



26th Annual General Meeting of Shareholders – June 4, 2013

Co-CEO Speech – Bill McDermott

UNDER EMBARGO UNTIL 11:00 AM, June 4, 2013

Check against delivery; the spoken word applies

Guten Morgen.

Welcome to the 2013 SAP Annual General Meeting of Shareholders in Mannheim. I'm excited to be back with you today to talk about 2012. I want to thank you for your time and your interest.

To begin, I can report that SAP is well positioned, constantly looking ahead and ready to capture the future.

Let's talk strategy. I believe that leaders owe their companies a clear vision and a winning strategy. In 2010, we set a new strategy for SAP based on where the world was going and where our customers needed to go. We set out to make the world run better and improve people's lives. We committed ourselves to make every customer a best-run business.

Today, SAP customers represent 80% of the Global Fortune 500 and 98% of the most valued brands in the world. Kind of makes you wonder - what happened to the other 2%?

We also asked some tough questions about SAP. Are we relevant in in this new business-to-business-to-consumer world economy? Do we matter? If we weren't around, would enough people care? The answers helped us identify the trends that have shaped the past 3 and 1/2 years of extraordinary growth for SAP.

(Slide: SAP's product strategy accelerates the expansion of its addressable market)

We saw a new generation of young consumers coming from emerging markets. These consumers are more powerful than any consumers in history, and they are demanding digital products and services like never before.

To address the challenges of the new economy, we knew we had to compete in a much larger marketplace.

We were already the market leader in the \$110 billion applications market. So we set out on an innovation-led strategy, focused on mobile, in-memory computing and the cloud. With these innovations, we are doubling our addressable market to 230 billion by 2015, and by 2020 this market will triple to nearly 350 billion.

(Slide: A new generation of consumers is impacting the market)

On Mobility, we saw that this new generation of young consumers was the first ever born into the mobile device. The future of computing is mobile, with over 50 billion devices worldwide. That's why we built an industry leading mobile security and application platform. The acquisition of Sybase helped propel us to industry leadership. In 2012 we achieved €222 million in software revenue - an increase of more than 70% over the prior year.

How about big data? We saw that with all these devices, data in the world was doubling every 18 months. While everyone was talking about "big data," we realized that 99% of that data was "dark data." It was completely useless to our customers and offered limited business value. That's why, under the visionary leadership of Hasso Plattner, Vishal Sikka and their brilliant engineers, we invented SAP HANA. With HANA, business leaders will not have to wait for days to see their business performance. Today, HANA delivers accurate information at the speed of thought.

Imagine the countless ways for the world to use this breakthrough innovation - in business analytics, health care, public safety, retail and education to name a few. I can report to you today that SAP HANA is now the fastest selling business software product in history. It took over 18 years for SAP to reach €400 million in revenue. It took HANA only 18 months to get there - it delivered €392 million in revenue in 2012, growing by 142% year-on-year. HANA is not only the intellectual renewal of SAP, it is the platform that all future products will be based on and it will reinvent entire value chains.

Now for cloud, as the consumer-driven world becomes more real-time, we saw that SAP customers would look for easier ways to consume our software. We saw that cloud was becoming the new IT. Business executives in human resources, procurement and sales wanted easy-to-use solutions in the public cloud. So we made back-to-back bold moves and acquired two leading cloud companies. With SuccessFactors and Ariba, we are now the most relevant cloud company in the business software industry with more than 29 million users. We also captured the business network in the cloud, with nearly half a trillion in commerce, with plenty of room to grow in an 8 trillion market opportunity.

The results showcase the success of this approach - together our two cloud segments generated €456 million in revenue in 2012, achieving an impressive 4-digit growth rate. We are well on our way to a 2 billion cloud business by 2015. Let's take a look at the cloud story from the customer's perspective.

Please enjoy a brief video presentation about Hilti AG.

[VIDEO: Hilti and the Cloud]

Last month, we took a major step to bring our cloud strategy to a whole new level. CEOs were looking for a private cloud environment to run their most critical company operations. They wanted security, reliability and fast access to innovation. We announced the SAP HANA Enterprise Cloud to give businesses this exact solution.

Whether public cloud, private cloud or on-premise, it all comes back to choice for SAP customers. Because the customer and the customer alone determines whether we win or we lose.

(Slide: 2012 – SAP continues double-digit growth)

I'd now like to share the results delivered by this innovation strategy in 2012. Please note all numbers are non-IFRS and growth rates are non-IFRS at constant currencies, unless otherwise noted.

2012 was a very strong year, with 13% Software and Software Related Services - or SSRS growth. SSRS revenue reached €13.2 billion. This is 4 times faster than the market growth, based upon Gartner's research estimates for the overall software market.

In 2012 we began reporting our software and cloud revenues together. We reached €5 billion in Software and Cloud subscription revenue. Traditional software license revenue from our on-premise business, plus our cloud revenue increased 17%. We are growing at double the rate of our closest competitor.

We saw a 10% increase in total revenue to €16.3 billion. Our innovations continued to drive growth, with SAP HANA generating €392 million - that is triple digit growth exceeding expectations.

Our operating profit grew almost twice as fast as our primary competitor on an as-reported basis. We achieved €5.2 billion in operating profit.

Our operating margin was 32%. Acquisitions of SuccessFactors and Ariba alone impacted operating margin by 1.0 percentage point. We also added more than 1,800 positions in sales to ensure we remain a growth company.

(Slide: Strong growth across all regions)

Our performance was strong and consistent across all geographies and industries. We are gaining market share and growing faster than our competition.

Americas achieved 24% growth, delivering almost €2 billion in software & cloud subscriptions. This was impressive given the ongoing fiscal policy debate in the United States. We're growing almost two times faster in the Americas than our closest competitor.

EMEA had a solid overall performance, especially in light of the well reported euro debt crisis. Our full-year Software and Cloud subscription revenue in EMEA grew by 12%. This is particularly significant when you compare our performance against the nearest competitor, which was down 2% year over year in EMEA.

APJ had its best ever year, growing at 20% year over year. Here we're growing two and one half times faster than the nearest competitor. The strong growth in APJ was driven by Japan as well as by the rapid adoption of innovations such as Cloud and HANA.

We also remain committed to our emerging markets. We are not only expanding our presence in the BRIC; we're also focused on Turkey, Mexico, the Middle East and Africa. China continues to be a strong example of our commitment to the world's great markets. Now, with a team of more than 4,100 employees in China and a growing ecosystem, we are "innovating in China, for China."

(Slide: Reaching more customer through our ecosystem)

Our partners are also an important channel that we have grown over the past three years. Sales from indirect channels started around 8% in 2010, it's now at 34% and well on its way to our stated goal of 40% by 2015.

We are also empowering a new class of ecosystem and the next generation of entrepreneurs - today we have over 450 start-ups innovating on HANA.

(Slide: New DFB fan experience with SAP HANA)

Another cornerstone of our strategy is a focus on 25 distinct industries. We are seeing strong growth across the board in industries, including manufacturing, financial services, retail distribution and health services.

Through our innovations and the tuck-in acquisition of Ticket-Web, we expanded to our 25th industry - Sports and Entertainment Management. Our Sports solutions are enriching the experience of events like motor racing and the Kiel Week sailing regatta. In Germany - and I know many of you are soccer fans - the German Football Association (DFB) has licensed SAP solutions and services to run its business.

This is happening with leagues and franchises all over the world.

(Slide: SAP stock outperformed important indices)

The success of our strategy and execution has not gone unnoticed by the capital markets. SAP stock increased 48.6% in 2012 and clearly outperformed the significant benchmark indexes.

The increase in SAP stock is the fifth largest increase in 2012 among DAX-listed companies. In July 2012, thanks to our shareholders' trust in SAP, we became the most valuable company listed on the DAX.

Today our market capitalization is €72 billion.

(Slide: Our strategy is moving full speed ahead)

I can speak for my colleagues on the Executive Board and all employees in saying that we are proud to be a truly global software company.

Today, we are a top 20 global brand and the most valuable brand of any company based in continental Europe.

This innovation-led strategy has been built around the fastest-growing categories - mobile, in-memory computing and the cloud.

Today, we are the leader in Applications, Analytics and Mobile. We are the fastest-growing database company in the world and we have excellent momentum in the cloud.

Our 65,000 employees are more motivated than ever to meet this opportunity. They believe in the future of SAP.

Glassdoor.com, a prominent business website, reports that SAP employees have the 4th most optimistic outlook on the strategy and future of the company.

Our global network of partners is enthusiastic and growing, as well. We now have over 12,000 ecosystem partners and over 370,000 consultants trained on SAP software. This was up 14% year over year. We will also aim to reach 1 million developers building game-changing solutions for our customers.

Overall we could not be more confident in the strategy and we are well positioned to meet our 2015 goals. At the same time, we are hungry to deliver value to our customers and we remain ever humble and driven by empathy for the end user. It was Hasso Plattner who once said, "all innovation begins with the end-user."

We are committed to delivering a beautiful user experience.

In closing, I would simply say that SAP has momentum. Our strategy is moving full speed ahead. We have never been more passionate about the new horizon. We are grateful for this opportunity and ever resolute to meet the challenges of tomorrow. Ladies and gentlemen, SAP is on a roll and we are just getting started.

Thank you for your time and support. I'm very pleased to introduce my co-CEO, Jim Snabe.