



# First Quarter 2017 Results Release

April 25<sup>th</sup>, 2017



# 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

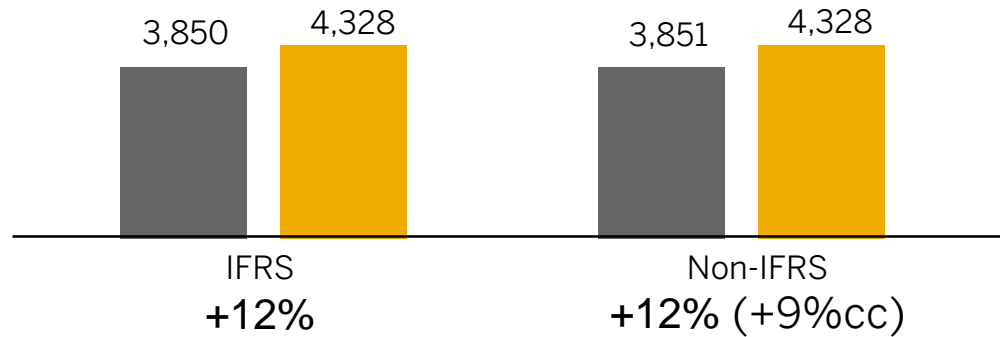
Appendix

# Key performance metrics Q1 2017

## Cloud & Software Revenue

in € millions

■ Q1/16 ■ Q1/17



## Operating Profit

in € millions

■ Q1/16 ■ Q1/17



## Cloud Subscriptions & Support Revenue

in € millions



## Share of Predictable Revenue

in percent



## Total Revenue

in € millions



# Regional performance\* Q1 2017

## Americas

↑ 12% (+8% cc\*\*)   
 cloud and software revenue

↑ 27% (+22% cc\*\*)   
 cloud subscriptions   
 and support revenue

Strong growth in cloud and software revenue. High double-digit cloud growth in Canada and Mexico. Double-digit growth in software revenue in North America; Brazil was strong amidst a difficult macroeconomic environment.

## EMEA

↑ 10% (+8% cc\*\*)   
 cloud and software revenue

↑ 43% (+42% cc\*\*)   
 cloud subscriptions   
 and support revenue

EMEA with solid cloud and software performance. In Germany, France and Italy especially strong cloud business; Triple-digit software revenue growth in South Africa and Netherlands.

## APJ

↑ 21% (+16% cc\*\*)   
 cloud and software revenue

↑ 65% (+56% cc\*\*)   
 cloud subscriptions   
 and support revenue

APJ with exceptional performance in cloud and software revenue. Japan and India with strong results in cloud subscriptions and software revenue. Strong double-digit software revenue growth in Greater China\*\*\* and South Korea.

\*Revenues calculated based on customer location; All numbers are non-IFRS if not otherwise stated \*\* at constant currency \*\*\*SAP's Greater China region includes China, Hong Kong and Taiwan

# Fast growing cloud business – New cloud and software license order entry<sup>4)</sup> up >30% yoy in Q1/17

Q1/17 unless otherwise stated

\* Cloud subscriptions and support revenue

<p>Cloud subscriptions and support revenue, non-IFRS (+30% at cc)</p> <p><b>+34%</b> yoy to €906m</p>	<p>New cloud bookings<sup>1)</sup> (+44% at cc)</p> <p><b>+49%</b> to €215m</p>	<p>Cloud subscriptions and support backlog<sup>2)</sup></p> <p><b>€5.4bn</b> +47% yoy</p>	<p>Cloud applications total subscribers</p> <p><b>~130m</b></p>
<p>SAP Business network – Segment revenue, non-IFRS* (€448m   +20% at cc)</p> <p><b>€464m</b> yoy +24%</p>	<p>&gt;2.7m connected companies trade on Ariba network</p> <p><b>&gt;\$900bn</b> of commerce<sup>3)</sup></p>	<p>Number of end users processing travel &amp; expenses with Concur</p> <p><b>&gt;47m</b></p>	<p>Flexible workers managed with Fieldglass platform</p> <p><b>&gt;3.3m</b> annually</p>

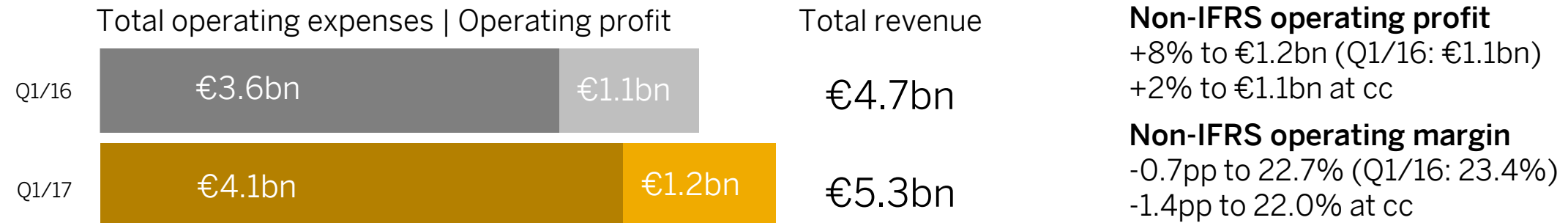
- 1) New cloud bookings – key measure for SAP’s sales success in the cloud – consist of order entry of a given period that is expected to be classified as cloud subscription and support revenue and results from purchases by new customers and from incremental purchases by existing customers. Consequently, 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) Cloud subscriptions and support backlog represents expected future cloud subscriptions and support revenue that is contracted but not yet invoiced + thus not recorded in deferred revenue (as of Dec 31, 2016)
- 3) Network spend volume is the total value of purchase orders transacted on the Ariba Networks in the trailing 12 months.
- 4) New cloud and software license order entry is the total of new cloud order entry and software license order entry. The new cloud order entry metric is identical to the new cloud bookings metric defined above except that it considers the total contract value (TCV) of the orders where the new cloud bookings metric considers the orders’ annualized contract value (ACV). Software license order entry is the total of all orders received in a given period the revenue from which is expected to be classified as software license revenue. The support services commonly sold with the software licenses are not included in the software license order entry metric.

# Great start to the year where we continued rapid expansion in our top line with accelerating cloud growth and an excellent software performance

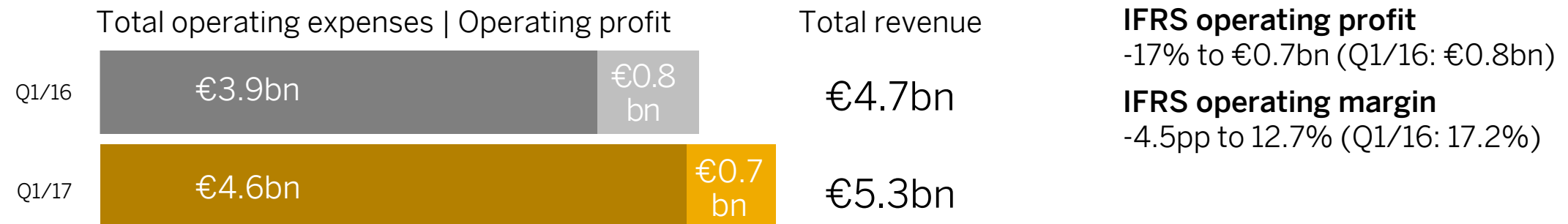
€ millions, unless otherwise stated	IFRS			Non-IFRS			
<b>Revenue Numbers</b>	Q1/17	Q1/16	Δ%	Q1/17	Q1/16	Δ%	Δ% at cc
Cloud subscriptions and support	905	677	34	906	678	34	30
Software licenses	691	609	13	691	609	13	10
Software support	2,731	2,564	7	2,731	2,564	7	3
Software licenses and support	3,422	3,172	8	3,422	3,173	8	5
Cloud and software	4,328	3,850	12	4,328	3,851	12	9
Services	957	877	9	957	877	9	6
<b>Total revenue</b>	<b>5,285</b>	<b>4,727</b>	<b>12</b>	<b>5,285</b>	<b>4,728</b>	<b>12</b>	<b>8</b>
<b>Operating Expense Numbers</b>							
Total operating expenses	-4,612	-3,914	18	-4,087	-3,624	13	10
<b>Profit Numbers</b>							
<b>Operating profit</b>	<b>673</b>	<b>813</b>	<b>-17</b>	<b>1,198</b>	<b>1,104</b>	<b>8</b>	<b>2</b>
Finance income, net	13	-35	<-100	13	-35	<-100	
<b>Profit before tax</b>	<b>668</b>	<b>743</b>	<b>-10</b>	<b>1,193</b>	<b>1,034</b>	<b>15</b>	
Income tax expense	-138	-173	-20	-306	-271	13	
<b>Profit after tax</b>	<b>530</b>	<b>570</b>	<b>-7</b>	<b>887</b>	<b>763</b>	<b>16</b>	
Operating margin in %	12.7	17.2	-4,5pp	22.7	23.4	-0,7pp	-1,4pp
Basic earnings per share, in €	0.43	0.48	-9	0.73	0.64	15	

# Non-IFRS operating profit was solid in smallest top line quarter of year – despite ongoing investments, increased headcount & revenue mix shift effect

## Non-IFRS



## IFRS



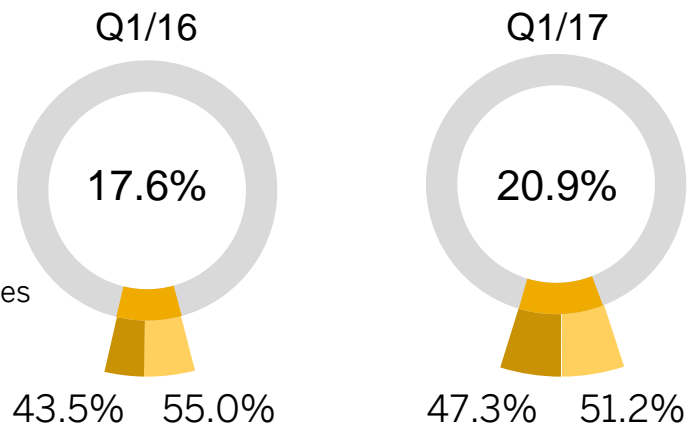


# Revenue mix shift weighs on ATS and cloud gross margins

Non-IFRS

## Share of Cloud subscriptions revenue\*

■ App., Tech. & Services  
■ Business Network



**ATS margin** 53.7 → 51.7

**Business Network margin** 75.4 → 76.9

**Cloud margin** 65.9 → 64.6

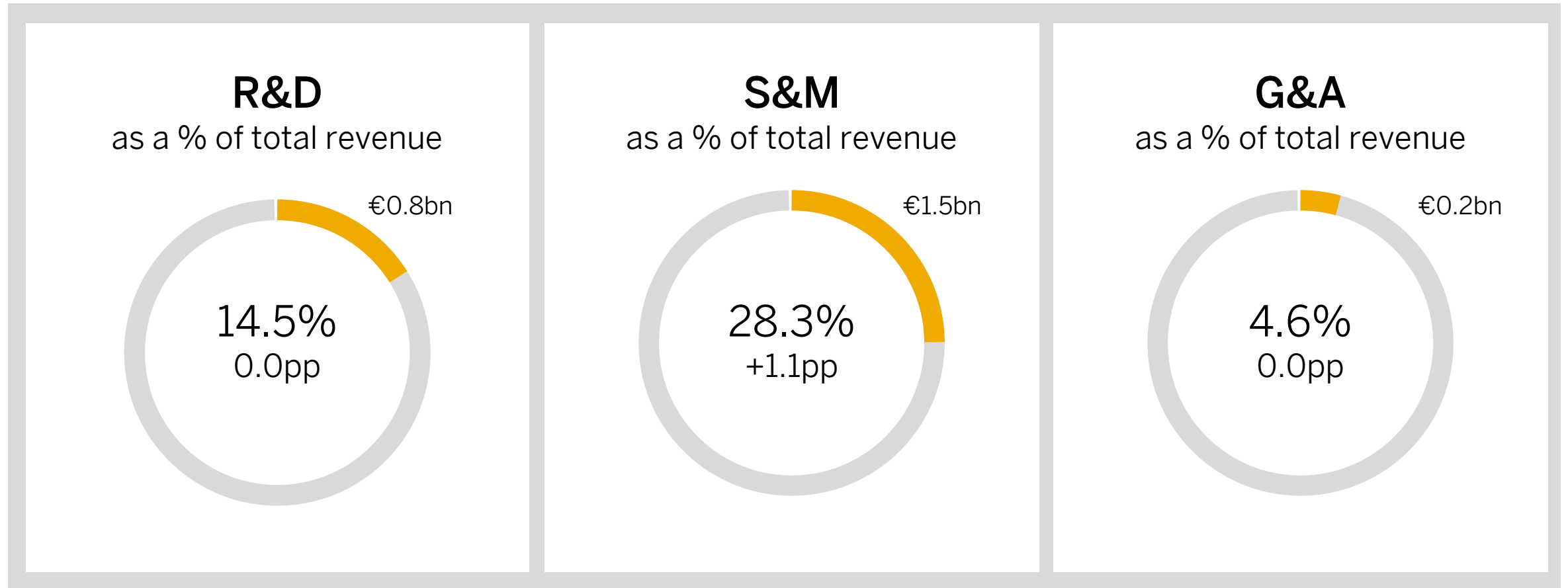
\* Cloud subscriptions revenue share of cloud and software revenue

- Q1/17: Cloud subscriptions gross margin increased sequentially by 1.9pp to 64.6%, but a decline 1.2 pp yoy – primarily due to revenue mix shift effects within different cloud models and ongoing investments
- For entire cloud operations – we are still investing heavily in cloud delivery and are also incurring costs to converge our acquired cloud applications onto SAP HANA, which will provide massive benefits for customers
- Cloud margin – business network cloud margin increased yoy by 1.5pp to 76.9%; ATS declined to 51.7% yoy
  - Revenue mix shift effect within ATS: accelerated growth, and consequently higher share, of private cloud business, which was positive for the third quarter in a row and is now 11.1%. High investments in public cloud result in a margin of 60.5%.
  - Revenue mix shift effect within cloud business: higher share of ATS segment of total cloud business weighs on cloud margin as well.

# Cost ratios

Q1 2017

€5.3bn total revenue, Non-IFRS



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# Balance sheet, condensed

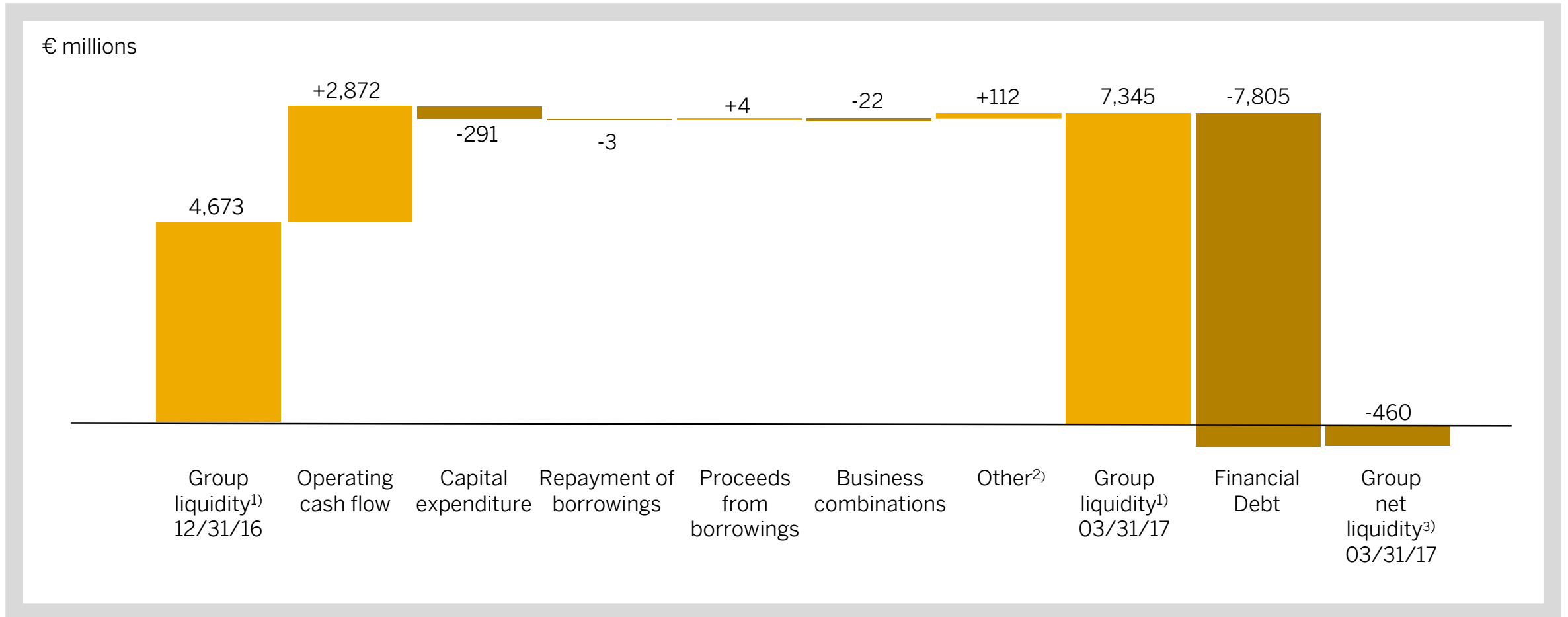
## March 31, 2017, IFRS

<b>Assets</b> € millions	03/31/17	12/31/16	<b>Equity and liabilities</b> € millions	03/31/17	12/31/16
Cash, cash equivalents and other financial assets	7,481	4,826	Trade and other payables	1,183	1,281
Trade and other receivables	6,596	5,924	Provisions	158	183
Other non-financial assets	1,070	814	Other liabilities	5,092	5,827
<b>Total current assets</b>	<b>15,147</b>	<b>11,564</b>	Deferred income, current	6,215	2,383
Goodwill	23,092	23,312	<b>Total current liabilities</b>	<b>12,649</b>	<b>9,674</b>
Intangible assets	3,638	3,786	Financial liabilities	6,454	6,481
Property, plant, and equipment	2,620	2,580	Provisions	321	217
Other non-current assets	3,228	3,036	Deferred income, non-current	70	143
<b>Total non-current assets</b>	<b>32,578</b>	<b>32,713</b>	Other non-current liabilities	1,464	1,365
<b>Total assets</b>	<b>47,724</b>	<b>44,277</b>	<b>Total non-current liabilities</b>	<b>8,308</b>	<b>8,205</b>
			Total liabilities	20,957	17,880
			Total equity	26,768	26,397
			<b>Total equity and liabilities</b>	<b>47,724</b>	<b>44,277</b>

## Q1 2017 – Operating cash flow increased by 16% to €2.9bn year-over-year

€ millions, unless otherwise stated	12/31/16 -03/31/17	12/31/15 -03/31/16	Δ
Operating cash flow	2,872	2,482	+16%
- Capital expenditure	-291	-168	+73%
<b>Free cash flow</b>	<b>2,581</b>	<b>2,313</b>	<b>+12%</b>
Free cash flow as a percentage of total revenue	49%	49%	+/-0pp
Cash conversion rate	5.42	4.36	+24%
Days sales outstanding (DSO in days, March. 31)	72	72	+/-0

# Net liquidity improved by €2.8 billion year-over-year



1) Cash and cash equivalents + current investments

2) Includes purchase and sales of equity or debt instruments of other entities and effects of FX rates on cash and cash equivalents

3) Group Net Liquidity defined as Total Group Liquidity minus Group debt – for more details see 2016 integrated report

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# Reiterated outlook for Q1 2017

	Cloud subscriptions and support revenue (Non-IFRS at cc)	Cloud and software revenue (Non-IFRS at cc)	Total revenue (Non-IFRS at cc)	Operating profit (Non-IFRS at cc)
SAP's outlook FY 2017	<b>€3.8bn to €4.0bn</b> upper end +34% [ 2016: €2.99bn]	<b>+6% to 8%</b> [ 2016: €18.43bn]	<b>€23.2 to 23.6bn</b> [ 2016: €22.07bn]	<b>€6.8bn to €7.0bn</b> [ 2016: €6.63bn]
Actual performance 3M/17	<b>€878m</b>   +30%	<b>+9%</b>	<b>€5.1bn</b>   + 8 %	<b>€1.1bn</b>   +2%

While the Company's full-year 2017 business outlook is at constant currencies, actual currency reported figures are expected to continue to be impacted by exchange rate fluctuations. If exchange rates remain at the March 2017 average level for the rest of the year, the Company expects its non-IFRS cloud and software revenue growth rate as well as its non-IFRS operating profit growth rate to experience a currency benefit in a range of 2 to 5 percentage points for Q2 2017. For the full year 2017 we expect a range of 1 to 4 percentage points benefit.



## Q1 2017 – Additional outlook information and non-IFRS adjustments

The company expects a full-year 2017 effective tax rate (IFRS) between 26.0% to 27.0% (2016: 25.3%) and an effective tax rate (non-IFRS) between 27.0% to 28.0% (2016: 26.8%).

<b>Non-IFRS adjustments</b>	<b>Actual Amounts Q1/16</b>	<b>Actual Amounts Q1/17</b>	<b>Est. Amounts for FY 2017</b>
Revenue adjustments	€1m	€0m	<€20m
Share-based payment expenses	€109m	€363m	€900m to €1,150m
Acquisition-related charges	€170m	€157m	€620m to €650m
Restructuring charges	€11m	€4m	€250m to €300m
<b>Sum of all adjustments</b>	€291m	€525m	€1,790m to €2,120m

# Explanation of non-IFRS measures

SAP has provided its non-IFRS estimates for the full-year 2017. 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.

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# How to look at cloud subscription deals?

## Simplified business example

