



Fourth-Quarter and Full-Year 2017 Preliminary Results Release

Walldorf, Germany
Tuesday, January 30, 2018





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In 2017 SAP continued history of hitting raised outlook

Multiple guidance raises in the last three years including 2017

Cloud Subscriptions & Support Revenue

in € billions

IFRS

3.769

Non-IFRS

3.831

Guidance 3.800 – 4.000

Cloud and Software Revenue

in € billions

IFRS

19.549

+6%

Non-IFRS

19.819

+8%

Guidance 7.0% - 8.5%

Total Revenue

in € billions

IFRS

23.461

Non-IFRS

23.765

Guidance 23.400 – 23.800

Operating Profit

in € billions

IFRS

4.877

Non-IFRS

6.920

Guidance 6.850 – 7.000

Other financial and non-financial highlights:

- IFRS EPS up 10% | Non-IFRS up 14% to €4.44 per share
- Operating cash flow up 9% to €5.0 billion
- Share of more predictable revenue now at 63%

- Greenhouse gas emissions reduced to 325 kilotons, hitting our 2020 target already in 2017
- Employee Engagement Index remains high at 85%
- Overall retention rate improved to 94.6%

Fast growing cloud and resilient core drive total revenue to high end of guidance in 2017

Total revenue

+6% to €23.46bn (+8% cc) in FY

Cloud

- New cloud bookings: +31% in Q4 cc; +30% in FY cc
- Cloud subscriptions and support: €3.77bn in FY; +28% cc to €3.83bn cc
- Cloud backlog: €7.5bn; +38%

Software and support

- Software license: +2% cc on back of strong 2016
- Resilient support growth: +4% cc with continued very high renewal rates
- Unique combination of software and support: Growth of +4% cc

Cloud and software revenue

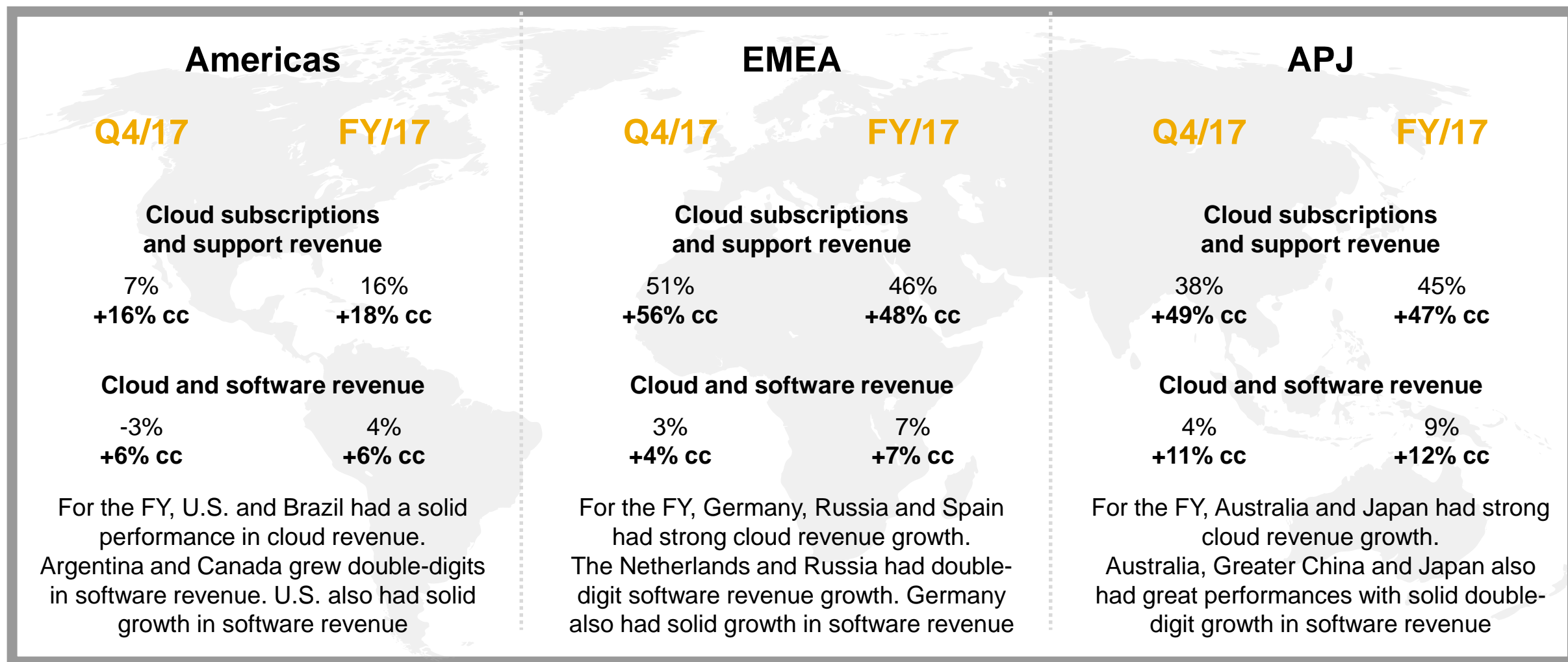
+6% to €19.55bn (+8% cc) in FY

Software license and cloud subscription order entry*

+14% to €9.42bn (+17% cc) in FY

SAP's global breadth

Strength across all geographies in 2017



Cloud investments paving the way to margin expansion in 2018 and beyond

Non-IFRS; in percent	FY/16	Q3/17	Q4/17	FY/17
Cloud Subscriptions & Support	64.4	60.8	61.0	62.2
Business Network	75.9	75.9	77.2	76.7
Private Cloud (IaaS)	-6.0	-3.0	6.6	5.7
Public Cloud (PaaS/SaaS)	61.3	56.1	55.7	57.0
Software & Support	87.4	87.3	88.6	87.0
Cloud & Software	83.7	82.0	83.9	82.2
Services	18.2	25.3	24.7	23.5
Total Gross Margin	72.9	72.5	75.2	72.5

- Q4 cloud gross margin improved sequentially – this helped initiate the operating margin turnaround in Q4
- Business network margin and private cloud margin increased in Q4 both yoy and sequentially
- Investments in converged cloud platform began to stabilize in 2017 hence public cloud margin declines steadily improved throughout 2017: while FY was down 4pp, Q4 was only down 2pp with a sequential decline of only 40bps
- Cloud and software margin was only down yoy at constant currencies due to revenue mix shift from fast growing cloud business
- Services gross margin expansion driven by the continued efficiency gains from our one service initiative

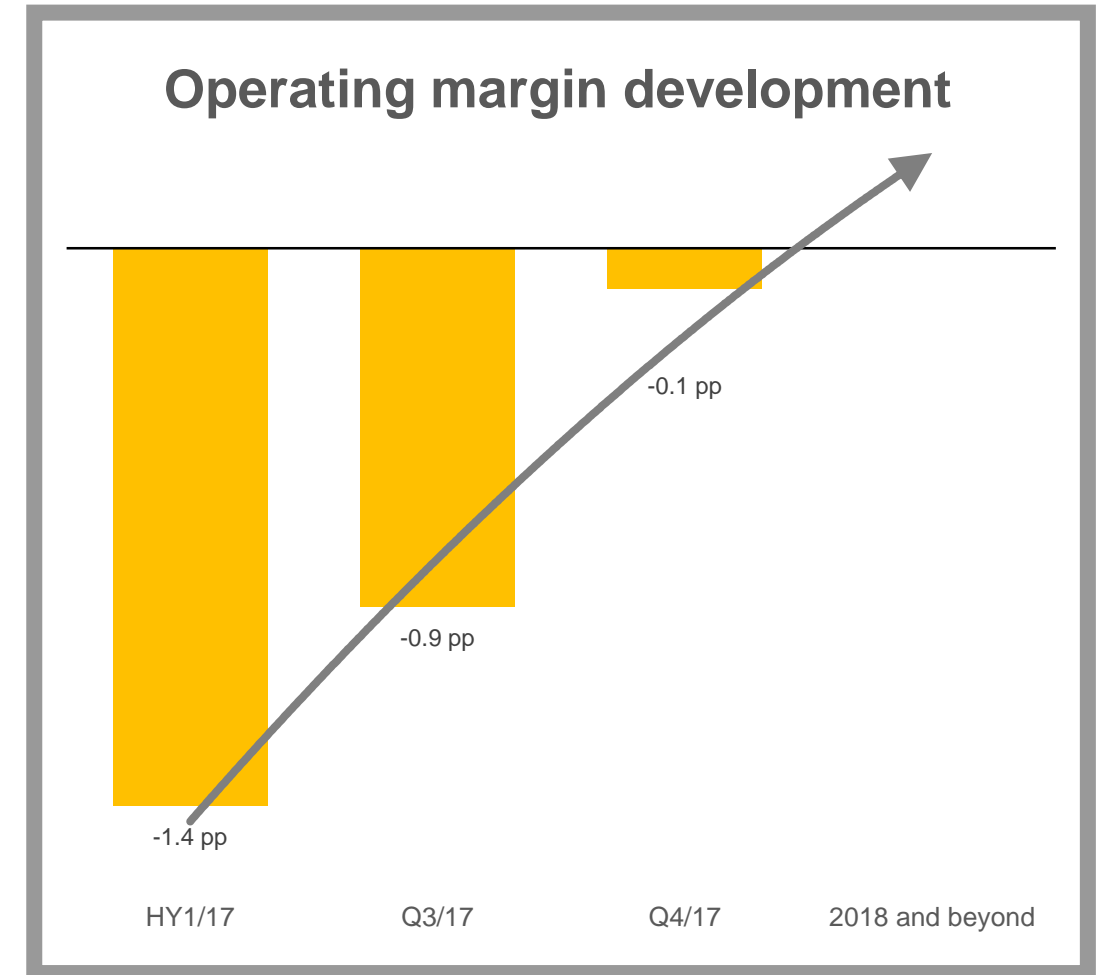
Continued operating profit expansion

Operating margin turnaround successfully under way

- Operating profit (Non-IFRS)
 - Q4/17: €2.36bn | +6% cc
 - FY/17: €6.77bn | +4% cc

2018 and beyond:

- Cloud investments paying off. Highly standardized “converged platform”
- Cloud revenue will overtake software revenue
- Efficiency improvements in each business
- Leverage from scaling cloud and an ever higher renewal base



Non-IFRS at constant currencies

Strong bottom line and cash flow enabled SAP to return €2.0 billion to shareholders in 2017

Effective tax rate

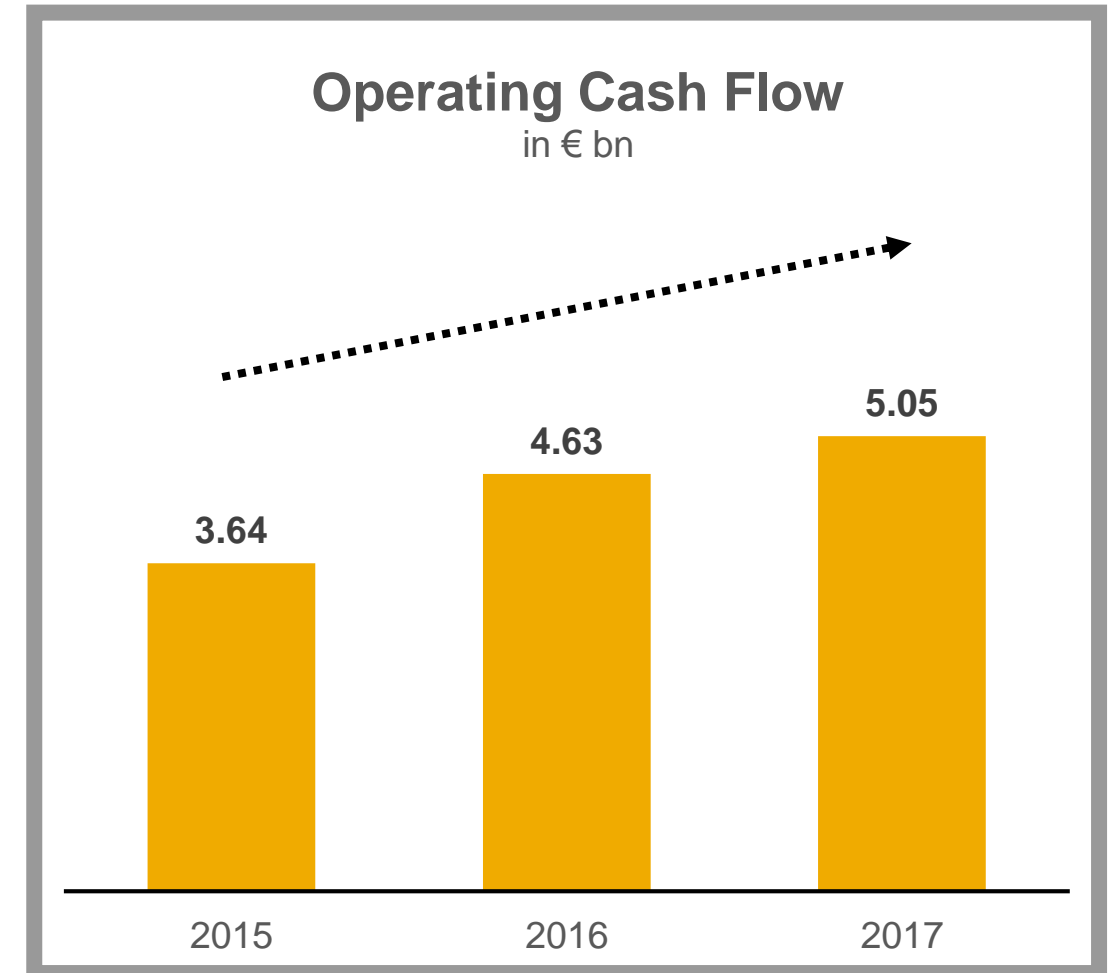
- Actuals FY/17
 - IFRS: 19.3% | -6.0pp
 - Non-IFRS: 22.6% | -4.2pp
- Substantial one-time effects from the transfer of IP rights and effects from U.S. tax reform

EPS

- Actuals FY/17
 - IFRS: €3.36 | +10%
 - Non-IFRS: €4.44 | +14%
- Driven by strong operating performance, contribution from Sapphire Ventures and the positive effective tax rate development

Cash flow and liquidity

- Strong operating cash flow enabled SAP to return €2.0 billion to shareholders (share buy back and dividend)
- Net liquidity improved by more than €6 billion in the last three years



IFRS 15 adopted as of January 1, 2018

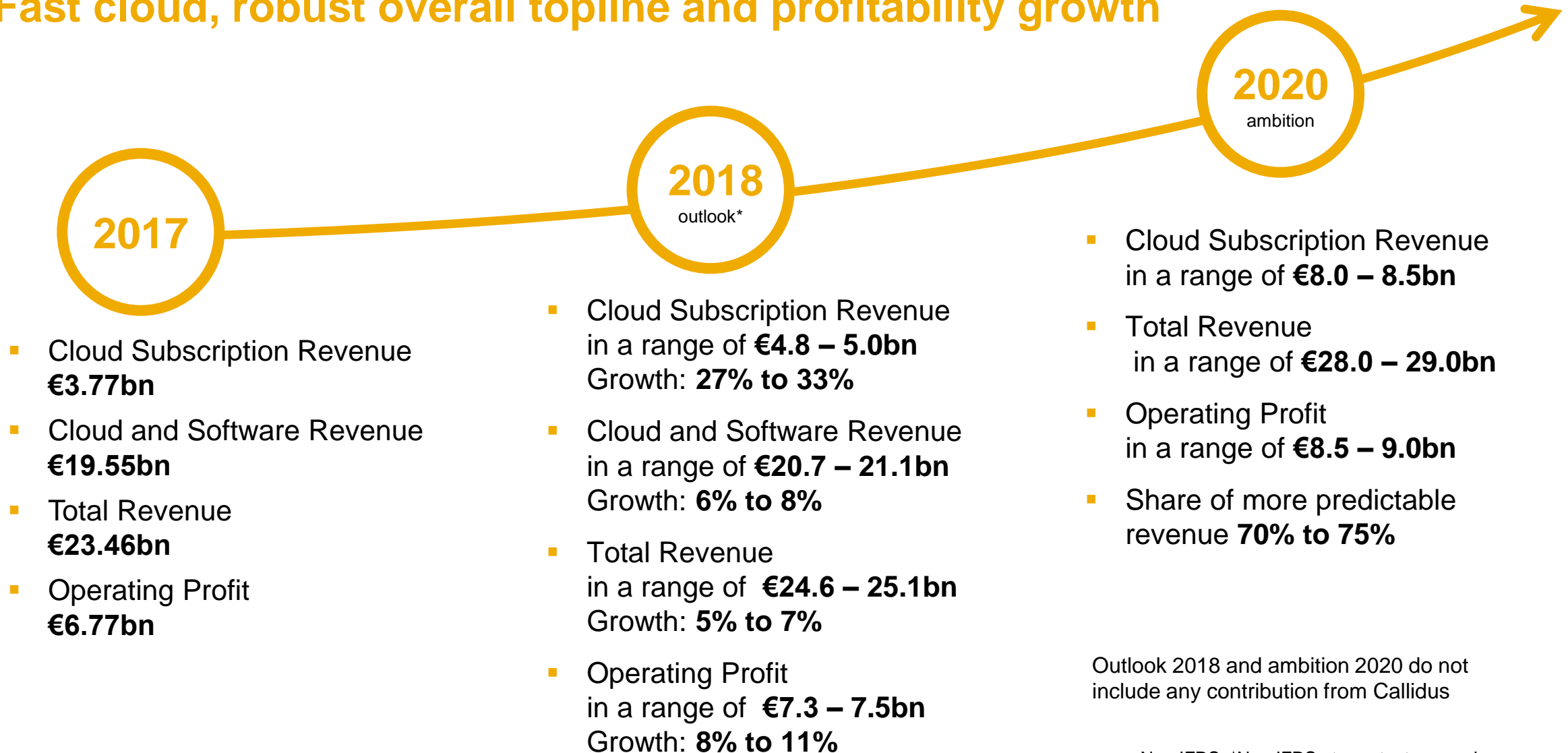
Expected impact

- SAP changed its accounting policies to adopt IFRS 15
- Under the IFRS 15 adoption approach chosen by SAP prior year numbers are not restated – therefore, 2018 growth rates will be impacted by the new policies
- Expected impact of the policy change:
 - Revenues are expected to be higher by substantially less than €0.1 billion – mainly impacting software revenue
 - Cost of sales and marketing are expected to be lower by approximately €0.2 billion from higher capitalization of sales commissions
 - Other policy changes result in higher operating expenses, but substantially less than €0.1 billion
 - The above mentioned effects will result in a **net positive impact on operating profit** of approx. **€0.2 billion**
 - Link to video: https://broadcast.co.sap.com/video/180129_IFRS15?hash=565881



SAP reiterates its 2020 ambition

Fast cloud, robust overall topline and profitability growth





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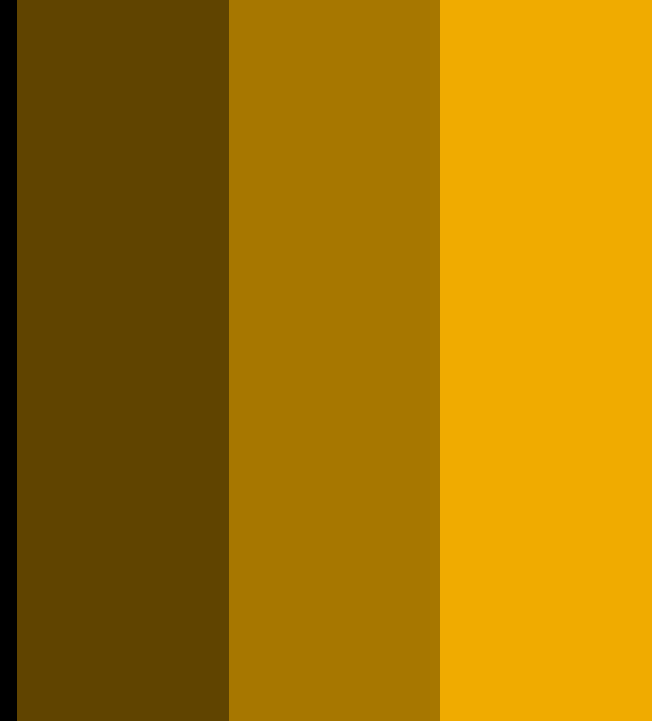
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Q&A

Appendix



Key cloud metrics

Q4/17 unless otherwise stated

All figures are Non-IFRS and growth rates at constant currencies unless otherwise stated

* Cloud subscriptions and support revenue

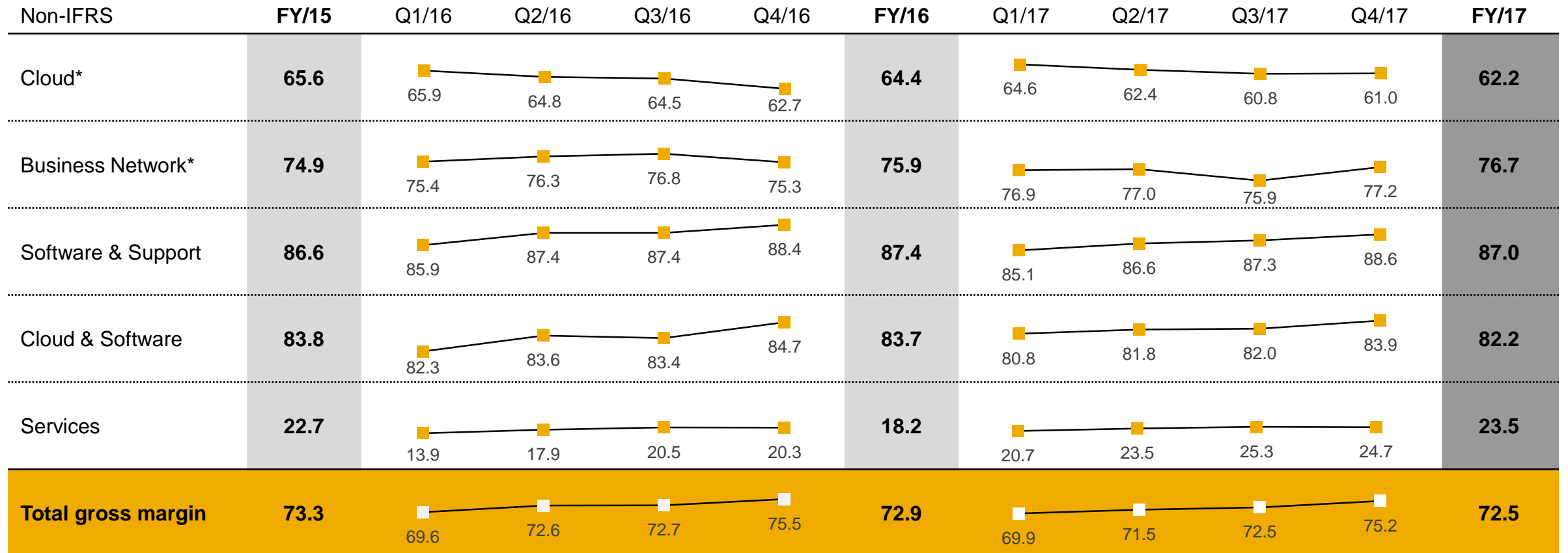
Cloud Subscriptions and Support Revenue +28% €997m	New Cloud Bookings¹ +31% €591m	Cloud Subscriptions and Support Backlog² €7.5bn +38%	Cloud Applications Total Subscribers ~150m
SAP Business Network – Segment Revenue* €571m +18%	Over 3.1m connected companies trade on Ariba network >\$1 trillion spend volume ³	Number of end users processing travel and expense with Concur ~50m	Flexible workers managed with Fieldglass platform >4.3m annually

1) New cloud bookings – key measure for SAP’s sales success in the cloud – consist of order entry of a given period that is expected to be classified as cloud subscription and support revenue and results from purchases by new customers and from incremental purchases by existing customers. Consequently, orders to renew existing contracts are not included. The order amount must be committed. Consequently, due to their pay-per-use nature, business network transaction fees which do not include a committed minimum consumption are not reflected in the bookings metric (e.g. SAP Ariba and SAP Fieldglass transaction-based fees). Amounts included in the measures are generally annualized.

2) Cloud subscriptions and support backlog represents expected future cloud subscriptions and support revenue that is contracted but not yet invoiced and thus not recorded in deferred revenue (as of Dec 31, 2017)

3) Network spend volume is the total value of purchase orders transacted on the Ariba Networks in the trailing 12 months.

2015 – 2017 Gross margin development



* Subscriptions and support

Q4 2017 – Income Statement

€ millions, unless otherwise stated		IFRS			Non-IFRS		
Revenue Numbers	Q4/17	Q4/16	Δ %	Q4/17	Q4/16	Δ %	Δ % at cc
Cloud subscriptions and support	995	827	20	997	827	21	28
Software licenses	2,058	2,177	-5	2,058	2,177	-5	-1
Software support	2,754	2,756	0	2,754	2,756	0	5
Software licenses and support	4,813	4,933	-2	4,813	4,934	-2	2
Cloud and software	5,807	5,760	1	5,809	5,761	1	6
Services	998	963	4	998	963	4	8
Total revenue	6,805	6,724	1	6,807	6,724	1	6
Total operating expenses	-4,840	-4,773	1	-4,442	-4,349	2	7
Operating profit	1,964	1,950	1	2,364	2,375	0	6
Financial income, net	126	67	89	126	67	89	
Profit before tax	2,060	1,963	5	2,460	2,388	3	
Income tax expense	-193	-437	-56	-324	-561	-42	
Profit after tax	1,867	1,526	22	2,136	1,826	17	
Operating margin (in %)	28.9	29.0	-0.1pp	34.7	35.3	-0.6pp	-0.1pp
Earnings per share, basic (in €)	1.55	1.27	21	1.77	1.53	16	

FY 2017 – Income Statement

€ millions, unless otherwise stated

	IFRS			Non-IFRS			
	FY/17	FY/16	Δ %	FY/17	FY/16	Δ %	Δ % at cc
Revenue Numbers							
Cloud subscriptions and support	3,769	2,993	26	3,771	2,995	26	28
Software licenses	4,872	4,860	0	4,872	4,862	0	2
Software support	10,908	10,571	3	10,908	10,572	3	4
Software licenses and support	15,780	15,431	2	15,781	15,434	2	4
Cloud and software	19,549	18,424	6	19,552	18,428	6	8
Services	3,911	3,638	8	3,911	3,638	8	8
Total revenue	23,461	22,062	6	23,464	22,067	6	8
Total operating expenses	-18,584	-16,928	10	-16,694	-15,434	8	9
Operating profit	4,877	5,135	-5	6,769	6,633	2	4
Financial income, net	185	-38	<-100	185	-38	<-100	
Profit before tax	5,026	4,863	3	6,918	6,361	9	
Income tax expense	-970	-1,229	-21	-1,563	-1,703	-8	
Profit after tax	4,056	3,634	12	5,356	4,658	15	
Operating margin (in %)	20.8	23.3	-2.5pp	28.9	30.1	-1.2pp	-0.9pp
Earnings per share, basic (in €)	3.36	3.04	10	4.44	3.90	14	

Dec 31, 2017 – Balance Sheet

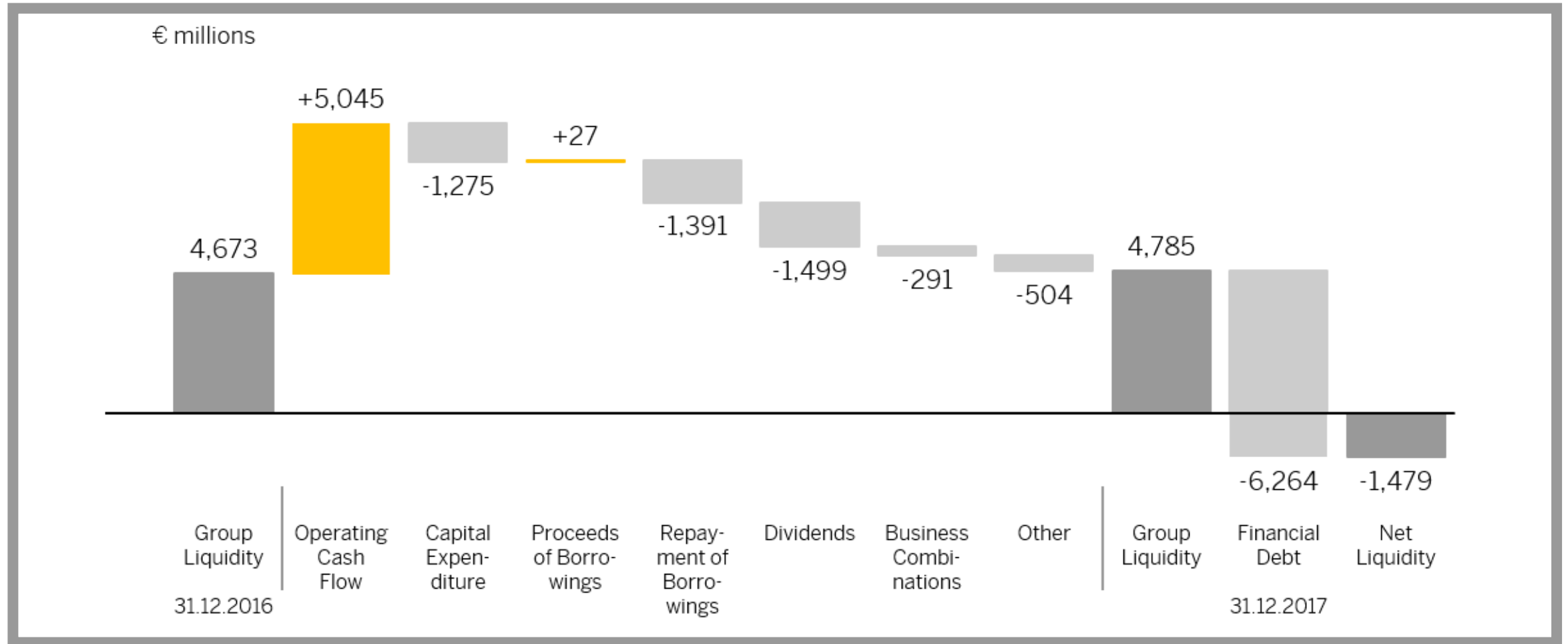
IFRS

Assets			Equity and liabilities		
€ millions	12/31/17	12/31/16	€ millions	12/31/17	12/31/16
Cash, cash equivalents and other financial assets	5,001	4,826	Trade and other payables	1,151	1,281
Trade and other receivables	5,899	5,924	Provisions	184	183
Other non-financial assets	1,030	814	Other liabilities	6,105	5,827
Total current assets	11,930	11,564	Deferred income, current ¹⁾	2,771	2,383
Goodwill	21,274	23,311	Total current liabilities	10,210	9,674
Intangible assets	2,967	3,786	Financial liabilities	5,034	6,481
Property, plant, and equipment	2,967	2,580	Provisions	303	217
Other non-current assets	3,358	3,037	Deferred income, non-current ¹⁾	79	143
Total non-current assets	30,567	32,713	Other non-current liabilities	1,332	1,365
Total assets	42,497	44,277	Total non-current liabilities	6,747	8,205
			Total liabilities	16,958	17,880
			Total equity	25,540	26,397
			Total equity and liabilities	42,497	44,277

2017: Operating cash flow up 9%, exceeding €5 billion for the first time

€ millions, unless otherwise stated	12/31/16 – 12/31/17	12/31/15 – 12/31/16	Δ
Operating cash flow	5,045	4,628	+9%
- Capital expenditure	-1,275	-1,001	+27%
Free cash flow	3,770	3,627	+4%
Free cash flow as a percentage of total revenue	16	16	0pp
Cash conversion rate	1.24	1.27	-2%
Days sales outstanding (DSO in days, December 31)	70	74	-4

Net liquidity



Group Liquidity = cash and cash equivalent + current investments

Other = mainly purchase and sales of equity or debt instruments of other entities, purchase of and proceeds from treasury shares, transactions with non-controlling interests and effects of FX rates on cash and cash equivalents

Net Liquidity = group liquidity minus financial debt - for more information see our 2016 integrated report

FY 2018 – Additional outlook information and non-IFRS adjustments

The Company expects a full-year 2018 effective tax rate (IFRS and non-IFRS) of 27.0% to 28.0% (2017: 19.3% (IFRS) and 22.6% (non-IFRS))

	Actual Amounts FY/16	Actual Amounts FY/17	Est. Amounts for FY/18*
Non-IFRS adjustments			
Revenue adjustments	€5m	€3m	<€20m
Share-based payment expenses	€785m	€1,120m	€800m to €1,100m
Acquisition-related charges	€680m	€587m	€500m to €540m
Restructuring charges	€28m	€182m	€30m to €50m
Sum of all adjustments	€1,498m	€1,892m	€1,350m to €1,710m

*The amounts above do not include announced acquisitions that have not yet closed



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