

Annual General Meeting of Shareholders Opening Address – Bill McDermott, CEO

May 17, 2018

The spoken word applies

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

Thank you for the honor of addressing today's Annual General Meeting of Shareholders.

I speak to you as the world faces complex challenges.

It can be easy in challenging times to become pessimistic.

Instead, dear shareholders of SAP, as you saw in the opening video, we offer an optimistic view.

SAP technology addresses the greatest challenges - because we view them - as the biggest opportunities.

Consider the following:

SAP's has 380,000 customers in nearly every country on Earth.

They rely on our systems to support 77% of the world's business transactions.

SAP systems touch 19 trillion EUR in consumer transactions.

We don't share these figures because we are self-important.

We share them – because - with this immense power, comes significant responsibility.

Our 91,000 employees, plus more than 2 million partner employees, are strongly committed to help the world run better and improve people's lives.

SAP doesn't shrink from challenge, we rise to it!

We stand on the shoulders of giants, none greater than our founder and chairman, Hasso Plattner.

Hasso's guidance has helped SAP become Germany's most valuable company and the world's business software market leader.

His vision, intellectual curiosity and courage motivate our company every single day.

Please join me in saluting the one and only Hasso Plattner!

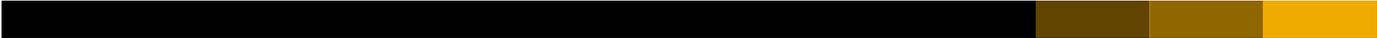
We are also securing the future of SAP - with our newest Executive Board member, Christian Klein.

Christian, congratulations and welcome to the Executive Board!

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

Ladies and gentlemen, please join me in a round of applause to thank the colleagues of SAP for their passion, their talent and their dedication.





Now, Dear Shareholders, let's discuss SAP's past, present and future.

Let's begin with the past.

Back in 2010, we made bold commitments.

One, to transform the database market.

Legacy databases were too slow, unable to meet the challenges of big data.

Today, SAP HANA has more than 20,000 customers, growing at record pace.

Independent analysts like Forrester have ranked HANA #1 in the new database market.

Two, we promised to lead the cloud computing era of business applications.

To accelerate that ambition, we acquired "the best" cloud companies, and they grew faster as part of SAP.

We built a new Enterprise Resource Planning system to bring ERP customers to the cloud.

More than 8,300 customers are already on the journey, with many thousands more on the horizon.

Overall, we have 150 million users of our cloud applications, more than any competitor.

We said businesses should work together in the global economy.

SAP was the first to champion Business Networks, the idea that companies should expand their digital partnerships to seize new opportunities.

Today these "spend management" networks are addressing trillions in market opportunity.

As a result of this strategy, we have doubled or tripled the revenues, profits, customers and market value of the company since 2010.

Our employee engagement, employees as shareholders, brand value, environmental performance, diversity and inclusion metrics are at all-time highs.

Dear Shareholders, the Executive Board promised to honor your trust by returning you a happy, healthy, profitable growth company.

This would not have been possible without your support.

Thank you and congratulations!

Last year we accelerated SAP's momentum.

The numbers are all non-IFRS, and percentages non-IFRS at constant currencies, unless I state otherwise.

Our total revenue was 23.5 billion EUR, up 8%.

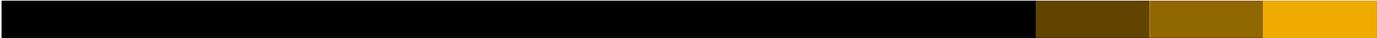
Cloud and software revenue reached 19.55 billion EUR, up 8%.

Cloud subscriptions and support revenue hit 3.77 billion EUR, up 28%.

New cloud bookings...defined as cloud business we have signed but not yet collected, grew more than 30%.

Our operating profit hit a healthy 6.77 billion EUR, up 4%.

IFRS earnings per share was...€3.36, an increase of 10%.



Even though we don't guide on it, software licenses grew 2%, while competitors steeply declined.

2017 illuminated several positives about our evolving business model.

SAP's fast-growing cloud business, together with solid growth in support revenue, continued to drive more predictable revenue.

We are now at 63% predictable revenue, on track to our target of 70+% by 2020.

We now have a multi-billion cloud business, growing faster than competition.

As the business grows, the share of renewals increases, the overall cost of sale goes down and margins go up.

This is how we deliver the SAP trifecta: fast cloud growth, strong software sales, and operating income expansion.

Let's talk about SAP's share price development.

If we look to overall development in 2017, SAP's share price grew 12.8% – this is faster than the DAX.

However, the macro developments in the broader market impacted the share price.

Tax reforms in the United States were enacted in December.

At the time, SAP shares were trading at all-time highs based on our strong performance.

In the weeks following this development, SAP shares decreased by 17%, while US-based competitors generally increased.

We were also impacted by a particularly strong EURO.

While these issues were beyond our control, regaining momentum was within our control.

To do it, we needed a strong start in 2018.

Yet again, SAP delivered.

In the first quarter, cloud revenues overtook license revenues for the first time and surpassed 1 billion EUR.

Cloud revenues soared 31%.

New cloud bookings grew 25% on top of strong prior year growth of ~50%.

On the bottom line, SAP delivered 52% growth in IFRS operating profit, up 14% non-IFRS at constant currency.

Now let me spend a moment on the operating profit.

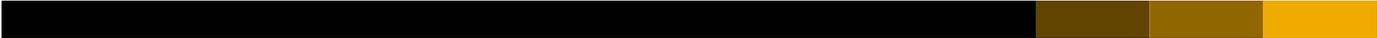
As you can see in the first quarter results – this is a big moment -- we are returning to operating margin expansion for the first time since we began our cloud journey.

This is one of many reasons that momentum in our share price has been reestablished over the past several weeks.

Our shareholders should continue to benefit from this momentum.

In 2017, SAP raised the dividend policy to at least 40% of profit after tax.

The Executive Board and the Supervisory Board propose to raise the dividend for 2017 by 12%, to €1.40 per share



This represents a dividend payout of approximately 1.67 billion EUR and a payout ratio of 41%.

You will be asked to vote on this dividend payout and the other topics on the screen in today's meeting.

Allow me to give you a moment to review the list.

And now, let's let our customers speak for SAP.

Please enjoy the following message.

[VIDEO]

It's wonderful to see happy customers.

We also have a happy company.

Employees have never been more enthusiastic about working for SAP – our employee engagement score remained extremely high at 85%.

Our leadership trust score, signaling employee confidence in management, increased 4 percentage points last year alone.

By investing in professional development, our overall retention rate improved to 94.6%.

We reduced greenhouse gas emissions to 325 kilotons in 2017, achieving the goal to reduce emissions to our year 2000 level. We did this 3 years ahead of schedule.

We run a "green cloud," with data centers 100% powered by wind or solar energy.

Overall, we are on track to fulfill our pledge of being carbon neutral by 2025.

From a diversity perspective, we met our goal of 25% women in leadership positions, and now have a new goal of 30% by 2022.

The overall message from our past and our present: SAP is a strong company and we're only getting stronger.

Let's spend some time discussing the large market opportunities where we are well positioned to accelerate growth.

I'll summarize it for you this way: SAP will deliver the intelligent enterprise to our customers.

Allow me to explain the key priorities of this strategy.

First, how many of you are concerned about how businesses use your personal data?

I am too; I have yet to find a consumer who isn't concerned on some level.

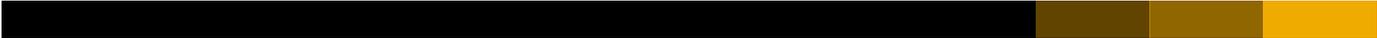
If consumers are worried, so are businesses.

The question is: how can SAP help "our" customers do a better job serving "their" customers?

This market is called "Customer Relationship Management" – or CRM.

Here is what we have long known about this market:





Competitor CRM solutions only manage data in sales departments.
Even as technology has improved, competitor CRM solutions haven't.
As new regulations like GDPR take effect, competitor CRM solutions don't help businesses comply.
This is why SAP has quietly been preparing a master plan to disrupt CRM.
We started with a clear operating principle: businesses need to have a single view of the consumer.
The marketing and sales departments shouldn't keep their own records, while the customer service department is yet another silo.
This is a challenge that only SAP can solve.
As we built our plan, we brought together smart acquisitions.
Hybris helps businesses engage consumers in any channel, on any device.
Gigya helps businesses protect that sensitive consumer data in the age of GDPR.
CallidusCloud helps sales professionals focus on the right opportunities, from lead to cash.

These new additions come together with solutions built by SAP.
SAP Cloud for Customer, which helps companies run better sales departments.
SAP Service Cloud, which helps businesses retain happy consumers.
The combination of these assets will provide a seamless front office value chain backed by the best user experience in the industry.
We will call this SAP C/4HANA – C for Customer. 4 for 4th generation CRM.
As with HANA itself, SAP will once again prove: we're the last to accept the status quo, and the first to change it.
This is going to be a major moment for SAP.
We're fired up, ready to go, and ready to you make you proud.
Are you excited?

Our second priority is closely related to the first.
No company can keep loyal consumers if it can't deliver what those consumers actually want.
While SAP C/4HANA runs the "front office" like marketing and sales, SAP's other business applications run the "back office."
History is repeating itself once again.
Remember when SAP delivered integrated applications to enable true end-to-end business processes?
As cloud is now maturing, there is a new agenda being driven by CEOs.
They want to integrate their complex companies, without sacrificing the best functionality.
So yes, integration is back!
For SAP, our completeness of vision will be delivered to our customers in a modular approach.





If a customer wants to use a single best of breed application, that's fine.

For customers who want to work end-to-end on a common platform, also fine – we will deliver “best of suite.”

We call this new cloud experience, “SAP Intelligent Suite.”

Think about a small business in Berlin just getting its start.

They may begin their SAP journey with SAP C/4HANA to protect their consumer data and sell more products.

Over time, as the business grows, they need a sophisticated ERP system to handle financials – SAP S/4HANA.

They need to build a great team – SAP SuccessFactors and SAP Fieldglass.

They need to procure direct and indirect materials – SAP Ariba.

They need to make it simple for their employees to travel the world – SAP Concur.

They need to modernize how they build products to achieve global scale – SAP Digital Supply Chain and Manufacturing.

In cases where these applications work together, the users in Berlin will never need to change applications.

The data model, security, and user experience are all consistent, enabled by SAP Cloud Platform.

There is no company in our industry who can integrate front office to back office like we can.

There is also no company that is doing more with intelligent technologies than SAP.

We do not want to substitute people in the workforce with computers.

We believe in the notion of “augmented humanity” – where technology raises people up to a new level of human performance.

To bring this potential to our customers, last year we introduced SAP Leonardo.

Every application in the SAP Intelligent Suite will be enhanced by SAP Leonardo machine learning.

Where it adds value, the same will be true for Blockchain and Industry 4.0 technologies, also called the Internet of Things.

To illustrate the power of these breakthroughs, please watch this short video.

[VIDEO]

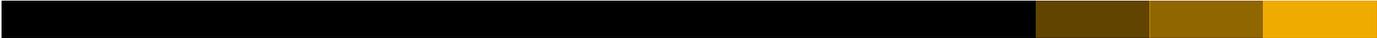
Big picture – we believe that integration and intelligence will solidify SAP's market leadership for the next generation.

We will win with integration – front office to back office – because we have SAP Cloud Platform to connect SAP and non-SAP applications.

We will win with intelligence because we have SAP Leonardo to sense every input and predict every outcome.

This leads me to the expansion of SAP HANA.





What started out as an idea - an incredible invention - is now a global movement.

We have clear opportunities to accelerate HANA.

For example, full-use SAP HANA is the only viable database to enable the benefits of the intelligent enterprise.

HANA supports multiple data models, data virtualization, and extended capabilities such as graph and geo-spatial.

HANA also represents a broader paradigm shift in data management.

Historically, moving the data was the slowest part of already slow legacy systems.

Now HANA can work with multi-source data - without ever moving the data – thereby, driving record breaking speed and security.

HANA has become the control tower of the intelligent enterprise.

It's a HANA world by any measure.

In summary, we talked about a new strategy for CRM with SAP C/4HANA.

A new integrated applications experience with SAP Intelligent Suite, enabled by SAP Cloud Platform.

An expansive new data management agenda with SAP HANA.

I'll read you a quote from one industry observer:

"SAP's product lineup has never been stronger. SAP has transformed itself to a fast-moving and market-driven leader."

So, I guess the question is really for you?

Are you fired up and ready to go?

Dear shareholders, in service to our customers, SAP is a better company than we once were, but not yet the company we aspire to be.

We have the world's best engineers building the next big innovations.

We have dedicated sales and services professionals putting innovation into action.

We are focused on supporting 25 distinctly different industries and businesses of all sizes.

On topics like data privacy, we are the first company in our industry to be certified by the British Standards Institute as GDPR compliant.

Our ecosystem is expanding, with new partners entering, while longstanding partners steadily grow their SAP practices.

All this gives should give you enormous confidence for SAP's bright future.

In closing, I'd like to share with you some of what I told our top 250 leaders at a meeting here in Germany last month.

First, I told the leaders that trust is earned in drops, but lost in buckets.

Trust is earned one drop at a time – it comes slow.

You make all kinds of deposits in the trust account.

Then one wrong thing happens, and it disappears in buckets.



And it's really hard to get it back.

We need to do things the SAP way – with honor, class and integrity.

When we make mistakes, we admit them so we can fix them.

You may have heard about the situation in South Africa.

Unlike other companies facing similar challenges, SAP responded with transparency.

We removed individuals whose actions were not consistent with our ethical standards; we strengthened our compliance policies to prevent similar distractions in the future.

Sometimes customers expect more from us; we must always redouble our focus on their happiness.

One example involves the pricing for indirect usage of products.

Customers were not happy with pricing practices by any company in our industry.

They grew frustrated when companies conducted audits to reveal more licensing fees were owed.

We led the industry as the first company to introduce new pricing options.

We reformed how we conduct audits; our customers will never be surprised by anything we do.

I also told the leaders, in good times or tough times, our will must always find a way.

We must commit ourselves totally, with perseverance and discipline, to live up to the world's expectations for SAP.

We must take accountability to lead SAP into a new decade of profitable growth.

This is what you expect from the market leader you helped build.

In the end, the true measure of a leader is not what we take from this world, it's what we give.

Let's watch one final video in this regard.

[VIDEO]

Here we see the ultimate truth of SAP.

It is through the work of our customers that we help the world run better and improve people's lives.

I began today with the world's greatest challenges.

We are fearless in the face of those challenges.

SAP will be the last to accept the status quo and the first to change it.

The headlines say some countries are retreating from the global community.

Once again, that's not the SAP way.

We're proud to represent Germany on the world stage.

We are honored to advise heads of state on the biggest topics, so our company can help make the biggest difference.

Ladies and gentlemen, this is your SAP.





This is where business and technology come together.

This is why 91,000 colleagues stand so proudly behind the motto and the maxim: The Best Run SAP.

Thank you very much.

-END-