

# Third quarter and first nine month 2014 Results Release

Walldorf, Germany  
Monday, October 20, 2014

# 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.

# Agenda

## **Income Statement**

Balance Sheet and Cash Flow Analysis

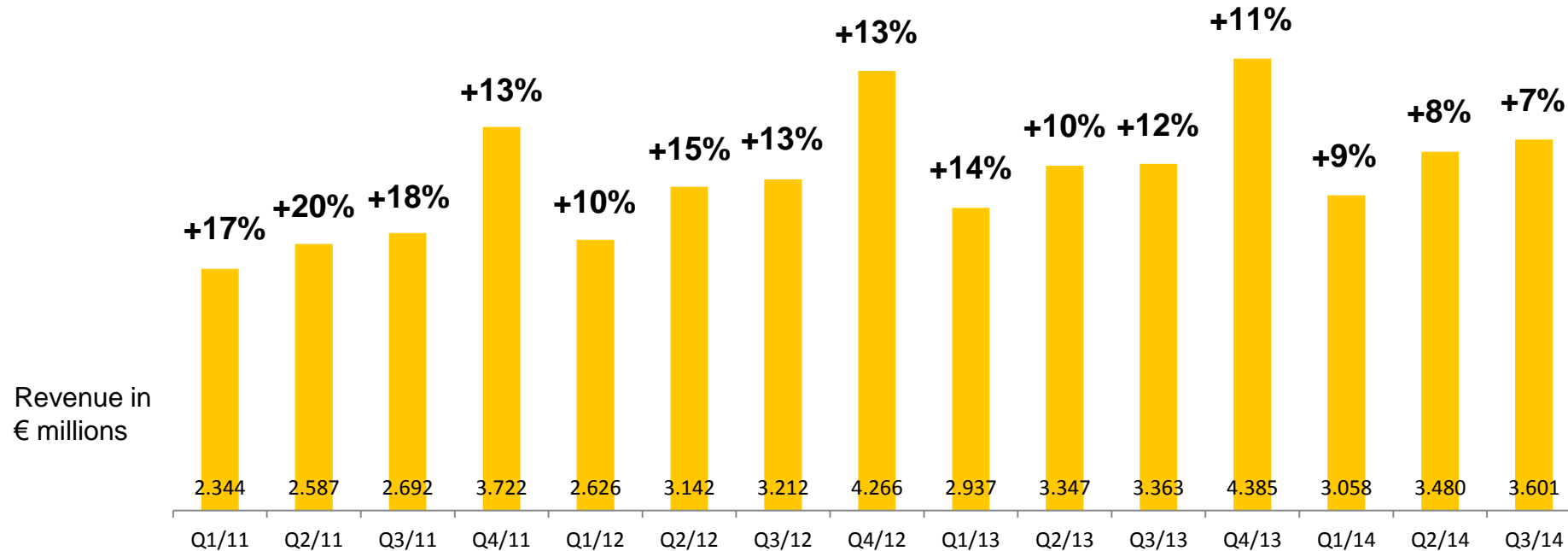
Outlook and Additional Information

# Our 8% nine months growth in non-IFRS SSRS revenue at constant currency puts us at the upper end of our annual guidance range

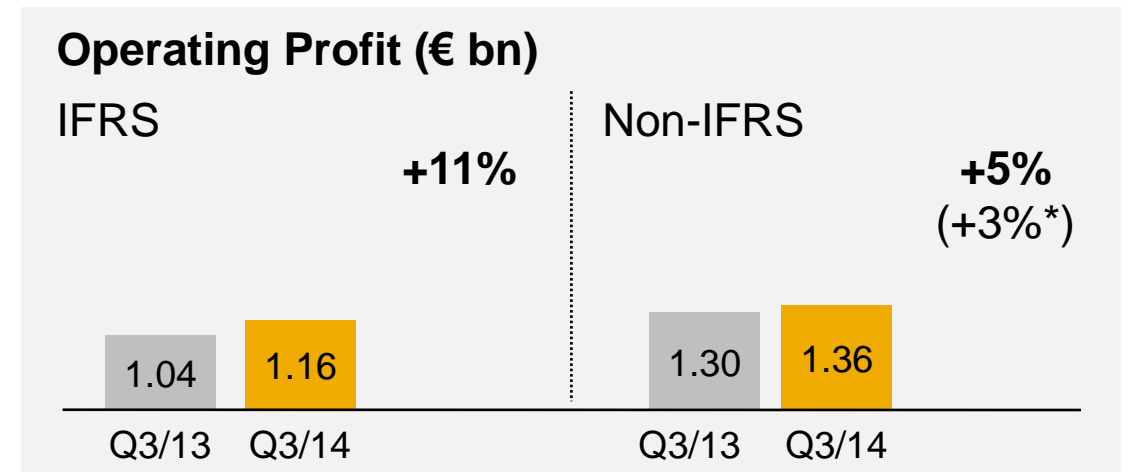
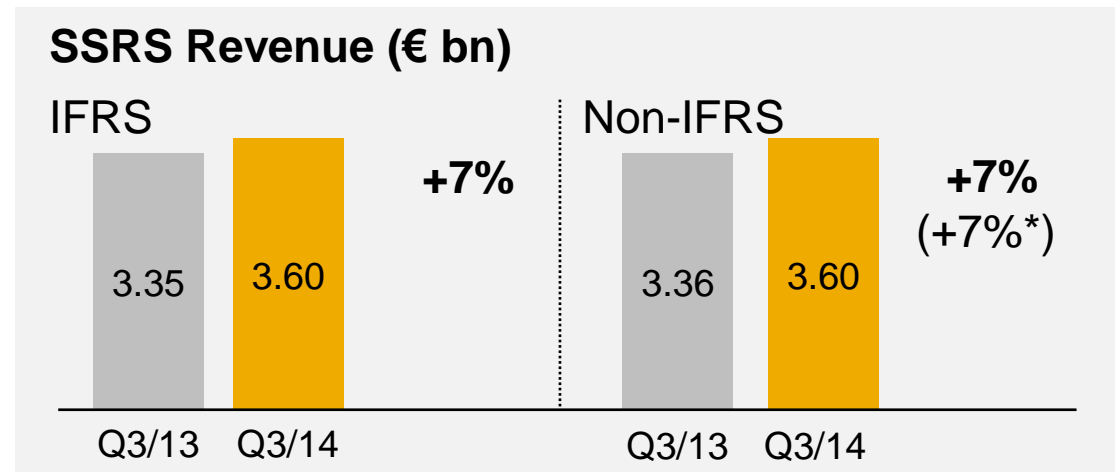
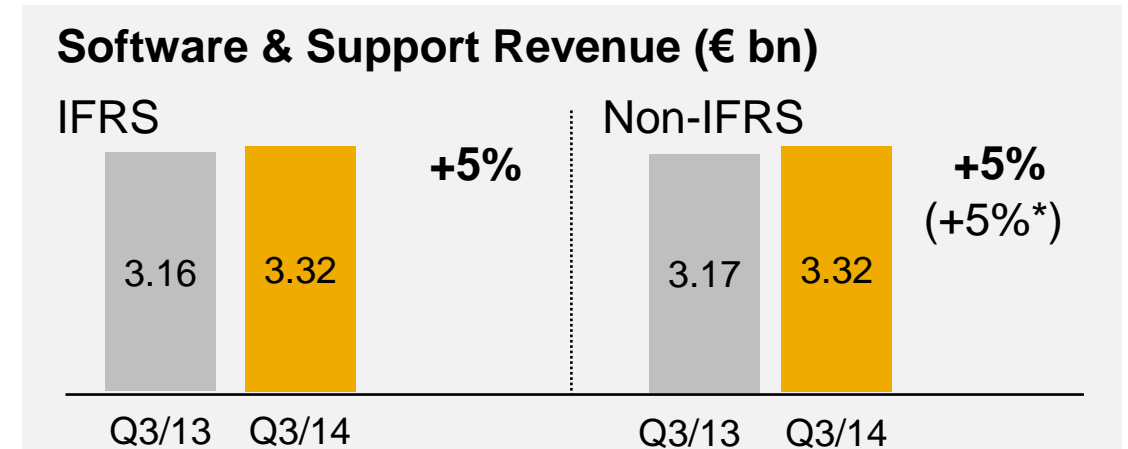
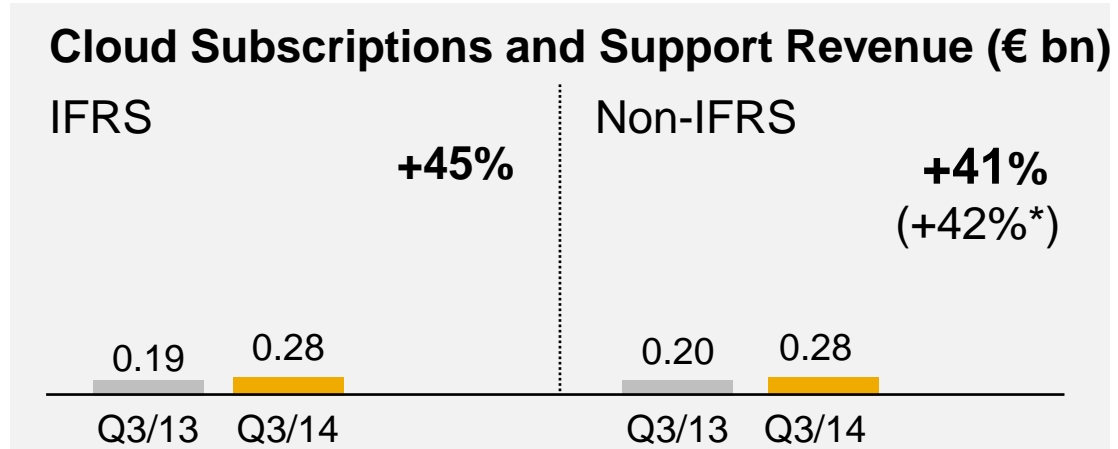
## Non-IFRS SSRS revenue : +7% at cc

Year on year growth rates in % at cc

**Non-IFRS software and software-related service (SSRS) revenue increased 7% at constant currencies**  
7% at actual currencies to €3.60bn

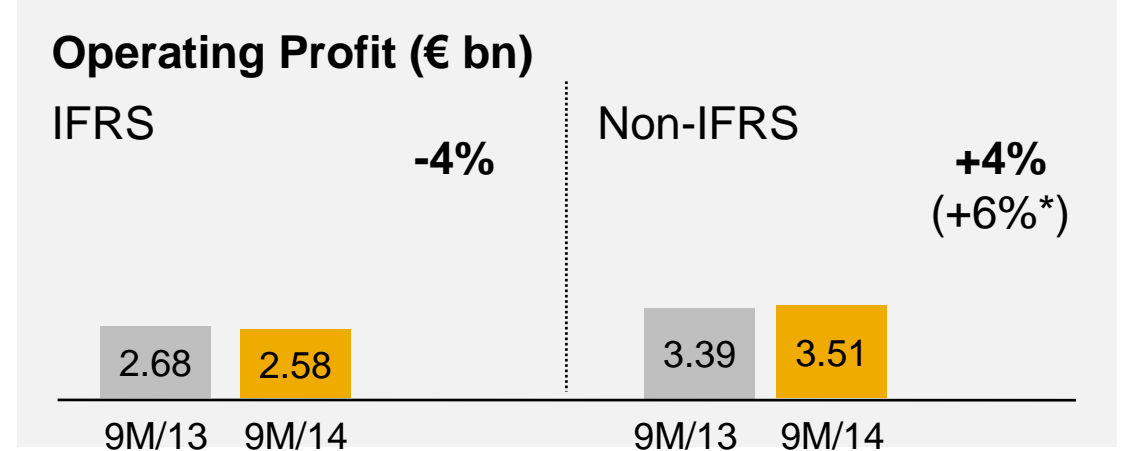
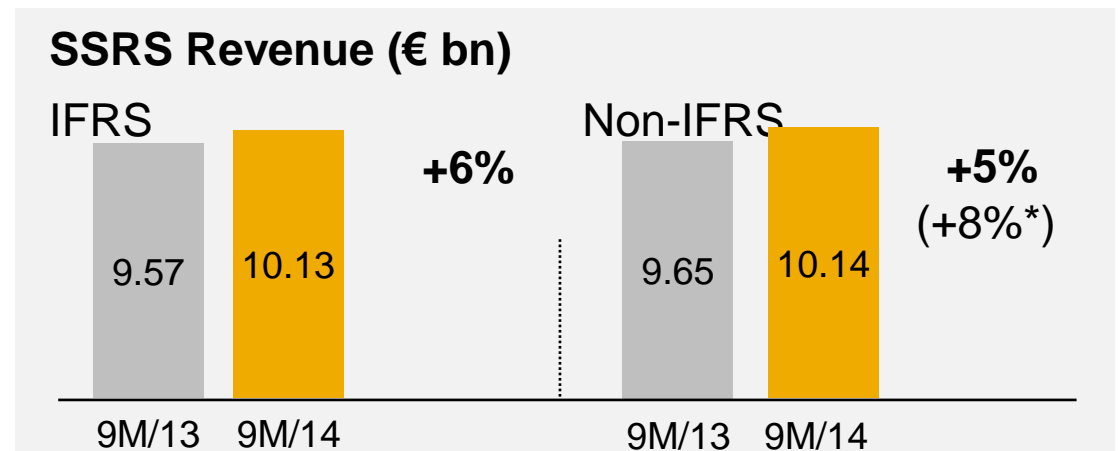
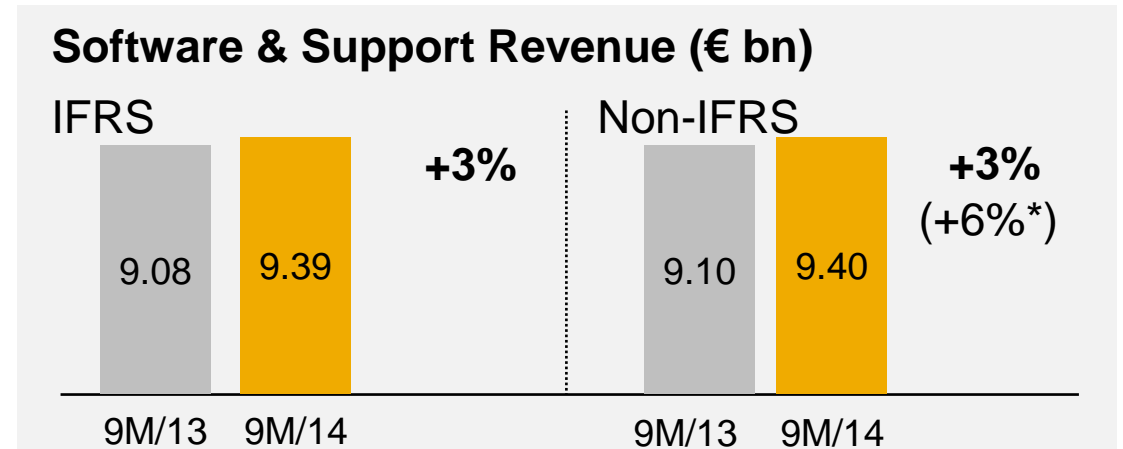
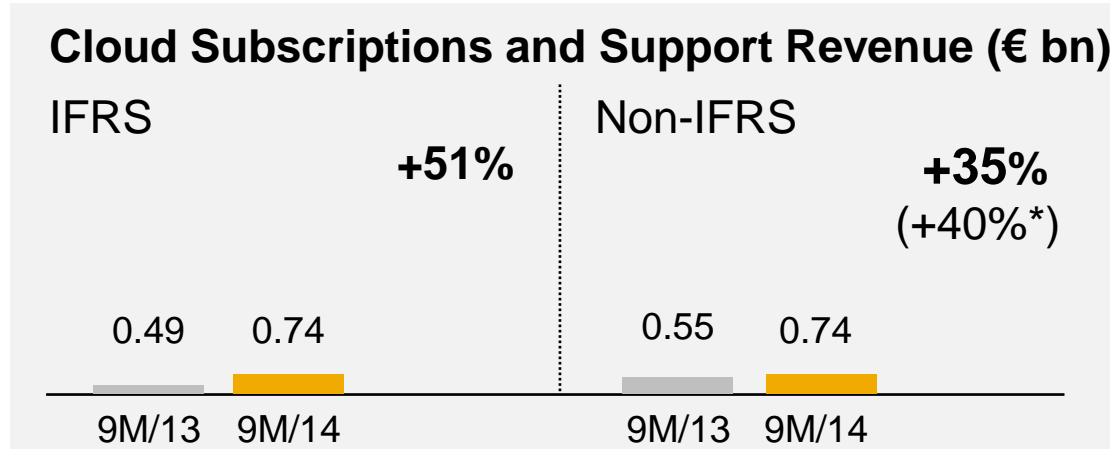


# Key performance metrics Q3 2014



\* At constant currencies

# Key performance metrics nine months 2014



\* At constant currencies

# Non-IFRS SSRS<sup>1)</sup> revenue increased 7% at constant currency yoy in Q3 2014 (+7% at actual curr. to €3.60bn)

---

## Regional performance<sup>2)</sup>

- EMEA: solid performance with +8% yoy SSRS<sup>1)</sup> revenue, despite uncertainties in Ukraine and Middle East
  - strong performance in Germany in both software and cloud subscription revenue.
  - Cloud subscriptions and support revenue was a particular highlight with +59%, showing exceptional cloud traction in Europe.
- Americas: with growth of +5% in SSRS<sup>1)</sup> revenue and +34% growth in cloud subscriptions and support revenue
  - mixed performance in Latin America. Similar to other companies in the industry we are seeing a more difficult macro and political environment in Latin America, in particular in Brazil and Argentina, combined with execution issues.
- APJ: strong performance with + 10% yoy SSRS<sup>1)</sup> revenue growth; Cloud subscriptions and support revenue grew +56%.
  - achieving a turnaround in our business in Japan with solid double-digit growth

1) Software and software-related services

2) Revenues calculated based on customer location; All numbers are non-IFRS; Growth rates at constant currency.

# Accelerated shift to the cloud – Annual cloud revenue run rate<sup>1)</sup> approaching €1.3bn or \$1.7bn<sup>2)</sup>

- **Total cloud revenue<sup>1)</sup>**, Q3/14: €334m
- **Fastest growing enterprise Cloud Company at scale:** non-IFRS cloud subscriptions & support revenue +42% at cc (+41% at actual currencies to €278m)
- **Deferred cloud subscriptions & support revenue<sup>3)</sup>** (non-IFRS as of Sept. 30): €498m; +30% /+22% yoy at cc
- **Strong calculated cloud billings<sup>4)</sup>**, Q3/14: +51% / +27% non-IFRS at cc
- **Cloud subscriptions & support backlog<sup>5)</sup>**: €1.2bn as of Dec 31, 2013 (€0.8bn as of Dec 31, 2012), +50% yoy
- **Cloud applications total subscribers:** >44 million
- **Ariba segment:**
  - trailing 12 month network spend volume<sup>6)</sup>: close to \$600bn
  - >1.6m companies connected through the Ariba network, the world's largest web-based business trading community

1) Annual revenue run rate is the total of Q3/14 Non-IFRS cloud subscriptions&support revenue (€278m) plus Non-IFRS cloud-related professional services and other service revenue (€55m) multiplied by 4.

2) Translated into USD for reader's convenience based on \$/€ exchange rate of \$1.27/€1.00 at the end of Q3/14.

3) Beginning in Q1/13, SAP discloses non-IFRS deferred cloud subscriptions&support revenue, which is a subset of the total, non-IFRS deferred revenue number reported on the balance sheet.

4) Total of a period's cloud subscriptions&support revenue and of the respective period's change in the deferred cloud subscriptions&support revenue balance. The contribution from Fieldglass to cloud subscriptions&support revenue was €19m and deferred cloud subscriptions&support revenue immaterial in Q3/14.

5) Cloud subscription and support backlog represents expected future cloud subscriptions&support revenue that is contracted but not yet invoiced and thus not recorded in deferred revenue.

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



# Cloud subscriptions and support revenue by region\*\*

## Q3 2014

€ millions | yoy percent change

IFRS

Non-IFRS

### EMEA

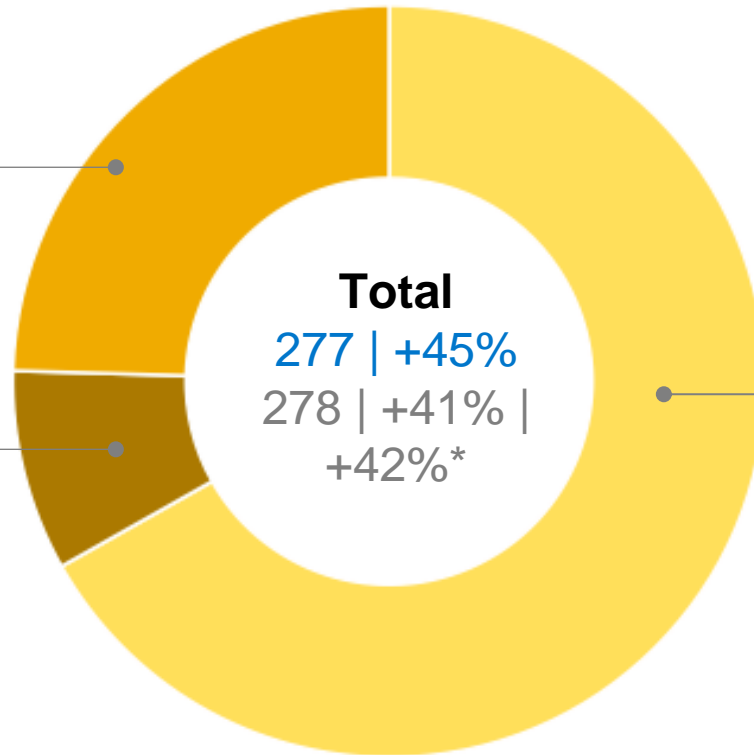
71 | +59%

71 | +59% | +59%\*

### Asia Pacific Japan

26 | +57%

26 | +57% | +56%\*



### Americas

181 | +39%

181 | +34% | +34%\*

\* At constant currencies

\*\* IFRS and non-IFRS revenue is presented by region based on customer location

# Cloud subscriptions and support revenue by region\*\*

9M 2014

€ millions | yoy percent change

IFRS

Non-IFRS

## EMEA

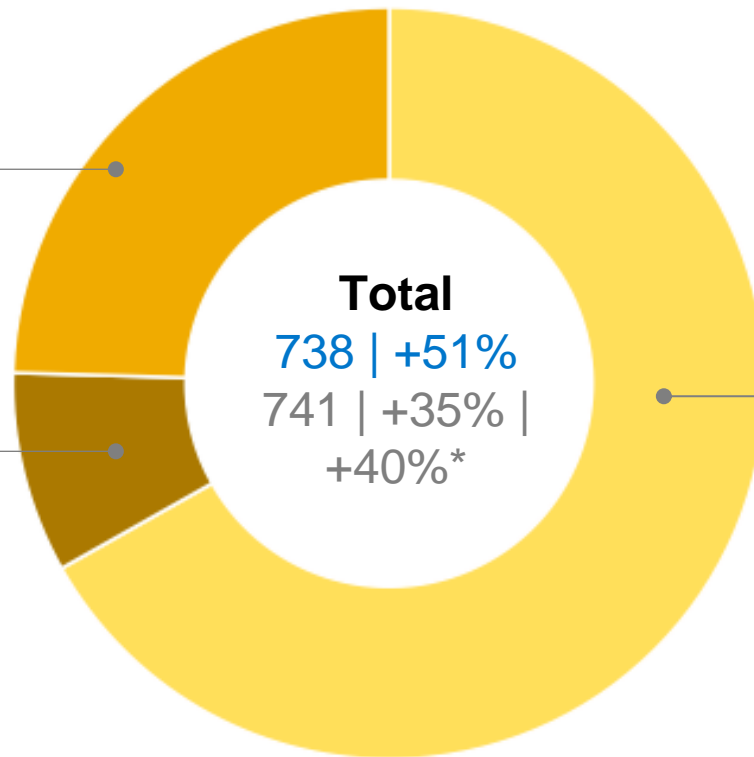
185 | +47%

185 | +47% | +50%\*

## Asia Pacific Japan

65 | +43%

65 | +43% | +49%\*



## Americas

488 | +54%

491 | +30% | +35%\*

\* At constant currencies

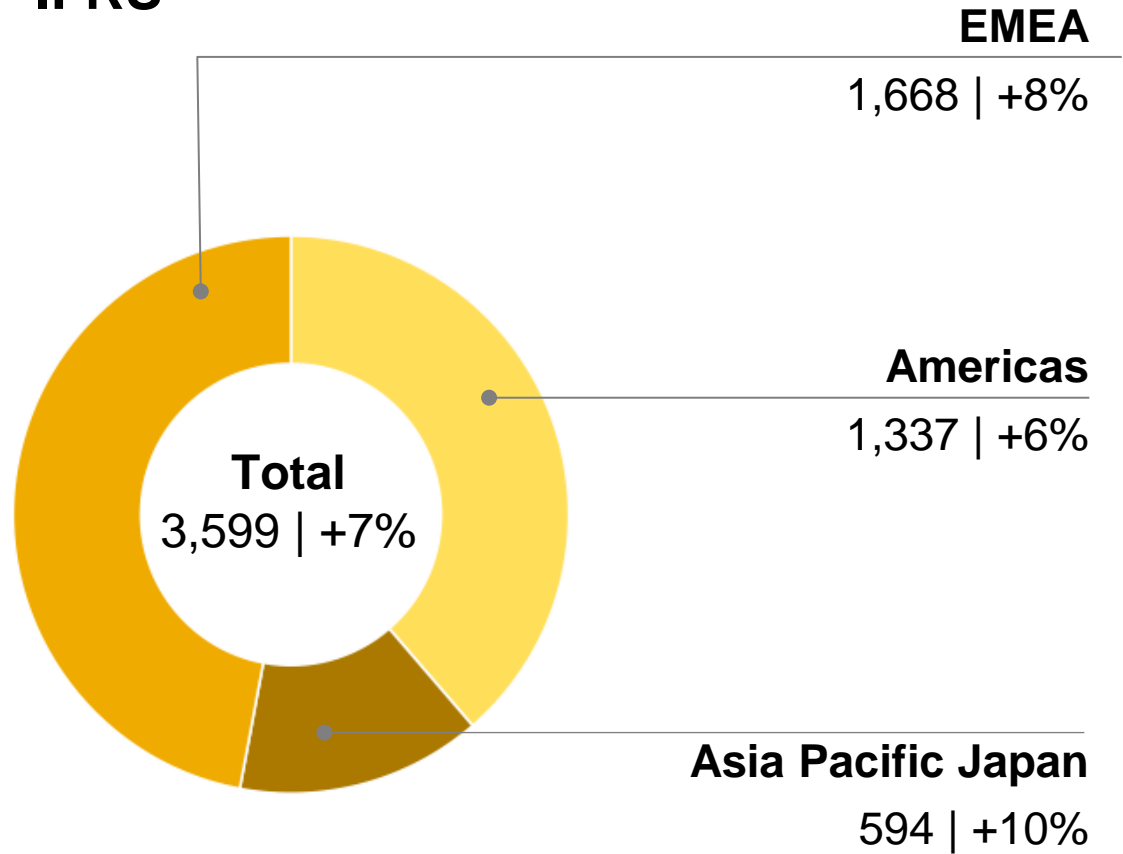
\*\* IFRS and non-IFRS revenue is presented by region based on customer location

# SSRS revenue by region\*\*

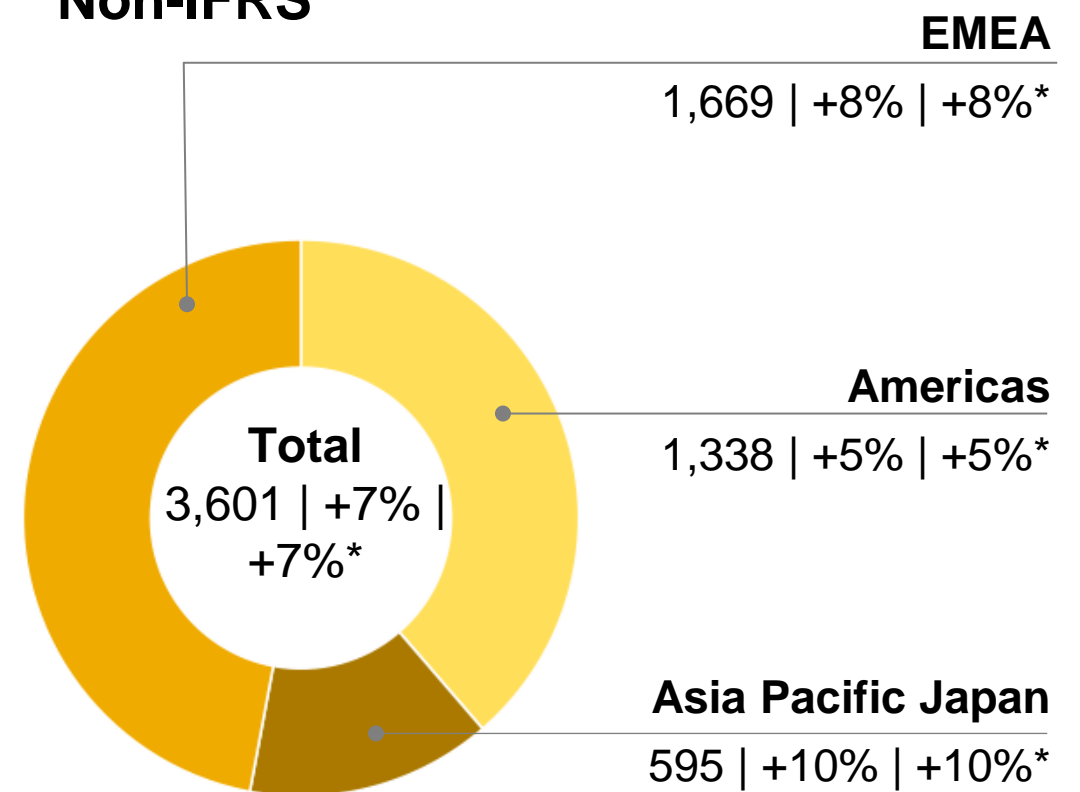
## Q3 2014

€ millions | yoy percent change

### IFRS



### Non-IFRS



\* At constant currencies

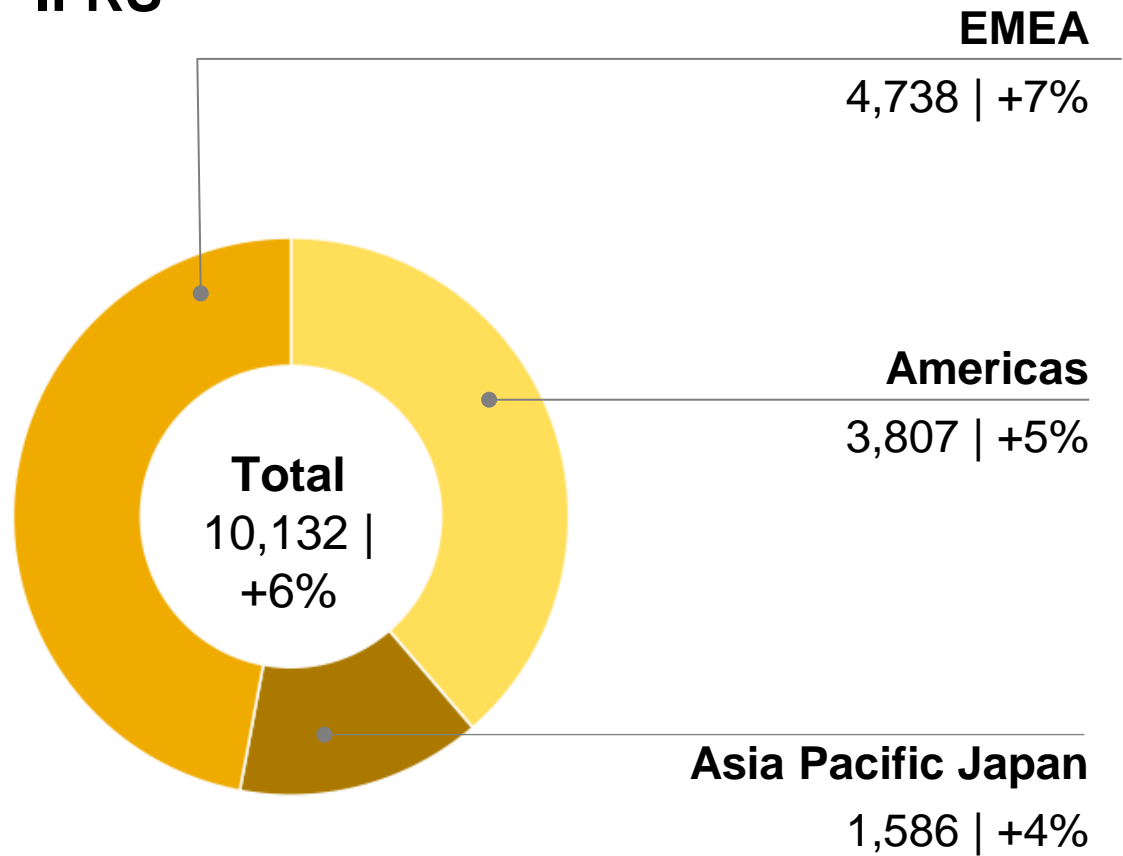
\*\* IFRS and non-IFRS revenue is presented by region based on customer location

# SSRS revenue by region\*\*

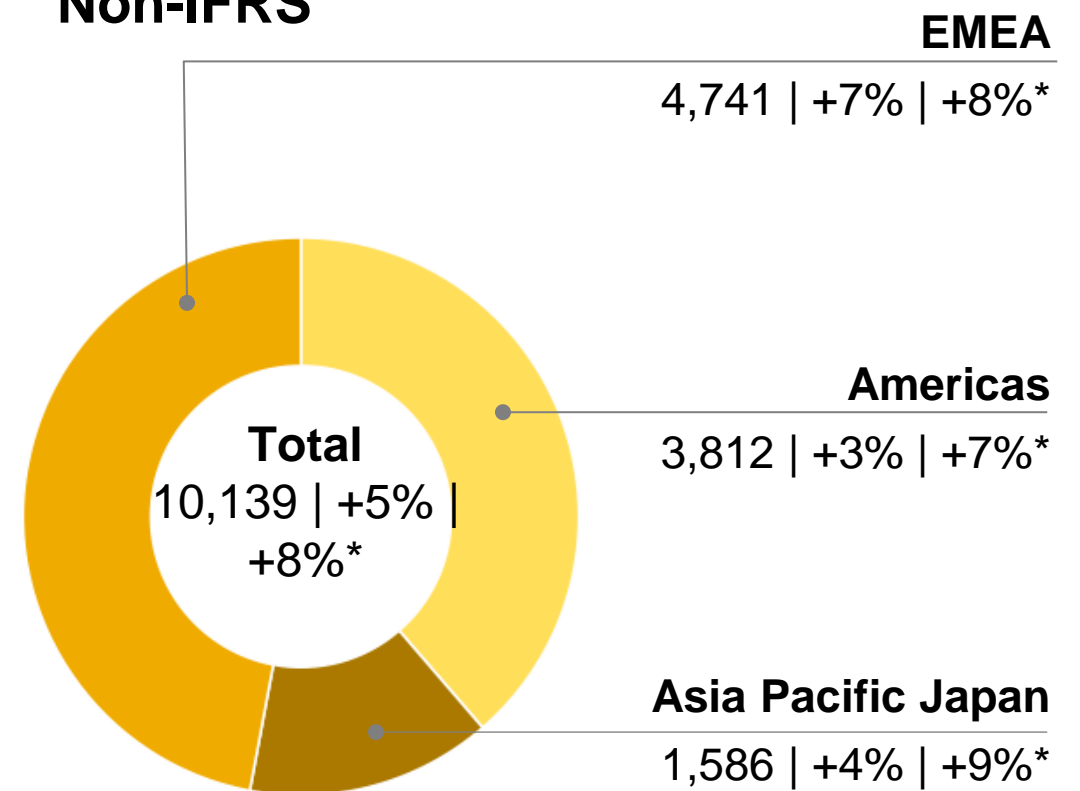
9M 2014

€ millions | yoy percent change

## IFRS



## Non-IFRS



\* At constant currencies

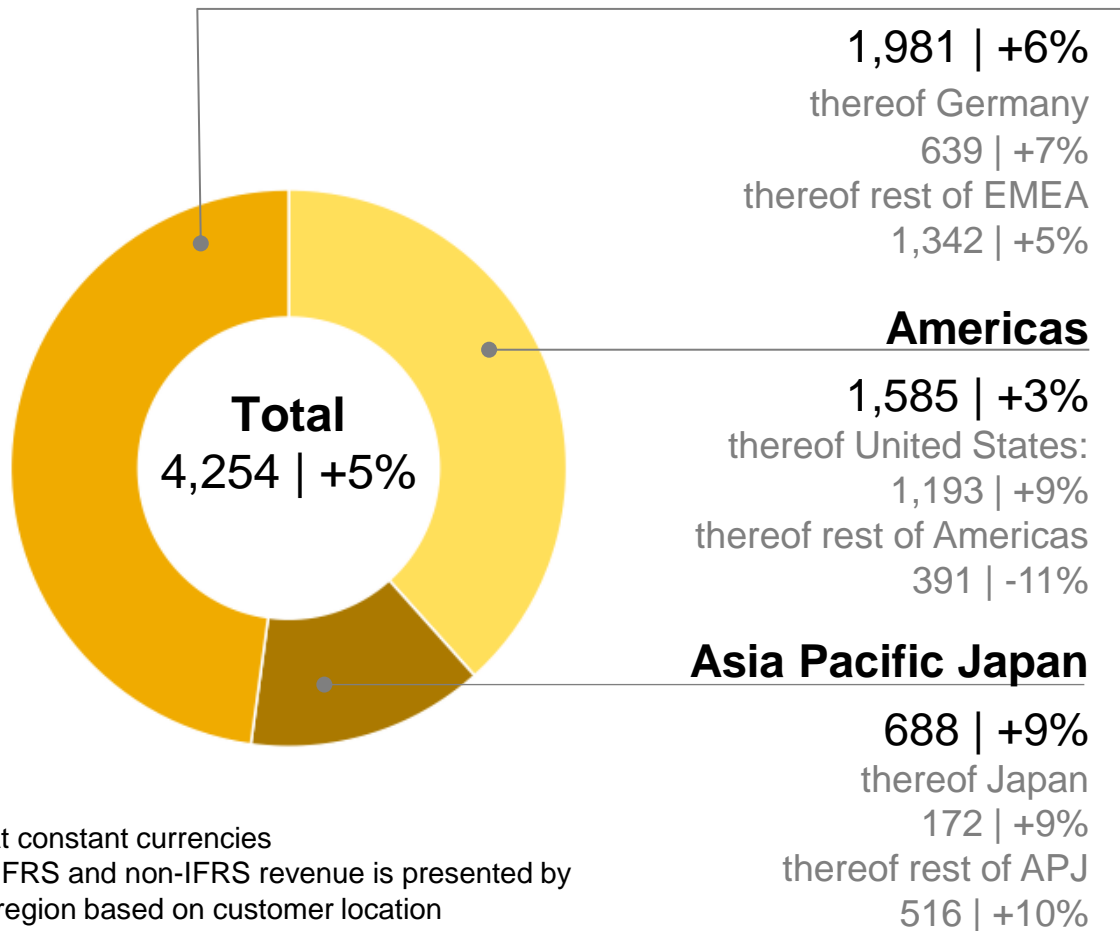
\*\* IFRS and non-IFRS revenue is presented by region based on customer location

# Total revenue by region\*\*

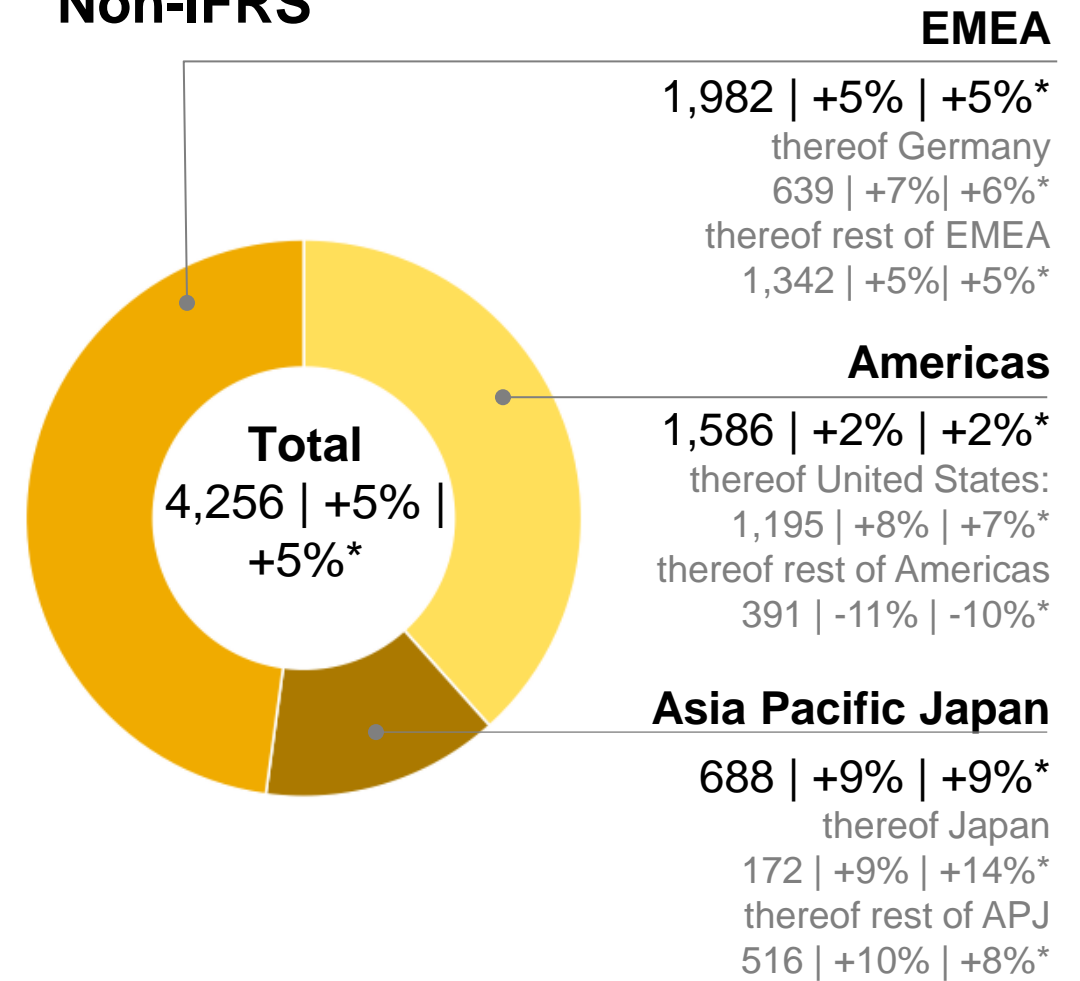
## Q3 2014

€ millions | yoy percent change

### IFRS



### Non-IFRS



\* At constant currencies

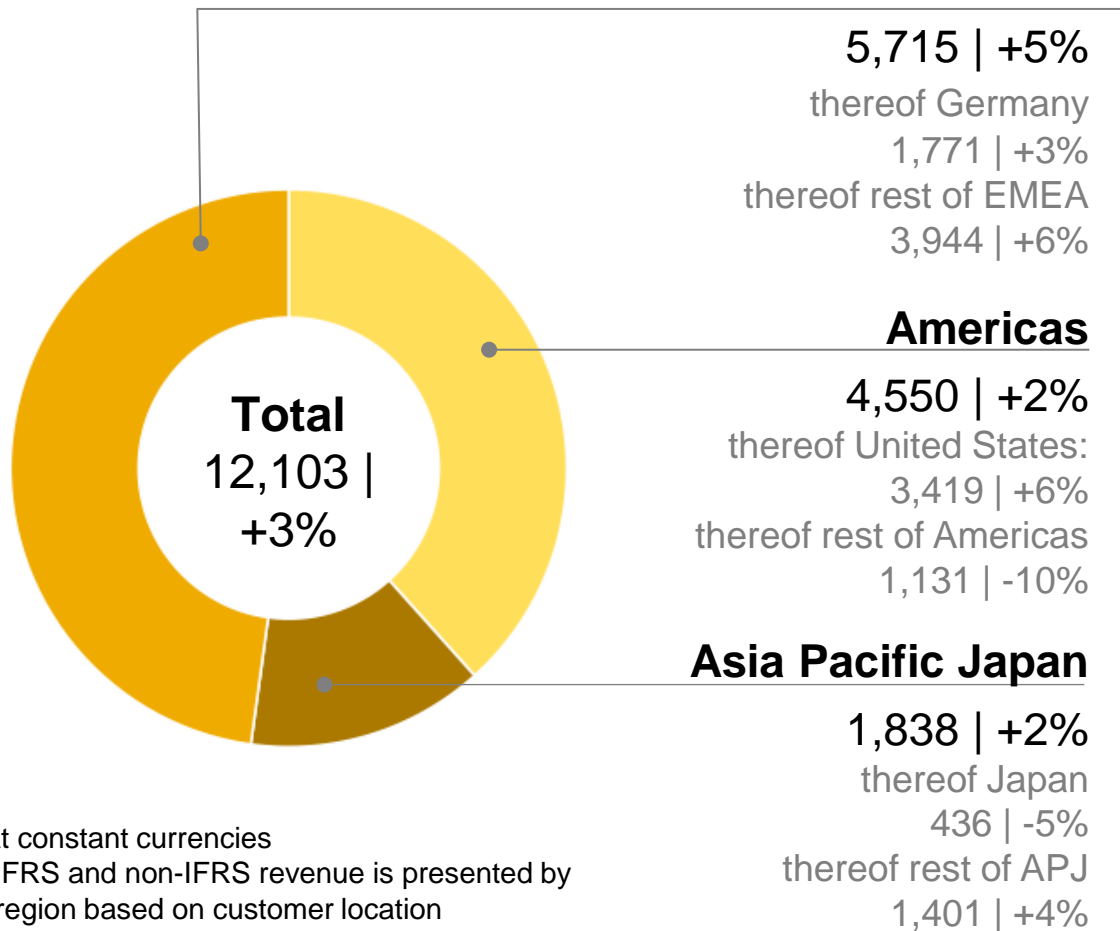
\*\* IFRS and non-IFRS revenue is presented by region based on customer location

# Total revenue by region\*\*

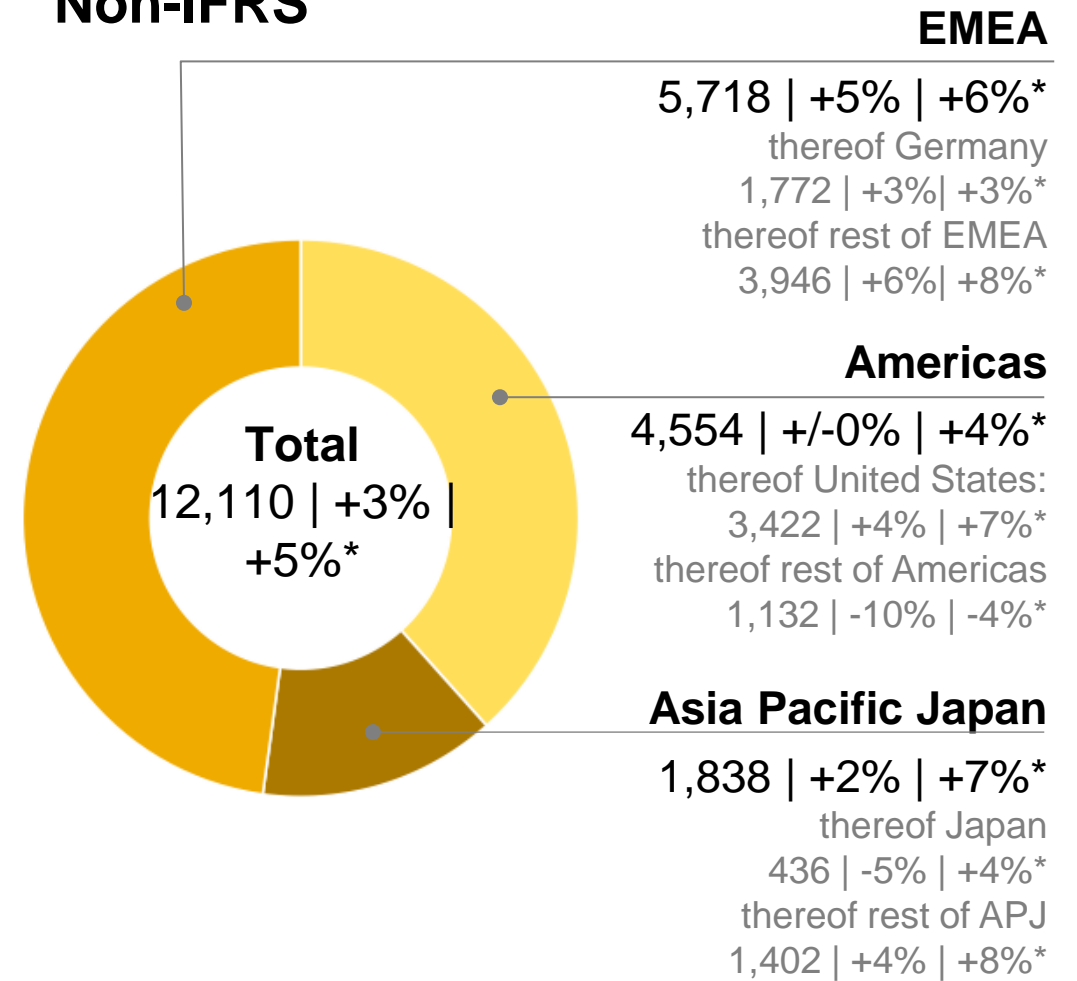
9M 2014

€ millions | yoy percent change

## IFRS



## Non-IFRS



\* At constant currencies

\*\* IFRS and non-IFRS revenue is presented by region based on customer location

# Q3 2014: Non-IFRS operating profit increased by 3pp at constant currency despite mix shift to cloud subscription

€ millions, unless otherwise stated

	IFRS			Non-IFRS			
<b>Revenue Numbers</b>	Q3/14	Q3/13	Δ%	Q3/14	Q3/13	Δ%	Δ% at cc
Cloud subscriptions and support	277	191	45	278	197	41	42
Software	951	975	-2	952	977	-3	-3
Support	2,370	2,184	9	2,371	2,189	8	9
Software & Support	3,322	3,159	5	3,323	3,166	5	5
<b>SSRS revenue</b>	<b>3,599</b>	<b>3,351</b>	<b>7</b>	<b>3,601</b>	<b>3,363</b>	<b>7</b>	<b>7</b>
<b>PSOS revenue</b>	<b>655</b>	<b>695</b>	<b>-6</b>	<b>655</b>	<b>695</b>	<b>-6</b>	<b>-6</b>
thereof cloud	55	44	27	55	44	27	26
<b>Total revenue</b>	<b>4,254</b>	<b>4,045</b>	<b>5</b>	<b>4,256</b>	<b>4,057</b>	<b>5</b>	<b>5</b>
<b>Operating Expense Numbers</b>							
<b>Total operating expenses</b>	<b>-3,097</b>	<b>-3,003</b>	<b>3</b>	<b>-2,901</b>	<b>-2,761</b>	<b>5</b>	<b>6</b>
<b>Profit Numbers</b>							
<b>Operating profit</b>	<b>1,157</b>	<b>1,043</b>	<b>11</b>	<b>1,355</b>	<b>1,296</b>	<b>5</b>	<b>3</b>
Finance income, net	-9	-7	40	-9	-7	40	
<b>Profit before tax</b>	<b>1,199</b>	<b>1,035</b>	<b>16</b>	<b>1,397</b>	<b>1,289</b>	<b>8</b>	
Income tax expense	-318	-274	16	-387	-355	9	
<b>Profit after tax</b>	<b>881</b>	<b>762</b>	<b>16</b>	<b>1,010</b>	<b>933</b>	<b>8</b>	
<b>Operating margin in %</b>	<b>27.2</b>	<b>25.8</b>	<b>1,4pp</b>	<b>31.8</b>	<b>32.0</b>	<b>-0,1pp</b>	<b>-0,5pp</b>
<b>Basic earnings per share, in €</b>	<b>0.74</b>	<b>0.64</b>	<b>15</b>	<b>0.84</b>	<b>0.78</b>	<b>8</b>	

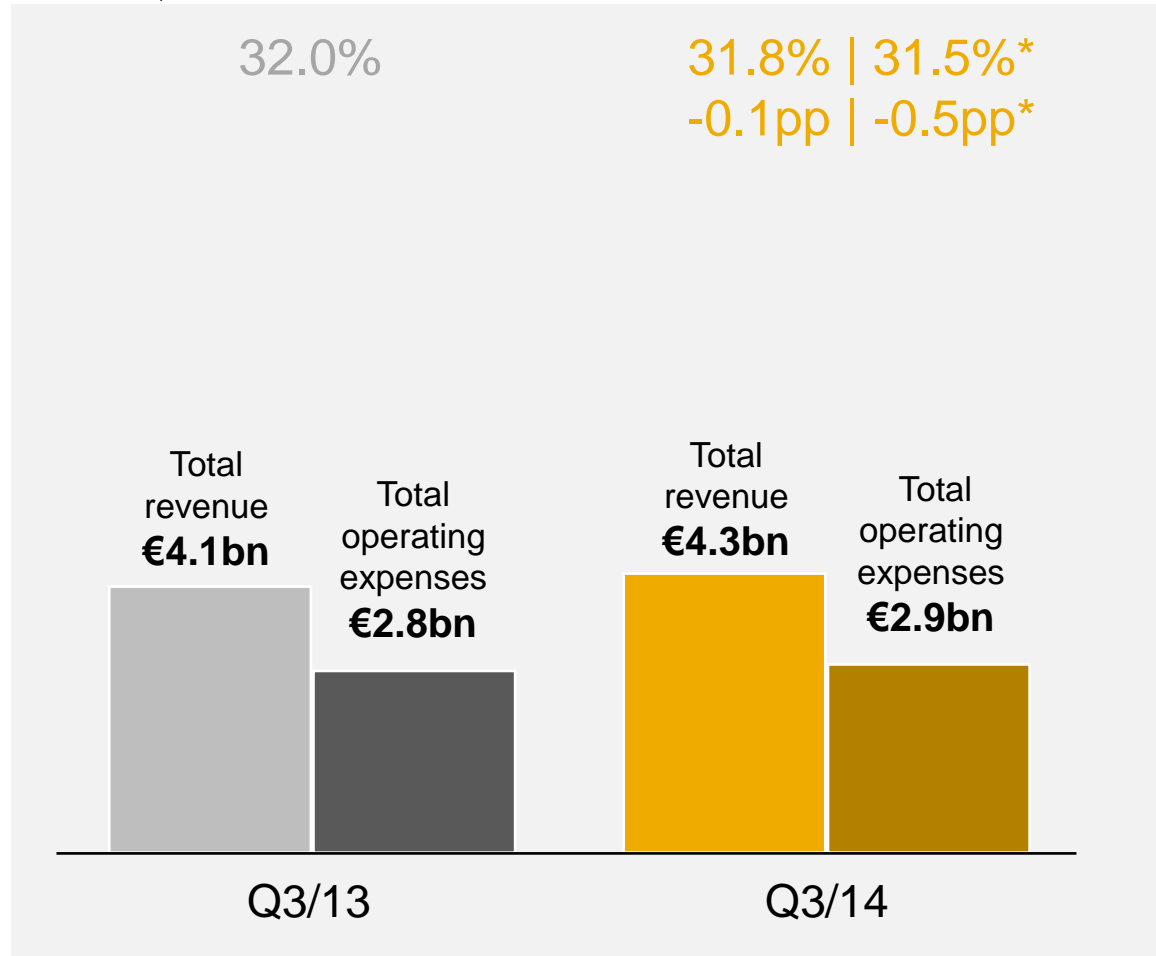
# 9M 2014: Non-IFRS operating profit increased by 6pp at constant currency – litigation provision impacted IFRS operating results

€ millions, unless otherwise stated	IFRS			Non-IFRS			
<b>Revenue Numbers</b>	9M/14	9M/13	Δ%	9M/14	9M/13	Δ%	Δ% at cc
Cloud subscriptions and support	738	488	51	741	547	35	40
Software	2,532	2,614	-3	2,532	2,616	-3	-1
Support	6,862	6,470	6	6,866	6,484	6	9
Software & Support	9,394	9,084	3	9,398	9,100	3	6
<b>SSRS revenue</b>	<b>10,132</b>	<b>9,571</b>	<b>6</b>	<b>10,139</b>	<b>9,647</b>	<b>5</b>	<b>8</b>
<b>PSOS revenue</b>	<b>1,971</b>	<b>2,137</b>	<b>-8</b>	<b>1,971</b>	<b>2,137</b>	<b>-8</b>	<b>-5</b>
thereof cloud	153	126	21	153	126	21	25
<b>Total revenue</b>	<b>12,103</b>	<b>11,708</b>	<b>3</b>	<b>12,110</b>	<b>11,784</b>	<b>3</b>	<b>5</b>
<b>Operating Expense Numbers</b>							
<b>Total operating expenses</b>	<b>-9,525</b>	<b>-9,031</b>	<b>5</b>	<b>-8,600</b>	<b>-8,400</b>	<b>2</b>	<b>5</b>
<b>Profit Numbers</b>							
<b>Operating profit</b>	<b>2,578</b>	<b>2,677</b>	<b>-4</b>	<b>3,510</b>	<b>3,385</b>	<b>4</b>	<b>6</b>
Finance income, net	-1	-44	-98	-1	-44	-98	
<b>Profit before tax</b>	<b>2,621</b>	<b>2,620</b>	<b>0</b>	<b>3,554</b>	<b>3,327</b>	<b>7</b>	
Income tax expense	-650	-614	6	-939	-853	10	
<b>Profit after tax</b>	<b>1,971</b>	<b>2,006</b>	<b>-2</b>	<b>2,615</b>	<b>2,474</b>	<b>6</b>	
<b>Operating margin in %</b>	<b>21.3</b>	<b>22.9</b>	<b>-1,6pp</b>	<b>29.0</b>	<b>28.7</b>	<b>0,3pp</b>	<b>0,1pp</b>
<b>Basic earnings per share, in €</b>	<b>1.65</b>	<b>1.68</b>	<b>-2</b>	<b>2.19</b>	<b>2.08</b>	<b>6</b>	



# Non-IFRS operating margin decreased by 50BP at constant currency in the third quarter 2014

Non-IFRS, Q3/14



## Non-IFRS operating profit:

- +5% to €1.36bn (Q3/13: €1.30bn)
- +3% to €1.34bn at cc

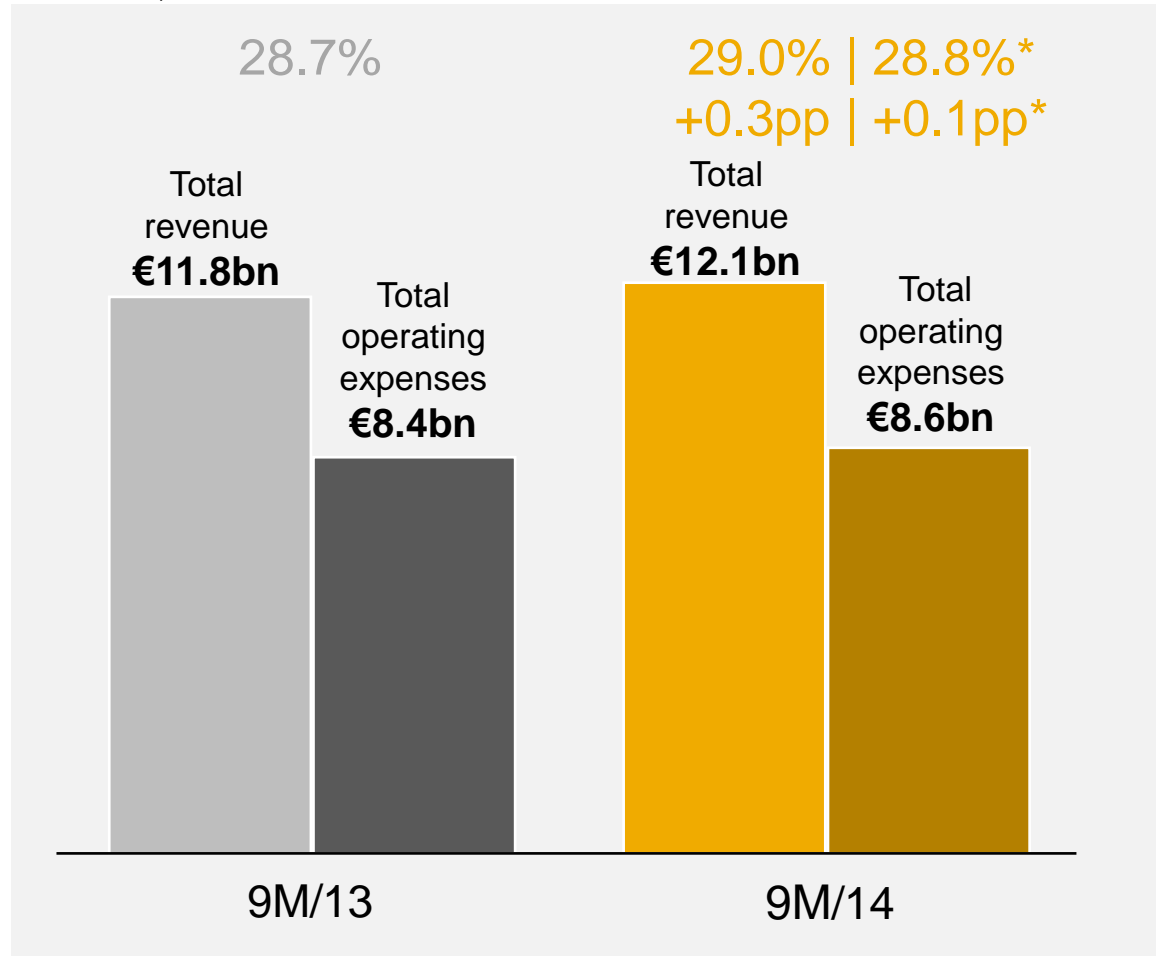
## Non-IFRS operating margin:

- -0.1pp to 31.8% (Q3/13: 32.0%)
- -0.5pp to 31.5% at cc

\* At constant currencies

# Non-IFRS operating margin increased by 10BP at constant currency in the first nine month 2014 despite accelerated shift to the Cloud

Non-IFRS, 9M/14



## Non-IFRS operating profit:

- +4% to €3.51bn (9M/13: €3.39bn)
- +6% to €3.58bn at cc

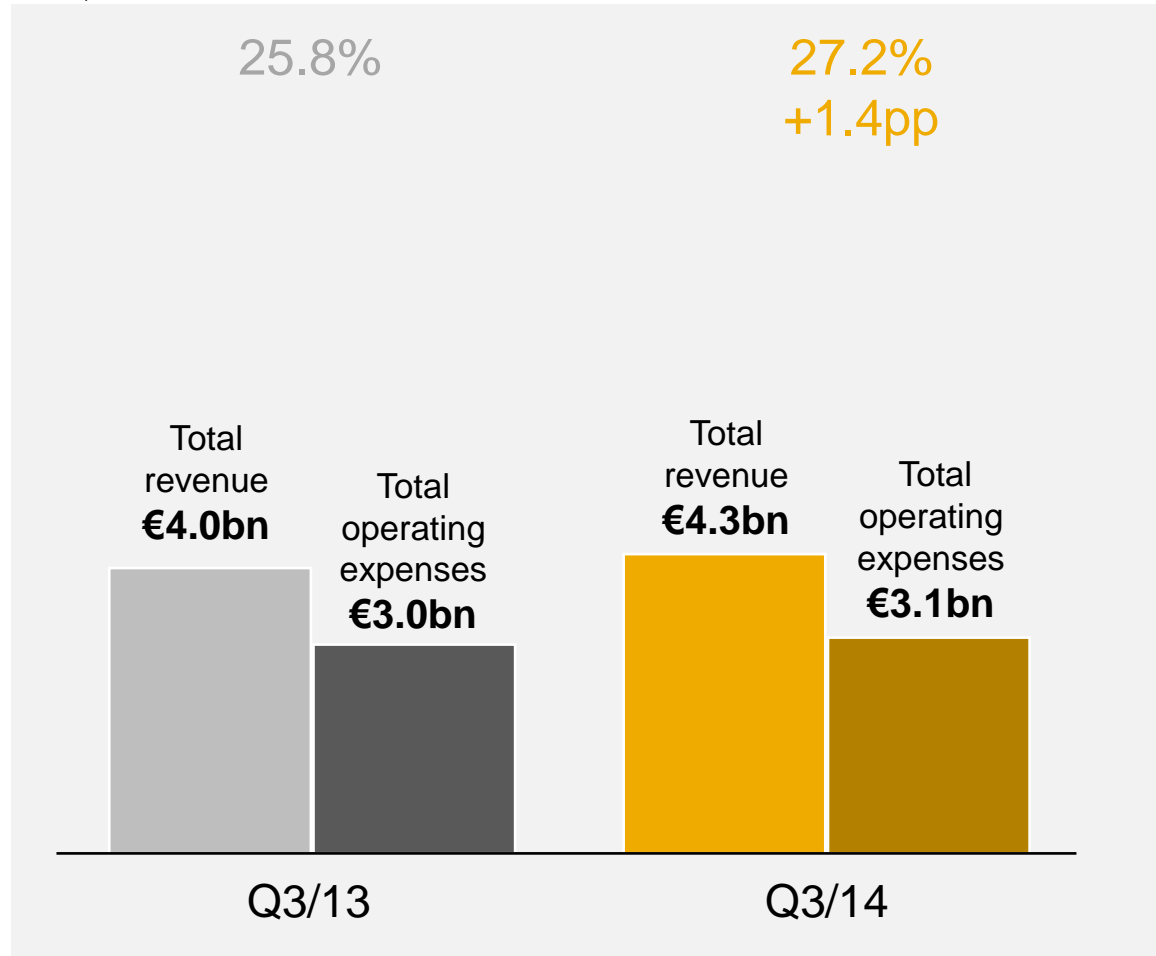
## Non-IFRS operating margin:

- +0.3pp to 29.0% (9M/13: 28.7%)
- +0.1pp to 28.8% at cc

\* At constant currencies

# IFRS operating profit increased by 140 bps to 27.2% in Q3 2014

IFRS, Q3/14



\* At constant currencies

## IFRS operating profit:

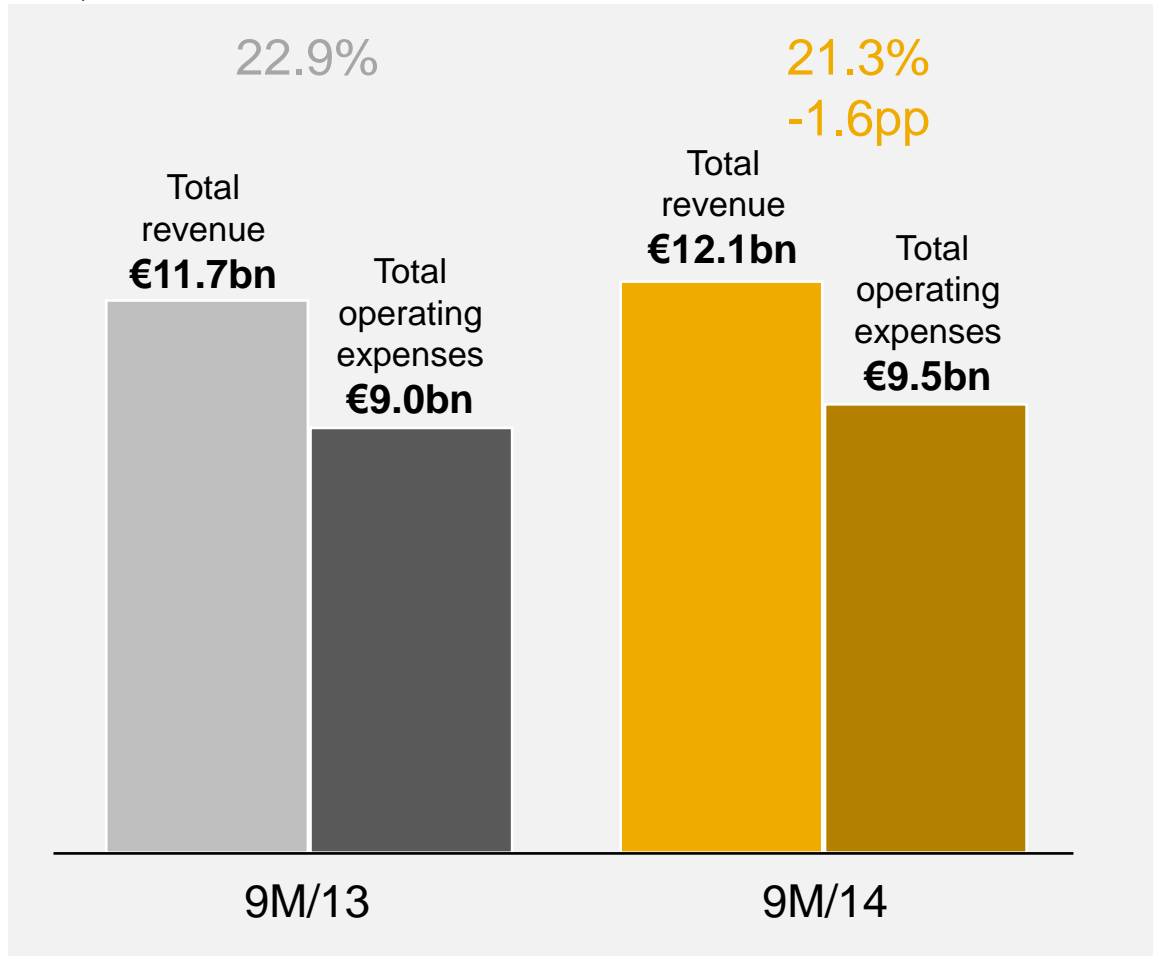
- +11% to €1.16bn (Q3/13: €1.04bn)
- increase is primarily due to a reduction in our share-based payments expense based on our revised expectation of performance against targets in alignment with a changed outlook

## IFRS operating margin:

- IFRS operating margin increased by 1.4pp to 27.2% (Q3/13: 25.8%)

# IFRS operating profit decreased by 4% in 9M 2014 mainly due to expenses for litigations

IFRS, 9M/14



\* At constant currencies

## IFRS operating profit:

- -4% to €2.58bn (9M/13: €2.68bn)
- decrease was mainly due to the expenses for litigations

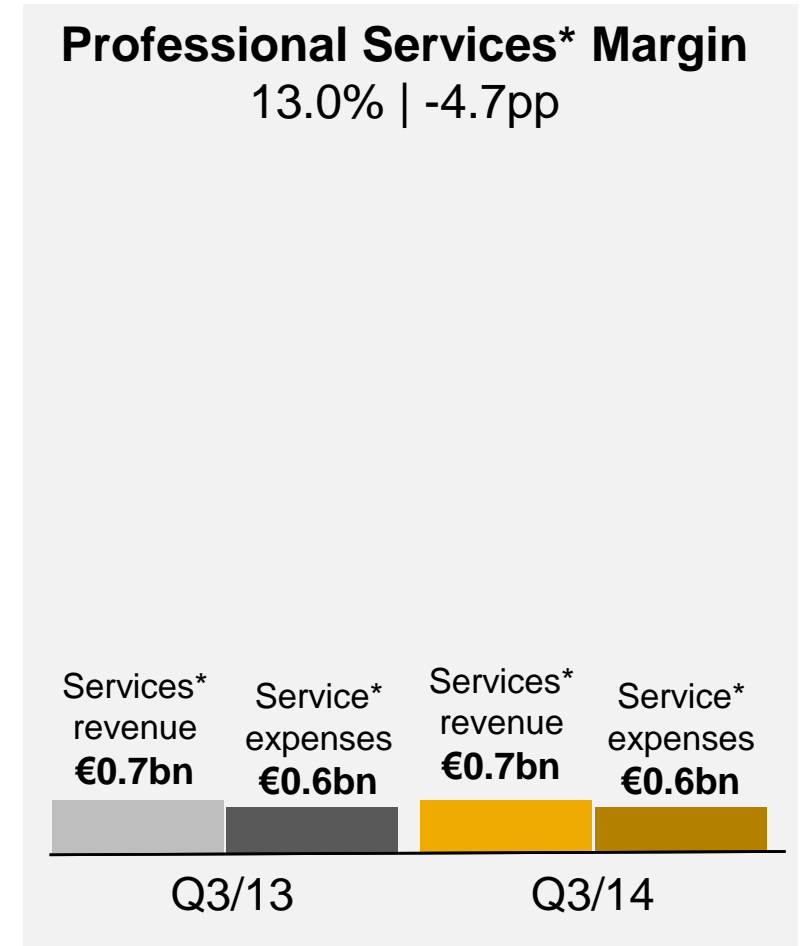
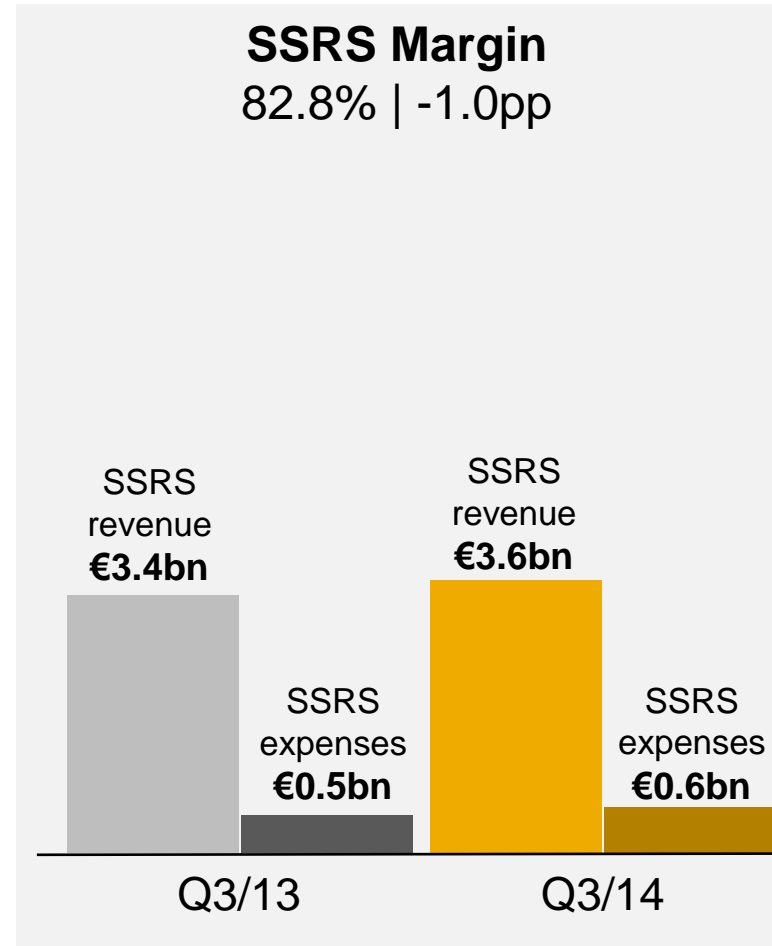
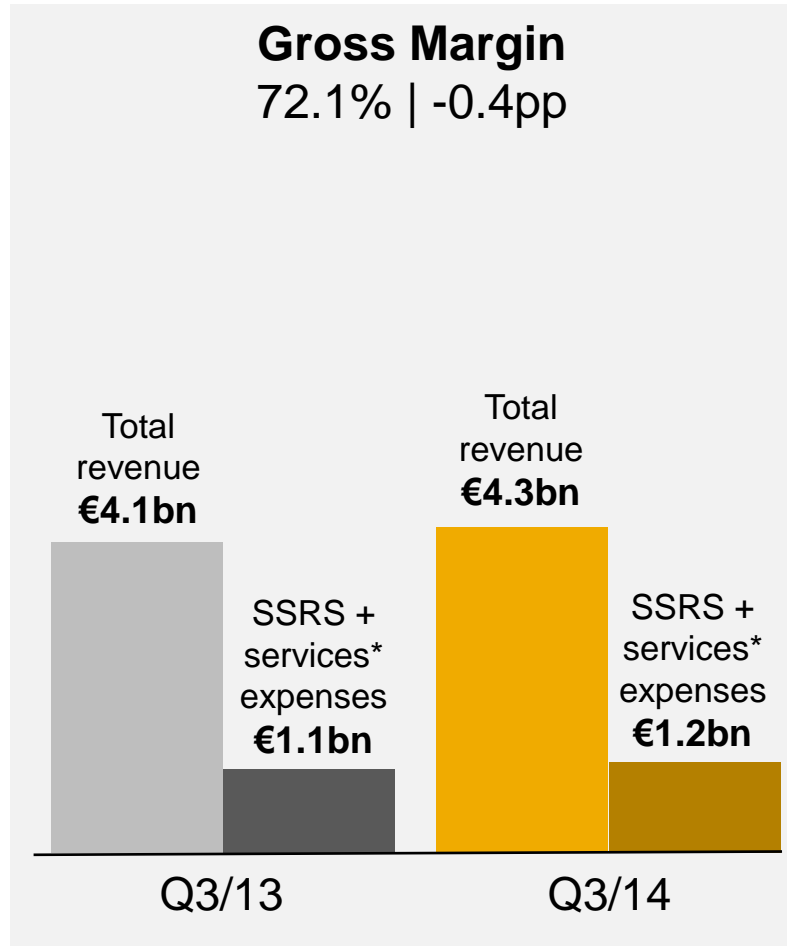
## IFRS operating margin:

- IFRS operating margin was down 1.6pp to 21.3% (9M/13: 22.9%)
- expenses for litigations had a 2.5 percentage point negative effect (9M/13: 0.3pp positive effect).

# Gross margin declined by 40 bps

## Q3 2014

Non-IFRS, Q3/14

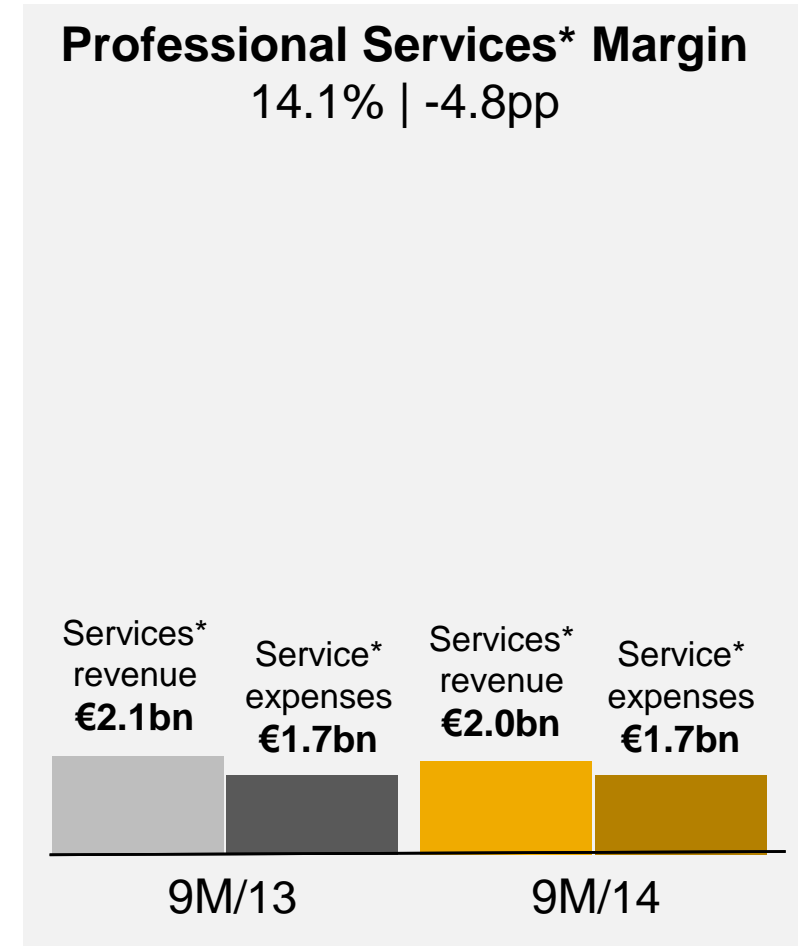
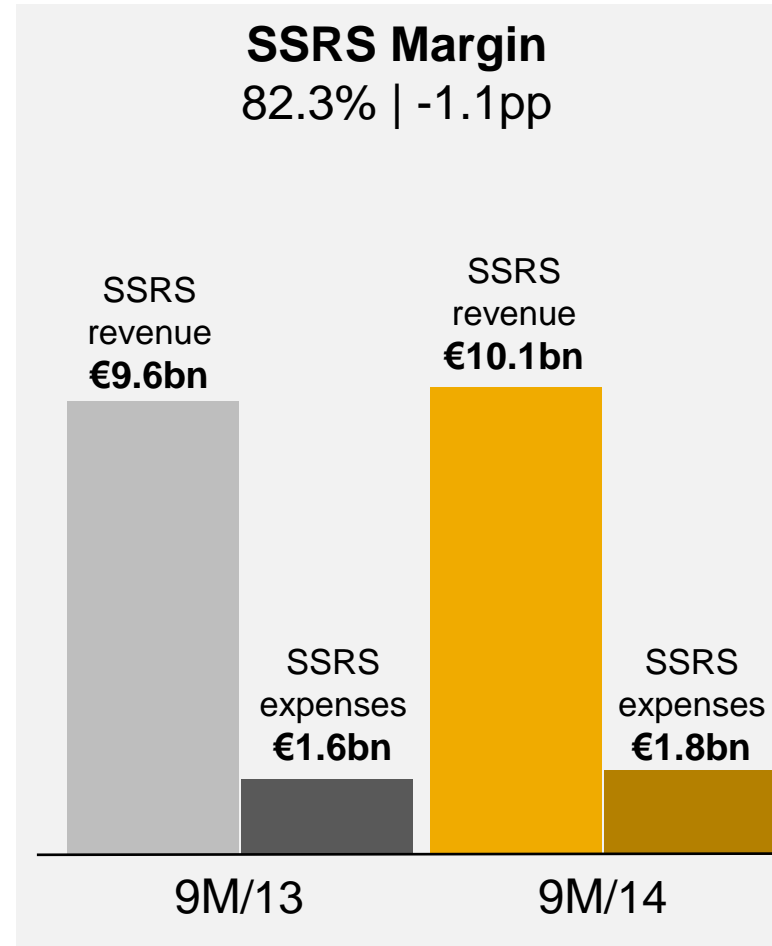
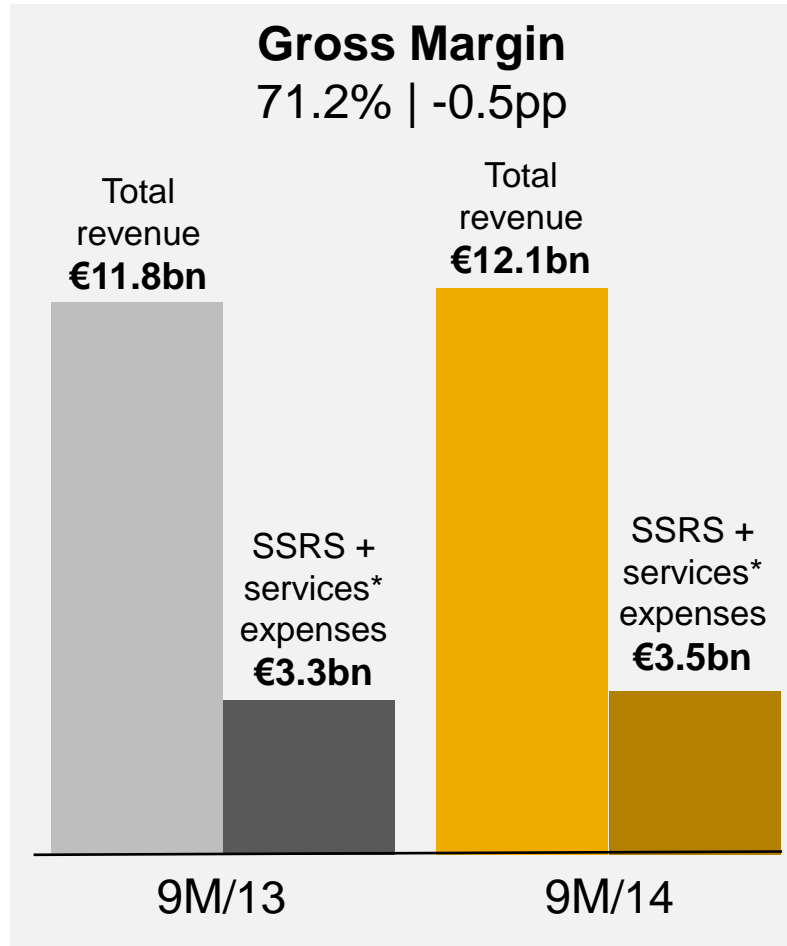


\* Professional services and other services

# Gross margin declined by 50 bps

## 9M 2014

Non-IFRS, 9M/14

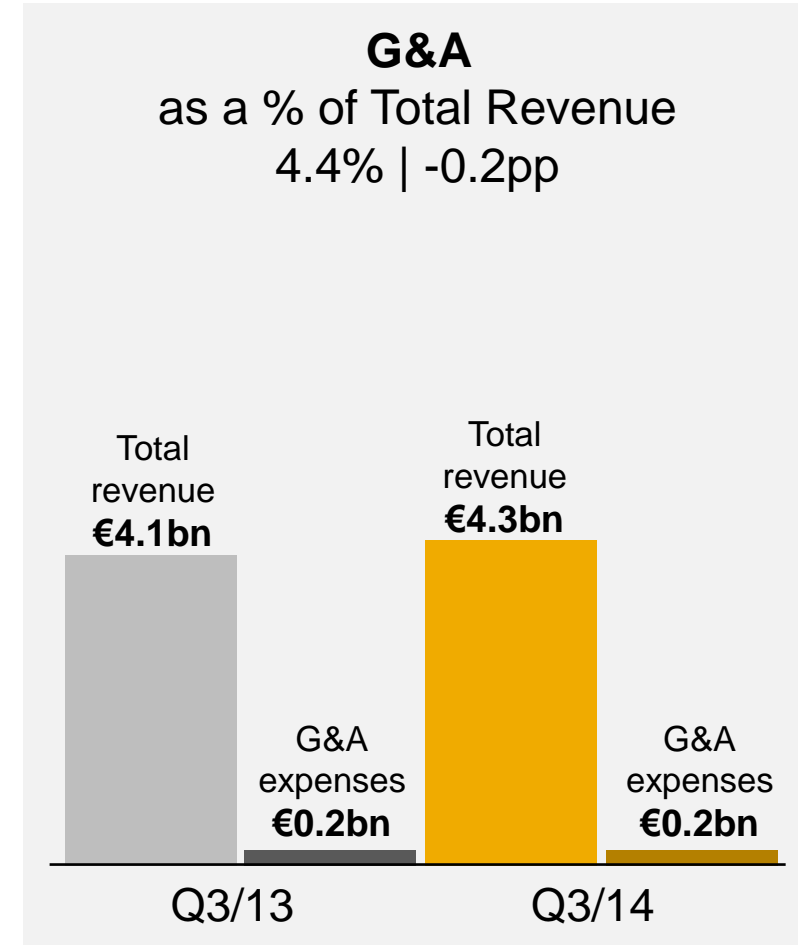
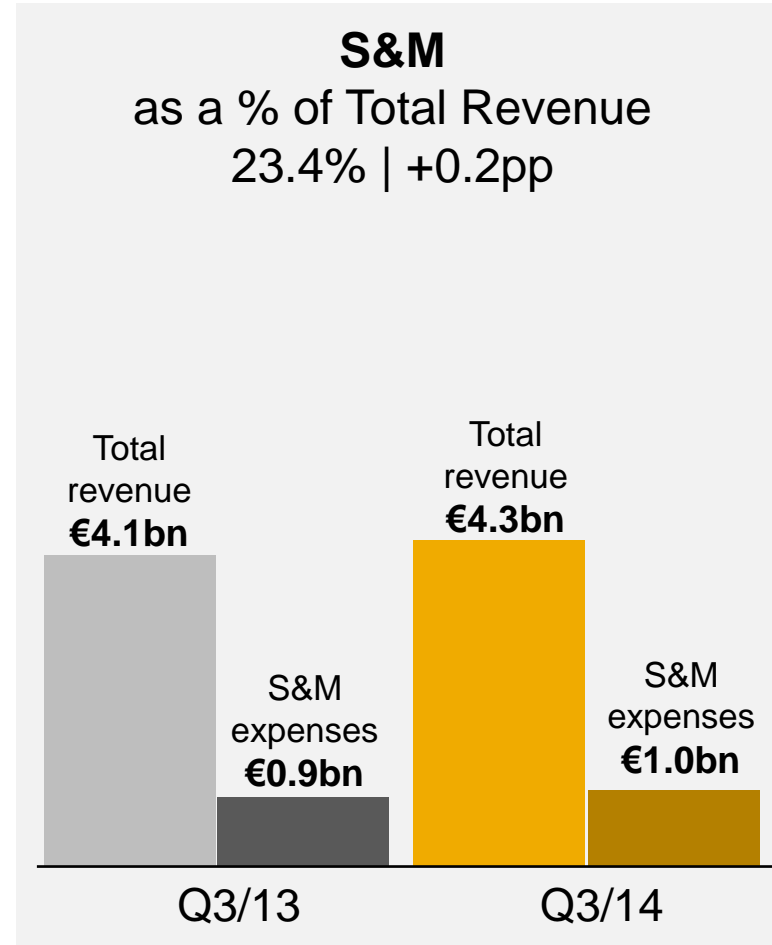
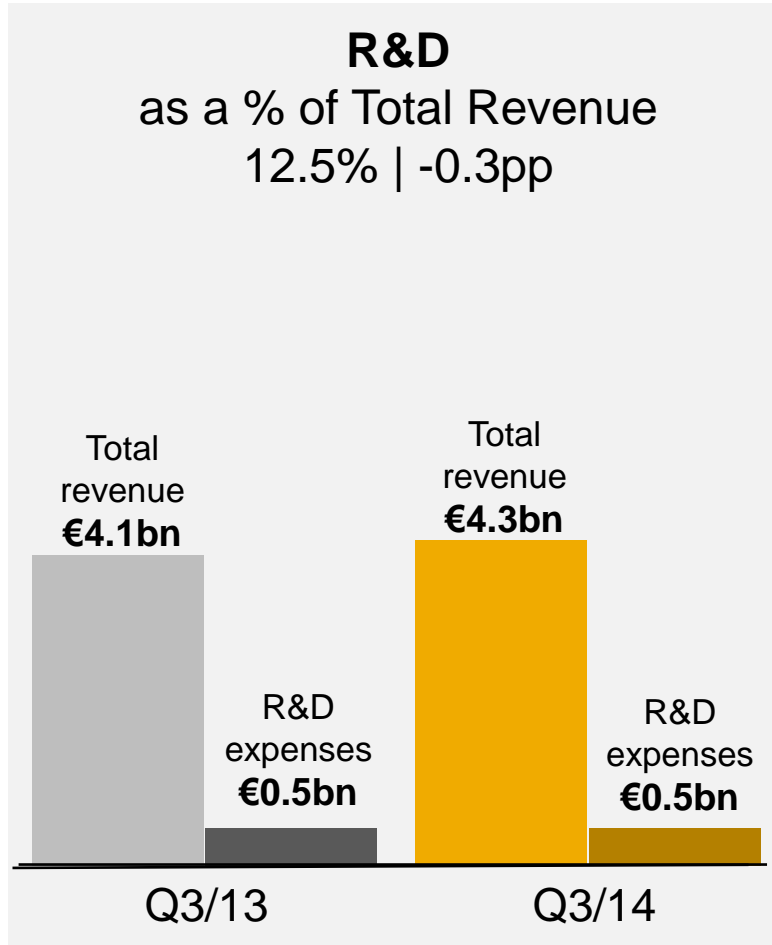


\* Professional services and other services

# Cost ratios

## Q3 2014, Non-IFRS

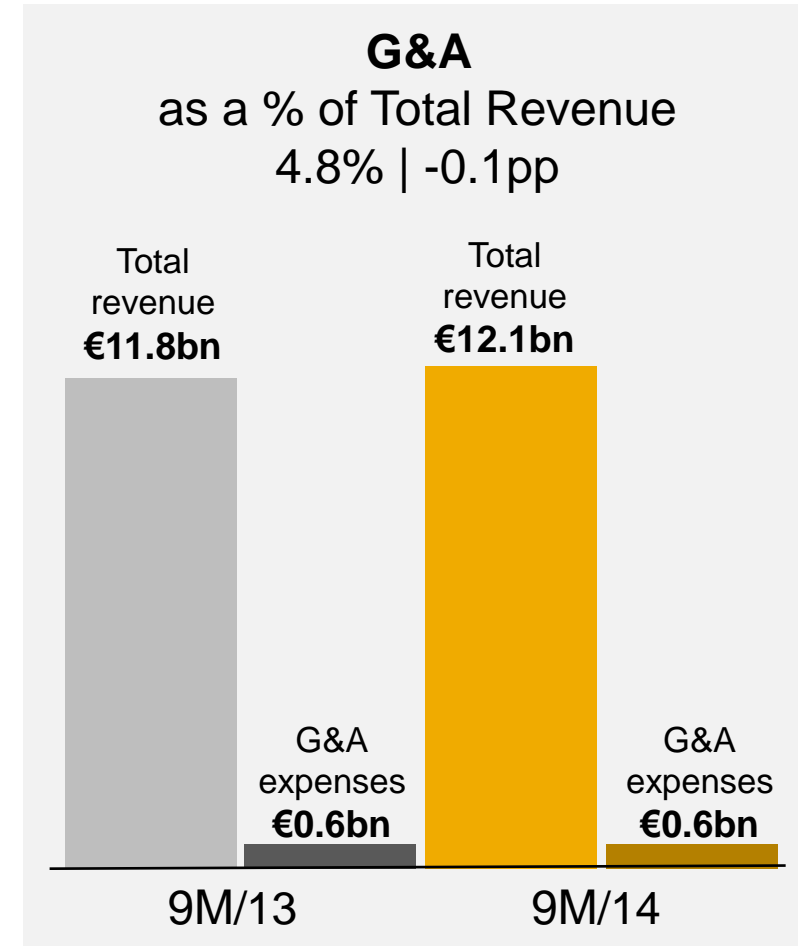
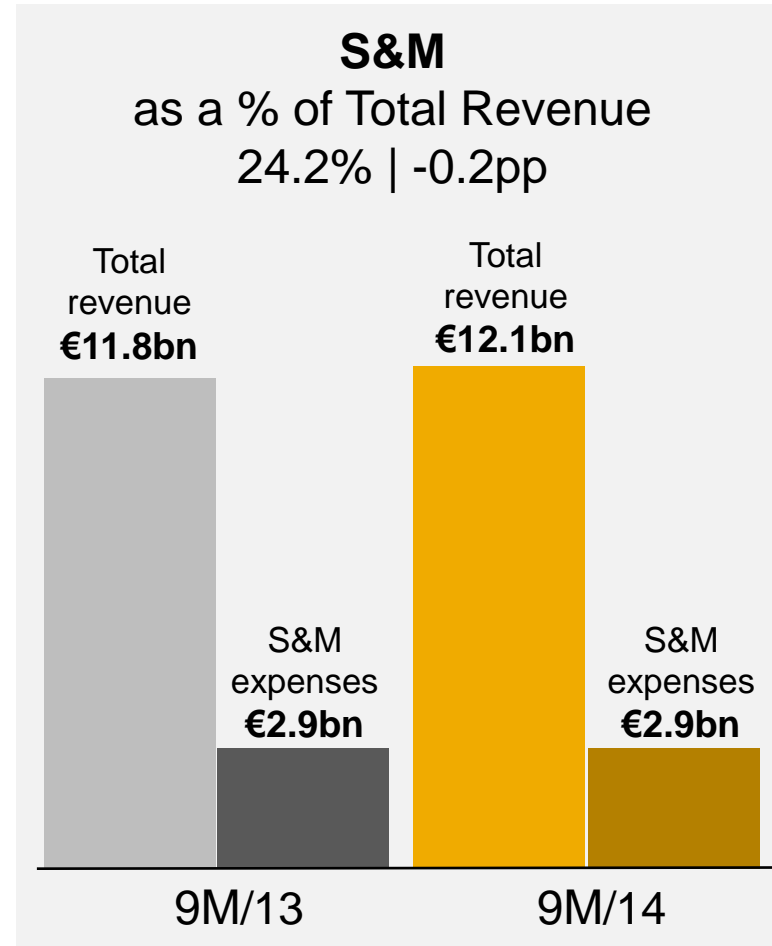
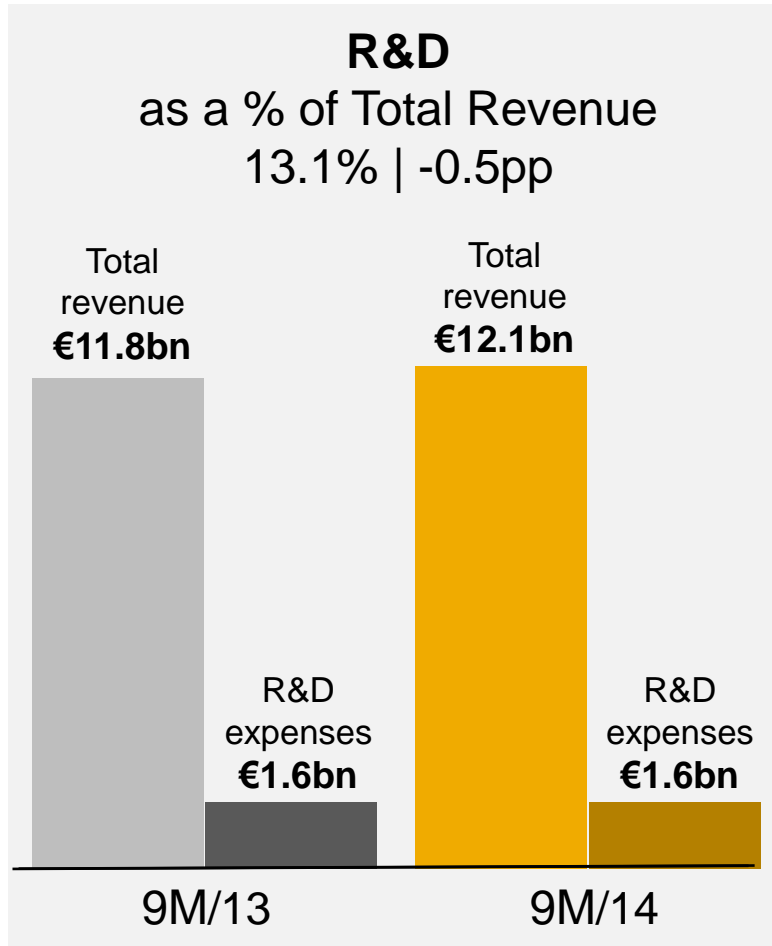
Non-IFRS, Q3/14



# Cost ratios

## 9M 2014, Non-IFRS

Non-IFRS, 9M/14





# Agenda

Income Statement

**Balance Sheet and Cash Flow Analysis**

Outlook and Additional Information

# Balance sheet, condensed

## September 30, 2014, IFRS

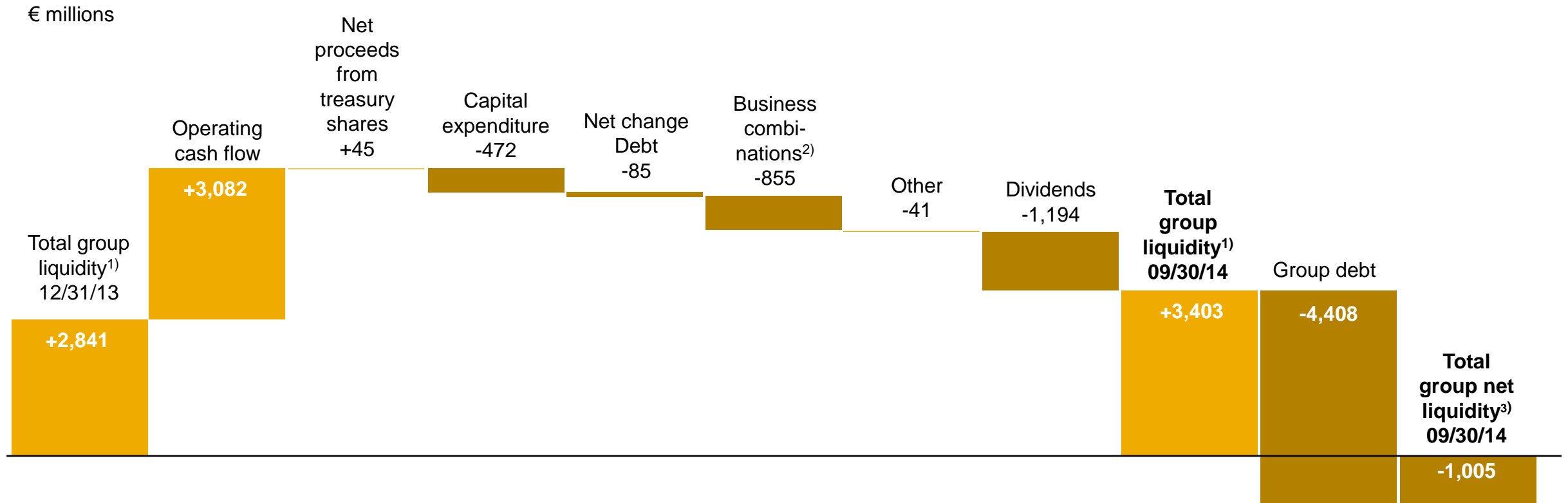
<b>Assets</b> € millions	09/30/14	12/31/13
Cash, cash equivalents and other financial assets	3,815	2,999
Trade and other receivables	3,502	3,864
Other non-financial assets and tax assets	684	488
<b>Total current assets</b>	<b>8,001</b>	<b>7,351</b>
Goodwill	15,088	13,690
Intangible assets	2,953	2,954
Property, plant, and equipment	1,916	1,820
Other non-current assets	1,634	1,275
<b>Total non-current assets</b>	<b>21,592</b>	<b>19,739</b>
<b>Total assets</b>	<b>29,593</b>	<b>27,091</b>

<b>Equity and liabilities</b> € millions	09/30/14	12/31/13
Trade and other payables	961	850
Deferred income	2,503	1,408
Provisions	749	645
Other liabilities	2,834	3,444
<b>Current liabilities</b>	<b>7,048</b>	<b>6,347</b>
Financial liabilities	3,960	3,758
Provisions	143	278
Deferred income	68	74
Other non-current liabilities	645	585
<b>Non current liabilities</b>	<b>4,816</b>	<b>4,695</b>
<b>Total liabilities</b>	<b>11,864</b>	<b>11,042</b>
<b>Total equity</b>	<b>17,729</b>	<b>16,048</b>
<b>Equity and liabilities</b>	<b>29,593</b>	<b>27,091</b>

# Operating cash flow increased by 1% to €3.08bn despite of litigation expenses

€ millions, unless otherwise stated	01/01/14 - 09/30/14	01/01/13 - 09/30/13	Δ
Operating cash flow	3,082	3,040	+1%
- Capital expenditure	-472	-401	+18%
Free cash flow	2,610	2,639	-1%
Free cash flow as a percentage of total revenue	22%	23%	-1pp
Cash conversion rate	1.56	1.52	+3%
Days sales outstanding (DSO in days)	65	62	+3

# Net liquidity improved by almost €500m to -€1.00bn since 2013 – strong result given dividend and cash payout for acquisitions



1) Cash and cash equivalents + restricted cash + current investments

2) Business combinations, net of cash and cash equivalents acquired amounted to -€730m

3) Total Group Liquidity less financial liabilities (=bank loans, private placement transactions and bonds); corresponds with net liquidity 2 – for more details see third quarter 2014 Interim Report

# Agenda

Income Statement

Balance Sheet and Cash Flow Analysis

**Outlook and Additional Information**

# SAP adjusted outlook for the full year 2014

	SAP's Outlook FY 2014		Basis for Comparison 2013
Cloud subscription and support revenue (Non-IFRS at cc)	€1,040m – €1,070m Upper end of this range represents a growth rate of +41%	Previously: €1,000m – €1,050m	€757m
Software and Software-related Service Revenue (Non-IFRS at cc)	+ 6% – 8%		€14.03bn
Operating Profit (Non-IFRS at cc)	€5.6bn to €5.8bn	Previously: €5.8bn to €6bn	€5.48bn

While the Company's full-year 2014 business outlook is at constant currency, actual currency reported figures are expected to continue to be impacted by currency exchange rate fluctuations. If exchange rates remain at the September 2014 level for the rest of the year, the Company expects non-IFRS software and software-related service revenue and non-IFRS operating profit growth rates at actual currency to experience a positive currency impact of approximately 3 percentage points and 3 percentage points respectively for the fourth quarter of 2014 and a negative currency effect of approximately 1 percentage points and neutral impact respectively for the full year 2014.

The above mentioned indication for the expected currency exchange rate impact on actual currency reported figures replaces the earlier indication disclosed in SAP's Q2 2014 earnings announcement on July 17<sup>st</sup>, 2014.

# Additional outlook information and non-IFRS adjustments

- The company continues to expect a full-year 2014 effective tax rate (IFRS) between 26.0% to 27.0% (2013: 24.4%) and an effective tax rate (non-IFRS) between 27.5% to 28.5% (2013: 25.9%) but now expects to reach the lower end of these ranges.

IFRS Profit Measure	Actual Amounts 9M/2013	Actual Amounts 9M/2014	Est. Amounts for FY/2014
Deferred revenue write-down	€76m	€7m	<€20m
TomorrowNow and Versata Litigation	€-32m	€307m	€310m to €330m
Share-based compensation expenses	€192m	€119m	€305m to €345m
Acquisition-related charges	€424m	€402m	€520m to €560m
Restructuring charges	€47m	€97m	€100m to €150m
Sum of all adjustments	€707m	€933m	€1,255m to €1,405m

# Explanation of non-IFRS measures

---

SAP has provided its non-IFRS estimates for the full-year 2014. For a more detailed description of all of SAP's non-IFRS measures and their limitations as well as our constant currency and free cash flow figures see [Non-IFRS Measures and Estimates](#) online.

Constant currency revenue figures are calculated by translating revenue of the current period using the average exchange rates from the previous year's respective period instead of the current period. Constant currency period-over-period changes are calculated by comparing the current year's non-IFRS constant currency numbers with the non-IFRS number of the previous year's respective period.

For a more detailed description of all of SAP's non-IFRS adjustments and their limitations as well as our constant currency and free cash flow figures see [Non-IFRS Measures and Estimates](#) online.