



Annual General Meeting of Shareholders – May 20, 2015

CEO Speech – Bill McDermott

UNDER EMBARGO UNTIL 11:00 AM, May 20, 2015

Check against delivery; the spoken word applies

Guten Morgen meine Damen und Herren. Willkommen in der SAP Arena.

(Good morning, ladies and gentlemen. Welcome to the SAP Arena.)

Thank you for joining us.

I would like to begin today by honoring Klaus Tschira who passed away unexpectedly in March. As one of our SAP founders, he truly changed the world.

Those who had the privilege of working with Klaus remember his relentless curiosity, optimism and humility. SAP would not be the company it is today without Klaus's contributions.

Klaus will also be remembered as one of Germany's great philanthropists. His foundations opened the eyes of countless young people to the wonders of science.

On behalf of the entire Board and all SAP employees, I would like to express our heartfelt condolences to his family and friends.

I cannot think of a better way to honor our founders than to build on their legacy by making SAP an ever stronger company for our customers, shareholders and employees.

In 2014 we accelerated our journey to help our customers navigate complexity and "Run Simple". Today I'm pleased to share our results, and our ambitious plans for 2015 and beyond.

Our success in 2014 would not have been possible without the support of our 74,500 employees. Dear shareholders, please join me in thanking our SAP employees for their hard work and dedication.

Dear Chairman, dear Supervisory Board members, thank you all for your continued confidence and support.

Allow me also to welcome Steve Singh and Michael Kleinemeier who joined our Global Managing Board in 2014.

Steve Singh is the CEO of Concur and leads our business networks, which include Ariba, Concur and Fieldglass. Under Steve's management, Concur has become the leader of the multi-billion dollar travel and expense market. His deep understanding of what it takes to build and run a business network will be a strong asset as we grow this exciting area of our portfolio.

Michael Kleinemeier joins the Board as a next step in a distinguished career at SAP. Most recently he led our -Middle and Eastern Europe- region with great success. For years he has been a highly trusted advisor to our customers and partners. He now takes responsibility for SAP Service and Support worldwide, ensuring our offerings meet the ever changing needs of our customers.

Please join me in welcoming them both.

Digital Economy

Ladies and gentlemen, today marks the five year milestone since we set out to reinvent SAP. Many of you will remember that time. SAP was already leading the market in enterprise applications and analytics. We were a solid company, but we didn't take this for granted. Rather, we laid out a bold strategy for growth and innovation, underpinned by a vision to help the world run better and improve people's lives.

It is clear we chose the right path.

As we predicted, the world around us is changing faster than ever.

Today we all recognize how technologies such as the internet and mobile phones have transformed our lives. We can connect with family and friends around the world instantly. We can shop, do our banking or book travel on any device. It is estimated that by 2020 there will be over 60 billion mobile devices in the world. The scale of this change is enormous.

Technology has fundamentally changed what we expect as consumers. Whether applying for a mortgage, filing an insurance claim, checking a home energy bill or buying a new car, we expect services to be easy, personalized and available anywhere. In other words, the consumer rules, and this is changing everything.

Our expectations at work have also changed. We expect the technology we use at work will be as easy and beautiful as the technology we use at home. We want instant access to data, and will no longer tolerate needless complexity in our tools and processes.

What has the impact been on businesses?

Businesses across all industries are racing to meet the changing expectations of their consumers, and of their employees. Those who don't move fast enough risk being disrupted by competitors. Because in every industry, innovative businesses are using technology to reimagine their products and services.

At the heart of this transformation is data. In today's digital economy, technologies such as cloud computing and mobility are connecting people, businesses and things in entirely new ways. To remain competitive all businesses in all industries must transform to become data-driven enterprises, and SAP could not be in a better position to guide them through this change.

We identified these trends early and took decisive action, significantly evolving our portfolio through organic and inorganic innovation. Today we have all the key assets we need to help customers transform and grow.

SAP Drives Innovation for Growth

We have consistently focused on innovating in three areas – our platform, our applications and our business networks. Let me briefly describe each of these, beginning with the platform.

Platform

For a business to be data driven, it must run on a modern digital data platform.

Five years ago, nobody was talking about a digital data platform as a competitive differentiator for the 21st century. But there was one man who was. His name....Hasso Plattner. With Hasso's vision and the talent of SAP's dedicated software engineers, SAP HANA has become more than just a breakthrough technology platform. It has become a new way to run businesses – from retail to sports to health care and beyond.

What makes SAP HANA so revolutionary?

Let me explain using the simple analogy of an office desk.

When we work at a desk, we keep all the information we need instant access to on the desktop, and everything else organized in filing cabinets nearby.

Conventional computer systems work much in the same way. The information most critical to your applications are stored "in-memory" or "on the top of the desk", and all other data is stored in databases "on hard disks" (you know, like filing cabinets).

Just as it takes you time to pull something out of a filing cabinet, it takes time to move data from the database on a hard disk to where it is needed by an application. In fact, a lot of the programming in traditional SAP applications was written just to manage this.

To make matters worse, in the conventional system, when you want to report on the data, it first needs to be replicated to another system - almost as if you needed to copy all your files and put them in a second filing cabinet.

Let's compare this to SAP HANA.

With SAP HANA, all data is stored "in-memory" – right on the desktop. The filing cabinets are gone. All data is available instantly, with zero response time. Analysis can be done on the live data in real time. The data doesn't need to be replicated and stored multiple times.

Furthermore, SAP HANA stores data far more efficiently, so it takes up far less space. Some customers have been able to reduce the size of their data by a factor of ten – greatly reducing complexity and cost.

From this picture, it is easy to see how revolutionary SAP HANA is, and why conventional systems can't keep up.

So why is speed so important? Think of a local supermarket that gives you discounts to reward your loyalty. Traditionally, they could only send them to you in the mail or give you coupons at the register to use during your next visit.

Today, retailers want to analyze your entire shopping history and give you a personalized discount on your current purchases – while you are still standing at the register. In a world where consumers have more choice and higher demands, these are the kinds of experiences needed to retain their loyalty.

Today we have over 6,400 SAP HANA customers, and nearly 2,000 start-ups building applications on SAP HANA. Our momentum continues to build as more and more customers recognize that SAP HANA is key to running a data-driven business.

Applications – SAP S/4HANA

We didn't stop with SAP HANA as a platform. To be a data-driven business, customers also need to digitize their operations, and this requires a new class of applications.

In February this year we launched S/4HANA. We called this our "biggest product announcement in the history of SAP". Let me explain why.

With SAP HANA, we can completely rethink our core applications and create a new Business Suite built for the 21st century. Simply put, we are now driving significant innovation in our core business once again.

So what makes S/4HANA different?

First, we have completely removed all the programming that was written to manage the limitations of the past that I talked about earlier. This makes the applications far simpler to deploy and to maintain.

Second, the applications have new and highly valuable capabilities that are only possible with SAP HANA. When all data is available in real time, we can do complex planning, forecasting and simulation – within the application. This makes the applications far more intelligent.

Allow me to give you an example.

It is estimated that retailers of food products collectively lose billions of Euros each year – just because they can't redirect stock to the right stores in time to sell while it is fresh. We recently demonstrated how S/4HANA can use real-time financial and logistics data to automatically simulate the best solution to "the expiring stock issue," and initiate the process to move stock to the correct place quickly, while it is still fresh. This used to be a manual process that involved multiple people and took days. Today the system is intelligent enough to take over this complex analysis, and link it to the transactional system. For our customers, this is game changing.

We have also built a completely new user experience for S/4HANA with SAP Fiori. SAP Fiori is not only a beautiful new UI. We eliminated redundant steps in the interface, making it faster and easier for users to get work done.

Finally, and most importantly, we have made it easy for customers to move to S/4HANA without a complex migration. The data structure of the key parts of the applications remains the same. We've also created the HANA Cloud Platform that allows customers to manage customizations and build new applications, all integrated to S/4HANA.

Furthermore, customers have the choice to run the system on premise or in the cloud - their own cloud, in the SAP cloud or in a partner cloud.

To summarize, S/4HANA is the reinvention of the SAP Business Suite for the 21st century. We already see strong demand across all regions, with over 370 customers choosing S/4HANA in Q1, after just eight weeks in the market.

Ladies and gentlemen, please join me in thanking all the SAP customers and partners and the members of the SAP development team who made this breakthrough innovation possible.

Applications – LOB Cloud Applications

With SAP HANA and SAP S/4HANA, we have driven significant organic innovation in our core applications, and are leading the way for businesses to transform themselves to data-driven enterprises.

But we recognize that being data-driven alone is not enough. In today's digital economy, businesses must also be seamless. They must do complex things, but make them appear simple. They need to digitize their customer experience, and digitize work for their employees, in order to meet the rapidly changing expectations I outlined earlier.

Let's first look at digitizing the customer experience.

Consumers today expect simple and personalized service. Businesses need a 360 degree view of the customer across all their sales and support channels, so they can deliver a seamless experience wherever a customer is. This is why we acquired hybris. With the combination of hybris and SAP Cloud for Customer, we now offer a full customer engagement and commerce solution on SAP HANA. Our competitors, on the other hand, are still focused on traditional customer relationship management, which is rapidly becoming a commodity. And our investment is paying off big time, with hybris and Cloud for Customer growing in triple digits in 2014.

Next, let's look at how we're digitizing work.

With SuccessFactors, we are the leader in human capital management in the cloud. We now have over 640 customers using our core HR cloud solution, Employee Central. This is nearly twice as many customers as we had just one year ago – and that's just one solution in our strong HR cloud.

We further expanded this portfolio with the acquisition of Fieldglass. Fieldglass makes it simple for companies to manage their contingent or temporary workforce. Today, contingent labor is the fastest-growing labor force in the world, growing 40% a year. By combining SuccessFactors and Fieldglass, we can uniquely offer customers a single view of their total workforce – all in the cloud.

Digitizing work also means making it easier for people to get their jobs done.

In December 2014, SAP acquired Concur Technologies, the leader in the market for travel and expense management. As 84% of Concur's revenues are generated in the United States, we have an exciting opportunity to support their expansion globally. Concur is already seeing the benefits of operating at a global scale with the support of the SAP brand and sales force.

Managing business travel and expenses is a significant challenge for companies worldwide, and a significant pain point for their employees.

Let's take a closer look at how Concur is reimagining the experience of business travel:

Business Network

We just saw how Concur is connecting businesses that cater to corporate travelers, such as airlines, hotels or car services, enabling them to deliver a seamless experience to their users. This drives customer loyalty, and ultimately higher revenues for all partners in the network.

That brings me to the final pillar of our innovation strategy – the business networks. In order to be seamless, businesses must also be connected.

Ladies and gentlemen, we are the first enterprise software company to spot the unique opportunity of business networks and invest in it at scale. By moving first, we stand to gain a significant advantage.

Why do we believe in this opportunity?

To compete in the digital economy, businesses must look far beyond their own four walls. They cannot scale unless they can collaborate quickly and easily with their partners. Businesses are increasingly collaborating in networks, sharing data securely across all partners in their value chains, improving efficiency and allowing them to deliver services that simply weren't possible before. SAP is enabling this transformation.

That is why we have invested in solutions for all the major spend categories that companies have to manage across a network of partners.

Today SAP owns three business networks that we manage as one group – the Concur network for managing business travel, the Ariba network for materials, and the Fieldglass network for managing temporary workers. We now have 1.8 million connected companies on these networks, transacting more than 750 billion US dollars and we're just getting started.

To summarize, with the investments we have made in our platform, applications and networks, we have all the assets we need to guide our customers through their transformation in the digital economy.

I'd like to share a short video to demonstrate how SAP is giving a local German customer – Kaercher a competitive edge.

2014 Financial Performance vs. Guidance

Let me now turn to our performance in 2014.

At SAP, we believe that social, environmental and economic performance are all relevant dimensions for measuring a company's results. The integrated report that we publish for you, our shareholders, demonstrates our commitment to integrated thinking.

In 2014 we achieved strong results across all key metrics of our business, both financial and non-financial.

Let me first lead you through our financial results, where we delivered very strong growth in cloud and solid results in our core business.

Note that all figures are non-IFRS. Growth rates are non-IFRS at constant currencies.

Today SAP is the fastest-growing cloud company at scale in the world with close to 80 million users. We set bold targets for cloud subscription and support revenue, and increased them twice throughout the year. We exceeded our guidance with €1.1 billion, which is 45% growth.

We were pleased to see a strong contribution from all regions. Cloud subscription and support revenues grew 39% in the Americas, 57% in EMEA and 60% in APJ.

All the lead indicators point to strong future cloud growth. Backlog increased 82% from 1.2 billion Euros to more than 2.3 billion Euros. This is actually committed business that is not yet invoiced, and therefore is neither shown in deferred nor actual revenues yet.

We also continue to have a stable and growing core business consisting of software license revenue and related support contracts.

Our software revenue growth declined 3% last year, mainly due to weaker emerging markets. Sales in the Ukraine and Russia were impacted by the ongoing crisis in the region. The macroeconomic slowdown in South America impacted sales in Brazil. China saw a slowdown in spending by state-owned enterprises that was felt by the entire IT industry.

Our support business continues to be very stable due to a 97% renewal rate in 2014.

Therefore software and software-related service revenue grew at 7% in line with our guidance.

We were proud to continue to deliver solid growth in our home market, Germany, where total revenue increased 2%, showing that our innovations have sparked interest among existing customers as well as new.

We expanded our operating profit with €5.64 billion, which is 3% growth. We achieved this despite the impact of a higher share of subscription-based cloud revenue, investments in cloud delivery, and the impact of changing customer requirements for services.

Finally, we increased earnings per share by 4%.

Let me briefly mention currency effects. In the past, we have faced currency headwinds due to the strong Euro. However, as exchange rates changed dramatically and the Euro weakened significantly, we have faced a currency tailwind since Q3, 2014. This resulted in a positive currency impact for the full year and we expect to see a currency benefit through the remainder of 2015.

In summary, 2014 was another strong year for SAP. We were able to grow our core business and expand our operating income, while accelerating growth in the cloud. This combination of achievements is unique in our industry and shows that our strategy for innovation and growth is the right one.

Cloud: Revenue Models

Ladies and gentlemen, we are very pleased with the growth of our cloud business in 2014. As our business in the cloud grows, it is important that we are clear on the cloud subscription revenue model, and our three distinct cloud business models. Allow me to briefly address these important points.

Let me begin with the cloud subscription revenue model versus our traditional software license model. In this model, fees are paid annually as a subscription over the term of a contract. We receive less revenue upfront versus the traditional software model where licenses are paid for in one lump sum. However, when we look at the results over time, the cloud model has advantages. The revenues are more predictable because we know in advance the amount

customers will pay us annually. This helps us plan more accurately. In addition, cloud deals can become more profitable over time. If you compare the deals in this example, you can see that we break even in revenue after four years and in profit after five years.

On the second topic of our cloud business models, SAP operates three distinct business models in the cloud, offering the customer choice.

First, we have a traditional public cloud business, which runs on a classic subscription model, comparable to traditional cloud vendors. When a customer decides on a solution, no implementation in their IT landscape is required. Instead of a license, the customer pays a ratable fee which is fixed over the contract duration and is billed annually. We see the potential to achieve at least 80% gross margin in this business in the long term.

Second, we have the business networks model that is based on transaction revenues that are billed as the services are used. Once customers join the network, they typically expand their use over time, with more frequent billing in a pay-as-you-go model. Here we see the potential for long-term gross margins similar to the public cloud model.

Finally, we have our private cloud business where we host mission-critical applications as an infrastructure-as-a-service offering. It typically takes five or six months for a customer to go live and for us to be able to start recognizing revenue – whereas in the public cloud model it's often a matter of weeks. Upfront investment is required to build data centers. However, as we expand our customer base and increase efficiencies, we see a potential to reach a long-term gross margin of approximately 40%.

Our private cloud business is critical to supporting our large customers' transition to the cloud. It is also a means of accelerating adoption of SAP HANA and S/4HANA.

We saw very strong cloud revenue growth in 2014, while we made strong investments in our cloud business which had an impact on our cloud gross margin. We are now strongly focused on making each of these business models more efficient and effective to ensure they will contribute to a profitable cloud business.

2014 Non-Financial Indicators

Now turning to our non-financial indicators, I am happy to report in 2014 our most important non-financial metrics also performed strongly. Employee Engagement increased two percentage points to 79%. Our employees clearly told us they're committed to our strategy and direction. Further, Customer Loyalty, as measured by the customer Net Promoter Score, increased to 19.1 from 12.1.

In our integrated report we describe the impact non-financial indicators, such as Employee Engagement and our carbon emissions, have on our operating profit, proving the strong link between these measures and our financial results.

Our integrated approach supports our vision to "help the world run better and improve people's lives." We take sustainability and social responsibility seriously. We delivered on our commitment to power all our data centers and facilities with 100% renewable energy. We also announced that by 2020, 20% of our company car fleet will be electric cars.

Most importantly, we continue to listen closely to our employees.

While we have many programs focused on our employees, I would like to comment on a few in particular.

We placed increased focus on developing our leaders. We introduced the SAP Leadership Principles as a foundation that connects all leaders at SAP: ensuring customer success, driving simplicity and developing amazing talent. We saw an encouraging increase in our Leadership Trust Index of 18.3 percentage points to 46.8%.

We continue to strive to increase the number of women in leadership roles at SAP. We've already seen an increase from 18% in 2010 to 22.4% at the end of 2014. We aim to have 25% of management positions held by women by 2017. Year-over-year, we added another 102 women to our management team.

To further support progress, we offer executive sponsorships for women and require at least one female candidate to be included on the short list for leadership and key executive positions.

Last year we launched our truly unique diversity program, Autism at Work. Recognizing the valuable abilities that people with autism bring to the workplace, we aim to have 1% of our global workforce represented by people on the autism spectrum by 2020.

Today I'm pleased to share the story of how the program has positively impacted the life of one young man.

We remain deeply committed to developing the unique talents of our people, and believe that a variety of cultures, lifestyles, opinions and interests creates an environment that fosters innovation and happiness.

Stock Performance

Turning now to our stock performance, since 2010 our share price has more than doubled. SAP is a growth company and a strong investment opportunity. This market clearly recognizes our success and supports our strategy. In 2014, a year of business model transition and strong investment, our stock declined 6%. Since January of this year, however, our stock has increased almost 17% as the sentiment in the market recovered and we advanced the execution our strategy.

2014 Dividend

We believe our shareholders should benefit from SAP's profitable growth. For 2014, the Executive Board and the Supervisory Board propose to raise the dividend by 10% to €1.10 per share. This represents a dividend pay-out of approximately €1.3 billion and a pay-out ratio of 40%.

It should be noted that in 2014, we have also updated our dividend policy. The former policy was to distribute more than 30% of profit after tax in dividend. In recent years, the payout has been greater than 35% of profit after tax. Therefore, we are amending our policy increasing our minimum target payout by 5 percentage points to more than 35% of profit after tax.

Conclusion

Please note the following agenda items that you will be asked to vote on in today's meeting.

Ladies and Gentlemen, in summary, our strategy is clear. We are helping our customers navigate the digital economy and to Run Simple.

We are confident in our business, and will continue to focus on profitable growth. You can see this in the ambitious goals we set for 2015 and beyond.

Let me finish by sharing a special message from a close partner who had particular success with SAP in 2014.

In closing, on behalf of the entire Board, thank you for your continued trust. We're all looking forward to another successful year and a great future for SAP.

Vielen Dank. (*Thank you*).