

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.

Fourth-Quarter and Full-Year 2019

Preliminary Results Release

Walldorf, Germany
Tuesday, January 28, 2020



Nicola Leske
Chief Communications Officer

THE BEST RUN



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

Christian Klein

Co-CEO

A GREAT FINISH TO A GREAT YEAR

2019 CLOUD REVENUE

IFRS	Non-IFRS
+39%	+40%

2019 TOTAL REVENUE

IFRS	Non-IFRS
+12%	+12%

2019 OPERATING PROFIT

IFRS	Non-IFRS
-21%	+15%

2019 OPERATING MARGIN

IFRS	Non-IFRS
16.3%	29.7%

SAP S/4HANA MOMENTUM

ADOPTION OF SAP S/4HANA CLOUD & ON-PREMISE

Q4 WINS



Q4 GO-LIVES



>13,800

Licensed customers

>86%

of BCG top 50 most innovative companies

>80%

of all DAX companies

SOME KEY PRIORITIES

2020 AND BEYOND

———— **INTEGRATION** of acquired cloud assets

———— Increased focus on **INDUSTRY-SPECIFIC** cloud solutions

———— Add the **CARBON FOOTPRINT** dimension to the Intelligent Enterprise



Jennifer Morgan
Co-CEO

WHERE WE CAN IMPROVE AND GROW

AREAS OF OPPORTUNITY

Starting and ending with the **CUSTOMER**

Engineering **WORLD CLASS** products and tightening **INTEGRATION**

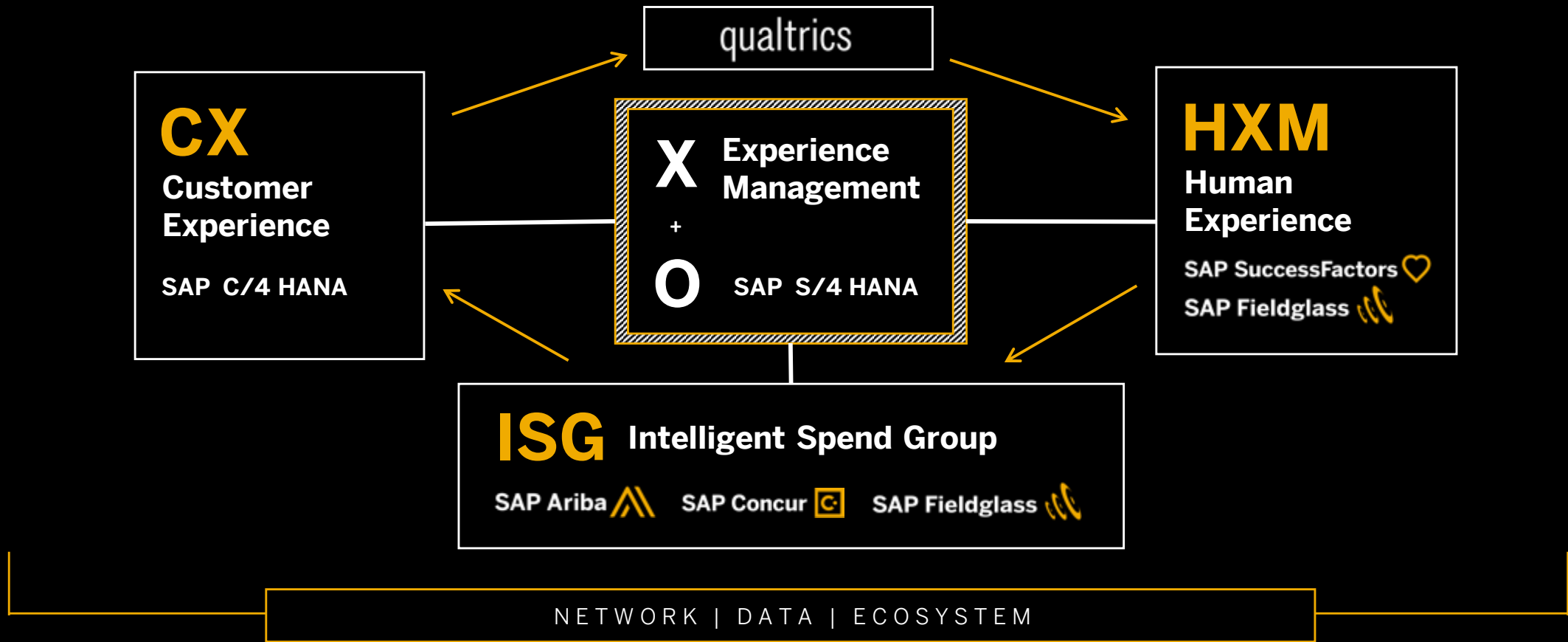
Delivering **SMOOTH** and **FASTER** implementations, **HIGHER ADOPTION**

Creating a **SIMPLER** and more **AGILE** SAP

Ensuring a **WORLD CLASS** EXPERIENCE for a **DIVERSE** employee base .

EXPERIENCE MANAGEMENT VISION RESONATING

PROPELS STRONG ADOPTION OF CLOUD SUITE



MICROSOFT EMBRACE

ECOSYSTEM POWERS GROWTH IN CORE SOFTWARE & CLOUD SOLUTIONS



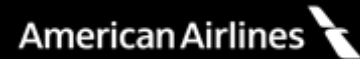
———— **PRIORITIZING** customer choice

———— **ACCELERATING** decision and delivery cycles with industry reference architecture

———— **PROPELLING** the adoption of SAP S/4HANA in the cloud

MOST INNOVATIVE COMPANIES SELECT SAP

>440,000 COMPANIES TURNING TO SAP TO ACCELERATE VALUE CREATION



WHY OUR CUSTOMERS CHOOSE US

Our **technology**
and **business context**

Our **ability** to support
growth and **scale**

Our focus on
people and **culture**

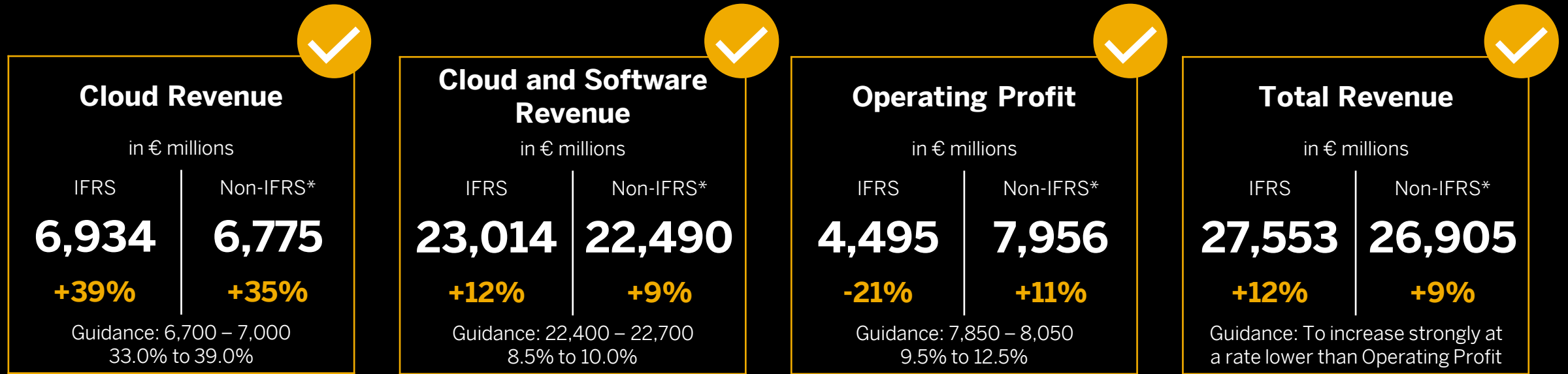
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Luka Mucic

CFO

ANOTHER STRONG YEAR FOR SAP

SAP HITS ALL ITS 2019 REVENUE AND PROFIT TARGETS



OTHER FINANCIAL AND NON-FINANCIAL HIGHLIGHTS (FY)

- New cloud bookings: +25% to €2.27bn | +31% excl. IaaS
- Share of more predictable revenue now at 67%
- Cloud gross margin (non-IFRS): +5.2 pp to 68.2%
- Earnings per share (non-IFRS): +18% to €5.11
- More than 13,800 S/4HANA customers
- Greenhouse gas emissions reduced to 300 kilotons
- Overall employee retention rate remains high at 93.3%
- Women in management increased to 26.4%

*Non-IFRS figures and growth rates at constant currencies

INCOME STATEMENT

FULL YEAR 2019

€ millions, unless otherwise stated	IFRS			Non-IFRS			
	FY/19	FY/18	Δ %	FY/19	FY/18	Δ %	Δ % at cc
Cloud	6,934	4,993	39	7,014	5,027	40	35
Software licenses	4,532	4,647	-2	4,532	4,647	-2	-5
Software support	11,547	10,981	5	11,548	10,982	5	3
Software licenses and support	16,080	15,628	3	16,080	15,629	3	1
Cloud and software	23,014	20,622	12	23,094	20,655	12	9
Services	4,539	4,086	11	4,539	4,086	11	8
Total revenue	27,553	24,708	12	27,634	24,741	12	9
Total operating expenses	-23,058	-19,005	21	-19,423	-17,579	10	8
Operating profit (loss)	4,495	5,703	-21	8,211	7,163	15	11
Financial income, net	196	-47	<-100	196	-47	<-100	
Profit (loss) before tax	4,618	5,600	-18	8,334	7,059	18	
Income tax expense	-1,231	-1,511	-19	-2,180	-1,860	17	
Profit (loss) after tax	3,387	4,088	-17	6,154	5,199	18	
Operating margin (in %)	16.3%	23.1%	-6.8pp	29.7%	29.0%	0.8pp	0.6pp
Earnings per share, basic (in €)	2.80	3.42	-18	5.11	4.35	18	

REMARKABLE TOPLINE MOMENTUM ACROSS REGIONS

REVENUE PERFORMANCE BY REGION

AMERICAS

Q4/19

FY/19

Cloud revenue

+27%
+24% cc

+35%
+29% cc

Cloud and software revenue

+10%
+7% cc

+16%
+10% cc

Canada and Brazil were highlights in cloud revenue for the FY. In addition, the U.S had a solid, Brazil and Canada a strong year in software licenses revenue.

EMEA

Q4/19

FY/19

Cloud revenue

+50%
+48% cc

+47%
+45% cc

Cloud and software revenue

+8%
+7% cc

+9%
+8% cc

For the FY, Germany, the Netherlands and the UK were highlights in cloud revenue. In addition, Spain and Switzerland had a strong year in software licenses revenue.

APJ

Q4/19

FY/19

Cloud revenue

+38%
+33% cc

+43%
+39% cc

Cloud and software revenue

+7%
+3% cc

+10%
+6% cc

For cloud revenue and software licenses revenue, both China and Japan were highlights in 2019.

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

CLOUD MARGIN CONTINUES UPWARD TREND TOWARDS 2020 GUIDANCE AND 2023 AMBITION

Non-IFRS, in percent as reported	FY/18	Q1/19	Q2/19	Q3/19	Q4/19	FY/19
Cloud	63.1	66.2	67.9	69.0	69.5	68.2
Intelligent Spend Group	77.8	78.0	78.2	78.0	78.0	78.1
Private Cloud (IaaS)	12.2	31.8	22.3	25.3	36.3	29.1
Public Cloud (SaaS/PaaS)	60.0	63.8	68.8	70.4	70.0	68.4
Software Licenses & Support	87.4	85.7	87.1	87.6	88.8	87.5
Cloud & Software	81.5	79.6	81.1	81.7	83.5	81.6
Services	22.9	20.3	23.9	26.9	28.0	24.9
Total Gross Margin	71.8	69.5	71.4	72.3	75.3	72.3

STRONG OPERATING MARGIN EXPANSION

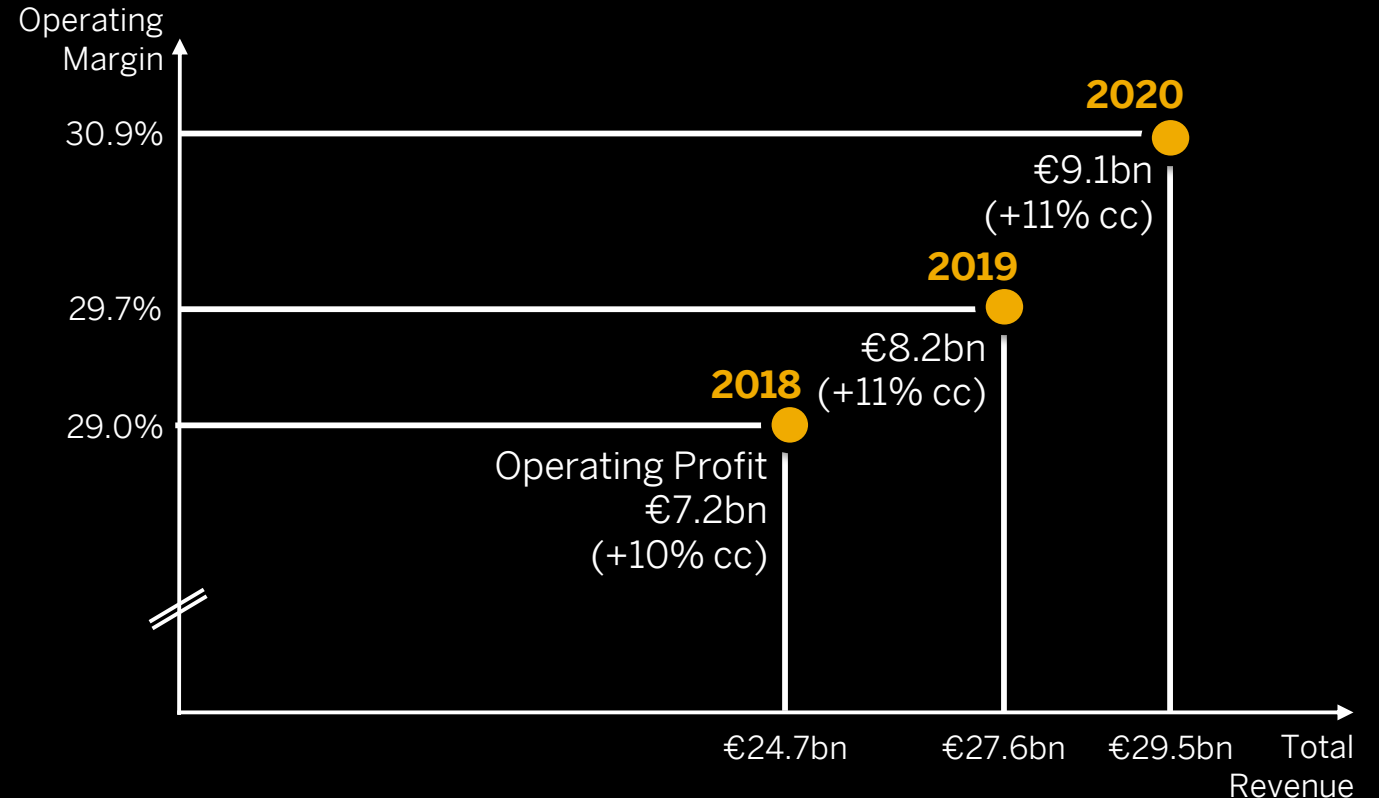
CONSISTENT DOUBLE DIGIT OPERATING PROFIT GROWTH THROUGHOUT THE YEAR

OPERATING PROFIT (NON-IFRS)

- Q4/19: €2.84bn | +12% (+9% cc)
- FY/19: €8.21bn | +15% (+11% cc)

2020 AND BEYOND

- Continued focus on key strategic growth areas
- Cloud at scale and an ever higher renewal base
- Best-run program: benefits from improved cloud gross margin, S&M ratio, Services margin and G&A ratio
- Continued benefits from highly standardized “converged cloud platform”



2018 and 2019 figures based on Non-IFRS
2020 figures based on the midpoint of our 2020 outlook (Non-IFRS at constant currencies)

TAX RATE – EPS – CASH-FLOW

EFFECTIVE TAX RATE

- Actuals FY/19
 - IFRS: 26.7% | -0.3pp
 - Non-IFRS: 26.2% | -0.2pp
- Both tax rates were within our guidance range

EPS

- Actuals FY/19
 - IFRS: €2.80 | -18%
 - Non-IFRS: €5.11 | +18%
- IFRS operating profit and EPS were impacted by restructuring expenses, higher acquisition-related charges and share-based compensation due to Qualtrics acquisition and the strong share price development

CASH FLOW

- Operating Cash Flow FY/19
 - €3.5bn | -19%
 - Impacted by higher restructuring payments, higher share based compensation payments and higher tax payments which overcompensated the IFRS16 benefits
- Free Cash Flow FY/19
 - €2.3bn | -20%
 - Negatively impacted by operating cash flow
- Operating / Free cash flow to increase significantly in 2020
 - 2019 negative impacts should be much lower and CapEx will remain at a reduced level

CAPEX

- €0.8bn | -44%
- Due to the benefits of our converged cloud platform and expanding hyperscaler partnerships
- For 2020 and beyond CapEx planned to remain at a reduced level compared to the years prior to 2019

2020 TOTAL REVENUE AND OPERATING PROFIT OUTLOOK INCREASED FROM PREVIOUS 2020 AMBITION 2023 AMBITION REITERATED

2019 Actuals (Non-IFRS)

Cloud Revenue
€7.01bn

Cloud & Software Revenue
€23.09bn

Total Revenue
€27.63bn

Operating Profit
€8.21bn

2020 Outlook (Non-IFRS @cc)

Cloud Revenue
in a range of **€8.7 – 9.0bn**
Growth: **24.0% to 28.0%**

Cloud and Software Revenue
in a range of **€24.7 – 25.1bn**
Growth: **7.0% to 9.0%**

Total Revenue
in a range of **€29.2 – 29.7bn**
Growth: **6.0% to 8.0%**

Operating Profit
in a range of **€8.9 – 9.3bn**
Growth: **8.0% – 13.0%**

Share of more predictable revenue
to reach approx. **70%**

2023 Ambition (Non-IFRS)

More than **triple**
Cloud Revenue

More than **€35.0bn**
Total Revenue

Reach a Cloud gross margin of **75%**

Increase Operating margin by **1pp** per
year on average*, representing a total
expansion of approx. **500bp**

Share of more predictable revenue
approaching **80%**

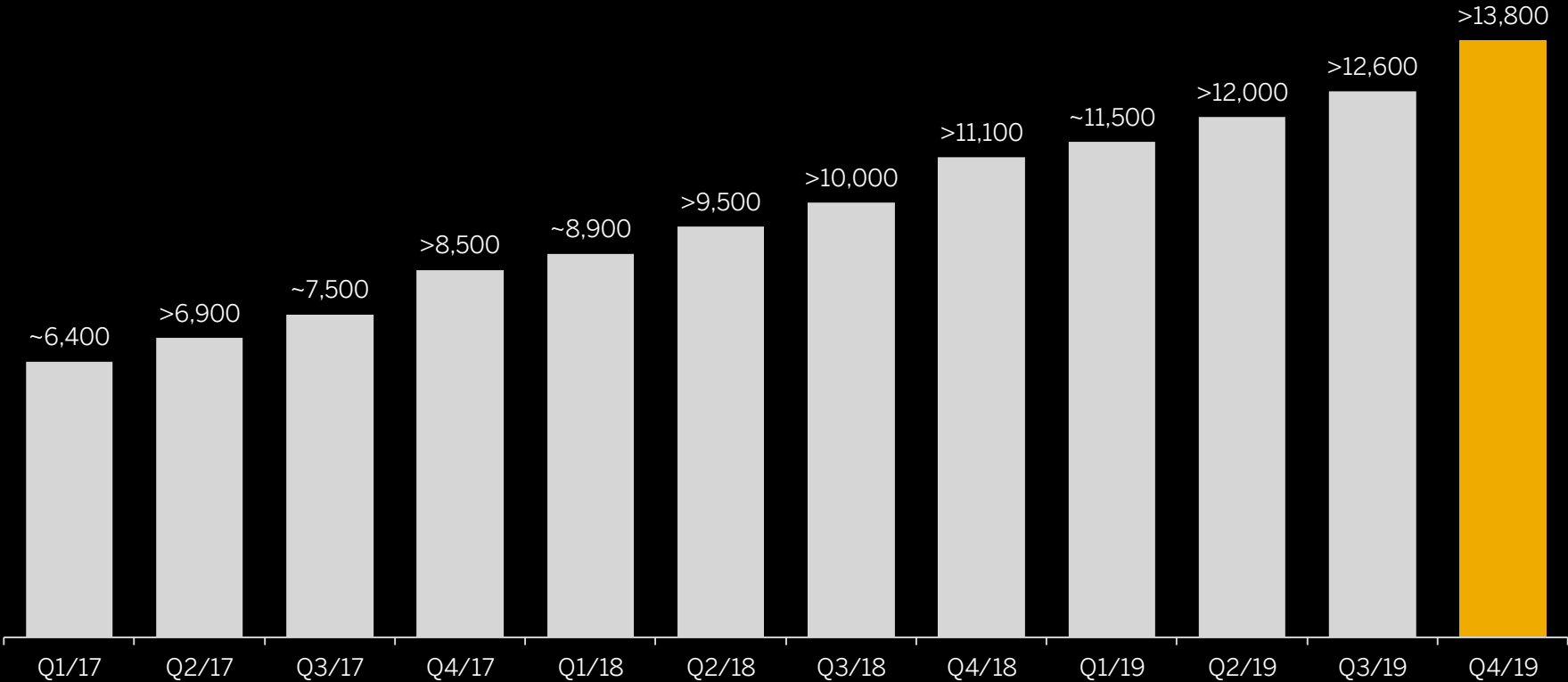
* from 2018 through 2023

Appendix



SAP S/4HANA

UPDATED DEFINITION TO MORE CLOSELY RESEMBLE CATEGORIES COMMONLY INCLUDED IN ERP



Main categories added include Digital Supply Chain Management and Finance and Risk Management. This change affected the S/4HANA customer count as the customers of the added categories (as far as not also S/4HANA customer) have been included in the S/4HANA customer number. Prior period customer count numbers have been adjusted to conform with the updated definition.

Q4 2019 – KEY CLOUD METRICS

Q4/19 unless otherwise stated

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

<p>Cloud Revenue</p> <p>+32% €1,908m</p>	<p>New Cloud Bookings¹</p> <p>+17% €878m</p>	<p>Global Commerce²</p> <p>>\$3.6 trillion</p>	<p>Cloud Applications Total Subscribers</p> <p>~215m</p>
<p>Intelligent Spend Group – Segment Revenue</p> <p>+12% €830m</p>	<p>Qualtrics – Segment Revenue</p> <p>N/A €156m</p>	<p>Number of end users book travel and/or process expense with SAP Concur</p> <p>>66m</p>	<p>Flexible workers managed with SAP Fieldglass platform</p> <p>6.5m</p>

- 1) New cloud bookings are the total of all orders received in a given period the revenue from which is expected to be classified as cloud revenue and that result from purchases by new customers and from incremental purchases by existing customers. Consequently, orders to renew existing contracts are not included in this metric. 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 (annualized contract value ACV).
- 2) Global commerce is the total commerce volume transacted on the SAP Ariba, SAP Concur and SAP Fieldglass Networks in the trailing 12 months. SAP Ariba commerce includes procurement and sourcing spend

GROSS MARGIN DEVELOPMENT 2015 - YTD

Non-IFRS	FY/ 15	Q1/ 16	Q2/ 16	Q3/ 16	Q4/ 16	FY/ 16	Q1/ 17	Q2/ 17	Q3/ 17	Q4/ 17	FY/ 17	Q1/ 18	Q2/ 18	Q3/ 18	Q4/ 18	FY/ 18	Q1/ 19	Q2/ 19	Q3/ 19	Q4/ 19	FY/ 19
Cloud	66	66	65	65	63	64	65	62	61	61	62	63	64	64	62	63	66	68	69	70	68
Intelligent Spend Group*	75	75	76	77	75	76	77	77	75	77	77	77	77	78	78	78	78	78	78	78	78
Software Licenses & Support	87	86	87	87	88	87	85	87	87	89	87	86	87	87	89	87	86	87	88	89	87
Cloud & Software	84	82	84	83	85	84	81	82	82	84	82	81	81	81	83	82	80	81	82	83	82
Services	23	14	18	20	20	18	21	23	25	25	24	20	26	22	24	23	20	24	27	28	25
Total gross margin	73	70	73	73	76	73	70	71	73	75	72	70	71	71	74	72	69	71	72	75	72

* Gross margins as reported. Changes in profit center structure may lead to changes in previous quarters.

INCOME STATEMENT

FOURTH QUARTER 2019

€ millions, unless otherwise stated	IFRS			Non-IFRS			
Revenue Numbers	Q4/19	Q4/18	Δ %	Q4/19	Q4/18	Δ %	Δ % at cc
Cloud	1,897	1,406	35	1,908	1,413	35	32
Software licenses	2,001	2,089	-4	2,001	2,089	-4	-6
Software support	2,948	2,825	4	2,948	2,826	4	2
Software licenses and support	4,950	4,914	1	4,950	4,914	1	-1
Cloud and software	6,847	6,320	8	6,858	6,327	8	6
Services	1,193	1,108	8	1,193	1,108	8	6
Total revenue	8,040	7,428	8	8,051	7,434	8	6
Total operating expenses	-5,915	-5,029	18	-5,209	-4,889	7	5
Operating profit (loss)	2,125	2,399	-11	2,843	2,545	12	9
Financial income, net	125	-87	<-100	125	-87	<-100	
Profit (loss) before tax	2,241	2,314	-3	2,959	2,460	20	
Income tax expense	-587	-622	-6	-766	-658	16	
Profit (loss) after tax	1,654	1,691	-2	2,192	1,802	22	
Operating margin (in %)	26.4%	32.3%	-5.9pp	35.3%	34.2%	1.1pp	1.0pp
Earnings per share, basic (in €)	1.37	1.41	-3	1.82	1.51	21	

INCOME STATEMENT

FULL YEAR 2019

€ millions, unless otherwise stated							
Revenue Numbers	IFRS			Non-IFRS			
	FY/19	FY/18	Δ %	FY/19	FY/18	Δ %	Δ % at cc
Cloud	6,934	4,993	39	7,014	5,027	40	35
Software licenses	4,532	4,647	-2	4,532	4,647	-2	-5
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Operating margin (in %)	16.3%	23.1%	-6.8pp	29.7%	29.0%	0.8pp	0.6pp
Earnings per share, basic (in €)	2.80	3.42	-18	5.11	4.35	18	

OPERATING PROFIT

FOURTH QUARTER 2019

Non-IFRS



IFRS



OPERATING PROFIT

FULL YEAR 2019

Non-IFRS

	Total operating expenses Operating profit (loss)		Total revenue
FY/18	17,579	7,163	€24,741m
FY/19	19,423	8,211	€27,634m

- Non-IFRS operating profit (loss)
+15% to €8,211m (FY/18: €7,163m)
+11% to €7,956m at cc
- Non-IFRS operating margin
+0.8pp to 29.7% (FY/18: 29.0%)
+0.6pp to 29.6% at cc

IFRS

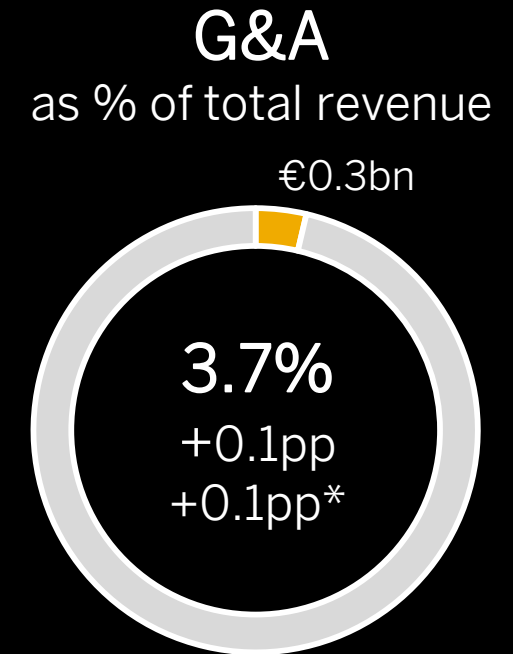
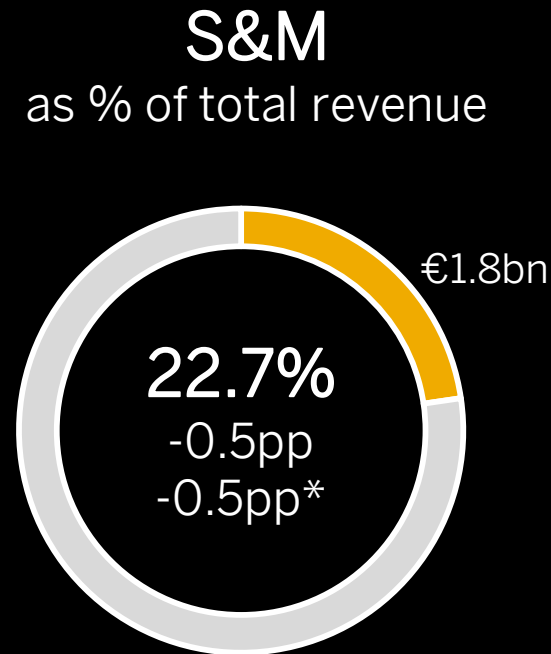
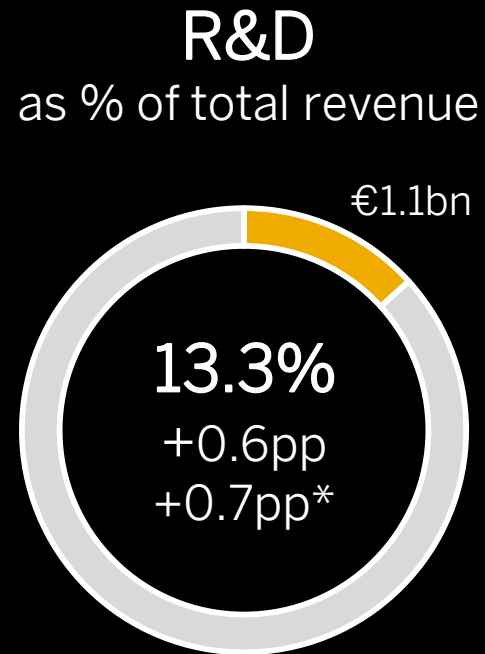
	Total operating expenses Operating profit (loss)		Total revenue
FY/18	19,005	5,703	€24,708m
FY/19	23,058	4,495	€27,553m

- IFRS operating profit (loss)
-21% to €4,495m (FY/18: €5,703m)
- IFRS operating margin
-6.8pp to 16.3% (FY/18: 23.1%)

COST RATIOS

FOURTH QUARTER 2019

€8.1bn Total revenue, Non-IFRS

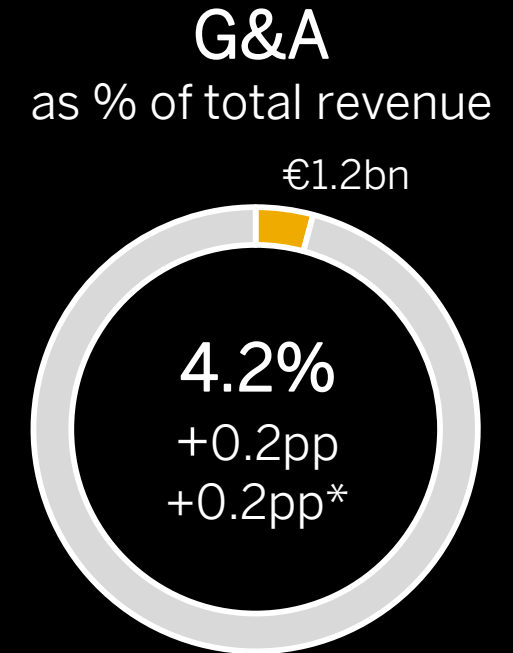
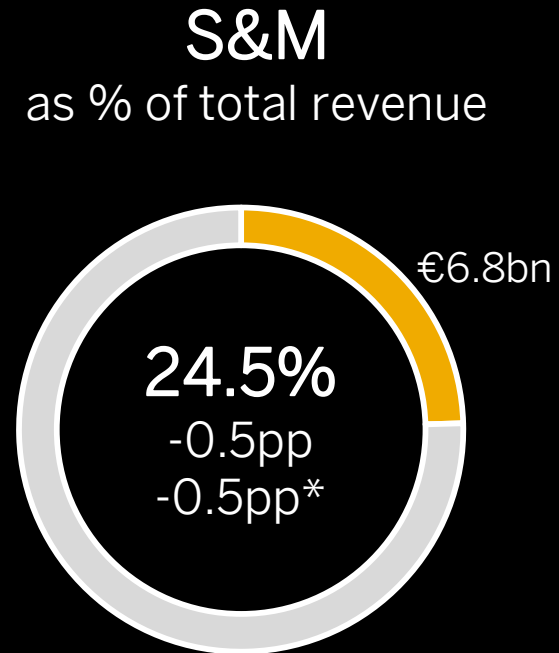
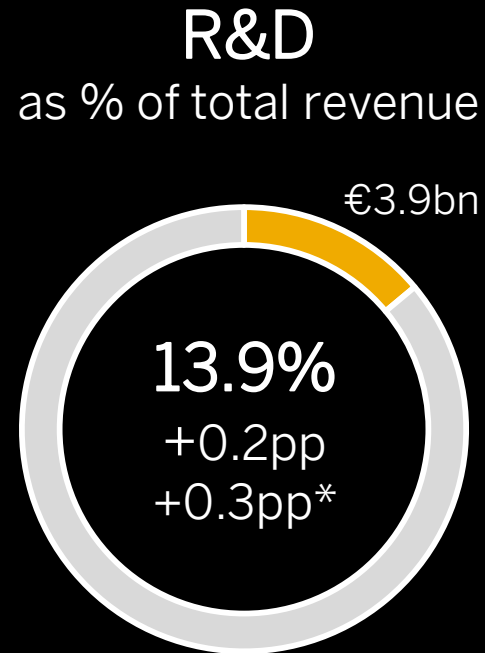


*Non-IFRS at constant currencies

COST RATIOS

FULL YEAR 2019

€27.6bn Total revenue, Non-IFRS



*Non-IFRS at constant currencies

BALANCE SHEET CONDENSED

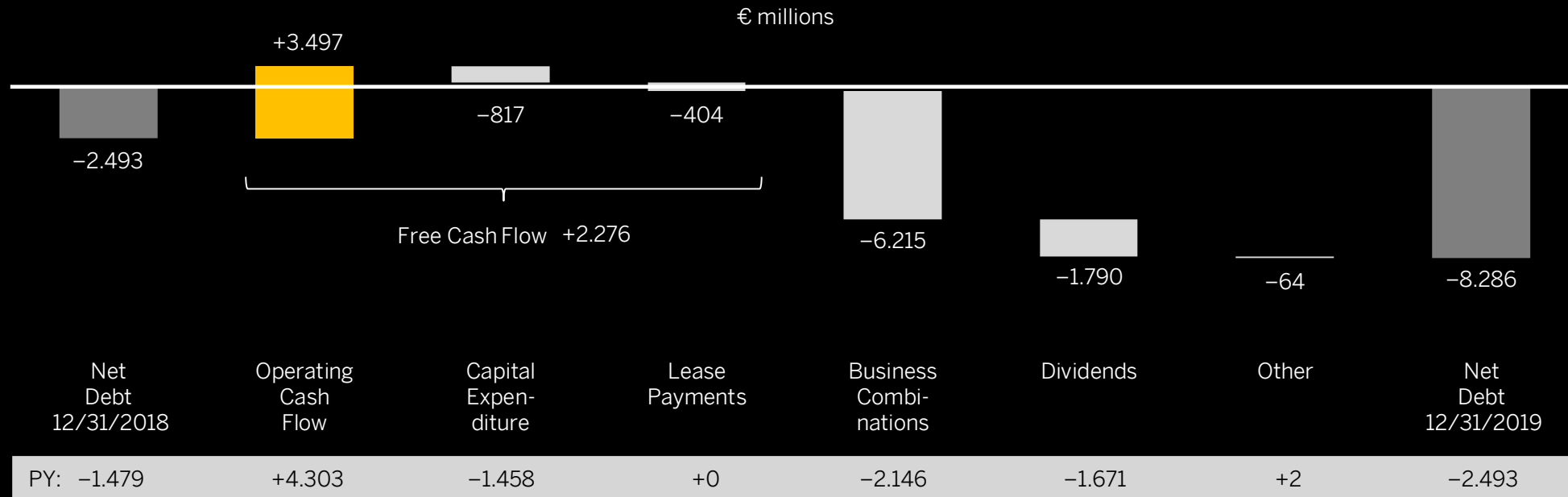
DECEMBER 31, 2019 - IFRS

Assets			Equity and liabilities		
€ millions	12/31/19	12/31/18	€ millions	12/31/19	12/31/18
Cash, cash equivalents and other financial assets	5,611	9,075	Trade and other payables	1,576	1,491
Trade and other receivables	7,933	6,362	Provisions	266	110
Other current assets	1,649	1,183	Other liabilities	8,332	5,857
Total current assets	15,193	16,620	Contract liabilities, current	4,289	3,028
Goodwill	29,162	23,736	Total current liabilities	14,464	10,486
Intangible assets	4,491	3,227	Financial liabilities	12,924	10,553
Property, plant, and equipment	5,497	3,553	Provisions	478	270
Other non-current assets	5,887	4,366	Contract liabilities, non-current	89	88
Total non-current assets	45,037	34,881	Other non-current liabilities	1,436	1,227
Total assets	60,229	51,502	Total non-current liabilities	14,926	12,138
			Total liabilities	29,390	22,624
			Total equity	30,839	28,877
			Total equity and liabilities	60,229	51,502

OPERATING CASH FLOW AND FREE CASH FLOW

€ millions, unless otherwise stated	FY/ 19	FY/ 18	Δ
Operating cash flow	3,497	4,303	-19%
- Capital expenditure	-817	-1,458	-44%
- Payments of lease liabilities	-404	-	-
Free cash flow	2,276	2,844	-20%
Free cash flow in percent of total revenue	8	12	-3pp
Free cash flow conversion rate	0.67	0.70	-0.03
Days sales outstanding (DSO in days, December 31)	71	70	1

NET DEBT



Net Liquidity = cash and cash equivalent plus current time deposits and debt securities minus financial debt

Other = mainly purchase and sales of equity or debt instruments of other entities, proceeds from sales of non-current assets, and effects of foreign currency rates on cash and cash equivalents
 – for more information see our 2019 integrated report

ADDITIONAL OUTLOOK INFORMATION AND NON-IFRS ADJUSTMENTS

The Company expects a full-year 2020 effective tax rate (IFRS) of 27.0% to 28.0% (2019: 26.7%) and an effective tax rate (non-IFRS) of 26.5% to 27.5% (2019: 26.2%)

	Actual Amounts FY/18	Actual Amounts FY/19	Est. Amounts for FY/20
Non-IFRS adjustments			
Revenue adjustments	€33m	€81m	€0m to €30m
Acquisition-related charges	€577m	€689m	€580m to €690m
Share-based payment expenses	€830m	€1,818m	€1,200m to €1,600m
Restructuring charges	€19m	€1,128m	€10m to €20m
Sum of all adjustments	€1,459m	€3,716m	€1,790m to €2,340m

Due to rounding, numbers may not add precisely

EXPECTED CURRENCY IMPACT 2020

Q1 AND REST OF THE YEAR

Expected Currency Impact 2020 Based on December 2019 Level for the Rest of the Year		
<i>in percentage points</i>	Q1	FY
Cloud Revenue	0pp to +2pp	-1pp to +1pp
Cloud and software	0pp to +2pp	-1pp to +1pp
Operating profit	+1pp to +3pp	0pp to +2pp

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Q&A



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