurate, which could negatively impact our profit margin.

Our revenue and operating results can vary and have varied in the past, sometimes

substantially, from quarter to quarter. Our revenue in general, and in particular our software revenue, is difficult to forecast for a number of reasons, including:

The relatively long sales cycles for our products

The large size and extended timing of individual license transactions

The introduction of new licensing and deployment models such as on-demand and subscription models

The timing of the introduction of new products or product enhancements by us or our competitors

Changes in customer budgets

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Decreased software sales that could have a significant negative impact on related maintenance revenue

Licensing models that require the recognition of revenue over an extended period of time

Seasonality of a customer's technology purchases

Limited visibility into the ability of acquired companies to accurately predict their sales pipelines and the likelihood that the projected pipeline will convert favorably into sales

Other general economic, social, and market conditions, such as the global economic crisis and the current difficulties for countries with large debt

Because many of our customers make their IT purchasing decisions near the end of calendar quarters, and with a significant percentage of those decisions being made during the fourth quarter, even a small delay in purchasing decisions could have a significant negative impact on our revenue results for a given year. Our dependence on large transactions has decreased in recent years with a trend towards an increased number of transactions coupled with a decrease in deal size. However, the loss or delay of one or a few large sales, which are still characteristic of

Table of Contents

Part I

Item 3

the large enterprise segment, could have a significant negative impact on our results.

We use a pipeline system to forecast sales and trends in our business. Pipeline analysis informs and guides our business planning, budgeting, and forecasting, but pipeline estimates do not necessarily consistently correlate to revenue in a particular quarter. The reliability of our plans, budgets, and forecasts may therefore be compromised. Because our operating expenses are based upon anticipated revenue levels and a high percentage of our expenses are relatively fixed in the near term, any shortfall in anticipated revenue or delay in revenue recognition could result in significant variations in our results of operations from quarter to quarter or year to year. Continued deterioration in global economic conditions would make it increasingly difficult for us to accurately forecast demand for our products and services, and could cause our revenue, results of operations and cash flows to fall short of our expectations and public forecasts. That could have a significant negative impact on our stock price. To the extent any future expenditure fails to generate the anticipated increase in revenue, our quarterly or annual operating results may be subject to a significant negative impact and may vary significantly from preceding or subsequent periods.

External factors may impact our liquidity and increase the default risk associated with and the valuation of our financial assets and trade receivables.

An economic downturn could have a significant negative impact on our future liquidity. We use global centralized financial management to control liquid assets, interest, and currencies. The primary aim is to maintain liquidity in the Group at a level that is adequate to meet our obligations. Our total group liquidity was 5.6 billion on December 31, 2011. This position is supported by our strong operating cash flows, of which a large part is recurring, and by credit facilities on which we can draw if necessary.

However, an economic downturn could increase the default risk associated with our total group liquidity. That could have a significant negative impact on the valuation of our financial assets. SAP's investment policy with regard to total Group liquidity is set out in our internal treasury guideline document, which is a collection of uniform rules that apply globally to all companies in the Group. Among its stipulations, it requires that with limited exceptions we invest only in assets and funds rated A- or better. The weighted average rating of our total group liquidity is in the range A to A-. We continue to pursue a policy of cautious investment characterized by wide portfolio diversification with a variety of counterparties, predominantly short-term investments, and standard investment instruments.

There can be no assurance that the prescribed measures will be successful or that uncertainty in global economic conditions will not have a significant negative impact on our business, financial position, and profit.

Management's use of estimates could affect our financial position, profit, and cash flows.

To comply with IFRS, management is required to make many judgments, estimates, and assumptions. The facts and circumstances on which management bases these estimates and judgments, and management's judgment regarding the facts and circumstances, may change from time to time and this could result in significant changes in the estimates, with a significant negative impact on our financial position, profit, or cash flows. For more information, see the Notes to the Consolidated Financial Statements section, Note (3c).

Current and future accounting pronouncements and other financial reporting standards, especially but not only concerning revenue recognition, may have a significant negative impact on the financial results we present.

We regularly monitor our compliance with all of the financial reporting standards that are

Table of Contents

Part I

Item 3

applicable to us and any new pronouncements that are relevant to us. As a result, we might be required to change our accounting policies, particularly concerning revenue recognition, to alter our business models so that it reflects new or amended financial reporting standards, or to restate our published financial statements. We cannot exclude the possibility that this may have a significant negative impact on our business, financial position, profit, and cash flows. For a summary of significant accounting policies, see the Notes to the Consolidated Financial Statements section, Note (3).

Because we conduct operations throughout the world, our business, financial position, profit, and cash flows may be affected by currency and interest rate fluctuations.

Our Group-wide management reporting and our external financial reporting are both in euros. Nevertheless, a significant portion of our business is conducted in currencies other than the euro. Approximately 69% of our revenue in 2011 was attributable to operations outside the euro area and was translated into euros. Consequently, period-over-period changes in the euro rates for particular currencies can significantly affect our reported revenue and income. In general, appreciation of the euro relative to another currency has a negative effect while depreciation of the euro relative to another currency has a positive effect. Variable-interest balance-sheet items are also subject to changes in interest rates, so there is a risk that these balance-sheet items may result in an adverse impact on our business, financial position, profit, and cash flows. For more information about our currency and interest-rate risks and our related hedging activity, see the Notes to the Consolidated Financial Statements section, Notes (25) and (26).

The cost of using derivative instruments to hedge share-based payment plans may exceed the benefits of hedging them.

We use derivative instruments to reduce the impact of our share-based payment plans on our income statement and to limit future expense

associated with those plans. We decide case by case whether and to what extent we should hedge this risk. The expense of hedging the share-based payment plans could exceed the benefit achieved by hedging them or that a decision to leave the plans materially unhedged might prove disadvantageous.

The market price for our ADRs and ordinary shares may be volatile.

The trading prices of our ADRs and ordinary shares have experienced and may continue to experience significant volatility in response to various factors including, but not limited to:

the announcement of new products or product enhancements by us or our competitors;

technological innovation by us or our competitors;

quarterly variations in our results of operations or results that fail to meet our or our financial analysts' expectations;

the announcement of new products or product enhancements by us or our competitors;

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changes in revenue and revenue growth rates on a consolidated basis or for specific geographic areas, business units, products or product categories;

changes in our externally communicated outlook or credit rating;

changes in our capital structure, for example due to the potential future issuance of addition debt instruments;

general market conditions specific to particular industries;

litigation to which we are a party;

general and country specific economic or political conditions (particularly wars, terrorist attacks, etc.);

Table of Contents

Part I

Item 3

proposed and completed acquisitions or other significant transactions by us or our competitors; and

general market conditions.

Many of these factors are beyond our control. In the past, companies that have experienced volatility in the market price of their stock have been subject to shareholder lawsuits including securities class action litigation. Any such lawsuits against us, with or without merit, could result in substantial costs and the diversion of management's attention and resources, resulting in a decline in our results of operations and our stock price.

Project Risks

Implementation of SAP software often involves a significant commitment of resources by our customers and is subject to a number of significant risks over which we often have no control.

A core element of our business is the successful implementation of software solutions to enable our customers to make their business a best-run business. The implementation of SAP software is led by SAP, by partners, by customers, or by a combination thereof. Depending on various factors, such as the complexity of solutions, the customer's implementation needs or the resources required, SAP faces a number of different risks. For example, trained consultants might not be immediately available to assist customers in the implementation of our products, the features of the implemented software might not meet customers' expectations or the software might not fit the business model of the customer, customer-specific factors may destabilize the implementation of the software, or customers and partners might not implement the measures offered by SAP to safeguard against functional and technical risks.

As a result of these and other risks, some of our customers have incurred significant implementation costs in connection with the purchase and installation of SAP software products. Also, some customers' implementations have taken longer than planned. We cannot guarantee that we can reduce or eliminate protracted installation or significant third-party consulting costs, that shortages of trained consultants will not occur, or that our costs will not exceed the agreed-upon fees on fixed-price contracts. Unsuccessful customer implementation projects could result in claims from customers, harm SAP's reputation, and cause a loss of future revenues.

Product Risks

We use technologies under license from third parties. The loss of the right to use technologies could delay implementation of our products or force us to pay higher license fees.

We have taken numerous third-party technologies under license and incorporated them into our products and we depend on those technologies in the aggregate. There can be no assurance that the licenses for these third-party technologies will not be terminated, that the licenses will be available in the future on terms acceptable to us, or that we will be able to obtain third-party software licenses for future products. Changes to or the loss of third-party licenses could lead to a material increase in the cost of licensing, or that SAP software products may become unusable or materially reduced in their functional scope. As a result, we could incur additional development or license costs to ensure the continued functionality of our products. The risks increase where we acquire a company or a company's intellectual property assets that have been subject to third-party technology licensing and product standards less rigorous than our own.

Table of Contents

Part I

Item 3

If we are unable to keep up with rapid technological innovations and the expectations of our customers, we may not be able to compete as effectively as our competitors.

Our future success continues to depend on our ability to enhance and expand our existing products, technology, and services and keep pace with technological developments (including evolving cybersecurity threats). It also depends on our ability to introduce new products, technologies, and services that are accepted in the market and that satisfy changing customer requirements.

We might not be successful in bringing new solutions, solution enhancements, and services to market before our competitors, and we might not be able to generate enough revenue to offset the significant research and development costs we incur. Moreover, we might not anticipate and develop technological improvements or succeed in adapting our products to technological change, changing regulatory requirements, emerging industry standards, and changing customer requirements. Finally, we might not succeed in producing high-quality products, enhancements, and releases in a timely and cost-effective manner to compete with applications and other technologies offered by our competitors.

Undetected defects or delays in the introduction of new products and product enhancements may result in increased costs to us and reduced demand for our products.

To achieve customer acceptance, our new products and product enhancements often require long development and testing periods. Development work is subject to various risks. For example, scheduled market launches could be delayed, or products might not completely satisfy our stringent quality standards, meet market needs or the expectations of customers, or comply with local standards and requirements. New products may contain undetected defects or they may not be mature enough to process large volumes of data. In

some circumstances, we might not be in a position to rectify such defects or entirely meet the expectations of customers. As a result, we might be faced with customer claims for cash refunds, damages, replacement software, or other concessions. The risk of defects and their adverse consequences could increase as we seek to introduce a variety of new software products simultaneously. Significant undetected defects or delays in introducing new products or product enhancements could affect market acceptance of SAP software products, and adversely impact our reputation, business, financial position, profit, and cash flows.

The use of SAP software products by customers in business-critical applications and processes and the relative complexity and technical interdependency of our software products create a risk that customers or third parties may pursue warranty, performance, or other claims against us for actual or alleged defects in SAP software products, in our provision of services, or in our application hosting services. We have in the past been, and may in the future be, subject to warranty, performance, or other similar claims.

Although our contracts generally contain provisions designed to limit our exposure due to actual or alleged defects in SAP software products or in our provision of services, these provisions may not cover every eventuality or be effective under the applicable law. Regardless of its merits, any claim could entail substantial expense and require the devotion of significant time and attention by key management personnel. Publicity surrounding such claims could affect our reputation and the demand for our software.

Our technology strategy may not succeed or customers may not adopt our technology platform offering.

Our technology strategy centers on the SAP NetWeaver technology platform, the Sybase Unwired Platform, and our on-demand platform. Its success depends on the convergence of our platforms and their

Table of Contents

Part I

Item 3

integration with our in-memory database technology. It also relies on our ability to maintain a dynamic network of ISVs developing their own business applications using our platform technology. As with any open platform design, the greater flexibility provided to customers to use data generated by non-SAP software might reduce customer demand to select and use certain SAP software products. If our technology platform strategy is not well received by customers, if competitors develop superior technology, or if our solutions have significant defects, this could have an adverse impact on our business, financial position, profit, and cash flows.

Cybersecurity Risks

Undetected security flaws in our software or our proprietary systems or those of our third-party service and software providers may be exploited by other persons, which could damage SAP or our customers and significantly impact our financial position, profit, cash flows, and reputation.

Our core processes, such as software development, sales and marketing, customer service, financial transactions, and cloud services rely on our IT infrastructure and applications. Malicious software, sabotage, cyber incidents, natural disasters, or the failure of an underlying technology (such as the Internet) could cause an outage of our infrastructure, which could lead to a substantial denial of service and ultimately to production downtime, recovery costs, and customer claims. This could have a significant negative impact on our business, financial position, profit, or cash flows.

We are to a substantial extent dependent on the exchange of a wide range of information over our publicly available infrastructure. Specifically, our products and services, including our cloud offerings, rely on this infrastructure and our applications. We have implemented a number of measures designed to ensure the security of our information, IT

resources, and other assets. Nonetheless, unauthorized users could gain access to our systems through cyber-attacks and steal, use without authorization, and sabotage our intellectual property and confidential data. Any breach of our IT security, misuse, or theft could lead to loss of production, to recovery costs, or to litigation brought by customers or business partners, which could have a significant negative impact on our business, financial position, profit, cash flows, and reputation.

There is a danger of industrial espionage, cyber-attacks, misuse, or theft of information or assets, or damage to assets by trespassers in our facilities or by people who have gained authorized access to our facilities, systems, or information. Such cybersecurity breaches, misuse, or other disruptions could jeopardize the security of information stored in and transmitted through our computer systems as well as the computer systems of our customers, service providers, or business partners. Such misuse could potentially lead to the leakage of confidential information, improper use of our systems and networks, manipulation and destruction of data, defective products, production downtimes, and supply shortages. This could lead to significant claims for damages against us. Additionally, despite testing prior to their release, our products may contain security flaws, particularly when first introduced or when new versions are released. Because technologies used to obtain unauthorized access or to sabotage systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Actual or alleged defects could expose us to product liability claims and warranty claims, and harm our reputation, and that could impact our future sales of products and services.

Our products include security features that are intended to protect the privacy and integrity of our customers' data. We devote significant resources to training our personnel and addressing security vulnerabilities through

Table of Contents

Part I

Item 3

engineering more secure products, continuously enhancing security and reliability features in our products and systems, deploying security updates to address security vulnerabilities, and improving our incident response time. In addition, we have implemented a variety of defense mechanisms intended to safeguard our infrastructure. Examples are firewalls, antivirus software, intrusion detection systems, and high-availability landscapes including our development and quality infrastructures. We adhere to several best practices, many of which are regularly certified. However, we cannot guarantee that these measures will be adequate to prevent serious impairment of our business operations.

A data security breach could have a significant negative impact on SAP and our customers.

SAP products and services, including those used by our customers on the Internet, rely on our IT infrastructure and applications. Unauthorized users could gain access to our systems through cyber-attacks and introduce backdoors or steal, use without authorization, and sabotage our intellectual property and confidential data. A breach of our IT security could lead to loss of production, to recovery costs, or to litigation brought by customers or business partners, which could have a significant negative impact on our business, financial position, reputation, profit, and cash flows.

We continuously employ IT security programs to manage identified risks and monitor whether these measures, including firewalls, intrusion detection and anti-virus applications are adequate to prevent serious impairment of our business operations as the method and variety of cyber-attacks are rapidly escalating and changing. Additionally, as noted in the description of the previous risk, we adhere to several certified best practices.

Other Operational Risks

Third parties have claimed, and might claim in the future, that we infringe their intellectual property rights, which could lead to damages being awarded against us and limit our ability to utilize certain technologies in the future.

We continue to believe that we will increasingly be subject to intellectual property infringement claims as the number of products in our industry segment grows, as we acquire companies, with increased use of third party code including open source code and as we expand into new industry segments with our products, resulting in greater overlap in the functional scope of products.

Any claims, with or without merit, and negotiations or litigation relating to such claims, could preclude us from utilizing certain technologies in our products, be time-consuming, result in costly litigation, and require us to pay damages to third parties, stop selling or reconfigure our products and, under certain circumstances, pay fines and indemnify our customers. They could also require us to enter into royalty and licensing arrangements on terms that are not favorable to us, cause product shipment delays, subject our products to injunctions, require a complete or partial redesign of products, result in delays to our customers' investment decisions, and damage our reputation.

Software includes many components or modules that provide different features and perform different functions. Some of these features or functions may be subject to third-party intellectual property rights. The rights of another party could encompass technical aspects that are similar to one or more technologies in one or more of our products. Intellectual property rights of third parties could preclude us from using certain technologies in our products or require us to enter into royalty and licensing arrangements on unfavorable or expensive terms.

Table of Contents

Part I

Item 3

The software industry is making increasing use of open source software in its development work on solutions. We also integrate certain open source software components from third parties into our software. Open source licenses may require that the software code in those components or the software into which they are integrated be freely accessible under open source terms. Third-party claims may require us to make freely accessible under open source terms a product of ours or non-SAP software upon which we depend.

In addition to open source, SAP continues to expand its participation in standards organizations and increase the use of standards in its products. Participation in standards organizations may require licensing of SAP's intellectual property to contributors to the standard or to all standards implementers, including competitors, on a nondiscriminatory basis in accordance with licensing terms defined by standards organizations. Within the software-related standards field, there is a trend toward expanding the scope of licensing obligations and narrowing an intellectual property owner's right to revoke a license if sued by a licensee. This could further reduce our ability to use intellectual property related to standards. Use of patents inadvertently licensed through standards could expose SAP to third-party claims. Consequently, compliance with open source or certain standards could have a material negative impact on our business, financial position, profit, and cash flows.

Claims and lawsuits against us could have a material negative impact on our business, financial position, profit, cash flows, and reputation.

Claims and lawsuits are brought against us, including claims and lawsuits involving businesses we have acquired. Adverse outcomes to some or all of the claims and lawsuits pending against us might result in the award of significant damages or injunctive relief against us that could negatively impact our ability to conduct our business.

The outcome of litigation and other claims or lawsuits is intrinsically uncertain. Management's view of the litigation may also change in the future. Actual outcomes of litigation and other claims or lawsuits could differ from the assessments made by management in prior periods, which could result in a material negative impact on our business, financial position, profit, cash flows, and reputation.

For more information, see the discussion of our legal liability risks in the Notes to the Consolidated Financial Statements section, Note (24).

We might not acquire and integrate companies effectively or successfully and our strategic alliances might not be successful.

To expand our business, we have in the past made acquisitions of businesses, products, and technologies. We expect to continue to make such acquisitions in the future. Management's negotiation of potential acquisitions and alliances and integration of acquired businesses, products, or technologies demands time, focus, and resources of management and of the workforce. Acquisitions carry many additional risks. These include, among others:

The selection of the wrong integration model for the acquired company

The failure to integrate the acquired business and its different business and licensing models

The failure to integrate the acquired technologies or products with our current products and technologies

The loss of key personnel of the acquired business

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Material unknown liabilities and contingent liabilities of acquired companies, including legal, tax, intellectual property, or other significant liabilities that may not be detected by the due diligence process

Table of Contents

Part I

Item 3

Debt incurrence or significant cash expenditures

Difficulties in implementing, restoring, or maintaining internal controls, procedures, and policies

Negative impact on relationships with customers, partners, or third-party providers of technology or products

Difficulties in integrating the acquired company's accounting, human resource, and other administrative systems

Legal and regulatory constraints

Practices or policies of the acquired company that may be incompatible with our compliance requirements

In addition, acquired businesses might not perform as anticipated, resulting in charges for the impairment of goodwill and other intangible assets on our statements of financial position. Such charges may have a significant negative impact on operating margins and profit. We have entered into, and expect to continue to enter into, alliance arrangements for a variety of purposes, including the development of new products and services. There can be no assurance that any such products or services will be successfully developed or that we will not incur significant unanticipated liabilities in connection with such arrangements. We may not be successful in overcoming these risks and we may therefore not benefit as anticipated from acquisitions or alliances.

We may not be able to obtain adequate title to or licenses in, or to enforce, intellectual property.

Protecting and defending our intellectual property is key to our success. We use a variety of means to identify and monitor potential risks and to protect our intellectual property. These include applying for patents, registering trademarks and other marks and copyrights and rights of authorship, taking certain action to stop copyright and trademark infringement, entering into licensing, confidentiality, and nondisclosure

agreements, and deploying protection technology. Despite our efforts, there can be no assurance that we can prevent third parties from obtaining, using, or selling without authorization what we regard as our proprietary technology and information. All of these measures afford only limited protection, and our proprietary rights could be challenged, invalidated, held unenforceable, or otherwise affected. Some intellectual property may be vulnerable to disclosure or misappropriation by employees, partners, or other third parties. There can also be no assurance that third parties will not independently develop technologies that are substantially equivalent or superior to our technology. Also, it may be possible for third parties to reverse-engineer or otherwise obtain and use technology and information that we regard as proprietary. Accordingly, we might not be able to protect our proprietary rights against unauthorized third-party copying or utilization, which could have a significant negative impact on our competitive position and our financial position, and result in reduced sales. Any legal action we bring to enforce our proprietary rights could be costly, distract management from day-to-day operations, and lead to claims against us, which could have a significant negative impact on our business, financial position, profit, and cash flows. Such actions by us could also involve enforcement against a partner or other third party, which may have a significant negative effect on our ability, and our customers' ability, to use that partner's or other third parties' products. In addition, the laws and courts of certain countries may not offer effective means to enforce our intellectual property rights.

We may not be able to protect our critical information or assets or safeguard our business operations against disruption.

As a global software business, we are to a substantial extent dependent on the exchange of a wide range of information and on the availability of the infrastructure we use. In 2011, we implemented a number of additional measures designed to ensure the security of our

Table of Contents

Part I

Item 3, 4

information, IT resources, and other assets. Nonetheless, there is still a danger of industrial espionage, cyber-attacks, misuse, or theft of information or assets, or damage to assets by trespassers in our facilities or by people who have gained authorized access to our facilities, systems, or information. Any misuse, theft, or breach of security could have a significant negative impact on our business, financial position, profit, and cash flows.

Our insurance coverage may not be sufficient to prevent claim settlements from adversely impacting our business, financial position, profit, and cash flows.

We continue to maintain and manage insurance coverage against a diverse portfolio of risks. Our objective is to ensure that financial effects of occurrences are excluded or minimized to the extent practicable at reasonable cost. Despite these measures, certain categories of risks are still not currently insurable at reasonable cost. Even if we obtain insurance, our coverage may be subject to exclusions that limit or prevent our indemnification under the policies. Further, we cannot guarantee the ability of the insurance companies to meet their liabilities from claims. If these risks materialize, it may have a negative impact on our business, financial position, profit, and cash flows.

We may incur losses in connection with venture capital investments.

We plan to continue investing in technology businesses through our subsidiary SAP Ventures. Many of these enterprises currently generate net losses and require additional capital outlay from their investors. Changes to planned business operations have in the past, and also may in the future, affect the performance of companies in which SAP holds investments, and that could negatively affect the value of our investments. Moreover, for tax purposes, the use of capital losses and impairments of equity securities is often restricted, which may adversely affect our effective tax rate.

ITEM 4. INFORMATION ABOUT SAP

Our legal corporate name is SAP AG. SAP AG is translated in English to SAP Corporation. SAP AG, formerly known as SAP Aktiengesellschaft Systeme, Anwendungen, Produkte in der Datenverarbeitung, was incorporated under the laws of the Federal Republic of Germany in 1972. Where the context requires in the discussion below, SAP AG refers to our predecessors, Systemanalyse und Programmentwicklung GbR (1972-1976) and SAP Systeme, Anwendungen, Produkte in der Datenverarbeitung GmbH (1976-1988). SAP AG became a stock corporation (Aktiengesellschaft) in 1988. Our principal executive offices, headquarters and registered office are located at Dietmar-Hopp-Allee 16, 69190 Walldorf, Germany. Our telephone number is +49-6227-7-47474.

As part of our activities to reduce the number of legal entities in the SAP group, in 2011 we integrated certain subsidiaries into the following significant SAP subsidiaries: SAP America, Inc. and SAP (Schweiz) AG.

For a (i) description of our principal capital expenditures and divestitures and the amount invested (including interests in other companies) since January 1, 2009 until the date of this report and (ii) information concerning our principal capital expenditures and divestitures currently in progress, including the distribution of these investments geographically and the method of financing, see Item 4. Information About SAP Description of Property Capital Expenditures.

THE SAP GROUP OF COMPANIES

Celebrating its 40th year in business in 2012, SAP is the world leader in enterprise applications in terms of software and software-related service revenue, and the world's third-largest independent software manufacturer based on market capitalization. With more than 183,000 customers in over 130 countries, the SAP Group includes subsidiaries in every major country and employs more than 55,000 people.

Table of Contents

Part I

Item 4

Business Activity and Organizational Structure

Business Activity

Our core business is selling licenses for software solutions and related services to help companies of all sizes better manage industry-specific and line-of-business processes. SAP core solutions, which cover standard business applications and technologies, provide customers with a stable, consistent solution suite that allows them to be more efficient and agile, make decisions in real time, and create new value for their own customers. SAP technologies—unwired by mobile apps, simplified by cloud solutions, and fueled by in-memory computing—are driving value and growth for customers, partners, and entire markets.

To meet customers' variety of preferences for delivery and adoption, SAP provides solutions from its portfolio on premise, in the cloud, and on device deployments—all underpinned by our SAP HANA. SAP solutions enable customers to orchestrate data and business processes across all operating environments.

Organizational Structure

Our legal corporate name is SAP AG. SAP is headquartered in Walldorf, Germany. Our company is structured along the following areas:

Technology and Innovation Platform

Products and Solutions

Global Customer Operations

Chief Operations Office

Global Finance and Administration

Human Resources

SAP markets and distributes its products and services primarily through a worldwide network of local subsidiaries, which are licensed to distribute SAP products to customers in defined territories. Under their respective license agreements, the subsidiaries pass on to the

licensor a certain percentage of the revenue generated by distributing the products. Distributorship agreements are in place with independent resellers in some countries.

For a complete list of subsidiaries, associates, and other equity investments, see the Notes to the Consolidated Financial Statements section, Note (34).

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Our management reporting breaks our activities down into four segments: Product, Consulting, Training, and Sybase. For more information about our segments, see the Notes to the Consolidated Financial Statements section, Note (29).

Mission and Strategy

Market

With customers in more than 24 industries, from small businesses and midsize companies to large enterprises, in countries across the world, SAP has traditionally served a global market for enterprise software and services that is subject to the same trends that drive the world economy. Despite ongoing macroeconomic uncertainty and volatility, numerous market forces are changing the business and technology landscape:

Globalization: Emerging economies that continue to experience fast growth, outpacing more established markets

Internet of Things : Increasing connectedness through mobile devices both people-to-people connectivity and machine-to-machine connectivity

Consumerization of IT: Increasing demand for enterprise IT to deliver the same user experience as consumer technology

Big Data : An increase in data produced and consumed in unprecedented volumes doubling every 18 months according to International Data Corporation (IDC)

Business and social collaboration networks: Increasingly distributed, yet

Table of Contents

Part I

Item 4

highly networked workforces connected through social network technologies

To be successful in this climate, businesses must use technology and real-time analytics to better conduct business in real time, get closer to their customers, and innovate with more competitive and relevant products in each market and customer segment they serve.

Business and Technology Trends

Market dynamics require enterprises to evaluate their business models and opportunities for sustained growth and greater efficiency. SAP customer companies of all sizes continually evaluate, expanding into new geographies, approaches for engaging new customer segments in emerging markets and elsewhere, entering into adjacent vertical industries, and increasing networking at the enterprise level. Businesses and public sector organizations are also addressing customers and constituents needs for transparency and openness by empowering them with greater access to information.

Three major technology trends in-memory computing, enterprise mobility, and the cloud have triggered change in the world of IT and SAP is playing a crucial role in accelerating that change. Those trends are changing not only the way enterprises adopt and deploy business technology, but also fundamentally the way that work is done. The pervasiveness of the cloud and mobile devices, together with the power of in-memory computing, allow people to connect and collaborate wherever and whenever they choose. At the same time, they can access and analyze large amounts of data in seconds. We strongly believe that the convergence of these technologies has the potential to create enormous business value and power new business models both in developed countries and emerging markets. We further believe this will change cultures both within companies and externally among their customers, partners, and others across their business ecosystems.

Connectivity of people and devices through mobile technology is increasing at an

exponential rate. There are more than five billion mobile subscribers in the world today, and in the future, we will be able to connect hundreds of billions of objects automobiles, household appliances, machines in real time. This machine-to-machine connectivity or Internet of Things will drive enormous business value and we are already seeing examples of this in smart utility grids and smart buildings.

The explosion of Big Data in an increasingly connected world where people and devices exchange information continues at an unprecedented rate. Enterprise data volume is increasing by over 50% to 60% every year while IT budgets are growing at only 5%. Our customer businesses of all sizes and in all industries must increase their focus on analyzing volumes of data for new insights, greater customer intimacy, and competitive advantage. In this environment, in-memory computing delivers a dramatic change in computing, analytics, and data storage. It leverages advances in multicore processing and more affordable servers, storing information in the main memory rather than in relational databases, to greatly accelerate processing times. It will fundamentally disrupt the traditional IT stack comprised of hardware, middleware, and software, where the disk-based relational database is the bottleneck. We believe that advances in in-memory computing will become the new backbone of next-generation business applications and enterprise technology.

To increase efficiency and lower costs of ownership, enterprises are rapidly embracing cloud computing and virtualization, as well as changes in data storage through in-memory computing, to rethink the way they invest in information technology. These advances are simplifying and removing layers from the traditional technology stack. SAP is helping drive change as customers reduce the amount they spend on hardware and services in favor of investment in software-based innovation. Increasingly, customers are looking to embrace social networking and collaboration technologies as a part of their cloud road map. We are

Table of Contents

Part I

Item 4

developing a new category of cloud applications with a people-centric approach to help customers speed up decisions, strengthen customer relationships, and drive growth.

Enterprise mobility continues to transform the way work is done and businesses are run. Smartphones already outsell PCs. By 2013, mobile devices will be the primary method of Internet access worldwide. A mobile workforce is seen as becoming more productive, since employees can now do their job any time, from any location, rather than being tethered to their office desktop. The pervasiveness of mobile technology, together with advances in the cloud and analytics, empower workforces and consumers in new ways, regardless of location. This way, people can respond quickly and intelligently to timely information about events and their surroundings.

With the continuing threat of climate change and resource price instability, businesses are also paying close attention to the strategic importance of managing sustainability.

Vision and Mission

Our vision is to help the world run better and improve people's lives. We have a great opportunity to reshape the IT industry and transform business networks. In the next decade, we see a major demographic shift that will drive an exponential demand for natural resources. Businesses and governments will need a new category of sustainable solutions to cope up with this demand and provide high value services to their consumers and citizens. With our vast experience in resource management and our new technology innovations, we can power these new types of solutions.

Our mission is to help every customer become a best-run business. We do this by delivering new technology innovations without disruptions: Enterprise mobility will transform consumption of IT; in-memory technology will simplify the IT stack and drive high value applications; and the cloud delivery of IT solutions will become mainstream. By

leveraging our strong base in applications and analytics as well as new technology innovations, we can offer solutions that make our customers run better.

In summary, we measure our success based on our customers' success: When our customers win, we win. We are committed to optimizing the business value of our customers' IT investments, lowering their total cost of ownership (TCO), and helping them innovate for the future. Our passion for growth and trusted partnerships with our customers, employees, shareholders, and members of our open ecosystem remains resolute.

Strategy for Growth

Our strategy for growth seeks to increase SAP's market leadership in existing and new market categories. The market trends in mobile, big data, cloud computing, and social networking present a unique opportunity for SAP to deliver expanded business value through a concerted innovation strategy focused on these market trends that delivers these innovations without disruption to our customers' business and further leverages their existing investments in SAP software. To that end, as the information technology industry undergoes a structural shift away from investments in hardware toward increased investments in new software-based innovation, particularly in the area of cloud, mobile, and in-memory technology, SAP wants to position itself at the forefront of accelerating that change.

As a result, compared to 2010, we are doubling our addressable market for 2015 by focusing on five market categories:

Applications: With SAP Business Suite software, SAP is already recognized as the undisputed market leader in business applications and enterprise resource planning (ERP). Customers can rapidly deploy standardized core business processes and functions with line-of-business and industry-specific applications across 24 industries and 11 lines of business.

Table of Contents

Part I

Item 4

As SAP innovates and grows these industry-specific and line-of-business-focused core applications, we continue to improve the overall end-user experience for our customers and lower TCO. We are injecting in-memory computing innovation into SAP Business Suite, starting with the controlling profitability analysis accelerator powered by SAP HANA. The accelerator has been available since the fourth quarter of 2011 as a rapid-deployment solution that is installed and ready to use within twelve weeks. At the same time, we have extended maintenance for SAP Business Suite to 2020, an extraordinarily long commitment to our customers by industry standards.

Analytics: SAP is an acknowledged global market leader in analytics. We continue to augment our market-leading portfolio of analytics solutions, including our governance, risk, and compliance (GRC) solutions and our enterprise performance management (EPM) solutions, with the power of SAP in-memory technology. The first major effort was the SAP NetWeaver Business Warehouse component powered by SAP HANA introduced in the fourth quarter of 2011. Empowered with real-time business insight that can be delivered in milliseconds with SAP HANA individuals, teams, and business networks can quickly anticipate or predict change, uncover new opportunities, and take immediate, bold, decisive action.

Mobile: As the global market leader in mobile solutions, SAP intends to continue to drive the unwiring of the enterprise and simplify the consumption of enterprise data and applications. Customers benefit by having the freedom to operate anytime, anywhere, on any device with mobile apps that ease access to enterprise processes and information. IT units and partners can create new or mobilize existing apps with the Sybase Unwired Platform. We continue to enable our customers to manage mobile devices, and develop and deploy mobile applications to reach their employees and end consumers. SAP delivered 50 mobile apps by the end of 2011 with partners adding several hundred more. The company will continue to innovate in this important area of growth.

Cloud: Given the importance of the cloud for applications delivery, we strive to be a leading player in the cloud market. Acquiring SuccessFactors will help toward achieving that objective. We are aiming for innovations in the cloud that our customers can use in every line of business. We aim to redefine the cloud market beyond software-as-a-service (SaaS), including line-of-business solutions and ERP cloud solutions and platform-as-a-service (PaaS); targeting new areas such as collaboration services (including both people-centric applications and business network solutions); information services (including business intelligence in the cloud and data services); and mobile services (especially mobile device management in the cloud). Our strategy is aimed at ensuring that customer businesses of all sizes, subsidiaries, and lines-of-business can fulfill their unique requirements with cloud and virtualization tools and services and on-demand solutions, add-ons and industry-specific extensions from SAP, partners, or their own developers.

Database and technology: SAP NetWeaver provides the technology foundation for SAP applications. In addition, it delivers a portfolio of enterprise technology to extend

Table of Contents

Part I

Item 4

applications to reach more people and to adopt new processes, devices, and consumption models. We strive to be a leading player in the database market. While SAP will continue to offer customers a wide range of choice, the attractive Sybase database portfolio including SAP Sybase Adaptive Enterprise Server (ASE) and SAP Sybase IQ, combined with the unprecedented power and potential of SAP HANA, presents significant opportunity to address the market for structured and unstructured data.

Our groundbreaking SAP HANA platform allows customers to take advantage of in-memory computing across all of these market categories. Installed on top of an existing infrastructure and working with available data, they can use it to query multiple types of data sources in real time, at speeds and volumes like never before. As a result, customers gain immediate business insight to transform

organizations and achieve fundamental performance improvement compared to existing systems in their IT landscape.

SAP's momentum in the five market categories will be fueled by our strategy of innovation without disruption, co-innovation with our ecosystem, and ability to orchestrate technology consistently across the enterprise.

Table of Contents

Part I

Item 4

Accelerate Innovation Without Disruption

While we focus on innovations in our five market categories, our strategy is to deliver innovation with minimum disruption. We will ensure this by reducing TCO for customers adopting our innovations in these areas through rapid-deployment solutions that draw on our years of experience implementing solutions across more than 24 industries and application virtualization. SAP's commitment to accelerated innovation cycles and extended maintenance for SAP Business Suite software offers consistency, predictability, and innovation without disruption to customers' IT environments. SAP stands out among vendors in its ability to enable enterprises to become more agile and efficient while freeing up resources to innovate, better connect with customers, and grow in today's global market.

Expand Our Ecosystem

Through our open ecosystem, we offer customers maximum choice, value, and the best possible technology through the power of co-innovation from SAP and our partners. SAP continues to invest in our broad partner ecosystem to drive development and delivery of innovative software solutions that address industry-specific and local market needs. We will offer development toolkits on our solutions that will allow our partners to extend our current solutions as well as build new solutions.

Orchestration

Orchestration allows our customers to link on-premise, cloud, and mobile solutions in a cost-effective and consistent manner. Based on SAP's strategic role in providing the technology backbone for our customers, we are uniquely positioned to define the blueprint and the architectural guidelines that bring together these various IT elements. Through orchestration, we provide master data management, business process management, and unified lifecycle management across all SAP solutions at low TCO.

Competition

SAP continues to be the world leader in applications, analytics, and mobile, and aims for leadership in the cloud and database and technology market categories. Our primary competitors in applications are IBM, Oracle, and Microsoft. Compared with SAP, those companies derive a much higher portion of their revenue from other segments of the IT market, such as hardware (Oracle, IBM); operating systems, and desktop applications (Microsoft); and IT services (IBM). Key competitors in analytics include IBM (Cognos), SAS Institute, and Oracle (Hyperion). The mobile market is still highly fragmented. Competitors with offerings that overlap with ours include Antenna and Spring Wireless (an SAP Ventures portfolio company). In the cloud market, we face line-of-business players such as Salesforce.com, Workday, and NetSuite. Oracle has also become a competitor in this market through its acquisition of RightNow and its planned acquisition of Taleo. Principal competitors in the database and technology business include IBM, Microsoft, and Oracle. Our offerings also compete with those of specialized vendors in various local markets and subsegments.

Sustainability

Sustainability is core to the overall business strategy at SAP and contributes to our vision to make the world run better and thus improve people's lives. We approach sustainability as the holistic management of social, environmental, and economic risks and opportunities for increased near-term and long-term profitability and as a responsibility to our stakeholders. We are committed to fully integrating sustainability into our strategy and business model and in this way we pursue a corporate strategy that is sustainable rather than a stand-alone sustainability strategy.

SAP software, including the SAP ERP application and other SAP Business Suite applications, has helped organizations become more profitable, resource-efficient, and accountable over the past 40 years. These

Table of Contents

Part I

Item 4

applications can also help solve difficult sustainability business problems such as dynamic energy management. Our solutions are helping provide greater levels of collaboration for sustainability among stakeholders and greater access to enterprise-level computing for many of those previously excluded from market participation.

In addition, SAP provides a dedicated line of solutions for sustainability with the essential power to integrate at the center.

But to deliver our vision, we recognize there are important associated responsibilities and dependencies. The most relevant of these for sustainability efforts include:

Human capital management Ensuring that we have access to the very best talent within our company and throughout the ecosystem to develop, deliver, and use our technologies

Intellectual capital management Ensuring that we organize the most effective research and development capability so we can deliver the highest quality pipeline of new products, solutions, and services while developing and safeguarding our corporate reputation and brand equity

Security and privacy Ensuring that we design and deliver our solutions to afford the very highest levels of data security and privacy control

Business conduct Ensuring that we conduct our business activities to the highest levels of ethical behavior, as set out in our Code of Business Conduct and other company policies

Climate and energy Ensuring that we reduce and minimize the environmental impact of our solutions, services, and corporate operations

Financial Management Strategy

The primary aim of our financial management is to maintain liquidity in the SAP

Group at a level that is adequate to meet our obligations at all times. Finance may be required to proactively sustain liquidity at that level. It may also be necessary to enter into financing transactions when additional funds are required that cannot be wholly sourced from free cash flow (for example, to finance large acquisitions).

PORTFOLIO OF SOFTWARE AND SERVICES

Working closely with customers and partners worldwide, SAP is committed to a product and services strategy that enables customers to use enterprise application software wherever and whenever they need. Whether deployed on premise, in the cloud, or on a mobile device, SAP solutions work together as one, as networked solutions that orchestrate business processes and information meeting the unique needs of businesses and business networks of all sizes.

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Our product portfolio builds on a scalable, powerful technology platform. We can use this base to accelerate product innovation and co-innovate with partners and customers to offer new and complementary solutions. We deliver a combination of innovation in analytics, cloud, and mobile accelerated by transformational advances in in-memory computing on a stable technology foundation and in rapidly deployable, easily adoptable, industry-specific packages. SAP solutions empower people everywhere with the freedom to work in real time, anytime and anywhere, enabling companies to shape innovation in their industries and lead their markets. In taking care to safeguard our customers' technology investments, we also strive to enhance their business value. This way, customers can adopt innovation at their own pace, without disruption, for their specific industry needs.

Security is integral to our commitment to delivering high-quality software, and we endeavor to enhance security in the development of our products and services and by acquiring new technologies and expertise.

Table of Contents

Part I

Item 4

Software Portfolio

Applications

As we innovate and grow our core applications and industry solutions, we continue to focus on improving the overall end-user experience for our customers.

SAP Business Suite

SAP Business Suite software enables companies to optimize their business and IT strategies with an integrated portfolio of business applications and solutions designed to work with other SAP and non-SAP software. The software increases visibility across departments and business silos, improving the ability to make clearer decisions while improving operational efficiency and increasing the flexibility needed to address change.

SAP Business Suite applications can be deployed on a modular basis to address particular business needs within specific timelines, targeting business processes with the highest potential impact.

Customers can incrementally enhance these applications through enhancement packages that they receive through our support offerings, alleviating the need for costly and time-consuming upgrades.

The core applications that make up SAP Business Suite are the following:

The SAP ERP application helps optimize business and IT by reducing IT complexity, increasing adaptability, and delivering more business value at a lower cost than traditional ERP solutions. It supports mission-critical business processes including finance, human capital management, asset management, sales, and procurement, and other essential corporate functions. SAP ERP enables industry-specific processes with functionality that can be activated selectively, keeping the application core stable for high performance.

The SAP Customer Relationship Management (SAP CRM) application manages and monitors sales, service, and marketing processes while supporting key back-office activities. SAP CRM enables multichannel customer interactions with, for example, smartphones, the Internet, and social media and also offers a dedicated communications infrastructure that helps connect all people anytime, anywhere.

The SAP Product Lifecycle Management (SAP PLM) application manages, tracks, and controls product-related information over the complete product and asset lifecycle and across the extended supply chain, while freeing the product innovation process from organizational constraints.

The SAP Supplier Relationship Management (SAP SRM) application supports key procurement activities including demand-driven sourcing, centralized contract management, and interaction with suppliers through multiple channels. SAP SRM helps accelerate and optimize the entire procure-to-pay cycle by enabling integrated processes and enforcing contract compliance.

The SAP Supply Chain Management (SAP SCM) application helps adapt company-specific supply-chain processes to the rapidly changing competitive environment and enables the transformation of traditional supply chains with linear, sequential processes into

open, configurable, and responsive supply networks.

Industry Solutions

SAP supports companies in 24 industries with solution portfolios that enable best-practice industry processes. These portfolios are the result of decades of trustful co-innovation with industry-leading customers that have been

Table of Contents

Part I

Item 4

sharing their best practices to help customers, suppliers, and partners in their business networks to optimize the joint network performance. We also provide IT value through orchestration across on-premise and cloud solutions and on any device, providing flexibility, security, and scalability on a single IT platform. The benefits of orchestration are:

Solutions that are more easily consumed through implementable steps

Quick ROI through rapid-deployment solutions

Secure, reliable operations tuned for the individual business

SAP Rapid Deployment Solutions

SAP Rapid Deployment solutions combine preconfigured software and predefined services with content such as SAP best practices, templates, tools, and business user enablement, to fulfill specific business requirements at significantly reduced service-to-software ratios. By providing predictable pricing, scope, timelines, and outcomes, as well as by leveraging proven best practices from an extensive ecosystem of customers and qualified partners, SAP Rapid Deployment solutions make it easier to adopt solutions and reduce the implementation risk. Ready to run in typically 12 weeks or less, these solutions help lower the total cost of implementation and give customers immediate and tangible value.

Solutions for Small Businesses and Midsize Companies

SAP offers a number of targeted solutions for small businesses and midsize companies including the SAP Business All-in-One solution, SAP Business One application, and SAP BusinessObjects Edge solutions, which combine business management and business intelligence software. For those who want the benefits of large-scale, integrated business management applications without a complex IT infrastructure, the SAP Business ByDesign solution not only provides a modern cloud solution, but also a platform that customers can use to build their

own solutions. Like large corporations, these firms seek to streamline business processes, cut costs, drive growth, and increase profitability by receiving the right information at the right time across all operations.

SAP Business All-in-One

SAP Business All-in-One solutions are designed for small businesses and midsize companies with 100 to 2,500 employees. SAP Business All-in-One solutions support integrated business processes that cover everything from financials, procurement, inventory, manufacturing, logistics, product development, human resources, sales, services, and marketing. At any time, these ERP applications can be extended with additional functionality to scale as business needs change. SAP Business All-in-One solutions are available from qualified partners that deliver more than 660 industry-specific solutions in 55 countries. SAP provides the deployment tools and methodologies that partners need to deliver fast, predictable implementation with low risk, low cost, and rapid time to value. Customers can choose between an on-premise deployment and hosted deployment purchased on a subscription basis.

SAP Business One

The SAP Business One application is designed for small businesses with fewer than 100 employees that have outgrown their accounting-only systems and are looking to streamline their operations with a single unified solution. The application supports virtually the entire business with support for financials, sales, customer relationships, inventory, and operations to help small businesses boost efficiency and accelerate profitable

growth. SAP Business One can be tailored and extended to meet specific business needs.

SAP Business ByDesign

See the Cloud section, below.

SAP BusinessObjects Edge

See the Analytics section, below.

Table of Contents

Part I

Item 4

Solutions for Sustainability

With the continuing threat of climate change and resource price instability, businesses are paying close attention to the strategic importance of managing sustainability for both long-term and short-term profitability. Leaders taking a proactive and strategic approach can enjoy first-mover advantage in innovation for new lines of business as well as cost and risk reduction and improved reputation.

SAP is not only working to become a more sustainable company, but we also provide a broad range of solutions to help our customers pursue a sustainable business strategy. We have designed sustainability solutions that fall into five key business demand areas: sustainability reporting and analytics, energy management, operational risk management, sustainable supply chain and products, and sustainable workforce. These include:

The SAP BusinessObjects Sustainability Performance Management analytic application that helps organizations more easily set sustainability goals and objectives, measure and communicate performance, and reduce data collection costs and errors

The SAP Carbon Impact OnDemand (See the Cloud section, below)

The SAP Environment, Health, and Safety Management (SAP EHS Management) application that addresses regulatory compliance and helps companies identify, manage, and mitigate EHS risks by taking an integrated approach to all aspects of risk and compliance

The SAP Manufacturing Integration and Intelligence (SAP MII) application that provides the tools and content to help customers track and identify opportunities for energy reduction in manufacturing

The SAP Advanced Metering Infrastructure (AMI) Integration for Utilities, which helps optimize revenues and demand, enable more cost-effective customer service, and improve market efficiency. It also automates data exchanges for energy suppliers and infrastructure operators.

Analytics

SAP BusinessObjects Portfolio

The SAP BusinessObjects portfolio includes business intelligence and enterprise information management solutions that enable companies to provide trusted information to every member of a business network, helping them respond faster and make better-informed decisions. The portfolio also includes enterprise performance management and governance, risk, and compliance solutions, which help customers maximize profitability, manage risk and compliance, and optimize systems and processes. It also includes analytic applications designed to help business users reach strategic goals, deliver predictable results, and make sound decisions. Reflecting SAP's commitment to openness and interoperability in heterogeneous software landscapes, the solutions are designed to integrate with data sources and systems from other providers as well as SAP Business Suite applications and other SAP BusinessObjects solutions.

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SAP BusinessObjects business intelligence (BI) solutions enable users to interact with business information and obtain answers to ad hoc questions without advanced knowledge of the underlying data sources. Available in cloud, on-premise, and mobile deployment options, the software allows users to access data across all sources and formats and then delivers it as useful, consumable information. BI tools also help customers uncover trends and patterns, solve business problems, anticipate changes, and reach organizational goals.

Table of Contents

Part I

Item 4

SAP BusinessObjects enterprise information management (EIM) solutions help customers manage and enhance data integration, data quality management, and metadata management. Augmenting and leveraging EIM functions in the SAP NetWeaver technology platform, the solutions allow companies to build a trustworthy data foundation that supports both business and IT initiatives. Customers can access, integrate, move, or cleanse data structured and unstructured to deliver timely, unified information.

SAP BusinessObjects enterprise performance management (EPM) solutions help companies improve their control performance, organization agility, and decision making. The solutions support processes across multiple lines of business including finance, supply chain, and procurement, and include applications for strategy management; planning, budgeting and forecasting; financial consolidation; profitability and cost management; and spend and supply chain performance management.

SAP BusinessObjects governance, risk, and compliance (GRC) solutions provide organizations with a proactive, real-time approach to managing governance, risk, and compliance across heterogeneous environments.

SAP BusinessObjects analytic applications address challenges in specific industries and lines of business. Co-created with customers and designed to work in virtually any environment, the applications provide the insight and best-practice support companies need to better understand risk, uncover opportunities, and make the right decisions to optimize their business. The applications, which can be deployed quickly, are designed to work in virtually any IT system and deliver value to customers rapidly.

SAP BusinessObjects Edge solutions help midsize companies streamline and enhance their budgeting, planning and consolidation, and strategy management processes. These versatile solutions support flexible ad hoc reporting and analysis, dashboard-based data visualization, data integration, and data quality management.

Mobile

Enterprise information is now accessed more and more on the move, as mobile workers use smartphones and other devices to stay connected and productive both in and out of the office. Our customers and partners are mobile too.

The strategy employed by Apple and Google to launch smartphones for consumers won people over with an incredible user experience, mobile apps delivered by their ecosystem, and unprecedented information access. The move has consequently generated intense demand outside the consumer sphere, from businesses and their employees, based on their experiences with consumer applications. No longer satisfied with limited device choices and a few mobile apps to help them stay in touch and be productive, employees are now putting intense pressure on IT for change in two respects: The flexibility to choose devices and easy-to-use mobile apps. As such, IT needs to focus on infrastructure and security issues as well as the user experience.

In 2010, we acquired Sybase to broaden our mobility product portfolio. By leveraging enterprise mobility technology from Sybase together with our existing mobile solutions, we are enhancing our infrastructure, tools, and applications to be able to access data stored in SAP software from anywhere and on any device. This mobile platform is based on open standards; it runs on all major mobile operating systems and manages and supports all major device types.

Table of Contents

Part I

Item 4

Sybase Unwired Platform enables SAP, customers, and partners to build mobile apps to extend existing applications, such as SAP Business Suite software, beyond the desktop to mobile devices. This approach makes it possible for customers to unlock business value from existing SAP software investments and deliver value to people everywhere.

We intend to help our customers extend their reach by:

Enabling business users to consume SAP software data and processes from different devices everywhere (mobile apps for business and productivity)

Providing business users with information from both inside and outside the enterprise so that they can make decisions based on a broad array of data according to their individual use cases (analytical capabilities)

Helping business users to cooperate and optimize performance across a dynamic business network of people (collaboration tools)

Enabling partners, customers, and business users to extend the functionality of SAP software and build their own user experiences

Helping our customers reach their consumers through mobile apps that deliver a great user experience

In 2011, we delivered a number of mobile apps to customers (for example, SAP Travel Expense Approval, SAP CRM Sales, and SAP Retail Execution).

Cloud

Driven by technology advances in cloud computing and a rapid value business model, on-demand delivery of business solutions continues to be a viable option for customers of all sizes. We have embraced this shift and are delivering on our commitment to offer the right portfolio of highly strategic and reliable cloud

solutions that will interact and work with existing SAP software investments.

Cloud solutions from SAP leverage technologies such as collaboration and content services to offer new people-centric approaches to solving business problems. Our solutions are designed to take advantage of the inherently networked nature of the cloud model to allow people and businesses to collaborate within and across enterprise boundaries. Built on a well-orchestrated set of platform features, these solutions offer fast time to value and a low-risk deployment option to help ensure business success. Customers can also consume the innovations instantly without the need for on-site IT to manage the infrastructure.

The SAP Business ByDesign solution delivers a complete enterprise solution for small businesses, midsize companies, and large enterprise subsidiaries. This approach enables customers to focus on developing and growing the business while minimizing the need to build and operate IT systems. For SAP Business ByDesign, two new feature packs were released successfully in 2011. Customers

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can find new solutions from SAP and partners that enhance the SAP Business ByDesign solution in SAP Store, including add-ons, mash-ups, and extensions from SAP and partners.

The SAP Information Interchange OnDemand solution by Crossgate is another cloud offering. The solution delivers prebuilt business partner profiles that connect trading partners, enabling fast, efficient business-to-business (B2B) commerce and invoicing that improves how a customer's partners are integrated and how they share data. After establishing a one-time connection with trading partners for all relevant processes, customers can then instantly exchange related electronic documents for all types of materials, goods, and

Table of Contents

Part I

Item 4

services using existing SAP applications.

SAP StreamWork application is a cloud-based collaborative solution that brings together people, information, and structure, with enterprise applications and business processes to deliver faster business results. With SAP StreamWork businesspeople can work within and between companies to solve problems, develop strategies, brainstorm, collect feedback, or drive decisions.

In addition to the solutions above, several cloud solutions targeting specific functional usage are also available, for example, SAP Sales OnDemand, SAP Sourcing OnDemand, SAP Carbon Impact OnDemand, and SAP BusinessObjects BI OnDemand.

Database and Technology

For all these layers to fit together, an orchestration layer that works across all applications within a customer landscape is required. Therefore, we plan to continue to invest in the areas of lifecycle management, master data management, and process orchestration. The goal is to continuously reduce the cost of ownership and support data consistency and process management across multiple layers of applications. In addition, we will invest in our technology portfolio in order to provide a technology foundation which powers all current deployment scenarios for applications, in whatever mode they are deployed (on premise, in the cloud, or on a mobile device). For example, the SAP NetWeaver technology platform continues to provide a stable foundation for SAP Business Suite and other SAP software. It enables enterprises to extend and optimize business processes orchestrated across delivery models. SAP NetWeaver delivers a modular set of functions to help reduce IT complexity and increase business flexibility across heterogeneous IT landscapes through open interfaces, middleware, and process management tools.

With SAP Sybase Adaptive Server Enterprise, customers have another database choice as one single source for support, maintenance, and lifecycle management.

Another key innovation in the SAP technology portfolio is in-memory computing. The SAP HANA platform, comprising the SAP HANA database and other components, is based on this technology and enables real-time analysis on large quantities of detailed data. This breakthrough technology is intended to be installed in a nondisruptive way, as a side-by-side attachment to other technology and applications, such as analytics, the SAP NetWeaver Business Warehouse (SAP NetWeaver BW) component, and SAP Business Suite software.

SAP NetWeaver BW is available with SAP HANA as an underlying in-memory-based database. Remarkable simplification, reduction in TCO, improved performance, and breakthrough analytics are just some of the benefits that can be realized by column-based storage with high compression and query performance. It is also possible to natively combine SAP NetWeaver BW data with real-time sourced data in data marts in SAP HANA. We plan to deliver additional applications that will run on SAP NetWeaver BW powered by SAP HANA.

SAP Services Portfolio

The SAP Services portfolio exists to help our customers derive value from their SAP solutions in a fast, cost-effective and predictable way.

We provide a holistic approach to the entire application lifecycle, incorporating a broad array of methodologies, tools, and certified partner offerings to help our customers gain value from their SAP investment while meeting their business needs. Tightly integrated with our development organization, services contribute to a closed customer-feedback loop to the development organization and end-to-end risk and quality management throughout the

Table of Contents

Part I

Item 4

entire customer lifecycle. The SAP Services portfolio includes industry- and solution-focused services, business and IT transformation services, custom development services, support services, program management, project management and quality assurance, and education and certification.

We have aligned our services portfolio around the following categories:

High value services: Typically people-centric services in areas such as business transformation, industry-specific (for example, banking), and architecture-focused projects

Innovation services: Service offerings that are helping lead the market adoption of SAP innovations such as SAP HANA, mobility, and cloud offerings

Engineered services: Service offerings that are assembled to order to provide faster time to value and lower TCO with greater predictability, including our extensive portfolio of services for SAP Rapid Deployment solutions

We continue to offer services to address traditional projects, but increasingly we will look to our ecosystem to provide such offerings to our customer base.

SAP Services has a local presence in more than 50 countries and runs more than 70 training centers, seven global support centers, and 10 custom development centers in the Americas, Asia, and Europe. With approximately 21,000 SAP Services professionals around the world, customers needs can be met around the clock to support SAP solutions.

Our custom development and support services and Sybase customer support and services are categorized as software-related services, while the remaining services areas, provided by SAP Consulting, the SAP Education organization, Sybase Messaging, Sybase Consulting, and Sybase Education, are categorized as professional services.

Software-Related Services

SAP Custom Development

The SAP Custom Development organization develops customer-specific solutions and business functions on SAP technology covering the lifecycle of services to develop and support custom solutions at every stage. With an extensive network of experts across 10 development centers worldwide, SAP Custom Development helps extend, enhance, and optimize existing solutions or build innovative new applications according to customer needs. SAP Custom Development also develops focused business solutions to support the specific needs of various industries.

Support Services

SAP offers several options to support our customers' business solution landscapes and their respective needs. Our support units offer a range of customer support services before, during, and after implementation of our software solutions. We provide around-the-clock technical support in every region. We also offer proactive, preventive support services to protect and enhance our customers' investments in SAP technology and software.

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SAP offers a comprehensive, tiered support model to customers worldwide. The offering includes SAP Enterprise Support and SAP Standard Support. Customers choose the option that best meets their requirements. However, the vast majority of customers choose SAP Enterprise Support. The expanded maintenance and support portfolio helps deliver choice, predictable pricing, and value for customers.

SAP Standard Support delivers support services to enable continuous and effective IT operations. This baseline level of support provides our customers with the services and tools to minimize the cost and risk associated with keeping IT systems up and running, including updates. SAP Standard Support ensures that customers' SAP solutions run

Table of Contents

Part I

Item 4

efficiently by delivering improvements, quality management, knowledge transfer, and problem resolution.

SAP Enterprise Support is comprehensive, proactive support and maintenance extending beyond our SAP Standard Support offering. It provides our customers with an application lifecycle management approach that can help them manage IT complexity and integrate solutions across their IT landscapes. As well as updates, for mission-critical processes the service provides continuous quality checks to analyze technical risks. We deliver the quality management methodology, processes, and tools needed to perform advanced testing and implement solution deployment, operations, and continuous improvement initiatives using the SAP Solution Manager application management solution.

The SAP MaxAttention support option expands SAP Enterprise Support, covering the entire lifecycle of an SAP solution in a tailored format for customers with a full range of services that help organizations safeguard complex solutions, plan for new releases and upgrades, and improve productive solution operations. SAP MaxAttention is designed to provide customers with our highest level of customer support built on a dedicated engagement model with a technical support advisor and service-level agreements, supported by long-term commitments delivered by the SAP Active Global Support organization.

SAP Safeguarding services help our customers mitigate the technical risks of an implementation, integration, migration, or upgrade project. They smooth the process of going live and help customers prepare for live use of the software. An on-site technical quality manager helps ensure that customers receive the support they need, that knowledge transfer takes place, and that our customers improve the performance, data consistency, and availability of their IT solution from SAP.

The Sybase Customer Service and Support organization offers technical support for the Sybase family of products. It maintains regional support centers in Asia, Europe, Latin America, and North America, providing uninterrupted technical services around the world. Sybase users and partners have access to software fixes, technical information sources, and newsgroups on the Sybase support Web site.

Sybase Standard Support services include updates and new version releases that become available during the maintenance period. They are designed for high-quality around-the-clock support for critical issues, access to new releases, and online support services.

Sybase Enterprise Support services offer personalized high-availability support for companies with mission-critical projects. Services include priority access to the Enterprise Technical Team, proactive services, and other specialized options. Sybase Enterprise Support provides the highest priority of response times.

In addition, Sybase also offers some support service options geared towards partners and users, primarily for designated workplace level and tools products, and certain iAnywhere Solutions.

Professional Services

We offer two broad categories of professional services – consulting and education.

Consulting Services

SAP Consulting offers planning, implementation, and optimization services for

Table of Contents

Part I

Item 4

business solutions. We are able to provide our services with a strong industry focus, and can also deliver solutions at functional or departmental levels. Our consultants engage in:

Business transformation activities such as executive advisory services, value partnerships, and business process and platform services. These support our customers in responding to business challenges in a rapidly changing business environment and bridging the gap that can exist between IT and the wider business

IT transformation services, seeking to reduce customers' TCO with tangible business value accompanied by reduced effort and costs

Performance and insight optimization services providing analysis and modeling of business challenges to introduce innovative business processes

Business applications services providing highly engineered solutions to our customers' application and analytical needs

Project and program management and risk management as well as quality assurance services across the solution landscape, including optimizing solutions following merger and acquisitions activities or divestiture of business units

By delivering our portfolio of services based on proven business processes with clearly defined cost and scope, we deliver faster, cost-effective value and greater predictability to our customers while at the same time lowering the services-to-software ratio.

In addition, the Sybase Professional Services organization offers customers comprehensive consulting, education, and integration services designed to optimize their business solutions using Sybase and products from other providers.

Education Services

The offerings of SAP Education assist SAP customers and partners with knowledge transfer related to SAP products and services. SAP Education offerings include training-needs analysis, certification assessments, learning software, and tools. We provide a consistent curriculum for learners around the world and deliver these offerings through a number of delivery models, including online e-learning, virtual live classroom, learning on demand, and classroom training. Every year, more than 300,000 individuals in the market are trained by SAP Education, making it one of the largest IT training organizations in the world.

Sybase provides a broad education curriculum allowing customers and partners to increase their proficiency in Sybase products. Basic and advanced courses are offered at Sybase education centers, and specially tailored customer classes and self-paced training are also available. A number of Sybase distributors and authorized training providers also provide education in Sybase products.

Sybase Mobile Services

The comprehensive Sybase Mobile Services portfolio ranges from mobile messaging interoperability to mobile content delivery and mobile commerce services, for operators, content providers, enterprises, and financial institutions.

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We deliver advanced mobile services to our customers by addressing the complexities of the wireless ecosystem: Incompatible networks, messaging protocols, handsets, and billing systems.

Sybase 365 addresses operator services focused on Short Message Service (SMS), Multimedia Message Service (MMS), GPRS Roaming Exchange (GRX), and Internet Protocol Exchange (IPX) messaging interoperability between mobile operators worldwide. Messages are delivered through a secure operator-grade messaging platform, with

Table of Contents

Part I

Item 4

advanced protocol conversion, routing, queuing, and transcoding capabilities. The interoperability service greatly simplifies the deployment and delivery of interoperator messaging over incompatible networks, protocol stacks, and handsets. Services include traffic analysis and detailed reporting and statistics. Sybase 365 operates two network operations centers to monitor our messaging service infrastructure, direct and monitor global maintenance and repair activities, and provide direct technical support to Sybase customers around the clock.

Sybase Enterprise Services provide mobile services for enterprises, brands, and content providers, enabling customers to monetize premium mobile content and deliver interactive services, mobile CRM, mobile advertising, and mobile marketing campaigns globally. Services include global billing, settlement, reporting, and analysis.

mCommerce Services provide an end-to-end platform covering mBanking, mPayments, and mRemittance, to both developed and emerging markets. Coupling this with our messaging platform and global reach (SMS and MMS), we are well positioned to enable mobile operators, financial institutions, and enterprises to realize the potential of mobile commerce.

RESEARCH AND DEVELOPMENT

Research and development are at the heart of SAP's customer-focused innovation strategy. Led by SAP Research and SAP Labs, SAP's research and development efforts channel the Company's deep expertise and diversity to investigate new technology and develop new applications for delivering business value to current and future SAP customers.

Research

SAP Research is the global technology research and innovation unit of SAP. By exploring emerging IT trends, the group drives applied research and the incubation of promising projects while focusing on the business impact and contribution to the SAP portfolio. The business model of SAP Research is based on co-innovation with customers, partners, and other third parties; activities span from large-scale collaborative research projects with academic and industrial partners to specific innovation projects with individual customers. The best-validated results and technologies are further developed into prototypes and potential business opportunities within SAP.

SAP's global research network consists of 19 locations worldwide and involves more than 800 partners from industry, academia, and governments as well as SAP customers. The group demonstrates its approach to co-innovation and applied research, among others, with a network of living labs and co-innovation centers. These sites provide hands-on, real-life settings to expand on trends and drive new prototypes as well as dedicated customer solutions. Contributing to talent development at SAP, SAP Research runs its own doctoral program that is attracting top candidates who wish to work on their theses in a real business context.

Significant initiatives by SAP Research in 2011 include:

Business Web initiative: The business Web is envisioned as a cloud platform and business environment that offers a one-stop shop for applications, services, and content, as well as tools for rapidly developing and operating applications in the cloud. It combines SAP's strength in business process management with the benefits of cloud computing and enterprise mobility. The business Web platform is being shaped together with

Table of Contents

Part I

Item 4

partners and early adopters by working on real-world B2B scenarios from various industries. The project will continue in 2012, and a team of 80 researchers is currently working on the first prototypes.

Future fleet at SAP: In a field test from February to September 2011, this project offered over 500 SAP employees the chance to get behind the wheel of 27 e-cars charged solely with renewable energy at four SAP locations around Walldorf. SAP Research developed a software prototype to administer the e-cars and demonstrated that IT plays a key role in enabling electric mobility.

Successful conclusion of the THESEUS/TEXO research project: Funded by the German Federal Ministry of Economics and Technology, this project focused on developing software for the evolving Web-based service economy with semantic technology. Project results include the creation of the Unified Service Description Language, a platform-neutral language for describing services, making it easier to compare and trade services online.

Development

The SAP Labs network leverages the business and IT acumen of SAP and includes a distributed network of locations in high-tech centers across the globe that deliver local market-oriented solutions optimized for customer value. Each SAP Labs location has the flexibility of a small company as an integral part of the global network and each has a clear focus topic and area of responsibility. SAP Labs engage closely with universities, offering leadership talks, engineering courses, and exchange programs. They take part in outreach and corporate social responsibility programs such as the FIRST LEGO Leagues and work with local charities. Allied with SAP's strong brand, SAP Labs' engagement ensures that within their local ecosystems, SAP continues to be recognized as an employer of choice and that SAP attracts the best talent.

In 2011, SAP continued to make strides in introducing leaner, faster, and more efficient development across the Company. While more agile methods of development have been associated with companies of smaller size, SAP is among the first companies of its size and scale to adopt short development cycles, small teams with greater empowerment, and closer customer alignment.

Table of Contents

Part I

Item 4

47

Table of Contents

Part I

Item 4

Research and Development Expenditure

Our strong commitment to research and development (R&D) is also reflected in our expenditures: In 2011, we increased our R&D expense by 210 million, or 12%, to 1,939 million (2010: 1,729 million). We spent

13.6% of total revenue on R&D in 2011 (2010: 13.9%). Our non-IFRS R&D expense as a portion of total operating expenses declined slightly from 20.0% to 19.9% year over year – a fact that demonstrates an increase in our efficiency.

The importance of R&D was also reflected in the breakdown of employee profiles. At the end of 2011, our total full-time equivalent (FTE) count in development work was 15,861 (2010: 15,884). Measured in FTEs, our R&D headcount was 28% of total headcount (2010: 30%). Total R&D expense includes not only our own personnel costs but also the external cost of works and services from the providers and cooperation partners we work with to deliver and enhance our products. We also incur external costs for translating, localizing, and testing products, for obtaining certification for them in different markets, patent attorney services, strategy consulting, and the professional development of our R&D workforce.

New SAP Offerings

New Applications

Cross-Industry SAP Business Suite Software

Through our enhancement packages for our core applications as well as new versions of

industry-specific applications, we have provided updates and enhancements for various functional areas of our SAP Business Suite software. These include the latest enhancement packages for SAP ERP, SAP Product Lifecycle Management (SAP PLM), SAP Customer Relationship Management (SAP CRM), and SAP Supplier Relationship Management (SAP SRM), as well as applications supporting supply network collaboration, supplier lifecycle management, extended warehouse management, asset retirement obligation management, sourcing and contract lifecycle management, transportation management, and a manager self-services add-on.

In addition, we are currently working on products and solutions that address the priorities of lines of business across multiple industries. Other key initiatives and areas of development include master data governance, commodity management, the visual enterprise, extending the business network, multichannel support, transportation management, and sustainability enhancements.

Table of Contents

Part I

Item 4

In 2011, we launched a number of core applications for different lines of business, designed to help companies work as efficiently as possible:

SAP Web Channel Experience Management

Addressing companies' need to deliver an integrated and consistent customer experience over the Web, SAP developed the SAP Web Channel Experience Management application. Launched in July 2011, it allows organizations to deploy easy-to-use Web shops, fully integrated with their back-end order management and inventory systems. In addition, this next generation e-commerce solution brings together e-marketing, sales, online self-service, and social customer conversations on a single platform to provide a one-stop, synchronized Web customer experience.

SAP Commodity Risk Management

Companies can use the SAP Commodity Risk Management application to take suitable steps for coping with fluctuating commodity prices and mitigating currency risks, thereby helping safeguard their profitability, control materials costs, and comply with applicable regulations.

SAP Commodity Procurement

The SAP Commodity Procurement application provides end-to-end support for commodity buying processes and knits them tightly with quality management, settlement, and, most importantly, with risk management.

SAP Commodity Sales

The SAP Commodity Sales application helps companies contract at market prices and streamline billing. It supports automated provisional, differential, and final invoicing. Each SAP commodity management application is designed to support enterprise services that help integrate them with other vendors' applications.

SAP Business Suite Industry Solutions

SAP Billing for Telecommunications

In January 2011, we launched the integrated SAP Billing for Telecommunications package, designed to cover the widespread demands and service portfolios of telecommunications service providers. With this package, individual SAP offerings for rating, charging, invoicing, and financial management are combined on a flexible billing platform, offered in conjunction with analytics and a broad-based value management program. Building on the Highdeal and Sybase acquisitions, this solution marks a new step in enabling these customers to launch and monetize next-generation service offerings.

SAP Collaborative E-Care Management

Launched in November 2011, the SAP Collaborative E-Care Management application connects patients, care providers, and their families through medical monitoring software and mobile devices to better manage patients' health with individualized treatment plans and educational content in real time.

SAP Social Services Management for Public Sector

Launched in February 2011, the SAP for Public Sector solution portfolio continues its innovation for distinct industry demands with the introduction of a new solution to help improve disbursement processes for monetary social benefits. The SAP Social Services Management for Public Sector package is designed for government agencies at the federal, state, and local level that are tasked with administering and approving

monetary benefits as they relate to social services.

SAP Trade Promotion Optimization

The SAP Trade Promotion Optimization application, released in May 2011, deploys advanced modeling and predictive analytics to enable marketing and sales teams to systematically predict and optimize promotion outcomes, including revenue and profit, for both manufacturers and retailers.

Table of Contents

Part I

Item 4

Solutions for Small Businesses and Midsize Companies***Enhancements to SAP Business One***

Building on strong market acceptance, the SAP Business One application reached the milestone of 30,000 customers. By September 2011, 32,000 small businesses and midsize companies in over 100 countries were running SAP Business One. The new application features improvements that include enhanced integration technologies and support for mobility and social networking. New delivery options offer SAP Business One fully hosted and managed by selected SAP partners. Alternatively, starter packages provide preconfigured software enabling customers to go live in three to ten days.

Sustainability Solutions***SAP EHS Management***

In September 2011, we added new risk assessment and incident management features to SAP EHS Management software. Companies in asset-intensive industries can go beyond compliance by implementing a closed-loop process to proactively assess and control workplace safety risks, avoiding costly incidents and improving operational efficiency. The new incident management functionality helps organizations learn from accidents and near-miss events, and take preventive actions to keep people, assets, and the environment safe.

SAP Product Safety Management OnDemand

For manufacturers, ensuring material and product safety requires safe transportation, storage, and use as directed by key regulations such as the EU Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), the U.S. Toxic Substances Control Act (TSCA), and the Globally Harmonized System of Classification and Labelling of Chemicals (GHS). The SAP Product Safety Management OnDemand solution, launched in October 2011, helps

integrate material and product safety. The solution is available on a usage-based subscription providing cloud access to an SAP-hosted platform that includes the SAP EHS Management and SAP EHS Regulatory Content packages. The solution is available today to chemical producers and retailers in Europe. The solution is fully integrated with SAP ERP and includes key functionality including substance master data, safety data sheets, dangerous goods management, global label management, standard operating procedures, and substance volume tracking.

New Analytics Solutions***Business Intelligence Solutions***

The 4.0 release of SAP BusinessObjects BI solutions in February 2011 manifests the broad range of technology innovations that are shaping the future of analytics. These solutions enable real-time analysis, with in-memory computing, putting powerful BI in users' hands through new mobile capabilities. They allow the combination of business and social data to provide new insights by bringing together structured and unstructured information, all delivered on a platform that provides various models for deployment on premise, in the cloud, embedded in business operations, or in a hybrid manner.

Enterprise Information Management Solutions

In February 2011, SAP made available the 4.0 release of SAP BusinessObjects EIM solutions, designed in conjunction with the 4.0 release of SAP BusinessObjects BI solutions, as well as SAP HANA appliance software to help customers perform real-time analytics on big data, integrate structured and unstructured data, and analyze information from social networks. In addition, with new offerings such as SAP BusinessObjects Information Steward software and SAP Master Data Governance application, business and IT can collaborate like never before

to support information governance across the enterprise.

Table of Contents

Part I

Item 4

Enterprise Performance Management Solutions

In May 2011, we shipped the 10.0 release of SAP BusinessObjects EPM solutions, designed to help organizations better execute on their business strategy. New in the 10.0 release are a unified Web and Microsoft Excel interface that can be used across multiple applications for a common look and feel and greater productivity, comprehensive applications designed for finance and other lines of business, and support for new technologies such as mobile devices.

Governance, Risk, and Compliance Solutions

In March 2011, SAP made available the 10.0 release of SAP BusinessObjects GRC solutions. These solutions help reduce the cost and effort required to manage risk and compliance programs; more confidently protect revenue streams, shareholder value and reputation; and contribute to optimized organizational performance and results. The 10.0 release introduces a common look and feel across all applications in the GRC suite; embeds BI reports and dashboards; and includes a graphical tool to define and depict risks.

Analytic Applications for Industries and Lines of Business

In 2011, we launched a number of analytic applications in the SAP BusinessObjects portfolio tailored to address challenges in specific industries and lines of business. Co-created with customers and designed to work in any environment, the applications provide the insight and best-practice support that companies need to better understand risk, uncover opportunities, and make the right decisions to optimize their business.

Analytics Applications for Sustainability

To help companies ensure product safety, comply with environmental regulations, and better protect their employees, in 2011 we

released SAP Best Practices packages for sustainability. These include the SAP Best Practices for Analytics in Health and Safety, SAP Best Practices for Analytics in Product Safety and Stewardship, and SAP Best Practices for Analytics in Environment Compliance packages. The new packages feature operational analytics designed to give line-of-business managers in environment, health and safety and product areas improved insight into core processes and information.

New Mobile Solutions

Mobile Apps for SAP BusinessObjects

In February 2011, SAP launched the 4.0 release of SAP BusinessObjects BI and EIM solutions to bring business analytics to mobile devices, as well as mobile apps for SAP BusinessObjects and SAP Business Explorer software. Leveraging Sybase Unwired Platform, our mobile BI suite can process content from SAP and business applications from other providers.

Mobile Platform

In September 2011, SAP launched the next-generation Sybase Unwired Platform with release 2.1. The platform is an expansive enterprise mobility solution for developing and managing the entire lifecycle of native and Web apps across key mobile device platforms. We also announced an enhanced version of our software development kit (SDK) for ecosystem partners and customers, enabling them to develop complementary applications to help run their business better. The SDK includes a wide variety of mobile apps that can run on a broad selection of mobile devices.

Mobile Apps for Industry and Lines of Business

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In November 2011, SAP and Sybase announced a series of new mobile apps built on Sybase Unwired Platform aimed at making business processes and business information mobile across key industries including

Table of Contents

Part I

Item 4

manufacturing, consumer products, utilities, high tech, oil and gas, and retail:

The SAP Field Service mobile app provides full online and offline access to assignments, service orders, and service confirmation. Functions for mobilizing and customizing SAP CRM applications give field service engineers more mobile application features.

The SAP Retail Execution mobile app provides online and offline access to accounts, contacts, visits, surveys, and products and fully integrates with native device functionality.

The SAP EAM Work Order mobile app addresses the requirements for plant maintenance operations staff for work order management, notifications, technical object management, inventory, and business partner management.

Mobile apps for employee productivity are simple single-purpose mobile apps, built on Sybase Unwired Platform. Designed similar to consumer apps, they can be used by employees with zero training. These productivity apps allow users to act on workflows and access critical business information stored in SAP ERP Human Capital Management solution, SAP CRM, SAP SRM, and other applications from their mobile devices.

Mobile Device Management

In November 2011, we added some critical capabilities for Afaria mobile management software, including end-user self-service portal and application enablement. In addition, the new telecommunication expense management capabilities provide administrators with a powerful tool for easily managing employee mobile costs such as voice and data roaming. Application on-boarding for iOS, Android, and BlackBerry devices enables IT organizations to create and preload libraries of mobile apps for simplified access by authorized employees.

New Cloud Solutions

SAP Business ByDesign Feature Pack 2.6

In February 2011, SAP launched a new release for the SAP Business ByDesign solution, which serves as an open platform on which a broad ecosystem of partners can further customize the software. Enhancements included usability, support for additional mobile devices, and on-demand integration of subsidiary operations into on-premise installations at headquarters. With this release, SAP Business ByDesign was also made available in Austria, Canada, and Switzerland.

SAP Business ByDesign Feature Pack 3.0

Based on strong co-innovation with customers and partners, SAP announced general availability of the second release of the SAP Business ByDesign solution in August 2011. SAP Business ByDesign was made available for Australia and Mexico, with language support in Spanish. In addition, mobile support was extended to include the Microsoft Windows Phone 7 mobile platform.

SAP Product Safety Management OnDemand

See the New Applications section.

SAP Sales OnDemand

In March 2011, SAP introduced the SAP Sales OnDemand solution, SAP's first user-centric cloud-based application for sales professionals with designed-in social collaboration. The solution, which complements the on-premise SAP CRM, offers enterprises running SAP Business Suite software a preintegrated cloud solution that embraces the way sales representatives collaborate and improves their productivity. We launched SAP Sales OnDemand at the SAPPHIRE NOW conference in 2011 and made it generally available in a number of countries at the end of the second quarter.

Table of Contents

Part I

Item 4

SAP Sourcing OnDemand

The latest version of the Sourcing OnDemand solution was made available in March 2011. The solution was designed for sourcing professionals to obtain rapid and sustainable savings through best-practice management, real-time visibility, and greater control within strategic sourcing, contract lifecycle management, and supplier management.

New Database and Technology Solutions***SAP HANA Platform***

In June 2011, SAP announced the general availability of the SAP HANA platform, bringing to customers high-speed analytics, new business applications, renewed existing SAP solutions, and IT simplification with SAP in-memory computing technology.

Applications for SAP HANA

In 2011, SAP delivered the following applications based on the SAP HANA platform:

SAP Electronic Medical Record: Doctors in the neurology department at the Charité hospital in Berlin are using this new mobile app to access patient health records while on the wards. Doctors can use the app to call up lab results and images, the patient's home address, and various facets of a patient's medical record. Instant access to patient data and images helps healthcare professionals collaborate and take better decisions.

Charitable Transformation (ChariTra) online network, launched in November 2011, is built on the SAP HANA platform and helps connect volunteers, nonprofit organizations, and corporations work together toward social causes and make a difference in their communities.

SAP Smart Meter Analytics software, launched in September 2011, enables utility companies to turn massive volumes of data into powerful insights. With the new solution powered by SAP HANA, utility companies can help customers adopt more sustainable energy-use practices.

SAP BusinessObjects Strategic Workforce Planning application, launched in December 2010, is powered by SAP HANA to support advanced capabilities that manage and optimize a company's workforce planning processes.

Accelerators for SAP HANA

In September 2011, SAP released the SAP CO-PA Accelerator software for cost and profitability analysis, improving the speed and depth of working with large volumes of financial data. This solution can be implemented with the wider SAP BusinessObjects EPM solutions portfolio to help organizations create a complete picture of their cost and profit drivers. Deployed either by SAP Consulting as a rapid-deployment solution, or by an experienced SAP partner, the SAP CO-PA Accelerator helps companies engage in faster and more efficient profitability cycles and month-end closing processes.

We also released SAP Customer Segmentation Accelerator software, designed to help marketing departments analyze and segment in new ways. The solution helps organizations build highly specific segmentation on high volumes of customer data and at unparalleled speed. Marketers can now work with massive populations of granular data to better understand customer demand, behavior and preferences – targeting the right

customers with the right offers across every segment, tactic, and channel. The accelerator is also delivered as a rapid-deployment solution to ensure a quicker time to value.

Table of Contents

Part I

Item 4

Patents

As a leader in enterprise applications, SAP actively seeks intellectual property protection for innovations and proprietary information. Our software innovations continue to strengthen our market position in enterprise solutions and services. Our investment in R&D has resulted in numerous patents. In 2011, we obtained 756 granted and validated patents worldwide. Our portfolio includes patent families covering, for example, SAP Business Suite software, SAP BusinessObjects products, SAP Business ByDesign, and Sybase products.

While our intellectual property is important to our success, we believe our business as a whole is not entirely dependent on any particular patent.

PARTNER ECOSYSTEM

SAP customers want choice when it comes to partnering with companies best suited to their needs – choice in the solutions they implement and choice in their source for purchasing, implementing, and supporting those solutions. Our ecosystem and channels strategy delivers open choices to customers through a collaborative, innovative, and interactive network of partners, customers, and individuals. Tapping into this ecosystem, customers are connected with a diverse set of providers and resources to help them succeed and become best-run businesses. By teaming with our partners, we can offer customers more innovation, more flexibility, and more variety in the solutions we offer than we could alone. Customers, in turn, can rapidly experience benefits of the best software available from the world's leading software, services and technology companies, including emerging technologies, such as in-memory computing, cloud computing, and mobility, as well as analytics and line-of-business solutions.

A key factor for the success of our ecosystem strategy is the SAP PartnerEdge program, which promotes productive partnerships and consistent service quality for a

variety of SAP partner types. Since a thriving partner ecosystem is central to our success, we have expanded the program to better serve our partners by providing more functional enhancements, operational improvements, and increased program benefits.

In 2011, we continued to expand our ecosystem in ways that deliver timely innovations to the market to help create a technology landscape for customers today, as well as for the future. We ended 2011 with more than 11,000 partners of various types from services, technology, software, original equipment manufacturers (OEMs), and value-added resellers (VARs) and distributors. As a result of these local, regional and global partnerships, SAP continues to fuel innovation with customers and partners worldwide in its five market categories, as detailed by some examples in 2011:

Applications: SAP now offers SAP Application Visualization software by iRise, which accelerates solution design by improving communication between business users and IT departments. The SAP Social Media Analytics application by NetBase delivers marketers more accurate real-time analytics for understanding their markets and customers through the social Web. SAP Intelligence Analysis for Public Sector by Palantir helps public safety and security agencies run better, so that communities will run safer. And the SAP Defense Command and Control application by Systematic helps advance frontline logistics.

Analytics: SAP Crystal Server 2011 software and the 4.0 release of SAP BusinessObjects Edge BI software are now being resold by channel partners. The software is designed to enable small and midsize enterprises, as well as lines of business, to better understand all facets of their businesses and make confident, data-driven decisions as events unfold, in real time. SAP is

Table of Contents

Part I

Item 4

building on its collaboration with Google to help customers manage large data volumes in intuitive, visual displays and facilitate faster, better-informed decisions. SAP will enhance its business analytics software with location-based data capabilities, allowing people to interact with real-time information on Google Maps.

Mobile: SAP and Accenture announced a relationship to develop and deploy new mobility solutions, which leverage Sybase Unwired Platform to tap new growth opportunities in the market for enterprise mobility. SAP also has opened up mobile solutions from the Sybase portfolio to partners within our global ecosystem, enabling SAP value-added resellers the opportunity to sell Sybase-branded enterprise mobility apps and solutions for application development, device management, and security. In addition, SAP expanded its relationship with Verizon to jointly market and sell key components of Verizon's Managed Mobility portfolio so that customers can easily access their on-premise and cloud-based SAP applications virtually anytime and anywhere.

Cloud: SAP partnered with Amazon, Dell, IBM, Microsoft, and Verizon to deliver enterprise solutions in the cloud as part of our commitment to provide customers with flexibility in software deployment options and innovations in cloud computing. SAP announced it is working in a three-way strategic collaboration with EMC and VMware to develop tools and services that make it easier for customers to adopt cloud and run SAP systems in cloud infrastructures with increasing levels of automation. We also expanded our solution reseller program for SAP Business ByDesign to 11 countries.

Database and Technology: SAP expanded its relationship with OpenText, announcing two new applications for SAP NetWeaver Portal developed by SAP and OpenText: SAP Portal Content Management, an enterprise solution for managing document-related content, and SAP Portal Site Management, a solution helping a broad number of users easily manage Web content.

Collaboration and Structure

Best-run businesses require best-in-class technologies to enable and drive success. For this to be possible, customers need choice in solutions and partners, and access to rapid innovation and a speedy time to value from their investments. SAP offers a number of partner programs to enhance co-innovation and help partners to grow their business in new ways, while reaching customers through creative new channels. SAP also fosters a number of different communities – interactive networks of developers, customers and partners – that come together to collaborate on a broad range of topics.

SAP Community Network: With over two million members in more than 200 countries, SAP Community Network is where customers, partners, employees, and experts go to exchange news and work together. It comprises the SAP Developer Network community, the Business Process Expert community, the Business Analytics community, the SAP University Alliances community, and SAP EcoHub online marketplace.

SAP Store: The online or e-channel for enterprise solutions and services from SAP and partners, SAP Store, offers quick, easy to implement solutions that are built and suited for the online environment, including business analytics, mobile apps, cloud solutions, and other business process software and services. SAP Store offers over 1,200

Table of Contents

Part I

Item 4

solutions from both SAP and over 600 solution partners. SAP Store offers customers access to information, insights and ability to trial applications before purchase for truly informed decision making.

SAP solution extensions: Developed by independent partners, solution extensions integrate easily with SAP software, offering customers cross-solution and cross-industry functions that complement SAP solution offerings. Solution extensions are sold by SAP as SAP-branded offerings. A number of new solution extensions were introduced in 2011, including from partners IBM, iRise, Systematic, and Palantir.

SAP OEM partner program: Through this program, more than 800 partner participants embed SAP technology into their products for end-user benefit. A dedicated team of SAP integration experts works closely with our OEMs from onboarding to enablement to ensure that they have the tools and products they need to embed or integrate SAP technology with their solutions or service offerings to meet their customers' needs most efficiently. In doing so, they also expand the reach of SAP offerings, including the SAP BusinessObjects portfolio, SAP Business Suite, SAP HANA, and solutions from Sybase, into new and different markets.

SAP Co-Innovation Lab: The global SAP Co-Innovation Lab network is aimed at driving and facilitating innovative projects between SAP and its partners, both globally and in the regions. Lab facilities are located in Bangalore, India; Palo Alto, California (United States); São Paulo, Brazil; and Tokyo. Additional expert teams are located in Walldorf, Germany, and Seoul, Korea. Since the inception of SAP Co-Innovation Lab in 2007, SAP and its partners participating in lab projects have strived to create innovative solutions; accelerate technology adoption and enablement; provide a global, shared project infrastructure; and showcase joint achievements. The formation of SAP Co-Innovation Lab is made possible through the support of sponsoring partners Cisco, F5, HP, Intel, NetApp, and VMWare.

Finance Plan for SAP Solutions

To help companies invest in SAP solutions and the associated services and hardware, we work with leading global financiers that specialize in IT financing to deliver the SAP Financing service, a financing structure for customers. Since its inception, it has become a firmly established SAP Services offering, having helped arrange more than 3,200 finance deals for SAP customers in all segments—small businesses, midsize companies, and large enterprises. To give customers flexibility to choose among potential economic benefits, the plan offers all of the popular financing models with their different advantages: It can help conserve liquidity and it provides an alternative to credit from their existing banking relationships.

ACQUISITIONS AND DISPOSALS

Strategic Acquisitions

SAP's acquisition strategy complements existing applications and solutions with innovative technologies and capabilities while maintaining its track record of organic growth. We made the following acquisitions in 2011:

In February, we acquired security software, identity and access management software, and development and consulting resources from SECUDE, a Swiss company. The acquisition enables us to provide secure client-server communications to customers without the need for third-party offerings. It underscores our

Table of Contents

Part I

Item 4

commitment to investing in product security for our customers and users, and fulfills a key customer requirement by shipping SAP solutions with default security software.

In September, we acquired Right Hemisphere, a leading provider of visual enterprise solutions. The 3-D model-based visualization and communications technologies from Right Hemisphere enable visual navigation and interrogation of an entire product or asset and all of its associated data in one unified environment. The addition of visualization capabilities to our core product offerings will help customers across diverse industries accelerate time to market, increase people and asset productivity and improve information quality and processes across all lines of businesses.

In November, we acquired Crossgate, a leading provider of hosted B2B integration services. Crossgate enables companies to fully integrate and network with trading partners, clients and suppliers, allowing electronic data exchange with any business partner regardless of its technical capability. As a result of this acquisition, we can provide an easy way for trading partners to collaborate, share data, and automate processes that link customers and suppliers for streamlined B2B e-commerce.

In December, we announced our intention to acquire SuccessFactors, the market-leading provider of cloud-based human capital management (HCM) solutions. Our cash tender offer was successfully completed on February 21, 2012. We have acquired more than 90% of the SuccessFactors ordinary shares. The acquisition will add SuccessFactors' team and technology to SAP's cloud assets, significantly boosting our momentum as a provider of cloud applications, platforms, and infrastructure. In combination, SAP and SuccessFactors will offer a full range of advanced end-to-end cloud and on-premise solutions for all key business processes.

Disposals

In November, we sold 100% of our shareholding in Steeb Anwendungssysteme, Abstatt, to All for One Midmarket. Steeb Anwendungssysteme is one of the leading SAP system resellers in Germany, with approximately 1,000 customers – almost all in Germany.

Venture Activities

Over the past 15 years, we have partnered with outstanding entrepreneurs worldwide to build industry-leading businesses. We seek to invest in innovative, fast-growing companies with a proven product and business model, and provide our portfolio companies with the expertise, relationships, geographic reach, and capital to help them grow their business and scale their revenues. We invest globally with a particular focus on emerging companies in Europe, India, and the United States, as well as in Brazil and China in the future.

In 2011, we made new investments in the following companies:

Control4, based in Salt Lake City, Utah (United States), provides operating systems for the smart home, delivering intelligent control over consumer electronics products, appliances, and networking systems through an easy-to-use and intuitive software interface.

Alteryx, based in Irvine, California (United States), provides an integrated, location business intelligence applications platform for delivering fast, extensible, and spatially-enabled business analytics tools and services.

OpenX, based in Pasadena, California (United States), is a leading independent

Table of Contents

Part I

Item 4

provider of digital advertising technology that enables businesses to manage and grow their online advertising revenue.

JustDial, based in Mumbai, India, is the leading local search engine in India focused on providing consumers with immediate access to fast, reliable, and comprehensive information on businesses, products, and services across India.

SAVO Group, based in Chicago, Illinois (United States), is a leading provider of cloud-based collaborative sales enablement solutions.

One97 Communications, based in New Delhi, India, provides mobile value-added services to mobile operators, consumers, and enterprises in India including mobile content, advertising, and commerce services.

Box.net, based in Palo Alto, California (United States), provides a secure content sharing and collaboration platform in the cloud.

Lithium, based in Emeryville, California (United States), is a leading provider of cloud solutions that accelerate business through social customer experience for both customers and employees.

ENERGY AND EMISSIONS

Serving our customers, pursuing our strategy of innovation, and driving toward sustainable success all demand that we address our environmental impact. We recognize the need to do our part to reduce the emissions that contribute to climate change and to become more energy efficient. These efforts bring tangible benefits not just to the environment, but to our business. New efficiencies drive significant savings that directly impact our financial performance. These savings also enable us to invest further in innovation, as well as sustainability initiatives such as our increased purchase of renewable energy.

By working to improve our efficiency, we have learned what it takes to do so. We are better positioned to design solutions to help our customers thrive in a resource-constrained world. We have been challenged to solve problems in new ways, making us more innovative and driving financial success for our Company, employees, investors, and other stakeholders. In addition, our focus on becoming more sustainable has engaged our employees, who overwhelmingly indicate in the employee survey that these efforts are important to SAP.

We assess our progress on energy and greenhouse gas emissions through four key performance indicators that reveal not just how well we are addressing our environmental impact, but also our broader performance in terms of forging new solutions and executing on our strategy.

Carbon footprint: We recognize our responsibility to protect the environment by lowering emissions contributing to climate change. SAP's goal is to reduce total greenhouse gas emissions to levels of the year 2000 by 2020. For the fifth consecutive year, we increased our carbon efficiency, from 36.3 grams per euro in 2010 to 34.4 grams per euro in 2011 (measured in emissions caused per euro revenue). In parallel with the increase in our revenue, some activities required to support our business, such as travel to serve our customers, also increased, which ultimately led to an increase in our total greenhouse gas emissions. SAP's greenhouse gas emissions increased 8% worldwide to 490 kilotonnes (2010: 455 kilotonnes, including Sybase). Our focused sustainability initiatives have led to a cumulative cost avoidance of 190 million since 2008 in comparison to a business-as-usual extrapolation based on 2007. The experience we gain from our own initiatives helps us develop software to help our customers

Table of Contents

Part I

Item 4

with their energy efficiency programs, and so contributes to the success of our business.

Total energy consumption: Our total energy consumption includes all energy produced or purchased by our organization. Reducing our energy consumption positions us to weather anticipated increases in energy prices, and enables us to better serve customers that are increasingly focused on exercising energy- and emission-aware purchasing strategies. Our total energy consumption increased 2% from approximately 845 gigawatt hours in 2010 to 860 gigawatt hours in 2011 due to the growth of our business. Specifically, we can trace this increase to our data centers and corporate cars. While our total consumption went up, however, our efficiency also improved. For example, while the number of cars in our fleet increased to accommodate growth, the energy consumed per car decreased. In 2011, we implemented a range of efficiency projects in such areas of our business as our buildings and data centers.

Data center energy: We focus on making data centers more energy efficient by measuring and managing the data center energy consumption per employee. These efforts are part of our larger green IT strategy, which also includes working with customers and hardware providers to forge new sustainable solutions. Despite our continuous efforts, the growth in our business has led to an increase of data center energy intensity from 2,746 kilowatt hours per FTE (2010) to 2,824 kilowatt hours per FTE in 2011.

Renewable energy: SAP continues to expand its use of electricity from renewable sources, both to decrease our reliance on fossil fuels and nuclear power and to support an emerging market that is crucial for a sustainable future. We purchase some of this green electricity from local utility companies and produce some using solar panels on our facilities. At the end of 2011, approximately 47% of our total electricity consumption stemmed from renewable sources, up from 45% in 2010.

For more information about how SAP solutions help companies run better from environmental, social, and economic perspectives, see the Portfolio of Software and Services section.

SEASONALITY

Our business has historically experienced the highest revenue in the fourth quarter of each year, due primarily to year-end capital purchases by customers. Such factors have resulted in 2011, 2010, and 2009 first quarter revenue being lower than revenue in the prior year's fourth quarter. We believe that this trend will continue in the future and that our revenue will continue to peak in the fourth quarter of each year and decline from that level in the first quarter of the following year.

SALES, MARKETING AND DISTRIBUTION

SAP primarily uses its worldwide network of subsidiaries to market and distribute SAP's products and services locally. These subsidiaries have entered into license or commissionaire agreements with the SAP entity owning the underlying intellectual property (generally SAP AG) pursuant to which the subsidiary acquired the right to sublicense or sale SAP's products to customers within a specific territory. Under these agreements, the subsidiaries retain a certain percentage of the revenue generated by the sublicensing activity. We began operating in the United States in 1988 through SAP America, Inc., a wholly owned subsidiary of SAP AG. Since then, the United States has become one of our most important markets.

Table of Contents

Part I

Item 4

In addition to our subsidiaries sales forces, we have developed an independent sales and support force through value-added resellers unrelated to SAP who assume responsibility for the licensing, implementation and some initial level of support of our solutions. We have also entered into partnerships with major system integration firms, telecommunication firms and computer hardware providers to offer certain SAP Business Suite applications.

We establish partnerships with hardware and software suppliers, systems integrators and third-party consultants with the goal of providing customers with a wide selection of third-party competencies. The role of the partner ranges from pre-sales consulting for business solutions to the implementation of our software products to project management and end-user training for customers and, in the case of certain hardware and software suppliers, to technology support. Beyond these partnerships, a significant amount of consulting and training regarding SAP products is handled by third-party organizations that have no formal relationship or partnership with SAP.

Traditionally, our sales model has been to charge a one-time, up front license fee for a perpetual license to our software (without any rights to future products) which is typically installed at the customer site. We now offer our solutions in a variety of ways which include in the cloud, hosted solutions, and subscription-based models that provide the customer with a right to unspecified future software products. Although revenues from these new types of models currently are not material, we expect the revenues from most of these models to increase in the future.

Our marketing efforts cover large, multinational groups of companies as well as small and midsize enterprises. We believe our broad portfolio of solutions and services enables us to meet the needs of customers of all sizes and across industries.

Capitalizing on the possibilities of the Internet, we actively make use of online marketing. Some of our solutions can be tested online via the Internet demonstration and

evaluation system, which also offers special services to introduce customers and prospects to new solutions and services.

INTELLECTUAL PROPERTY, PROPRIETARY RIGHTS AND LICENSES

We rely on a combination of the protections provided by applicable statutory and common law rights, including trade secret, copyright, patent, and trademark laws, license and non-disclosure agreements, and technical measures to establish and protect our proprietary rights in our products. For further details on risks related to SAP's intellectual property rights, see Item 3 Key Information Risk Factors Other Operational Risks.

We may be dependent in the aggregate on technology that we license from third parties that is embedded into our products or that we resell to our customers. We have licensed and will continue to license numerous third-party software products that we incorporate into and/or distribute with our existing products. We endeavor to protect ourselves in the respective agreements by obtaining certain rights in case such agreements are terminated.

We are a party to certain patent cross-license agreements with certain third parties.

We are named as a defendant in various legal proceedings for alleged intellectual property infringements. See Note (24) to our Consolidated Financial Statements for a more detailed discussion relating to certain of these legal proceedings.

ORGANIZATIONAL STRUCTURE

As of December 31, 2011, SAP AG controlled directly or indirectly 199 subsidiaries. Our subsidiaries perform various tasks such as the distribution of SAP's products and providing SAP services on a local basis, research and development, customer support, marketing, and administration. Our primary research and development facilities, the overall group strategy and the corporate administration functions are concentrated at our headquarters in Walldorf, Germany.

Table of Contents

Part I

Item 4

The following table illustrates our most significant subsidiaries based on revenues as of December 31, 2011:

Name of Subsidiary	Ownership %	Country of Incorporation	Function
Germany			
SAP Deutschland AG & Co. KG, Walldorf	100	Germany	Sales & Marketing, Consulting, Training and Administration
Rest of EMEA			
SAP (UK) Limited, Feltham	100	Great Britain	Sales & Marketing, Consulting, Training, Customer Support, Research and Development and Administration
SAP (Schweiz) AG, Biel	100	Switzerland	Sales & Marketing, Consulting, Training, Customer Support, Research and Development and Administration
SAP France S.A., Paris	100	France	Sales & Marketing, Consulting, Training, Customer Support, Research and Development and Administration
United States			
SAP America, Inc., Newtown Square	100	USA	Sales & Marketing, Consulting, Training, Customer Support, Research and Development and Administration
Rest of Americas			
SAP Canada Inc., Toronto	100	Canada	Sales & Marketing, Consulting, Training, Customer Support, Research and Development and Administration
Japan			
SAP JAPAN Co., Ltd., Tokyo	100	Japan	Sales & Marketing, Consulting, Training, Customer Support, Research and Development and Administration
Rest of APJ			
SAP Australia Pty Limited, Sydney	100	Australia	Sales & Marketing, Consulting, Training, Customer Support, Research and Development and Administration

DESCRIPTION OF PROPERTY

Our principal office is located in Walldorf, Germany, where we own and occupy approximately 425,000 square meters of office and datacenter space including our facilities in neighboring St. Leon-Rot. We also own and lease office space in various other locations in Germany, totaling approximately 115,000 square meters. In approximately 65 countries worldwide, we occupy roughly 1,360,000 square meters. The space in most locations other than our principal office in Germany is leased. We also own certain real properties in Newtown Square and Palo Alto (United States); Bangalore

(India); Sao Leopoldo (Brazil), London (UK) and a few other locations in and outside of Germany.

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The office and datacenter space we occupy includes approximately 260,000 square meters in the EMEA region, excluding Germany, approximately 325,000 square meters in the region North and Latin America, and approximately 235,000 square meters in the APJ Region.

The space is being utilized for various corporate functions including research and development, customer support, sales and marketing, consulting, training, administration

Table of Contents

Part I

Item 4

and messaging. Substantially all our facilities are being fully used. For a discussion on our non-current assets by geographic region see Note (29) to our Consolidated Financial Statements. Also see, Item 6. Directors, Senior Management and Employees Employees, which discusses the numbers of our employees, in FTE s, by business area and by geographic region, which may be used to approximate the productive capacity of our workspace in each region.

We believe that our facilities are in good operating condition and adequate for our present usage. We do not have any significant encumbrances on our properties. We do not believe we are subject to any environmental issues that may affect our utilization of any of our material assets. We are currently undertaking construction activities in various locations to increase our capacity for future expansion of our business. Our significant construction activities are described below, under the heading Principal Capital Expenditures and Divestitures Currently in Progress.

Capital Expenditures**Principal Capital Expenditures and Divestitures Currently in Progress**

In Japan, we commenced an office relocation project in the first half of 2012 to consolidate three of our current Tokyo offices into one office with the capacity of 1,200 seats. This project aims to increase work efficiency and working space. We estimate the total cost of this project to be approximately 24 million, which we will fully incur in 2012. The relocation project will be finalised at the end of April 2012.

In 2012 we commenced construction of our office building in Palo Alto, US. The construction aims at optimizing work space conditions to support line of business requirements and the improvement of general building conditions. We estimate the total cost of this project to be approximately 12 million, of which we had paid approximately 1 million as of December 31, 2011. The construction of our office building will be finalised at the end of 2012.

In the second half of 2011 we began construction of a new building for a research center in Potsdam, Germany. The new research center will collaborate closely with universities in the Berlin/Brandenburg area in Germany, creating a total of 100 new jobs. Focus will be on the deployment of the new in-memory computing technology introduced by SAP, including SAP HANA software. SAP estimates to invest for the construction of the building approximately 17 million, of which we had paid approximately 1 million as of December 31, 2011. The construction of our new research center will be finalised in the second half of 2013.

Principal Capital Expenditures and Divestitures for the Last Three Years

Our principal capital expenditures for property, plant, and equipment amounted to 372 million for 2011 (2010: 287 million; 2009: 207 million). Principal capital expenditures in 2011 for property, plant, and equipment increased compared to 2010 mainly due to an increase in spending on IT hardware. The increase from 2009 to 2010 was mainly due to an increase in spending on IT hardware and cars. Principal capital expenditures for property, plant and equipment for the period from January 1, 2012 to the date of this report were 100 million. For a related discussion on our property, plant, and equipment see Note (17) to our Consolidated Financial Statements.

Our capital expenditures for intangible assets such as software licenses, acquired technologies and customer contracts amounted to 114 million in 2011 from 1,814 million in 2010 (2009: 51 million). This decrease was due primarily to executing only a few small business combinations in 2011 while in 2010 we acquired Sybase. Our investments allocated to goodwill amounted to 170 million in 2011 from 3,398 million in 2010 (2009: 41 million). This decrease was again due to the few small acquisitions we closed in 2011 as compared to 2010. The significant increase from 2009 to 2010 (in the addition to goodwill and intangible

Table of Contents

Part I

Item 4, 4A, 5

assets) was primarily attributable to the acquisition of Sybase in 2010, whereas in 2009 we only had some small acquisitions. For further details on acquisitions and related capital expenditures, see Note (4) and Note (16) to our Consolidated Financial Statements.

For further information regarding the principal markets in which SAP competes, including a breakdown of total revenues by category of activity and geographic market for each of the last three years, see Item 5. Operating and Financial Review and Prospects – Operating Results of this report.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

OVERVIEW

Our principal sources of revenue are sales of software products and related services. Software revenue is primarily derived from software license fees that customers pay to use our products. Support revenue is derived from support services which provide the customer with unspecified upgrades, updates and enhancements and software support. Our software and support revenue is included within software and software-related services on our income statement. In addition to those revenue streams, our software and software-related service revenue includes subscription and other software-related service revenue.

Subscription revenues flow from contracts that have both a software element and a support element. Subscription contracts typically give our customers the use of current software and the right to unspecified future products. We typically charge a fixed monthly or quarterly fee for a definite term up to five years. Software rental revenue flows from software rental contracts, which include software and support service elements. These contracts provide the customer with current software products and

support but do not provide the right to receive unspecified future software products. Customers pay a periodic fee over the rental term and we recognize fees from software rental contracts ratably over the term of the arrangement. Our revenue from other software-related services includes revenue from our in the cloud offerings, from hosting contracts that do not entitle the customer to readily exit the arrangement, and from software-related revenue-sharing arrangements.

We also earn revenue from our professional services, which are included within professional services and other service revenue on our income statement. This revenue consists of consulting and other service revenue; consulting revenue is primarily derived from the services rendered with respect to implementation of our software products and other service revenue results primarily from our training and hosting activities; and the messaging services business that we acquired as a part of the Sybase acquisition in 2010. Our training revenue results from rendering training for customer project teams and end-users, as well as training third-party consultants with respect to SAP software products. Our messaging revenue primarily results from per message transaction fees. Hosting revenue results from non-mandatory hosting services and application management services. Non-mandatory hosting services revenue consists of revenue from hosting contracts from which the customer can readily exit if it wishes to run the software on its own systems.

See Item 4. Information about SAP – Portfolio of Software and Services for a more detailed description of the products and services we offer.

The following discussion is provided to enable a better understanding of our operating results for the periods covered, including:

the factors that we believe impacted our performance in 2011;

our outlook for 2011 compared to our actual performance (non-IFRS);

Table of Contents

Part I

Item 5

a discussion of our operating results for 2011 compared to 2010 and for 2010 compared to 2009;

the factors that we believe will impact our performance in 2012; and

our operational targets for 2012 (non-IFRS).

The preceding overview should be read in conjunction with the more detailed discussion and analysis of our financial condition and results of operations in this Item 5, Item 3. Key Information Risk Factors and Item 18. Financial Statements.

ECONOMIC CONDITIONS

Global Economic Trends

The growth of the global economy became steadily more sluggish in 2011. At the same time, heightened uncertainty and growing tensions on the financial markets had led to a worldwide decrease of confidence in financial systems among companies and consumers by the end of the year, according to the latest report by the European Central Bank (ECB). The International Monetary Fund (IMF) paints a similar picture of the global economy in 2011, and it remarks that it had not expected developments to take that course after the upturn in 2010. The Organisation for Economic Co-operation and Development (OECD) notes that growth was especially slow in the advanced economies in 2011, whereas the emerging markets grew vigorously, though not as rapidly as the year before.

The ECB reports that the economic situation in the Europe, Middle East, and Africa (EMEA) region in 2011 was held back by the tensions on the financial markets in the euro area. In particular, it expected economic activity to grow weaker in the euro countries in the final quarter of the year. A key factor was declining demand on European financial markets, which made financing generally more difficult. The OECD even talks of a mild recession, caused by decreasing domestic and export demand. On

the other hand, for countries in the Middle East and Africa that did not experience serious civil unrest, high energy prices and strong demand from the emerging markets boosted economic growth, the ECB says.

In the Americas region, throughout 2011 growth was slowest in the United States, although the ECB did report a short-lived remission there in the third quarter. According to the IMF, the reason for the slow growth was that government stimulus programs proved inadequate to generate sufficient consumer or business demand. For the rest of the region, only South America enjoyed strong economic growth in 2011, says the IMF.

In the Asia Pacific Japan (APJ) region, different circumstances gave rise to different economic outcomes in 2011. In Japan, the determining factors were the earthquake in March followed by the associated tsunami and nuclear disaster, from which the Japanese economy made a surprisingly quick recovery during the remainder of the year, according to both the ECB and the OECD. While growth in Japan decreased in the first half of the year, not least because of the preceding economic crisis, it turned around in the second half of the year as a result of increased domestic demand and strong export sales. In contrast, the emerging markets in Asia saw economic growth in the high single-digit percentages in 2011. However, the rate of growth did decrease due to slower export growth, explains the ECB. The most rapidly growing economy, China, was also affected, but China's economy lost only a little momentum in the second half of the year and still achieved a growth rate that almost reached double digits.

The IT Market

Unlike the overall economy, which was increasingly weighed down by sovereign debt problems in many industrialized nations, the global IT market was generally stable in 2011 aside from certain segments and regions discussed below. That is the view expressed by International Data Corporation (IDC), a market research firm based in the United States. IDC

Table of Contents

Part I

Item 5

notes that in the BRIC countries (Brazil, Russia, India, and China) IT market growth was well into double-digit percentages.

The software segment continued to grow steadily in 2011, IDC reports. Growth was strongest in the emerging markets and the BRICs. By contrast, economic uncertainty slowed growth in the hardware segment, especially in the second half of the year. Companies in particular held back investment in new hardware toward the end of the year. However, mobile devices such as smartphones and tablets, along with the apps that run on them, were among the growth markets in 2011.

In the Europe, Middle East, and Africa (EMEA) region, the sovereign debt crisis not only impacted economic development as a whole in several euro area countries, it also weakened the IT market in the second half of year, especially in Western Europe. For these countries the IDC sees IT sales growth floundering in the lower single-digit percentages, and therefore once again reduces its expectations compared to its previous report. However, the major casualty was the hardware segment. The market for software and services was less severely affected.

The Americas region IT market was also stronger in the first half of 2011 than in the second, according to IDC. More than once in the course of the year, it revised its projections for the United States downward in response to gathering economic gloom. But IDC still expects a midrange single-digit growth percentage from the U.S. software market. With the exception of the PC segment, in 2011 the overall IT market was relatively stable in the United States compared with Western Europe.

The defining moment in 2011 for the Asia Pacific Japan (APJ) region was the earthquake off the coast of Japan in March, with its far-reaching consequences for the environment, the people, and the economy of Japan. Although the Japanese IT market has already regained lost impetus, growth was slightly slower over 2011 than in the year before as the country struggled against the economic headwinds.

OUTLOOK FOR 2011

Performance Against Outlook for 2011 (Non-IFRS)

Our 2011 operating profit-related internal management goals and published outlook guidance were based on non-IFRS numbers. For this reason, in this section we discuss performance against our outlook exclusively and expressly in terms of non-IFRS numbers derived from IFRS measures. All discussion in the Operating Results (IFRS) section is in terms of IFRS measures, and the numbers in that section are not explicitly identified as IFRS measures.

Outlook for 2011 (Non-IFRS)

At the beginning of 2011, we forecast that our software and software-related service revenue (non-IFRS) would increase between 10% and 14% in 2011 on a constant currency basis (2010: 9,868 million). We expected that software revenue would grow more quickly than software and software-related service revenue. We forecast that all regions would contribute to this growth, although we expected more rapid growth in the Americas and APJ regions than in the EMEA region.

We also expected that our operating profit (non-IFRS) for 2011 would be between 4.45 billion and 4.65 billion on a constant currency basis (2010: 4.01 billion). Based on this forecast, we expected operating margin (non-IFRS) to widen 0.5 to 1.0 percentage points on a constant currency basis (2010: 32.0%).

We anticipated an IFRS effective tax rate of between 27.0% and 28.0% in 2011 (2010: 22.5%) and a non-IFRS effective tax rate of between 27.5% and 28.5% (2010: 27.2%).

In April, we confirmed the forecast for 2011 we had published in January. However, owing to our positive performance in the first half, we reported in July that growth for both non-IFRS operating profit and non-IFRS software and software-related revenue was expected to reach the upper end of the range we forecast at the start of the year.

Table of Contents

Part I

Item 5

In October, we adjusted the outlook guidance for the IFRS effective tax rate to between 28.5% and 29.5% (2010: 22.5%) due to the effects of the reduction in the provision recorded for the TomorrowNow litigation.

To assist in understanding our 2011 performance as compared to our 2011 outlook a reconciliation from our IFRS financial measures to our non-IFRS financial measures is provided below. These IFRS financial measures reconcile to the nearest non-IFRS equivalents as follows:

millions, except operating margin	IFRS Financial Measure	Support Revenue Not Recorded Under IFRS	Acquisition- Related Charges	Share- based compensation	Restruc- turing	Discon- tinued Activities	Non-IFRS Financial Measure	Currency Effect on the Non-IFRS Financial Measure	Non-IFRS Financial Measure at Constant Currency
Software and software-related service revenue	11,319	27	n/a	n/a	n/a	n/a	11,346	153	11,499
Total revenue ⁽¹⁾	14,233	27	n/a	n/a	n/a	n/a	14,260	196	14,456
Operating profit ⁽¹⁾	4,881	27	447	68	4	717	4,710	69	4,779
Operating margin in %	34.3	0.1	3.1	0.5	0	5.0	33.0	0	33.1

⁽¹⁾ Operating profit is the numerator and total revenue is the denominator in the calculation of our IFRS operating margin and the comparable non-IFRS operating margin, and are included in this table for the convenience of the reader.

2011 Actual Performance Compared to Outlook (Non-IFRS)

In 2011, we increased our software and software-related service revenue (non-IFRS) by 17% to 11,499 million on a constant currency basis (2010: 9,868 million), clearly exceeding our expectation of 10% to 14% growth announced in January 2011, as well as our revised forecast in July, in which we expected to achieve the upper end of that range. Despite the partially uncertain economic situation in 2011, our new and established customers continued to invest strongly in our products. As a result, software revenue grew more strongly than software and software-related revenue. All regions contributed to the growth, with software revenue growing more rapidly in the Americas and APJ regions than in the EMEA region on a constant currency basis.

In 2011, we achieved an operating profit (non-IFRS) of 4,779 million on a constant currency basis. Thus, we not only clearly surpassed the target of 4,450 million to

4,650 million announced in January, but also our July adjusted forecast, in which we anticipated reaching the upper limit of this range. The non-IFRS operating margin widened 1.1 percentage points to 33.1% on a constant currency basis, which was better than the expected 0.5 to 1.0 percentage point improvement.

We achieved an effective tax rate of 27.9% (IFRS) and 26.6% (non-IFRS), which is lower than the effective tax rate of 28.5% to 29.5% (IFRS) and 27.5% to 28.5% (non-IFRS) projected for 2011. This decrease in comparison to the outlook mainly resulted from the development of profit before taxes at constant currency especially in North America and Europe, and from taxes for prior years.

Operating Results (IFRS)

This *Operating Results (IFRS)* section discusses results exclusively in terms of IFRS measures, so the IFRS numbers are not explicitly identified as such.

Table of Contents

Part I

Item 5

Our 2011 Results Compared to Our 2010 Results (IFRS)**Revenue****Revenue**

millions	2011	2010	Change in % 2011 vs 2010
Software revenue	3,971	3,265	22%
Support revenue	6,967	6,133	14%
Subscription and other software-related service revenue	381	396	4%
Software and software-related service revenue	11,319	9,794	16%
Consulting revenue	2,341	2,197	7%
Other service revenue	573	473	21%
Professional services and other service revenue	2,914	2,670	9%
Total revenue	14,233	12,464	14%

Total Revenue

Total revenue increased from 12,464 million in 2010 to 14,233 million in 2011, representing an increase of 1,769 million or 14%. This total revenue growth reflects a 16% increase from changes in volumes and prices and a 2% decrease from currency effects. The revenue growth is due primarily to an increase in software revenue of 706 million and an increase in support revenue of 834 million. In 2011, software and software-related service revenue totaled 11,319 million as a result of this increase. Software and software-related service revenue represented 80% of all revenue in 2011 compared with 79% in 2010. In 2011, professional services and other service revenue contributed 2,914 million to our total revenue, representing an increase of 9% compared to 2010.

For an analysis of our total revenue by region and industry, see the Revenue by Region and Revenue by Industry sections.

Software and Software-Related Service Revenue

Software revenue represents fees earned from the sale or license of software to customers. Support revenue represents fees earned from providing customers with technical support services and unspecified software upgrades, updates, and enhancements. Subscription and other software-related service revenue represents fees earned from software subscriptions, on-demand offerings, software rentals, and other types of software-related service contracts.

Software and software-related service revenue increased from 9,794 million in 2010 to 11,319 million in 2011, representing an increase of 16%. The software and software-related service revenue growth reflects a 17% increase from changes in volumes and prices and a 1% decrease from currency effects.

Software revenue increased from 3,265 million in 2010 to 3,971 million in 2011, representing an increase of 706 million or 22%. This increase reflects growth of 25% from changes in volumes and prices and a 3% decrease from currency effects.

Table of Contents

Part I

Item 5

SAP Business Suite software contributed the greatest share of growth in software revenue, followed by SAP HANA and mobile solutions.

In 2011, our customer base again expanded. Based on the number of contracts concluded, 20% of the orders we received for software in 2011 were from new customers (2010: 23%). The value of orders received for software grew 16% year over year. The total number of contracts signed for new software increased 17% to 59,059 contracts (2010: 50,439 contracts).

Our stable customer base and the continued investment in software by new and existing customers throughout 2011 and the previous year resulted in an increase in support revenue from 6,133 million in 2010 to 6,967 million in 2011. Our SAP Enterprise Support offering generated most of the support revenue. The 834 million or 14% increase in support revenue reflects growth of 15% from changes in volumes and prices and a 1% decrease from currency effects. Our premium offerings and strong growth in revenue from SAP Enterprise Support were among the factors accounting for the increase in support revenue.

Subscriptions and other software-related service revenue declined 15 million or 4% to 381 million (2010: 396 million). This reduction reflects changes in volume and prices only, and results mainly from the fact that global enterprise agreements and other similar long-term license agreements have become less popular among our customers as a contract model. Increasingly, our customers prefer instead to invest in the purchase of software licenses. Consequently, our subscriptions revenue decreased year over year, as expected. We do not expect subscription revenue from long-term license agreements, such as global

enterprise agreements and flexible license agreements, in itself to rise significantly in the future.

Professional Services and Other Service Revenue

Professional services and other service revenue consists primarily of consulting and other service revenue. We generate most of our consulting revenue from the implementation of our software products. Other service revenue consists mainly of training revenue from providing educational services to customers and partners on the use of our software products and related topics, and revenue from the messaging services business acquired from Sybase.

Professional services and other service revenue increased from 2,670 million in 2010 to 2,914 million in 2011, representing an increase of 244 million or 9%. This growth reflects an 11% increase from changes in volumes and prices and a 2% decrease from currency effects.

Consulting revenue increased from 2,197 million in 2010 to 2,341 million in 2011, representing 8% growth from changes in volumes and prices and a 1% decrease from currency effects. Consulting revenue contributed 80% of professional services and other service revenue (2010: 82%). Consulting revenue contributed 16% of total revenue in 2011 (2010: 18%).

Other service revenue increased from 473 million in 2010 to 573 million in 2011, representing an increase of 21%. This growth reflects a 23% increase from changes in volumes and prices and a 2% decrease from currency effects. The increase is due mainly to revenues from messaging services and training revenue.

Table of Contents

Part I

Item 5

Revenue by Region and Industry**Revenue by Region**

millions	2011	2010	Change in % 2011 vs 2010
Germany	2,347	2,195	7%
Rest of EMEA	4,644	4,068	14%
Total EMEA	6,991	6,263	12%
United States	3,699	3,243	14%
Rest of Americas	1,392	1,192	17%
Total Americas	5,091	4,435	15%
Japan	652	513	27%
Rest of Asia Pacific Japan	1,499	1,253	20%
Total Asia Pacific Japan	2,151	1,766	22%
SAP Group	14,233	12,464	14%

Revenue by Industry

millions	2011	2010	Change in % 2011 vs 2010
Manufacturing Discrete	2,617	2,190	19%
Manufacturing Process	1,461	1,255	16%
Consumer Products	1,433	1,243	15%
Energy & Natural Resources	2,001	1,796	11%
Services	2,190	1,959	12%
Financial Services	1,196	1,058	13%
Public Services	1,399	1,246	12%
Retail & Wholesale	1,300	1,124	16%
Healthcare & Life Sciences	636	593	7%
Total revenue	14,233	12,464	14%

Revenue by Region

We break our operations down into three regions: the Europe, Middle East, and Africa (EMEA) region; the Americas region, which comprises North and Latin America; and the Asia Pacific Japan (APJ) region, which includes Japan, Australia, and other parts of Asia. We allocate revenue amounts to each region based on customers' locations. For more information about revenue by geographic region, see the Notes to the Consolidated Financial Statements section, Note (29).

The EMEA Region

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In 2011, the EMEA region generated 6,991 million in revenue (2010: 6,263 million) or 49% of total revenue (2010: 50%). This represents a year-over-year increase of 12%. Total revenue in Germany increased 7% to 2,347 million in 2011 (2010: 2,195 million). Germany contributed 34% of all EMEA region revenue (2010: 35%). The remaining revenue in the EMEA region was primarily generated in the UK, France, Switzerland, the Netherlands, Russia, and Italy. Software and software-related

Table of Contents

Part I

Item 5

service revenue generated in the EMEA region in 2011 totaled 5,529 million (2010: 4,883 million). Software and software-related service revenue represented 79% of all revenue in 2011 compared with 78% in 2010.

The Americas Region

In 2011, 36% of our total revenue was generated in the Americas region (2010: 36%). Total revenue in the Americas region increased 15% to 5,091 million. Revenue generated in the United States increased 14% to 3,699 million. This growth reflects a 20% increase from changes in volumes and prices and a 6% decrease from currency effects. The United States contributed 73% of all Americas region revenue (2010: 73%). Revenue increased 17% to 1,392 million in the remaining countries of the Americas region. This growth reflects a 20% increase from changes in volumes and prices and a 3% decrease from currency effects. This revenue was principally generated in Canada, Brazil, and Mexico. Software and software-related service revenue generated in the Americas region in 2011 totaled 3,958 million (2010: 3,427 million). Software and software-related service revenue represented 78% of all revenue (2010: 77%).

The APJ Region

In 2011, 15% of our total revenue was generated in the APJ region (2010: 14%); most of the revenue was from Japan. Total revenue in the APJ region increased 22% to 2,151 million. In Japan, total revenue increased 27% to 652 million in 2011, representing a 30% contribution to all revenue generated across the APJ region (2010: 29%). This growth in revenue reflects a 22% increase from changes in volumes and prices and a 5% increase from currency effects. Revenue increased 20% in the remaining countries of the APJ region. Revenue in the remaining countries of the APJ region was generated primarily in Australia, India and China. Software and software-related service revenue generated in the APJ region in 2011 totaled 1,832 million (2010: 1,484 million).

Software and software-related service revenue represented 85% of all revenue in 2011 compared with 84% in 2010.

Revenue by Industry

To help us better meet the requirements of existing and potential customers, we restructured our industry groups in 2011, and now serve nine sectors rather than six as in 2010.

The first of our three new sectors, healthcare and life sciences, incorporates healthcare, medicine, and pharmaceuticals, which were previously distributed across our public services and manufacturing process industry groups. The new energy and natural resources sector combines our oil and gas, mining, utilities, and waste management segments. These were previously in our manufacturing process and services industry segments. We have defined our new retail and wholesale sector to focus more strongly on two areas that we had previously included in our consumer products industry sector. We restructured two further sub-areas to reflect changing customer needs. Engineering, construction, and operations, which previously belonged to our manufacturing discrete industry sector, is now included in our services sector. The postal industry has been assigned to the public services industry sector.

We allocate our customers to an industry sector at the outset of an initial arrangement. All subsequent revenue from a particular customer is recorded under that sector.

In 2011, we achieved above-average growth in the following sectors, measured by changes in total revenue: Manufacturing discrete (2,617 million, at a growth rate of 19%), manufacturing process (1,461 million, at a growth rate of 16%), retail and wholesale (1,300 million, at a growth rate of 16%) and consumer products (1,433 million, at a growth rate of 15%).

Results from the other sectors were as follows: Financial services: 1,196 million, at a

Table of Contents

Part I

Item 5

growth rate of 13%; public services: 1,399 million, at a growth rate of 12%; services: 2,190 million, at a growth rate of 12%; energy and natural resources:

2,001 million, at a growth rate of 11%; and healthcare and life sciences: 636 million, at a growth rate of 7%.

Operating Profit and Margin**Total Operating Expenses**

millions	2011	% of total revenue	2010	% of total revenue	Change in % 2011 vs 2010
Cost of software and software-related services	2,107	15%	1,823	15%	16%
Cost of professional services and other services	2,248	16%	2,071	17%	9%
Research and development	1,939	14%	1,729	14%	12%
Sales and marketing	3,081	22%	2,645	21%	16%
General and administration	715	5%	636	5%	12%
Restructuring	4	0%	3	0%	< 100%
TomorrowNow litigation	717	5%	981	8%	< 100%
Other operating income/expense, net	25	0%	9	0%	178%
Total operating expenses	9,352	66%	9,873	79%	5%

Operating Profit and Operating Margin

millions, except for operating margin	2011	2010	Change in % 2011 vs 2010
Operating profit	4,881	2,591	88%
Operating margin in %	34.3%	20.8%	13.5pp

Operating Profit and Operating Margin

In 2011, our operating profit totaled 4,881 million (2010: 2,591 million), a significant year-over-year improvement. A contributor to the increased operating profit in 2011 was a 717 million reduction of the TomorrowNow litigation provision. We had increased this provision in 2010, which resulted in a 981 million negative impact on operating profit in that year. For more information about the TomorrowNow litigation, see the Notes to the Consolidated Financial Statements section, Note (24). Overall, revenue increased in 2011 while operating expenses decreased.

Our operating margin widened 13.5 percentage points to 34.3% in 2011 (2010: 20.8%). The reduction of the TomorrowNow litigation provision had a 5.0 percentage point positive effect on operating margin in 2011; in

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2010, we had significantly increased the provision, which had a negative impact of 7.9 percentage points on operating margin.

In 2011, operating expenses decreased 521 million or 5% to 9,352 million (2010: 9,873 million). This reduction is due primarily to the reduction of the TomorrowNow litigation provision, which we had significantly increased in the previous year.

The sections that follow discuss our costs by line item.

Cost of Software and Software-Related Services

Cost of software and software-related services consists primarily of various customer support costs, the cost of developing custom solutions to address individual customers' business requirements, and license fees and commissions we pay to third parties for database software and the other complementary third-party products that we sublicense to our customers.

Table of Contents

Part I

Item 5

In 2011, costs for software and software-related services rose 16% to 2,107 million (2010: 1,823 million). The main cost driver was an increase in personnel to cover the growing demand for SAP Enterprise Support in 2011, which in turn had a positive effect on support revenue. The license fees and the commissions that we pay to third parties for database software also rose in parallel with the increase in software revenue. The margin on our software and software-related services, defined as software and software-related services profit as a percentage of software and software-related services revenue, remained constant year over year in 2011 at 81% (2010: 81%).

Cost of Professional Services and Other Services

Cost of professional services and other services consists primarily of the cost of consulting and training personnel and the cost of bought-in third-party consulting and training resources. This item also includes sales and marketing expenses for our professional services and other services resulting from sales and marketing efforts where those efforts cannot be clearly distinguished from providing the professional services and other services.

Costs for professional and other services rose 9% from 2,071 million in 2010 to 2,248 million in 2011. The margin on our professional and other services, defined as professional and other services profit as a percentage of professional and other services revenue widened to 23% in 2011 (2010: 22%). The increase in profitability is due mainly to the positive trend in consulting.

Research and Development Expense

Our research and development (R&D) expense consists primarily of the personnel cost of our R&D employees, costs incurred for independent contractors we retain to assist in our R&D activities, and amortization of the computer hardware and software we use for our R&D activities.

In 2011, R&D costs rose 12% to 1,939 million. This increase primarily results from the increase in personnel costs.

In 2011, R&D expense as a percentage of total revenue was unchanged at 14% because R&D costs increased year over year at the same rate as sales.

Sales and Marketing Expense

Sales and marketing expense consists mainly of personnel costs and direct sales expense incurred to support our sales and marketing teams in selling and marketing our products and services.

Sales and marketing costs rose 16% from 2,645 million in 2010 to 3,081 million in 2011. The increase was due primarily to the increased personnel costs of our expanded sales teams in new growth markets among others and to increased variable remuneration as a result of surpassing our corporate goals. Travel and marketing costs rose as a result of increased business operations. The increase in the number of employees in sales and marketing led to accelerated revenue growth. At the same time, the ratio of sales and marketing costs to total revenue, expressed as a percentage, increased 22% year over year (2010: 21%). This was because expenses grew disproportionately to revenue.

General and Administration Expense

Our general and administration expense consists mainly of the cost of personnel working in our finance and administration functions.

Our general and administration expense rose from 636 million in 2010 to 715 million in 2011, representing a 12% increase. This was due mainly to the increase in personnel costs. The ratio of general and administration costs to total revenue in 2011 remained constant year over year at 5%.

Table of Contents

Part I

Item 5

Segment Results

We have four reportable operating segments: Product, Consulting, Training, and Sybase.

Total revenue and profit figures for each of our operating segments differ from the respective revenue and profit figures classified in our

Consolidated Statements of Income because of several differences between our internal management reporting and our external IFRS reporting. For further details of our segment reporting and a reconciliation from our internal management reporting to our external IFRS reporting, see the Notes to the Consolidated Financial Statements section, Note (29).

Segment Profitability

millions, unless otherwise stated	2011	2010	Change in % 2011 vs. 2010
<u>Product Segment</u>			
External revenue	10,025	9,020	11
Segment expenses	4,085	3,625	13
Segment contribution	5,940	5,395	10
Segment profitability	59%	60%	1pp
<u>Consulting Segment</u>			
External revenue	2,955	2,714	9
Segment expenses	2,091	1,968	6
Segment contribution	864	746	16
Segment profitability	29%	27%	2pp
<u>Training Segment</u>			
External revenue	376	362	4
Segment expenses	229	226	1
Segment contribution	147	136	8
Segment profitability	39%	38%	1pp
<u>Sybase Segment</u>			
External revenue	873	387	>100
Segment expenses	647	260	>100
Segment contribution	226	127	78
Segment profitability	26%	33%	7pp

Product Segment

The Product segment is primarily engaged in marketing and licensing our software products and providing support for them. Support includes technical support for our products, assistance in resolving problems, providing user documentation, unspecified software upgrades, updates, and enhancements. The Product segment also performs certain custom development projects. The Product segment includes our sales, marketing, and service and support lines of business.

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In 2011, revenue in the Product segment increased 11% to 10,025 million (2010: 9,020 million). This growth reflects a 13% increase from changes in volumes and prices and a 2% decrease from currency effects. The reason for this growth was the rise in software license sales, which in turn led to an increase in support revenue. Software revenue, which is added to revenues in the Product segment, rose by 19% to 3,282 million (2010: 2,766 million). This growth reflects a 22% increase from changes in volumes and prices and a 3% decrease from currency effects. Support revenue increased by

Table of Contents

Part I

Item 5

9% to 6,302 million (2010: 5,776 million). This growth reflects a 10% increase from changes in volumes and prices and a 1% decrease from currency effects. Subscription and other software-related service revenue declined 3% to 377 million (2010: 387 million). All regions contributed to the increased revenue in the Product segment.

In 2011, expenses in the Product segment increased 13% to 4,085 million (2010: 3,625 million). Expenses from software sales account for approximately 56% of total expenses in the Product segment, whereas approximately 16% of total expenses in the Product segment are attributable to marketing and approximately 28% to support services. The increased expenses in the Product segment are the result of increased business operations following the rise in demand in 2011.

The contribution of the Product segment rose by 10% to 5,940 million (2010: 5,395 million), representing segment profitability of 59% (2010: 60%).

Consulting Segment

The Consulting segment is primarily engaged in the implementation of our software products.

In 2011, revenue in the Consulting segment increased 9% to 2,955 million (2010: 2,714 million). This growth reflects a 10% increase from changes in volumes and prices and a 1% decrease from currency effects. Geographically, all regions contributed to this segment revenue increase, with the Americas and APJ regions contributing most significantly.

Expenses in the Consulting segment rose by 6% to 2,091 million (2010: 1,968 million). The increased expenses in the Consulting segment are the result of increased business operations following the rise in demand in 2011.

The contribution of the Consulting segment rose 16% to 864 million (2010: 746 million), representing segment profitability of 29% (2010: 27%).

Training Segment

The Training segment is primarily engaged in providing educational services on the use of our software products and related topics for customers and partners. Training services include traditional classroom training at SAP training facilities, customer and partner training, user training, and e-learning.

In 2011, revenue in the Training segment increased 4% to 376 million (2010: 362 million). This growth reflects a 6% increase from changes in volumes and prices and a 2% decrease from currency effects. The EMEA and Americas regions were the primary contributors to this growth in revenue. With an increase of 19%, growth was particularly high in Latin America. The APJ region recorded a decline of 2%.

Expenses in the Training segment rose 2% to 230 million (2010: 226 million). The increased expenses in the Training segment are the result of increased business operations following the rise in demand in 2011.

The contribution of the Training segment rose 8% to 147 million (2010: 136 million), representing segment profitability of 39% (2010: 38%).

Sybase Segment

The Sybase segment is primarily engaged in implementing our vision of a wireless enterprise for customers and partners. To this end, we supply enterprise software and mobile software solutions for information management, development, and integration.

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The contribution of the Sybase segment to overall segment results is determined using a different approach than that used for the other segments. The Sybase segment includes development, administration, and other costs that do not apply to the other segments.

Sybase was acquired in 2010, so 2010 revenue and expenses for the Sybase segment are for five months only.

Table of Contents

Part I

Item 5

In 2011, revenue in the Sybase segment increased 126% to 873 million (2010: 387 million). This growth reflects a 130% increase in volume and price changes (taking into account that revenue figures were only available for five months in the previous year), and a 5% decrease from currency effects.

Expenses in the Sybase segment rose 149% to 646 million (2010: 260 million).

The contribution of the Sybase segment rose 78% to 226 million (2010: 127 million), representing segment profitability of 26% (2010: 33%).

Financial Income

In 2011, financial income improved to 38 million (2010: 67 million). Our finance income was 123 million (2010: 73 million) and our finance costs were 161 million (2010: 140 million).

Finance income mainly consists of interest income from loans and receivables (cash, cash equivalents, and current investments), which was 64 million in 2011 (2010: 34 million). This increase is attributable mainly to the higher average liquidity than in 2010.

Finance costs mainly consist of interest expense on financial liabilities (123 million in 2011 compared to 77 million in 2010). This year-over-year increase resulted mainly from the

financial debt incurred in connection with the Sybase acquisition. We used bank loans, bonds, and private placements to finance this acquisition. For more information about these financing instruments, see the Notes to the Consolidated Financial Statements section, Note (18b).

Another factor in financial income in 2011 was the derivatives we utilize to execute our financial risk management strategy. The associated fair value effects were reflected in interest income of 37 million (2010: 25 million) and interest expenses of 37 million (2010: 31 million).

Income Tax

Our effective tax rate increased to 27.9% in 2011 (2010: 22.5%). The main reason for this significant year-over-year difference is the change in the measurement of the TomorrowNow litigation provision. While 2010 saw a tax rate reduction of almost 5 percentage points as a result of the significant increase of the TomorrowNow litigation provision, in 2011 we experienced an effective tax rate increase resulting from the reduction of the same provision. However, this increase was offset by tax effects related to intercompany financing. For more information, see the Notes to the Consolidated Financial Statements section, Note (11).

Our 2010 Results Compared to Our 2009 Results (IFRS)

Revenue

Revenue

millions

2010

2009

			Change in % 2010 vs 2009
Software revenue	3,265	2,607	25%
Support revenue	6,133	5,285	16%
Subscription and other software-related service revenue	396	306	29%
Software and software-related service revenue	9,794	8,198	19%
Consulting revenue	2,197	2,074	6%
Other service revenue	473	400	18%
Professional services and other service revenue	2,670	2,474	8%
Total revenue	12,464	10,672	17%

Table of Contents

Part I

Item 5

Total Revenue

Total revenue increased from 10,672 million in 2009 to 12,464 million in 2010, representing an increase of 1,792 million or 17%. SAP's business without the Sybase results contributed 14% to this growth. This total revenue growth reflects a 10% increase from changes in volumes and prices and a 7% increase from currency effects. Specifically, our software revenue increased by 658 million as compared to 2009 and our support revenue increased by 848 million as compared to 2009. Additionally, our SSRS revenue increased, resulting in software and software-related service revenue of 9,794 million in 2010. Software and software-related service revenue represented 79% of our total revenue in 2010 compared to 77% in 2009. Professional services and other service revenue contributed 2,670 million to our total revenue in 2010. This represents an increase of 8% compared to 2009. Professional services and other service revenue accounted for 21% of our total revenue in 2010 compared to 23% in 2009.

For an analysis of our total revenue by region and industry, see the Revenue by Region and Revenue by Industry sections.

Software and Software-Related Service Revenue

Software revenue represents fees earned from the sale or license of software to customers. Support revenue represents fees earned from providing customers with technical support services and unspecified software upgrades, updates, and enhancements. Subscription and other software-related service revenue represents fees earned from software subscriptions, in the cloud offerings, rentals, and other types of software-related service contracts.

In 2010, software and software-related service revenue increased from 8,198 million in 2009 to 9,794 million, representing an increase of 19%. The software and software-related service revenue growth reflects a 13% increase from changes in volumes and prices and a 6%

increase from currency effects. SAP's business without the Sybase results contributed 16% to this growth.

Software revenue increased from 2,607 million in 2009 to 3,265 million in 2010, representing an increase of 658 million or 25%. The software revenue growth consists of a 16% increase from changes in volumes and prices and a 9% increase from currency effects.

SAP Business Suite revenue contributed most to the overall organic increase in software revenue, followed by SAP BusinessObjects solutions as well as our products based on our SAP NetWeaver platform.

Our customer base increased again in 2010. Based on the value of software orders received, excluding Sybase, 18% of our software orders received in 2010 were attributable to deals with new customers (2009: 17%). The value of software orders received, excluding Sybase, increased 21% year over year. The total number of new software deals closed, excluding Sybase, increased by 5% to 44,875 (2009: 42,639).

Support revenue increased from 5,285 million in 2009 to 6,133 million in 2010, representing an increase of 848 million or 16%. This support revenue growth reflects a 10% increase from changes in volumes and prices and a 6% increase from currency effects. The SAP Enterprise Support maintenance service was the largest contributor to our support revenue. Our increased support revenue resulted from our stable customer base and the continued sale of software to existing and new customers throughout 2010.

Subscription and other software-related service revenue increased 90 million or 29% to 396 million compared to 306 million in 2009. The increase in revenue reflects a 25% increase from volumes and prices and a 4% increase from currency effects. It derives primarily from subscription contracts concluded in 2009 and 2010.

Table of Contents

Part I

Item 5

Professional Services and Other Service Revenue

Professional services and other service revenue consists primarily of consulting and other service revenue. We generate most of our consulting revenue from the implementation of our software products. Other service revenue consists mainly of training revenue from providing educational services to customers and partners on the use of our software products and related topics, such as revenue from the Sybase acquired messaging services business.

Professional services and other service revenue increased 196 million or 8% from 2,474 million in 2009 to 2,670 million in 2010. The rise consists of a 2% increase from changes in volumes and prices and a 6% increase from currency effects.

Consulting revenue increased 6% from 2,074 million in 2009 to 2,197 million in

2010. The increase was derived from currency effects. In 2010, consulting contributed 82% of professional services and other service revenue (2009: 84%). Consulting revenue contributed 18% of total revenue (2009: 19%). A substantial portion of consulting revenue follows on from software license sales. Software license sales were relatively weak in 2009. In this context, the growth in consulting revenue in 2010 is unremarkable.

Other service revenue increased 18% from 400 million in 2009 to 473 million in 2010. The other service revenue increase consists of a 13% increase from changes in volumes and prices and a 5% increase from currency effects. This increase resulted primarily from training revenue, hosting revenue that the SAP IT organization generates by operating, managing, and maintaining SAP solutions and messaging revenue from Sybase, which we acquired in July 2010.

Revenue by Region and Industry**Revenue by Region**

millions	2010	2009	Change in % 2010 vs 2009
Germany	2,195	2,029	8%
Rest of EMEA	4,068	3,614	13%
Total EMEA	6,263	5,643	11%
United States	3,243	2,695	20%
Rest of Americas	1,192	925	29%
Total Americas	4,435	3,620	23%
Japan	513	476	8%
Rest of APJ	1,253	933	34%
Total APJ	1,766	1,409	25%
Total revenue	12,464	10,672	17%

Table of Contents

Part I

Item 5

Revenue by Industry

millions	2010	2009	Change in % 2010 vs 2009
Manufacturing Discrete	2,190	1,910	15%
Manufacturing Process	1,255	1,038	21%
Consumer Products	1,243	1,056	18%
Energy & Natural Resources	1,796	1,457	23%
Services	1,959	1,776	10%
Financial Services	1,058	909	16%
Public Services	1,246	1,086	15%
Retail & Wholesale	1,124	921	22%
Healthcare & Life Sciences	593	519	14%
Total revenue	12,464	10,672	17%

Revenue by Region*The EMEA Region*

In 2010, 50% of our total revenue was derived from the EMEA region (2009: 53%). Our revenue from the EMEA region grew 11% in 2010 to 6,263 million (2009: 5,643 million). This growth reflects an 8% increase from changes in volumes and prices and a 3% increase from currency effects. Total revenue in Germany increased 8% to 2,195 million in 2010 (2009: 2,029 million). Germany contributed 35% to our total revenue from the EMEA region, which is a decrease of 1 percentage point compared to 2009. Other EMEA revenue in 2010 originated primarily from the United Kingdom, France, Switzerland, the Netherlands, Italy, and Russia. Software and software-related service revenue generated in the EMEA region in 2010 totaled 4,883 million (2009: 4,336 million). Software and software-related service revenue accounted for 78% of all revenue in the EMEA region in 2010 (2009: 77%).

The Americas Region

Of our 2010 total revenue, 36% (2009: 34%) was recognized in the Americas region. Revenue in the region increased 23% to 4,435 million in 2010. Revenue from the United States rose 20% to 3,243 in 2010, which represents an increase of 13% from changes in volumes and prices and a 7% increase from

currency effects. The United States contributed 73% (2009: 74%) of the Americas region revenue. Revenue from the rest of the Americas region increased 29% to 1,192 million, which represents an increase of 15% from changes in volumes and prices and a 14% increase from currency effects. This revenue was principally generated in Canada, Brazil, and Mexico. In 2010, software and software-related service revenue from our Americas region grew 26% to 3,427 million (2009: 2,718 million). This growth included a 9% increase from currency effects. Software and software-related service revenue represented 77% of all revenue in the Americas region in 2010 (2009: 75%).

The APJ Region

In 2010, the APJ region contributed 14% (2009: 13%) to our total revenue, with most of this revenue being derived from Japan. In the APJ region, revenue rose by 25% to 1,766 million in 2010. Revenue from Japan increased 8% to 513 million, which represents 29% (2009: 34%) of

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our revenue from the APJ region. The revenue rise in Japan reflects a 5% decrease due to changes in volumes and prices and a 13% increase from currency effects. Together, the other countries in the APJ region – principally Australia, India, and China – saw a 34% increase in revenue, reflecting a 16% increase in volumes and prices and an 18% increase from currency effects. In 2010, our APJ

Table of Contents

Part I

Item 5

region achieved software and software-related service revenue growth of 30% (including 17% from currency effects) to reach 1,485 million (2009: 1,144 million). Software and software-related service revenue represented 84% of all revenue in the APJ region in 2010 (2009: 81%).

Revenue by Industry

To help us better meet the requirements of existing and potential customers, we restructured our industry groups in 2011, and now serve nine sectors rather than six as in 2010. Accordingly we have adjusted our 2010 to 2009 comparison to nine industry sectors.

Based on the new nine industry sector structure and in comparison with our total revenue change in 2010, we outperformed in the

energy & natural resources industry sector with revenue of 1,796 million, which represents a growth rate of 23%, in retail & wholesale with an increase of 22% to 1,124 million, in manufacturing process with revenue of 1,255 million and an increase of 21% and in consumer products, where our total revenue amounted to 1,243 million, representing an increase of 18% compared to 2009. Financial services industries revenue grew 16% to 1,058 million. Healthcare & lifesciences achieved 593 million revenue and a year-over-year growth rate of 14%. Public services achieved 1,246 million revenue at a growth rate of 15%; discrete manufacturing industries revenue was 2,190 million, an increase of 15%, and service industries revenue grew 10% to 1,959 million.

Operating Profit and Margin**Total Operating Expenses**

millions	2010	% of total revenue	2009	% of total revenue	Change in % 2010 vs 2009
Cost of software and software-related services	1,823	15%	1,658	16%	10%
Cost of professional services and other services	2,071	17%	1,851	17%	12%
Research and development	1,729	14%	1,591	15%	9%
Sales and marketing	2,645	21%	2,199	21%	20%
General and administration	636	5%	564	5%	13%
Restructuring	3	0%	198	2%	< 100%
TomorrowNow litigation	981	8%	56	1%	>100%
Other operating income/expense, net	9	0%	33	0%	73%
Total operating expenses	9,873	79%	8,084	76%	22%

Operating Profit and Operating Margin

millions, except for operating margin	2010	2009	Change in % 2010 vs 2009
Operating profit	2,591	2,588	0%
Operating margin in %	20.8%	24.3%	3.5pp

Table of Contents

Part I

Item 5

Operating Profit and Operating Margin

In 2010, our operating profit was almost unchanged year over year at 2,591 million (2009: 2,588 million) despite costs totaling 981 million (2009: 56 million) that negatively impacted our operating profit. These costs resulted from an increase in the provision we recorded for the TomorrowNow litigation. For more information about the TomorrowNow litigation, see the Notes to the Consolidated Financial Statements section, Note (24). Acquisition-related charges of 300 million (2009: 271 million) also had a greater effect on operating profit than in the previous year.

Our operating margin was 20.8% (2009: 24.3%), a decrease of 3.5 percentage points. Acquisition-related charges and effects from discontinued TomorrowNow activities negatively impacted our operating margin by 10.3 percentage points in 2010 (2009: 3.1 percentage points). In 2009, restructuring charges of 198 million impacted the operating margin by 1.9 percentage points, whereas in 2010 restructuring expenses did not materially impact our operating margin.

Our total operating expenses increased 1,789 million or 22% to 9,873 million compared with 8,084 million in 2009, primarily as a result of the greater expense from discontinued TomorrowNow activities and the acquisition of Sybase.

The sections that follow discuss our costs by line item. All cost line items below were impacted by the inclusion of Sybase for the months August to December 2010.

Cost of Software and Software-Related Services

Cost of software and software-related services consists primarily of various customer support costs, cost of developing custom solutions that address customers' unique business requirements, and license fees and commissions paid to third parties for databases and the other complementary third-party products sublicensed by us to our customers.

Cost of software and software-related services increased 10% from 1,658 million in 2009 to 1,823 million in 2010. The principal reason for this increase was an increase in headcount to cover growing demand for SAP Enterprise Support in 2010, demand that was also reflected in growing software-related service revenue. The margin on our software and software-related services, defined as the ratio of the gross software and software-related services result to software and software-related service revenue, expressed as a percentage, was 81% in 2010 (2009: 80%).

Cost of Professional Services and Other Services

Cost of professional services and other services consists primarily of the cost of consulting and training personnel and the cost of bought-in third-party consulting and training resources. This item also includes sales and marketing expenses for our professional services and other services resulting from sales and marketing efforts where those efforts cannot be clearly distinguished from providing the professional services and other services.

Cost of professional services and other services rose 12% from 1,851 million in 2009 to 2,071 million in 2010. The margin on our professional services and other services, defined as the ratio of the gross professional services and other services result to professional services and other services revenue, expressed as a percentage, was 22% in 2010 (2009: 25%).

The reasons for the decline in the profitability of our professional services and other services were investments we made to prepare for growing demand in 2010 after the downturn in 2009 and costs incurred on unprofitable consulting contracts.

Research and Development

Our research and development (R&D) expense consists primarily of the personnel cost of our R&D employees, costs incurred for independent contractors we retain to assist in our R&D

Table of Contents

Part I

Item 5

activities, and amortization of the computer hardware and software we use for our R&D activities.

Our total R&D expense rose 9% to 1,729 million in 2010. The increase was mainly due to the inclusion of Sybase and to unfavorable currency effects.

Our R&D expense as a percentage of total revenue declined to 14% (2009: 15%). Total revenue increased more steeply than R&D expense, resulting in a reduction in the R&D ratio.

Sales and Marketing

Sales and marketing expense consists mainly of personnel costs and direct sales costs to support our sales and marketing lines of business in selling and marketing our products and services.

Sales and marketing expenses increased 20% to 2,645 million in 2010 compared to 2,199 million in 2009. The increase was mainly due to increased travel and marketing expenses driven by an increase in our business activity, and unfavorable currency effects. By increasing our sales force we accelerated our revenue growth. Sales and marketing expense as a percentage of total revenue was 21% in 2010, little changed since 2009.

General and Administration

Our general and administration (G&A) expense consists mainly of personnel costs to support our finance and administration functions.

Our G&A expense rose from 564 million in 2009 to 636 million in 2010, representing an increase of 13%. The increase in cost was mainly driven by the inclusion of Sybase and by unfavorable currency effects. G&A expenses as a percentage of total revenue in 2010 were consistent with the 2009 level of 5%.

Segment Discussions

The acquisition of Sybase, Inc. affected our internal reporting to management. In addition to our previously reported segments, Product, Consulting, and Training, we added a new reportable segment: Sybase. While this new segment is named Sybase, it is not identical to the acquired Sybase business since parts of the acquired business are now integrated with and thus reported in other segments, and certain SAP activities are now in our Sybase segment.

Total revenue and profit figures for each of our operating segments differ from the respective revenue and profit figures classified in our Consolidated Statements of Income because of several differences between our internal management reporting and our external IFRS reporting. For further details of our segment reporting and a reconciliation from our internal management reporting to our external IFRS reporting, see the Notes to the Consolidated Financial Statements section, Note (29).

Table of Contents

Part I

Item 5

Segment Profitability

millions, unless otherwise stated	2010	2009	Change in % 2010 vs. 2009
Product Segment			
External revenue	9,020	7,846	15
Segment expenses	3,625	3,115	16
Segment contribution	5,395	4,731	14
Segment profitability	60%	60%	0pp
Consulting Segment			
External revenue	2,714	2,498	9
Segment expenses	1,968	1,717	15
Segment contribution	746	781	4
Segment profitability	27%	31%	4pp
Training Segment			
External revenue	362	332	9
Segment expenses	226	217	4
Segment contribution	136	115	18
Segment profitability	38%	35%	3pp
Sybase Segment			
External revenue	387	0	N/A
Segment expenses	260	0	N/A
Segment contribution	127	0	N/A
Segment profitability	33%	N/A	N/A

Product Segment

The Product segment is primarily engaged in marketing and licensing our software products and providing support for them. Support includes technical support for our products, assistance in resolving problems, providing user documentation, unspecified software upgrades, updates, and enhancements.

The Product segment also performs certain custom development projects. The Product segment includes the sales, marketing, and service and support lines of business.

Product segment revenue increased 15% from 7,846 million in 2009 to 9,020 million in 2010. This growth reflects an 8% increase from changes in volumes and prices and a 7% increase from currency effects. The increase was driven by an increase in customer licensing of our software, which in turn contributed to an increase in support revenue. Software revenue as part of the total Product segment revenue

increased 17% from 2,373 million in 2009 to 2,766 million in 2010. This growth reflects an 8% increase from changes in volumes and prices and a 9% increase from currency effects. Support revenue increased 14% from 5,076 million in 2009 to 5,776 million in 2010. This growth reflects an 8% increase from changes in volumes and prices and a 6% increase from currency effects. Subscription and other software-related service revenue increased 28% from 304 million in 2009 to 387 million in 2010.

Product segment expenses increased 16% from 3,115 million in 2009 to 3,625 million in 2010. Expenses from the sales line of business account for roughly 54% of the entire Product segment expenses, while expenses from the marketing line of business account for roughly 17% and

expenses from the service and support line of business account for roughly 29% of overall Product segment expenses. The increase in Product segment expenses is related to accelerated business activities due to incipient economic recovery in 2010.

Table of Contents

Part I

Item 5

Product segment contribution increased 14% from 4,731 million in 2009 to 5,395 million in 2010. Product segment profitability remained at 60% in 2010.

Consulting Segment

The Consulting segment is primarily engaged in the implementation of our software products.

Consulting segment revenue increased 9% from 2,498 million in 2009 to 2,714 million in 2010. This growth reflects a 3% increase from changes in volumes and prices and a 6% increase from currency effects. Geographically all regions contributed to this segment revenue increase, predominantly in North America and our APJ region.

Consulting segment expenses increased 15% from 1,717 million in 2009 to 1,968 million in 2010. This expense growth was primarily the result of investments to prepare for the increased demand in 2010 after the downturn in 2009.

Consulting segment contribution decreased 5% from 781 million in 2009 to 746 million in 2010. Consulting segment profitability was 27% in 2010 compared to 31% in 2009.

Training Segment

The Training segment is primarily engaged in providing educational services on the use of our software products and related topics for customers and partners. Training services include traditional classroom training at SAP training facilities, customer and partner-specific training and end-user training, as well as e-learning.

Training segment revenue was 362 million in 2010, which represents an increase of 9% from 332 million in 2009. This growth reflects a 2% increase from changes in volumes and prices and a 7% increase from currency effects. Geographically, the Americas and APJ regions were the primary contributors to our 2010 Training segment revenue increase.

In 2010, our Training segment revenue growth was especially high in North America, with a 29% increase, whereas Training segment revenue decreased 3% in the EMEA region.

Our Training segment expenses increased 4% from 217 million in 2009 to 226 million in 2010. Costs increased to support the growing business activities in 2010 after the downturn in 2009.

The Training segment contribution increased 18% from 115 million in 2009 to 136 million in 2010. Training segment profitability was 38% in 2010 compared to 35% in 2009.

Sybase Segment

The Sybase segment is primarily engaged in enabling the unwired enterprise for customers and partners by delivering enterprise and mobile software solutions for information management, development, and integration. The measurement of the result for the Sybase segment differs from the measurements for the other segments, as the Sybase segment result includes development, administration, and other corporate expenses while these expenses are excluded from the measurement of the results of the other segments.

Sybase segment revenue was 387 million, mainly driven by sales of databases, mobility solutions, and messaging services. Sybase segment expenses were 260 million in 2010.

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The Sybase segment contribution was 127 million in 2010, resulting in a Sybase segment profitability of 33%.

Finance Income, Net

Finance income, net, improved to - 67 million (2009: - 80 million). Our finance income in 2010 was 73 million (2009: 37 million) and our finance costs were 140 million (2009: 117 million).

Finance income mainly consists of interest income from loans and receivables (e.g. cash,

Table of Contents

Part I

Item 5

cash equivalents, and current investments; 34 million in 2010 compared to 35 million in 2009). The decrease was mainly due to interest rate reductions which were partly offset by an increase in average liquidity in 2010 compared to 2009.

Finance cost mainly consists of interest expense on financial liabilities (77 million in 2010 compared to 63 million in 2009). The increase compared to 2009 resulted mainly from the financial debt incurred in connection with the Sybase acquisition. We used bank loans, bonds, and private placements to finance this acquisition. For more information about these financing instruments, see the Notes to the Consolidated Financial Statements section, Note (18b). In addition, the pending TomorrowNow litigation caused interest expenses of 12 million in 2010 (2009: 0 million).

Another significant contribution to the finance income, net in 2010 came from the derivatives that we utilize to execute our financial risk management strategy. These derivatives caused time value effects that were reflected in interest income with an amount of 25 million (2009: 0 million) and in interest expense with an amount of 31 million (2009: 38 million).

Income Tax

The 2010 effective tax rate was 22.5% compared to 28.1% in 2009. Approximately 5 percentage points of this decrease resulted from the increase in provision recorded for the TomorrowNow litigation. For more information, see the Notes to the Consolidated Financial Statements section, Note (11).

FOREIGN CURRENCY EXCHANGE RATE EXPOSURE

Although our reporting currency is the euro, a significant portion of our business is conducted in currencies other than the euro. Since the Group's entities usually conduct their business in their respective functional

currencies, our risk of exchange rate fluctuations from ongoing ordinary operations is not considered significant. However, occasionally we generate foreign-currency-denominated receivables, payables, and other monetary items by transacting in a currency other than the functional currency; to mitigate the extent of the associated foreign currency exchange rate risk, the majority of these transactions are hedged as described in Note (26) to our Consolidated Financial Statements. Also see Notes (3) and (25) for additional information on foreign currencies.

Approximately 69% and 67% of our total revenue 2011 and 2010, respectively, was attributable to operations in non-euro participating countries. As a result, those revenues had to be translated into euros for financial reporting purposes. Fluctuations in the value of the euro had an unfavorable impact on our total revenue of 195 million, profit before tax of 147 million and profit after tax of 123 million for 2011, and had favorable impacts on our total revenue of 705 million, profit before tax of 68 million and profit after tax of 72 million for 2010. For 2009 the euro had favorable impacts on our total revenue of 18 million and our profit after tax of 1 million, whereas the euro had unfavorable impacts on our profit before tax of 12 million. In addition, we held foreign currency options as of December 31, 2011 to partially hedge the cash flow risk from the consideration expected to be paid in U.S. Dollar for the acquisition of SuccessFactors, Inc. For more information see Note (4).

The impact of foreign currency exchange rate fluctuations discussed in the preceding paragraph is calculated by translating current period figures in local currency to euros at the monthly average exchange rate for the corresponding month in the prior year. Our revenue analysis, included within the Operating Results, section of this Item 5, discusses at times increases and decreases due to currency effects, which are calculated in the same manner.

Table of Contents

Part I

Item 5

OUTLOOK

Future Trends in the Global Economy

The European Central Bank (ECB) expects serious structural problems to continue in the advanced economies in 2012. The ECB believes tension on the international financial markets will persist, and hamper recovery. It expects the resilient emerging markets will drive the growth in the global economy. The International Monetary Fund (IMF) projects global economic growth in the middle of the single-digit percentage range in 2012, that is to say, slightly slower than in 2011. It forecasts that the growth rate in the advanced economies will be in the low single-digits, but trending upward. It projects growth in the upper single-digit percentages in the emerging markets.

In the Europe, Middle East, and Africa (EMEA) region, the ECB expects that the economy of the euro area will gradually recover in 2012. The recovery will, it suggests, be supported by solid global demand, very low short-term interest rates, and steps to stabilize the functionality of the financial sector. However, the real economy will be held back somewhat by problematic financial markets and government bond markets in the euro area. In contrast, the Organisation for Economic Co-operation and Development (OECD) expects a mild recession in the euro countries in the first half of 2012. It expects some recovery in the second half, encouraged by government confidence-building measures. According to the ECB, the slow pace of political reform, continuing social unrest, and an uncertain global economy will impede growth and affect overall economic stability in some countries in the Middle East and North Africa in 2012.

In the Americas region, the ECB foresees a slowing of economic recovery in early 2012. The reasons for this include: Slow progress on the U.S. labor market and adverse conditions on the financial markets. The ECB also expects changes in U.S. public spending and finances to hold back growth even further as temporary

reductions in taxes and support for unemployment programs come to an end, although the unemployment situation eased unexpectedly in early 2012. The OECD does not expect the U.S. economy to regain momentum until after 2012.

In the Asia Pacific Japan (APJ) region, divergent trends in Japan and the emerging markets will continue in 2012, says the ECB. The Japanese economy will benefit from growing domestic demand generated by continued reconstruction and more government stimulus programs, but will be held back by easing global demand, the ECB forecasts. The OECD also expects the Japanese economy could already see a slowdown in growth by the second half of the year if government reconstruction measures are not continued. According to the ECB, the emerging markets of Asia will see economic growth losing some momentum in 2012, but growth is still expected to be strong. This is because of the expected turbulence on the financial markets worldwide and weak economies in some of the leading advanced countries, it explains.

The various institutions still expect that their forecasts will be affected by high uncertainty and significant risks. The ECB believes the tensions on the financial markets may become even more problematic. The OECD predicts the sovereign debt crisis in the euro area and fiscal policy issues in the United States may affect global economic growth.

IT Market: The Outlook for 2012

The global IT market will continue to expand in 2012, and it will do so more quickly than the global economy as a whole, according to International Data Corporation (IDC), a market research firm based in the United States.

The rate of growth in the industrialized and emerging economies will again be mixed, IDC expects. IDC believes that in 2012 the IT market will expand only minimally in the industrialized economies but quite substantially in the

Table of Contents

Part I

Item 5

emerging economies – some of which could see double-digit percentage growth. Investment bank Goldman Sachs is more circumspect than IDC in this regard. It predicts that global IT spending will grow much more slowly in 2012 than it did in 2011.

In 2012, analysts identify the greatest market potential in five areas. Cloud computing is expected to move beyond Software as a Service (SaaS). Mobile and mobile apps are flourishing and becoming more important for enterprises. The analytics market is expected to expand, driven by the increasing need for simulations, predictions, and optimization. Databases that can handle high data volumes are becoming strategic and are renewing the relationship between business and information technology. And in the slipstream of these trends, applications will be surging ahead as well.

For its current EMEA region outlook IDC has revised its predictions for 2012 especially for Western Europe. It believes the ongoing debt crisis in the euro area will increasingly impact the economy and that companies will respond by investing less. Consequently, IT market growth in Western Europe will not exceed the low to middle single digit percentages in 2012, IDC forecasts.

Similarly, IDC has revised its outlook for the Americas region, and in particular for the United States compared with previous calculations. It expects the U.S. IT market to expand by a percentage in the middle of the single-digit range: Growth will be slightly slower in the hardware segment, but there will be constant single-digit growth in the software segment, it believes.

Looking at the Asia Pacific Japan region, IDC predicts that IT sales in Japan will continue to recuperate from the impact of the March 2011 earthquake and tsunami. It expects the segment to grow several percent in 2012 with the help of publicly financed reconstruction programs. In the emerging economies of Asia, IDC expects double-digit IT sales growth.

In other words, IDC's worries about the growth of the IT market in 2012 apply chiefly to Western Europe and the United States. IDC believes the risk to be greater there than elsewhere that IT spending might decline. The analysts remain optimistic in their projections and risk analyses for other countries. UBS, a major Swiss bank, views the market prospects and risks for North America in a rather more positive light than those for Western Europe. It believes that the public sector and the financial services industry in those countries may buy fewer IT services than before.

Forecast for SAP

Strategy for Profitable Growth

SAP seeks profitable growth across its portfolio of products and services. Our goal is to double our addressable market to US\$230 billion and increase the number of people who use and benefit from SAP solutions to one billion by 2015. Our ability to deliver software-based innovation and value in target growth areas of applications, analytics, mobile, cloud, and database and technology, positions us favorably in segments of the enterprise market with higher growth than expected global GDP rates. SAP continues to invest and increase its presence and market share in countries experiencing high growth, such as Brazil, China, India, and Russia. At the same time, SAP's combination of a stable, consistent core, together with breakthrough innovations, continues to expand our business in all operating regions, with double-digit growth in each region in 2011.

SAP's ongoing growth depends on our ability to deliver innovative solutions to market and drive ongoing value for our customers. We continue to improve our research and development effectiveness, working in leaner teams to accelerate innovation cycles and engage more closely with our customers. We also are investing in our go-to-market channels to expand capacity and drive greater volume sales, while expanding our technology partner ecosystem to foster co-innovation as a force multiplier in creating new business value for our customers.

Table of Contents

Part I

Item 5

Go-to-Market Investment Delivers Customer Value

SAP goes to market by region, customer segment, and industry. In each region, we concentrate our sales efforts on the fastest-growing markets with the most business potential. We evolve and invest in our go-to-market coverage model to effectively sell industry-specific solutions while increasing our engagement with customers in line-of-business functions (for example, human resources, sales, and marketing) and users of business analytics. We continue to provide companies of any size – small, midsize, and large – with new software purchasing options that align to their specific budgetary, resource and deployment preferences. In 2011, we reached a milestone of more than 1,000 companies running SAP Business ByDesign, which small businesses and midsize companies can use as a cloud-based platform. In addition, we introduced new cloud-solutions for large enterprises built on SAP Business ByDesign.

Greater Volume and Co-Innovation Through an Open Ecosystem

SAP continues to engage an expanding partner ecosystem to increase market coverage, enhance our solutions portfolio, and spur innovation. SAP and its vibrant partner ecosystem offer greater choice and business value through the power of co-innovation, appealing to customers that want to avoid being “locked in” to a single vendor. SAP channel partners offer customers knowledgeable local delivery of solutions across industries and geographies. In 2011, SAP continued to substantially increase the share of our software revenue that we generate through indirect channels. SAP technology partners continue to drive our research agenda, enhance the SAP solution portfolio, and monetize new technology breakthroughs.

Organic Growth and Targeted Acquisitions

Organic growth remains the primary driver of SAP’s strategy. We continue to invest in our own product development and technology innovation, improving the speed, number of projects, and innovations brought to market. Our open ecosystem strategy enables us to leverage the innovative potential of our partners to drive customer value. We also will continue to acquire targeted, strategic, and “fill-in” technology to add to our broad solution offerings and improve our coverage in key strategic markets to best support our customers’ needs. On that front, we will be concentrating on the SuccessFactors acquisition and thus expanding our cloud business in 2012.

Operational Targets for 2012 (Non-IFRS)**Revenue and Operating Profit Outlook**

In light of our continuing focus on the cloud business and considering our recent acquisition of SuccessFactors, we are widening the range of revenues for which acquisition-related deferred revenue write downs are adjusted for in determining our non-IFRS revenue and profit numbers. We continue to adjust for deferred revenue write downs, i.e. for revenues that would have been recognized had the acquired entities remained stand-alone entities but that we are not permitted to recognize as revenue under IFRS as a result of business combination accounting rules. However, in the definitions of our non-IFRS measures used through 2011, such adjustments for deferred revenue write downs were limited to support revenue. From 2012 onwards, we will additionally make such deferred revenue write down adjustments for cloud subscription revenue and other similarly recurring revenues. All other non-IFRS measures will remain unchanged. As the deferred revenue write-down adjustments for recurring revenues other than support revenue from acquisitions that were executed through 2011 were immaterial, we do not restate prior period non-IFRS measures to align with the new definition.

Table of Contents

Part I

Item 5

The Executive Board is providing the following outlook for the full-year 2012 from today's perspective:

We expect full-year 2012 non-IFRS software and software-related service revenue to increase in a range of 10% to 12% at constant currencies (2011: 11.35 billion). This includes a contribution of up to 2 percentage points from SuccessFactors' business.

We expect full-year 2012 non-IFRS operating profit to be in a range of 5.05 billion to 5.25 billion at constant currencies (2011: 4.71 billion). Full-year 2012 non-IFRS operating profit excluding SuccessFactors is expected to be in a similar range.

We project a full-year 2012 IFRS effective tax rate of 26.5% to 27.5% (2011: 27.9%) and a non-IFRS effective tax rate of 27.0% to 28.0% (2011: 26.6%).

The growth we expect in software and software-related service revenue (non-IFRS) is based on our expectation of double-digit growth, at constant currencies, in our software revenue. The increase we expect in non-IFRS operating profit is based on the expectation that the operating margin, not including the SuccessFactors acquisition, will increase by 50 basis points due to increased total revenue and efficiency gains.

We present the following reconciliation from our 2011 IFRS software and software-related service revenue, IFRS total revenue, IFRS operating profit, and IFRS operating margin to the non-IFRS equivalents to facilitate comparison between IFRS numbers and the non-IFRS numbers in our 2012 outlook:

Reconciliations of IFRS to Non-IFRS Numbers for 2011

millions, unless otherwise stated	IFRS Financial Measure	Support Revenue Not Recorded Under IFRS	Operating Expenses ¹⁾	Discontinued Activities ³⁾	Non-IFRS Financial Measure
Software and software-related service revenue	11,319	27	N/A	N/A	11,346
Total revenue ²⁾	14,233	27	N/A	N/A	14,260
Operating profit ²⁾	4,881	27	519	717	4,710
Operating margin in %	34.3	0.1	3.6	5.0	33.0

¹⁾ Included in operating expenses are acquisition-related charges, share-based payment expenses, and restructuring charges.

²⁾ These financial measures are the numerator or the denominator in the calculation of our IFRS and non-IFRS operating margin, and are included in this table for transparency.

³⁾ The discontinued activities include the results of our discontinued TomorrowNow business.

Goals for Liquidity and Finance

We seek to maintain a positive net liquidity position at the end of 2012. We intend to reduce our financial debt as and when the debt falls due. We will consider issuing new debt, such as

bonds or U.S. private placements, only if market conditions are advantageous. Depending on the level of net liquidity we seek to achieve, we intend to continue to consider repurchasing shares for treasury in the future, but not before the fourth quarter of 2012.

Table of Contents

Part I

Item 5

Investment Goals

Excepting acquisitions, our planned capital expenditures for 2012 will be covered in full by operating cash flow and will chiefly be spent on new information technology.

As part of our growth and innovation strategy, we plan to invest around US\$2 billion in China by 2015. This demonstrates our long-term strategic commitment to China, the world's second largest economy. We have successfully grown our business in China over the past 20 years and now want to scale our operations to fully meet the needs of both enterprises and our ecosystem. Our SAP Labs and SAP Research facilities there will continue to drive innovation for our Chinese customer base. We will also create more research and development facilities, and hire the best people to work for us. Our objective is to help drive sustainable growth in China through informatization.

SAP continues to invest and increase its presence and market share in countries experiencing high growth. For example, at the end of 2011 we increased our sales forces in such countries. We have also opened a nearshore delivery center in Romania, and are looking to hire 400 consultants in that country by 2014. We intend to invest between \$30 million and \$40 million into the center, which is the overall investment that will go into training programs for employees and the cost of the headquarters. Further, we have decided to set up a new nearshore services center in Portugal, which we expect to be operational in the first half of 2012. The new services center will create 100 new jobs in 2012. These nearshore centers will be SAP's first units of this kind, working with clients across Europe, the Middle East, and Africa (EMEA).

Proposed Dividend

We plan to continue our dividend policy, which is that the payout ratio should be approximately 30% excluding the TomorrowNow litigation effect in the calculation. This results in a dividend of

0.75 per share representing a payout ratio of 30% excluding the TomorrowNow litigation effect from the calculation.

In addition, we propose to reward our shareholders with a special dividend of \$0.35 per share due to the 40th anniversary of SAP.

If the Annual General Meeting of Shareholders so resolves, we will therefore increase the dividend from \$0.60 to \$1.10 per share in 2012.

Premises on Which our Outlook is Based

In preparing our outlook guidance, we have taken into account all events known to us at the time we prepared this report that could influence SAP's business going forward.

Among the premises on which this outlook is based are those presented concerning economic development and our expectation that we will not benefit from any effects in 2012 from a major acquisition, without regard to the acquisition of SuccessFactors.

Medium-Term Prospects

We expect our business, our revenue, and our profit to grow, assuming there is a sustained recovery in the global economy. Our strategy is to increase software and software-related service revenue and our operating margin through greater efficiency across all sales channels, services, our support infrastructure, and research and development.

From today's perspective we are aiming to increase our revenue to more than \$20 billion by 2015. In the same period, we aim to widen our non-IFRS operating margin to 35%.

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To achieve these goals, we want to further strengthen our position in our five market categories and have one billion users by 2015.

We want to extend our leadership in the applications segment.

We want to extend our market share in analytics.

Table of Contents

Part I