Dear investor,

For many years now, SAP has been synonymous with groundbreaking innovation and exceptional reliability for business-critical processes. Our intelligent enterprise strategy sets out our commitment to providing stability – for our customers, our partners, our employees, and our shareholders. This is especially true during the current coronavirus outbreak, which has led to immense uncertainty and rapid change.

Our robust business model, strong leadership, healthy financial position, and predictable revenues put us in the best possible position to successfully weather this crisis.

Right now, one age-old mantra rings especially true: The customer is king. Listening to the customer and building solutions that fit their needs and achieve new levels of integration is more important than ever before. That is why we are pulling out all the stops to support our customers as best we can in this difficult period, so that they can successfully overcome their challenges.

For many companies, the next significant step on their digital transformation journey is the transition to the experience economy. Increasingly, the perfect experience has the power to sway the decisions our customers, partners, and employees make. Experience is also an important measure for us, and we are doing everything we can to make our products, structures, and processes more attuned to the needs of our customers. We hope this will give us added strength and momentum to tackle the challenges of life after coronavirus.

As Chief Financial Officer, I am particularly focused on safeguarding SAP’s stability and on sharing our success with our shareholders. Our goal is to carry on delivering value going forward. To this end, our recent measures include once again increasing our proposed dividend, and repurchasing shares worth €1.5 billion – a program that we ran before the global coronavirus outbreak. Our medium-term growth targets remain unchanged.

The very positive feedback you gave us on the 2019 annual edition of SAP Investor prompted us to retain this format, which we have improved by adding yet more interesting facts and information about our company. So, read on and join us as we explore the inspiring story of SAP.

Wishing you an enjoyable read,

Luka Mucic
Chief Financial Officer, SAP SE
SAP SE
EXECUTIVE BOARD

CHRISTIAN KLEIN
Chief Executive Officer
- Joined SAP: 1999
- Appointed to Executive Board: 2018
- Current Executive Board term expires: 2025
- Nationality: German
- Year of birth: 1980

LUKA MUCIC
Chief Financial Officer
- Joined SAP: 1996
- Appointed to Executive Board: 2014
- Current Executive Board term expires: 2026
- Nationality: German
- Year of birth: 1971

ADAIRE FOX-MARTIN
Customer Success
- Joined SAP: 2008
- Appointed to Executive Board: 2017
- Current Executive Board term expires: 2025
- Nationality: Irish/Australian
- Year of birth: 1964

STEFLAN RIES
Chief Human Resources Officer
- Joined SAP: 2002
- Appointed to Executive Board: 2016
- Current Executive Board term expires: 2020
- Nationality: German
- Year of birth: 1966

THOMAS SAUERESSIG
SAP Product Engineering
- Joined SAP: 2004
- Appointed to Executive Board: 2019
- Current Executive Board term expires: 2022
- Nationality: German
- Year of birth: 1985

STEFAN RIES
Chief Human Resource Officer
- Joined SAP: 2002
- Appointed to Executive Board: 2016
- Current Executive Board term expires: 2020
- Nationality: German
- Year of birth: 1966

JUERGEN MUELLER
Chief Technology Officer
- Joined SAP: 2013
- Appointed to Executive Board: 2019
- Current Executive Board term expires: 2022
- Nationality: German
- Year of birth: 1982

LUKA MUCIC
Chief Financial Officer
- Joined SAP: 1996
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PUTTING THE CUSTOMER FIRST

We live in an experience economy. Every business, large or small, in every industry is evaluated first and foremost on the quality of its interaction with its stakeholders – be they customers, employees, business partners, or other interest groups – at every touch point. At SAP, we want to help our customers meet this challenge by equipping them with the technologies to become intelligent enterprises. Our customers are at the center of everything we do and integral to a technology strategy, which is built on three key principles: innovation, integration, and flexibility.

Christian Klein, CEO

Only happy customers are loyal customers. Going forward, each and every individual within SAP, no matter what their Board area, unit, or function, needs to put customer success in focus. Our common goal must be to ensure our customers’ success by putting them first in everything we do.

By 2025, 50% of all business applications could have functionality not imaginable today.

By 2023, >50% of global GDP will be driven by products and services from digitally transformed enterprises.

14,100 SAP S/4HANA customers across 25 industries (+24% in 2019)

70% of ERP customers still to adopt cloud solutions

500 B total addressable market for SAP in 2023

By 2023, >50% of global GDP will be driven by products and services from digitally transformed enterprises.

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Listening to stakeholders is vital to success. Every company receives valuable feedback from customers, employees, and other stakeholders today. Experience matters more than ever. Businesses generally have plenty of O-data and very little X-data, but realize the need to track customer sentiment, employee expectations, and market trends. This is why combining X-data and O-data is so important. Organizations that integrate X-data into their operational systems and processes will be the ones that thrive. Qualtrics, the Experience Management (XM) platform, helps companies improve the four core experiences of any business – customer, employee, product, and brand.

From human capital management to human experience management.

SAP has a long history of running operational processes in both supply chains and financials. We know how critical operational data (O-data) is in helping companies become more intelligent by telling you what happened. SAP continues to shift HR from traditional, transactional human capital management (HCM) to human experience management (HXM). Together with Qualtrics and SAP SuccessFactors, we’ve shifted HR from traditional, transactional human capital management (HCM) to human experience management (HXM). The traditional definition of HR has changed. It’s about engaging employees, creating, and managing the entire employee experience. Combining X-data and O-data is so important. Qualtrics means companies can now add in data about beliefs, emotions, and intentions – data about what happened, the “why.”

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LONG-TERM RELIABILITY FOR OUR CUSTOMERS

Our customers choose SAP every single day—and our strategy is centered around their success.

Reorganizing around customer success
When SAP built its ERP system decades ago, technology was very different. Given the pace of cloud and innovation cycles today, customer loyalty is something we have to continuously earn. Our customers expect—and deserve—a new level of simplicity, speed, and innovation that moves in days and weeks. As we’ve continuously engaged with our customers, user groups, partners, and other industry stakeholders, we’ve restructured around customer success.

SAP S/4HANA is key to our customers
SAP S/4HANA is our customers’ future direction and they expect a long-term commitment from us. We know that the move to SAP S/4HANA is more than a technological shift. It is a true business transformation, during which our customers often completely rework their business processes and introduce new business models. Surveys show a significant growth in investments from customers into SAP S/4HANA. SAP supports this move with a full program of offers, services, and tools, along with a vast ecosystem of IT service providers. Moreover, we are committed to provide maintenance for SAP S/4HANA until the end of 2040, so that our customers can rely on a long-term partnership.

HELPING THE WORLD RUN BETTER
Technology is reshaping every aspect of society and our lives. Crucially, though, digital transformation gives us the tools to put people—customers, employees, citizens—at the center of everything.

Technology and digitalization for a better tomorrow
Today, companies aren’t just measured on financial performance, but on their broader societal impact, too. If we want to create a cohesive and sustainable world, we must be able to look beyond corporate boundaries and towards the societies and communities in which we live and work. When technology is used for good, we can change the world—and SAP is fully committed to using its extensive resources to make a positive global impact.

SAP helps companies become even more resilient
Since our founding nearly 50 years ago, SAP has been synonymous with mission-critical business operations. In recent years, SAP has invested a great deal in crisis preparedness: SAP business, support, and cloud delivery teams have developed and documented business continuity plans to respond to disruptive incidents such as COVID-19. To ensure the reliability of our cloud solutions and the delivery of services, we all adapt to different work and collaboration models, our experiences are as varied as our individual jobs and industries.

Understanding, acknowledging, and acting on the challenges and questions our employees have will help us equip them to navigate the new normal. To that end, Qualtrics has helped us get to the heart of every employee with a listening platform, “Remote Work Pulse”, for anyone who needs it. SAP also recognized the massive disruptions impacting global supply chains and opened up access to SAP Ariba Discovery so any buyer can post their immediate sourcing needs and any supplier can respond to show they can deliver.

When tens of thousands of German nationals were left stranded abroad as a result of travel restrictions, the German Foreign Ministry issued a call for help when its repatriation system temporarily collapsed under the strain. In less than 24 hours, SAP developed an app to facilitate the ministry’s repatriation program (further details can be found on the following pages).

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Improving Customer Net Promoter Score
Our Customer Net Promoter Score is a measure of customer loyalty—the willingness of our customers to recommend or promote SAP to others. This metric allows us to directly understand what our customers are thinking and identify key pain points for action. Thanks to the Experience Management (XM) platform from Qualtrics, we have more information from our customers than ever before, helping us make changes that customers can see and feel in their interactions with SAP and our software. We believe the changes we have already begun making will improve and harmonize how our customers experience SAP.

I think when you are in service to your customers from a cloud perspective, you are being judged every minute of every single day that you deliver that service. And therefore, it’s important to consider the life cycle of the customer as you consider how you are supporting them.

Adaire Fox-Martin, Member of the Executive Board, Customer Success
INNOVATION IS AT THE HEART OF BUSINESS SUCCESS

SAP focuses on innovation every day so we can bring value to our customers. The team of Juergen Mueller, Chief Technology Officer at SAP and head of the Technology & Innovation (T&I) Board area, combines technological excellence with insights and provocative ideas from thought leaders within SAP and around the world. Innovation is a tricky principle to nail down, but it has a simple formula: Innovation equals execution times creativity. One is not possible without the others. “It is the vision of T&I to provide the technologies and innovations to help the world run better and improve people’s lives. We do that by enabling our customers to turn their data into business value,” says Juergen Mueller.

How technology and innovation help bring citizens home
A current example of how SAP technology and innovations make an impact on people’s lives is the collaboration of SAP with the Federal Foreign Office of Germany during the COVID-19 crisis. In mid-March, the government department asked us to build a Web application to help coordinate the repatriation process from a logistical standpoint. It was looking for a simple, safe, scalable, and stable Web application for German citizens stranded abroad to submit their residence and personal data. “What made me personally extremely proud about this project was the high level of commitment and dedication shown by our teams,” says Juergen Mueller. “When I asked our engineers for their immediate support, I received a lot of positive responses. In the end, more than 40 SAP developers worked across three different time zones to provide Germany’s Federal Foreign Office with a live application running securely on SAP Cloud Platform – in less than 24 hours.” The speed of development is proof of the agility of our systems and testament to our technological expertise.

As SAP continues to explore trends and push boundaries, it looks to its developers and engineers from around the world to help customers benefit from new and emerging technologies – such as machine learning, blockchain, user behavior mining, voice in the enterprise, robotic process automation, and quantum computing – and provide solutions to crucial issues like post-quantum security.

SAP’s Innovation Horizons
SAP’s innovation model comprises three “horizons.” Horizon 1 is about incremental improvements to existing products; Horizon 2 looks at enhancements to the existing portfolio using new technologies and applying existing knowledge to new markets; and Horizon 3 explores new business models, new trends, and new technologies to drive transformative innovation, resulting in revolutionary products and markets.

Accelerate transformation of data into business value
“Our strategy to achieve this is to deliver the best Business Technology Platform (BTP) for enterprise applications,” says Juergen Mueller. “The BTP is the technical foundation of SAP’s integrated intelligent suite. It is a portfolio of integrated solutions such as SAP HANA, SAP HANA Cloud, SAP Cloud Platform, SAP Analytics Cloud, SAP Data Warehouse Cloud, and SAP’s intelligent technologies – from on-premise to the cloud. One example of how these solutions complement each other is that companies can manage their big data sets using SAP HANA, and analyze data with SAP Analytics Cloud to improve planning and decision-making.

Indoor farm company &ever (formerly Farmers Cut) uses the Business Technology Platform to help run its vertical farms. Based in Hamburg, Germany, it cultivates high-quality crops indoors, thus saving natural resources. Advanced technology provides it with fully-digital control over the whole production process. “Our production planning is based entirely on SAP’s Business Technology Platform, which allows us to optimize production according to the needs and capacities of the farm,” says Dr. Jan-Gerd Frerichs, chief technology officer at &ever.

INNOVATION IS AT THE HEART OF BUSINESS SUCCESS

The job of every business leader is to see into the future – anticipating change and taking action that puts the organization on the path to success. Customers expect SAP to offer novel approaches that help them outmaneuver their competitors. That is the purpose of innovation.

Juergen Mueller
Member of the Executive Board, Chief Technology Officer
INTELLIGENT ENTERPRISES WILL BE SUSTAINABLE BUSINESSES

SAP has formed a unified global development organization, hitting the road to more customer-oriented products, procedures, and processes. What are the plans and priorities of Thomas Saueressig, Member of the Executive Board of SAP SE, responsible for all of SAP’s business applications?

One of SAP’s most important strategic goals is customer success. What is the basis for satisfied customers in your opinion?

I firmly believe that to keep our customers satisfied and happy, we must listen to, understand, and act on their needs. We at SAP challenge ourselves every day to make our customers’ lives easier. Going the path of asking for regular feedback, and evaluating and recognizing the top concerns our customers and end users have, gives us the focus we need to improve continuously. And we are now able to implement this end-user feedback much faster thanks to Qualtrics – a great addition to our portfolio. This approach is key to enabling us to deliver innovations that make our customers even more successful. And now, with one strong engineering organization, we want to bring our innovations to market faster. Hence, we are working closely with SAP’s technology teams. Based on our Business Technology Platform, we offer unified and simplified integration of SAP and non-SAP solutions, a rich set of technologies, and one joint commercial model. This enables customers to adopt the latest technologies – such as artificial intelligence (AI), machine learning (ML), and blockchain – out of the box and helps them completely reshape existing business processes.

What do you think makes SAP products and solutions unique in the market?

Our company’s technology touches 77% of the world’s transaction revenue. There is hardly any other company out there that supports company operations and business processes in the economy with software to this extent. In addition, we work with 92% of the Forbes Global 2000 companies. This represents both a great success and a huge obligation! It requires us to go the extra distance when it comes to acting responsibly to safeguard the planet. What unites us with our customers is the desire to do more sustainable business. And because our technology touches so many processes and transactions, we are in a unique position to help make that happen. Not just by providing dashboards to track carbon emissions, but also by helping companies use digital solutions to reduce their global emissions and minimize their impact on the environment. With SAP software, we want to enable companies to improve their efficiency, grow their business, and optimize their environmental footprint. Consequently, I see the need to add a green line as the third dimension to a company’s success, in addition to the top and bottom lines. I strongly believe that, in the future, a company’s success will be measured on all three dimensions. That’s why we’ve launched the “Climate 21” program at SAP to embed sustainability dimensions in our analytical and transactional capabilities of our core business applications. All this is only possible with distinct suite qualities that facilitate a seamless integration of end-to-end business processes spanning the entire enterprise. We call this the Intelligent Enterprise. If we succeed in helping our customers become sustainable enterprises, we will all win.

Thomas Saueressig
SAP appointed Thomas Saueressig to the Executive Board effective November 1, 2019. The 35-year-old is responsible for the newly created SAP Product Engineering Board area, which includes all functional areas from product strategy and management, to product development and innovation, and product delivery and support. Saueressig is also in charge of all development cross-functions at SAP as well as SAP’s global cloud infrastructure. He began his career as a student at SAP 15 years ago and served as Chief Information Officer from 2016 through 2018.

How do you identify the right innovation and new technologies to benefit your customers in the years to come?

To ensure our customers gain the maximum benefits for their business, we continuously research and develop new technologies such as AI and ML, and embed them into our products. Within the next three years, we will continue to integrate new technologies of this kind into the core of our applications to further automate and enhance business processes. Exploring and discovering new horizons is a passion shared by the teams in the Technology & Innovation Board area led by Juergen Mueller. We are very closely aligned with them and regularly link up to evaluate what we have learned about the applicability and adoption of the latest technologies – always with the benefits for our customers in mind.

Speaking of adoption, how do you ensure SAP’s technological leadership is recognized, and how do you keep customers engaged?

Again, we listen to, understand, and act on market and customer-specific requirements to manage experiences end-to-end. The technical integration of applications is just the starting point: Holistically integrating both technology and business processes delivers significant value to our customers’ business. When it comes to innovation and integration, it’s not an “either-or”, it’s an “and.” Our customers want us to provide seamless integration and link SAP S/4HANA with SAP Ariba, SAP Concur, SAP Fieldglass, and SAP SuccessFactors. If we give our customers great solutions that work as one, and we continue to focus on innovation, satisfaction levels will rise and adoption will increase. That is why we engage with customers at a very early stage of the innovation process. We work with them in co-innovation projects to define best practices tailored to key processes and individual industries – because we want to build applications that not only meet today’s requirements but anticipate the needs of tomorrow. We can only achieve this by teaming up with our customers.
The Viessmann Group’s transformation project was the largest SAP S/4HANA migration in the manufacturing industry to date. It involved transitioning 190 company codes and 30 billion data records across the company’s 28 production units and 78 sales organizations in 34 countries worldwide. In total, more than 6,000 users were affected. To master this challenge, Viessmann teamed up with technology partners cbs Corporate Business Solutions and SAP. The migration was completed in a record-breaking single weekend and enabled Viessmann to future-proof its operations and cement its position in global markets.

“Introducing emerging technologies is enabling us to transition from a traditional product-centric manufacturer to a provider of digital services,” says Dr. Harald Dörnbach, Managing Director of Viessmann IT Service. The migration to SAP S/4HANA has three major benefits for Viessmann: It can standardize its processes around the world and therefore achieve economies of scale for digital business models, become faster and more agile, and offer services that complement its products.

Giant leap, greater efficiency
The fact that it took only 18 months to prepare for the migration particularly impressed Viessmann. After all, speed is a decisive factor in the competitive market in which the company operates, so a protracted project lasting five years or more would have been out of the question. Viessmann was able to rapidly optimize and harmonize its processes, implement innovations, set global standards, streamline systems, and clean up data. It was also pleased with the cost savings resulting from the move to SAP S/4HANA. “For a global player like Viessmann, the SAP S/4HANA transformation project was mission-critical for its future strategy. At the same time, it was the largest IT project Viessmann had ever embarked on. Being able to complete a project like this so quickly and at a fraction of the cost really is a giant leap forward,” says Dörnbach.

The streamlined IT infrastructure is paying off for Viessmann, and many of its business units are noticeably more efficient. Thanks to the new IT platform, critical spare parts can be made available much faster where bottlenecks occur, which means that Viessmann can reduce its inventory and generate further cost savings. Its customers are also feeling these benefits. Worldwide.
Food company FRoSTA is committed to sustainability. The midsized enterprise removed additives and flavors from its products back in 2003, and has made looking after the planet one of its priorities. Today, FRoSTA uses SAP Cloud Platform to make the entire supply chain – from suppliers to consumers – transparent. “For us, end-to-end means recording the entire journey that our ingredients take, from seed to end product,” says Ben Windhorst, director of the Digital Transformation Office and IT at FRoSTA. That way, consumers know exactly what they are eating and where the ingredients were sourced.

Now, FRoSTA wants to draw on the possibilities the new technologies offer to further develop its business model. The idea is to use SAP solutions to enable its customers, like its suppliers and employees, to also “dive into the FRoSTA world,” as Windhorst puts it, and get more involved in the company’s production processes. For instance, a customer might enjoy the wild salmon and seasonal vegetable dish with pea pasta, but wonder what it would taste like with green asparagus instead. By analyzing data with SAP Cloud Platform, the company can track customer requests and turn them into new products. “We are ready to innovate,” says Windhorst.

And a welcome side effect here is that FRoSTA is also able to reduce its ecological footprint: By capturing data across the supply chain, it constantly monitors the amount of carbon emitted at each stage of the chain to minimize its impact on the climate. FRoSTA is impressing customers with its sustainable products, and by updating its business model, it is future-proofing its operations while reducing its impact on the environment. This goes to show that integrating new technologies into a business strategy and combining them with sustainability goals is a recipe for success.

“READY TO INNOVATE”

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GROWING MORE SUSTAINABLE, TOGETHER

Sustainability is an integral part of SAP’s business strategy. Our digital solutions enable us to work with our customers to help our world run better and improve people’s lives. And as a frontrunner in sustainable business operations, we are a credible and encouraging example for others.

Climate change, the depletion of resources, and the widening gap between the rich and the poor are global challenges that affect us all. That is why these issues have all been given top priority on the United Nations 2030 Agenda for Sustainable Development. Sustainability is no longer a “niche” topic among interest groups, it is increasingly being incorporated into legislation and becoming a business imperative. SAP began aligning its corporate practices and business planning with sustainability criteria and embedding sustainability as a long-term strategic goal into its core business back in 2009. Our biggest strength lies in delivering products and services that help our customers achieve positive economic, environmental, and societal impact worldwide. At the same time, we recognize that we need to lead by example if we are to gain the necessary credibility to support and advise our customers on their own sustainability journey.

Digital solutions for a better world

Seventy-seven percent of the world’s transaction revenue touches SAP systems, and more than 440,000 companies use SAP software. As a result, SAP has enormous potential to make a difference. With nearly 50 years of experience in resource optimization, we are currently focusing on those areas in which we can most effectively contribute to an inclusive and sustainable economy: solutions for a circular economy and for climate action. We therefore ensure the kind of transparency along value chains that is needed to deliver products fit for circularity, gain access to controlled, traceable, secondary raw materials, and switch from single-use plastics to greener alternatives. In addition, we launched the “Climate 21” initiative that will see us co-innovate with our customers to help them transition to a low-carbon economy. By building analytical and transactional capabilities into our core business applications, we enable our customers to accurately understand, effectively minimize, and openly disclose the carbon footprint of their products and operations. Regulatory requirements and sustainable investment criteria are also making efforts to reduce or even eliminate negative environmental impacts increasingly relevant, and even market-critical. Many companies are faced with the task of changing their business models and product portfolios to ensure their long-term success. SAP helps its customers achieve their climate goals and innovate processes and business models. Our collaboration with Kaiserwetter is a perfect example of this (see the article on the pages that follow).

Setting new sustainability standards

Sustainability is a key objective in today’s business world. As such, companies need to rethink how they measure and assess their success, and look beyond financial KPIs. For many years, SAP has taken economic, environmental, and social factors into account in the evaluation of the company. It published its first annual integrated report in 2012, making it one of the first German companies to do so. To promote the further development of holistic measurement and steering, SAP also co-founded and is an active member in the Value Balancing Alliance e.V. (VBA). Together with fellow alliance members such as BASF, Novartis, and LafargeHolcim, SAP aims to set new standards for financial reporting and transform the way businesses measure and value their overall societal impacts, dependencies along the value chain and monetary effects on a company’s value. The alliance is, inter alia, supported by the Organisation for Economic Co-operation and Development (OECD), leading universities, and interest groups from governments, civil societies, and NGOs.

Moving forward, together

SAP’s purpose is to help the world run better and improve people’s lives. To this end, we focus on implementing and adhering to responsible business practices that follow the ten principles of the United Nations Global Pact. The promotion of digital education is particularly important to us as a software company. We therefore work with a wide variety of nonprofit organizations and companies to equip as many people as possible over the long term with digital skills. In addition, many SAP employees do volunteer work. Our achievements to date show indeed that we are on the right path. And they confirm to us that the only way to overcome the global challenges and shape a sustainable future is by working together with our customers and partners. One step at a time.

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FIGHTING CLIMATE CHANGE WITH ALGORITHMS

SAP and Intellitech company Kaiserwetter are paving the way for transparent and controlled shareholder investment in renewable energy. A digital platform is helping to reduce emissions and achieve the goals set out in the Paris climate agreement.

To counteract climate change, we must limit global warming to no more than 2°C above pre-industrial levels. We can only achieve this goal if countries and businesses increasingly switch to zero-emission energy sources, and investors and banks invest heavily in renewable energy. Hamburg-based Kaiserwetter has teamed up with SAP to provide a solution: ARISTOTELES.

This data-as-a-service solution aggregates and analyzes technical, meteorological, and financial data from wind energy plants and solar farms, for instance, making the data transparent and investments controllable. It is based on SAP Cloud Platform and uses SAP Analytics Cloud, SAP Internet of Things, and SAP HANA for predictive data analysis.

Global data makes it possible to control the operational risks of investments, maximize performance, minimize costs, and therefore increase returns. “There’s no more excuse for not investing in renewable energy,” says Hanno Schoklitsch, CEO and founder of Kaiserwetter. “Kaiserwetter and SAP have the technological solutions to play a major role in achieving the objectives of the Paris Agreement. But above all, we have the opportunity to improve the lives of millions of people.”

The product is also paying off for Kaiserwetter, which has been able to continuously develop its business model and is about to launch ARISTOTELES in China and India.
MOTIVATED TO SUCCEED

Our people are key in enabling our customers to successfully become intelligent enterprises. For this reason, we strive to hire, retain, and grow current and future talent, and we deploy our own solutions to help us.

At SAP, we support our customers as they transform into intelligent enterprises, drawing on our highly skilled and motivated employees to make their journeys a success. Digital transformation is among the most daunting challenges for today’s HR professionals – both our own and our customers’. Our priority is therefore to understand current and future employees’ needs and expectations, and to enshrine them in our HR strategy. Only then will we continue attracting skilled employees who want to stay and grow professionally at SAP.

Besides a range of job-related benefits, we aim to offer our employees a modern work environment in which they can thrive and are happy. We do so by continually evolving our workplace culture to create agile teams with the ability to deliver rapid, yet lasting, results. At the core of our people management are advanced HR processes aimed at giving employees a whole range of opportunities to grow and develop over time – and at keeping employee engagement consistently high.

Career development at SAP: Lifelong learning is a must

Those processes start the moment a candidate applies to SAP. As a top employer, we want to attract the best, so we engage in an in-depth dialogue to discover what skills a candidate offers, where they want their career to take them, and how we can grow their talent and potential together. Because lifelong learning is essential to meeting the demands of a digital journey. Today’s workplace culture requires us to explore new forms of collaboration every day and, above all, to shift our mindset.

By consciously moving away from hierarchies, for example, we aim to improve cooperation and facilitate agile teams as the foundation for customer success. For our employees to perform at their best, they need to be healthy and happy. By offering health and well-being programs, flexible working arrangements, and more, we also encourage employee retention. We know that everyone is unique, and that their careers are, too. And we are also certain that diversity and inclusion enable us to see things from new perspectives and generate new ideas for our customers.

In line with our growth plans, we hired 12,833 new employees last year. More than 20% of these new hires were “Early Talents,” and around 38% were women. By offering different career paths, we empower our employees to recognize their own skills. In a world of change, SAP remains committed to lifelong learning: It is the only way we will be able to safeguard our success in the future.

The Leadership Trust Index (measured as the Net Promotor Score on a scale of –100 to +100) also remained high at 59 (%-1).

The process simplification score climbed to 64% (+9pp).

The innovation score increased to 79% (+1pp).

Business Health Culture Index rose to 80% (+2pp).

The Leadership Trust Index (measured as the Net Promotor Score on a scale of –100 to +100) also remained high at 59 (%-1).
DIVERSITY FUELS OUR INNOVATIVE POTENTIAL

As a global enterprise with employees from over 150 countries, we know that companies can only run at their best if their employees have the freedom to be themselves. And when people with different perspectives, skillsets, and abilities come together to share their ideas, innovation thrives.

150+ nations are represented in our workforce

87% of our workforce welcomes diversity in the workplace

26% of all managers are women

5 generations in our workforce

Employee Headcount (as at March 31, 2020) by Region

- Americas
  - North America and Latin America: 30,259
- EMEA
  - Europe, Middle East, and Africa: 43,166
- APJ
  - Asia Pacific Japan: 27,726
- Total: 101,150

Women are 34% of our workforce
Despite macroeconomic uncertainties, in 2019 SAP again achieved sustainable growth and continuously expanded its market share. The ongoing digital transformation of our customers was a key contributor to this success and will continue to shape our business going forward. During the current coronavirus pandemic, the high share of more predictable income (2019: 67%) is helping keep SAP stable and is making it more resilient than ever. With careful cost management and continued focus on innovation, we expect that SAP will not only overcome this crisis but emerge from it in an even stronger competitive position than before.

### Financials

#### SAP IN NUMBERS

Consolidated Income Statement of SAP Group 2019 (Condensed)

<table>
<thead>
<tr>
<th></th>
<th>IFRS</th>
<th>Non-IFRS</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ billions, unless otherwise stated</td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>Total revenue</td>
<td>27.55</td>
<td>24.71</td>
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<tr>
<td>Total operating expenses</td>
<td>–23.08</td>
<td>–19.00</td>
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<tr>
<td>Operating profit</td>
<td>4.47</td>
<td>5.70</td>
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<tr>
<td>Financial income, net</td>
<td>0.20</td>
<td>–0.05</td>
</tr>
<tr>
<td>Income tax (IFRS)</td>
<td>–4.23</td>
<td>–1.51</td>
</tr>
<tr>
<td>Profit after taxes</td>
<td>3.37</td>
<td>4.09</td>
</tr>
<tr>
<td>Earnings per share, basic (in €)</td>
<td>2.78</td>
<td>3.42</td>
</tr>
</tbody>
</table>

Consolidated Statements of Financial Position of SAP Group 2019 (Condensed)

<table>
<thead>
<tr>
<th></th>
<th>12/31/2019</th>
<th>12/31/2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>€ billions, IFRS</td>
<td></td>
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<tr>
<td>Cash and cash equivalents</td>
<td>5.31</td>
<td>8.63</td>
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<tr>
<td>Trade and other receivables</td>
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<tr>
<td>Other current assets</td>
<td>1.99</td>
<td>1.63</td>
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<tr>
<td>Total current assets</td>
<td>15.21</td>
<td>16.62</td>
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<tr>
<td>Goodwill</td>
<td>29.16</td>
<td>23.74</td>
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<tr>
<td>Intangible assets</td>
<td>4.49</td>
<td>3.23</td>
</tr>
<tr>
<td>Property, plant, and equipment</td>
<td>5.50</td>
<td>3.55</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>5.85</td>
<td>4.37</td>
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<tr>
<td>Total non-current assets</td>
<td>45.00</td>
<td>34.88</td>
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<tr>
<td>Total assets</td>
<td>60.21</td>
<td>51.50</td>
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<tr>
<td>Equity and liabilities</td>
<td>€ billions, IFRS</td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>1.58</td>
<td>1.49</td>
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<tr>
<td>Other current liabilities</td>
<td>8.61</td>
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<td>Contract liabilities</td>
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<td>Financial liabilities</td>
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<td>Other non-current liabilities</td>
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<td>1.59</td>
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<tr>
<td>Total non-current liabilities</td>
<td>14.93</td>
<td>12.14</td>
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<tr>
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<td>29.39</td>
<td>22.62</td>
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<tr>
<td>Total equity</td>
<td>30.82</td>
<td>28.88</td>
</tr>
<tr>
<td>Total equity and liabilities</td>
<td>60.21</td>
<td>51.50</td>
</tr>
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</table>
THE GROWTH STORY CONTINUES

SAP added a further chapter to its growth story in 2019, delivering on its full year outlook for the fifth year in a row. Strong cloud growth coupled with high customer demand for SAP S/4HANA and Qualtrics led to a significant increase in revenues in all regions. In the first quarter of 2020, however, growth was curtailed by the coronavirus pandemic. The effects of this crisis intensified at the end of the quarter, resulting in substantial declines particularly in software license revenue. We took account of this fact with a moderate adjustment to our 2020 outlook. Our 2023 ambition, however, remains unchanged.

Strong momentum in the cloud
Cloud revenue growth has accelerated steadily in recent years. The acquisition of Qualtrics and expansion of the experience management platform have given this growth additional impetus. In the next few years, cloud business will become more significant and almost exclusively carry SAP’s growth. In the first quarter of 2020, non-IFRS cloud revenue increased 27% to €2.01 billion. This corresponds to 31% of non-IFRS total revenue.

Double-digit revenue growth
Non-IFRS total revenue was €27.63 billion in 2019, an increase of 12% year over year. Of this, €7.01 billion was from our cloud business, which grew by 40%. While our software revenues declined slightly (–2%) to €4.53 billion, our stable customer base and continued interest in our support offerings boosted our support revenue (+5%) to €11.55 billion. Service revenue increased by 11% year over year to €4.54 billion. Overall, in the first quarter of 2020, our total revenue (non-IFRS) increased to €6.52 billion (+7%).

Increasing profitability confirms strategy
Despite necessary investment in the transformation and further development of our Company, we were able to increase our operating profit (non-IFRS) at a rate faster than total revenue thanks to strict cost discipline and efficiency gains: it grew by 15% to €8.21 billion. Non-IFRS operating margin increased 0.8pp to 29.7%. We want to continue this trend and increase the operating margin by an average of 1pp annually through 2023. A key driver of this increase will be our cloud business, whose gross margin (non-IFRS) we were able to improve by 5.1pp in 2019 to 68.2%. In the first quarter of 2020, the cloud gross margin was 69.3%. Non-IFRS operating profit, meanwhile, increased (+1%) to €1.48 billion, and our operating margin decreased by 1.3pp to 22.7% as a consequence of the pandemic.

Usefulness of non-IFRS measures
We disclose certain financial measures that are not prepared in accordance with IFRS and are therefore considered non-IFRS financial measures.

Our management primarily uses these non-IFRS measures rather than IFRS measures as the basis for making financial, strategic, and operating decisions.

We believe that non-IFRS measures provide investors with insight into management’s decision-making processes and facilitate a comparison of SAP’s operating performance from period to period, because they eliminate certain direct effects of acquisitions, share-based compensation plans, and restructuring plans.

The strong cloud revenue growth together with our ever-resilient software support revenue stream helped us to overcome the shortfall in software license revenue in the first quarter.

Luka Mucic,
Member of the Executive Board,
Chief Financial Officer

Ambition
Share of more predictable revenue
Operating margin
Operating Profit/Margin (Non-IFRS), in € Billions
Operating Profit/Margin (Non-IFRS), in € Billions
Total Revenue (Non-IFRS), in € Billions
Cloud Revenue (Non-IFRS), in € Billions
SAP STOCK

The SAP share price climbed to its highest peak ever at the beginning of 2020, surpassing the all-time high it had reached in December 2019. SAP stock gained 38.4% in 2019, thus outperforming the benchmark index DAX, which grew 25.5%. And, though unable to escape the effects of the current global economic crisis caused by the coronavirus outbreak, SAP stock continued to develop better than the DAX until April 21, 2020.

We have always believed that our shareholders share greatly in SAP’s success. It is therefore our policy to pay a dividend totaling 40% or more of profit after tax. In 2019, the payout ratio was 56%.
SHAREHOLDER STRUCTURE

SAP’s capital stock as at December 31, 2019, was €1,228,504,232.00. It is issued as 1,228,504,232 no-par shares, each with an attributable value of €1 in relation to capital stock. SAP shares are bearer shares.

Applying the definition accepted on the Frankfurt Stock Exchange, which excludes treasury stock from the free float, as at December 31, 2019, the free float stood at 86%.

1,229 Million
Outstanding Shares

21% North America

24% Private Investors / Unidentified

3% Treasury

11% Founders

15% UK/Ireland

16% Europe (without Germany)

86% Free Float

4% Rest of World

7% Germany

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Financial Calendar

May 21, 2020
Ex-Dividend

May 26, 2020
Dividend Payment

July 27, 2020
Q2 and Half-Year 2020 Financial Results

October 26, 2020
Q3 2020 Financial Results

January 29, 2021
Preliminary Q4 and Full-Year 2020 Financial Results