



Annual General Meeting of Shareholders – May 10, 2017

CEO Speech – Bill McDermott

The spoken word applies

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

The video message you just watched tells a powerful story.

Michael Dell built one of the most significant companies in the world.

Now he is reinventing his company for the 21st century with SAP.

For more than 350,000 customers in 193 countries, SAP is THE trusted innovator.

As you will hear in my remarks today, SAP has never been a stronger company.

We have never been more dedicated to serving our customers or creating value for our shareholders.

From this position of immense strength, we will discuss the very bright future of SAP.

This is especially important when you consider our unique past.

SAP's distinguished Chairman, Hasso Plattner, is a once-in-a-generation innovator.

Together with his co-founders, he gave us a legacy of excellence that we work to honor each and every day.

To help carry that legacy forward, I proudly welcome Adaire Fox-Martin and Jennifer Morgan to the Executive Board of SAP.

Congratulations Adaire and Jen.

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

Nothing that we achieve would be possible without SAP's 85,571 employees.

Please join me in thanking them for their outstanding work. (Applause)

Now let's discuss our past, present and future.

SAP's record of success: 2010 – present

I'll begin by looking back.

In 2010, we set out to make SAP the world's most innovative growth company.

Coming out of the financial crisis of 2008-2009, we asked the hard questions.

How do we remain relevant to our customers?

How do we increase our value to the world economy?

We wanted to build upon the 76% of transactions touching an SAP system. After all, the biggest commercial enterprises use SAP software to serve their customers.

Public sector agencies use our technology for healthcare, education and safety.

On that basis, we made the bold decisions that have guided us ever since.

We did two important things to put our company – your company – on a strong, sustainable path.

First, we set a vision to help the world run better and improve people's lives.

This has become the highest purpose of our company, motivating our employees in everything we do.

Second, we set a strategy to accelerate SAP as a profitable growth company.

We strengthened SAP's existing products – business applications and analytics – where we had already become the market leader.

We invented a new database to handle all the "big data" in the world – SAP HANA.

We acquired the best cloud companies so SAP would in fact lead the new era of cloud computing.

Overall, at a time when the technology industry was changing fast, SAP was the most decisive company to declare our ambition for growth.

That's why we more than tripled the addressable market from 110B to over 440B EUR.

Today the facts are clear: our growth strategy is on the right course.

Please consider the following metrics since 2009:

SAP's total revenue has more than doubled.

Our operating profit has more than doubled.

Our employee engagement has never been higher.

SAP is now the 22nd most valuable brand in the world.

We are recognized by Dow Jones as the most sustainable company in the software industry.

We are the first global IT company to be EDGE certified for our commitment to gender diversity.

As a result of all this progress, SAP's market value has nearly tripled.

We are now Germany's most valuable company.

Congratulations SAP! (Applause)

SAP's 2016 Results

Last year we continued our strong momentum.

2016 was one of the best years in SAP's history.

The figures I will share with you are all non-IFRS at constant currencies unless I state otherwise.

Cloud and software revenue grew by 8% – this was above the midpoint of the full year outlook that we actually raised earlier in the year.

Because SAP is a geographically diversified company, our results on a global basis are more insulated from macro-economic distractions.

The result is simple: strong growth in every region of the world.

Cloud subscriptions and support revenue was €3 billion, achieving the raised full year outlook.

New cloud bookings, the key measure for SAP's sales success in the cloud, increased 31% in the full year to 1.15 billion EUR.

When you think about contracts signed but not yet fully recognized, our cloud backlog increased 47%, reaching 5.4 billion EUR at year-end.

For the full year, operating profit was 6.6 billion EUR, achieving the raised full year outlook.

Our IFRS earnings per share increased 19% to 3 EUR and 4 cents (3.04).

SAP's rapidly expanding cloud business, together with solid growth in support revenue, continued to drive the share of more predictable revenue.

Overall, we were the only business software company to grow our core business, grow our cloud revenue really fast, and expand our operating income.

We call this “the SAP trifecta.”

We are also intensely focused on the profitability targets we set for 2018 to 2020.

In particular, we made continued progress toward these goals for our various cloud businesses.

When we think about profitability in the cloud, scale is the key.

As the businesses grow, the share of renewals increases. Thus the overall cost of sale goes down and margins go up.

We decided in 2015 to accelerate our investments to plan for strong cloud growth.

These infrastructure and cloud delivery investments did weigh on margins in the short term.

As you see in this graphic, with investments phasing out this year, we will improve profitability through 2020.

Our clear priority is profitable growth.

We are on the right track.

As ever, the full story of SAP’s success in 2016 was not only our financial results.

By achieving progress in SAP’s social and environmental performance, we are further strengthening our company for the future.

For example, we have calculated that every 1 percent change in employee engagement has a 50 million EUR impact on our profit.

So we are especially proud of our all-time high employee engagement score of 85% in 2016.

This engagement stems from the high trust – that exists between our people and our leaders.

We keep a “leadership trust” score to measure this – it increased 5 percentage points last year alone.

We also found that every 1 percent point decrease in carbon emissions has a positive 5 million EUR effect on our operating profit.

So we are proud that SAP’s data centers are 100% powered by renewable energy.

We are going even further, as we recently announced that SAP will be carbon neutral by 2025.

Whether in our financial, social or environmental performance, 2016 was the latest year of validation for SAP's vision and strategy.

Dear shareholders, I humbly suggest that these results should make all of us proud to be associated with SAP.

We are a strong, profitable, sustainable growth company. (Applause)

Moving forward from a position of strength

Allow me to give you an update on our plans to secure SAP's bright future.

Last year, we began to discuss the concept of digital business.

You may have heard this described as "Industry 4.0" here in Germany.

In simple terms, "digital innovation" involves the use of data from many sources to help businesses run better.

Think about this: every two days, the world creates as much data, as existed in the world, from the beginning of time until 2003. (Wow.)

For a business owner, the challenge to make intelligent use of this information is overwhelming.

This is why SAP must help our customers become data-driven digital businesses.

When you consider how SAP's products do this, I would offer you the following framework.

First, SAP is one of the fastest growing database companies in the world.

Too many businesses are still unable to use big data.

It is trapped in old database systems that were designed in the 20th century.

That's why SAP HANA was the most significant invention in the IT industry.

Only with this groundbreaking, "in-memory" data platform can SAP give our customers the tools they need for the digital economy.

Instead of waiting days or weeks to analyze information, businesses can do this instantly thanks to SAP HANA.

Thousands of customers have adopted SAP HANA, making it the fastest growing product in our history.

We will continue to accelerate the mass adoption of this transformational product in the years ahead.

Second, SAP is a leader in cloud business applications and analytics.

The SAP HANA architecture enabled us to build a new, state-of-the-art portfolio of business applications.

The flagship is SAP S/4HANA – which we have described as the core system for a digital business.

We all remember the early days of Enterprise Resource Planning – ERP.

The “R/3” ERP system, standardized core business processes.

From “R/3,” we have evolved to the future with “S/4.”

We even protected shareholder value, by avoiding the need for marketing consultants.

“R” became “S.” “3” became “4.” SAP S/4HANA...simple

Rather than describe how businesses are benefitting from S/4HANA, let’s hear from one of SAP’s dynamic customers.

*****[ROLL AIRBUS VIDEO]**

As you saw in the video, SAP S/4HANA is already changing the way our customers run.

What’s important, dear shareholders, is that we are in the early days of the SAP S/4HANA opportunity.

To date we have more than 5,800 customers running the S/4HANA system.

This means that more than 80% of SAP’s ERP customers and many thousands of net-new customers can adopt the solution in the years ahead.

This is a major growth opportunity for SAP.

Our portfolio of business applications does not end with our core ERP system.

We have many “best-in-class” applications to help our customers run their businesses.

One example is how businesses engage their own consumers.

Many of us here today have probably purchased products from our smart devices.

Sometimes we visit retail stores.

Other times we may order from a third-party website.

Think of how difficult it is for businesses to know precisely who we are – and where we are!

With SAP Hybris, we have leading applications to give businesses a single view of their consumer.

With SAP SuccessFactors and SAP Fieldglass, we are engaging the total workforce.

Let's hear from another customer who is succeeding with SAP.

*****[ROLL JAGUAR VIDEO]**

These customer testimonials give us a powerful view of why SAP's businesses are growing.

The momentum applies to many additional areas, including procurement with SAP Ariba and business travel with SAP Concur.

All of these applications come together for our customers in their SAP Digital Boardroom.

This brings SAP systems to life, enabling our customers to predict the future, simulate new business ideas in real-time and reinvent business models altogether.

Finally, we have the SAP Cloud Platform.

Our Platform-as-a-Service offering is a solution for developers to build new business applications.

We want everyone to know in clear terms: "SAP is a platform company."

With our platform, we can help SAP customers adopt the latest breakthroughs.

The Internet of Everything, Machine Learning and Blockchain are three categories of modern innovation where we see fast growing interest.

SAP has the best in class developers fully activated on these innovations.

The SAP Cloud Platform makes it possible to quickly strengthen our existing applications.

You have already seen many large technology companies partnering with us on our platform.

Apple, Google, Microsoft and Siemens are some prominent examples.

We will continue to scale our platform to drive new innovation and future growth.

In summary, you can see that SAP has a comprehensive strategy.

A state-of-the art modern in-memory database.

Best-of-breed business applications in the cloud.

The cloud platform to build next generation solutions.

All with an intuitive experience for our users.

Delivered with the industry domain expertise that our customers expect.

Protected by the industry's most trusted service and support program, SAP MaxAttention.

Customers can choose to run our software however best fits their unique business needs.

Once again, this breadth is unique to SAP.

But we are never complacent.

The work of SAP always begins by looking around corners to the next frontier of innovation.

In our SAP Innovation Centers here in Germany and around the world, we have teams working to invent the next big breakthroughs.

They are conducting design thinking workshops, to ensure our customers are always in the center of everything we do.

With a current market capitalization of around 110 billion EUR, the market recognizes our innovation strategy.

The SAP stock increased nearly 30% since the beginning of 2016.

As we have continued to hit new highs in our share price in 2017, SAP remains a rock solid investment.

We firmly believe our shareholders should benefit from SAP's success.

For 2016, the Executive Board and the Supervisory Board propose to raise the dividend by another 9% to 1 EUR 25 cents per share (1.25).

This represents a dividend payout of approximately 1.5 billion EUR and a payout ratio of 41%.

You will be asked to vote on this dividend payout later in today's meeting.

Vision and purpose

As I move to my closing remarks, I would like to discuss our vision and purpose.

Help the world run better and improve people's lives – this is the unifying vision we declared back in 2010.

SAP has never been a company with small aspirations.

We have bold plans.

We believe the world's greatest challenges are also its biggest opportunities.

That's why we have invested to make SAP a responsible corporate citizen.

We are focused on three areas: the economy, the environment and society.

For the economy, we are dedicated to training workers for the jobs of tomorrow.

Our website, open.sap.com, offers education programs so that anyone can learn about digital technologies.

To date more than one million people have participated.

Our university alliances program is working with 2,000 universities to train future graduates with the digital skills they need.

We are teaching young people in Germany, Africa and Latin America to code and sell software.

Now more than ever, this global economy needs companies like SAP to help all people see new opportunity.

For the environment, we want our company to help protect our planet.

We have seen customers using SAP HANA to preserve the Amazon rainforest.

Industry 4.0 breakthroughs are strengthening the agriculture industry.

Finally, society as a whole.

SAP technology will strengthen the healthcare system.

As you know, at NCT in Heidelberg, SAP HANA is radically changing the diagnosis and treatment of cancer.

This same platform is extending globally to the American Society for Clinical Oncology and a universe of startup companies.

We are also breaking down old barriers for all people.

Our Autism at Work program is bringing amazing new talent to SAP.

Our inclusion programs are strengthening our uniquely diverse culture.

Here, a video will help us understand SAP's overall commitment.

*****[RUN SOCIAL SABBATICAL VIDEO]**

This is a heart-warming example of SAP's legacy and potential.

By sharing our amazing colleagues with the world, we have made a profound investment in its future.
(pause)

Please note the agenda items on the screen, which you will be asked to vote on in today's meeting. (30 seconds)

Dear shareholders, in closing I would emphasize trust... the ultimate human currency.

Because of your trust, SAP is a successful company.

We have assembled the best solutions in the IT industry.

We have grown our company, created thousands of new jobs and thousands and thousands more customers, today than any time in our history.

In return for your trust, we pledge to continue the hard work of SAP.

Already we are off to a strong start in 2017.

Our first quarter revenue growth exceeded market expectations.

This gives us total confidence in our 2017 guidance and 2020 ambitions.

It is my personal honor to serve as the CEO of SAP.

I take enormous pride in representing Germany's most valuable company on the world stage.

On behalf of my Executive Board colleagues, I thank you for your trust, your confidence and your support of SAP.

Vielen Dank!