



IFRS 15: Implications for SAP's 2018 Financials

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AGENDA

How SAP transitions to IFRS 15

Most Significant IFRS 15 Effects on SAP's Income Statement

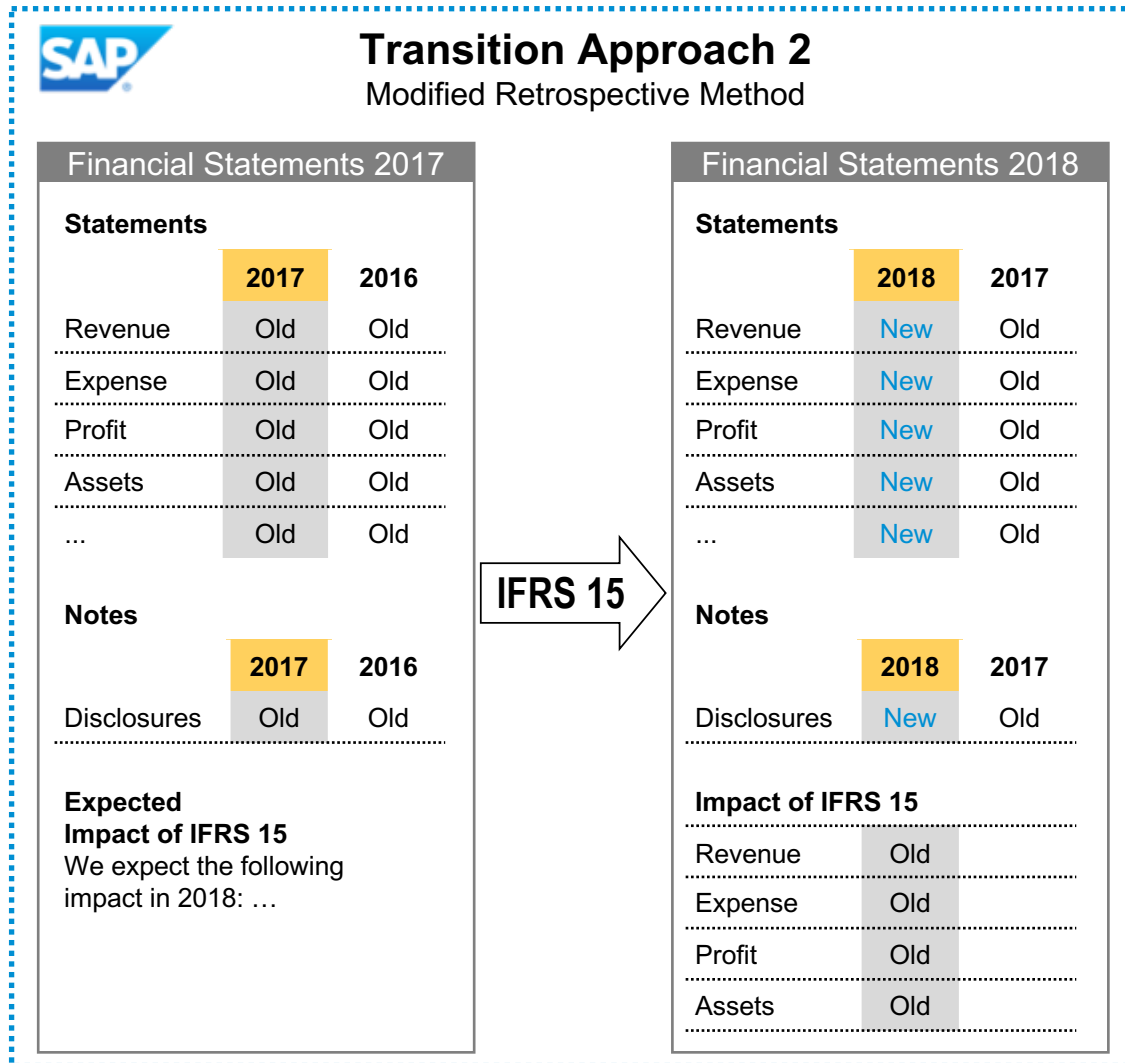
Most Significant IFRS 15 Effects on SAP's Balance Sheet

Supplemental Information

- SAP's Transition Approach
- Details on Income Statement Effects
- Details on Balance Sheet Effect

How SAP transitions to IFRS 15

Specifics of the transition method chosen by SAP



- For most of SAP's contracts there is no difference in revenue recognition between previous policies and IFRS 15
→ No impact on revenue for these contracts
- Only those contracts that reach into 2018 transition to IFRS 15
→ Most of SAP's on premise contracts from before 2018 do not transition
- Contracts with differences between previous policies and IFRS 15 may experience
→ revenue or expense is recognised for a second time (Double Dip)
→ revenue or expense is not recognised at all (Black Hole)

Most Significant IFRS 15 Effects on SAP's Income Statement Summary

Effects	
<p>Certain Purchase Options for Additional On Premise Software</p> <ul style="list-style-type: none"> Exercise of options existing on January 1: Additional software revenue Revenue deferrals for options newly granted in 2018: Estimated to be insignificant 	<p>Capitalisation of Sales Commissions</p> <ul style="list-style-type: none"> Higher capitalisation for cloud and start of capitalisation for on premise (net of capitalised amounts and amortisation) Impact expected to decrease in 2019 et seq. due to higher amortisation
<p>Certain Other Differences</p> <ul style="list-style-type: none"> Differences in recording provisions for onerous contracts Recognising revenue and expense for certain custom development projects upon ultimate delivery rather than over time 	<p>All Other Differences between IFRS 15 and Previous Policies</p> <ul style="list-style-type: none"> Estimated to be immaterial for SAP's revenue and profit



Estimated Impacts*	
Revenues	higher by substantially less than €0.1 billion <ul style="list-style-type: none"> Mostly software revenue
Operating Expenses	lower by approx. €0.1 billion <ul style="list-style-type: none"> Cost of revenue higher by substantially less than €0.1 bn Sales and marketing expense lower by approx. €0.2 bn
Operating Profit	higher by approx. €0.2 billion

* Impact = Difference between revenue and profit under IFRS 15 vs. what it would have been under the previous policies

Note: The estimates are based on several assumptions regarding business practices, performance etc. SAP will update these estimates as the year progresses and will report on actual IFRS 15 impact

Most Significant IFRS 15 Effects on SAP's Balance Sheet

Summary

Effects
Recognition of Receivables and Contract Liabilities <ul style="list-style-type: none">▪ Receivable: gradually as the service is provided and in full once invoice is due▪ Contract liability: for undelivered but invoiced & due or paid deliverables => not reflecting sales success of period



Estimated Impacts*	
Trade receivables and contract liabilities	higher by approx. €0.8 to 0.9 bn per January 1, 2018, compared to accounts receivables and deferred revenue under previous policies per December 31, 2017
<hr/> <p>Note: The estimates are based on several assumptions regarding business practices, performance etc. SAP will update these estimates as the year progresses and will report on actual IFRS 15 impact</p>	

AGENDA

How SAP transitions to IFRS 15

Most Significant IFRS 15 Effects on SAP's Income Statement

Most Significant IFRS 15 Effects on SAP's Balance Sheet

Supplemental Information

- **SAP's Transition Approach**
- **Details on Income Statement Effects**
- **Details on Balance Sheet Effect**

How SAP transitions to IFRS 15

Different transition approaches available

Transition Approach 1 Retrospective Transition Method

Financial Statements 2017			Financial Statements 2018		
Statements			Statements		
	2017	2016		2018	2017
Revenue	Old	Old	Revenue	New	New
Expense	Old	Old	Expense	New	New
Profit	Old	Old	Profit	New	New
Assets	Old	Old	Assets	New	New
...	Old	Old	...	New	New
Notes			Notes		
	2017	2016		2018	2017
Disclosures	Old	Old	Disclosures	New	New
Expected Impact of IFRS 15					
We expect the following impact in 2018: ...					

IFRS 15 →



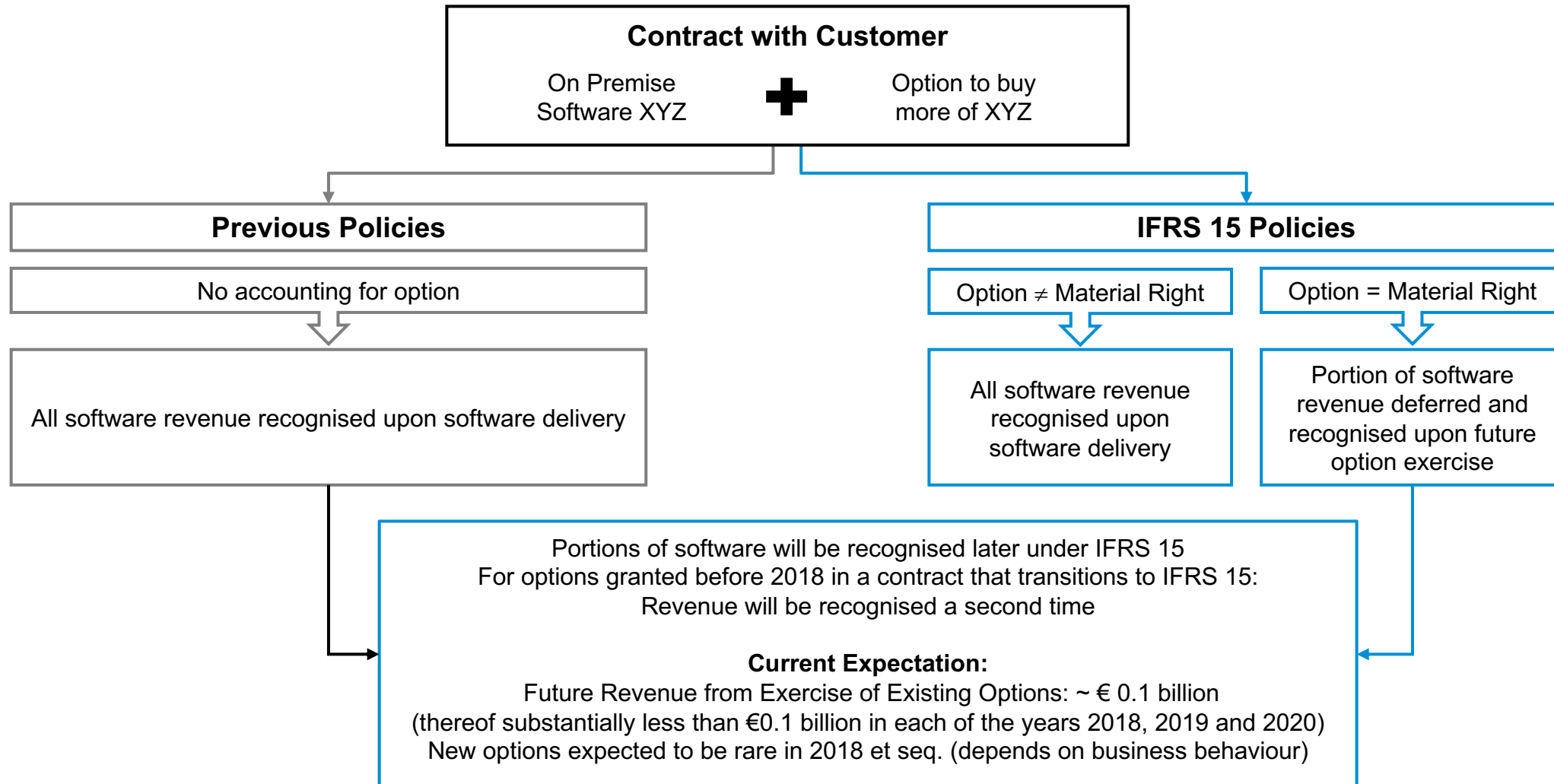
Transition Approach 2 Modified Retrospective Method

Financial Statements 2017			Financial Statements 2018		
Statements			Statements		
	2017	2016		2018	2017
Revenue	Old	Old	Revenue	New	Old
Expense	Old	Old	Expense	New	Old
Profit	Old	Old	Profit	New	Old
Assets	Old	Old	Assets	New	Old
...	Old	Old	...	New	Old
Notes			Notes		
	2017	2016		2018	2017
Disclosures	Old	Old	Disclosures	New	Old
Expected Impact of IFRS 15			Impact of IFRS 15		
We expect the following impact in 2018: ...			Revenue	Old	
			Expense	Old	
			Profit	Old	
			Assets	Old	

IFRS 15 →

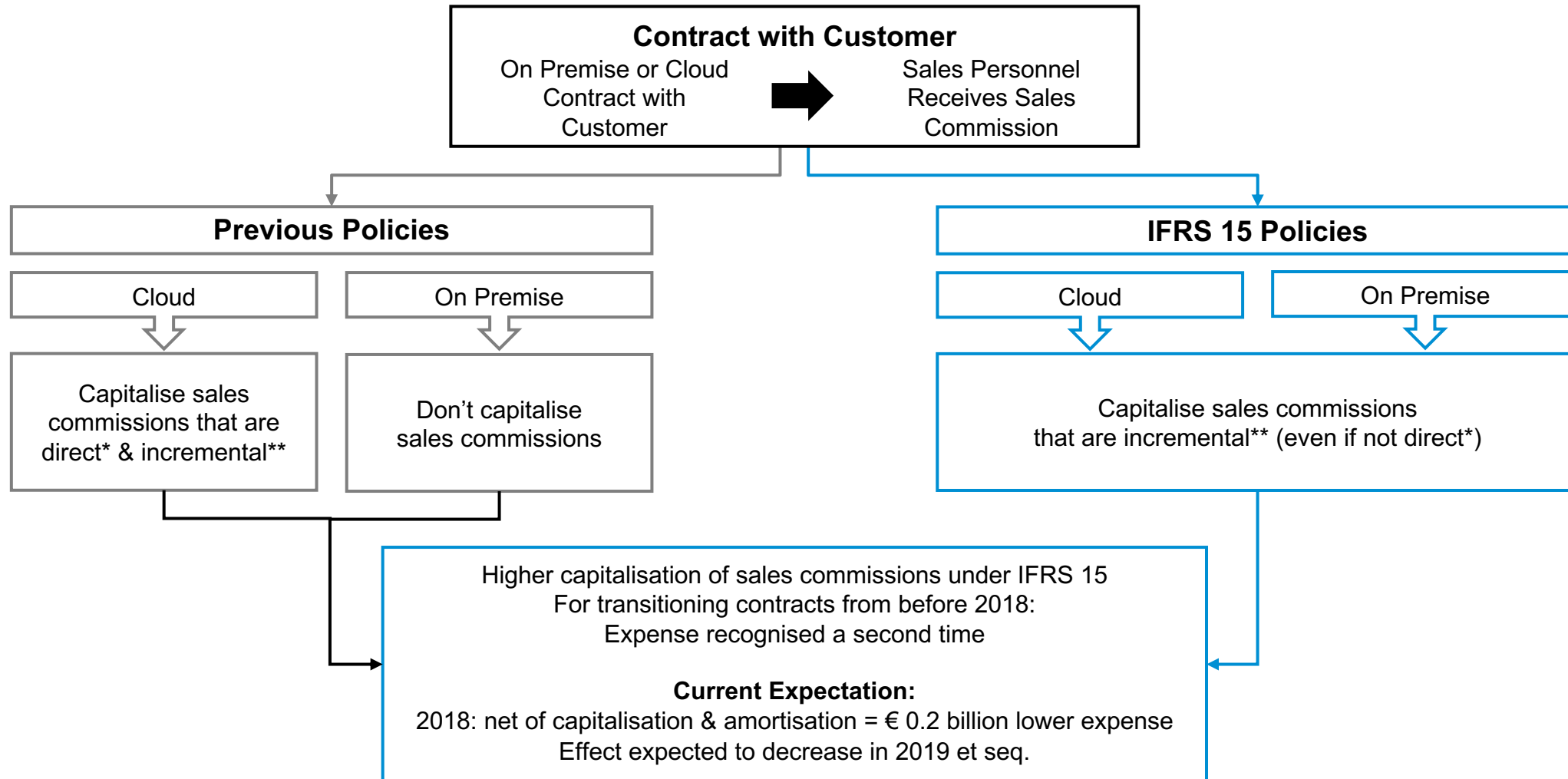
Most Significant IFRS 15 Effects on SAP's Income Statement

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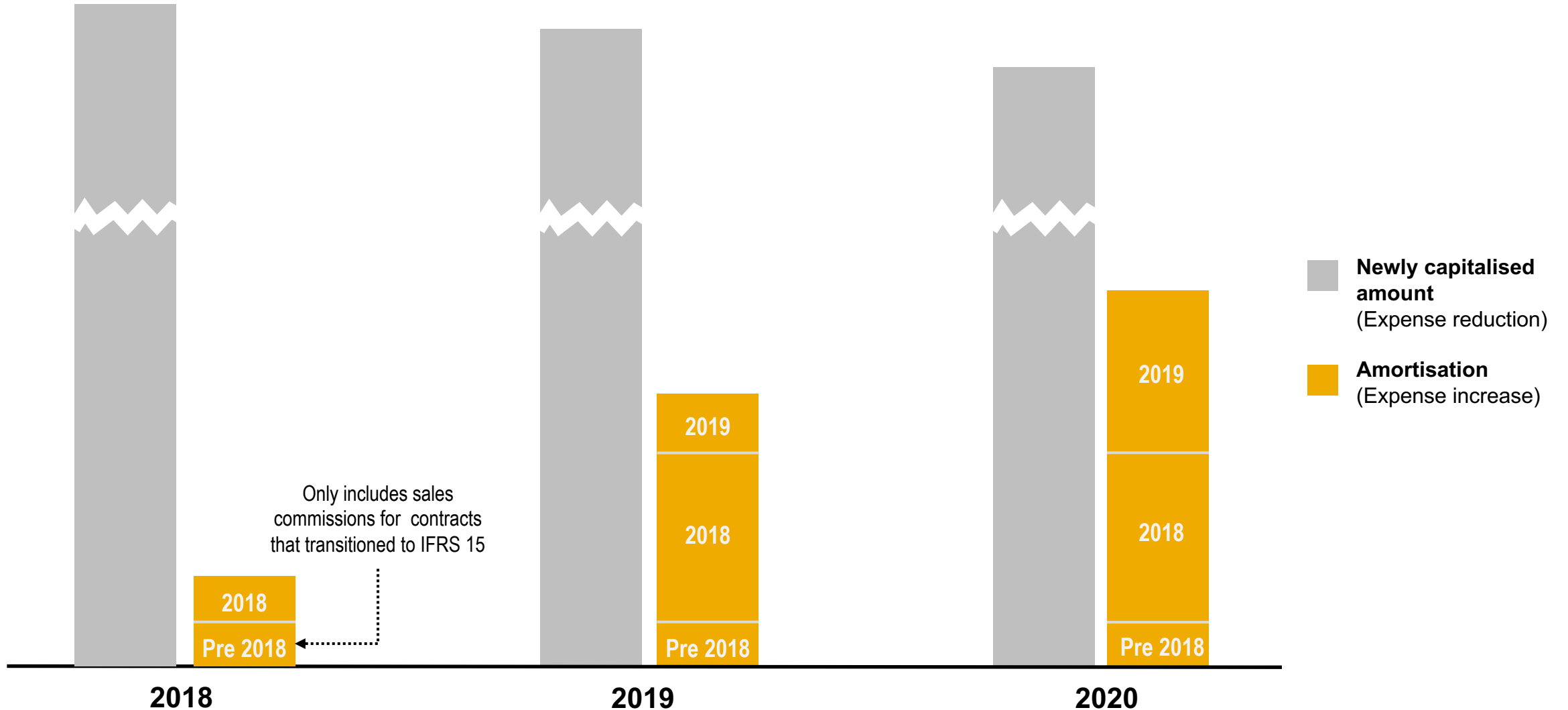
Most Significant IFRS 15 Effects on SAP's Income Statement

Capitalisation of sales commissions



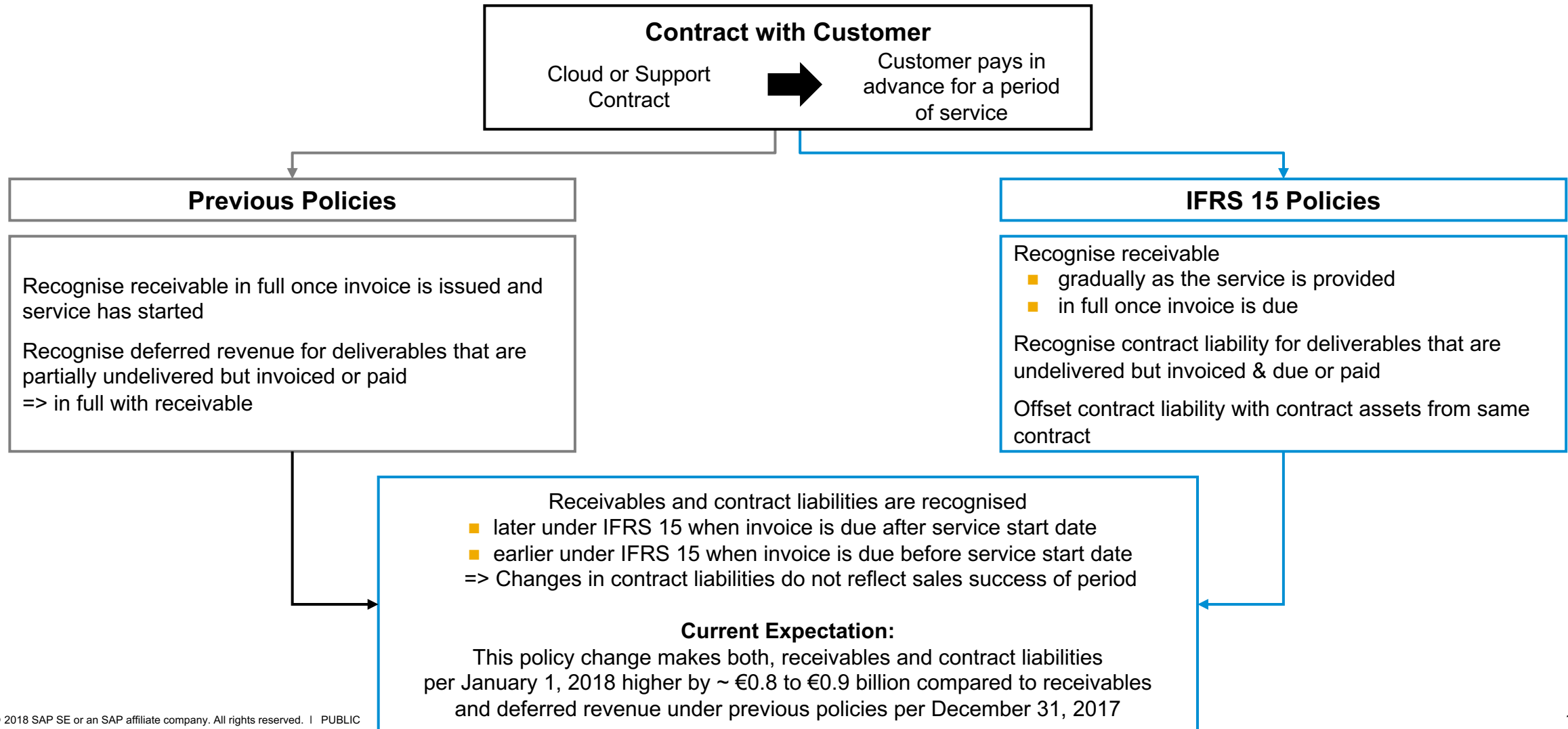
Most Significant IFRS 15 Effects on SAP's Income Statement

Profit impact of on premise sales commissions in 2018 et seq.*



Most Significant IFRS 15 Effects on SAP's Balance Sheet

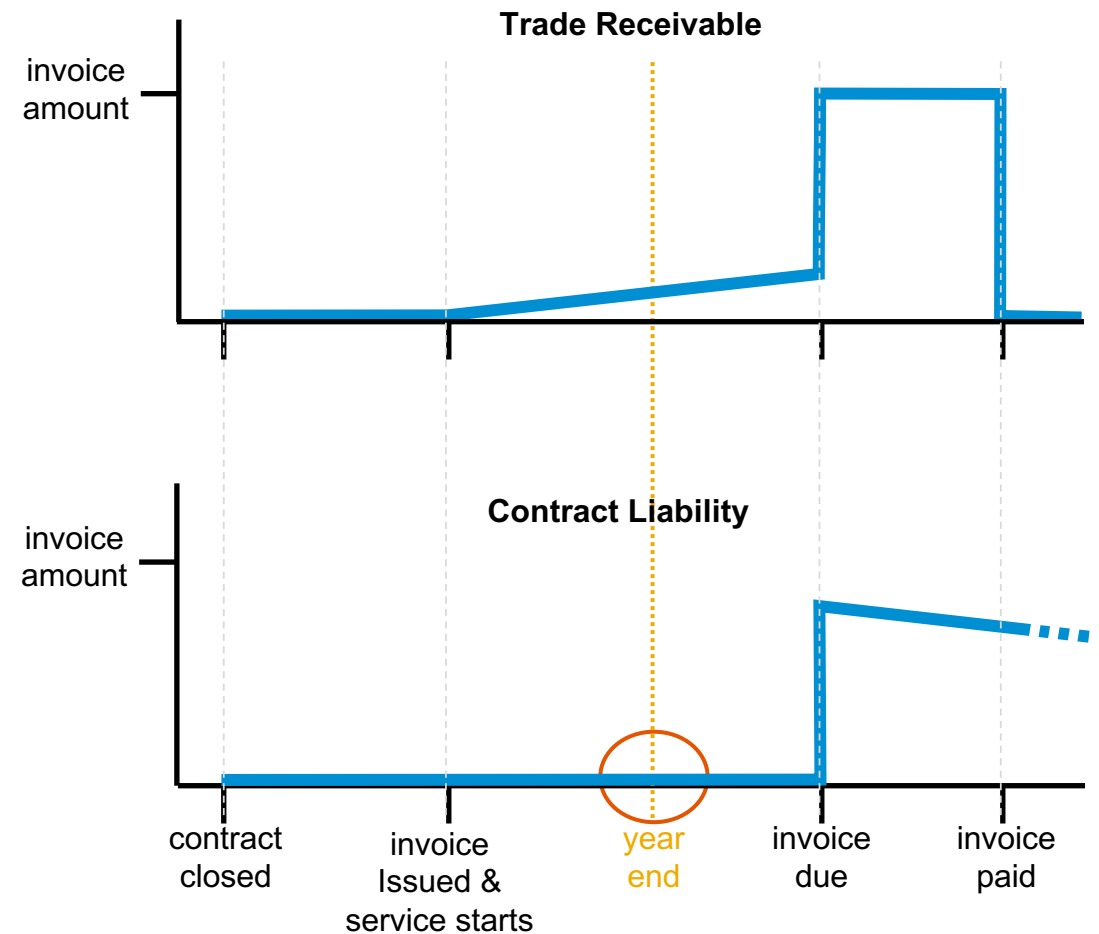
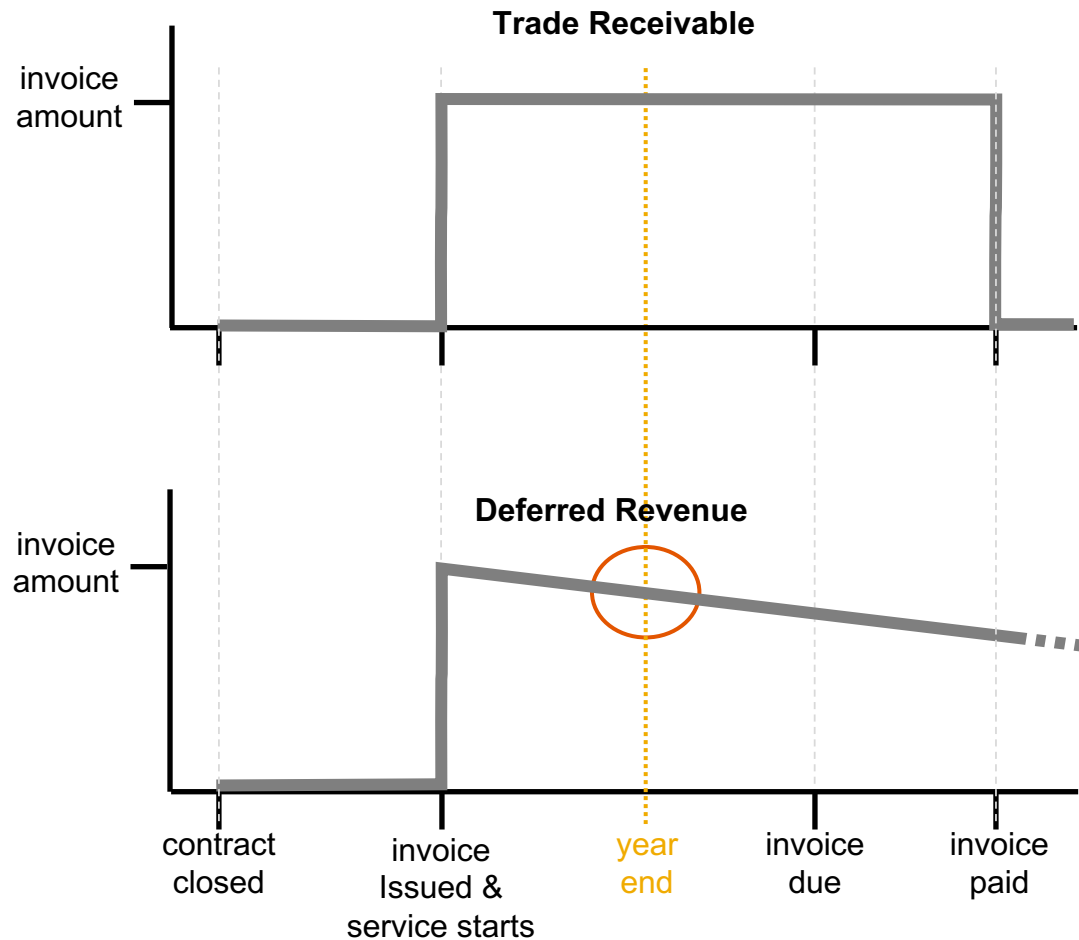
Receivables and Contract liabilities under IFRS 15 vs. previous policies



Most Significant IFRS 15 Effects on SAP's Balance Sheet

Timing of recognising contract liabilities (IFRS 15) vs. deferred revenue (previous policies)

Example: One Year Cloud contract closed on November 25, invoice issued and service starts on December 1, invoice due on January 15



Thank You

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