

SAP SE

Virtual General Meeting of Shareholders

on May 20, 2020

Report of the Executive Board regarding Item 6 on the agenda

Under Item 6 on the agenda, the Executive Board and the Supervisory Board propose to replace the current Authorized Capitals I and II, both expiring on May 19, 2020, by new Authorized Capitals I and II, each to be granted for a period of five years. Pursuant to Section 203 (2) in conjunction with Section 186 (4) sentence 2 AktG, the Executive Board submits the following report on the reasons for the authorizations to exclude the shareholders' subscription rights, in specific cases, in connection with the issuance of the new shares provided for under the proposed new Authorized Capitals I and II. Such report is part of this invitation. Furthermore, it is available on the Internet at www.sap.com/aggm:

1. Current Authorized Capitals I and II

In Section 4 (5) and (6), the Articles of Incorporation provide for the Authorized Capitals I and II, both created in 2015. Under such Authorized Capitals I and II, the Executive Board, subject to the consent of the Supervisory Board, is authorized to increase the capital stock by up to € 250 million by issuing new no-par value bearer shares. The Authorized Capital I provides for contributions in cash only, while the Authorized Capital II also provides for contributions in kind. The Executive Board has not yet exercised the authorizations. Both authorizations run for a period of five years until May 19, 2020; at the time of this year's Annual General Meeting of Shareholders, they will thus be expired and irrelevant. Therefore, they are to be replaced by new authorizations, essentially of the same content, both running for a period of five years until May 19, 2025.

2. New Authorized Capitals and associated benefits for the Company

The new Authorized Capitals I and II are to be created in the same amount as the current Authorized Capitals I and II from 2015. This means that they are to be created in the amount of € 250 million each. Therefore, their total volume will amount to € 500 million; this corresponds to a total of approx. 40% of the current share capital of SAP SE.

The new Authorized Capital I (item 6 (a) on the agenda) will authorize the Executive Board, subject to the approval of the Supervisory Board, to increase the Company's capital stock, on one or more occasions, by an aggregate amount of up to € 250 million against contributions in cash by issuing new no-par value bearer shares. The new shares are to be offered to the shareholders for subscription, with an indirect subscription right within the meaning of Section 186 (5) sentence 1 AktG being sufficient. However, the Executive Board will be authorized, subject to the consent of the Supervisory Board, to exclude fractional shares from the shareholders' subscription rights (see Section 3 of this report for details).

The new Authorized Capital II (item 6 (b) on the agenda) will authorize the Executive Board, subject to the consent of the Supervisory Board, to increase the Company's capital stock, on one or more occasions, by an aggregate amount of up to € 250 million against contributions in cash or in kind by issuing new no-par value bearer shares. The shares are to be offered to shareholders for subscription also under the Authorized Capital II, either directly or through an indirect subscription right within the meaning of Section 186 (5) sentence 1 AktG. However, the Executive Board will be authorized to exclude the shareholders' statutory subscription rights in respect of fractional shares as well as in other constellations, e.g. for the purposes of a so-called simplified exclusion of subscription rights or for the use of shares as an acquisition currency (see Section 4 of this report for details).

However, to protect shareholders from inadequate dilution of their holdings, the volume of the option to exclude subscription rights under the Authorized Capitals I and II is limited to a total of 10% of the share capital (see Section 5 of this report for details).

Both authorizations to increase the share capital are to be granted for the maximum period legally permissible of five years, i.e. until May 19, 2025. They are intended to enable the Company, for this period or until they are utilized completely, to react, at short notice, to any financing requirements that may arise.

3. Exclusion of subscription rights under the new Authorized Capital I

Under the Authorized Capital I, the Executive Board will be authorized, subject to the consent of the Supervisory Board, to exclude fractional shares from the shareholders' subscription rights. The exclusion of subscription rights for fractional shares under the Authorized Capital I is necessary to represent a technically feasible subscription ratio. The shares excluded as free fractions from the subscription right of the shareholders will either

be sold on the stock exchange or in any other manner so as to best further the Company's interests. The potential dilutive effect is low due to the limitation to fractional shares. For these reasons, the Executive Board and the Supervisory Board consider the potential exclusion of the subscription right to be justified in view of the circumstances and reasonable for the shareholders.

4. Exclusion of subscription rights under the new Authorized Capital II

Under the Authorized Capital II, the Executive Board will be authorized, subject to the consent of the Supervisory Board, to exclude the shareholders' subscription rights in the following circumstances:

a) Fractional shares

Under the Authorized Capital II, there will also be the possibility of excluding fractional shares from the shareholders' subscription rights. The reasons are set out in detail in Section 3 of this report.

b) Protection against dilution regarding bonds

Furthermore, under the Authorized Capital II, the Executive Board can exclude the subscription right to grant new shares to holders and/or beneficiaries of bonds that have conversion or option rights or conversion or option obligations – in the same volume they would be entitled to if they had already exercised their conversion and/or option rights or fulfilled their conversion and/or option obligations.

The background to this stipulation is that such bonds typically have certain dilution protection mechanisms to facilitate their placement on the capital market. This can e.g. be a cash equalization, but also a reduction of the conversion or option price and an adjustment of the exchange ratio, respectively. In addition, the terms and conditions of such bonds usually stipulate that subscription rights to new shares can be granted, in particular in the case of a capital increase, similar to that granted to shareholders. By this means, the holders and/or beneficiaries of such bonds can be placed in the same position as if they had already exercised their conversion or option right or had already fulfilled their conversion or option obligation. This has the advantage that the Company can achieve a higher issue price for the shares to be issued when the conversion or option is exercised and does not have to pay any cash compensation – other than in the case of dilution protection by reducing the conversion or option price or by adjusting the exchange ratio. To achieve this, an exclusion of subscription rights is required. This possible exclusion of subscription rights is also deemed factually justified and reasonable for the shareholders.

c) Simplified exclusion of shareholders' subscription rights

Under the Authorized Capital II, the Executive Board can exclude the subscription right in the context of cash capital increases if two prerequisites are met: First, the issue price of the new shares may not be significantly lower than the stock exchange price of the same class and type of shares already traded on the stock exchange at the time the issue price is finally determined; and secondly, the proportionate amount of the newly issued shares may not exceed a total of 10% of the share capital.

The legal basis for this so-called simplified exclusion of subscription rights is Section 203 (1) and (2) in conjunction with Section 186 (3) sentence 4 AktG. The idea behind this is that the exclusion of subscription rights – given its limitation to 10% of the share capital and the issue price close to the stock exchange price – can only trigger a rather small amount of dilution, which the shareholders can easily compensate by purchasing on the market at almost identical conditions.

The simplified exclusion of subscription rights enables the Company to use possible opportunities on the capital market quickly, flexibly, and cost-effectively. The sales proceeds that can be realized by setting prices close to the market will, as a rule, result in a significantly higher inflow of funds per share than in the case of a placement of shares with subscription rights, thus ensuring the highest possible inflow of equity. By avoiding the time-consuming and expensive handling of subscription rights, the capital requirements from short-term market opportunities can also be covered promptly. Section 186 (2) sentence 2 AktG permits publication of the subscription price up to three days before the subscription period expires. However, in view of the volatility on the stock markets, there is still a market risk in this case, namely a price change risk, over several days, which can lead to safety discounts when determining the selling price and, thus, to conditions that are not close to the market. In addition, if a subscription right is granted, the Company cannot react to favourable market conditions in short term, due to the length of the subscription period – regardless of a repurchase of own shares being conceivable alternatively.

If the Executive Board makes use of the possibility of a simplified exclusion of subscription rights, any discount on the exchange price will presumably not be more than 3%, but in no event more than 5% of the exchange price.

In accordance with Section 186 (3) sentence 4 AktG, the authorization to issue new shares with a simplified exclusion of subscription rights is limited to a volume of 10% of the company's share capital. The decisive factor for the calculation of the 10% limit is the share capital that exists at the time the resolution on this authorization is passed. If the share capital is lower at the time the authorization is exercised, this value is decisive.

In addition, the resolution proposed provides for an accumulation clause, specifically with respect to the simplified exclusion of subscription rights. According to this clause, the authorization volume will be reduced if other authorizations for the simplified exclusion of subscription rights are exercised during the term of this authorization until it is exercised. This is to ensure that the 10% limit provided for in Section 186 (3) sentence 4 AktG is observed, taking into account all authorizations with the option of excluding subscription rights in direct, corresponding or analogous application of Section 186 (3) sentence 4 AktG.

For these reasons, the authorization proposed is in the interest of the Company and its shareholders.

d) Shares as an acquisition currency

In addition, under the Authorized Capital II, the Executive Board will be authorized to exclude the shareholders' subscription rights in the event of capital increases against contributions in kind, for granting shares in connection with mergers with other enterprises or acquisitions of enterprises or parts thereof or interests therein or of other contributable assets.

SAP SE faces global competition. In the interest of its shareholders, SAP SE must always be able to act quickly and flexibly in the national and international markets. This also includes the option to acquire enterprises, parts of enterprises or interests in enterprises to improve the Company's competitive position or to merge with other enterprises. This can, among other things, consolidate or strengthen the Company's market position or enable, facilitate or accelerate market entry in new fields of business.

In individual cases, the best possible way of implementing this option in the interest of the shareholders and the Company may consist in merging with another enterprise or acquiring an enterprise or parts thereof or interests therein by way of granting shares in the acquiring company. In the case of mergers with other enterprises, the granting of shares may already be required by statutory provisions pursuant to which the merger is effected. Practical experience also shows that the shareholders of attractive acquisition objects often request the delivery of shares in the acquiring company as consideration for the respective sale, e.g. for tax reasons or to continue holding a stake in the previous business. In order to be in a position to also acquire such acquisition objects, SAP SE must be able to grant new shares as consideration. The authorization to acquire and use treasury shares, as resolved by the Annual General Meeting of Shareholders on May 17, 2018, under item 8 of the agenda, also serves this purpose. However, the intention is to provide the Company with the necessary flexibility to be able to achieve this purpose regardless of the repurchase of treasury shares. This is all the more true, since new shares can be created from authorized capital in a way that conserves liquidity, while the repurchase of treasury shares would imply a liquidity outflow.

In addition, it is intended to enable the purchase of other contributable assets against issue of new shares from the Authorized Capital II. In acquisition projects, it may be sensible in economic terms to purchase other assets besides the acquisition target as such, e.g. assets that serve the economic purpose of the acquisition target. This applies, in particular, if an enterprise to be acquired does not own the rights to intangible assets associated with its business operations (such as industrial property rights, copyrights, license rights, rights of use, etc.). In such and comparable cases, SAP SE is to be able to purchase assets associated with the acquisition project and grant shares as consideration for this – be it to conserve liquidity or because the seller requires it – provided that the relevant assets are contributable.

Furthermore, it is intended to enable the subsequent granting of shares instead of cash in cases where a cash payment was initially agreed for the acquisition of an enterprise or parts of or interests in enterprises and to not adversely affect liquidity this way. Finally, it is intended to enable the purchase of assets not associated with another acquisition project against granting of new shares, be it to conserve liquidity or because the seller requires it. Relevant assets are in this respect, in particular, intangible assets within the meaning described above. In this context, too, such assets must be contributable assets. Such acquisitions may be considered, for example, if the utilization of the respective intangible assets for the development of existing or new products of the SAP group is in the interest of the Company.

Having considered all the above-mentioned circumstances, the Executive Board and the Supervisory Board consider the potential exclusion of shareholders' subscription rights in the cases specified above to be justified in view of the circumstances and reasonable for the shareholders for the stated reasons – also in consideration of a potential dilutive effect.

e) Scrip dividend

Finally, under the Authorized Capital II, the Executive Board will be authorized to exclude the shareholders' subscription rights where the capital is increased against contributions in kind in order to be able to implement a scrip dividend at optimal conditions.

By the means of a scrip dividend, shareholders are given the option of contributing their entitlement to the dividend payment that arises with the resolution on the appropriation of earnings by the General Meeting of Shareholders to the Company as a contribution in kind in order to subscribe for new shares in the Company. A scrip dividend can be implemented as a regular rights issue, in particular in compliance with the provisions of Section 186 (1) and (2) AktG, i.e. by granting a minimum subscription period of two weeks and by announcing the issue price no later than three days before the end of the subscription period. In this event, shareholders can only subscribe for whole shares; they will merely receive cash dividends for that portion of the dividend entitlement that is less (or more) than the subscription price for a whole share and cannot subscribe for shares to this extent; there is no offer of fractional interests, and a trading of subscription rights or fractions thereof is not established. This is deemed justifiable and appropriate since the shareholders insofar receive a cash dividend instead of subscribing for new shares.

Depending on the capital market situation, it may be preferable in individual cases to offer and prepare a scrip dividend without being bound by the constraints of Section 186 (1) and (2) AktG. Consequently, the Executive Board is also to be authorized to offer all shareholders entitled to dividends the option to subscribe for new shares against the contribution of their dividend entitlements in compliance with the principle of equal treatment (Section 53a AktG), while formally excluding, with the consent of the Supervisory Board, the shareholders' subscription rights in total. Implementing a scrip dividend while formally excluding subscription rights enables the capital increase to be implemented at more flexible conditions. Given the fact that all shareholders are offered the new shares and that surplus fractional dividend amounts are settled by paying a cash dividend, the possible exclusion of subscription rights is also considered to be justifiable and appropriate towards the shareholders in this regard.

5. Overall Cap

The Executive Board may only make use of all the above-described authorizations to exclude subscription rights under the Authorized Capitals I and II to such an extent that the proportionate amount of the newly issued shares does not exceed a total of 10% of the share capital. This further limits the total scope of issuing new shares without subscription rights. By this means, the shareholders are additionally protected against a possible dilution of their existing stakes. Accumulation clauses ensure that the Executive Board does not exceed the 10% limit by exercising other authorizations to issue shares, or to issue rights that entitle or oblige to subscribe to shares, and excluding the subscription rights of the shareholders also in this context.

6. Report of the Executive Board on the exercise of the new Authorized Capitals I and II

Currently, there are no specific plans to utilize the new Authorized Capitals I and II. In any case, the Executive Board will carefully examine whether the utilization and any exclusion of subscription rights are in the interest of the Company and its shareholders. It will report to the General Meeting of Shareholders on every exercise of the authorization and also on the specific reasons for any exclusion of subscription rights.

Walldorf, April 2020

SAP SE

The Executive Board

