

SAP Debt Investor Presentation

Fourth Quarter 2013 Update Call

Walldorf, Germany

Thursday, February 06, 2014

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Agenda

Key Financials Q4 & Full-Year 2014

SAP Strategy & Mid-term Outlook

Financing Strategy & Credit Profile

FY 2013 – Performance vs. Guidance

	SAP's Outlook FY 2013	Actual Performance FY 2013	
Cloud subscription and support revenue (Non-IFRS at cc)	around €750m	€787m	
Software and Software-related Service Revenue (Non-IFRS at cc)	at least +10%	+11%	
Operating Profit (Non-IFRS at cc)	€5.85bn to €5.95bn	€5.9bn	

SAP is successfully managing the shift to cloud while still growing its core business

€ millions, unless otherwise stated

Revenue Numbers	IFRS			Non-IFRS			
	FY/13	FY/12	Δ%	FY/13	FY/12	Δ%	Δ% at cc
Software	4.516	4.658	-3	4.518	4.658	-3	2
Cloud subscriptions and support	697	270	158	758	343	121	130
Software & Cloud subscriptions	5.213	4.928	6	5.276	5.001	6	11
Support	8.739	8.237	6	8.758	8.246	6	11
SSRS revenue	13.952	13.165	6	14.034	13.246	6	11
PSOS revenue	2.866	3.058	-6	2.866	3.058	-6	-3
Total revenue	16.817	16.223	4	16.900	16.304	4	8

SAP's fast-growing cloud business demonstrates the Company's leadership in the Cloud – Annual cloud revenue run rate³⁾ > €1.06bn

€ millions	On Premise Division		Cloud Division		Total	
	On Premise Division Total 2013	On Premise Division Total 2012	Cloud Division Total 2013	Cloud Division Total 2012	Total 2013	Total 2012
FY 2013						
Total revenue	15.924	15.848	975	456	16.900	16.304
Cost of revenue	-4.152	-4.289	-358	-233	-4.511	-4.523
Gross profit	11.772	11.559	617	223	12.389	11.782
Cost of sales & marketing	-3.443	-3.410	-477	-275	-3.920	-3.684
Reportable Segment Profit/Loss	8.329	8.150	140	-51	8.469	8.098

- **Cloud subscriptions and support backlog²⁾**: €1.2bn as of Dec 31, 2013 (€0.8bn as of Dec 31, 2012), +50% yoy
- **Deferred cloud subscription and support revenue¹⁾ (non-IFRS as of December 31)**: €447m +25% yoy
- **Calculated cloud subscription & support billings (adj. for Ariba acq.)**: >50% growth* yoy (Non-IFRS, cc), Q4/13
- **Number total cloud users**: ~35 million
- **Ariba segment**:
 - trailing 12 month network spend volume⁴⁾: >\$0.5 trillion
 - 1.4m companies connected through the Ariba network, the world's largest web-based business trading community

1) Beginning in Q1 2013, SAP discloses non-IFRS deferred cloud subscription and support revenue, which is a subset of the total non-IFRS deferred revenue number reported on the balance sheet. The opening balance for Ariba deferred cloud subscription and support revenue at October 1st, 2012 was €118 million (Non-IFRS) and €53 million (IFRS).

2) Cloud subscription and support backlog represents expected future cloud subscription and support revenue that is contracted but not yet invoiced and thus not recorded in deferred revenue, w/o hybrids

3) The annual revenue run rate is the fourth quarter 2013 cloud division revenue of €266 million multiplied by 4.

4) Network spend volume is the total value of purchase orders transacted on the Ariba Network in the trailing 12 months *) Billings calculation see appendix

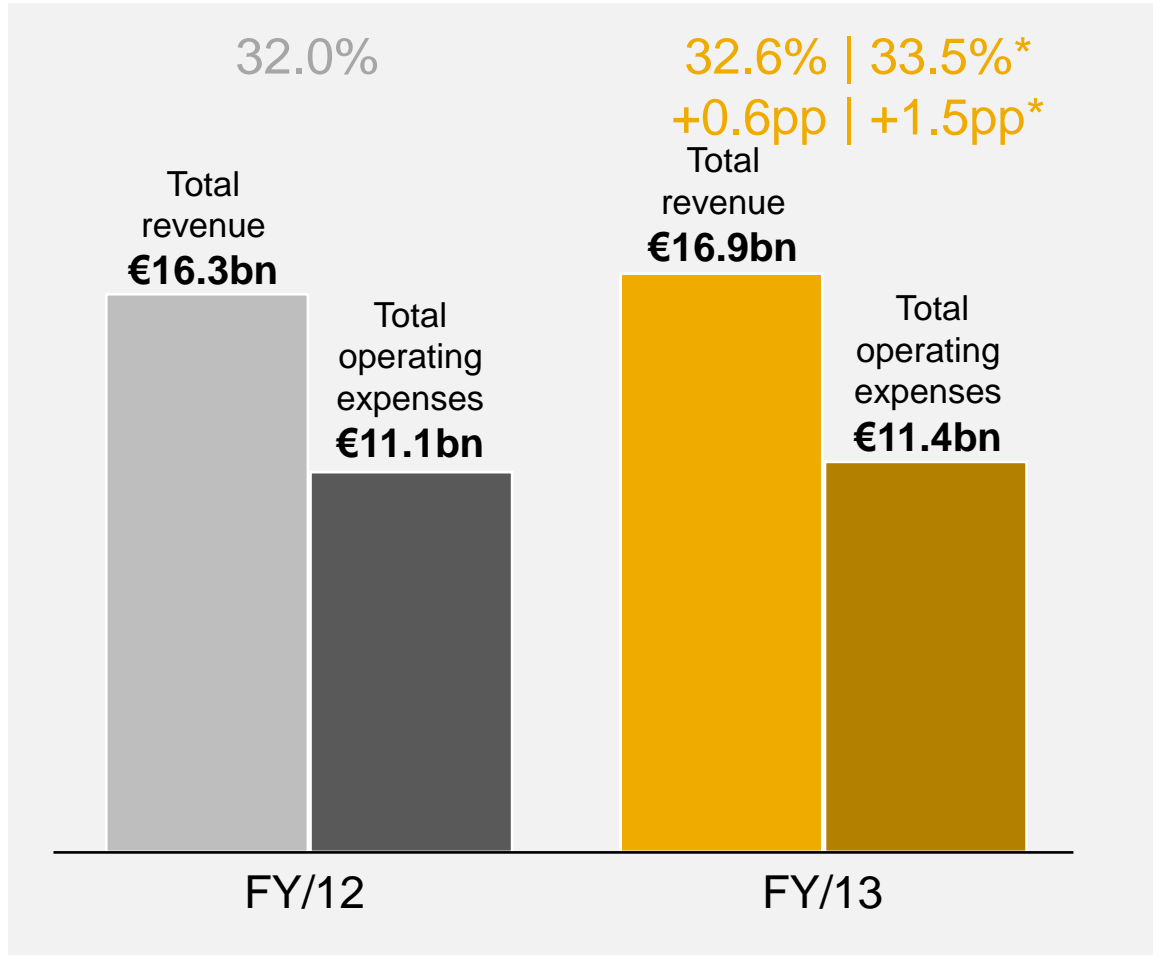
FY 2013 IFRS EPS increased by 18 % to €2.79

€ millions, unless otherwise stated

	IFRS			Non-IFRS			
	FY/13	FY/12	Δ%	FY/13	FY/12	Δ%	Δ% at cc
Revenue Numbers							
Total revenue	16.817	16.223	4	16.900	16.304	4	8
Operating Expense Numbers							
Total operating expenses	-12.336	-12.158	1	-11.386	-11.090	3	6
Profit Numbers							
Operating profit	4.482	4.065	10	5.513	5.214	6	13
Finance income, net	-66	-68	-3	-66	-67	-1	
Profit before tax	4.399	3.824	15	5.431	4.974	9	
Income tax expense	-1.069	-1.000	7	-1.406	-1.366	3	
Profit after tax	3.330	2.823	18	4.024	3.608	12	
Operating margin in %	26,7	25,1	+1,6pp	32,6	32,0	+0,6pp	+1,5pp
Basic earnings per share, in €	2,79	2,37	18	3,37	3,03	11	

150bps expansion of non-IFRS operating margin at cc driven by operational excellence despite impact from acquisitions & cloud momentum

Non-IFRS, FY/13



* At constant currencies

Non-IFRS operating profit:

- +6% to €5.51bn (+ €0.3bn)
- +13% to €5.90bn at cc

Non-IFRS operating margin:

- +0.6pp (+1.5pp at cc) to 32.6% (FY/12: 32.0%)
- Non-IFRS operating profit and operating margin were negatively impacted by the acquisitions of Success-Factors, Ariba and hybris. The operating margin was impacted in total by ~50 bps (FY/12: 100 bps).

Simplification of P&L structure for FY 2014 – focusing on combined power of fast growing cloud business and solid core

Income statement current version		Income statement simplified structure	
Revenue Numbers	FY/13	Revenue Numbers	FY/13
Software	4.518	Cloud subscriptions and support	758
Cloud subscriptions and support	758	Software	4.518
Software & Cloud subscriptions	5.276	Support	8.758
Support	8.758	Software and support	13.276
SSRS revenue	14.034	SSRS revenue	14.034
PSOS revenue	2.866	PSOS revenue	2.866
Total revenue	16.900	Total revenue	16.900

- Only the order & subtotals will change, the content of line items will not change

For the respective [multi-quarter overview](#) (FY 2012; Q1 to Q4 2013, FY 2013) of the new [P&L Structure 2014](#) please see online.

Non-IFRS FY 2013 revenue numbers as reported on January 21, 2014

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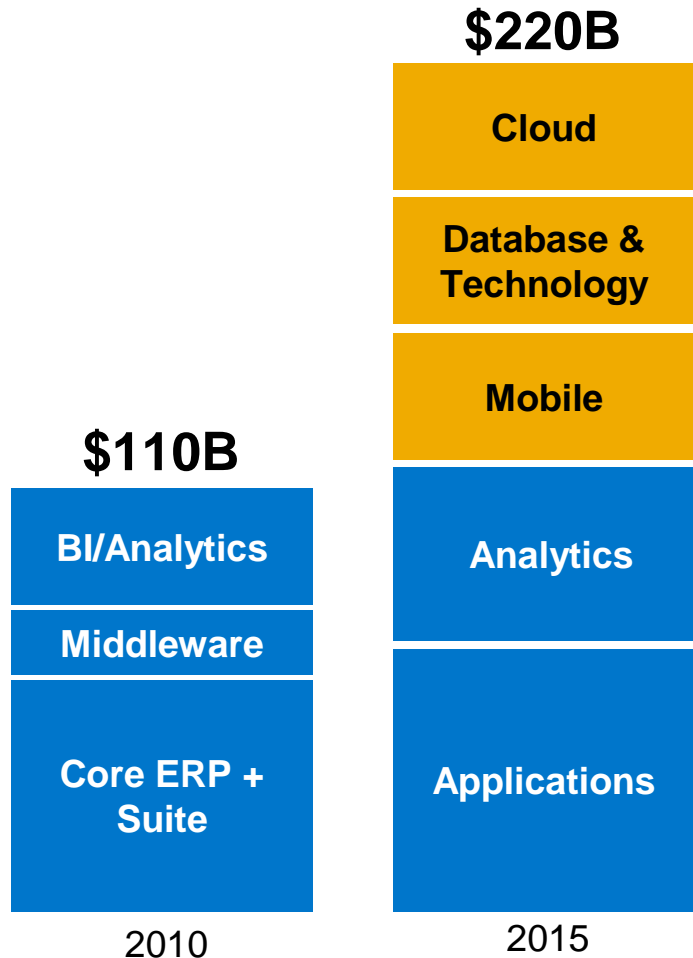
Key Financials Q4 & Full-Year 2014

SAP Strategy & Mid-term Outlook

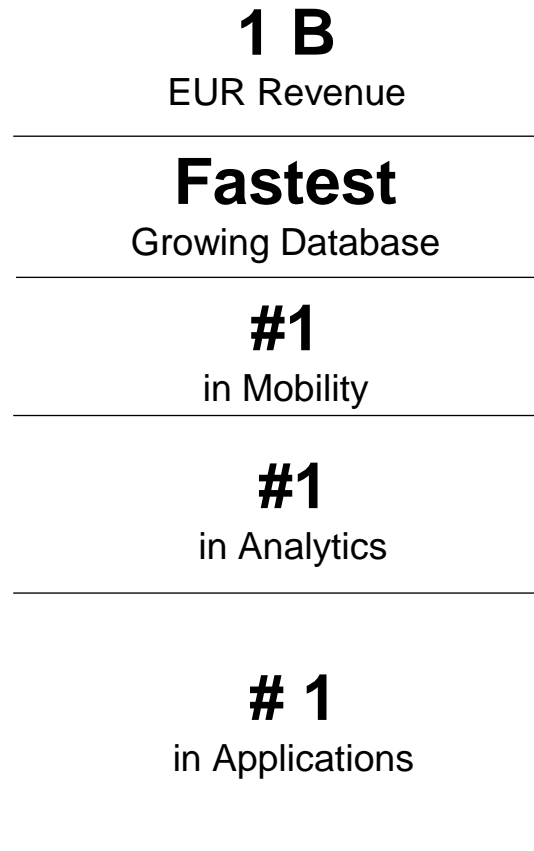
Financing Strategy & Credit Profile

2010 – Foundation of a winning strategy

Addressable Market (\$ Billion)



SAP Position



- Extended leadership in the core
- Outgrowing competition, gaining market share
- Grew revenue in Cloud & Database categories > 75X
- Invented In Memory – THE next generation real-time platform
- Largest cloud company by users and business network

SAP's outlook for the full year 2014

	SAP's Outlook FY 2014	Basis for Comparison 2013
Cloud subscription and support revenue (Non-IFRS at cc)	€950m – €1bn	€758m
Software and Software-related Service Revenue (Non-IFRS at cc)	+ 6% – 8%	€14.03bn
Operating Profit (Non-IFRS at cc)	€5.8bn to €6bn	€5.51bn

SAP's Mid-term Outlook

Financial Objectives

- Transition to the Cloud while growing our stable core
- Commitment to 2015 top-line aspirations; extend outlook to 2017
- Continued margin expansion

2017 Outlook

- **€22B+** in total revenue
- **€3.0B - €3.5B** in Cloud revenue
- **35%** operating margin

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SAP Strategy & Mid-term Outlook

Financing Strategy & Credit Profile

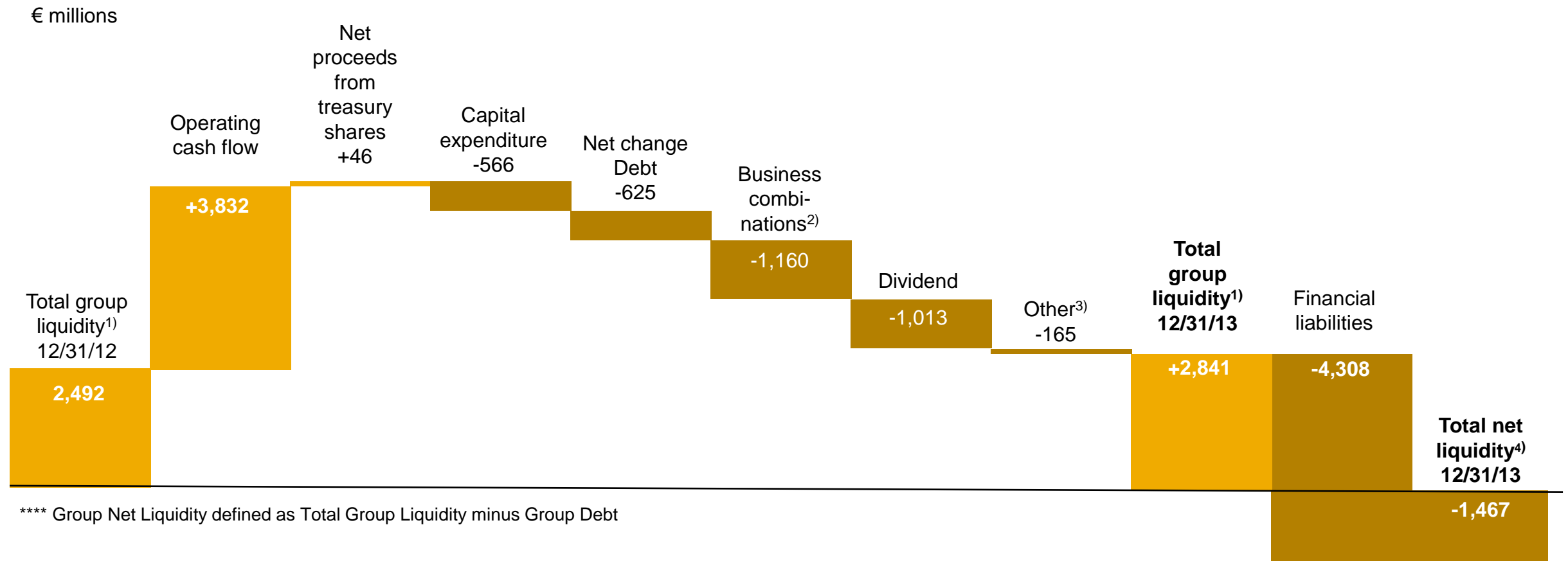
Balance sheet, condensed

December 31, 2013, IFRS

Assets € millions	12/31/13	12/31/12
Cash, cash equivalents and other financial assets	2,999	2,631
Trade and other receivables	3,884	3,917
Other non-financial assets and tax assets	652	450
Total current assets	7,535	6,998
Goodwill	13,688	13,192
Intangible assets	2,956	3,234
Property, plant, and equipment	1,820	1,708
Other non-current assets	1,596	1,577
Total non-current assets	20,061	19,711
Total assets	27,595	26,710

Equity and liabilities € millions	12/31/13	12/31/12
Trade and other payables	864	870
Deferred income	1,426	1,386
Provisions	642	843
Other liabilities	3,523	3,449
Current liabilities	6,455	6,547
Financial liabilities	3,758	4,446
Provisions	278	361
Deferred income	74	62
Other non-current liabilities	931	1,123
Non current liabilities	5,042	5,991
Total liabilities	11,497	12,538
Total equity	16,099	14,171
Equity and liabilities	27,595	26,710

Total group liquidity increased to €2.8bn due to high operating cash flow despite acquisitions, repayments of debt & dividend payment



1) Cash and cash equivalents + restricted cash + current investments

2) Business combinations, net of cash and cash equivalents acquired amounted to -€1,160m

3) Includes proceeds from sales of intangible assets or PPE, purchase and sales of equity or debt instruments of other entities, as well as effect of FX rates on cash and cash equivalents

4) Total Group Liquidity less financial liabilities (=bank loans, private placement transactions and bonds); corresponds with net liquidity 2 – for more details see third quarter and nine months Interim Report and Annual Report 2013

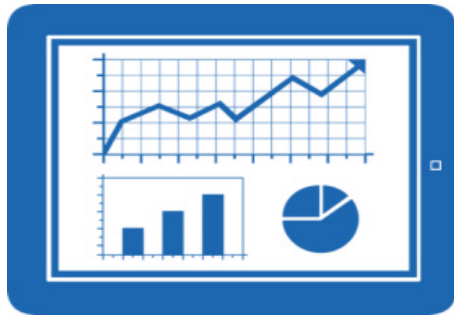
Operating cash flow in FY 2013 stable at €3.8 billion

€ millions, unless otherwise stated	01/01/13 - 12/31/13	01/01/12 - 12/31/12	Δ
Operating cash flow	3,832	3,822	+/-0%
- Capital expenditure	-566	-541	+5%
Free cash flow	3,266	3,281	+/-0%
Free cash flow as a percentage of total revenue	19%	20%	-1pp
Cash conversion rate	1.15	1.35	-15%
Days sales outstanding (DSO)	62	59	+3 day
Equity ratio	58%	53%	+5pp

Three Pillar Financing Strategy

Liquidity Protection – Ensure Maximum Financial Stability & Flexibility

Minimum Operating Group Liquidity



EUR 2bn

SAP's Minimum Operating Group Liquidity is ensured by stable cash flows driven by recurring revenue streams

M&A Driven External Debt Financing



M&A activities since 2007 to optimally position SAP in the current industry transformation, especially towards cloud business

Special focus on fast repayment of acquisition term loans

Revolving Credit Facility



EUR 2bn

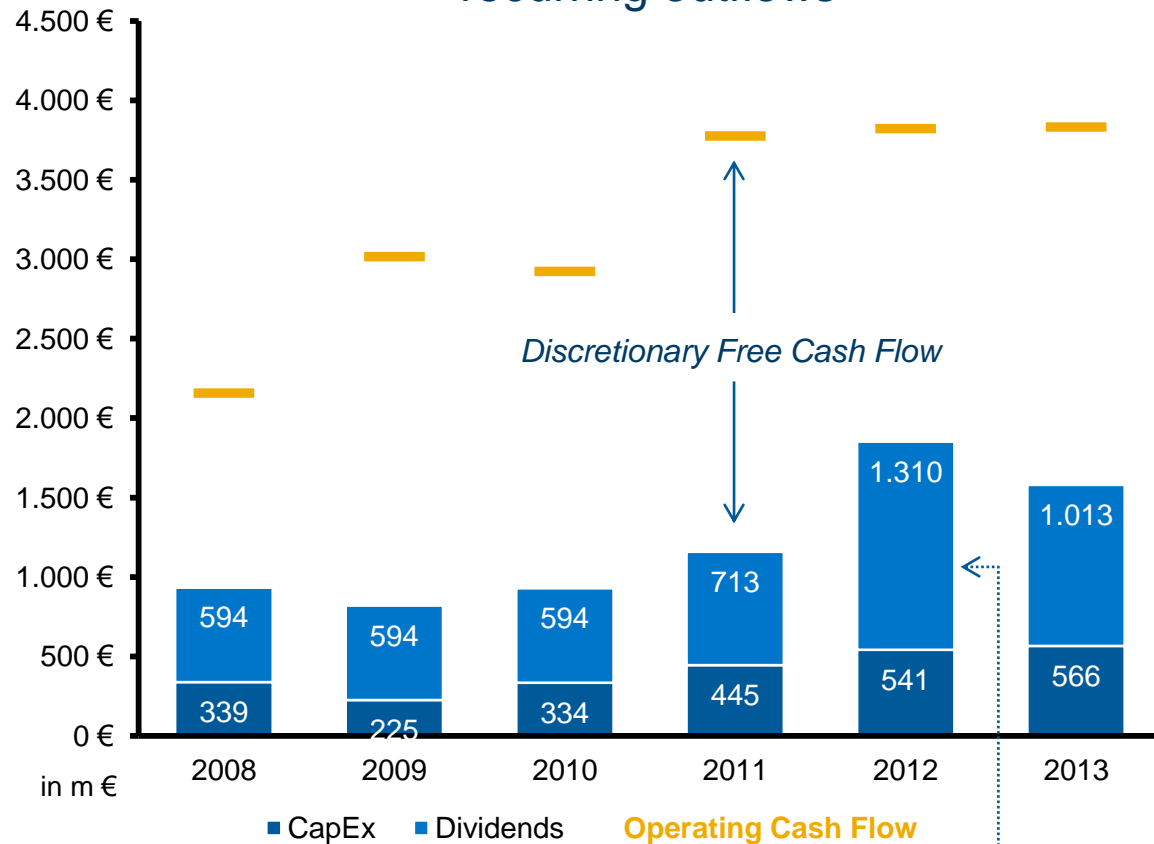
SAP's Revolving Credit Facility serves as back-up credit facility

Facility was successfully refinanced and increased to EUR 2bn in November 2013 to enhance financial flexibility

SAP's Strong Liquidity Profile

Excellent Cash Flow Generation

Past 5 Years of Operating Cash Flow and recurring outflows



In 2012 an extraordinary share dividend to celebrate SAP's 40th anniversary was paid out

Strong Cash Generation enhancing SAP's Financial Flexibility

While SAP's operating cash flow increased significantly over the last 5 fiscal years, capex and dividends left ample room for financial flexibility

High free cash flow (minus dividends) has been used for fast repayment of M&A-related acquisition term loans

Larger M&A transactions have been funded through cash, bank term loans, and/or public issuances, allowing for a balanced maturity profile and flexible repayment

59%

Free Cash Flow (minus dividends) in % of 2013 Operating Cash Flow underscores the value of conservative leverage, funding, and liquidity strategy

SAP's Credit Story

Debt Serving Track Record – Fast Repayments

M&A Scenarios – Financing Strategy

Take & hold scenarios in case of smaller acquisitions (SuccessFactors, hybris) – term loans have been quickly repaid with free cash flow

Takeout scenarios for bigger acquisitions (Ariba) – debt capital market takeout is bridged by term loan

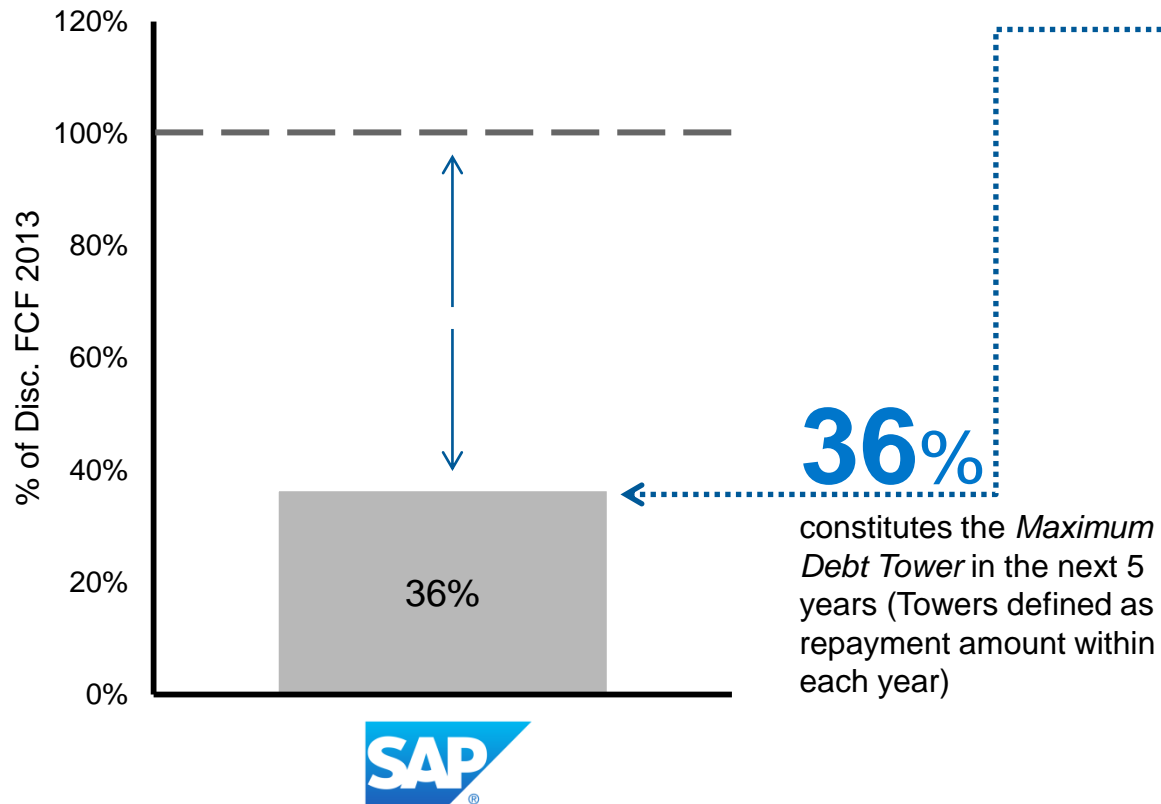
SAP committed to fast repayment and has continued its successful credit story by early repaying hybris acquisition term loan within 2013

Acquisition <i>SuccessFactors</i>	Acquisition <i>Ariba</i>	Acquisition <i>hybris</i>
		
2011	2012	2013
<i>Term Loan</i>	<i>Term Loan</i>	<i>Term Loan</i>
€1.0bn <i>Dec 15, 2011</i>	€2.4bn <i>May 22, 2012</i>	€1.0bn <i>June 05, 2013</i>
<i>Full Repayment</i> <i>Nov 12, 2012</i>	<i>Full Repayment</i> <i>Dec 05, 2012</i>	<i>Full Repayment</i> <i>Dec 6, 2013</i>
	Debt Capital Market Issuance	
	<i>Issue of Eurobonds</i>	<i>Issue of US Private Placement</i>
	€1.3bn <i>Nov 13, 2012</i>	\$1.4bn <i>Nov. 15, 2012</i>

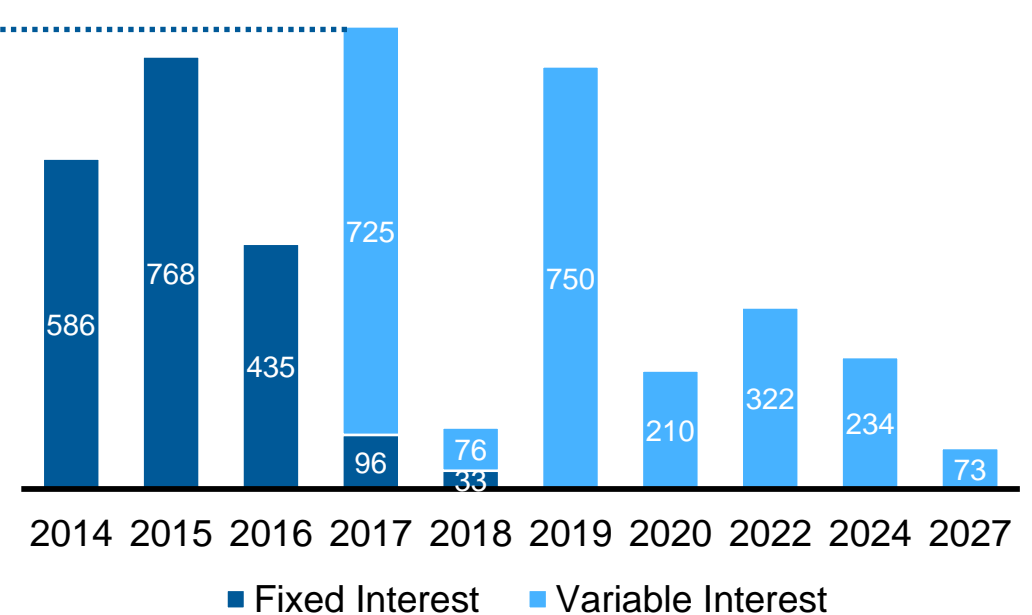
SAP's Strong Credit Profile

Low risk to market volatility

Maximum Debt Tower as % of Discretionary Free Cash Flow 2013



Maturity Profile – Financial Debt SAP AG

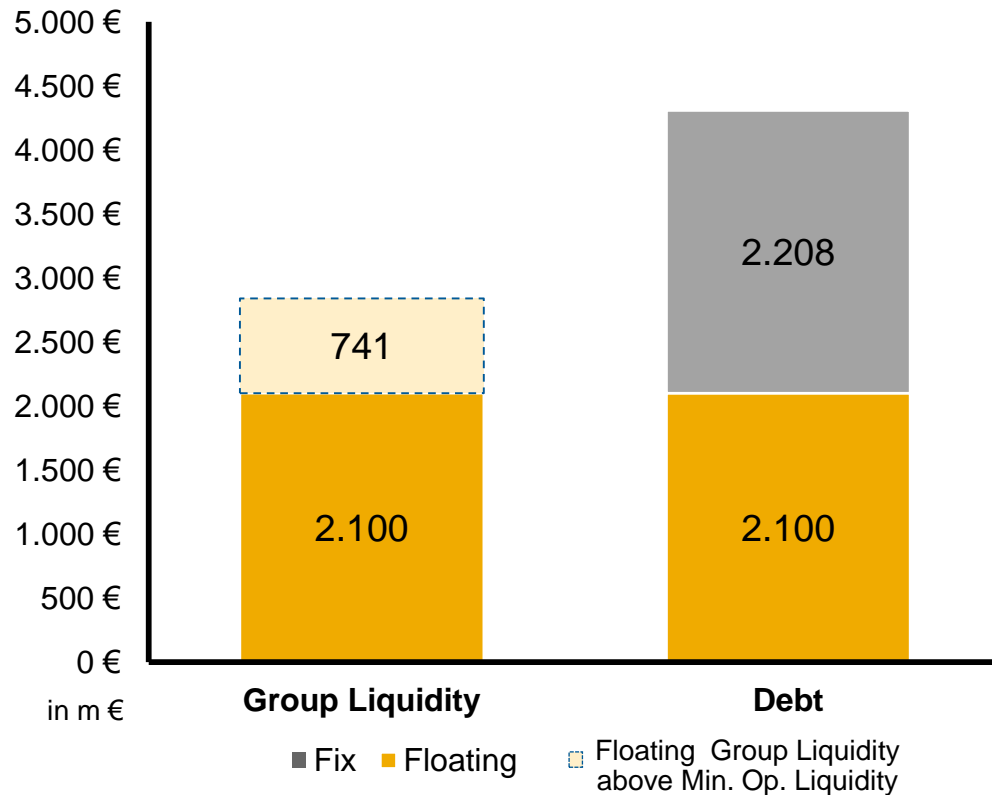


A well-balanced maturity profile prevents repayment peaks – refinancing market risk is small due to very low maximum debt tower relative to operating cash flow

SAP's Debt Maturity Profile

Interest Rate Management - Matching Assets/Liabilities

Interest Rate Asset-Liability Match



as of December 31st, 2013

SAP optimized existing debt profile in Q4/2013 by implementing an Asset-Liability Match

Asset-Liability Match to optimize SAP's risk/return profile by swapping financial debt in the equivalent amount of minimum operating group liquidity from fixed to floating interest rates via interest rate swaps was successfully implemented

SAP's well-balanced maturity profile was further enhanced by matching duration of interest-bearing assets with interest-bearing liabilities achieving a "natural hedge"

A reduction of interest expenses and increased risk diversification by optimizing SAP's risk/return profile was achieved

SAP's Strong Liquidity Profile

Excellent Cash Flow Protection

Liquidity Protection due to Strong Recurring Revenue Figures

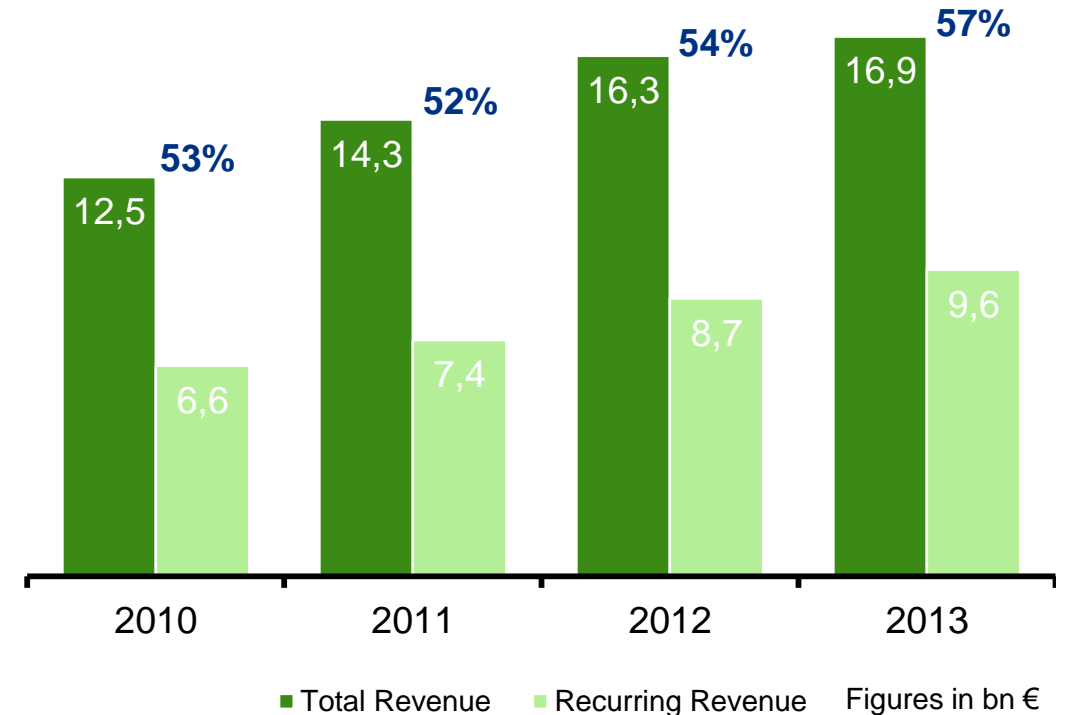
Fast-growing cloud business along with support revenue growth drive continuously a higher share of recurring revenue

The renewal rate of maintenance contracts in on-premise software business is nearly 100%

Customer loyalty to SAP's cloud business remains high at around 90% renewal rates

57% of total revenue in 2013 consisted of recurring Software, Support, and Cloud Subscription revenue

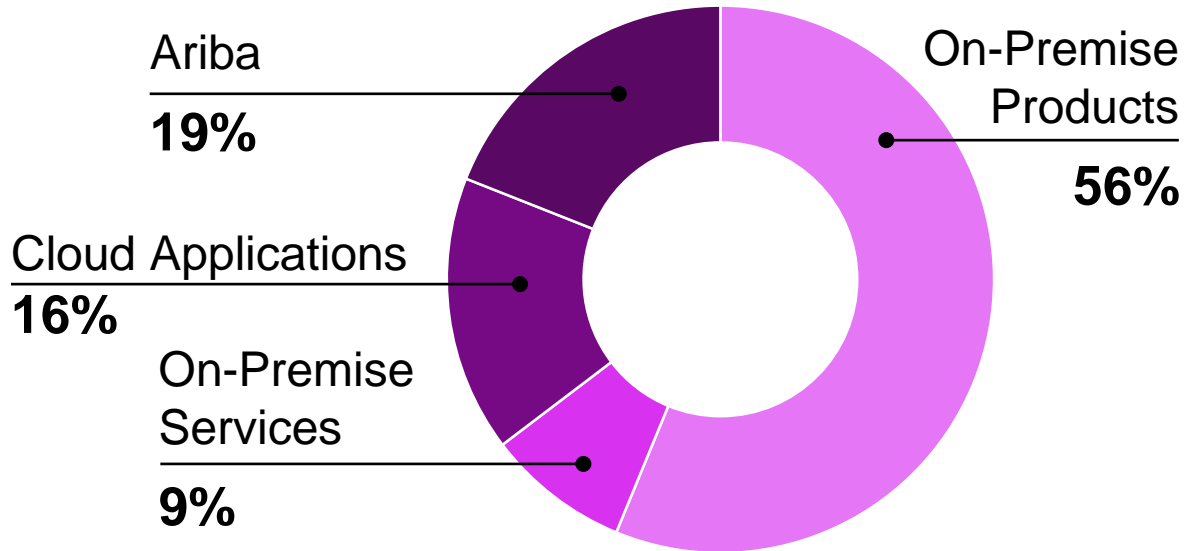
Recurring Revenue Ratio of Past 5 Years



Balance Sheet Stability - Goodwill

Profitability of Reported Segments

Goodwill by Segment in 2012



Goodwill mainly based on highly profitable segments

Profitability of On-Premise Products amounts to 58%

On-Premise Services delivered a profitability of 23%

65% of Goodwill is mapped to highly profitable On-Premise segment. Cloud Applications profitability expected to grow significantly until 2017

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