

SAP SE Annual General Meeting of Shareholders CEO Speech – Christian Klein

May 12, 2021

Check against delivery

Dear shareholders, dear colleagues, ladies and gentlemen,

I welcome you to the SAP SE Annual General Meeting of Shareholders. Once again, a virtual event. But health and safety, of course, take absolute priority. Nevertheless, I hope very much that, next year, we can come together in person again in the SAP Arena.

SAP had a very successful 2020. Despite the coronavirus pandemic. For this I would like to sincerely thank our more than 100,000 people around the world who give their best, day in, day out. I'd also like to extend my thanks to our Supervisory Board – for its advice, foresight, and confidence in SAP's management.

Last year, we didn't just demonstrate how resilient and effective we are, even under the toughest of circumstances. We also set the course for continued success. That's what I would like to talk about today.

Our thoughts go out to all those who have been particularly affected by the pandemic. And our thanks to all those who are making extraordinary contributions to our communities. Life and business will stay challenging for quite a while yet. But: we are beginning to see light at the end of the tunnel.

We hope that we can soon start offering immunizations at SAP. For our colleagues and their families. Using our own facilities and company doctors will perhaps also help ease the burden on immunization centers and local doctors' offices.

We are looking ahead. And have a solid foundation to build on. A foundation that we have continuously strengthened since the Company's inception 49 years ago. 2020 was no different:

- **Cloud revenue**¹ continued to be the major growth driver, increasing 18%.
 - A decrease in business travel impacted transactional revenue in our Intelligent Spend business.
 - Excluding this effect, cloud revenue grew 27%.
- **Current cloud backlog** – the contractually committed cloud revenue SAP expects to recognize over the upcoming 12 months – increased 14%.
 - This result shows just how successful we are in the cloud, because it reflects committed revenue from new contracts and from contract renewals.
- **Total revenue**, meanwhile, grew 1%.

¹ Numbers are non-IFRS, and percentage change non-IFRS at constant currencies.

- This shows that, given all our success, the transformation of our core business is still underway.
- **Operating profit** increased by 4%.
- **Cloud gross margin** increased 1.4 percentage points.
- **Operating cash flow** – an indicator of whether a company can finance important investments from internal resources – doubled since last year to €7.2 billion.
- And last but not least, **free cash flow** increased to €6.0 billion.

We also got off to an excellent start in 2021. We recorded the fastest growth in five years of new business in cloud and software licenses. Our portfolio is performing exceptionally well, and we're capturing ever more market share.

And that's just the beginning! Our innovation pipeline and our network of more than 22,000 partners are stronger than ever before.

All of this is proof positive that our strategy is spot on. All the signs point to robust growth in the cloud.

Yet a foundation is more than just numbers. What else did we accomplish last year?

- We listened to our customers. We responded. And – to take one example – made fantastic progress in the integration of our solutions.
- We continued to strengthen our portfolio. We focused on areas where we clearly stand out from the competition. And divested others that were not part of our core business.
- We successfully took Qualtrics public and laid the groundwork for its further growth. It now has a market capitalization around US\$20 billion² – more than double the original purchase price.
- We invested further in security. Day after day, customers entrust us with their data, and that is why we subscribe to the highest security standards.
- We extended our partner network. Because together, we're stronger. We co-innovate with other market leaders such as Microsoft, Google, Siemens, Honeywell, and Bosch – for everyone's benefit.
- We made SAP more efficient. Not just on the product side, but internally as well, on an organizational level.
 - We merged our sales and service teams into one Board area. Which means each customer now has just ONE contact, company-wide.
- There have also been several changes on our Executive Board since last May:
 - In Julia White and Sabine Bendiek, we have brought two top executives with strong cloud expertise onto our Executive Board.

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- Julia, Sabine, a very warm welcome to you both!
- Adaire Fox-Martin decided to leave SAP after 13 successful years at the company.
- Scott Russell has taken over responsibility of our sales business across the globe, focusing on the long-term success of our customers. Scott – I wish you all the best and every success with the tasks ahead!

Ladies and gentlemen,

2020 saw the world turn upside down. It was a very tough year – for individuals and for businesses.

The pandemic has massively accelerated the trend toward digitalization. Though the shift from analog to digital was already underway, this increased pace of change has been forced on entire industries.

All the customers I spoke to said the same thing: They want a fast and easy route to digital transformation. Because digital technologies are helping them overcome the pandemic. Companies that have already digitalized their business models are coping better with the current situation.

The cloud has a major role to play here because of its many benefits – chief among them: flexibility.

Cloud services make employees more productive because they can easily work from anywhere – including from home during a lockdown.

They also enable companies to react faster – even when the unexpected happens.

Long before the pandemic began, we were helping our customers migrate to the cloud. But suddenly we had to move much faster.

The alternative would have been for customers to go ahead without us. One thing was clear: We had to respond decisively to their needs. Otherwise SAP would not have had a future.

That is why we adjusted our strategy. To make moving to the cloud even faster, even easier, and even more efficient. And that is why we are investing – in an even better infrastructure and, particularly, in innovation. I'll come back to that in a moment.

Clearly, this decision has a financial impact. Increasing our revenue from cloud solutions makes it easier to plan for the future. Because these revenues recur.

The downside, though, is that – at first – this dampens our revenue growth. In the past, whenever customers purchased software licenses, they paid the full amount upfront when they signed the contract.

In cloud, there are no one-time, up-front payments. Instead, customers pay as they go or buy a subscription.

These changes have affected our stock price. I know that last year was not easy for you, our shareholders. But adjusting our strategy was the right thing to do. We cannot sacrifice our customers' success – nor our own growth potential – for short-term margin gains. Doing so would destroy trust in SAP in the long term.

Building long-term value – for you, for our customers, and for SAP – is our absolute priority.

In 2020, we paid a high dividend and returned €1.5 billion to our shareholders under a share buyback program. For fiscal 2020, we have proposed a dividend of one euro eighty-five cents per share – an increase of 17%.

Over the past 10 years, our stock price has increased 11% on average. And since the beginning of this year, it has risen by more than 7%³.

SAP is a good investment for sustainable, long-term growth. Let me show you why.

Number 1: Our people

SAP is a global company. Like our customers, our people are from – and work – all over the world.

They are at the heart of our success. They give their all every day, and have more than risen to the challenges of the crisis. For our customers. For you – our shareholders. And for society as a whole.

Take our colleague Dmitry. Outside of work, he takes care of COVID-19 patients in intensive care. Or Grace, who has collected more than 3,000 kg of food for families in need. Marika and Joaquin are helping ensure that young people have access to education during lockdown.

Or the people who, in record time, built apps that find hospitals with bed capacity. Or who have collected money and medical supplies, or were simply there for those who needed them most.

SAP is full of examples like these. Our people make me proud. As does the fact that employee satisfaction is at a record high of 86%. Despite the pandemic.

We know that our people have made this company what it is today. We know, too, how challenging these uncertain times are. Which is why we are investing in monetary rewards and in initiatives for health. We want to recognize our employees' outstanding

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performance. One of the ways we're doing this is through the additional stock plan we set up.

Number 2: Focus on customers

Our customers come first. Always. Every product, every service, every process is built around them.

Last year, I promised you new licensing models. And clear business value for our customers. Fast and agile delivery, with innovations in the cloud.

We delivered. The proof: In 2020, our customer satisfaction increased significantly – by 10 points on the year before. One reason is that our solutions are now better integrated.

And we want to push our score even higher. By focusing even more closely on the needs of our customers and implementing them with agility. Customer satisfaction is a measure of our performance. And, on the Executive Board, our pay has been linked to it since 2020.

These times are further proof that we are the reliable partner for our customers. Our software has helped develop and distribute vaccines, make supply chains more resilient, and adapt business processes. And enabled companies to offer employees and customers what they need.

In short, we've helped businesses and society keep going and keep moving forward.

Number 3: Innovation

Innovation, hand in hand with our customers. It has made SAP great. SAP HANA – our database for data-driven decisions and actions in real time – underpins our portfolio.

And last year, we picked up the pace of innovation once again.

We built trust. By listening. What do our customers need? How can we support them even better – during the pandemic and beyond?

One example is RISE with SAP. Our new offering that allows companies to transform holistically. Why is this so important?

Think of the stores in your town. Until last year, retail outlets were doing well – and then the first lockdown happened. Online shops had to be set up, and quickly.

Or vaccine logistics. It isn't just about making the IT more efficient. The entire process – from production to vaccination – has to be as short as possible.

Digitalization is more than just transferring analog processes one-to-one into the digital world. Companies have to optimize their processes and business models. Tap into new markets and sectors.

They won't achieve this by simply migrating their IT environment to the cloud. They must also completely transform their business processes.

And that is exactly what RISE with SAP does. It doesn't just get your company started in the cloud. It brings together the best of SAP and our partner network. Our experience from working with hundreds of thousands of customers. Our insights into business processes across 25 sectors. Our market-leading technologies and services.

Our intelligent ERP SAP S/4HANA Cloud and our SAP Business Technology Platform are the core components of RISE with SAP. But it also encompasses services, consulting, and analytical functions – to build intelligence into business processes.

No matter where our customers are on their digital journey, we are on hand to provide individual, tailored solutions. A single package, from a single source.

Only SAP can do that. Because we know how business processes must run in order to be successful in this digital age.

To become even better here, we acquired Signavio at the beginning of the year and made it part of our portfolio of solutions for business process management. This solution is part of RISE with SAP and helps identify and remove possible workflow weaknesses.

But RISE with SAP is just one example of innovation.

We are improving our infrastructure. One aim being to ensure we achieve the highest cyber security standards.

We are migrating our transactional applications – such as the function employees use to enter a leave request – to the cloud and enriching them with smart features powered by artificial intelligence.

We are building on the strength of our core applications.

Together with our partners, we are expanding our solutions and creating groundbreaking functionalities.

For instance, we are working with Microsoft on enabling MS Teams and SAP applications to share data so that users don't have to switch between them. This is one example of how we're making employees more productive and shaping the future of work.

We have made huge progress on integration. And will continue working on this in 2021. Because only an integrated company is an intelligent company.

This is where our SAP Business Technology Platform comes in. It allows us to integrate, build, and extend applications easily. We offer maximum flexibility with our pricing models,

be it pay-as-you-go, a prepaid model similar to those we know from mobile communications, or the classic subscription model.

SAP Business Technology Platform is also where our modular, industry-specific cloud solutions reside. Together with our partners, we create solutions that allow our customers to adjust their processes to suit their individual requirements. Because every company is unique.

A good example of this is our joint venture with investors Dediq. Based on SAP technology and embedded in our portfolio, together we will build industry solutions in the cloud for banks and insurance companies. But this is not a blueprint for other industries. Instead, this is how we want to make the most of the huge opportunities in the financial services market.

But no company is an island. The SAP Business Network enables our customers to manage complex supply chain networks – with all parties, in real time. Because if your usual business partner can't deliver, you need a plan B quickly.

And we go a step further: We help our customers ensure that human rights are adhered to. That their supply chains are free of child labor. That their suppliers meet their own sustainability standards.

Let's stick with the topic of sustainability: When you buy a washing machine, it's simple: The higher the eco rating, on a scale of A to G, the more energy-efficient it is. We are now applying this principle to the carbon footprint of products and services.

We are embedding sustainability into our applications. We show the entire carbon footprint of a product and make it comparable. End to end. The carbon footprint of suppliers. Emissions from factories, offices, energy use, waste, business trips, and transportation. All direct and indirect emissions involved in manufacturing and shipping products to end customers.

Hundreds of thousands of companies all over the world rely on our software to run their supply chains, personnel, and business networks. Now they can use this data not just to manage revenue and operating profit, but also to make climate protection measurable.

And because sustainability is about more than climate protection, our solutions also help promote diversity: How diverse is my company? How can I reach out to underrepresented candidates? Do I really pay fairly? How diverse is my leadership team? We can answer all these questions.

Number 4: Corporate social responsibility

The challenges we faced over the last year reconfirmed the relevance of SAP as well as our extensive responsibility and the impact we can have on the economy, society, and the environment.

We are proud to support the global fight against COVID-19.

- Our Vaccine Collaboration Hub helps ensure vaccines get to where they are needed, safely and efficiently.
- The Corona-Warn-App has been downloaded more than 27 million times. It has alerted some 2.5 million people of possible exposure to the virus and led to the detection of 140,000 COVID-19 infections⁴.
- Seventeen of the top 20 global vaccine producers run SAP systems. We also support many logistics companies and organizations around the globe that are at the forefront of vaccine distribution.

We are fighting for a society in which social justice and equality are a given.

- In 2020, we held digital skill-building and coding programs for more than two million people from underserved groups.
- We are partnering with UNICEF on a curriculum that will give young people the skills they need for the jobs they want.
- We support nonprofits and social enterprises. And are always looking to partner with more. Our digital solutions help tackle some of our biggest challenges, such as climate change and social inequality.

There is no place for racism or discrimination at SAP, in any form whatsoever.

- Within the next three years, we want to double the percentage of Black and African-American employees in the workforce in the United States.
- The share of women in management increased to 27.6%, and that number is rising. We remain committed to reaching our goal of 30% by 2022.
- This year, Pride @ SAP, our network for lesbian, gay, bisexual, transsexual, and intersexual people, celebrated its 20th anniversary.
- More than 200 people who have autism work at 34 of our locations in 16 countries.

We're also moving faster on climate protection. I spoke earlier about how we're helping our customers achieve their climate targets. But we want SAP to be a pacesetter itself. We will become carbon neutral in 2023 – two years sooner than planned.

⁴ As of April 20, 2021

Ladies and gentlemen,

2020 was a successful year for us, despite the coronavirus pandemic. And we expect 2021 to be too. After a strong first quarter, we even raised our full-year outlook. Vaccination programs are rolling out around the world, leading to a gradually improving global demand environment in the second half of 2021.

We expect⁵:

- **Cloud revenue** to grow by between 14% and 18%.
- **Cloud and software revenue** to reach between €23.4 billion and €23.8 billion.
- **Operating profit** to be between €7.8 billion and €8.2 billion.
- The **share of more predictable revenue** – the total of cloud revenue and software support revenue – to reach approximately 75%.

We expect our cloud revenue to nearly triple to more than €22 billion by 2025. And we are well on our way to achieving our mid-term goals.

Dear shareholders,

Over the past year, many of us have wondered how it's possible to stay operational when certainty is an illusion and the extraordinary is the new normal.

But we've shown that we're successful. Even during this crisis. And we have everything it takes to be successful in the future too: Focus on innovation; the broadest product portfolio; a strong customer base; reliable partners; and people who give their best every day.

We have a unique opportunity to guide our customers on their journey to the digital world. And we're seizing it.

Ladies and gentlemen, you can count on us:

- To put our customers first.
- To accelerate the pace of innovation.
- To give our employees an environment that encourages and supports them.
- To foster lasting social equality.
- To deliver value to you, our shareholders, in the long term.

You can take me at my word and measure me on that.

I'm excited about shaping SAP's future success with you.

Next year, SAP celebrates its 50th anniversary. I believe that our company has never been more relevant.

⁵ Outlook is non-IFRS at constant currencies.

Because we are reinventing the way businesses run.

Because we making the world run better.

And because we are improving people's lives.

Many thanks.