



# Second Quarter and Half Year 2017 Results

## Results Release

July 20<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

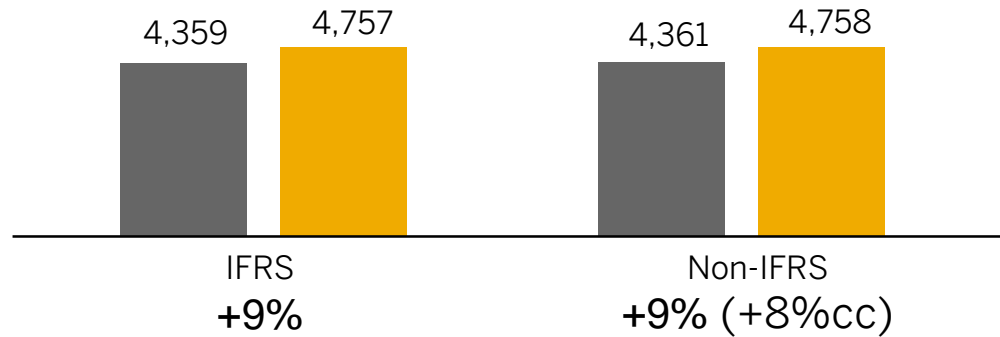
Appendix

# Key performance metrics Q2 2017

## Cloud & Software Revenue

in € millions

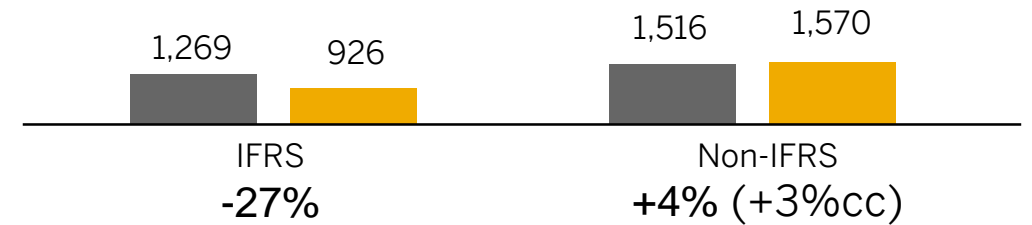
■ Q2/16 ■ Q2/17



## Operating Profit

in € millions

■ Q2/16 ■ Q2/17



## Cloud Subscriptions & Support Revenue

in € millions



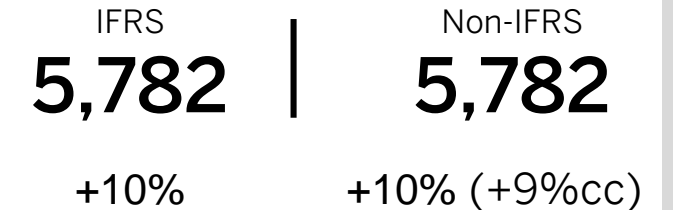
## Share of Predictable Revenue

in percent



## Total Revenue

in € millions

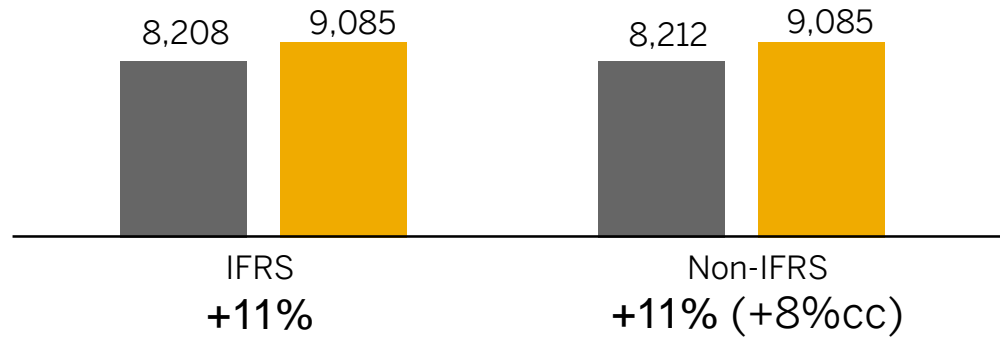


# Key performance metrics H1 2017

## Cloud & Software Revenue

in € millions

■ H1/16 ■ H1/17



## Operating Profit

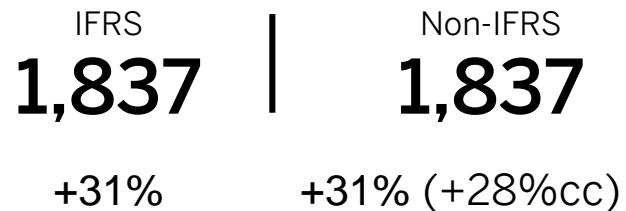
in € millions

■ H1/16 ■ H1/17



## Cloud Subscriptions & Support Revenue

in € millions



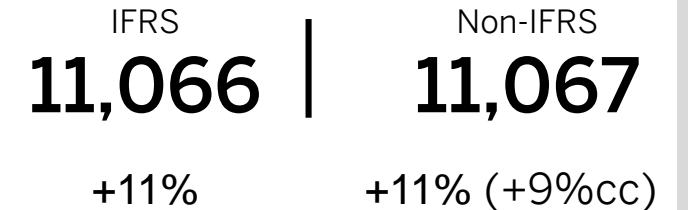
## Share of Predictable Revenue

in percent



## Total Revenue

in € millions



# Regional performance\* Q2 2017

## Americas

↑ 8% (+5% cc\*\*) cloud and software revenue

↑ 19% (+16% cc\*\*) cloud subscriptions and support revenue

Solid growth in cloud and software revenue. Double-digit growth in software revenue in Canada, Mexico and Chile were highlights.

## EMEA

↑ 9% (+9% cc\*\*) cloud and software revenue

↑ 48% (+48% cc\*\*) cloud subscriptions and support revenue

EMEA with strong cloud and software performance. In Germany and Russia especially strong cloud business; Double-digit software revenue growth in Germany and MENA\*\*\* and triple-digit software revenue growth in Russia.

## APJ

↑ 13% (+11% cc\*\*) cloud and software revenue

↑ 52% (+47% cc\*\*) cloud subscriptions and support revenue

APJ with exceptional performance in both cloud and software revenue. China was very strong in cloud subscriptions and support revenue while Japan and Australia both had strong double-digit growth in software revenue.

\*Revenues calculated based on customer location; All numbers are non-IFRS if not otherwise stated \*\* at constant currency; \*\*\*Middle East and North Africa

# New cloud and software license order entry<sup>4)</sup> up >20% yoy in Q2/17

Q2/17 unless otherwise stated

<p>Cloud subscriptions and support revenue, non-IFRS (+27% at cc)</p> <p><b>+29%</b> yoy to €932m</p>	<p>New cloud bookings<sup>1)</sup> (+33% at cc)</p> <p><b>+33%</b> to €340m</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>~135m</b></p>
<p>SAP Business network – Segment revenue, non-IFRS (€558m   +19% at cc)</p> <p><b>€570m</b> yoy +22%</p>	<p>&gt;2.8m connected companies trade on Ariba network</p> <p><b>~\$1tn</b> of commerce<sup>3)</sup></p>	<p>Number of end users processing travel &amp; expenses with Concur</p> <p><b>&gt;49m</b></p>	<p>Flexible workers managed with Fieldglass platform</p> <p><b>&gt;3.5m</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.

## Q2 2017 – Another excellent quarter in our core and cloud business as our profitable growth story continues

€ millions, unless otherwise stated	IFRS			Non-IFRS			
Revenue Numbers	Q2/17	Q2/16	Δ%	Q2/17	Q2/16	Δ%	Δ% at cc
Cloud subscriptions and support	932	720	29	932	721	29	27
Software licenses	1.090	1.040	5	1.090	1.042	5	4
Software support	2.736	2.598	5	2.736	2.598	5	4
Software licenses and support	3.826	3.639	5	3.826	3.640	5	4
Cloud and software	4.757	4.359	9	4.758	4.361	9	8
Services	1.024	878	17	1.024	878	17	15
<b>Total revenue</b>	<b>5.782</b>	<b>5.237</b>	<b>10</b>	<b>5.782</b>	<b>5.239</b>	<b>10</b>	<b>9</b>
<b>Operating Expense Numbers</b>							
<b>Total operating expenses</b>	<b>-4.856</b>	<b>-3.968</b>	<b>22</b>	<b>-4.212</b>	<b>-3.724</b>	<b>13</b>	<b>11</b>
<b>Profit Numbers</b>							
<b>Operating profit</b>	<b>926</b>	<b>1.269</b>	<b>-27</b>	<b>1.570</b>	<b>1.516</b>	<b>4</b>	<b>3</b>
Finance income, net	-26	-23	10	-26	-23	10	
<b>Profit before tax</b>	<b>908</b>	<b>1.144</b>	<b>-21</b>	<b>1.552</b>	<b>1.391</b>	<b>12</b>	
Income tax expense	-242	-331	-27	-432	-412	5	
<b>Profit after tax</b>	<b>666</b>	<b>813</b>	<b>-18</b>	<b>1.120</b>	<b>979</b>	<b>14</b>	
Operating margin in %	16,0	24,2	-8,2 pp	27,2	28,9	-1,8 pp	-1,5 pp
Basic earnings per share, in €	0,56	0,68	-18	0,94	0,82	14	

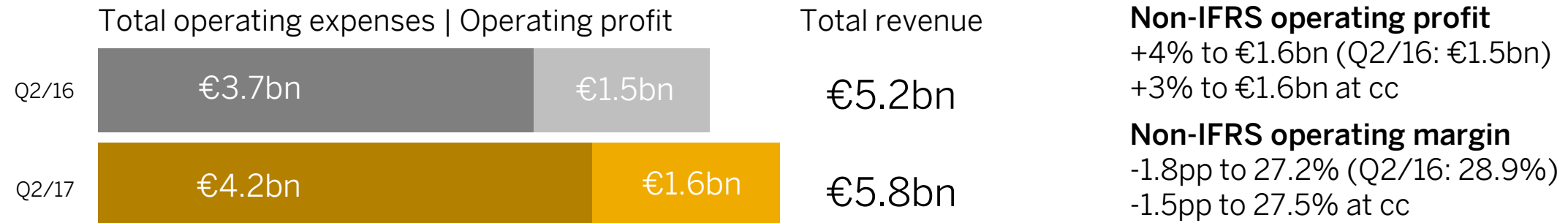


# H1 2017 – Cloud & software revenue growth rate at the upper end of our full-year guidance range with 8% at constant currency

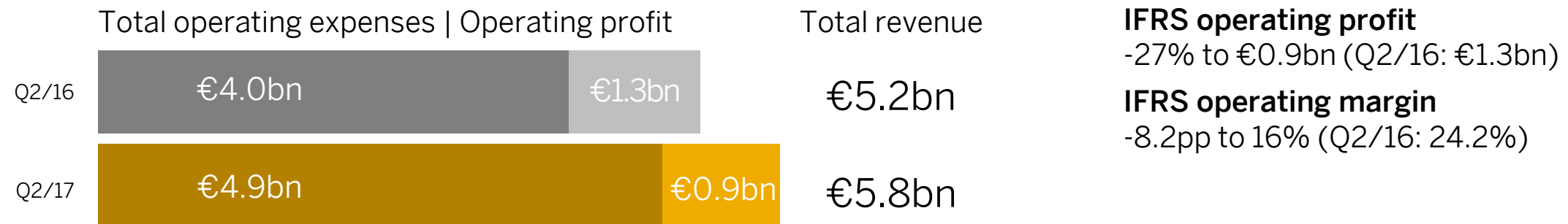
€ millions, unless otherwise stated	IFRS			Non-IFRS			
Revenue Numbers	H1/17	H1/16	Δ%	H1/17	H1/16	Δ%	Δ% at cc
Cloud subscriptions and support	1.837	1.397	31	1.837	1.399	31	28
Software licenses	1.781	1.649	8	1.781	1.651	8	6
Software support	5.467	5.162	6	5.467	5.163	6	4
Software licenses and support	7.248	6.811	6	7.248	6.813	6	4
Cloud and software	9.085	8.208	11	9.085	8.212	11	8
Services	1.981	1.755	13	1.981	1.755	13	10
<b>Total revenue</b>	<b>11.066</b>	<b>9.964</b>	<b>11</b>	<b>11.067</b>	<b>9.967</b>	<b>11</b>	<b>9</b>
<b>Operating Expense Numbers</b>							
<b>Total operating expenses</b>	<b>-9.467</b>	<b>-7.882</b>	<b>20</b>	<b>-8.299</b>	<b>-7.348</b>	<b>13</b>	<b>11</b>
<b>Profit Numbers</b>							
<b>Operating profit</b>	<b>1.599</b>	<b>2.082</b>	<b>-23</b>	<b>2.768</b>	<b>2.620</b>	<b>6</b>	<b>3</b>
Finance income, net	-13	-59	-78	-13	-59	-78	
<b>Profit before tax</b>	<b>1.576</b>	<b>1.887</b>	<b>-16</b>	<b>2.744</b>	<b>2.425</b>	<b>13</b>	
Income tax expense	-379	-504	-25	-738	-683	8	
<b>Profit after tax</b>	<b>1.197</b>	<b>1.382</b>	<b>-13</b>	<b>2.006</b>	<b>1.742</b>	<b>15</b>	
Operating margin in %	14,5	20,9	-6,4 pp	25,0	26,3	-1,3 pp	-1,4 pp
Basic earnings per share, in €	0,99	1,16	-14	1,67	1,46	14	

# Q2 2017 – On top of exceptional profits in Q2/16 non-IFRS operating profit grew again despite ongoing investments and mix shift effects

## Non-IFRS



## IFRS

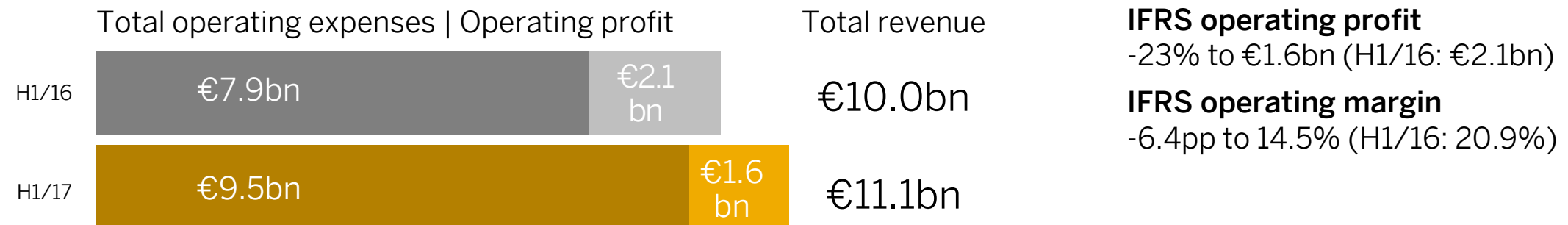


# H1 2017 – Non-IFRS operating profit continues to expand despite ongoing investments, increased headcount & revenue mix shift effects

## Non-IFRS



## IFRS

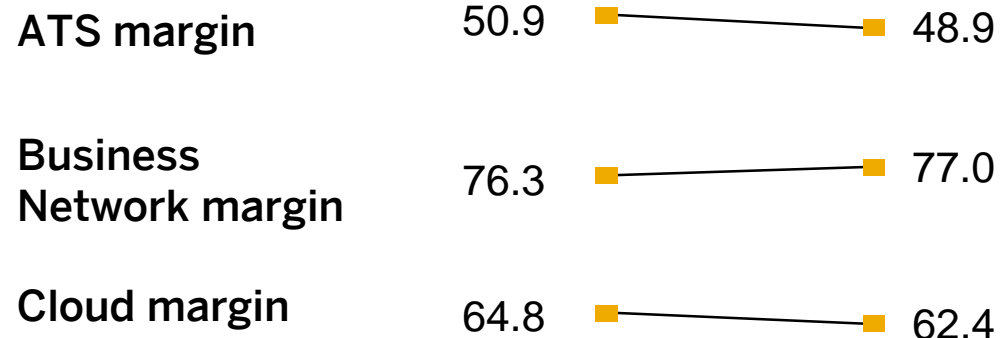
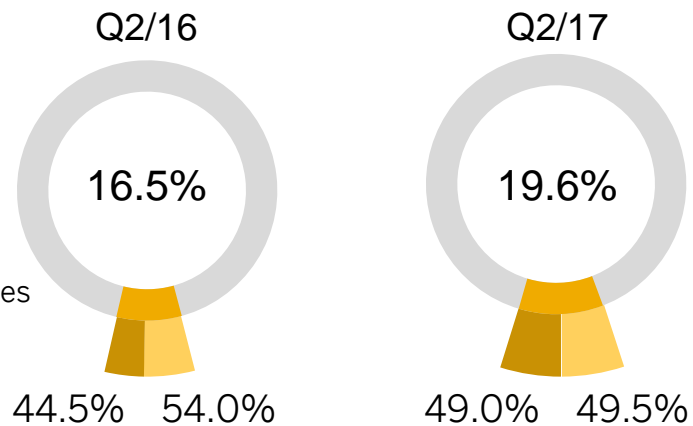


# Revenue mix shift and investments weigh on cloud gross margin

Non-IFRS

## Share of Cloud subscriptions revenue\*

- App., Tech. & Services
- Business Network



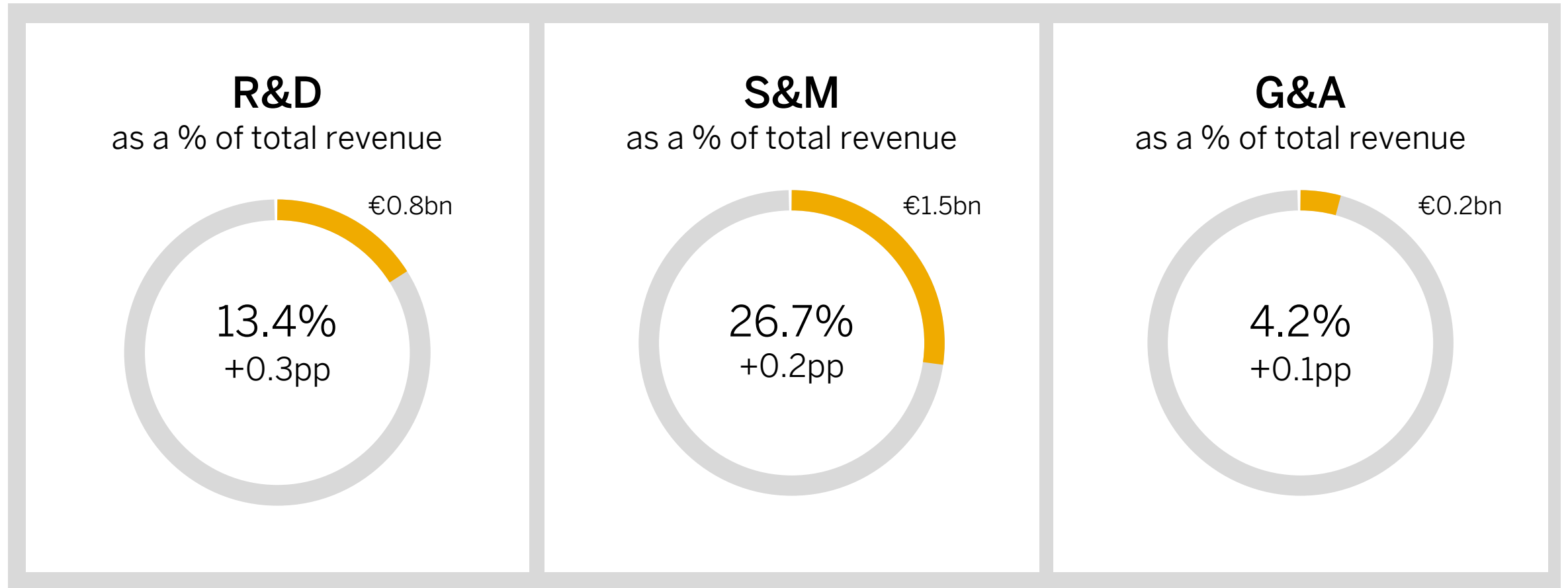
\* Cloud subscriptions revenue share of cloud and software revenue

- Q2/17: Cloud subscriptions gross margin decreased by 2.2 pp to 62.4% 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 0.7pp to 77.0%; ATS declined to 48.9% yoy
  - (1) Revenue mix shift effect within ATS: accelerated growth, and consequently higher share, of private cloud business, which had a positive margin of 8.1%. High investments in public cloud and additional datacenter in MENA result in a margin of 57.6%.
  - (2) Revenue mix shift effect within cloud business: higher share of ATS segment of total cloud business weighs on cloud margin as well.

# Cost ratios

Q2 2017

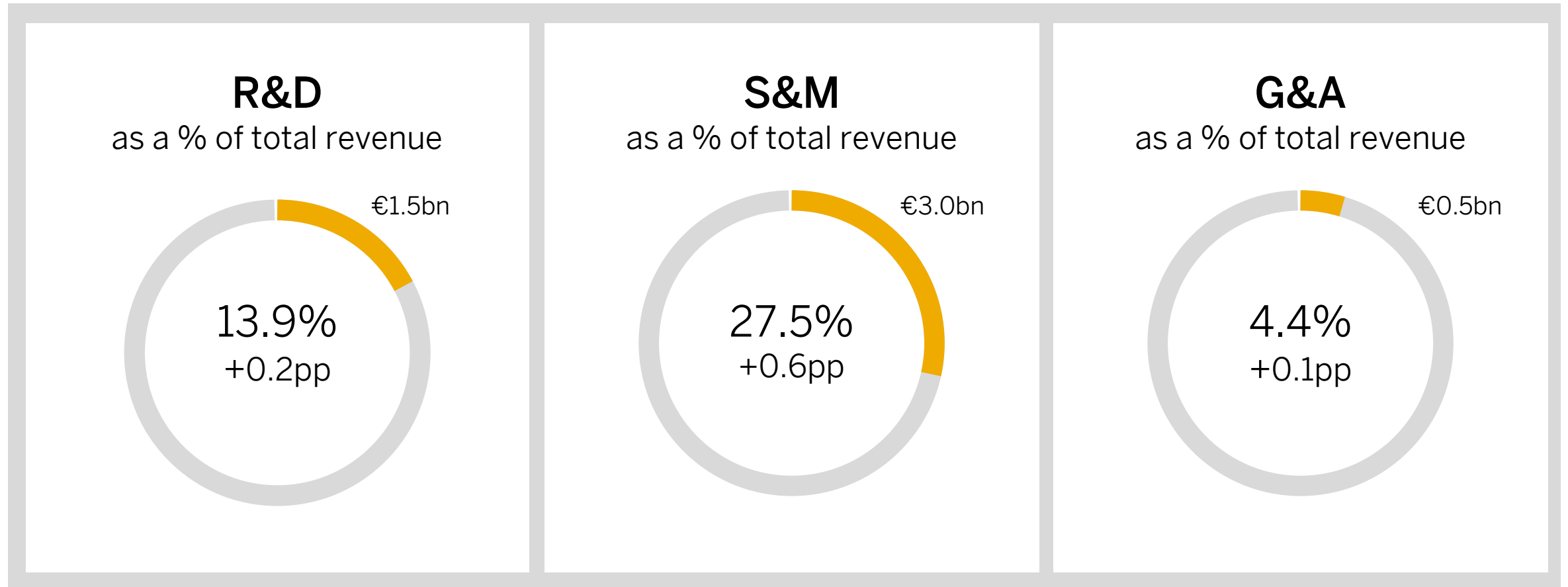
€5.8bn total revenue, Non-IFRS



# Cost ratios

H1 2017

€11.1bn total revenue, Non-IFRS



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# Balance sheet, condensed

## June 30, 2017, IFRS

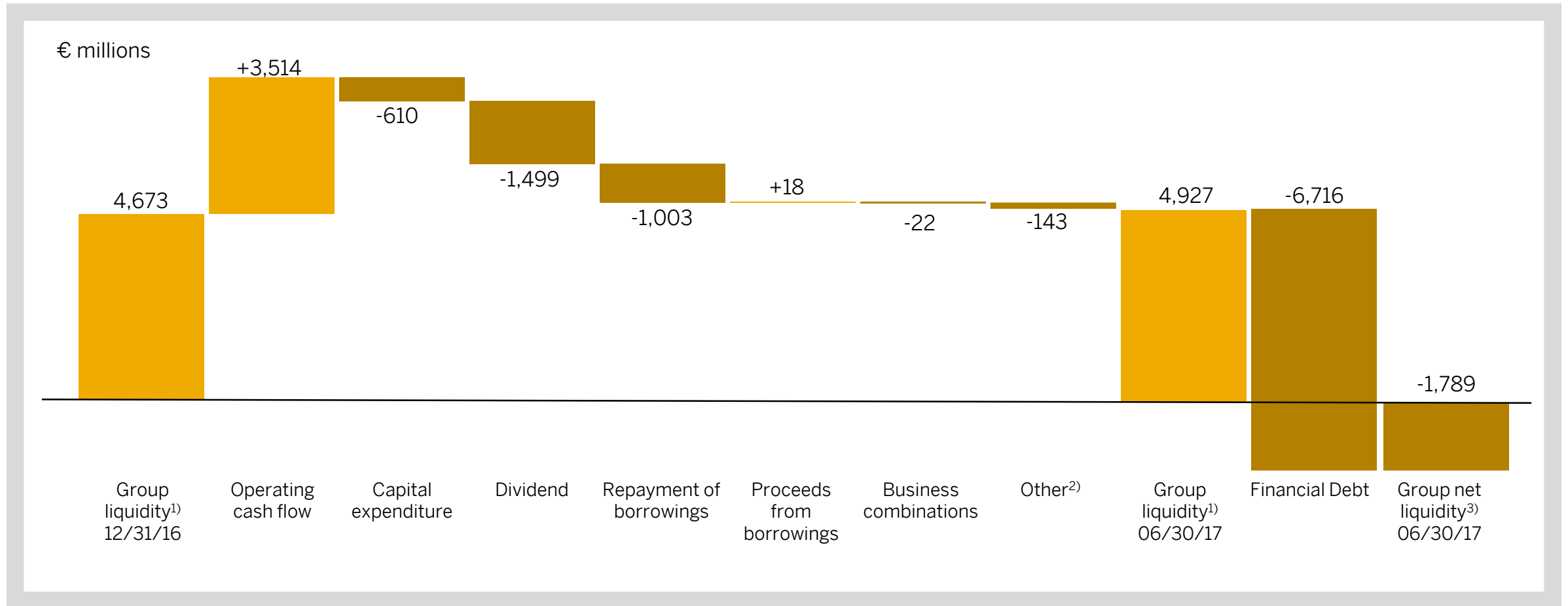
<b>Assets</b> € millions	06/30/17	12/31/16	<b>Equity and liabilities</b> € millions	06/30/17	12/31/16
Cash, cash equivalents and other financial assets	5,104	4,826	Trade and other payables	1,142	1,281
Trade and other receivables	5,408	5,924	Provisions	369	183
Other non-financial assets	1,126	814	Other liabilities	3,909	5,827
<b>Total current assets</b>	<b>11,638</b>	<b>11,564</b>	Deferred income, current	4,898	2,383
Goodwill	21,949	23,311	<b>Total current liabilities</b>	<b>10,318</b>	<b>9,674</b>
Intangible assets	3,273	3,786	Financial liabilities	6,260	6,481
Property, plant, and equipment	2,719	2,580	Provisions	235	217
Other non-current assets	3,322	3,037	Deferred income, non-current	78	143
<b>Total non-current assets</b>	<b>31,263</b>	<b>32,713</b>	Other non-current liabilities	1,485	1,365
<b>Total assets</b>	<b>42,900</b>	<b>44,277</b>	<b>Total non-current liabilities</b>	<b>8,058</b>	<b>8,205</b>
			Total liabilities	18,376	17,880
			Total equity	24,525	26,397
			<b>Total equity and liabilities</b>	<b>42,900</b>	<b>44,277</b>



# H1 2017 – Based on our strong growth and cash generation we initiate a share buyback of up to €500m in the second half of the year

€ millions, unless otherwise stated	12/31/16 -06/30/17	12/31/15 -06/30/16	Δ
Operating cash flow	3,514	2,921	+20%
- Capital expenditure	-610	-406	+51%
<b>Free cash flow</b>	<b>2,903</b>	<b>2,516</b>	<b>+15%</b>
Free cash flow as a percentage of total revenue	26%	25%	+1pp
Cash conversion rate	2.94	2.11	+39%
Days sales outstanding (DSO in days, June. 30)	72	73	-1

# Net liquidity improved by €2.5 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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Appendix

# SAP raises outlook for FY 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>+6.5% to +8.5%</b> [ 2016: €18.43bn]	<b>€23.3 to 23.7bn</b> [ 2016: €22.07bn]	<b>€6.8bn to €7.0bn</b> [ 2016: €6.63bn]
Actual performance H1/17	<b>€1.8bn</b>   +28%	<b>+8%</b>	<b>€10.8bn</b>   + 9 %	<b>€2.7bn</b>   +3%

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 June 2017 average level for the rest of the year, we expect non-IFRS cloud and software revenue and non-IFRS operating profit growth rates to experience a currency headwind in a range of -2 to 0pp in Q3 2017 (-1 to +1pp for the full year 2017).

\*FY/17 Guidance (Non-IFRS at cc) provided in January 2017:  
 Cloud and software revenue: +6 to +8%  
 Total revenue: €23.2 to €23.6bn

# H1 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 H1/16</b>	<b>Actual Amounts H1/17</b>	<b>Est. Amounts for FY 2017</b>
Revenue adjustments	€4m	€0m	<€20m
Share-based payment expenses	€177m	€618m	€900m to €1,150m
Acquisition-related charges	€336m	€309m	€610m to €640m
Restructuring charges	€22m	€242m	€200m to €250m
<b>Sum of all adjustments</b>	<b>€538m</b>	<b>€1,168m</b>	<b>€1,730m to €2,060m</b>

# 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

