



# Second Quarter and Half Year 2018

## Financial Highlights

Walldorf, Germany  
Thursday, July 19, 2018

# Safe Harbor Statement

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

## **Income Statement**

Balance Sheet and Cash Flow Analysis

Outlook and Additional Information

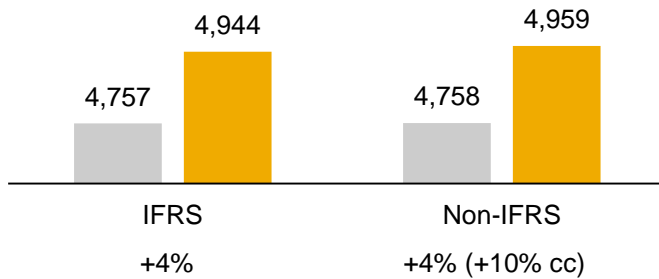
Appendix

# Key performance metrics Q2 2018

## Cloud & Software Revenue

in € millions

■ Q2/17 ■ Q2/18



## Share of Predictable Revenue

in percent of total revenue

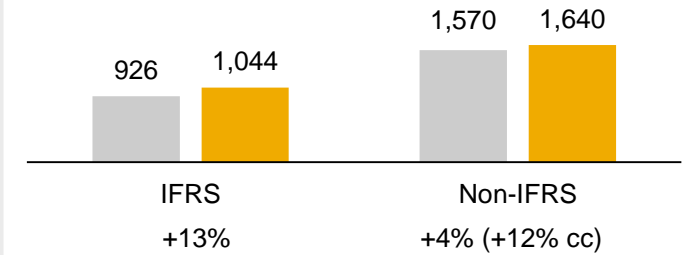
**66%**

+2 p.p.

## Operating Profit

in € millions

■ Q2/17 ■ Q2/18



## Cloud Subscriptions & Support Revenue

in € millions

IFRS

**1,213**

+30%

Non-IFRS

**1,227**

+32% (+40% cc)

## Other financial highlights:

- New Cloud Bookings up 29% cc to €421 million
- New Cloud and Software license order entry up 12%
- S/4HANA customers up 41% YoY to more than 8,900
- IFRS EPS up 8% | Non-IFRS up 5% to €0.98 per share

## Total Revenue

in € millions

IFRS

**5,999**

+4%

Non-IFRS

**6,014**

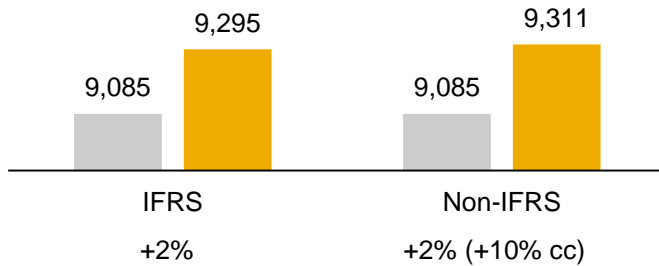
4% (+10% cc)

# Key performance metrics H1 2018

## Cloud & Software Revenue

in € millions

■ H1/17 ■ H1/18



## Share of Predictable Revenue

in percent of total revenue

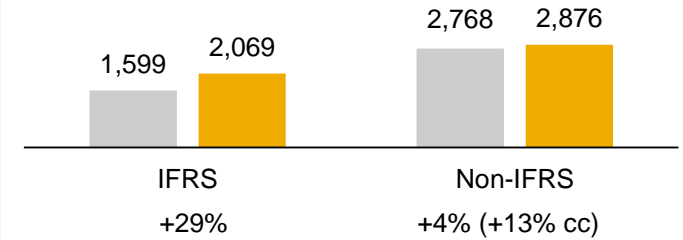
**68%**

+2 p.p.

## Operating Profit

in € millions

■ H1/17 ■ H1/18



## Cloud Subscriptions & Support Revenue

in € millions

IFRS

Non-IFRS

**2,283**

+24%

**2,299**

+25% (+36% cc)

## Other financial highlights:

- New Cloud Bookings up 28% cc to €667 million
- IFRS EPS up 21% | Non-IFRS up 3% to €1.71 per share
- Operating cash flow down -15% to €2,985 million

## Total Revenue

in € millions

IFRS

Non-IFRS

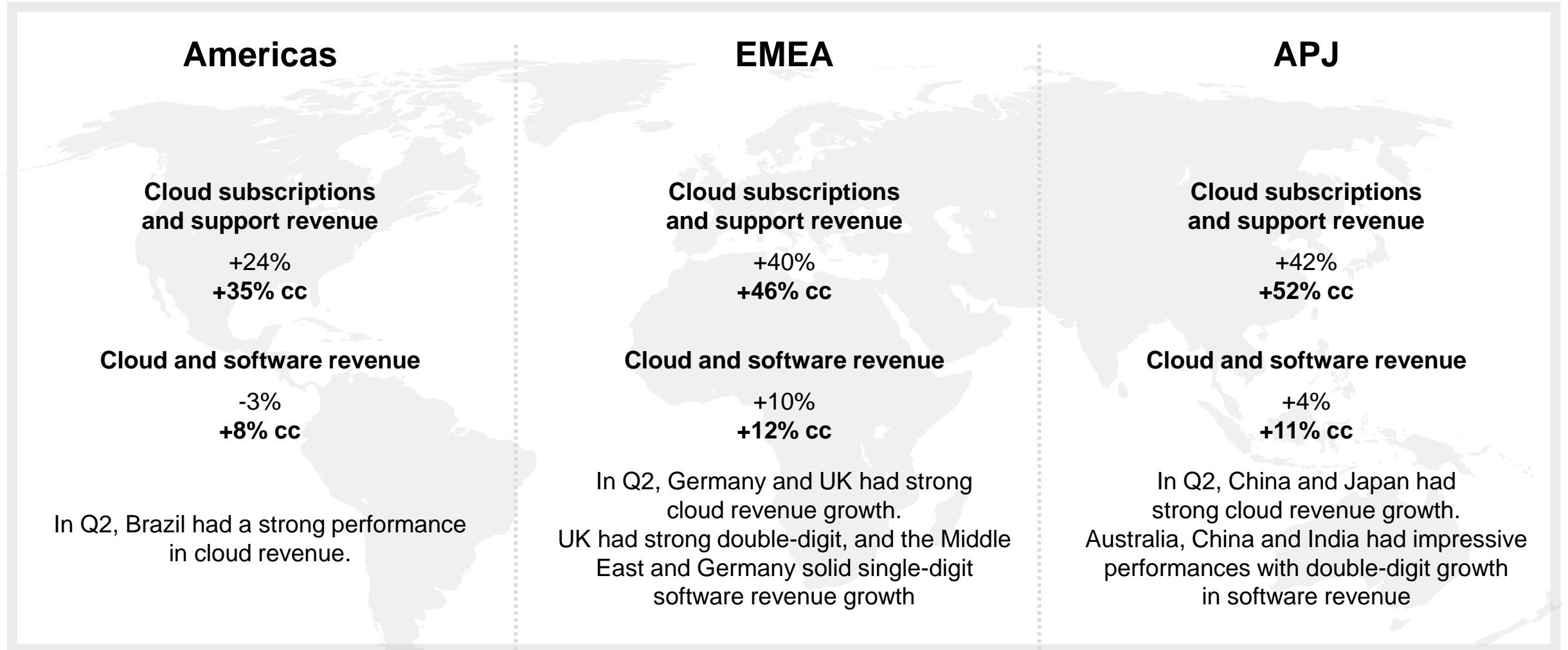
**11,260**

+2%

**11,276**

+2% (+10% cc)

# Regional performance Q2 2018



Revenues calculated based on customer location; All numbers are IFRS unless otherwise stated. Individual country highlights are based on Non-IFRS at constant currencies

# Key cloud metrics Q2 2018

Q2/18 unless otherwise stated

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

<b>Cloud Subscriptions and Support Revenue</b>  <b>+40%</b> €1,227m	<b>New Cloud Bookings<sup>1</sup></b>  <b>+29%</b> €421m	<b>Total Network Commerce<sup>2</sup></b>  <b>~\$2.4 trillion</b>	<b>Cloud Applications Total Subscribers</b>  <b>&gt;160m</b>
<b>SAP Business Network – Segment Revenue<sup>3</sup></b>  <b>€688m</b> +21%	<b>Customer Experience Revenue<sup>3</sup></b>  <b>€242m</b> +65%	<b>Number of end users processing travel and expense with Concur</b>  <b>&gt;50m</b>	<b>Flexible workers managed with Fieldglass platform</b>  <b>&gt;5.1m</b>

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) SAP Business Network commerce is the total commerce transacted on the Ariba, Concur and Fieldglass Networks in the trailing 12 months. Ariba commerce includes procurement and sourcing spend

3) Total Segment Revenue and growth rates at constant currencies



## Double-digit operating profit growth continues in Q2

€ millions, unless otherwise stated

	IFRS			Non-IFRS			
	Q2/18	Q2/17	Δ %	Q2/18	Q2/17	Δ %	Δ % at cc
Revenue Numbers							
Cloud subscriptions and support	1,213	932	30	1,227	932	32	40
Software licenses	996	1,090	-9	996	1,090	-9	-5
Software support	2,735	2,736	0	2,735	2,736	0	7
Software licenses and support	3,731	3,826	-2	3,731	3,826	-2	3
Cloud and software	4,944	4,757	4	4,959	4,758	4	10
Services	1,056	1,024	3	1,056	1,024	3	10
Total revenue	5,999	5,782	4	6,014	5,782	4	10
Total operating expenses	-4,955	-4,856	2	-4,374	-4,212	4	10
Operating profit	1,044	926	13	1,640	1,570	4	12
Financial income, net	66	-26	<-100	66	-26	<-100	
Profit before tax	1,029	908	13	1,625	1,552	5	
Income tax expense	-309	-242	28	-452	-432	5	
Profit after tax	720	666	8	1,173	1,120	5	
Operating margin (in %)	17.4	16.0	1.4pp	27.3	27.2	0.1pp	0.4pp
Earnings per share, basic (in €)	0.60	0.56	8	0.98	0.94	5	



# H1 2018 - Cloud and software and operating profit up double-digit

€ millions, unless otherwise stated

	IFRS			Non-IFRS			
	H1/18	H1/17	Δ %	H1/18	H1/17	Δ %	Δ % at cc
Revenue Numbers							
Cloud subscriptions and support	2,283	1,837	24	2,299	1,837	25	36
Software licenses	1,621	1,781	-9	1,621	1,781	-9	-4
Software support	5,391	5,467	-1	5,391	5,467	-1	6
Software licenses and support	7,012	7,248	-3	7,012	7,248	-3	3
Cloud and software	9,295	9,085	2	9,311	9,085	2	10
Services	1,965	1,981	-1	1,965	1,981	-1	8
Total revenue	11,260	11,066	2	11,276	11,067	2	10
Total operating expenses	-9,192	-9,467	-3	-8,401	-8,299	1	8
Operating profit	2,069	1,599	29	2,876	2,768	4	13
Financial income, net	41	-13	<-100	41	-13	<-100	
Profit before tax	2,019	1,576	28	2,826	2,744	3	
Income tax expense	-591	-379	56	-785	-738	6	
Profit after tax	1,428	1,197	19	2,041	2,006	2	
Operating margin (in %)	18.4	14.5	3.9pp	25.5	25	0.5pp	0.7pp
Earnings per share, basic (in €)	1.20	0.99	21	1.71	1.67	3	

## Q2 2018 – Continued strong topline drives margin turnaround

### Non-IFRS

	Total operating expenses   Operating profit		Total revenue
Q2/17	4,212	1,570	€5,782m
Q2/18	4,374	1,640	€6,014m

- **Non-IFRS operating profit**  
+4% to €1,640m (Q2/17: €1,570m)  
+12% to €1,759m at cc
- **Non-IFRS operating margin**  
+0.1pp to 27.3% (Q2/17: 27.2%)  
+0.4pp to 27.6% at cc

Application of IFRS15 accounting standard leads to an operating profit effect of appr. €54m

### IFRS

	Total operating expenses   Operating profit		Total revenue
Q2/17	4,856	926	€5,782bn
Q2/18	4,955	1,044	€5,999bn

- **IFRS operating profit**  
+13% to €1,044m (Q2/17: €926m)
- **IFRS operating margin**  
+1.4pp to 17.4% (Q2/17: 16.0%)

Application of IFRS15 accounting standard leads to an operating profit effect of appr. €54m

# H1 2018 - Continued strong topline drives margin turnaround

## Non-IFRS

	Total operating expenses   Operating profit		Total revenue
H1/17	8,299	2,768	€11,067m
H1/18	8,401	2,876	€11,276m

Application of IFRS15 accounting standard leads to an operating profit effect of appr. €98m

- **Non-IFRS operating profit**  
+4% to €2,876m (H1/17: €2,768m)  
+13% to €3,122m at cc
- **Non-IFRS operating margin**  
+0.5pp to 25.5% (H1/17: 25.0%)  
+0.7pp to 25.8% at cc

## IFRS

	Total operating expenses   Operating profit		Total revenue
H1/17	9,467	1,599	€11,066bn
H1/18	9,192	2,069	€11,260bn

Application of IFRS15 accounting standard leads to an operating profit effect of appr. €98m

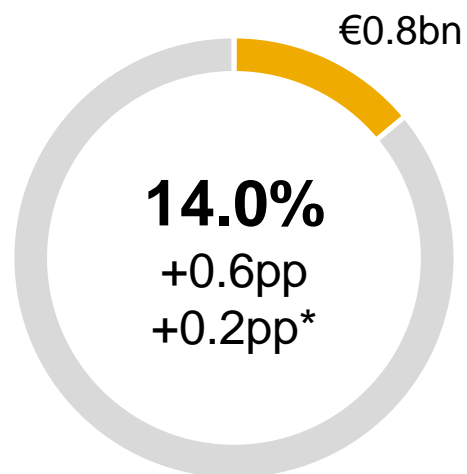
- **IFRS operating profit**  
+29% to €2,069m (H1/17: €1,599m)
- **IFRS operating margin**  
+3.9pp to 18.4% (H1/17: 14.5%)

## Cost ratios Q2 2018

€6.0bn Total revenue, Non-IFRS

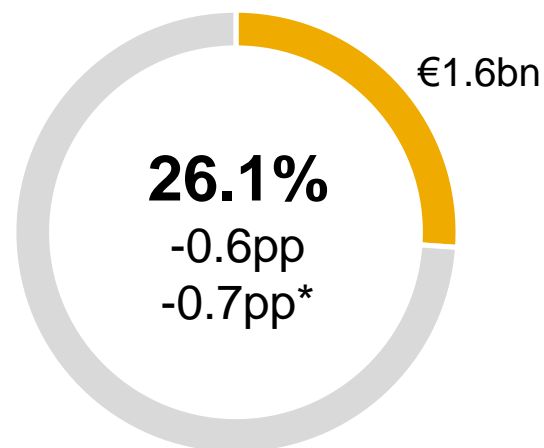
### R&D

as % of total revenue



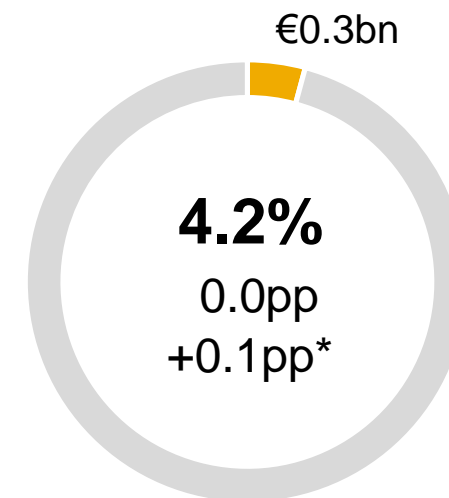
### S&M

as % of total revenue



### G&A

as % of total revenue



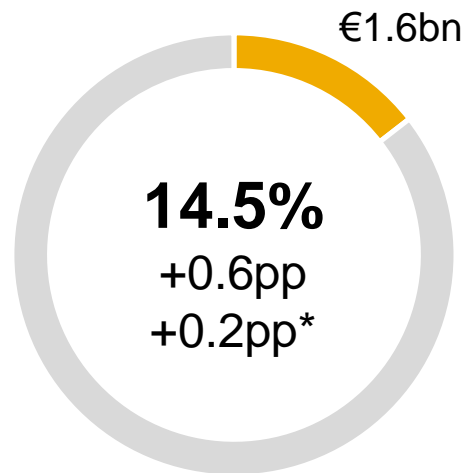
\*Non-IFRS at constant currencies

# Cost ratios H1 2018

€11.3bn Total revenue, Non-IFRS

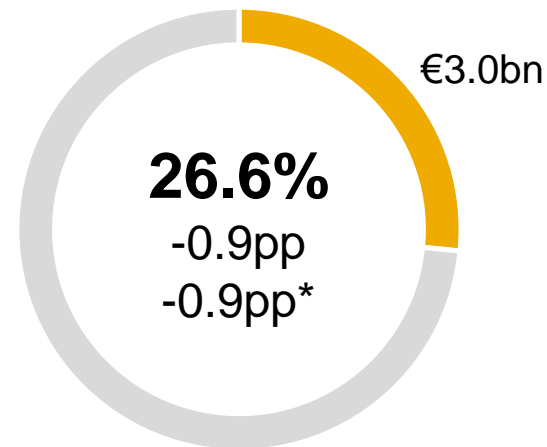
## R&D

as % of total revenue



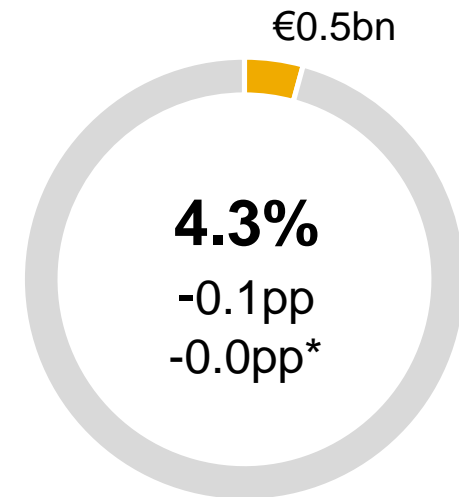
## S&M

as % of total revenue



## G&A

as % of total revenue



\*Non-IFRS at constant currencies

Income Statement

**Balance Sheet and Cash Flow Analysis**

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# Balance Sheet, Condensed

## June 30, 2018, IFRS

Assets		
€ millions	06/30/18	12/31/17
Cash, cash equivalents and other financial assets	4,911	5,001
Trade and other receivables	5,075	5,899
Other current assets	1,461	1,031
<b>Total current assets</b>	<b>11,448</b>	<b>11,930</b>
Goodwill	23,377	21,267
Intangible assets	3,383	2,967
Property, plant, and equipment	3,284	2,967
Other non-current assets	3,989	3,374
<b>Total non-current assets</b>	<b>34,034</b>	<b>30,575</b>
<b>Total assets</b>	<b>45,481</b>	<b>42,506</b>

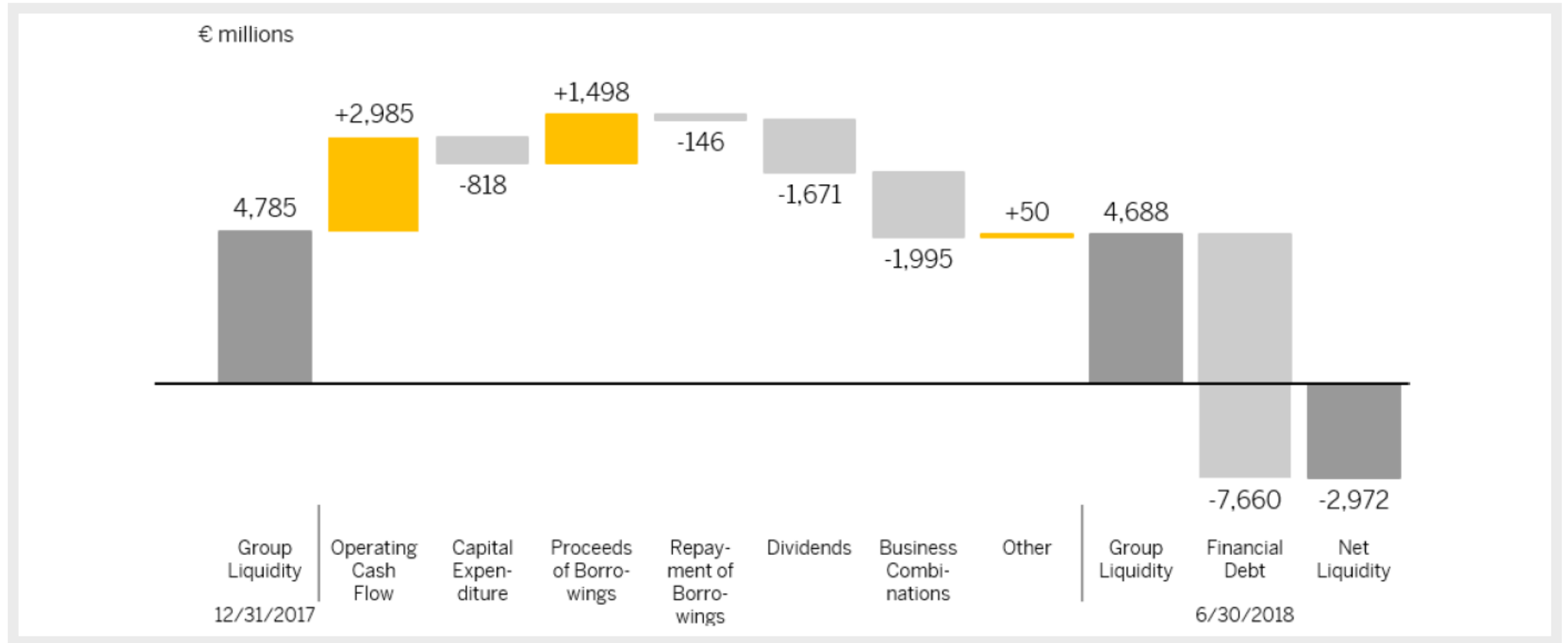
Equity and liabilities		
€ millions	06/30/18	12/31/17
Trade and other payables	1,175	1,151
Provisions	113	184
Other liabilities	5,283	6,104
Contract liabilities / deferred income, current	4,867	2,771
<b>Total current liabilities</b>	<b>11,437</b>	<b>10,210</b>
Financial liabilities	6,537	5,034
Provisions	269	303
Contract liabilities / deferred income, non-current	52	79
Other non-current liabilities	1,329	1,340
<b>Total non-current liabilities</b>	<b>8,187</b>	<b>6,756</b>
Total liabilities	19,624	16,966
Total equity	25,857	25,540
<b>Total equity and liabilities</b>	<b>45,481</b>	<b>42,506</b>



## Operating cash flow and free cash flow H1 2018

€ millions, unless otherwise stated	H1/18	H1/17	Δ
Operating cash flow	2,985	3,514	-15%
- Capital expenditure	-818	-610	+34%
Free cash flow	2,167	2,903	-25%
Free cash flow in percent of total revenue	19	26	-7pp
Cash conversion rate	2.09	2.94	-29%
Days sales outstanding (DSO in days, June 30)	68	72	-4

# Group Liquidity



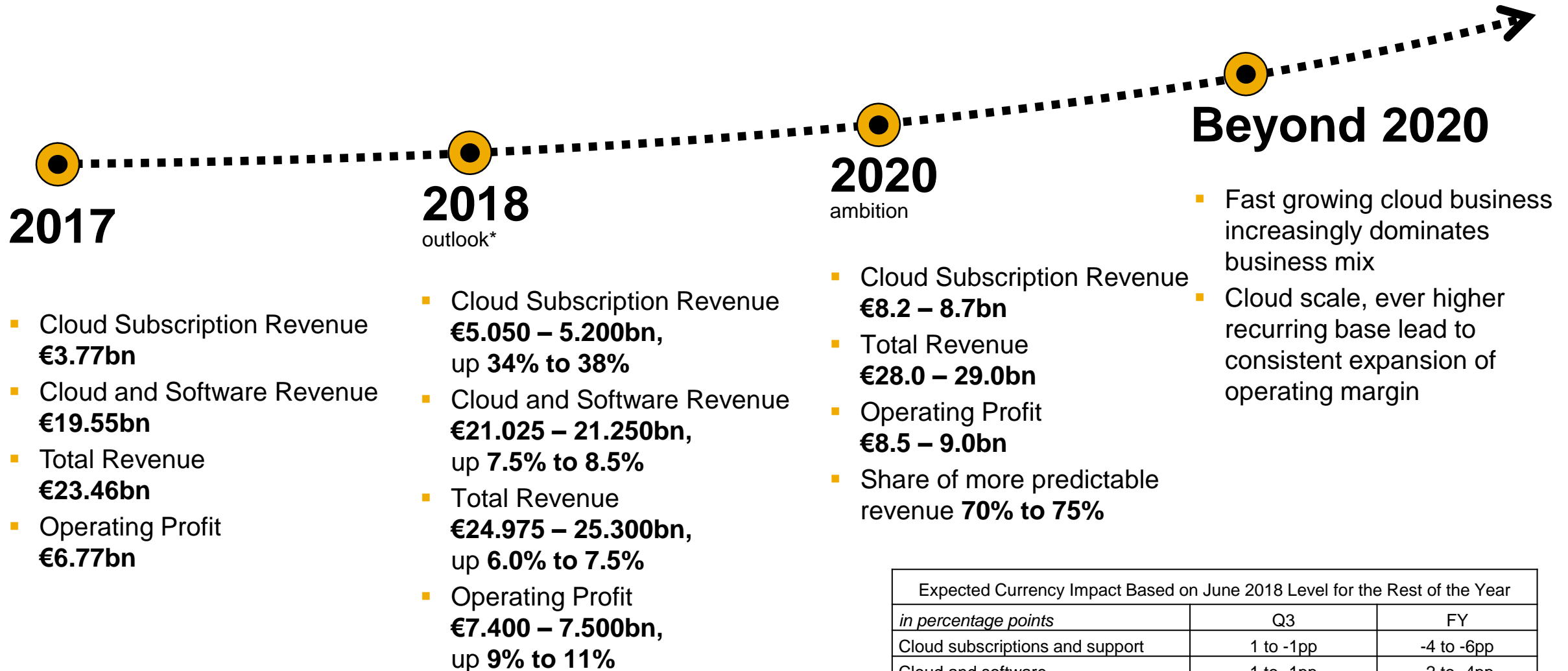
Group Liquidity = cash and cash equivalent + current investments

Other = mainly purchase and sales of equity or debt instruments of other entities, and effects of FX rates on cash and cash equivalents

Net Liquidity = group liquidity minus financial debt - for more information see our 2017 integrated report

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# SAP raises 2018 outlook and 2020 ambition



Expected Currency Impact Based on June 2018 Level for the Rest of the Year		
<i>in percentage points</i>	Q3	FY
Cloud subscriptions and support	1 to -1pp	-4 to -6pp
Cloud and software	1 to -1pp	-2 to -4pp
Operating profit	1 to -1pp	-2 to -4pp

## FY 2018 – Additional outlook information and non-IFRS adjustments

The company continues to expect a full-year 2018 effective tax rate (IFRS) of 27.0% to 28.0% (2017: 19.3%) and an effective tax rate (non-IFRS) of 27.0% to 28.0% (2017: 22.6%) but now expects to reach the upper end of these ranges.

	Actual Amounts H1/17	Actual Amounts H1/18	Est. Amounts for FY/18*
Non-IFRS adjustments			
Revenue adjustments	€0m	€16m	€30m to €60m
Share-based payment expenses	€618m	€491m	€800m to €1,100m
Acquisition-related charges	€309m	€278m	€550m to €610m
Restructuring charges	€242m	€22m	€25m to €35m
<b>Sum of all adjustments</b>	<b>€1,168m</b>	<b>€807m</b>	<b>€1,405m to €1,805m</b>

Due to rounding, numbers may not add precisely

Income Statement

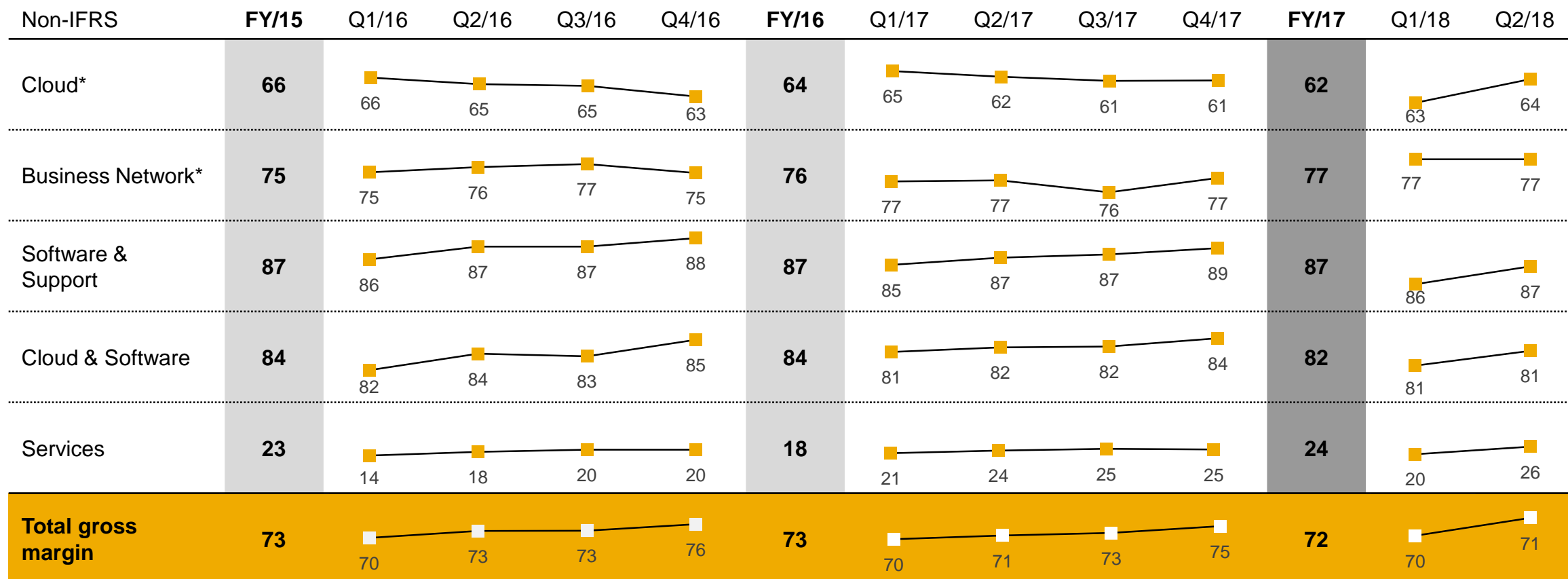
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# Gross margin development

## 2015 – Q2 2018



\* Subscriptions and support





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