Three Basic Database Attack Strategies For SAP
Not Mutually Exclusive

1. **Low Intensity Conflict**
   - Offer customers an Oracle alternative Application / Database Bundle

2. **Frontal Assault**
   - Make database decision irrelevant to customers by building functionality into our products

3. **Cold War Proxy Fight**
   - Commoditize database through support of Disruptive Third Party Plays

“This being a war, there is no shortage of war analogies. Boiling it all down, there are three basic attack strategies to go after Oracle. We can:

Continue to engage Oracle in low intensity conflict: Offer customers an Oracle alternative bundle at the point of sale.

Drive a frontal assault: Make the database decisions irrelevant by actually building the DB functionality into our products

Cold war proxy fight: Actively support the other Oracle enemies out their to work to commoditize the database.

These options are not mutually exclusive and each carries different risks, required investments and will have a different level of impact. Let’s talk about each in turn.”
Offer Customers A Low Cost Oracle Alternative Application / Database Bundle

<table>
<thead>
<tr>
<th>What does this option look like?</th>
<th>How much will this impact Oracle?</th>
<th>What decisions does the FLT need to make?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers choose an application &amp; database during application purchase</td>
<td>Low to Medium impact likely over 1-3 years</td>
<td>Shift some DB market share from Oracle to our chosen bundle partner</td>
</tr>
<tr>
<td>Customers are receptive to bundles</td>
<td>Apply downward price pressure dependent on bundling structure</td>
<td>Build out an SAP centric P*time bundle?</td>
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<tr>
<td>• Our choice exercise found that ~60% of midmarket customers would buy a database that is not their corporate standard if SAP recommended it during the application sale</td>
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<td>Develop regional centric bundles? (e.g., Open source for BRIC countries)</td>
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<td>SAP is already initiating</td>
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<td>• Push aggressiveness around DB2 bundle? Tighter integration with NetWeaver?</td>
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<tr>
<td>• IBM bundle offered (1 yr free maintenance); 10% DB2 rev increase from '05 to '06</td>
<td></td>
<td>• Sacrifice our own reselling margins so bundle is low price option?</td>
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<tr>
<td>• Microsoft bundle under development</td>
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<td>Should we take additional incentive steps to sell the Oracle alternative bundles?</td>
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"Low intensity conflict is an option we are all familiar with. We are have already deployed an IBM bundle and our working with Microsoft. This is an option that can have a low to medium impact over a relatively short time frame. There are some limitations to the existing bundles in that neither IBM or Microsoft will never want to "give away" their product ... they benefit as much as Oracle from pricing control. So at most, we will likely cause low to medium market share erosion. The key questions the FLT faces are what are the best optimized bundled and how far are we willing to go in terms of incentives to make these bundles successful. In terms of optimizing bundles, the key question is whether we should be exploring options beyond IBM and Microsoft through what are two main extensions. The first would be some kind of regional bundle designed to meet regional needs. For example, there might be a play for an Open Source bundle in the BRIC countries. The second is can we push the IBM bundle more aggressively, perhaps having tighter integration with NetWeaver? The third is whether we should again push an SAP owned database bundle. We will be talking about this more at the FLT/PLT, but as you all know SAP bought a company called P-time. The P-time database has greatly proven itself in PTG's tests and we could relatively quickly roll out an Application / P-time bundle. In terms of incentives, we really need to ask what we are willing to do to make the IBM and Microsoft bundles successful. It is not enough to just put the bundles out there, we need to incent the right behavior. To that end, do we want to consider adjusting the database reselling incentives to move away from the Oracle preference?"

Notes below

What is P*Time?
A database company that SAP acquired (didn't make public announcement of acquisition)
SAP can offer standalone P*Time database with SAP apps
Discussion as we of embedding P*Time database into SAP applications at some point in future
Move from “bundle” to single product (app & Db)
Make database decision irrelevant to customers by building functionality into our products

What does this option look like?

Provide database functionality for ENTIRE suite in the NetWeaver Application Server
- Gradual build to entire suite offer

Greatly reduces the need for DBA’s, thus negating one of Oracle’s key beachheads

Customer sees EXTREME TCO benefits
- Maintenance reduced ~90% and managed from App Server

How much will this impact Oracle?

High impact likely in 2-5 years

Blow to largest contributor of Oracle’s business model
- Attack its “data-centric” value proposition
- Force drastic price reduction

Pre-empt Oracle embedded database move
- “Embedded databases are becoming increasingly important as organizations ... include the technology in new enterprise applications ...” Oracle, May 2006

What questions does the FLT need Answers to before decisions are made?

How do we prep the market and which products should we lead with?

What proof will a CIO require to convince that an embedded option meets their needs?
- Security & manageability must be addressed.
- Solid TPC benchmarks to demonstrate db equivalency

What will be the financial implications to SAP?
- Reduction in royalty revenue from Oracle, IBM, Microsoft;

How should SAP work with is strategic partners?
- IBM
- MSFT
- SI’s making money off DB integration

Discussion topic at FLT/PLT

“This next option is a full frontal assault on Oracle, and IBM and Microsoft to some extent. We will cover this more deeply in the FLT/PLT, but we would like to outline the key questions we should be considering as we move forward with this option.

This would have a high impact on Oracle. It would destabilize pricing and likely lead the financial community to discount their future DB sales, thus having a stock impact. It would also pre-empt any Oracle embedded database move. They have talked about embedded databases with applications, although have made no substantive moves in that direction.

What does the FLT need to consider when it comes time to make a decision? There are a host of things:

When are we ready for this and how do we prep the market?
Limited roll-out following Sapphire '07 announcement?
Which products to lead with?

How do we convince CIO’s they don’t need a DB?
Security & manageability must be addressed.
Solid TPC benchmarks to demonstrate db equivalency

How do we account for financial implications?
Reduction in royalty revenue from Oracle, IBM, Microsoft;

How should SAP work with is strategic partners?
Primarily IBM – need their neutrality
Threats relationship with MS
SI’s making money off DB integration”

Notes below
Financial Implications
Depending on how we price Embedded database option, may lead to a drop in revenue
If SAP includes embedded database with applications and does not increase price of “package” then
Lose database revenue from 3rd party databases (Oracle, IBM, Microsoft) we re-sell and don’t replace that revenue with anything
Even if SAP charges additional to Application license for embedded database that is included, it is likely that this will be
less than what standalone databases are sold for.
Thus lose revenue equal to the difference between 3rd party database resell revenue and additional embedded database revenue.
Commoditize Database Through Support of Disruptive Third Party Plays

What does this option look like?
SAP supports Oracle alternatives (across core DB, maintenance, security, grid and search), leading to loss of Oracle pricing power.

To date, database has not become commoditized because Oracle retains pricing power...

...Only viable third party Oracle alternatives will erode & segment Oracle pricing power (as well as IBM & MSFT)
- MySQL moving upmarket
- Startups (e.g., Antz) offering high performance & low TCO DB option
- Third party security, performance & maintenance options (e.g., Avokia)

How much will this impact Oracle?
High impact likely in 3-5 years
- Loss of pricing power
  - Force Oracle to lower prices, especially for maintenance, over 3-5 year time frame
- Loss of market share over 3-5 year time frame

What decisions does the FLT need to make?
- No acknowledgement / passive support – current strategy
  ---- or ----
- Active support – formally assign a team to liaise with disruptive DB companies, identify needs & execute where appropriate. DB is not “monolithic” and can attack Oracle at multiple points:
  - Core db licenses
  - Maintenance
  - Security solutions
  - Grid (one of ORCL 5 focus areas)
  - Enterprise search (one of their 5 areas of focus)

What is our strategy towards these third party disruptors?

“Highly Confidential - Attorneys' Eyes Only”

“This final option is to commoditize the database through support of disruptive third party plays. Oracle has retained pricing power first because none of the big competitors want to get in a nuclear price war and two because viable third party competitors have yet to reach critical mass. However, in the next 3-5 years, we believe open source options like MySQL, RDBM options like ANTZ and others will be viable alternatives to Oracle. When this happens, Oracle can no longer treat these competitors like pesky flies and instead will have to respond and price erosion will begin.”

“The question is, what should SAP do? In the past, we have taken somewhat of a passive support stance. However, we have the option to more actively support these companies. For example, Antz has been trying to get dialogue and partnership with SAP for over a year. A partnership is likely not in our best interest, however there are likely options we can pursue to likely assist Antz, MySQL and others in their effort to unseat Oracle. Our recommendation would be to take a more formal look at these database third party plays and determine if there is a way to offer them impactful support short of a bundle.”

“This option a bit different than the others as there likely won’t be much, if any, application ROI to SAP. This option is SOLELY a way to attack Oracle’s database business and hasten the commoditization that has been predicted for about 5 years. Also, this would likely be a great distraction to Oracle as they try and ascertain our motives.”

Notes below:
Avokia is a venture backed company that promises:
More transactions on less hardware
Lower cost data redundancy & backup
Lower capital & ongoing cost of ownership
Online server and database maintenance
**Q1 Oracle Competitive Campaign Overview**

- **Campaign Overview:**
  Launched a global tele-marketing and direct marketing campaign, on August 8, focused on Oracle's installed base and exclusively on deals NOT in the SAP pipeline.

- **Objective:**
  Offer Oracle customers alternatives with respect to their decisions to purchase Oracle applications or upgrade to new versions of Oracle.

**Offer 1:** Total TomorrowNow Lifetime Support with Free Maintenance: TomorrowNow will extend software support to 2015 for current JDE, Siebel, & PeopleSoft customers. Offer to Close: If the prospect accepts the offer within 30 days, TomorrowNow will provide one year of maintenance at no cost. If client accepts offer, he has 24 months to lock in Offer 2.

**Offer 2:** Solution Credit Towards Purchase of SAP Licenses: SAP is offering up to 100% license credit/discount on the purchase of SAP Applications based on the value of the Oracle, PeopleSoft, JD Edwards or Siebel application most comparable to the selected SAP Application(s). Offer to Close: Sign a purchase contract within 90 days, and receive one year of Premium Support at 17% rate, which includes a migration plan assessment.

* When customer commits to at least a two year initial support services term with TomorrowNow
** SAP small and medium enterprise customers are eligible for the TomorrowNow support offer only.

MCQ - July 21, 2006 - st

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SAP-OR00018657
Q1 Oracle Campaign Overview—US Specific

- **Call Campaign Target Audience:**
  - PSFT, JDE, and Siebel Oracle E-business:
    - $50 million and below: Offer 1
    - TSO Accounts: Offer 1 and Offer 2
    - ESO Accounts: Offer 1 and Offer 2
    - Oracle eBusiness: Offer 1 not applicable
    - Decision Makers – IT, CIO, CFO, CEO, procurement managers
    - No SAP current customers
    - No SAP current pipeline opportunities

- **Background: Campaign Tactics**
  - **Tele Marketing** –
    - Third party tele firm making calls to Oracle accounts with offer information for TSO and below accounts
  - ESO AE’s – calling into targeted lists provided by regional Field Operations Directors
  - If interested then passed to IAE’s for more detailed conversation
  - Email and landing page produced by MCO – sending email if customer requests more information

- **Relevant dates:**
  - Aug 8 – Calls started in US followed shortly thereafter in other countries
Q1 Oracle Campaign Overview—Outside US

- Call Campaign Target Audience:
  - PSFT, JDE, and Siebel Oracle E-business:
    - Oracle eBusiness: Offer 1 not applicable
    - Decision Makers – IT, CIO, CFO, CEO, procurement managers
    - No SAP current customers
    - No SAP current pipeline opportunities

- Background: Campaign Tactics
  - Tele Marketing – Third party and regional tele firm making calls to Oracle accounts with offer information for
  - If interested then passed to regional inside sales teams for more detailed conversation
  - Email and landing page produced by MCO – sending email if customer requests more information

- Relevant dates:

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<tr>
<th>Country</th>
<th>Sales Training</th>
<th>Telemarketing</th>
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<tr>
<td>UKI</td>
<td>11 August</td>
<td>11-14 August</td>
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<td>Nordics</td>
<td>14 August</td>
<td>9 August</td>
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</tr>
<tr>
<td>India, Singapore</td>
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<td>9 August</td>
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Create more compelling Safe Passage offer by leveraging core ERP Best Practices.

- Create two waves to leverage the direct and indirect sales channels
- Sample offers:
  - DB2/SQL Server SP offer
  - 17% Premium Support for 1-2 years
  - SAP maintains existing systems (JDE, PS, Siebel) with TN until the go-live date
  - Data and Process Migration offer (limited cost to customer)

Wave 1: Partner Channel
- Lower mid market
- IBM database
- All JDE applications
- Cross industry

Wave 2: Direct Channel
- Upper mid market
- IBM database
- Cross Industry
Oracle Centric: Siebel

Refresh Siebel Safe Passage program to capitalize on the enhanced offers available to Siebel customers, like TomorrowNow.

- Refocus on prospects that were identified in the earlier program
- Oracle is raising maintenance on Siebel so now is the time to offer TN
- Sample Offers:
  - Partner Database offer (SQL Server or DB2 migration) – free migration and one year free maintenance
  - Marquee Account Plan
  - Free Data and Process Migration Services
  - TomorrowNow Offer

Wave 1: Mixed
- Running SAP R/3
- Running IBM database
- Siebel service, sales or marketing

Wave 2: Siebel only
- Lower mid market
- IBM database
- Siebel OnDemand
Mixed Environments: SAP with PSFT HCM

Move UP and Move OVER...

- Align the PeopleSoft Safe Passage program with Project Move that encourages R/3 customers to upgrade
- Upgrade from R/3 and replace PSFT HCM
- Sample Offers:
  - Data and Process Migration Services
  - Tailored SafeGuarding package
  - 17% premium support
  - PS HCM -> ERP 2005 + ADP Incentive bundle

1. SAP customers running R/3
2. Customers also running PSFT HCM
3. Focus Internationally
Grew the installed base, flank Oracle in the Midmarket

- Data and Process Migration offer
- Discounted or refund enabled Premium Support for time limited period
- SAP Financing actively promoted and offered for ALL Safe Passage customers
- Tailored SafeGuarding package
Drive database switching in the mid-market during an SAP sales cycle

- One year free maintenance
- Free onsite training
- DB license 3-5% of application fee
- Free data migration offer

Target

- Mid Market & Lower Large Enterprise
- North America & EMEA
- Oracle DB/mixed DB environment
- Currently in SAP sales cycle

Have a high percentage of SAP in their environment
Small and Medium Businesses - LE customers were HIGHLY unlikely to switch
Operate with mixed database environments (databases, and HW platforms)
Are currently moving from legacy to packaged applications
Undertaking projects in standardization, consolidation and application re-architecture
Safe Passage Services Specific (Oracle, SAP and Mixed)

Drive aggressive services offers across multiple segments to drive services superiority

- VE assessments offered by US for Siebel Safe Passage, SAP ADM (Accelerated Data Migration)
- Assessment services – free assessment including high-level timeline, risks, cost assessment:
  - 3 day for small deals up to 1M Euro
  - 5 day for medium deals 1M to 3M Euro
  - 10 day for large deals 3M+ Euro
- Accelerated Data Migration Services – free ADM tool
- Migration Services – 25-50%% discount off migration services
- Safeguarding – 25-50%% off all Safeguarding engagements
- Discounted Premium Support
- Support Services –
  - free TomorrowNow support for 3 years
  - 19% Premium Support vs. 22%

Have a high percentage of SAP in their environment
Small and Medium Businesses - LE customers were HIGHLY unlikely to switch
Operate with mixed database environments (databases, and HW platforms)
Are currently moving from legacy to packaged applications
Undertaking projects in standardization, consolidation and application re-architecture
Dear <Name>:

At SAP, we’re in the business of enabling customers to become “Best Run Businesses”. In fact, according to the results of a 2005 Stratascope Inc. analysis, companies that run SAP are 32% more profitable than those that don’t.

Now that your current software provider has been acquired, isn’t it time you considered joining this group of “Best Run businesses”? In so doing you can also secure the uncertainty such acquisitions hold for your software investments. Whether you decide to take action or not you owe it to yourself, and your company, to ensure that the decision that you make is your choice.

You are not alone. Many other companies are facing the same challenge. Change involves risk, but inertia may ultimately turn out to be the greater gamble. We want to help you explore the options available to meet your unique business requirements and assist you in making an educated decision.

In the last 12 months alone, over 160 companies have opted for the Safe Passage to SAP. You too can take advantage of a smooth transition to a secure future.

Safe Passage offers:

- Maintenance and support services saving you up to 50% - 24/7 support with the comfort and flexibility to plan your maintenance and software migration schedules at your own pace.
- A Safe Passage credit of up to 75% - recognising and protecting the investment you have already made into your existing solution.
- Predefined data migration services and tools - provided by SAP and partners, that streamline migration, reduce risk and prevent interruption of your business processes.