

SAP Performance Measures

July 22, 2025

We use various performance measures to manage our performance with regard to our primary financial objectives, which are growth and profitability, and our primary non-financial objectives, which are customer loyalty, employee engagement, Net Zero climate performance and business health culture.

Measures to Manage Our Financial Performance

The following are the key measures we use to measure our operating and overall financial performance. Except for Free Cash Flow, we report our key measures in both actual and at constant currencies.

We use **cloud revenue**, **cloud and software revenue**, **total revenue**, and **current cloud backlog (CCB)** to measure our progress towards our growth targets. Cloud revenue comprises the main revenues of our cloud business and is derived from fees earned from providing customers with software as a service (SaaS), platform as a service (PaaS), and infrastructure as a service (IaaS). Cloud and software revenue includes cloud revenue plus software license revenue and software support revenue. The vast majority of customers who purchase software licenses also enter into related support contracts with us that generate recurring support revenue after the software sale. Cloud revenue is our largest revenue stream, followed by software support revenue. For more information of our revenue measures, see the Notes to the Consolidated Financial Statements 2024, [Note \(A.1\)](#)

As of a specific key date, the CCB is the contractually committed cloud revenue we expect to recognize over the upcoming 12 months. Thus, it is a subcomponent of our overall remaining performance obligations following IFRS 15.120. For our committed cloud business, we believe the CCB is a valuable indicator of our go to market success, as it reflects both new contracts won, and existing contracts renewed.

To measure our profitability, we primarily use **Operating Profit (non-IFRS)** and **Free Cash Flow**. Operating Profit (non-IFRS) offers insight into our overall operational process efficiency and business performance, while Free Cash Flow provides management with supplemental information to assess our liquidity needs and position. Free cash flow is used to determine the cash flow remaining after all expenditures required to maintain or expand our organic business have been paid off.

Besides the key measures mentioned above, SAP uses various supporting measures to offer further insight into our financial performance. Some of those include: Cloud ERP Suite revenue¹, Total Cloud Backlog (TCB)², Share of more predictable revenue³, and Effective Tax Rate (non-IFRS)⁴. We report most of our supporting measures in both actual and at constant currencies.

Measures to Manage Our Non-Financial Performance

The following are the key measures we use to measure our non-financial performance.

The annual assessment of customer loyalty is based on a survey that includes the **Customer Net Promoter Score (NPS)** metric. The Customer NPS⁵ is calculated based on the “Likelihood to Recommend”-question with its proprietary scoring, identified on a scale of 0–10. We use this measure because we believe that we can only achieve our financial goals when our customers are loyal to, and satisfied with, SAP and our solutions.

Employee Engagement Index measures the satisfaction and commitment of our employees, how proud they are of our company, and how strongly they identify with SAP. Applying this measure is recognition that our growth strategy depends on engaged employees. The index is measured as a percentage of favorable responses using five questions from our #Unfiltered engagement survey program.

¹ We use Cloud ERP Suite revenue as a metric to measure the growth of our portfolio of Software-as-a-Service (SaaS) and Platform-as-a-Service (PaaS) solutions that are tightly integrated with our core ERP solutions and are included in key commercial packages, such as RISE with SAP. Further, Cloud ERP Suite also includes cloud-based capabilities enabling our customers' ERP landscapes and their cloud transformation. The following offerings contribute to Cloud ERP Suite revenue: SAP Cloud ERP, SAP Business Technology Platform, financial- and spend management, supply chain management, core solutions for human capital management, commerce, business transformation management and AI.

² As of a specific key date, the TCB is the total contractually committed cloud revenue we expect to recognize. Thus, TCB, as well as CCB, are subcomponents of our overall remaining performance obligations following IFRS 15.120. For our committed cloud business, we believe the TCB and the CCB are valuable indicators of our go-to-market success, as they reflect both new contracts won and existing contracts renewed. For more information on how we calculate these numbers, see the Notes to the Consolidated Financial Statements, [Note \(A.1\)](#).

³ The total of cloud revenue and software support revenue, divided by total revenue is the share of more predictable revenue.

⁴ We define our effective tax rate as the ratio of income tax expense (non-IFRS) to profit before tax (non-IFRS), expressed as a percentage.

⁵ To derive the Customer NPS, we start with the percentage of “promoters” of SAP, that is, those giving us a score of 9 or 10 on a scale of 0–10. We then subtract the percentage of “detractors,” that is, those giving us a score of 0–6. The method ignores “passives,” that is, those giving us a score of 7 or 8. Consequently, the range of achievable scores is –100 to +100, with the latter being the best achievable score for customer loyalty as measured by the Customer NPS methodology.

We determine the Employee Engagement Index as the average of the scores retrieved in each of the surveys we run within a fiscal year. Our engagement survey program “#Unfiltered” runs according to a “continuously listening” approach that includes multiple data collections throughout the year. The average scores provide an assessment, for the full year, of our employees’ engagement and trust level.

The **Business Health Culture Index (BHCI)** is a cross-sectional index that holistically captures employee experience at SAP across key themes (including leadership effectiveness and well-being), reinforcing its role as a strong indicator of a healthy work environment. It reflects the extent to which SAP provides employees with a working environment that fosters active engagement in achieving corporate goals, promotes health, ensures equal opportunity for all, and supports their long-term employability. The BHCI is measured as the percentage of favorable responses to ten questions from the #Unfiltered engagement survey.

Gross Greenhouse Gas Emissions is used to measure greenhouse gas emissions along the value chain (Scope 1, Scope 2, and Scope 3 emissions relevant for SAP’s business model) as part of our net-zero commitment. We apply a market-based approach. Renewable energies, for example in the form of self-generated renewable electricity, investments in certified renewable energy certificates, long-term green electricity contracts (power purchase agreements), or renewable electricity purchased by our suppliers and customers can be counted toward the reduction of greenhouse gas emissions. We define, measure, and report our greenhouse gas emissions according to the Greenhouse Gas (GHG) Protocol (in millions of tons of CO₂ equivalents). The reporting also fulfills ESRS requirements.

Non-IFRS Financial Measures Cited in Our Reports

Explanation of Non-IFRS Measures

We disclose certain financial measures that are not prepared in accordance with IFRS and are therefore considered non-IFRS financial measures. Our non-IFRS financial measures may not correspond to non-IFRS financial measures that other companies report. The non-IFRS financial measures that we report should only be considered in addition to, and not as substitutes for, nor as superior to, our IFRS financial measures.

We believe that the disclosed supplemental historical and prospective non-IFRS financial information provides useful information to investors, because management uses this information, in addition to financial data prepared in accordance with IFRS, to attain a more transparent understanding of our past performance and our anticipated future results.

We use these non-IFRS measures consistently in our internal planning and forecasting, reporting, and compensation, as well as in our external communications, as follows:

- Our management primarily uses these non-IFRS measures rather than IFRS measures as the basis for making financial, strategic, and operating decisions.
- The variable components of our Executive Board members’ and employees’ remuneration are based on non-IFRS numbers rather than the respective IFRS measures.
- The annual budgeting process for all management units is based on operating profit (non-IFRS) numbers rather than the respective IFRS financial measure.
- All forecast and performance reviews with all senior managers globally are based on these non-IFRS measures, rather than the respective IFRS financial measures.
- Both our internal performance targets and the guidance we provide to the capital markets are based on non-IFRS measures, rather than the respective IFRS financial measures.

Our non-IFRS financial measures reflect adjustments based on the items below, as well as adjustments for the related income tax effects.

Operating Expense (Non-IFRS)

Numbers that are identified as operating expenses (non-IFRS) have been adjusted by excluding the following expenses:

- Acquisition-related charges
 - Amortization expense/impairment charges for intangibles acquired in business combinations, including goodwill, and certain stand-alone acquisitions of intellectual property (including purchased in-process research and development).
 - Settlements of preexisting business relationships in connection with a business combination
 - Acquisition-related third-party expenses
- Restructuring expenses in accordance with IFRS

- Expenses for regulatory compliance matters associated with the provision for (potential) penalties arising from certain ongoing governmental investigations into our business operations, which are described in the Notes to the Consolidated Financial Statements 2024, [Note \(G.3\)](#), and are limited to the scope of IAS 37.

We exclude certain acquisition-related expenses for the purpose of calculating operating profit (non-IFRS) and operating margin (non-IFRS) when evaluating SAP's continuing operational performance, because these expenses generally cannot be changed or influenced by management after the relevant acquisition other than by disposing of the acquired assets. Since management at levels below the Executive Board does not influence these expenses, we generally do not consider these expenses for the purpose of evaluating the performance of management units. We also exclude restructuring expenses because they are volatile and generally cannot be influenced by management at levels below the Executive Board. We exclude expenses related to regulatory compliance matters, as these expenses are non-recurring and relate to conduct that took place in prior performance periods, and so that users of our consolidated financial statements and the combined management report can see the information that our management uses to manage the business.

Non-operating Income, Net (Non-IFRS)

Numbers that are identified as non-operating income, net (non-IFRS) have been adjusted by excluding the following effects:

- Acquisition-related charges
 - Net disposal gains and losses arising from the sale of intangibles acquired in business combinations.

Consistent with the adjustments we make to our Operating Expense (Non-IFRS) by excluding amortization expense and impairment charges for intangibles acquired in business combinations, we adjust our Non-operating Income, Net (Non-IFRS) by excluding disposal gains and losses arising from the sale of these intangibles. These net disposal gains and losses are not indicative of SAP's operations. We believe that by excluding these gains and losses we improve our period-over-period comparability.

Financial Income, Net (Non-IFRS)

Numbers that are identified as financial income, net (non-IFRS) have been adjusted by excluding the following effects:

- Gains and losses from equity securities, net
 - Includes realized and unrealized effects from the disposal of equity securities, ongoing mark-to-market adjustments on marketable equity investments, changes in fair value of non-marketable equity securities, and others.

Excluding gains and losses from equity securities, net, improves the period-over-period comparability, as this leads to less volatility caused by share price fluctuation, market developments, and other factors beyond our control.

Effective tax rate (Non-IFRS)

The effective tax rate (non-IFRS) is presented for supplemental informational purposes only. We do not provide an outlook for the effective tax rate (IFRS) due to the uncertainty and potential variability of gains and losses associated with equity investments, which are reconciling items between the two effective tax rates (non-IFRS and IFRS). These items cannot be provided without unreasonable efforts but could have a significant impact on our future effective tax rate (IFRS).

Free Cash Flow

We use free cash flow to manage our overall financial performance. We define free cash flow as net cash from operating activities adjusted for net purchases⁶ of intangible assets and property, plant, and equipment, and for payments of lease liabilities.

Constant Currencies Information

We believe it is important for investors to have information that provides insight into the development of our sales. Revenue measures determined under IFRS provide information that is useful in this regard. However, both sales volume and currency effects impact period-over-period changes in sales revenue. We do not sell standardized units of products and services so we cannot provide relevant information on sales volume by providing data on the changes in product and service units sold. To provide additional information that may be useful to investors in breaking down and evaluating changes in sales volume, we present information about our revenue and various values and components relating to operating profit that are adjusted for foreign currency effects. We calculate constant currency measures by translating foreign currencies using the average exchange rates from the comparative period instead of the current period. For hyperinflationary economies, instead of applying average exchange rates from the comparative period, we calculate constant currencies rates by translating foreign currencies using month end rates of the comparative period and consider relevant price indices to account for changes in the general purchasing power of the local

⁶ The net of "Purchase of intangible assets and property, plant, and equipment" and "Proceeds from sales of intangible assets and property, plant, and equipment" in the consolidated statements of cash flows.

currency. Constant currency measures on CCB use the closing exchange rate from the previous year's corresponding key date instead of the average exchange rate.

Usefulness of Non-IFRS Measures

We believe that our non-IFRS measures are useful to investors for the following reasons:

- Our expense (non-IFRS), and profit (non-IFRS) measures, along with the CCB measure (see above), provide investors with insight into management's decision-making because management uses these measures to steer our business and make financial, strategic, and operating decisions. We exclude the expense adjustments outlined above when making decisions to allocate resources. In addition, we use these non-IFRS measures to facilitate comparisons of SAP's operating performance from period to period.
- The non-IFRS measures provide investors with additional information that enables a comparison of year-over-year operating and non-operating performance, by excluding certain direct effects of acquisitions, restructuring plans, regulatory compliance matters, and gains and losses from equity securities, net.
- Non-IFRS and non-GAAP (Generally Accepted Accounting Principles) measures are widely used in the software industry. In many cases, inclusion of our non-IFRS measures may facilitate comparison with our competitors' corresponding non-IFRS and non-GAAP measures.

Limitations of Non-IFRS Measures

Without being analyzed in conjunction with the corresponding IFRS measures, the non-IFRS measures are not indicative of our present and future performance primarily for the following reasons:

- While our profit (non-IFRS) numbers reflect the elimination of certain acquisition-related charges, no eliminations are made for the additional revenue or other income that results from the acquisitions.
- The acquisition-related amortization expense that we eliminate in deriving our profit (non-IFRS) numbers is a recurring expense that will impact our financial performance in future years.
- The remaining acquisition-related charges that we eliminate in deriving our profit (non-IFRS) numbers are likely to recur should SAP enter into business combinations in the future. Similarly, the restructuring expenses that we eliminate in deriving our profit (non-IFRS) numbers are likely to recur should SAP perform restructurings in the future.
- The expense adjustment for acquisition-related charges does not arise from a common conceptual basis. This is because the expense adjustment aims to improve the comparability between post-acquisition periods and pre-acquisition periods. This should particularly be considered when evaluating our operating profit (non-IFRS) and operating margin (non-IFRS) numbers, as these combine our revenue and expenses (non-IFRS) despite the absence of a common conceptual basis.
- Our restructuring charges resulted in significant cash outflows in the past and could do so in the future.
- Expenses ascribed to the regulatory compliance matters may include penalties and legal costs, all of which would impact the operating cash flows of the business.
- The gains and losses from equity securities, net, that we eliminate in deriving our financial income, net (non-IFRS) numbers are recurring effects that has impacted our financial performance in the past and will do so in future years. Similarly, the acquisition related effects related to the sale of intangibles arising from business combinations that we eliminate in deriving our non-operating income, net (non-IFRS) have impacted our financial performance in the past and could do so in the future.
- Our realized net gains from equity securities resulted in significant cash inflows in the past and could do so in the future.

We believe that constant currency measures have limitations, particularly as the currency effects that are eliminated constitute a significant element of our revenue and expenses and could materially impact our performance. Therefore, we limit our use of constant currency measures to the analysis of changes in volume as one element of the full change in a financial measure. We do not evaluate our results and performance without considering operating profit (non-IFRS) at both nominal and constant currencies on the one hand, and changes in operating expenses, operating profit, or other measures of financial performance prepared in accordance with IFRS on the other. We caution the readers of our financial reports to follow a similar approach by considering actual and constant currency non-IFRS measures only in addition to, and not as a substitute for or superior to, changes in revenue, operating expenses, operating profit, or other measures of financial performance prepared in accordance with IFRS.

Despite these limitations, we believe that the presentation of our non-IFRS measures and the corresponding IFRS measures, together with the relevant reconciliations, provide useful information to management and investors regarding present and future business trends relating to our financial condition and results of operations.