Welcome to the Intelligent Enterprise
Welcome to the Intelligent Enterprise!
Intelligence can be described as the capacity to adapt to change. In this digital age, change is often the only constant – making the ability to adapt to it more important than ever. But intelligence doesn’t just help humans evolve; it also helps companies keep up with the times. We’ve worked hard for many years now to turn our own company and our customers’ companies into intelligent enterprises through innovative processes and systems. Intelligent enterprises are successful. They are the future, and the future is theirs. SAP’s success is reflected in many ways: our outstanding market position, our breakthrough technologies, our motivated employees, our integrated sustainability strategy and, last but not least, our strong financial performance. Our Integrated Report 2018 describes all these and more in greater detail.

Welcome to the first annual edition of SAP Investor!
Of course, not everyone has time to read the Integrated Report from cover to cover. Which is why we’ve decided to try something new – a special annual edition of SAP Investor, aimed at bringing the SAP strategy even closer to our shareholders in a lighter, easier-to-digest brochure format. Complete with reports, figures, graphs, and images, this brochure explores the many different facets of SAP and the people behind it. For us, technology is not an end in itself. It shouldn’t be abstract and complicated; it should serve humanity with meaningful purpose and direction. We think that the examples in our brochure give you a good idea of the kinds of things we can achieve with technology both today and tomorrow. So please tell us what you think of our first edition. A feedback card is attached for your convenience.

Welcome to the future!
Future-oriented acquisitions have allowed us to constantly expand our portfolio and make it even more “intelligent” along the way. SAP’s growth story continues unabated, and our value proposition has never been more compelling – yet again, our excellent annual results and raised dividend are definitive proof of that. And we’ve already seen gains in our Q1 2019 revenue (+12%) and operating profit (+13%) (each non-IFRS, at constant currencies) as well! Find out more about our clear growth targets for 2019 and beyond on the pages that follow.

I wish you all an informative and insightful read!

Luka Mucic
Chief Financial Officer, SAP SE
€24.74B
total revenue (non-IFRS) in FY2018

437,000
customers in 180+ countries

100+
innovation and development centers

98,600+
employees from 140+ countries

#1
software company in Dow Jones Sustainability Indices
SAP SE
EXECUTIVE BOARD

Bill McDermott
Chief Executive Officer

Adaire Fox-Martin
Global Customer Operations

Christian Klein
Chief Operating Officer
Intelligent Enterprise Group

Jennifer Morgan
President, Cloud Business Group

Christian Klein
Chief Operating Officer
Intelligent Enterprise Group

Jürgen Müller
Chief Technology Officer

Stefan Ries
Chief Human Resources Officer

Luka Mucic
Chief Financial Officer

Michael Kleinemeier
SAP Digital Business Services
INNOVATION AT THE HEART OF THE INTELLIGENT ENTERPRISE

72% of global CEOs believe the next three years will be more critical for their industry than the last 50 years.

Source: Forbes Insights

77% of the world’s transaction revenue touches an SAP system.

Source: SAP Reporting

By 2020, 85% of a customer’s brand experience will occur via digital interaction.

Source: Centric Digital, How Omni-Channel Customer Experiences Drive Brand Transformation

In-memory computing speeds are up to 1M times faster than the previous most advanced computing techniques.


“Our consistent strategy of innovation and growth and our investments into new technologies to help our customers become intelligent enterprises are paying off.”

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STRATEGY

DIGITAL TRANSFORMATION AT FULL SPEED

What is SAP’s vision for the Intelligent Enterprise? Equip customers with full visibility of data, knowledge of their business options and opportunities, and the agility to respond to an ever-changing market so that they can tackle their challenges – and be successful. Whatever their strategy for the future, they must embrace digital transformation to grow and compete effectively. Our technology empowers them to achieve these goals.

Technologies accelerate innovation
SAP’s intelligent suite of applications can be used to manage customers, supply chains, networks, employees, and core business processes. As a technology leader, SAP recognizes the digital disruption taking place around the globe. We constantly innovate to ensure our customers are set up for success in this disruptive environment, and SAP remains the largest enterprise software provider in the world.

We provide a digital platform to manage data from any source and support the development of business applications. Customers can view their data in real time and access the tools to manage it, giving them valuable insight in a competitive marketplace. What’s more, our intelligent technology uses machine learning, artificial intelligence, advanced analytics, and the Internet of Things to help customers optimize their core processes and reinvent their business models.

Flexible and agile data storage
Each SAP solution is a powerful standalone application, built to enrich and improve businesses and lives through its specific purpose. But when our applications work together, they are optimized to integrate, learn, and improve themselves in a way that goes beyond basic software and database solutions.

For many years, we delivered our tools and applications through on-premise products. Today, our customers can get the end-to-end experience in the cloud, with its accompanying flexibility and agility. SAP’s flagship in-memory SAP HANA database, and its SAP S/4HANA business suite can all be enabled in the cloud and integrated with SAP’s other applications for a seamless cloud experience.

The future is now
We embraced the future of cloud technology when it was still the future. That future is now, and we are looking ahead again, this time to artificial intelligence, blockchain, the Internet of Things, virtual reality, and experience management. Our customers need to be one step ahead of their competition, which is why we will remain at the forefront of the digital age.

Digital transformation
Worldwide spending on digital transformation is expected to reach US$1.97T in 2022, with a five-year annual growth rate of 16.7% (according to IDC).

99% accuracy in voice and video recognition by 2020

30B connected things by 2026

97% image recognition accuracy today (better than human accuracy: 95%)

Blockchain is expected to grow at a robust pace of 73.2% (CAGR) throughout 2017–2022 (according to IDC).

Worldwide IoT spending is forecast to surpass the US$1T mark in 2022, delivering double-digit annual growth rates.

SAP has grown its cloud business from €100M in 2009 to more than €5B in 2018.

By 2025, 49% of worldwide data volumes (reaching 175 zettabytes) will be in public cloud storage.
EMOTIONS + OPERATIONAL DATA = SUCCESS

With SAP and Qualtrics, the customer is king.

Since its founding, SAP has flourished not only due to its own innovations and organic growth, but through continual expansion of its portfolio through large and small acquisitions. Numerous entities have been successfully integrated into the SAP Group over the years, contributing to the enterprise’s continued success. At the same time, SAP has a strong track record of accelerating growth for the innovative companies it acquires: Ariba, Concur, and Calidus being just three prime examples. With Qualtrics joining SAP in January 2019, SAP is now poised to become the undisputed market leader in experience management as well.

New answers for the "experience economy"
Qualtrics is the global pioneer of the Experience Management (XM) domain, which focuses on obtaining and tapping the value of outside-in customer, employee, product, and brand feedback. This kind of data is becoming ever more significant in our increasingly interactive world, because it captures the “why” behind the economic developments driving business revenues. And, since it is easier – not to mention cheaper – to retain existing customers (or employees) than to win new ones, such customer experience and related feedback have become fundamental to a company’s success. In our digital, networked era, feedback and ratings appear online in no time at all and, thanks to their global reach, can either make or break a company and its brand: 80% of consumers switch to other brands after they’ve had a bad customer experience. SAP and Qualtrics empower their customers to stay on top of consumer sentiment in real time in order to then use that insight to design and deliver a better, end-to-end customer experience.

SAP takes the CRM market forward with Experience Management
According to analysts at Gartner, Inc., sales and marketing are the largest software market in the world, with US$46 billion in revenue and an annual growth rate of 16%. SAP already generates a third of its revenue from customer relationship management (CRM) software such as SAP C/4HANA. And that figure is growing: 77% of the world’s transactions today already touch SAP. This reach coupled with Qualtrics’ 1.8 billion experience data records affords companies unprecedented insight into their customer relationships. By acquiring Qualtrics and integrating its capabilities with SAP C/4HANA, SAP is revolutionizing the CRM market and helping companies bridge their gaps in user experience – for the best customer experience, a strong brand, and high competitiveness. Customer experience is the driving force behind the CRM market today and will continue to play a key role going forward as market shares are reshuffled. Because only an integrated, holistic concept such as SAP C/4HANA can help customers fully understand and channel their customer relationships.

SAP Investor | Annual Edition 2019

Worldwide CRM software revenue in 2018:
US$46B
Source: Gartner, estimated revenue according to growth forecast
DRIVEN BY INNOVATION

SAP embraces an innovative and tightly integrated technology core across the company that covers all deployment scenarios in which our customers operate: on premise, hybrid, and cloud. We have uniquely positioned ourselves as a trusted advisor to customers – guiding, advising, and supporting them on their path to intelligent enterprises.

Working with a wide range of customers from all industries and regions has shown us that the expectations of a constantly changing business environment are diverse, and that customers are looking for a single partner with an integrated approach. At the same time, customers expect us to be responsive to their individual needs in their innovation projects and in their pursuit of diversification.

Based on these experiences and customer expectations, we have decided that focusing on the different needs of customers is best achieved by working in organizational units based on the different areas of expertise, while sharing a strong technology and strategy base.

More than 27,000 software engineers at over 100 locations worldwide develop our industry-leading solutions. In addition, we perform research and co-innovate with customers at over 20 SAP Labs around the globe, contributing to the unique innovation culture at SAP.
The Intelligent Enterprise is more than just an automated business, it is a concept for how SAP sees the future of business for our customers, the future of work for our customers’ employees, and the future of experience for our customers’ customers.

At Intelligent Enterprises, data powers intelligence which, in turn, is the basis for process automation and innovation. At SAP, we believe best-run businesses are data- and process-driven – and we’re committed to helping deliver on this promise.

What does becoming an Intelligent Enterprise mean?

• Transforming workforce engagement: As market dynamics shift, new skills are required. The latest technologies can provide the flexibility companies need to attract, hire, and retain top talent.

• Redefining the end-to-end customer experience: Predict demand, procure the best suppliers, design and manufacture customized products – and deliver personalized experiences that customers love.

• Delivering a step change in productivity: Harness data-driven business processes to fuel new growth and revenue streams, adapt faster to change – and direct scarce resources to where they’re needed most.

How does SAP software help achieve this?

The Intelligent Enterprise is a virtuous cycle in which the business actions executed in the Intelligent Suite generate data that is used to build the intelligence that can be embedded in business processes. The data from these business processes can be combined with external data sources in the digital platform, where intelligent technologies can be applied to generate even deeper insights. These insights can then be embedded back into our Intelligent Suite for process automation or improved decision support. Only SAP can deliver on this strategy because it is the system of record for our customers’ end-to-end business.

Our customers can implement our software on premise, in the cloud, or through a hybrid approach. Our solutions in the cloud already have over 180 million users. The cloud enables us to provide innovations faster and lowers costs by 20%–30%. We can help our customers by reimagining entire business processes and including predictive insights. We do this by leveraging technologies such as artificial intelligence, machine learning, the Internet of Things, and analytics across an integrated value chain. With SAP’s innovations, our customers can engage with users in real time to continuously improve their experiences.
MORE THAN HOT AIR: AN IOT SUCCESS STORY

From product to all-in-one service provider, from compressor manufacturer to compressed air specialist – Kaeser Kompressoren has gone digital with SAP and a reimagined business model. The result: Global, customized services at a mass-market price.

Headquartered in Coburg, Germany, Kaeser Kompressoren is one of the world’s leading manufacturers and suppliers of compressed air products and services. With more than 6,000 employees worldwide and partners in more than 100 countries, the Kaeser name today stands for top-quality products and efficient maintenance services. Underpinning this success is a standardized, integrated IT structure accessible by employees and technicians alike for real-time data analysis and processing. Seeking to maximize customer satisfaction, the family-owned, global enterprise had turned to SAP to build a central IT infrastructure that models its entire line-up of services. Devices and operational processes are now linked via sensors, enabling the company to make the best possible use of the Internet of Things (IoT). Thanks to this asset intelligence network, Kaeser Kompressoren now has a holistic overview of its entire production chain, and can support its customers with technical issues, troubleshooting, and service level agreements around the clock and in real time.

Real-time service for satisfied customers worldwide
This comprehensive sensor network enables Kaeser to monitor key performance data of each compressor in real time. The IoT installation means each physical device is replicated online as a virtual, digital twin, allowing Kaeser’s service technicians to call up technical data such as parts numbers and even the entire maintenance log on a smartphone or tablet long before going out to the customer location, thus accelerating time to service. Such predictive insight and dynamic maintenance ensure that every replacement part is always in the right place at the right time. In addition to connecting all business processes – including services from outside the company – the IoT installation simplifies the information ecosystem, since users can access all relevant data in a cloud-based portal.

Going digital has transformed Kaeser Kompressoren and its business model: Having primarily sold compressors for much of its history, the company now sells compressed air by the cubic meter through its “Sigma Air Utility” service. One hundred years after its foundation, Kaeser has propelled itself into the digital age and is now closer than ever to its satisfied customers.
Digital Solutions for a Better World

In 2015, the United Nations adopted its 2030 Agenda for Sustainable Development. As a pioneer in the field of sustainability, SAP is committed to supporting the UN’s sustainability goals and has made this topic an integral part of its strategy. And it is convinced that digital solutions are the key to helping customers build a better world for everyone.

The United Nations adopted its 17 ambitious Sustainable Development Goals (SDGs) with a view to harmonizing the economy, society, and the environment for a better world. The onus is now on the entire international community to contribute to achieving these goals – both locally and globally. In Germany, the government developed a sustainability strategy that puts the necessary legal framework in place for this to happen.

Sustainability is an integral part of SAP’s corporate strategy, because we are convinced that digital technologies can pave the way for achieving the ambitious SDGs. This is also the message of a study conducted by the Global e-Sustainability Initiative, which concludes that more than half of the 169 targets that make up the SDGs can in fact only be achieved with the help of digital technologies.

Leading by example: sustainability in action

SAP understands the importance of being a role model for sustainability. Indeed, this is the only way it can credibly help its customers integrate sustainability enabled by digital solutions into their business. Acting as a pioneer in sustainable behavior is an unshakable commitment for SAP. Independent rankings confirm this: For years, SAP has led the software category in both the Dow Jones Sustainability Indices and in the rating published by ISS-oekom, one of the world’s foremost sustainability rating agencies.

Yet it is SAP customers who have the greatest leverage in meeting the Agenda 2030 goals. Because digital innovations from SAP are their key to operating more sustainably and, thus, to contributing to creating an inclusive economy in which innovation and progress improve the lives of as many people as possible.
How is SAP approaching sustainability? What opportunities does digital transformation hold for a sustainable future? Daniel Schmid, Chief Sustainability Officer at SAP, provides insights.

What role is SAP playing in making sustainability achievable?
Daniel Schmid: SAP attaches great importance to the UN Sustainable Development Goals (SDGs). And we are committed to being a pioneer in sustainability. SAP’s own sustainability journey began back in March 2009 and it is far from over. We have come a long way, but we will not rest on our laurels, and have already set out our next goals – which include making our operations carbon neutral by 2025 and increasing the share of management positions held by women to 30% by 2022. Because only if we apply sustainable principles ourselves can we credibly help our customers adopt digital solutions to operate their businesses more sustainably too. For example, by using resources more efficiently, managing procurement and supply chains openly and sustainably, promoting healthcare and micro-financing, and transparently pursuing sustainability goals.

What opportunities and challenges does the future hold?
Digital transformation is not an end in itself, but it can provide the tools for change. It can contribute to scaling and accelerating operations. Big Data and analysis software, for example, can help measure the progress made in achieving the SDGs in more than 180 countries – based on more than 230 indicators – and indicate where action is required. At municipal level, smart city solutions can help urban areas like Heidelberg drive the implementation of UN SDG 31: “Sustainable cities and communities”. SAP is working with customers such as Kaiserwetter to connect financial, technical, and meteorological data for investors in renewable energy in order to support the energy revolution. In that way, we are contributing to UN SDG 7: “Affordable and clean energy”.

We think it is important to address the changes taking place in the digital transformation actively, responsibly, and on their individual merits. For this purpose and to provide guidelines for the development of our solutions, SAP has published seven guiding principles for artificial intelligence (AI). We also consult with an external AI advisory committee about deploying these new technologies ethically.

How do you think these examples can be scaled?
Cooperation and dialogue across organizational and other boundaries are essential. Which is one of the reasons why UN SDG 17 is “Partnerships for the goals”. SAP is a founding member of IMPACT 2030. We are also engaging with ecosense, a network of enterprises and political representatives devoted to promoting sustainable development in the German economy.

Together with the German Society for International Cooperation, UN Women, UN Global Compact, the World Economic Forum, and many other organizations, we are working on a wealth of projects whose aim is to contribute to one or more of the sustainability goals. By offering free online courses on the openSAP platform, we are making training in digital expertise accessible. And specialized courses such as “Sustainability Through Digital Transformation” provide insights into the potential of digital tools for shaping a more sustainable future. After all, the complexity of the task ahead requires everyone involved to cooperate resolutely across all sectors.
DIGITAL TWINS
SAVE BRIDGES
AND LIVES

Having a sound infrastructure is essential for economic growth and prosperity. Therefore, when it comes to constructing and maintaining large structures such as bridges, authorities view sustainability, safety, and efficiency as key objectives. With this in mind, the public sector is looking for affordable and effective ways of monitoring existing bridges.

The Stavå bridge between Oslo and Trondheim in Norway crosses a deep ravine. Dating back to World War II, the reinforced concrete structure was designed to carry trucks with 20-ton freight loads, not the 60-ton loads transported today. For safety reasons, therefore, large vehicles can only cross the bridge at reduced speed in one direction at a time.

The Norwegian Public Roads Administration (NPRA) monitors the Stavå bridge in real time using SAP Predictive Engineering Insights. As vehicles cross the bridge, they create vibrations, which are recorded by sensors and sent to SAP’s cloud solution. A digital model of the structure—the digital twin—in the solution simulates the stresses placed on the bridge and each of its materials, thereby providing ample warning of any damage and saving lives.
THE FUTURE OF WORK

Demographic change and digital transformation are placing high demands on personnel planning and changing the way we work: Organizations and their employees have to reinvent themselves to be successful.

3 trends influencing the labor market

- The digital skills gap in the population is growing.
- The population in western countries and advanced economies is aging rapidly.
- Social values are changing: Purpose, flexibility, and creativity are more important to millennials than to previous generations.

Change may be constant – but the speed at which it occurs is ever increasing. As digital transformation progresses, it is affecting businesses and jobs around the world. Since 2000, 52% of companies listed on the Standard & Poor’s 500 index have either gone bankrupt, been acquired, or ceased to exist for another reason. As our world becomes more complex, digitalized, and automated, companies face increased pressure to modernize quickly, or even reinvent themselves completely. At the same time, the demand for highly skilled experts is growing. In Germany, for example, millennials – people born between 1980 and 1999 – will account for three quarters of the working population by 2025. For them, lifelong learning and flexibility are essential in a dynamic (labor) market.

Achieving success faster with agile teams

Since 2012, SAP has been looking into the future of work, and developing approaches and solutions for the working world of tomorrow – both for use in-house at SAP and for customers. Management and employees at every organization need to identify how new developments in technology, such as automation, affect their role and their way of working. For employees, this means more self-organization and generally taking a more results-oriented approach – often while working in temporary teams with colleagues from different fields. However, for businesses, this means becoming more agile and innovative. Management in the traditional sense no longer suits today’s dynamic world, in which the average life of a company is constantly declining. To act fast in the market, employees need freedom and personal responsibility.

The human side of digital transformation

A technology is only valuable if the people who use it know how. That is why SAP has developed programs to systematically enhance and nurture employee potential. It is investing in the training, professional development, and career advancement of its employees: By offering fellowships, self-paced learning options, and mentoring, SAP employees can gain new skills and experience. Every employee at SAP has their own strengths – and their own definition of success. They can, and should, advance their career in line with their interests and goals. After all, happy employees are good employees. And, in the battle to attract top talents and highly qualified experts, employee satisfaction is key. SAP is therefore particularly proud of being named Germany’s “Best Place to Work” once again in 2019 by the recruiting platform Glassdoor.

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SAP BRINGS PEOPLE TOGETHER

Our employees are the key to our success. They are innovators, leaders, and above all, outstanding people. They come from all around the world, speak a variety of languages, and bring their own unique experiences, skills, and expertise to our company.

Success means something different for everyone. That is why we strive to give every employee at SAP the chance to realize their own form of success. Teamwork is an important ingredient in this. For we all share the same goal: to help the world run better and improve peoples' lives.

Groundbreaking new ideas
Innovation means more than just best-in-class software. For us, innovation means forging new, groundbreaking frontiers for the technology industry. That’s not something that you can do incidentally or on the side, of course, which is why we offer a working environment that fosters free thought, bold ideas, and teamwork.

Different cultures, common strengths
Having so many different voices is one of SAP’s greatest strengths, since it impacts both our work environment and sense of community. And regardless of one’s cultural or ethnic background, gender identity, sexual orientation, or way of working and living, every voice counts at SAP, in equal measure.

Cross-generational approach
People of all life stages work at SAP, so our innovation is also fueled by a tremendous diversity of mindsets and experience. While our early talents help us anticipate trends and encourage us to take risks, our more experienced employees bring balance and credibility to bear with support and advice for their younger colleagues.

Inclusion matters
At SAP, every employee brings their own unique skills and abilities to the table and contributes in their own personal way. By focusing on “abilities” instead of “disabilities”, we have opened up entirely new opportunities for SAP and its employees alike. Our internationally-recognized Autism at Work program is a perfect example of this.

There’s more to life than work, so we take great pains to ensure our employees have plenty of options for balancing their personal and professional lives, be it agile working models such as flexitime and home office, time off for volunteer work, and so on.

Equality at work
Different gender perspectives strengthen our innovative potential and nourish ever-better solutions for our customers. More than 25% of our management positions today are already held by women.
ACHIEVING MORE, TOGETHER

Information technology creates opportunities for people, businesses, and societies. Many of the challenges of our time can only be solved with the help of innovations in technology. And we want to do our part. Our approach to sustainability and corporate social responsibility is based on our purpose to help the world run better and improve people’s lives.

SAP wants to optimize business processes, and make life easier for people around the world. The 17 United Nations Sustainable Development Goals (SDGs) are the starting point for our social initiatives. We are particularly passionate about education: SAP is convinced that a quality education is the best basis for equal opportunity and a sustainable future. By imparting digital skills and supporting training programs and fledgling social enterprises, we want to ensure that everyone can get involved in the digital economy.

Turning empathy into action
The success of our technology and our company is down to our employees, and the skills and knowledge they possess. And our volunteer programs are based on their expertise. In 2018 alone, more than 20,000 SAP employees worldwide dedicated over 250,000 hours to volunteer work, and supported over 900 projects. Our annual Month of Service for volunteers, and mentoring and coaching for students and social business leaders are just some examples of how we help our employees use their time and skills to support projects.

openSAP: SAP technologies for the social good
To make digital skills accessible for all, now and in the future, we offer free openSAP courses online. openSAP provides access to flexible, social, and collaborative learning content. New courses on emerging technologies are constantly being added, and support customers on their journey to becoming intelligent and sustainable enterprises. By the end of 2018, three million people from all over the world had used the platform. This great success encourages us to continue working with our employees, customers, and non-profit partners toward a sustainable future. After all, the only way to bring about real change is to work together.

Building digital skills
By equipping people with IT skills and knowledge, we are helping them harness their potential and thrive in the digital economy – wherever they are in the world.

In 2018:
• We donated €22.8 million to education and workforce development programs, and to youth entrepreneurship projects.
• We passed on our digital expertise and coding know-how to 34,000 teachers and 2.8 million young people in 93 countries.
• SAP employees volunteered in over 900 projects around the world.
DIGITAL TRANSFORMATION IN NUMBERS

In 2018, SAP once again increased its revenue significantly and hit or exceeded all outlook metrics even after multiple guidance raises during the year. Dynamic growth in our cloud business in all regions of operation was a key contributor to this success. In the first quarter of 2019, SAP made an excellent start to the year with double-digit growth in revenue and operating profit.

Cloud as growth engine
Our cloud revenues have increased nearly fivefold since 2014, setting us clearly ahead of our competitors in this domain. We also believe that the cloud business will continue to gain in importance in the coming years. As such, we expect the proportion of cloud revenue vis-à-vis total revenue to more than double from a good 20% today to more than 40% in 2023. In the first quarter of 2019, cloud revenues (non-IFRS) increased 48% to €1.58 billion. This corresponds to 26% of total revenue (non-IFRS).

Dynamic revenue growth
Non-IFRS total revenue in 2018 was €24.74 billion, an increase of 5%. Of this, €5.03 billion was attributable to our cloud business, which grew 33%. Negative currency effects impacted our software revenue, which decreased 5% to €4.65 billion. Our stable customer base and the continued interest in our support offerings, meanwhile, resulted in a 1% increase in support revenue to €10.98 billion. Services revenue increased 4% year over year to €4.09 billion. In the first quarter of 2019, total revenue (non-IFRS) increased 16% to €6.12 billion.

Focus on profitability
Strong revenue gains combined with ongoing cost discipline resulted in a steep rise in our non-IFRS operating profit in 2018. It improved 6% to €7.16 billion. Our operating margin (non-IFRS), in turn, increased 0.1 percentage points to 29.0%. After a period of significant investments in innovation, now is the right time to focus on operational excellence. In addition to several existing measures, SAP is conducting an operational review in 2019. As a result, we expect continued efficiency improvements in both our cloud and traditional software businesses. Together with a disciplined capital allocation policy we aim to create even more shareholder value in the future. We anticipate that our operating margin will continue to improve at an average annual rate of 1 percentage point through 2023. In the first quarter of 2019, operating profit (non-IFRS) increased 19% to €1.47 billion, and operating margin rose by 0.5pp to 24.0%.

Our revenues can be broken down into the following categories:
- Revenue from our cloud businesses (Software as a Service, Platform as a Service, Infrastructure as a Service)
- Revenue earned from the sale and license of our software
- Revenue earned from providing customers with technical support services and unspecified software upgrades, updates, and enhancements
- Revenue from consulting services, trainings, and other services
STOCK MARKET GROWTH

Our customers rely on SAP as a trusted partner in their digital transformation. To live up to their expectations, we work hard to continuously drive our revenue and profitability forward. Our shareholders likewise benefit from this growth strategy.

SAP has regularly paid a dividend ever since the company went public in 1988. We’d like to continue this tradition by paying a dividend totaling 40% or more of profit after tax. Dividends are paid following the decision on the appropriation of retained earnings, generally on the third working day after the general meeting of shareholders. All shareholders who own SAP shares at the time the decision on the appropriation of retained earnings is taken are entitled to receive dividends.

The proposed dividend of €1.50 for 2018 represents a €0.10 or 7% increase compared to the previous year’s dividend of €1.40. It also results in a payout ratio of 44% (2017: 41%). The dividend for 2018 is slated for payment on or after May 20, 2019.

### Earnings per share (IFRS, in €)

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### Dividend per share

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Payout ratio (%)

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<thead>
<tr>
<th>Year</th>
<th>Payout ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>40</td>
</tr>
<tr>
<td>2015</td>
<td>44</td>
</tr>
<tr>
<td>2016</td>
<td>47</td>
</tr>
<tr>
<td>2017</td>
<td>42</td>
</tr>
<tr>
<td>2018</td>
<td>44</td>
</tr>
</tbody>
</table>

Initial public offering, Frankfurt: November 4, 1988

1,228,504,232 shares

17,096% increase in share price to December 31, 2018

18.7% average annual increase in share price since IPO

€103.00 SAP stock closing price (March 29, 2019)

85.5% free float

#1 among DAX 30 companies, with 10.13% index weighting (December 31, 2018)

4.36% index weighting on Dow Jones EURO STOXX 50 (December 31, 2018)

2.83% index weighting on Dow Jones STOXX 50 (December 31, 2018)

€126.6B market capitalization (March 29, 2019)
WHY SAP IS A GOOD INVESTMENT

SAP is perfectly positioned to benefit from the massive growth drivers in the market
- Our innovation leadership continuously sets us apart from the competition and secures future growth
- We're recognized as the undisputed leader in the enterprise software market with more than 425,000 customers in over 180 countries
- We deliver industry-leading products and solutions for 25 industries and seven lines of business
- We are shaping the new industry category of Experience Management, addressing further growth potential

SAP is highly successful with a stable, predictable and sustainable business model
- We achieve high growth rates in cloud subscriptions in addition to a solid core business
- We generate strong cash flows and deliver consistently high profits
- We target 70%–75% of more predictable revenue as percentage of total revenue by 2020, and approaching 80% in 2023
- We have tripled our market capitalization since 2010

SAP has an excellent credit rating, rewarding our well-balanced financing strategy
- A/A2 rating (S&P, Moody’s)
- 56% equity ratio

SAP stands for an attractive and dependable dividend policy
- Our policy is to have a payout ratio of at least 40% of profit after tax
- We have paid an annual dividend – and, in many cases, increased it – ever since our IPO in 1988

SAP is a leader in sustainability and supports the 17 UN Sustainable Development Goals
- We steer the company holistically by financial and non-financial KPIs, and report these in our Integrated Report
- Our Cloud operations run on 100% renewable energy
- We will be fully carbon neutral by 2025
- We’re ranked #1 software company in the Dow Jones Sustainability Indices
- We achieved our goal for women in management early, and now target 30% in 2023.
- We received over 175 “Best place to work” awards in 2018

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