

Capital Markets Day

Leading Customers' Digital Transformation

February 4, 2016 – New York

The SAP logo is located in the bottom left corner of the image. It consists of the letters "SAP" in a bold, white, sans-serif font, set against a blue rectangular background that is slightly tilted to the right.

Agenda

09:30 am	Welcome Stefan Gruber, Head of Investor Relations
09:30 – 10:00 am	Strategy and Vision Bill McDermott, CEO
10:00 – 10:25 am	Driving Effectiveness and Efficiency of our Business Models Luka Mucic, CFO
10:25 – 10:55 am	The Path into the Digital Economy Bernd Leukert, Executive Board Member
10:55 – 11:20 am	Break
11:20 – 12:00 pm	Customer Perspective Rob Enslin, Executive Board Member Jaan Saar, Head of Process and IT, SWISS PROPERTY John Hinshaw, Executive Vice President & Chief Customer Officer, Hewlett Packard Enterprise
12:00 – 12:20 pm	Business Networks Steve Singh, Global Managing Board Member
12:20 – 1:00 pm	Q&A Bill McDermott, Luka Mucic, Rob Enslin, Bernd Leukert, Steve Singh
01:00 – 2:00 pm	Lunch

Safe Harbor Statement

Any statements contained in this document that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “intend,” “may,” “plan,” “project,” “predict,” “should” and “will” and similar expressions as they relate to SAP are intended to identify such forward-looking statements. SAP undertakes no obligation to publicly update or revise any forward-looking statements. All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations. The factors that could affect SAP’s future financial results are discussed more fully in SAP’s filings with the U.S. Securities and Exchange Commission (“SEC”), including SAP’s most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates.

Strategy and Vision

Bill McDermott
CEO

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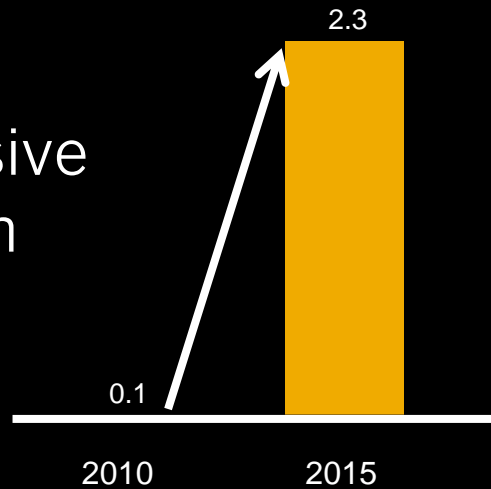
SAP is helping the world run better and improve people's lives



SAP success story since 2010

Cloud subscriptions and support revenue
€bn

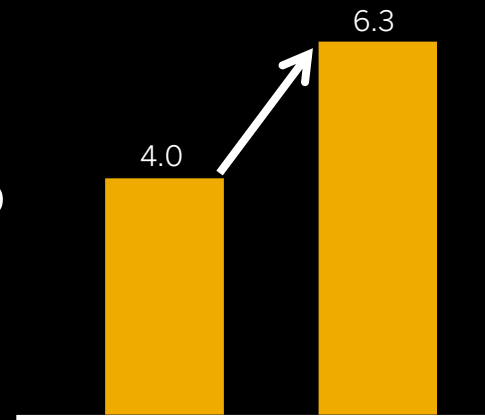
Explosive growth



95m
cloud users

Operating profit
€bn

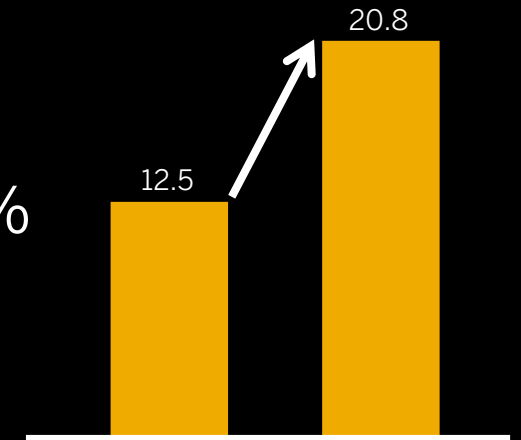
+58%



~300,000
customers

Total revenue
€bn

+66%



nearly 10,000
SAP HANA customers



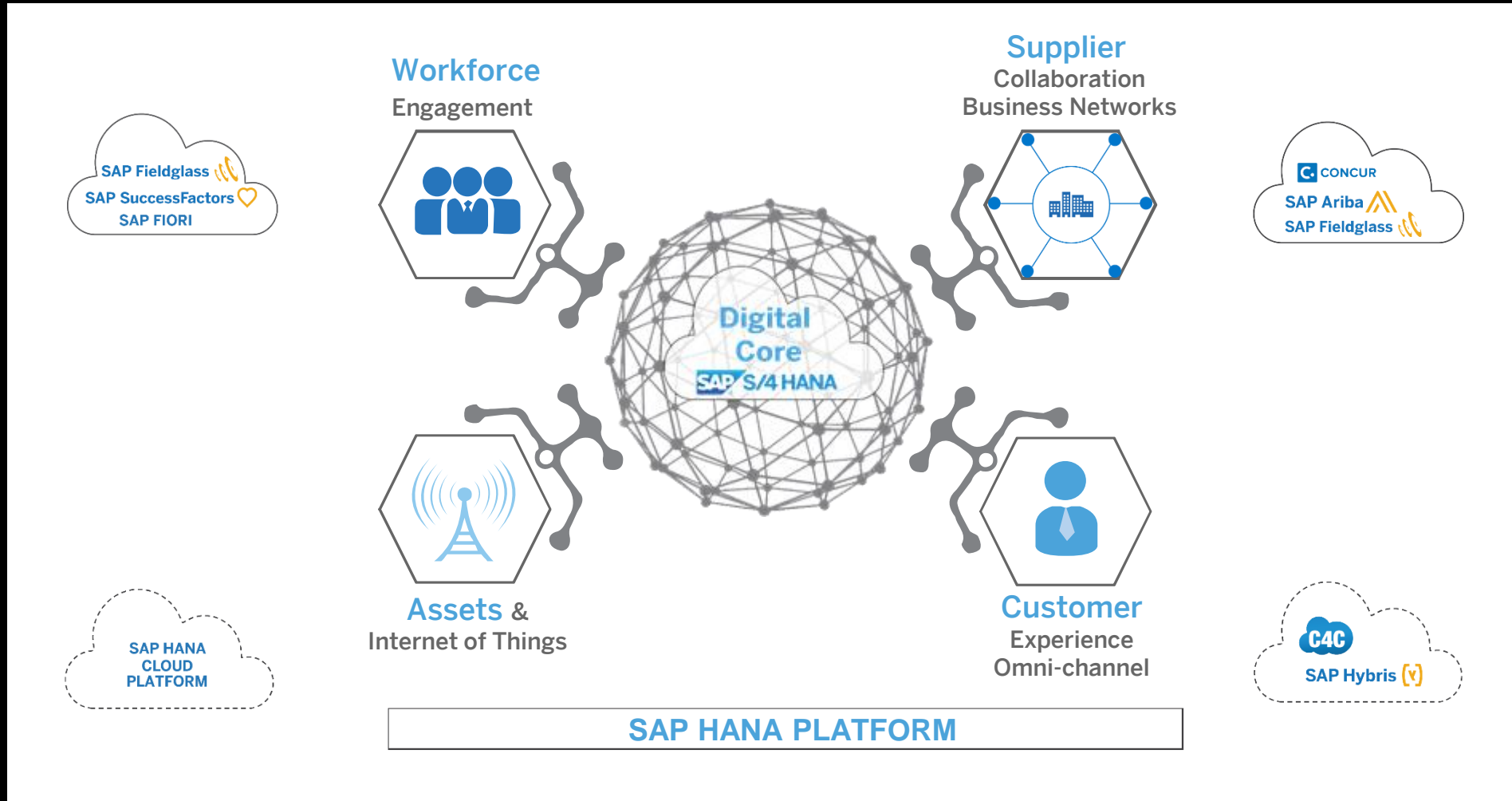
**HOW DO YOU KEEP UP WITH 120 MILLION ATHLETES
WITHOUT BREAKING A SWEAT?
IT'S SIMPLE. THE ANSWER IS SAP HANA.**

SAP HANA[®] is helping Under Armour transform the way they connect to millions of athletes worldwide. Reinventing the way we all keep fit.
sap.com/hanastories



Run Simple

SAP Framework for Digital Businesses to Run Simple



Live system strategy powered by SAP S/4HANA

Why do we talk about simple & revolution?

No pre-aggregation of transactional data only data inserts

Dramatic reduction of data updates (no processing risks)

Data entry transaction can run in parallel without database locking

Higher transactional performance (25x)

Lower data footprint (12.5x+, 54 tera to 3.5 tera)

Dramatically simplified application code (no totals, full use of HANA SQLs single database)

Both scale out and scale up is possible

Faster reporting directly on transactional system (50x+)

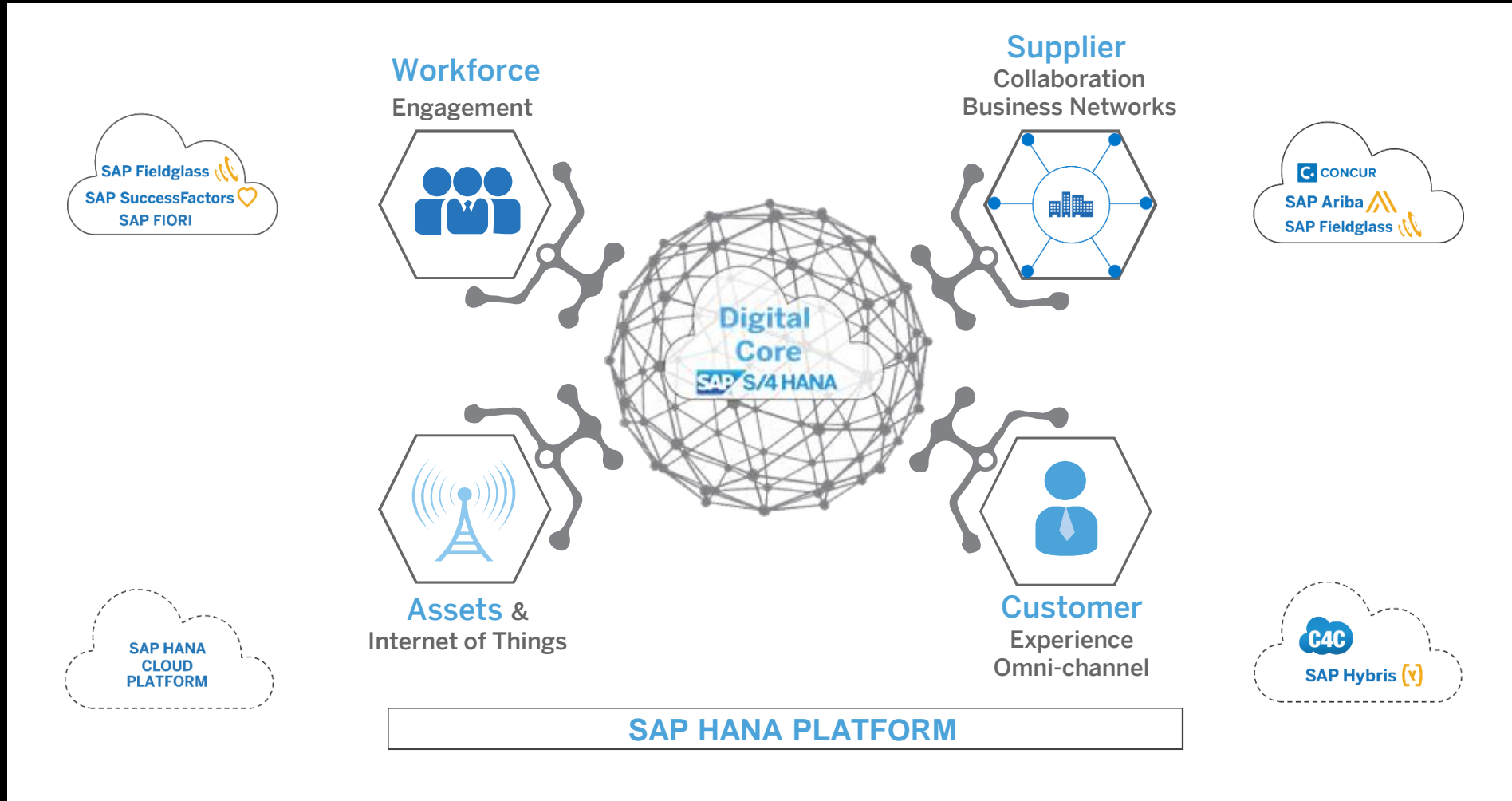
Less data storage on disk (<1/10)

Nearly no database indices needed, that means less dba work

Faster data backup/restore (>10x)

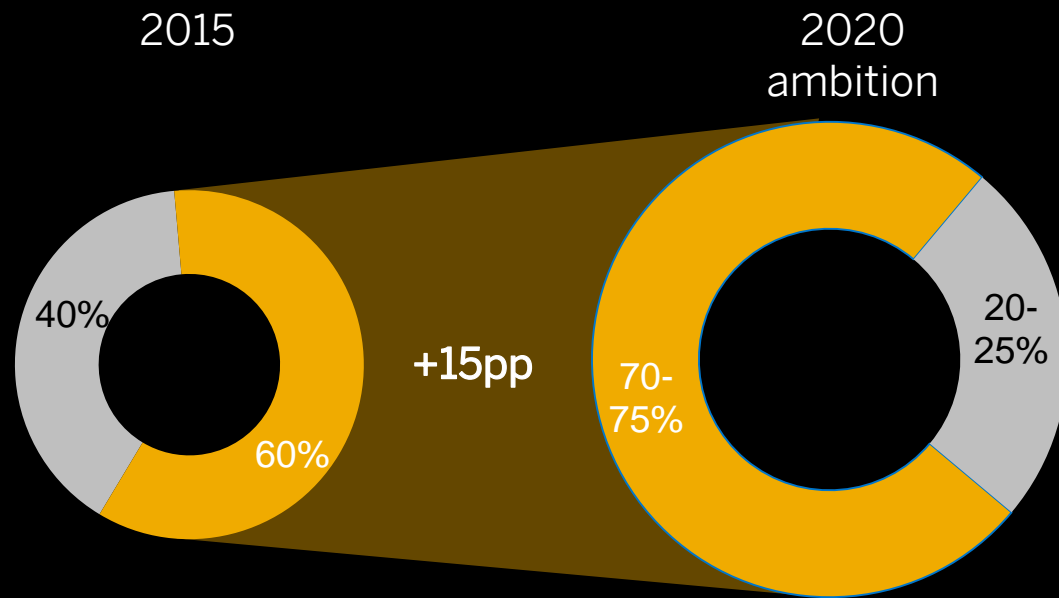


SAP Framework for Digital Businesses to Run Simple



Rapidly expanding cloud business increases share of predictable revenue, with an ever-increasing focus on cloud margins

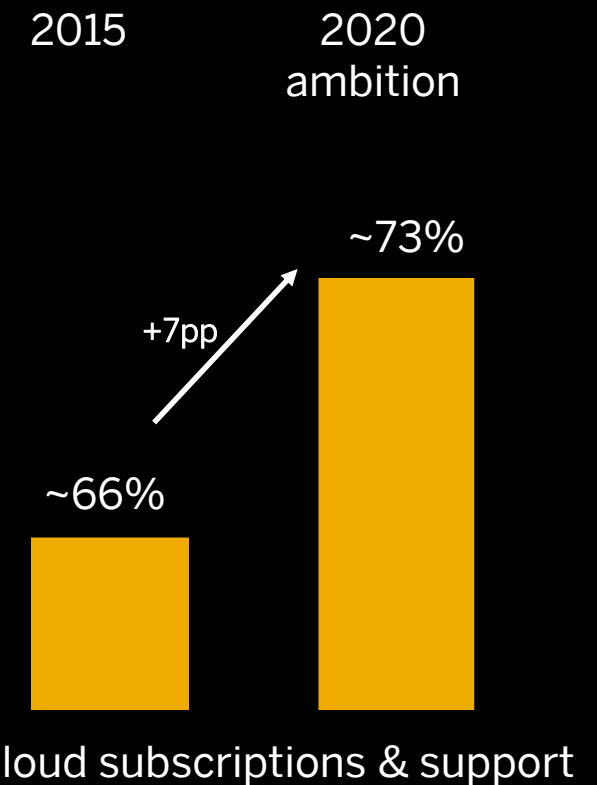
Share of more predictable revenue



Share of more predictable revenue is expected to increase to 70-75% by 2020

- Support + Cloud subs – share of total revenue
- All other revenue

Gross margins



Future is driven by disruptive technologies

Emerging disruptions

- Internet of things
- Machine learning & artificial intelligence
- Cybersecurity
- Healthcare
- Industry automation 4.0



Next gen SAP innovations



- Intelligent applications



- Digital fabric



- New incubations

SAP has never been stronger



Customers

- User group engagement soaring
- SAP digital: Direct to consumers in 32 countries



Employees

- Employee engagement, 10-year high @81%
- 1st gender equality – EDGE certified IT company



Stakeholders

- >27% value growth in 2015
- Most sustainable software company

Helping the world run better and improve people's lives.

Driving Effectiveness and Efficiency of our Business Models

Luka Mucic
CFO

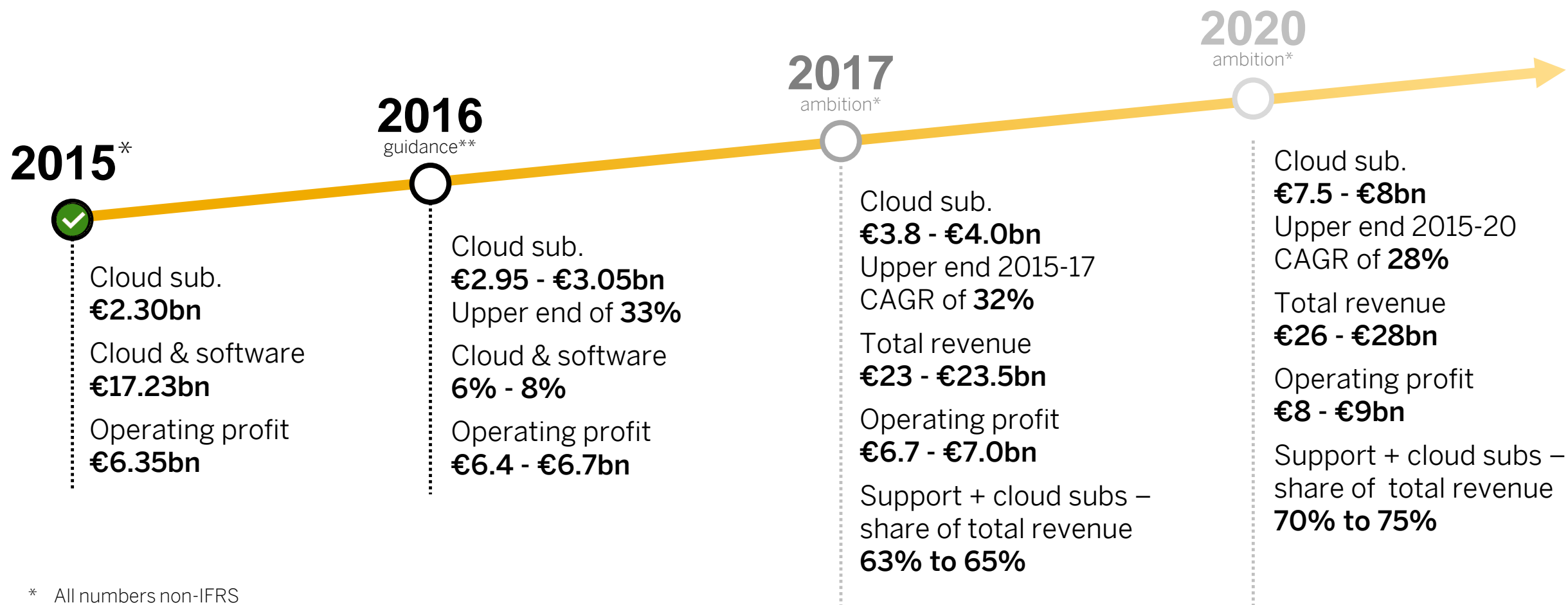
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01

Outpacing the market in 2015
Outlook 2016 and beyond

Beating 2015 outlook – raising 2017 midterm ambition



* All numbers non-IFRS

** All numbers non-IFRS and at constant currency



02

Building a larger, more predictable business

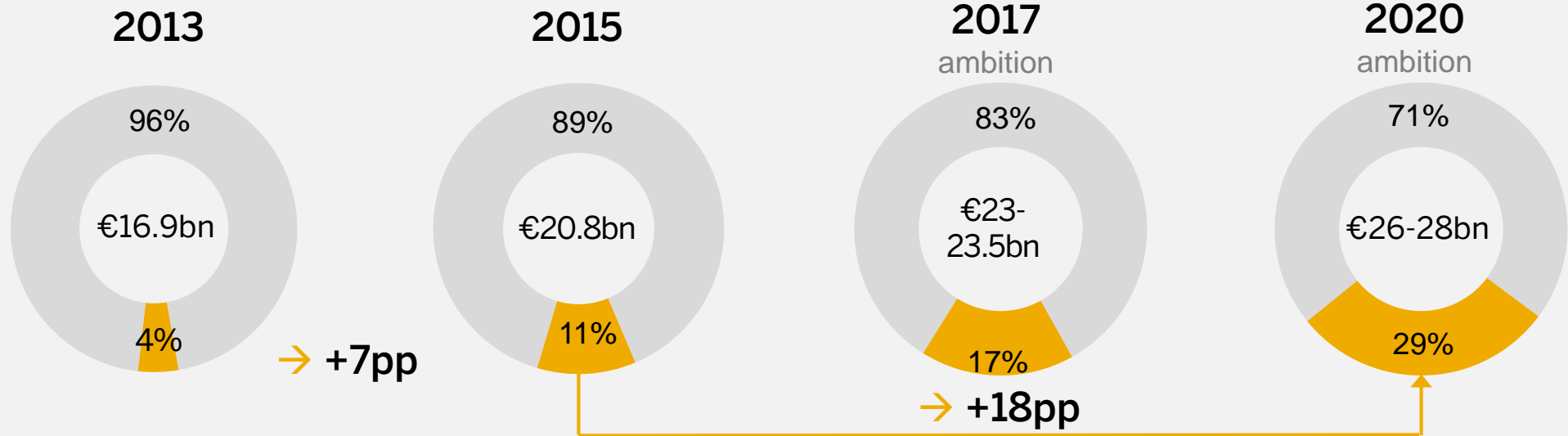
SAP's fast growing cloud business changes the revenue mix

Driving a higher share of more predictable revenue*

* All numbers non-IFRS

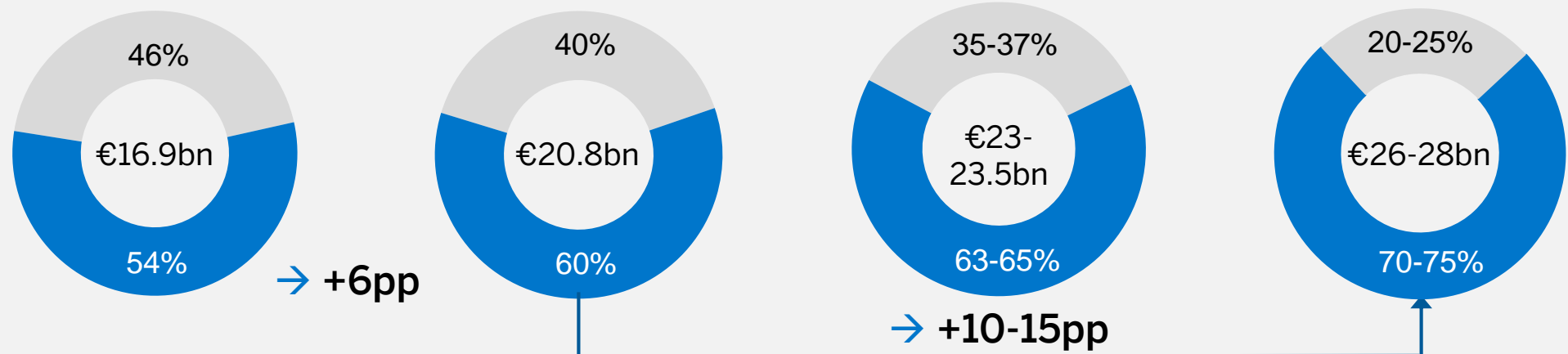
Cloud subscriptions and support revenue

■ Cloud subscriptions and support revenue
■ All other revenue



Support revenue & cloud subscriptions and support revenue

■ Support + cloud subs
■ All other revenue





03

Unique combination of cloud and core –
What are the main drivers?

SAP is unique in combining a rapidly expanding cloud business and a growing core

Cloud

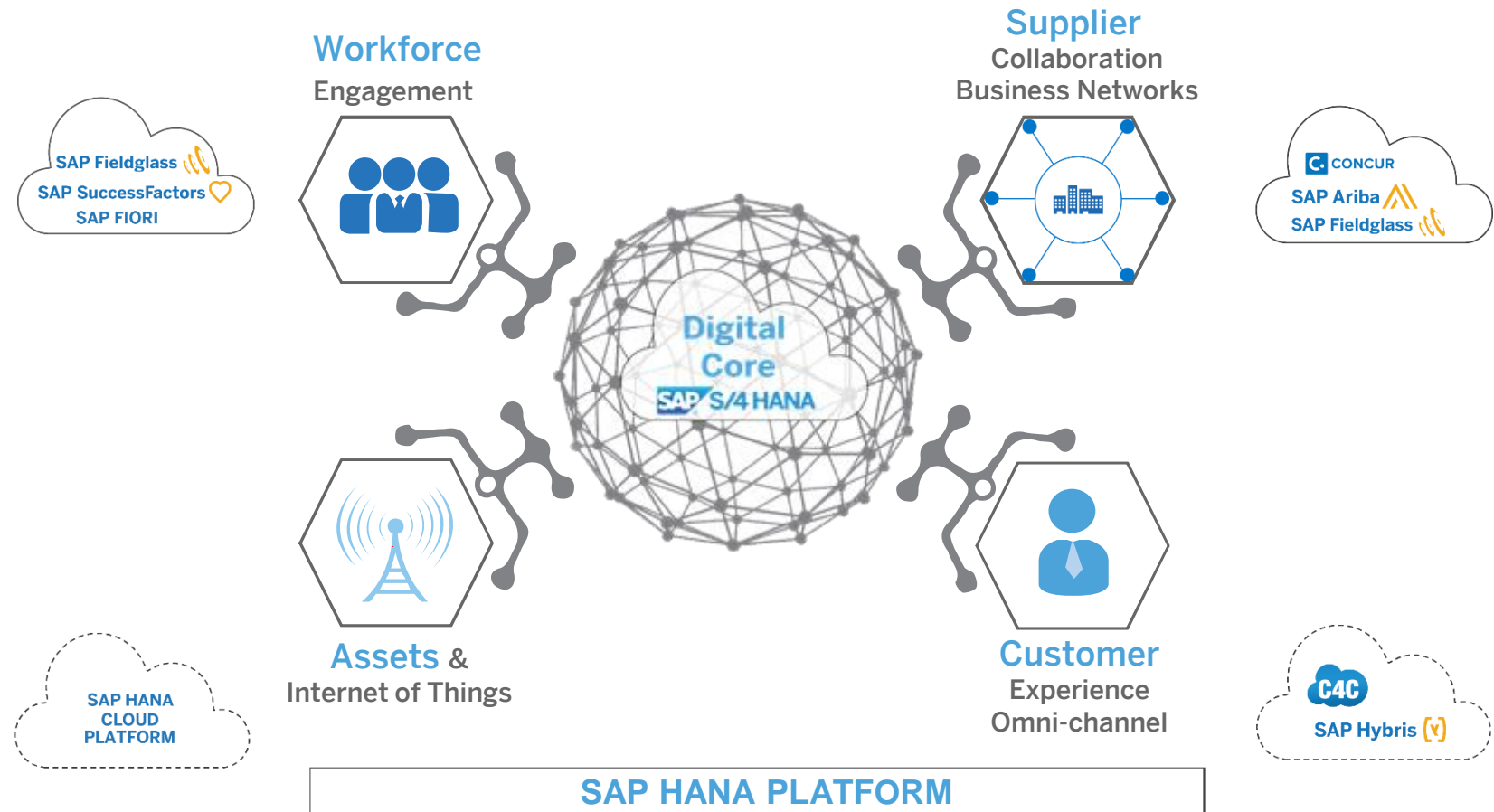
Broadest and highly synergistic cloud portfolio

Core

SAP S/4HANA is the “nucleus” for running a live business

€7.2bn (+18% yoy) FY 2015 software license and cloud subscription order entry* (1/3 from cloud)

*(Software License Order Entry + Cloud TCV Order Entry)





04

Growing core

SAP S/4HANA innovation cycle creates tremendous growth opportunities

Solid software license revenue

- SAP S/4HANA innovation cycle reinvigorates the core
 - Adoption soars: >2,700 customers, more than doubling the number of customers in Q4
 - Catalyzes growth across SAP's broader innovation portfolio and strategic industries
- Certain solution areas – e.g. HCM, Procurement, CEC*, T&E – are rapidly shifting to the cloud
- SAP S/4HANA is now also available as a cloud subscription option
- Difficult macro environment and continued volatility in emerging markets

➔ As a result SAP's 2016 outlook implies flattish license performance

SAP expects to continue to significantly outperform the competition with software license

* Customer Engagement & Commerce

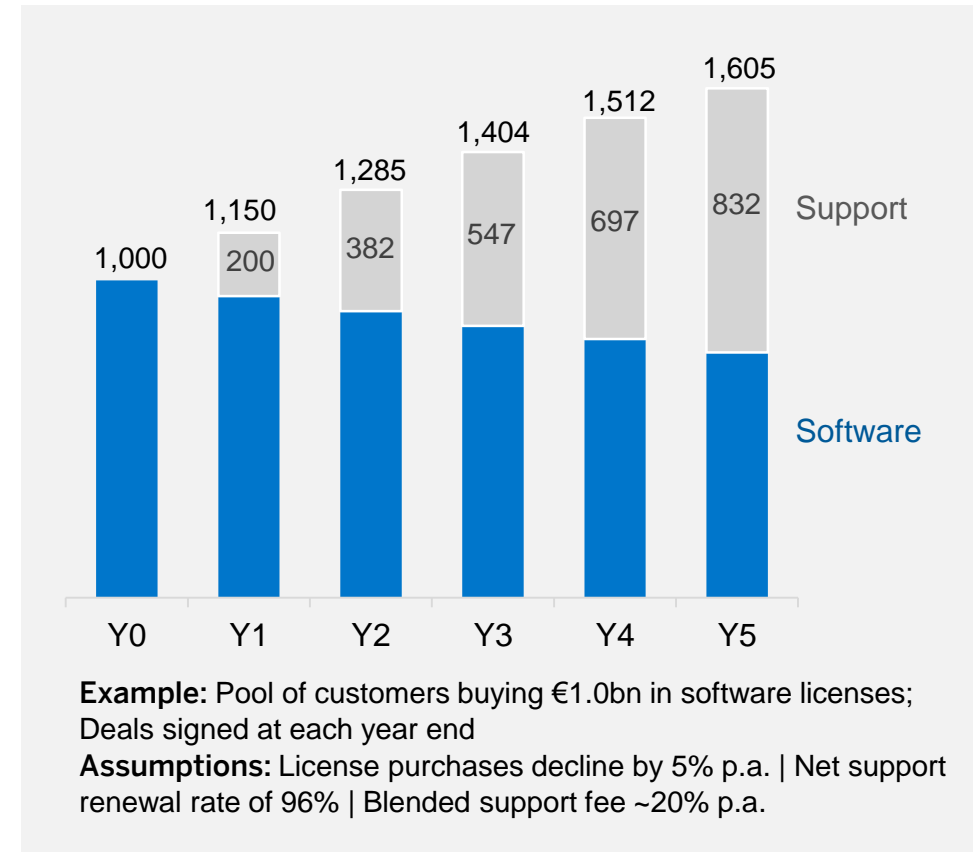
Growing €10 billion+ support base: “solid as a rock”

Resilient software support revenue

Factors influencing growth rate:

- Very high renewal rates (~97%)
- Positive feedback from customers on cloud conversion options – SAP seen as flexible
- Strategic customers buy more and more software – qualify for PSLE (Product Support for Large Enterprises)
- Net new customers almost exclusively select SAP Enterprise Support
- ➔ Support renewal rate net of above factors ~96%, blended support fee across entire support customer base ~20%
- Support business grows even if new license sales decline

Illustrative example:





05

Fast cloud momentum at scale

Broadest cloud portfolio in the market drives fast, profitable growth at scale

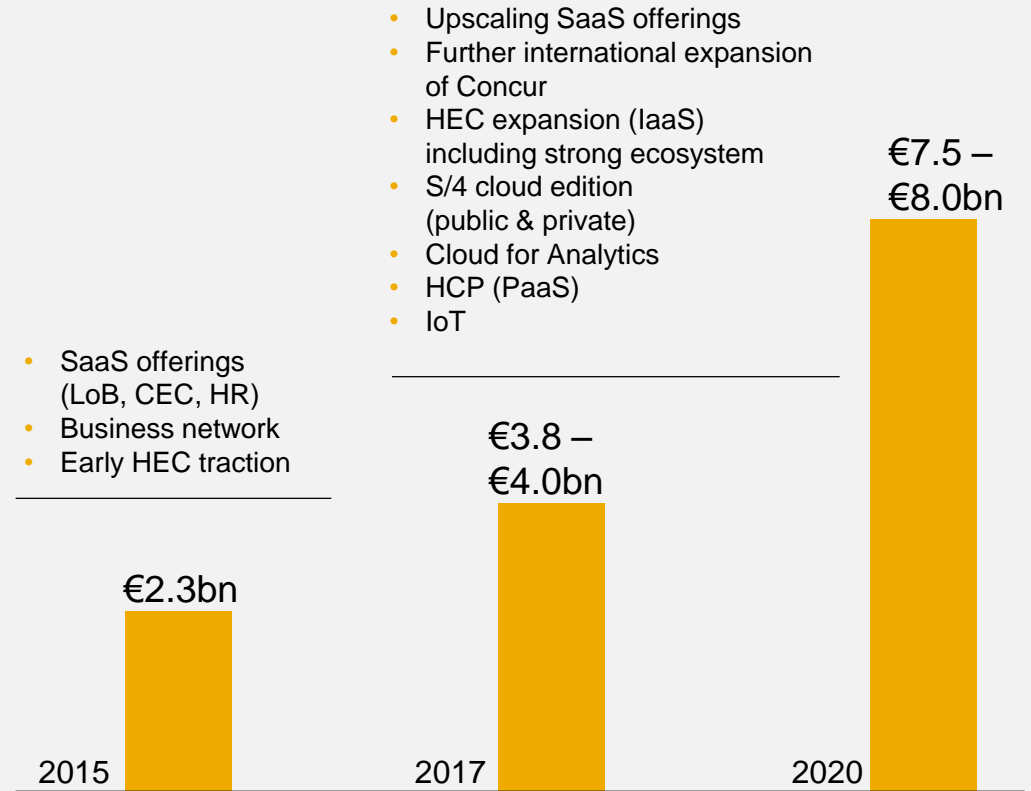
Fast growth in cloud subscriptions and support revenue

- Innovation leader with broadest portfolio of best-in-class cloud offerings
- Extremely synergistic to SAP S/4HANA, providing tremendous cross and upsell opportunities

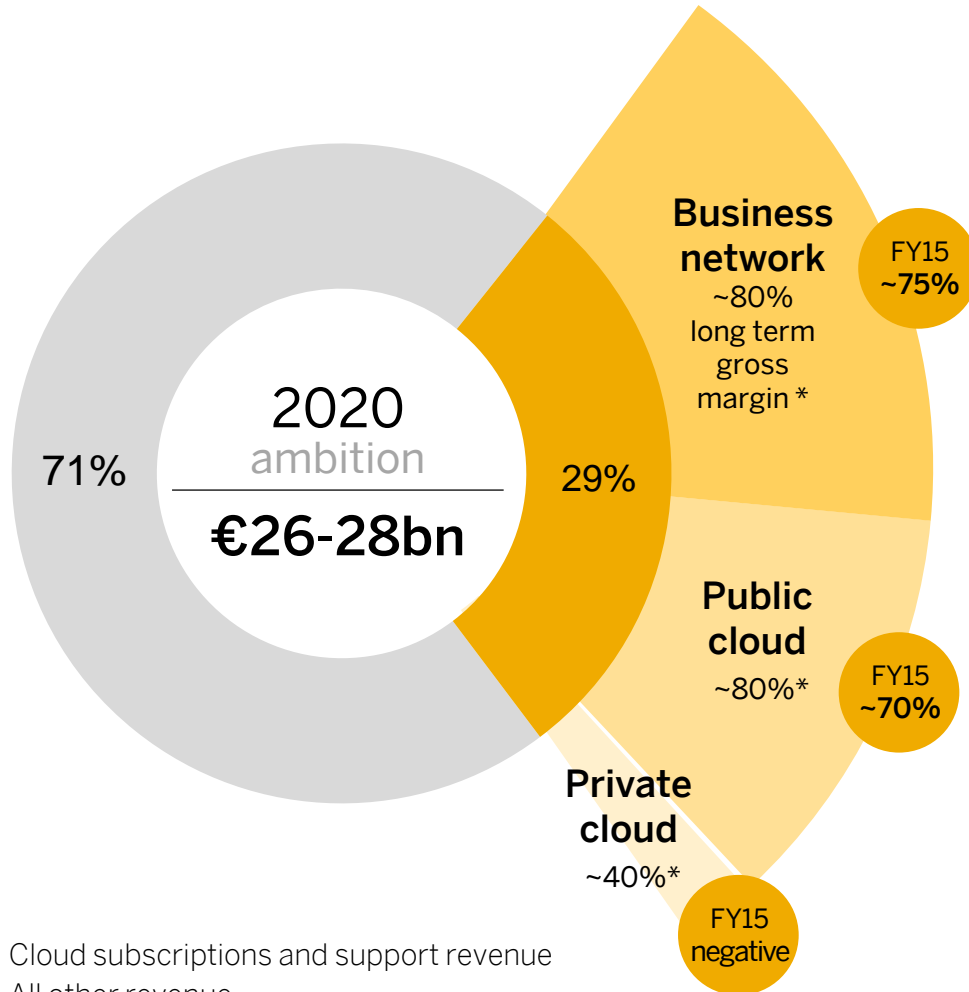
Lead indicators for future strong cloud momentum

- New cloud bookings with tremendous momentum
- Combination of deferred and backlog – impressive strength in unbilled and billed committed future cloud subscriptions and support revenue

Cloud subscriptions & support revenue



Cloud gross margins on track towards long term ambition



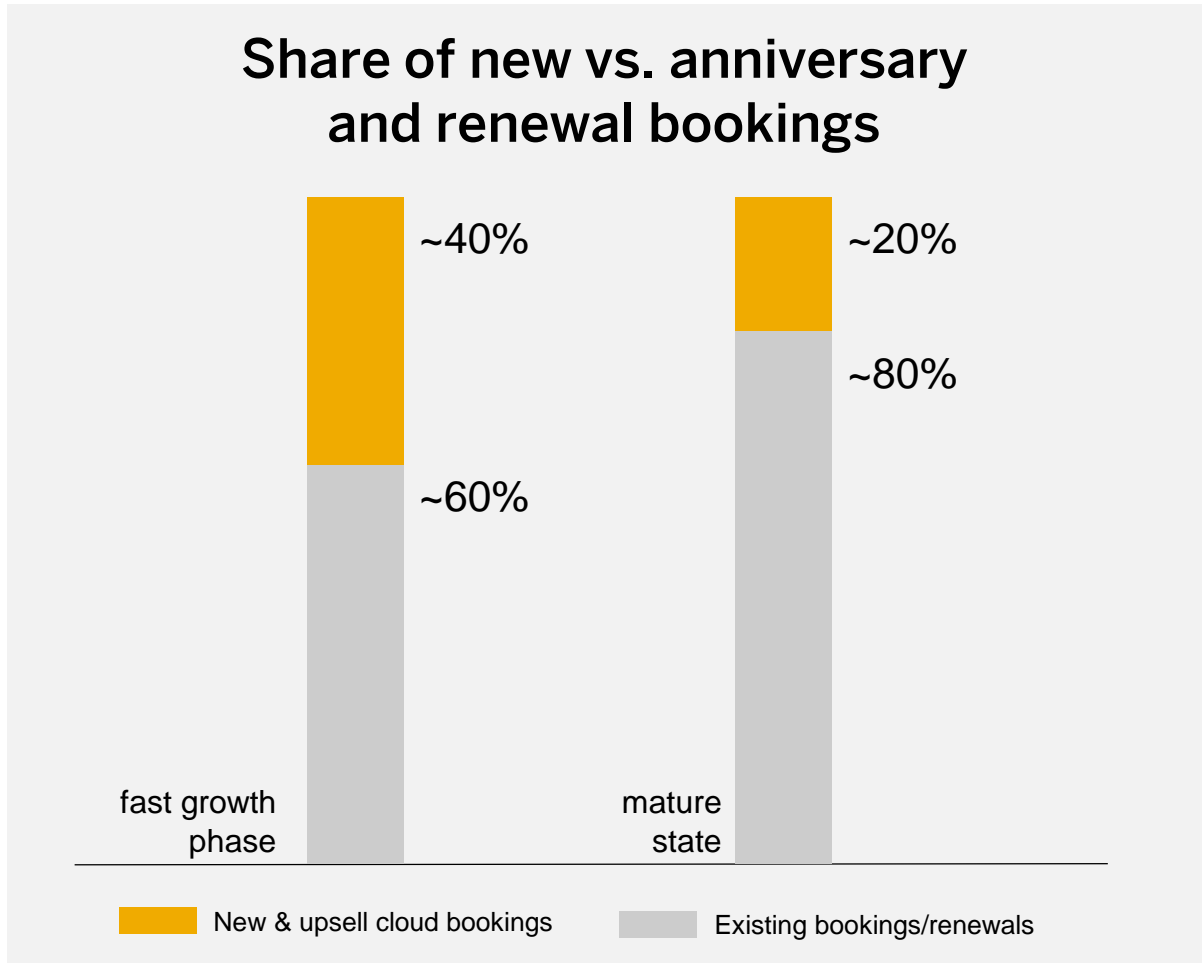
- Business network gross margin** ~75% FY2015
- Public cloud SaaS gross margins ~70% FY2015
- Private cloud gross margins still negative in FY 2015 but expected to break even in 2016
- Speeding up investments in cloud infrastructure to deliver on the massive cloud bookings and backlog
- Migrating acquired cloud offerings onto HANA – massive benefits for customers – significant long term savings
- Expects stable to slightly improving cloud gross margin in 2016

■ Cloud subscriptions and support revenue
■ All other revenue

* Long term cloud subscriptions and support gross margin potential in mature state (excluding cloud-related professional services)

** Cloud gross margin of business network segment

As the renewal base in SAP's cloud business grows, cloud profitability ramps



- As the renewal base ramps to 80% in mature state, cloud commission expenses relative to revenue should halve
- Combined with further cloud gross margin improvement
- ➔ **Highly profitable cloud business in long term**

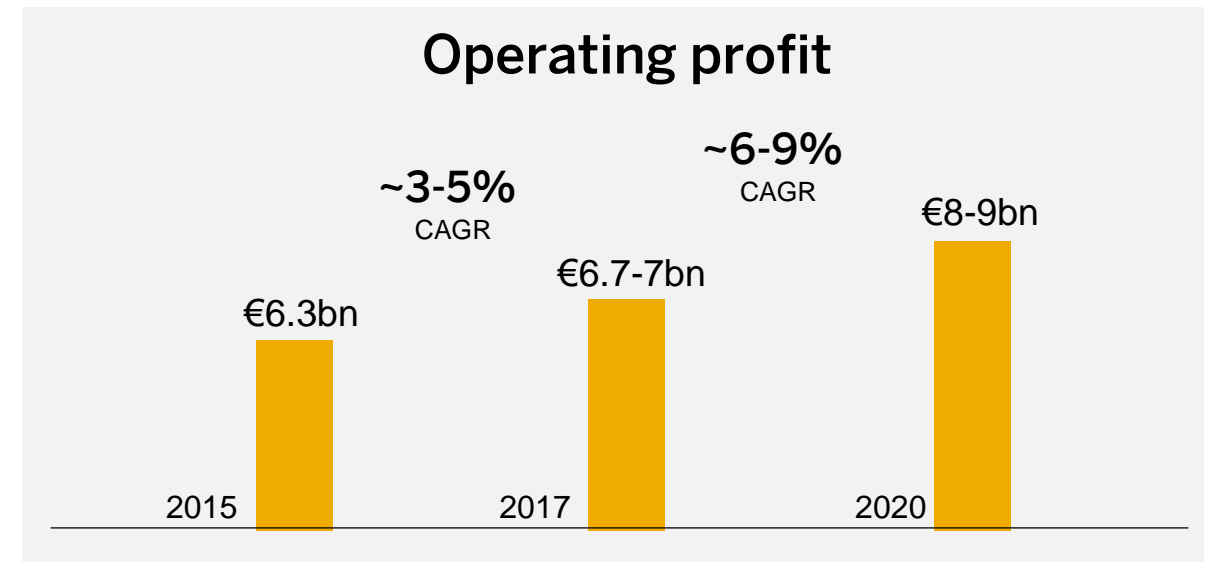


06

Driving absolute operating profit and operating cash flow growth

Expanding absolute operating profit which drives operating cash flow

- Revenue mix shift means that managing to a blended group margin would discriminate against our fast growth businesses
- SAP is improving effectiveness and efficiency in each and every business → all contribute to absolute operating profit growth
- Private cloud will contribute to our operating profit in the long term albeit at a lower gross margin
- Continued transformation of our services business – shift towards a stronger focus on customer outcome which drives higher adoption and renewals
- Expected 2016 hiring similar to 2015 to fuel our innovation engine
- Operating cash flow expected to show a positive trend in 2016 – following operating profit evolution and helped by lower restructuring related cash outflows



→ Targeting accelerated operating profit expansion in 2018 and beyond



07

Conclusion

Conclusion

- Powerful combination of a rapidly expanding cloud business and a growing core
 - Pushing relentlessly towards a larger, stickier, more predictable business
 - Successful transformation of SAP: shifted investments from non-core activities to strategic growth areas
- **SAP is on a strong path for the future – we have tremendous confidence in 2016 and beyond**



The Path into the Digital Economy

Bernd Leukert

Executive Board Member

The SAP logo is located in the bottom left corner of the slide. It consists of the letters 'SAP' in a white, bold, sans-serif font, set against a blue, trapezoidal background that tapers to the right.

A man in a dark suit stands with his back to the camera, looking out over a city skyline from a high-rise office. The scene is framed by a grid of white lines on a grey background. The text 'DIGITAL TRANSFORMATION' is overlaid on the left side of the image.

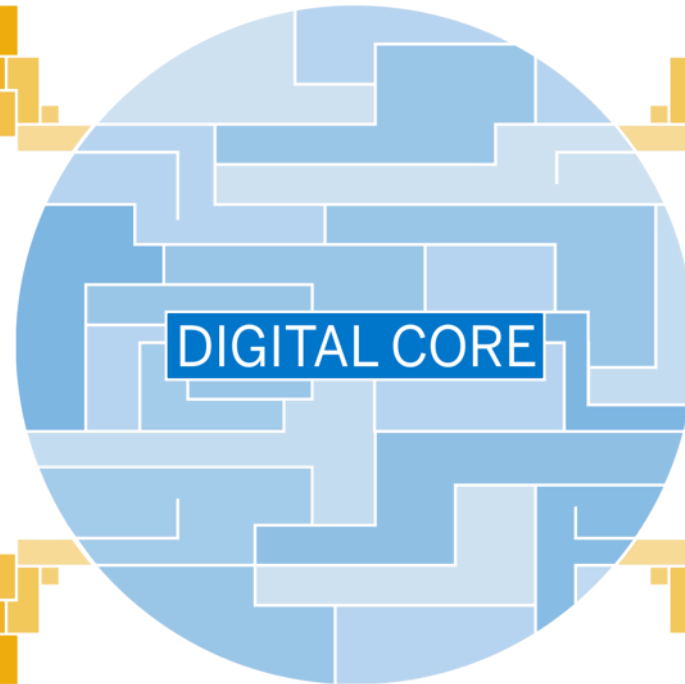
DIGITAL TRANSFORMATION

Driving the Digital Transformation

Customer Experience
Omni-Channel



Supplier Collaboration
Business Networks



Asset &
Internet of Things



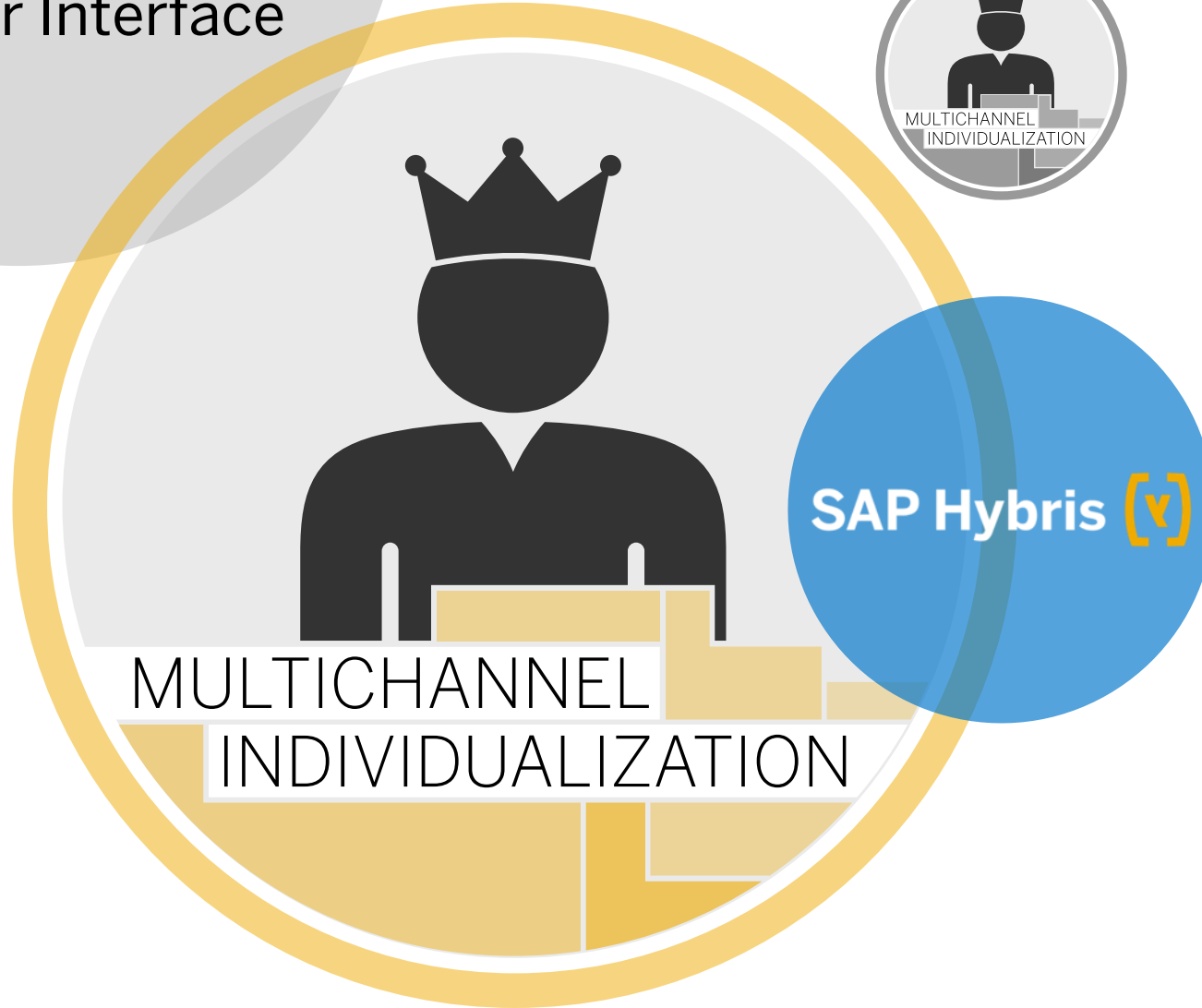
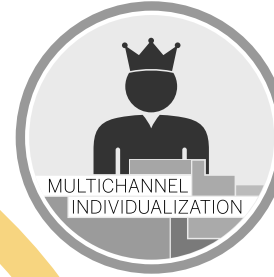
Workforce
Engagement





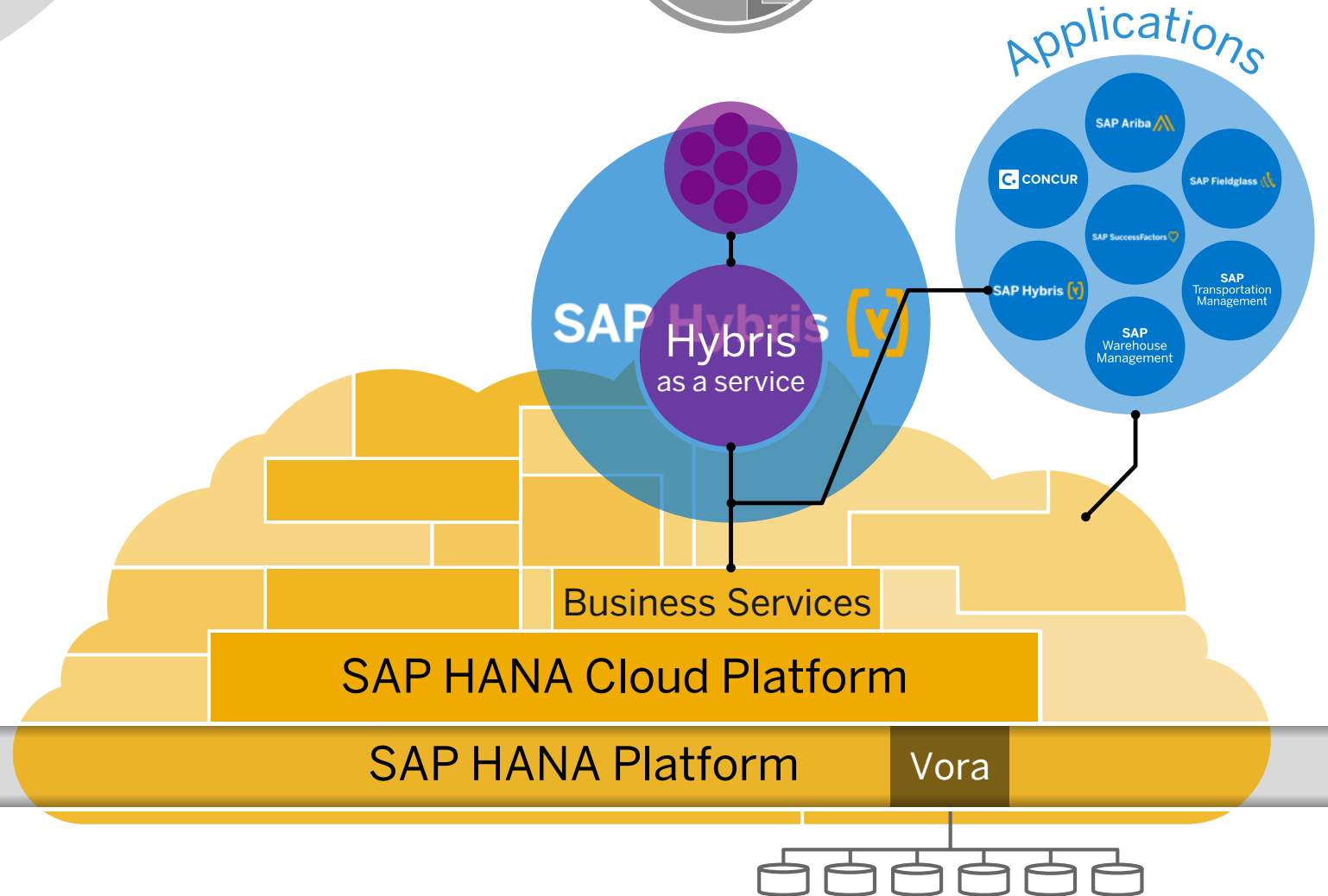
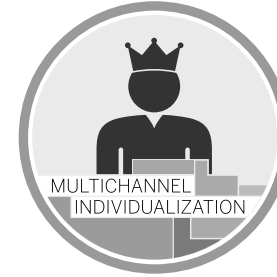
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- ⑤

Customer Interface



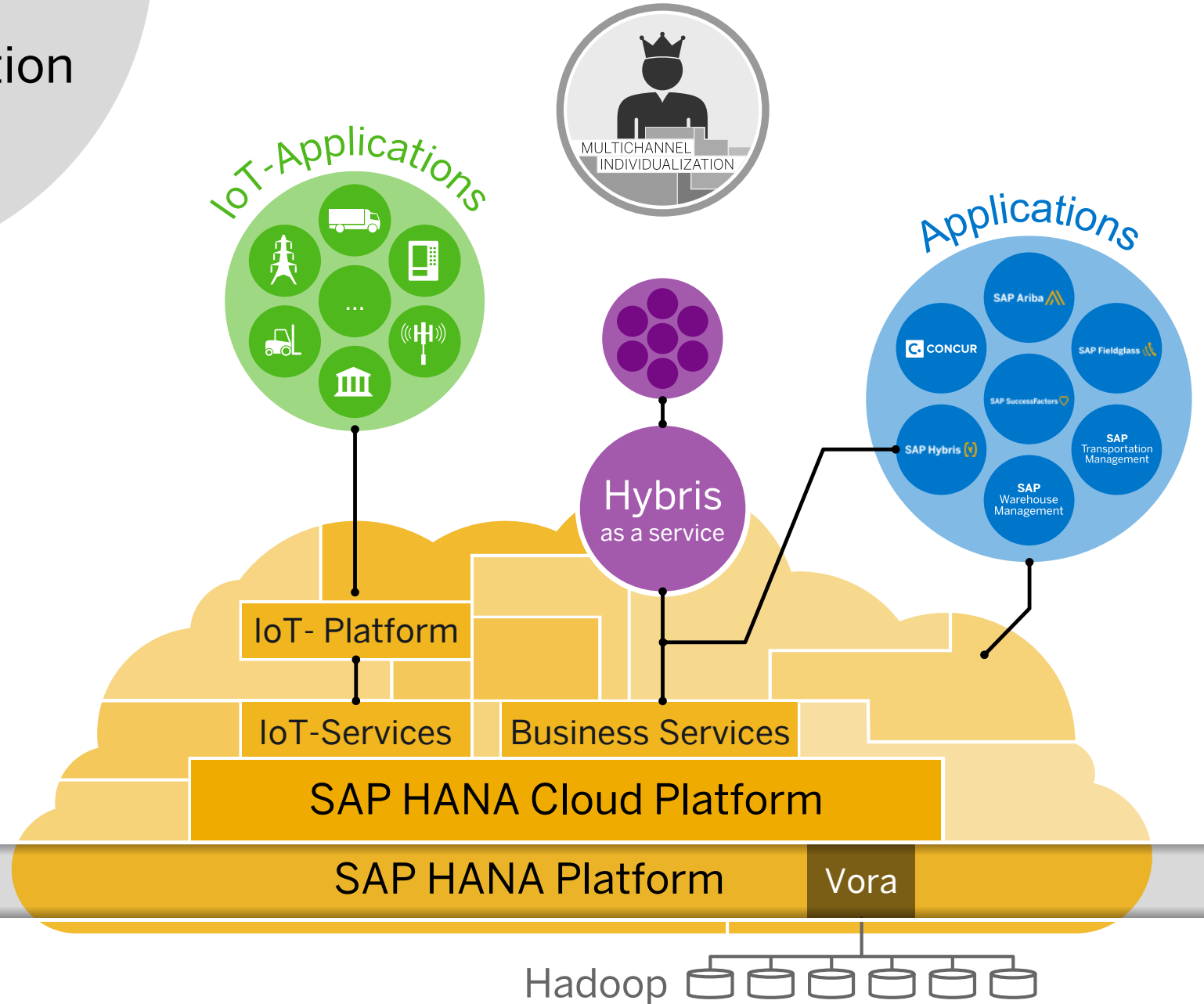
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Differentiation



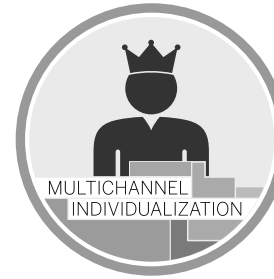
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Outcome Orientation



- ①
- ②
- ③
- ④
- ⑤

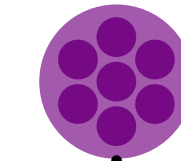
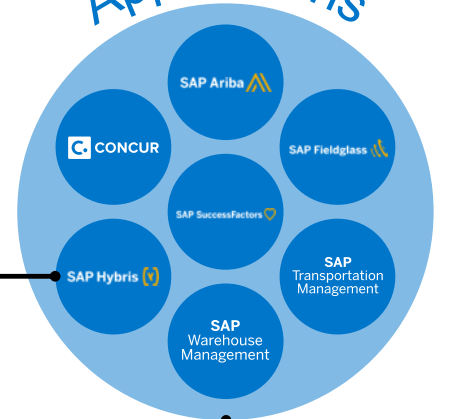
Digital Core



IoT-Applications



Applications



Hybris
as a service

IoT- Platform

IoT-Services

Business Services

SAP HANA Cloud Platform

SAP HANA Platform

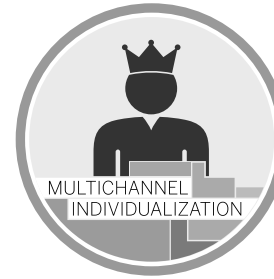
Vora



SAP S/4HANA

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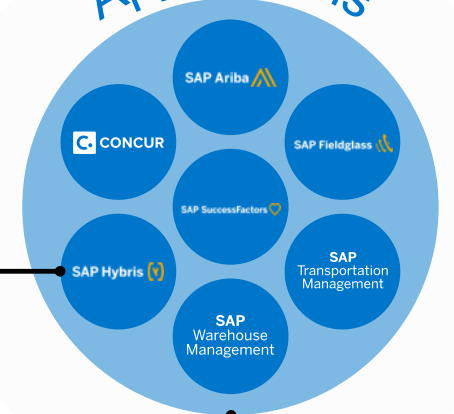
Digital Business Management



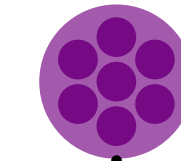
IoT-Applications



Applications



Digital Boardroom



Hybris as a service

IoT- Platform

IoT-Services

Business Services

SAP HANA Cloud Platform

SAP HANA Platform

Vora



SAP S/4HANA

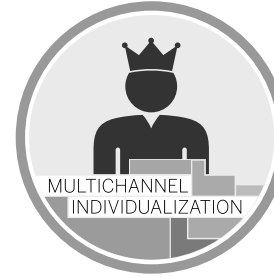


DEMO

Digital Boardroom

- ①
- ②
- ③
- ④
- ⑤

A Modular Suite

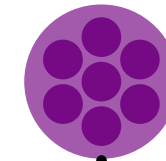


IoT-Applications



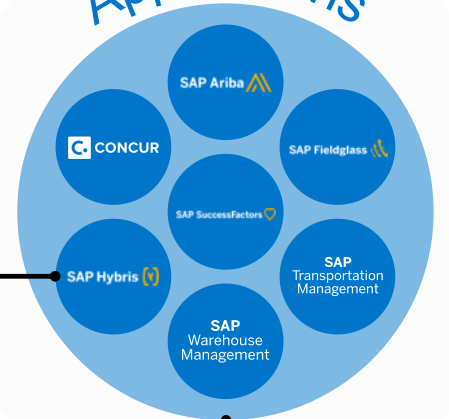
Digital Boardroom

Cloud for Analytics



Hybris as a service

Applications



IoT- Platform

IoT-Services

Business Services

SAP HANA Cloud Platform

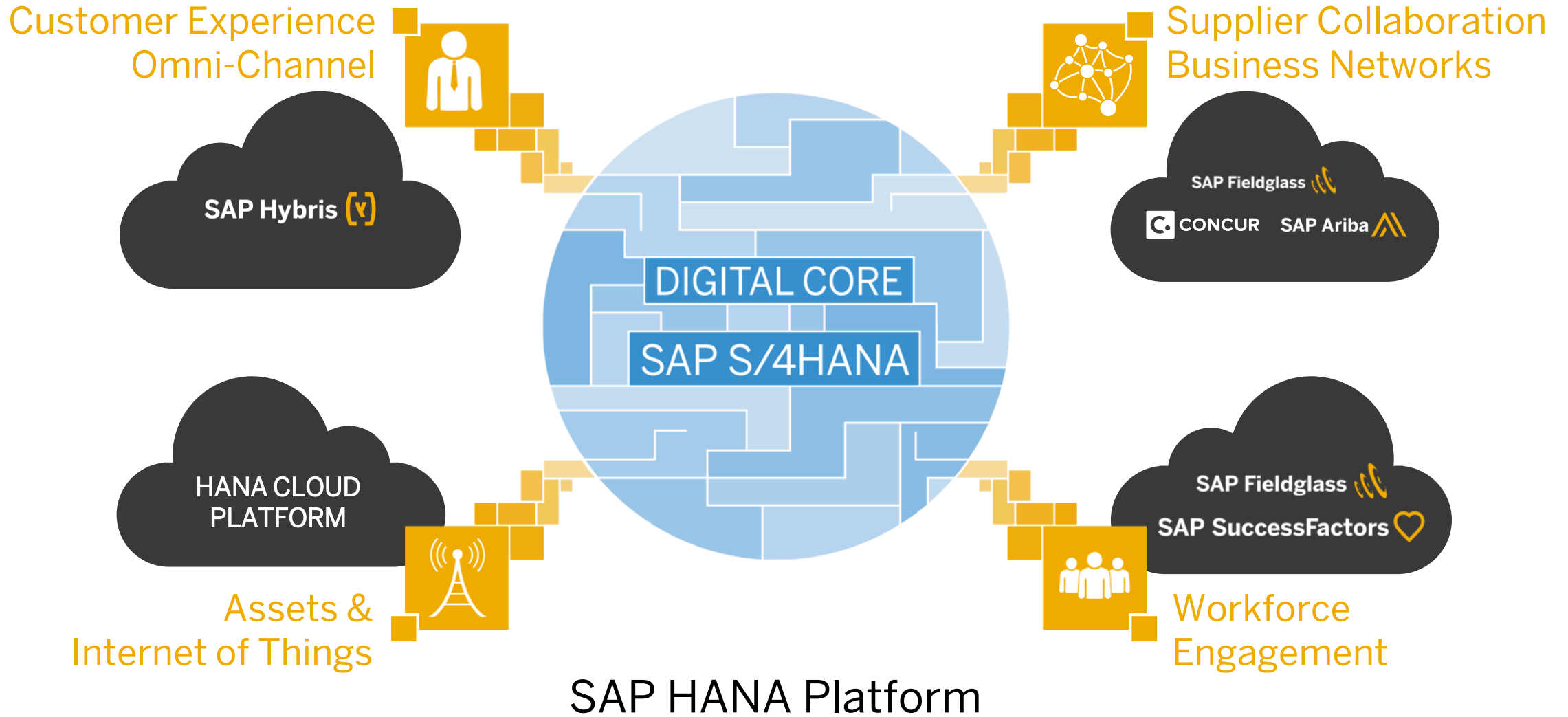
SAP HANA Platform

Vora



SAP S/4HANA

Digital Business Framework



Customer Perspective

Rob Enslin

Executive Board Member

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German User Group

DSAG and SAP engage strongly to maximize the value of SAP's solutions for the 55,000+ DSAG members in Austria, Switzerland and in Germany. We are in a continuous dialogue with SAP on all aspects of SAP S/4HANA, including the license structure. In our intensive discussions with SAP, we place the prospect and needs of our members.

For example, as far as the new pricing model for SAP S/4HANA is concerned, SAP has listened to us and has made the investment attractive. That is one important aspect to help the SAP customers – our members, to decide in favor of SAP S/4HANA.

ANZ User Group

Today SAUG welcomes the new pricing model and discount structure that is being offered by SAP in relation to the SAP S4/HANA suite of products.

SAUG believes that SAP S4/HANA is the strategic platform of the future for all existing and prospective SAP customers and any initiatives that SAP can take to enhance adoption rates, is a step in the right direction.

Swedish User Group

For some time, we have presented our requirements as to what a preferred license structure should look like.

The latest SAP S/4HANA pricing now includes, in principle, all the requirements we have previously proposed.

Japan User Group

I value this new license model highly because I see it is based on good intention for existing SAP users.

I would like to share it broadly with our members.

Yasushi Suzuka, Chairman, Japan User Group

UKI User Group

We've had good dialogue with SAP over the SAP S/4HANA license model and are pleased that SAP will be clarifying the situation for our members and users worldwide.

Regardless of whether you see SAP S/4HANA as a upgrade or a new platform, it is clear SAP has recognized that existing customers paying maintenance have made significant financial contributions to the development of the platform, which will reduce financial barriers to adoption. Based on our recent member surveys, customers have stated they are keen to adopt innovations from SAP.

Philip Adams, Chairman, UKI User Group

Customer Perspective

Rob Enslin

Executive Board Member

Jaan Saar

Head of Process and IT
SWISS PROPERTY

SAP

SWISS | PROPERTY



Customer Perspective

Rob Enslin

Executive Board Member

John Hinshaw

Executive Vice President & Chief Customer Officer
Hewlett Packard Enterprise

SAP


**Hewlett Packard
Enterprise**

Customer Perspective

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SWISS PROPERTY

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Executive Vice President & Chief Customer Officer
Hewlett Packard Enterprise

SAP

SWISS | PROPERTY


Hewlett Packard
Enterprise

Business Network

Steve Singh

Global Managing Board Member

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The Business Network Group

SAP Ariba 



SAP Fieldglass 

Focus built momentum throughout 2015

All three solutions exceeded bookings forecast
10,000 employees across BNG, nearly 20% growth



- Significant bookings growth acceleration post-acquisition
- >5,000 new customers
- Total users exceeded 32M



- \$1T in network commerce
- Launched Ariba SpotBuy with eBay
- Recorded largest ACV booking quarter



- Placed 1.9M workers
- 100+ new customer go lives
- 736M hours of work processed = 92M workdays

FOCUS



More than
80%
of spending
takes place offline.



Between
25-50%
of travel booking
is outside of
corporate tools.

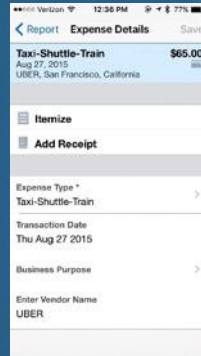


Only
34%
of Global Workforce
is contingent or
temporary.



**Each market represents multi-billion dollar
opportunity in early stages.**

Services mash-up



Innovations that work for the customer

SAP Fieldglass  **+** **SAP SuccessFactors** 

Total Workforce Management



INFINITE
POSSIBILITIES

Capital Markets Day

Q & A

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