

SOUTH JERSEY INDUSTRIES INC
Form SC 13G/A
February 11, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Schedule 13G

Under the Securities Exchange Act of 1934

(Amendment No.: 3)*

Name of issuer: South Jersey Industries Inc

Title of Class of Securities: Common Stock

CUSIP Number: 838518108

Date of Event Which Requires Filing of this Statement: **December 31, 2013**

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on the following page(s))

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CUSIP No.: 838518108

1. NAME OF REPORTING PERSON

S.S. OR I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

The Vanguard Group - 23-1945930

2. CHECK THE APPROPRIATE [LINE] IF A MEMBER OF A GROUP

A.

B. X

3. SEC USE ONLY

4. CITIZENSHIP OF PLACE OF ORGANIZATION

Pennsylvania

(For questions 5-8, report the number of shares beneficially owned by each reporting person with:)

5. SOLE VOTING POWER

52,871

6. SHARED VOTING POWER

7. SOLE DISPOSITIVE POWER

2,243,029

8. SHARED DISPOSITIVE POWER

45,671

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

2,288,700

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

N/A

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

7.10%

12. TYPE OF REPORTING PERSON

IA

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Act of 1934

Check the following [line] if a fee is being paid with this statement N/A

Item 1(a) - Name of Issuer:

South Jersey Industries Inc

Item 1(b) - Address of Issuer's Principal Executive Offices:

1 South Jersey Plaza

Folsom, New Jersey 08037

Item 2(a) - Name of Person Filing:

The Vanguard Group - 23-1945930

Item 2(b) - Address of Principal Business Office or, if none, residence:

100 Vanguard Blvd.

Malvern, PA 19355

Item 2(c) – Citizenship:

Pennsylvania

Item 2(d) - Title of Class of Securities:

Common Stock

Item 2(e) - CUSIP Number

838518108

Item 3 - Type of Filing:

This statement is being filed pursuant to Rule 13d-1. An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E).

Item 4 - Ownership:

(a) Amount Beneficially Owned:

2,288,700

(b) Percent of Class:

7.10%

(c) Number of shares as to which such person has:

(i) sole power to vote or direct to vote: 52,871

(ii) shared power to vote or direct to vote:

(iii) sole power to dispose of or to direct the disposition of: 2,243,029

(iv) shared power to dispose or to direct the disposition of: 45,671

Comments:

Item 5 - Ownership of Five Percent or Less of a Class:

Not Applicable

Item 6 - Ownership of More Than Five Percent on Behalf of Another Person:

Not applicable

Item 7 - Identification and Classification of the Subsidiary Which Acquired The Security Being Reported on by the Parent Holding Company:

See Attached Appendix A

Item 8 - Identification and Classification of Members of Group:

Not applicable

Item 9 - Notice of Dissolution of Group:

Not applicable

Item 10 - Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired in the ordinary course of business and were not acquired for the purpose of and do not have the effect of changing or influencing the control of the issuer of such securities and were not acquired in connection with or as a participant in any transaction having such purpose or effect.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: 2/6/14

By /s/ F. William McNabb III*

F. William McNabb III

President and Chief Executive Officer

*By: /s/ Glenn Booraem

Glenn Booraem, pursuant to a Power of Attorney filed September 9, 2013, see File Number 005-56905, Incorporated by Reference

Appendix A

Vanguard Fiduciary Trust Company ("VFTC"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 45,671 shares or .14% of the Common Stock outstanding of the Company as a result of its serving as investment manager of collective trust accounts.

Vanguard Investments Australia, Ltd. ("VIA"), a wholly-owned subsidiary of The Vanguard Group, Inc., is the beneficial owner of 7,200 shares or .02% of the Common Stock outstanding of the Company as a result of its serving as investment manager of Australian investment offerings.

By /s/ F. William McNabb III*

F. William McNabb III

President and Chief Executive Officer

*By: /s/ Glenn Booraem

Glenn Booraem, pursuant to a Power of Attorney filed September 9, 2013, see File Number 005-56905, Incorporated by Reference

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Reportable segment profit/loss

8 59 < 100

Segment profitability

2% 17%

Ariba Segment

Total revenue

461 120 >100

Cost of revenue

180 72 >100

Gross profit

281 49 >100

Cost of sales and marketing

151 43 >100

Reportable segment profit/loss

130 5 >100

Segment profitability

28% 5%

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On-Premise Division

The On-Premise division derives its revenue primarily from the sale of on-premise software (that is, software designed for installation on the customer's hardware) and mobile software (that is, software designed for use on mobile devices) as well as services relating to such software.

On-Premise Products Segment

The On-Premise Products segment is primarily engaged in marketing and licensing our on-premise and mobile software products and providing support services for them.

On-Premise Products segment revenue grew 3% from 12,881 million in 2012 to 13,227 million in 2013. This increase reflects a 7% increase from changes in volumes and prices and a 4% decrease from currency effects. The increase resulted principally from growth in support revenue, which more than offset a slight decline in software solution licensing. Software revenue attributable to our On-Premise Product segment declined 3% to 4,517 million (2012: 4,656 million). The decline reflects a 2% increase from changes in volumes and prices and a 5% decrease from currency effects. Support revenue grew 6% to 8,710 million (2012: 8,226 million). This increase reflects a 10% increase from changes in volumes and prices and a 4% decrease from currency effects.

In 2013, cost of revenue increased 1% to 2,020 million (2012: 1,994 million) and sales and marketing costs grew 1% to 3,447 million (2012: 3,414 million). The moderate increase in expenses in the On-Premise Products segment was the result of greater investment in providing and operating our Cloud solutions in response to growing demand in 2013.

On-Premise Products segment profit rose 4% to 7,760 million (2012: 7,473 million) and the associated segment profitability was 59% (2012: 58%).

On-Premise Services Segment

The On-Premise Services segment performs various professional services, primarily supporting the implementation of our software products and providing education services concerning the use of those software products.

On-Premise Services segment revenue decreased 9% from 2,967 million in 2012 to 2,695 million in 2013. This reduction in revenue reflects a 6% decrease from changes in volumes and prices and a 3% decrease from currency effects. Our cloud business grew more quickly than our business as a whole, and demand for preconfigured solutions increased. As expected, this led to a decrease in both, revenue from consulting and education services and in the expense of providing them.

Accordingly, cost of revenue in the On-Premise Services segment decreased 7% to 2,134 million in 2013 (2012: 2,306 million).

On-Premise Services segment profit declined 15% to 562 million (2012: 661 million). Segment profitability was 21% (2012: 22%).

Cloud Division

Our Cloud division earns revenue by providing software for customers to use in the cloud and by providing services relating to that software.

Driven by the acquisition of SuccessFactors in the first quarter of 2012 and Ariba in the final quarter of 2012, SAP developed a strong cloud momentum that continued in 2013. Our Cloud division revenue run rate reached 1,063 million (end of 2012: 848 million), based on annualized fourth-quarter revenue. The annualized revenue is the overall 2013 fourth-quarter revenue from the Cloud division of 266 million (2012: 212 million), multiplied by four.

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The cloud revenue reflects only the portion of customer orders already recognizable in revenue. In contrast, the portion of customer orders already invoiced for that refers to services that have not yet been delivered and is as such not recognizable in revenue is reflected in deferred cloud revenue. Orders placed by the customers, which have not yet been delivered and not yet been invoiced are included in the Backlog performance indicator.

Non-IFRS deferred cloud subscription and support revenue was 447 million on December 31, 2013 (December 31, 2012: 358 million), a year-over-year increase of 25%. Our cloud subscription and support backlog increased 50% to 1,202 million on December 31, 2013 (December 31, 2012: approximately 800 million).

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Cloud Applications Segment

The Cloud Applications segment is primarily engaged in marketing and selling subscriptions to cloud software developed by SAP and SuccessFactors.

In 2013, revenue from the Cloud Applications segment grew 53% to 514 million (2012: 336 million). This increase reflects a 57% increase from changes in volumes and prices and a 4% decrease from currency effects. Greater customer demand for cloud applications led to the steep rise in revenue in 2013.

In 2013, cost of revenue increased 9% to 178 million (2012: 163 million) and sales and marketing costs grew 42% to 328 million (2012: 231 million). These costs rose in the Cloud Applications segment principally as a result of increased business activity in response to greater customer demand for cloud applications in 2013.

Cloud Applications segment profit grew to 8 million (2012: 59 million loss). Segment profitability was 2% (2012: 17%).

Ariba Segment

The Ariba segment is primarily engaged in marketing and selling subscriptions to cloud software developed by Ariba for its business commerce network. While this segment is named Ariba, it is not identical to the acquired Ariba business because certain SAP activities have been transferred to our Ariba segment.

The numbers for the Ariba segment include the acquired Ariba company numbers as of October 1, 2012, as well as the numbers for those SAP activities that were allocated to the Ariba segment upon its establishment.

In 2013, revenue from the Ariba segment grew 283% to 461 million (2012: 120 million). This increase reflects a 299% increase from changes in volumes and prices and a 16% decrease from currency effects. It results mainly from the fact that only fourth-quarter Ariba revenue is included in the 2012 numbers.

In 2013, cost of revenue increased 151% to 180 million (2012: 72 million) and sales and marketing costs grew 250% to 151 million (2012: 43 million). The expense rise in the Ariba segment is mainly due to the fact that Ariba was acquired in the final quarter of 2012.

Ariba segment profit was 130 million (2012: 5 million). Segment profitability was 28% (2012: 5%).

Financial Income, Net

Financial income, net, changed to 66 million (2012: 72 million). Our finance income was 115 million (2012: 103 million) and our finance costs were 181 million (2012: 175 million).

Finance income mainly consists of interest income from loans and financial assets (cash, cash equivalents, and current investments), which was 37 million in 2013 (2012: 45 million). This decrease is attributable to a lower average liquidity and lower interest rates than in 2012.

Finance costs mainly consist of interest expense on financial liabilities (131 million in 2013 compared to 130 million in 2012) and remained virtually stable year over year. For more information about these financing instruments, see the Notes to the Consolidated Financial Statements section, Note (17b).

Another factor in financial income, net, in 2013 was the derivatives we utilize to execute our financial risk management strategy. The associated time value effects from derivatives were reflected in interest income of 32 million (2012: 27 million) and interest expenses of 23 million (2012: 28 million).

Income Tax

Our effective tax rate decreased to 24.4% in 2013 (2012: 26.2%). The reason for the year-over-year decrease mainly resulted from prior year taxes. For more information, see the Notes to the Consolidated Financial Statements section, Note (10).

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Our 2012 Results Compared to Our 2011 Results (IFRS)**Revenue****Revenue**

millions	2012	2011	Change in % 2012 vs 2011
Software	4,658	4,107	13%
Cloud subscriptions and support	270	18	1371%
Software and cloud subscriptions	4,928	4,125	19%
Support	8,237	7,194	15%
Software and software-related service revenue	13,165	11,319	16%
Consulting	2,442	2,341	4%
Other services	616	573	8%
Professional services and other service revenue	3,058	2,914	5%
Total revenue	16,223	14,233	14%

Total Revenue

Our revenue increased from 14,233 million in 2011 to 16,223 million in 2012, representing an increase of 1,990 million or 14%. This total revenue growth reflects a 10% increase from changes in volumes and prices and a 4% increase from currency effects. The revenue growth is due primarily to an increase in software revenue of 551 million, an increase in cloud subscriptions and support revenue of 252 million, and an increase in support revenue of 1,043 million. In 2012, software and software-related service revenue totaled 13,165 million as a result of this increase. Software and software-related service revenue represented 81% of total revenue in 2012 (2011: 80%). In 2012, professional services and other service revenue contributed 3,058 million to our total revenue, representing an increase of 5% compared to 2011.

For an analysis of our total revenue by region and industry, see the Revenue by Region and Revenue by Industry sections.

Software and Software-Related Service Revenue

Software revenue represents fees earned from the sale or license of software to customers. Cloud subscriptions and support revenue relates to contracts which permit the customer to access specific SAP-hosted software solutions during the contract period. Support revenue represents fees earned from providing customers with technical support services and unspecified software upgrades, updates, and enhancements.

Software and software-related service revenue increased from 11,319 million in 2011 to 13,165 million in 2012, representing an increase of 16%. The software and software-related service revenue growth reflects a 12% increase from changes in volumes and prices and a 4% increase from currency effects.

Software and cloud subscriptions revenue increased from 4,125 million in 2011 to 4,928 million in 2012, representing an increase of 803 million or 19%. This growth consists of a 16% increase from changes in volumes and prices and a 3% increase from currency effects.

Software revenue increased from 4,107 million in 2011 to 4,658 million in 2012, representing an increase of 551 million or 13%. This growth consists of a 10% increase from changes in volumes and prices and a 3% increase from currency effects. SAP HANA contributed 392 million to software revenue in 2012.

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Cloud subscriptions and support revenue increased from 18 million in 2011 to 270 million in 2012. This growth is largely due to the acquisitions of SuccessFactors and Ariba.

Our customer base continued to expand in 2012. Based on the number of contracts concluded, 19% of the orders we received for software in 2012 were from new customers (2011: 19%). The total value of software orders received grew 20% year over year. The total number of contracts signed for new software decreased 4% to 59,289 contracts (2011: 61,474 contracts), whereas the average order value went up 25%.

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Our stable customer base and the continued investment in software by new and existing customers throughout 2012 and the previous year resulted in an increase in support revenue from 7,194 million in 2011 to 8,237 million in 2012. The SAP Enterprise Support service was the largest contributor to our support revenue. The 1,043 million or 15% increase in support revenue reflects a 11% increase from changes in volumes and prices and a 4% increase from currency effects. This growth is primarily attributable to our premium offerings and SAP Enterprise Support. According to that, the SAP Enterprise Support acceptance rate for net-new customers increased from 88% in 2011 to 96% in 2012.

Professional Services and Other Service Revenue

Professional services and other service revenue consists primarily of consulting and other service revenue. We generate most of our consulting revenue from the implementation of our software products. Other service revenue consists mainly of revenue from the messaging services acquired from Sybase, as well as training revenue from

providing educational services to customers and partners on the use of our software products and related topics.

Professional services and other service revenue increased from 2,914 million in 2011 to 3,058 million in 2012, representing an increase of 144 million or 5%. This growth reflects a 1% increase from changes in volumes and prices and a 4% increase from currency effects.

Consulting revenue increased from 2,341 million in 2011 to 2,442 million in 2012, representing an increase of 101 million or 4%. The growth resulted entirely from currency effects. Consulting revenue contributed 80% of professional services and other service revenue (2011: 80%). Consulting revenue contributed 15% of total revenue in 2012 (2011: 16%).

Other service revenue increased from 573 million in 2011 to 616 million in 2012, representing an increase of 8%. This growth reflects a 5% increase from changes in volumes and prices and a 3% increase from currency effects. The increase is due mainly to higher revenues from messaging services.

Revenue by Region and Industry

Revenue by Region

millions	2012	2011	Change in % 2012 vs 2011
Germany	2,380	2,347	1%
Rest of EMEA	5,106	4,644	10%
Total EMEA	7,486	6,991	7%
United States	4,461	3,699	21%
Rest of Americas	1,639	1,392	18%
Total Americas	6,100	5,091	20%
Japan	789	652	21%
Rest of APJ	1,848	1,499	23%
APJ	2,637	2,151	23%
SAP Group	16,223	14,233	14%
Revenue by Industry			

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millions	2012	2011	Change in % 2012 vs 2011
Energy & Natural Resources	3,926	3,461	13%
Discrete Manufacturing	3,110	2,617	19%
Consumer	3,646	3,215	13%
Public Services	1,614	1,553	4%
Financial Services	1,444	1,196	21%
Services	2,484	2,190	13%
Total revenue	16,223	14,233	14%

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Revenue by Region

We break our operations down into three regions: the Europe, Middle East, and Africa (EMEA) region, the Americas region, and the Asia Pacific Japan (APJ) region. We allocate revenue amounts to each region based on where the customer is located. For more information about revenue by geographic region, see the Notes to the Consolidated Financial Statements section, Note (28).

The EMEA Region

In 2012, the EMEA region generated 7,486 million in revenue (2011: 6,991 million) or 46% of total revenue (2011: 49%). This represents a year-over-year increase of 7%. Total revenue in Germany increased 1% to 2,380 million in 2012 (2011: 2,347 million). Germany contributed 32% (2011: 34%) of all EMEA region revenue. The remaining revenue in the EMEA region was primarily generated in France, Italy, the Netherlands, Russia, Switzerland, and the United Kingdom. Software and software-related service revenue generated in the EMEA region in 2012 totaled 6,106 million (2011: 5,529 million). Software and software-related service revenue represented 82% of total revenue in 2012 (2011: 79%). Software and cloud subscription revenue increased 13% in 2012 to 2,107 million (2011: 1,864 million). This growth reflects a 12% increase from changes in volumes and prices and a 1% increase from currency effects.

The Americas Region

In 2012, 38% of our total revenue was generated in the Americas region (2011: 36%). Total revenue in the Americas region increased 20% to 6,100 million; revenue generated in the United States increased 21% to 4,461 million. This growth reflects a 12% increase from changes in volumes and prices and a 9% increase from currency effects. The United States contributed 73% (2011: 73%) of all Americas region revenue. In the remaining countries of the Americas region, revenue increased 18% to 1,639 million. This growth reflects a 17% increase from changes in volumes and prices and a 1% increase from currency effects. This revenue was principally generated in Brazil, Canada, and Mexico. Software and software-related service revenue generated in the Americas region in 2012 totaled 4,820 million (2011: 3,958 million). Software

and software-related service revenue represented 79% of all revenue in the Americas region in 2012 (2011: 78%). Software and cloud subscription revenue increased 25% in 2012 to 1,920 million (2011: 1,540 million). This growth reflects a 19% increase from changes in volumes and prices and a 6% increase from currency effects.

The APJ Region

In 2012, 16% (2011: 15%) of our total revenue was generated in the APJ region, with Japan recording the largest revenue increase. Total revenue in the APJ region increased 23% to 2,637 million. In Japan, total revenue increased 21% to 789 million in 2012, representing a 30% contribution to all revenue generated across the APJ region (2011: 30%). The revenue rise in Japan reflects a 13% increase due to changes in volumes and prices and an 8% increase from currency effects. In the remaining countries of the APJ region, revenue increased 23%. Revenue in the remaining countries of the APJ region was generated primarily in Australia, China, and India. Software and software-related service revenue generated in the APJ region in 2012 totaled 2,239 million (2011: 1,832 million). In 2012, as in the prior year, software and software-related service revenue represented 85% of all revenue. Software and cloud subscription revenue increased 25% in 2012 to 901 million (2011: 722 million). This growth reflects a 20% increase from changes in volumes and prices and a 5% increase from currency effects.

Revenue by Industry

We allocate our customers to one of our industries at the outset of an initial arrangement. All subsequent revenue from a particular customer is recorded under that industry sector.

To help us better meet the requirements of existing and potential customers, we restructured our industry groups in 2013, and now serve six sectors rather than nine as in 2012. Accordingly we have adjusted our 2012 to 2011 comparison to six industry sectors.

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In 2012, we achieved above-average growth in the following sectors, measured by changes in total revenue: Financial Services (1,444 million, at a growth rate of 21%) and Discrete Manufacturing (3,110 million, at a growth rate of 19%). Results from the other sectors were as follows: Services (2,484 million, at a growth rate of 13%); Energy

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and Natural Resources (3,926 million, at a growth rate of 13%); Consumer (3,646 million, at a growth rate of 13%); and Public Services (1,614 million, at a growth rate of 4%).

Operating Profit and Operating Margin**Total Operating Expenses**

millions	2012	% of total revenue ⁽¹⁾	2011	% of total revenue ⁽²⁾	Change in % 2012 vs 2011
Cost of software and software-related services	2,555	16%	2,107	15%	21%
Cost of professional services and other services	2,520	16%	2,247	16%	12%
Research and development	2,261	14%	1,935	14%	17%
Sales and marketing	3,912	24%	3,083	22%	27%
General and administration	949	6%	715	5%	33%
Restructuring	8	0%	4	0%	>100%
TomorrowNow litigation	0	0%	717	5%	100%
Other operating income/expense, net	23	0%	25	0%	9%
Total operating expenses	12,181	75%	9,348	66%	30%

⁽¹⁾ Total revenue for 2012: 16,223 million.

⁽²⁾ Total revenue for 2011: 14,233 million.

Operating Profit and Operating Margin

millions, except for operating margin	2012	2011	Change in % 2012 vs 2011
Operating profit	4,041	4,884	17%
Operating margin (in %)	24.9%	34.3%	9.4pp

In 2012, our operating profit totaled 4,041 million (2011: 4,884 million), a significant year-over-year decrease. A year-on-year comparison of operating profit is only possible to a limited extent, because of the release of the TomorrowNow litigation provision in the amount of 717 million in 2011. Increased expenses relating to the share-based payments in the amount of 522 million (2011: 68 million) as well as acquisition-related expenses of 537 million (2011: 448 million) reduced our operating profit in 2012. Share-based payment expenses rose considerably in 2012 as a result of new plans and an increase in the price of SAP stock.

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Our operating profit for 2012 was also impacted by continued investments in global sales activities and cloud computing. The number of SAP employees (expressed in full-time equivalents, or FTEs) rose year on year by almost 8,700 persons, including more than 4,800 employees from acquisitions.

All of the above factors caused our operating margin in 2012 to drop 9.4 percentage points to 24.9% (2011: 34.3%).

In 2012, operating expenses increased 2,833 million or 30% to 12,181 million (2011: 9,348 million). This increase is due primarily to acquisition-related expenses, share-based payments, continued investments in sales activities, an increase in personnel costs as a result of acquisitions, and cloud computing activity.

The sections that follow discuss our costs of sales by line item.

Cost of Software and Software-Related Services

Cost of software and software-related services consists primarily of customer support costs, cost of developing custom solutions that address

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customers specific business requirements, costs for deploying and operating cloud solutions, amortization of intangible assets, and license fees and commissions paid to third parties for databases and the other complementary third-party products sublicensed by us to our customers.

In 2012, our cost of software and software-related services grew 21% to 2,555 million (2011: 2,107 million). The main cost factors were increased customer support expenses totaling 188 million and an acquisition-related increase in expenses for providing and operating our cloud solutions. The license fees that we pay to third parties also rose in parallel with the increase in software revenue. The margin on our software and software-related services, defined as software and software-related services profit as a percentage of software and software-related services revenue, remained constant year over year in 2012 at 81% (2011: 81%).

Cost of Professional Services and Other Services

Cost of professional services and other services consists primarily of the cost of consulting and training personnel and the cost of bought-in third-party consulting and training resources. This item also includes sales and marketing expenses for our professional services and other services resulting from sales and marketing efforts where those efforts cannot be clearly distinguished from providing the professional services and other services.

Costs for professional and other services rose 12% from 2,247 million in 2011 to 2,520 million in 2012. The margin on our professional and other services, defined as professional and other services profit as a percentage of professional and other services revenue, decreased to 18% in 2012 (2011: 23%). The disproportionately high growth in spending compared to professional services and other service revenue is mainly due to increased costs in a limited number of customer projects.

Research and Development Expense

Our research and development (R&D) expense consists primarily of the personnel cost of our R&D employees, costs incurred for independent contractors we retain to assist in our R&D

activities, and amortization of the computer hardware and software we use for our R&D activities.

In 2012, R&D costs rose 17% to 2,261 million. This increase primarily resulted from the increase in personnel costs related to the acquisitions of SuccessFactors and Ariba.

In 2012, R&D expense as a percentage of total revenue increased slightly to 13.9% (2011: 13.6%). Total revenue increased at the same rate as R&D expense, resulting in a nearly constant R&D ratio. For more information, see the Research and Development section.

Sales and Marketing Expense

Sales and marketing expense consists mainly of personnel costs and direct sales expense to support our sales and marketing teams in selling and marketing our products and services.

Sales and marketing costs rose 27% from 3,083 million in 2011 to 3,912 million in 2012. The increase was due primarily to the increased personnel costs of our expanded sales teams in new growth markets, among others, and to increased employee headcount as a result of acquisitions. Travel and marketing costs rose as a result of increased business operations. The ratio of sales and marketing costs to total revenue, expressed as a percentage, increased 24% year over year (2011: 22%). This was because expenses grew disproportionately to revenue.

General and Administration Expense

Our general and administration (G&A) expense consists mainly of personnel costs to support our finance and administration functions.

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Our G&A expense rose from 715 million in 2011 to 949 million in 2012, representing an increase of 33%. This was due mainly to share-based payments and the increase in personnel costs as a result of the acquisition-related rise in headcount. The ratio of general and administration costs to total revenue in 2012 thus rose 1% year over year to 6%.

Segment Results

Following SAP's increased focus on the cloud business, in 2012 we changed both the structure of the components that the SAP management

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uses to make decisions about operating matters, and the main profit measure used for the purposes of allocating resources to these components and measuring their performance. The segment information for earlier periods has been restated to conform with these changes. A detailed description of segment information is included in Note (28) of our Notes to the Consolidated Financial Statements.

We have two divisions – On-Premise and Cloud, which are further divided into operating segments. Our On-Premise division is comprised of two operating segments: On-Premise Products and On-Premise Services. Our Cloud division is

comprised of two operating segments: Cloud Applications and Ariba.

Total revenue and profit figures for each of our operating segments differ from the respective revenue and profit figures classified in our Consolidated Statements of Income because of several differences between our internal management reporting and our external IFRS reporting. For more information about our segment reporting and a reconciliation from our internal management reporting to our external IFRS reporting, see the Notes to the Consolidated Financial Statements section, Note (28).

millions, unless otherwise stated	2012	2011	Change in % 2012 vs 2011
<u>On-Premise Products Segment</u>			
Total revenue	12,881	11,325	14
Cost of revenue	1,994	1,762	13
Gross profit	10,887	9,564	14
Cost of sales and marketing	3,414	2,919	17
Reportable segment profit/loss	7,473	6,644	12
Segment profitability	58%	59%	
<u>On-Premise Services Segment</u>			
Total revenue	2,967	2,901	2
Cost of revenue	2,306	2,201	5
Gross profit	661	700	6
Cost of sales and marketing	0	0	0
Reportable segment profit/loss	661	700	6
Segment profitability	22%	24%	
<u>Cloud Applications Segment</u>			
Total revenue	336	29	>100
Cost of revenue	163	66	>100
Gross profit	173	37	<-100
Cost of sales and marketing	231	32	>100
Reportable segment profit/loss	59	69	14
Segment profitability	18%	238%	
<u>Ariba Segment</u>			
Total revenue	120	4	>100
Cost of revenue	72	9	>100
Gross profit	49	5	<-100
Cost of sales and marketing	43	2	>100
Reportable segment profit/loss	5	7	<-100
Segment profitability	4%	175%	

On-Premise Division

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The On-Premise division derives its revenue primarily from the sale of on-premise software (that is, software designed for use on hardware at the customer's premises) and mobile software (that is, software designed for use on mobile devices) as well as services relating to such software.

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On-Premise Products Segment

The On-Premise Products segment is primarily engaged in marketing and licensing our on-premise and mobile software products and providing support services for these software products.

In 2012, revenue in the On-Premise Products segment increased 14% to 12,881 million (2011: 11,325 million). This growth reflects a 10% increase from changes in volumes and prices and a 4% increase from currency effects. The reason for this growth was the rise in software license sales, which, in turn, led to an increase in support revenue. Software revenue, which is added to revenues in the On-Premise Products segment, rose by 13% to 4,656 million (2011: 4,105 million). This growth reflects a 10% increase from changes in volumes and prices and a 3% increase from currency effects. Support revenue increased by 14% to 8,226 million (2011: 7,220 million). This growth reflects a 10% increase from changes in volumes and prices and a 4% increase from currency effects.

In 2012, cost of revenue increased 13% to 1,994 million (2011: 1,762 million) and sales and marketing costs increased by 17% to 3,414 million (2011: 2,919 million). The increased expenses in the On-Premise Products segment are the result of increased business operations following the rise in demand in 2012.

The operating segment profit of the On-Premise Products segment rose by 12% to 7,473 million (2011: 6,644 million), representing segment profitability of 58% (2011: 59%).

On-Premise Services Segment

The On-Premise Services segment primarily performs various professional services, mainly implementation services of our software products and educational services on the use of our software products.

In 2012, revenue in the On-Premise Services segment increased 2% to 2,967 million (2011: 2,901 million). This growth reflects a 1% decrease from changes in volumes and prices and a 3% increase from currency effects.

In 2012, cost of revenue in the On-Premise Services segment increased 5% to 2,306 million (2011: 2,201 million). The increased expenses in the On-Premise Services segment are the result

of constant business operations and increased costs in a limited number of customer projects.

The operating segment profit of the On-Premise Services segment decreased by 6% to 661 million (2011: 700 million), representing segment profitability of 22% (2011: 24%).

Cloud Division

The Cloud division derives its revenues primarily from the sale of cloud software (that is, software designed for delivery through the cloud) and services relating to such software.

Driven by the acquisition of SuccessFactors in the first quarter of 2012, SAP showed a strong cloud momentum in 2012: Derived from the total revenue of SAP's two Cloud segments (Cloud Applications and Ariba), the annual cloud revenue run rate in the fourth quarter approached 850 million. For the Cloud Applications segment alone, 12-month new and upsell subscription billings increased nineteenfold in the fourth quarter. Even when including SuccessFactors in SAP's 2011 numbers, the growth is triple digit at 102%. For SuccessFactors on a stand-alone basis, 12-month new and upsell subscription billings grew 95% compared to the previous year.

The annualized revenue run rate is derived from the total revenue of SAP's two Cloud segments (Cloud Applications and Ariba) in the fourth quarter of 2012 and includes Ariba (before any future growth). The annual run rate is calculated by multiplying the fourth-quarter Cloud division revenue by 4.

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The year-over-year growth rate in 12-month new and upsell subscription billings relates to SAP's Cloud Applications business (excluding Ariba). The growth rate is a pro forma growth rate that assumes that the acquisition of SuccessFactors was completed as of January 1, 2011.

Cloud Applications Segment

The Cloud Applications segment is primarily engaged in marketing and selling subscriptions to the cloud software offerings developed by SAP and SuccessFactors.

In 2012, revenue in the Cloud Applications segment increased to \$336 million (2011: \$29 million).

In 2012, cost of revenue increased to \$163 million (2011: \$66 million) and sales and

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marketing costs increased to 231 million (2011: 32 million). The increased expenses in the Cloud Applications segment were largely driven by the acquisition of SuccessFactors in the first quarter of 2012.

The operating segment loss of the Cloud Applications segment decreased by 14% to 59 million (2011: 69 million), representing segment profitability of 18% (2011: 238%).

Ariba Segment

The Ariba segment primarily markets and sells the cloud software offerings developed by Ariba. While this segment is named Ariba, it is not identical to the acquired Ariba business since certain SAP activities are now in our Ariba segment. For 2011, the numbers for the Ariba segment reflect the SAP activities that were allocated to the Ariba segment upon its establishment.

In 2012, revenue in the Ariba segment increased to 120 million (2011: 4 million).

In 2012, cost of revenue increased to 72 million (2011: 9 million) and sales and marketing costs increased by 2050% to 43 million (2011: 2 million). The increased expenses in the Ariba segment were largely driven by the acquisition of Ariba at the end of 2012.

The operating segment loss of the Ariba segment turned into a segment profit of 5 million (2011: 7 million), representing segment profitability of 4% (2011: 175%).

Financial Income, Net

Financial income, net, decreased to 72 million (2011: 42 million). Our finance income was 103 million (2011: 119 million) and our finance costs were 175 million (2011: 161 million).

Finance income mainly consists of interest income from loans and financial assets (cash, cash equivalents, and current investments), which was 50 million in 2012 (2011: 64 million). This decrease is attributable mainly to a lower average liquidity and lower interest rates than in 2011.

Finance costs mainly consist of interest expense on financial liabilities (130 million in 2012 compared to 123 million in 2011). This year-over-year increase resulted mainly from the financial debt incurred in connection with the SuccessFactors and Ariba acquisitions. For more

information about these financing instruments, see the Notes to the Consolidated Financial Statements section, Note (17b).

Another factor in financial income, net, in 2012 was the derivatives we utilize to execute our financial risk management strategy. The associated time value effects from derivatives were reflected in interest income of 27 million (2011: 37 million) and interest expenses of 28 million (2011: 37 million).

Income Tax

Our effective tax rate decreased to 26.2% in 2012 (2011: 27.9%). The increased effective tax rate 2011 mainly resulted from the reduction of the TomorrowNow litigation provision. For more information, see the Notes to the Consolidated Financial Statements section, Note (10).

FOREIGN CURRENCY EXCHANGE RATE EXPOSURE

Although our reporting currency is the euro, a significant portion of our business is conducted in currencies other than the euro. Since the Group's entities usually conduct their business in their respective functional currencies, our risk of exchange rate fluctuations from ongoing ordinary operations is not considered significant. However, occasionally we generate foreign-currency-denominated receivables, payables, and other monetary items by transacting in a currency other than the functional currency; to mitigate the extent of the associated foreign currency

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exchange rate risk, the majority of these transactions are hedged as described in Note (25) to our Consolidated Financial Statements. Also see Notes (3) and (24) for additional information on foreign currencies.

Approximately 71% and 72% of our total revenue 2013 and 2012, respectively, was attributable to operations in non-euro participating countries. As a result, those revenues had to be translated into euros for financial reporting purposes. Fluctuations in the value of the euro had an unfavorable impact on our total revenue of 734 million for 2013. Regarding 2012 the euro had a favorable impact on our total revenue of 548 million, while for 2011 the euro had an unfavorable impact of 195 million.

The impact of foreign currency exchange rate fluctuations discussed in the preceding paragraph is calculated by translating current period figures in

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local currency to euros at the monthly average exchange rate for the corresponding month in the prior year. Our revenue analysis, included within the Operating Results, section of this Item 5, discusses at times increases and decreases due to currency effects, which are calculated in the same manner.

REPORT ON EXPECTED DEVELOPMENTS

Future Trends in the Global Economy

The experts at the European Central Bank (ECB²) expect the global economy to expand gradually in response to factors such as more stable credit conditions around the world. The ECB bases this expectation on the assumption that, as in 2013, prospects will improve in the industrialized economies but will remain subdued in some of the emerging economies compared to past years.

According to these expectations, the outlook in the Europe, Middle East, and Africa (EMEA) region has improved: The ECB expects a slow recovery in the euro area in 2014 and 2015, supported by a slight recovery of domestic and export demand. Companies in particular will increase their investments in 2014, encouraged by the very low interest rates and by a high demand for

modernization after several years of restrained investments. The ECB currently expects GDP in the euro area to grow about 1% in 2014 and 1.5% in 2015. That would bring GDP back to first-quarter 2008 pre-crisis levels by the end of 2015. The ECB also expects the economies of Central and Eastern Europe to gain traction beginning in 2014.

The ECB is also optimistic about the Americas region. It believes the economic upturn in the United States will gradually gain momentum as the residential real-estate and labor markets continue to brighten up. However, it believes uncertainty regarding financial policy will continue, with new legislation on debt capping and public finance under continued discussion.

Future trends in the Asia Pacific Japan (APJ) region are difficult to estimate, according to the ECB. In Japan, a consumption tax rise is due in April 2014. That could cause the economy to pick up in the first quarter, as consumers bring forward spending. As a result, subsequent quarters may see an economic slowdown. It remains to be seen what effect the wide-ranging agenda for reform announced by the Communist Party of China in November 2013 will have. The goal is to set China on a more sustainable path to economic growth. The ECB believes the reforms will strengthen the market and the economy outside the public sector.

Economic Trends Year-Over-Year GDP Growth

%	2012e	2013p	2014p
World	3.1	3.0	3.7
Advanced economies	1.4	1.3	2.2
Developing and emerging economies	4.9	4.7	5.1
Europe, the Middle East, and Africa (EMEA)			
Euro area	0.7	0.4	1.0
Germany	0.9	0.5	1.6
Central and Eastern Europe	1.4	2.5	2.8
Middle East and North Africa	4.1	2.4	3.3
Sub Saharan Africa	4.8	5.1	6.1
Americas			

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United States	2.8	1.9	2.8
Canada	1.7	1.7	2.2
Central and South America, Caribbean	3.0	2.6	3.0
Asia-Pacific-Japan (APJ)			
Japan	1.4	1.7	1.7
Asian developing economies	6.4	6.5	6.7
China	7.7	7.7	7.5

e = estimate; p = projection

Source: International Monetary Fund (IMF), World Economic Outlook Update January 2014, Is the Tide Rising? As of January 21, 2014, p. 2.

² Unless otherwise indicated, all economic information in this section is based on information from the European Central Bank (ECB).

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IT Market: The Outlook for 2014

According to International Data Corporation (IDC), a market research firm based in the United States, economic recovery in 2014 will lead to a greater increase in spending on IT than occurred in 2013. That increase is expected to continue to be higher than the growth in the overall economy. IDC expects businesses will revert to normal IT upgrade cycles in 2014 as liquidity bottlenecks are resolved by the return of economic stability, so companies in particular will increase investment in IT. In the emerging economies, IDC expects IT markets to recover from the setbacks of the previous year, because basically demand for IT products is high and conditions are stable.

According to IDC, software sales should again outpace the IT market as a whole in 2014. Spending on PCs and tablets should grow by a percentage in the low single digits: the PC market has bottomed out and the tablet market should see growth well into the double digits. Investments in servers and data storage devices could grow by a percentage in the low single digits again, and IDC forecasts slightly more growth in the IT services market in 2014 than in 2013.

The outlook IDC describes for 2014 in the Europe, Middle East, and Africa (EMEA) region is positive: It believes Western Europe will almost sustain the slightly improved growth it achieved at the end of 2013, showing significant positive growth rates for the full year. The IT markets of Central and Eastern Europe, the Middle East, and Africa could see growth in the high single digits, and the IT market in Russia may even approach double-digit growth, IDC says.

IDC is more cautious about the Americas region: It believes 2014 IT market growth in the United States may fall short of the 2013 level as demand for smartphones declines. Despite the uncertainty concerning government policy, IDC predicts IT investment in the United States will be largely stable. IDC believes growth in the Latin America IT markets will slow to single digits.

IDC forecasts that the IT market in the Asia Pacific Japan (APJ) region will grow by a percentage in the middle of the single-digit range. However, it believes the market in Japan will decline slightly. In contrast, IDC predicts the IT market in China, which was weak in the previous year, should recover well into double-digit growth in 2014.

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Trends in the IT Market Increased IT Spending Year Over Year

%	2012e	2013p	2014p
World			
Total IT	5.3	4.4	5.1
Hardware	6.3	4.8	5.4
Packaged software	6.2	5.6	6.2
Applications	6.0	5.6	6.0
IT services	3.2	3.2	3.9
Europe, Middle East, and Africa (EMEA)			
Total IT	5.2	2.3	4.4
Packaged software	4.7	4.6	5.2
Applications	4.4	4.5	5.0
IT services	1.4	2.0	3.6
Americas			
Total IT	4.2	5.9	4.5
Packaged software	6.8	6.0	6.7
Applications	6.9	6.2	6.5
IT services	4.2	3.7	3.6
Asia-Pacific-Japan (APJ)			
Total IT	6.9	4.6	6.7
Packaged software	6.9	5.9	6.4
Applications	6.0	5.7	6.4
IT services	4.5	4.3	5.1

e = estimate, p = projection

Source: IDC Worldwide Black Book Q3 2013

Impact on SAP

SAP expects to outperform the global economy and the IT industry again in 2014. Four years of growth momentum underscore our leadership in the transformation of the industry. We are gaining market share in all regions. We have reinvented the database and developed the next-generation real time in-memory platform SAP HANA. We are managing the transition to the cloud successfully, while growing our core business and expanding our operating margin.

Thanks to our great progress in strategy and technology since 2010, we have increased the importance of SAP to our customers. We are well-positioned to expand our core business and to accelerate our cloud businesses. We are therefore confident we can achieve our medium-term targets for 2015 and 2017, assuming that the economic environment and IT industry develop as currently forecast. Balanced in terms of regions as

well as industries, we are well-positioned to offset smaller individual fluctuations in the global economy and IT market.

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A comparison of our business outlook with forecasts for the global economy and IT industry shows that, with our customer-centered innovation strategy, we can be successful even in a tough economic environment. Our market and the demands of our customers are changing rapidly. We anticipated these changes early.

We plan to continue to invest in countries in which we expect significant growth, and we aim to expand our market share in those countries. Such countries include Brazil, China, India, Russia, as well as countries in the Middle East and Africa. We therefore expect to see further future growth potential helping us reach our ambitious 2014 outlook targets and medium-term aspirations for 2015 and 2017. For more information, see the Operational Targets for 2014 (Non-IFRS) section.

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Forecast for SAP

Strategy for Profitable Growth

SAP seeks to maintain profitable growth across its portfolio of products and services. Our goal is to expand our addressable market to US\$350 billion in 2020, compared to US\$110 billion in 2010. Our ability to deliver software-based innovation and value in target growth areas positions us favorably in the enterprise software market.

SAP's continued growth depends on our ability to deliver innovative solutions and provide significant value to our customers. We continue to improve our research and development effectiveness, creating efficiencies and accelerating innovation cycles to engage more closely with our customers. We are also investing in our go-to-market channels to expand capacity and drive greater volume sales. At the same time, we are expanding our technology partner ecosystem to foster co-innovation as a force multiplier for creating additional business value for our customers.

The success of SAP and our customers depends on our people whom we consider our most important asset. Our employees spark our innovation, deliver value to our customers, and drive our sustainable growth and profitability. The correlation between our continued business success and our ability to attract, retain, and engage top talent is stronger than ever. We will continue to execute our people strategy to set us apart in vital areas such as workforce diversity and talent management. Our ambitious growth strategy and our ability to innovate depends on creating an environment for our employees that drives them to unleash their full potential.

Go-to-Market Investment Delivers Customer Value

SAP goes to market by region, customer segment, line of business and industry. In each region, we seek to concentrate our sales efforts on the fastest-growing markets with the greatest business and revenue potential. We evolve and invest in our go-to-market coverage model to effectively sell industry-specific solutions while increasing our engagement with customers in line-of-business functions. We continue to provide companies of any size small, midsize, and large with tailored offerings that align to their specific budgetary, resource, and deployment requirements.

Greater Volume and Co-Innovation Through an Open Ecosystem

SAP continues to engage an expanding partner ecosystem to increase market coverage, enhance our solutions portfolio, and spur innovation. SAP and its vibrant partner ecosystem offer greater choice and business value through the power of co-innovation, appealing to customers that want to avoid being locked in to a single vendor. SAP partners offer customers knowledgeable local delivery of solutions across industries and lines of business. SAP technology partners continue to drive our research agenda, enhance the SAP portfolio, and monetize new technology breakthroughs.

Organic Growth and Targeted Acquisitions

Organic growth remains the primary driver of SAP's strategy. We will continue to invest in our own product development and technology innovation, improving the speed, number of projects, and innovations brought to market. Our ecosystem strategy enables us to better leverage our innovation by extending it to our partners to drive additional customer value, based on their own domain expertise. We will also continue to acquire targeted, strategic, and fill-in technology to add to our broad solution offerings and improve our coverage in key strategic markets to best support our customers' needs.

Operational Targets for 2014 (Non-IFRS)

Revenue and Operating Profit Outlook

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The Executive Board is providing the following outlook for the full year 2014:

SAP expects full-year 2014 non-IFRS cloud subscription and support revenue to be in a range of 950 to 1,000 million at constant currencies (2013: 757 million). The upper end of this range represents a growth rate of 32% that is similar to the respective 2013 growth rate after adjusting for acquisitions.

SAP expects full-year 2014 non-IFRS software and software-related service revenue to increase by 6% to 8% at constant currencies (2013: 14,032 million).

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SAP expects full-year 2014 non-IFRS operating profit to be in a range of 5.8 billion to 6.0 billion at constant currencies (2013: 5,514 million).

While our business outlook is at constant currency, actual currency reported figures are expected to continue to be negatively impacted by currency exchange rate fluctuations. If exchange rates remain at the March 2014 level for the rest of the year, we expect non-IFRS software and software-related service revenue and non-IFRS operating profit growth rates at actual currency to experience a negative currency impact of approximately 5 percentage points and 7 percentage points respectively in the first quarter of 2014 and of approximately 4 percentage points and 5 percentage points respectively in the full year 2014.

We expect that total revenue growth (non-IFRS) will continue to depend largely on the revenue from the On-Premise Products segment. However, the revenue growth we expect from this segment is below the outlook provided for cloud subscription revenue (non-IFRS). In light of the rate at which professional services and other service revenue is growing, we do not expect strong growth in the On-Premise Services segment.

We expect an increase in segment profit in our On-Premise division, with On-Premise Products segment profit growing faster than On-Premise Services segment profit. We expect only a slight improvement in On-Premise Services segment profit. The Cloud division is expected to continue with increasingly positive segment profit in 2014.

In light of the rate at which cloud subscriptions are growing in our cloud segments, we expect strong revenue growth in those segments.

We present the following reconciliation from our 2013 IFRS software and cloud subscription revenue, IFRS software and software-related service revenue, IFRS total revenue, and IFRS operating profit to the non-IFRS equivalents to facilitate comparison between IFRS financial measures and the non-IFRS financial measures in our 2014 outlook:

Reconciliations of IFRS to Non-IFRS Financial Measures for 2013

millions, unless otherwise stated	IFRS Financial Measure	Recurring Revenue Not Recorded Under IFRS	Adjustments Operating ⁽¹⁾	Discontinued Activities ⁽³⁾	Non-IFRS Financial Measure
Cloud subscriptions and support	696	61	n.a.	n.a.	757
Software and cloud subscription revenue	5,212	63	n.a.	n.a.	5,275
Software and software-related service revenue	13,950	82	n.a.	n.a.	14,032
Total revenue ⁽²⁾	16,815	82	n.a.	n.a.	16,897
Total operating expenses	12,336	0	953	0	11,383
Operating profit ⁽²⁾	4,479	82	953	0	5,514

⁽¹⁾ Included in operating expenses are acquisition-related charges, share-based payment expenses, and restructuring charges.

⁽²⁾ These financial measures are the numerator or the denominator in the calculation of our IFRS and non-IFRS operating margin, and are included in this table for transparency.

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⁽³⁾ The discontinued activities include the results of our discontinued TomorrowNow business.

The following table shows the estimates of the items that represent the differences between our non-IFRS financial measures and our IFRS financial measures.

Non-IFRS Measures

millions	Estimated Amounts for 2014	Actual Amounts for 2013
Deferred revenue write-down	<20	82
Discontinued activities	<10	1
Share-based payment expenses	470 to 510	327
Acquisition-related charges	520 to 560	555
Restructuring charges	50 to 150	70

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The company expects a full-year 2014 effective tax rate (IFRS) of 26.0% to 27.0% (2013: 24.4%) and an effective tax rate (non-IFRS) of 27.5% to 28.5% (2013: 25.9%).

Goals for Liquidity and Finance

On December 31, 2013, our net liquidity was negative, but we have additional liquidity reserves. We believe that our liquid assets combined with our undrawn credit facilities are sufficient to meet our present operating financing needs also in 2014 and, together with expected cash flows from operations, will support our currently planned capital expenditure requirements over the near term and medium term.

We intend to effect a substantial planned reduction of our financial debt in 2014 and, at the time of this report, we expect to make repayments of \$586 million over the year. We will consider issuing new debt, such as bonds or U.S. private placements, on an as-needed basis only and if market conditions are advantageous. By the time of this report, we have no concrete plans for future share buybacks.

Investment Goals

Excepting acquisitions, our planned capital expenditures for 2014 and 2015 mainly comprise the construction activities described earlier in this report. We expect investments of approximately \$194 million during the next three years. These investments can be covered in full by operating cash flow.

Proposed Dividend

We plan to continue our dividend policy, which is that the payout ratio should be more than 30%.

Premises on Which Our Outlook Is Based

In preparing our outlook, we have taken into account all events known to us at the time we prepared this report that could influence SAP's business going forward.

Among the premises on which this outlook is based are those presented concerning the economy and on the assumption that there will be no effects from a major acquisition.

Medium-Term Prospects

With SAP HANA as the single platform for our entire solution portfolio, delivered on-premise or in the cloud, SAP will drive simplicity and business outcomes for our customers.

We expect our business, our revenue, and our profit to grow, assuming there is a sustained recovery in the global economy. Our strategic objectives are focused on the following financial and non-financial indicators: revenue, margin, customer loyalty, and employee engagement.

We expect the combination of a stable, highly-profitable core and fast-growing cloud business to deliver continued growth and margin expansion. We continue to strive to increase our total revenue to more than \$20 billion by 2015 and revenue from our cloud business, including cloud-related professional services, to approximately \$2 billion by 2015.

Looking beyond 2015, we introduced new 2017 targets. We now aim to increase total revenue to at least \$22 billion and revenue from our cloud business to \$3.0 to \$3.5 billion by 2017. We have retained our non-IFRS operating margin goal of 35%. To capture the growth opportunities in the cloud, we now expect this target to be reached by 2017 rather than in 2015 as previously stated. We anticipate the fast-growing cloud business along with growth in support revenue will drive a higher proportion of more predictable, recurring revenue in the future.

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In addition to our financial goals, we also focus on two non-financial targets: Customer loyalty and employee engagement. We believe it is essential that our employees are engaged, drive our success, and support our strategy. Therefore, we plan to increase our employee engagement index score to 82% by 2015 (2013: 77%). Further, our customers' satisfaction with the solutions we offer is very important to us. We want our customers to not only be satisfied, but also see us as a trusted partner for innovation. We measure this customer loyalty metric using the Net Promoter Score (NPS). For 2014, we have set a target for increasing the NPS by four percentage points (2013: 12.1%).

SAP's vision to help the world run better and improve people's lives comes to life in product innovation that drives business value for our

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customers. By delivering on our product roadmap, SAP is powering a market-wide transformation in how people and organizations work together and run better. Building on a track record of innovation, SAP is again at the forefront of a major shift in the IT sector, away from commoditized hardware and lower value services, toward renewed investment in differentiating IT through business software and services that drive simplicity, efficiency, and a more sustainable business transformation.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Global Financial Management

We use global centralized financial management to control liquid assets and monitor exposure to interest rates and currencies. The primary aim of our financial management is to maintain liquidity in the Group at a level that is adequate to meet our obligations. Most SAP companies have their liquidity managed centrally by the Group, so that liquid assets across the Group can be consolidated, monitored, and invested in accordance with Group policy. High levels of liquid assets help keep SAP flexible, sound, and independent. In addition, various credit facilities are currently available for additional liquidity, if required. For more information about these facilities, see the Credit Facilities section.

We manage credit, liquidity, interest rate, equity price, and foreign exchange rate risks on a Group-wide basis. We use selected derivatives exclusively for this purpose and not for speculation, which is defined as entering into a derivative instrument for which we do not have a corresponding underlying transaction. The rules for the use of derivatives and other rules and processes concerning the management of financial risks are collected in our treasury guideline document, which applies globally to all companies in the Group. For more information about the management of each financial risk and about our risk exposure, see the Notes to the Consolidated Financial Statements section, Notes (24) to (26).

Liquidity Management

Our primary source of cash, cash equivalents, and current investments is funds generated from our business operations. Over the past several years, our principal use of cash has been to support

operations and our capital expenditure requirements resulting from our growth, to acquire businesses, to pay dividends on our shares, and to buy back SAP shares on the open market. On December 31, 2013, our cash, cash equivalents, and current investments were primarily held in euros and U.S. dollars. We generally invest only in the financial assets of issuers or funds with a minimum credit rating of BBB, and pursue a policy of cautious investment characterized by wide portfolio diversification with a variety of counterparties, predominantly short-term investments, and standard investment instruments. We rarely invest in the financial assets of issuers with a credit rating lower than BBB, and such investments were not material in 2013.

In 2013, SAP signed a new revolving credit facility contract. The size of the facility was increased from 1.5 billion to 2.0 billion to support the company's growth for more information see the Credit Facilities section. We believe that our liquid assets combined with our undrawn credit facilities are sufficient to meet our present operating needs and, together with expected cash flows from operations, will support our currently planned capital expenditure requirements over the near term and medium term. It may also be necessary to enter into financing transactions when additional funds are required that cannot be wholly sourced from free cash flow (for example, to finance large acquisitions).

The persistently strong free cash flow of recent years enabled us to pay back additional debts within a short period of time. Furthermore, a balanced maturity profile prevents repayment peaks from occurring in any particular year.

To expand our business, we have made acquisitions of businesses, products, and technologies. Depending on our future cash position and future market conditions, we might issue additional debt instruments to fund acquisitions, maintain financial flexibility, and limit repayment risk. Therefore, we continuously monitor funding options available in the capital markets and trends in the availability of funds, as well as the cost of such funding. For more information about the financial debt, see the Cash Flows and Liquidity section.

Capital Structure Management

The primary objective of our capital structure management is to maintain a strong financial profile for investor, creditor, and customer

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confidence, and to support the growth of our business. We seek to maintain a capital structure that will allow us to cover our funding requirements through the capital markets at reasonable conditions, and in so doing, ensure a high level of independence, confidence, and financial flexibility.

Based on our strong corporate financial profile and our excellent capital market reputation, we have so far successfully executed external financing transactions without an external rating. However,

we will continue to closely monitor our financing situation to determine whether not having an external rating continues to be appropriate.

Our general intention is to remain in a position to return excess liquidity to our shareholders by distributing annual dividends and repurchasing shares. The amount of future dividends and the extent of future repurchases of shares will be balanced with our effort to continue to maintain an adequate liquidity position.

Capital Structure

	2013		2012		% Change
	millions	% of Total equity and liabilities	millions	% of Total equity and liabilities	
Equity	16,048	59	14,133	54	14
Current liabilities	6,347	23	6,546	25	3
Non-current liabilities	4,699	17	5,627	21	16
Liabilities	11,046	41	12,173	46	9
Total equity and liabilities	27,094	100	26,306	100	3

Our financing activities improved our debt ratio (defined as the ratio of total liabilities to total equity and liabilities, expressed as a percentage) to 41% at the end of 2013 (as compared to 46% at the end of 2012). The ratio of total financial debt to total equity and liabilities decreased by 3% to 16% at the end of 2013 (19% as at December 31, 2012). Total financial debt consists of current and non-current bonds and private placements. For more information about our financial debt, see the Notes to the Consolidated Financial Statements section, Note (17).

As part of our financing activities in 2014, the Company intends to repay a 500 million Eurobond and an 86 million German promissory note when they both mature in April 2014.

Total liabilities on December 31, 2013, mainly comprised financial liabilities of 4,506 million (of which 3,758 million are non-current). Financial liabilities on December 31, 2013, consisted largely of financial debt, which included amounts in euros (2,386 million) and U.S. dollars (1,922 million). On December 31, 2013, 100% of financial debt was held at fixed interest rates, of which 56% were swapped into variable interest rates using interest rate swaps. For more information about financial liabilities, see the Notes to the Consolidated Financial Statements section, Note (17).

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Cash Flows and Liquidity

Group liquidity on December 31, 2013, primarily comprised amounts in euros (1,056 million) and U.S. dollars (884 million). Current investments are included in other financial assets in the statement of financial position. Financial debts are included within financial liabilities in the statement of financial position.

Group Liquidity of SAP Group

millions	2013	2012	Change
Cash and cash equivalents	2,748	2,477	271
Current investments	93	15	78
Group liquidity	2,841	2,492	349
Current financial debt	586	600	14
Net liquidity 1	2,255	1,892	363
Non-current financial debt	3,722	4,394	672
Net liquidity 2	1,467	2,502	1,035

Group liquidity consists of cash and cash equivalents (for example, cash at banks, money market funds, and time deposits with original maturity of three months or less) and current investments (for example, investments with

original maturities of greater than three months and remaining maturities of less than one year) as reported in our IFRS Consolidated Financial Statements.

Net liquidity is Group liquidity less total financial debt as defined above.

The increase in Group liquidity from 2012 was mainly due to positive cash inflows from our operations, which were partly offset by cash outflows for acquisitions (such as hybris), dividend payments and repayment of an issued Eurobond.

For information about the impact of cash, cash equivalents, current investments, and our financial liabilities on our income statements, see the analysis of our financial income, net, in the Operating Results (IFRS) section.

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Analysis of Consolidated Statements of Cash Flows

millions	Years ended December 31,			Change in % 2013 vs. 2012	Change in % 2012 vs. 2011
	2013	2012	2011		
Net cash flows from operating activities	3,832	3,822	3,775	0	1
Net cash flows from investing activities	1,781	5,964	1,226	70	>100
Net cash flows from financing activities	1,589	194	1,176	>100	84

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Analysis of Consolidated Statements of Cash Flow: 2013 compared to 2012

Net cash provided by operating activities remained stable in 2013 (3,832 million) compared to the prior year (2012: 3,822 million). Increased income tax payments of 193 million to 1,295 million in 2013 burdened net cash flows from operating activities. In addition, days sales outstanding (DSO) for receivables, defined as average number of days from the raised invoice to cash receipt from the customer, was 62 days, a three-day increase compared to 2012 (59 days).

Cash outflows from investment activities totaled 1,781 million in 2013, much decreased from the 2012 figure of 5,964 million that were attributed mainly to business combinations of SuccessFactors and Ariba. In 2013, cash outflows were mainly driven by the acquisitions of consolidated companies (especially hybris) as well, for which we paid 1,160 million in total. For more information about current and planned capital expenditures, see the Assets and Investment Goals sections.

Cash outflows from financing activities totaled 1,589 million in 2013, compared to 194 million in 2012. In 2013, cash outflows were mainly driven by dividends paid and a repayment of an issued 600 million Eurobond. In addition, we took out a short-term bank loan in the amount of 1,000 million to finance the acquisition of hybris that were fully offset by repayments in the same amount and year. In the previous year, cash outflows from financing activities were mainly driven by repayments of a Eurobond tranche (600 million) and several tranches (611 million) of the promissory notes we issued in 2009 and dividends paid. This was almost fully compensated by a successfully placed Eurobond transaction totaling 1.3 billion and a U.S. private placement transaction of US\$1.4 billion.

The decrease of total dividends paid in 2013 to 1,013 million (2012: 1,310 million) was due to a decrease in dividend paid to 0.85 per share compared to 1.10 per share in the previous year, of which 0.35 per share was an extraordinary payout to celebrate our 40th anniversary in 2012.

Analysis of Consolidated Statements of Cash Flow: 2012 Compared to 2011

Net cash provided by operating activities increased slightly by 47 million or 1% to 3,822 million in 2012 (2011: 3,775 million). In 2012, days sales outstanding (DSO) for receivables, defined as average number of days from the raised invoice to cash receipt from the customer, was 59 days, a one-day decrease compared to 2011 (60 days).

Cash outflows from investment activities totaled 5,964 million in 2012, much increased from the 2011 figure of 1,226 million. In 2012, cash outflows were mainly driven by acquisitions of consolidated companies such as SuccessFactors and Ariba, for which we paid 6,094 million in total. In contrast, the 2011 figure was mainly driven by investments in time deposits and German government bonds.

Cash outflows from financing activities totaled 194 million in 2012, compared to 1,176 million in 2011. In 2012, cash inflows were mainly driven by a successfully placed two-tranche Eurobond transaction totaling 1.3 billion and a U.S. private placement transaction of US\$1.4 billion consisting of several tranches. This was partly offset by repayments of a Eurobond tranche (600 million) and several tranches (611 million) of the promissory notes we issued in 2009. In 2011, cash outflows were driven mainly by repayments of a credit facility we drew on in connection with our acquisition of Sybase.

The increase in total dividends paid to 1,310 million was due to an increase in the dividend from 0.60 per share in 2011 to 1.10 per share in 2012, of which 0.35 per share was an extraordinary payout to celebrate our 40th anniversary in the reporting year (total dividend payout in 2011: 713 million). In 2012, we repurchased shares in the amount of 53 million (2011: 246 million) in connection with our share-based payments.

Credit Facilities

Other sources of capital are available to us through various credit facilities, if required.

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By signing a new credit facility contract of 2.0 billion, SAP refinanced its existing credit facility of 1.5 billion that would have expired in December 2015. The revolving credit facility was early refinanced due to favorable market conditions with a tenor of five years plus two one year extension options. The credit line may be used for general corporate purposes. A possible future withdrawal is not bound to any financial covenants. Borrowings under the facility bear interest at the euro interbank offered rate (EURIBOR) or London interbank offered rate (LIBOR) for the respective optional currency plus a margin ranging from 0.3% to 0.525% (2012: 0.45% to 0.75%). We pay a commitment fee of 0.079% (2012: 0.1575%) per annum on unused amounts of the available credit facility. So far, we have not used and do not currently foresee any need to use this credit facility.

As at December 31, 2013, SAP AG had additional available credit facilities totaling 487 million. As at December 31, 2013, there were no borrowings outstanding under these credit facilities. Several of our foreign subsidiaries have credit facilities

available that allow them to borrow funds in their local currencies at prevailing interest rates, generally to the extent SAP AG has guaranteed such amounts. As at December 31, 2013, approximately 36 million was available through such arrangements. There were no borrowings outstanding under these credit facilities from any of our foreign subsidiaries as at December 31, 2013.

OFF-BALANCE SHEET ARRANGEMENTS

Several SAP entities have entered into operating leases for office space, hardware, cars and certain other equipment. These arrangements are sometimes referred to as a form of off-balance sheet financing. Rental expenses under these operating leases are set forth below under

Contractual Obligations. We believe we do not have forms of material off-balance sheet arrangements that would require disclosure other than those already disclosed.

CONTRACTUAL OBLIGATIONS

The table below presents our on- and off-balance sheet contractual obligations as of December 31, 2013:

Contractual obligations millions	Total	Payments due by period			More than 5 years
		Less than 1 year	1-3 years	3-5 years	
Financial liabilities ⁽¹⁾	4,881	731	1,376	1,044	1,730
Derivative financial liabilities ⁽¹⁾	181	76	8	29	84
Other non-current non-financial liabilities ⁽²⁾	112	0	24	4	83
Operating lease obligations ⁽³⁾	1,204	235	354	207	408
Purchase obligations ⁽³⁾	504	282	123	63	36
Total	6,882	1,324	1,869	1,347	2,341

⁽¹⁾ For more information on financial liabilities and derivative financial liabilities see Note (24) to our Consolidated Financial Statements.

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- (2) For more information on other non-current non-financial liabilities see Note (17c) to our Consolidated Financial Statements.
- (3) See Note (22) to our Consolidated Financial Statements for additional information about operating lease and purchase obligations. Our expected contributions to our pension and other post employment benefit plans are not included in the table above. For more information on these contributions see Note (18a) to our Consolidated Financial Statements.

We expect to meet these contractual obligations with our existing cash, our cash flows from operations and our financing activities. The timing of payments for the above contractual obligations is based on payment schedules for those obligations where set payments exist. For other

obligations with no set payment schedules, estimates as to the most likely timing of cash payments have been made. The ultimate timing of these future cash flows may differ from these estimates.

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Obligations under Indemnifications and Guarantees

Our software license agreements and our cloud subscription agreements generally include certain provisions for indemnifying customers against liabilities if our software products infringe a third party's intellectual property rights. In addition, we occasionally provide function or performance guarantees in routine consulting contracts and development arrangements. We also generally provide a six to twelve month warranty on our software. Our warranty liability is included in other provisions. For more information on other provisions see Note (18b) to our Consolidated Financial Statements. For more information on obligations and contingent liabilities refer to Note (3) and Note (22) in our Consolidated Financial Statements.

RESEARCH AND DEVELOPMENT

For information on our R&D activities see Item 4. Information about SAP Research and Development. For information on our R&D costs see Item 5. Operating and Financial Review and Prospects Operating Results and for information related to our R&D employees see Item 6. Directors, Senior Management and Employees Employees.

CRITICAL ACCOUNTING ESTIMATES

Our Consolidated Financial Statements are prepared based on the accounting policies described in Note (3) to our Consolidated Financial Statements in this report. The application of such policies requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenues and expenses in our Consolidated Financial Statements. We base our judgments, estimates and assumptions on historical and forecast information, as well as regional and industry economic conditions in

which we or our customers operate, changes to which could adversely affect our estimates. Although we believe we have made reasonable estimates about the ultimate resolution of the underlying uncertainties, no assurance can be given that the final outcome of these matters will be consistent with what is reflected in our assets, liabilities, revenues and expenses. Actual results could differ from original estimates.

The accounting policies that most frequently require us to make judgments, estimates, and assumptions, and therefore are critical to understanding our results of operations, include the following:

revenue recognition;

valuation of trade receivables;

accounting for share-based payment;

accounting for income tax;

accounting for business combinations;

subsequent accounting for goodwill and other intangibles;

accounting for legal contingencies; and

recognition of internally generated intangible assets from development.

Our management periodically discusses these critical accounting policies with the Audit Committee of the Supervisory Board. See Note (3c) to our Consolidated Financial Statements for further discussion on our critical accounting estimates and critical accounting policies.

NEW ACCOUNTING STANDARDS NOT YET ADOPTED

See Note (3e) to our Consolidated Financial Statements for our discussion on new accounting standards not yet adopted.

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**SUPERVISORY BOARD**

The current members of the Supervisory Board of SAP AG, each member's principal occupation, the year in which each was first elected and the year in which the term of each expires, respectively, are as follows:

Name	Age	Principal Occupation	Year First Elected	Year Term Expires
Prof. Dr. h.c. mult. Hasso Plattner, Chairman ⁽¹⁾⁽²⁾⁽⁵⁾⁽⁶⁾⁽⁷⁾⁽¹⁰⁾⁽¹¹⁾	70	Chairman of the Supervisory Board	2003	2017
Pekka Ala-Pietilä ⁽¹⁾⁽⁶⁾⁽⁷⁾⁽¹⁰⁾	57	Chairman of the Board of Directors, SolidiumOy	2002	2017
Prof. Anja Feldmann ⁽¹⁾⁽⁶⁾⁽¹¹⁾	48	Professor at the Electrical Engineering and Computer Science Faculty at the Technische Universität Berlin	2012	2017
Prof. Dr. Wilhelm Haarmann ⁽¹⁾⁽²⁾⁽⁴⁾⁽¹⁰⁾⁽¹¹⁾	63	Attorney at Law, Certified Public Auditor and Certified Tax Advisor; Linklaters LLP, Rechtsanwälte, Notare, Steuerberater	1988	2017
Bernard Liautaud ⁽¹⁾⁽²⁾⁽⁶⁾⁽⁷⁾	51	General Partner, Balderton Capital	2008	2017
Dr. h.c. Hartmut Mehdorn ⁽¹⁾⁽⁴⁾⁽⁵⁾⁽¹¹⁾	71	CEO of FBB, Flughafen Berlin-Brandenburg GmbH	1998	2017
Dr. Erhard Schipporeit ⁽¹⁾⁽³⁾⁽⁹⁾⁽¹⁰⁾	65	Independent Management Consultant	2005	2017
Prof. Dr.-Ing. Dr.-Ing. E.h. Klaus Wucherer ⁽¹⁾⁽³⁾⁽⁶⁾	69	Managing Director of Dr. Klaus Wucherer Innovations- und Technologieberatung GmbH	2007	2017
Christiane Kuntz-Mayr, Vice Chairperson ⁽²⁾⁽⁵⁾⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾	51	Employee, Deputy Chairperson of the Works Council of SAP AG	2009	2017
Panagiotis Bissiritsas ⁽²⁾⁽⁴⁾⁽⁸⁾	45	Employee, Support Expert	2007	2017
Margret Klein-Magar ⁽²⁾⁽⁶⁾⁽⁸⁾⁽¹⁰⁾	49	Employee, Vice President Head of People Principles	2012	2017
Lars Lamadé ⁽²⁾⁽⁸⁾⁽¹⁰⁾⁽¹¹⁾	42	Employee, Project Manager OPD COO	2002	2017
Dr. Kurt Reiner ⁽⁴⁾⁽⁶⁾⁽⁸⁾	55	Employee, Development Expert	2012	2017
Mario Rosa-Bian ⁽⁵⁾⁽⁸⁾⁽¹¹⁾	57	Employee, Project Principal Consultant	2012	2017
Stefan Schulz ⁽³⁾⁽⁶⁾⁽⁸⁾⁽¹¹⁾	44	Employee, Vice President, IP at HANA Enterprise Cloud	2002	2017
Inga Wiele ⁽³⁾⁽⁶⁾⁽⁸⁾	43	Employee, Senior Internal Strategic Consultant	2012	2017

(1) Elected by SAP AG's shareholders on May 23, 2012.

(2) Member of the General and Compensation Committee.

(3) Member of the Audit Committee.

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- (4) Member of the Finance and Investment Committee.
- (5) Member of the Mediation Committee.
- (6) Member of the Technology and Strategy Committee.
- (7) Member of the Nomination Committee.
- (8) Elected by SAP AG's employees on April 25, 2012.
- (9) Audit Committee financial expert.
- (10) Member of the Special Committee.
- (11) Member of the People and Organization Committee

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For detailed information on the Supervisory Board committees and their tasks, including the Audit Committee and the General and Compensation Committee, please refer to Item 10 Additional Information Corporate Governance.

Pursuant to the German Co-determination Act of 1976 (Mitbestimmungsgesetz), members of the Supervisory Board of SAP AG consist of eight representatives of the shareholders and eight representatives of the employees. Of the eight employee representatives, two must be nominated by the trade unions. The elected employees must be at least 18 years of age and must have been in the employment of SAP AG or one of its German subsidiaries for at least one year. They must also fulfill the other qualifications for election codified in Section 8 of the German Works Council Constitution Act. These qualifications include, among other things, not having been declared ineligible or debarred from holding public office by a court.

Certain current members of the Supervisory Board of SAP AG were members of supervisory boards and comparable governing bodies of enterprises other than SAP AG in Germany and other countries as of December 31, 2013. See Note (29) to our Consolidated Financial Statements for more detail. Apart from pension obligations towards employees, SAP AG has not entered into contracts with any member of the Supervisory Board that provide for benefits upon a termination of the employment or service of the member.

EXECUTIVE BOARD

The current members of the Executive Board, the year in which each member was first appointed and the year in which the term of each expires, respectively, are as follows:

Name	Year First Appointed	Year Current Term Expires
Bill McDermott, Co-CEO	2008	2017
Jim Hagemann Snabe, Co-CEO	2008	2014
Dr. Werner Brandt	2001	2014
Gerhard Oswald	1996	2016
Dr. Vishal Sikka	2010	2017

The following changes occurred in the Executive Board in 2013:

In May 2013, Lars Dalgaard stepped down from the Executive Board.

In June 2013, Luisa Deplazes Delgado stepped down from the Executive Board.

A description of the management responsibilities and backgrounds of the current members of the Executive Board are as follows:

Bill McDermott, Co-CEO (Vorstandssprecher), 52 years old, holds a master's degree in business administration from Northwestern University's Kellogg School of Management. He joined SAP in 2002 and became a member of its Executive Board on July 1, 2008. On February 7, 2010 he became Co-CEO alongside Jim Hagemann Snabe. As Jim Hagemann Snabe will conclude his current role as Co-CEO in May 2014, Bill is scheduled to become sole CEO at that time. Besides the duties as Co-CEO, he is responsible for strategy, governance, business development, corporate development, sales and ecosystem activities, communications, and marketing. Prior to joining SAP, he served as a global executive in several technology companies.

Jim Hagemann Snabe, Co-CEO (Vorstandssprecher), 48 years old, holds a master degree in operational research. He joined SAP in 1990 and became a member of the Executive Board on July 1, 2008. On February 7, 2010 he became Co-CEO alongside Bill McDermott. Besides the duties as Co-CEO, he is responsible for strategy, governance, business development, corporate development, communications, and marketing. In July 2013, the SAP Supervisory Board agreed to propose that Jim Hagemann Snabe be elected to the Supervisory Board at the SAP Annual General Meeting of Shareholders in May 2014. He will conclude his current role as co-CEO and member of the SAP Executive Board upon the

conclusion of the Annual General Meeting of Shareholders in May 2014.

Werner Brandt, 60 years old, business administration graduate. Werner Brandt joined SAP in early 2001 as the Chief Financial Officer and member of the Executive Board and he will retire end of June 2014. He is responsible for finance and administration including investor relations and data protection and privacy. In addition he assumed responsibility for human resources and is the Labor Relations Director. Prior to joining SAP, Werner Brandt was CFO and member of the Executive Board of Fresenius Medical Care AG since 1999. In this role, he was also responsible for labor relations. Before joining Fresenius Medical Care AG, Werner Brandt headed the finance function of the European operations of Baxter International Inc.

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Gerhard Oswald, 60 years old, economics graduate. Gerhard Oswald joined SAP in 1981 and became a member of the Executive Board in 1996. He is responsible for the Board Area Scale, Quality & Support covering SAP Active Global Support, Solution & Knowledge Packaging, Quality Governance & Production as well as joint leadership of SAP Labs Network with Vishal Sikka. In addition Gerhard is responsible for the Cloud and Infrastructure Delivery and operations of the new SAP Cloud powered by HANA.

Vishal Sikka, 46 years old, holds a PH. D. degree in computer science from Stanford University. He joined SAP in 2002 and became a member of its Executive Board on February 7, 2010. Vishal leads SAP's products and innovation organization, with global responsibility for development and delivery of SAP's entire product portfolio including Applications, Analytics, Cloud, Database & Technology and Mobile. Vishal is also responsible for leading design and user experience for SAP and is responsible for driving all innovation globally. He leads the development and delivery of SAP's breakthrough in-memory platform, SAP HANA, which serves as the foundation and platform for SAP's solution portfolio as well as the company's broader ecosystem of customers, partners and developers. Before joining the Executive Board, he was the first Chief Technology Officer at SAP. Before joining SAP, he was responsible for platform technologies at Peregrine Systems, and prior to that he founded and led two start-ups - Bodha, Inc. and IBrain Software, and did research on Artificial Intelligence, Data and Information Management and Programming Models at Stanford University and Xerox Palo Alto Labs.

The members of the Executive Board of SAP AG as of December 31, 2013 that are members on other supervisory boards and comparable governing bodies of enterprises, other than SAP, in Germany and other countries, are set forth in Note (29) to our Consolidated Financial Statements. SAP AG has not entered into contracts with any member of the Executive Board that provide for benefits upon a termination of the employment of service of the member, apart from pensions, benefits payable in the event of an early termination of service, and abstention compensation for the postcontractual noncompete period.

To our knowledge, there are no family relationships among the Supervisory Board and Executive Board members.

COMPENSATION REPORT

Compensation for Executive and Supervisory Board Members

This compensation report outlines the criteria that we applied for the year 2013 to determine compensation for Executive Board and Supervisory Board members, discloses the amount of compensation paid, and describes the compensation systems. It also contains information about Executive Board members' share-based payment plans, shares held by Executive Board and Supervisory Board members, and the directors dealings required to be disclosed in accordance with the German Securities Trading Act.

Compensation for Executive Board Members

Compensation System for 2013

Executive Board members' compensation for 2013 is intended to reflect SAP's size and global presence as well as our economic and financial standing. The compensation level is internationally competitive to reward committed, successful work in a dynamic business environment.

The Executive Board compensation package is performance-based. In 2013, it had three elements:

A fixed annual salary

A variable short-term incentive (STI) plan to reward performance in the plan year

A Restricted Share Unit-based long-term incentive (LTI) plan tied to the price of SAP shares (RSU Milestone Plan 2015)
The Supervisory Board set a compensation target for the sum of the fixed and the variable elements. It reviews, and if appropriate revises, this compensation target every year. The review takes into account SAP's business performance and the compensation paid to board members at comparable companies on the international stage. The amount of variable compensation depends on SAP's performance against performance targets that the Supervisory Board sets for each plan year. The performance targets are key performance indicator (KPI) values aligned to the SAP budget for the plan year.

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The following criteria apply to the elements of Executive Board compensation for 2013:

The fixed element is paid as a monthly salary.

The variable compensation under the STI 2013 plan depends on the SAP Group's performance against the KPI target values for non-IFRS constant currency software revenue growth and non-IFRS constant currency operating margin increase as well as non-IFRS constant currency new and upsell billings. In addition, the STI element has a discretionary component that allows the Supervisory Board, after the end of the period in question, to address not only an Executive Board member's individual performance, but also SAP's performance in terms of market position, innovative power, customer satisfaction, employee satisfaction, and attractiveness as an employer. Moreover, if there has been any extraordinary and unforeseeable event the Supervisory Board can, at its reasonable discretion, retroactively adjust payouts up or down in the interest of SAP. On February 13, 2014, the Supervisory Board assessed SAP's performance against the agreed targets and determined the amount of STI payable. The STI pays out after the Annual General Meeting of Shareholders in May 2014.

The long-term incentive element is called the RSU Milestone Plan 2015. RSU stands for restricted share unit. This four-year plan focuses on the SAP share price and on certain objectives derived from our Company strategy for the years through 2015. For each of the four years, the members of the Executive Board are allocated a certain number of SAP RSUs for the respective year based on a budget amount that was granted to each Executive Board member in 2012 already for the years 2012 through 2015. The number of RSUs allocated to each member for a given year is his or her target amount (an amount in euros) for that year divided by the SAP share price over a reference period (defined in the RSU Milestone Plan 2015 terms) at the beginning of the year in question.

The number of RSUs an Executive Board member actually earns in respect of a given year depends on Company performance against the objectives for that year (a year is a performance period in the plan). The objectives derive from SAP's strategy for the period to 2015. The plan objectives relate to two key performance indicators (KPIs): our

non-IFRS total revenue and our non-IFRS operating profit. The KPI targets have already been set for the entire life of the RSU Milestone Plan 2015 for the years 2012 to 2015 and will merely be adjusted for the effects of key acquisitions.

After the end of each fiscal year, the Supervisory Board assesses the Company's performance against the objectives set for that year and determines the number of RSUs to be finally allocated to (and which then vest in) each Executive Board member. There are objective-based performance hurdles to clear each year before any RSUs can vest. There is also a cap: Normally, the quantity of vested RSUs a member can attain in respect of a plan year is capped at 150% of his or her initial RSU allocation for that year.

The Company strategy underlying the RSU Milestone Plan 2015 focuses on where SAP aims to be by 2015, so the plan gives greater weight to performance against the KPI targets for 2015 (the final year of the plan) than against the targets for 2012 through 2014. After the end of 2015, the number of vested RSUs a member of the Executive Board actually receives for that year is revised. In circumstances where the targets for the individual years are not achieved but the 2015 targets are achieved, the outcome of this revision would be that a member would receive as many vested RSUs for 2015 as would make up for any that he or she did not receive in the earlier years by reason of failure to achieve targets. On the other hand, if the Company underachieves against the 2015 objectives, Executive Board members may in a worst case scenario lose all of the vested RSUs allocated to them for 2015.

All vested RSUs are subject to a three-year holding period. The holding period commences at the end of the year for which the RSUs were allocated. The amount an RSU eventually pays out depends on the SAP share price at the end of the holding period. A member who leaves the Executive Board before the end of the plan retains his or her vested RSUs for completed plan years but does not retain any allocated but unvested RSUs for the year during which he or she leaves. If a member leaves the Executive Board before the beginning of the subsequent year, no RSUs are finally allocated.

Each vested RSU entitles its holder to a (gross) payout corresponding to the price of one SAP

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share after the end of the three-year holding period. The applicable share price is measured over a reference period defined in the RSU Milestone Plan 2015 terms.

Subject to the requirements in the German Stock Corporation Act, section 87 (1), the Supervisory Board is entitled to revise the STI and the LTI in extraordinary and unforeseeable circumstances.

For the terms and details of the RSU Milestone Plan 2015, see the Notes to Consolidated Financial Statements section, Note (27). The number of RSUs to be issued to each member of the Executive Board in 2013 by way of long-term incentive was decided by the Supervisory Board on February 14, 2013.

An additional long-term incentive plan (LTI HANA) has been dedicated to Vishal Sikka to align his remuneration to his new expanded role with regard to SAP HANA. The LTI HANA for the years 2013 to 2015 consists of three annual compensation components with an assessment period of three years that will be cash-settled after this period. The LTI HANA is linked to KPIs specific to SAP HANA.

The contracts of Executive Board members Bill McDermott, Lars Dalgaard, and Vishal Sikka include clauses that determine the exchange rates for the translation of euro-denominated compensation into U.S. dollars.

In 2010 and 2011, the Executive Board members were granted a variable medium-term incentive (MTI) plan to reward performance in the plan year and the two subsequent years. The variable compensation under the MTI 2011 granted for the fiscal year 2011 depends on the Group's performance over the three years 2011 to 2013 against the KPI target values for software and software-related service revenue growth and earnings per share (both of which are non-IFRS, constant currency values). In addition, the MTI element has a discretionary component that is assessed by the Supervisory Board at the end of the plan period. The close of the fiscal year 2013 represents the end of the plan period for the MTI 2011, and therefore the corresponding entitlement under the MTI 2011 is included in the compensation for the fiscal year 2013. The payment will be due after the Annual General Meeting of Shareholders in May 2014.

Executive Board Members Compensation for 2013

thousands	Fixed Elements		Performance-Related Element		Long-Term Incentive Element Share-Based Payment (RSU Milestone Plan 2015) ⁽²⁾	Compensation for 2013 ⁽¹⁾
	Salary	Other ⁽¹⁾	Short-Term and Medium-Term Incentive Elements	MTI 2011		
Bill McDermott (co-CEO)	1,150.0	1,570.5	1,737.2	1,011.1	4,143.5	9,612.3
Jim Hagemann Snabe (co-CEO)	1,150.0	6,082.9	1,737.2	1,011.1		9,981.2
Dr. Werner Brandt	700.0	29.0	1,051.5	611.0	1,486.4	3,877.9
Lars Dalgaard (until May 31, 2013) ⁽³⁾	291.7	203.3	469.1			964.1
Luisa Deplazes Delgado (until June 30, 2013) ⁽³⁾	350.0	26.1	421.0			797.1
Gerhard Oswald	700.0	17.0	1,051.5	611.0	1,486.4	3,865.9

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Dr. Vishal Sikka	700.0	383.6	1,051.5	611.0	1,486.4	4,232.5
Total	5,041.7	8,312.4	7,519.0	3,855.2	8,602.7	33,331.0

(1) Insurance contributions, benefits in kind, expenses for maintenance of two households, relocation costs, non-recurring payments, use of aircraft, tax, cash disbursement of long-term incentive element, discrete payments arising through application of the fixed exchange-rate clause. The effects from the application of the fixed exchange-rate clause are disclosed under Other (in the prior year under the different compensation components). Further, these amounts are shown in the year of payment rather than in the year of entitlement of the underlying compensation. The amount for Jim Hagemann Snabe under Other includes the fixed payments for the 2012 and 2013 RSUs according to the description below.

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- (2) Compensation attributable to Executive Board members for 2013 including the 2013 plan tranche of LTI 2015 based on the grant value at time of grant.
- (3) Salary and STI for 2013 are pro rata temporis amounts until the end of the respective term. The RSUs allocated for 2013 are forfeited upon the end of their contract.

In 2012, the Executive Board members already received the LTI grants for the years 2012 to 2015, which are dependent on their uninterrupted tenure as Executive Board members in the years in question. Although these allocations are tied to the respective years and thus from an economic perspective represent compensation for the Executive Board members in the respective years, for the purpose of disclosure in the Compensation Report the grants had to be included in the total compensation for Executive Board members for the year in which the grants were allocated (in 2012) pursuant to section 314 of the German Commercial Code (HGB). The share-based payment amounts in the table above disclose the LTI grants for the year 2013 that were already granted in 2012 and included in the total compensation for 2012. Consequently they are excluded from the total Executive Board compensation for 2013 (see second next paragraph) calculated as required under section 314 of the German Commercial Code.

Jim Hagemann Snabe resigned his seat on the Executive Board with effect from May 21, 2014 (Annual General Meeting of Shareholders). The SAP Supervisory Board will propose that he be elected to the SAP Supervisory Board by the SAP shareholders on the same day. Mr. Snabe's termination agreement provides as follows: To replace the payout for 2012 RSUs under the RSU Milestone Plan that on allocation in 2012 were valued 4,318,400 based on a stock price of 45.26, he will be paid 6,485,800 gross based on a stock price of 52.96 (that is, the mean of

the 2012 and 2013 reference prices) discounted at 2% because of early payment. Of that amount, 4,318,400, which was already allocated in 2012 and which was the grant value at time of grant, was already included in 2012 compensation. The difference of 2,167,400 is included in the total compensation for 2013 (see below). The RSUs allocated for 2013 were converted into a fixed payment of 3,768,300 (gross amount) based on a share price of 58.69, a target achievement of 92.97%, and it is discounted at an interest rate of 2% over the period to the original contractual disbursement date. This amount will be paid out after the close of the Annual General Meeting of Shareholders in May 2014.

To compensate for his 2014 RSUs, Mr. Snabe will receive a prorated payment of 1,700,000 in respect of the period he serves in 2014. This amount will also be paid out after the close of the Annual General Meeting of Shareholders in May 2014.

Including allocations for 2014 and 2015 to Gerhard Oswald (1,574,800 each) that were allocated in 2013 in line with the extension of his Executive Board contract, the total Executive Board compensation calculated as required under section 314 of the German Commercial Code amounts to 24,109,600, thereof: Bill McDermott 5,468,800, Jim Hagemann Snabe 6,212,900, Werner Brandt 2,391,500, Lars Dalgaard 964,100, Luisa Deplazes Delgado 797,100, Gerhard Oswald 5,529,100, and Vishal Sikka 2,746,100.

The share-based payment amounts in 2013 result from the following RSUs under the RSU Milestone Plan 2015.

Share-Based Payment Under RSU Milestone Plan 2015

	Quantity	Grants for 2013
		Total Grant Value at Time of Grant ⁽¹⁾ thousands
Bill McDermott (co-CEO)	73,289	4,143.5

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Jim Hagemann Snabe (co-CEO) ⁽²⁾		
Dr. Werner Brandt	26,290	1,486.4
Lars Dalgaard (until May 31, 2013) ⁽²⁾		
Luisa Deplazes Delgado (until June 30, 2013) ⁽²⁾		
Gerhard Oswald	26,290	1,486.4
Dr. Vishal Sikka	26,290	1,486.4
Total	152,159	8,602.7

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(1) The grant value of each RSU allocated in 2013 was 56.54.

(2) The allocations for Jim Hagemann Snabe (73,289 RSUs) were converted into a fixed payment. The allocations for Lars Dalgaard (26,290 RSUs) and Luisa Deplazes Delgado (21,562 RSUs) forfeited upon the end of their contract. Consequently they are not disclosed in the table above.

Total Executive Board Payment in 2012

thousands	Fixed Elements		Performance-Related Element		Long-Term Incentive Element Share-Based Payment (RSU Milestone Plan 2015) ^{(1),(3)}	Compensation for 2012 ⁽¹⁾
	Salary	Other ⁽²⁾	Short-Term and Medium-Term Incentive Elements	MTI 2010		
Bill McDermott (co-CEO)	1,150.0	699.6	1,545.7	1,067.6	4,318.4	8,781.3
Jim Hagemann Snabe (co-CEO)	1,150.0	163.8	1,545.7	1,067.6	4,318.4	8,245.5
Dr. Werner Brandt	700.0	26.7	935.5	645.1	1,549.1	3,856.4
Lars Dalgaard (from April 12, 2012)	503.6	0	674.8	0	1,156.2	2,334.6
Luisa Deplazes Delgado (from September 1, 2012)	233.3	96.4	193.9	0	414.4	938.0
Gerhard Oswald	700.0	16.5	935.5	645.1	1,549.1	3,846.2
Dr. Vishal Sikka	700.0	143.9	935.5	577.9	1,549.1	3,906.4
Total	5,136.9	1,146.9	6,766.6	4,003.3	14,854.7	31,908.4

(1) Compensation attributable to Executive Board members for financial year 2012 including the 2012 tranche of LTI 2015 based on the grant value at time of grant.

(2) Insurance contributions, benefits in kind, expenses for maintenance of two households, relocation costs, non-recurring payments, use of aircraft, tax, discrete payments arising through application of the fixed exchange-rate clause. The disclosure of payments arising through application of the fixed exchange-rate clause was adapted to the disclosure for 2013.

(3) Fair value at the time of grant.

In 2012, in addition to the LTI grant for 2012, Executive Board members already received the LTI grants for the years 2013 to 2015, which are dependent on their uninterrupted tenure as Executive Board members in the years in question. Although these allocations are tied to the respective years and thus from an economic perspective represent compensation for the Executive Board members in the respective years, for

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the purpose of disclosure in the Compensation Report the grants must be included in the total compensation for Executive Board members for the year in which the grants were allocated pursuant to section 314 of the German Commercial Code. Vesting of a plan tranche is dependent on the respective Executive Board member's continuous service for the Company in the respective fiscal year. In 2012, the contracts of Werner Brandt and Gerhard Oswald were set to expire in mid-2014, while the contracts of Lars Dalgaard and Luisa Deplazes Delgado were set to expire in mid-2015. As a result, the LTI allocations

for the years 2014 to 2015 (for Werner Brandt and Gerhard Oswald) and the LTI allocations for the year 2015 (for Lars Dalgaard and Luisa Deplazes Delgado) had not yet been allocated with legally binding force in 2012.

In 2012, additional grants for Executive Board members for future years were 4,390,000 for each co-CEO and 1,574,800 for each regular Executive Board member, in each of 2013, 2014, and 2015 (except Luisa Deplazes Delgado, who was supposed to receive 1,291,600 for the year 2013). The total compensation for 2012 pursuant to section 314 of the German Commercial Code, in other words, including this additional compensation as well as the long-term compensation tranches granted but not yet earned, amounted to 72,138,400, thereof: Bill McDermott 21,951,300, Jim Hagemann Snabe 21,415,500, Werner Brandt 5,431,200, Lars Dalgaard 5,484,200, Luisa Deplazes Delgado 3,804,400, Gerhard Oswald 5,421,000, and Vishal Sikka 8,630,800.

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Share-Based Payment Under RSU Milestone Plan 2015

	Quantity	Grants for 2012 Grant Value per Unit at Time of Grant	Total Grant Value at Time of Grant thousands
Bill McDermott (co-CEO)	95,414	45.26	4,318.4
Jim Hagemann Snabe (co-CEO)	95,414	45.26	4,318.4
Dr. Werner Brandt	34,226	45.26	1,549.1
Lars Dalgaard (from April 12, 2012)	24,594	47.01	1,156.2
Luisa Deplazes Delgado (from September 1, 2012)	8,332	49.73	414.4
Gerhard Oswald	34,226	45.26	1,549.1
Dr. Vishal Sikka	34,226	45.26	1,549.1
Total	326,432		14,854.7

End-of-Service Benefits***Regular End-of-Service Undertakings*****Retirement Pension Plan**

The following retirement pension agreements apply to the individual members of the Executive Board:

Werner Brandt, Luisa Deplazes Delgado (who stepped down on June 30, 2013), and Gerhard Oswald receive a retirement pension when they reach the retirement age of 60 and vacate their Executive Board seat, or a disability pension if, before reaching the regular retirement age, they become subject to occupational disability or permanent incapacity. A surviving dependent's pension is paid on the death of a former member of the Executive Board. The disability pension is 100% of the vested retirement pension entitlement and is payable until the beneficiary's 60th birthday, after which it is replaced by a retirement pension. The surviving dependent's pension is 60% of the retirement pension or vested disability pension entitlement at death. Entitlements are enforceable against SAP AG. Current pension payments are reviewed annually for adjustments and, if applicable, increased according to the surplus in the pension liability insurance. If service is ended before the retirement age of 60 is reached, pension entitlement is reduced in proportion as the actual length of service stands in relation to the maximum possible length of service.

The applied retirement pension plan is contributory. The contribution is 4% of

applicable compensation up to the applicable income threshold plus 14% of applicable compensation above the applicable income threshold. For this purpose, applicable compensation is 180% of annual base salary. The applicable income threshold is the statutory annual income threshold for the state pension plan in Germany (West), as amended from time to time.

Originally, Gerhard Oswald was under a performance-based retirement plan. This plan was discontinued when SAP introduced a contributory retirement pension plan in 2000. His pension benefits are derived from any accrued entitlements on December 31, 1999, under performance-based pension agreements and a salary-linked contribution for the period commencing January 1, 2000. Gerhard Oswald's rights to

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retirement pension benefits will increase by further annual contributions because he will remain a member of the Executive Board after his 60th birthday until his retirement on December 31, 2016.

Werner Brandt's rights to retirement pension benefits will increase by further contributions as he will remain a member of the Executive Board after his 60th birthday until his retirement on June 30, 2014.

Bill McDermott has rights to future benefits under the portion of the SAP America pension plan classified as Non-Qualified Retirement Plan according to the U.S. Employee Retirement Income Security Act (ERISA). The Non-Qualified pension plan of SAP America is a cash balance plan that on retirement provides either monthly pension payments or a lump sum. The pension becomes available from the

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beneficiary's 65th birthday. Subject to certain conditions, the plan also provides earlier payment or invalidity benefits. The Non-Qualified pension plan closed with effect from January 1, 2009. Interest continues to be paid on the earned rights to benefits within this plan.

SAP made contributions to a third-party pension plan for Bill McDermott and Vishal Sikka. SAP's contributions are based on Bill McDermott's and Vishal Sikka's payments into this pension plan. In 2013, SAP paid contributions for Bill McDermott totaling \$698,400 (2012: \$1,053,600) and for Vishal Sikka totaling \$153,900 (2012: \$215,300).

Instead of paying for entitlements under the pension plan for Executive Board members, SAP pays equivalent amounts to a non-SAP pension plan for Jim Hagemann Snabe. In 2013, SAP paid contributions totaling \$282,900 (2012: \$283,400).

Lars Dalgaard has no entitlements under the pension plan for Executive Board members. SAP made no retirement pension plan contributions to a third-party pension plan with respect to Lars Dalgaard in 2013.

Total Projected Benefit Obligation (PBO) and the Total Accruals for Pension Obligations to Executive Board Members

thousands	Bill		Luisa Deplazes	Gerhard Oswald	Dr. Vishal Sikka ⁽¹⁾	Total
	Mc Dermott (co-CEO) ⁽¹⁾	Dr. Werner Brandt	Delgado (until June 30, 2013)			
PBO January 1, 2012	1,139.5	1,499.7	NA	4,485.5	53.1	7,177.8
Less plan assets market value January 1, 2012	56.6	1,131.0	NA	3,811.2	48.5	5,047.3
Accrued January 1, 2012	1,082.9	368.7	NA	674.3	4.6	2,130.5
PBO change in 2012	64.4	541.8	55.1	1,231.3	53.1	1,710.7
Plan assets change in 2012	56.6	217.0	48.3	383.3	48.5	543.5
PBO December 31, 2012	1,075.1	2,041.5	55.1	5,716.8	0	8,888.5
Less plan assets market value December 31, 2012	0	1,348.0	48.3	4,194.5	0	5,590.8
Accrued December 31, 2012	1,075.1	693.5	6.8	1,522.3	0	3,297.7
PBO change in 2013	32.4	96.0	25.2	99.7	0	188.5
Plan assets change in 2013	0	226.2	76.5	456.8	0	759.5
PBO December 31, 2013	1,042.7	2,137.5	80.3	5,816.5	0	9,077.0
Less plan assets market value December 31, 2013	0	1,574.2	124.8	4,651.3	0	6,350.3
Accrued December 31, 2013	1,042.7	563.3	44.5	1,165.2	0	2,726.7

⁽¹⁾ Prior to May 18, 2012, the qualified portion of the SAP America pension plan was terminated and account balances transferred to third-party pension accounts.

The table below shows the annual pension entitlement of each member of the Executive Board on reaching age 60 based on entitlements from SAP under performance-based and salary-linked plans vested on December 31, 2013.

Annual Pension Entitlement

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thousands	Vested on December 31, 2013	Vested on December 31, 2012
Bill McDermott (co-CEO) ⁽¹⁾	88.4	78.1
Dr. Werner Brandt	89.8 ⁽²⁾	88.2
Luisa Deplazes Delgado (until June 30, 2013) ⁽³⁾	5.8	2.3
Gerhard Oswald	267.9 ⁽⁴⁾	259.9 ⁽⁵⁾

⁽¹⁾ The rights shown here for Bill McDermott refer solely to rights under the SAP America pension plan.

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- (2) Due to the last extension of Werner Brandt's contract beyond his 60th birthday, this value represents the retirement pension entitlement that he would receive after his current Executive Board contract expires on June 30, 2014, based on the entitlements vested on December 31, 2013.
- (3) Due to changes in tax regulations in Germany, for commitments after January 1, 2012, the minimum age to receive pension payments increased to age 62. The value shown for Luisa Deplazes Delgado for 2013 represents the retirement pension entitlement that she would receive at the age of 62 based on the entitlements vested by the end of her contract.
- (4) Due to the most recent extension of Gerhard Oswald's contract beyond June 30, 2014, this value represents the retirement pension entitlement that he would receive after his current Executive Board contract expires on December 31, 2016, based on the entitlements vested on December 31, 2013.
- (5) Due to the last extension of Gerhard Oswald's contract beyond his 60th birthday, this value represents the retirement pension entitlement that he would receive after his current Executive Board contract expires on June 30, 2014, based on the entitlements vested on December 31, 2012.

These are vested entitlements. To the extent that members continue to serve on the Executive Board and that therefore more contributions are made for them in the future, pensions actually payable at the age of 60 will be higher than the amounts shown in the table.

Postcontractual Non-Compete Provisions

During the agreed 12-month postcontractual non-compete period, each Executive Board member receives abstention payments corresponding to 50% of his or her final average contractual compensation as agreed in the respective contract on an individual basis. Any other occupational income generated by the Executive Board member will be deducted from his compensation in

accordance with section 74c of the German Commercial Code.

The following table presents the net present values of the postcontractual non-compete abstention payments. The net present values in the table reflect the discounted present value of the amounts that would be paid in the fictitious scenario in which the Executive Board members leave SAP at the end of their respective current contract terms and their final average contractual compensation prior to their departure equals the compensation in 2013. Actual postcontractual non-compete payments will likely differ from these amounts depending on the time of departure and the compensation levels and target achievements at the time of departure.

Net Present Values of the Postcontractual Non-Compete Abstention Payments

thousands	Contract Term Expires	Net Present Value of Postcontractual Non-Compete Abstention Payment
Bill McDermott (co-CEO)	June 30, 2017	4,534.1
Dr. Werner Brandt	June 30, 2014	1,933.3

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Gerhard Oswald	December 31, 2016	1,846.3
Dr. Vishal Sikka	December 31, 2017	1,958.9
Total		10,272.6

After his resignation as a member of the Executive Board, Jim Hagemann Snabe will receive monthly abstention compensation over a period of twelve

months for the postcontractual non-compete period totaling 3,015,500 (gross).

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Early End-of-Service Undertakings

Severance Payments

The standard contract for all Executive Board members provides that on termination before full term (for example, where the member's appointment is revoked, where the member becomes occupationally disabled, or in connection with a change of control), SAP AG will pay to the member the outstanding part of the compensation target for the entire remainder of the term, appropriately discounted for early payment. A member has no claim to that payment if he or she has not served SAP as a member of its Executive Board for at least one year or if he or she leaves SAP AG for reasons for which he or she is responsible.

If an Executive Board member's appointment to the Executive Board expires or ceases to exist because of, or as a consequence of, change or restructuring, or due to a change of control, SAP AG and each Executive Board member has the right to terminate the employment contract within eight weeks of the occurrence by giving six months' notice. A change of control is deemed to occur when a third party is required to make a mandatory takeover offer to the shareholders of SAP AG under the German Securities Acquisition and Takeover Act, when SAP AG merges with another company and becomes the subsumed entity, or when a control or profit transfer agreement is concluded with SAP AG as the dependent company. An Executive Board member's contract can also be terminated before full term if his or her appointment as an SAP AG Executive Board member is revoked in connection with a change of control.

Postcontractual Non-Compete Provisions

Abstention compensation for the postcontractual non-compete period as described above is also payable on early contract termination.

Permanent Disability

In case of permanent disability, the contract will end at the end of the quarter in which the permanent inability to work was determined. The Executive Board member receives the monthly basic salary for a further 12 months starting from the date the permanent disability is determined.

Payments to Executive Board Members Retiring in 2013

Luisa Deplazes Delgado resigned from her position as Executive Board member with effect from June 30, 2013, with the approval of the Supervisory Board. Lars Dalgaard resigned from his position as Executive Board member with effect from May 31, 2013, with the approval of the Supervisory Board. The postcontractual non-compete provision in both contracts has been canceled without compensation.

Payments to Former Executive Board Members

In 2013, we paid pension benefits of 1,387,000 to Executive Board members who had retired before January 1, 2013 (2012: 1,360,000). At the end of the year, the PBO for former Executive Board members was 29,181,000 (2012: 30,551,000). Plan assets of 26,015,000 are available to service these obligations (2012: 26,054,000).

Executive Board Members Long-Term Incentives

Members of the Executive Board hold or held throughout the year share-based payment rights under the RSU Milestone Plan 2015 and the SAP SOP 2010 (which were granted in previous years). For information about the terms and details of these programs, see the Notes to the Consolidated Financial Statements section, Note (27).

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RSU Milestone Plan 2015

The table below shows Executive Board members' holdings, on December 31, 2013, of restricted share units issued to them under the RSU Milestone Plan 2015. The plan is a cash-settled long-term incentive scheme with a payout subsequent to a performance period of one year and an additional holding period of three years. The RSU Milestone Plan 2015 consists of four plan tranches to be issued with respect to the calendar years 2012 through 2015.

RSU Milestone Plan 2015

Quantity of RSUs	Holding on January 1, 2013	Grants in 2013	Performance- Related Adjustment	Exercised Units	Forfeited Units	Holding on December 31, 2013
Bill McDermott (co-CEO)	127,425	73,289	5,152			195,562
Jim Hagemann Snabe (co-CEO) ⁽¹⁾	127,425	73,289	5,152	195,562		
Dr. Werner Brandt	45,709	26,290	1,848			70,151
Lars Dalgaard (until May 31, 2013)	32,845	26,290			26,290	32,845
Luisa Deplazes Delgado (until June 30, 2013)	11,127	21,562			21,562	11,127
Gerhard Oswald	45,709	26,290	1,848			70,151
Dr. Vishal Sikka	45,709	26,290	1,848			70,151
Total	435,950	273,300	15,849	195,562	47,852	449,987

⁽¹⁾ According to the termination agreement with Jim Hagemann Snabe, the 2012 and 2013 grants will be paid out after the close of the Annual General Meeting of Shareholders on May 21, 2014 based on a fixed share price of \$52.96 for the 2012 grants and \$58.69 for the 2013 grants. The holding of RSUs on December 31, 2013, that were issued and not forfeited in 2013, reflects the number of RSUs multiplied by the 92.97% target achievement. The RSUs allocated in 2012 have a remaining term of 2.08 years, the RSUs allocated in 2013 have a remaining term of 3.08 years.

RSU Milestone Plan 2015 (2012 Tranche)

Quantity of RSUs	Holding on January 1, 2012	Grants in 2012	Performance- Related Adjustment	Exercised Units	Forfeited Units	Holding on December 31, 2012
Bill McDermott (co-CEO)		95,414	32,011			127,425
Jim Hagemann Snabe (co-CEO)		95,414	32,011			127,425
Dr. Werner Brandt		34,226	11,483			45,709
Lars Dalgaard (from April 12, 2012)		24,594	8,251			32,845
Luisa Deplazes Delgado (from September 1, 2012)		8,332	2,795			11,127
Gerhard Oswald		34,226	11,483			45,709
Dr. Vishal Sikka		34,226	11,483			45,709

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Total	326,432	109,518	435,950
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The holding on December 31, 2012, reflects the number of RSUs issued in 2012 multiplied by the 133.55% target achievement.

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SAP SOP 2010

The table below shows Executive Board members' holdings, on December 31, 2013, of virtual share options issued to them under the SAP SOP 2010 since its inception. The strike price for an option is 115% of the base price. The issued options have a term of seven years and can only be exercised on specified dates after the vesting period. The options issued in 2010 are exercisable beginning in September 2014 and the options issued in 2011 are exercisable beginning in June 2015.

SAP SOP 2010 Virtual Share Options

	Year Granted	Holding on January 1, 2013		Strike Price per Option	Rights Exercised in 2013 Quantity of Options	Price on Exercise Date	Exercisable Rights of Retired Members of the Executive Board Quantity of Options	Holding on December 31, 2013	
		Quantity of Options	Remaining Term in Years					Quantity of Options	Remaining Term in Years
Bill McDermott (co-CEO)	2010	135,714	4.69	40.80				135,714	3.69
	2011	112,426	5.44	48.33				112,426	4.44
Jim Hagemann Snabe (co-CEO)	2010	135,714	4.69	40.80				135,714	3.69
	2011	112,426	5.44	48.33				112,426	4.44
Dr. Werner Brandt	2010	82,428	4.69	40.80				82,428	3.69
	2011	68,284	5.44	48.33				68,284	4.44
Gerhard Oswald	2010	82,428	4.69	40.80				82,428	3.69
	2011	68,284	5.44	48.33				68,284	4.44
Dr. Vishal Sikka	2010	82,428	4.69	40.80				82,428	3.69
	2011	68,284	5.44	48.33				68,284	4.44
Total		948,416						948,416	

Total Expense for Share-Based Payment

In the report year and the prior year, total expense for the share-based payment plans of Executive Board members was recorded as follows.

Total Expense for Share-Based Payment

thousands	2013	2012
Bill McDermott (co-CEO)	1,529.7	16,239.0
Jim Hagemann Snabe (co-CEO)	2,967.0	16,239.0
Dr. Werner Brandt	1,042.9	4,998.1
Lars Dalgaard (until May 31, 2013)	2,264.2	4,239.6
Luisa Deplazes Delgado (until June 30, 2013)	2,126.4	2,795.6
Gerhard Oswald	376.0	6,417.0
Dr. Vishal Sikka	376.0	6,500.3

Total	8,596.4	57,428.6
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The expense is recognized in accordance with IFRS 2 Share-Based Payments . Because the RSU Milestone Plan 2015 tranches for 2014 to 2015 were allocated at the beginning of 2012, we are required to recognize them in part in 2013 even though these future tranches depend on the achievement of specific financial targets in future periods.

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Shareholdings and Transactions of Executive Board Members

No member of the Executive Board holds more than 1% of the ordinary shares of SAP AG. Members of the Executive Board held a total of 30,201 SAP shares on December 31, 2013 (2012: 35,271 shares).

The table below shows transactions by Executive Board members and persons closely associated with them notified to SAP pursuant to the German Securities Trading Act, section 15a, in 2013.

Transactions in SAP Shares

	Transaction Date	Transaction	Quantity	Unit Price
Dr. Werner Brandt	June 10, 2013	Share purchase	800	58.5900
	November 26, 2013	Share sale	11,000	60.9000
Gerhard Oswald	June 11, 2013	Share purchase	815	57.5260
Jim Hagemann Snabe (co-CEO)	July 22, 2013	Share purchase	1,815	55.2038
Bill McDermott (co-CEO)	July 23, 2013	Purchase of ADRs	1,500	US\$72.8400
Dr. Vishal Sikka	September 11, 2013	Purchase of ADRs	1,000	US\$72.5800

Executive Board: Other Information

We did not grant any compensation advance or credit to, or enter into any commitment for the benefit of, any member of our Executive Board in 2013 or the previous year.

As far as the law permits, SAP AG and its affiliated companies in Germany and elsewhere indemnify and hold harmless their respective directors and officers against and from the claims of third parties. To this end, we maintain directors' and officers' (D&O) group liability insurance. The policy is annual and is renewed from year to year. The insurance covers the personal liability of the insured group for financial loss caused by its managerial acts and omissions. The current D&O policy includes an individual deductible for Executive Board members of SAP AG as required by section 93 (2) of the German Stock Corporation Act.

Compensation for Supervisory Board Members***Compensation System***

Supervisory Board members' compensation is governed by our Articles of Incorporation, section 16. Each member of the Supervisory Board receives, in addition to the reimbursement of his or her expenses, compensation composed of fixed elements and a variable element. The variable element depends on the dividend paid by SAP on its shares.

The fixed element is 100,000 for the chairperson, 70,000 for the deputy chairperson, and 50,000 for other members. For membership of the Audit Committee, Supervisory Board members receive additional fixed annual remuneration of 15,000, and for membership of any other Supervisory Board committee 10,000, provided that the committee concerned has met in the year. The chairperson of the Audit Committee

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receives 25,000, and the chairpersons of the other committees receive 20,000. The fixed remuneration is payable after the end of the year.

The variable compensation element is 10,000 for the chairperson, 8,000 for the deputy chairperson, and 6,000 for the other members of the Supervisory Board for each 0.01 by which the dividend distributed per share exceeds 0.40. The variable remuneration is payable after the end of the Annual General Meeting of Shareholders that resolves on the dividend for the relevant year.

However, the aggregate compensation excluding compensation for committee memberships must not exceed 250,000 for the chairperson, 200,000 for the deputy chairperson, and 150,000 for other members of the Supervisory Board.

Any members of the Supervisory Board having served for less than the entire year receive one-twelfth of the annual remuneration for each month of service commenced. This also applies to the increased compensation of the chairperson and the deputy chairperson and to the remuneration for the chairperson and the members of a committee.

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Amount of Compensation

Subject to the resolution on the appropriation of retained earnings by the Annual General Meeting of Shareholders on May 21, 2014, the compensation paid to Supervisory Board members in respect of 2013 will be as set out in the table below.

Supervisory Board Members Compensation in 2013

thousands	2013				2012			
	Fixed Compensation	Compensation for Committee Work	Variable Compensation	Total	Fixed Compensation	Compensation for Committee Work	Variable Compensation	Total
Prof. Dr. h.c. mult. Hasso Plattner (chairperson)	100.0	81.7	150.0	331.7	100.0	60.0	150.0	310.0
Christiane Kuntz-Mayr (deputy chairperson)	70.0	10.8	130.0	210.8	67.5	10.0	128.3	205.8
Pekka Ala-Pietilä	50.0	30.0	100.0	180.0	50.0	20.0	100.0	170.0
Panagiotis Bissirtsas	50.0	20.0	100.0	170.0	50.0	24.2	100.0	174.2
Prof. Anja Feldmann	50.0	10.8	100.0	160.8	33.3	6.7	66.7	106.7
Prof. Dr. Wilhelm Haarmann	50.0	40.8	100.0	190.8	50.0	30.0	100.0	180.0
Margret Klein-Magar	50.0	20.0	100.0	170.0	33.3	6.7	66.7	106.7
Lars Lamadé	50.0	20.8	100.0	170.8	62.5	10.0	120.8	193.3
Bernard Liautaud	50.0	30.0	100.0	180.0	50.0	16.7	100.0	166.7
Dr. h. c. Hartmut Mehdorn	50.0	10.8	100.0	160.8	50.0	10.0	100.0	160.0
Dr. Kurt Reiner	50.0	20.0	100.0	170.0	33.3	13.3	66.7	113.3
Mario Rosa-Bian	50.0	9.2	100.0	159.2	33.3	6.7	66.7	106.7
Dr. Erhard Schipporeit	50.0	35.0	100.0	185.0	50.0	25.0	100.0	175.0
Stefan Schulz	50.0	25.8	100.0	175.8	50.0	24.2	100.0	174.2
Inga Wiele	50.0	25.0	100.0	175.0	33.3	16.7	66.7	116.7
Prof. Dr.-Ing. Dr.-Ing. E.h. Klaus Wucherer	50.0	25.0	100.0	175.0	50.0	20.0	100.0	170.0
Compensation for former Supervisory Board Members	NA	NA	NA	NA	104.0	39.7	208.5	352.2
Total	870.0	415.8	1,680.0	2,965.8	900.8	339.6	1,740.8	2,981.3

In addition, we reimburse members of the Supervisory Board for their expenses and the value-added tax payable on their compensation.

The total compensation of all Supervisory Board members in 2013 for work for SAP excluding compensation relating to the office of Supervisory Board member was 1,176,200 (2012: 1,083,500). Those amounts are composed entirely of remuneration received by employee representatives on the Supervisory Board relating to their position as SAP employees in 2013 and 2012, respectively.

Supervisory Board member Wilhelm Haarmann practiced as a partner in the law firm HAARMANN Partnerschaftsgesellschaft in Frankfurt am Main, Germany, until February 2013. In February 2013, he was elected a partner in Linklaters LLP in Frankfurt am Main, Germany. Wilhelm Haarmann occasionally advises SAP on particular projects, tax matters, and questions of law. Before Mr. Haarmann joined Linklaters LLP, SAP had already received consulting services from Linklaters and will continue to do so. In 2013, the fees for such services totaled 327,500 (2012: 9,400).

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Long-Term Incentives for the Supervisory Board

We do not offer members share options or other share-based payment for their Supervisory Board work. Any share options or other share-based payment received by employee-elected members relate to their position as SAP employees and not to their work on the Supervisory Board.

Shareholdings and Transactions of Supervisory Board Members

Supervisory Board chairperson Hasso Plattner and the companies he controlled held 119,300,882 SAP shares on December 31, 2013 (December 31, 2012: 121,348,807 SAP shares), representing 9.711% (2012: 9.878%) of SAP's share capital. No other member of the Supervisory Board held more than 1% of the SAP AG share capital at the end of 2013 or of the previous year. Members of the Supervisory Board held a total of 119,316,444 SAP shares on December 31, 2013 (December 31, 2012: 121,363,858 SAP shares).

The table below shows transactions by Supervisory Board members and persons closely associated with them notified to SAP pursuant to the German Securities Trading Act, section 15a, in 2013:

Transactions in SAP Shares

	Transaction Date	Transaction	Quantity	Unit Price in
Christian Wiele	August 23, 2013	Share sale	116	57.2600
Inga Wiele	August 26, 2013	Share sale	92	57.3500
Margret Klein-Magar	August 26, 2013	Share sale	132	57.0400
Mario Rosa-Bian	August 27, 2013	Share sale	130	57.3500
Hasso Plattner	October 24, 2013	Share sale	(1)	(1)

(1) The notifying party (Hasso Plattner GmbH & Co. Beteiligungs-KG) concluded a contract with a bank acting as commission agent for the monthly sale of SAP shares with a fair value of 10,000,000 per month. The sale will be carried out at the bank's own discretion in the stock market or over the counter, during December 2013 through November 2014. With this transaction a program running since November 2012 will be continued (see notification on November 30, 2012). Price: Targeted is the volume-weighted average (stock market) price of the SAP share on the relevant day of sale. Number of items: Total amount traded divided by the relevant sale price of the sold shares.

Supervisory Board: Other Information

We did not grant any compensation advance or credit to, or enter into any commitment for the benefit of, any member of our Supervisory Board in 2013 or the previous year.

Hasso Plattner, the chairperson of the Supervisory Board, entered into a consulting contract with SAP after he joined the Supervisory Board in May 2003. The contract does not provide for any

compensation. The only cost we incurred under the contract was the reimbursement of expenses.

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As far as the law permits, we indemnify Supervisory Board members against, and hold them harmless from, claims brought by third parties. To this end, we maintain directors and officers (D&O) group liability insurance. The current D&O policy does not include an individual deductible for Supervisory Board members as envisaged in the German Corporate Governance Code.

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EMPLOYEES

Headcount

Note (7) to our Consolidated Financial Statements presents the number of employees, measured in full-time equivalents by functional area and by geographic region.

On December 31, 2013, we had 66,572 full-time equivalent (FTE) employees worldwide (December 31, 2012: 64,422). This represents an increase in headcount of 2,150 FTEs in comparison to 2012. Of the overall headcount increase in 2013, 1,111 resulted from acquisitions. The average number of employees in 2013 was 65,409 (2012: 61,134).

We define the FTE headcount as the number of people we would employ if we only employed people on full-time employment contracts. Students employed part-time and certain individuals who are employed by SAP but who, for various reasons, are not currently working are excluded from our figures. Also, temporary employees are not included in the above figures. The number of such temporary employees is not material.

On December 31, 2013, the largest number of SAP employees (47%) were employed in the EMEA region (including 26% in Germany and 21% in other countries in the region), while 29% were employed in the Americas region (including 20% in the United States and 9% in other countries in the region) and 24% in the APJ region.

Our worldwide headcount in the field of software and software-related services grew 7% to 11,261 FTEs (2012: 10,551). Cloud operations and support accounted for most of the increase. Professional services and other services counted 14,629 FTEs at the end of 2013 – an increase of 3% (2012: 14,259). Most of this increase was in consulting. A shift in the focus of our industry solutions led to some movement of employees from research and development to sales and marketing, resulting in a 1% headcount decrease to 17,804 FTEs (2012: 18,012) in research and development and a 6% headcount increase to 15,824 FTEs (2012: 14,899) in sales and marketing. Mainly as a result of our acquisition of hybris, general and administration headcount rose 7% to 4,566 FTEs at the end of the year (2012: 4,286). Our infrastructure employees, who provide IT and facility management services, numbered 2,488 FTEs – an increase of 3% (2012: 2,415) that mainly resulted from our

acquisitions and investments in our company IT.

In the Americas region, headcount (FTEs) increased by 445, or 2%; in the EMEA region, the increase was 1,236, or 4%; and in the APJ region, it was 469, or 3%.

Our personnel expense per employee decreased to approximately \$114,000 in 2013 (2012: approximately \$119,000). The decrease is primarily related to foreign exchange effects as the majority of our employees is located outside of the eurozone and paid in local currency. The personnel expense per employee is defined as the personnel expense divided by the average number of employees. For more information about employee compensation and a detailed overview of the number of people SAP employed, see the Notes to the Consolidated Financial Statements section, Note (7).

Employee Relations and Labor Unions

On a worldwide basis, we believe that our employee relations are excellent.

On the legal entity level, the SAP AG works council represents the employees of SAP AG with 39 members; the employees of SAP Deutschland AG & Co. KG (SAP Germany) are represented by a works council with 31 members. For different areas of co-determination the entity-level works councils have elected committees. By law the works councils are entitled to consultation and, in some areas, to co-determination rights concerning labor conditions at SAP AG and SAP Germany. Other employee representatives include the group works council currently having seven members (members of the works councils of SAP AG and SAP Germany), the representatives of severely disabled persons in all entities and on group level (Germany) and the spokespersons committee as the representation of the executives.

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Employees of SAP France S.A. and SAP Labs France S.A. are subject to a collective bargaining agreement. Each of SAP France S.A., SAP Labs France S.A. and b-process France are represented by a French works council. A French works council is responsible for protecting the employees' collective interests by ensuring that management considers the interests of employees in making decisions on behalf of the company. A French works council is entitled to certain company information and to consult with management on matters that are expected to have an impact on

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company structure or on the employees it represents. The union negotiates agreements with SAP France S.A. and SAP Labs France S.A. Some negotiations are compulsory under law. The staff representatives are obligated to present all individual or collective complaints regarding salary, policies or agreements between the employees and the company in question.

In addition, the employees of our subsidiaries SAP Espana S.A., SAP Belgium N.V., SAP Nederland B.V., and SAP Italia S.p.A. are also represented by works councils. Each of SAP (UK) Limited and SAP Ireland Limited has an employee consultation forum which represents the employees' interests. Furthermore, there are workers representatives in Slovenia at SAP Systems, Applications and Products for Data Processing Ltd.

In September 2012 the SAP European Works Council (EWC) was established and held its constituent meeting. The EWC represents all employees of SAP within the European Union. By law and agreement with SAP the EWC is entitled to receive information and consult on transnational matters.

Employees of SAP Brazil and SAP Labs Brazil are represented by a specific union related to Technology companies and subject to a collective bargaining agreement.

For Argentina, there is a legal requirement under which all employees have to be affiliated to the Union indicated by the government. However, for the IT Industry, as of 2014, no Union had completed all registration procedures with the Ministry of Labor and the IT Chamber, to be recognized by the Government as the Industry Union.

SHARE OWNERSHIP

Beneficial Ownership of Shares

The ordinary shares beneficially owned by the persons listed in Item 6. Directors, Senior Management and Employees' Compensation Report is disclosed in Item 7. Major Shareholders and Related-Party Transactions' Major Shareholders.

SHARE-BASED COMPENSATION PLANS

Share-Based Compensation

We maintain certain share-based compensation plans. The share-based compensation from these plans result from cash-settled and equity-settled awards issued to employees. For more information on our share-based compensation plans refer to Item 6. Directory, Senior Management and Employees' Compensation Report and Note (27) to our Consolidated Financial Statements.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED-PARTY TRANSACTIONS

MAJOR SHAREHOLDERS

The share capital of SAP AG consists of ordinary shares, which are issued only in bearer form. Accordingly, SAP AG generally cannot determine the identity of its shareholders or how many shares a particular shareholder owns. SAP's ordinary shares are traded in the United States by means of ADRs. Each ADR currently represents one SAP AG ordinary share. On March 7, 2014, based on information provided by the Depositary there were 54,741,215 ADRs held of record by 1,028 registered holders. The ordinary shares underlying such ADRs represented 4.46% of the then-outstanding ordinary shares (including treasury stock). Because SAP's ordinary shares are issued in bearer form only, we are unable to determine the number of ordinary shares directly held by persons with U.S. addresses.

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The following table sets forth certain information regarding the beneficial ownership of the ordinary shares to the extent known to SAP as of March 7, 2014 of: (i) each person or group known by SAP AG to own beneficially 5% or more of the outstanding ordinary shares; and (ii) the beneficial ownership of all members of the Supervisory Board and all members of the Executive Board,

individually and as a group, in each case as reported to SAP AG by such persons. There was, as far as we are able to tell given the nature of our shares, no significant change in the percentage ownership held by any major shareholder during the past three years. None of the major shareholders have special voting rights.

Major Shareholders	Ordinary Shares Beneficially Owned	
	Number	% of Outstanding
Dietmar Hopp, collectively ⁽¹⁾	65,273,200	5.313%
Hasso Plattner, Chairperson Supervisory Board, collectively ⁽²⁾	118,787,272	9.669%
Klaus Tschira, collectively ⁽³⁾	92,079,595	7.495%
Executive Board Members as a group (5 persons)	30,201	0.002%
Supervisory Board Members as a group (16 persons)	118,802,834	9.671%
Executive Board Members and Supervisory Board Members as a group (21 persons) ⁽⁴⁾	118,833,035	9.673%
Options and convertible bonds that are vested and exercisable within 60 days of March 7, 2014, held by Executive Board Members and Supervisory Board Members, collectively	0	NA
BlackRock, Inc. ⁽⁵⁾	NA	>5%

(1) Represents 65,273,200 ordinary shares beneficially owned by Dietmar Hopp, including 3,404,000 ordinary shares owned by DH Besitzgesellschaft mbH & Co. KG (formerly known as Golf Club St. Leon-Rot GmbH & Co. Betriebs-oHG) of which DH Verwaltungs-GmbH is the general partner and 61,869,200 ordinary shares owned by Dietmar Hopp Stiftung, GmbH. Mr. Hopp exercises voting and dispositive powers of the ordinary shares held by such entities. The foregoing information is based solely on a Schedule 13G filed by Dietmar Hopp and Dietmar Hopp Stiftung, GmbH on February 14, 2014.

(2) Includes Hasso Plattner Förderstiftung GmbH and Hasso Plattner GmbH & Co. Beteiligungs-KG in which Hasso Plattner exercises sole voting and dispositive power.

(3) Includes Klaus Tschira Stiftung gGmbH and Dr. h. c. Tschira Beteiligungs GmbH & Co. KG in which Klaus Tschira exercises sole voting and dispositive power.

(4) We believe each of the other members of the Supervisory Board and the Executive Board beneficially owns less than 1% of SAP AG's ordinary shares as of March 7, 2014.

(5) As required under German law, BlackRock, Inc. informed SAP that they own more than 5% of SAP's outstanding ordinary shares. BlackRock, Inc. is not required to provide SAP with the number of shares owned and has not provided such information.

We at present have no knowledge about any arrangements, the operation of which may at a subsequent date result in a change in control of the company.

RELATED-PARTY TRANSACTIONS

For further information on related-party transactions see Note (30) to our Consolidated Financial Statements.

ITEM 8. FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

See Item 18. Financial Statements and pages F-1 through F-105.

OTHER FINANCIAL INFORMATION

Legal Proceedings

We are subject to a variety of legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business, including claims and lawsuits involving businesses we have acquired.

In 2010, we recorded a provision of US\$1.3 billion for the TomorrowNow litigation. When the trial judge set aside the 2010 verdict and offered Oracle a remittitur of US\$272 million, we subsequently reduced the provision to

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US\$272 million. Oracle did not accept the remittitur; rather, Oracle opted for a second trial. Prior to the second trial, the parties stipulated to a final judgment of US\$306 million with each party reserving all appeal rights. Consequently, we increased the provision to US\$306 million. Since then, both parties have filed their respective notice of appeal. On appeal, Oracle is seeking three forms of relief: (1) reinstatement of the November 2010 \$1.3 billion verdict; (2) as a first alternative, a new trial at which Oracle may again seek hypothetical license damages (based in part on evidence of alleged saved development costs) plus SAP's alleged infringer's profits without any deduction of expenses (Oracle does not put a number on its claim for the requested new trial); and (3) as a second alternative, increase of the remittitur (alternative to new trial) to \$408.7 million (vs. the \$272 million Oracle had previously rejected). SAP has dismissed its cross-appeal. A hearing on Oracle's appeal is scheduled for May 13, 2014.

In April 2007, Versata Software, Inc. (Versata) instituted patent infringement litigation in the United States District Court for the Eastern District of Texas against SAP. Trial in the litigation ultimately resulted in an infringement determination and past damages verdict of approximately US\$390 million. The judgment also resulted in an injunction against SAP that Versata has since abandoned. During the pendency of the appeals process, SAP challenged at the U.S. Patent and Trademark Office (PTO) the patentability of the infringed claims of Versata patent and prevailed in invalidating those claims. That PTO decision is now being appealed by Versata. The litigation regarding damages has returned to the trial court where SAP has sought dismissal of the judgment based on the PTO decision, and alternatively has sought to stay the litigation pending the outcome of appeal regarding the PTO decision. Versata has opposed SAP's requests in the trial court and has sought an order requiring payment of the judgment, which SAP has opposed.

Although the outcome of such proceedings and claims cannot be predicted with certainty,

management does not believe that the outcome of all other matters currently pending against us has had or will have a material adverse effect on our business, financial position, profit or cash flows. Any litigation, however, involves potential risk and potentially significant litigation costs, and therefore there can be no assurance that any litigation which is now pending or which may arise in the future will not have such a material adverse effect on our business, financial position, profit, cash flows or reputation.

See a detailed discussion of our legal proceedings in Note (23) to our Consolidated Financial Statements.

Dividend Policy

For more information on dividend policy see the disclosure in Item 3. Key Information - Dividends .

Significant Changes

Not applicable.

ITEM 9. THE OFFER AND LISTING

GENERAL

Our ordinary shares are officially listed on the Frankfurt Stock Exchange, the Berlin Stock Exchange and the Stuttgart Stock Exchange. The principal trading market for the ordinary shares is Xetra, the electronic dealing platform of Deutsche Boerse AG.

ADRs representing SAP AG ordinary shares are listed on the New York Stock Exchange (NYSE) under the symbol SAP, and currently each ADR represents one ordinary share.

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TRADING ON THE FRANKFURT STOCK EXCHANGE AND THE NYSE

The table below sets forth, for the periods indicated, the high and low closing sales prices for the ordinary shares on the Xetra trading System of the Frankfurt Stock Exchange together with the closing highs and lows of the DAX, and the high and low closing sales prices for the ADRs on the NYSE (information is provided by Reuters):

	Price per Ordinary Share in		DAX ⁽¹⁾ in points		Price per ADR in US\$	
	High	Low	High	Low	High	Low
Annual Highs and Lows						
2009	35.26	25.00	6,011.55	3,666.41	52.37	31.69
2010	38.40	31.12	7,077.99	5,434.34	54.08	41.59
2011	45.90	34.26	7,527.64	5,072.33	68.31	48.39
2012	61.43	41.45	7,672.10	5,969.40	81.21	53.25
2013	64.80	52.20	9,589.39	7,459.96	87.14	70.27
Quarterly Highs and Lows						
2012						
First Quarter	54.51	41.45	7,157.82	6,017.23	72.31	53.25
Second Quarter	53.21	44.16	7,056.65	5,969.40	70.97	55.24
Third Quarter	56.69	44.71	7,451.62	6,387.57	72.90	55.50
Fourth Quarter	61.43	52.86	7,672.10	6,950.53	81.21	69.05
2013						
First Quarter	64.80	57.82	8,058.37	7,581.18	84.58	77.38
Second Quarter	64.05	54.42	8,530.89	7,459.96	83.11	71.45
Third Quarter	57.80	53.42	8,694.18	7,806.00	76.94	70.27
Fourth Quarter	62.31	52.20	9,589.39	8,516.69	87.14	70.94
Monthly Highs and Lows						
2013						
July	57.80	54.50	8,379.11	7,806.00	76.00	70.77
August	57.80	55.82	8,438.12	8,103.15	76.94	73.82
September	56.11	53.42	8,694.18	8,180.71	75.29	70.27
October	57.89	52.20	9,033.92	8,516.69	79.79	70.94
November	61.60	57.60	9,405.30	9,007.83	83.38	77.78
December	62.31	58.54	9,589.39	9,006.46	87.14	80.91
2014						
January	62.55	56.47	9,742.96	9,306.48	85.45	76.42
February	58.52	55.28	9,708.94	9,116.32	80.29	75.03
March (through March 7, 2014)	57.65	56.37	9,589.15	9,350.75	79.27	77.74

⁽¹⁾ The DAX is a continuously updated, capital-weighted performance index of 30 German blue chip companies. In principle, the shares included in the DAX are selected on the basis of their stock exchange turnover and the issuer's free-float market capitalization. Adjustments to the DAX are made for capital changes, subscription rights and dividends.

On March 7, 2014, the closing sales price per ordinary share on the Frankfurt Stock Exchange (Xetra Trading System) was 56.37 and the closing sales price per ADR on the NYSE was US \$78.19, as reported by Reuters.

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ITEM 10. ADDITIONAL INFORMATION

ARTICLES OF INCORPORATION

Organization and Register

SAP AG is a stock corporation organized in the Federal Republic of Germany under the Stock Corporation Act (Aktiengesetz). SAP AG is registered in the Commercial Register (Handelsregister) at the Lower Court of Mannheim, Germany, under the entry number HRB 350269. SAP AG publishes its official notices in the Federal Gazette (www.bundesanzeiger.de).

Objects and Purposes

SAP's Articles of Incorporation state that our objects involve, directly or indirectly, the development, production and marketing of products and the provision of services in the field of information technology, including:

developing and marketing integrated product and service solutions for e-commerce;

developing software for information technology and the licensing of its use to others;

organization and deployment consulting, as well as user training, for e-commerce and other software solutions;

selling, leasing, renting and arranging the procurement and provision of all other forms of use of information technology systems and related equipment; and

making capital investments in enterprises active in the field of information technology to promote the opening and advancement of international markets in the field of information technology.

SAP is authorized to act in all the business areas listed above and to delegate such activities to affiliated entities within the meaning of the German Stock Corporation Act; in particular SAP is authorized to delegate its business in whole or in part to such entities. SAP AG is authorized to establish branch offices in Germany and other countries, as well as to form, acquire or invest in other companies of the same or related kind and to enter into collaboration and joint venture agreements. SAP is further authorized to invest in

enterprises of all kinds principally for investment purposes. SAP is authorized to dispose of investments, to consolidate the management of enterprises in which it participates, to enter into affiliation agreements with such entities, or to limit its activities to manage its shareholdings.

CORPORATE GOVERNANCE

Introduction

SAP AG, as a German stock corporation, is governed by three separate bodies: the Supervisory Board, the Executive Board and the Annual General Meeting of Shareholders. Their rules are defined by German law, by the German Corporate Governance Code and by SAP's Articles of

Incorporation (Satzung) and are summarized below. See Item 16G. Differences in Corporate Governance Practices for additional information on our corporate governance practices.

The Supervisory Board

The Supervisory Board appoints and removes the members of the Executive Board and oversees and advises the management of the corporation. At regular intervals it meets to discuss current business as well as business development and planning. The SAP Executive Board must consult with the Supervisory Board concerning the corporate strategy, which is developed by the Executive Board. The Supervisory Board maintains a list of transactions for which the Executive Board requires the Supervisory Board's consent. Accordingly, the Supervisory Board must also approve the annual budget of SAP upon submission by the Executive Board and certain subsequent deviations from the approved budget. The Supervisory Board is also responsible for representing SAP AG in transactions between SAP AG and Executive Board members.

The Supervisory Board, based on a recommendation by its Audit Committee, provides its proposal for the election of the external independent auditor to the Annual General Meeting of Shareholders. The Supervisory Board is also responsible for monitoring the auditor's independence, a task it has delegated to its audit committee.

The German Co-determination Act of 1976 (Mitbestimmungsgesetz) requires supervisory boards of corporations with more than 2,000 employees to consist of an equal number of representatives of the shareholders and

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representatives of the employees. The minimum total number of supervisory board members, and thus the minimum number of shareholder representatives and employee representatives, is legally fixed and depends on the number of employees employed by the corporation and its German subsidiaries. Our Supervisory Board currently consists of sixteen members, of which eight members have been elected by SAP AG's shareholders at the Annual General Meeting of Shareholders and eight members which have been elected by the employees of the German SAP entities (i.e. entities of the SAP Group having their registered office in Germany).

Any Supervisory Board member elected by the shareholders at the Annual General Meeting of Shareholders may be removed by three-quarters of the votes cast at the Annual General Meeting of Shareholders. Any Supervisory Board member elected by the employees may be removed by three quarters of the votes cast by the employees of the German SAP entities.

The Supervisory Board elects a chairperson and a deputy chairperson among its members by a majority of vote of its members. If such majority is not reached on the first vote, the chairperson will be chosen solely by the members elected by the shareholders and the deputy chairperson will be chosen solely by the members elected by the employees. Unless otherwise provided by law, the Supervisory Board acts by simple majority. In the case of any deadlock the chairperson has the deciding vote.

The members of the Supervisory Board cannot be elected for a term longer than approximately five years. The term expires at the close of the Annual General Meeting of Shareholders giving its formal approval of the acts of the Supervisory Board and the Executive Board in the fourth fiscal year following the year in which the Supervisory Board was elected unless the Annual General Meeting of Shareholders specifies a shorter term of office when electing individual members of the Supervisory Board or the entire Supervisory Board. Re-election is possible. Our Supervisory Board normally meets four times a year. The compensation of the members of the Supervisory Board is set in the Articles of Incorporation.

As stipulated in the German Corporate Governance Code (GCGC), an adequate number of our Supervisory Board members are independent. To be considered for appointment to the Supervisory Board and for as long as they serve, members must comply with certain criteria

concerning independence, conflicts of interest and multiple memberships of management, supervisory and other governing bodies. They must be loyal to SAP in their conduct and must not accept any position in companies that are in competition with SAP. Members are subject to insider trading prohibitions and the respective directors' dealing rules of the German Securities Trading Act. A member of the Supervisory Board may not vote on matters relating to certain contractual agreements between such member and SAP AG. Further, as the compensation of the Supervisory Board members is set in the Articles of Incorporation, Supervisory Board members are unable to vote on their own compensation, with the exception that they are able to exercise voting rights in a General Meeting of Shareholders in connection with a resolution amending the Articles of Incorporation.

The Supervisory Board may appoint committees from among its members and may, to the extent permitted by law, entrust such committees with the authority to make decisions on behalf of the Supervisory Board. Currently the Supervisory Board maintains the following committees:

The Audit Committee

The focus of the Audit Committee (Prüfungsausschuss) is the oversight of SAP's external financial reporting as well as SAP's risk management, internal controls (including internal controls over the effectiveness of the financial reporting process), corporate audit and compliance matters. According to German Law SAP's Audit Committee includes at least one independent member with specialist expertise in the fields of financial reporting or auditing. Among the tasks of the Audit Committee are the discussion of SAP's quarterly and year end financial reporting prepared under German and U.S. regulations, including this report. The Audit Committee proposes the appointment of the external independent auditor to the Supervisory Board, determines focus audit areas, discusses critical accounting policies and estimates with and reviews the audit reports issued and audit issues identified by the auditor. The audit committee also negotiates the audit fees with the auditor and monitors the auditor's independence and quality. SAP's Corporate Audit, SAP's Global Compliance Office and SAP's Risk Management Office report upon request or at the occurrence of certain findings, but in any case at least once a year (Global Compliance Office and Risk Management Office) or twice a year (Corporate Audit), directly to the Audit Committee.

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The Audit Committee has established procedures regarding the prior approval of all audit and non-audit services provided by our external independent auditor. See Item 16C. Principal Accountant Fees and Services for details. Furthermore the Audit Committee monitors the effectiveness of our internal risk management and other monitoring processes that are or need to be established.

The Supervisory Board has determined Erhard Schipporeit to be an audit committee financial expert as defined by the regulations of the SEC issued under Section 407 of the Sarbanes-Oxley Act as well as an independent financial expert as defined by the German Stock Corporation Act. See Item 16A. Audit Committee Financial Expert for details. He is also the chairperson of the Audit Committee.

The General and Compensation Committee

The General and Compensation Committee (Präsidential- und Personalausschuss) coordinates the work of the Supervisory Board, prepares its meetings and deals with corporate governance issues. In addition, it carries out the preparatory work necessary for the personnel decisions made by the Supervisory Board, notably those concerning compensation for the Executive Board members and the conclusion, amendment and termination of the Executive Board members' contracts of appointment.

The German Stock Corporation Act prohibits the Compensation Committee from deciding on the compensation of the Executive Board members on behalf of the Supervisory Board and requires that such decision is made by the entire Supervisory Board. This Act also provides the General Meeting of Shareholders with the right to vote on the system for the compensation of Executive Board members, such vote not being legally binding for the Supervisory Board.

The Finance and Investment Committee

The Finance and Investment Committee (Finanz- und Investitionsausschuss) addresses general financing issues. Furthermore, it regularly discusses acquisitions of intellectual property and companies, venture capital investments and other investments with the Executive Board and reports to the Supervisory Board on such investments. It

is also responsible for the approval of such investments if the individual investment amount exceeds certain specified limits.

The Mediation Committee

Required by the German Co-determination Act of 1976 (Mitbestimmungsgesetz), the Mediation Committee (Vermittlungsausschuss) convenes only if the two-thirds majority required for appointing/revoking the appointment of Executive Board members is not attained. This committee has never held a meeting in SAP AG's history.

The Technology and Strategy Committee

The Technology and Strategy Committee (Technologie- und Strategieausschuss) monitors technology transactions and provides the Supervisory Board with in-depth technical advice.

The Nomination Committee

The Nomination Committee (Nominierungsausschuss) is exclusively composed of shareholder representatives and is responsible for identifying suitable candidates for membership of the Supervisory Board for recommendation to the Annual General Meeting of Shareholders.

The Special Committee

The Special Committee (Sonderausschuss) is tasked with coordinating and managing the Supervisory Board's external legal advisors concerned with the investigation and analysis of the facts in connection with the legal action brought by Oracle Corporation.

The People and Organization Committee

The People and Organization Committee (Ausschuss für Mitarbeiter- und Organisationsangelegenheiten) deliberates and advises the Executive and Supervisory Board on key personnel matters and major organizational changes below the Executive Board and Global Managing Board level as well as equal opportunities for women at SAP.

The duties, procedures and committees of the Supervisory Board are specified in their respective

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bylaws, if any, which reflect the requirements of the German Stock Corporation Act and the recommendations of the GCGC.

According to the provisions of the Sarbanes-Oxley Act, SAP does not grant loans to the members of the Executive Board or the Supervisory Board.

The Executive Board

The Executive Board manages the Company's business, is responsible for preparing its strategy and represents it in dealings with third parties. The Executive Board reports regularly to the Supervisory Board about SAP operations and business strategies and prepares special reports upon request. A person may not serve on the Executive Board and on the Supervisory Board at the same time.

The Executive Board and the Supervisory Board must cooperate closely for the benefit of the Company. Without being asked, the Executive Board must provide to the Supervisory Board regular, prompt and comprehensive information about all of the essential issues affecting the SAP Group's business progress and its potential business risks. Furthermore, the Executive Board must maintain regular contact with the chairperson of the Supervisory Board and vice versa. The Executive Board must inform the chairperson of the Supervisory Board promptly about exceptional events that are of significance to SAP's business. The Supervisory Board chairperson must inform the Supervisory Board accordingly and shall, if required, convene an extraordinary meeting of the Supervisory Board.

Pursuant to the Articles of Incorporation, the Executive Board must consist of at least two members. SAP AG's Executive Board is currently comprised of five members. Any two members of the Executive Board jointly or one member of the Executive Board and the holder of a special power of attorney (Prokurist) jointly may legally represent SAP AG. The Supervisory Board appoints each member of the Executive Board for a maximum term of five years, with the possibility of re-appointment. Under certain circumstances, a member of the Executive Board may be removed by the Supervisory Board prior to the expiration of that member's term. A member of the Executive Board may not vote on matters relating to certain contractual agreements between such member and SAP AG, and may be liable to SAP AG if such member has a material interest in any contractual agreement between SAP and a third party which

was not previously disclosed to and approved by the Supervisory Board. Further, as the compensation of the Executive Board members is set by the Supervisory Board, Executive Board members are unable to vote on their own compensation, with the exception that they are able to exercise voting rights in a General Meeting of Shareholders resolving a non-binding vote on the system for the compensation of Executive Board members.

Under German law SAP AG's Supervisory Board members and Executive Board members have a duty of loyalty and care towards SAP AG. They must exercise the standard of care of a prudent and diligent businessman and bear the burden of proving they did so if their actions are contested. Both bodies must consider the interest of SAP AG shareholders and our employees and, to some extent, the common good. Those who violate their duties may be held jointly and severally liable for any resulting damages, unless they acted pursuant to a lawful resolution of the Annual General Meeting of Shareholders.

SAP has implemented a Code of Business Conduct for employees (see Item 16B. Code of Ethics for details). The employee code is equally applicable to managers and members of the Executive Board. Its rules are observed as well by members of the Supervisory board as applicable.

Under German law the Executive Board of SAP AG has to assess all major risks for the SAP Group. In addition, all measures taken by management to reduce and handle the risks have to be documented. Therefore, SAP's management has adopted suitable measures such as implementing an enterprise-wide monitoring system to ensure that adverse developments endangering the corporate standing are recognized at a reasonably early point in time.

The Global Compliance Office, an extension of SAP's Global Legal Department, was created by the SAP Executive Board in 2006 to oversee and coordinate legal and regulatory policy compliance at SAP. Effective March 1, 2007, the Company appointed a Chief Global Compliance Officer who reports to the General Counsel, and also has direct communication channels and reporting obligations to the Executive Board and the Audit Committee of the Supervisory Board. The Global Compliance Office manages a network of more than 100 local subsidiary

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Compliance Officers who act as the point of contact for local questions or issues under the SAP Code of Business Conduct for employees. The Global Compliance

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Office provides training and communication to SAP employees to raise awareness and understanding of legal and regulatory compliance policies. Employee help lines are also supported in each region where questions can be raised or questionable conduct can be reported without fear of retaliation.

Pursuant to Sec. 289a of the German Commercial Code (Handelsgesetzbuch) the Executive Board of publicly listed companies like SAP AG are required to issue a corporate governance statement (Erklärung zur Unternehmensführung) every year together with its annual financial statements. Companies are free to include the corporate governance statement in their management report or publish the statement on their website. SAP has chosen to publish the statement on its website under (www.sap.com/corporate-en/investors/governance/index.epx). As stipulated by law the statement comprises the declaration of implementation with the recommendations of the GCGC pursuant to Sec. 161 of the German Stock Corporation Act, relevant disclosures of the company's corporate governance practices such as ethical, work and welfare standards, and a description of the Executive Board and Supervisory Board's rules of procedure as well as information on the composition and rules of procedure of their sub-committees.

The Global Managing Board

In May 2012, SAP created a Global Managing Board in addition to the SAP Executive Board, which retains ultimate responsibility for overseeing and deciding on the activities of the company. The Global Managing Board allows SAP to appoint a broader range of global leaders to help steer the organization. The Global Managing Board has advisory and decision-supporting functions for the Executive Board and comprises all Executive Board members as well as Robert Enslin, Bernd Leukert and Luka Mucic.

The Annual General Meeting of Shareholders

Shareholders of the Company exercise their voting rights at shareholders' meetings. The Executive Board calls the Annual General Meeting of Shareholders, which must take place within the first eight months of each fiscal year. The Supervisory Board or the Executive Board may call an extraordinary meeting of the shareholders if the interests of the stock corporation so require.

Additionally, shareholders of SAP AG holding in the aggregate a minimum of 5% of SAP AG's issued share capital may call an extraordinary meeting of the shareholders. Shareholders as of the record date are entitled to attend and participate in shareholders' meetings if they have provided timely notice of their intention to attend the meeting.

At the Annual General Meeting of Shareholders, the shareholders are asked, among other things, to formally approve the actions taken by the Executive Board and the Supervisory Board in the preceding fiscal year, to approve the appropriation of the corporation's distributable profits and to appoint an external independent auditor. Shareholder representatives of the Supervisory Board are generally elected at the Annual General Meeting of Shareholders for a term of approximately five years. Shareholders may also be asked to grant authorization to repurchase treasury shares, to resolve on measures to raise or reduce the capital of the Company or to ratify amendments of our Articles of Incorporation. The Annual General Meeting of Shareholders can make management decisions only if requested to do so by the Executive Board.

CHANGE IN CONTROL

There are no provisions in the Articles of Incorporation of SAP AG that would have an effect of delaying, deferring or preventing a change in control of SAP AG and that would only operate with respect to a merger, acquisition or corporate restructuring involving it or any of its subsidiaries.

According to the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz) a bidder seeking control of a company with its corporate seat in Germany or another state of the European Economic Area (EEA) and its shares being traded on an EEA stock exchange must publish an advance notice of its decision to make a tender offer, submit an offer statement to the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) for review, and obtain certification from a qualified financial institution that adequate financing is in place to complete the offer. The offer statement must be published upon approval by the Federal Financial Supervisory Authority or expiry of a certain time period without such publication being prohibited by the Federal Financial Supervisory Authority. Once a

shareholder has acquired shares representing at least 30% of the voting rights in

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an EEA-listed company, it must make an offer for all remaining shares. The Securities Acquisition and Takeover Act requires the executive board of the target company to refrain from taking any measures that may frustrate the success of the takeover offer. However, the target executive board is permitted to take any action that a prudent and diligent management of a company that is not the target of a takeover bid would also take. Moreover, the target executive board may search for other bidders and, with the prior approval of the supervisory board, may take other defensive measures, provided that both boards act within the parameters of their general authority under the German Stock Corporation Act. An executive board may also adopt specific defensive measures if such measures have been approved by the supervisory board and were specifically authorized by the general shareholders' meeting no earlier than 18 months in advance of such measures by a resolution of at least 75% of the shares represented.

Under the European Takeover Directive of 2004 member states had to choose whether EU restrictions on defensive measures apply to companies that are registered in their territory. Germany decided to opt out and to retain its current restrictions on a board implementing defensive measures (as described above). As required by the Directive if a country decides to opt out the German Securities Acquisition and Takeover Act grants companies the option of voluntarily applying the European standard by a change of the Articles of Incorporation (opt-in). SAP AG has not made use of this option.

CHANGE IN SHARE CAPITAL

Under German law, the capital stock may be increased in consideration of contributions in cash or in kind, or by establishing authorized capital or contingent capital or by an increase of the company's capital reserves. Authorized capital provides the Executive Board with the flexibility to issue new shares for a period of up to five years. The Executive Board must obtain the approval of the Supervisory Board before issuing new shares with regard to the authorized capital. Contingent capital allows the issuance of new shares for specified purposes, including stock option plans for Executive Board members or employees and the issuance of shares upon conversion of convertible bonds and exercise of stock options. By law, the Executive Board may only issue new shares with regard to the contingent capital for the specified purposes. Capital increases require

an approval by at least 75% of the share capital represented and by the simple majority of the votes cast at the General Meeting of Shareholders in which the increase is proposed, and requires an amendment to the Articles of Incorporation.

The share capital may be reduced by an amendment to the Articles of Incorporation approved by at least 75% of the share capital represented and by the simple majority of the votes cast at the General Meeting of Shareholders. In addition, the Executive Board of SAP AG is allowed to authorize a reduction of the company's capital stock by canceling a defined number of repurchased treasury shares if this repurchasing and the subsequent reduction have already been approved by the General Meeting of Shareholders.

The Articles of Incorporation do not contain conditions regarding changes in the share capital that are more stringent than those provided by German law.

RIGHTS ACCOMPANYING OUR SHARES

There are no limitations imposed by German law or the Articles of Incorporation of SAP AG on the rights to own securities, including the rights of non-residents or foreign holders to hold the ADRs or ordinary shares, to exercise voting rights or to receive dividends or other payments on such shares.

According to the German stock corporation law, the rights of shareholders cannot be amended without shareholders' consent. The Articles of Incorporation do not provide more stringent conditions regarding changes of the rights of shareholders than those provided by German law.

Voting Rights

Each ordinary SAP AG share represents one vote. Cumulative voting is not permitted under German law. A corporation's articles of incorporation may stipulate a majority necessary to pass a shareholders' resolution differing from the majority provided by law, unless the law does not mandatorily require a certain majority. Section 21 (1) of SAP AG's Articles of Incorporation provides that resolutions may be passed at

the General Meeting of Shareholders by the majority as provided by law. This means that resolutions may be passed by a majority of 50% plus one vote of

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votes cast (simple majority), unless the law provides or requires a higher majority. German law requires that the following matters, among others, be approved by at least 75% of the share capital represented and by the simple majority of the votes cast at the General Meeting of Shareholders in which the matter is proposed:

changing the corporate purpose of the company set out in the articles of incorporation;

capital increases and capital decreases;

excluding preemptive rights of shareholders to subscribe for new shares or for treasury shares;

dissolution;

a merger into, or a consolidation with, another company;

a transfer of all or virtually all of the assets; and

a change of corporate form.

Section 21 (3) of SAP AG's Articles of Incorporation provides that, if at an election no candidate receives a simple majority of votes during the first ballot in an election, a second, deciding ballot shall be conducted between the candidates who received the largest number of votes. If the second ballot is tied, the election shall be determined by drawing lots.

Dividend Rights

See Item 3. Key Information Dividends.

Preemptive Rights

Shareholders have preemptive rights to subscribe (Bezugsrecht) for any issue of additional shares in proportion to their shareholdings in the issued capital. The preemptive rights may be excluded under certain circumstances by a shareholders' resolution (approved by at least 75% of the share capital represented and by the simple majority of the votes cast at the General Meeting of Shareholders) or by the Executive Board authorized by such shareholders' resolutions and subject to the consent of the Supervisory Board.

Liquidation

If SAP AG were to be liquidated, any liquidation proceeds remaining after all of our liabilities were

paid would be distributed to our shareholders in proportion to their shareholdings.

Disclosure of Shareholdings

SAP AG's Articles of Incorporation do not require shareholders to disclose their share holdings. The German Securities Trading Act (Wertpapierhandelsgesetz), however, requires holders of voting securities of SAP AG to notify SAP AG and the Federal Financial Supervisory Authority of the number of shares they hold if that number reaches, exceeds or falls below specified thresholds. These thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the corporation's outstanding voting rights. In respect of certificates representing shares, the notification requirement shall apply exclusively to the holder of the certificates. In addition, the German Securities Trading Act also obliges anyone who holds, directly or indirectly, financial instruments that convey an unconditional entitlement to acquire under a legally binding agreement, shares in SAP AG, to notify SAP AG and the Federal Financial Supervisory Authority if the thresholds mentioned above have been reached, exceeded or fallen below, with the exception of the 3% threshold. This notification obligation also exists for the holder of a financial instrument which merely de facto enables its holder or a third party to acquire shares in SAP AG, subject to the thresholds mentioned in the preceding sentence. In connection with this notification obligation positions in voting rights and other financial instruments have to be aggregated.

Exchange Controls and Other Limitations Affecting Security Holders

The euro is a fully convertible currency. At the present time, Germany does not restrict the export or import of capital, except for investments in certain areas in accordance with applicable resolutions adopted by the United Nations and the European Union. However, for statistical purposes only, every individual or corporation residing in Germany (Resident) must report to the German Central Bank (Deutsche Bundesbank), subject only to certain immaterial exceptions, any payment received from or made to an individual or a corporation residing outside of Germany (Non-Resident) if such payment exceeds 12,500 (or the equivalent in a foreign currency). In addition, German Residents (except for individuals and certain financial institutions) must

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report any accounts payable to or receivable from Non-Residents if such payables or receivables, in the aggregate, exceed 5 million (or the equivalent in a foreign currency) at the end of any calendar month. Furthermore, companies resident in Germany with accounts payable to or receivable from Non-Residents in excess of 500 million have to report any payables or receivables to/from Non-Residents arising from derivative instruments at the end of each calendar quarter. Residents are also required to report annually to the German Central Bank any shares or voting rights of 10% or more which they hold directly or indirectly in non-resident corporations with total assets of more than 3 million. Corporations residing in Germany with assets in excess of 3 million must report annually to the German Central Bank any shares or voting rights of 10% or more held directly or indirectly by a Non-Resident.

TAXATION

General

The following discussion is a summary of certain material German tax and U.S. federal income tax consequences of the acquisition, ownership and disposition of our ADRs or ordinary shares to a U.S. Holder. In general, a U.S. Holder (as hereinafter defined) is any beneficial owner of our ADRs or ordinary shares that (i) is a citizen or resident of the U.S. or a corporation organized under the laws of the U.S. or any political subdivision thereof, an estate whose income is subject to U.S. federal income tax regardless of its source or a trust, if a U.S. court can exercise primary supervision over its administration and one or more U.S. persons are authorized to control all substantial decisions of the trust; (ii) is not a resident of Germany for purposes of the income tax treaty between the U.S. and Germany (Convention between the Federal Republic of Germany and the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and to certain other Taxes, as amended by the Protocol of June 1, 2006 and as published in the German Federal Law Gazette 2008 vol. II pp. 611/851; the Treaty); (iii) owns the ADRs or ordinary shares as capital assets; (iv) does not hold the ADRs or ordinary shares as part of the business property of a permanent establishment or a fixed base in Germany; and (v) is fully entitled to the benefits under the Treaty with respect to income and gain derived in connection with the ADRs or ordinary shares.

THE FOLLOWING IS NOT A COMPREHENSIVE DISCUSSION OF ALL GERMAN TAX AND U.S. FEDERAL INCOME TAX CONSEQUENCES THAT MAY BE RELEVANT FOR U.S. HOLDERS OF OUR ADRs OR ORDINARY SHARES. THEREFORE, U.S. HOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE OVERALL GERMAN TAX AND U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR ADRs OR ORDINARY SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE EFFECT OF ANY STATE, LOCAL OR OTHER FOREIGN OR DOMESTIC LAWS.

German Taxation

The summary set out below is based on German tax laws, interpretations thereof and applicable tax treaties to which Germany is a party and that are in force at the date of this report; it is subject to any changes in such authority occurring after that date, potentially with retroactive effect, that could result in German tax consequences different from those discussed below. This discussion is also based, in part, on representations of the Depository and assumes that each obligation of the Deposit Agreement and any related agreements will be performed in accordance with its terms. For additional information on the Depository and the fees associated with SAP's ADR program see Item 12. Description of Securities Other Than Equity Securities - American Depository Shares.

For purposes of applying German tax law and the applicable tax treaties to which Germany is a party, a holder of ADRs will generally be treated as owning the ordinary shares represented thereby.

German Taxation of Dividends

Under German income tax law, the full amount of dividends distributed by a company is generally subject to German withholding tax at a domestic rate of 25% plus a solidarity surtax of 5.5% (effectively 1.375% of dividends before withholding tax), resulting in an aggregate withholding tax rate from dividends of 26.375%. Non-resident corporate shareholders will generally be entitled to a refund in the amount of two-fifths of the withholding tax (including solidarity surtax). This does not preclude a further reduction of withholding tax, if any, available

under a relevant tax treaty.

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Generally, for many non-resident shareholders the withholding tax rate is currently reduced under applicable income tax treaties. Rates and refund procedures may vary according to the applicable treaty. To reduce the withholding tax to the applicable treaty tax rate a non-resident shareholder must apply for a refund of withholding taxes paid. Claims for refund, if any, are made on a special German claim for refund form, which must be filed with the German Federal Tax Office (Bundeszentralamt für Steuern, D-53221 Bonn, Germany; <http://www.bzst.de>). The relevant forms can be obtained from the German Federal Tax Office or from German embassies and consulates. For details, such non-resident shareholders are urged to consult their own tax advisors. Special rules apply for the refund to U.S. Holders (we refer to the below section *Refund Procedures for U.S. Holders*).

Refund Procedures for U.S. Holders

Under the Treaty, a partial refund of the 25% withholding tax equal to 10% of the gross amount of the dividend and a full refund of the solidarity surtax can be obtained by a U.S. Holder. Thus, for each US\$100 of gross dividends paid by SAP AG to a U.S. Holder, the dividends (which are dependent on the euro/dollar exchange rate at the time of payment) will be initially subject to a German withholding tax of US\$26.375, of which US\$11.375 may be refunded under the Treaty. As a result, a U.S. Holder effectively would receive a total dividend of US\$85 (provided the euro/dollar exchange rate at the time of payment of the dividend is the same as at the time of refund, otherwise the effective dividend may be higher or lower).

To claim the refund of amounts withheld in excess of the Treaty rate, a U.S. Holder must submit (either directly or, as described below, through the Data Medium Procedure participant) a claim for refund to the German tax authorities, with, in the case of a direct claim, the original bank voucher (or certified copy thereof) issued by the paying entity documenting the tax withheld, within four years from the end of the calendar year in which the dividend is received. Claims for refund are made on a special German claim for refund form, which must be filed with the German Federal Tax Office (Bundeszentralamt für Steuern, D-53221 Bonn, Germany). The German claim for refund form may be obtained from the German tax authorities at the same address where applications are filed, from the Embassy of the Federal Republic of Germany, 2300 M Street NW,

Washington, DC 20037, or can be downloaded from the homepage of the German Federal Tax Office (<http://www.bzst.de>).

U.S. Holders must also submit to the German tax authorities a certification of their U.S. residency status (IRS Form 6166). This certification can be obtained from the Internal Revenue Service by filing a request for certification (generally on an IRS Form 8802, which will not be processed unless a user fee is paid) with the Internal Revenue Service, P.O. Box 71052, Philadelphia, PA 19176-6052. U.S. Holders should consult their own tax advisors regarding how to obtain an IRS Form 6166.

An IT-supported quick-refund procedure is available for dividends received (the Data Medium Procedure DMP). If the U.S. Holder's bank or broker elects to participate in the DMP, it will perform administrative functions necessary to claim the Treaty refund for the beneficiaries. The refund beneficiaries must confirm to the DMP participant that they meet the conditions of the Treaty provisions and that they authorize the DMP participant to file applications and receive notices and payments on their behalf. Further each refund beneficiary must confirm that (i) it is the beneficial owner of the dividends received; (ii) it is resident in the U.S. in the meaning of the Treaty; (iii) it does not have its domicile, residence or place of management in Germany; (iv) the dividends received do not form part of a permanent establishment or fixed base in Germany; and (v) it commits, due to its participation in the DMP, not to claim separately for refund.

The beneficiaries also must provide an IRS Form 6166 certification with the DMP participant. The DMP participant is required to keep these documents in its files and prepare and file a combined claim for refund with the German tax authorities by electronic media. The combined claim provides evidence of a U.S. Holder's personal data including its U.S. Tax Identification Number.

The German tax authorities reserve the right to audit the entitlement to tax refunds for several years following their payment pursuant to the Treaty in individual cases. The DMP participant must assist with the audit by providing the necessary details or by forwarding the queries to the respective refund beneficiaries.

The German tax authorities will issue refunds denominated in euros. In the case of shares held through banks or brokers participating in the

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Depository, the refunds will be issued to the Depository, which will convert the refunds to dollars. The resulting amounts will be paid to banks or brokers for the account of the U.S. Holders.

German Taxation of Capital Gains

Under German income tax law, a capital gain derived from the sale or other disposition of ADRs or ordinary shares by a non-resident shareholder is subject to income tax in Germany only if such non-resident shareholder has held, directly or indirectly, ADRs or ordinary shares representing 1% or more of the registered share capital of a company at any time during the five-year period immediately preceding the sale or other disposition.

However, a U.S. Holder of ADRs or ordinary shares that qualifies for benefits under the Treaty is not subject to German income or corporate income tax on the capital gain derived from the sale or other disposition of ADRs or ordinary shares.

German Gift and Inheritance Tax

Generally, a transfer of ADRs or ordinary shares by a shareholder at death or by way of gift will be subject to German gift or inheritance tax, respectively, if (i) the decedent or donor, or the heir, donee or other transferee is resident in Germany at the time of the transfer, or with respect to German citizens who are not resident in Germany, if the decedent or donor, or the heir, donee or other transferee has not been continuously outside of Germany for a period of more than five years; (ii) the ADRs or ordinary shares are part of the business property of a permanent establishment or a fixed base in Germany; or (iii) the ADRs or ordinary shares subject to such transfer form part of a portfolio that represents 10% or more of the registered share capital of the Company and has been held, directly or indirectly, by the decedent or donor, respectively, at the time of the transfer, actually or constructively together with related parties.

However, the right of the German government to impose gift or inheritance tax on a non-resident shareholder may be limited by an applicable estate tax treaty. In the case of a U.S. Holder, a transfer of ADRs or ordinary shares by a U.S. Holder at death or by way of gift generally will not be subject to German gift or inheritance tax by

reason of the estate tax treaty between the U.S. and Germany (Convention between the Federal Republic of Germany and the United States of America for the Avoidance of Double Taxation with respect to Estate, Gift and Inheritance Taxes, German Federal Law Gazette 1982 vol. II page 847, as amended by the Protocol of December 14, 1998 and as published on December 21, 2000, German Federal Law Gazette 2001 vol. II, page 65; the Estate Tax Treaty) so long as the decedent or donor, or the heir, donee or other transferee was not domiciled in Germany for purposes of the Estate Tax Treaty at the time the gift was made, or at the time of the decedent's death, and the ADRs or ordinary shares were not held in connection with a permanent establishment or a fixed base in Germany. In general, the Estate Tax Treaty provides a credit against the U.S. federal gift or estate tax liability for the amount of gift or inheritance tax paid in Germany, subject to certain limitations, in a case where the ADRs or ordinary shares are subject to German gift or inheritance tax and U.S. federal gift or estate tax.

Other German Taxes

There are currently no German net worth, transfer, stamp or other similar taxes that would apply to a U.S. Holder on the acquisition, ownership, sale or other disposition of our ADRs or ordinary shares.

U.S. Taxation

The following discussion applies to U.S. Holders only if the ADRs and ordinary shares are held as capital assets for tax purposes. It does not address tax considerations applicable to U.S. Holders that may be subject to special tax rules, such as dealers or traders in securities, financial institutions, insurance companies, tax-exempt entities, regulated investment companies, U.S. Holders that hold ordinary shares or ADRs as a part of a straddle, conversion transaction or other arrangement involving more than one position, U.S. Holders that own (or are deemed for U.S. tax purposes to own) 10% or more of the total combined voting power of all classes of voting stock of SAP AG, U.S. Holders that have a principal place of business or tax home outside the United States or U.S. Holders whose functional currency is not the dollar and U.S. Holders that hold

ADRs or ordinary shares through partnerships or other pass-through entities.

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The summary set out below is based upon the U.S. Internal Revenue Code of 1986, as amended (the Code), the Treaty and regulations, rulings and judicial decisions thereunder at the date of this report. Any such authority may be repealed, revoked or modified, potentially with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. No assurance can be given that the conclusions set out below would be sustained by a court if challenged by the IRS. The discussion below is based, in part, on representations of the Depositary, and assumes that each obligation in the Deposit Agreement and any related agreements will be performed in accordance with its terms.

For U.S. federal income tax purposes, a U.S. Holder of ADRs will be considered to own the ordinary shares represented thereby. Accordingly, unless the context otherwise requires, all references in this section to ordinary shares are deemed to refer likewise to ADRs representing an ownership interest in ordinary shares.

U.S. Taxation of Dividends

Subject to the discussion below under *Passive Foreign Investment Company Considerations*, distributions made by SAP AG with respect to ordinary shares (other than distributions in liquidation and certain distributions in redemption of stock), including the amount of German tax deemed to have been withheld in respect of such distributions, will generally be taxed to U.S. Holders as ordinary dividend income.

As discussed above, a U.S. Holder may obtain a refund of German withholding tax under the Treaty to the extent that the German withholding tax exceeds 15% of the dividend distributed. Thus, for each US\$100 of gross dividends paid by SAP AG to a U.S. Holder, the dividends (which are dependent on the euro/dollar exchange rate at the time of payment) will be initially subject to German withholding tax of US\$25 plus US\$1.375 solidarity surtax, and the U.S. Holder will receive US\$73.625. A U.S. Holder who obtains the Treaty refund will receive from the German tax authorities an additional amount in euro that would be equal to US\$11.375. For U.S. tax purposes, such U.S. Holder will be considered to have received a total distribution of US\$100, which will be deemed to have been subject to German withholding tax of US\$15 (15% of US\$100) resulting in the net receipt of US\$85 (provided the euro/dollar

exchange rate at the time of payment of the dividend is the same as at the time of refund, otherwise the effective dividend may be higher or lower).

In the case of a distribution in euro, the amount of the distribution generally will equal the dollar value of the euro distributed (determined by reference to the spot currency exchange rate on the date of receipt of the distribution, or receipt by the Depositary in the case of a distribution on ADRs), regardless of whether the holder in fact converts the euro into dollars, and the U.S. Holder will not realize any separate foreign currency gain or loss (except to the extent that such gain or loss arises on the actual disposition of foreign currency received). However, a U.S. Holder may be required to recognize foreign currency gain or loss on the receipt of a refund in respect of German withholding tax to the extent the U.S. dollar value of the refund differs from the U.S. dollar equivalent of that amount on the date of receipt of the underlying dividend.

Dividends paid by SAP AG generally will constitute portfolio income for purposes of the limitations on the use of passive activity losses (and, therefore, generally may not be offset by passive activity losses) and as investment income for purposes of the limitation on the deduction of investment interest expense. Dividends paid by SAP AG will not be eligible for the dividends received deduction generally allowed to U.S. corporations under Section 243 of the Code. Dividends paid by SAP AG to an individual are treated as qualified dividends subject to capital gains rates, i.e. at a maximum rate of 20%, if SAP AG was not in the prior year and, is not in the year in which the dividend is paid, a passive foreign investment company (PFIC). Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income taxes with respect to our 2013 tax year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for the 2014 tax year. With the enactment of The Health Care and Education Reconciliation Act of 2010 for tax years beginning after December 31, 2012, certain US holders who are individuals, trusts, or estates, must pay a Medicare tax at a rate of 3.8% on the lesser of (i) net investment income such as dividends and (ii) the excess of modified adjusted gross income over the statutory thresholds.

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U.S. Taxation of Capital Gains

In general, assuming that SAP AG at no time is a PFIC, upon a sale or exchange of ordinary shares to a person other than SAP AG, a U.S. Holder will recognize gain or loss in an amount equal to the difference between the amount realized on the sale or exchange and the U.S. Holder's adjusted tax basis in the ordinary shares. Such gain or loss will be a capital gain or loss and will be considered a long-term capital gain (taxable at a reduced rate for individuals) if the ordinary shares were held for more than one year. Capital gains may also be subject to the Medicare tax at a rate of 3.8%. The deductibility of capital losses is subject to significant limitations. Upon a sale of ordinary shares to SAP AG, a U.S. Holder may recognize a capital gain or loss or, alternatively, may be considered to have received a distribution with respect to the ordinary shares, in each case depending upon the application to such sale of the rules of Section 302 of the Code.

Deposit and withdrawal of ordinary shares in exchange for ADRs by a U.S. Holder will not result in its realization of gain or loss for U.S. federal income tax purposes.

U.S. Information Reporting and Backup Withholding

Dividend payments made to holders and proceeds paid from the sale of shares or ADRs are subject to information reporting to the Internal Revenue Service and will be subject to backup withholding taxes (currently imposed at a 28% rate) unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number on a properly completed IRS Form W-9 and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Backup withholding is not an additional tax and any amounts withheld as backup withholding may be credited against a holder's U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

Shareholders may be subject to other U.S. information reporting requirements and should consult their own tax advisors for application of these reporting requirements to their own facts and circumstances.

U.S. Foreign Tax Credit

In general, in computing its U.S. federal income tax liability, a U.S. Holder may elect for each taxable year to claim a deduction or, subject to the limitations on foreign tax credits generally, a credit for foreign income taxes paid or accrued by it. For U.S. foreign tax credit purposes, subject to the applicable limitations under the foreign tax credit rules, German tax withheld from dividends paid to a U.S. Holder, up to the 15% provided under the Treaty, will be eligible for credit against the U.S. Holder's federal income tax liability or, if the U.S. Holder has elected to deduct such taxes, may be deducted in computing taxable income.

For U.S. foreign tax credit purposes, dividends paid by SAP AG generally will be treated as foreign-source income and as passive category income (or in the case of certain holders, as general category income). Gains or losses realized by a U.S. Holder on the sale or exchange of ordinary shares generally will be treated as U.S.-source gain or loss.

Passive Foreign Investment Company Considerations

Special and adverse U.S. tax rules apply to a U.S. Holder that holds an interest in a passive foreign investment company (PFIC). Based on current projections concerning the composition of SAP AG's income and assets, SAP AG does not believe that it will be treated as a PFIC for its current or future taxable years. However, because this conclusion is based on our current projections and expectations as to its future business activity, SAP AG can provide no assurance that it will not be treated as a PFIC in respect of its current or any future taxable years.

MATERIAL CONTRACTS

Ariba, Inc.

Pursuant to the Agreement and Plan of Merger, dated as of May 22, 2012 by and among Ariba, Inc., SAP America, Inc. and Angel Expansion Corporation, (the Merger Agreement), on

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October 1, 2012 SAP America acquired Ariba, the leading cloud-based business commerce network, for US\$45.00 per share, representing an enterprise value of approximately US\$4.3 billion. The acquisition combines Ariba's successful buyer-seller collaboration network with SAP's broad customer base and deep business process expertise to create new models for business-to-business collaboration in the cloud. The transaction was funded from SAP's free cash and a 2.4 billion term loan facility.

The preceding description is a summary of the Merger Agreement and is qualified in its entirety by the Merger Agreement which is incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K filed with the SEC by Ariba, Inc. on May 22, 2012.

See Item 5. Operating and Financial Review and Prospects - Liquidity and Capital Disclosures, for information on our credit facilities.

DOCUMENTS ON DISPLAY

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and furnish other information as a foreign private issuer with the SEC. These materials, including this report and the exhibits thereto, may be inspected and copied at the SEC's Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The SEC also maintains a Web site at www.sec.gov that contains reports and other information regarding registrants that file electronically with the SEC. This report as well as some of the other information submitted by us to the SEC may be accessed through this Web site. In addition, information about us is available at our Web site: www.sap.com.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various financial risks, such as market risks, including changes in foreign currency exchange rates, interest rates and equity prices, as well as credit risk and liquidity risk. We manage these risks on a Group-wide basis. Selected derivatives are exclusively used for this purpose and not for speculation, which is defined as entering into derivative instruments without a corresponding underlying transaction.

Financial

risk management is done centrally. See Notes (24), (25) and (26) to our Consolidated Financial Statements for our quantitative and qualitative disclosures about market risk.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

AMERICAN DEPOSITARY SHARES

Fees and Charges Payable by ADR Holders

Deutsche Bank Trust Company Americas is the Depositary for SAP AG's ADR program. ADR holders may be required to pay the following charges:

taxes and other governmental charges;

registration fees as may be in effect from time to time for the registration of transfers of SAP ordinary shares on any applicable register to the Depositary or its nominee or the custodian or its nominee in connection with deposits or withdrawals under the Deposit Agreement;

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applicable air courier, cable, telex and facsimile expenses of the Depositary;

expenses incurred by the Depositary in the conversion of foreign currency;

\$5.00 or less per 100 ADSs (or portion thereof) to the Depositary for the execution and delivery of ADRs (including in connection with the depositing of SAP ordinary shares or the exercising of rights) and the surrender of ADRs as well as for the distribution of other securities;

a maximum aggregate service fee of U.S. \$2.00 per 100 ADSs (or portion thereof) per calendar year to the Depositary for the services performed by the Depositary in administering the ADR program, including for processing any cash dividends and other cash distributions; and

\$5.00 or less per 100 ADSs (or portion thereof) to the Depositary for distribution of securities other than SAP ordinary shares or rights. These charges are described more fully in Section 5.9 of the Amended and Restated Deposit

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Agreement dated November 25, 2009, incorporated by reference as Exhibit 4.1.2 to our 2010 Annual Report on Form 20-F filed with the Commission on March 18, 2011.

Applicable service fees are either deducted from any cash dividends or other cash distributions or charged separately to holders in a manner determined by the Depositary, depending on whether ADSs are registered in the name of investors (whether certificated or in book-entry form) or held in brokerage and custodian accounts (via DTC). In the case of distributions of securities other than SAP ordinary shares or rights, the Depositary charges the applicable ADS record date holder concurrent with the distribution. In the case of ADSs registered in the name of the investor, whether certificated or in book entry form, the Depositary sends invoices to the applicable record date ADS holders. For ADSs held in brokerage and custodian accounts via DTC, the Depositary may, if permitted by the settlement systems provided by DTC, collect the fees through those settlement systems from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients' ADSs in DTC accounts in such case may in turn charge their clients' accounts the amount of the service fees paid to the Depositary.

In the event of a refusal to pay applicable fees, the Depositary may refuse the requested services until payment is received or may set off the amount of the service from any distribution to be made to the ADR holder, all in accordance with the Deposit Agreement.

If any taxes or other governmental charges are payable by the holders and/or beneficial owners of ADSs to the Depositary, the Depositary, the custodian or SAP may withhold or deduct from any distributions made in respect of the deposited SAP ordinary share and may sell for the account of the holder and/or beneficial owner any or all of the deposited ordinary shares and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, with the holder and the beneficial owner thereof remaining fully liable for any deficiency.

Fees and Other Payments Payable by the Depositary to SAP

The Depositary has agreed to make certain payments to SAP as reimbursement for expenses incurred by SAP in connection with its ADR program and in support of SAP's ongoing investor relations activities related to the ADR program. For the year ended December 31, 2013, the Depositary has made direct and indirect payments to SAP in an aggregate amount of US \$2,662,202 for investor relations activities related to the ADR program, including the production of annual reports and Form 20-F filings, 2013 NYSE listing fees, road shows, production of investor targeting, peer analysis, shareholder identification reports and perception studies, postage for mailing annual and interim reports and other communications to ADR holders and participation in retail investor activities, broker conferences, SAP sponsored analyst events and capital markets days.

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ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures of SAP that are designed to ensure that information required to be disclosed by SAP in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by SAP in the reports that it files or submits under the Exchange Act is accumulated and communicated to SAP management, including SAP's principal executive and financial officers (i.e. SAP's co-chief executive officers (Co-CEOs) and chief financial officer (CFO)), or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. SAP's management evaluated, with the participation of SAP's Co-CEOs and CFO the effectiveness of SAP's disclosure controls and procedures as of December 31, 2013. The evaluation was led by SAP's Global Governance Risk & Compliance function, including dedicated SOX Champions in all of SAP's major entities and business units with the participation of process owners, SAP's key corporate senior management, senior management of each business group, and as indicated above under the supervision of SAP's Co-CEOs and CFO. Based on the foregoing, SAP's management, including SAP's Co-CEOs and CFO, concluded that as of December 31, 2013, SAP's disclosure controls and procedures were effective.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of SAP is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. SAP's internal control over financial reporting is a process designed under the supervision of SAP's Co-CEOs and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

SAP's management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework.

Based on the assessment under these criteria, SAP management has concluded that, as of December 31, 2013, the Company's internal control over financial reporting was effective.

KPMG, our independent registered public accounting firm has issued its attestation report on the effectiveness of SAP's internal control over financial reporting, which is included in Item 18. Financial Statements, Report of Independent Registered Public Accounting Firm.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Supervisory Board has determined that Erhard Schipporeit is an audit committee

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financial expert, as defined by the regulations of the Commission issued pursuant to Section 407 of the Sarbanes-Oxley Act of 2002 and meeting the requirements of Item 16A. He is independent, as such term is defined in Rule 10A-3 under the Exchange Act.

ITEM 16B. CODE OF ETHICS

In 2003, SAP adopted a Code of Business Conduct that applies to all employees (including all personnel in the accounting and controlling departments), managers and the members of SAP's Executive Board (including our CEOs and CFO). Our Code of Business Conduct constitutes a code of ethics as defined in Item 16.B of Form 20-F. Our Code of Business Conduct sets standards for all dealings with customers, partners, competitors and suppliers and includes, among others, regulations with regard to confidentiality, loyalty, preventing conflicts of interest, preventing bribery, and avoiding anti-competitive practices. International differences in culture, language, and legal and social systems make the adoption of uniform Codes of Business Conduct across an entire global company challenging. As a result, SAP has set forth a master code containing minimum standards. In turn, each company within the SAP Group has been required to adopt a similar code that meets at least these minimum standards, but may also include additional or more stringent rules of conduct. Newly acquired companies also are required to meet the minimum standards set forth in the Code of Business Conduct. Effective February 2012, SAP amended its Code of Business Conduct to address certain changes in bribery laws, and to update the intellectual property and non-retaliation provisions. We have made our amended Code of Business Conduct publicly available by posting the full text on our Web site under <http://www.sap.com/corporate-en/investors/governance/policies-statutes.epx>.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

AUDIT FEES, AUDIT RELATED FEES, TAX FEES AND ALL OTHER FEES

Refer to Note (31) to our Consolidated Financial Statements for information on fees billed by our independent registered public accounting firm, KPMG, for audit services and other professional services.

AUDIT COMMITTEE'S PRE-APPROVAL POLICIES AND PROCEDURES

As required under German law, our shareholders appoint our external independent auditors to audit our financial statements, based on a proposal that is legally required to be submitted by the Supervisory Board. The Supervisory Board's proposal is based on a proposal by the Audit Committee. See also the description in Item 10. Additional Information - Corporate Governance.

In 2002 our Audit Committee adopted a policy with regard to the pre-approval of audit and non-audit services to be provided by our external independent auditors. This policy, which is designed to assure that such engagements do not impair the independence of our auditors, was amended and expanded in 2003, 2007 and 2009 (changes in 2009 only related to information requirements). The policy requires prior approval of the Audit Committee for all services to be provided by our external independent auditors for any entity of the SAP Group. With regard to non-audit services the policy distinguishes among three categories of services:

- (i) Prohibited services: This category includes services that our external independent auditors must not be engaged to perform. These are services that are not permitted by applicable law or that would be inconsistent with maintaining the auditors' independence.

- (ii) Services requiring universal approval: Services of this category may be provided by our external independent auditors up to a certain aggregate amount in fees per year that is determined by the Audit Committee.

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(iii) Services requiring individual approval: Services of this category may only be provided by our external independent auditors if they have been individually (specifically) pre-approved by the Audit Committee or an Audit Committee member who is authorized by the Audit Committee to make such approvals.

Our Chief Accounting Officer or individuals empowered by him review all individual requests to engage our external independent auditors as a service provider in accordance with this policy and determines the category to which the requested service belongs. All requests for engagements with expected fees over a specified limit are additionally reviewed by our CFO. Based on the

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determination of the category the request is (i) declined if it is a prohibited service, (ii) approved if it is a service requiring universal approval and the maximum aggregate amount fixed by the Audit Committee has not been reached or (iii) forwarded to the Audit Committee for individual approval if the service requires individual approval or is a service requiring universal approval and the maximum aggregate amount fixed by the Audit Committee has been exceeded.

Our Audit Committee's pre-approval policies also include information requirements to ensure the Audit Committee is kept aware of the volume of engagements involving our external independent auditors that were not individually pre-approved by the Audit Committee itself.

Substantially all of the work performed to audit our Consolidated Financial Statements was performed by our principal accountant's full-time, permanent employees.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Rule 10A-3 of the Exchange Act requires that all members of our audit committee be independent, subject to certain exceptions. In accordance with German law, the Audit Committee consists of both employee and shareholder elected members. Rule 10A-3 provides an exception for an employee of a foreign private issuer such as SAP who is not an executive officer of that issuer and who is elected to the supervisory board or audit committee of that issuer pursuant to the issuer's governing law. In this case, the employee is exempt from the independence requirements of Rule 10A-3 and is permitted to sit on the audit committee.

We rely on this exemption. Our Audit Committee includes two members who are non-executive employees of SAP AG, Inga Wiele and Stefan Schulz, who were named to our Supervisory Board pursuant to the German Co-determination Act (see Item 6. Directors, Senior Management and Employees. for details). We believe that the reliance on this exemption does not materially adversely affect the ability of our Audit Committee to act independently and to satisfy the other requirements of Rule 10A-3.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

In 2013 there were no purchases made by us or on our behalf or on behalf of affiliates of SAP of SAP shares or SAP ADRs. The total number of SAP shares that SAP could purchase under existing repurchase programs was 88,054,869 per December 31, 2013.

At the Annual General Meeting of Shareholders on June 4, 2013, the Executive Board was authorized to acquire, on or before June 3, 2018, up to 120 million shares of SAP. The authorization from June 4, 2013 replaced the authorization from June 8, 2010.

Both authorizations were subject to the provision that the shares to be purchased, together with any other shares already acquired and held by SAP, do not account for more than 10% of SAP's capital stock.

ITEM 16F. CHANGES IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. DIFFERENCES IN CORPORATE GOVERNANCE PRACTICES

The following summarizes the principal ways in which our corporate governance practices differ from the New York Stock Exchange (NYSE) corporate governance rules applicable to U.S. domestic issuers (the NYSE Rules).

INTRODUCTION

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SAP is incorporated under the laws of Germany, with securities publicly traded on markets in Germany, including the Frankfurt Exchange and in the United States on the NYSE.

The NYSE Rules permit foreign private issuers to follow applicable home country corporate governance practices in lieu of the NYSE corporate governance standards, subject to certain exceptions. Foreign private issuers electing to follow home country corporate governance

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rules are required to disclose the principal differences in their corporate governance practices from those required under the NYSE Rules. This Item 16G summarizes the principal ways in which SAP's corporate governance practices differ from the NYSE Rules applicable to domestic issuers.

LEGAL FRAMEWORK

The primary source of law relating to the corporate governance of a German stock corporation is the German Stock Corporation Act (Aktengesetz). Additionally, the Securities Trading Act (Wertpapierhandelsgesetz), the German Securities Purchase and Take Over Act (Wertpapiererwerbs- und Übernahmegesetz), the Stock Exchange Admission Regulations, the German Commercial Code (Handelsgesetzbuch) and certain other German statutes contain corporate governance rules applicable to SAP. In addition to these mandatory rules, the German Corporate Governance Code (GCGC) summarizes the mandatory statutory corporate governance principles found in the German Stock Corporation Act and other provisions of German law. Further, the GCGC contains supplemental recommendations and suggestions for standards on responsible corporate governance intended to reflect generally accepted best practices.

The German Stock Corporation Act requires the executive and the supervisory board of publicly listed companies like SAP to declare annually that the recommendations set forth in the GCGC have been and are being complied with or which of the recommendations have not been or are not being complied with and why not. SAP has disclosed and reasoned deviations from a few of the GCGC recommendations in its Declaration of Implementation on a yearly basis since 2003. Declarations from 2008 forward are available on the SAP website (www.sap.com/corporate-en/investors/governance/policies-statutes.epx).

SIGNIFICANT DIFFERENCES

We believe the following to be the significant differences between German corporate governance practices, as SAP has implemented them, and those applicable to domestic companies under the NYSE Rules.

GERMAN STOCK CORPORATIONS ARE REQUIRED TO HAVE A TWO-TIER BOARD SYSTEM

SAP is governed by three separate bodies: (i) the Supervisory Board, which counsels, supervises and controls the Executive Board; (ii) the Executive Board, which is responsible for the management of SAP; and (iii) the General Meeting of Shareholders. The rules applicable to these governing bodies are defined by German law and by SAP's Articles of Incorporation. This corporate structure differs from the unitary board of directors established by the relevant laws of all U.S. states and the NYSE Rules. Under the German Stock Corporation Act, the Supervisory Board and Executive Board are separate and no individual may be a member of both boards. See Item 10. Additional Information Corporate Governance for additional information on the corporate structure.

DIRECTOR INDEPENDENCE RULES

The NYSE Rules require that a majority of the members of the board of directors of a listed issuer and each member of its nominating, corporate governance, compensation and audit committee be independent. As a foreign private issuer, SAP is not subject to the NYSE board, compensation committee and corporate governance committee independence requirements but instead can elect to follow its home country rules. With respect to the audit committee, SAP is required to satisfy Rule 10A-3 of the Exchange Act, which provides certain exemptions from the audit committee independence requirements in the case of employee board representatives. The NYSE Rules stipulate that no director qualifies as independent unless the board of directors has made an affirmative determination that the director has no material direct or indirect relationship with the listed company. However, under the NYSE Rules a director may still be deemed independent even if the director or a member of a director's immediate family has received during a 12 month period within the prior three years up to \$120,000 in direct compensation. In addition, a director may also be deemed independent even if a member of the director's immediate family works for the company's auditor in a non-partner capacity and not on the company's audit. By contrast, the GCGC requires that the Supervisory Board ensure that proposed candidates are persons with the

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necessary knowledge, competencies and applicable experience. Additionally, the Supervisory Board is required to implement and adhere to concrete director independence criteria, including a consideration of the total number of independent Supervisory Board members as defined in Section 5.4.2 of the Code. According to this definition, a Supervisory Board member will not be considered independent in particular if s/he has personal or business relations with the company, its executive bodies, a controlling shareholder or an enterprise associated with any of the preceding persons and entities which could cause a substantial and sustained conflict of interest. The members of the Supervisory Board must have enough time to perform their board duties and must carry out their duties carefully and in good faith. For as long as they serve, they must comply with the criteria that are enumerated in relation to the selection of candidates for the Supervisory Board concerning independence, conflict of interest and multiple memberships of management, supervisory and other governing bodies. They must be loyal to SAP in their conduct and they must not accept appointment in companies that are in competition with SAP. Supervisory Board members must disclose any planned non-ordinary course business transactions with SAP to the Supervisory Board promptly. The Supervisory Board members cannot carry out such transactions before the Supervisory Board has given its permission. The Supervisory Board may grant its permission for any such transaction only if the transaction is based on terms and conditions that are standard for the type of transaction in question and if the transaction is not contrary to SAP's interest. SAP complies with these GCGC director independence requirements.

German corporate law requires that for publicly listed stock corporations at least one member of the Supervisory Board who has expert knowledge in the areas of financial accounting or audit of financial statements must be independent. Mr. Erhard Schipporeit who is the Chairman of SAP's Audit Committee meets these requirements. However, German corporate law and the GCGC do not require the Supervisory Board to make an affirmative determination for each individual member that is independent or that a majority of Supervisory Board members or the members of a specific committee are independent.

The NYSE independence requirements are closely linked with risks specific to unitary boards of directors that are customary for U.S. companies.

In contrast, the two-tier board structure requires a strict separation of the executive board and supervisory board. In addition, the supervisory board of large German stock corporations is subject to the principle of employee codetermination as outlined in the German Co-Determination Act of 1976 (Mitbestimmungsgesetz). As a result, the Supervisory Board of SAP AG consists of 16 members, of which eight have been elected by SAP AG's shareholders at the Annual General Meeting and eight members have been elected by employees of SAP AG and its German subsidiaries. Typically, the chairperson of the supervisory board is a shareholder representative. In case of a tie vote, the supervisory board chairperson may cast the decisive tie-breaking vote. This board structure creates a different system of checks and balances, including employee participation, and cannot be directly compared with a unitary board system.

AUDIT COMMITTEE INDEPENDENCE

As a foreign private issuer, the NYSE Rules require SAP to establish an Audit Committee that satisfies the requirements of Rule 10A-3 of the Exchange Act with respect to audit committee independence. SAP is in compliance with these requirements. The Chairman of SAP's Audit Committee and Prof. Dr. Klaus Wucherer meet the independence requirements of Rule 10A-3 of the Exchange Act. The other two Audit Committee members, Inga Wiele and Stefan Schulz, are employee representatives who are eligible for the exemption provided by Rule 10A-3(b)(1)(iv)(C) (see Item 16D Exemptions from the listing standards for audit committees for details).

The Audit Committee independence requirements are similar to the Board independence requirements under German corporate law and GCGC. See the section above under Director Independence Rules. Nonetheless, SAP meets the NYSE Rules on audit committee independence applicable to foreign private issuers.

RULES ON NON-MANAGEMENT BOARD MEETINGS ARE DIFFERENT

Section 303 A.03 of the NYSE Rules stipulates that the non-management board of each listed issuer must meet at regularly scheduled executive

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sessions without the management. Under German corporate law and the GCGC the Supervisory Board is entitled but not required to exclude Executive Board members from its meetings. The Supervisory Board exercises this right generally during its meetings.

RULES ON ESTABLISHING COMMITTEES DIFFER

Pursuant to Section 303 A.04 and 303 A.05 of the NYSE Rules listed companies are required to set up a Nominating/Corporate Governance Committee and a Compensation Committee, each composed entirely of independent directors and having a written charter specifying the committee's purpose and responsibilities. In addition, each committee's performance must be reviewed annually. With one exception, German corporate law does not mandate the creation of specific supervisory board committees. Required by the German Co-Determination Act of 1976 (Mitbestimmungsgesetz), the Mediation Committee (Vermittlungsausschuss) convenes only if the 2/3 majority required for appointing/revoking the appointment of Executive Board Members is not attained. This committee has never been convened in SAP's history. In addition, the GCGC recommends that the Supervisory Board establish an Audit Committee and a Nomination Committee. In addition to the legally required Mediation Committee, SAP has the following committees, which are in compliance with the GCGC: General and Compensation Committee, Audit Committee, Strategy and Technology Committee, Finance and Investment Committee, Nomination Committee, Special Committee and People and Organization Committee (See Item 10. Additional Information Corporate Governance for more information).

RULES ON SHAREHOLDERS' COMPULSORY APPROVAL ARE DIFFERENT

Section 312 of the NYSE Rules requires U.S. companies to seek shareholder approval of all equity-compensation plans, including certain material revisions thereto (subject to certain exemptions as described in the rules), issuances of common stock, including convertible stock, if the common stock has, or will have upon issuance, voting power of or in excess of 20% of the then outstanding common stock, and issuances of common stock if they trigger a change of control.

According to the German Stock Corporation Act and other applicable German laws, shareholder approval is required for a broad range of matters, such as amendments to the articles of association, certain significant corporate transactions (including inter-company agreements and material restructurings), the offering of stock options and similar equity compensation to its Executive Board members or its employees by a way of a conditional capital increase or by using treasury shares (including significant aspects of such an equity compensation plan as well as the exercise thresholds), the issuance of new shares, the authorization to purchase the corporation's own shares, and other essential issues, such as transfers of all, or substantially all, of the assets of the stock corporation, including shareholdings in subsidiaries.

SPECIFIC PRINCIPLES OF CORPORATE GOVERNANCE

Under the NYSE Rules Section 303A.09 listed companies must adopt and disclose corporate guidelines. Since October 2007, SAP has applied, with few exceptions, the recommended corporate governance standards of the GCGC rather than company-specific principles of corporate governance. The GCGC recommendations differ from the NYSE Standards primarily as outlined in this Item 16G.

SPECIFIC CODE OF BUSINESS CONDUCT

NYSE Rules Section 303 A.10 requires listed companies to adopt and disclose a code of business conduct and ethics for directors, officers and employees, and to disclose promptly any waivers of the code for directors or executive officers. Although not required under German law, SAP has adopted a Code of Business Conduct, which is equally applicable to employees, managers and members of the Executive Board. SAP complies with the requirement to disclose the Code of Business Conduct and any waivers of the code with respect to directors and executive officers. See Item 16B. Code of Ethics for details.

Part III

Item 17, 18, 19

PART III

ITEM 17. FINANCIAL STATEMENTS

Not applicable.

ITEM 18. FINANCIAL STATEMENTS

The Consolidate Financial Statements are included herein on pages F-1 through F-105.

The following are filed as part of this report:

Report of Independent Registered Public Accounting Firm.

Consolidated Financial Statements

Consolidated Income Statements for the years ended December 31, 2013, 2012, and 2011.

Consolidated Statements of Comprehensive Income for the years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Financial Position as of December 31, 2013 and 2012.

Consolidated Statements of Changes in Equity for the years ended December 31, 2013, 2012 and 2011.

Consolidated Statements of Cash Flows for the years ended December 31, 2013, 2012 and 2011.

Notes to the Consolidated Financial Statements.

ITEM 19. EXHIBITS

The following documents are filed as exhibits to this report:

1 Articles of Incorporation (Satzung) of SAP AG, as amended effective November 20, 2012 (English translation).⁽¹⁾

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2.1 Form of global share certificate for ordinary shares (English translation).⁽²⁾

Certain instruments which define rights of holders of long-term debt of SAP AG and its subsidiaries are not being filed because the total amount of securities authorized under each such instrument does not exceed 10% of the total consolidated assets of SAP AG and its subsidiaries. SAP AG and its subsidiaries hereby agree to furnish a copy of each such instrument to the Securities and Exchange Commission upon request.

4.1.2 Amended and Restated Deposit Agreement dated as of November 25, 2009 among SAP AG, Deutsche Bank Trust Company Americas as Depositary, and all owners and holders from time to time of American Depositary Receipts issued thereunder, including the form of American Depositary Receipts.⁽³⁾

4.9 Agreement and Plan of Merger dated May 22, 2012 by and among Ariba, Inc., SAP America, Inc. and Angel Expansion Corporation⁽⁴⁾

8 For a list of our subsidiaries see Note (33) to our Consolidated Financial Statements in Item 18. Financial Statements .

12.1 Certification of Bill McDermott, Co-Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a).

12.2 Certification of Jim Hagemann Snabe, Co-Chief Executive Officer, required by Rule 13a-14(a) or Rule 15d-14(a).

12.3 Certification of Werner Brandt, Chief Financial Officer, required by Rule 13a-14(a) or Rule 15d-14(a).

13.1 Certification of Bill McDermott, Co-Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

13.2 Certification of Jim Hagemann Snabe, Co-Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Part III

Item 19

- 13.3 Certification of Werner Brandt, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15 Consent of Independent Registered Public Accounting Firm.

(1) Incorporated by reference to Exhibit 1 of SAP AG's Annual Report on Form 20-F filed on March 22, 2013.

(2) Incorporated by reference to Exhibit 2.1 of SAP AG's Annual Report on Form 20-F filed on March 22, 2006.

(3) Incorporated by reference to Exhibit 99(A) of Post Effective Amendment #1 to SAP AG's Registration Statement on Form F-6 filed on November 25, 2009.

(4) Incorporated by reference to Exhibit 2.1 to Ariba, Inc.'s Current Report on Form 8-K filed on May 22, 2012.

SIGNATURES

The Registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this report on its behalf.

SAP AG

(Registrant)

By: /s/ BILL MCDERMOTT

Name: Bill McDermott

Title: Co-Chief Executive Officer

Dated: March 20, 2014

By: /s/ JIM HAGEMANN SNABE

Name: Jim Hagemann Snabe

Title: Co-Chief Executive Officer

Dated: March 20, 2014

By: /s/ WERNER BRANDT

Name: Dr. Werner Brandt

Title: Chief Financial Officer

Dated: March 20, 2014

SAP AG AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Supervisory Board of SAP AG:

We have audited the accompanying consolidated statements of financial position of SAP AG and subsidiaries (SAP or the Company) as of December 31, 2013 and 2012, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the years in the three-year period ended December 31, 2013. We also have audited SAP's internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). SAP's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SAP AG and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2013, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). Also in our opinion, SAP AG maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the COSO.

/s/ KPMG AG
Wirtschaftsprüfungsgesellschaft

Mannheim, Germany

February 20, 2014

SAP AG AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENTS OF SAP GROUP

for the years ended December 31,

	Notes	(Unaudited) 2013 ⁽¹⁾ US\$	2013	2012	2011
millions, unless otherwise stated					
Software		6,223	4,516	4,658	4,107
Cloud subscriptions and support		959	696	270	18
Software and cloud subscriptions		7,182	5,212	4,928	4,125
Support		12,040	8,738	8,237	7,194
Software and software-related service revenue		19,221	13,950	13,165	11,319
Consulting		3,089	2,242	2,442	2,341
Other services		859	623	616	573
Professional services and other service revenue		3,948	2,865	3,058	2,914
Total revenue	(5)	23,169	16,815	16,223	14,233
Cost of software and software-related services		3,579	2,597	2,555	2,107
Cost of professional services and other services		3,309	2,402	2,520	2,247
Total cost of revenue		6,888	4,999	5,075	4,354
Gross profit		16,281	11,816	11,147	9,879
Research and development		3,145	2,282	2,261	1,935
Sales and marketing		5,692	4,131	3,912	3,083
General and administration		1,193	866	949	715
Restructuring	(18)	97	70	8	4
TomorrowNow litigation	(23)	0	0	0	717
Other operating income/expense, net	(6)	17	12	23	25
Total operating expenses		16,998	12,336	12,181	9,348
Operating profit		6,171	4,479	4,041	4,884
Other non-operating income/expense, net	(8)	23	17	173	75
Finance income		158	115	103	119
Finance costs		249	181	175	161
Financial income, net	(9)	92	66	72	42
Profit before tax		6,057	4,396	3,796	4,767
Income tax TomorrowNow litigation		0	0	0	281
Other income tax expense		1,476	1,071	993	1,049
Income tax expense	(10)	1,475	1,071	993	1,331
Profit after tax		4,581	3,325	2,803	3,437
Profit attributable to non-controlling interests		1	1	0	1
Profit attributable to owners of parent		4,583	3,326	2,803	3,435
Earnings per share, basic (in ¢)	(11)	3.84	2.79	2.35	2.89
Earnings per share, diluted (in ¢)	(11)	3.83	2.78	2.35	2.89

(1) The 2013 figures have been translated solely for the convenience of the reader at an exchange rate of US\$1.3779 to 1.00, the Noon Buying Rate certified by the Federal Reserve Bank of New York on December 31, 2013.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

SAP AG AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME OF SAP GROUP

for the years ended December 31,

	Notes	2013	2012	2011
		millions		
Profit after tax		3,325	2,803	3,437
Items that will not be reclassified to profit or loss				
Remeasurements on defined benefit pension plans	(18)	16	12	17
Income tax relating to items that will not be reclassified	(10)	3	4	5
Other comprehensive income after tax for items that will not be reclassified to profit or loss		13	8	12
Items that will be reclassified subsequently to profit or loss	(20)			
Exchange differences		576	214	106
Available-for-sale financial assets	(26)	60	13	7
Cash flow hedges	(25)	0	63	1
Income tax relating to items that will be reclassified	(10)	8	20	7
Other comprehensive income after tax for items that will be reclassified to profit or loss		524	157	105
Other comprehensive income net of tax		511	165	93
Total comprehensive income		2,814	2,638	3,530
attributable to owners of parent		2,815	2,638	3,528
attributable to non-controlling interests		1	0	1

The accompanying Notes are an integral part of these Consolidated Financial Statements.

SAP AG AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SAP GROUP

as at December 31,

	Notes	(Unaudited) 2013 ⁽¹⁾ US\$	2013	2012
			millions	
Cash and cash equivalents		3,786	2,748	2,477
Other financial assets	(12)	346	251	154
Trade and other receivables	(13)	5,326	3,865	3,917
Other non-financial assets	(14)	477	346	294
Tax assets		195	142	85
Total current assets		10,131	7,352	6,928
Goodwill	(15)	18,861	13,688	13,192
Intangible assets	(15)	4,074	2,956	3,234
Property, plant, and equipment	(16)	2,508	1,820	1,708
Other financial assets	(12)	837	607	509
Trade and other receivables	(13)	135	98	88
Other non-financial assets	(14)	147	107	68
Tax assets		236	172	170
Deferred tax assets	(10)	405	294	408
Total non-current assets		27,202	19,741	19,378
Total assets		37,332	27,094	26,306
Trade and other payables	(17)	1,171	850	870
Tax liabilities		597	433	440
Financial liabilities	(17)	1,031	748	802
Other non-financial liabilities	(17)	3,118	2,263	2,204
Provision TomorrowNow litigation	(23)	307	223	234
Other provisions		582	422	609
Provisions	(18)	889	645	843
Deferred income	(19)	1,941	1,408	1,386
Total current liabilities		8,746	6,347	6,546
Trade and other payables	(17)	61	45	63
Tax liabilities		438	318	388
Financial liabilities	(17)	5,179	3,758	4,446
Other non-financial liabilities	(17)	154	112	98
Provisions	(18)	382	277	347
Deferred tax liabilities	(10)	158	115	223
Deferred income	(19)	102	74	62
Total non-current liabilities		6,474	4,699	5,627
Total liabilities		15,220	11,046	12,173
Issued capital		1,693	1,229	1,229
Share premium		759	551	492
Retained earnings		22,401	16,258	13,934
Other components of equity		989	718	194
Treasury shares		1,764	1,280	1,337
Equity attributable to owners of parent		22,102	16,040	14,125
Non-controlling interests		12	8	8
Total equity	(20)	22,112	16,048	14,133
Total equity and liabilities		37,332	27,094	26,306

(1)

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The 2013 figures have been translated solely for the convenience of the reader at an exchange rate of US\$1.3779 to 1.00, the Noon Buying Rate certified by the Federal Reserve Bank of New York on December 31, 2013.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

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SAP AG AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY OF SAP GROUP

as at December 31,

Note reference	Equity Attributable to Owners of Parent Other Components of Equity Available- for-Sale							Total	Non- Controlling Interests	Total Equity
	Issued Capital	Share Premium	Retained Earnings	Exchange Differences	Financial Assets	Cash Flow Hedges	Treasury Shares			
	Statement of Comprehensive Income									
	(20)	(20)	(20)				(20)			
January 1, 2011 prior to IAS 19 (revised) adoption	1,227	337	9,767	131	16	27	1,382	9,807	17	9,824
Cumulated difference from the retrospective adoption of IAS 19 (revised)			11					11		11
January 1, 2011 after IAS 19 (revised) adoption	1,227	337	9,756	131	16	27	1,382	9,796	17	9,813
Profit after tax			3,435					3,435	1	3,437
Other comprehensive income			12	112	7	0		93		93
Comprehensive income			3,423	112	7	0		3,528	1	3,530
Share-based payments		9						9		9
Dividends			713					713		713
Issuance of shares under share-based payments	1	46						47		47
Purchase of treasury shares							246	246		246
Reissuance of treasury shares under share-based payments		27					251	278		278
Change in non-controlling interests			19					19	10	29
December 31, 2011	1,228	419	12,448	19	9	27	1,377	12,681	8	12,689
Profit after tax			2,803					2,803		2,803
Other comprehensive income			8	217	13	47		165		165
Comprehensive income			2,795	217	13	47		2,638		2,638
Share-based payments		41						41		41
Dividends			1,310					1,310		1,310
Issuance of shares under share-based payments	1	14						15		15
Purchase of treasury shares							53	53		53
Reissuance of treasury shares under share-based payments		18					93	111		111
Other			2					2		2
December 31, 2012	1,229	492	13,934	236	22	20	1,337	14,125	8	14,133
Profit after tax			3,326					3,326	1	3,325
Other comprehensive income			13	584	60	0		511		511
Comprehensive income			3,339	584	60	0		2,815	1	2,814
Share-based payments		30						30		30
Dividends			1,013					1,013		1,013
Reissuance of treasury shares under share-based payments		29					57	86		86
December 31, 2013	1,229	551	16,258	820	82	20	1,280	16,040	8	16,048

The accompanying Notes are an integral part of these Consolidated Financial Statements.

SAP AG AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS OF SAP GROUP

for the years ended December 31,

	Notes	(Unaudited) 2013 ⁽¹⁾ US\$	2013	2012	2011
		millions			
Profit after tax		4,582	3,325	2,803	3,437
Adjustments to reconcile profit after tax to net cash flows provided by operating activities:					
Depreciation and amortization	(15),(16)	1,310	951	863	724
Income tax expense	(10)	1,476	1,071	993	1,331
Financial income, net	(9)	91	66	72	42
Decrease/increase in sales and bad debt allowances on trade receivables		58	42	25	18
Other adjustments for non-cash items		79	57	31	14
Decrease/increase in trade and other receivables		152	110	298	426
Decrease/increase in other assets		181	131	23	39
Decrease/increase in trade payables, provisions, and other liabilities		243	176	420	404
Decrease/increase in deferred income		172	125	154	121
Cash outflows due to TomorrowNow litigation	(23)	1	1	7	52
Interest paid		219	159	165	139
Interest received		92	67	92	92
Income taxes paid, net of refunds		1,784	1,295	1,102	908
Net cash flows from operating activities		5,280	3,832	3,822	3,775
Business combinations, net of cash and cash equivalents acquired	(4)	1,598	1,160	6,094	188
Purchase of intangible assets and property, plant, and equipment		780	566	541	445
Proceeds from sales of intangible assets or property, plant, and equipment		76	55	39	55
Purchase of equity or debt instruments of other entities		2,110	1,531	1,022	2,046
Proceeds from sales of equity or debt instruments of other entities		1,958	1,421	1,654	1,398
Net cash flows from investing activities		2,454	1,781	5,964	1,226
Purchase of non-controlling interests		0	0	0	28
Dividends paid	(21)	1,396	1,013	1,310	713
Purchase of treasury shares	(21)	0	0	53	246
Proceeds from reissuance of treasury shares		68	49	90	251
Proceeds from issuing shares (share-based payments)		0	0	15	46
Proceeds from borrowings		1,378	1,000	5,778	519
Repayments of borrowings		2,239	1,625	4,714	1,005
Net cash flows from financing activities		2,189	1,589	194	1,176
Effect of foreign currency exchange rates on cash and cash equivalents		263	191	152	74
Net decrease/increase in cash and cash equivalents		373	271	2,488	1,447
Cash and cash equivalents at the beginning of the period	(21)	3,413	2,477	4,965	3,518
Cash and cash equivalents at the end of the period	(21)	3,786	2,748	2,477	4,965

(1) The 2013 figures have been translated solely for the convenience of the reader at an exchange rate of US\$1.3779 to 1.00, the Noon Buying Rate certified by the Federal Reserve Bank of New York on December 31, 2013.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

SAP AG AND SUBSIDIARIES**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****(1) General Information about Consolidated Financial Statements**

The accompanying Consolidated Financial Statements of SAP AG and its subsidiaries (collectively, we, us, our, SAP, Group, and Company) have been prepared in accordance with International Financial Reporting Standards (IFRS). The designation IFRS includes all standards issued by the International Accounting Standards Board (IASB) and related interpretations issued by the IFRS Interpretations Committee (IFRIC).

We have applied all standards and interpretations that were effective on and endorsed by the European Union (EU) as at December 31, 2013. There were no standards or interpretations impacting our Consolidated Financial Statements for the years ended December 31, 2013, 2012,

and 2011, that were effective but not yet endorsed. Therefore our Consolidated Financial Statements comply with both IFRS as issued by the IASB and with IFRS as endorsed by the EU.

Our Executive Board approved the Consolidated Financial Statements on February 20, 2014, for submission to our Supervisory Board.

All amounts included in the Consolidated Financial Statements are reported in millions of euros (millions) except where otherwise stated. Due to rounding, numbers presented throughout this document may not add up precisely to the totals we provide and percentages may not precisely reflect the absolute figures.

(2) Scope of Consolidation

The Consolidated Financial Statements include SAP AG and all subsidiaries of SAP AG.

The following table summarizes the changes in the number of entities included in the Consolidated Financial Statements.

Entities Consolidated in the Financial Statements

	German	Foreign	Total
December 31, 2011	23	176	199
Additions	4	92	96
Disposals	5	23	28
December 31, 2012	22	245	267
Additions	1	24	25
Disposals	1	19	20
December 31, 2013	22	250	272

The additions relate to legal entities added in connection with acquisitions and foundations. The disposals are due to sales, mergers and liquidations of legal entities.

In August 2013, we acquired hybris AG, which may affect comparability of our 2013 Consolidated Financial Statements with our 2012 and 2011 Consolidated Financial Statements. For more information about our business combinations and the effect on our Consolidated Financial Statements, see Note (4).

(3) Summary of Significant Accounting Policies

(3a) Bases of Measurement

The Consolidated Financial Statements have been prepared on the historical cost basis except for the following:

Derivative financial instruments, available-for-sale financial assets, and liabilities for cash-settled share-based payments are measured at fair value.

Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates.

Post-employment benefits are measured according to IAS 19 (Employee Benefits) as described in Note (18a). Where applicable, information about the methods and assumptions used in determining the respective measurement bases is disclosed in the Notes specific to that asset or liability.

(3b) Relevant Accounting Policies
Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method as at the closing date, which is the date on which we obtain control of the acquiree. The consideration transferred in an acquisition is measured at the fair value of the assets transferred and liabilities incurred at the date of transfer of control. Settlements of pre-existing relationships are not included in the consideration transferred. Such amounts are recognized in profit and loss. Identifiable assets acquired and liabilities assumed in a business combination (including contingent consideration) are measured at their acquisition date fair values. Changes in contingent consideration classified as a liability at the acquisition date are recognized in profit and loss unless they related to facts that existed at the measurement date that we become aware of during the measurement period. We decide on a transaction-by-transaction basis whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted as expense in the periods in which the costs are incurred and the services are received, with the expense being classified as general and administration expense.

The excess of the consideration transferred in a business combination over the fair value of the identifiable net assets acquired is recorded as goodwill.

With respect to at-equity investments, the carrying amount of goodwill is included in the carrying amount of the investment.

Foreign Currencies

Assets and liabilities of our foreign subsidiaries that use a functional currency other than the euro are translated at the closing rate at the date of the Statement of Financial Position. Income and expenses are translated at average rates of exchange computed on a monthly basis. All resulting exchange differences are recognized in other comprehensive income. Exchange differences from monetary items denominated in foreign currency transactions that are part of a long-term investment (that is, settlement is neither planned nor likely to occur in the foreseeable future) are also included in other comprehensive income. When a foreign operation is disposed of, liquidated, or abandoned, the foreign currency translation adjustments applicable to that entity are reclassified from other comprehensive income to profit or loss.

On initial recognition, foreign currency transactions are recorded in the respective functional currencies of Group entities by applying to the foreign currency amount the exchange rate at the date of the transaction. Monetary assets and liabilities that are denominated in foreign currencies are remeasured at the period-end closing rate. Resulting exchange differences are recognized, in the period in which they arise, in other non-operating expense.

Operating cash flows of foreign subsidiaries are translated into euros using average rates of exchange computed on a monthly basis. Investing and financing cash flows of foreign subsidiaries are translated into euros using the exchange rates in effect at the time of the respective transaction. The effect of exchange rate changes on cash is reported in a separate line item in the Consolidated Statements of Cash Flows.

Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operation and translated at the respective closing rates.

The exchange rates of key currencies affecting the Company were as follows:

Exchange Rates

Equivalent to 1		Closing Rate as at December 31		Annual Average Exchange Rate		
		2013	2012	2013	2012	2011
U.S. dollar	USD	1.3791	1.3194	1.3301	1.2862	1.3863
Pound sterling	GBP	0.8337	0.8161	0.8482	0.8104	0.8656
Japanese yen	JPY	144.72	113.61	130.21	103.05	110.17
Swiss franc	CHF	1.2276	1.2072	1.2302	1.2055	1.2299
Canadian dollar	CAD	1.4671	1.3137	1.3710	1.2843	1.3739
Australian dollar	AUD	1.5423	1.2712	1.3944	1.2419	1.3436

Revenue Recognition

We derive our revenue from fees charged to our customers for (a) licenses to our on-premise software products, (b) the use of our hosted cloud subscription software offerings and (c) support, consulting, development, training, and other services. The majority of our software arrangements include support services, and many also include professional services and other elements.

Software and software-related service revenue, as shown in our Consolidated Income Statements, is the sum of our software revenue, our support revenue and our cloud subscriptions and support revenue. Professional services and other service revenue as shown in our Consolidated Income Statements is the sum of our consulting revenue and other service revenue. Other service revenue as shown in our Consolidated Income Statements mainly consists of revenue from training services, messaging services, and SAP marketing events. Revenue information by segment and geographic region is disclosed in Note (28).

If, for any of our product or service offerings, we determine at the outset of an arrangement that the amount of revenue cannot be measured reliably, we conclude that the inflow of economic benefits associated with the transaction is not probable, and we defer revenue recognition until the arrangement fee becomes due and payable by the customer. If, at the outset of an arrangement, we determine that collectability is not probable, we conclude that the inflow of economic benefits associated with the transaction is not probable, and we defer revenue recognition until the earlier of when collectability becomes probable or payment is received. If collectability becomes not probable before all revenue from an arrangement is recognized, we recognize revenue only to the extent of the fees that are successfully collected unless collectability becomes probable again. If a customer is specifically identified as a bad debtor,

we stop recognizing revenue from the customer except to the extent of the fees that have already been collected.

We account for out-of-pocket expenses invoiced by SAP and reimbursed by customers as support, cloud subscription and support, consulting, or other service revenue, depending on the nature of the service for which the out-of-pocket expenses were incurred.

Software revenue represents fees earned from the sale or license of software to customers for use on the customer's premises, in other words, where the customer has the right to take possession of the software for installation on the customer's premises (on-premise software). Revenue from the sale of perpetual licenses of our standard software products is recognized in line with the requirements for selling goods stated in IAS 18 (Revenue) when evidence of an arrangement exists, delivery has occurred, the risks and rewards of ownership have been transferred to the customer, the amount of revenue and associated costs can be measured reliably, and collection of the related receivable is probable. The fee of the sale is recognized net of returns and allowances, trade discounts, and volume rebates.

We usually sell or license on-premise software on a perpetual basis. Occasionally, we license on-premise software for a specified period of time. Revenue from short-term time-based licenses, which usually include support services during the license period, is recognized ratably over the license term. Revenue from multi-year time-based licenses that include support services, whether separately priced or not, is recognized ratably over the license term unless a substantive support service renewal rate exists; if this is the case, the amount allocated to the delivered software is recognized as software revenue based on the residual method once the basic criteria described above have been met.

In general, our software license agreements do not include acceptance-testing provisions. If an arrangement allows for customer acceptance-testing of the software, we defer revenue until the earlier of customer acceptance or when the acceptance right lapses.

We usually recognize revenue from on-premise software arrangements involving resellers on evidence of sell-through by the reseller to the end-customer, because the inflow of the economic benefits associated with the arrangements to us is not probable before sell-through has occurred.

Sometimes we enter into customer-specific on-premise software development agreements. We recognize software revenue in connection with these arrangements using the percentage-of-completion method based on contract costs incurred to date as a percentage of total estimated contract costs required to complete the development work. If we do not have a sufficient basis to reasonably measure the progress of completion or to estimate the total contract revenue and costs, revenue is recognized only to the extent of the contract costs incurred for which we believe recoverability to be probable. When it becomes probable that total contract costs exceed total contract revenue in an arrangement, the expected losses are recognized immediately as an expense based on the costs attributable to the contract.

On-premise software subscription contracts combine software and support service elements, as under these contracts the customer is provided with current software products, rights to receive unspecified future software products, and rights to product support during the on-premise software subscription term. Customers pay a periodic fee for a defined subscription term, and we recognize such fees ratably over the term of the arrangement beginning with the delivery of the first product. Revenue from on-premise software subscription contracts is allocated to the software revenue and support revenue line items in our Consolidated Income Statements.

On-premise software rental contracts also combine software and support service elements. Under such contracts the customer is provided with current software products and product support, but not with the right to receive unspecified future software products. Customers pay a periodic fee over the rental term. We recognize fees from software rental contracts ratably over the term of the arrangement. Revenue from rental contracts is allocated to the software revenue and support revenue line items in our Consolidated Income Statements.

Support revenue represents fees earned from providing customers with unspecified future software updates, upgrades, and enhancements, and technical product support services for on-premise software products. We recognize support revenue based on our performance under the support arrangements. Under our major support services our performance obligation is to stand ready to provide technical product support and to provide unspecified updates and enhancements on a when-and-if-available basis. For these support services we recognize revenue ratably over the term of the support arrangement. We do not sell separately technical product support or unspecified software upgrades, updates, and enhancements. Accordingly, we do not distinguish within software and software-related service revenue or within cost of software and software-related services the amounts attributable to technical support services and unspecified software upgrades, updates, and enhancements.

Revenue from cloud subscriptions and support represents fees earned from providing customers with:

The right to use software in a cloud-based-infrastructure (hosting) provided by SAP, where the customer does not have the right to terminate the hosting contract and take possession of the software to run it on the customer's own IT infrastructure or by a third party hosting provider without significant penalty, or

Additional premium support beyond the standard support which is included in SAP's basic cloud subscription fees, or

Hosting services and related application management services for software hosted by SAP, where the customer has the right to terminate the hosting contract and take possession of the software without significant penalty.

Cloud subscription and support revenue is recognized as the services are performed. Where a fixed fee is agreed for the right to continuously access and use a cloud offering for a certain term, the fee is recognized ratably over the term covered by the fixed fee. Fees that are based on actual transaction volumes are recognized as the transactions occur.

Revenue from consulting primarily represents fees earned from providing customers with consulting services which primarily relate to the installation and configuration of our software products and cloud offerings. Usually, our consulting contracts

do not involve significant production, modification, or customization of software and the related revenue is recognized as the services are provided using the percentage-of-completion method of accounting as outlined above.

Revenue from other services represents fees earned from providing customers with training services, application management services for software not hosted by SAP, messaging services, SAP marketing events, and referral services.

Training services provide educational services to customers and partners regarding the use of our software products. We recognize training revenue and application management services as the services are rendered.

Messaging services primarily comprise the transmission of electronic text messages from one mobile phone provider to another. We recognize revenue from message services based upon the number of messages successfully processed and delivered. Revenue from fixed-price messaging arrangements is recognized ratably over the contractual term of the arrangement.

Revenue from marketing events hosted by SAP, for which SAP sells tickets to its customers, is recognized when the marketing event is completed.

Referral services comprise referring customers to partners. We recognize revenue from referral services upon providing the referral. The majority of our arrangements contain multiple elements. We account for software, support, cloud subscription, consulting and other service deliverables as separate units of account and allocate revenue based on fair value. Fair value is determined by establishing either company-specific objective evidence, or an estimated stand-alone selling price.

The revenue amounts allocated to the individual elements are recognized when the revenue recognition criteria described above have been met for the respective element.

We generally determine the fair value of each element based on its company-specific objective evidence of fair value, which is the price charged when that element is sold separately or, for elements not yet sold separately, the price established by our management if it is probable that the price will not change before the element is sold separately.

We derive the company-specific objective evidence of fair value for our support services from the rates charged to renew the support services annually after an initial period. Such renewal rates generally represent a fixed percentage of the discounted software license fee charged to the customer. The majority of our customers renew their annual support service contracts at these rates.

Where company-specific objective evidence of fair value or third-party evidence of selling price cannot be established for deliverables, we determine the fair value of the respective element by estimating its stand-alone selling price. This is generally the case for our cloud subscription offerings.

Estimated stand-alone selling price (ESP) for our cloud subscription offerings is determined based on the rates agreed with the individual customers to apply if and when the subscription arrangement renews. We determine ESP by considering multiple factors which include, but are not limited to, the following: i) substantive renewal rates contained within an arrangement for cloud subscription deliverables; ii) gross margin objectives and internal costs for services; and iii) pricing practices, market conditions, and competitive landscape.

We apply the residual method of revenue recognition when company-specific objective evidence of fair value or estimated stand-alone selling price exists for all of the undelivered elements in the arrangement, but does not exist for one or more delivered elements. This is generally the case in multiple element arrangements involving on-premise software and services related to on-premise software where company-specific objective evidence of fair value or estimated stand-alone selling price exists for all the services in the arrangement (for example, support services, consulting services, cloud subscription services), but does not exist for the on-premise software. Under the residual method, revenue is allocated to all undelivered elements in the amount of their respective fair values and the remaining amount of the arrangement fee is allocated to the delivered element. With this policy we have considered the guidance provided by FASB ASC Subtopic 985-605, Software Revenue Recognition (FASB ASC 985-605), where applicable, as authorized by IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8).

In multiple element arrangements where company-specific objective evidence of fair value or an

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estimated stand-alone selling price exists for all elements, revenue is allocated to the elements based on their relative fair values (relative fair value method).

Our consideration of whether on-premise software, cloud subscriptions, consulting or other services are to be accounted for separately or as one combined element of the arrangement depends on:

Whether the arrangement involves significant production, modification, or customization of the software or cloud subscription, and

Whether the services are not available from third-party vendors and are therefore deemed essential to the software. If neither of the above is the case, revenue for the on-premise software or cloud subscription element, and the other elements, are recognized separately. In contrast, if one or both of the above applies, the respective elements of the arrangement are combined and accounted for as a single unit of account, and the portion of the arrangement fee allocated to this single unit of account is recognized using the percentage-of-completion method, as outlined above, or over the cloud subscription term, if applicable, depending on which service term is longer.

We consider FASB ASC 985-605 in our accounting for options that entitle the customer to purchase, in the future, additional on-premise software. We allocate revenue to future incremental discounts whenever customers are granted the right to license additional on-premise software at a higher discount than the one given within the initial software license arrangement, or to purchase or renew services at rates below the fair values established for these services.

Our contributions to resellers that allow our resellers to execute qualified and approved marketing activities are recognized as an offset to revenue, unless we obtain a separate identifiable benefit for the contribution, and the fair value of the benefit is reasonably estimable.

Cost of Software and Software-Related Services

Cost of software and software-related services includes the cost incurred in producing the goods and providing the services that generate software and software-related service revenue. Consequently, this line item includes primarily

employee expenses relating to these services, amortization of acquired intangibles, fees for third-party licenses, shipping and ramp-up cost.

Cost of Professional Services and Other Services

Cost of professional services and other services includes the cost incurred in providing the services that generate professional service and other service revenue including messaging revenues. The item also includes sales and marketing expenses related to our professional services and other services that result from sales and marketing efforts that cannot be clearly separated from providing the services.

Research and Development

Research and development includes the costs incurred by activities related to the development of software solutions (new products, updates, and enhancements) including resource and hardware costs for the development systems.

Development activities involve the application of research findings or other knowledge to a plan or design of new or substantially improved software products before the start of commercial use. Development expenditures are capitalized only if all of the following criteria are met:

The development cost can be measured reliably.

The product is technically and commercially feasible.

Future economic benefits are probable.

We intend to complete development and market the product.

We have determined that the conditions for recognizing internally generated intangible assets from our software development activities are not met until shortly before the products are available for sale. Development costs incurred after the recognition criteria are met have not been material. Consequently, all research and development costs are expensed as incurred.

Sales and Marketing

Sales and marketing includes costs incurred for the selling and marketing activities related to our software solutions, software-related service portfolio, and cloud business.

General and Administration

General and administration includes costs related to finance and administrative functions, human resources, and general management as long as they are not directly attributable to one of the other operating expense line items.

Leases

We are a lessee of property, plant, and equipment, mainly buildings, hardware, and vehicles, under operating leases that do not transfer to us the substantive risks and rewards of ownership. Rent expense on operating leases is recognized on a straight-line basis over the life of the lease including renewal terms if, at inception of the lease, renewal is reasonably assured.

Some of our operating leases contain lessee incentives, such as up-front payments of costs or free or reduced periods of rent. The incentives are amortized over the life of the lease and the rent expense is recognized on a straight-line basis over the life of the lease. The same applies to contractually-agreed future increases of rents.

Income Tax

Deferred taxes are accounted for under the liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities in the Consolidated Statements of Financial Position and their respective tax bases and on the carryforwards of unused tax losses and unused tax credits. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses, and unused tax credits can be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in profit or loss, unless related to items recognized in other comprehensive income or directly in equity, in the period of (substantive) enactment.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilized.

We have aligned the presentation of prior period comparative amounts for tax assets and tax liabilities with the current period presentation by offsetting certain current tax assets against certain current tax liabilities and certain deferred tax assets against certain deferred tax liabilities which were not offset previously. The impact of this offsetting on the comparative amounts was to decrease both, current tax assets and current tax liabilities as of December 31, 2012, by 70 million and to decrease both, deferred tax assets and deferred tax liabilities as of December 31, 2012, by 353 million. Management concluded that these adjustments were immaterial to the consolidated financial statements.

Share-Based Payments

Share-based payments cover cash-settled and equity-settled awards issued to our employees. The fair values of both equity-settled and cash-settled awards are initially measured at grant date using an option-pricing model.

The fair value of equity-settled awards is not subsequently remeasured. The grant date fair value of equity-settled awards is recognized as personnel expense in profit or loss over the period in which the employees become unconditionally entitled to the rights, with a corresponding increase in share premium. The amount recognized as an expense is adjusted to reflect the actual number of equity-settled awards that ultimately vest. We grant our employees discounts on certain share-based payments. Since those discounts are not dependent on future services to be provided by our employees, the discount is recognized as an expense when the rights are granted.

For the share-based payments that are settled by paying cash rather than by issuing equity instruments, a provision is recorded for the rights granted reflecting the vested portion of the fair value of the rights at the end of each reporting period. Personnel expense is recognized over the period the beneficiaries are expected to perform the related service (vesting period), with a corresponding increase in provisions. Cash-settled awards are remeasured to fair value at the end of each reporting date until the award is settled. Any changes in the fair value of the provision are recognized as personnel expense in profit or loss. The amount of unrecognized compensation

expense is dependent on the future price of our ordinary shares which we cannot reasonably predict.

Where we hedge our exposure to cash-settled awards, changes in the fair value of the respective hedging instruments are also recognized as personnel expense in profit or loss. The fair values for hedged programs are based on market data reflecting current market expectations.

For more information about our share-based payments, see Note (27).

Other Components of Equity

Other components of equity include:

Exchange differences arising from the translation of the financial statements of our foreign operations as well as the exchange differences from intercompany long-term monetary items for which settlement is neither planned nor likely to occur in the foreseeable future

Unrealized gains and losses on available-for-sale financial assets

Gains and losses on cash-flow hedges comprising the net change in fair value of the effective portion of the respective cash-flow hedges that have not yet impacted profit or loss

Treasury Shares

Treasury shares are recorded at acquisition cost and are presented as a deduction from total equity. Gains and losses on the subsequent reissuance of treasury shares are credited or charged to share premium on an after-tax basis. On cancellation of treasury shares, any excess of their carrying amount over the calculated par value is charged to retained earnings.

Earnings per Share

We present basic and diluted earnings per share (EPS). Basic earnings per share is determined by dividing profit after tax attributable to equity holders of SAP AG by the weighted average number of ordinary shares outstanding during the respective year. Diluted earnings per share reflect the potential dilution assuming the conversion of all dilutive potential ordinary shares.

Financial Assets

Our financial assets comprise cash and cash equivalents (highly liquid investments with original maturities of three months or less), loans and receivables, acquired equity and debt investments, and derivative financial instruments (derivatives) with positive fair values.

These assets are recognized and measured in accordance with IAS 39 (Financial Instruments: Recognition and Measurement). Accordingly, financial assets are recognized in the Consolidated Statements of Financial Position if we have a contractual right to receive cash or other financial assets from another entity. Regular way purchases or sales of financial assets are recorded at the trade date. Financial assets are initially recognized at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs. Interest-free or below-market-rate loans and receivables are initially measured at the present value of the expected future cash flows. The subsequent measurement depends on the classification of our financial assets to the following categories according to IAS 39:

Loans and receivables: Loans and receivables are non-derivative financial assets with fixed or determinable payments that are neither quoted in an active market nor intended to be sold in the near term. This category comprises trade receivables, receivables and loans included in other financial assets, and cash and cash equivalents. We carry loans and receivables at amortized cost less impairment losses. For further information on trade receivables, see the Trade and Other Receivables section.

Available-for-sale financial assets: Available-for-sale financial assets are non-derivative financial assets that are not assigned to either of the two other categories and mainly include equity investments and debt investments. Available-for-sale financial assets are measured at fair

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value, with changes in fair value being reported net of tax in other comprehensive income. Fair value changes are not recognized in profit or loss until the assets are sold or impaired.

Financial assets at fair value through profit or loss: Financial assets at fair value through profit or loss comprise only those financial assets that are held for trading, as we do not designate financial assets at fair value through profit or loss on initial recognition. This category solely

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contains embedded and freestanding derivatives with positive fair values. Except where hedge accounting is applied, all changes in the fair value of financial assets in this category are immediately recognized in profit or loss. For more information about derivatives, see the Derivatives section.

All financial assets not accounted for at fair value through profit or loss are assessed for impairment at each reporting date or if we become aware of objective evidence of impairment as a result of one or more events that indicate that the carrying amount of the asset may not be recoverable. Objective evidence includes but is not limited to a significant or prolonged decline of the fair value below its carrying amount, a high probability of insolvency, or a material breach of contract by the issuer such as a significant delay or a shortfall in payments due. Impairment losses in the amount of the difference between an asset's carrying amount and the present value of the expected future cash flows or current fair value, respectively, are recognized in financial income, net. For available-for-sale financial assets such impairment losses directly reduce an asset's carrying amount, while impairments on loans and receivables are recorded using allowance accounts. Account balances are charged off against the respective allowance after all collection efforts have been exhausted and the likelihood of recovery is considered remote. Impairment losses are reversed if the reason for the original impairment loss no longer exists. No such reversals are made for available-for-sale equity investments.

Income/expenses and gains/losses on financial assets consist of impairment losses and reversals, interest income and expenses, dividends, and gains and losses from the disposal of such assets. Dividend income is recognized when earned. Interest income is recognized based on the effective interest method. Neither dividend nor interest income is included in net gains/losses at the time of disposal of an asset. Financial assets are derecognized when contractual rights to receive cash flows from the financial assets expire or the financial assets are transferred together with all material risks and benefits.

Derivatives

We account for derivatives and hedging activities in accordance with IAS 39 at fair value.

Derivatives Without Designated Hedge Relationship

Many transactions constitute economic hedges, and therefore contribute effectively to the securing of financial risks but do not qualify for hedge accounting under IAS 39. For the hedging of currency risks inherent in foreign currency denominated and recognized monetary assets and liabilities, we do not designate our held-for-trading derivative financial instruments as accounting hedges, as the profits and losses from the underlying transactions are recognized in profit or loss in the same periods as the profits or losses from the derivatives.

Embedded Derivatives

We occasionally have contracts that require payment streams in currencies other than the functional currency of either party to the contract. Such embedded foreign currency derivatives are separated from the host contract and accounted for separately if the following are met:

The economic characteristics and risks of the host contract and the embedded derivative are not closely related.

A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

The combined instrument is not measured at fair value through profit or loss.

Derivatives with Designated Hedge Relationship

We designate derivatives in respect of foreign currency risk or interest rate risk as cash flow or fair value hedges in a hedging relationship that qualifies for hedge accounting under IAS 39 and carry them at their fair value. At inception, we designate and document the hedge relationship, including the nature of the risk, the identification of the hedged item, the hedging instrument, and how we will assess the hedge effectiveness. Furthermore, at inception and on an ongoing basis we measure and document whether the derivatives are highly effective in offsetting the changes in the fair values or cash flows of the hedged item attributable to the hedged risk. The accounting for changes in fair value of the hedging instrument depends on the type of the hedge and the effectiveness of the hedging relationship. For more information about our hedges, see Note (25).

a) Cash Flow Hedge

In general, we apply cash flow hedge accounting to the foreign currency risk of highly probable forecasted transactions and interest rate risk on variable rate financial liabilities.

The effective portion of changes in the fair value of the derivative instrument determined to be an effective hedge is recognized in other comprehensive income and presented within other components of equity from cash flow hedges. With regard to foreign currency risk, this relates to the spot price and the intrinsic values of the derivatives designated and qualifying as cash flow hedges, while gains and losses on the interest element and on those time values excluded from the hedging relationship as well as the ineffective portion of gains or losses are recognized in profit or loss. We subsequently reclassify the effective portion of gains or losses from other comprehensive income to profit or loss when the hedged transaction affects profit or loss.

If the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognized in other comprehensive income at that time remains in other comprehensive income until the forecasted transaction is ultimately recognized in profit or loss. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss existing in other comprehensive income at that time is immediately transferred to profit or loss.

b) Fair Value Hedge

We apply fair value hedge accounting for hedging certain of our fixed rate financial liabilities.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk (basis adjustment). The change in the fair value of the derivatives and the change in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

If the hedge no longer meets the criteria for hedge accounting, the basis adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortized over the period to maturity.

Valuation and Testing of Effectiveness

The effectiveness of the hedging relationship is tested prospectively and retrospectively. Prospectively, we apply the critical terms match for our foreign currency hedges as currencies, maturities, and the amounts are identical for the forecasted transactions and the spot element of the forward exchange rate contract or intrinsic value of the currency options, respectively. For interest rate swaps, we also apply the critical terms match as the notional amounts, currencies, maturities, basis of the variable legs or fixed legs, respectively, reset dates, and the dates of the interest and principal payments are identical for the debt instrument and the corresponding interest rate swaps. Therefore, over the life of the hedging instrument, the changes in the designated components of the hedging instrument will offset the impact of fluctuations of the underlying hedged items.

The method of retrospectively testing effectiveness depends on the type of the hedge as described further below:

a) Cash Flow Hedge

Retrospectively, effectiveness is tested on a cumulative basis applying the dollar offset method by using the hypothetical derivative method. Under this approach, the change in fair value of a constructed hypothetical derivative with terms reflecting the relevant terms of the hedged item is compared to the change in the fair value of the hedging instrument employing its relevant terms. The hedge is deemed highly effective if the results are within the range 80% to 125%.

b) Fair Value Hedge

Retrospectively, effectiveness is tested using statistical methods in the form of a regression analysis by which the validity and extent of the relationship between the change in value of the hedged items as the independent and the fair value change of the derivatives as the dependent variable is determined. The hedge is deemed highly effective if the determination coefficient between the hedged items and the hedging instruments exceeds 0.8 and the slope coefficient lies within a range of 0.8 to 1.25.

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Trade and Other Receivables

Trade receivables are recorded at invoiced amounts less sales allowances and allowances for doubtful accounts. We record these allowances based on a specific review of all significant outstanding invoices. When analyzing the recoverability of our trade receivables, we consider the following factors:

First, we consider the financial solvency of specific customers and record an allowance for specific customer balances when we believe it is probable that we will not collect the amount due according to the contractual terms of the arrangement.

Second, we evaluate homogenous portfolios of trade receivables according to their default risk primarily based on the age of the receivable and historical loss experience, but also taking into consideration general market factors that might impact our trade receivable portfolio. We record a general bad debt allowance to record impairment losses for a portfolio of trade receivables when we believe that the age of the receivables indicates that it is probable that a loss has occurred and we will not collect some or all of the amounts due.

Account balances are written off, that is, charged off against the allowance after all collection efforts have been exhausted and the likelihood of recovery is considered remote.

In our Consolidated Income Statements, expenses from recording bad debt allowances for a portfolio of trade receivables are classified as other operating income, net, whereas expenses from recording bad debt allowances for specific customer balances are classified as cost of software and software-related services or cost of professional services and other services, depending on the transaction from which the respective trade receivable results. Sales allowances are recorded as an offset to the respective revenue item.

Included in trade receivables are unbilled receivables related to fixed-fee and time-and-material consulting arrangements for contract work performed to date.

Other Non-Financial Assets

Other non-financial assets are recorded at amortized cost, which approximates fair value due to their short-term nature.

Intangible Assets

We classify intangible assets according to their nature and use in our operation. Software and database licenses consist primarily of technology for internal use, whereas acquired technology consists primarily of purchased software to be incorporated into our product offerings and in-process research and development. Customer relationship and other intangibles consist primarily of customer contracts and acquired trademark licenses.

All our purchased intangible assets other than goodwill have finite useful lives. They are initially measured at acquisition cost and subsequently amortized either based on expected usage or on a straight-line basis over their estimated useful lives ranging from two to 16 years.

We recognize acquired in-process research and development projects as an intangible asset separate from goodwill if a project meets the definition of an asset. Amortization for these intangible assets starts when the projects are complete and the developed software is taken to the market. We typically amortize these intangibles over five to seven years.

Amortization expenses of intangible assets are classified as cost of software and software-related services, cost of professional services and other services, research and development, sales and marketing, and general and administration depending on their use.

Property, Plant, and Equipment

Property, plant, and equipment are carried at acquisition cost plus the fair value of related asset retirement costs, if any and if reasonably estimable, and less accumulated depreciation. Interest incurred during the construction of qualifying assets is capitalized and amortized over the related assets' estimated useful lives.

Property, plant, and equipment are depreciated over their expected useful lives, generally using the straight-line method.

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Useful Lives of Property, Plant, and Equipment

	Useful Lives of Property, Plant, and Equipment
Buildings	25 to 50 years
Leasehold improvements	Based on the lease contract
Information technology equipment	3 to 5 years
Office furniture	4 to 20 years
Automobiles	4 to 5 years

Leasehold improvements are depreciated using the straight-line method over the shorter of the term of the lease or the useful life of the asset. If a renewal option exists, the term used reflects the additional time covered by the option if exercise is reasonably assured when the leasehold improvement is first put into operation.

Impairment of Goodwill and Non-Current Assets

We test goodwill for impairment at least annually and when events occur or changes in circumstances indicate that the recoverable amount of a cash-generating unit to which goodwill has been allocated is less than its carrying value.

The recoverable amount of goodwill is estimated each year at the same time. The goodwill impairment test is performed at the level of our operating segments since there are no lower levels in SAP at which goodwill is monitored for internal management purposes.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to the operating segments that are expected to benefit from the synergies of the combination. If the carrying amount of the operating segment to which the goodwill is allocated exceeds the recoverable amount, an impairment loss on goodwill allocated to this operating segment is recognized. The recoverable amount is the higher of the operating segment's fair value less costs of disposal and its value in use. Fair value less costs of disposal is the price that would be received to sell an asset or cash generating unit or paid to transfer a liability in an orderly transaction between market participants at the measurement date, less the cost of disposal. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Impairment losses on goodwill are not reversed in future periods.

We review non-current assets, such as property, plant, equipment, and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be recoverable. Intangible assets not yet available for use are tested for impairment annually.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets. If assets do not generate cash inflows that are largely independent of those from other assets or groups of assets, the impairment test is not performed at an individual asset level; instead, it is performed at the level of the cash-generating unit (CGU) to which the asset belongs.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. The recoverable amount of an asset or its CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are presented in other operating income, net in profit or loss.

Contingent Assets

We carry insurance policies to, among other things, offset the expenses associated with defending against litigation matters as well as other risks. We recognize the respective reimbursements in profit or loss when it is virtually certain that the reimbursement will be received and retained by us.

Liabilities

Financial Liabilities

Financial liabilities include trade and other payables, bank loans, issued bonds, private placements and other financial liabilities which comprise derivative and non-derivative financial liabilities.

Financial liabilities are recognized and measured in accordance with IAS 39. Accordingly, they are recognized in the Consolidated Financial Statements if we have a contractual obligation to transfer cash or another financial asset to another party. Financial liabilities are initially recognized at fair value. In the case of financial liabilities not measured at fair value through profit or loss, the initial measurement includes directly attributable transaction costs. If material, financial liabilities are discounted to present value based on prevailing market rates adjusted for credit risk, with the discount being recognized over time as interest expense. The subsequent measurement depends on the allocation of financial liabilities to the following categories according to IAS 39:

Financial liabilities at fair value through profit or loss only comprise those financial liabilities that are held for trading, as we do not designate financial liabilities at fair value through profit or loss on initial recognition. This category solely contains embedded and other derivatives with negative fair values, except where hedge accounting is applied. All changes in the fair value of financial liabilities in this category are immediately recognized in profit or loss. For more information about derivatives, see the Derivatives section.

Financial liabilities at amortized cost include all non-derivative financial liabilities which are measured at amortized cost using the effective interest method.

Expenses and gains/losses on financial liabilities consist of interest expense, and gains and losses from the disposal of such liabilities. Interest expense is recognized based on the effective interest method.

Financial liabilities are derecognized when the contractual obligation is discharged, canceled, or has expired.

Non-Financial Liabilities

Other non-financial liabilities with fixed or determinable payments that are not quoted in an active market are mainly the result of obligations to employees and fiscal authorities and are generally measured at amortized cost.

Provisions

Provisions are recorded when all of the following conditions are met:

It is more likely than not that we have a legal or constructive obligation to third parties as a result of a past event.
The amount can be reasonably estimated.

It is probable that there will be an outflow of future economic benefits to settle the obligation, while there may be uncertainty about the timing or amount of the future expenditure required in the settlement.

We regularly adjust provisions as further information becomes available or circumstances change. Non-current provisions are reported at the present value of their expected settlement amounts as at the reporting date. Discount rates are regularly adjusted to current market interest rates.

A provision for restructuring is recognized when we have approved a detailed and formal restructuring plan and the restructuring has commenced or has been announced.

Post-Employment Benefits

We measure our pension-benefit liabilities and other post-employment benefits based on actuarial computations using the projected-unit-credit method in accordance with IAS 19. The assumptions used to calculate pension liabilities and costs are disclosed in Note (18a). As a result of the actuarial calculation for each plan, we recognize an asset or liability for the overfunded or underfunded status of the respective defined benefit plan. We classify a portion of the liability as current (determined on a plan-by-plan basis) if the amount by which the actuarial present value of benefits included in the benefit obligation payable within the next 12 months exceeds the fair value of plan assets. Remeasurements of the defined benefit obligation (DBO) or plan assets resulting from demographic and financial data different than originally assumed and from changes in assumptions can result in actuarial gains and losses. We recognize all such remeasurements immediately in retained earnings through other comprehensive income. They will not be reclassified to profit or loss in subsequent periods. Net interest expense and other expenses related to defined benefit plans are recognized in employee expenses.

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SAP's pension benefits are classified as defined contribution plans if the payment to a separate fund relieves SAP of all obligations from the pension plan. Obligations for contributions to defined contribution pension plans are recognized as an expense in profit or loss when paid or due.

Certain of our foreign subsidiaries are required to provide termination indemnity benefits to their employees regardless of the reason for

termination (retirement, voluntary, or involuntary). We treat these plans as defined benefit pension plans if the substance of the post-employment plan is a pension-type arrangement. Most of these arrangements provide the employee with a one-time payout based on compensation levels, age, and years of service on termination independent of the reason (retirement, voluntary, or involuntary).

Deferred Income

Deferred income is recognized as software revenue, support revenue, cloud subscription and support revenue, consulting revenue, or other service revenue, depending on the reasons for the deferral, once the basic applicable revenue recognition criteria have been met, for example, when the related services are performed or when the discounts are used.

(3c) Management Judgments and Sources of Estimation Uncertainty

The preparation of the Consolidated Financial Statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities.

We base our judgments, estimates, and assumptions on historical and forecast information, as well as regional and industry economic conditions in which we or our customers operate, changes to which could adversely affect our estimates. Although we believe we have made reasonable estimates about the ultimate resolution of the underlying uncertainties, no assurance can be given that the final outcome of these matters will be consistent with what is reflected in our assets, liabilities, revenues, and expenses. Actual results could differ from original estimates.

The accounting policies that most frequently require us to make judgments, estimates, and assumptions, and therefore are critical to understanding our results of operations, include the following:

Revenue recognition

Valuation of trade receivables

Accounting for share-based payments

Accounting for income tax
Accounting for business combinations

Subsequent accounting for goodwill and other intangibles

Accounting for legal contingencies

Recognition of internally generated intangible assets from development

Our management periodically discusses these critical accounting policies with the Audit Committee of the Supervisory Board.

Revenue Recognition

As described in the Revenue Recognition section of Note (3b), we do not recognize revenue before persuasive evidence of an arrangement exists, delivery has occurred, the risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably, and collection of the related receivable is probable. The determination of whether the amount of revenue can be measured reliably or whether the fees are collectible is inherently judgmental as it requires estimates as to whether and to what extent subsequent concessions may be

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granted to customers and whether the customer is expected to pay the contractual fees. The timing and amount of revenue recognition can vary depending on what assessments have been made.

In most of our revenue-generating arrangements we sell to the customer more than one product solution or service. Additionally, we have ongoing relationships with many of our customers and often enter into several transactions with the same customer within close proximity in time. We therefore have to determine the following:

Which arrangements with the same customer are to be accounted for as one arrangement

Which deliverables under one arrangement are to be accounted for separately

How to allocate the total arrangement fee to the individual elements of one arrangement

The determination of whether different arrangements with the same customer are to be accounted for as one arrangement is highly judgmental, as it requires us to evaluate whether the arrangements are negotiated together or linked in any other way. The timing and amount of revenue recognition can vary depending on whether two arrangements are accounted for separately or as one arrangement.

Under an arrangement including on-premise software, or a cloud subscription, and other deliverables, we do not account for the on-premise software, or cloud subscription, and the other deliverables separately if one of the other deliverables (such as consulting services) is deemed to be essential to the functionality of the on-premise software, or cloud subscription. The determination whether an undelivered element is essential to the functionality of the delivered element requires the use of judgment. The timing and amount of revenue recognition can vary depending on how that judgment is exercised, because revenue may be recognized over a longer service term.

We also do not account separately for different deliverables under an arrangement if we have no basis for allocating the overall arrangement fee to the different elements of the arrangement. However, we believe that such allocation basis exists if we can either demonstrate for each undelivered element of the arrangement a company-specific fair value, or, where such company-specific fair value cannot be established, if we can reasonably estimate stand-alone selling prices, as further defined in the Revenue Recognition section of Note (3b). Judgment is required in the determination of an appropriate fair value measurement which may impact the timing and amount of revenue recognized depending on the following:

Whether an appropriate measurement of fair value can be demonstrated for undelivered elements.

The approaches used to establish fair value.

Additionally, our revenue for on-premise software contracts would be significantly different if we applied a revenue allocation policy other than the residual method.

Revenue from consulting, other services, and customer-specific on-premise software development projects is determined by applying the percentage-of-completion method. The percentage-of-completion method requires us to make estimates about total revenue, total cost to complete the project, and the stage of completion. The assumptions, estimates, and uncertainties inherent in determining the stage of completion affect the timing and amounts of revenue recognized and expenses reported. If we do not have a sufficient basis to measure the progress of completion or to estimate the total contract revenue and costs, revenue recognition is limited to the amount of contract costs incurred. The

determination of whether a sufficient basis to measure the progress of completion exists is judgmental. Changes in estimates of progress towards completion and of contract revenue and contract costs are accounted for as cumulative catch-up adjustments to the reported revenue for the applicable contract.

Valuation of Trade Receivables

As described in the Trade and Other Receivables section in Note (3b), we account for impairments of trade receivables by recording sales allowances and allowances for doubtful accounts on an individual receivable basis and on a portfolio basis. The assessment of whether a receivable is collectible is inherently judgmental and requires the use of assumptions about customer defaults that could change significantly. Judgment is required when we evaluate available information about a particular customer's financial situation to determine whether it is probable that a credit loss will occur and the amount of such loss is reasonably estimable and thus an allowance for that specific account is necessary. Basing the general allowance for the remaining receivables on our historical loss experience, too, is highly judgmental, as history may not be indicative of future development, particularly in the global economic circumstances resulting from the recent global financial crisis. Changes in our estimates about the allowance for doubtful accounts could materially impact the reported assets and expenses in our financial statements, and our profit could be adversely affected if actual credit losses exceed our estimates.

Accounting for Share-Based Payments

We use certain assumptions in estimating the fair values for our share-based payments, including expected future share price volatility and expected option life (which represents our estimate of the average amount of time remaining until the options are exercised or expire unexercised). In addition, the final payout for these plans also depends on our share price at the respective exercise dates. All these assumptions may significantly impact the fair value determination and thus the amount and timing of our share-based payment expense. Furthermore, the fair values of the options granted under our 2009 Plan (SOP PP) are dependent on our performance against the Technology Peer Group Index (TechPGI) since the respective grant date, the volatility and the expected correlation between the market price of this index, and our share price.

For the purpose of determining the estimated fair value of our stock options, we believe expected volatility is the most sensitive assumption. Regarding future payout under the plans, the price of SAP's shares will be the most relevant factor. The fair values of the Restricted Share Units (RSUs) granted under our Employee Participation Plan (EPP) and Long-Term Incentive Plan (LTI) 2015 depend on SAP's share price directly after the announcement of the preliminary fourth quarter and full-year results for the last financial year of the respective performance period under the EPP (three-year holding period under the LTI 2015), and thus may be significantly above or below the budgeted amounts. With respect to our plan granted in 2009 (SOP PP), we believe that future payout will be significantly impacted not only by our share price but also by the requirement to outperform the TechPGI. Changes in these factors could significantly affect the estimated fair values as calculated by the option-pricing model, and the future payout. For more information about these plans, see Note (27).

Accounting for Income Tax

We conduct operations and earn income in numerous foreign countries and are subject to changing tax laws in multiple jurisdictions within the countries in which we operate. Our ordinary business activities also include transactions where the ultimate tax outcome is uncertain, such as those involving revenue sharing and cost reimbursement arrangements between SAP Group entities. In addition, the amount of income tax we pay is generally subject to ongoing audits by domestic and foreign tax authorities. As a result, judgment is necessary in determining our worldwide income tax provisions. We have made reasonable estimates about the ultimate resolution of our tax uncertainties based on current tax laws and our interpretation thereof. Such judgment can have a material effect on our income tax expense, income tax provision, and profit after tax.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax assets to be utilized. This assessment requires management judgment, estimates, and assumptions. In evaluating our ability to utilize our deferred tax assets, we consider all available positive and negative evidence, including the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are recoverable. Our judgment regarding future taxable income is based

on expectations of market conditions and other facts and circumstances. Any adverse change to the underlying facts or our estimates and assumptions could require that we reduce the carrying amount of our net deferred tax assets.

For more information about our income tax, see Note (10).

Accounting for Business Combinations

In our accounting for business combinations, judgment is required in determining whether an intangible asset is identifiable, and should be recorded separately from goodwill. Additionally, estimating the acquisition-date fair values of the identifiable assets acquired and liabilities assumed involves considerable management judgment. The necessary measurements are based on information available at the acquisition date and are based on expectations and assumptions that have been deemed reasonable by management. These judgments, estimates, and assumptions can materially affect our financial position and profit for several reasons, among which are the following:

Fair values assigned to assets subject to depreciation and amortization affect the amounts of depreciation and amortization to be recorded in operating profit in the periods following the acquisition.

Subsequent negative changes in the estimated fair values of assets may result in additional expense from impairment charges.

Subsequent changes in the estimated fair values of liabilities and provisions may result in additional expense (if increasing the estimated fair value) or additional income (if decreasing the estimated fair value).

Subsequent Accounting for Goodwill and Other Intangibles

As described in the Intangible Assets section in Note (3b), all our intangible assets other than goodwill have finite useful lives. Consequently, the depreciable amount of the intangible assets is allocated on a systematic basis over their useful lives. Judgment is required in determining the following:

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The useful life of an intangible asset, as this determination is based on our estimates regarding the period over which the intangible asset is expected to produce economic benefits to us.

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The amortization method, as IFRS requires the straight-line method to be used unless we can reliably determine the pattern in which the asset's future economic benefits are expected to be consumed by us.

Both the amortization period and the amortization method have an impact on the amortization expense that is recorded in each period.

In making impairment assessments for our intangible assets and goodwill, the outcome of these tests is highly dependent on management's latest estimates and assumptions regarding future cash flow projections and economic risks, which are complex and require significant judgment and assumptions about future developments. They can be affected by a variety of factors, including changes in our business strategy, our internal forecasts, and an estimate of our weighted-average cost of capital. Due to these factors, actual cash flows and values could vary significantly from the forecasted future cash flows and related values derived using the discounted cash flow method. Although we believe the assumptions and estimates we have made in the past have been reasonable and appropriate, different assumptions and estimates could materially affect our financial position and profit.

The results of goodwill impairment tests may depend on the allocation of goodwill to our operating segments. This allocation is judgmental as it is based on our estimates regarding which operating segments are expected to benefit from the synergies of the business combination.

We recognized no impairment losses on our goodwill and no significant impairment losses on our intangible assets during 2013. Although we do not currently have an indication of any significant impairment, there can be no assurance that impairment losses will not occur in the future. For more information, see Note (15).

Accounting for Legal Contingencies

As described in Note (23), we are currently involved in various claims and legal proceedings. We review the status of each significant matter not less frequently than each quarter and assess our potential financial and business exposures related to such matters. Significant judgment is required in the determination of whether a provision is to be recorded and what the appropriate amount for such provision should be. Notably, judgment is required in the following:

- Determining whether an obligation exists
- Determining the probability of outflow of economic benefits

- Determining whether the amount of an obligation is reliably estimable

- Estimating the amount of the expenditure required to settle the present obligation

Due to uncertainties relating to these matters, provisions are based on the best information available at the time.

At the end of each reporting period, we reassess the potential obligations related to our pending claims and litigation and adjust our respective provisions to reflect the current best estimate. In addition, we monitor and evaluate new information that we receive after the end of the respective reporting period but before the Consolidated Financial Statements are authorized for issue to determine whether this provides additional information regarding conditions that existed at the end of the reporting period. Such revisions to our estimates of the potential obligations could have a material impact on our financial position and profit. For further information about this case, see Notes (18b) and (23).

Recognition of Internally Generated Intangible Assets from Development

Under IAS 38, internally generated intangible assets from the development phase are recognized if certain conditions are met. These conditions include the technical feasibility, intention to complete, the ability to use or sell the asset under development, and the demonstration of how the asset will generate probable future economic benefits. The cost of a recognized internally generated intangible asset comprises all directly attributable cost necessary to make the asset capable of being used as intended by management. In contrast, all expenditures arising from the research phase are expensed as incurred.

We believe that determining whether internally generated intangible assets from development are to be recognized as intangible assets requires significant judgment, particularly in the following areas:

Determining whether activities should be considered research activities or development activities.

Determining whether the conditions for recognizing an intangible asset are met requires

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assumptions about future market conditions, customer demand and other developments.

The term technical feasibility is not defined in IFRS, and therefore determining whether the completion of an asset is technically feasible requires judgment and a company-specific approach.

Determining the future ability to use or sell the intangible asset arising from the development and the determination of the probability of future benefits from sale or use.

Determining whether a cost is directly or indirectly attributable to an intangible asset and whether a cost is necessary for completing a development.

We have determined that the conditions for recognizing internally generated intangible assets from our software development activities are not met until shortly before the developed products are available for sale. This assessment is monitored by us on a regular basis.

(3d) New Accounting Standards Adopted in the Current Period

The following new accounting standards and amendments to standards have been adopted in fiscal year 2013:

Amendments to IFRS 7 (Financial Instruments: Disclosures) Offsetting financial assets and financial liabilities, which require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. The amendments did not result in an impact on the Company's Consolidated Financial Statements.

IFRS 10 (Consolidated Financial Statements), IFRS 11 (Joint Arrangements), and IFRS 12 (Disclosure of Interests in Other Entities) including amendments to the transition guidance for IFRS 10-12 issued in June 2012, which provide a single consolidation model that identifies control as the basis for consolidation for all types of entities, establish principles for the financial reporting by parties to a joint arrangement, and combine, enhance and replace the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities. The adoption of this new set of standards (we adopted the new standards earlier than required by the European Union) did not result in a change in the financial position of the Group. However, additional qualitative and quantitative disclosure has been added, for example, with respect to consolidated structured entities.

IFRS 13 (Fair Value Measurement), which defines fair value, sets out in a single IFRS a framework for measuring fair value, and requires disclosures about fair value measurements. The adoption of the standard has resulted in additional disclosures, for example, relating to risks associated with financial instruments and to the valuation techniques used for the valuation of the financial instruments.

Amendments to IAS 1 (Presentation of Financial Statements), which aim to improve and align the presentation of items of other comprehensive income in financial statements prepared in accordance with IFRS and U.S. GAAP. Since SAP had already made appropriate changes in the Consolidated Statements of Comprehensive Income in prior years, the adoption of the standard did not result in any changes to the Consolidated Financial Statements.

Amendments to IAS 19, which aim to improve the understanding of how defined benefit plans affect an entity's financial position, financial performance, and cash flows. The retrospective application of the revised IAS 19 in accordance with the transitional provisions set out in IAS 19.173 (as revised in 2011) resulted in the netting of items in the Consolidated Statements of Financial Position (mandatory netting of plan assets with time credits and semiretirement obligations now classified as other long-term employee benefits), reclassifications of certain employee benefit liabilities from short-term benefits to long-term benefits and consequential remeasurement of these liabilities. These changes, which are immaterial both individually and in the aggregate, resulted in amounts of adjustments for the following balance sheet line items as of December 31, 2012: decrease of non-current other financial assets by 124 million, increase of deferred tax assets by 18 million (thus reducing total assets by 106 million), increase of current other non-financial liabilities by 68 million, decrease of current and

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non-current other provisions by 93 million and 45 million respectively, increase of deferred tax liabilities by 3 million (thus reducing total liabilities by 67 million) and a reduction of retained earnings by 39 million. The impacts on our income statements were inconsequential in all periods presented. The standard also resulted in

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additional disclosures (for example, a sensitivity analysis for changes in defined benefit obligations, additional components considered in actuarial assumptions, etc.), for more information see Note (18a).

Amendments to IAS 36 (Impairment of Assets), which aim to remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36 and expand the disclosures on recoverable amounts of assets or cash-generating units when they are based on fair value less costs of disposals. SAP has early-adopted these new amendments to IAS 36.

(3e) New Accounting Standards Not Yet Adopted

The standards and interpretations (relevant to the Group) that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group

intends to adopt these standards, if applicable, when they become effective:

IFRS 9 (Financial Instruments) and subsequent amendments to IFRS 7 and IFRS 9, which will be applicable in fiscal year 2017 at the earliest (the final mandatory effective date is expected to be determined after the final guidance has been issued). The new guidance is expected to impact the classification and measurement of financial assets. We have not yet completed the determination of the impact on our Consolidated Financial Statements.

Amendments to IAS 32 (Financial Instruments: Presentation) – Offsetting financial assets and financial liabilities, which become mandatory for the Group's 2014 Consolidated Financial Statements, aim to eliminate inconsistencies when applying the offsetting criteria and include some clarifications. The amendments will not have a material impact on our Consolidated Financial Statements.

(4) Business Combinations

In 2013, we concluded the following business combinations:

Acquired Businesses

	Sector	Acquisition Type	Acquired Voting Interest	Acquisition Date
Ticket-Web GmbH & Co. KG, Wildau, Germany	Solution provider of ticketing & customer relationship management	Asset Deal	NA	March 4, 2013
KMS Software Company LLC., Los Angeles, California, USA	Provider of employee onboarding solutions	Asset Deal	NA	April 1, 2013
Camilion Solutions, Inc., Toronto, Canada	Solutions for the insurance industry	Share Deal	100%	April 2, 2013
SmartOps Corporation, Pittsburgh, Pennsylvania, USA	Provider of inventory and service-level optimization software solutions	Share Deal	100%	April 12, 2013
hybris AG, Rotkreuz, Switzerland	Provider of independent commerce technology (B2B and B2C)	Share Deal	100%	August 1, 2013
KXEN Inc., San Francisco, California, USA	Provider of predictive analytics technology for line of business users and analysts	Share Deal	100%	October 1, 2013

We acquire businesses in specific areas of strategic interest to us.

Acquisition of hybris

On August 1, 2013, following satisfaction of applicable regulatory and other approvals, we acquired 100% of the shares of hybris AG.

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hybris is a recognized leader in independent commerce technology (B2B and B2C). We expect this acquisition to combine hybris' omnichannel commerce solution with SAP's enterprise

technology and in-memory, cloud, and mobile innovations and help facilitate new levels of customer insight and engagement.

Financial Impact of Our Acquisitions as of the Acquisition Date

The following table summarizes the values of identifiable assets acquired and liabilities assumed, as of the acquisition date.

Recognized Amounts of Identifiable Assets Acquired and Liabilities Assumed

millions	Total	Thereof hybris
Cash and cash equivalents	16	10
Other financial assets	1	1
Trade and other receivables	40	30
Other non-financial assets	5	4
Property, plant, and equipment	8	7
Intangible assets	376	332
Thereof acquired technology	192	167
Thereof customer relationship and other intangibles	182	164
Customer relationship	156	144
Trade name	11	10
Other intangible assets	15	10
Thereof software and database licenses	2	1
Current and deferred tax assets	21	13
Total identifiable assets	467	397
Trade accounts payable	13	10
Loans and borrowings	25	24
Current and deferred tax liabilities	83	67
Provisions and other non-financial liabilities	34	30
Thereof legal and litigation related liabilities	1	1
Deferred revenue	16	14
Total identifiable liabilities	171	145
Total identifiable net assets	296	252
Goodwill	840	780
Total consideration transferred in cash	1,136	1,032

The goodwill arising from the acquisitions consists largely of the synergies and the know-how and technical skills of the acquired businesses' workforces.

hybris goodwill is attributed to expected synergies from the acquisition particularly sourcing from the customers' transformations from channel-centric to omnichannel business. By combining hybris commerce solutions with SAP products, we expect to enable our customers across all devices, delivery channels and touchpoints to provide

new levels of real-time customer interaction and customer engagement.

The initial accounting for the business combinations entered into in 2013 is incomplete because we are still obtaining the information necessary to identify and measure contingent liabilities and tax related assets and liabilities of the acquired businesses. Accordingly, the respective amounts recognized in our financial statements for these items are regarded provisional as of December 31, 2013.

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The acquisition-related costs incurred totaled 10 million for our 2013 business combinations, all of which were recognized in general and administration expense.

Impact of Business Combinations on Our Financial Statements

The amounts of revenue and profit or loss of the hybris business acquired in 2013 since the acquisition date included in the consolidated income statements for the reporting period are as follows:

Impact of hybris on SAP's Financials

millions	Contribution of hybris
Revenue	70
Profit after tax	11

Had hybris been consolidated as of January 1, 2013, our estimated pro forma revenue for the reporting period would have been 16,865 million, and pro forma profit after tax would have been 3,282 million.

These amounts were calculated after applying the Company's accounting policies and after adjusting the results for hybris to reflect, for example:

Additional depreciation and amortization that would have been charged assuming the fair value adjustment to property, plant, and equipment and intangible assets had been applied from January 1, 2013

The impact of fair value adjustments on deferred revenue on a full-year basis

The borrowing costs on the funding levels and debt/equity position of the Company after the business combination
Employee benefits

Related tax effects

These pro forma numbers have been prepared for comparative purposes only. The pro forma revenue and profit numbers are not necessarily indicative of either the results of operations that would have actually occurred had the acquisition been in effect at the beginning of the respective periods or of future results.

Prior year acquisitions are described in the Consolidated Financial Statements in the 2012 Annual Report.

(5) Revenue

For detailed information about our revenue recognition policies, see Note (3).

For revenue information by segment and geographic region, see Note (28).

Revenue from construction-type contracts (contract revenue) is included in software revenue and consulting revenue depending on the type of project. The status of our construction projects in progress at the end of the reporting period accounted for under IAS 11 was as follows:

Construction Projects in Progress

millions	2013	2012	2011
Revenue recognized in the respective year	194	196	172
Aggregate cost recognized (multi-year)	221	255	229
Recognized result (+ profit/ loss; multi-year)	87	2	14
Advance payments received	1	3	5
Gross amounts due from customers	3	7	20
Gross amounts due to customers	69	15	44
Loss provisions	3	34	27

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(6) Other Operating Income/Expense, Net

Other operating income/expense, net, was as follows:

Other Operating Income/Expense, Net

millions	2013	2012	2011
Miscellaneous other operating expenses	6	3	3
Gain/loss on disposals of non-current assets	0	5	18
Miscellaneous other operating income	19	31	10
Other operating income/expense, net	12	23	25

(7) Employee Benefits Expense and Headcount***Employee Benefits Expense***

Employee benefits expense comprises the following:

Employee Benefits Expense

millions	2013	2012	2011
Salaries	5,997	5,726	4,938
Social security expense	857	777	642
Pension expense	212	190	168
Share-based payment expense	327	522	68
Termination benefits	39	65	65
Employee-related restructuring expense	57	6	0
Employee benefits expense	7,489	7,286	5,880

Pension expense includes the amounts recorded for our defined benefit and defined contribution plans as described in Note (18a). Expenses for local state pension plans are included in social security expense.

Number of Employees

On December 31, 2013, the breakdown of our full-time equivalent employee numbers by function in SAP and by region was as follows:

Number of Employees

Full-time equivalents	December 31, 2013				December 31, 2012				December 31, 2011			
	EMEA ¹⁾	Americas	Asia Pacific Japan	Total	EMEA ¹⁾	Americas	Asia Pacific Japan	Total	EMEA ¹⁾	Americas	Asia Pacific Japan	Total
Software and software-related services	4,859	2,861	3,541	11,261	4,559	2,628	3,364	10,551	4,068	2,079	2,816	8,963
Professional services and other services	7,177	4,406	3,047	14,629	7,020	4,399	2,840	14,259	6,808	3,963	2,497	13,268
Research and development	8,806	3,630	5,367	17,804	8,952	3,672	5,388	18,012	8,713	3,028	4,120	15,861
Sales and marketing	6,346	6,437	3,041	15,824	5,697	6,220	2,982	14,899	4,856	4,581	2,343	11,780
General and administration	2,424	1,445	697	4,566	2,243	1,383	660	4,286	2,073	1,120	542	3,735
Infrastructure	1,380	790	318	2,488	1,286	821	308	2,415	1,182	702	274	2,158
SAP Group (December 31)	30,993	19,568	16,011	66,572	29,757	19,123	15,542	64,422	27,700	15,473	12,592	55,765
Thereof acquisitions	511	571	29	1,111	791	2,987	1,038	4,816	264	49	90	403
SAP Group (months end average)	30,238	19,418	15,752	65,409	29,009	17,619	14,506	61,134	27,296	15,010	12,040	54,346

¹⁾ Europe, Middle East, Africa

Allocation of Share-Based Payment Expense

The allocation of expense for share-based payments, net of the effects from hedging these instruments, to the various operating expense items is as follows:

Share-Based Payments

millions	2013	2012	2011
Cost of software and software-related services	40	42	5
Cost of professional services and other services	61	104	11
Research and development	90	125	16
Sales and marketing	96	123	15
General and administration	40	127	21
Share-based payments	327	522	68
Thereof cash-settled share-based payments	240	450	33
Thereof equity-settled share-based payments	87	72	35

For more information about our share-based payments, see Note (27).

(8) Other Non-Operating Income/Expense, Net

Other non-operating income/expense, net was as follows:

Other Non-Operating Income/Expense, Net

millions	2013	2012	2011
Foreign currency exchange gain/loss, net	4	154	58
Thereof from financial assets/liabilities at fair value through profit or loss	75	102	44
Thereof from available for sale financial assets	0	2	0
Thereof from loans and receivables	184	32	177
Thereof from financial liabilities at amortized cost	105	20	79
Thereof from non-financial assets/liabilities	0	2	4
Miscellaneous other non-operating income	1	4	2
Miscellaneous other non-operating expense	22	23	19
Other non-operating income/expense, net	17	173	75

(9) Financial Income, Net

Financial Income, net was as follows:

Financial Income, Net

millions	2013	2012	2011
Finance income			
Interest income from			
available-for-sale financial assets (debt)	0	1	2
loans and receivables	37	45	58
derivatives	32	27	37
Gains on			
available-for-sale financial assets (debt)	0	0	1
available-for-sale financial assets (equity)	46	30	12
Share of result of associates	0	0	9
Finance income	115	103	119
Finance cost			
Interest expense from			
financial liabilities at amortized cost	131	130	123
derivatives	23	28	37
TomorrowNow litigation	0	1	8
Losses on			
available-for-sale financial assets (equity)	2	1	0
Impairment losses from			
available-for-sale financial assets (equity)	11	7	2
Fee expenses	14	8	7
Finance cost	181	175	161
Financial income, net	66	72	42

(10) Income Tax

Income tax expense for the years ended December 31 is attributable to the following regions:

Tax Expense According to Region

millions	2013	2012	2011
Current tax expense			
Germany	836	700	635
Foreign	326	506	521
Total current tax expense	1,162	1,206	1,156
Deferred tax expense/income			
Germany	51	11	14
Foreign	142	202	189
Total deferred tax expense/income	91	213	175
Total income tax expense	1,071	993	1,331

Income tax expense for the years ended December 31 comprised the following components:

Major Components of Tax Expense

millions	2013	2012	2011
Current tax expense/income			
Tax expense for current year	1,249	1,173	1,152
Taxes for prior years	87	33	4
Total current tax expense	1,162	1,206	1,156
Deferred tax expense/income			
Origination and reversal of temporary differences	168	266	164
Unused tax losses, research and development tax credits and foreign tax credits	77	53	11
Total deferred tax expense/income	91	213	175
Total income tax expense	1,071	993	1,331

Profit before tax for the years ended December 31 consisted of the following:

Profit Before Tax

millions	2013	2012	2011
Germany	3,126	2,460	2,316
Foreign	1,270	1,336	2,451
Total	4,396	3,796	4,767

The following table reconciles the expected income tax expense computed by applying our combined German tax rate of 26.41% (2012: 26.47%; 2011: 26.34%) to the actual income tax expense. Our 2013 combined German tax rate includes a corporate income tax rate of 15.00% (2012: 15.00%; 2011: 15.00%), plus a solidarity surcharge of 5.5% (2012: 5.5%; 2011: 5.5%) thereon, and trade taxes of 10.58% (2012: 10.64%; 2011: 10.51%).

Relationship Between Tax Expense and Profit Before Tax

millions, unless otherwise stated	2013	2012	2011
Profit before tax	4,396	3,796	4,767
Tax expense at applicable tax rate of 26.41% (2012: 26.47%; 2011: 26.34%)	1,161	1,005	1,256
Tax effect of:			
Foreign tax rates	116	114	79
Non-deductible expenses	158	111	89
Tax exempt income	146	169	149
Withholding taxes	87	71	93
Research and development and foreign tax credits	41	29	33
Prior-year taxes	113	15	25
Reassessment of deferred tax assets, research and development tax credits, and foreign tax credits	60	31	0
Other	21	72	21
Total income tax expense	1,071	993	1,331
Effective tax rate (in %)	24.4	26.2	27.9

105 million of the prior-year tax income recognized in the current reporting period relate to assets acquired or liabilities assumed in business combinations of previous reporting periods.

Deferred tax assets and liabilities on a gross basis as at December 31 are attributable to the following items:

Recognized Deferred Tax Assets and Liabilities

millions	2013	2012
Deferred tax assets		
Intangible assets	87	117
Property, plant, and equipment	18	35
Other financial assets	7	2
Trade and other receivables	38	67
Carryforwards of unused tax losses	521	641
Pension provisions	78	76
Share-based payments	105	122
Other provisions and obligations	305	305
Deferred income	48	46
Research and development and foreign tax credits	65	37
Other	121	120
Deferred tax assets	1,393	1,568
Deferred tax liabilities		
Intangible assets	696	844
Property, plant, and equipment	52	55
Other financial assets	367	382
Trade and other receivables	26	23
Pension provisions	6	4
Share-based payments	1	2
Other provisions and obligations	21	17
Deferred income	6	20
Other	39	36
Deferred tax liabilities	1,214	1,383
Deferred tax assets/liabilities, net	179	185

We retrospectively adjusted the provisional amounts recognized for deferred tax assets and liabilities related to the 2012 Ariba business combination by a corresponding decrease in goodwill in the amount of 82 million. The

adjustment reflects new information obtained about facts and circumstances as of the acquisition date, mainly about the utilization of carryforwards of unused tax losses.

Deferred tax assets have not been recognized in respect of the following items for the years ended December 31:

Items Not Resulting in a Deferred Tax Asset

millions	2013	2012	2011
Unused tax losses			
Not expiring	68	49	38
Expiring in the following year	43	6	10
Expiring after the following year	525	517	93
Total unused tax losses	636	572	141
Deductible temporary differences	178	202	30
Unused research and development and foreign tax credits			
Not expiring	25	32	17
Expiring in the following year	1	0	0
Expiring after the following year	1	36	3
Total unused tax credits	27	68	20

421 million (2012: 367 million; 2011: 34 million) of the unused tax losses relate to U.S. state tax loss carryforwards. As described above, prior-year numbers for unused tax losses related to the 2012 Ariba business combination were adjusted, resulting in a decrease in the amount of 743 million.

We have not recognized a deferred tax liability on approximately 7.07 billion (2012: 5.84 billion)

for undistributed profits of our subsidiaries, because we are in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not reverse in the foreseeable future.

The proposed dividend payment of 1.00 per share for the year ended December 31, 2013, will not have any effects on the income tax of SAP AG.

Total income tax including the items charged or credited directly to share premium and other comprehensive income for the years ended December 31 consists of the following:

Total Income Tax

millions	2013	2012	2011
Income tax recorded in profit	1,071	993	1,331
Income tax recorded in share premium	5	4	10
Income tax recorded in other comprehensive income that will not be reclassified to profit and loss			
Actuarial gains/losses on defined benefit pension plans	3	4	5
Income tax recorded in other comprehensive income that will be reclassified to profit and loss			
Gains/losses on cash flow hedges	0	17	1
Currency effects	8	3	6
Total	1,077	1,005	1,309

The income tax recorded in share premium relates to our equity-settled share-based payment.

We are subject to ongoing tax audits by domestic and foreign tax authorities. As a result of the tax audit of SAP AG and its German subsidiaries for the years 2003 through 2006, we are in dispute with the German tax authorities in respect of intercompany financing matters. We strongly disagree with the tax authorities' position and intend to vigorously contest it. Currently, we expect that we will need to initiate litigation to prevail. We have not recorded a provision for this matter as we believe that the tax authorities' claim has no merit and that no adjustment is warranted. If, contrary to our view, the German tax authorities

were to prevail in their arguments before the court, we would expect to have an additional tax expense (including related interest expense) for the tax audit period 2003 through 2006 and for the following years 2007 through 2013 of approximately 168 million in total.

(11) Earnings per Share

Restricted shares (the bonus shares in the Share Matching Plan discussed in Note (27) below) granted to employees under our share-based payments are included in the diluted earnings per share calculations to the extent they have a dilutive effect.

Earnings per share for the years ended December 31 was calculated as follows:

Earnings per Share

millions, unless otherwise stated	2013	2012	2011
Profit attributable to equity holders of SAP AG	3,326	2,803	3,435
Issued ordinary shares	1,229	1,229	1,227
Effect of treasury shares	35	37	38
Weighted average shares outstanding, basic ⁽¹⁾	1,193	1,192	1,189
Dilutive effect of share-based payments ⁽¹⁾	2	1	1
Weighted average shares outstanding, diluted ⁽¹⁾	1,195	1,193	1,190
Earnings per share, basic, attributable to equity holders of SAP AG (in ¢)	2.79	2.35	2.89
Earnings per share, diluted, attributable to equity holders of SAP AG (in ¢)	2.78	2.35	2.89

⁽¹⁾ Number of shares in millions

(12) Other Financial Assets

Other financial assets as at December 31 were as follows:

Other Financial Assets

millions	2013			2012		
	Current	Non-Current	Total	Current	Non-Current	Total
Loans and other financial receivables	90	243	333	35	208	243
Debt investments	38	0	38	15	14	29
Equity investments	0	322	322	0	201	201
Available-for-sale financial assets	38	322	360	15	215	230
Derivatives	123	6	129	104	40	144

Investments in associates	0	36	36	0	46	46
Total	251	607	858	154	509	663

Loans and Other Financial Receivables

Loans and other financial receivables mainly consist of time deposits, investments in pension

assets for which the corresponding liability is included in employee-related obligations (see Note (18b)), other receivables, and loans to employees and third parties. The majority of our loans and other financial receivables are concentrated in the United States.

As at December 31, 2013, there were no loans and other financial receivables past due but not impaired. We have no indications of impairments of loans and other financial receivables that are not past due and not impaired as at the reporting date. For general information on financial risk and the nature of risk, see Note (24).

Available-for-Sale Financial Assets

Our available-for-sale financial assets consist of debt investments in bonds of financial and non-financial corporations and municipalities and equity investments in listed and unlisted securities.

These available-for-sale financial assets are denominated in the following currencies:

Currencies of Available-for-Sale Financial Assets

millions	2013	2012
Euros	51	36
U.S. dollars	305	185
Other	4	9
Total	360	230

For more information on fair value measurement with regard to our equity investments, see Note (26).

Derivatives

Detailed information about our derivative financial instruments is presented in Note (25).

(13) Trade and Other Receivables

Trade and other receivables were as follows:

Trade and Other Receivables

millions	2013			2012		
	Current	Non-Current	Total	Current	Non-Current	Total
Trade receivables, net	3,802	14	3,816	3,837	0	3,837
Other receivables	63	84	147	80	88	168
Total	3,865	98	3,963	3,917	88	4,005

The carrying amounts of our trade receivables as at December 31 are as follows:

Carrying Amounts of Trade Receivables

millions	2013	2012
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Gross carrying amount	3,954	3,943
Sales allowances charged to revenue	96	73
Allowance for doubtful accounts charged to expense	42	33
Carrying amount trade receivables, net	3,816	3,837

The changes in the allowance for doubtful accounts charged to expense were immaterial in all periods presented.

Concentrations of credit risks are limited due to our large customer base and its distribution across many different industries and countries worldwide.

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The aging of trade receivables as at December 31 was:

Aging of Trade Receivables

millions	2013	2012
Not past due and not individually impaired	3,055	3,068
Past due but not individually impaired		
Past due 1-30 days	330	368
Past due 31-120 days	258	246
Past due 121-365 days	120	90
Past due over 365 days	13	14
Total past due but not individually impaired	721	718
Individually impaired, net of allowances	40	51
Carrying amount of trade receivables, net	3,816	3,837

We believe that the recorded sales and bad debt allowances adequately provide for the credit risk inherent in trade receivables.

For more information about financial risk and how we manage it, see Notes (24) and (25).

(14) Other Non-Financial Assets

Other Non-Financial Assets

millions	2013			2012		
	Current	Non-Current	Total	Current	Non-Current	Total
Prepaid expenses	179	57	236	149	68	217
Other tax assets	92	0	92	74	0	74
Capitalized contract cost	55	50	105	56	0	56
Advance payments	17	0	17	11	0	11
Miscellaneous other assets	3	0	3	4	0	4
Total	346	107	453	294	68	362

Prepaid expenses primarily consist of prepayments for operating leases, support services, and software royalties that will be recognized as an expense in future periods.

(15) Goodwill and Intangible Assets**Goodwill and Intangible Assets**

millions	Goodwill	Software and Database Licenses	Acquired Technology/ IPRD	Customer Relationship and Other Intangibles	Total
Historical cost					
January 1, 2012	8,808	489	1,267	1,930	12,494
Foreign currency exchange differences	77	2	3	27	109
Additions from business combinations	4,557	4	578	1,152	6,291
Other additions	0	60	0	0	60
Retirements/disposals	0	18	64	1	83
December 31, 2012	13,288	533	1,778	3,054	18,653
Foreign currency exchange differences	345	2	40	95	482
Additions from business combinations	840	2	192	182	1,216
Other additions	0	43	0	0	43
Retirements/disposals	0	18	1	105	124
December 31, 2013	13,783	558	1,929	3,036	19,306
Accumulated amortization					
January 1, 2012	97	295	692	675	1,759
Foreign currency exchange differences	1	3	6	8	18
Additions amortization	0	57	192	316	565
Retirements/disposals	0	14	64	1	79
Transfers	0	0	29	29	0
December 31, 2012	96	335	843	953	2,227
Foreign currency exchange differences	1	2	20	22	45
Additions amortization	0	51	249	303	603
Retirements/disposals	0	17	1	105	123
December 31, 2013	95	367	1,071	1,129	2,662
Carrying value December 31, 2012	13,192	198	935	2,101	16,426
Carrying value December 31, 2013	13,688	191	858	1,907	16,644

The additions other than from business combinations to software and database licenses in 2013 and 2012 were individually acquired from third parties and include cross-license agreements and patents.

We carry the following significant intangible assets:

Significant Intangible Assets

	Carrying Amount in Millions		Remaining Useful Life in Years
	2013	2012	
Business Objects Customer Relationships: Maintenance	150	181	8-11
Sybase Acquired Technologies	225	330	1-3
Sybase Customer Relationships: Maintenance	466	581	9
Sybase Customer Relationships: Messaging and License	66	109	1-7
SuccessFactors Acquired Technologies	206	260	6
SuccessFactors Customer Relationships: Subscription	383	404	13
Ariba Acquired Technologies	186	238	7
Ariba Customer Relationships	480	508	12-14
hybris Acquired Technologies	159	0	7
hybris Customer Relationships	137	0	4-14
Total significant intangible assets	2,458	2,611	

The carrying amount of goodwill has been allocated for impairment testing purposes to the SAP's operating segments at December 31, 2013, and 2012, as follows:

Goodwill by Operating Segment

millions	On-Premise Products	On-Premise Services	Cloud Applications	Ariba	Total
	7,462	1,122	2,167	2,523	13,274
Adjustments	0	0	0	82	82
January 1, 2013	7,462	1,122	2,167	2,441	13,192
Additions from business combinations	726	85	27	2	840
Foreign currency exchange differences	105	12	126	100	344
December 31, 2013	8,083	1,195	2,067	2,343	13,688

Prior year goodwill amounts have been adjusted by 82 million relating to tax adjustments. For more information, see Note (10).

Goodwill Impairment Testing

The key assumptions on which management based its cash flow projections for the period covered by the underlying business plans are as follows:

Key Assumptions in Cash Flow Projections

Key assumption	Basis for determining values assigned to key assumption
Budgeted revenue growth	Revenue growth rate achieved in the current fiscal year, increased for an expected increase in SAP's addressable cloud, mobility, and database markets; expected growth in the established categories of applications and analytics. Values assigned reflect our past experience and our expectations regarding an increase in the addressable market.
Budgeted operating margin	Operating margin budgeted for a given budget period equals the operating margin achieved in the current fiscal year, increased for expected efficiency improvements. Values assigned reflect past experience, except for efficiency improvements.
Pre-tax discount rates	Our estimated cash flow projections are discounted to present value by means of the pre-tax discount rates. Pre-tax discount rates are based on the weighted average cost of capital (WACC) approach. The WACC takes into account both debt and equity and reflects specific risks relating to the relevant segment by applying individual beta factors.
Terminal growth rate	Our estimated cash flow projections for periods beyond the business plan were extrapolated using the segment-specific terminal growth rates. These growth rates do not exceed the long-term average growth rates for the markets in which our segments operate.

On-Premise Products and On-Premise Services

The recoverable amounts of the On-Premise Products and On-Premise Services segments have

been determined based on value-in-use calculations. The calculations use cash flow projections based on actual operating results and a Company-wide three-year business plan approved by management.

The key assumptions are set out below:

Key Assumptions

Percent	On-Premise Products		On-Premise Services	
	2013	2012	2013	2012
Pre-tax discount rates	11.6	11.5	11.7	10.7
Terminal growth rate	3.0	2.9	0.9	2.1

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We believe that any reasonably possible change in any of the above key assumptions would not cause the carrying amount of our On-Premise Product segment or our On-Premise Services segment to exceed their respective recoverable amounts. Even an increase in discount rate of up

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to five percentage points (pp) or a reduction of estimated cash flows of up to 30% would not result in any additional impairment requirement for our On-Premise Product segment or On-Premise Services segments.

Cloud Applications and Ariba

The recoverable amounts of the Cloud Application and Ariba segments have been determined based upon fair values less costs of disposal. The fair value measurement was categorized as a level 3

fair value based on the inputs used in the valuation technique. The cash flow projections are based on actual operating results and specific estimates covering a 12-year period. The projected results were determined based on management's estimates and are consistent with the assumptions that a market participant would make. Both segments operate in a relatively immature area with significant growth rates projected for the near future. They therefore require a longer detailed planning period relative to mature segments.

The key assumptions (that a market participant would make) are set out below:

Key Assumptions

Percent	Cloud Applications 2013	Ariba 2013
Budgeted revenue growth (average of the budgeted period)	14.5	14.5
Pre-tax discount rates	13.6	14.2
Terminal growth rate	3.5	3.5

We are using a target operating margin of 36% and 34%, respectively, for the Cloud Applications segment and the Ariba segment at the end of budgeted period as a key assumption, which is within the range of expectations of market participants (for example, industry analysts).

The recoverable amounts for the Cloud Applications segment and the Ariba segment exceed the carrying amounts by 608 million (2012: 281 million) and 153 million (2012: 0 million) respectively.

In the prior year, for the Cloud Applications segment, a value-in-use calculation was used based on an eight-year business plan with

budgeted revenue growth rates in a range of 14% to 51% (with higher growth rates expected in the earlier years). The pre-tax discount rate applied was 13.1% and the terminal growth rate was 3.4%. The recoverable amount for the Ariba segment was estimated using the market approach in the prior year, which represented the best estimate of fair value because of the close proximity of the transaction date to year-end. Given available market data supporting revenue and operating margin growth rates exceeding terminal value growth rates for a period longer than five years, we believe that the most appropriate valuation technique for both segments should be based upon fair value less cost of disposals in the current year.

The following table shows amounts by which the key assumptions would need to change individually for the recoverable amount to be equal to the carrying amount:

Sensitivity to Change in Assumptions

Cloud Applications	Ariba
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	2013	2013
Budgeted revenue growth (average of the budgeted period)	1.7pp	0.5pp
Pre-tax discount rates	+1.4pp	+0.4pp
Terminal growth rate	2.7pp	0.6pp

The recoverable amount for the Cloud Applications segment would equal the carrying amount if an operating margin of only 27% were achieved from 2022, and the recoverable amount for the Ariba

segment would equal the carrying amount if an operating margin of only 31% were achieved from 2024.

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(16) Property, Plant, and Equipment

Property, Plant, and Equipment

millions	Land and Buildings	Other Property, Plant, and Equipment	Advance Payments and Construction in Progress	Total
Historical cost				
January 1, 2012	1,360	1,551	7	2,918
Foreign currency exchange differences	12	16	1	29
Additions from business combinations	13	22	1	36
Other additions	55	397	20	472
Retirements/disposals	44	236	5	285
Transfers	1	3	4	0
December 31, 2012	1,373	1,721	18	3,112
Foreign currency exchange differences	34	48	3	85
Additions from business combinations	1	7	0	8
Other additions	65	430	50	545
Retirements/disposals	15	201	6	222
Transfers	12	3	15	0
December 31, 2013	1,402	1,912	44	3,358
Accumulated depreciation				
January 1, 2012	460	907	0	1,367
Foreign currency exchange differences	5	12	0	17
Additions depreciation	56	243	0	299
Retirements/disposals	42	203	0	245
December 31, 2012	469	935	0	1,404
Foreign currency exchange differences	15	31	0	46
Additions depreciation	59	289	0	348
Retirements/disposals	14	154	0	168
December 31, 2013	499	1,039	0	1,538
Carrying value				
December 31, 2012	904	786	18	1,708
December 31, 2013	903	873	44	1,820

The additions and disposals in other property, plant, and equipment relate primarily to the replacement and purchase of computer hardware and vehicles acquired in the normal course of business.

(17) Trade and Other Payables, Financial Liabilities, and Other Non-Financial Liabilities

(17a) Trade and Other Payables

Trade and other payables as at December 31 were as follows:

Trade and Other Payables

millions	2013			2012		
	Current	Non-Current	Total	Current	Non-Current	Total
Trade payables	640	0	640	684	0	684
Advance payments received	80	0	80	81	0	81
Miscellaneous other liabilities	130	45	175	105	63	168
Trade and other payables	850	45	895	870	63	933

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Miscellaneous other liabilities include mainly deferral amounts for free rent periods and liabilities related to government grants.

(17b) Financial Liabilities

Financial liabilities as at December 31 were as follows:

Financial Liabilities

millions	2013 Nominal volume		2013 Carrying amount			2012 Nominal volume		2012 Carrying amount		
	Non-		Non-		Total	Non-		Non-		Total
	Current	Current	Current	Current		Current	Current	Current	Current	
Bonds	500	1,800	500	1,791	2,291	600	2,300	600	2,287	2,887
Private placement transactions	86	1,922	86	1,891	1,977	0	2,094	0	2,088	2,088
Financial Debt	586	3,722	586	3,682	4,268	600	4,394	600	4,375	4,975
Other financial liabilities	NA	NA	162	76	238	NA	NA	202	71	273
Financial liabilities			748	3,758	4,506			802	4,446	5,248

Financial liabilities are unsecured, except for the retention of title and similar rights customary in our industry. Effective interest rates on our financial debt (including the effects from interest rate swaps) were 2.48% in 2013, 2.87% in 2012, and 2.98% in 2011.

For an analysis of the contractual cash flows of our financial liabilities based on maturity, see Note (24). For information on the risk associated with our financial liabilities, see Note (25). For information on fair values, see Note (26).

Bonds

As at December 31, we had outstanding bonds with the following terms:

Bonds

	Maturity	Issue Price	Coupon Rate	Effective Interest Rate	Nominal Volume (in millions)	Balance on 12/31/2013 (in millions)	Balance on 12/31/2012 (in millions)	
Eurobond 1	2010	2014	99.755%	2.50% (fix)	2.64%	500	500	499
Eurobond 2	2010	2017	99.780%	3.50% (fix)	3.58%	500	499	498
Eurobond 4	2010	2013	99.857%	2.25% (fix)	2.38%	600	0	600
Eurobond 5	2012	2015	99.791%	1.00% (fix)	1.17%	550	547	547
Eurobond 6	2012	2019	99.307%	2.125% (fix)	2.27%	750	745	743
Bonds						2,291	2,887	

In September 2012, we arranged a debt issuance program with an initial renewable term of 12 months. The program enables us to issue bonds in a number of tranches in different currencies up to a volume of 2.4 billion. In November 2012, we issued bonds under the program as shown in the

table above. In September 2013, our debt issuance program was extended by 12 months and the volume was increased to 4 billion, all of which is available for new bond issuances.

All our Eurobonds are listed for trading on the Luxembourg Stock Exchange.

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Private Placement Transactions

Our private placement transactions have the following terms:

Private Placements

	Maturity	Coupon Rate	Effective Interest Rate	Nominal Volume (in respective currency in millions)	Balance on 12/31/2013 (in millions)	Balance on 12/31/2012 (in millions)
German promissory note						
Tranche 3 2009	2014	4.92% (fix)	4.98%	86	86	86
U.S. private placements						
Tranche 1 2010	2015	2.34% (fix)	2.40%	US\$ 300	216	227
Tranche 2 2010	2017	2.95% (fix)	3.03%	US\$ 200	145	151
Tranche 3 2011	2016	2.77% (fix)	2.82%	US\$ 600	434	454
Tranche 4 2011	2018	3.43% (fix)	3.50%	US\$ 150	108	113
Tranche 5 2012	2017	2.13% (fix)	2.16%	US\$ 242.5	175	183
Tranche 6 2012	2020	2.82% (fix)	2.86%	US\$ 290	206	219
Tranche 7 2012	2022	3.18% (fix)	3.22%	US\$ 444.5	313	336
Tranche 8 2012	2024	3.33% (fix)	3.37%	US\$ 323	225	244
Tranche 9 2012	2027	3.53% (fix)	3.57%	US\$ 100	69	75
Private placements					1,977	2,088

The U.S. private placement notes were issued by one of our subsidiaries that has the U.S. dollar as its functional currency.

Other Financial Liabilities

Our other financial liabilities mainly comprise derivative liabilities and liabilities for accrued interest.

(17c) Other Non-Financial Liabilities

Other non-financial liabilities as at December 31 were as follows:

Other Non-Financial Liabilities

millions	2013			2012		
	Current	Non-Current	Total	Current	Non-Current	Total
Other employee-related liabilities	1,775	112	1,887	1,768	98	1,866
Other taxes	488	0	488	436	0	436
Other non-financial liabilities	2,263	112	2,375	2,204	98	2,302

Other employee-related liabilities mainly relate to vacation accruals, bonus and sales commission accruals, as well as employee-related social security obligations.

Other taxes comprise mainly payroll tax liabilities and value-added tax liabilities.

(18) Provisions

Provisions as at December 31 were as follows:

Provisions

millions	2013			2012		
	Current	Non-Current	Total	Current	Non-Current	Total
Pension plans and similar obligations (see Note (18a))	2	62	64	3	69	72
Other provisions (see Note (18b))	643	215	858	840	278	1,118
Total	645	277	922	843	347	1,190

(18a) Pension Plans and Similar Obligations

We maintain several defined benefit and defined contribution pension plans for our employees in Germany and at foreign subsidiaries, which provide for old age, disability, and survivors benefits. The measurement dates for the domestic and foreign benefit plans are December 31. Individual benefit plans have also been established for members of our Executive Board. Furthermore, in certain countries we provide termination indemnity benefits to employees regardless of the cause for termination. These types of benefits are typically defined by law in these foreign countries.

Our domestic defined benefit pension plans provide participants with pension benefits that are based on the length of service and compensation of employees.

There is also a domestic employee-financed pension plan which SAP funds through the purchase of qualifying insurance policies and where SAP guarantees a minimum return on

investment which is equivalent to the return guaranteed by the insurer. Even though the risk that SAP would be liable for a return that cannot be met by the insurance company is very remote, these employee-financed plans do not qualify as defined contribution plans under IFRS and consequently, the pension liabilities and the respective insurance policies are included in domestic plan assets and plan liabilities respectively.

Foreign defined benefit pension plans provide participants with pension benefits that are based on compensation levels, age, and length of service.

The pension plan in Switzerland accounted for 189 million of defined benefit obligation and 194 million of the plan assets. This plan consists of three benefits namely retirement benefits, disability benefits and spouse pension. These obligations are based on salary and age of the employees. Both employer and employee make contributions to the plan. Statutory minimum funding obligations exist.

The following table shows the present value of the nature of the benefits provided by the defined benefit obligations:

Nature of the Benefits

millions	Domestic	Foreign	Other	Total
	Plans	Plans	Post-Employment	
	2013	2013	Plans	2013
Present value of defined benefit obligation				
Benefits based on final salary				
Annuity	14	2	0	16
Lump sum	0	5	25	30
Benefits not based on final salary				
Annuity	40	189	1	230

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Lump sum	574	35	8	617
Total	628	231	34	893

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The following table shows the change in present values of the defined benefit obligations (DBOs) and the fair value of the plan assets with a reconciliation of the funded status to net amounts:

Change in the Present Value of the DBO and the Fair Value of the Plan Assets

millions	Domestic Plans		Foreign Plans		Other Post-Employment Plans		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Change in benefit obligation								
Benefit obligation at beginning of year	597	462	220	453	32	23	850	938
Current service cost	7	2	15	15	3	3	25	16
Interest expense	19	21	4	8	1	1	24	30
Employee contributions	28	26	5	5	0	0	33	31
Remeasurements loss (+)/gain ()	17	94	1	0	1	6	17	100
Benefits paid	5	5	4	3	1	2	10	10
Acquisitions/divestitures	0	0	1	0	2	1	3	1
Curtailments/settlements	0	0	0	257	0	0	0	257
Past service cost	0	0	1	0	0	0	1	0
Foreign currency exchange rate changes	0	0	12	1	2	0	14	1
Benefit obligation at year-end	628	597	231	220	34	32	893	850
Thereof fully or partially funded plans	628	597	196	180	20	19	844	796
Thereof unfunded plans	0	0	35	40	14	13	49	54
Change in plan assets								
Fair value of plan assets at beginning of year	589	461	181	387	9	6	779	854
Interest income	20	22	4	7	1	1	25	30
Employer contributions	1	1	14	31	4	4	19	36
Employee contributions	28	26	5	5	0	0	33	31
Benefits paid	5	5	4	3	1	1	10	9
Acquisitions/divestitures	0	0	1	0	0	0	1	0
Curtailments/settlements	0	0	0	257	0	0	0	257
Remeasurements loss ()/gain (+)	10	84	5	8	0	0	5	92
Foreign currency exchange rate changes	0	0	3	3	2	0	5	3
Fair value of plan assets at year-end	623	589	201	181	11	9	835	779
Reconciliation of net defined benefit liability (asset)								
Net defined benefit liability (asset) at beginning of year	8	1	39	66	23	17	70	84
Current service cost	7	2	15	15	3	3	25	16
Interest expense (income)	1	1	0	1	0	0	1	0
Employer contributions	1	1	14	31	4	4	19	36
Employee contributions	0	0	0	0	0	0	0	0
Remeasurements loss (+)/gain ()	7	10	4	8	1	6	12	8
Benefits paid	0	0	0	0	0	1	0	1
Acquisitions/divestitures	0	0	0	0	2	1	2	1
Past service cost	0	0	1	0	0	0	1	0
Foreign currency exchange rate changes	0	0	9	4	0	0	9	4

millions	Domestic Plans		Foreign Plans		Other Post-Employment Plans		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Net defined benefit liability (asset) at year-end	5	8	30	39	23	23	58	71
Amounts recognized in the Consolidated Statement of Financial Position:								
Non-current pension assets	0	0	6	1	0	0	6	1
Accrued benefit liability (current)	0	0	2	3	0	0	2	3
Accrued benefit liability (non-current)	5	8	34	37	23	23	62	69
Total	5	8	30	39	23	23	58	71

The following weighted average assumptions were used for the actuarial valuation of our domestic and foreign pension liabilities as well as other post-employment benefit obligations as at the respective measurement date:

Actuarial Assumptions for Defined Benefit Liabilities

Percent	Domestic Plans			Foreign Plans			Other Post-Employment Plans		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Discount rate	3.6	3.3	4.6	2.1	1.9	3.2	5.2	4.8	5.5
Future salary increases	2.5	2.5	2.5	1.7	1.8	0.8	4.7	4.2	3.9
Future pension increases	2.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Employee turnover	2.0	2.0	2.0	9.9	9.5	4.2	2.5	2.3	2.3
Inflation	0.0	0.0	0.0	1.3	1.3	0.5	1.1	1.1	1.2

The assumed discount rates are derived from rates available on high-quality corporate bonds and government bonds for which the timing and amounts of payments match the timing and the amounts of our projected pension payments.

The sensitivity analysis table shows how the present value of all defined benefit obligations

would have been influenced by reasonable possible changes to above actuarial assumptions. The sensitivity analysis table presented below considers change in one actuarial assumption at a time, holding all other actuarial assumptions constant.

Sensitivity Analysis

millions	Domestic Plans		Foreign Plans		Other Post-Employment Plans		Total	
	2013		2013		2013		2013	
Present value of all defined benefit obligations if:								
Discount rate was 50 basis points higher	585		217		32		834	
Discount rate was 50 basis points lower	675		246		36		957	
Expected rate of future salary increases was 50 basis points higher	628		233		36		897	
Expected rate of future salary increases was 50 basis points lower	628		228		32		888	
Expected rate of future pension increases was 50 basis points higher	632		236		34		902	
Expected rate of future pension increases was 50 basis points lower	625		226		34		885	
Expected inflation was 50 basis points higher	628		233		36		897	

Expected inflation was 50 basis points lower	628	229	32	889
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The components of total expense of defined benefit pension plans for the years 2013, 2012, and 2011 recognized in operating expense were as follows:

Total Expense of Defined Benefit Pension Plans

millions	Domestic Plans			Foreign Plans			Other Post-Employment Plans			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Current service cost	7	2	1	15	15	18	3	3	3	25	16	20
Interest expense	19	21	20	4	8	13	1	1	1	24	30	34
Interest income	20	22	21	4	7	12	1	1	0	25	30	33
Past service cost	0	0	0	1	0	2	0	0	0	1	0	2
Total expense	6	3	2	16	16	17	4	3	4	26	16	19
Actual return on plan assets	10	106	28	9	15	5	1	1	0	20	122	33

Due to the fact that our domestic defined benefit pension plans primarily consist of an employee-financed post-retirement plan that is fully financed with qualifying insurance policies, current service

cost may turn into a credit as a result of adjusting the defined benefit liability's carrying amount to the fair value of the qualifying plan assets. Such adjustments are recorded in service cost.

We have recognized the following amounts as remeasurements for our defined benefit pension plans:

Remeasurements on Defined Benefit Pension Plans

millions	Domestic Plans			Foreign Plans			Other Post-Employment Plans			Total		
	2013	2012	2011	2013	2012	2011	2013	2012	2011	2013	2012	2011
Beginning balance of remeasurements on defined benefit plans (gains () and losses (+))	10	0	4	12	101	87	5	0	0	3	101	83
Remeasurements on defined benefit obligations:												
Actuarial gains () and losses (+) arising from change in demographic assumptions	0	0	0	3	0	5	0	0	0	3	0	5
Actuarial gains () and losses (+) arising from change in financial assumptions	28	106	14	6	5	5	0	0	0	34	111	19
Actuarial gains () and losses (+) arising from experience adjustments	11	12	3	6	5	9	0	5	0	17	12	12
Remeasurements on plan assets:												
Actuarial gains () and losses (+) arising from experience adjustments	10	84	7	5	3	12	0	0	0	5	87	5
Settlement	0	0	0	0	110	0	0	0	0	0	110	0
Foreign currency exchange rate changes	0	0	0	2	0	0	1	0	0	3	0	0
Ending balance of remeasurements												
on defined benefit plans (gains () and losses (+))	2	10	0	17	12	101	3	5	0	12	3	101

For the determination of the total expense for the years 2013, 2012, and 2011, the projection of the defined benefit obligation and the fair value of the plan assets as at December 31, 2013, 2012, and 2011, the following principal actuarial assumptions (expressed as weighted averages for our foreign and post-employment benefit plans) were used:

Actuarial Assumptions for Total Expense

Percent	Domestic Plans			Foreign Plans			Other Post- Employment Plans		
	2013	2012	2011	2013	2012	2011	2013	2012	2011
Discount rate	3.3	4.6	4.9	2.0	2.2	3.3	4.8	5.6	5.8
Future salary increases	2.5	2.5	2.5	1.7	1.8	1.3	4.2	3.9	3.4
Future pension increases	2.0	2.0	2.0	0.0	0.0	0.0	0.0	0.0	0.0
Employee turnover	2.0	2.0	2.0	9.8	10.2	4.2	2.0	1.9	2.0
Inflation	0.0	0.0	0.0	1.3	1.3	0.5	1.1	1.1	1.2

Our investment strategy on domestic benefit plans is to invest all contributions in stable insurance policies.

Our investment strategies for foreign benefit plans vary according to the conditions in the country in which the respective benefit plans are situated. Generally, a long-term investment horizon has been adopted for all major foreign benefit plans. Although our policy is to invest in a risk-diversified portfolio consisting of a mix of assets, both the defined benefit obligation and plan assets can fluctuate overtime which exposes the Group to actuarial and market (investment) risks. Depending on the statutory requirements in each country, it might be necessary to reduce the underfunding by addition of liquid assets. To minimize these actuarial and market fluctuations, SAP reviews relevant financial factors for appropriateness and reasonableness and makes modifications to eliminate certain effects when considered necessary. Our plan asset allocation as at December 31, 2013, and December 31, 2012, was as follows:

Plan Asset Allocation

millions Asset category	2013		2012	
	Quoted in an Active Market	Not Quoted in an Active Market	Quoted in an Active Market	Not Quoted in an Active Market
Equity investments	48	0	42	0
Corporate bonds	65	0	63	0
Real estate	33	0	29	0
Insurance policies	9	623	8	589
Cash and cash equivalents	34	0	31	0
Others	23	0	17	0
Total	212	623	190	589

Our expected contribution in 2014 is 1 million for domestic defined benefit pension plans and 15 million for foreign defined benefit pension plans, all of which is expected to be paid in cash.

The weighted duration of our defined benefit plans amounted to 15 years as at December 31, 2013, and 14 years as at December 31, 2012.

The table below presents the maturity analysis of the benefit payments:

Maturity Analysis

millions	Domestic Plans 2013	Foreign Plans 2013	Other Post- Employment Plans 2013
Less than a year	8	20	1
Between 1-2 years	9	36	2
Between 2-5 years	58	53	5
Over 5 years	989	205	64
Total	1,064	314	72

Defined Contribution Plan/State Plans

We also maintain domestic and foreign defined contribution plans. Amounts contributed by us under such plans are based on a percentage of the employees' salaries or the amount of contributions made by employees. Furthermore, in Germany and some other countries we make contributions to public pension plans that are operated by national or local government or a similar institution. The expenses of defined contribution plans and state plans for the years 2013, 2012, and 2011, were as follows:

Total Expense of Defined Contribution Plans and State Plans

millions	2013	2012	2011
Defined contribution plans	182	173	151
State plans	316	296	244
Total expense	498	469	395

(18b) Other Provisions

Changes in other provisions over the reporting year were as follows:

Other Provisions

millions	Balance 1/1/2013	Addition	Additions from business combinations	Utili- zation	Release	Currency Impact	Balance 12/31/2013
Employee-related provisions							
Provisions for share-based payments	579	293	0	360	54	13	445
Other employee-related provisions	87	58	0	80	11	2	52
Customer-related provisions	74	83	0	83	36	2	36
Litigation-related provisions							
TomorrowNow litigation	234	0	0	1	0	10	223
Other litigation-related provisions	55	6	1	11	36	3	12
Restructuring provisions	12	74	0	49	4	0	33
Onerous contract provisions (other than from customer contracts)	53	3	0	22	0	1	33
Other provisions	24	6	0	3	1	2	24
Total other provisions	1,118	523	1	609	142	33	858
Thereof current	840						643

Thereof non-current

278

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For more information about our share-based payments, see Note (27).

Other employee-related provisions primarily comprise obligations for time credits, severance payments, jubilee expenses, and semiretirement. While most of these employee-related provisions can be claimed within the next 12 months, we do not expect the related cash flows within this time period.

Customer-related provisions include performance obligations, as well as expected contract losses from contracts with customers. The associated cash outflows are substantially short-term in nature.

Litigation-related provisions relate primarily to the litigation matters described in Note (23). They include the expenses related to the provision established for the related litigation as well as any related legal fees incurred to date and expected to be incurred in the future. We have established provisions taking into account the facts of each case. The timing of the cash outflows associated with legal claims cannot be reasonably determined in all cases. For more information, see Note (3c).

Restructuring provisions comprise various restructuring activities that occurred in 2013 and 2012.

During 2012 and 2013, we implemented organizational changes in sales and go-to-market in EMEA and North America. We made other changes to integrate Sybase employees into our global finance and administration organization and to integrate the business activities of Crossgate. In line with our new cloud integration strategy, we

set up a plan to cover all cloud-business related organizational changes. The cash outflows for these restructuring programs are typically short-term in nature.

Non-customer contract-related onerous contract provisions have been recorded in connection with unused lease space and unfavorable acquired facility lease terms. The utilization of onerous leases depends on the terms of the underlying lease contract.

Other provisions comprise warranty obligations and decommissioning, restoration, and similar liabilities associated with leased facilities. The related outflow for warranty obligations is short-term in nature. The associated cash outflows for decommissioning, restoration, and similar liabilities, which are typically long-term in nature, are generally expected to occur at the dates we exit the facilities to which they relate.

(19) Deferred Income

Deferred income consists mainly of prepayments made by our customers for support services, cloud subscriptions, and professional services; fees from multiple element arrangements allocated to undelivered elements; and amounts recorded in purchase accounting at fair value for obligations to perform under acquired support contracts in connection with acquisitions.

On December 31, 2013, current deferred income included a total of 443 million in deferred revenue (December 31, 2012: 317 million), which in future will be recognized as revenue from cloud subscriptions and support.

(20) Total Equity***Issued Capital***

As at December 31, 2013, SAP AG had issued 1,228,504,232 no-par value bearer shares (December 31, 2012: 1,228,504,232) with a calculated nominal value of 1 per share. All the shares issued are fully paid. The following table shows the changes in the number and the value of issued shares and treasury shares in millions.

Change in Issued Capital and Treasury Shares

	Number of Shares in Millions		Value in Capital	Millions Treasury Shares
	Issued Capital	Treasury Shares		
January 1, 2011	1,227	39	1,227	1,382
Issuing shares under share-based payments	1	0	1	0
Purchase of treasury shares	0	6	0	246
Reissuance of treasury shares under share-based payments	0	7	0	251
December 31, 2011	1,228	38	1,228	1,377
Issuing shares under share-based payments	1	0	1	0
Purchase of treasury shares	0	1	0	53
Reissuance of treasury shares under share-based payments	0	2	0	93
December 31, 2012	1,229	37	1,229	1,337
Reissuance of treasury shares under share-based payments	0	2	0	57
December 31, 2013	1,229	35	1,229	1,280

Authorized Shares

The Articles of Incorporation authorize the Executive Board to increase the issued capital:

Up to a total amount of 250 million by issuing new no-par value bearer shares against contributions in cash until June 7, 2015 (Authorized Capital I). The issuance is subject to the statutory subscription rights of existing shareholders.

Up to a total amount of 250 million by issuing new no-par value bearer shares against contributions in cash or in kind until June 7, 2015 (Authorized Capital II). Subject to the consent of the Supervisory Board, the Executive Board is authorized to exclude the shareholders statutory subscription rights in certain cases.

Up to a total amount of approximately 30 million by issuing new no-par value bearer shares against contributions in cash or in kind until June 7, 2015 (Authorized Capital III). The new shares may only be used to grant shares to employees of SAP AG and its subsidiaries (employee shares). The shareholders subscription rights are excluded.

Contingent Shares

SAP AG's share capital is subject to a contingent capital increase which may be effected only to the extent that the holders or creditors of convertible bonds or stock options issued or guaranteed by SAP AG or any of its directly or indirectly controlled subsidiaries under certain share-based payments exercise their conversion or subscription rights, and no other methods for servicing these rights are used. As at December 31, 2013, 100 million, representing 100 million shares, was still available for issuance (2012: 100 million).

Share Premium

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Share premium represents all capital contributed to SAP with the proceeds resulting from the issuance of issued capital in excess of their calculated par value. Share premium arises mainly from issuance of issued capital, treasury shares transactions, and share-based payments.

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Retained Earnings

Retained earnings contain prior years' undistributed profit after tax and unrecognized

pension costs. Unrecognized pension costs comprise remeasurements relating to defined benefit pension plans and similar obligations.

Other Comprehensive Income

The component of other comprehensive income before tax that will be reclassified to profit or loss in the future includes the following items:

Items Recognized in Other Comprehensive Income that will be Reclassified to Profit or Loss Before Tax

millions	2013	2012	2011
Gains (losses) on exchange differences	576	214	106
Gains (losses) on remeasuring available-for-sale financial assets	79	33	6
Reclassification adjustments on available-for-sale financial assets	19	20	1
Available-for-sale financial assets	60	13	7
Gains (losses) on cash flow hedges	78	21	23
Reclassification adjustments on cash flow hedges	78	42	22
Cash flow hedges	0	63	1

Treasury Shares

By resolution of SAP AG's General Meeting of Shareholders held on June 4, 2013, the authorization granted by the General Meeting of Shareholders of June 8, 2010, regarding the acquisition of treasury shares was revoked to the extent it had not been exercised at that time, and replaced by a new authorization of the Executive Board of SAP AG to acquire, on or before June 3, 2018, shares of SAP AG representing a pro rata amount of capital stock of up to 120 million in aggregate, provided that the shares purchased under the authorization, together with any other shares in the Company previously acquired and held by, or attributable to, SAP AG do not account for more than 10% of SAP AG's issued share capital. Although treasury shares are legally considered outstanding, there are no dividend or voting rights associated with shares held in treasury. We may redeem or resell shares held in treasury, or we may use treasury shares for the purpose of servicing option or conversion rights under the Company's share-based payment plans. Also, we may use shares held in treasury as consideration in connection with mergers with, or acquisitions of, other companies.

Miscellaneous

Under the German Stock Corporation Act (*Aktiengesetz*), the total amount of dividends

available for distribution to SAP AG's shareholders is based on the profits of SAP AG as reported in its statutory financial statements, which are prepared under the accounting rules in the German Commercial Code (*Handelsgesetzbuch*). For the year ended December 31, 2013, the Executive Board of SAP AG intends to propose a dividend of 1.00 per share (that is, an estimated total dividend of 1,194 million), to be paid from the profits of SAP AG.

Dividends per share for 2012 and 2011 were 0.85 and 1.10 respectively and were paid in the succeeding year.

(21) Additional Capital Disclosures

Capital Structure Management

The primary objective of our capital structure management is to maintain a strong financial profile for investor, creditor, and customer confidence, and to support the growth of our business. We seek to maintain a capital structure that will allow us to cover our funding requirements through the capital markets at reasonable conditions, and in so doing, ensure a high level of independence, confidence, and financial flexibility.

Based on our strong corporate financial profile and our excellent capital market reputation, we have

so far successfully executed external financing transactions without an external rating. However, we will continue to closely monitor our financing

situation to determine whether not having an external rating continues to be appropriate.

Capital Structure

	2013		2012		Change (in %)
	millions	% of Total equity and liabilities	millions	% of Total equity and liabilities	
Equity	16,048	59	14,133	54	14
Current liabilities	6,347	23	6,546	25	3
Non-current liabilities	4,699	17	5,627	21	16
Liabilities	11,046	41	12,173	46	9
Total equity and liabilities	27,094	100	26,306	100	3

Our financing activities improved our debt ratio (defined as the ratio of total liabilities to total equity and liabilities, expressed as a percentage) to 41% at the end of 2013 (as compared to 46% at the end of 2012). The ratio of total financial debt to total equity and liabilities decreased by 3% to 16% at the end of 2013 (19% as at December 31, 2012). Total financial debt consists

of current and non-current bonds or private placements. For more information about our financial debt, see Note (17).

Looking ahead to financing activities in 2014, the Company intends to repay a 500 million Eurobond and an 86 million German promissory note when they both mature in April.

While we monitor these ratios continuously, our main focus is on the management of our net liquidity position as outlined in the following table:

Group Liquidity of SAP Group

millions	2013	2012	Change
Cash and cash equivalents	2,748	2,477	271
Current investments	93	15	78
Group liquidity	2,841	2,492	349
Current financial debt	586	600	14
Net liquidity 1	2,255	1,892	363
Non-current financial debt	3,722	4,394	672
Net liquidity 2	1,467	2,502	1,035

Net liquidity 1 is group liquidity minus current financial debt. In 2013 we paid back a 600 million Eurobond, which was almost fully compensated by reclassifications of 586 million from non-current financial debt to current financial debt due to changes in the respective maturity profile.

Net liquidity 2 is net liquidity 1 minus non-current financial debt.

Improvements of our net liquidity ratios since December 31, 2012 are mainly due to positive cash inflows from our operations, which were partly offset by cash outflows for acquisitions (such as Hybris) and dividend payments.

We intend to reduce our financial debt as and when the debt falls due. We will consider issuing new debt, such as bonds or U.S. private placements, on an as-needed basis only and if market conditions are advantageous.

Distribution Policy

Our general intention is to remain in a position to return excess liquidity to our shareholders by distributing annual dividends and repurchasing shares. The amount of future dividends and the extent of future repurchases of shares will be balanced with our effort to continue to maintain an adequate liquidity position.

In 2013, we were able to distribute 1,013 million in dividends from our 2012 profit (as compared to 1,310 million in 2012 and 713 million in 2011 related to 2011 and 2010 profit, respectively), representing 0.85 per share. Aside from the distributed dividend, in 2013, 2012, and 2011 we also returned 0 million, 53 million, and 246 million respectively to our shareholders by repurchasing our own shares.

As a result of our equity-settled share-based payments transactions (as described in Note (27)) we have commitments to grant SAP shares to employees. We intend to meet these commitments by reissuing treasury shares or issuing ordinary shares. For more information about contingent capital, see Note (20).

(22) Other Financial Commitments and Contingent Liabilities

Other Financial Commitments

Our other financial commitments as at December 31, 2013, and 2012, were as follows:

Other Financial Commitments

millions	2013	2012
Operating leases	1,204	923
Contractual obligations for acquisition of property, plant, and equipment and intangible assets	80	66
Other purchase obligations	424	522
Purchase obligations	504	588
Total	1,708	1,511

Our operating leases relate primarily to the lease of office space, hardware, and cars, with remaining non-cancelable lease terms between less than one and 35 years. On a limited scale, the operating lease contracts include escalation clauses (based, for example, on the consumer price index) and renewal options. The contractual obligations for acquisition of property, plant, and

equipment and intangible assets relate primarily to the construction of new and existing facilities, hardware, software, patents, office equipment, and vehicle purchase obligations. The remaining obligations relate mainly to marketing, consulting, maintenance, license agreements, and other third-party agreements. Historically, the majority of such purchase obligations have been realized.

Commitments under operating leasing contracts and purchase obligations as at December 31, 2013, were as follows:

Other Financial Commitments

millions	Operating Leases	Purchase Obligations
Due 2014	235	282
Due 2015 - 2018	561	186
Due thereafter	408	36
Total	1,204	504

Our rental and operating lease expenses were 273 million, 277 million, and 241 million for the years 2013, 2012, and 2011, respectively.

Contingent Liabilities

In the normal course of business, we usually indemnify our customers against liabilities arising

from a claim that our software products infringe a third party's patent, copyright, trade secret, or other proprietary rights. In addition, we occasionally grant function or performance guarantees in routine consulting contracts or development arrangements. Also, our software license agreements generally include a clause guaranteeing that the software substantially conforms to the specifications as described in

applicable documentation for a period of six to 12 months from delivery. Our product and service warranty liability, which is measured based on historical experience and evaluation, is included in other provisions (see Note (18b)).

For contingent liabilities related to litigation matters, see Note (23).

(23) Litigation and Claims

We are subject to a variety of claims and lawsuits that arise from time to time in the ordinary course of our business, including proceedings and claims that relate to companies we have acquired, claims that relate to customers demanding indemnification for proceedings initiated against them based on their use of SAP software, and claims that relate to customers being dissatisfied with the products and services that we have delivered to them. We will continue to vigorously defend against all claims and lawsuits against us. We record a provision for such matters when it is probable that we have a present obligation that results from a past event, is reliably estimable, and the settlement of which is probable to require an outflow of resources embodying economic benefits. For the TomorrowNow litigation, we have recorded a provision of US\$306 million (US\$306 million on December 31, 2012, US\$272 million on December 31, 2011, US\$1.3 billion on December 31, 2010). We currently believe that resolving all other claims and lawsuits against us, individually or in the aggregate, did not and will not have a material adverse effect on our business, financial position, profit, or cash flows. Consequently, the provisions currently recorded for these other claims and lawsuits are neither individually nor in aggregate material to SAP.

However, the outcome of litigation and other claims or lawsuits is intrinsically subject to considerable uncertainty. Management's view of the litigation may also change in the future. Actual outcomes of litigation and other claims or lawsuits may differ from the assessments made by management in prior periods, which could result in a material impact on our business, financial position, profit, cash flows, or reputation. Most of the litigations and claims are of a very individual nature and claims are either not quantified by the claimants or claim amounts quantified are, based on historical evidence, not expected to be a good proxy for the expenditure that would be required to settle the case concerned. The specifics of the jurisdictions where most of the claims are located further impair the predictability of the outcome of the cases. Therefore, it is not practicable to

reliably estimate the financial effect that these litigations and claims would have if SAP were to incur expenditure for these cases.

For more information about the provisions recorded for litigation, see Note (18b).

Among the claims and lawsuits are the following:

Intellectual Property Litigation

In March 2007, United States-based Oracle Corporation and certain of its subsidiaries (Oracle) instituted legal proceedings in the United States against TomorrowNow, Inc., its parent company SAP America, Inc. and SAP America's parent company SAP AG (SAP). Oracle filed several amended complaints between 2007 and 2009. As amended, the lawsuit alleges copyright infringement, violations of the Federal Computer Fraud and Abuse Act and the California Computer Data Access and Fraud Act, unfair competition, intentional and negligent interference with prospective economic advantage, and civil conspiracy. The lawsuit alleges that SAP unlawfully copied and misappropriated proprietary, copyrighted software products and other confidential materials developed by Oracle to service its own customers. The lawsuit sought injunctive relief and monetary damages, including punitive damages, alleged by Oracle to be in the billions of U.S. dollars. The trial was held in November 2010. Prior to trial, SAP AG, SAP America and TomorrowNow stipulated to liability for certain claims and SAP agreed to pay Oracle US\$120 million for attorneys' fees. After the trial, the jury returned a damages verdict of US\$1.3 billion. The judgment, which was issued on February 3, 2011, additionally provided for prejudgment interest of US\$15 million. The judgment amount is also subject to post-judgment interest, which accrues from the time judgment is entered.

The jury based its verdict on the theory of a hypothetical license, that is, the value of what TomorrowNow would have paid if it had negotiated with Oracle a license for the copyrights infringed by TomorrowNow. Before and during the course of the trial, various damages amounts had been presented by the parties to the litigation. They included the following:

- a) Before the trial, Oracle had requested damages in excess of US\$3.5 billion based on alleged saved acquisition costs, the court dismissed that damage claim based on a pretrial motion, but Oracle has the right to appeal that dismissal.

- b) During the trial, Oracle's damages experts presented an amount of US\$408 million based on lost profits and disgorgement of infringer's profit.
- c) During the trial, members of Oracle management presented, as part of their testimonies, amounts of up to US\$5 billion. Oracle's damages expert presented a damages estimate of at least US\$1.655 billion under a hypothetical license theory. Oracle's counsel asked the jury to award somewhere between US\$1.65 and US\$3 billion.
- d) During the trial, the damages expert for TomorrowNow and SAP presented an amount of US\$28 million based on lost profits and infringer's profits or, alternatively, US\$40.6 million based on a hypothetical license theory. Counsel for SAP and TomorrowNow asked the jury to award US\$28 million.

We believed both before and during the trial and continue to believe that the hypothetical license theory is not an appropriate basis for calculating the damages. Instead, we believe that damages should be based on lost profits and infringer's profits. As such, SAP filed post-trial motions asking the judge to overturn the judgment. A hearing on the post-trial motions was held in July 2011. On September 1, 2011, the trial judge issued an order which set aside the jury verdict and vacated that part of the judgment awarding US\$1.3 billion in damages. The trial judge also gave Oracle the choice of accepting reduced damages of US\$272 million or having a new trial based on lost profits and infringer's profits. Oracle filed a motion seeking an early appeal from the ruling vacating the jury's damages award, which was denied by the judge. Consequently, Oracle elected to proceed with a new trial. In lieu of a new trial, the parties stipulated to a judgment of US\$306 million while each preserving all rights for appeal. Both parties have filed their respective notice of appeal. On appeal, Oracle is seeking three forms of relief: (1) reinstatement of the November 2010 US\$1.3 billion verdict; (2) as a first alternative, a new trial at which Oracle may again seek hypothetical license damages (based in part on evidence of alleged saved development costs) plus SAP's alleged infringer's profits without any deduction of expenses (Oracle does not put a number on its claim for the requested new trial); and (3) as a second alternative, increase of the remittitur (alternative to new trial) to US\$408.7 million (versus the US\$272 million Oracle had previously rejected). SAP has dismissed its cross-appeal. The hearing is tentatively scheduled for May 13, 2014, though this is subject to change.

Additionally, in June 2007, SAP became aware that the United States Department of Justice (U.S. DOJ) had opened an investigation concerning related issues and had issued subpoenas to SAP and TomorrowNow. The DOJ investigation has been resolved by way of a plea agreement which includes TomorrowNow pleading guilty to 11 counts of violations of the Computer Fraud and Abuse Act, one count of criminal copyright infringement, the payment of a US\$20 million fine and three years' probation. No charges were brought against SAP AG or subsidiaries thereof other than TomorrowNow.

In April 2007, United States-based Versata Software, Inc. (formerly Trilogy Software, Inc.) (Versata) instituted legal proceedings in the United States District Court for the Eastern District of Texas against SAP. Versata alleged that SAP's products infringe one or more of the claims in each of five patents held by Versata. In its complaint, Versata sought unspecified monetary damages and permanent injunctive relief. The first trial was held in August 2009. The jury returned a verdict in favor of Versata and awarded Versata US\$138.6 million for past damages. In January 2011, the court vacated the jury's damages award and ordered a new trial on damages. The retrial was held in May 2011. The jury returned a verdict in favor of Versata and awarded Versata US\$345 million for past damages. In September 2011, the judge denied SAP's post-trial motions with the exception of reducing the damages verdict by US\$16 million to approximately US\$329 million. The judge also ordered approximately US\$60 million in pre-judgment interest. Additionally, the judge granted Versata's request for a broad injunction which prohibits SAP from 1) selling products in the United States with the infringing functionality, 2) providing maintenance to or accepting maintenance revenue from existing customers in the United States until such customers disable the infringing functionality and verify such disablement, and 3) licensing additional users to existing customers in the United States until such customers disable the infringing functionality and verify such disablement. Finally, the judge stayed the injunction pending the outcome of an appeal.

Both parties appealed to the U.S. Court of Appeals for the Federal Circuit. The appeal hearing occurred in February 2013 and a decision was issued on May 1, 2013. The three-judge panel ruled in Versata's favor on infringement and damages, leaving both fully intact. The past damages verdict currently stands at approximately US\$390 million. Regarding the injunction, the court ruled that the injunction was too broad,

stating that SAP should be able to provide maintenance or additional seats for prior customers of the infringing products, so long as the maintenance or the additional seat does not involve, or allow access to, the enjoined capability where enjoined capability is defined as the capability to execute a pricing procedure using hierarchical access of customer and product data. SAP filed a petition seeking rehearing by the three-judge panel that issued this decision and/or by the entire appeals court. The appeals court requested that Versata respond to SAP's petition no later than July 29, 2013. In August 2013, the appeals court denied SAP's request for rehearing and issued its mandate passing jurisdiction to the district court.

Separately, SAP filed a petition with the United States Patent and Trademark Office (USPTO) challenging the validity of the asserted Versata patent. In January 2013, the USPTO granted SAP's request to reconsider the validity of Versata's patent and instituted the relevant procedure (transitional post grant review). A decision was issued in June 2013 rendering all challenged patent claims (including all the patent claims SAP was found to have infringed) unpatentable. Versata filed with the USPTO a request seeking reconsideration of the decision on six different grounds. The USPTO invited SAP to file an opposition responding to two of the six grounds. On September 13, 2013, the USPTO denied Versata's request for reconsideration.

In June 2013, following the determination of unpatentability, SAP filed a request with the appeals court to stay the litigation pending review of the USPTO decision. That request was denied in early July 2013.

In December 2013, SAP filed with the United States Supreme Court a petition for a writ of certiorari to review the decisions of the appeals court. That petition was denied in January 2014. Immediately thereafter, Versata requested that the District Court dismiss its remaining claims for injunctive and equitable relief. The District Court granted that request and deemed the previously entered judgment final. On that same day, SAP requested that the District Court vacate the judgment or stay the litigation, based on the USPTO decision declaring Versata's patent claims unpatentable. That request is pending.

In August 2007, United States-based elcommerce.com, Inc. (elcommerce) instituted legal proceedings in the United States against SAP. elcommerce alleged that SAP's products infringe one or more of the claims in one patent

held by elcommerce. In its complaint, elcommerce sought unspecified monetary damages and permanent injunctive relief. The court in East Texas granted SAP's request to transfer the litigation from East Texas to Pennsylvania. Subsequent to the Markman ruling by the court, the parties agreed to the entry of final judgment regarding non-infringement by SAP. elcommerce has appealed the court's Markman ruling. The hearing for the appeal was held in May 2012, and we are awaiting the court's decision. SAP also filed a reexamination request with the USPTO to invalidate elcommerce's patent. On September 23, 2013, the USPTO issued a decision invalidating the patent. elcommerce has sought rehearing from the USPTO.

In February 2010, United States-based TecSec, Inc. (TecSec) instituted legal proceedings in the United States against SAP, Sybase, IBM, and many other defendants. TecSec alleged that SAP's products infringe one or more of the claims in five patents held by TecSec. In its complaint, TecSec seeks unspecified monetary damages and permanent injunctive relief. The trial has not yet been scheduled. The legal proceedings have been stayed against all defendants pending the outcome of an appeal by TecSec. The appeal hearing occurred in March 2013. The appellate court issued its decision in October 2013. That decision did not end the litigation and therefore we expect the lawsuit to resume at the district court in the coming months.

In April 2010, SAP instituted legal proceedings (a Declaratory Judgment action) in the United States against Wellogix, Inc. and Wellogix Technology Licensing, LLC (Wellogix). The lawsuit seeks a declaratory judgment that five patents owned by Wellogix are invalid and/or not infringed by SAP. The trial has not yet been scheduled. The legal proceedings have been stayed pending the outcome of six reexaminations filed with the USPTO. In September 2013, the USPTO issued a decision on four of the six reexaminations, invalidating every claim of each of the four patents. SAP is awaiting a decision on the two remaining reexamination requests.

Other Litigation

In April 2008, South African-based Systems Applications Consultants (PTY) Limited (Securinfo) instituted legal proceedings in South Africa against SAP. Securinfo alleges that SAP has caused one of its subsidiaries to breach a software distribution agreement with Securinfo. In its complaint, Securinfo seeks damages of approximately

610 million plus interest. In September 2009, SAP filed a motion to dismiss which was rejected. A trial date which was scheduled for June 2011 has been postponed.

In November 2012, SAP filed a motion to dismiss based on a procedural aspect of the case. The court followed SAP's argument and dismissed the claim by Securinfo. Securinfo appealed against this decision on December 19, 2012.

In March 2013, the court dismissed Securinfo's appeal. Securinfo appealed against this decision to the Supreme Court of South Africa. The Supreme Court granted leave to appeal to the full bench of the court which had originally dismissed Securinfo's appeals. Securinfo has applied for an appeal hearing date. The court has not yet provided a date.

We are subject to ongoing audits by domestic and foreign tax authorities. Along with many other companies operating in Brazil, we are involved in various proceedings with Brazilian authorities regarding assessments and litigation matters on non-income taxes on intercompany royalty payments and intercompany services. The total potential amount related to these matters for all applicable years is approximately 76 million. We have not recorded a provision for these matters, as we believe that we will prevail on these matters.

For more information about income tax risk-related litigation, see Note (10).

(24) Financial Risk Factors

We are exposed to various financial risks, such as market risks (including foreign currency exchange rate risk, interest rate risk, and equity price risk), credit risk, and liquidity risk.

Market Risk

a) Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk of loss due to adverse changes in foreign currency exchange rates. Under IFRS, foreign currency exchange rate risks arise on account of monetary financial instruments denominated in currencies other than the functional currency where the non-functional currency is the respective risk variable; translation risks are not taken into consideration.

As a globally active enterprise, we are subject to risks associated with fluctuations in foreign currencies with regard to our ordinary operations.

Since the Group's entities mainly conduct their operating business in their own functional currencies, our risk of exchange rate fluctuations from ongoing ordinary operations is not considered significant. However, occasionally we generate foreign currency-denominated receivables, payables, and other monetary items by transacting in a currency other than the functional currency. To mitigate the extent of the associated foreign currency exchange rate risk, the majority of these transactions are hedged as described in Note (25).

In rare circumstances, transacting in a currency other than the functional currency also leads to embedded foreign currency derivatives being separated and measured at fair value through profit or loss.

In addition, the Intellectual Property (IP) holders in the SAP Group are exposed to risks associated with forecasted intercompany cash flows in foreign currencies. These cash flows arise out of royalty payments from subsidiaries to the respective IP holder. The royalties are linked to the subsidiaries' external revenue. This arrangement leads to a concentration of the foreign currency exchange rate risk with the IP holders, as the royalties are mostly denominated in the subsidiaries' local currencies, while the functional currency of the IP holders with the highest royalty volume is the euro. The highest foreign currency exchange rate exposure of this kind relates to the currencies of subsidiaries with significant operations, for example the U.S. dollar, the pound sterling, the Japanese yen, the Swiss franc, and the Australian dollar.

Generally, we are not exposed to any significant foreign currency exchange rate risk with regard to our investing and financing activities, as such activities are normally conducted in the functional currency of the investing or borrowing entity. However, we were exposed to a cash flow risk from the consideration to be paid in U.S. dollars for the acquisition of Hybris in 2013 and of SuccessFactors and Ariba, Inc. in 2012 as the funds were provided through our free cash and acquisition term loans, both mostly generated in euros. For more information, see Note (25).

b) Interest Rate Risk

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Interest rate risks result from changes in market interest rates, which can cause changes in the fair values of fixed rate instruments and in the interest to be paid or received for variable rate instruments. We are exposed to interest rate risk as a result of our investing and financing activities mainly in euros and U.S. dollars.

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As at December 31, 2013, our liquidity was mainly invested in time deposits and bonds with fixed yields, and money market instruments with variable yields, held as cash equivalents and current and non-current investments. Since the fixed yield time deposits held at year-end have short maturities, they do not expose us to a substantial fair value interest rate risk. However, a fair value interest rate exposure arises from the bonds classified as available for sale. Also, we are exposed to a cash flow risk from our cash held at banks spread across the world and the variable yield money market funds, mainly held in the United States.

As at December 31, 2013, we were exposed to an interest rate risk from our financing activities (for more information about the individual instruments, see Note (17b)) as all our issued bonds, the U.S. private placement notes, and the remaining tranche of the German promissory notes pay fixed interest leading to a fair value risk.

c) Equity Price Risk

Equity price risk is the risk of loss due to adverse changes in equity markets. We are exposed to such risk with regard to our investments in listed equity securities (2013: 83 million; 2012: 52 million) and our share-based payments (for the exposure from these plans, see Note (27)).

Credit Risk

Credit risk is the risk of economic loss of principal or financial rewards stemming from a counterparty's failure to repay or service debt according to the contractual obligations.

To reduce the credit risk in investments, we arranged to receive rights to collateral for certain

investing activities in the full amount of the investment volume, which we would be allowed to make use of only in the case of default of the counterparty to the investment.

With the exception of these transactions, we have not executed significant agreements to reduce our overall credit risk exposure, such as master netting arrangements. Therefore, the total amounts recognized as cash and cash equivalents, current investments, loans and other financial receivables, and derivative financial assets represent our maximum exposure to credit risks, except for the agreements mentioned above.

Liquidity Risk

Liquidity risk results from the potential inability to meet financial obligations, such as payments to suppliers or employees. A maturity analysis that provides the remaining contractual maturities of all our financial liabilities held at December 31, 2013, is shown in the table below. Financial liabilities shown in the table below for which repayment can be requested by the contract partner at any time are assigned to the earliest possible period. Variable interest payments were calculated using the last relevant interest rate fixed as at December 31, 2013. As we settle our derivative contracts gross, we show the pay and receive legs separately for all our currency and interest rate derivatives, whether or not the fair value of the derivative is negative. The cash outflows for the currency derivatives are translated using the applicable forward rate.

The cash flows for unrecognized but contractually agreed financial commitments are shown in Note (22).

Contractual Maturities of Financial Liabilities and Financial Assets

millions	Carrying Amount 12/31/2013	2014	2015	Contractual Cash Flows			Thereafter
				2016	2017	2018	
Non-derivative financial liabilities							
Trade payables	640	640	0	0	0	0	0
Financial liabilities	4,336	731	863	513	891	153	1,730
Total of non-derivative financial liabilities	4,976	1,371	863	513	891	153	1,730
Derivative financial liabilities and assets							
Derivative financial liabilities							
Currency derivatives without designated hedge relationship	144						
Cash outflows		1,975	9	9	8	8	15
Cash inflows		1,885	0	0	0	0	0
Currency derivatives with designated hedge relationship	3						
Cash outflows		178	0	0	0	0	0
Cash inflows		174	0	0	0	0	0
Interest rate derivatives with designated hedge relationship	23						
Cash outflows		12	17	27	39	37	192
Cash inflows		30	35	35	35	28	123
Total of derivative financial liabilities	170	76	9	1	12	17	84
Derivative financial assets							
Currency derivatives without designated hedge relationship	26						
Cash outflows		2,544	0	0	0	0	0
Cash inflows		2,569	0	0	0	0	0
Currency derivatives with designated hedge relationship	30						
Cash outflows		391	0	0	0	0	0
Cash inflows		419	0	0	0	0	0
Interest rate derivatives with designated hedge relationship	5						
Cash outflows		12	25	29	36	21	24
Cash inflows		19	33	33	33	16	16
Total of derivative financial assets	61	60	8	4	3	5	8
Total of derivative financial liabilities and assets	109	16	17	3	15	22	92

Contractual Maturities of Financial Liabilities and Financial Assets

millions	Carrying Amount 12/31/2012	2013	2014	Contractual Cash Flows			Thereafter
				2015	2016	2017	
Non-derivative financial liabilities							
Trade payables	684	684	0	0	0	0	0
Financial liabilities	5,051	757	705	874	534	904	1,922
Total of non-derivative financial liabilities	5,735	1,441	705	874	534	904	1,922
Derivative financial liabilities and assets							
Derivative financial liabilities							
Currency derivatives without designated hedge relationship	195						
Cash outflows		2,996	10	10	10	9	26
Cash inflows		2,875	0	0	0	0	0
Currency derivatives with designated hedge relationship	2						
Cash outflows		157	0	0	0	0	0
Cash inflows		154	0	0	0	0	0
Interest rate derivatives with designated hedge relationship	0						
Cash outflows		0	0	0	0	0	0
Cash inflows		0	0	0	0	0	0
Total of derivative financial liabilities	197	124	10	10	10	9	26
Derivative financial assets							
Currency derivatives without designated hedge relationship	46						
Cash outflows		2,690	0	0	0	0	0
Cash inflows		2,735	0	0	0	0	0
Currency derivatives with designated hedge relationship	29						
Cash outflows		460	0	0	0	0	0
Cash inflows		485	0	0	0	0	0
Interest rate derivatives with designated hedge relationship	0						
Cash outflows		0	0	0	0	0	0
Cash inflows		0	0	0	0	0	0
Total of derivative financial assets	75	70	0	0	0	0	0
Total of derivative financial liabilities and assets	122	54	10	10	10	9	26

The change in our non-derivative financial liabilities which is due to scheduled repayments will lead to an overall decrease in cash outflows compared to the end of 2012. For more information, see Note (17b).

(25) Financial Risk Management

We manage market risks (including foreign currency exchange rate risk, interest rate risk, and equity price risk), credit risk, and liquidity risk on a Group-wide basis through our global treasury department. Our risk management and hedging strategy is set by our treasury guideline and other internal guidelines, and is subject to continuous internal risk analysis. Derivative financial instruments are only purchased to reduce risks and not for speculation, which is defined as entering into derivative instruments without a corresponding underlying transaction.

In the following sections we provide details on the management of each respective financial risk and our related risk exposure. In the sensitivity analyses that show the effects of hypothetical changes of relevant risk variables on profit or other comprehensive income, we determine the periodic effects by relating the hypothetical changes in the risk variables to the balance of financial instruments at the reporting date.

Foreign Currency Exchange Rate Risk Management

We continually monitor our exposure to currency fluctuation risks based on monetary items and forecasted transactions and pursue a Group-wide strategy to manage foreign currency exchange rate risk, using derivative financial instruments, primarily foreign exchange forward contracts, as appropriate, with the primary aim of reducing profit or loss volatility.

Currency Hedges Without Designated Hedge Relationship

The foreign exchange forward contracts we enter into to offset exposure relating to foreign currency denominated monetary assets and liabilities are not designated as being in a hedge accounting relationship, because the realized currency gains and losses from the underlying items are recognized in profit or loss in the same periods as the gains and losses from the derivatives.

Currency hedges without a designated hedge relationship also include foreign currency

derivatives embedded in non-derivative host contracts that are separated and accounted for as derivatives according to the requirements of IAS 39.

In addition, during 2012 we held foreign currency options and deal-contingent forward contracts to partially hedge the cash flow risk from the consideration paid in U.S. dollars for the acquisitions of SuccessFactors and Ariba.

Currency Hedges with Designated Hedge Relationship (Cash Flow Hedges)

We enter into derivative financial instruments, primarily foreign exchange forward contracts, to hedge significant forecasted cash flows (royalties) from foreign subsidiaries denominated in foreign currencies with a defined set of hedge ratios and a hedge horizon of up to 12 months. Specifically, we exclude the interest component and only designate the spot rate of the foreign exchange forward contracts as the hedging instrument to offset anticipated cash flows relating to the subsidiaries with significant operations, including the United States, the United Kingdom, Japan, Switzerland, and Australia. We generally use foreign exchange derivatives that have maturities of 12 months or less, which may be rolled over to provide continuous coverage until the applicable royalties are received.

In 2013, net gains totaling 57 million (2012: net gains of 17 million; 2011: net losses of 14 million) resulting from the change in the component of the derivatives designated as hedging instruments were recorded in other comprehensive income.

For the years ended December 31, 2013 and 2012, no previously highly probable transaction designated as a hedged item in a foreign currency cash flow hedge relationship ceased to be probable. Therefore, we did not discontinue any of our cash flow hedge relationships. Also, we identified no ineffectiveness in all years reported. In 2013, we reclassified net gains of 57 million (2012: net losses of 24 million; 2011: net losses of 13 million) from other comprehensive income to profit or loss due to the hedged items affecting income. Generally, the cash flows of the hedged forecasted transactions are expected to occur and to be recognized in profit or loss monthly within a time frame of 12 months from the date of the statement of financial position. It is estimated that 20 million of the net gains recognized in other comprehensive income in 2013, will be reclassified from other comprehensive income to profit or loss during fiscal year 2014.

Foreign Currency Exchange Rate Exposure

In line with our internal risk reporting process, we use the cash flow-at-risk method to quantify our risk positions with regard to our forecasted intercompany transactions and value-at-risk for our foreign currency denominated financial instruments. In order not to provide two different methodologies, we have opted to disclose our risk exposure based on a sensitivity analysis considering the following:

Since the SAP Group's entities generally operate in their functional currencies, the majority of our non-derivative monetary financial instruments, such as cash and cash equivalents, trade receivables, trade payables, loans to employees and third parties, bank liabilities, and other financial liabilities, are denominated in the respective entities' functional currency. Thus, a foreign currency exchange rate risk in these transactions is nearly non-existent. In exceptional cases and limited economic environments, operating and financing transactions are denominated in currencies other than the functional currency, leading to a foreign currency exchange rate risk for the related monetary instruments. Where we hedge against currency impacts on cash flows, these foreign currency-denominated financial instruments are economically converted into the functional currency by the use of forward exchange contracts or options. Therefore, fluctuations in foreign currency exchange rates neither have a significant impact on profit nor on other comprehensive income with regard to our non-derivative monetary financial instruments.

Income or expenses recorded in connection with the non-derivative monetary financial instruments discussed above are mainly recognized in the relevant entity's functional currency. Therefore, fluctuations in foreign currency exchange rates neither have a significant impact on profit nor on other comprehensive income in this regard.

Our free-standing derivatives designed for hedging foreign-currency exchange rate risks almost completely balance the changes in the fair values of the hedged item attributable to exchange rate movements in the Consolidated Income Statements in the same period. As a consequence, the hedged items and the hedging instruments are not exposed to foreign currency exchange rate risks, and thereby have no effect on profit.

Consequently, we are only exposed to significant foreign currency exchange rate fluctuations with regard to:

Derivatives held within a designated cash flow hedge relationship (excluding the interest element, which is not part of the assigned cash flow hedge relationships)

Foreign currency embedded derivatives

The foreign currency options held as at December 31, 2011, in connection with the acquisition of SuccessFactors.

Where we do not have a significant exposure towards a single currency, we disclose our sensitivity to our major foreign currencies (as described in Note (24)) in total.

Foreign Currency Sensitivity

millions	Effects on Other Non-Operating Expense, Net			Effects on Other Comprehensive Income		
	2013	2012	2011	2013	2012	2011
Derivatives held within a designated cash flow hedge relationship						
All major currencies -10%				57	60	70
All major currencies +10%				57	60	70
Embedded derivatives						
Swiss franc -10%	32	38	41			

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Swiss franc +10%	32	38	41
other currencies 10%	3	3	0
other currencies +10%	3	3	0
Freestanding foreign currency options related to SuccessFactors acquisition			
U.S. dollar 10%	0	0	6
U.S. dollar +10%	0	0	50

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Our foreign currency exposure as at December 31 (and if year-end exposure is not representative, also our average/high/low exposure) was as follows:

Foreign Currency Exposure

billions	2013	2012
Year-end exposure towards all our major currencies	0.9	1.0
Average exposure	1.0	2.4
Highest exposure	1.1	3.7
Lowest exposure	0.9	1.0

During 2013, our sensitivity to foreign currency exchange rate fluctuations remained fairly stable compared to the year ended December 31, 2012.

Interest Rate Risk Management

The aim of our interest rate risk management is to reduce profit or loss volatility and optimize our interest result by creating a balanced structure of fixed and variable cash flows. We therefore manage interest rate risks by adding interest rate-related derivative instruments to a given portfolio of investments and debt financing.

As at December 31, 2013, a cash flow interest rate risk existed with regard to our cash at banks of 1.2 billion and our investing activities in money market instruments with variable yields in the amount of 487 million. A fair value interest rate risk arises from the fixed yield bonds classified as available-for-sale and accounted for at fair value as well as the fixed rate financing transactions held at amortized cost.

100% (2012: 100%) of our total interest-bearing financial liabilities outstanding as at December 31, 2013, had a fixed interest rate whereas 40% (2012: 29%) of our interest-bearing cash, cash equivalents, time deposits, and available-for-sale financial assets had a fixed interest rate.

Derivatives with Designated Hedge Relationship (Fair Value Hedges)

The majority of our investments are based on variable rates and/or short maturities while all our financing transactions are based on fixed rates and long maturities. To match the interest-rate risk from our financing transactions to our investments we use receiver interest rate swaps to convert certain of our fixed rate financial liabilities to floating and by this means secure the fair value of the swapped financing transactions. The desired fix-floating mix of our net debt is set by the Treasury Committee. Interest rate swaps included, 44% (2012: 100%) of our total interest-bearing financial liabilities outstanding as at December 31, 2013, had a fixed interest rate.

None of the fair value adjustment from the receiver swaps, the basis adjustment on the underlying hedged items held in fair value hedge relationships, and the difference between the two recognized in Financial Income, net is material in any of the years presented.

Interest Rate Exposure

A sensitivity analysis is provided to show the impact of our interest rate risk exposure on profit or loss and equity in accordance with IFRS 7, considering the following:

Changes in interest rates only affect the accounting for non-derivative fixed rate financial instruments if they are recognized at fair value. Therefore, such interest rate changes do not change the carrying amounts of our non-derivative financial liabilities as we account for them at amortized cost. On December 31 of each year-end reported, we had fixed rate bonds classified as available-for-sale as described in Note (24). We therefore consider interest rate changes relating to the fair value measurement of such fixed rate non-derivative financial assets classified as available-for-sale in the equity-related sensitivity calculation.

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Income or expenses recorded in connection with non-derivative financial instruments with variable interest rates are subject to interest rate risk if they are not hedged items in an effective hedge relationship. Thus, we take into consideration interest rate changes relating to our variable rate financing and our investments in money market instruments in the profit-related sensitivity calculation.

Due to the designation of interest rate payer swaps in a cash flow hedge relationship, the

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interest rate changes affect the respective amounts recorded in other comprehensive income. The movements related to the interest rate swaps variable leg were not reflected in the sensitivity calculation, as they offset the variable interest rate payments for the German private placement (SSD). We therefore only considered interest rate sensitivity in discounting the interest rate swaps fixed leg cash flows in the equity-related sensitivity calculation.

The designation of interest rate receiver swaps in a fair value hedge relationship leads to interest rate changes affecting Financial Income, net. The fair value movements related to the interest rate swaps are not reflected in the sensitivity calculation, as they offset the fixed interest rate payments for the bonds and private placements as hedged items. However, changes in market interest rates affect the amount of interest payments from the interest rate swap. As a consequence, they are included in the in the profit-related sensitivity calculation. Due to the current low interest rate level we base our sensitivity analyses on a yield curve shift of +100/ 20 basis points to avoid negative interest rates.

If, on December 31, 2013, 2012, and 2011, interest rates had been 100 basis points higher (20 basis points lower), this would not have had a material effect on the following:

The gains/losses on available-for-sale financial assets in other comprehensive income

Finance income, net for our variable interest rate investments and financial debt

The effective portion of the interest rate cash flow hedge in other comprehensive income

The variable interest payments from the receiver swaps.

Our interest rate exposure as at December 31 (and if year-end exposure is not representative, also our average/high/low exposure) was as follows:

Interest rate risk exposure

billion	2013				2012			
	Year-End	Average	High	Low	Year-End	Average	High	Low
Fair value interest rate risk								
From investments	0.04	0.06	0.13	0.04	0.03	0.10	0.30	0
Cash flow interest rate risk								
From investments (incl. cash)	1.73	2.23	2.71	1.73	1.80	2.41	3.03	1.80
From financing	0	0.31	1.00	0	0	1.10	3.20	0
From interest rate swaps	2.39	0.60	2.40	0	0	0	0	0

Equity Price Risk Management

Our investments in equity instruments with quoted market prices in active markets (2013: 83 million; 2012: 52 million) are monitored based on the current market value that is affected by the fluctuations in the volatile stock markets worldwide. An assumed 20% increase (decrease) in equity prices as at December 31, 2013 (2012), would not have a material impact on the value of our investments in marketable equity securities and the corresponding entries in other comprehensive income.

We are exposed to equity price risk with regard to our share-based payments. In order to reduce

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resulting profit or loss volatility, we hedge certain cash flow exposures associated with these plans through the purchase of derivative instruments, but do not establish a designated hedge relationship. In our sensitivity analysis we include the underlying share-based payments and the hedging instruments. Thus, we base the calculation on our net exposure to equity prices as we believe taking only the derivative instrument into account would not properly reflect our equity price risk exposure. An assumed 20% increase (decrease) in equity prices as at December 31, 2013, would have increased (decreased) our share-based payment expenses by 126 million (90 million) (2012: increased by 139 million (decreased by 117 million); 2011: increased by 27 million (decreased by 25 million)).

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Credit Risk Management

To mitigate the credit risk from our investing activities and derivative financial assets, we conduct all our activities only with approved major financial institutions and issuers that carry high external ratings, as required by our internal treasury guideline. Among its stipulations, the guideline requires that we invest only in assets from issuers with a minimum rating of at least BBB. We only make investments in issuers with a lower rating in exceptional cases. Such investments were not material in 2013. The weighted average rating of our financial assets is in the range A to A-. We pursue a policy of cautious investments characterized by predominantly current investments, standard investment instruments, as well as a wide portfolio diversification by doing business with a variety of counterparties.

To further reduce our credit risk, we require collateral for certain investments in the full amount of the investment volume which we would be allowed to make use of in the case of default of the counterparty to the investment. As such collateral, we only accept bonds of non-financial corporations with at least investment grade rating level.

In addition, the concentration of credit risk that exists when counterparties are involved in similar activities by instrument, sector, or geographic area is further mitigated by diversification of counterparties throughout the world and adherence to an internal limit system for each counterparty. This internal limit system stipulates that the business volume with individual counterparties is restricted to a defined limit, which depends on the lowest official long-term credit rating available by at least one of the major rating agencies, the Tier 1 capital of the respective financial institution, or participation in the German Depositors' Guarantee Fund or similar protection schemes. We continuously monitor strict compliance with these counterparty limits. As the premium for credit default swaps mainly depends on market participants' assessments of the creditworthiness of a debtor, we also closely observe the development of credit default swap spreads in the market to evaluate probable risk developments to timely react to changes if these should manifest.

The default risk of our trade receivables is managed separately, mainly based on assessing the creditworthiness of customers through external ratings and our historical experience with respective customers.

Outstanding receivables are continuously monitored locally. Credit risks are accounted for through individual and portfolio allowances. For more information, see Note (3). The impact of default on our trade receivables from individual customers is mitigated by our large customer base and its distribution across many different industries, company sizes, and countries worldwide. For more information about our trade receivables, see Note (13). For information about the maximum exposure to credit risk, see Note (24).

Liquidity Risk Management

Our liquidity is managed by our global treasury department with the primary aim of maintaining liquidity at a level that is adequate to meet our financial obligations.

Our primary source of liquidity is funds generated from our business operations, which have historically been the primary source of the liquid funds needed to maintain our investing and financing strategy. The majority of our subsidiaries pool their cash surplus to our global treasury department, which then arranges to fund other subsidiaries' requirements or invest any net surplus in the market, seeking to optimize yields, while ensuring liquidity, by investing only with counterparties and issuers of high credit quality, as explained above. Hence, high levels of liquid assets and marketable securities provide a strategic reserve, helping keep SAP flexible, sound, and independent.

Apart from effective working capital and cash management, we have reduced the liquidity risk inherent in managing our day-to-day operations and meeting our financing responsibilities by arranging an adequate volume of available credit facilities with various financial institutions on which we can draw if necessary.

In order to retain high financial flexibility, on November 13, 2013, SAP AG entered into a 2.0 billion syndicated credit facility agreement with an initial term of five years ending in December 2018, effectively replacing the 1.5 billion credit facility from 2010. The use of the facility is not restricted by any financial covenants. Borrowings under the facility bear interest of EURIBOR or LIBOR for the respective currency plus a margin of 22.5 basis points. We are also required to pay a commitment fee of 7.88 basis points per annum on the unused available credit. We have never drawn on the facility.

Additionally, as at December 31, 2013, and 2012, SAP AG had available lines of credit totaling

487 million and 489 million, respectively. As at December 31, 2013, and 2012, there were no borrowings outstanding under these lines of credit. As at December 31, 2013, and 2012, certain subsidiaries had lines of credit available that allowed them to borrow in local currencies at prevailing interest rates up to 36 million and 48 million, respectively. There were no borrowings outstanding under these credit facilities from any of our foreign subsidiaries as at December 31, 2013, and 2012.

(26) Additional Fair Value Disclosures on Financial Instruments

Fair Value of Financial Instruments

We use various types of financial instruments in the ordinary course of business which are grouped into the following categories: loans and receivables (L&R), available-for-sale (AFS), held-for-trading (HFT), and amortized cost (AC).

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The table below shows the carrying amounts and fair values of financial assets and liabilities by category of financial instrument as well as by category of IAS 39. Where financial assets and liabilities are shown as measured at fair value this is done on a recurring basis. Since the line items trade receivables, trade payables, and other financial assets contain both financial and non-financial assets or liabilities (such as other taxes or advance payments), the non-financial assets or liabilities are shown in the column headed "Not in Scope of IFRS 7" to allow a reconciliation to the corresponding line items in the Consolidated Statements of Financial Position. The carrying amounts and fair values of our financial instruments as at December 31 were as follows:

Fair Values of Financial Instruments

millions	Category	2013					2012						
		Book Value /2013	Measurement Categories		Fair Value /2013	Not in Scope of IFRS 7	Book Value /2012	Measurement Categories		Fair Value /2012	Not in Scope of IFRS 7		
		At Cost	At Fair Value			At Cost	At Fair Value						
Assets													
Cash and cash equivalents	L&R	2,748	2,748		2,748		2,477	2,477			2,477		
Trade receivables	L&R	3,963	3,816		3,816	147	4,005	3,837			3,837	168	
Other financial assets		858					663						
Debt investments	L&R/AFS			38	38					29	29		
Equity investments	AFS/		0	322	322	36		149		52	52	46	
Other non-derivative financial assets	L&R		214		214	119		159			159	84	
Derivative assets													
With hedging relationship				35	35					29	29		
Without hedging relationship	HFT			94	94					115	115		
Liabilities													
Trade payables	AC	895	640		640	255	933	684			684	249	
Financial liabilities		4,506					5,248						
Non-derivative financial liabilities	AC		4,336		4,439			5,051			5,228		
Derivatives													
With hedging relationship				26	26					2	2		
Without hedging relationship	HFT			144	144					195	195		
Total financial instruments, net		2,168	1,802	0	319	2,018	47	964	738	149	28	589	49
Aggregation according to IAS 39													
Financial assets													
At fair value through profit or loss	HFT	94		94	94		115			115	115		
Available-for-sale	AFS	360	0	360	360		230	149		81	81		
Loans and receivables	L&R	6,925	6,778		6,778	147	6,641	6,473			6,473	168	
Financial liabilities													
At fair value through profit or loss	HFT	144		144	144		195			195	195		
At amortized cost	AC	5,231	4,976		5,079	255	5,984	5,735			5,912	249	
Outside scope of IAS 39													
Financial instruments related to													
employee benefit plans		119				119	84					84	
Investment in associates		36				36	46					46	
Derivatives with hedging relationship		9		9	9		27			27	27		
Total financial instruments, net		2,168	1,802	0	319	2,018	47	964	738	149	28	589	49

Determination of Fair Values

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Accordingly, best evidence of fair value provides quoted prices in an active market. Where market prices are not readily available, valuation techniques have to be used to establish fair value.

Depending on the inputs used for determining fair value and their significance for the valuation techniques, we have categorized our financial instruments at fair value into a three-level fair value hierarchy as mandated by IFRS 13.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The inputs used to measure fair value for one single instrument may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

The levels of the fair value hierarchy, its application to our financial assets and liabilities, and the respective determination of fair value are described below differentiating between those that are measured at fair value and those that are measured at cost or amortized cost where fair value is only disclosed:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than those that can be observed, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

It is our policy to recognize transfers at the beginning of the period of the event or change in circumstances that caused the transfer.

Financial Instruments Measured at Fair Value on a Recurring Basis

Type	Fair Value Hierarchy	Determination of Fair Value/ Valuation Technique	Significant Unobservable Inputs	Interrelationship Between Significant Unobservable Inputs and Fair Value Measurement
Other financial assets				
Debt investments	Level 1	Quoted prices in an active market	NA	NA
Listed equity investments	Level 1	Quoted prices in an active market	NA	NA
Listed equity investments with sale restriction	Level 2	Quoted prices in an active market deducting a discount for the disposal restriction derived from the premium for a respective put option.	NA	NA
Unlisted equity investments	Level 3	Market approach. Comparable company valuation using revenue multiples derived from companies comparable to the investee.	Peer companies used (revenue multiples range from 2.3-8.5)	The estimated fair value would increase (decrease) if:
			Revenues of investees	the revenue multiples were higher (lower)
			Discounts for lack of marketability (20%-30%)	the investees revenues were higher (lower)
Unlisted equity investments	Level 3	Market approach. Venture capital method evaluating a variety of quantitative and qualitative factors like actual and forecasted results, cash position, recent or planned transactions, and market comparable companies.	NA	the liquidity discounts were lower (higher). NA
Unlisted equity investments	Level 3	Discounted cash flow.	Revenue growth rate (6%-9%)	The estimated fair value would increase (decrease) if:
			Weighted average cost of capital (13.3%)	the revenue growth was higher (lower)
Unlisted equity investments	Level 3	Last financing round valuations	NA	the weighted average cost of capital was lower (higher) NA
Unlisted equity investments	Level 3	Liquidation preferences	NA	NA
Private equity funds	Level 3	Net asset value/Fair market value as reported by the respective funds	NA	NA
Interest rate swaps	Level 2	Discounted cash flow.	NA	NA
		Expected future cash flows are estimated based on forward interest rates from observable yield curves and contract interest rates, discounted at a rate that reflects the credit risk of the counterparty.		

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Call options for
share-based payments
plans

Level 2

Monte Carlo Model.

NA

NA

Calculated considering risk-free interest rates, the remaining term of the derivatives, the dividend yields, the stock price, and the volatility of our share.

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Type	Fair Value Hierarchy	Determination of Fair Value/Valuation Technique	Significant Unobservable Inputs	Interrelationship Between Significant Unobservable Inputs and Fair Value Measurement
Other financial assets/Financial liabilities				
Foreign exchange (FX) forward contracts	Level 2	Discounted cash flow using Par-Method. Expected future cash flows based on forward exchange rates are discounted over the respective remaining term of the contracts using the respective deposit interest rates and spot rates.	NA	NA

Financial Instruments not Measured at Fair Value

Type	Fair Value Hierarchy	Determination of Fair Value/Valuation Technique
Financial liabilities		
Fixed rate bonds (financial liabilities)	Level 1	Quoted prices in an active market
Fixed rate private placements/loans (financial liabilities)	Level 2	Discounted cash flows. Future cash outflows for fixed interest and principal are discounted over the respective term of the contracts using the respective market interest rates as of the reporting date.

For cash and cash equivalents, trade receivable, other non-derivative financial assets/liabilities, accounts payable and variable rate financial debt it

is assumed that their carrying value reasonably approximates their fair values.

The following table allocates those financial assets and liabilities that are measured at fair value in accordance with IAS 39 either through profit or loss or other comprehensive income or for which fair value must be disclosed in accordance with IFRS 7 as at December 31, 2013, to the three levels of the fair value hierarchy according to IFRS 13.

Classification of Financial Instruments

millions	2013				2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Corporate bonds	29	0	0	29	27	0	0	27
Government securities	2	0	0	2	0	0	0	0
Municipal bonds	7	0	0	7	2	0	0	2
Debt investments	38	0	0	38	29	0	0	29
Software industry	52	31	239	322	52	0	0	52
Equity investments	52	31	239	322	52	0	0	52
Available-for-sale financial assets	90	31	239	360	81	0	0	81
FX forward contracts	0	56	0	56	0	76	0	76
Interest rate swaps	0	5	0	5	0	0	0	0
Call options for share-based payments	0	68	0	68	0	68	0	68
Derivative financial assets	0	129	0	129	0	144	0	144
Total	90	160	239	489	81	144	0	225
Financial liabilities								
FX forward contracts	0	147	0	147	0	197	0	197
Interest rate swaps	0	23	0	23	0	0	0	0
Derivative financial liabilities	0	170	0	170	0	197	0	197
Total	0	170	0	170	0	197	0	197

Transfers between Level 1 and 2

Transfers of available-for-sale equity investments from Level 2 to Level 1 which occurred because disposal restrictions lapsed and deducting a discount for such restriction was no longer necessary were not material in all years presented, while transfers from Level 1 to Level 2 did not occur at all.

Level 3 disclosures

The following table shows the reconciliation from the opening to the closing balances for our Level 3 fair values:

Reconciliation of Level 3 Fair Values

millions	2013 Unlisted Equity Investments and Private Equity Funds
Opening balance	0
Transfers into Level 3	162
out of Level 3	30
Purchases	79
Sales	16
Gains/losses	
included in financial income, net in profit and loss	7
included in available-for-sale financial assets in other comprehensive income	46
included in exchange differences in other comprehensive income	9
Closing balance	239
Change in unrealized gains/losses in profit and loss for investments held at the end of the reporting period	0

The transfers into and out of Level 3 relate to unlisted equity investments.

Changing the unobservable inputs to reflect reasonably possible alternative assumptions would not have a material impact on the fair values of our unlisted equity investments held as available-for-sale as of the reporting date.

(27) Share-Based Payments

SAP has granted awards under various cash-settled and equity-settled share-based payments to its directors and employees. Most of these awards are described in detail below. SAP has other share-based payments, which are, individually and in aggregate, immaterial to our Consolidated Financial Statements.

a) Cash-Settled Share-Based Payments

SAP's cash-settled share-based payments include the following programs: Employee Participation Plan (EPP) and Long-Term Incentive Plan (LTI Plan for the Global Managing Board) 2015, SOP Performance Plan 2009 (SOP PP), Stock Option Plan 2010 (SOP 2010 (2010-2013 tranches)), Restricted Stock Unit Plan 2013 (RSU 2013), acquired SFSF Rights (former SuccessFactors awards assumed in connection with the SuccessFactors acquisition in 2012), acquired Ariba Rights (former Ariba awards assumed in connection with the Ariba acquisition in 2012).

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As at December 31, 2013, the valuation of our outstanding cash-settled plans was based on the following parameters and assumptions:

Fair Value and Parameters Used at Year-End 2013 for Cash-Settled Plans

	LTI Plan		EPP 2015		SOP 2010		
	2015 (2012/2013 Tranche)	2015 (2013 Tranche)	RSU 2013	SOP PP	(2010 2013 Tranche)	SFSF Rights	Ariba Rights
Option pricing model used	Other ¹⁾	Other ¹⁾	Other ¹⁾	Monte-Carlo	Monte-Carlo	NA	NA
Range of grant dates	2/7/2012 7/1/2013	3/20/2013	1/16/2013 12/16/2013	5/6/2009	9/9/2010 9/13/2013	2/21/2012	10/1/2012
Quantity of awards issued (in thousands)	661	2,087	1,559	10,321	26,341	4,534	4,091
Weighted average fair value as at December 31, 2013	59.80	62.31	61.55	0.74	15.71	29.00	32.63
Weighted average intrinsic value as at December 31, 2013	62.31	62.31	63.19	0.00	10.98	29.00	32.63
Expected remaining life as at December 31, 2013 (in years)	2.4	0.1	1.2	0.2	3.3	0.8	0.7
Risk-free interest rate (depending on maturity)	0.26% to 0.46%	0.01%	0.01% to 0.44%	0.02%	0.08% to 0.92%	NA	NA
Expected volatility SAP shares	NA	NA	NA	19.7%	21.3 % to 27.6%	NA	NA
Expected dividend yield SAP shares	1.67%	NA	1.65%	1.67%	1.67%	NA	NA
Share price of reference index	NA	NA	NA	230.94	NA	NA	NA
Expected volatility reference index	NA	NA	NA	10.6%	NA	NA	NA
Expected dividend yield reference index	NA	NA	NA	2.15%	NA	NA	NA
Expected correlation SAP share/reference index	NA	NA	NA	17.4%	NA	NA	NA

¹⁾ For these awards the fair value is calculated by subtracting the net present value of expected future dividend payments, if any, until maturity of the respective award from the prevailing share price as of the valuation date.

As at December 31, 2012, the valuation of our outstanding cash-settled plans was based on the following parameters and assumptions:

Fair Value and Parameters Used at Year-End 2012 for Cash-Settled Plans

	LTI Plan		EPP 2015		SOP 2010		
	2015 (2012 Tranche)	(2012 Tranche)	(2012 Tranche)	SOP PP	(2010 2012 Tranche)	SFSF Rights	Ariba Rights
Option pricing model used		Other ¹⁾	Other ¹⁾	Monte-Carlo	Monte-Carlo	NA	NA
Range of grant dates		2/7/2012 9/1/2012	4/5/2012	5/6/2009	9/9/2010 6/8/2012	2/21/2012	10/1/2012
Quantity of awards issued (in thousands)		349	2,752	10,321	18,920	4,534	4,091
Weighted average fair value as at December 31, 2012		57.79	60.69	7.36	17.06	30.32	34.11
Weighted average intrinsic value as at December 31, 2012		60.69	60.69	4.76	14.79	30.32	34.11
Expected remaining life as at December 31, 2012 (in years)		3.1	0.1	1.2	4.1	1.3	1.1
Risk-free interest rate (depending on maturity)		0.06%	0.00%	0.04%	0.03% to 0.41%	NA	NA
Expected volatility SAP shares		NA	NA	19.8%	25.8% to 29.6%	NA	NA
Expected dividend yield SAP shares		1.55%	NA	1.55%	1.55%	NA	NA
Share price of reference index		NA	NA	192.95	NA	NA	NA
Expected volatility reference index		NA	NA	5.5%	NA	NA	NA
Expected dividend yield reference index		NA	NA	1.39%	NA	NA	NA
Expected correlation SAP share/reference index		NA	NA	42.1%	NA	NA	NA

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- 1) For these awards the fair value is calculated by subtracting the net present value of expected future dividend payments, if any, until maturity of the respective award from the prevailing share price as of the valuation date.

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Expected volatility of the SAP share price is based on a mixture of implied volatility from traded options with corresponding lifetimes and exercise prices as well as historical volatility with the same expected life as the options granted. For the SOP PP valuation, the expected volatility of the Technology Peer Group Index (ISIN DE000A0YKR94) (TechPGI) is based on the

historical volatility derived from the index price history.

Expected remaining life of the options reflects both the contractual term and the expected, or historical, exercise behavior. The risk-free interest rate is derived from German government bonds with a similar duration. Dividend yield is based on expectations of future dividends.

The number of awards under our cash-settled plans developed as follows in the years ended December 31, 2013, 2012, and 2011:

Changes in Numbers of Outstanding Awards Under Our Cash-Settled Plans

thousands	LTI Plan	EPP 2015	SOP 2010				
	(2012/2013 Tranche)	(2012/2013 Tranche)	RSU 2013	SOP PP	(2010 2013 Tranche)	SFSF Rights	Ariba Rights
Outstanding as at 12/31/2010	NA	NA	NA	9,575	5,373	NA	NA
Granted in 2011	NA	NA	NA	0	5,192	NA	NA
Exercised in 2011	NA	NA	NA	0	0	NA	NA
Expired in 2011	NA	NA	NA	0	0	NA	NA
Forfeited in 2011	NA	NA	NA	632	515	NA	NA
Outstanding as at 12/31/2011	NA	NA	NA	8,943	10,050	NA	NA
Granted in 2012	349	2,752	NA	0	8,331	4,534	4,091
Adjustment based upon KPI target achievement in 2012	117	880	NA	NA	NA	NA	NA
Exercised in 2012	0	0	NA	3,294	0	1,826	1,587
Expired in 2012	0	0	NA	0	0	0	0
Forfeited in 2012	0	130	NA	805	954	305	144
Outstanding as at 12/31/2012	466	3,502	NA	4,844	17,427	2,403	2,360
Granted in 2013	311	2,087	1,559	0	7,421	NA	NA
Adjustment based upon KPI target achievement in 2013	18	139	0	NA	NA	NA	NA
Exercised in 2013	196	3,495	0	992	2,215	797	1,362
Expired in 2013	0	7	0	0	0	0	0
Forfeited in 2013	48	103	96	385	967	531	90
Outstanding as at 12/31/2013	515	1,845	1,463	3,467	21,666	1,075	908
Additional information							
Awards exercisable as at 12/31/2011	NA	NA	NA	8,943	0	NA	NA
Awards exercisable as at 12/31/2012	0	0	NA	4,844	0	0	0
Awards exercisable as at 12/31/2013	0	0	0	3,467	1,609	0	0
Aggregate intrinsic value of vested awards (in millions), as at 12/31/2011	NA	NA	NA	0	0	NA	NA
Aggregate intrinsic value of vested awards (in millions), as at 12/31/2012	28	213	NA	23	0	3	3
Aggregate intrinsic value of vested awards (in millions), as at 12/31/2013	43	115	0	0	37	0	0

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thousands	LTI Plan 2015	EPP 2015	SOP 2010				
	(2012/2013 Tranche)	(2012/2013 Tranche)	RSU 2013	SOP PP	(2010 2013 Tranche)	SFSF Rights	Ariba Rights
Weighted average share price (in) for share options exercised in 2011	NA	NA	NA	NA	NA	NA	NA
Weighted average share price (in) for share options exercised in 2012	NA	NA	NA	60.40	NA	30.32	34.11
Weighted average share price (in) for share options exercised in 2013	54.96	59.90	NA	61.38	55.47	29.00	32.63
Provision as at 12/31/2012 (in millions)	53	212	NA	36	137	39	51
Provision as at 12/31/2013 (in millions)	41	115	32	3	183	20	24
Expense recognized in 2011 (in millions)	NA	NA	NA	8	28	NA	NA
Expense recognized in 2012 (in millions)	53	216	NA	20	74	38	21
Expense recognized in 2013 (in millions)	11	118	34	28	83	10	21

Cash-settled plans granted to SAP employees (except for employees of SFSF and Ariba)

a.1) Employee Participation Plan (EPP) and Long-Term Incentive Plan (LTI Plan) 2015

SAP implemented two new share-based payments in 2012: an Employee Participation Plan (EPP) 2015 for employees and a Long-Term Incentive (LTI) Plan 2015 for members of the Global Managing Board.

The plans are focused on SAP's share price and the achievement of two financial key performance indicators (KPIs): non-IFRS total revenue and non-IFRS operating profit, which are derived from the Company's 2015 financial KPIs. Under these plans, virtual shares, called restricted share units (RSUs), are granted to participants. Participants are paid out in cash based on the number of RSUs that vest.

The RSUs were granted and allocated at the beginning of each year through 2015, with EPP 2015 RSUs subject to annual Executive Board approval. Participants in the LTI Plan 2015 have already been granted a budget for the years 2012 to 2015 (2013 to 2015 for new plan participants in 2013). All participants in the LTI Plan 2015 are members of the Global Managing Board.

The RSU allocation process will take place at the beginning of each year based on SAP's share price after the publication of its preliminary annual results for the last financial year prior to the performance period.

At the end of the given year, the number of RSUs that finally vest with plan participants depends on SAP's actual performance for the given year, and might be higher or lower than the number of RSUs originally granted. If performance against both KPI targets reaches at least the defined 80% threshold, the RSUs vest. Depending on performance, the vesting can reach a maximum of 150% of the budgeted amount. If performance against either or both of those KPI targets does not reach the defined threshold of 80%, no RSUs vest and RSUs granted for that year will be forfeited. For the year 2013, the RSUs granted at the beginning of the year vested with 92.97% (2012: 133.55%) achievement of the KPI targets.

Under the EPP 2015, the RSUs are paid out in the first quarter of the year after the one-year performance period, whereas the RSUs for members of the Global Managing Board under the LTI Plan 2015 are subject to a three-year-holding period before payout, which occurs starting in 2016.

The plans include a look-back provision, due to the fact that these plans are based on reaching certain KPI levels in 2015. If the overall achievement in 2015 is higher or lower than

represented by the number of RSUs vested from 2012 to 2014, the number of RSUs granted in 2015 can increase or decrease accordingly. However, RSUs that were already fully vested in prior years cannot be forfeited. For the EPP, the application of the look-back provision is subject to approval by the Executive Board in 2015.

The final financial effect of each tranche of the EPP 2015 and the LTI Plan 2015 will depend on the number of vested RSUs and the SAP share price, which is set directly after the announcement of the preliminary fourth quarter and full-year results for the last financial year under the EPP 2015 (of the respective three-year holding period under the LTI Plan 2015), and thus may be significantly above or below the budgeted amounts.

a.2) SOP Performance Plan 2009 (SOP PP)

Under the SOP Performance Plan 2009, we granted to top executives and top performers cash-based virtual stock options, the value of which depends on the multi-year performance of the SAP share relative to an industry-specific share price index, the TechPGI.

The future payout at the exercise date will be based on the outperformance of the SAP share price over the TechPGI. Exercise is only possible if the SAP share price has outperformed the TechPGI. For that purpose, the SOP PP 2009 agreement defines the initial value of the TechPGI (97.54) as well as the SAP initial exercise price (28.00 per share). After a vesting period of two years, the plan provides for 4 predetermined exercise dates every calendar year until the rights lapse five years after the grant date. The latest possible exercise day for eligible employees will be in March 2014.

Monetary benefits are capped at 110% of the grant price (30.80). The dynamic exercise price at valuation date is 66.29.

a.3) SAP Stock Option Plan 2010 (SOP 2010 (2010 2013 Tranches))

Under the SAP Stock Option Plan 2010, we granted members of the Senior Leadership Team / Global Executives, SAP's Top Rewards (employees with an exceptional rating / high potentials) between 2010 and 2013 and only in

2010 and 2011 members of the Executive Board cash-based virtual stock options, the value of which depends on the multi-year performance of the SAP share.

The grant-base value is based on the average fair market value of one ordinary share over the five business days prior to the Executive Board resolution date.

The virtual stock options granted under the SOP 2010 give the employees the right to receive a certain amount of money by exercising the options under the terms and conditions of this plan. After a three-year vesting period (four years for members of the Executive Board), the plan provides for 11 predetermined exercise dates every calendar year (one date per month except in April) until the rights lapse six years after the grant date (seven years for members of the Executive Board). Employees can exercise their virtual stock options only if they are employed by SAP; if they leave the Company, they forfeit them. Executive Board members' options are non-forfeitable once granted if the service agreement ends in the grant year, the number of options is reduced *pro rata temporis*. Any options not exercised at the end of their term expire.

The exercise price is 110% of the grant base value (115% for members of the Executive Board) which is 39.03 (40.80) for the 2010 tranche, 46.23 (48.33) for the 2011 tranche, 49.28 for the 2012 tranche, and 59.85 for the 2013 tranche.

Monetary benefits will be capped at 100% of the exercise price (150% for members of the Executive Board).

Cash-settled plans granted to employees of SFSF and Ariba

a.4) Restricted Stock Unit Plan 2013 (RSU 2013)

We maintain share-based payment plans that allow for the issuance of restricted stock units (RSU) to retain and motivate executives and certain employees of the SuccessFactors and Ariba businesses, which we acquired in 2012.

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Under the RSU 2013 Plan, we granted a certain number of RSUs throughout 2013 representing a contingent right to receive a cash payment determined by the market value of the same number of SAP AG American Depository Receipts on the New York Stock Exchange and the number

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of RSUs that ultimately vest. Granted RSUs will vest in different tranches, either:

Over a one-to-three year service period only, or

Over a one-to-three year service period and upon meeting certain key performance indicators (KPIs). The number of RSUs that could vest for SuccessFactors employees under the performance-based grants was contingent upon a weighted achievement of performance milestones for the fiscal year ended December 31, 2013 related to:

Specific indicators of cloud subscriptions and support revenue (80%) and

Profit contribution of such specific indicators of cloud subscriptions and support revenue (20%). Depending on performance, the number of RSUs vesting could have ranged between 80% and 140% of the number initially granted. Performance against the KPI targets was set at 100% in fiscal year 2013.

The number of RSUs that could vest for Ariba employees under the performance-based grants was contingent upon achievement of performance milestones for the fiscal year ended December 31, 2013 related to specific indicators of growth in cloud subscriptions and support revenue. The KPI targets included a minimum threshold for at least 50% vesting. If performance against the KPI targets had not exceeded the minimum threshold, no RSUs would have vested. Additionally, the number of RSUs that can vest is capped at 200% of the number originally granted. Performance against the KPI targets was 100% in fiscal year 2013.

The RSUs are paid out in cash upon vesting.

a.5) SuccessFactors Cash-Settled Awards Replacing Pre-Acquisition SuccessFactors Awards (SFSF Rights)

In conjunction with the acquisition of SuccessFactors in 2012, under the terms of the acquisition agreement, SAP exchanged unvested Restricted Stock Awards (RSAs), Restricted Stock Units (RSUs), and Performance Stock Units (PSUs) held by employees of SuccessFactors for cash-settled share-based payment awards of SAP (SFSF Rights).

RSAs, RSUs, and PSUs unvested at the closing of the acquisition were converted into the right to receive, at the originally agreed vesting dates, an amount in cash equal to the number of RSAs and RSUs held at the vesting date multiplied by US\$40.00 per share.

There were 4.5 million unvested RSAs, RSUs, and PSUs at the acquisition date, representing a fair value of 128 million after considering forfeitures dependent on grant dates and remaining vesting periods. Of the total fair value, 59 million was allocated to consideration transferred and 68 million was allocated to future services to be provided and will be recognized as post-acquisition compensation expense as the awards vest over the remainder of the original vesting terms the remaining vesting period for such SuccessFactors Rights are in a range of up to four years from the acquisition date. From January 1, 2013, to December 31, 2013, 0.8 million SFSF Rights vested. The unrecognized expense related to SFSF Rights was 11 million as at December 31, 2013, and will be recognized over a remaining vesting period of up to 2.0 years.

a.6) Ariba Cash-Settled Awards Replacing Pre-Acquisition Ariba Awards (Ariba Rights)

The terms of the acquisition agreement under which SAP acquired Ariba in 2012 required SAP to exchange unvested Restricted Stock Awards (RSAs) and Restricted Stock Units (RSUs) held by employees of Ariba for cash-settled share-based payment awards of SAP (Ariba Rights).

RSAs and RSUs unvested at the closing of the acquisition were converted into the right to receive an amount in cash equal to the number of RSAs and RSUs held at the vesting date multiplied by US\$45.00 per share in accordance with the respective vesting terms.

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There were 4.1 million unvested RSAs and RSUs at the acquisition date, representing a fair value of 138 million after considering forfeitures dependent on grant dates and remaining vesting periods. Of the total fair value, 86 million was allocated to consideration transferred and 52 million was allocated to future services to be provided and will be recognized as post-acquisition compensation expense as the awards vest over the remainder of the vesting terms the remaining vesting period for such Ariba Rights are in a range of up to 3.5 years at acquisition date (in accordance with the originally agreed vesting dates). From January 1, 2013, to December 31,

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2013, 1.4 million Ariba Rights vested. The unrecognized expense related to Ariba Rights was 7 million as at December 31, 2013, and will be recognized over a remaining vesting period of up to 1.75 years.

b) Equity-Settled Share-Based Payments

Equity-settled plans include primarily the Share Matching Plan (SMP).

Under the Share Matching Plan (SMP) implemented in 2010, SAP offers its employees the opportunity to purchase SAP AG shares at a discount of 40%. The number of SAP shares an

eligible employee may purchase through the SMP is limited to a percentage of the employee's annual base salary. After a three-year holding period, such plan participants will receive one (in 2012: five) free matching share of SAP for every three SAP shares acquired.

The terms for the members of the Senior Leadership Team / Global Executives are slightly different than those for the other employees. They do not receive a discount when purchasing the shares. However, after a three-year holding period, they receive two (in 2012: five) free matching SAP shares for every three SAP shares acquired. This plan is not open to members of the SAP Executive Board.

The following table shows the parameters and assumptions used at grant date to determine the fair value of free matching shares, as well as the quantity of shares purchased and free matching shares granted through this program in 2013, 2012, and 2011:

Fair Value and Parameters at Grant Date for SMP

	2013	2012	2011
Grant date	9/4/2013	6/6/2012	6/8/2011
Share price at grant date	54.20	45.43	41.73
Purchase price set by the Executive Board	56.20	48.23	44.07
Risk-free interest rate	0.43%	0.12%	1.95%
Expected dividend yield of SAP shares	1.92%	2.13%	1.70%
Expected life of free matching shares (in years)	3.0	3.0	3.0
Free matching share fair value at grant date	51.09	42.54	39.69
Number of shares purchased (in thousands)	1,559	1,926	1,334
Free matching shares granted (in thousands)	573	3,210	481

The following table shows the breakdown of the expense recognized for this program in 2013, 2012, and 2011 and the unrecognized expense at year-end in millions:

Recognized and Unrecognized Expense at Year-End for SMP

millions, unless otherwise stated	2013	2012	2011
Expense recognized relating to discount	32	34	22
Expense recognized relating to vesting of free matching shares	51	34	9
Total expense relating to SMP	83	68	31
Unrecognized expense as at December 31	80	107	22
Average remaining vesting period (in years) as at December 31	1.6	2.2	2.2

(28) Segment and Geographic Information

General Information

Our internal reporting system produces reports in which business activities are presented in a variety of ways, for example, by line of business, geography, and areas of responsibility of the individual Board members. Based on these reports, the Executive Board, which is responsible for assessing the performance of various company components and making resource allocation decisions as our Chief Operating Decision Maker (CODM), evaluates business activities in a number of different ways.

SAP has two divisions – On-Premise and Cloud, which are further divided into operating segments. Our On-Premise division is comprised of two operating segments: On-Premise Products and On-Premise Services, and our Cloud division is comprised of two operating segments: Cloud Applications and Ariba. All operating segments are reportable segments.

On August 1, 2013, SAP acquired hybris AG. Since the majority of hybris activities are currently delivered in an on-premise model, the majority of hybris activities are correspondingly reflected in the On-Premise segments.

The most important factors we use to identify operating segments are distinctions among our product and service offerings, notably:

Between divisions, the software delivery model (software to be installed on the customer's hardware (on-premise software), as distinct from software for delivery in the cloud)

Within the On-Premise division, the types of services offered

Within the Cloud division, the fields in which the cloud applications are used

The On-Premise division derives its revenues primarily from the sale of on-premise software (that is, software designed for use on hardware on the customer's premises), mobile software (that is, software designed for use on mobile devices), and services relating to such software. Within the On-Premise division, the On-Premise Products segment is primarily engaged in marketing and licensing our on-premise and mobile software products and providing support services for these software products. The On-Premise Services segment primarily performs various professional services, mainly implementation services of our software products and educational services on the use of our software products.

The Cloud division derives its revenues primarily from the sale of cloud software (that is, software designed for delivery through the cloud) and services relating to such software (including support services, professional services, and educational services). Within the Cloud division, the Cloud Applications segment is primarily engaged in marketing and selling subscriptions to the cloud software offerings developed by SAP and SuccessFactors. The Ariba segment primarily markets and sells the cloud software offerings developed by Ariba and derives revenue from its cloud-based collaborative business network.

Information About Profit or Loss, Assets, and Liabilities**Operating Segments Revenue and Profit or Loss**

millions	On-Premise Division			Cloud Division			Total
	On-Premise	On-Premise	Division	Cloud	Ariba	Division	
	Products	Services	Total	Applications	Ariba	Total	Total
2013							
Software	4,517	0	4,517	1	0	1	4,518
Cloud subscriptions and support	0	0	0	412	344	757	757
Software and cloud subscriptions	4,517	0	4,517	413	345	758	5,275
Support	8,710	0	8,710	16	30	46	8,756
Software and software-related service revenue	13,227	0	13,227	429	375	804	14,032
Professional services and other service revenue	0	2,695	2,695	85	85	170	2,865
Total revenue	13,227	2,695	15,923	514	461	975	16,897
Cost of revenue	2,020	2,134	4,154	178	180	358	4,512
Gross profit	11,207	562	11,769	336	281	617	12,385
Cost of sales and marketing	3,447	0	3,447	328	151	479	3,926
Reportable segment profit/loss	7,760	562	8,322	8	130	138	8,460
2012							
Software	4,656	0	4,656	2	0	2	4,658
Cloud subscriptions and support	0	0	0	257	86	343	343
Software and cloud subscriptions	4,656	0	4,656	259	86	345	5,001
Support	8,226	0	8,226	10	10	20	8,246
Software and software-related service revenue	12,881	0	12,881	269	96	365	13,246
Professional services and other service revenue	0	2,967	2,967	67	25	91	3,058
Total revenue	12,881	2,967	15,848	336	120	456	16,304
Cost of revenue	1,994	2,306	4,300	163	72	234	4,533
Gross profit	10,887	661	11,549	173	49	222	11,771
Cost of sales and marketing	3,414	0	3,414	231	43	275	3,689
Reportable segment profit/loss	7,473	661	8,134	59	5	53	8,082
2011							
Software	4,105	0	4,105	0	2	2	4,107
Cloud subscriptions and support	0	0	0	18	0	18	18
Software and cloud subscriptions	4,105	0	4,105	18	2	20	4,125
Support	7,220	0	7,220	0	0	1	7,220
Software and software-related service revenue	11,325	0	11,325	18	2	20	11,346
Professional services and other service revenue	0	2,901	2,901	12	1	13	2,914
Total revenue	11,325	2,901	14,226	29	4	33	14,260
Cost of revenue	1,762	2,201	3,963	66	9	75	4,038
Gross profit	9,564	700	10,264	37	5	42	10,222
Cost of sales and marketing	2,919	0	2,919	32	2	34	2,954
Reportable segment profit/loss	6,644	700	7,344	69	7	76	7,268

Segment asset/liability information is not regularly provided to our CODM. Goodwill by operating segment is disclosed in Note (15).

Measurement and Presentation

Our management reporting system reports our intersegment services as cost reductions and does not track them as internal revenue. Intersegment services mainly represent utilization of human resources of one segment by another segment on a project-by-project basis. Intersegment services are charged based on internal cost rates including certain indirect overhead costs, excluding a profit margin.

Most of our depreciation and amortization expense affecting operating segment profits is allocated to the segments as part of broader infrastructure allocations and is thus not tracked separately on the operating segment level. Depreciation and amortization expense that is directly allocated to the operating segments is immaterial in all operating segments presented.

The accounting policies applied in the measurements of the operating segments' revenues and profits differ from IFRS accounting principles described in Note (3) as follows:

The measurements of the operating segments' revenues and profits generally attribute revenue to the segment based on the nature of the business regardless of revenue classification in our income statement. Thus, for example, the Cloud Applications segment's revenue may include certain amounts classified as software revenue in our Consolidated Income Statements.

The measurements of the operating segments' revenues and profits includes the recurring revenues that would have been reflected by acquired entities had it remained a stand-alone entity but which are not reflected as revenue under IFRS as a result of purchase accounting for customer contracts in effect at the time of an acquisition.

The measurements of the operating segments' profits excludes share-based payment expense, and restructuring costs as well as research and development expense and general and administration expense at segment level. These expenses are managed and reviewed at the Group level only.

The measurements of the operating segments' profits exclude the following acquisition-related charges:

Amortization expense/impairment charges of intangibles acquired in business combinations and certain stand-alone acquisitions of intellectual property

Expenses from purchased in-process research and development

Restructuring expenses and settlements of pre-existing relationships

Acquisition-related third-party costs that are required to be expensed

The measurements of the operating segments' profits excludes results of the discontinued operations that qualify as such under IFRS in all respects except if they do not represent a major line of business. For all periods presented this relates exclusively to the operations of TomorrowNow.

Cost of revenue for our On-Premise Services segment also includes sales and marketing expenses related to professional services and other services that result from sales and marketing efforts that cannot be clearly separated from providing the services. For this reason, no sales and marketing expenses as such have been allocated to this segment.

Reconciliation of Revenues and Segment Results

millions	2013	2012	2011
Total revenues for reportable segments	16,897	16,304	14,260
Adjustment recurring software revenues	2	0	0
Adjustment recurring cloud subscriptions and support revenues	61	73	0
Adjustment recurring support revenues	19	9	27
Adjustment recurring revenues	82	81	27
Total revenue	16,815	16,223	14,233
Total profit for reportable segments	8,460	8,082	7,268
Adjustment recurring revenues	82	81	27
Research and development expense	2,162	2,132	1,894
General and administration expense	796	784	685
Other operating income/expense, net	12	23	25
Restructuring	70	8	4
Share-based payments	327	522	68
TomorrowNow litigation / Loss from discontinued operations	0	0	717
Acquisition-related charges	555	537	448
Operating profit	4,479	4,041	4,884
Other non-operating income/expense, net	17	173	75
Financial income, net	66	72	42
Profit before tax	4,396	3,796	4,767

The research and development expense and general and administration expense presented in the reconciliation differ from the corresponding expenses in the consolidated income statement because the portions of share-based payments-related expenses, restructuring expenses, and acquisition-related expenses that are included in the research and development line item respectively the general and administration expense line item in the income statement, are presented as separate items in the reconciliation.

Geographic Information

The tables below show the geographical breakdown of revenue according to specific criteria:

The management view is the geographic revenue breakdown that the SAP Executive Board, SAP's chief operating decision-maker, uses primarily when reviewing revenue by sales destination. Under this view, the software revenue from a software contract is attributed to the country in which the contract was negotiated. Such reporting presumes that the software contract was negotiated in the country in which the customer is domiciled. The only circumstances in which this presumption is not applied is where there is objective evidence that all contract negotiations took place in a country other than the domicile of the legal entity contracting on the customer's behalf. Software revenue from a given software contract is always attributed to a single geographical region; in other words, the software revenue is not split between geographical regions. Because cloud subscriptions and support revenue is earned largely from contracts that were negotiated in various periods in the past, it is allocated without exception to the country in which the customer is domiciled.

In the presentation by customer location, all revenue is attributed to the country in which the customer is domiciled.

Revenue by Region**Revenue by Region Management View****Software Revenue by Region**

millions	2013	2012	2011
EMEA	2,095	2,005	1,852
Americas	1,620	1,774	1,534
APJ	802	879	722
SAP Group	4,516	4,658	4,107

Software Revenue by Location of Negotiation and Cloud Subscription Revenue by Region

millions	2013	2012	2011
EMEA	2,212	2,071	1,865
Americas	2,164	1,961	1,539
APJ	837	896	722
SAP Group	5,212	4,928	4,125

Revenue by Region Location of Customers**Software Revenue by Region**

millions	2013	2012	2011
EMEA	2,116	2,041	1,851
Americas	1,586	1,733	1,534
APJ	814	884	722
SAP Group	4,516	4,658	4,107

Cloud Subscriptions and Support Revenue by Region

millions	2013	2012	2011
EMEA	117	66	13
Americas	544	187	5
APJ	35	17	0
SAP Group	696	270	18

Software and Cloud Subscription Revenue by Region

millions	2013	2012	2011
EMEA	2,233	2,107	1,864
Americas	2,130	1,920	1,540
APJ	849	901	722
SAP Group	5,212	4,928	4,125

Software and Software-Related Service Revenue by Region

millions	2013	2012	2011
Germany	1,984	1,821	1,726
Rest of EMEA	4,566	4,285	3,803
Total EMEA	6,549	6,106	5,529
United States	3,788	3,537	2,870
Rest of Americas	1,408	1,283	1,088
Total Americas	5,196	4,820	3,958
Japan	556	699	579
Rest of APJ	1,647	1,540	1,253
APJ	2,204	2,239	1,832
SAP Group	13,950	13,165	11,319

Total Revenue by Region

millions	2013	2012	2011
Germany	2,505	2,380	2,347
Rest of EMEA	5,381	5,106	4,644
Total EMEA	7,885	7,486	6,991
United States	4,661	4,461	3,699
Rest of Americas	1,705	1,639	1,392
Total Americas	6,366	6,100	5,091
Japan	624	789	652
Rest of APJ	1,939	1,848	1,499
APJ	2,563	2,637	2,151
SAP Group	16,815	16,223	14,233

Non-Current Assets

millions	2013	2012
Germany	2,337	2,318
France	2,112	2,120
Rest of EMEA	4,161	3,251
EMEA	8,610	7,689
United States	9,823	10,395

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Rest of Americas	123	97
Americas	9,946	10,492
Japan	19	22
Rest of APJ	204	216
APJ	223	238
SAP Group	18,779	18,418

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Non-current assets as presented in the table above follow the requirements of IFRS 8 for a geographical breakdown of non-current assets excluding financial instruments, deferred tax assets, post-employment benefits, and rights arising under insurance contracts.

For information about the breakdown of our full-time equivalent employee numbers by region, see Note (7).

(29) Board of Directors

	Memberships on supervisory boards and other comparable governing bodies of enterprises, other than subsidiaries of SAP on December 31, 2013
<p>Executive Board Bill McDermott</p> <p>Co-Chief Executive Officer</p> <p>Strategy, Governance, Business Development, Corporate Development, Sales and Ecosystem Activities</p> <p>Communications and Marketing</p>	<p>Board of Directors, ANSYS, Inc., Canonsburg, Pennsylvania, United States</p> <p>Board of Directors, Under Armour, Inc., Baltimore, Maryland, United States</p>
<p>Jim Hagemann Snabe</p> <p>Co-Chief Executive Officer</p> <p>Strategy, Governance, Business Development, Corporate Development, Communications and Marketing</p>	<p>Board of Directors, Bang & Olufsen a/s, Stuer, Denmark</p> <p>Board of Directors, The Danske Bank Group, Copenhagen, Denmark (from March 18, 2013)</p> <p>Supervisory Board, Siemens AG, Munich, Germany (from October 1, 2013)</p>
<p>Dr. Werner Brandt</p> <p>Chief Financial Officer, Labor Relations Director</p> <p>Finance and Administration including Investor Relations and Data Protection & Privacy</p> <p>Human Resources</p>	<p>Supervisory Board, Deutsche Lufthansa AG, Frankfurt am Main, Germany</p> <p>Supervisory Board, QIAGEN N.V., Venlo, the Netherlands</p> <p>Supervisory Board, RWE AG, Essen, Germany (from April 18, 2013)</p>
<p>Gerhard Oswald</p> <p>Board Area Scale Quality & Support</p> <p>SAP Active Global Support, SAP HANA Enterprise Cloud, Cloud Delivery, Quality Governance & Production, Solution & Knowledge Packaging, SAP Labs Network (joint leadership with Vishal Sikka)</p>	
<p>Dr. Vishal Sikka</p> <p>Products & Innovation</p> <p>Global Product Development including SAP HANA, Custom Development,</p>	

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Design & User Experience, Global Research,

SAP Labs Network (joint leadership with Gerhard Oswald)

Board Members Who Left During 2013

Lars Dalgaard (until May 31, 2013)

Luisa Deplazes Delgado (until June 30, 2013)

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Supervisory Board

Prof. Dr. h. c. mult. Hasso Plattner^{2), 4), 5), 7), 8), 9)}

Chairman

Christiane Kuntz-Mayr^{1), 4), 5), 9)}

Deputy Chairperson

Deputy Chairperson of the Works Council at SAP AG

Pekka Ala-Pietilä^{5), 7), 8)}

Chairman of the Board of Directors, Solidium Oy, Helsinki, Finland

Panagiotis Bissiritsas^{1), 2), 6)}

Support Expert

Prof. Anja Feldmann^{5), 9)}

Professor at the Electrical Engineering and Computer Science Faculty at the Technische Universität Berlin

Prof. Dr. Wilhelm Haarmann^{2), 6), 8), 9)}

Attorney-at-law, certified public auditor, certified tax advisor

Linklaters LLP, Rechtsanwälte, Notare, Steuerberater, Frankfurt am Main, Germany

Margret Klein-Magar^{1), 2), 5), 8)}

Vice President, Head of People Principles

Lars Lamadé^{1), 2), 8), 9)}

Project Manager OPD COO

Bernard Liautaud^{2), 5), 7)}

General Partner Balderton Capital, London, UK

Memberships on supervisory boards and other comparable governing bodies of enterprises, other than subsidiaries of SAP on December 31, 2013

Board of Directors, Bramasol, Inc., San Francisco, California, USA (until July 1, 2013)

Supervisory Board, Oligo Lichttechnik GmbH, Hennef, Germany

Board of Directors, Pöyry Plc, Vantaa, Finland

Chairman of the Board of Directors, CVON Group Limited, London, UK

Board of Directors, CVON Limited, London, UK

Chairman of the Board of Directors, CVON Innovation Services Oy, Turku, Finland

Board of Directors, CVON Future Limited, London, UK

Chairman of the Board of Directors, Blyk International Ltd., London, UK

Chairman of the Board of Directors, Huhtamäki Oyj, Espoo, Finland

Chairman of the Supervisory Board, CinemaxX AG, Hamburg, Germany

Deputy Chairman of the Supervisory Board, Rhein-Neckar-Loewen GmbH, Kronau, Germany

Board of Directors, nlyte Software Ltd., London, UK

Board of Directors, Talend SA, Suresnes, France

Board of Directors, Cap Gemini, Paris, France (until October 8, 2013)

Board of Directors, Quickbridge (UK) Ltd., London, UK

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Board of Directors, SCYTL Secure Electronic Voting SA, Barcelona, Spain

Board of Directors, Abiquo Group Inc., Redwood City, California, United States

Board of Directors, Vestiaire Collective SA, Levallois-Perret, France

Board of Directors, Dashlane, Inc., New York, New York, United States

Board of Directors, Recorded Future, Inc., Cambridge, Massachusetts, United States

Board of Directors, eWise Group, Inc., Redwood City, California, United States

Board of Directors, Qubit Digital Ltd., London, UK

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Supervisory Board

Dr. h. c. Hartmut Mehdorn^{4), 6), 9)}

CEO of FBB, Flughafen Berlin-Brandenburg GmbH, Berlin, Germany

Dr. Kurt Reiner^{1), 5), 6)}

Development Expert

Mario Rosa-Bian^{1), 4), 9)}

Project Principal Consultant

Dr. Erhard Schipporeit^{3), 8)}

Independent Management Consultant

Stefan Schulz^{1), 3), 5), 9)}

Vice President, IP at HANA Enterprise Cloud

Inga Wiele^{1), 3), 5)}

Senior Internal Strategic Consultant

Prof. Dr.-Ing. Dr.-Ing. E. h. Klaus Wucherer^{3), 5)}

Managing Director of Dr. Klaus Wucherer Innovations- und Technologieberatung GmbH, Erlangen, Germany

Information as at December 31, 2013

Memberships on supervisory boards and other comparable governing bodies of enterprises, other than subsidiaries of SAP on December 31, 2013

Board of Directors, Air Berlin PLC & Co. Luftverkehrs KG, Berlin (until January 7, 2013)

Advisory Board, Fiege-Gruppe, Greven, Germany

Board of Directors, RZD Russian Railways, Moscow, Russia

Supervisory Board, Talanx AG, Hanover, Germany

Supervisory Board, Deutsche Börse AG, Frankfurt am Main, Germany

Supervisory Board, HDI V.a.G., Hanover, Germany

Supervisory Board, Hannover Rückversicherung SE, Hanover, Germany

Supervisory Board, Fuchs Petrolub SE, Mannheim, Germany

Supervisory Board, BDO AG, Hamburg, Germany

Board of Directors, TUI Travel PLC, London, UK

Board of Directors, Fidelity Funds SICAV, Luxembourg

Supervisory Board, ORTEC International Beheer B.V., Zoetermeer, the Netherlands (from June 17, 2013)

Deputy Chairman of the Supervisory Board, HEITEC AG, Erlangen, Germany

Supervisory Board, Dürr AG, Bietigheim-Bissingen, Germany

Supervisory Board, LEONI AG, Nuremberg, Germany

Chairman of the Supervisory Board, Festo AG & Co. KG, Esslingen, Germany

1) Elected by the employees

2) Member of the Company's General and Compensation Committee

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- 3) Member of the Company's Audit Committee
- 4) Member of the Company's Mediation Committee
- 5) Member of the Company's Technology and Strategy Committee
- 6) Member of the Company's Finance and Investment Committee
- 7) Member of the Company's Nomination Committee
- 8) Member of the Company's Special Committee
- 9) Member of the Company's People and Organization Committee

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The total compensation of the Executive Board members for the years 2013, 2012, and 2011 was as follows:

Executive Board Compensation

thousands	2013	2012	2011
Short-term employee benefits	24,728	17,054	20,197
Share-based payment ¹⁾	8,603	14,855	4,016
Subtotal¹⁾	33,331	31,909	24,213
Post-employment benefits	1,324	3,263	1,547
thereof defined-benefit	189	1,711	696
thereof defined-contribution	1,135	1,552	850
Termination benefits	0	0	4,125
Other long-term benefits	0	0	4,031
Total¹⁾	34,655	35,172	33,915

1) Portion of total executive compensation allocated to the respective year

The share-based payment amounts disclosed above are based on the grant date fair value of the restricted share units (RSUs) issued to Executive Board members during the year.

The Executive Board members already received, in 2012, the LTI grants for the years 2012 to 2015 subject to continuous service as member of the Executive Board in the respective years. Although these grants are linked to and thus, economically, compensation for the Executive Board members in the respective years, section 314 of the German Commercial Code (HGB) requires them to be included in the total compensation number for the year of grant. Due to the contract extension for Gerhard Oswald in 2013, an additional grant was triggered during 2013, which relates to the allocations of 2014 and 2015. Vesting of the LTI grants is dependent on the respective Executive Board member's continuous service for the Company.

The share-based payment as defined in section 314 of the German Commercial Code (HGB) amounts to 3,150 thousands (2012: 55,085 thousands) based on the allocations for 2014 and 2015 for Gerhard Oswald which were granted in 2013 in line with the extension of his Executive Board contract. Including this amount, the subtotal Executive Board compensation amounts to 24,110 thousands (2012: 72,138 thousands) and the total Executive Board compensation amounts to 25,434 thousands (2012: 75,401 thousands). These amounts differ from the amounts shown in the table above, since the amounts in the table above are based on the LTI tranches that were allocated to each of the respective years, rather than are based on the grant date as defined under section 314 of the German Commercial Code (HGB).

Share-Based Payment for Executive Board Members

	2013	2012	2011
Number of RSUs granted	152,159	326,432	0
Number of stock options granted	0	0	475,227
Total expense in thousands	8,596	57,429	4,420

In the table above, the share-based payment expense is the amount recorded in profit or loss under IFRS 2 in the respective period.

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The projected benefit obligation (PBO) for pensions to Executive Board members and the annual pension entitlement of the members of the Executive Board on reaching age 60 based on entitlements from performance-based and salary-linked plans were as follows:

Retirement Pension Plan for Executive Board Members

thousands	2013	2012	2011
PBO December 31	9,077	8,889	7,291
Annual pension entitlement	452	429	437

Subject to the adoption of the dividend resolution by the shareholders at the Annual General Meeting of Shareholders on May 21, 2014, the total annual compensation of the Supervisory Board members for 2013 is as follows:

Supervisory Board Compensation

thousands	2013	2012	2011
Total compensation	2,966	2,981	3,028
thereof fixed compensation	870	901	874
thereof committee remuneration	416	340	465
thereof variable compensation	1,680	1,741	1,688

The Supervisory Board members do not receive any share-based payment for their services. As far as members who are employee representatives on the Supervisory Board receive share-based payment such compensation is for their services as employees only and is unrelated to their status as members of the Supervisory Board.

The total compensation of all Supervisory Board members in 2013 for work for SAP excluding compensation relating to the office of Supervisory Board member was 1,176 thousands (2012: 1,084 thousands; 2011: 1,688 thousands).

During the fiscal year 2013, payments to and PBO for former Executive Board members were as follows:

Payments to / PBO for Former Executive Board Members

thousands	2013	2012	2011
Pension benefits	1,387	1,360	1,346
PBO	29,181	30,551	25,267

SAP did not grant any compensation advance or credit to, or enter into any commitment for the benefit of, any member of the Executive Board or Supervisory Board in 2013, 2012, or 2011.

On December 31, 2013, the shareholdings of SAP's board members were as follows:

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Shareholdings of Executive and Supervisory Board Members

Number of SAP shares	2013	2012	2011
Executive Board	30,201	35,271	20,569
Supervisory Board	119,316,444	121,363,858	121,524,139

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(30) Related Party Transactions

Certain Executive Board and Supervisory Board members of SAP AG currently hold, or held within the last year, positions of significant responsibility with other entities, as presented in Note (29). We have relationships with certain of these entities in the ordinary course of business, whereby we buy and sell a wide variety of products and services at prices believed to be consistent with those negotiated at arm's length between unrelated parties.

Companies controlled by Hasso Plattner, chairman of our Supervisory Board and Chief Software Advisor of SAP, engaged in the following transactions with SAP: providing consulting services to SAP, selling a piece of land to SAP, receiving sport sponsoring from SAP, making purchases of SAP products and services. In the prior year, this also included purchasing an entity through an asset deal from a company indirectly held by him.

Christiane Kuntz-Mayr, vice chairperson of the SAP Supervisory Board, acts as a manager of family & kids @ work gemeinnützige UG (family & kids @ work). Family & kids @ work is supported financially by SAP.

Wilhelm Haarmann practiced as a partner in the law firm HAARMANN Partnerschaftsgesellschaft in Frankfurt am Main, Germany, until February 2013. In February 2013, he became a partner in Linklaters LLP. SAP occasionally purchased and purchases legal and similar services from both of these firms.

All amounts related to the above mentioned transactions were immaterial to SAP in all periods presented.

For information about the compensation of our Executive Board and Supervisory Board members, see Note (29).

(31) Principal Accountant Fees and Services

At the Annual General Meeting of Shareholders held on June 4, 2013, our shareholders elected KPMG AG Wirtschaftsprüfungsgesellschaft as SAP's independent auditor for 2013. KPMG AG Wirtschaftsprüfungsgesellschaft and other firms in the global KPMG network charged the following fees to SAP for audit and other professional services related to 2013 and the previous years:

Fees for Audit and Other Professional Services

millions	2013			2012			2011		
	KPMG AG (Germany)	Foreign KPMG Firms	Total	KPMG AG (Germany)	Foreign KPMG Firms	Total	KPMG AG (Germany)	Foreign KPMG Firms	Total
Audit fees	2	7	9	2	8	10	2	7	9
Audit-related fees	1	0	1	2	0	2	0	0	0
Tax fees	0	0	0	0	0	0	0	0	0
All other fees	0	0	0	0	0	0	0	0	0
Total	3	7	10	4	8	12	2	7	9

Audit fees are the aggregate fees charged by KPMG for the audit of our Consolidated Financial Statements as well as audits of statutory financial statements of SAP AG and its subsidiaries. Audit-related fees are fees charged by KPMG for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported

under audit fees. Tax fees are fees for professional services rendered by KPMG for tax advice on transfer pricing, restructuring, and tax compliance on current, past, or contemplated transactions. The all other fees category includes other support services, such as training and advisory services on issues unrelated to accounting and taxes.

(32) Subsequent Events

No events that have occurred since December 31, 2013, have a material impact on the Company's Consolidated Financial Statements.

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(33) Subsidiaries, Associates, and Other Equity Investments

As at December 31, 2013 Name and Location of Company	Ownership ³⁾ %	Total Revenue in 2013 ¹⁾ (000)	Profit/Loss (-) after Tax for 2013 ¹⁾ (000)	Total Equity as at 12/31/2013 ¹⁾ (000)	Number of Employees as at 12/31/2013 ²⁾
I. Fully Consolidated Subsidiaries					
GERMANY					
Ariba Deutschland GmbH, Frankfurt am Main	100.0	4,280	103	1,202	22
hybris GmbH, Munich ⁵⁾	100.0	26,330	3,007	32,234	217
OutlookSoft Deutschland GmbH, Walldorf	100.0		0	3	
SAP Beteiligungs GmbH, Walldorf	100.0	3	3	53	
SAP Business Compliance Services GmbH, Siegen	100.0	4,797	363	1,089	38
SAP Deutschland AG & Co. KG, Walldorf ^{8),10)}	100.0	3,050,364	516,247	1,321,646	4,716
SAP Dritte Beteiligungs- und Vermögensverwaltungs GmbH, Walldorf ^{9),10)}	100.0		20,479	541,342	
SAP Erste Beteiligungs- und Vermögensverwaltungs GmbH, Walldorf ^{9),10)}	100.0		3	804,844	
SAP Foreign Holdings GmbH, Walldorf	100.0		193	88	
SAP Fünfte Beteiligungs- und Vermögensverwaltungs GmbH, Walldorf ¹⁰⁾	100.0		2,849	2,325,861	
SAP Hosting Beteiligungs GmbH, St. Leon-Rot	100.0		0	26	
SAP Portals Europe GmbH, Walldorf	100.0		8	124,191	
SAP Portals Holding Beteiligungs GmbH, Walldorf	100.0		46	930,081	
SAP Projektverwaltungs- und Beteiligungs GmbH, Walldorf ^{9),10)}	100.0		949	323,875	
SAP Puerto Rico GmbH, Walldorf	100.0	34,127	2,779	5,773	20
SAP Retail Solutions Beteiligungsgesellschaft mbH, Walldorf	100.0		4,339	9,516	
SAP Sechste Beteiligungs- und Vermögensverwaltungs GmbH, Walldorf ¹⁰⁾	100.0		0	25	
SAP Ventures Investment GmbH, Walldorf	100.0		1	58,030	
SAP Vierte Beteiligungs- und Vermögensverwaltungs GmbH, Walldorf	100.0		0	24	
SAP Zweite Beteiligungs- und Vermögensverwaltungs GmbH, Walldorf ^{9),10)}	100.0		101,699	126,334	
SuccessFactors Germany GmbH, Garching	100.0	17,663	306	812	78
TechniData GmbH, Markdorf	100.0	117	639	29,703	

As at December 31, 2013 Name and Location of Company	Ownership ³⁾ %	Total Revenue in 2013 ¹⁾ (000)	Profit/Loss (-) after Tax for 2013 ¹⁾ (000)	Total Equity as at 12/31/2013 ¹⁾ (000)	Number of Employees as at 12/31/2013 ²⁾
REST OF EUROPE, MIDDLE EAST, AFRICA					
Ambin Properties (Proprietary) Limited, Johannesburg, South Africa	100.0		261	1,306	
Ariba Belgium N.V., Heverlee, Belgium	100.0	1,653	68	1,405	8
Ariba Czech s.r.o., Prague, Czech Republic	100.0	8,294	210	1,666	158
Ariba France, SAS, Paris, France	100.0	11,228	602	3,436	53
Ariba Iberia, S.L., Madrid, Spain	100.0	1,778	74	716	12
Ariba International Sweden AB, Stockholm, Sweden	100.0	2,025	86	340	7
Ariba Italia SRL, Rome, Italy	100.0	1,589	12	726	10
Ariba Middle East & North Africa FZ-LLC, Dubai, United Arab Emirates	100.0	550	31	53	2
Ariba Slovak Republic s.r.o., Kosice, Slovakia	100.0	1,601	62	396	36
Ariba Switzerland GmbH, Zurich, Switzerland	100.0	1,039	49	1,059	6
Ariba Technologies Ireland Ltd., Dublin, Ireland	100.0	986	41	56	11
Ariba Technologies Netherlands B.V., Amsterdam, the Netherlands	100.0	1,262	70	6,228	5
Ariba UK Limited, Egham, United Kingdom ¹¹⁾	100.0	14,567	604	6,400	63
b-process, Paris, France	100.0	12,538	1,204	4,556	46
Business Objects (UK) Limited, London, United Kingdom ¹¹⁾	100.0		29,936	319	
Business Objects Holding B.V., s-Hertogenbosch, the Netherlands	100.0		59	4,284	
Business Objects Software Limited, Dublin, Ireland	100.0	902,168	499,289	4,774,388	245
Christie Partners Holding C.V., Rotterdam, the Netherlands	100.0		2	21,828	
Crossgate UK Ltd., Slough, United Kingdom ¹¹⁾	100.0				
Crystal Decisions (Ireland) Limited, Dublin, Ireland	100.0		0	44,543	
Crystal Decisions Holdings Limited, Dublin, Ireland	100.0		4	77,725	
Crystal Decisions UK Limited, London, United Kingdom ¹¹⁾	100.0		0	2,206	
Epista Software A/S, Copenhagen, Denmark	100.0	3,040	871	5,849	12
EssCubed Procurement Pty. Ltd., Johannesburg, South Africa	100.0	13	3	786	
hybris AG, Rotkreuz, Switzerland ⁵⁾	100.0	51,536	22,800	1,057,690	24
hybris Austria GmbH, Vienna, Austria ⁵⁾	100.0	718	116	167	4
hybris France SAS, Levallois-Perret, France ⁵⁾	100.0	5,418	1,048	1,506	24
hybris Netherlands BV, Amsterdam, the Netherlands ⁵⁾	100.0	1,575	121	5,750	9
hybris Software AB, Västerås, Sweden ⁵⁾	100.0	1,239	598	8,716	9

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As at December 31, 2013 Name and Location of Company	Ownership ³⁾ %	Total Revenue in 2013 ¹⁾ (000)	Profit/Loss (-) after Tax for 2013 ¹⁾ (000)	Total Equity as at 12/31/2013 ¹⁾ (000)	Number of Employees as at 12/31/2013 ²⁾
hybris Sp.z.o.o., Gliwice, Poland ⁵⁾	100.0	2,870	576	540	121
hybris UK Ltd., London, United Kingdom ⁵⁾	100.0	11,281	31	20,878	60
Joe D Partners C.V., Utrecht, the Netherlands	100.0	160,869	3,084	454,937	
KXEN Ltd., London, United Kingdom ⁵⁾	100.0	34	200	1,247	3
KXEN SAS, Suresnes, France ⁵⁾	100.0	1,170	443	530	42
Limited Liability Company SAP Labs , Moscow, Russia	100.0	9,616	38	976	114
Limited Liability Company SAP CIS , Moscow, Russia	100.0	445,093	14,227	81,046	834
Limited Liability Company SAP Kazakhstan, Almaty, Kazakhstan	100.0	20,234	1,122	3,814	23
Limited Liability Company SAP Ukraine, Kiev, Ukraine	100.0	35,415	1,012	3,669	96
Merlin Systems Oy, Espoo, Finland	100.0	9,967	230	3,300	31
NL Quotaholder 1 B.V., Amsterdam, the Netherlands	100.0				
NL Quotaholder 2 B.V., Amsterdam, the Netherlands	100.0				
OOO hybris Software, Moscow, Russia ⁵⁾	100.0	290	11	193	4
Plateau Systems UK Ltd., Guildford, United Kingdom	100.0		6	7,163	
Quadrem Africa Pty. Ltd., Johannesburg, South Africa ⁴⁾	100.0	1,026	236	747	99
Quadrem Netherlands B.V., Amsterdam, the Netherlands	100.0	35,580	2,479	51,819	4
Quadrem Overseas Cooperatief U.A., Amsterdam, the Netherlands	100.0				
SAP Nederland B.V., s-Hertogenbosch, the Netherlands	100.0	461,938	30,690	444,768	447
SAP NOVABASE, A.C.E., Porto Salvo, Portugal	66.7				
SAP (Schweiz) AG, Biel, Switzerland	100.0	646,567	84,175	189,327	615
SAP (UK) Limited, Feltham, United Kingdom	100.0	817,002	71,681	53,687	1,266
SAP Belgium NV/SA, Brussels, Belgium	100.0	205,283	5,751	125,761	248
SAP Bulgaria EOOD, Sofia, Bulgaria	100.0	2,991	349	1,228	1
SAP Business Services Center Europe s.r.o., Prague, Czech Republic	100.0	28,629	428	7,408	454
SAP Business Services Center Nederland B.V., Utrecht, the Netherlands	100.0	226,727	7,581	47,565	20
SAP Commercial Services Ltd., Valletta, Malta	100.0		0	17	
SAP ČR, spol. s r.o., Prague, Czech Republic	100.0	77,415	4,342	12,912	255
SAP Cyprus Ltd, Nicosia, Cyprus	100.0	3,045	191	2,274	2
SAP d.o.o., Zagreb, Croatia	100.0	7,251	194	574	13
SAP Danmark A/S, Copenhagen, Denmark	100.0	165,362	12,769	22,120	164
SAP East Africa Limited, Nairobi, Kenya ⁵⁾	100.0		6	2,502	

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As at December 31, 2013 Name and Location of Company	Ownership ³⁾ %	Total Revenue in 2013 ¹⁾ (000)	Profit/Loss (-) after Tax for 2013 ¹⁾ (000)	Total Equity as at 12/31/2013 ¹⁾ (000)	Number of Employees as at 12/31/2013 ²⁾
SAP Egypt LLC, Cairo, Egypt	100.0	10,362	3,475	10,554	57
SAP EMEA Inside Sales S.L., Barcelona, Spain	100.0	14,020	285	3,119	97
SAP España Sistemas, Aplicaciones y Productos en la Informática, S.A., Madrid, Spain	100.0	257,656	14,090	224,996	407
SAP Estonia OÜ, Tallinn, Estonia	100.0	2,216	67	289	1
SAP Finland Oy, Espoo, Finland	100.0	114,921	6,413	63,879	109
SAP France Holding, Paris, France	100.0	873	36,109	5,169,074	3
SAP France, Paris, France	100.0	866,137	173,827	1,508,230	1,413
SAP Hellas S.A., Athens, Greece	100.0	27,699	1,191	11,208	51
SAP Holdings (UK) Limited, Feltham, United Kingdom ⁵⁾	100.0		15,993	731,275	
SAP Hungary Rendszerek, Alkalmazások és Termékek az Adatfeldolgozásban Informatikai Kft., Budapest, Hungary	100.0	45,664	1,462	15,049	411
SAP Ireland Limited, Dublin, Ireland	100.0	702	41	9,725	
SAP Ireland US-Financial Services Ltd., Dublin, Ireland	100.0	200	353,089	4,766,140	3
SAP Israel Ltd., Ra'anana, Israel	100.0	36,288	1,843	3,516	56
SAP Italia Sistemi Applicazioni Prodotti in Data Processing S.p.A., Milan, Italy	100.0	372,780	16,071	297,860	537
SAP Labs Bulgaria EOOD, Sofia, Bulgaria	100.0	24,595	775	4,947	475
SAP Labs Finland Oy, Espoo, Finland	100.0	6,515	160	41,517	45
SAP Labs France SAS, Mougins, France	100.0	57,194	2,861	18,638	350
SAP Labs Israel Ltd., Ra'anana, Israel	100.0	52,368	2,021	17,495	338
SAP Latvia SIA, Riga, Latvia	100.0	2,229	38	185	3
SAP Malta Investments Ltd., Valletta, Malta	100.0		0	17	
SAP Middle East and North Africa L.L.C., Dubai, United Arab Emirates ⁶⁾	49.0	167,892	36,717	55,309	337
SAP Nederland Holding B.V., s-Hertogenbosch, the Netherlands	100.0		2	521,916	
SAP Norge AS, Lysaker, Norway	100.0	89,951	3,523	22,322	89
SAP Österreich GmbH, Vienna, Austria	100.0	192,649	19,746	25,229	347
SAP Polska Sp. z o.o., Warsaw, Poland	100.0	63,228	3,985	22,358	107
SAP Portals Israel Ltd., Ra'anana, Israel	100.0	61,812	21,101	75,890	214
SAP Portugal Sistemas, Aplicações e Produtos Informáticos, Sociedade Unipessoal, Lda., Porto Salvo, Portugal	100.0	70,026	7,327	18,136	207
SAP Public Services Hungary Kft., Budapest, Hungary	100.0	4,284	549	1,306	7

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As at December 31, 2013 Name and Location of Company	Ownership ³⁾ %	Total Revenue in 2013 ¹⁾ (000)	Profit/Loss (-) after Tax for 2013 ¹⁾ (000)	Total Equity as at 12/31/2013 ¹⁾ (000)	Number of Employees as at 12/31/2013 ²⁾
SAP Romania SRL, Bucharest, Romania	100.0	27,044	2,298	5,311	270
SAP Saudi Arabia Software Services Ltd, Riyadh, Kingdom of Saudi Arabia	100.0	44,426	3,561	37,416	50
SAP Saudi Arabia Software Trading Ltd, Riyadh, Kingdom of Saudi Arabia	75.0	36,862	25,350	24,698	81
SAP Service and Support Centre (Ireland) Limited, Dublin, Ireland	100.0	80,598	2,899	34,430	884
SAP sistemi, aplikacije in produkti za obdelavo podatkov d.o.o., Ljubljana, Slovenia	100.0	13,920	844	3,561	22
SAP Slovensko s.r.o., Bratislava, Slovakia	100.0	37,036	2,532	15,373	180
SAP Svenska Aktiebolag, Stockholm, Sweden	100.0	166,507	7,525	15,933	154
SAP Training and Development Institute FZCO, Dubai, United Arab Emirates	100.0	4,532	254	437	36
SAP Türkiye Yazılım Üretim ve Ticaret A.S., Istanbul, Turkey	100.0	78,245	10,007	10,138	155
SAP UAB (Lithuania), Vilnius, Lithuania	100.0	2,491	106	58	3
SAPV (Mauritius), Ebene, Mauritius ⁷⁾	0		258	22,932	
SAP West Balkans d.o.o., Belgrade, Serbia	100.0	16,177	2,389	7,595	29
SuccessFactors (UK) Limited, London, United Kingdom	100.0	20,662	1,610	2,255	100
SuccessFactors Denmark ApS, Copenhagen, Denmark	100.0	1,687	171	279	4
SuccessFactors France SAS, Paris, France	100.0	9,109	290	573	45
SuccessFactors Ireland Limited, Dublin, Ireland	100.0	773	32	77	6
SuccessFactors Italy SRL, Milan, Italy	100.0	1,507	44	71	5
SuccessFactors Netherlands B.V., Amsterdam, the Netherlands	100.0	5,071	359	16,926	22
SuccessFactors Schweiz GmbH, Zurich, Switzerland	100.0	3,620	257	388	7
Sybase (UK) Limited, Maidenhead, United Kingdom ¹¹⁾	100.0	0	4	327	
Sybase France SARL, Paris, France	100.0	46,272	4,754	12,919	
Sybase Iberia S.L., Madrid, Spain	100.0		2	65,920	
Sybase South Africa (Proprietary) Limited, Johannesburg, South Africa	89.5		38	75	
Syclo International Limited, Leatherhead, United Kingdom ¹¹⁾	100.0	510	977	0	
Systems Applications Products Africa Region (Proprietary) Limited, Johannesburg, South Africa	100.0	81,563	10,920	23,403	39

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As at December 31, 2013 Name and Location of Company	Ownership ³⁾ %	Total Revenue in 2013 ¹⁾ (000)	Profit/Loss (-) after Tax for 2013 ¹⁾ (000)	Total Equity as at 12/31/2013 ¹⁾ (000)	Number of Employees as at 12/31/2013 ²⁾
Systems Applications Products Africa (Proprietary) Limited, Johannesburg, South Africa	100.0		3,146	62,455	
Systems Applications Products Nigeria Limited, Abuja, Nigeria	100.0	16,604	907	2,953	43
Systems Applications Products South Africa (Proprietary) Limited, Johannesburg, South Africa	89.5	227,424	12,240	5,707	455
The Infohrm Group Ltd., London, United Kingdom	100.0	88	223	245	
TomorrowNow (UK) Limited, Feltham, United Kingdom ¹¹⁾	100.0		0	0	
TomorrowNow Nederland B.V., Amsterdam, the Netherlands	100.0		9	3,301	
AMERICAS					
110405, Inc., Newtown Square, Pennsylvania, USA	100.0		0	15,150	
Alliente, Inc., Pittsburgh, Pennsylvania, USA	100.0				
Ariba Canada, Inc., Mississauga, Canada	100.0	3,094	129	1,214	21
Ariba Holdings, Inc., Grand Cayman, Cayman Islands	100.0				
Ariba, Inc., Sunnyvale, California, USA	100.0	299,460	92,369	3,093,731	1,245
Ariba International Holdings, Inc., Wilmington, Delaware, USA	100.0				
Ariba International, Inc., Wilmington, Delaware, USA	100.0	7,405	301	1,722	43
Ariba Investment Company, Inc., Wilmington, Delaware, USA	100.0		2,638	210,474	
Business Objects Argentina S.R.L., Buenos Aires, Argentina	100.0		0	49	
Business Objects Option LLC, Wilmington, Delaware, USA	100.0	33	2,032	63,668	
Camilion Solutions, Inc., Markham, Canada ⁵⁾	100.0	9,364	3,017	31,701	114
Cube Tree LLC, San Mateo, California, USA	100.0	505	492	680	
Extended Systems, Inc., Boise, Idaho, USA	99.0		32	16,513	
Financial Fusion, Inc., Concord, Massachusetts, USA	100.0				
FreeMarkets International Holdings Inc. de Mexico, de S. de R.L. de C.V., Mexico City, Mexico	100.0			60	
FreeMarkets Ltda., São Paulo, Brazil	100.0	52	376	464	
hybris Canada, Inc., Montréal, Canada ⁵⁾	100.0	13,492	723	254	244
hybris Software Brasil Ltda., Morumbi, Brazil ⁵⁾	100.0	23	389	821	4
hybris (US) Corp., Wilmington, Delaware, USA ⁵⁾	100.0	28,138	1,400	25,043	125

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As at December 31, 2013 Name and Location of Company	Ownership ³⁾ %	Total Revenue in 2013 ¹⁾ (000)	Profit/Loss (-) after Tax for 2013 ¹⁾ (000)	Total Equity as at 12/31/2013 ¹⁾ (000)	Number of Employees as at 12/31/2013 ²⁾
iAnywhere Solutions, Inc., Dublin, California, USA	99.0	75,212	36,253	172,933	43
Inxight Federal Systems Group, Inc., Wilmington, Delaware, USA	100.0		0	66	
Jam Acquisition II LLC, San Mateo, California, USA	100.0	200	200	178	
Jobs2Web, Inc., Minnetonka, Minnesota, USA	100.0	2,897	2,637	2,482	
KXEN, Inc., San Francisco, California USA ⁵⁾	100.0	531	651	21,199	11
Plateau Systems LLC, Arlington, Virginia, USA	100.0	4,564	3,972	5,603	
Quadrem Brazil Ltda., Rio de Janeiro, Brazil	100.0	23,672	2,001	7,370	175
Quadrem Canada Ltd., Mississauga, Canada	100.0	923	102	506	8
Quadrem Chile Ltda., Santiago de Chile, Chile	100.0	13,566	677	1,732	187
Quadrem Colombia SAS, Bogotá, Colombia	100.0	240	26	33	3
Quadrem International Ltd., Hamilton, Bermuda	100.0		826	69,569	
Quadrem Mexico S. de R. de C.V., Mexico City, Mexico	100.0	360	2	38	3
Quadrem Peru S.A.C., Lima, Peru	100.0	2,803	1,346	2,105	89
Quadrem U.S., Inc., Plano, Texas, USA	100.0				
SAP America, Inc., Newtown Square, Pennsylvania, USA	100.0	3,530,473	114,589	4,992,376	5,819
SAP Andina y del Caribe C.A., Caracas, Venezuela	100.0	14,481	53,041	35,312	26
SAP Argentina S.A., Buenos Aires, Argentina	100.0	172,462	14,424	4,773	618
SAP Brasil Ltda, São Paulo, Brazil	100.0	553,602	12,986	43,000	1,441
SAP Canada, Inc., Toronto, Canada	100.0	708,115	50,265	470,548	2,201
SAP Chile Limitada, Santiago, Chile	100.0		1,015	13,618	
SAP Colombia SAS, Bogotá, Colombia	100.0	129,544	5,209	15,589	216
SAP Costa Rica, S.A., San José, Costa Rica	100.0	14,550	4,394	4,404	13
SAP Financial, Inc., Toronto, Canada	100.0		25,202	6,738	
SAP Global Marketing, Inc., New York, New York, USA	100.0	276,915	1,148	24,311	543
SAP HANA Real Time Fund, Wilmington, Delaware, USA ⁷⁾	0		904	1,292	
SAP Industries, Inc., Newtown Square, Pennsylvania, USA	100.0	468,227	40,420	396,489	446
SAP International, Inc., Miami, Florida, USA	100.0	29,221	3,806	8,615	65
SAP International PANAMA S.A., Panama City, Panama ⁵⁾	100.0	234	30	334	2
SAP Investments, Inc., Wilmington, Delaware, USA	100.0		25,169	666,458	
SAP LABS, LLC, Palo Alto, California, USA	100.0	545,498	10,662	221,018	2,184

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As at December 31, 2013 Name and Location of Company	Ownership ³⁾ %	Total Revenue in 2013 ¹⁾ (000)	Profit/Loss (-) after Tax for 2013 ¹⁾ (000)	Total Equity as at 12/31/2013 ¹⁾ (000)	Number of Employees as at 12/31/2013 ²⁾
SAP México S.A. de C.V., Mexico City, Mexico	100.0	306,180	8,737	18,242	569
SAP National Security Services, Inc., Newtown Square, Pennsylvania, USA	100.0	178,593	35,723	173,364	268
SAP PERU S.A.C., Lima, Peru	100.0	29,648	3,248	4,846	55
SAP Public Services, Inc., Washington, D.C., USA	100.0	288,791	13,780	256,245	202
SAP Technologies Inc., Palo Alto, California, USA	100.0				
SAP Ventures Fund I, L.P., Wilmington, Delaware, USA ⁷⁾	0		31,690	110,261	
SAP Ventures Fund II, L.P., Wilmington, Delaware, USA ^{5), 7)}	0		2,630	2,584	
SuccessFactors, Inc., San Mateo, California, USA	100.0	413,455	173,389	2,406,889	1,373
SuccessFactors Brasil Consultoria e Assistência em Vendas Limitada, São Paulo, Brazil	100.0	6,571	332	272	28
SuccessFactors Canada Inc., Ottawa, Canada	100.0	8,564	254	580	33
SuccessFactors Cayman, Ltd., Grand Cayman, Cayman Islands	100.0			208	
SuccessFactors de México, S. de R.L. de C.V., Mexico City, Mexico	100.0	4,175	138	155	19
SuccessFactors International Holdings, LLC, San Mateo, California, USA	100.0			102	
SuccessFactors International Services, Inc., San Mateo, California, USA	100.0	3,486	168	286	7
SuccessFactors Middle East Holdings, LLC, San Mateo, California, USA	100.0				
Surplus Record, Inc., Chicago, Illinois, USA	100.0	3,006	755	7,757	
Sybase 365 LLC, Dublin, California, USA	100.0	101,570	1,192	57,218	116
Sybase 365 Ltd., Tortola, British Virgin Islands	100.0		0	908	
Sybase Argentina S.A., Buenos Aires, Argentina	100.0		112	703	
Sybase Global LLC, Dublin, California, USA	100.0			7,064	
Sybase Intl Holdings LLC, Dublin, California, USA	100.0		0	11,346	
Sybase, Inc., Dublin, California, USA	100.0	547,633	252,904	4,375,352	1,031
The Inforhrm Group, Inc., Washington, Columbia, USA	100.0	34	6	24	
TomorrowNow, Inc., Bryan, Texas, USA	100.0		1,454	179,441	3
YouCalc, Inc., San Mateo, California, USA	100.0				
ASIA PACIFIC JAPAN					
Ariba (China) Limited, Hong Kong, China	100.0				
Ariba Australia Pty Ltd., Sydney, Australia	100.0		21	1	

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As at December 31, 2013 Name and Location of Company	Ownership ³⁾ %	Total Revenue in 2013 ¹⁾ (000)	Profit/Loss (-) after Tax for 2013 ¹⁾ (000)	Total Equity as at 12/31/2013 ¹⁾ (000)	Number of Employees as at 12/31/2013 ²⁾
Ariba India Pvt. Ltd., Gurgaon, India	100.0	4,707	708	2,299	42
Ariba International Singapore Pte. Ltd., Singapore, Singapore	100.0	4,125	63	4,894	19
Ariba Software Technology Services (Shanghai) Co. Ltd., Shanghai, China	100.0	828	10	592	2
Ariba Technologies India Pvt. Ltd., Bangalore, India	100.0	18,948	1,716	6,233	561
Beijing Zhang Zhong Hu Dong Information Technology Co. Ltd., Beijing, China ⁶⁾	0	1,032	2	849	7
Business Objects Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	100.0		2	238	
Business Objects Software (Shanghai) Co. Ltd., Shanghai, China	100.0	6,746	354	7,846	84
hybris Australia Pty Limited, Surry Hills, Australia ⁵⁾	100.0	2,638	199	232	18
hybris Hong Kong Ltd., Hong Kong, China ⁵⁾	100.0	1,579	528	510	8
hybris Japan K.K., Tokyo, Japan ⁵⁾	100.0	972	195	111	7
hybris Korea Ltd., Seoul, South Korea ⁵⁾	100.0	545	1,148	292	3
Nihon Ariba K.K., Tokyo, Japan	100.0	2,332	136	1,426	13
Plateau Systems Australia Ltd, Brisbane, Australia	100.0			710	
Plateau Systems Pte. Ltd., Singapore, Singapore	100.0			469	
PT SAP Indonesia, Jakarta, Indonesia	99.0	50,527	3,289	2,690	55
PT Sybase 365 Indonesia, Jakarta, Indonesia	100.0	0	44	278	
Quadrem Asia Pte. Ltd., Singapore, Singapore	100.0	63	7	119	
Quadrem Australia Pty Ltd., Brisbane, Australia	100.0	3,754	315	971	21
Quadrem China Ltd., Hong Kong, China	100.0			13	
Right Hemisphere Ltd., Auckland, New Zealand	100.0	1,538	1,647	5,739	
Ruan Lian Technologies (Beijing) Co. Ltd., Beijing, China	100.0	81	7	921	1
SAP (Beijing) Software System Co. Ltd., Beijing, China	100.0	544,297	10,691	24,902	3,697
SAP Asia Pte Ltd, Singapore, Singapore	100.0	360,926	7,880	84,461	1,023
SAP Asia (Vietnam) Co. Ltd., Ho Chi Minh City, Vietnam	100.0	1,449	24	538	42
SAP Australia Pty Ltd, Sydney, Australia	100.0	479,267	25,552	243,608	770
SAP Hong Kong Co. Limited, Hong Kong, China	100.0	55,271	905	1,276	87
SAP India (Holding) Pte Ltd, Singapore, Singapore	100.0		7	275	
SAP India Private Limited, Bangalore, India	100.0	383,854	36,544	212,004	1,892
SAP Japan Co. Ltd., Tokyo, Japan	100.0	620,435	32,575	412,555	1,050
SAP Korea Ltd., Seoul, South Korea	100.0	202,190	7,879	25,871	313

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As at December 31, 2013 Name and Location of Company	Ownership ³⁾ %	Total Revenue in 2013 ¹⁾ (000)	Profit/Loss (-) after Tax for 2013 ¹⁾ (000)	Total Equity as at 12/31/2013 ¹⁾ (000)	Number of Employees as at 12/31/2013 ²⁾
SAP Labs India Private Limited, Bangalore, India	100.0	184,569	3,010	711	4,632
SAP Labs Korea, Inc., Seoul, South Korea	100.0	13,968	439	17,388	125
SAP Malaysia Sdn. Bhd., Kuala Lumpur, Malaysia	100.0	92,273	4,885	25,849	117
SAP New Zealand Limited, Auckland, New Zealand	100.0	73,758	6,272	41,068	97
SAP Philippines, Inc., Makati, Philippines	100.0	34,754	705	1,816	44
SAP SYSTEMS, APPLICATIONS AND PRODUCTS					
IN DATA PROCESSING (THAILAND) LTD.,					
Bangkok, Thailand ⁴⁾	100.0	68,015	275	11,303	60
SAP Taiwan Co. Ltd., Taipei, Taiwan	100.0	59,114	4,723	34,776	84
Shanghai SuccessFactors Software Technology Co., Ltd., Shanghai, China	100.0	11,418	288	1,038	166
SuccessFactors (Philippines), Inc., Pasig City, Philippines	100.0	2,100	60	56	82
SuccessFactors Asia Pacific Limited, Hong Kong, China	100.0	5	0	212	
SuccessFactors Australia Holdings Pty Ltd., Brisbane, Australia	100.0		4,795	9,592	
SuccessFactors Australia Pty Limited, Brisbane, Australia	100.0	20,413	2,475	36,112	94
SuccessFactors Business Solutions India Private Limited, Bangalore, India	100.0	7,798	353	636	167
SuccessFactors Hong Kong Limited, Hong Kong, China	100.0	2,755	105	184	11
SuccessFactors Japan K.K., Tokyo, Japan	100.0	3,001	143	15	14
SuccessFactors Korea Ltd., Seoul, South Korea	100.0	23	1	35	
SuccessFactors Singapore Pte. Ltd., Singapore, Singapore	100.0	3,150	141	217	11
Sybase Australia Pty Ltd, Sydney, Australia	100.0		17,015	107	
Sybase Hong Kong Ltd, Hong Kong, China	100.0		74	422	
Sybase India Ltd., Mumbai, India	100.0		9	2,112	
Sybase Philippines, Inc., Makati City, Philippines	100.0		15	8	
Sybase Software (China) Co. Ltd., Beijing, China	100.0	33,119	1,026	17,265	331
Sybase Software (India) Private Ltd, Mumbai, India	100.0	17,269	1,110	8,382	219
TomorrowNow Australia Pty Ltd, Sydney, Australia	100.0		1		
TomorrowNow Singapore Pte Ltd, Singapore, Singapore	100.0		7		
II. INVESTMENTS IN ASSOCIATES					
Alteryx, Inc., Irvine, California, USA	15.42	21,168	4,781	728	171
China DataCom Corporation Limited, Guangzhou, China	28.30	47,689	4,456	37,361	1,049

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As at December 31, 2013 Name and Location of Company	Ownership ³⁾ %	Total Revenue in 2013 ¹⁾ (000)	Profit/Loss (-) after Tax for 2013 ¹⁾ (000)	Total Equity as at 12/31/2013 ¹⁾ (000)	Number of Employees as at 12/31/2013 ²⁾
Greater Pacific Capital (Cayman) L.P., Grand Cayman, Cayman Islands ¹²⁾	5.35	497	822	285,845	
Original1 GmbH, Frankfurt am Main, Germany ¹³⁾	40.00				
Procurement Negócios Eletrônicos S/A, Rio de Janeiro, Brazil	17.00	23,033	1,063	12,655	

- 1) These figures are based on our local IFRS financial statements prior to eliminations resulting from consolidation and therefore do not reflect the contribution of these companies included in the Consolidated Financial Statements. The translation of the equity into Group currency is based on period-end closing exchange rates, and on average exchange rates for revenue and net income/loss.
- 2) As at December 31, 2013, including managing directors, in FTE.
- 3) No changes in ownership percentage unless otherwise specified in the footnotes.
- 4) During the year 2013, SAP's ownership of the following subsidiary changed: SAP SYSTEMS, APPLICATIONS AND PRODUCTS IN DATA PROCESSING (THAILAND) LTD., Bangkok, Thailand (2012: 49%); Quadrem Africa Pty. Ltd., Johannesburg, South Africa (2012: 49%).
- 5) Consolidated for the first time in 2013.
- 6) Agreements with the other shareholders provide that SAP AG fully controls the entity.
- 7) SAP AG does not hold any ownership interests in four structured entities, SAPV (Mauritius), SAP HANA Real Time Fund, SAP Ventures Fund I, L.P. and SAP Ventures Fund II, L.P. However, based on the terms of limited partnership agreements under which these entities were established, SAP AG is exposed to the majority of the returns related to their operations and has the current ability to direct these entities' activities that affect these returns, in accordance with IFRS 10. Accordingly, the results of operations are included in SAP's consolidated financial statements.
- 8) Entity whose personally liable partner is SAP AG.
- 9) Entity with profit and loss transfer agreement.
- 10) Pursuant to HGB, section 264 (3) or section 264b, the subsidiary is exempt from applying certain legal requirements to their statutory stand-alone financial statements including the requirement to prepare notes to the financial statements and a review of operations, the requirement of independent audit and the requirement of public disclosure.
- 11) Pursuant to sections 479A to 479C of the UK Companies Act 2006 the subsidiaries are exempt from having their financial statements audited on the basis that SAP AG has provided a guarantee of these subsidiaries' liabilities in respect of their financial year ended 31 December 2013.
- 12) Greater Pacific Capital (Cayman) is part of a fund-of-funds concept acting as one of the feeder-funds to the partnership. There are neither financial statements for the year ended December 31, 2013 nor budget or forecast available hence the information provided is based on the audited financial statements for the year ended December 31, 2012.

¹³⁾ Original1 GmbH is in liquidation and it has not been deregistered from the commercial register yet.

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As at December 31, 2013

Name and Location of Company

III. OTHER EQUITY INVESTMENTS

(ownership of 5% or more)

Alchemist Accelerator Fund I LLC,
San Francisco, California, USA

All Tax Platform Solucoes Tributarias S.A., São Paulo,
Brazil

Amplify Partners L.P.,
Cambridge, Massachusetts, USA

ArisGlobal Holdings LLC,
Stamford, Connecticut, USA

Connectiva Systems, Inc., New York,
New York, USA

Convercent, Inc., Denver, Colorado, USA

Data Collective II L.P., San Francisco, California, USA

EIT ICT Labs GmbH, Berlin, Germany

Five 9, Inc., San Ramon, California, USA

Follow Analytics, Inc., San Francisco, California, USA

GK Software AG, Schönebeck, Germany

InnovationLab GmbH, Heidelberg, Germany

iTAC Software AG, Dernbach, Germany

iYogi Holdings Pvt. Ltd., Port Louis, Mauritius

JasperSoft Corporation, San Francisco, California, USA

Lavante, Inc., San José, California, USA

MuleSoft, Inc., San Francisco, California, USA

MVP Strategic Partnership Fund GmbH & Co. KG,
Grünwald, Germany

Narrative Science, Inc., Chicago, Illinois, USA

On Deck Capital, Inc., New York, New York, USA

Onventis GmbH, Stuttgart, Germany

Patent Quality, Inc., Bellevue, Washington, USA

PayScale, Inc., Seattle, Washington, USA

Point Nine Capital Fund II GmbH & Co. KG, Berlin,
Germany

Post for Systems, Cairo, Egypt

Realize Corporation, Tokyo, Japan

Retail Solutions, Inc. (legal name: T3C, Inc.), Mountain
View, California, USA

Return Path, Inc., New York, New York, USA

RIB Software AG, Stuttgart, Germany

Smart City Planning, Inc., Tokyo, Japan

SV Angel IV L.P., San Francisco, California, USA

Technologie- und Gründerzentrum Walldorf Stiftung
GmbH, Walldorf, Germany

The SAVO Group Ltd., Chicago, Illinois, USA

Ticketfly, Inc., San Francisco, California, USA

Vendavo, Inc., Mountain View, California, USA