

A photograph of the SAP headquarters building in Walldorf, Germany, at night. The building is a large, modern structure with many windows, some of which are illuminated from within. The SAP logo is visible on the right side of the building. The sky is dark blue, and the overall scene is lit with a cool, blue light.

Fourth-Quarter and Full-Year 2018

Preliminary Results Release

Walldorf, Germany
Tuesday, January 29, 2019

A large, modern office building with a glass facade is illuminated at night. The building is lit from within, and the SAP logo is visible on the right side of the building. The sky is dark blue.

Bill McDermott

CEO

PUBLIC

THE BEST RUN



SAP is winning

10-year run

Since 2009

2.3x

total
revenue

2.5x

operating
profit

2.7x

market
value

>186M

cloud
users

~10,500

SAP S/4HANA
customers

2018 success

IFRS

Non-IFRS
constant currencies

+32%

cloud subscription and support

+38%

+5%

cloud and software

+10%

+5%

total revenue

+11%

+17%

operating profit

+10%

+14%

cloud and software
new order entry

Promises kept

SAP hits or exceeds all raised
outlook metrics

€5.205B



cloud subscription & support

€21.577B



cloud and software

€25.961B



total revenue

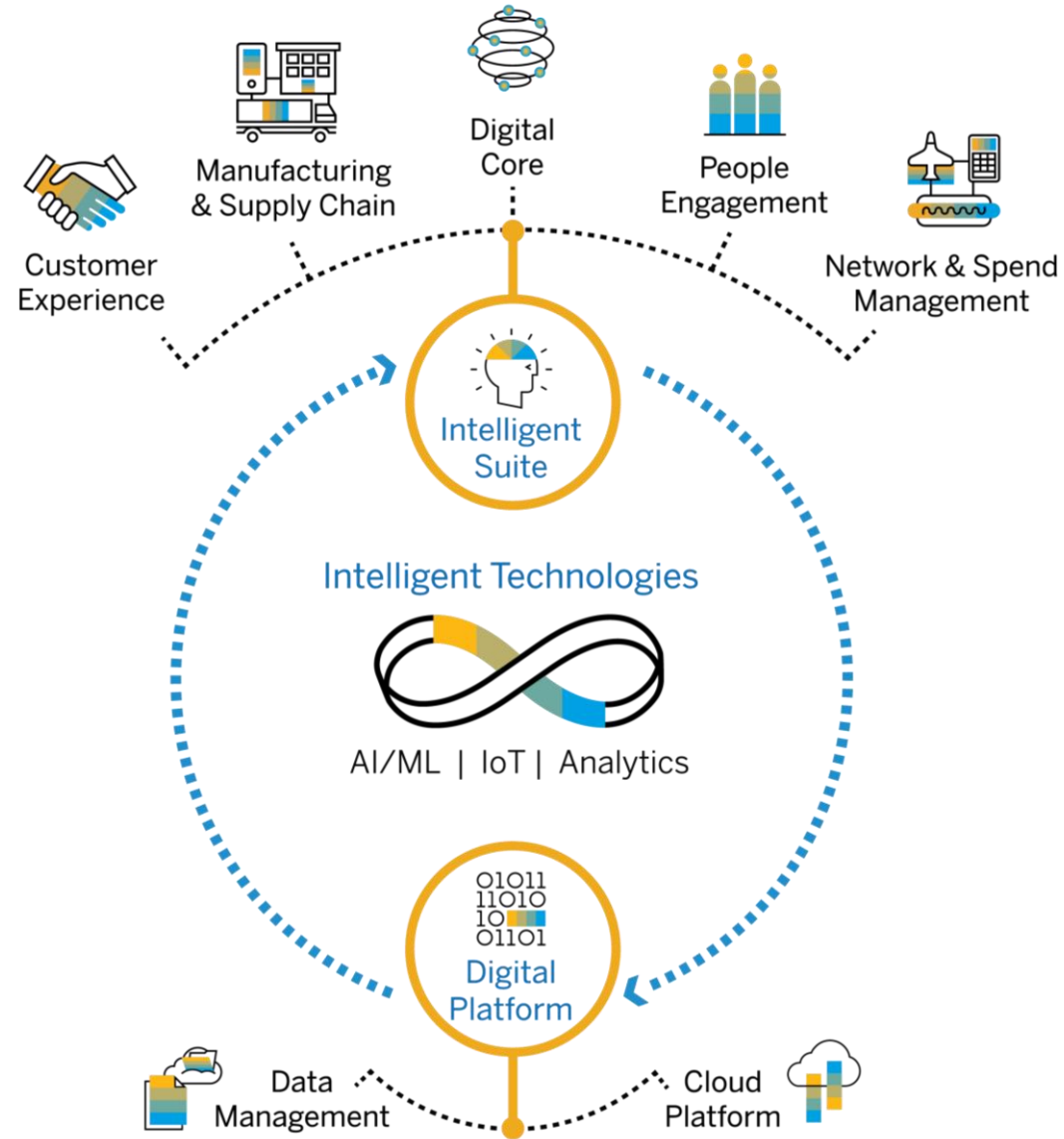
€7.480B



operating profit

Figures in this column non-IFRS at constant currency

SAP is delivering the Intelligent Enterprise

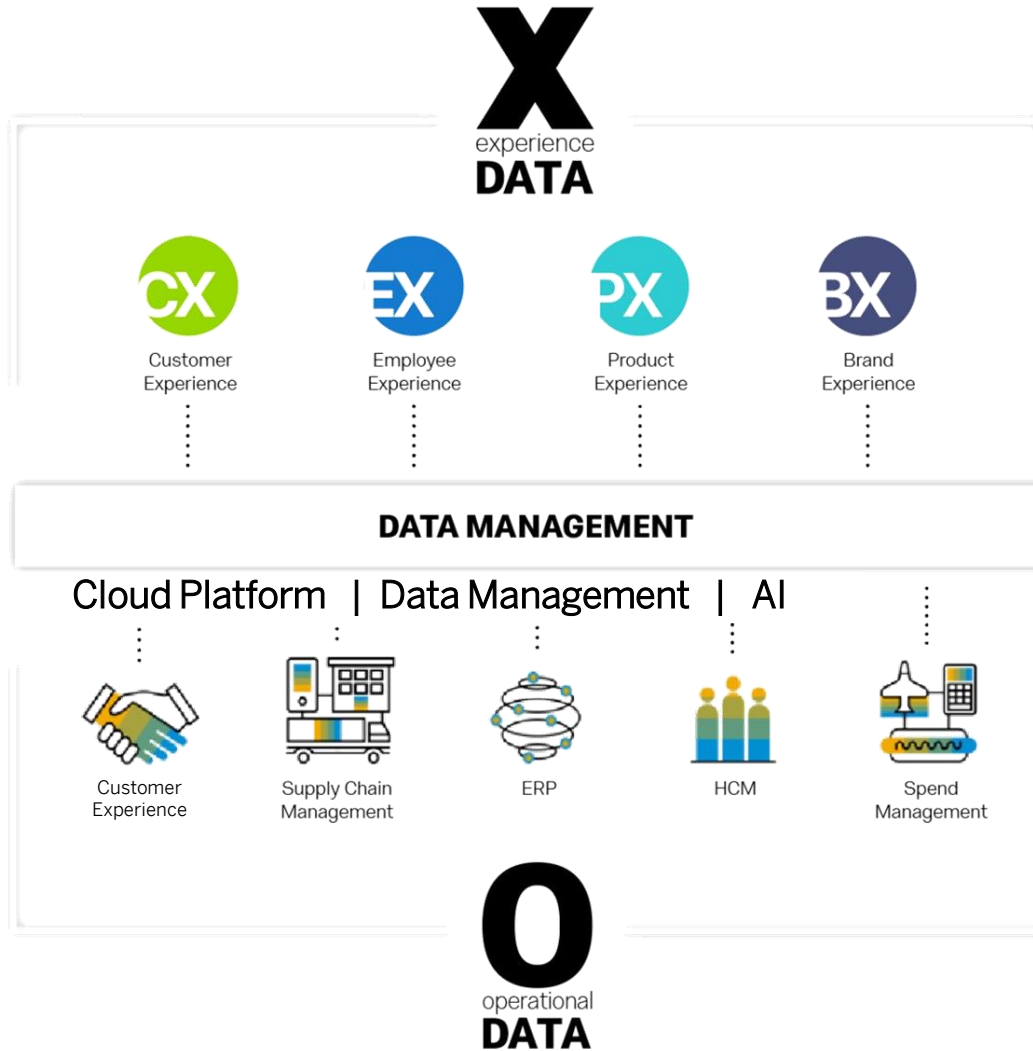


THE INTELLIGENT ENTERPRISE
features **3 KEY COMPONENTS**:

- 1 Intelligent Suite
- 2 Digital Platform
- 3 Intelligent Technologies

SAP will lead with Experience Management

EXPERIENCE MANAGEMENT

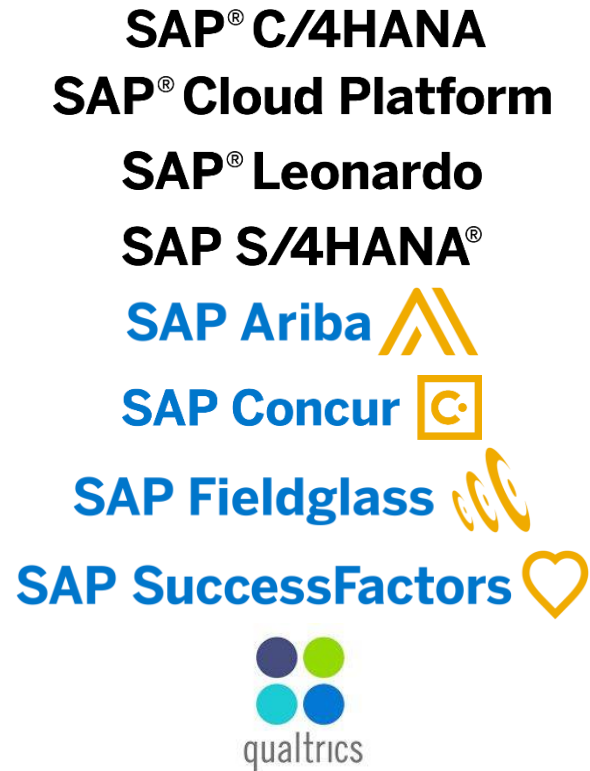


1.8B
experience touchpoints run on Qualtrics

77%
of the world's transactions across 25 industries touch SAP systems

SAP's business model is customer-first

Fast-growing cloud



Rock solid core



Return to software license growth in Q4

Partners for today and tomorrow



>425,000 companies turning to SAP to accelerate value creation

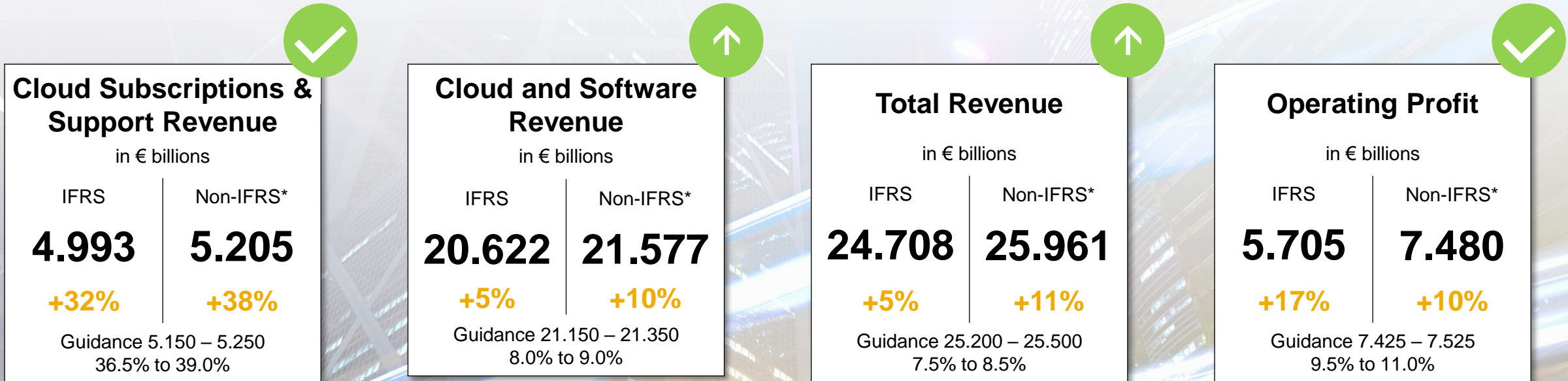


Luka Mucic

CFO



SAP hits or exceeds all raised outlook metrics



Other financial and non-financial highlights (FY):

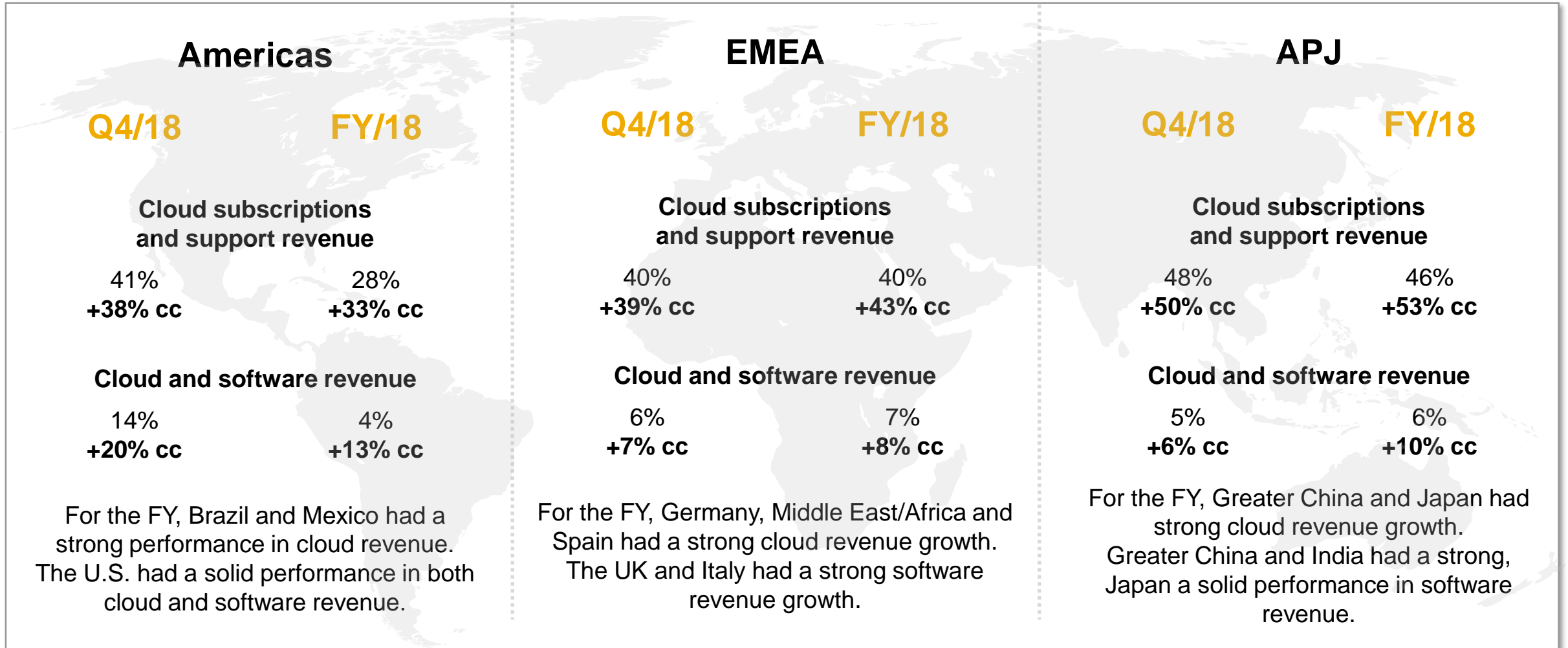
- New cloud bookings: **+25%** to **€1.81bn** (**+28%** cc)
- Cloud backlog: **>€10bn** (**+30%** cc)
- New cloud and software license order entry^{**}: **+11%** to **>€10bn** (**+14%** cc)
- Share of more predictable revenue now at **65%**
- Greenhouse gas emissions reduced to **310 kilotons**
- Overall retention rate remains high at **93.9%**
- Women in management increased to **25.7%**

*Non-IFRS figures and growth rates at constant currencies

** (Cloud TCV Order Entry + SW Order Entry)

SAP's unmatched global reach

Strength across all geographies in Q4 and FY 2018



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

Full year gross margins up for all business models

| Non-IFRS@cc; in percent | FY/17 | FY/18 |
|-------------------------------|-------------|-------------|
| Cloud Subscriptions & Support | 62.2 | 62.8 |
| Business Network | 76.7 | 77.8 |
| Private Cloud (IaaS) | 7.2 | 13.7 |
| Public Cloud (SaaS/PaaS) | 56.7 | 59.1 |
| Software & Support | 87.0 | 87.2 |
| Cloud & Software | 82.2 | 81.3 |
| Services | 23.5 | 23.8 |
| Total Gross Margin | 72.5 | 71.6 |

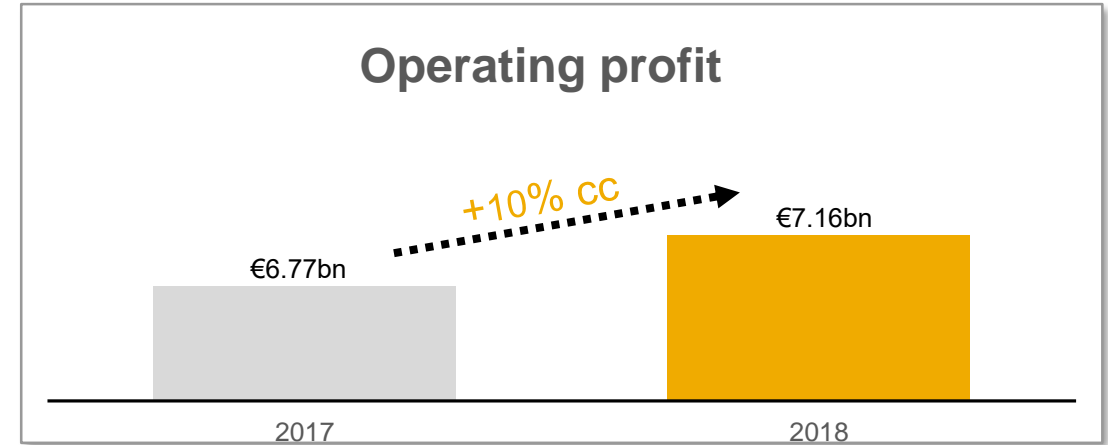
- Cloud gross margin expanded 60 basis points, reaching 63% in 2018
- Business network margin increased for the full year by 1.1 percentage points
- Private cloud margin improved to 14% for the full year. Going forward we expect it to improve significantly due to partnerships with hyperscalers
- Public cloud gross margin improvement is primarily driven by top line growth and will increasingly benefit from platform convergence
- Software and support gross margin slightly up yoy
- Cloud and software margin impacted by revenue mix shift by 1.2 percentage points
- Services gross margin was up to 24% in 2018 and remains among best in class

Continued operating profit expansion

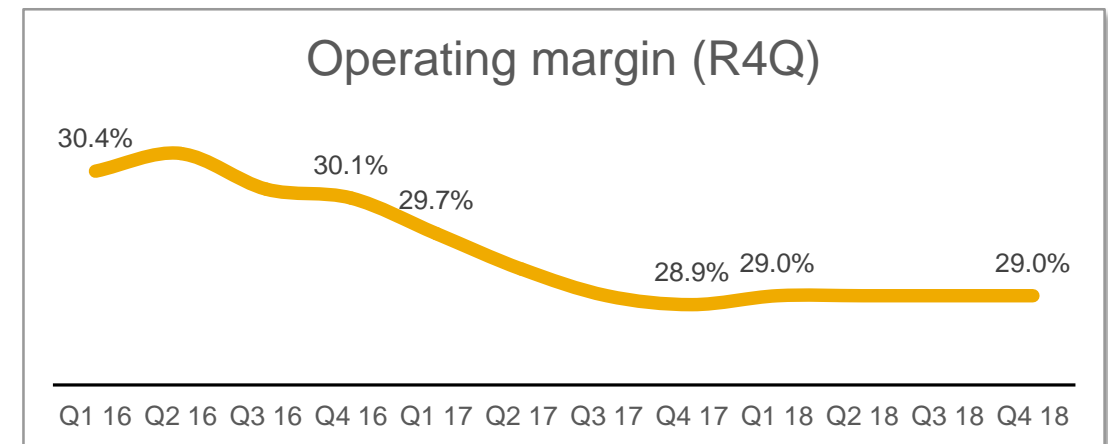
- Operating profit (Non-IFRS)
 - FY/18: **€7.16bn** | **+10%** cc

2019 and beyond:

- Increasing benefits from highly standardized “converged platform”
- Efficiency improvements in each business
- Leverage from scaling cloud and an ever higher renewal base
- SAP will further increase its focus on key strategic growth areas in 2019



Non-IFRS



Non-IFRS

Tax rate, EPS and Cash Flow

Effective tax rate

- Actuals FY/18
 - IFRS: **27.0%** | **+7.5pp**
 - Non-IFRS: **26.4%** | **+3.6pp**
- Reminder: prior year was unusually low due to one time tax benefits from the U.S. tax reform and an intellectual property transfer to SAP SE
- 2018 IFRS tax rate was at the lower end of guidance and Non-IFRS tax rate was slightly lower than guidance

EPS

- Actuals FY/18
 - IFRS: **€3.42** | **+2%**
 - Non-IFRS: **€4.35** | **-2%**
- Prior year benefited from extraordinarily high SAPPHERE Ventures investment gains and unusually low effective tax rate

Cash Flow

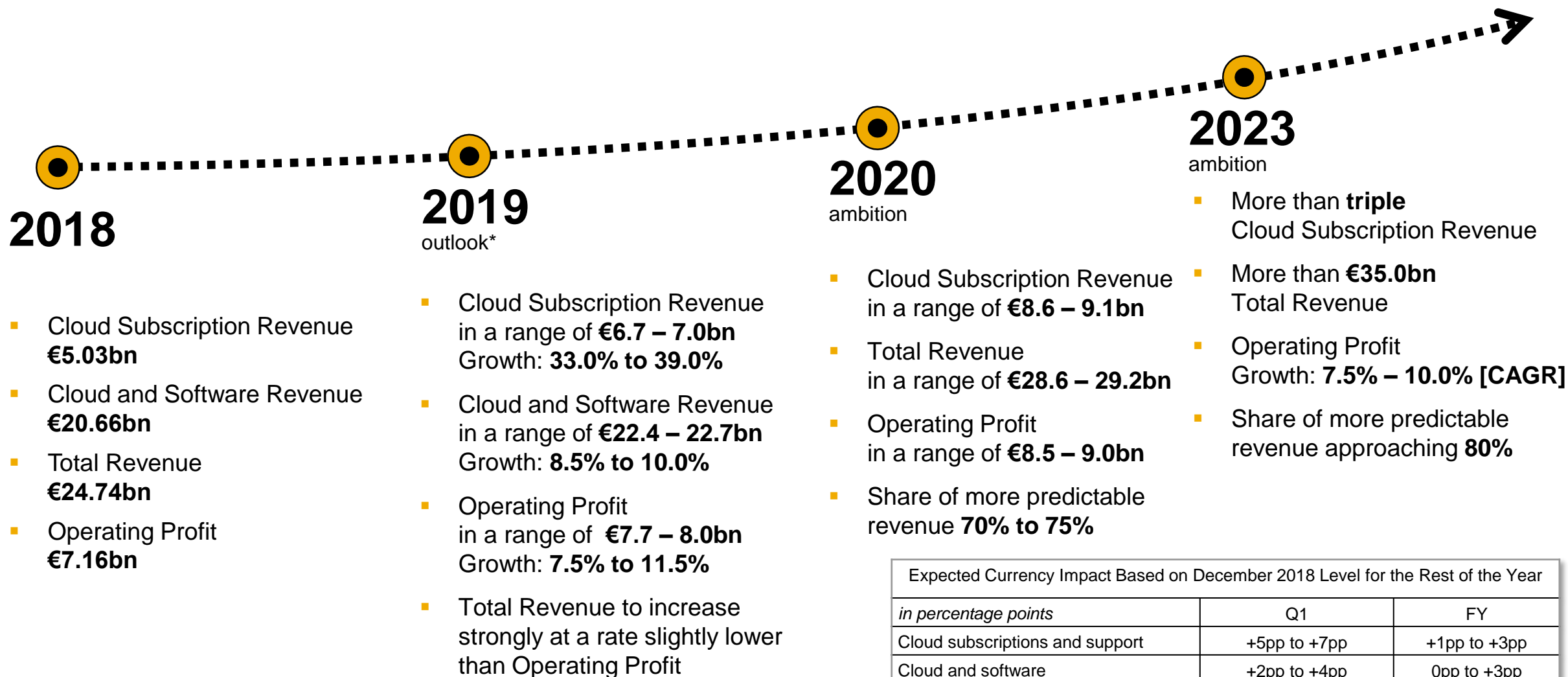
- Operating Cash Flow FY/18
 - €4.3bn** | **-15%**
 - Decline was mainly due to higher tax and insurance payments, share based compensation and currency headwinds
- Free Cash Flow FY/18
 - €2.8bn** | **-25%**
 - Decline was due to lower operating cash flow and previously announced additional CapEx for 2018

CapEx

- Actuals FY/18
 - €1.5bn** | **+14%**
- Less than planned at the beginning of 2018

2019 outlook and mid-term ambition

Targeting >3x cloud revenue and >€35bn in total revenue by 2023



| Expected Currency Impact Based on December 2018 Level for the Rest of the Year | | |
|--|--------------|--------------|
| <i>in percentage points</i> | Q1 | FY |
| Cloud subscriptions and support | +5pp to +7pp | +1pp to +3pp |
| Cloud and software | +2pp to +4pp | 0pp to +3pp |
| Operating profit | +5pp to 7pp | +1pp to +3pp |

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Q&A



Appendix



Key cloud metrics Q4 2018

Q4/18 unless otherwise stated

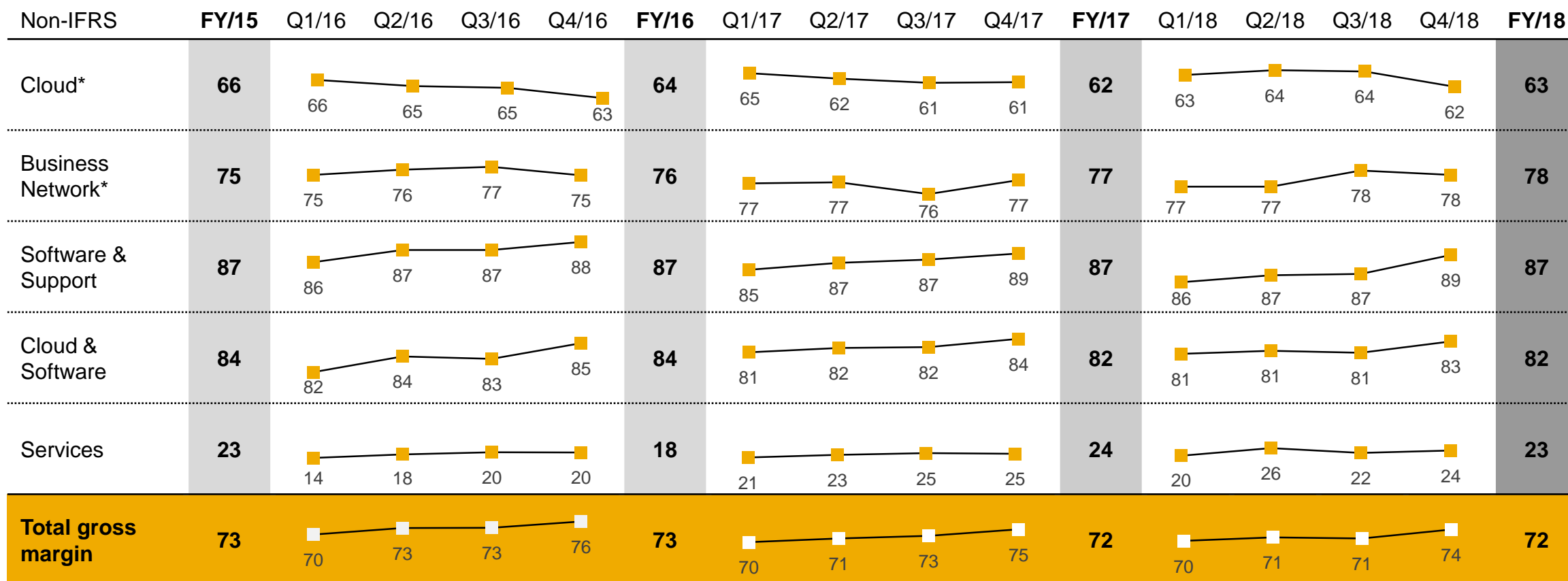
All figures are Non-IFRS and growth rates at constant currencies unless otherwise stated

| | | | |
|--|---|---|--|
| <p>Cloud Subscriptions and Support Revenue</p> <p>+40% €1,413m</p> | <p>New Cloud Bookings¹</p> <p>+23% €736m</p> | <p>Total Network Commerce²</p> <p>>\$2.9 trillion</p> | <p>Cloud Applications Total Subscribers</p> <p>>186m</p> |
| <p>SAP Business Network – Segment Revenue</p> <p>€721m +24%</p> | <p>Customer Experience Revenue</p> <p>€349m +50%</p> | <p>Number of end users processing travel and expense with Concur</p> <p>>53m</p> | <p>Flexible workers managed with Fieldglass platform</p> <p>>5.7m</p> |

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

Gross margin development 2015 – 2018



* Subscriptions and support





Q4 2018 – Income Statement

| € millions, unless otherwise stated | IFRS | | | Non-IFRS | | | |
|-------------------------------------|---------------|---------------|-----------|---------------|---------------|------------|-----------|
| Revenue Numbers | Q4/18 | Q4/17 | Δ % | Q4/18 | Q4/17 | Δ % | Δ % at cc |
| Cloud subscriptions and support | 1,406 | 995 | 41 | 1,413 | 997 | 42 | 40 |
| Software licenses | 2,089 | 2,058 | 1 | 2,089 | 2,058 | 1 | 8 |
| Software support | 2,825 | 2,754 | 3 | 2,826 | 2,754 | 3 | 3 |
| Software licenses and support | 4,914 | 4,812 | 2 | 4,914 | 4,812 | 2 | 5 |
| Cloud and software | 6,320 | 5,807 | 9 | 6,327 | 5,809 | 9 | 11 |
| Services | 1,108 | 998 | 11 | 1,108 | 998 | 11 | 21 |
| Total revenue | 7,428 | 6,805 | 9 | 7,434 | 6,807 | 9 | 13 |
| Total operating expenses | -5,027 | -4,840 | 4 | -4,887 | -4,442 | 10 | 15 |
| Operating profit | 2,401 | 1,964 | 22 | 2,547 | 2,364 | 8 | 8 |
| Financial income, net | -87 | 119 | <-100 | -87 | 119 | <-100 | |
| Profit before tax | 2,316 | 2,053 | 13 | 2,462 | 2,453 | 0 | |
| Income tax expense | -624 | -189 | >100 | -659 | -320 | >100 | |
| Profit after tax | 1,692 | 1,864 | -9 | 1,803 | 2,133 | -15 | |
| Operating margin (in %) | 32.3 | 28.9 | 3.5pp | 34.3 | 34.7 | -0.5pp | -1.5pp |
| Earnings per share, basic (in €) | 1.41 | 1.54 | -8 | 1.51 | 1.77 | -15 | |





FY 2018 – Income Statement

| € millions, unless otherwise stated | IFRS | | | Non-IFRS | | | |
|-------------------------------------|----------------|----------------|-----------|----------------|----------------|-----------|-----------|
| | FY/18 | FY/17 | Δ % | FY/18 | FY/17 | Δ % | Δ % at cc |
| Revenue Numbers | | | | | | | |
| Cloud subscriptions and support | 4,993 | 3,769 | 32 | 5,027 | 3,771 | 33 | 38 |
| Software licenses | 4,647 | 4,872 | -5 | 4,647 | 4,872 | -5 | 0 |
| Software support | 10,981 | 10,908 | 1 | 10,982 | 10,908 | 1 | 5 |
| Software licenses and support | 15,628 | 15,780 | -1 | 15,629 | 15,780 | -1 | 4 |
| Cloud and software | 20,622 | 19,549 | 5 | 20,655 | 19,552 | 6 | 10 |
| Services | 4,086 | 3,912 | 4 | 4,086 | 3,912 | 4 | 12 |
| Total revenue | 24,708 | 23,461 | 5 | 24,741 | 23,464 | 5 | 11 |
| Total operating expenses | -19,003 | -18,584 | 2 | -17,577 | -16,694 | 5 | 11 |
| Operating profit | 5,705 | 4,877 | 17 | 7,165 | 6,769 | 6 | 10 |
| Financial income, net | -47 | 188 | <-100 | -47 | 188 | <-100 | |
| Profit before tax | 5,602 | 5,029 | 11 | 7,061 | 6,921 | 2 | |
| Income tax expense | -1,513 | -983 | 54 | -1,861 | -1,575 | 18 | |
| Profit after tax | 4,089 | 4,046 | 1 | 5,200 | 5,346 | -3 | |
| Operating margin (in %) | 23.1 | 20.8 | 2.3pp | 29.0 | 28.9 | 0.1pp | 0.0pp |
| Earnings per share, basic (in €) | 3.42 | 3.35 | 2 | 4.35 | 4.43 | -2 | |

Q4 2018 – Non-IFRS operating profit up 8%

| Non-IFRS | | Total operating expenses Operating profit | Total revenue | |
|--|--|---|--|--|
| Q4/17 |  | €6,807m | <ul style="list-style-type: none"> ■ Non-IFRS operating profit +8% to €2,547m (Q4/17: €2,364m) +8% to €2,547m at cc ■ Non-IFRS operating margin -0.5pp to 34.3% (Q4/17: 34.7%) -1.5pp to 33.2% at cc | |
| Q4/18 |  | €7,434m | | |
| Application of IFRS15 accounting standard leads to an operating profit effect of appr. €228m | | | | |
| IFRS | | Total operating expenses Operating profit | Total revenue | |
| Q4/17 |  | €6,805m | <ul style="list-style-type: none"> ■ IFRS operating profit +22% to €2,401m (Q4/17: €1,964m) ■ IFRS operating margin +3.5pp to 32.3% (Q4/17: 28.9%) | |
| Q4/18 |  | €7,428m | | |
| Application of IFRS15 accounting standard leads to an operating profit effect of appr. €228m | | | | |

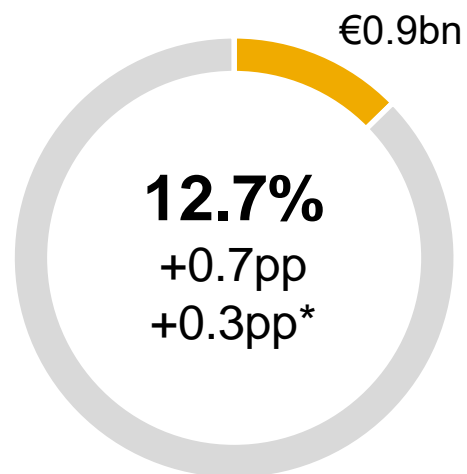
FY 2018 – Strong topline, continued cloud gross margin improvement and operational discipline led to operating profit expansion

| Non-IFRS | | Total operating expenses Operating profit | Total revenue | |
|--|--|---|---------------|--|
| FY/17 |  | 16,694 6,769 | €23,464m | <ul style="list-style-type: none"> ■ Non-IFRS operating profit +6% to €7,165m (FY/17: €6,769m) +10% to €7,480m at cc ■ Non-IFRS operating margin +0.1pp to 29.0% (FY/17: 28.9%) 0.0pp to 28.8% at cc |
| FY/18 |  | 17,577 7,165 | €24,741m | |
| Application of IFRS15 accounting standard leads to an operating profit effect of appr. €400m | | | | |
| IFRS | | Total operating expenses Operating profit | Total revenue | |
| FY/17 |  | 18,584 4,877 | €23,461m | <ul style="list-style-type: none"> ■ IFRS operating profit +17% to €5,705m (FY/17: €4,877m) ■ IFRS operating margin +2.3pp to 23.1% (FY/17: 20.8%) |
| FY/18 |  | 19,003 5,705 | €24,708m | |
| Application of IFRS15 accounting standard leads to an operating profit effect of appr. €400m | | | | |

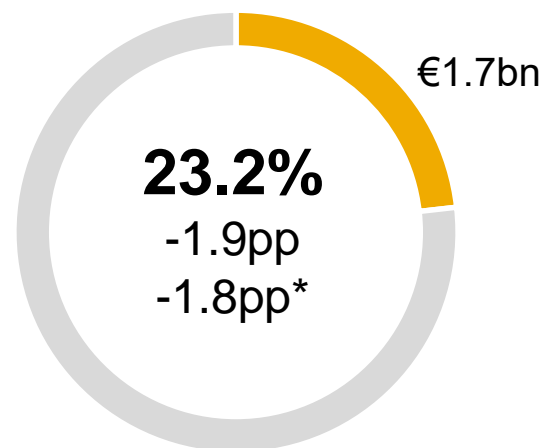
Q4 2018 – Cost ratios

€7.4bn Total revenue, Non-IFRS

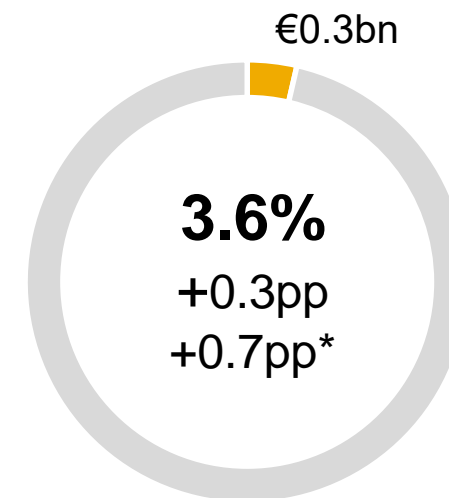
R&D
as % of total revenue



S&M
as % of total revenue



G&A
as % of total revenue



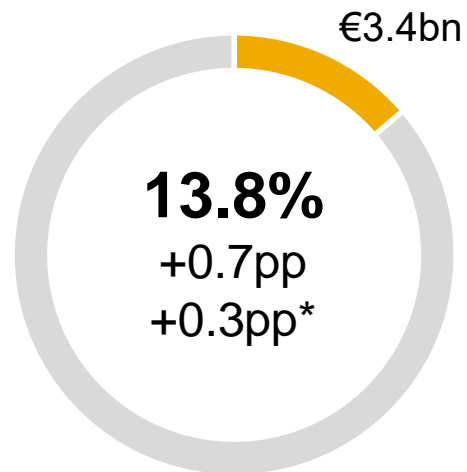
*Non-IFRS at constant currencies

FY 2018 – Cost ratios

€24.7bn Total revenue, Non-IFRS

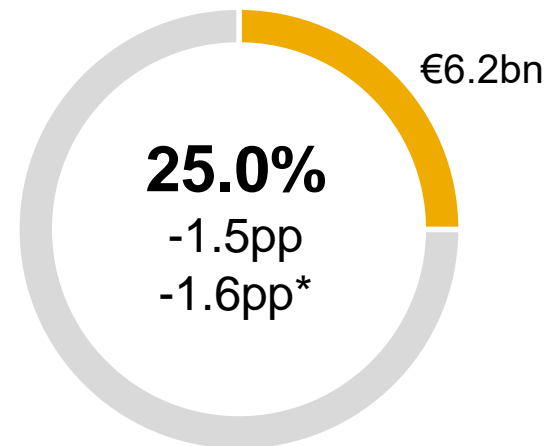
R&D

as % of total revenue



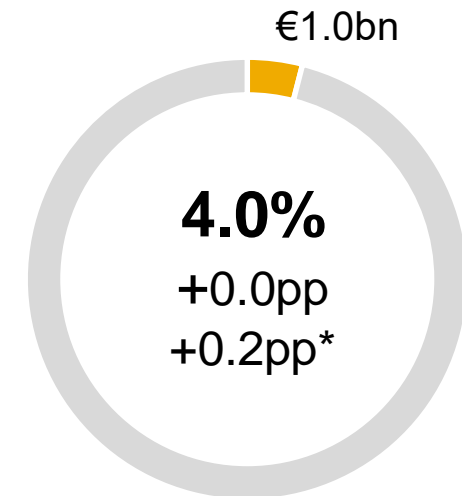
S&M

as % of total revenue



G&A

as % of total revenue



*Non-IFRS at constant currencies

Balance Sheet, Condensed

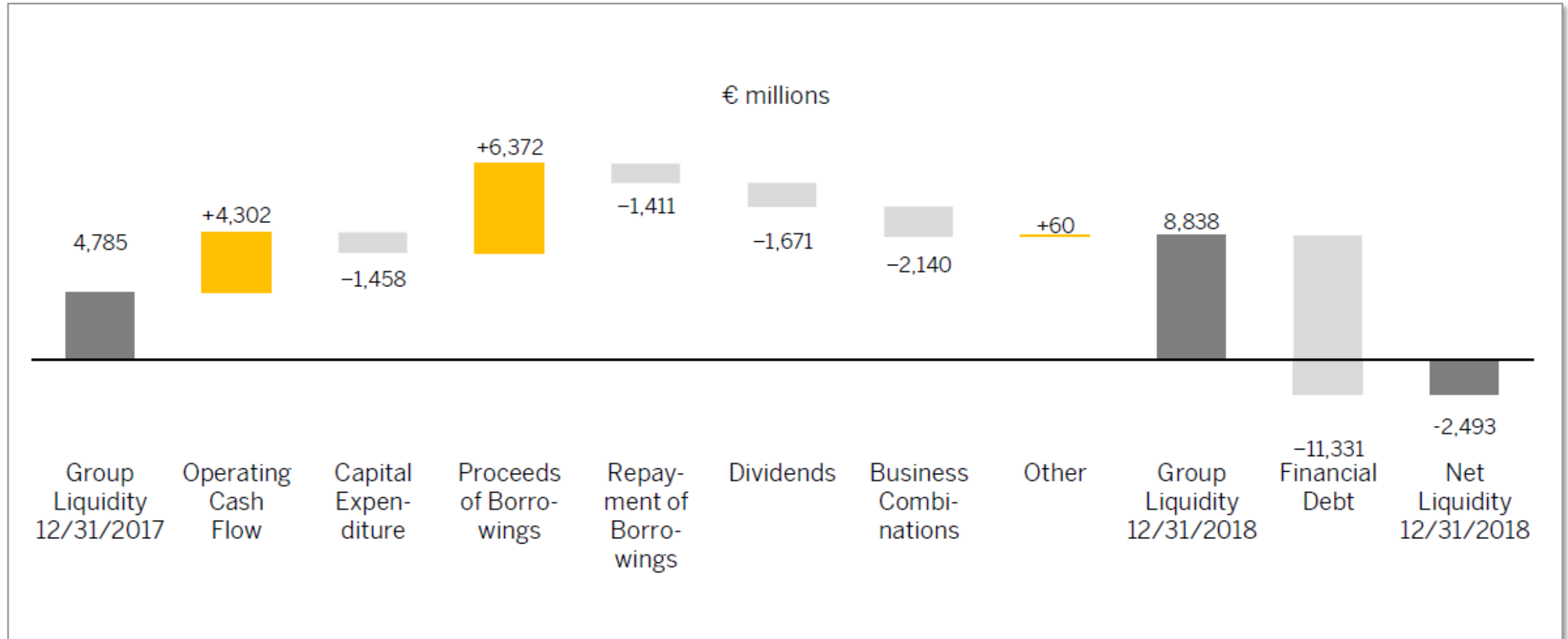
December 31, 2018, IFRS

| Assets | | | Equity and liabilities | | |
|---|---------------|---------------|---|---------------|---------------|
| € millions | 12/31/18 | 12/31/17 | € millions | 12/31/18 | 12/31/17 |
| Cash, cash equivalents and other financial assets | 9,075 | 5,001 | Trade and other payables | 1,501 | 1,151 |
| Trade and other receivables | 6,384 | 5,899 | Provisions | 80 | 149 |
| Other current assets | 1,445 | 1,031 | Other liabilities | 5,991 | 6,140 |
| Total current assets | 16,904 | 11,930 | Contract liabilities / deferred income, current | 3,047 | 2,771 |
| Goodwill | 23,725 | 21,271 | Total current liabilities | 10,619 | 10,210 |
| Intangible assets | 3,227 | 2,967 | Financial liabilities | 10,553 | 5,034 |
| Property, plant, and equipment | 3,553 | 2,967 | Provisions | 301 | 328 |
| Other non-current assets | 4,278 | 3,349 | Contract liabilities / deferred income, non-current | 88 | 79 |
| Total non-current assets | 34,781 | 30,554 | Other non-current liabilities | 1,249 | 1,318 |
| Total assets | 51,685 | 42,484 | Total non-current liabilities | 12,191 | 6,759 |
| | | | Total liabilities | 22,810 | 16,969 |
| | | | Total equity | 28,876 | 25,515 |
| | | | Total equity and liabilities | 51,685 | 42,484 |

Operating cash flow and free cash flow 2018

| € millions, unless otherwise stated | FY/18 | FY/17 | Δ |
|--|--------|--------|------|
| Operating cash flow | 4,302 | 5,045 | -15% |
| - Capital expenditure | -1,458 | -1,275 | +14% |
| Free cash flow | 2,843 | 3,770 | -25% |
| Free cash flow in percent of total revenue | 12 | 16 | -5pp |
| Cash conversion rate | 1.05 | 1.25 | -16% |
| Days sales outstanding (DSO in days, DEC 31) | 70 | 70 | -0.6 |

Group Liquidity Development



Group Liquidity = cash and cash equivalent + current investments

Other = mainly purchase and sales of equity or debt instruments of other entities, purchase and proceeds from treasury shares and effects of foreign currency rates on cash and cash equivalents

FY 2019 – Additional outlook information and non-IFRS adjustments

The Company expects a full-year 2019 effective tax rate (IFRS) of 26.5% to 27.5% (2018: 27.0%) and an effective tax rate (non-IFRS) of 26.0% to 27.0% (2018: 26.4%)

| Non-IFRS adjustments | Actual Amounts FY/17 | Actual Amounts FY/18 | Est. Amounts for FY/19 |
|-------------------------------|-------------------------|-------------------------|---------------------------|
| Revenue adjustments | €3m | €33m | €100m to €150m |
| Acquisition-related charges | €587m | €577m | €750m to €900m |
| Share-based payment expenses | €1,120m | €830m | €1,200m to €1,500m |
| Restructuring charges | €182m | €19m | €800m – €950m |
| Sum of all adjustments | €1,892m | €1,459m | €2,850m to €3,500m |

Due to rounding, numbers may not add precisely

IFRS 16 'Leases' adopted as of January 1, 2019

Expected impact

- SAP adopted the new IFRS standard on lease accounting (IFRS 16 'Leases')
- Under the approach chosen by SAP prior year numbers are not restated – therefore, 2019 profit, assets and liabilities and cash flow growth rates will be impacted by the new policies
- The actual impact of IFRS 16 on our profits depends on the lease agreements in effect at the time of adoption and on new lease agreements entered into or terminated in 2019
- Expected impact of the policy change on profit:
 - Operating expenses and so operating profit are expected to experience a benefit of substantially less than €0.1 billion.
 - Finance costs are expected to increase and net financial income is consequently expected to decrease by an amount very similar to the benefit in operating profit.
 - Thus, the impact on profit before tax, profit after tax and earnings per share is expected to be inconsequential.
 - Operating cash flow is expected to increase and cash flow from financing activities is expected to decrease by appr. €0.3 – €0.4 billion.
 - SAP plans to adjust the definition of its Free Cash Flow metric in a way that it is not affected by this change in cash flow classification.
 - Link to video: https://broadcast.co.sap.com/video/190129_IFRS16?hash=1ef92a



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