# Fourth-Quarter and Full-Year 2008
## Preliminary Results Release

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Frankfurt, Germany
January 28, 2009

THE BEST-RUN BUSINESSES RUN SAP

# Safe Harbor Statement

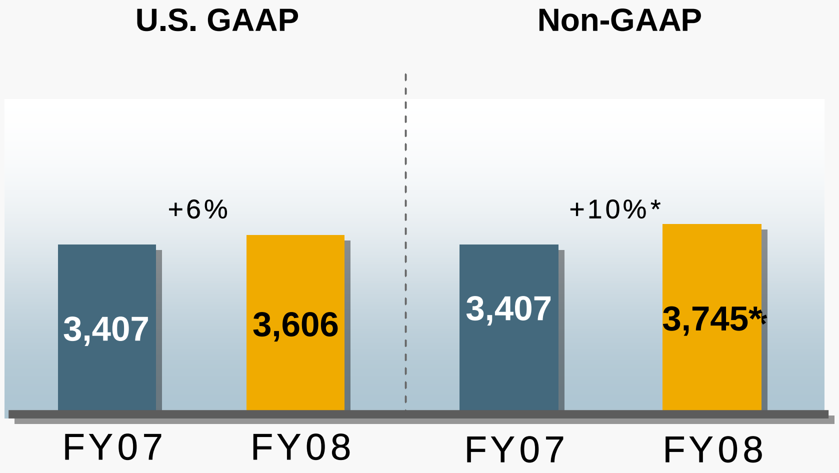
Any statements contained in this document that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “project,” “predict,” “should” and “will” and similar expressions as they relate to SAP are intended to identify such forward-looking statements. SAP undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect SAP’s future financial results are discussed more fully in SAP’s filings with the U.S. Securities and Exchange Commission (“SEC”), including SAP’s most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates.

# Agenda

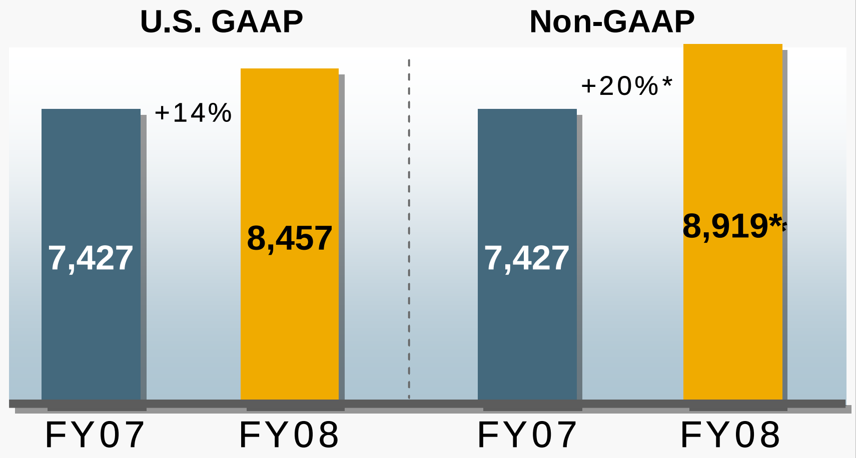
1. **Full-Year 2008 Financial Highlights at a Glance**
2. Income Statement Analysis
3. Balance Sheet and Cash Flow Analysis
4. Headcount Analysis
5. Outlook 2009

# Full-Year 2008 Financial Highlights
## U.S. GAAP and Non-GAAP

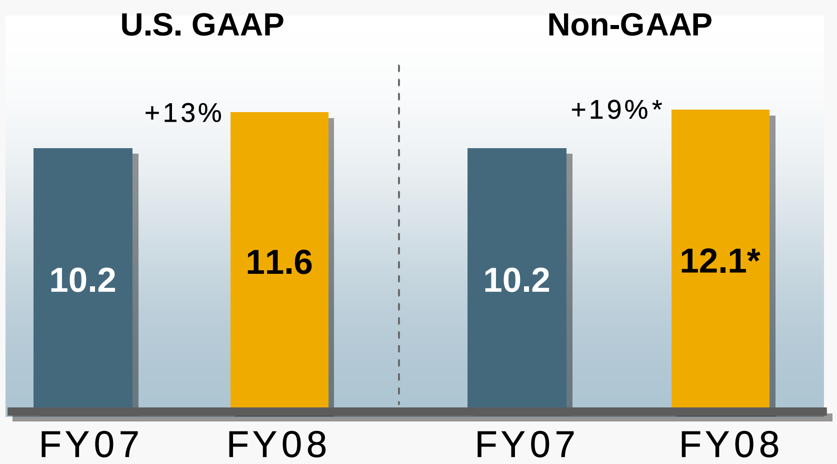
### Software Revenue (€ mill.)




### SW & SW-Related Serv. Revenue (€ mill.)

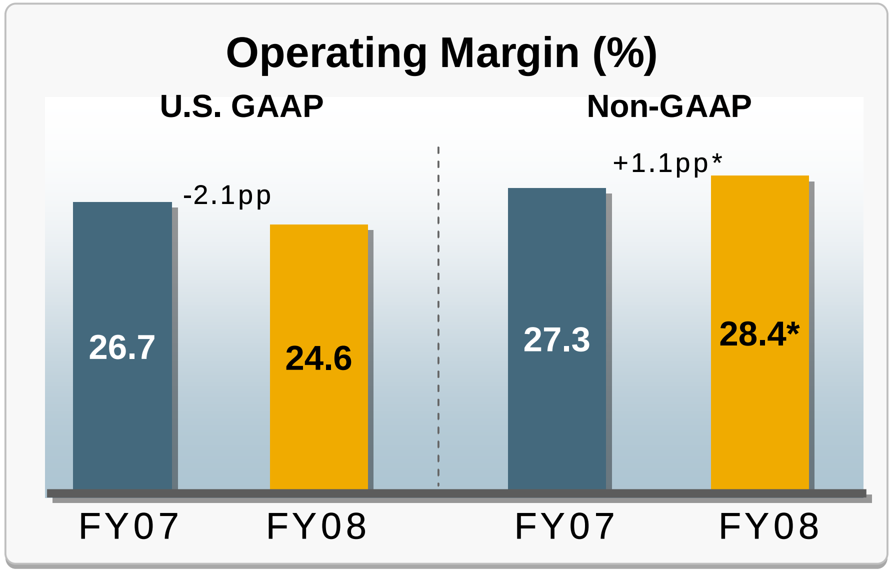


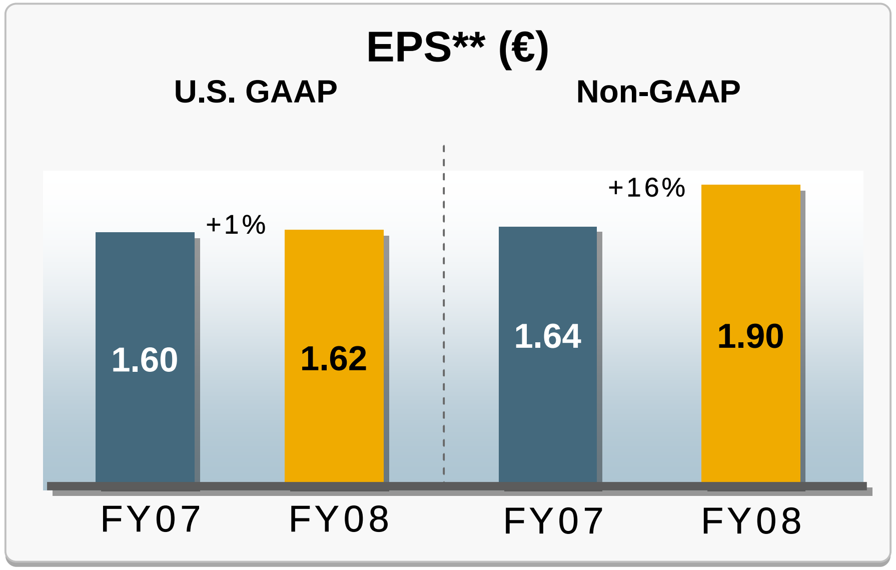

### Total Revenue (€bn)

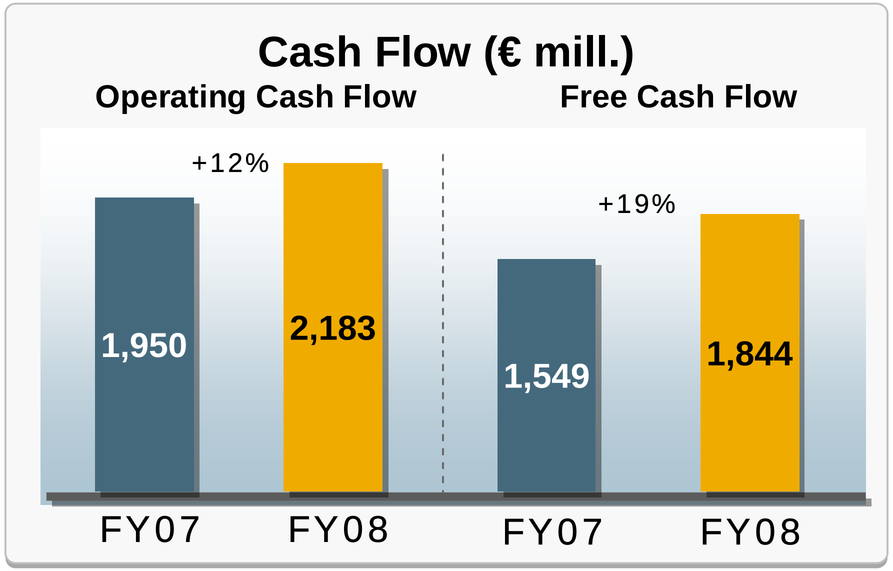



*at constant currencies (according to guidance format)

# Full-Year 2008 Financial Highlights
## U.S. GAAP and Non-GAAP




*at constant currencies (according to guidance format)
** EPS from continuing operations; basic

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# Income Statement Overview
## Full-Year 2008 (U.S. GAAP and Non-GAAP)

| € millions | U.S. GAAP FY 2008 | U.S. GAAP FY 2007 | U.S. GAAP % change | Non-GAAP FY 2008 | Non-GAAP FY 2007 | Non-GAAP % change | % change constant currency* |
|---|---|---|---|---|---|---|---|
| Software revenues | **3,606** | 3,407 | 6 | **3,606** | 3,407 | 6 | **10** |
| Software and software-related service revenues | **8,457** | 7,427 | 14 | **8,623** | 7,427 | 16 | **20** |
| Total revenues | **11,567** | 10,242 | 13 | **11,733** | 10,242 | 15 | **19** |
| Operating income | **2,842** | 2,732 | 4 | **3,305** | 2,793 | 18 | **24** |
| Operating margin (%) | **24.6** | 26.7 | -2.1pp | **28.2** | 27.3 | 0.9pp | **1.1pp** |
| Income from continuing operations | **1,925** | 1,934 | 0 | **2,266** | 1,975 | 15 | _ |
| Net income | **1,888** | 1,919 | -2 | **2,229** | 1,960 | 14 | _ |
| Basic EPS from cont. operations (€) | **1.62** | 1.60 | 1 | **1.90** | 1.64 | 16 | _ |

* % currency adjusted – actuals 2008 converted with the exchange rates of 2007

# Non-GAAP Revenue Numbers
## Full-Year 2008

| | FY 2008 € millions | FY 2008* € millions | FY 2007 € millions | ∆ % | ∆ % constant currency* |
|---|---|---|---|---|---|
| Software revenue | 3,606 | 3,745 | 3,407 | 6 | 10 |
| Support revenue | 4,759 | 4,914 | 3,838 | 24 | 28 |
| Subscriptions & other software-rel. serv. revenue | 258 | 260 | 182 | 42 | 43 |
| **SW & SW-related service revenue** | **8,623** | **8,919** | **7,427** | **16** | **20** |
| Consulting revenue | 2,500 | 2,592 | 2,221 | 13 | 17 |
| Training revenue | 434 | 452 | 410 | 6 | 10 |
| Other services revenue | 106 | 111 | 113 | -6 | -2 |
| **Professional services revenue** | **3,040** | **3,155** | **2,744** | **11** | **15** |
| **Other revenue** | **70** | **72** | **71** | **-1** | **1** |
| **Total revenue** | **11,733** | **12,146** | **10,242** | **15** | **19** |

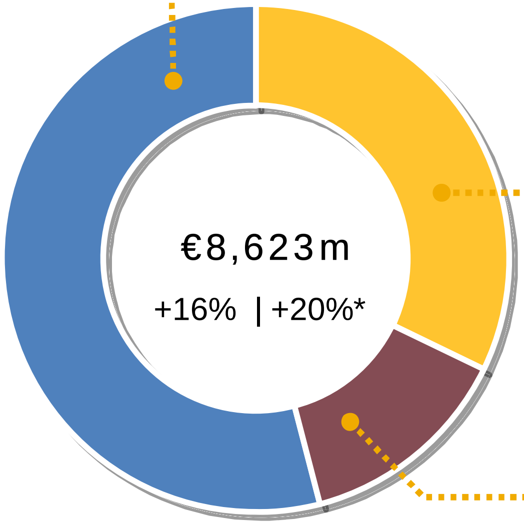
* % currency adjusted – actuals 2008 converted with the exchange rates of 2007

# Non-GAAP Revenue Breakdown by Region**

## Full-Year 2008

**€ millions | yoy percent change | yoy percent constant currency change**

### Software and software-related service revenue by region**




EMEA

4,640 | +17% | +19%*

**of which Germany**
1,519 | +6% | +6%*

**of which rest of EMEA**
3,121 | +23% | +27%*

Americas

2,814 | +13% | +20%*

**of which U.S.**
2,060 | +12% | +19%*

**of which rest of Americas**
754 | +15% | +21%*

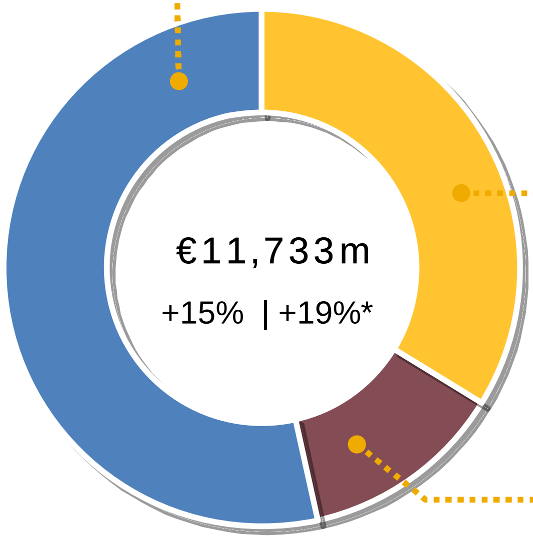
APJ

1,168 | +22% | +24%*

**of which Japan**
413 | +21% | +12%*

**of which rest of APJ**
755 | +22% | +31%*

### Total revenue by region**




EMEA

6,271 | +16% | +19%*

**of which Germany**
2,198 | +10% | +10%*

**of which rest of EMEA**
4,073 | +20% | +24%*

Americas

3,962 | +11% | +18%*

**of which U.S.**
2,966| +10% | +17%*

**of which rest of Americas**
996 | +14% | +20%*

APJ

1,499 | +18% | +20%*

**of which Japan**
518 | +16% | +7%*

**of which rest of APJ**
981 | +18% | +27%*

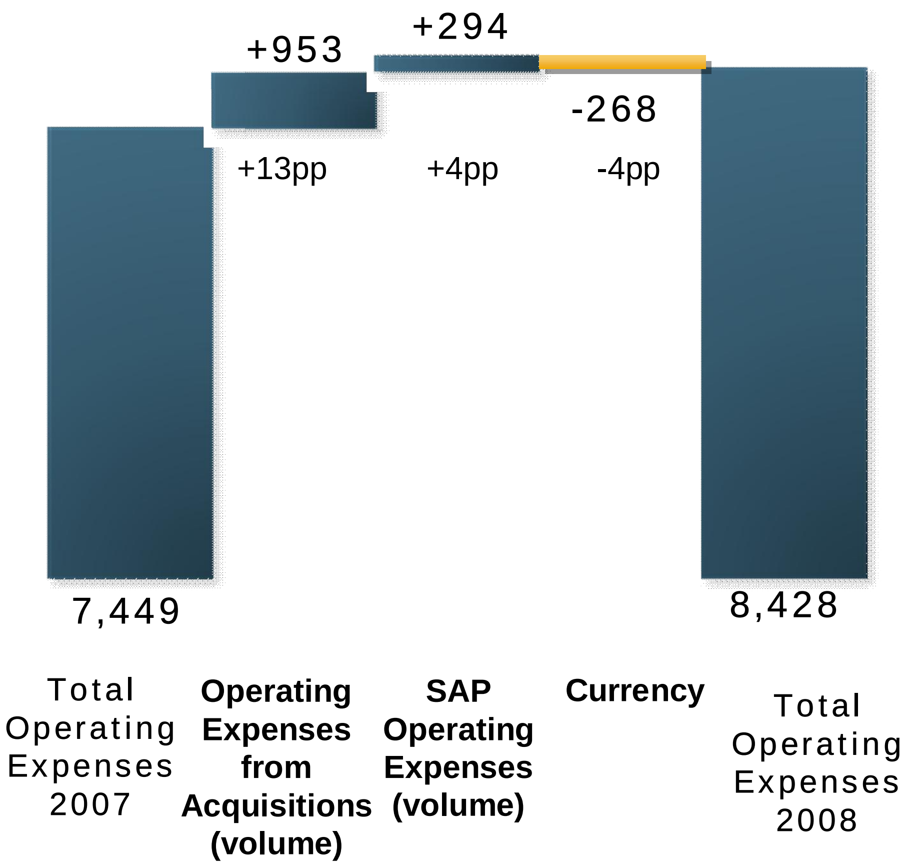
* % currency adjusted – actuals 2008 converted with the exchange rates of 2007 / ** by location of customers

# Non-GAAP Operating Expenses
## Full-Year & Fourth Quarter 2008

€ millions

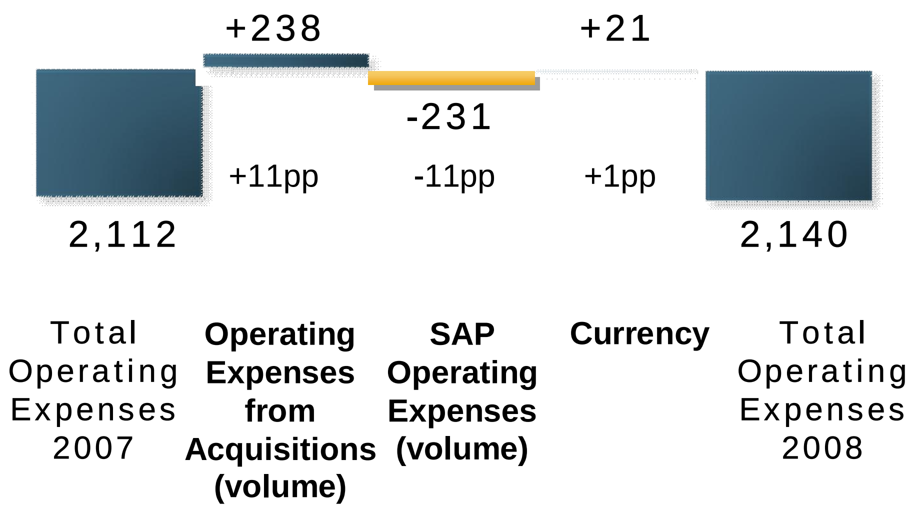
### Full-Year

**Total Operating Expenses: +13%**




### Fourth Quarter

**Total Operating Expenses: +1%**




**Fourth quarter was positively impacted by:**

- Expense saving measures
- Impact of equity program
- Variable compensation

→ **Not all effects are sustainable throughout 2009**

# Non-GAAP Net Income, EPS and Key Ratios
## Full-Year 2008

| | FY 2008 € millions | FY 2007 € millions | Δ% | Δ% constant currency* |
|---|---|---|---|---|
| **Operating income** | **3,305** | **2,793** | **18** | **24** |
| Other non-operating income/expense, net | -25 | 1 | N/A | |
| Financial income/expense, net | -63 | 124 | N/A | |
| **Income from continuing operations before income taxes** | **3,217** | **2,918** | **10** | |
| Income taxes | -950 | -941 | 1 | |
| **Income from continuing operations** | **2,266** | **1,975** | **15** | |
| **Net income** | **2,229** | **1,960** | **14** | |

| | FY 2008 | FY 2007 | Δ% | Δ% constant currency* |
|---|---|---|---|---|
| **EPS from continuing operations – basic in €** | **1.90** | **1.64** | **16** | |
| **EPS from net income – basic in €** | **1.87** | **1.62** | **15** | |
| | | | | |
| **Operating margin** | **28.2%** | **27.3%** | **0.9pp** | **1.1pp** |
| **Effective tax rate from continuing operations** | **29.5%** | **32.2%** | **-2.7pp** | |



* % currency adjusted – actuals 2008 converted with the exchange rates of 2007

# Gross Margin Analysis
## Full-Year 2008 (U.S. GAAP and Non-GAAP)

| | U.S. GAAP | | | Non-GAAP | | |
|---|---|---|---|---|---|---|
| | FY 2008 € millions | FY 2007 € millions | Δ % | FY 2008 € millions | FY 2007 € millions | Δ % |
| SW & SW-related service revenue | 8,457 | 7,427 | 14 | 8,623 | 7,427 | 16 |
| SW & SW-related service cost | -1,646 | -1,310 | 26 | -1,453 | -1,257 | 16 |
| **- SW & SW-related serv. margin in %** | **80.5** | **82.4** | **-1.9pp** | **83.2** | **83.1** | **0.1pp** |
| Professional service and other service revenue | 3,040 | 2,744 | 11 | 3,040 | 2,744 | 11 |
| Professional serv. and other serv. cost | -2,297 | -2,091 | 10 | -2,297 | -2,089 | 10 |
| **- Professional serv. gross margin in %** | **24.4** | **23.8** | **0.6pp** | **24.4** | **23.9** | **0.5pp** |
| SW & SW-related service, professional serv. and other serv. revenue | 11,497 | 10,171 | 13 | 11,663 | 10,171 | 15 |
| SW & SW-related service, professional serv. and other serv. costs | -3,943 | -3,401 | 16 | -3,750 | -3,346 | 12 |
| **- Gross margin in %** | **65.7** | **66.6** | **-0.9pp** | **67.9** | **67.1** | **0.8pp** |

# Cost Analysis
## Full-Year 2008 (U.S. GAAP and Non-GAAP)

| | U.S. GAAP | | | Non-GAAP | | |
|---|---|---|---|---|---|---|
| | FY 2008 € millions | FY 2007 € millions | Δ% | FY 2008 € millions | FY 2007 € millions | Δ% |
| Research and development | -1,631 | -1,458 | 12 | -1,614 | -1,458 | 11 |
| **- as % of total revenue** | **14.1** | **14.2** | **-0.1pp** | **13.8** | **14.2** | **-0.4pp** |
| Sales and marketing | -2,541 | -2,162 | 18 | -2,455 | -2,156 | 14 |
| **- as % of total revenue** | **22.0** | **21.1** | **0.9pp** | **20.9** | **21.1** | **-0.2pp** |
| General and administration | -622 | -506 | 23 | -621 | -506 | 23 |
| **- as % of total revenue** | **5.4** | **4.9** | **0.5pp** | **5.3** | **4.9** | **0.4pp** |
| Other operating income/expenses | 12 | 17 | -29 | 12 | 17 | -29 |
| **Total operating expenses** | **-8,725** | **-7,510** | **16** | **-8,428** | **-7,449** | **13** |

# Non-GAAP Gross Margin and Cost Ratios

## Fourth Quarter & Full-Year 2008

| Non-GAAP Gross Margin | FY 2008 | H1 2008 | H2 2008 | Q4 2008 |
|---|---|---|---|---|
| SW & SW-related service margin | 83.2% | 82.2% | 83.9% | 84.1% |
| Professional serv. gross margin | 24.4% | 22.6% | 26.2% | 30.0% |
| Gross margin | 67.9% | 65.8% | 69.6% | 71.6% |

| Non-GAAP Cost Ratios | FY 2008 | H1 2008 | H2 2008 | Q4 2008 |
|---|---|---|---|---|
| R&D as % of total revenue | 13.8% | 15.2% | 12.5% | 11.3% |
| S&M as % of total revenue | 20.9% | 22.8% | 19.3% | 17.3% |
| G&A as % of total revenue | 5.3% | 5.9% | 4.7% | 4.1% |

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# Balance Sheet Details
## Full-Year 2008 (U.S. GAAP)

### Assets

| € millions | 12/31/08 | 12/31/07 |
|---|---|---|
| Cash and cash equivalents, short-term investments* | 1,662 | 2,756 |
| Accounts receivables, net | 3,141 | 2,895 |
| Other current assets | 863 | 757 |
| **Current assets** | **5,666** | **6,408** |
| Goodwill | 5,007 | 1,423 |
| Intangible assets, net | 1,127 | 403 |
| Property, plant and equipment, net | 1,405 | 1,316 |
| Other noncurrent assets | 878 | 816 |
| **Noncurrent assets** | **8,417** | **3,958** |
| Total assets | 14,083 | 10,366 |

### Shareholders' Equity & Liabilities

| € millions | 12/31/08 | 12/31/07 |
|---|---|---|
| Debt | 2,321 | 27 |
| Other liabilities | 2,759 | 2,695 |
| Deferred income | 624 | 477 |
| **Current liabilities** | **5,704** | **3,199** |
| Income tax obligations | 283 | 90 |
| Provisions | 518 | 369 |
| Other noncurr. liabilities | 322 | 204 |
| **Noncurrent liabilities** | **1,123** | **663** |
| **Total liabilities** | **6,827** | **3,862** |
| **Minority interests** | **2** | **1** |
| **Shareholders‘ equity** | **7,254** | **6,503** |
| Total shareholders‘ equity & liability | 14,083 | 10,366 |



* incl. restricted cash

# Balance Sheet & Cash Flow Analysis

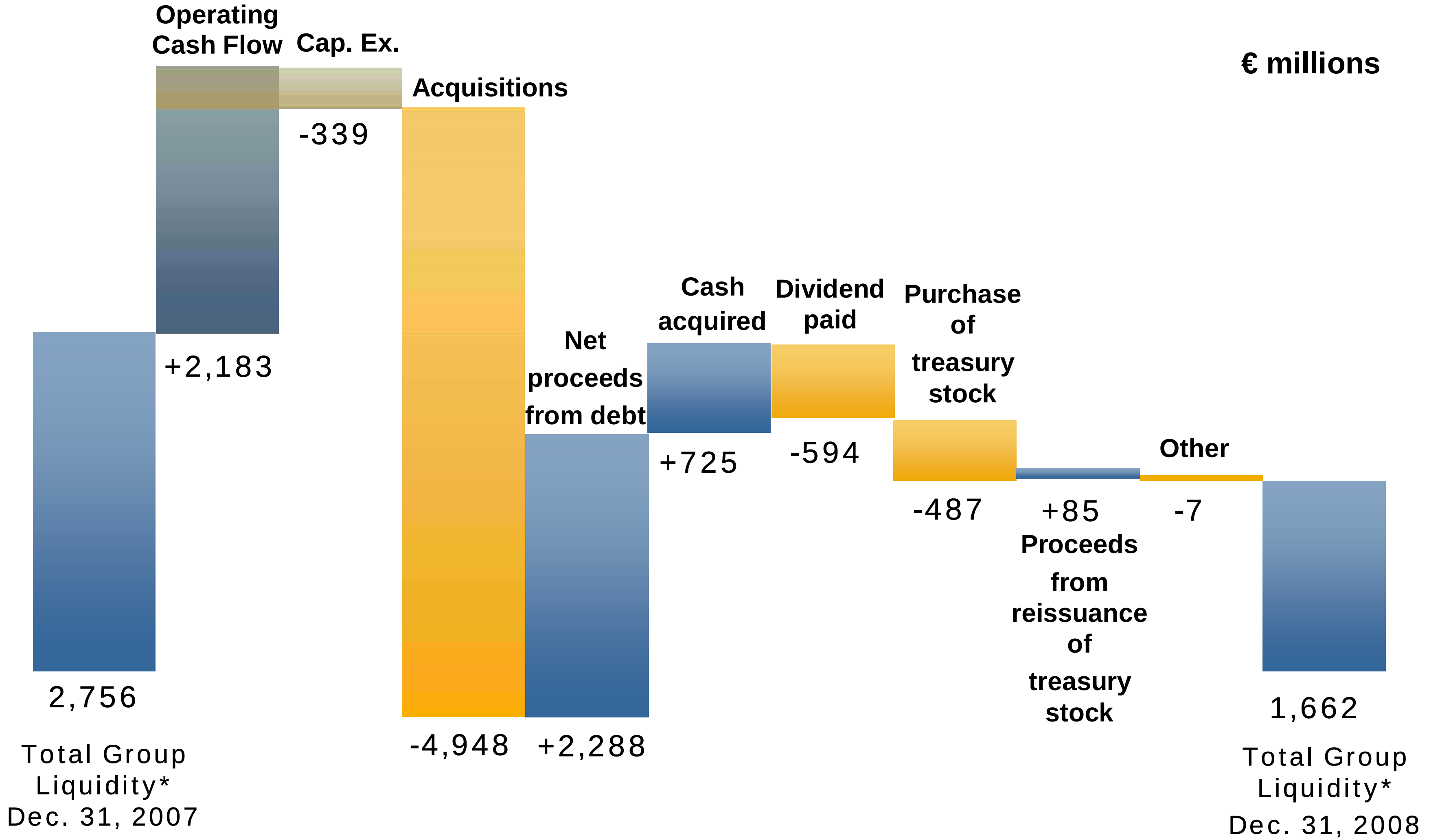
## Full-Year 2008 (U.S. GAAP)

| | 12/31/08 | 12/31/07 | ∆ |
|---|---|---|---|
| Net liquidity (€ millions) | -659 | 2,729 | -3,388 |
| Days sales outstanding (DSO) | 71 days | 66 days | +5 days |
| Equity ratio | 52% | 63% | -11pp |

| | FY 2008 € millions | FY 2007 € millions | ∆ % |
|---|---|---|---|
| Operating cash flow | 2,183 | 1,950 | +12 |
| – Cash conversion rate | 116% | 102% | +14pp |

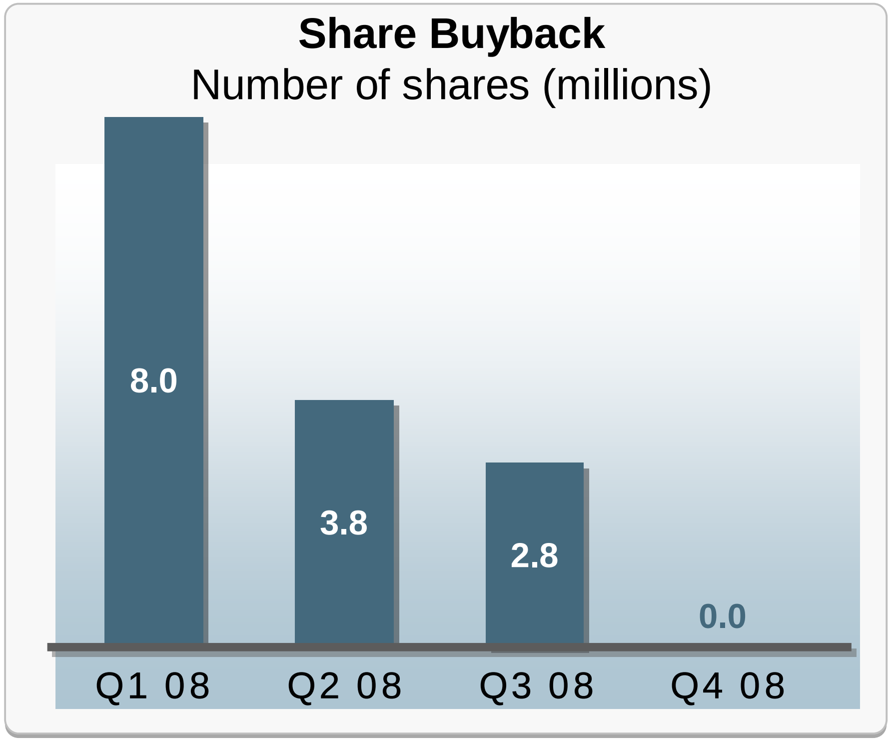
| | FY 2008 € millions | FY 2007 € millions | ∆ % |
|---|---|---|---|
| Operating cash flow | 2,183 | 1,950 | +12 |
| – Capital expenditure | -339 | -401 | -15 |
| Free cash flow | 1,844 | 1,549 | +19 |
| Free cash flow as a % of total revenue | 16 | 15 | +1pp |

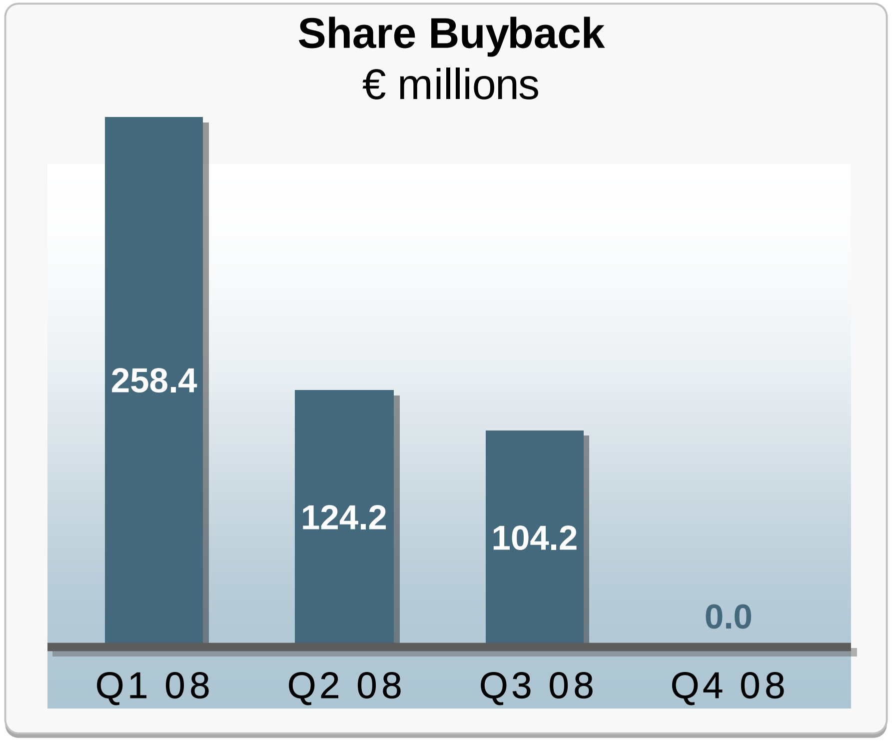
# Development of Total Group Liquidity*
## Full-Year 2008 (Gross Liquidity)




* Total Group Liquidity = Cash and Cash Equivalents + Restricted Cash + Short-term investments

# 2008 Share Buyback Activities




- In 2008, SAP bought back 14.6 million shares for a total amount of €486.8m
- At December 31, 2008, the Company held treasury stock in the amount of ~38.5 million shares at an average price of €35.43
- The weighted average number of shares outstanding compared to 2007 came down by 16.8m to 1,191m shares

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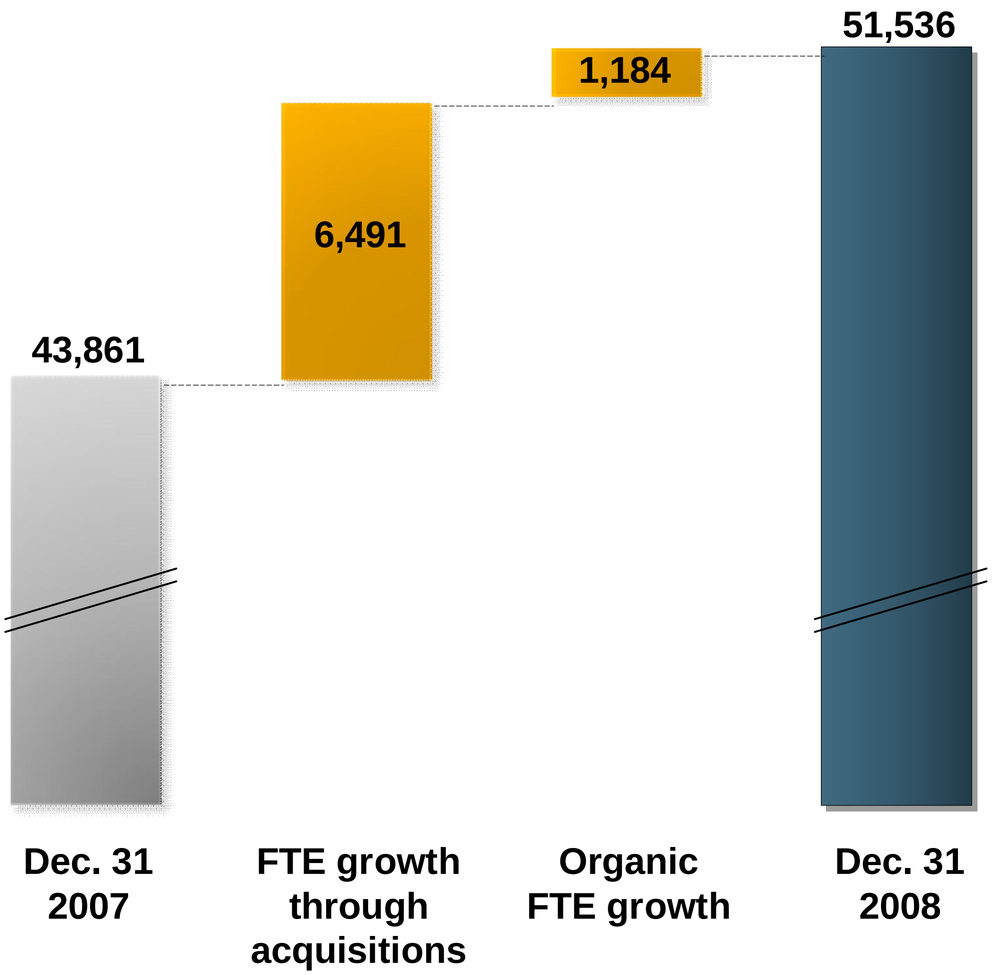
# Headcount* Growth – Organic and via Acquisitions
## Continuing Operations Only – Full-Year 2008




### Acquisitions

| | |
|---|---|
| Business Objects | 6,224 |
| Other acquisitions | 267 |
| Total | 6,491 |

### Organic Headcount Growth by Quarter

| | |
|---|---|
| Q1 | 1,194 |
| Q2 | 173 |
| Q3 | 144 |
| Q4 | -327 |
| Total | 1,184 |

* full-time equivalents

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# Outlook 2009

## Business Environment and Cost Containment Measures for 2009

**The Company expects the 2009 operating environment to remain challenging. In addition, 2009 will no longer include the positive effects from the acquisition of Business Objects, and the 2009 first-half results will be a difficult comparison to the strong results reported in the first half of 2008, which was prior to the economic crisis that disrupted the global markets in the third quarter of 2008.**

The 2009 Outlook includes the financial impact of the following measures:

1) **Continued tight cost control on all variable expenses (especially related to 3rd party spending) and capital expenditure**

2) **Salary freeze for 2009**

3) **Reduction of workforce globally to 48,500 positions by year-end 2009, taking full advantage of attrition as a factor in reaching this goal**

# Outlook 2009

- **Due to the continued uncertainty surrounding the economic and business environment, the Company will not provide a specific outlook for software and software-related service revenues for the full-year 2009. The Company expects its full-year 2009 Non-GAAP operating margin, which excludes a non-recurring deferred support revenue write-down from the acquisition of Business Objects of approximately €9 million and acquisition-related charges, to be in the range of 24.5% – 25.5% at constant currencies. This includes one-time restructuring charges between €200 million to €300 million expected to result from the reduction of the workforce, which negatively impacts the Non-GAAP operating margin outlook by approximately 2 - 3 percentage points. The 2009 Non-GAAP operating margin outlook is based on the assumption that 2009 Non-GAAP software and software-related service revenues, which exclude a non-recurring deferred support revenue write-down from the acquisition of Business Objects, will be flat to a decline of 1% at constant currencies (2008: €8.623 billion)**

- **The Company projects an effective tax rate of 29.5% - 30.5% (based on U.S. GAAP income from continuing operations) for 2009 (2008: 30.1%)**

# Information on SAP's Financial Reporting Framework

## Since 2007, SAP prepared consolidated financial statements under both U.S. GAAP and IFRS

- IFRS has been mandatory for SAP since 2007 but focus of communication has continued to be based on US GAAP and non-GAAP numbers
- The U.S. has allowed foreign filers to file IFRS since 2007 and has proposed a roadmap to help migrate U.S. filers to IFRS by 2014. However, SAP has voluntarily also provided U.S. GAAP
- At SAP, differences between U.S. GAAP and IFRS have not been significant (e.g. no differences in revenue recognition)

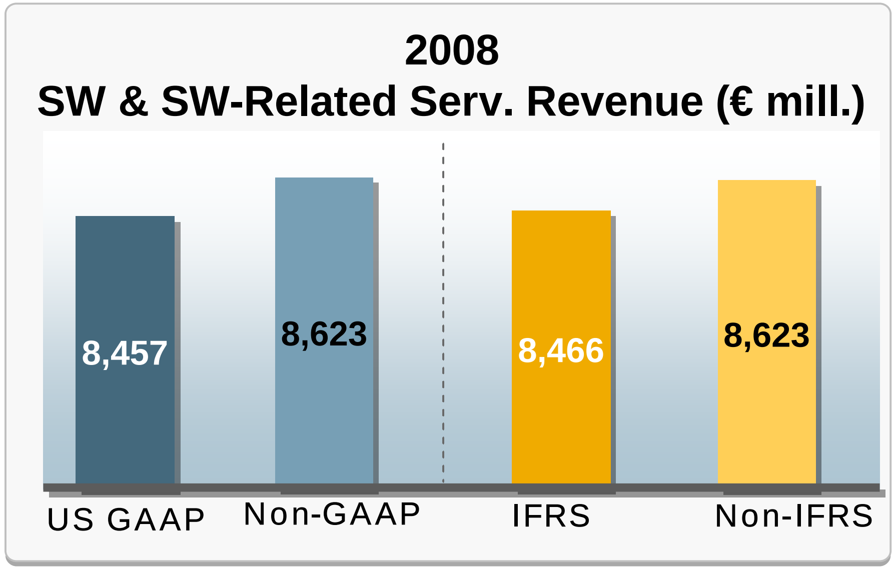
## During 2009, SAP will continue to report its financials according to both IFRS and U.S. GAAP

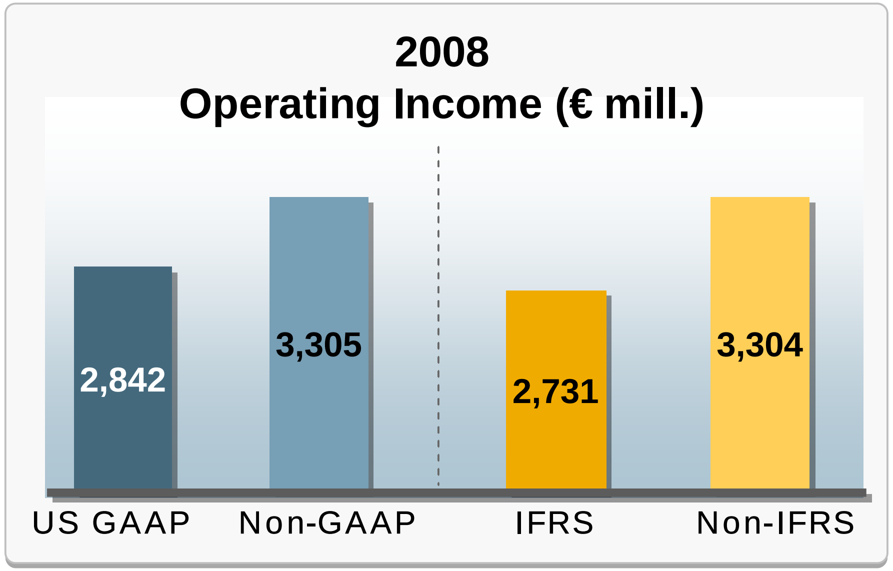
- All quarterly earnings press releases and quarterly reports (Q1-Q4 2009) will provide both U.S. GAAP and IFRS financial information
- Communication (e.g. business outlook) will be based on Non-GAAP numbers derived from U.S. GAAP numbers
- Press release for Q4 2009 will be the last document providing U.S. GAAP financials
  => SAP annual report as well as the SAP annual report on Form 20-F for fiscal year 2009 will only provide IFRS financials

## Beginning of 2010, SAP will change its reporting standards to IFRS only

- All financial information and communication (e.g. business outlook) will be based on IFRS numbers and Non-IFRS numbers

# U.S. GAAP/Non-GAAP versus IFRS/Non-IFRS




## Revenues

- Small differences between US GAAP and IFRS
  - Presentation of Tomorrow Now as discontinued operations only under US GAAP
- Non-IFRS revenue is adjusted for these discontinued operations
  => No difference between Non-GAAP and Non-IFRS revenue

## Operating Income

- Small differences between US GAAP and IFRS, including
  - Discontinued Operations (see above)
  - Differences in accounting for certain acquisition related charges
- Non-IFRS operating income is adjusted for these discontinued operations and (like Non-GAAP) for acquisition related charges
  => Non-GAAP and Non-IFRS operating income are nearly identical.

**Note:**
There may be more significant US GAAP / IFRS resp. Non-GAAP / Non-IFRS differences in future periods but such differences are not expected to be material

# APPENDIX

# Reconciliation from SAP's U.S. GAAP and Non-GAAP to SAP's IFRS and Non-IFRS Numbers

| € millions, unless otherwise stated | Twelve months ended December 31 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | | | 2007 | | | % change | |
| | U.S. GAAP | IFRS vs. U.S. GAAP Diff. | IFRS | U.S. GAAP | IFRS vs. U.S. GAAP Diff. | IFRS | U.S. GAAP | IFRS |
| ***Non-GAAP / Non-IFRS Revenue*** | | | | | | | | |
| U.S.GAAP / IFRS software and software-related service revenue | 8,457 | 9 | 8,466 | 7,427 | 14 | 7,441 | 14% | 14% |
| Discontinued operations* | 0 | -9 | -9 | 0 | -14 | -14 | | |
| Deferred revenue write-down** | 166 | 0 | 166 | 0 | 0 | 0 | | |
| Non-GAAP / Non-IFRS software and software-related service revenue | 8,623 | 0 | 8,623 | 7,427 | 0 | 7,427 | 16% | 16% |
| U.S.GAAP / IFRS total revenue | 11,567 | 10 | 11,577 | 10,242 | 14 | 10,256 | 13% | 13% |
| Discontinued operations* | 0 | -10 | -10 | 0 | -14 | -14 | | |
| Deferred revenue write-down** | 166 | 0 | 166 | 0 | 0 | 0 | | |
| Non-GAAP / Non-IFRS total revenue | 11,733 | 0 | 11,733 | 10,242 | 0 | 10,242 | 15% | 15% |
| ***Non-GAAP / Non-IFRS Operating Income*** | | | | | | | | |
| U.S.GAAP / IFRS operating income | 2,842 | -111 | 2,731 | 2,732 | -34 | 2,698 | 4% | 1% |
| Discontinued operations* | 0 | 71 | 71 | 0 | 31 | 31 | | |
| Deferred revenue write-down** | 166 | 0 | 166 | 0 | 0 | 0 | | |
| Acquisition related charges*** | 297 | 39 | 336 | 61 | 1 | 62 | | |
| Non-GAAP / Non-IFRS operating income | 3,305 | -1 | 3,304 | 2,793 | -2 | 2,791 | 18% | 18% |
| ***Non-GAAP / Non-IFRS Operating Margin*** | | | | | | | | |
| U.S.GAAP / IFRS operating margin | 24.6% | | 23.6% | 26.7% | | 26.3% | -2.1pp | -2.7pp |
| Non-GAAP / Non-IFRS operating margin | 28.2% | | 28.2% | 27.3% | | 27.3% | 0.9pp | 0.9pp |

* adjustments are for the discontinued operations of the Tomorrow Now entities which do not qualify for seperate presentation under IFRS. The adjustment differs from the result from discontinued operations under U.S.GAAP due to differences in the valuation of accrued liabilities.
** adjustments are for the Business Objects support revenue that Business Objects would have recognized had it remained a stand-alone entity but that SAP is not permitted to recognize as revenue under both U.S. GAAP and IFRS as a result of business combination accounting rules. See section "Explanation of Non-IFRS Measures" for details.
*** adjustments are for the effects of restructuring accruals (Non-IFRS), in-process R&D (Non-GAAP), amortization of intangibles identified as part of a purchase price allocation (Non-GAAP and IFRS). See section "Explanation of Non-IFRS Measures" for details.

# Explanation of Non-GAAP Measures (1/5)

This document discloses certain financial measures, such as non-GAAP revenues, non-GAAP expenses, non-GAAP operating income, non-GAAP operating margin, non-GAAP net income, non-GAAP earnings per share, free cash flow, constant currency revenue and operating income measures as well as U.S. dollar based revenue numbers that are not prepared in accordance with U.S. GAAP and are therefore considered non-GAAP financial measures. Our non-GAAP financial measures may not correspond to non-GAAP financial measures that other companies report. The non-GAAP financial measures that we report should be considered as additional to, and not as substitutes for or superior to, revenue, operating income, cash flows, or other measures of financial performance prepared in accordance with U.S. GAAP. Our non-GAAP financial measures included in this document are reconciled to the nearest U.S. GAAP measure in the tables on the pages F5 to F11 above.

We believe that it is of interest to investors to receive certain supplemental historical and prospective non-GAAP financial information used by our management in running our business and making financial, strategic and operational decisions – in addition to financial data prepared in accordance with U.S GAAP – to attain a more transparent understanding of our past performance and our future results. Beginning in 2008, we use these non-GAAP measures as defined below consistently in our planning, forecasting, reporting, compensation and external communication. Specifically,

- Our management uses these non-GAAP numbers rather than U.S. GAAP numbers as the basis for financial, strategic and operating decisions
- The variable remuneration components of our board members and employees that are tied to our company's growth and operating performance are based on SAP's achievement of its targets for non-GAAP operating income, non-GAAP software and software-related revenue growth at constant currencies, and non-GAAP operating margin at constant currencies.
- The annual budgeting process involving all management units is based on non-GAAP revenues and non-GAAP operating income numbers rather than U.S. GAAP numbers.
- All monthly forecast and performance reviews with all senior managers globally are based on these non-GAAP measures rather than U.S. GAAP numbers.
- Both, company-internal target setting and guidance provided to the capital markets are based on Non-GAAP revenues and Non-GAAP income measures rather than U.S. GAAP numbers.

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

- The non-GAAP measures provide investors with insight into management's decision- making since management uses these non-GAAP measures to run our business and make financial, strategic and operating decisions.
- The non-GAAP measures provide investors with additional information that enables a comparison of year-over-year operating performance by eliminating certain direct effects resulting from the acquisition of Business Objects.

Our non-GAAP financial measures reflect adjustments based on the following items, as well as the related income tax effects:

# Explanation of Non-GAAP Measures (2/5)

Non-GAAP revenue:

Revenues in this document identified as “non-GAAP revenue” have been adjusted from the respective U.S. GAAP numbers by including the full amount of Business Objects support revenues that would have been reflected by Business Objects had it remained a stand-alone entity but which are not permitted to be reflected as revenues under U.S. GAAP as a result of fair value accounting for Business Objects support contracts in effect at the time of the Business Objects acquisition.

Under U.S. GAAP we record at fair value the Business Objects support contracts in effect at the time of the acquisition of Business Objects. Consequently, our U.S. GAAP support revenues, our U.S. GAAP software and software-related service revenues and our U.S. GAAP total revenues for periods subsequent to the Business Objects acquisition do not reflect the full amount of support revenue that Business Objects would have recorded for these support contracts absent the acquisition by SAP. Adjusting revenue numbers for this one-time revenue impact provides additional insight into our ongoing performance because the support contracts are typically one-year contracts and any renewals of these contracts are expected to result in revenues that are not impacted by the business combination related fair value accounting. However, we cannot provide absolute assurance that these contracts will in fact be renewed.

Non-GAAP operating expense:

We exclude acquisition-related charges, which are defined as follows:

- Amortization expense of intangibles acquired in business combinations and certain standalone acquisitions of intellectual property;
- Expense from purchased in-process research and development; and
- Restructuring expenses as far as incurred in connection with a business combinations

Although acquisition-related charges include recurring items from past acquisitions, such as amortization of acquired intangible assets, they also include an unknown component, relating to current-year acquisitions. We cannot accurately assess or plan for that unknown component until we have finalized our purchase price allocation. Furthermore acquisition-related charges may include one-time charges that are not reflective of our ongoing operating performance.

Non-GAAP operating income, non-GAAP operating margin, non-GAAP net income and non-GAAP earnings per share

Operating income, operating margin, net income and earnings per share in this document identified as “non-GAAP operating income”, “non-GAAP operating margin”, “non-GAAP net income and “non-GAAP earnings per share have been adjusted from the respective operating income, operating margin, net income and earnings per share numbers as recorded under U.S. GAAP by adjusting for the above mentioned non-GAAP revenues and expenses

We include these non-GAAP revenues and exclude these Non-GAAP expenses for the purpose of calculating non-GAAP operating income, non-GAAP operating margin, non-GAAP net income and non-GAAP earnings per share when evaluating the continuing operational performance of the Company because these expenses generally cannot be changed or influenced by management after the acquisition other than by disposing of the acquired assets. As management at levels below the Executive Board has no influence on these expenses we generally do not consider these expenses for purposes of evaluating the performance of management units. As we believe that our Company-wide performance measures need to be aligned with the measures generally applied by management at varying levels throughout the Company we exclude these expenses when making decisions to allocate resources, both, on a Company level and at lower levels of the organization. In addition, we use these Non-GAAP measures to gain a better understanding of the Company’s comparative operating performance from period-to-period and as a basis for planning and forecasting future periods.

# Explanation of Non-GAAP Measures (3/5)

Considering that management at all levels of the organization is heavily focused on our non-GAAP measures in our internal reporting and controlling, we believe that it is in the interest of our investors that they are provided with the same information.

We believe that our non-GAAP financial measures described above have limitations, which include but are not limited to the following:

- The eliminated amounts may be material to us.
- Without being analysed in conjunction with the corresponding U.S. GAAP measures the non-GAAP measures are not indicative of our present and future performance, foremost for the following reasons:
  - The additional insight into our potential future financial performance that our non-GAAP revenue numbers are intended to provide assumes that Business Objects customers renew their maintenance contracts. Projections of our future revenues made based on these numbers would be overstated if such maintenance renewals do not occur.
  - While our non-GAAP income numbers reflect the elimination of certain acquisition-related expenses, no eliminations are made for the additional revenues that result from the acquisitions.
  - The acquisition-related one-time charges that we eliminate in deriving our non-GAAP income 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-GAAP income numbers are recurring expenses that will impact our financial performance in future years.
  - While our non-GAAP revenue numbers are adjusted for a one-time impact only, our non-GAAP expenses are adjusted for both one-time and recurring items. Additionally, the revenue adjustment for the fair value accounting for Business Objects support contracts and the expense adjustment for one-time and recurring acquisition-related charges do not arise from a common conceptual basis as the revenue adjustment aims at improving the comparability of the initial post-acquisition period with future post-acquisition periods while the expense adjustment aims at improving the comparability between post-acquisition periods and pre-acquisition periods. This should particularly be considered when evaluating our non-GAAP operating income and non-GAAP operating margin numbers as these combine our non-GAAP revenues and non-GAAP expenses despite the absence of a common conceptual basis.

We believe, however, that the presentation of the non-GAAP measures in conjunction with the corresponding GAAP measures provide useful information to management and investors regarding present and future business trends relating to our financial condition and results of operations. We therefore do not evaluate our growth and performance without considering both non-GAAP measures and U.S. GAAP measures. We caution the readers of this document to follow a similar approach by considering our non-GAAP measures only in addition to, and not as a substitute for or superior to, revenues or other measures of our financial performance prepared in accordance with U.S. GAAP.

# Explanation of Non-GAAP Measures (4/5)

Free Cash Flow

We believe that free cash flow is a widely accepted supplemental measure of liquidity. Free cash flow measures a company's cash flow remaining after all expenditures required to maintain or expand the business have been paid off. We calculate free cash flow as operating cash flow from continuing operations minus additions to long-lived assets excluding additions from acquisitions. Free cash flow should be considered in addition to, and not as a substitute for or superior to, cash flow or other measures of liquidity and financial performance prepared in accordance with U.S. GAAP.

Constant Currency Period-over-Period Changes

We believe it is important for investors to have information that provides insight into our sales. Revenue measures determined under U.S. GAAP 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 income that are adjusted for foreign currency effects. We calculate constant currency year-over-year changes in revenue and operating income by translating foreign currencies using the average exchange rates from the previous (comparator) year instead of the report year.

We believe that data on constant currency period-over-period changes have limitations, particularly as the currency effects that are eliminated constitute a significant element of our revenues and expenses and may severely impact our performance. We therefore limit our use of constant currency period-over-period changes 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 period-over-period changes on the one hand and changes in revenues, expenses, income, or other measures of financial performance prepared in accordance with U.S. GAAP on the other. We caution the readers of this document to follow a similar approach by considering data on constant currency period-over-period changes only in addition to, and not as a substitute for or superior to, changes in revenues, expenses, income, or other measures of financial performance prepared in accordance with U.S. GAAP.

# Explanation of Non-GAAP Measures (5/5)

U.S. Dollar-based Non-GAAP Revenue Measures

Substantially all of our major competitors report their financial performance in U.S. Dollars. Thus changes in exchange rates, particularly in the U.S. Dollar to Euro rates, affect the financial statements of our competitors differently than our Euro-based financial statements. We therefore believe that U.S. Dollar-based revenue numbers for SAP provide investors with useful additional information that enables them to better compare SAP's revenue growth with SAP's competitors' revenue growth irrespective of movements in exchange rates.

Our U.S. Dollar Non-GAAP Revenue numbers are determined as if SAP's reporting currency was the U.S. Dollar. In fact, the reporting currency of our U.S. GAAP and IFRS consolidated financial statements as filed in Germany and in the U.S. with the U.S. Securities and Exchange Commission (SEC) is the Euro. Additionally, our U.S. Dollar Non-GAAP Revenue numbers have been adjusted from the respective U.S. GAAP revenue numbers by the same support revenue fair value adjustment than our Non GAAP Revenue numbers explained above.

SAP's management uses our U.S. Dollar Non-GAAP Revenue numbers to gain a better understanding of SAP's operating results compared to SAP's major competitors.

We believe that our U.S. Dollar Non-GAAP Revenue numbers have limitations, particularly because the impact of currency exchange rate fluctuations and the eliminated amounts may be material to us. We therefore do not evaluate our growth and performance without considering both Non-GAAP revenues and Euro-based U.S. GAAP revenues. We caution the readers of this document to follow a similar approach by considering our U.S. Dollar Non-GAAP Revenue numbers only in addition to, and not as a substitute for or superior to, revenues or other measures of our financial performance prepared in accordance with U.S. GAAP and reported in Euro.

# Explanation of Non-IFRS Measures (1/2)

Since 2007, we have been required by German and European law to prepare consolidated financial statements in accordance with IFRS. We have not, however, discontinued preparing financial statements under U.S. GAAP but have prepared consolidated financial statements under both U.S. GAAP and IFRS.

Despite the adoption of IFRS, our focus has continued to be on our U.S. GAAP financial figures and non-GAAP measures derived from them:

- The non-GAAP numbers have continued to be the key performance measures in our internal management reporting, planning, and forecasting, and in the variable compensation for our management and employees.
- We have maintained the focus of our external communication (for example, our business outlook) on U.S. GAAP numbers and non-GAAP numbers derived from them.

We plan to fully migrate to IFRS and discontinue the preparation of U.S. GAAP financial information with effect from the end of 2009. During 2009, we plan to continue to report our financial information according to both IFRS and U.S. GAAP. Our press release for Q4/2009 will be the last document in which we will provide U.S. GAAP financial information. In our annual report as well as our annual report on Form 20-F for fiscal year 2009 and all quarterly and annual reports thereafter, we plan to include only IFRS financial statements, and we plan to base our business outlook for 2010 and years thereafter on non-IFRS numbers derived from IFRS numbers. Concurrently with this change in our external financial communication, we will modify our internal management reporting, planning and forecasting, and variable compensation plans to align to the non-IFRS numbers we provide in our external communication.

To give investors an insight into what our migration from U.S. GAAP/non-GAAP to IFRS/non-IFRS will mean for SAP's key performance measures, the section titled Reconciliations: U.S.GAAP / IFRS / Non-GAAP / Non-IFRS shows a reconciliation from our U.S. GAAP and non-GAAP numbers to their most comparable IFRS and non-IFRS numbers. Note: Our non-GAAP and non-IFRS numbers are not prepared under a comprehensive set of accounting rules or principles. For more information on our non-GAAP measures, which also applies to our non-IFRS numbers subject to the additional explanations below, see the section titled Explanation of Non-GAAP Measures.

Our non-GAAP measures and our non-IFRS measures have been adjusted from the respective U.S. GAAP and IFRS numbers by:

- Including the full amount of Business Objects support revenue that Business Objects would have recognized had it remained a stand-alone entity but which we are not permitted to recognize as revenue under U.S. GAAP and IFRS as a result of fair value accounting for Business Objects support contracts in effect at the time of the Business Objects acquisition, and
- Excluding acquisition-related charges

# Explanation of Non-IFRS Measures (2/2)

However, the adjustment amounts for acquisition-related charges differ between our non-GAAP measures and our non-IFRS measures, due to differences between U.S. GAAP and IFRS. Specifically:

- Certain acquisition-related restructuring costs are accounted for as liabilities assumed in a business combination under U.S. GAAP while being charged to expense under IFRS. Consequently, these costs are eliminated only in our non-IFRS numbers.
- Purchased in-process research and development is charged to expense immediately under U.S. GAAP while being capitalized and amortized over the expected life under IFRS. Consequently, the immediate charge to expense is only eliminated in our non-GAAP measures while the amortization is only eliminated in our non-IFRS measures.

Additionally, our non-IFRS measures have been adjusted from the respective IFRS numbers for the income from our discontinued TomorrowNow operations. Under U.S. GAAP, we present 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 not a separate major line of business and thus did not qualify for separate presentation under IFRS. We believe that this additional adjustment is useful to investors for the following reasons:

- Despite the migration from U.S. GAAP to IFRS, SAP will continue to view the TomorrowNow operations as discontinued operations and thus will continue to exclude potential future TomorrowNow results from its internal management reporting, planning, forecasting, and compensation plans. Therefore, adjusting our non-IFRS measures for the results of the discontinued TomorrowNow operations provides insight into the financial measures that SAP will use internally once SAP has fully migrated to IFRS.
- By adjusting the non-IFRS numbers for the results form our discontinued TomorrowNow operations, the non-IFRS number is more comparable to the non-GAAP measures that SAP uses currently, which makes SAP’s performance measures before and after the full IFRS migration easier to compare.