SAP SE
Form 20-F
March 29, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2015

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report

For the transition period from______to______

Commission file number: 1-14251

SAP SE

(Exact name of Registrant as specified in its charter)

SAP EUROPEAN COMPANY

(Translation of Registrant s name into English)

Federal Republic of Germany

(Jurisdiction of incorporation or organization)

Dietmar-Hopp-Allee 16

69190 Walldorf

Federal Republic of Germany

(Address of principal executive offices)

Wendy Boufford

c/o SAP Labs

3410 Hillview Avenue, Palo Alto, CA, 94304, United States of America

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650-843-2041 (Fax)

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
American Depositary Shares, each Representing one Ordinary Share, without nominal value	New York Stock Exchange
Ordinary Shares, without nominal value	New York Stock Exchange*

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock as of the close of the period covered by the annual report:

Ordinary Shares, without nominal value: 1,228,504,232 (as of December 31, 2015)**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes þ No ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes ¨ No þ

Note Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files.)

Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨ International Financial Reporting Standards as issued by the International Accounting Standards Board þ Other ¨

If Other has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No þ

* Listed not for trading or quotation purposes, but only in connection with the registration of American Depositary Shares representing such ordinary shares pursuant to the requirements of the Securities and Exchange Commission.

** Including 30,551,035 treasury shares.

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INTRODUCTION

SAP SE is a European Company (Societas Europaea, or SE) and is referred to in this report, together with its subsidiaries, as SAP, or as Company, Group, we, ou or us.

In this report: (i) references to US$, $, or dollars are to U.S. dollars; (ii) references to or euro are to the euro. Our financial statements are denominated in eu which is the currency of our home country, Germany. Certain amounts that appear in this report may not add up because of differences due to rounding.

Unless otherwise specified herein, euro financial data have been converted into dollars at the noon buying rate in New York City for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York (the Noon Buying Rate) on December 31, 2015, which was US$1.0859 per 1.00. No representation is made that such euro amounts actually represent such dollar amounts or that such euro amounts could have been or can be converted into dollars at that or any other exchange rate on such date or on any other date. The rate used for the convenience translations also differs from the currency exchange rates used for the preparation of the Consolidated Financial Statements. This convenience translation is not a requirement under International Financial Reporting Standards (IFRS) and, accordingly, our independent registered public accounting firm has not audited these US$ amounts. For information regarding recent rates of exchange between euro and dollars, see Item 3. Key Information Exchange Rates. On March 11, 2016, the Noon Buying Rate for converting euro to dollars was US$1.1180 per 1.00.

Unless the context otherwise requires, references in this report to ordinary shares are to SAP SE s ordinary shares, without nominal value. References in this report to ADRs are to SAP SE s American Depositary Receipts, each representing one SAP ordinary share. References in this report to ADSs are to SAP SE s American Depositary Shares, which are the deposited securities evidenced by the ADRs.

SAP, ABAP, Adaptive Server, Advantage Database Server, Afaria, Ariba, Business ByDesign, BusinessObjects, ByDesign, Concur, Crystal Reports, ExpenseIt, Fieldglass, hybris, PartnerEdge, PowerBuilder, PowerDesigner, Quadrem, R/3, Replication Server, SAP BusinessObjects Explorer, SAP Business Workflow, SAP EarlyWatch, SAP Fiori, SAP HANA, SAP Jam, SAP Lumira, SAP NetWeaver, SAP S/4HANA, SAPPHIRE, SAPPHIRE NOW, SQL Anywhere, Sybase, SuccessFactors, The Best-Run Businesses Run

SAP, TravelTrax, TripIt, TripLink, TwoGo, Web Intelligence and other SAP products and services mentioned herein as well as their respective logos are trademarks or registered trademarks of SAP SE (or an SAP affiliate company) in Germany and other countries.

Throughout this report, whenever a reference is made to our website, such reference does not incorporate by reference into this report the information contained on our website.

We intend to make this report and other periodic reports publicly available on our web site (www.sap.com) without charge immediately following our filing with the U.S. Securities and Exchange Commission (SEC). We assume no obligation to update or revise any part of this report, whether as a result of new information, future events or otherwise, unless we are required to do so by law.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements and information based on the beliefs of, and assumptions made by, our management using information currently available to them. Any statements contained in this report that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. We have based these forward-looking statements on our current expectations, assumptions, and projections about future conditions and events. As a result, our forward-looking statements and information are subject to uncertainties and risks. A broad range of uncertainties and risks, many of which are beyond our control, could cause our actual results and performance to differ materially from any projections expressed in or implied by our forward-looking statements. The uncertainties and risks include, but are not limited to:

- Uncertainty in the global economy, financial markets or political conditions could have a negative impact on our business, financial position, profit, and cash flows and put pressure on our operating profit.
- Third parties have claimed, and might claim in the future, that we infringe their intellectual property rights, which could lead to damages being awarded against us and limit our ability to use certain technologies in the future.
- Claims and lawsuits against us could have an adverse effect on our business, financial position, profit, cash flows and reputation.
- We may not be able to protect our critical information and assets or to safeguard our business operations against disruption.

We describe these and other risks and uncertainties in the Risk Factors section.

If one or more of these uncertainties or risks materializes, or if management s underlying assumptions prove incorrect, our actual results could differ materially from those described in or inferred from our forward-looking statements and information.

The words aim, anticipate, assume, believe, continue, could, counting on, is confident, development, estimate, expect, forecast, future tre may, might, outlook, plan, project, predict, seek, should, strategy, want, will, would, and similar expressions as they relate to us are intende forward-looking statements. Such statements include, for example, those made in the Operating Results section, our quantitative and qualitative disclosures about market risk pursuant to the International Financial Reporting Standards (IFRS), namely IFRS 7 and related statements in our Notes to the Consolidated Financial Statements section, Expected Developments section; Risk Factors section; and other forward-looking information appearing in other parts of this report. To fully consider the factors that could affect our future financial results, both this report and our Annual Report should be considered, as well as all of our other filings with the Securities and Exchange Commission (SEC). Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date specified or the date of this report. We undertake no obligation to publicly update or revise any forward-looking statements as a result of new information that we receive about conditions that existed upon issuance of this report, future events, or otherwise unless we are required to do so by law.

This report includes statistical data about the IT industry and global economic trends that comes from information published by sources including International Data Corporation (IDC), a provider of market information and advisory services for the information technology, telecommunications, and consumer technology markets; the European Central Bank (ECB); and the International Monetary Fund (IMF). This type of data represents only the estimates of IDC, ECB, IMF, and other sources of industry data. SAP does not adopt or endorse any of the statistical information provided by sources such as IDC, ECB, IMF, or other similar sources that is contained in this report. In addition, although we believe that data from these sources is generally reliable, this type of data is imprecise. We caution readers not to place undue reliance on this data.

PERFORMANCE MANAGEMENT SYSTEM

We use various performance measures to help manage our performance with regard to our primary financial goals, which are growth and profitability, and our primary

non-financial goals, which are customer loyalty and employee engagement. We view growth and profitability as indicators for our current performance, while customer loyalty and employee engagement are indicators for our future performance.

Measures We Use to Manage Our Financial Performance

Changes to Income Statement Structure

Starting with the first quarter of 2015, we modified our overall income statement structure. We reclassified premium support revenue and related costs to the respective services line items to align our financial reporting with the changes in our services business. We further simplified and clarified the labeling of several income statement line items. For more information about the changes to our income statement structure, see the Notes to the Consolidated Financial Statements section, Note (3).

Measures We Use to Manage Our Operating Financial Performance

In 2015, we used the following key measures to manage our operating financial performance:

Cloud subscriptions and support revenue (non-IFRS): This revenue driver comprises the main revenues of our fast-growing cloud business. We generate cloud subscriptions and support revenue when we provide software functionality in a cloud-based infrastructure (SaaS) to our customers, when we provide our customers with access to a cloud-based infrastructure to develop, run, and manage applications (PaaS) and also when we provide hosting services for software hosted by SAP (IaaS). Cloud subscriptions and support revenue is also generated when providing additional premium cloud subscription support beyond the regular support, which is embedded in the basic cloud subscription fees as well as business network services to our customers. We use the measure cloud subscriptions and support revenue (non-IFRS) both at actual currency and at constant currency.

Cloud and software revenue (non-IFRS): We use cloud and software revenue (non-IFRS) and constant currency cloud and software revenue (non-IFRS) to measure our revenue growth. Our cloud and software revenue includes cloud subscriptions and support revenue plus software licenses and support revenue. Cloud subscriptions and support revenue and software revenue are our key revenue drivers because they tend to affect our other revenue streams. Generally, customers that buy software licenses also enter into related support contracts, and these generate recurring revenue in the form of support revenue after the software sale. Support contracts cover standardized support services that comprise unspecified future software updates and enhancements. Software licenses revenue as well as cloud subscriptions and support revenue also tend to stimulate services revenue earned from providing customers with professional services, premium support services, training services, messaging services, and payment services.

New cloud bookings: For our cloud activities, we also look at new cloud bookings. This measure reflects the committed order entry from new customers and from incremental purchases by existing customers for offerings that generate cloud subscriptions and support revenue. In this way, it is an indicator for cloud-related sales success in a given period and for secured future cloud subscriptions and support revenue. We focus primarily on the average contract value variant of the new cloud bookings measure that takes into account annualized amounts for multiyear contracts. Additionally, we monitor the total contract value variant of the new cloud bookings measure that takes into account the total committed order entry amounts regardless of contract durations. There are no comparable IFRS measures for these bookings metrics.

Operating profit (non-IFRS): We use operating profit (non-IFRS) and constant currency operating profit (non-IFRS) to measure our overall operational process efficiency and overall business performance. See below for more information on the IFRS and non-IFRS measures we use.

Cloud subscriptions and support gross margin (non-IFRS): We use our cloud subscriptions and support gross margin (non-IFRS) to measure our process efficiency and our performance in our cloud business. Cloud subscriptions and support gross margin (non-IFRS) is the ratio of our cloud subscriptions and support gross profit (non-IFRS) to cloud subscriptions and support revenue (non-IFRS), expressed as a percentage.

Measures We Use to Manage Our Non-Operating Financial Performance

We use the following measures to manage our non-operating financial performance:

Financial income, net: This measure provides insight into the return on liquid assets and capital investments and the cost of borrowed funds. To manage our financial income, net, we focus on cash flow, the composition of our liquid assets and capital investment portfolio, and the average rate of interest at which assets are invested. We also monitor average outstanding borrowings and associated finance costs.

Days Sales Outstanding (DSO): We manage working capital by controlling the days sales outstanding (DSO) for operating receivables (defined as the average

number of days from the raised invoice to cash receipt from the customer).

Measures We Use to Manage Overall Financial Performance

We use the following measures to manage our overall financial performance:

Earnings per share (EPS): EPS measures our overall performance because it captures all operating and non-operating elements of profit as well as income tax expense. It represents the portion of profit after tax allocable to each SAP share outstanding. EPS is influenced not only by our operating and non-operating business as well as income taxes but also by the number of shares outstanding.

Effective tax rate: We define our effective tax rate as the ratio of income tax expense to profit before tax, expressed as a percentage.

Operating, investing, and financing cash flows and free cash flow: Our consolidated statement of cash flows provides insight as to how we generated and used cash and cash equivalents. When applied in conjunction with the other primary financial statements, it provides information that helps us evaluate the changes of our net assets, our financial structure (including our liquidity and solvency), and our ability to affect the amounts and timing of cash flows to adapt to changing circumstances and opportunities. We use our free cash flow measure to determine the cash flow remaining after all expenditures required to maintain or expand our organic business have been paid off. This measure provides management with supplemental information to assess our liquidity needs. We calculate free cash flow as net cash from operating activities minus purchases (other than purchases made in connection with business combinations) of intangible assets and property, plant, and equipment.

Measures We Use to Manage Our Non-Financial Performance

In 2015, we used the following key measures to manage our non-financial performance in the areas of employee engagement, customer loyalty and leadership trust:

Employee Engagement Index: We use this index to measure the motivation and loyalty of our employees, how proud they are of our company, and how strongly they identify with SAP. The index is derived from surveys conducted among our employees. Applying this measure is recognition that our growth strategy depends on engaged employees.

Customer Net Promoter Score (NPS): This score measures the willingness of our customers to

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recommend or promote SAP to others. It is derived from our annual customer survey that identifies, on a scale of 0 10, whether a customer is loyal and likely to recommend SAP to friends or colleagues, is neutral, or is unhappy. We introduced this measure in 2012, as we are convinced that we can achieve our financial goals only when our customers are loyal to, and satisfied with, SAP and our solutions. To derive the Customer NPS, we start with the percentage of promoters of SAP those who give us a score of 9 or 10 on a scale of 0 10. We then subtract the percentage of detractors those who give us a score of 0 to 6. The method ignores passives, who give us a score of 7 or 8. Due to changes in sampling, resulting from ongoing efforts to implement the survey process holistically in recently acquired entities, the 2015 score is not fully comparable with the prior year s score.

Leadership Trust Score: We use this score to further enhance accountability and to measure our collective effort to foster a work environment based on trust. It is derived from a question in our annual global employee survey that gauges employees trust in our leaders. We measure leadership trust by using the Net Promoter Score (NPS) methodology.

Value-Based Management

Our holistic view of the performance measures described above, together with our associated analyses, comprises the information we use for value-based management. We use planning and control processes to manage the compilation of these key measures and their availability to our decision makers across various management levels.

SAP s long-term strategic plans are the point of reference for our other planning and controlling processes, including a multiyear plan through 2020. We identify future growth and profitability drivers at a highly aggregated level. This process is intended to identify the best areas in which to target sustained investment. Next, we evaluate our multiyear plans for our support and development functions and break down the customer-facing plans by sales region. Based on our detailed annual plans, we determine the budget for the respective year. We also have processes in place to forecast revenue and profit on a quarterly basis, to quantify whether we expect to realize our financial goals, and to identify any deviations from plan. We continuously monitor the concerned units in the Group to analyze these developments and define any appropriate actions.

Our entire network of planning, control, and reporting processes is implemented in integrated planning and information systems, based on SAP software, across all organizational units so that we can conduct the evaluations and analyses needed to make informed decisions.

Non-IFRS Financial Measures Cited in This Report

As in previous years, we provided our 2015 financial outlook on the basis of certain non-IFRS measures. Therefore, this report contains a non-IFRS based comparison of our actual performance in 2015 against our outlook in the Performance Against Outlook for 2015 (Non-IFRS) section.

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Reconciliations of IFRS to Non-IFRS Financial Measures for 2015 and 2014

The following table reconciles our IFRS financial measures to the respective and most comparable non-IFRS financial measures of this report for each of 2015 and 2014. Due to rounding, the sum of the numbers presented in this table might not precisely equal the totals we provide.

Reconciliation of IFRS to Non-IFRS Financial Measures for the Years Ended December 31

millions, unless otherwise stated					**2015**			2014
				Currency	**Non-IFRS Constant**			
	IFRS	**Adj.**	**Non-IFRS**	**Impact**	**Currency**	IFRS	Adj.	Non-IFRS
Revenue measures								
Cloud subscriptions and support	2,286	10	2,296	297	1,999	1,087	14	1,101
Software licenses	4,835	1	4,836	255	4,581	4,399	0	4,399
Software support	10,093	0	10,094	678	9,416	8,829	5	8,834
Software licenses and support	14,928	2	14,930	933	13,997	13,228	5	13,233
Cloud and software	**17,214**	**11**	**17,226**	**1,230**	**15,996**	**14,315**	**19**	**14,334**
Services	**3,579**	**0**	**3,579**	**276**	**3,304**	**3,245**	**0**	**3,245**
Total revenue	**20,793**	**11**	**20,805**	**1,505**	**19,299**	**17,560**	**19**	**17,580**
Operating expense measures								
Cost of cloud subscriptions and support	1,022	232	789			481	88	393
Cost of software licenses and support	2,291	283	2,008			2,076	258	1,818
Cost of cloud and software	3,313	516	2,797			2,557	346	2,211
Cost of services	3,313	180	3,133			2,716	125	2,590
Total cost of revenue	**6,626**	**696**	**5,930**			**5,272**	**471**	**4,801**
Gross profit	**14,167**	**707**	**14,874**			**12,288**	**490**	**12,778**
Research and development	2,845	202	2,643			2,331	127	2,204
Sales and marketing	5,401	449	4,952			4,304	170	4,134
General and administration	1,048	116	932			892	86	806
Restructuring	621	621	0			126	126	0
TomorrowNow and Versata litigation	0	0	0			309	309	0
Other operating income/expense, net	1	0	1			4	0	4
Total operating expenses	**16,541**	**2,084**	**14,457**	**1,062**	**13,395**	**13,230**	**1,288**	**11,942**
Operating profit	**4,252**	**2,095**	**6,348**	**443**	**5,904**	**4,331**	**1,307**	**5,638**

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Explanation of Non-IFRS Measures

We disclose certain financial measures, such as revenue (non-IFRS), operating expenses (non-IFRS), operating profit (non-IFRS), operating margin (non-IFRS), and earnings per share (non-IFRS), as well as constant currency revenue, expense, and profit 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 or 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 the revenue (non-IFRS) and profit (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 revenue (non-IFRS), operating profit (non-IFRS), as well as new cloud bookings measures rather than the respective IFRS measures.
- The annual budgeting process for all management units is based on revenue (non-IFRS) and operating profit (non-IFRS) numbers rather than the respective IFRS financial measures.
- 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 provided to the capital markets are based on revenue (non-IFRS) and profit (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.

Revenue (Non-IFRS)

Revenue items identified as revenue (non-IFRS) have been adjusted from the respective IFRS financial measures by including the full amount of software support revenue, cloud subscriptions and support revenue, and other similarly recurring revenue that we

are not permitted to record as revenue under IFRS due to fair value accounting for the contracts in effect at the time of the respective acquisitions.

Under IFRS, we record at fair value the contracts in effect at the time entities were acquired. Consequently, our IFRS software support revenue, IFRS cloud subscriptions and support revenue, IFRS cloud and software revenue, and IFRS total revenue for periods subsequent to acquisitions do not reflect the full amount of revenue that would have been recorded by entities acquired by SAP had they remained stand-alone entities. Adjusting revenue numbers for this revenue impact provides additional insight into the comparability of our ongoing performance across periods.

Operating Expense (Non-IFRS)

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

- Acquisition-related charges
  - Amortization expense/impairment charges of intangibles acquired in business combinations 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
- Expenses from the TomorrowNow litigation (formerly labeled as discontinued activities) and the Versata litigation cases
- Share-based payment expenses
- Restructuring expenses

We exclude certain acquisition-related expenses for the purpose of calculating operating profit (non-IFRS), operating margin (non-IFRS), and earnings per share (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. Additionally, these non-IFRS measures have been adjusted from the respective IFRS measures for the results of the share-based payment expenses and restructuring expenses, as well as the TomorrowNow and Versata litigation expenses.

Operating Profit (Non-IFRS), Operating Margin (Non-IFRS), and Earnings per Share (Non-IFRS)

Operating profit, operating margin, and earnings per share identified as operating profit (non-IFRS), operating margin (non-IFRS), and earnings per share (non-IFRS)

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have been adjusted from the respective IFRS measures by adjusting for the aforementioned revenue (non-IFRS) and operating expenses (non-IFRS).

Constant Currency Information

We believe it is important for investors to have information that provides insight into 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 revenue and operating profit measures by translating foreign currencies using the average exchange rates from the comparative period instead of the current period.

Free Cash Flow

The following table shows our free cash flow measure. We use this measure among others to manage our overall financial performance.

Free Cash Flow

millions	2015	2014	in %
Net cash flows from operating activities	**3,638**	3,499	4
Purchase of intangible assets and property, plant, and equipment (without acquisitions)	**636**	737	14
Free cash flow	**3,001**	**2,762**	**9**

Usefulness of Non-IFRS Measures

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

Our revenue (non-IFRS), expense (non-IFRS), and profit (non-IFRS) measures provide investors with insight into management s decision making because management uses these non-IFRS measures to run our business and make financial, strategic, and operating decisions. We include the revenue adjustments outlined above and exclude the expense adjustments outlined above when making decisions to allocate resources. In addition, we use these non-IFRS measures to gain a better understanding 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 performance by eliminating certain direct effects of acquisitions, share-based compensation plans, restructuring plans, and the TomorrowNow and Versata litigation cases.

Non-IFRS and non-GAAP 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

We believe that our non-IFRS financial measures described above have limitations, including but not limited to, the following:

The eliminated amounts could be material to us.

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

- While our profit (non-IFRS) numbers reflect the elimination of certain acquisition-related expenses, no eliminations are made for the additional revenue or other income that results from the acquisitions.
- While we adjust for the fair value accounting of the acquired entities recurring revenue contracts, we do not adjust for the fair value accounting of deferred compensation items that result from commissions paid to the acquired company s sales force and third parties for closing the respective customer contracts.
- The acquisition-related charges that we eliminate in deriving our profit (non-IFRS) numbers are likely to recur should SAP enter into material 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 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 revenue adjustment for the fair value accounting of the acquired entities contracts and the expense adjustment for acquisition-related charges do not arise from a common conceptual basis. This is because the revenue adjustment aims to improve the comparability of the initial post-acquisition period with future post-acquisition periods, while 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 (non-IFRS) and expenses (non-IFRS) despite the absence of a common conceptual basis.

- Our restructuring charges could result in significant cash outflows. The same applies to our share-based payment expense because most of our share-based payments are settled in cash rather than shares.
- The valuation of our cash-settled share-based payments could vary significantly from period to period due to the fluctuation of our share price and other parameters used in the valuation of these plans.
- In the past, we have issued share-based payment awards to our employees every year and we intend to continue doing so in the future. Thus, our share-based payment expenses are recurring although the amounts usually change from period to period.

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 both constant currency measures in revenue (non-IFRS) and operating profit (non-IFRS) measures on the one hand, and changes in revenue, 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 constant currency 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 the 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. We do not evaluate our growth and performance without considering both non-IFRS measures and the comparable IFRS measures. We caution the readers of our financial reports to follow a similar approach by considering our non-IFRS measures only in addition to, and not as a substitute for or superior to, revenue or other measures of our financial performance prepared in accordance with IFRS.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

SELECTED FINANCIAL DATA

The following table sets forth our selected consolidated financial data as of and for each of the years in the five-year period ended December 31, 2015. The consolidated financial data has been derived from, and should be read in conjunction with, our Consolidated Financial Statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS), presented in Item 18. Financial Statements of this report.

Our selected financial data and our Consolidated Financial Statements are presented in euros. Financial data as of and for the year ended December 31, 2015 has been translated into U.S. dollars for the convenience of the reader.

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Selected Financial Data: IFRS

millions, unless otherwise stated	**2015[1]** US$	**2015**	2014	2013	2012	2011
Income Statement Data: Years ended December 31,						
Cloud subscriptions and support	2,482	2,286	1,087	696	270	18
Software licenses and support	16,210	14,928	13,228	12,809	12,532	11,012
Cloud and software	18,693	17,214	14,315	13,505	12,801	11,030
Total revenue	22,579	20,793	17,560	16,815	16,223	14,233
Operating profit	4,618	4,252	4,331	4,479	4,041	4,884
Profit after tax	3,318	3,056	3,280	3,325	2,803	3,437
Profit attributable to owners of parent	3,327	3,064	3,280	3,326	2,803	3,435
Earnings per share[2]						
Basic in	2.78	2.56	2.75	2.79	2.35	2.89
Diluted in	2.78	2.56	2.74	2.78	2.35	2.89
Other Data:						
Weighted-average number of shares outstanding						
Basic	1,197	1,197	1,195	1,193	1,192	1,189
Diluted	1,198	1,198	1,197	1,195	1,193	1,190
Statement of Financial Position Data: At December 31,						
Cash and cash equivalents	3,704	3,411	3,328	2,748	2,477	4,965
Total assets[3]	44,945	41,390	38,565	27,091	26,306	23,227
Current financial liabilities[4]	913	841	2,561	748	802	1,331
Non-current financial liabilities[4]	9,427	8,681	8,980	3,758	4,446	2,925
Issued capital	1,334	1,229	1,229	1,229	1,229	1,228
Total equity	25,296	23,295	19,534	16,048	14,133	12,689

(1) Amounts presented in US$ have been translated for the convenience of the reader at 1.00 to US$1.0859, the Noon Buying Rate for converting 1.00 into dollars on December 31, 2015. See Item 3. Key Information Exchange Rates for recent exchange rates between the Euro and the dollar.

(2) Profit attributable to owners of parent is the numerator and weighted average number of shares outstanding is the denominator in the calculation of earnings per share. See Note (11) to our Consolidated Financial Statements for more information on earnings per share.

(3) The large increase in total assets from 2011 to 2012 was mainly due to the acquisitions of SuccessFactors and Ariba in 2012, whereas the large increase in total assets from 2013 to 2014 was mainly due to the acquisition of Concur.

(4) The balances include primarily bonds, private placements and bank loans. Current is defined as having a remaining life of one year or less; non-current is defined as having a remaining term exceeding one year. The significant increase in non-current financial liabilities in 2012 was due to the issuance of a U.S. private placement transaction and Eurobonds in the course of the acquisition of Ariba. The significant increase from 2013 to 2014 was due to a long-term bank loan and the issuance of a three-tranche Eurobond, both in connection with the Concur acquisition. See Note (17b) to our Consolidated Financial Statements for more information on our financial liabilities.

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EXCHANGE RATES

The sales prices for our ordinary shares traded on German stock exchanges are denominated in euro. Fluctuations in the exchange rate between the euro and the U.S. dollar affect the dollar equivalent of the euro price of the ordinary shares traded on the German stock exchanges and, as a result, may affect the price of the ADRs traded on the NYSE in the United States. See Item 9. The Offer and Listing for a description of the ADRs. In addition, SAP SE pays cash dividends, if any, in euro. As a result, any exchange rate fluctuations will also affect the dollar amounts received by the holders of ADRs on the conversion into dollars of cash dividends paid in euro on the ordinary shares represented by the ADRs. Deutsche Bank Trust Company Americas is the depositary (the Depositary) for SAP SE s ADR program. The deposit agreement with respect to the ADRs requires the Depositary to convert any dividend payments from euro into dollars as promptly as practicable upon receipt. For additional information on the Depositary and the fees associated with SAP s ADR program see Item 12. Description of Securities Other Than Equity Securities American Depositary Shares.

For details on the impact of exchange rate fluctuations see Item 5. Operating and Financial Review and Prospects Foreign Currency Exchange Rate Exposure .

The following table sets forth (i) the average, high and low Noon Buying Rates for the euro expressed as U.S. dollars per 1.00 for the past five years on an annual basis and (ii) the high and low Noon Buying Rates on a monthly basis from July 2015 through and including March 11, 2016.

Year	Average[1]	High	Low
2011	1.4002	1.4875	1.2926
2012	1.2909	1.3463	1.2062
2013	1.3303	1.3816	1.2774
2014	1.3210	1.3927	1.2101
2015	1.1032	1.2015	1.0524
Month		High	Low
2015			
July		1.1150	1.0848
August		1.1580	1.0868
September		1.1358	1.1104
October		1.1437	1.0963
November		1.1026	1.0562
December		1.1025	1.0573
2016			
January		1.0964	1.0743
February		1.1362	1.0868
March (through March 11, 2016)		1.1180	1.0845

(1) The average of the applicable Noon Buying Rates on the last day of each month during the relevant period.

The Noon Buying Rate on March 11, 2016 was US$1.1180 per 1.00.

DIVIDENDS

Dividend Distribution Policy

Dividends are jointly proposed by SAP SE s Supervisory Board (Aufsichtsrat) and Executive Board (Vorstand) based on SAP SE s year-end stand-alone statutory financial statements, subject to approval by the Annual General Meeting of Shareholders. Dividends are officially declared for the prior year at SAP SE s Annual General Meeting of Shareholders. SAP SE s Annual General Meeting of Shareholders usually convenes during the second quarter of each year. Dividends are usually remitted to the custodian bank on behalf of the shareholder within one business day following the Annual General Meeting of Shareholders. Record holders of the ADRs on the dividend record date will be entitled to receive payment of the dividend declared in respect of the year for which it is declared. Cash dividends payable to such holders will be paid to the Depositary in euro and, subject to certain exceptions, will be converted by the Depositary into U.S. dollars.

Dividends paid to holders of the ADRs may be subject to German withholding tax. See Item 8. Financial Information Other Financial Information Dividend Policy and Item 10. Additional Information Taxation, for further information.

Annual Dividends Paid and Proposed

The following table sets forth in euro the annual dividends paid or proposed to be paid per ordinary share in respect of each of the years indicated. One SAP ADR currently represents one SAP SE ordinary share.

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Accordingly, the final dividend per ADR is equal to the dividend for one SAP SE ordinary share and is dependent on the euro/U.S. dollar exchange rate. The table does not reflect tax credits that may be available to German taxpayers who receive dividend payments. If you own our ordinary shares or ADRs and if you are a U.S. resident, refer to Item 10. Additional Information Taxation, for further information.

Year Ended	Dividend Paid per Ordinary Share	
December 31,		US$
2011	1.10[2]	1.38[1]
2012	0.85	1.11[1]
2013	1.00	1.37[1]
2014	1.10	1.22[1]
2015(proposed)	1.15[3]	1.29[3],[4]

(1) Translated for the convenience of the reader from euro into U.S. dollars at the Noon Buying Rate for converting euro into U.S. dollars on the dividend payment date. The Depositary is required to convert any dividend payments received from SAP as promptly as practicable upon receipt.

(2) Thereof a special dividend of 0.35 per share to celebrate our 40th anniversary.

(3) Subject to approval at the Annual General Meeting of Shareholders of SAP SE currently scheduled to be held on May 12, 2016.

(4) Translated for the convenience of the reader from euro into U.S. dollars at the Noon Buying Rate for converting euro into U.S. dollars on March 11, 2016 of US$1.1180 per 1.00. The dividend paid may differ due to changes in the exchange rate.

The amount of dividends paid on the ordinary shares depends on the amount of profits to be distributed by SAP SE, which depends in part upon our financial performance. In addition, the amount of dividends received by holders of ADRs may be affected by fluctuations in exchange rates (see Item 3. Key Information Exchange Rates). The timing, declaration, amount and payment of any future dividend will depend upon our future earnings, capital needs and other relevant factors, in each case as proposed by the Executive Board and the Supervisory Board of SAP SE and approved by the Annual General Meeting of Shareholders.

RISK FACTORS

Economic, Political, Social, and Regulatory Risk

Uncertainty in the global economy, financial markets, or political conditions could have a negative impact on our business, financial position, profit, as well as cash flows, and put pressure on our operating profit.

Our business is influenced by multiple risk factors that are both difficult to predict and beyond our influence and

control. These factors include global economic and business conditions, and fluctuations in national currencies. Other examples are political developments and general regulations as well as budgetary constraints or shifts in spending priorities of national governments.

Macroeconomic developments, such as financial market volatility episodes, global economic crises, chronic fiscal imbalances, slowing economic conditions, or disruptions in emerging markets, could limit our customers ability and willingness to invest in our solutions or delay purchases. In addition, changes in the euro conversion rates for particular currencies might have an adverse effect on business activities with local customers and partners. Furthermore, political instabilities in regions such as the Middle East and Africa, political crises (such as in Greece or Ukraine), natural disasters, pandemic diseases (such as Ebola in West Africa) and terrorist attacks (such as the attacks in Paris, France, in November 2015) could contribute to economic and political uncertainty.

These events could reduce the demand for SAP software and services, and lead to:

- Delays in purchases, decreased deal size, or cancellations of proposed investments
- Potential lawsuits from customers due to denied provision of service as a result of sanctioned-party lists or export control issues
- Higher credit barriers for customers, reducing their ability to finance software purchases
- Increased number of bankruptcies among customers, business partners, and key suppliers
- Increased default risk, which may lead to significant impairment charges in the future
- Market disruption from aggressive competitive behavior, acquisitions, or business practices

Increased price competition and demand for cheaper products and services

Any one or more of these developments could reduce our ability to sell and deliver our software and services which could have an adverse effect on our business, financial position, profit, and cash flows.

Our international business activities and processes expose us to numerous and often conflicting laws and regulations, policies, standards or other requirements and sometimes even conflicting regulatory requirements, and to risks that could harm our business, financial position, profit, and cash flows.

We are a global company and currently market our products and services in more than 180 countries and territories in the Americas (Latin America and North America); Asia Pacific Japan (APJ); China, Hong Kong, Macau, and Taiwan (Greater China); Europe, Middle East, and Africa (EMEA); and Middle and Eastern Europe (MEE) regions. Our business in these countries is subject

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to numerous risks inherent in international business operations. Among others, these risks include:

- Data protection and privacy regulation regarding access by government authorities to customer, partner, or employee data
- Data residency requirements (the requirement to store certain data only in and, in some cases, also to access such data only from within a certain jurisdiction)
- Conflict and overlap among tax regimes
- Possible tax constraints impeding business operations in certain countries
- Expenses associated with the localization of our products and compliance with local regulatory requirements
- Discriminatory or conflicting fiscal policies
- Operational difficulties in countries with a high corruption perceptions index
- Protectionist trade policies, import and export regulations, and trade sanctions and embargoes
- Works councils, labor unions, and immigration laws in different countries
- Difficulties enforcing intellectual property and contractual rights in certain jurisdictions
- Country-specific software certification requirements
- Challenges with effectively managing a large distribution network of third-party companies
- Compliance with various industry standards (such as Payment Card Industry Data Security Standard)

As we expand into new countries and markets, these risks could intensify. The application of these laws and regulations to our business is sometimes unclear, subject to change over time, and often conflict among jurisdictions. Additionally, these laws and government approaches to enforcement are continuing to change and evolve, just as our products and services continually evolve. Compliance with these varying laws and regulations could involve significant costs or require changes in products or business practices. Non-compliance could result in the imposition of penalties or cessation of orders due to alleged non-compliant activity. One or more of these factors could have an adverse effect on our operations globally or in one or more countries or regions, which could have an adverse effect on our business, financial position, profit, and cash flows.

Social and political instability caused by state-based conflicts, terrorist attacks, civil unrest, war, or international hostilities, as well as pandemic disease outbreaks or natural disasters, may disrupt SAP s business operations.

Terrorist attacks (such as the attacks in Paris in November 2015) as well as other acts of violence or war, civil, religious, and political unrest (such as in Ukraine, Israel, Syria, and in other parts of the Middle East, Libya, and in other parts of Africa); natural disasters (such as

hurricanes, flooding, or similar events); or pandemic diseases (such as Ebola in West Africa) could have a significant adverse effect on the local economy and beyond. Such an event could lead, for example, to the loss of a significant number of our employees, or to the disruption or disablement of operations at our locations, and could affect our ability to provide business services and maintain effective business operations. Furthermore, this could have a significant adverse effect on our partners as well as our customers and their investment decisions, which could have an adverse effect on our reputation, business, financial position, profit, and cash flows.

Market Risks

Our established customers might not buy additional software solutions, subscribe to our cloud offerings, renew maintenance agreements, purchase additional professional services, or they might switch to other products or service offerings (including competitive products).

In 2015, we continued to depend materially on the success of our support portfolio and on our ability to deliver high-quality services. Traditionally, our large installed customer base generates additional new software, maintenance, consulting, and training revenue. Despite the high quality and service level of our transformed and expanded service offering in the area of premium support services, we may be unable to meet customer expectations with regards to delivery and value proposition. This may lead to a potentially adverse impact on customer experience. Existing customers might cancel or not renew their maintenance contracts, decide not to buy additional products and services, not subscribe to our cloud offerings, or accept alternative offerings from other vendors. In addition, the increasing volume in our cloud business as well as the conversion of traditional on-premise licenses to cloud subscriptions licenses could have a potential negative impact on our software and maintenance revenue streams. This could have an adverse effect on our business, financial position, profit, and cash flows.

The success of our cloud computing strategy depends on market perception and an increasing market adoption of our cloud solutions and managed cloud services. Insufficient adoption of our solutions and services could lead to a loss of SAP s position as a leading cloud company.

The market for cloud computing is increasing and shows strong growth relative to the market for our on-premise solutions. To offer a broad cloud service portfolio and generate the associated business value for our customers, we have acquired cloud computing companies such as Ariba, Concur, Fieldglass, and SuccessFactors. Due to ongoing contracts and previous

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substantial investments to integrate traditional on-premise enterprise software into their businesses, as well as concerns about data protection, security capabilities, and reliability, customers and partners might be reluctant or unwilling to migrate to the cloud.

Other factors that could affect the market acceptance of cloud solutions and services include:

- Concerns with entrusting a third-party to store and manage critical employee or company confidential data
- Customer concerns about security capabilities and reliability
- Customer concerns about the ability to scale operations for large enterprise customers
- The level of configurability or customizability of the software
- Missing integration scenarios between on-premise products and cloud-to-cloud solutions
- Failure to securely and successfully deliver cloud services by any cloud service provider could have a negative impact on customer trust in cloud solutions
- Strategic alliances among our competitors in the cloud area could lead to significantly increased competition in the market with regards to pricing and ability to integrate solutions
- Failure to get the full commitment of our partners might reduce speed and impact in the market reach

If organizations do not perceive the benefits of cloud computing, the market for cloud business might not develop further, or it may develop more slowly than we expect, either of which could have an adverse effect on our business, financial position, profit, reputation and cash flows.

Our market share and profit could decline due to increased competition, market consolidation and technological innovation as well as new business models in the software industry.

The software industry continues to evolve rapidly and is currently undergoing a significant shift due to innovations in the areas of enterprise mobility, cybersecurity, Big Data, hyperconnectivity, the Internet of Things, digitization, supercomputing, cloud computing, and social media. While smaller innovative companies tend to create new markets continuously and expand their reach through mergers, large traditional IT vendors tend to enter such markets mostly through acquisitions. SAP faces increased competition in our business environment from traditional as well as new competitors. This competition could cause price pressure, cost increases, and loss of market share, which could have an adverse effect on our business, financial position, profit, and cash flows.

Additionally, related to our Applications, Technology, and Services segment, customers could change their buying behavior by accelerating their acceptance of cloud solutions to reduce their investments, which might have a temporary adverse effect on our operating results. Furthermore, the trend in the market to invest more in cloud solutions might lead to a risk of the potential loss of existing on-premise customers. It may also have a temporary adverse effect on our revenue due to the number of conversions from on-premise licenses to cloud subscriptions from existing SAP customers in our installed base, as we recognize cloud subscriptions revenue over the respective service provision, and that typically ranges from one-to-three years with some up to five years.

Business Strategy Risks

Demand for our new solutions may not develop as planned and our strategy on new business models and flexible consumption models may not be successful.

Our business consists of new software licenses, software license updates, and support and maintenance fees as well as of cloud subscriptions. Our customers are expecting to take advantage of technological breakthroughs from SAP without compromising their previous IT investments. However, the introduction of new SAP solutions, technologies, and business models as well as delivery and consumption models is subject to uncertainties as to whether customers will be able to perceive the additional value and realize the expected benefits we deliver along our road maps. There is a risk that such uncertainties may lead customers to wait for proof of concept through reference customers or more mature versions first, which might result in a lower level of adoption of our new solutions, technologies, business models, and flexible consumption models, or no adoption at all. This could have an adverse effect on our business, financial position, profit, and cash flows.

Though downturns or upturns in cloud sales may not be immediately reflected in our operating results, any decline in our customer renewals would harm the future operating results of our cloud business.

We recognize cloud subscriptions revenue as we provide the respective services, which typically range from one-to-three years with some up to five years. This revenue recognition and our increasing subscription revenues could have a temporary adverse effect on our financial position, profit, and cash flows.

To maintain or improve our operating results in the cloud business, it is important that our customers renew their agreements with us when the initial contract term expires and purchase additional modules or additional capacities. Our customers have no obligation to renew their subscriptions after the initial subscription period, and we cannot assure that customers will renew subscriptions at the same or at a higher level of service, or at all. Our customers renewal rates may decline or fluctuate as a result of various factors, including their satisfaction or dissatisfaction with our cloud solution and services portfolio; our ability to efficiently provide cloud services according to customer expectations and meeting the service level agreements, service availability and provisioning, the integration capabilities of our cloud solutions into their existing IT environment (including hybrid solutions combining both cloud and on-premise solutions); our customer support; concerns regarding stable, efficient, and secure cloud operations and compliance with legal and regulatory requirements; our pricing; the pricing of competing products or services; mergers and acquisitions affecting our customer base; global economic conditions; and reductions in our customers spending levels.

If our customers do not renew their subscriptions, renew on terms less favorable to us, or fail to purchase additional modules or users, our revenue and billings will decline, and we may not realize significantly improved operating results from our customer base. This could have an adverse effect on our business, financial position, profit, and cash flows.

If we are unable to scale and enhance an effective partner ecosystem, revenue might not increase as expected.

An open and vibrant partner ecosystem is a fundamental pillar of our success and growth strategy. We have entered into partnership agreements that drive co-innovation on our platforms, profitably expand all our routes to market to optimize market coverage, optimize cloud delivery, and provide high-quality services capacity in all market segments. Partners play a key role in driving market adoption of our entire solutions portfolio, by co-innovating on our platforms, embedding our technology, and reselling and/or implementing our software.

If partners consider our products or services model less strategic and/or financially less attractive compared to our competition and/or less appropriate for their respective channel and target market, if partners fear direct competition by SAP or if SAP fails to establish and enable a network of qualified partners meeting our quality requirements and the requirements of our customers, then, among other things, partners might not:

- Develop a sufficient number of new solutions and content on our platforms
- Provide high-quality products and services to meet customer expectations
- Drive growth of references by creating customer use cases and demo systems
- Embed our solutions sufficiently enough to profitably drive product adoption, especially with innovations such as SAP S/4HANA and SAP HANA Cloud Platform
- Enable and train sufficient resources to promote, sell, and support to scale to targeted markets
- Comply with applicable laws and regulations, resulting in delayed, disrupted, or terminated sales and services
- Transform their business model in accordance with the transformation of SAP s business model in a timely manner
- Renew their existing agreements with us or enter into new agreements on terms acceptable to us or at all
- Provide ability and capacity to meet customer expectations regarding service provisioning.

If one or more of these risks materialize, this may have an adverse effect on the demand for our products and services as well as the partner s loyalty and ability to deliver. As a result, we may not be able to scale our business to compete successfully with other software vendors, which could have an adverse effect on our reputation, business, financial position, profit, and cash flows.

Human Capital Risks

If we do not effectively manage our geographically dispersed workforce, we may not be able to run our business efficiently and successfully.

Our success is dependent on appropriate alignment of our internal and external workforce planning processes and our location strategy with our general strategy. It is critical that we manage our internationally dispersed workforce effectively, taking short- and long-term workforce and skill requirements into consideration. This applies to the management of our internal as well as our external workforce. Changes in headcount and infrastructure needs as well as local legal or tax regulations could result in a mismatch between our expenses and revenue. Failure to manage our geographically dispersed workforce effectively could hinder our ability to run our business efficiently and successfully and could have an adverse effect on our business, financial position, profit, and cash flows.

If we are unable to attract, develop, and retain leaders and employees with specialized knowledge and technology skills, or are unable to achieve internal diversity and inclusion objectives, we might not be able to manage our operations effectively and successfully, or develop successful new solutions and services.

Our highly qualified workforce is the foundation for our continued success. In certain regions and specific technology and solution areas, we continue to set very

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high growth targets, specifically in countries and regions such as Africa, China, Latin America, and the Middle East. In the execution of SAP s strategic priorities, we depend on highly skilled and specialized personnel and leaders, both male and female. Successful maintenance and expansion of our highly skilled and specialized workforce in the area of cloud is a key success factor for our transition to be the leading cloud company. The availability of such personnel is limited and, as a result, competition in our industry is intense and could expose us to claims by other companies seeking to prevent their employees from working for a competitor. If we are unable to identify, attract, develop, motivate, adequately compensate, and retain well-qualified and engaged personnel, or if existing highly skilled and specialized personnel leave SAP and ready successors or adequate replacements are not available, we may not be able to manage our operations effectively, which could have an adverse effect on our reputation, business, financial position, profit, and cash flows. Furthermore, we may not be able to develop, sell, or implement successful new solutions and services as planned. This is particularly true as we continue to introduce new and innovative technology offerings and expand our business in emerging markets. The lack of appropriate or inadequately executed benefit and compensation programs could limit SAP s ability to attract or retain qualified employees and lead to financial losses. In addition, we might not be able to achieve our internal gender diversity objectives to increase the number of women in management from 18% in 2010 to 25% by 2017.

Organizational and Governance-Related Risks

Laws and regulatory requirements in Germany, the United States, and elsewhere have become much more stringent.

As a European company domiciled in Germany with securities listed in Germany and the United States, we are subject to European, German, U.S., and other governance-related regulatory requirements. Changes in laws and regulations and related interpretations, including changes in accounting standards and taxation requirements, and increased enforcement actions and penalties may alter the business environment in which we operate. Regulatory requirements have become significantly more stringent in recent years, and some legislation, such as the anticorruption legislation in Germany, the U.S. Foreign Corrupt Practices Act, the UK Bribery Act, and other local laws prohibiting corrupt payments by employees, vendors, distributors, or agents, is being applied more rigorously. Emerging markets are a significant focus of our international growth strategy. The nature of these markets presents a number of inherent risks. A failure by SAP to comply with applicable laws and regulations, or any related

allegations of wrongdoing against us, whether merited or not, could have an adverse effect on our business, financial position, profit, cash flows and reputation.

Non-compliance with applicable data protection and privacy laws or failure to adequately meet the requirements of SAP s customers with respect to our products and services could lead to civil liabilities and fines, as well as loss of customers and damage to SAP s reputation.

As a global software and service provider, SAP is required to comply with local laws wherever SAP does business. Consequently, we must ensure that any legal requirements in connection with the provision of products and services are properly implemented. With regards to data protection requirements, significant changes are expected subject to the upcoming European Data Protection Regulation. Furthermore, SAP is affected by the consequences of the decision of the European Court of Justice (ECJ), which declared Safe Harbor invalid, so that data transfers from within the European Union (EU) to the United States are no longer permitted based on Safe Harbor. This means that acquired SAP affiliates that have not already implemented the requirements for data transfers based on the Standard Contractual Clauses will have to implement these requirements immediately. However, this will be ensured by the implementation of the new Intra Group Agreement that provides a data protection level at the Standard Contractual Clauses within the SAP Group. These laws and regulations amend and supplement existing requirements regarding the processing of personal data that SAP and SAP customers must fulfill and which we must consequently address with our products and services, including cloud delivery. Failure to comply with applicable laws or to adequately address privacy concerns of customers, even if unfounded, could lead to investigations by supervisory authorities, civil liability, fines, (in the future, potentially calculated based on the Company s annual revenue), loss of customers, damage to our reputation, and could have an adverse effect on our business, financial position, profit, and cash flows.

Further, recent landmark decisions by the ECJ on data protection matters, as well as official statements made by the European data protection supervisory authorities, require SAP to carefully review our globalized business practices. Most importantly, the ECJ on October 6, 2015, ruled that data transfers by European companies to data processors in the United States can no longer be based on Safe Harbor. While SAP has not widely relied upon Safe Harbor, the data protection supervisory authorities have challenged the legality of other transfer mechanisms, such as the Standard Contractual Clauses used by SAP, on the same grounds by which the ECJ has declared Safe Harbor invalid. The data protection supervisory authorities have threatened to start enforcement activities as early as end of January 2016 against European companies that still transfer data to the United States (or grant U.S. companies remote access to systems containing personal data in the EU) based on a transfer mechanism that the authorities consider invalid. Enforcement activities against SAP or against SAP customers because of services and products that SAP provides with the help of our U.S.-based entities and/or U.S.-based suppliers could lead to fines, civil liability, loss of customers, and damage to our reputation, and could have an adverse effect on our business, financial position, profit, and cash flows.

It is conceivable that data transfers to further countries that do not provide a level of data protection and privacy comparable to the European level may be challenged, too.

Failure to meet customer, partner, or other stakeholder expectations or generally accepted standards on climate change, energy constraints, and our social investment strategy could negatively impact SAP s business, results of operations, and reputation.

Energy and emissions management are an integral component of our holistic management of social, environmental, and economic risks and opportunities. We have identified risks in these major areas:

- Our solutions
- Our own operations energy management and other environmental issues such as carbon management, water use, and waste

Because our customers, employees, and investors expect a reliable energy and carbon strategy, we have reemphasized our previously communicated targets, especially our 2020 target for greenhouse gas emissions. In case these targets cannot be achieved, our customers might no longer recognize SAP for our environmental leadership and might buy other vendors products and services. Consequently, we could fail to achieve our revenue target. If we do not meet stakeholder expectations in the areas identified, our rating in sustainable investment indexes might decrease, which could have an adverse effect on our reputation, business, financial position, profit, and cash flows.

Unethical behavior and non-compliance with our integrity standards due to intentional and fraudulent employee behavior could seriously harm our business, financial position, profit, and reputation.

SAP s leadership position in the global market is founded on the long-term and sustainable trust of our stakeholders worldwide. Our heritage is one of corporate transparency, open communication with financial markets, and adherence to recognized standards of

business integrity. The SAP Code of Business Conduct, adopted by the Executive Board on January 29, 2003, and updated as necessary since then, memorialized and supplemented the already existing guidelines and expectations for the business behavior practiced at SAP.

However, we may encounter unethical behavior and non-compliance with our integrity standards due to intentional and fraudulent behavior of individual employees, possibly in collusion with external third parties. In addition to intentional behavior, problems could also arise due to negligence in the adherence to rules and regulations. Unethical behavior and misconduct attributable to SAP could not only lead to criminal charges, fines, and claims by injured parties, but also to financial loss, and severe reputational damage. This could have an adverse effect on our business, financial position, profit, and cash flows.

Principal shareholders may be able to exert control over our future direction and operations.

If SAP SE s principal shareholders and the holdings of entities controlled by them vote in the same manner, this could delay, prevent or facilitate a change in control of SAP or other significant changes to SAP SE or its capital structure. See Item 7. Major Shareholders and Related-Party Transactions Major Shareholders for further information.

U.S. judgments may be difficult or impossible to enforce against us or our Board members.

Currently, except for Bill McDermott and Robert Enslin, all members of SAP SE s Executive Board and all members of the Supervisory Board are non-residents of the United States. A substantial portion of the assets of SAP and our Board members are located outside the United States. As a result, it may not be possible to effect service of process within the United States upon non-U.S. resident persons or SAP or to enforce against non-U.S. resident persons judgments obtained in U.S. courts predicated upon the civil liability provisions of the securities laws of the United States. In addition, awards of punitive damages in actions brought in the United States or elsewhere might be unenforceable in Germany.

Communication and Information Risks

Our controls and efforts to prevent the unauthorized disclosure of confidential information might not be effective.

Confidential information and internal information related to topics such as our strategy, new technologies, mergers and acquisitions, unpublished financial results, or personal data, could be prematurely or inadvertently disclosed and subsequently lead to market

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misperception and volatility. This could require us to notify multiple regulatory agencies and comply with applicable regulatory requirements and, where appropriate, the data owner, which could result in a loss of reputation for SAP. For example, leaked information during a merger or acquisition deal could cause the loss of our deal target, or our share price could react significantly in case of prematurely published financial results. This could have an adverse effect on our market position and lead to fines and penalties. In addition, this could have an adverse effect on our business, financial position, profit, and cash flows.

Financial Risks

Our sales are subject to quarterly fluctuations and our sales forecasts may not be accurate.

Our revenue and operating results can vary and have varied in the past, sometimes substantially, from quarter to quarter. Our revenue in general, and our software revenue in particular, is difficult to forecast for a number of reasons, including:

- The relatively long sales cycles for our products
- The large size, complexity, and extended timing of individual customer transactions
- The introduction of licensing and deployment models such as cloud subscription models
- The timing of the introduction of new products or product enhancements by SAP or our competitors
- Changes in customer budgets
- Decreased software sales that could have an adverse effect on related maintenance and services revenue
- The timing, size, and length of customers services projects
- Deployment models that require the recognition of revenue over an extended period of time
- Adoption of, and conversion to, new business models leading to changed or delayed payment terms
- Seasonality of a customers technology purchases
- Limited visibility during the ongoing integration of acquired companies into their ability to accurately predict their sales pipelines and the likelihood that the projected pipeline will convert favorably into sales
- Other general economic, social, environmental, and market conditions, such as a global economic crisis and difficulties for countries with large debt

Since many of our customers make their IT purchasing decisions near the end of calendar quarters, and with a significant percentage of those decisions being made during our fourth quarter, even a small delay in purchasing decisions for our on-premise software could have an adverse effect on our revenue results for a given year. Our dependence on large transactions has decreased in recent years with a trend towards an increased number of transactions coupled with a decrease in deal size. However, the loss or delay of one

or a few large opportunities could have an adverse effect on our business, financial position, profit, and cash flows.

External factors could impact our liquidity and increase the default risk associated with, and the valuation of, our financial assets.

Macroeconomic factors such as an economic downturn could have an adverse effect on our future liquidity. We use a globally centralized financial management to control financial risk, such as liquidity, exchange rate, interest rate, counterparty, and equity price risks. The primary aim is to maintain liquidity in the SAP Group at a level that is adequate to meet our obligations at any time. Our total Group liquidity is supported by our strong operating cash flows, of which a large part is recurring, and by credit facilities from which we can draw if necessary. However, adverse macroeconomic factors could increase the default risk associated with the investment of our total Group liquidity including possible liquidity shortages limiting SAP s ability to repay financial debt. This could have an impact on the value of our financial assets, which could have an adverse effect on our business, financial position, profit, and cash flows.

Management use of estimates could negatively affect our business, financial position, profit, and cash flows.

To comply with IFRS, management is required to make numerous judgments, estimates, and assumptions (among others for our major patent disputes) that affect the reported financial figures. The facts and circumstances, as well as assumptions on which management bases these estimates and judgments and management s judgment regarding the facts and circumstances, may change from time to time and this could result in significant changes in the estimates and judgments and, consequently, in the reported financials. Such changes could have an adverse effect on our business, financial position, profit and cash flows.

Current and future accounting pronouncements and other financial reporting standards, especially but not only concerning revenue recognition, may negatively impact our financial results.

We regularly monitor our compliance with applicable financial reporting standards and review new pronouncements and drafts thereof that are relevant to us. As a result of new standards, changes to existing standards (including the new IFRS 15 on revenue from contracts with customers that we will need to adopt in 2018) and changes in their interpretation, we might be required to change our accounting policies, particularly concerning revenue recognition, to alter our operational policies so that they reflect new or amended financial reporting standards, or to restate our published financial statements. Such changes may have an adverse effect on our reputation, business, financial position, and profit, or cause an adverse deviation from our revenue and operating profit target.

Because we conduct operations throughout the world, our business, financial position, profit, and cash flows may be affected by currency and interest rate fluctuations.

Our Group-wide management reporting and our external financial reporting are both in euros. Nevertheless, a significant portion of our business is conducted in currencies other than the euro. Approximately 74% of our revenue in 2015 was attributable to operations outside the euro area and was translated into euros. Consequently, period-over-period changes in the euro rates for particular currencies can significantly affect our reported revenues, profits and cash flows. In general, appreciation of the euro relative to another currency has an adverse effect while depreciation of the euro relative to another currency has a positive effect. Variable interest balance-sheet items are also subject to changes in interest rates. Such changes may have an adverse effect on our business, financial position, profit and cash flows or cause an adverse deviation from our revenue and operating profit target.

The cost of using derivative instruments to hedge share-based payments may exceed the benefits of hedging them.

We use derivative instruments to reduce the impact of our share-based payments on our income statement and to limit future expense associated with those plans. Based on a defined hedging strategy, we align the decision of individual hedging transactions with the Group CFO in the Treasury Committee. The expense of hedging the share-based payments could exceed the benefit achieved by hedging them. On the other hand, a decision to leave the plans materially unhedged could prove disadvantageous. This could have an adverse effect on our business, financial position, profit and cash flows or cause an adverse deviation from our revenue and operating profit target.

The market price for our ADRs and ordinary shares may be volatile.

The market prices of our ADRs and ordinary shares have experienced and may continue to experience significant volatility in response to various factors including, but not limited to:

- unauthorized or inadvertent premature disclosure of confidential information, including information concerning pending acquisition negotiations or acquisition rumors;
- the announcement of new products or product enhancements by us or our competitors;
- technological innovation by us or our competitors;
- quarterly variations in our results or our competitors results of operations or results that fail to meet market expectations;
- changes in revenue and revenue growth rates on a consolidated basis or for specific geographic areas, business units, products or product categories;
- changes in our externally communicated outlook;
- changes in our capital structure, for example due to the potential future issuance of additional debt instruments;
- general market conditions specific to particular industries;
- litigation to which we are a party;
- general and country specific economic or political conditions (particularly wars, terrorist attacks, etc.);
- proposed and completed acquisitions or other significant transactions by us or our competitors; and
- general market conditions.

Many of these factors are beyond our control. In the past, companies that have experienced volatility in the market price of their stock have been subject to shareholder lawsuits, including securities class action litigation. Any such lawsuits against us, with or without merit, could result in substantial costs and the diversion of management s attention and resources, resulting in a decline in our results of operations and our stock price.

Project Risks

Implementation of SAP software often involves a significant commitment of resources by our customers and is subject to a number of significant risks over which we often have no control.

A core element of our business is the successful implementation of software solutions to enable our customers to master complexity and help our customers business run at their best. The implementation of SAP software is led by SAP, by partners, by customers, or by a combination thereof. Depending on various factors, such as the complexity of solutions, the customer s implementation, integration and migration needs, or the resources required, SAP faces a number of different risks. For example, functional requirement changes, delays in timeline, or deviation from recommended best practices may occur during the course of a project. These scenarios have a direct impact on the project resource model and on securing adequate internal personnel or consultants in a timely manner and could therefore prove challenging.

As a result of these and other risks, SAP and/or some of our customers have incurred significant implementation

costs in connection with the purchase and installation of SAP software products. Some customer implementations have taken longer than planned. We cannot guarantee that we can reduce or eliminate protracted installation or significant third-party consulting costs, for example, that trained consultants will be readily available, that our costs will not exceed the fees agreed in fixed-price contracts, or that customers will be satisfied with the implementation of our software and solutions. Unsuccessful, lengthy, or costly customer implementation and integration projects could result in claims from customers, harm SAP s reputation, and could have an adverse effect on our business, financial position, profit, and cash flows.

Product and Technology Risks

Undetected security vulnerabilities shipped and deployed within our products might cause damage to SAP and our customers, and partners.

Customer systems or systems operated by SAP itself to provide services could potentially be compromised by vulnerabilities if they are exploited by hackers. This could lead to theft, destruction, or abuse of data, or systems could be rendered unusable (for example, due to distributed denial of service attacks). The detection of security vulnerabilities in our software, our customers systems, or SAP systems used in the provision of services, especially in case of exploitation, could prevent us from meeting our contractual obligations and subsequently might lead to customer claims and reputational damage, which might have an adverse effect on our business, financial position, profit, and cash flows.

Undetected defects in the introduction of new products and product enhancements could increase our costs, and reduce customer demand.

Our development investment, including new product launches and enhancements, is subject to risks. For example, software products and services might not completely meet our high-quality standards, including security standards; might not fulfill market needs or customer expectations; or might not comply with local standards and requirements. Furthermore, this risk also exists with respect to acquired companies technologies and products where we might not be able to manage these as quickly and successfully as expected. Therefore, market launches, entering new markets, or the introduction of new innovations could be delayed or not be successful.

In addition, new products and cloud offerings, including third-party technologies we have licensed and open source software components we use in those products, could contain undetected defects or they might not be mature enough from the customer s point of view for business-critical solutions. The detection and correction of any defects especially after delivery could be expensive and time-consuming and we might not be able to meet the expectations of customers regarding time and quality in the defect resolution process. In some circumstances, we might not be in a position to rectify such defects or entirely meet the expectations of customers, specifically as we are expanding our product portfolio into additional markets. As a result, we might be faced with customer claims for cash refunds, damages, replacement software, or other concessions. The risk of defects and their adverse consequences could increase as we seek to introduce a variety of new software products and product enhancements at a higher innovation rate. This is especially relevant for cloud products as delivery cycles are even shorter (up to daily deliveries) and our complete cloud product customer base could receive undetected defects simultaneously. Furthermore, for products that use third-party (not SAP) cloud services, we cannot detect defects in advance. Significant undetected defects or delays in introducing new products or product enhancements could affect market acceptance of SAP software products and could have an adverse effect on our reputation, business, financial position, profit, and cash flows.

The use of existing SAP software products by customers in business-critical solutions and processes and the relative complexity and technical interdependency of our software products and services create a risk that customers or third parties may pursue warranty, performance, or other claims against us for actual or alleged defects in SAP software products, in our provision of services, or in our application hosting services. We have in the past been, and may in the future be, subject to warranty, performance, or other similar claims.

Although our contracts generally contain provisions designed to limit our exposure due to actual or alleged defects in SAP software products or in our provision of services, these provisions may not cover every eventuality or be effective under the applicable law. Regardless of its merits, any claim could entail substantial expense and require the devotion of significant time and attention by key management personnel. Publicity surrounding such claims could affect our reputation and the demand for our software.

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Changes in our rights to use software, cloud services, and technologies we license from third parties that are an integral part of SAP s products could slow down time to market and influence our license pricing and therefore the competitiveness with other software vendors. Furthermore, it could diminish our software s or cloud functional capabilities and therefore could jeopardize the stability of our solution portfolio offering.

The numerous third-party solutions we have licensed and certain open source software components we use have become an integral part of our product and service portfolio. We depend on those solutions for the functionality of our software and cloud services. Changes to, or the loss of, third-party licenses as well as open source licenses being construed could significantly increase the cost of these licenses and significantly reduce software or cloud functionality and/or usability of SAP s software or cloud offerings. As a result, we might incur additional development or license costs to ensure the continued functionality of our products, which could have an adverse effect on our business, financial position, profit, and cash flows. This risk increases with each of our acquisitions of a company or a company s intellectual property assets that had been subject to third-party solution licensing, open source software and product standards less rigorous than our own.

If we are unable to keep up with rapid technological, process and service innovations, and new business models as well as changing market expectations, we might not be able to compete effectively.

Our future success depends upon our ability to keep pace with technological and process innovations and new business models, as well as our ability to develop new products and services, enhance and expand our existing products and services portfolio, and integrate products and services we obtain through acquisitions. To be successful, we are required to adapt our products and our go-to-market approach to a cloud-based delivery model to satisfy changing customer demand.

We might not be successful in bringing new business models, solutions, solution enhancements, and/or services to market before our competitors. We may also face increasing competition from open source software initiatives in which competitors may provide software and intellectual property free and/or under terms and conditions unfavorable for SAP. In addition, we might not be able to generate enough revenue to offset the significant research and development costs we incur to deliver technological innovations or to offset the required infrastructure costs to deliver our solutions and services as part of our new business models. Moreover, we might not anticipate and develop technological improvements or succeed in adapting our products, services, processes, and business models to technological

change, changing regulatory requirements, emerging industry standards, and changing requirements of our customers and partners. Finally, we might not succeed in producing high-quality products, enhancements, and releases in a timely and cost-effective manner to compete with products, solutions, and other technologies offered by our competitors, which could have an adverse effect on our reputation, business, financial position, profit, and cash flows.

Our technology and/or product strategy may not be successful or our customers and partners might not adopt our technology platforms and other innovations accordingly.

We offer customers a broad portfolio of products, solutions, and services. Our technology strategy centers on SAP HANA as a real-time in-memory computing platform for analytics and applications, the SAP S/4HANA suite as the digital core, the business network, and SAP HANA Cloud Platform as our platform-as-a-service offering. The success of our technology strategy depends on the delivery of the new digital framework, as our technology continues to deliver business value to meet changing customer expectations. Our technology strategy also relies on our ability to maintain a dynamic network of partner organizations developing their own business applications using our technology platforms.

We might not be successful in integrating our platforms, enabling the complete product and cloud service portfolio, harmonizing our user interface design and technology, integrating acquired technologies, or bringing new solutions based on the SAP HANA platform as well as SAP HANA Cloud Platform to the market as fast as expected, in particular, innovative applications such as SAP S/4HANA. In addition, we may not be able to compete effectively in the area of cloud services and our new applications and services might not meet customer expectations. As a result, our partner organizations and customers might not adopt our technology platforms, applications, or cloud services quickly enough or they might consider competitive solutions. This could have an adverse effect on our reputation, business, financial position, profit, and cash flows.

Our cloud offerings might be subject to a security attack, become unavailable, or fail to perform properly.

The software used in our cloud portfolio is inherently complex and any defects in product functionality, data center operations, or system stability that cause interruptions in the availability of our application portfolio could result in the following:

- Lost or delayed market acceptance and sales
- Breach of warranty or other contract breach or misrepresentation claims

- Sales credits or refunds to our customers or partners
- Loss of customers and/or partners
- Diversion of development and customer service resources
- Breach of data protection and privacy laws and regulations
- Customers considering competitive cloud offerings
- Loss of customer satisfaction and brand reputation

The costs incurred in correcting any defects or errors might be substantial and could have an adverse effect on our reputation, business, financial position, profit, and cash flows. The availability of our cloud applications could be interrupted by a number of factors, resulting in customers inability to access their cloud applications, system outages, failure of our network due to human or other errors, security breaches, or variability in user traffic for our cloud applications. Because of the large amount of data that we collect and manage, hardware failures, defects in our software, or errors in our systems could result in data loss or corruption, or cause the information that we collect to be incomplete or contain inaccuracies that our customers regard as significant. Additionally, any loss of the right to use hardware purchased or leased from third parties could result in delays in our ability to provide our cloud applications until equivalent technology is either developed by us or, if available, identified. Furthermore, our cooperation with partners in the area of cloud includes the co-location of data centers that might expose SAP to additional risks in the area of security and data protection, as well as the potential for breached service-level agreements by partners.

We have administrative, technical, and physical security measures in place as well as contracts that require third-party data centers to have appropriate security and data protection and privacy measures in place. In this context, customers might demand to use only specific and/or local data centers. However, if these security measures are breached as a result of third-party action, employee error or malfeasance, or otherwise, and if, as a result, someone obtains unauthorized access to our customers data, which may include personally identifiable information regarding users, our reputation could be damaged, our business may suffer, local data protection and privacy laws or regulations might be breached, and we could incur significant liability.

In addition, our insurance coverage might not cover claims against us for loss or security breach of data or other indirect or consequential damages. Moreover, defending a suit, regardless of its merit, could be costly and time-consuming. In addition to potential liability, if we experience interruptions in the availability of our cloud applications, our reputation could be harmed and we could lose customers.

Operational Risks

Third parties have claimed, and might claim in the future, that we infringe their intellectual property rights, which could lead to damages being awarded against us and limit our ability to use certain technologies in the future.

We believe that we will increasingly be subject to intellectual property infringement claims as our solution portfolio grows; as we acquire companies with increased use of third-party code including open source code; as we expand into new industries with our offerings, resulting in greater overlap in the functional scope of offerings; and as non-practicing entities that do not design, manufacture, or distribute products increasingly assert intellectual property infringement claims.

Any claims, with or without merit, and negotiations or litigation relating to such claims, could preclude us from utilizing certain technologies in our products, be time-consuming, result in costly litigation, and require us to pay damages to third parties, stop selling or reconfigure our products and, under certain circumstances, pay fines and indemnify our customers, which could have an adverse effect on our business, financial profile, profit, cash flows, and reputation. They could also require us to enter into royalty and licensing arrangements on terms that are not favorable to us, cause product shipment delays, subject our products to injunctions, require a complete or partial redesign of products, result in delays to our customers investment decisions, and damage our reputation.

Software includes many components or modules that provide different features and perform different functions. Some of these features or functions may be subject to third-party intellectual property rights. The rights of another party could encompass technical aspects that are similar to one or more technologies in one or more of our products. Intellectual property rights of third parties could preclude us from using certain technologies in our products or require us to enter into royalty and licensing arrangements on unfavorable or expensive terms.

The software industry is making increasing use of open source software in its development work on solutions. We also integrate certain open source software components from third parties into our software. Open source licenses may require that the software code in those components or the software into which they are integrated be freely accessible under open source terms. Third-party claims may require us to make freely accessible under open source terms one of our products or third-party (not SAP) software upon which we depend.

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Claims and lawsuits against us could have an adverse effect on our business, financial position, profit, cash flows, and reputation.

Claims and lawsuits are brought against us, including claims and lawsuits involving businesses we have acquired. Adverse outcomes to some or all of the claims and lawsuits pending against us might result in the award of significant damages or injunctive relief against us that could hinder our ability to conduct our business and could have an adverse effect on our reputation, business, financial position, profit, and cash flows.

The outcome of litigation and other claims or lawsuits is intrinsically uncertain. Management s view of the litigation may also change in the future. Actual outcomes of litigation and other claims or lawsuits could differ from the assessments made by management in prior periods, which are the basis for our accounting for these litigations and claims under IFRS.

We might not acquire and integrate companies effectively or successfully and our strategic alliances might not be successful.

To expand our business, we acquire businesses, products, and technologies, and we expect to continue to make acquisitions in the future. Over time certain of these acquisitions have increased in size and in strategic importance for SAP, Management negotiation of potential acquisitions and alliances and integration of acquired businesses, products, or technologies demands time, focus, and resources of management and of the workforce. Acquisitions of companies, businesses, and technology expose us to unpredictable operational difficulties, expenditures, and risks. These risks include, among others:

- Selection of the wrong integration model for the acquired company and/or technology
- Failure to properly evaluate the acquired business and its different business and licensing models
- Failure to successfully integrate acquired technologies or solutions into SAP s solution portfolio and strategy in a timely and profitable manner
- Failure to integrate the acquired company s operations across SAP s different cultures, languages, and local protocols, all within the constraints of applicable local laws
- Failure to meet the needs of the acquired company s customers and partners in the combined company
- The diversion of management s time and attention from daily operations
- Loss of key personnel of the acquired business
- Material unknown liabilities and contingent liabilities of acquired companies, including legal, tax, accounting, intellectual property, or other significant liabilities that may not be detected through the acquisition due diligence process
- Legal and regulatory constraints (such as contract obligations, privacy frameworks, and agreements)
- Difficulties in implementing, restoring, or maintaining internal controls, procedures, and policies
- Practices or policies of the acquired company that may be incompatible with our compliance requirements
- An adverse effect on relationships with existing customers, partners, or third-party providers of technology or products
- Difficulties in integrating the acquired company s accounting, HR, and other administrative systems and coordination of the acquired company s research and development (R&D), sales, and marketing functions
- Debt incurrence or significant cash expenditures
- Constraints in enforcing acquired companies compliance with existing SAP security standards in a timely manner
- Difficulties in customer implementation projects combining technologies and solutions from both SAP and the acquired company

In addition, acquired businesses might not perform as anticipated, resulting in charges for the impairment of goodwill and other intangible assets on our statements of financial position. Such charges may have an adverse effect on our business, financial position, profit, and cash flows. We have entered into, and expect to continue to enter into, alliance arrangements for a variety of purposes, including the development of new products and services. There can be no assurance that any such products or services will be successfully developed or that we will not incur significant unanticipated liabilities in connection with such arrangements. We may not be successful in overcoming these risks and we may therefore not benefit as anticipated from acquisitions or alliances.

We may not be able to obtain adequate title to, or licenses in, or to enforce, intellectual property.

Protecting and defending our intellectual property is crucial to our success. We use a variety of means to identify and monitor potential risks and to protect our intellectual property. These include applying for patents, registering trademarks and other marks and copyrights, implementing measures to stop copyright and trademark infringement, entering into licensing, confidentiality, and non-disclosure agreements, and deploying protection technology. Despite our efforts, we might not be able to prevent third parties from obtaining, using, or selling without authorization what we regard as our proprietary technology and information. All of these measures afford only limited protection, and our proprietary rights could be challenged, invalidated, held unenforceable, or otherwise affected. Some intellectual property might be vulnerable to disclosure or

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misappropriation by employees, partners, or other third parties. Third parties might independently develop technologies that are substantially equivalent or superior to our technology. Finally, third parties might reverse-engineer or otherwise obtain and use technology and information that we regard as proprietary. Accordingly, we might not be able to protect our proprietary rights against unauthorized third-party copying or utilization, which could have an adverse effect on our competitive and financial positions, and result in reduced sales. Any legal action we bring to enforce our proprietary rights could also involve enforcement against a partner or other third party, which may have an adverse effect on our ability, and our customers ability, to use that partner s or other third parties products. In addition, the laws and courts of certain countries may not offer effective means to enforce our intellectual property rights. This could have an adverse effect on our reputation, business, financial position, profit, and cash flows.

SAP s business strategy focuses on certain business models that are highly dependent on a working cyberspace. A cybersecurity breach could have an adverse effect on our customers, our reputation, and our business.

The key cybersecurity risks currently applicable to us include state-driven economic espionage as well as competitor-driven industrial espionage, and criminal activities including, but not limited to, cyberattacks and mega breaches against cloud services and hosted on-premise software. This might result in, for example, disclosure of confidential information and intellectual property, defective products, production downtimes, supply shortages, and compromised data (including personal data). A failure of our cybersecurity measures could impact our compliance with legal demands (for example, Sarbanes-Oxley Act, Payment Card Industry Data Security Standard, data privacy) and expose our business operations as well as service delivery to the described risks, for example, virtual attack, disruption, damage, and/or unauthorized access. Additionally, we could be subject to recovery costs, for example, as well as significant contractual and legal claims by customers, partners, authorities, and third-party service providers for damages against us, which could have an adverse effect on our reputation, business, financial position, profit, and cash flows.

We may not be able to protect our critical information and assets or to safeguard our business operations against disruption.

SAP is highly dependent on the exchange of a wide range of information across our global operations and on the availability of our infrastructure. With regards to our physical environment, we face several key security risks such as industrial and/or economic espionage, serious

and organized crime, and other illegal activities, as well as violent extremism and terrorism. We might be endangered by threats including, but not limited to, social engineering, misuse, or theft of information or assets, or damage to assets by trespassers in our facilities or by people who have gained unauthorized physical access to our facilities, systems, or information. These could have an adverse effect on our business, financial profile, profit, and cash flows.

Our insurance coverage might not be sufficient and we might be subject to uninsured losses.

We maintain insurance coverage to protect us against a broad range of risks, at levels we believe are appropriate and consistent with current industry practice. Our objective is to exclude or minimize risk of financial loss at reasonable cost. However, we may incur losses that may be beyond the limits, or outside the scope, of coverage of our insurance and that may limit or prevent indemnification under our insurance policies. In addition, we might not be able to maintain adequate insurance coverage on commercially reasonable terms in the future. Further, certain categories of risks are currently not insurable at reasonable cost, which could have an adverse effect on our business, financial position, profit, and cash flows. Finally, there can be no assurance of the financial ability of the insurance companies to meet their claim payment obligations.

We could incur significant losses in connection with venture capital investments.

Through Sapphire Ventures (formerly SAP Ventures), our consolidated venture investment funds, we plan to continue investing in new and promising technology businesses. Many such investments initially generate net losses and require additional expenditures from their investors. Changes to planned business operations have, in the past affected, and may in the future affect, the performance of companies in which Sapphire Ventures holds investments, and that could have an adverse effect on the value of our investments in Sapphire Ventures, which could have an adverse effect on our business, financial position, profit, and cash flows. Furthermore, tax deductibility of capital losses and impairment in connection with equity securities are often restricted and could therefore have an adverse effect on our effective tax rate.

ITEM 4. INFORMATION ABOUT SAP

Our legal corporate name is SAP SE. SAP SE is translated in English to SAP European Company (Societas Europaea, or SE). SAP SE is organized in the Federal Republic of Germany under German and European law, see Item 10. Additional Information. Where the context requires in the discussion below, SAP SE also refers to our predecessor or previous legal forms and names, as

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the case may be, i.e. Systemanalyse und Programmentwicklung GbR (1972-1976), SAP Systeme, Anwendungen, Produkte in der Datenverarbeitung GmbH (1976-1988), SAP Aktiengesellschaft Systeme, Anwendungen, Produkte in der Datenverarbeitung (1988-2005) and SAP AG (2005-2014). Our principal executive offices, headquarters and registered office are located at Dietmar-Hopp-Allee 16, 69190 Walldorf, Germany. Our telephone number is +49-6227-7-47474.

As part of our activities to reduce the number of legal entities in the SAP group, in 2015 we integrated certain subsidiaries into the following significant SAP subsidiaries: SAP (UK) Limited, SAP France S.A., SAP America Inc., SuccessFactors, Inc., SAP Japan Co. Ltd., SAP Australia Pty Limited and SAP Nederland B.V.

For (i) a description of our principal capital expenditures and divestitures and the amount invested (including interests in other companies) since January 1, 2013 until the date of this report and (ii) information concerning our principal capital expenditures and divestitures currently in progress, including the distribution of these investments geographically and the method of financing, see Item 4. Information About SAP Description of Property Capital Expenditures.

OVERVIEW OF THE SAP GROUP

Founded in 1972, SAP today is the global leader in business application and analytics software in terms of market share and the market leader in digital commerce. Further, SAP is the enterprise cloud company with the greatest number of users and the fastest-growing major database company. Our continued growth over more than four decades is attributable to relentless innovation, a diverse portfolio, our ability to anticipate everchanging customer requirements, and a broad ecosystem of partners. With approximately 300,000 customers in over 180 countries, the SAP Group includes subsidiaries in all major countries and employs approximately 77,000 people.

SAP is headquartered in Walldorf, Germany; our legal corporate name is SAP SE. Our ordinary shares are listed on the Frankfurt Stock Exchange, the Berlin Stock Exchange and the Stuttgart Stock Exchange. The principal trading market for the ordinary shares is Xetra, the electronic dealing platform of Deutsche Börse AG. American Depositary Receipts (ADRs) representing SAP SE ordinary shares are listed on the New York Stock Exchange (NYSE), and currently each ADR represents one ordinary share. As at December 31, 2015, our market capitalization was 90.1 billion on the DAX and US$97.2 billion on the NYSE. SAP is a member of Germany s DAX, the Dow Jones EURO STOXX 50, and the Dow Jones Sustainability Index.

Our company culture puts our customers success at the center of everything we do. With our vision to help the world run better and improve people s lives, and with Run Simple as our operating principle, we focus on helping our customers master complexity, and innovate and transform to become a sustainable digital business.

We derive our revenue from fees charged to our customers for the use of our cloud solutions, for licensing of on-premise software products and solutions, and transaction fees for activity on our business networks. Additional sources of revenue are support, professional services, development, training, and other services.

As at December 31, 2015, SAP SE directly or indirectly controlled a worldwide group of 255 subsidiaries in more than 180 countries to distribute our products, solutions, and services. Distributorship agreements are in place with independent resellers in many countries.

Our subsidiaries perform tasks such as sales and marketing, consulting, research and development, cloud delivery, customer support, training, or administration. For a list of subsidiaries, associates, and other equity investments, see the Notes to the Consolidated Financial Statements section, Note (33).

The following table illustrates our most significant subsidiaries based on total revenues as of December 31, 2015. All subsidiaries are wholly owned by SAP SE.

Name of Subsidiary	Country of Incorporation
Germany	
SAP Deutschland SE & Co. KG, Walldorf	Germany
Rest of EMEA	
SAP (UK) Limited, Feltham	Great Britain
SAP (Schweiz) AG, Biel	Switzerland
SAP France, Levallois Perret	France
SAP Nederland B.V., s-Hertogenbosch	The Netherlands
SAP Italia Sistemi Applicazioni Prodotti in Data Processing S.p.A., Vimercate	Italy
United States	
SAP America, Inc., Newtown Square	USA
SAP Industries, Inc., Newtown Square	USA
SuccessFactors, Inc., South San Francisco	USA
Ariba, Inc., Palo Alto	USA
Concur Technologies, Inc., Bellevue	USA
Rest of Americas	
SAP Brasil Ltda, São Paulo	Brazil
Japan	
SAP Japan Co., Ltd., Tokyo	Japan
Rest of APJ	
SAP Australia Pty Ltd., Sydney	Australia
SAP (Beijing) Software System Co. Ltd., Beijing	China

STRATEGY AND BUSINESS MODEL

Helping our Customers Reimagine their Businesses

The world is experiencing unprecedented change that is transforming both our use of technology and society more broadly. People are connected in ways like never before. Entire industries have been disrupted by innovations that have brought the once unimaginable within reach. Technology trends such as hyperconnectivity, cloud computing, and Big Data go hand-in-hand with social and business trends that are changing how we live and work. Rapid urbanization, the sharing economy, enormous demographic change, and resource scarcity are demanding that leaders of tomorrow adapt to a world in which the pace of change continues to accelerate.

To remain competitive and create a sustainable competitive advantage businesses today must become

sustainable digital businesses. In fact, experts across industries know that in the new digital economy, only the most adaptive businesses will prevail. SAP provides what is needed to become a digital business. Our enduring vision is to help the world run better and improve people s lives. Our vision is not just relevant in this time of change and disruption it is essential.

Complexity has become a problem of staggering proportions and stands in the way of digital transformation and innovation. It is what keeps companies from turning the trends of our time from the explosion of data to a rapidly growing middle class into business opportunities. Becoming a digital business means that companies must first cut through this complexity, as simplicity is a prerequisite for innovation. Companies must make their digital strategy a core part of their business strategy.

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We enable organizations to tackle complexity by unlocking their ability to Run Simple. This principle guides everything we do and powers our customers transformation into digital businesses. We offer what is required to support this transformation our deep experience as a leader in enterprise software for more than 40 years; our solutions and services; and our global reach, which includes a base of approximately 300,000 customers across 25 distinct industries; and an ecosystem of thousands of partners.

Our digital approach is built on two critical elements our SAP Cloud portfolio and the SAP HANA platform. And our strategy to become THE cloud company powered by SAP HANA refers not just to our own transformation but that of our customers and their customers.

SAP Cloud powered by SAP HANA simplifies consumption and the user experience, while SAP HANA simplifies the IT landscape. SAP HANA enables business processes and analytics to run on the same platform, something that was simply not conceivable even five years ago.

With the release of SAP S/4HANA in 2015, our next-generation business suite, we have brought a new level of performance and simplicity to core business processes. And SAP HANA Cloud Platform is facilitating the development of a much broader and richer landscape of applications to support our customers needs.

With these capabilities, SAP partners with companies on every aspect of their digital transformation, helping them run better and improving people s lives. As they become digital businesses, our customers are becoming more sustainable organizations by improving how they serve their customers, engaging and developing their workforce, increasing transparency of their suppliers

social performance, using resources more efficiently, and interacting with local communities. Our global business networks expand the world that our customers operate in, connecting them with a vast ecosystem of partners that creates more efficient, powerful, and simpler ways of managing such key functions as procurement, travel, and workforce management.

Furthermore, we connect all of these realms to core business processes, such as finance and logistics, for a seamless and simplified customer experience. And we provide deep industry expertise to help our customers design an IT strategy that best supports their business strategy. While each of these capabilities would bring value on its own, together they set us apart we are unique in our ability to guide customers on all essential elements of their digital transformation, enabling them to reimagine their business and then realize their vision for the future.

SAP has big ambitions. We measure our success across both financial and non-financial indicators: revenue growth, profitability, customer loyalty, and employee engagement. And we are creating value for our customers by helping them to navigate a changed world so that they can find business opportunities across social, environmental, and economic dimensions.

With our broad portfolio of solutions, we are convinced that we can position our customers for greater success in the digital world. SAP can help our customers better serve their customers with the sophisticated experiences they have come to expect; reach new markets as the world s cities expand; find new customers as millions of people join the modern economy; and innovate in the face of resource scarcity and ever changing technologies. Most of all, we can help them understand and capitalize on the ways that technology and societal trends intersect, so that along with SAP they can not only become better organizations, but also help create a better world.

Creating Societal Impact by Enabling our Customers to Innovate

As a software company that serves many of the world s leading organizations, we have enormous opportunity to impact people and society by helping our customers innovate, run more efficiently, improve their IT security, and offer new products and services. For example, when major manufacturers gain greater transparency into their energy usage and create more efficient supply chains, they create a more positive impact on society while minimizing impact on environment. When banks offer mobile banking services to people who lack opportunities, they address inequality and promote economic growth. When healthcare companies utilize data in new and faster ways, they help patients gain access to potentially life-saving treatments.

In addition, at SAP and within our ecosystem, we support job creation and economic prosperity through demand for highly qualified workers to develop, sell, implement, and enhance our software for our customers. As our customers grow their own businesses, they also create opportunities for others through new products and services as well as economic growth.

At the heart of realizing these possibilities is our ability to help our customers cut through complexity and direct their resources to the work that matters most: new innovations that help the world run better and improve people s lives. We work to create long-term value by addressing future needs as well as current ones, with the goal of helping to transform how people use software, conduct business, and live their lives.

To achieve our vision, SAP provides solutions and services to customers throughout the world based on our deep expertise in business processes across industries. As leader of the enterprise software market, we must continually adapt to new technology and business trends. For this reason, we rely on the people of SAP to drive our success their intellectual and social capital provide us with key knowledge, expertise, and business relationships. Along with the financial capital of our investors, an engaged, highly skilled, and agile workforce is at the core of our business model.

Our organization must be as adaptable as our employees and in recent years, we have made important shifts to our sales model to accommodate enormous changes in how companies use technology. In the past, our approach was focused on charging a one-time, upfront fee for a perpetual license to our software that is typically installed at the customer site. In addition, the customer usually concludes a support contract covering support, services, and software updates. As we have seen customer preferences evolve, we are increasingly delivering our solutions in the cloud through a software-as-a-service (SaaS) model. Depending on the solution, the customer pays either usage-based or periodic fees to use our software, which is hosted in the cloud, and accesses it over the Internet. Further, we receive transaction fees from business conducted over our business networks.

Despite these shifts, we still rely on the strengths of our direct sales organizations to drive most business development. As a global company, we set our sales go-to-market strategies at the global level, with our regional subsidiaries then adapting and executing them. Our customer-facing employees, in close collaboration with sales support and marketing, drive demand, build pipeline, and enhance relationships with customers. Our marketing efforts cover large enterprises as well as small and midsize enterprises, with our broad portfolio of

solutions and services addressing the needs of customers of all sizes across industries. Additional e-commerce and digitally native offerings further enable a low-touch or no-touch customer journey.

Our business model aligns with and supports our business strategy and puts us in a strong position to drive future growth. By helping organizations transform into digital businesses, we see enormous potential to increase our share of their overall IT spend while providing them with greater value. As our technology unlocks simplicity for our customers, they, in turn, bring new advances to their customers in areas that directly impact people s lives.

Our Goals for Sustained Business Success

We have strong ambitions for sustainable business success, both for our company and for our customers. We believe the most important indicators to measure this success comprise both financial and non-financial indicators: growth, profitability, customer loyalty, and employee engagement.

Growth: SAP uses various revenue metrics to measure growth. We expect full-year 2016 non-IFRS cloud subscriptions and support revenue to be in a range of 2.95 billion to 3.05 billion at constant currencies (2015: 2.30 billion). Further, we expect full-year 2016 non-IFRS cloud and software revenue to increase by 6% to 8% at constant currencies (2015: 17.23 billion). Looking beyond 2016, we have raised our 2017 ambition to reflect the current currency exchange rate environment and excellent business momentum. Assuming a stable exchange rate environment going forward, SAP now expects non-IFRS cloud subscriptions and support revenue in a range of 3.8 billion to 4.0 billion in 2017. By 2017, SAP continues to expect its rapidly growing cloud subscriptions and support revenue to be close to software license revenue and is expected to exceed software license revenue in 2018. Non-IFRS total revenue is expected to reach 23.0 billion to 23.5 billion in 2017. Our high-level 2020 ambitions remain unchanged, with 2020 non-IFRS cloud subscriptions and support revenue expected to reach 7.5 billion to 8.0 billion and total revenue is expected to be in a range of 26 billion to 28 billion.

Profitability: SAP expects full-year 2016 non-IFRS operating profit to be in a range of 6.4 billion to 6.7 billion at constant currencies (2015: 6.35 billion). We expect non-IFRS operating profit to be in a range of 6.7 billion to 7.0 billion in 2017 and to be in a range of 8.0 billion to 9.0 billion in 2020.

Customer loyalty: SAP uses the Customer Net Promoter Score (NPS) as a key performance indicator (KPI) to measure customer loyalty. We aim to

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achieve a Customer NPS score of 25% in 2016 (2015: 22.4%). Due to changes in sampling, resulting from ongoing efforts to implement the survey process holistically in recently acquired entities, the 2015 score is not fully comparable with the prior year score.

Employee engagement: We use the employee engagement index to measure motivation and loyalty of our employees, how proud they are of our company, and how strongly they identify with SAP. We remain committed to achieving 82% employee engagement score in 2016 (2015: 81%).

These four corporate objectives affirm our commitment to innovation and sustainability, and help us deliver on our vision.

In addition to primary KPIs, which directly measure our performance on our four goals, we manage a number of secondary performance indicators, which influence the primary KPIs in a variety of ways.

Our main objectives are presented with more detail throughout the report. For more information on our strategic goals, see the Performance Management System section; Expected Developments section; Customers section; and Employees section.

SEASONALITY

Our business has historically experienced the highest revenue in the fourth quarter of each year, due primarily to year-end capital purchases by customers. Such factors have resulted in 2015, 2014, and 2013 first quarter revenue being lower than revenue in the prior year s fourth quarter. We believe that this trend will continue in the future and that our total revenue will continue to peak in the fourth quarter of each year and decline from that level in the first quarter of the following year. Unlike our on-premise software revenues, our on-premise support revenues and cloud subscriptions and support revenues are less subject to seasonality.

PRODUCTS, RESEARCH & DEVELOPMENT, AND SERVICES

Unlocking the Potential of Digital Transformation

For leading companies, the question is no longer whether they need to become a digital business, but how. The role of software has moved beyond enabling the realization of business strategy to becoming an intrinsic part of that strategy. In an increasingly complex landscape with the amount of stored data doubling every 18 months speed, innovation, and agility are the new differentiators. It is not just about doing yesterday s work faster. Companies in every industry must take a unified approach to managing every aspect of their business, and they need solutions whose innovation matches their own ambitions to grow and win in the market.

In 2015, we unveiled one of the most important products in our history: SAP S/4HANA, our next-generation business suite, designed to provide the digital core our customers need to run their entire business in the new digital world. We expect SAP S/4HANA to drive our business for years to come, enabling companies to integrate their core business processes with running their key operations, from their supply chain to their workforce. With SAP S/4HANA, we provide companies a full business platform to reimagine their businesses and achieve the creation of their own next-generation products and services so critical in the digital economy.

SAP S/4HANA creates unique opportunities to simplify the IT landscape, helps reduce total cost of ownership with SAP HANA, and provides a simple and role-based user experience. Enterprises can now reduce their data footprint and work with larger data sets in one system to save hardware costs, operational costs, and time as well as reduce complexity.

After launching in February 2015, over 2,700 customers have chosen SAP S/4HANA, with approximately 100 customers live at the end of 2015.

Driving Simplicity and Innovation through SAP HANA and SAP HANA Cloud Platform

SAP HANA remains at the center of our strategy to help our customers transform their businesses. The SAP HANA platform combines database, data processing, integration, and application platform capabilities in-memory. By providing advanced capabilities such as predictive analytics on the same architecture, it further simplifies application development and processing across Big Data sources and structures.

The SAP HANA Vora engine adds a new dimension to these capabilities, allowing our customers to combine their business data with Big Data managed on Hadoop compute clusters. It simplifies ownership of Big Data and supports faster, interactive, and more precise decision making.

In addition to expanding our own portfolio, we are enabling others to develop a much broader landscape of applications through SAP HANA Cloud Platform, our strategic platform-as-a-service offering. Providing both ease and flexibility, this cloud platform allows our customers and partners to build, extend, run, and sell applications and services in the cloud. It includes infrastructure, data, and storage, as well as a toolbox of platform and application extension services. SAP HANA Cloud Platform also enables connectivity between SAP solutions, including on-premise software such as SAP Business Suite as well as software-as-a-service offerings such as SAP SuccessFactors solutions.

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Building on our experience, we are developing a suite of SAP solutions for the Internet of Things (IoT). The functionalities of our SAP HANA Cloud Platform IoT services help accelerate development and deployment, as well as improve the ability to manage real-time IoT and machine-to-machine applications. To support the development of these new innovations, we continue to leverage our customer co-innovation framework, which helps us address the evolving digitization needs of our customers.

The road to becoming a digital business is unique to every organization. Our portfolio supports our customers wherever they are on their journey. We want to offer the broadest integration in the industry, with customers seamlessly connecting SAP and third-party software across a range of environments to reduce IT complexity. At the same time, our user experience provides both elegance and ease-of-use across multiple devices and interfaces. Customers also have the benefits of efficiency and flexibility through a variety of deployment models.

Launching SAP S/4HANA

SAP S/4HANA represents a huge step forward in simplifying how applications are built, consumed, and deployed. It provides real-time, mission-critical industry-specific business processes across organizations and lines of business. As a basis, enterprises can now support end-to-end operations across key business functions through a fully digitized enterprise management solution named SAP S/4HANA Enterprise Management.

A prime example of our innovations is SAP S/4HANA Finance, a comprehensive solution for the office of the CFO. This solution brings enhanced functionality to a range of key areas from financial planning and analysis to collaborative finance operations. It also provides our customers with seamless flexibility, with deployment either on premise or in the cloud.

Beyond SAP S/4HANA Finance, the on-premise edition of SAP S/4HANA drives business value in other areas such as materials management as well as sales and distribution, among others, taking full advantage of a simplified data model and a responsive user experience.

Innovating for Industries and Lines of Business

As the market leader in enterprise application software, we offer end-to-end solutions specific to 25 industries and 12 lines of business, localized by country and for companies of any size.

Industries

Industry Sector	Industry Portfolio
Consumer	SAP for Consumer Products
	SAP for Life Sciences
	SAP for Retail
	SAP for Wholesale Distribution
Discrete manufacturing	SAP for Aerospace & Defense
	SAP for Automotive
	SAP for High Tech
	SAP for Industrial Machinery & Components
Energy and natural resources	SAP for Chemicals
	SAP for Mill Products
	SAP for Mining
	SAP for Oil & Gas
	SAP for Utilities
Financial services	SAP for Banking
	SAP for Insurance
Public services	SAP for Defense & Security
	SAP for Healthcare
	SAP for Higher Education & Research
	SAP for Public Sector
Services	SAP for Engineering, Construction & Operations
	SAP for Media
	SAP for Professional Services
	SAP for Sports & Entertainment
	SAP for Telecommunications
	SAP for Travel & Transportation

Lines of Business

- Asset Management

Commerce
Finance
Human Resources
Manufacturing
Marketing
R&D/Engineering

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- Sales
- Service
- Sourcing and Procurement
- Supply Chain
- Sustainability

In addition, we are building other functional innovations that serve each line of business. For example:

Human capital management (HCM): Our HCM solutions, including SAP SuccessFactors solutions, help organizations increase the value of their total workforce by developing, managing, engaging, and empowering their people. These solutions address the full range of HR needs, from hiring the right people and managing contingent workers to simplifying the way people work. We focus on delivering a simple and intuitive user experience through mobile device or desktop.

Customer engagement and commerce (CEC): Our CEC solutions comprise SAP and SAP Hybris software that serve the commerce, marketing, sales, and service lines of business, enabling business-to-business and business-to-consumer companies to provide real-time, consistent, contextual, and relevant experiences to their customers. Regardless of channel or device, these solutions deliver personalized engagement based on context and proven industry expertise and therefore go beyond traditional customer relationship management, which no longer meets the needs of today s consumer-driven market.

Providing users with Freedom, Flexibility, and Elegant Design

We believe digital transformation must include a focus on the user experience, as expectations by our customers and their customers have risen enormously in recent years. For many, mobile has become the technology of choice, providing simple, always-on access to information, processes, and services. To that end, key mobile services such as app creation and management, security, and extensibility are available as part of SAP HANA Cloud Platform, giving our customers simple access to the technologies that support new business models.

Providing an elegant, intuitive user experience, SAP Fiori has evolved since its introduction in 2013 into the new user experience (UX) for SAP software. It reflects a broader shift in software design that puts as much focus on how people actually use technology as on specific features and functions. SAP Fiori offers innovative new features such as improved contextual interaction and action-oriented personal notifications. The updated design delivers improvements while staying consistent with our original UX principles of being role-based, responsive, simple, coherent, and delightful.

We were awarded the prestigious Red Dot Award for the SAP Fiori UX design concept in the Interaction Category in September 2015.

Delivering Greater Value through the Power of Business Networks

In today s hyperconnected business landscape, how companies interact with the outside world is undergoing profound change. At SAP, we are helping to lead this transformation through our business networks, which are helping drive innovation in key areas that impact an organization s core operations. Our business network strategy is to bring the world s vast network of partners, suppliers, and services to best-in-class solutions that fulfill the needs of specific lines of business all within a few clicks. Moving far beyond basic automation, our network solutions are enabling new processes and outcomes for customers. They are also part of a new wave of solutions that are more consumer-friendly and business-ready than in the past.

We recognize that business applications today must deliver an effortless user experience while ensuring that information and data flow back into the business and across networks in a secure way. These applications serve to maintain compliance while enabling choice. They are designed for a more digital, highly mobile, and interconnected world, and help drive greater value for employees, organizations, and the vast networks of partners and individuals they rely on.

Today, our business network portfolio includes SAP Ariba, Concur, and SAP Fieldglass solutions. Each is a leading provider of cloud applications, services, and cloud networks through open platforms that connect internal business processes to a global ecosystem of partners.

The Ariba Network is a leading marketplace used by approximately two million companies to discover, connect, and collaborate over US$740 billion in commerce every year. The network connects companies across the full commerce process from sourcing through payment settlement. It also provides insights and technology to help companies improve their operations and to connect and collaborate in new ways that are only possible in a networked environment.

Concur Travel & Expense is the world s leading travel and expense management system, with more than 32 million users. The Concur system goes beyond the basic automation of expense reports and provides visibility and insights that support better decision making for employee travel and spend, helping businesses to focus on what matters most.

SAP Fieldglass solutions simplify the process of procuring and managing external workforce services. They provide visibility into service providers and non-employee workers and help improve compliance and cost control. As a centralized, single point of access to engage with more than 1.9 million external workers in approximately 130 countries, SAP Fieldglass solutions connect consultancies, staffing firms, independent contractors, and other service providers, so business users can procure services from anywhere in the world with just a few clicks. As an open platform, SAP Fieldglass also connects to financial, HR, payroll, and procurement systems.

Each of these three cloud network companies has made connecting to partners, suppliers, and services through an open platform a core part of their architecture and approach. Ultimately, we aim to go further, connecting all the world s networks. We are working to create platforms for networks and services that will further transform the business landscape with the purpose of creating new outcomes, services and experiences that make businesses run more simply and with greater opportunities for innovation.

Providing Real-Time, Advanced Analytics to Drive Better Decision Making

The speed of the digital economy demands that companies make informed decisions faster than ever before, as data can become obsolete in a matter of seconds. SAP HANA has vastly increased the efficiency with which our customers can use analytics to drive decision making. With transactions and analytics combined into a single in-memory platform, our customers can access a single source of truth for real-time planning, execution, reporting, analysis, and predictive modeling on very large volumes of data.

In 2015, we further simplified our offering with the introduction of the SAP Cloud for Analytics solution, a software as a service that aims to bring all analytics capabilities together for a richer user experience.

Based on SAP Cloud for Analytics, we also launched SAP Digital Boardroom, a multifaceted solution that offers executive decision makers new ease and elegance in accessing company data in real time, and the ability to engage in what-if queries and create visualizations. Designed to provide far greater transparency to board members, executives, and other decision makers, fully automated business intelligence capabilities in the solution not only improve the quality and speed of reporting, but also facilitate greater trust through more effective collaboration and decision making.

Whether in the cloud, on premise, or a combination of the two, our analytics solutions enable our customers to access immediate, actionable intelligence. Even as data

volumes grow exponentially, companies can simplify their business processes and gain insights to better manage every aspect of their organization from integrated planning to risk and compliance.

Among other features, key analytics solutions from SAP support:

- **Trusted data discovery and agile visualization** to bring reliable data to life in real time through intuitive visualizations
- **Advanced analytics** to combine the power of predictive processing with intuitive modeling and advanced data visualization
- **Corporate performance management** to set and track measurable performance objectives through planning, budgeting, forecasting, and financial consolidation tools

Research and Development

With businesses shifting at an ever-accelerating pace towards digitalization and the cloud, leading our customers through change is more important than ever before. We do this every day by empowering our employees and collaborating with our customers to develop world-class software and next-generation solutions. SAP further strengthened our global research and development (R&D) efforts in 2015 by investing in our SAP Labs network and the new SAP Innovation Center Network.

Nearly all of our software products are developed at our 15 SAP Labs locations in 13 countries across the globe. This global reach means that we have access to leading talent worldwide; in addition, we can collaborate with top universities throughout the world and have access to major technology hubs as well as diverse and vibrant startup communities. By understanding trends in different regions, as well as the specific needs of our customers that operate there, SAP has a major strategic advantage in developing products and services for the future.

In addition to our SAP Labs, we also expanded from two SAP Innovation Center locations to an SAP Innovation Center Network of 10 locations across four continents. This network is a dedicated unit within our development organization that is responsible for identifying new markets for SAP and pioneering game-changing solutions using transformational technologies. Through the SAP Innovation Center Network, we can closely collaborate with customers, partners, and academia to explore trends such as machine learning and block chain, among others.

We have identified several key markets and opportunities that hold significant revenue potential and allow us to apply our unique capabilities. Currently, areas include future enterprise applications, personalized medicine,

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and smart cities. We are tackling a range of challenges facing these areas, from designing the future of business software to developing new approaches to treating cancer and helping decrease traffic congestion.

Our revitalized research organization has become an applied research entity with its main focus on machine learning for enterprise applications, personalized medicine, in-memory data management, and security. Our new research approach focuses sharply on potential business impact while collaborating with the best research institutions worldwide for selected topics.

Our innovation stems from many places, and we draw on the ideas of our customers, partners, startups, academia, and, most importantly, our own employees. Our overarching goal is to foster organic innovation and support the transformation of great ideas into profitable business. In support of this vision, we established a Company-wide intrapreneurship program that enables employees to develop their ideas in an internal incubator at SAP.

In addition to our employees, our customers provide us with unique insights about their business models and digitization challenges. We also work with customers on co-innovation and custom development projects. Our partners and their solutions enhance these efforts in a range of ways, such as at our SAP Co-Innovation Lab locations, which support engagements ranging from strategic alliances to key proofs of concept.

R&D Investment

SAP s strong commitment to R&D is reflected in our expenditures: In 2015, we increased our R&D expense (IFRS) by 515 million, to 2,845 million (2014: 2,331 million). We spent 13.7% of total revenue on R&D in 2015 (2014: 13.3%). Our non-IFRS R&D expense as a portion of total operating expenses declined slightly from 18.5% to 18.3% year-over-year.

At the end of 2015, our total full-time equivalent (FTE) count in development work was 20,938 (2014: 18,908). Measured in FTEs, our R&D headcount was 27% of total headcount (2014: 25%). Total R&D expense not only includes our own personnel costs but also the external cost of works and services from the providers and cooperation partners we work with to deliver and enhance our products. We also incur external costs for translating, localizing, and testing products, for obtaining certification for them in different markets, patent attorney services and fees, strategy consulting, and the professional development of our R&D workforce.

Research and Development (IFRS)

Patents

As a market leader in enterprise applications, SAP actively seeks intellectual property protection for innovations and proprietary information. Our software innovations continue to strengthen our market position in business solutions and services. Our investment in R&D has resulted in numerous patents. As at December 31, 2015, SAP holds a total of more than 7,224 validated patents worldwide. Of these, 893 were granted and validated in 2015.

While our intellectual property is important to our success, we believe our business as a whole is not dependent on any particular patent.

Guiding our Customers through Every Step of their Digital Transformation

In addition to creating new solutions for the digital era, we recognize that we must partner with our customers to help them make the most of these innovations based on their unique needs and goals. Through our worldwide service and support, we guide companies at every stage of their digital transformation. We focus on creating and delivering strategies for our customers digital journey, accelerating innovation, driving simplification of business and IT, and ensuring that expected business value is realized and continuously optimized.

In 2015, we radically simplified how we engage with our customers and deliver services, greatly harmonizing our portfolio. Under the new SAP ONE Service approach, we also introduced a new commercial model providing one service portfolio, out of one global organization, and under one contract.

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We see enormous potential for our customers to simplify their own businesses and seize new opportunities through SAP HANA, with SAP S/4HANA as their new digital core. For this reason, adoption of these innovations is a key pillar in our service and support strategy. To ensure the expected customer outcomes, we offer high-value services tailored to the various customer scenarios supporting the adoption of SAP S/4HANA:

- **System conversion:** Customers changing their current SAP system to SAP S/4HANA
- **Landscape transformation:** Customers consolidating their landscape or carving out selected entities or processes into a system running SAP S/4HANA
- **New implementation:** Customers migrating from a third-party legacy system or installation of SAP S/4HANA for a new customer

In mid-2015, we also introduced SAP Activate, an innovation adoption framework to further support the fast and effective implementation of SAP S/4HANA. Offering a unique combination of SAP Best Practices and guided configuration, the new methodology provides ready-to-run digitized business processes optimized for SAP S/4HANA. It allows customers to flexibly choose the approach for their business needs, from a new implementation to an integration to a migration scenario.

As they continue on their path to digitization, we work with large enterprise customers to forge a co-engineering and co-innovation relationship, so that they can influence and shape existing SAP solutions while gaining early access to product innovation. We help define future software solution standards together with our customers in comprehensive engagements and serve as a trusted advisor during delivery of innovative solutions for the future.

ACQUISITIONS

Focusing on Organic Growth and Targeting Fill-in Technology through Acquisitions

As SAP prepares itself for the new digital economy, we may make acquisitions that advance our strategic goals. In 2015, SAP acquired Multiposting, a French cloud-computing company with more than 80 employees that provides software for the automatic posting of jobs and internships on the Internet. Multiposting is based in Paris and is a European leader in job posting solutions. With this acquisition, SAP plans to offer customers the best end-to-end cloud recruiting suite on the market, including the ability to efficiently post jobs to a global network of thousands of channels. The Multiposting solution will be available as part of the existing recruiting offering in our human capital management portfolio as well as in all its current forms as a stand-alone product, as a Web service, and through import.

Organic growth is the primary driver of our growth strategy. We will invest in our own product development and technology innovation, improving the speed, number of projects, and innovations brought to market. We may also acquire targeted and fill-in technology and software to add to our broad solution offerings and improve coverage in key strategic markets. By doing so, we strive to best support our customers needs for simplified operations. We do not anticipate significant acquisitions in 2016 or 2017.

For more information about our acquisitions, see the Notes to the Consolidated Financial Statements section, Note (4).

Investing in the Next Generation of Technology Leaders through Venture Activities

Through investments in venture capital funds managed by Sapphire Ventures (formerly called SAP Ventures), which comprises our consolidated investments in venture funds, SAP supports investments in entrepreneurs worldwide that aspire to build industry-leading businesses. Over the past 19 years, Sapphire Ventures has invested in more than 130 companies on five continents. Some of these companies have been acquired by third parties or have become publicly listed companies.

Sapphire Ventures aims to invest in the next generation of global category technology leaders as well as early-stage venture capital funds in enterprise and consumer technology. Specifically, Sapphire Ventures pursues opportunities in which it can help fuel growth by adding expertise, relationships, geographic reach, and capital. It invests globally with a particular focus on emerging companies and early stage funds in Europe, Israel, and the United States, as well as in Brazil, China, and India.

SAP s total commitment to Sapphire Ventures is US$1.4 billion for use over the lifetime of its respective funds. Investments through the funds are currently ongoing.

For more information about our consolidated investment funds, see the Notes to the Consolidated Financial Statements section, Note (33).

PARTNER ECOSYSTEM

Working together to extend SAP s Reach in the Marketplace

SAP proudly works with a network of more than 13,000 partners worldwide that helps companies of all sizes tackle complexity, grow their business, and Run Simple. SAP partners extend our reach in the marketplace and accelerate our Company s growth, reaching thousands of new companies and millions of users each year. Our partner community plays an

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important role in our success, delivering expertise through pioneering solutions to provide our mutual customers tools to succeed in the developing digital and services-based economy.

Partners add tremendous value to both SAP and customers. They sell our software and cloud services, develop complementary software and solutions, and provide a broad portfolio of implementation and professional services that support customers across all geographies and industries.

Last year we saw outstanding growth in SAP s partnerships. For example, partners were responsible for nearly 90% of new SAP software customers. SAP Business One, one of our core ERP solutions for small and midsize enterprises (SMEs) and sold exclusively through partners, reached its 50,000th customer. Nearly 55% of all SAP S/4HANA software license deals were won by partners and our cloud revenue through partners reported triple-digit growth. Together with our strategic technology and service partners, we created a number of powerful and compelling joint solutions and services that help customers transform and run their businesses simpler.

In the past year, SAP made several transformational moves designed to increase our joint success in the market, including:

- **SAP SME Solutions:** More than 80% of SAP customers are small and midsize enterprises (SMEs), and we support the majority through our partner networks and other channels. To boost our reach, we introduced this SME-specific portfolio marketing approach and a Run Simple advertising and demand generation campaign around our core ERP solutions for SMEs: SAP Business All-in-One, SAP Business ByDesign, and SAP Business One. As growing businesses transform in the digital economy, SAP has equipped partners with these and other tools, solutions, and programs they need to drive more demand in this important market.
- **SAP Anywhere debut:** Late in 2015, we launched SAP Anywhere, a revolutionary cloud solution that allows small businesses to connect with customers anytime, anywhere on any device. It is now available in China and is expected to be introduced in the United Kingdom and the United States in 2016. SAP Anywhere represents a new opportunity for partners. With our commitment to SAP Anywhere, Everywhere, our partners can resell a complete cloud-based solution that manages marketing, sales, and e-commerce activities in one complete front-office system using real-time analytics.
- **SAP PartnerEdge program enhancements:** To build stronger relationships and increased business opportunities, SAP introduced the next generation of its flagship partner program in 2015. Among the improvements, we reduced the number of partner engagement options from more than 30 to just four Run, Build, Service, and Sell making it easier for partners to engage with SAP. We streamlined processes and relaunched the SAP PartnerEdge Web site to give partners easier access to resources and real-time visibility into their SAP business.

While reselling, implementation, and services are a large part of our ecosystem s effort, SAP partner innovation on our technology platforms is also essential to market penetration. Partners develop their own applications and solutions called SAP Solution Extensions, which can then be sold to customers and other partners. These partner-developed solutions are tested, validated, approved, and supported by SAP.

In addition, the SAP PartnerEdge program for Application Development, which grew to more than 1,100 active members in 2015, encourages partners to build complementary solutions on top of our technology platforms and quickly monetize those solutions through SAP e-commerce channels.

Partners also embed SAP technology within their offerings under an original equipment manufacturer (OEM) licensing agreement, giving customers SAP software functionality backed by partner industry knowledge and expertise.

2015 was a seminal year for our partner managed cloud business, where our partner recruitment and enablement success has expanded the number of customers benefiting from the flexibility, rapid time to value, and pay-as-you-go economics of a managed cloud with enterprise-class SAP solutions.

SAP will continue to drive business growth through partners in 2016, continuing to identify and recruit key partners and develop the innovative programs and initiatives that fuel our mutual success.

CUSTOMERS

Helping Customers Run Simple

When SAP customers Run Simple, it improves their ability ultimately to become best-run businesses that create more sustainable business models which, in turn, help us ensure our own long-term viability. That is why we strive to provide more than just software and services; we continually engage with our customers at every stage not only during the sales and implementation phases, but also through the sharing of best practices and innovations.

One example of this strategy is our Customer Engagement Initiative. This program offers customers early insight into certain aspects of our planned innovations, so they can influence new developments. In addition, it offers customers the opportunity to network on topics of mutual interest. These networking opportunities take place at a variety of global events, including the SAPPHIRE NOW, SAP Select, SAP Forum, and SAP TechEd conferences, as well as virtual events.

Customer Focus Reflected in Customer Net Promoter Score

Customer loyalty is one of our four Company-wide strategic objectives, along with growth, profitability, and employee engagement. In 2015, our combined on-premise and cloud Customer NPS is 22.4% (2014: 19.1%). Due to changes in sampling, resulting from ongoing efforts to implement the survey process holistically in recently acquired entities, the 2015 score is not fully comparable with the prior year s score.

Our goal continues to be to best support our customers success and the success of SAP. For example, we are expanding on the insights provided by our surveys through root cause analysis to gain a better understanding of customer problems, why they happened, and what needs to be done to prevent those problems from happening again.

Our combined on-premise and cloud NPS target for 2016 is 25%, 2.6 percentage points above our 2015 achievement.

For more information about the Customer NPS, see the Performance Management System section.

Strong Customer Demand

Our strategy focuses on offering solutions and services to help customers Run Simple today and tomorrow. To do so, we offer a spectrum, from complete suites to applications that are lean, focused, quick to implement, and highly mobile. In 2015, we saw customers embrace this strategy by licensing or subscribing to the full range of SAP software, from comprehensive solutions for large enterprises to the latest mobile apps.

Some examples by region include the following customers:

North America and Latin America (Americas) Region

Adobe, a multinational computer software company, has chosen the SAP Hybris Billing solution as its monetization and billing platform to support a new SaaS business model. Adobe seeks to support fast subscription-revenue growth on a flexible and scalable platform, while significantly reducing time to launch innovative and flexible offers and promotions.

American Airlines, the world s largest airline, has selected several SAP SuccessFactors solutions, as well as the SAP HANA Enterprise Cloud service and SAP HANA Cloud Platform. The company s goal is to enhance service to its employees and reduce operating costs while remaining focused on its core business.

Eastman Kodak, a technology company focused on imaging, selected the SAP S/4HANA suite to help reduce total cost of IT ownership. In addition, Kodak plans to establish an IT infrastructure to position its organization for future growth and innovation.

Hewlett Packard Enterprise Company (HPE) has committed to and invested in implementing one of the largest installations of the SAP S/4HANA Finance solution for their internal foundational platform to support its digital transformation. With SAP S/4HANA, HPE aims to be better able to take advantage of real-time access to operational and financial data with the goal of improving the speed of decision making and operating more efficiently; reducing the time for financial close; and delivering actionable intelligence throughout its business. The aim is to ensure HPE becomes more competitive in the marketplace.

Stara, a leader in agricultural machinery headquartered in Brazil, selected SAP HANA Cloud Portal, as well as SAP Cloud for Customer, SAP SuccessFactors Employee Central, and SAP SuccessFactors Talent Management solutions. Stara expects to simplify its business processes while improving sales efficiency through greater control of critical company information.

Asia Pacific Japan (APJ) Region

Boryung Pharmaceutical, one of the leading pharmaceutical manufacturers in South Korea, selected SAP S/4HANA Finance for its simple user experience, simple business solution, simple data model, and shorter go-live time.

La Trobe University in Australia went live with SAP S/4HANA Finance. As one of the first organizations globally to adopt SAP S/4HANA Finance, La Trobe University aims to benefit from instant insight across financial and operational processes to drive value through planning, analysis, prediction and simulation. They have a term for it; they call it Brilliant Basics.

Lenovo Group, a multinational computer technology company, is expanding its HANA footprint by moving data from all systems to the SAP HANA platform.

PetroChina, China s largest oil producer, has implemented SAP Business Warehouse powered by SAP HANA and SAP BusinessObjects Business Intelligence solutions. Since the system went live in late July, HR reporting performance is three to ten times faster than before, which has empowered HR director-level management to make strategic decisions based on Big Data analysis.

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St Barbara, an Australian-based, ASX-listed gold producer and explorer, selected the SAP SuccessFactors Performance & Goals solution. The solution has enabled St Barbara to replace its paper-based performance management process with a cloud-based solution that also supports its offshore locations.

Europe, Middle East, and Africa (EMEA) Region

ArcelorMittal, the world s leading steel and mining company, selected SAP S/4HANA to streamline business processes, improve productivity, and decrease costs. The company seeks to enhance its position by serving an increasingly strong innovation agenda around the world.

Bosch Group, a leading global supplier of technology and services, has chosen SAP S/4HANA to rebuild its IT infrastructure, seeking a simplified and harmonized landscape that helps them offer connected services to customers.

City Football Group (CFG) is the owner of a number of soccer-related businesses including Manchester City Football Club and New York City Football Club. CFG and its clubs will implement a wide variety of cloud-based solutions powered by SAP HANA with the aim of simplifying their worldwide operations, scaling their business, increasing productivity, and enhancing the fan experience.

E.ON Group has chosen the limited runtime edition of SAP HANA; SAP Mobile Platform; and SAP SuccessFactors HCM Suite. The company, which is splitting into two entities, seeks to streamline its system landscape, replace homegrown software, and reduce its on-premise footprint.

Hydro, a global aluminium company based in Norway, selected SAP S/4HANA to replatform and renew its IT system landscape. With the suite, Hydro expects to have access to real time information, thereby running at optimal efficiency and safety, which are key elements of its strategic vision.

Helping Customers Invest

To help companies invest in SAP solutions and associated services and hardware, SAP Payment services offers customers payment plans. SAP Payment services can help preserve liquidity, provide an alternative to credit from customers existing banking relationships, and balance their budgetary priorities, while giving them the flexibility to choose their preferred solution.

ENVIRONMENTAL PERFORMANCE: ENERGY AND EMISSIONS

In 2015, we made significant progress toward our goals for the reduction of greenhouse gas emissions, taking advantage of the digitalization and green technology trends that are driving transformational changes across the global economy. These trends can have a significant

impact on energy consumption and greenhouse gas emissions. We are applying these trends to our own business and helping our customers apply them to their businesses. For example, by enabling business model transformation, using advances such as smart grids and the Internet of Things, SAP is helping connected digital business networks reduce overall carbon footprints.

Strengthening our Green Cloud

We see that energy consumption in data centers is closely related to innovation and customer adoption of our solutions. As we accelerate our shift to the cloud, we have tied our business strategy to our environmental strategy by creating a completely green cloud at SAP, referring to carbon neutrality, by purchasing 100% renewable electricity certificates and compensation by CO_2 offsets. In assessing our environmental impact, we focus on energy usage throughout SAP, as well as greenhouse gas emissions across our value chain.

Reducing Greenhouse Gas Emissions

Our goal is to reduce the net greenhouse gas (GHG) emissions from our operations to levels of the year 2000 by 2020. This target includes all direct and indirect emissions from running our business (GHG Protocol Scopes 1 and 2), as well as a selected subset of other indirect (Scope 3) emissions. We do not include all of our Scope 3 emissions in our target because we choose to focus on those emissions over which we have direct control or ability to influence. However, we are increasingly addressing both our upstream and downstream emissions to support a comprehensive carbon strategy for SAP.

Specifically, we are working to reduce our emissions through three primary approaches: increasing our operational efficiency combined with innovative approaches to the way we do things; purchasing high-quality renewable electricity certificates; and investing in high-quality carbon credits.

In addition to our long-term commitment for 2020, we have derived annual targets for our internal operational steering. Despite integrating new acquisitions in 2015, our total net emissions decreased to 455 kilotons CO_2 (2014: 500 kilotons). This decrease stems primarily from a reduction of business flights and compensation with carbon emission offsets. We are effectively compensating the emissions from those customer systems that have moved into our green cloud. Given the large size of our customers CO_2 footprints and our growth strategy in the cloud, we see significant potential to reduce both our own and our customers environmental impact.

Since the beginning of 2008, our focus on carbon emissions has generated a cumulative cost avoidance of

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346 million, compared to a business-as-usual scenario. This leads to an avoidance of 124 million in the past three years, with 39.8 million avoided in 2015 alone.

Investing in Environmental Innovations

We are pursuing new strategies to contend with the ongoing tension between growth in our business and our goal to reduce our emissions. One such approach is the introduction of carbon emission offsets for business flights in 2015. In addition to avoiding and reducing overall business flights, we began, in the second half of 2015, to offset selected business flights in the United States, as this is the country with the greatest number of business flights. This offset effort resulted in a compensation of 35 kilotons of CO_2.

SAP continues to invest in technology that enables virtual collaboration, supporting our efforts to reduce the need for employees to travel. In addition to our TelePresence and video conferencing platforms, new collaboration rooms based on the Skype for Business communications platform bring new features that enable teamwork across borders and time zones. More than 100 collaboration rooms have been installed throughout SAP with more planned for 2016. Because more employees adopt video chat as their preferred method of communication, more than 1,200 meeting spaces have been equipped with 360-degree cameras giving remote participants a more interactive experience. Skype for Business also enables each employee to video chat from their computer.

To further decrease car-related emissions, we plan to increase the portion of electric vehicles (or alternatives) in our company car fleet from the current 1% to 20% by 2020. At the end of 2015, we have 57 charging stations and 55 pure electric vehicles in our company car fleet at our headquarters in Walldorf, and approximately 300 e-cars globally. Our company car initiatives address a dilemma that has grown in recent years. As a result of our business expansion, the number of SAP employees eligible for a company car has increased annually. We want to ensure that we do not undo our efficiency gains with our growing car fleet.

In keeping with our existing policy for office buildings and data centers, all our electric company cars charged at SAP are powered with 100% renewable sources. In Germany, for example, we provide employees with an incentive to switch to electric alternatives by offering a battery subsidy that offsets the costs of using an electric vehicle. We believe that our electric car initiative will play a critical role in helping achieve our 2020 carbon reduction goal.

In 2015, emissions caused by SAP products in use at the sites of more than 300,000 customers were almost

15 times larger than SAP s own footprint, meaning these products caused approximately 6,800 kilotons of CO_2. By using 100% renewable electricity, we dramatically broaden our sustainability efforts and align them with our cloud strategy, reducing the carbon emissions of our cloud solutions to zero.

We continued to realize the benefits of our investment in the Livelihoods Fund, a unique investment fund whose returns consist of high-quality carbon credits. Several years ago, we made a commitment to investing 3 million covering a 20-year participation in the fund, which supports the sustainability of agricultural and rural communities worldwide. Projects of this fund focus on ecosystem restoration, agriculture, agroforestry, and rural energy. In eastern India, for example, the fund helped communities plant fruit trees to diversify food sources and address the overcultivation of soil. Instead of a charitable donation, we have made a long-term investment that brings benefits to society, the environment, and SAP. In 2015, we received carbon credits from the fund, which helped us to offset our carbon footprint by 23 kilotons.

Another important program in 2015 was the further implementation of ISO 14001 in SAP locations throughout the world. This well-accepted environmental management system is now in place at 32 of our locations worldwide, including our North America headquarters in Newtown Square, Pennsylvania, as well as in Palo Alto, San Francisco, Sunnyvale, and Dublin, California, both in the United States; and other countries including Austria, Canada, Czech Republic, France, Germany, Israel, Italy, and South Africa. New sites in Singapore and Switzerland, as well as Rio de Janeiro and São Paulo in Brazil, were certified in 2015. To act more quickly and achieve consistency, we created a template to roll out in other sites, enabling us to efficiently build a large global network where different sites interact and share best practices. Our goal is to continually increase the number of certified locations; we aim for total full-time equivalent (FTE) coverage of 70% by 2018. By end of 2015, SAP had an environmental management system (ISO 14001) in place in 15 countries and 32 single sites. This represents a total FTE coverage of 22.2%.

Measuring our Total Energy Consumed

Because our energy usage drives emissions, one of the most important measures for us is total energy consumed. This includes all energy that SAP generates or purchases to run our facilities, data centers, company cars, and corporate jets. Our total energy consumption increased to 965 gigawatt hours (GWh) in 2015, compared to 920 GWh in 2014.

This increase is due to growth in our workforce and business. In addition, as software usage shifts to the cloud, we are operating more of our customers systems in our data centers, as well as other locations where we supplement our servers. This additional cloud operation, along with accompanying servers and facilities, consumes more energy. At the same time, we believe this shift has the opposite effect for our customers that are now able to simplify their technology and save energy through our shared infrastructure. This reduces overall IT-related energy consumption through our highly energy-efficient cloud provisioning.

Optimizing Efficiency in our Data Centers

Data centers are at the heart of how SAP provides solutions to our customers and represents a significant part of our total greenhouse gas emissions. At the same time, with our energy consumption rising as more of our business moves to the cloud, data centers have become a primary focus of our carbon reduction efforts and the adoption of our technology innovations and solutions towards our customers. We continue to drive efficiency and innovation around buildings, data center operations, and infrastructure. For example, in one of our largest data centers in St. Leon-Rot, Germany, we received an energy efficiency certificate from TÜV Rheinland, a leading provider of technical, safety, and certification services, with an efficiency score of 98.7%. One hundred percent of our energy usage that provides internal and external computation power comes from renewable sources. Our total data center electricity consumption at both our internal and external sites increased from 179 in 2014 to 249 GWh in 2015. In recognition of the exemplary actions SAP has taken to improve our data centers, we were awarded the European Datacentre Sustainability Award in 2015.

Reinforcing our Renewable Electricity Strategy

Our commitment to 100% renewable electricity in all of our internal and external data centers and facilities is one of the most significant steps toward making our operations more sustainable. In 2015, we mainly focused on wind and, to a lesser extent, on biomass. While we produce a small amount of renewable electricity through solar panels in some locations, we rely primarily on the purchase of renewable electricity certificates (RECs) to increase the renewable electricity in our energy mix. We procure RECs regionally that add value and drive change in the electricity market, adopting high-quality standards in our procurement guidelines that are aligned with two non-governmental organizations (NGOs). For example, we consider renewable electricity from biomass only if it is disconnected from coal or other fossil power plants and if the biomass itself is not related to deforestation. In addition, we require that power plants must be no more than 10 years old, as we aim to foster new innovation in the production of renewable electricity. Furthermore, SAP is not considering RECs from power plants that are currently supported by governments. As a vintage

requirement, we define that renewable electricity must be produced in the same year or the year before the reporting period will be applied.

In 2015, SAP joined the green initiative RE100 and is now one of the global corporations that have signed on to the RE100 initiative. RE100 is led by The Climate Group in partnership with CDP (formerly Carbon Disclosure Project) and the goal of the campaign is to have 100 of the world s most influential businesses committed to 100% renewable electricity.

INTELLECTUAL PROPERTY, PROPRIETARY RIGHTS AND LICENSES

We rely on a combination of the protections provided by applicable statutory and common law rights, including trade secret, copyright, patent, and trademark laws, license and non-disclosure agreements, and technical measures to establish and protect our proprietary rights in our products. For further details on risks related to SAP s intellectual property rights, see Item 3. Key Information Risk Factors Operational Risks.

We may be dependent in the aggregate on technology that we license from third parties that is embedded into our products or that we resell to our customers. We have licensed and will continue to license numerous third-party software products that we incorporate into and/or distribute with our existing products. We endeavor to protect ourselves in the respective agreements by obtaining certain rights in case such agreements are terminated.

We are a party to patent cross-license agreements with several third parties.

We are named as a defendant or plaintiff in various legal proceedings for alleged intellectual property infringements. See Note (23) to our Consolidated Financial Statements for a more detailed discussion relating to certain of these legal proceedings.

DESCRIPTION OF PROPERTY

Our principal office is located in Walldorf, Germany, where we own and occupy approximately 430,000 square meters of office and datacenter space including our facilities in neighboring St. Leon-Rot. We also own and lease office space in various other locations in Germany, totaling approximately 120,000 square meters. In approximately 70 countries worldwide, we occupy roughly 1,615,000 square meters. The space in most locations other than our principal office in Germany is leased. We also own certain real properties in Newtown Square and Palo Alto (United States); Bangalore (India); Sao Leopoldo (Brazil); London (UK) and a few other locations in and outside of Germany.

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The office and datacenter space we occupy includes approximately 305,000 square meters in the EMEA region, excluding Germany, approximately 410,000 square meters in the region North and Latin America, and approximately 350,000 square meters in the APJ Region.

With the acquisition of Concur in 2014, we added approximately 50,000 square meters to our real estate portfolio. This portfolio is included in the group portfolio disclosed above.

The space is being utilized for various corporate functions including research and development, our data centers, customer support, sales and marketing, consulting, training, administration and messaging. Substantially all our facilities are being fully used or sublet. For a discussion on our non-current assets by geographic region see Note (28) to our Consolidated Financial Statements. Also see, Item 6. Directors, Senior Management and Employees Employees, which discusses the numbers of our employees, in FTE s, by business area and by geographic region, which may be used to approximate the productive capacity of our workspace in each region.

We believe that our facilities are in good operating condition and adequate for our present usage. We do not have any significant encumbrances on our properties. We do not believe we are subject to any environmental issues that may affect our utilization of any of our material assets. We are currently undertaking construction activities in various locations to increase our capacity for future expansion of our business. Our significant construction activities are described below, under the heading Principal Capital Expenditures and Divestitures Currently in Progress.

Capital Expenditures

Principal Capital Expenditures and Divestitures Currently in Progress

In 2015, we continued with various construction projects and started new construction activities in several locations. The expansion of our data centers is again an important aspect of our investments planned for 2016. We aim to extend our office space to be able to cover future growth. We plan to cover all of these projects in full from operating cash flow. Our most important projects are:

In Bangalore, India, we want to add additional capacity of roughly 2,500 employees. We estimate the total cost to be approximately 50 million, of which we had paid approximately 7 million as at December 31, 2015. We expect to complete the construction of this office building in 2017.

In Ra anana, Israel, we continued with the construction of a new building. We estimate the total cost of this project to be approximately 60 million, of which we had paid approximately 25 million as at December 31, 2015. We expect to complete the construction of this office building in 2016.

In our research center in Potsdam, Germany, we started a third construction phase to realize additional capacity for approximately 150 employees. With the extension of our research center, we aim to create the general conditions for further teams contributing innovations to SAP products in miscellaneous fields. We estimate the total cost to be approximately 16 million, of which we had paid approximately 11 million as at December 31, 2015. We expect to complete the construction of this office building in 2016.

In New York, New York, in the United States, we continued executing the leasehold improvements for our new office space. The project includes the consolidation of our New York City offices for approximately 450 employees. We estimate the total capital expenditures for this project to be approximately 34 million, of which we had paid approximately 3.5 million as at December 31, 2015. We expect to complete the leasehold improvements in 2016.

In Dubai, United Arab Emirates, we continued with our office consolidation project including an expansion of office space adding additional capacity for 100 employees. We estimate the total cost to be approximately 11 million, of which we had paid approximately 0.9 million as at December 31, 2015. We expect to complete the leasehold improvements in 2016.

In Walldorf, Germany, we started construction on a new office building for about 700 employees. We estimate the total cost to be approximately 71 million, of which we had paid approximately 0.5 million as of December 31, 2015. We expect to complete the construction in 2018.

In Walldorf, Germany, we also started construction on a new data center as well as a new power station. We estimate the total cost to be approximately 58 million, of which we had paid approximately 0.7 million as at December 31, 2015. We expect to complete the construction for both projects in 2017.

In Prague, Czech Republic, we started the expansion of an office building and began an office move. We estimate the total capital expenditures for this project to be approximately 19 million. We expect to complete the project in 2016.

In Colorado Springs, Colorado, in the United States, we started construction on a new data center in 2015. We estimate the total cost of this project to be approximately 75 million. We expect to complete the construction of this data center in 2017.

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In San Ramon, California, in the United States, we began an office move. We estimate the total cost of this move to be approximately 22 million. We expect to complete this project in 2017.
In Shanghai, China, we started an expansion of our office building. We estimate the total cost to be approximately 15 million, of which we had paid approximately 2 million as at December 31, 2015. We expect to complete the construction in 2016.

For more information about planned capital expenditures, see the Investment Goals section. There were no material divestitures within the reporting period.

Principal Capital Expenditures and Divestitures for the Last Three Years

Our principal capital expenditures for property, plant, and equipment amounted to 580 million in 2015 (2014: 666 million; 2013: 553 million). Principal capital expenditures in 2015 for property, plant, and equipment decreased compared to 2014 mainly due to lower replacement investments in hardware. Furthermore, compared to 2014, SAP did not have material acquisitions in 2015, resulting in fewer additions. The increase from 2013 to 2014 was due to the acquisition of Concur, the replacement and purchase of computer hardware and vehicles acquired in the normal course of business and investments in data centers. Principal capital expenditures for property, plant and equipment for the period from January 1, 2016 to the date of this report were 97 million.

Our capital expenditures for intangible assets such as acquired technologies and customer relationships amounted to 70 million in 2015 compared to 1,954 million in 2014 (2013: 419 million). Capital expenditures for intangible assets decreased from 2014 to 2015 because we only executed one small acquisition in 2015, while the increase from 2013 to 2014 was due to the acquisitions of Concur and Fieldglass in 2014. Our investments allocated to goodwill decreased to 27 million in 2015 from 6,072 million in 2014 (2013: 842 million). The decrease from 2014 to 2015 in the additions to goodwill was primarily attributable to executing only one small acquisition in 2015 compared to 2014 when we acquired Concur and Fieldglass. These 2014 acquisitions also caused the significant increase from 2013 to 2014 as we executed only a few small acquisitions in 2013. For further details on acquisitions and related capital expenditures, see Note (4) and Note (15) to our Consolidated Financial Statements.

For further information regarding the principal markets in which SAP conducts business, including a breakdown of total revenues by category of activity and geographic market for each of the last three years, see Item 5. Operating and Financial Review and Prospects Operating Results (IFRS) of this report.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

OVERVIEW

For information on our principal sources of revenue and how the different types of revenue are classified in our income statement refer to Note (3b) to our Consolidated Financial Statements, section Revenue Recognition.

See Item 4. Information about SAP Products, Research & Development, and Services for a more detailed description of the products and services we offer.

The following discussion is provided to enable a better understanding of our operating results for the periods covered, including:

- the factors that we believe impacted our performance in 2015;
- our outlook for 2015 compared to our actual performance (non-IFRS);
- a discussion of our operating results for 2015 compared to 2014 and for 2014 compared to 2013;
- the factors that we believe will impact our performance in 2016; and
- our operational targets for 2016 (non-IFRS).

The preceding overview should be read in conjunction with the more detailed discussion and analysis of our financial condition and results of operations in this Item 5, Item 3. Key Information Risk Factors and Item 18. Financial Statements.

ECONOMY AND THE MARKET

Global Economic Trends

In its most recent report, the European Central Bank (ECB) concludes that the global economy grew gradually and unevenly in 2015. The ECB finds that low oil prices, favorable financing conditions, and improving labor markets helped advanced economies perform better than in previous years. However, growth in emerging markets and developing economies remained relatively weak, according to the ECB. It cites tight global financing conditions and declining commodity prices as the causes.

For the Europe, Middle East, and Africa (EMEA) region, the ECB reports contrasting developments. According to its calculations, the gross domestic product of the euro area grew 1.5% in 2015. It finds that this recovery was mainly due to increasing domestic demand. The economies of Central and Eastern European countries were robust, according to the ECB, while Russia was in significant recession.

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The economic performance of the countries in the Americas region was also uneven. According to the ECB, the United States economy firmed in 2015, and weakened slightly only in the third quarter. However, a number of countries in Latin America slipped into recession; notably Brazil, where the downturn was mainly due to political uncertainty.

In the Asia Pacific Japan (APJ) region, Japan s economy struggled to gain momentum in 2015, the ECB notes. However, the ECB also points to a slight recovery in the third quarter and signs of growth at the end of the year. China refocused its economy in 2015, easing its monetary policy and introducing a new exchange rate regime in the summer, the ECB reports. This increased political uncertainty and economic growth slowed. The ECB writes that business-friendly reforms in India boosted investment and, after a temporary decline in the second quarter, led to an increase in economic growth from mid-year onwards.

The IT Market

Growth in the global IT market slowed from the second quarter of 2015, U.S. market research firm International Data Corporation (IDC) reports. It attributes this development to the contracting PC market, the encroachment on traditional IT business by cloud services, and weak economic performance in countries such as Brazil, China, and Russia. IDC lowered its forecast for IT market growth in 2015, and at the end of the year it expected the global IT market to have grown 4.9% year over year still ahead of the economy as a whole.

However, according to IDC, IT spending did not grow evenly across the segments. It pointed to strong growth in cloud, mobile, and Big Data, with service providers increasing investment in server and data storage hardware. IDC reports that smartphone market expansion, which had been rapid in the previous year, slowed significantly in 2015 due to saturation. In 2015, the rate of smartphone market growth was closer to that of the IT market as a whole. Even the tablet market was unable to make up for this loss of momentum, IDC notes.

By contrast, worldwide spending on business software increased significantly, at 6.8% in 2015, according to IDC. The share of investment in cloud, mobile, and Big Data solutions continued to increase. However, according to IDC, this had an adverse effect on services, which grew only 2.8%.

IDC reports that IT spending in the Europe, Middle East, and Africa region (EMEA) increased 1.5% in 2015, and by as much as 5% in Western Europe due to the economic recovery there. In Germany, the IT market grew even more strongly at over 6%. In Russia, though, low oil

prices, depreciation of the ruble, and economic sanctions had a significant negative impact, IDC reports. It expects the Russian IT market declined 15% in 2015.

In the Americas region, the IT market grew 4.6% according to IDC. In its view, the U.S. market remained largely stable. It grew 3% overall, somewhat less than in the previous year, mainly due to the weakening market for smartphones and tablets. Software, on the other hand, grew strongly at 7% in the United States, according to IDC. In Brazil, IT investment increased 11% in 2015, though this increase has to be seen in the context of high inflation. IDC put growth in the Mexican IT market at almost 13%.

In the Asia Pacific Japan (APJ) region, IDC reports that the IT market there grew almost 6% in 2015. The IT markets in individual countries performed very differently. In Japan, IT spending remained constant year over year. In China, growth in the IT market slowed to 8% (2014: 12%). In India, however, in 2015 IT spending grew very strongly at 11%, according to IDC.

Impact on SAP

Once again, growth in the overall global economy and in the IT industry was relatively slow in a volatile market environment in 2015. This confronted SAP with considerable challenges. But our tremendous 2015 results validate our strategy of innovating across the core, the cloud, and business networks to help our customers become true digital enterprises. We once again succeeded in significantly expanding our business and outperformed the overall global economy and IT industry in all regions in 2015 with regards to revenue growth.

Our non-IFRS cloud and software revenue increased 12% at constant currencies in 2015. Both our core business and our cloud business contributed substantially to the increase. Our core business grew with non-IFRS software and support revenue increasing 6% at constant currencies. This was driven by a 4% year-over-year increase in our non-IFRS software revenue at constant currencies, while our resilient constant currency non-IFRS support revenue grew 7%. Support revenue is a robust feature of our core business model because a maintenance contract generally continues for as long as the customer uses the software. Our cloud business growth was strong as well. Non-IFRS cloud subscriptions and support revenue grew 82% over the year at constant currencies.

For more details about our regional performance, see the Revenue by Region section below.

In 2015, we again demonstrated that we are consistently pursuing our strategy for innovation and growth and that globally we are able to generate growth that few other IT companies can match.

PERFORMANCE AGAINST OUTLOOK FOR 2015 (NON-IFRS)

Our 2015 operating profit-related internal management goals and published outlook were based on our non-IFRS financial measures. For this reason, in the next section we discuss performance against our outlook only in terms of non-IFRS numbers derived from IFRS measures. The subsequent section about IFRS operating results discusses numbers only in terms of the International Financial Reporting Standards (IFRSs). So the numbers in that section are not expressly identified as IFRS numbers.

We acquired Concur Technologies in December 2014, so Concur results are incorporated in our 2014 results only for December. We acquired Fieldglass in May 2014, so Fieldglass results are incorporated in our 2014 results only from May to December. Similarly, because we acquired hybris in August 2013, hybris results are incorporated in our 2013 results only from August to December.

Guidance for 2015 (Non-IFRS)

At the beginning of 2015, we projected, based on the strong momentum in our cloud business, that our non-IFRS cloud subscriptions and support revenue would end between 1.95 billion and 2.05 billion at constant currencies (2014: 1.10 billion). The upper end of this range represents a growth rate of 86% at constant currencies. The acquired companies Concur and Fieldglass were expected to contribute approximately 50 percentage points to this growth. SAP expected full-year 2015 non-IFRS cloud and software revenue to increase by 8% to 10% at constant currencies (2014: 14.33 billion). We also expected our full-year operating profit (non-IFRS) for 2015 to end between 5.6 billion and 5.9 billion (2014: 5.64 billion) at constant currencies. We anticipated an effective tax rate (IFRS) of between 25.0% and 26.0% (2014: 24.7%) and an effective tax rate (non-IFRS) of between 26.5% and 27.5% (2014: 26.1%).

To assist in understanding our 2015 performance as compared to our 2015 outlook a reconciliation from our IFRS financial measures to our non-IFRS financial measures is provided below. These IFRS financial measures reconcile to the nearest non-IFRS equivalents as follows:

millions, except operating margin	IFRS Financial Measure	Recurring Revenue not Recorded Under IFRS	Acqui-sition-Related Charges	Share-Based Payments	Restruc-turing	Non-IFRS Financial Measure	Currency Effect on the Non-IFRS Financial Measure	Non-IFRS Financial Measure at Constant Currency
Cloud subscriptions and support	2,286	10	NA	NA	NA	2,296	297	1,999
Software licenses and support	14,928	2	NA	NA	NA	14,930	933	13,997
Cloud and software	17,214	11	NA	NA	NA	17,226	1,230	15,996
Total revenue(1)	20,793	11	NA	NA	NA	20,805	1,505	19,299
Operating profit(1)	4,252	11	738	724	621	6,348	443	5,904
Operating margin (in %)	20.5	0	3.5	3.5	3.0	30.5	0.1	30.6

(1) Operating profit is the numerator and total revenue is the denominator in the calculation of our IFRS operating margin and the comparable non-IFRS operating margin, and is included in this table for the convenience of the reader.

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Actual Performance Compared to Guidance 2015

(Non-IFRS)

We achieved or exceeded the amended outlook guidance for revenue and operating profit we published at the beginning of the year.

Comparison of Forecast and Results for 2015

	Forecast for 2015	**Results for 2015**
Cloud subscriptions and support revenue (non-IFRS, at constant currencies)	1.95 billion to 2.05 billion	2.00 billion
Cloud and software revenue (non-IFRS, at constant currencies)	+8% to +10%	+12%
Operating profit (non-IFRS, at constant currencies)	5.6 billion to 5.9 billion	5.90 billion
Effective tax rate (IFRS)	25.0% to 26.0%	23.4%
Effective tax rate (non-IFRS)	26.5% to 27.5%	26.1%

Despite ongoing economic uncertainty throughout 2015, our new and existing customers continued to show a strong willingness to invest in our solutions.

At constant currencies, non-IFRS cloud subscriptions and support revenue grew from 1.1 billion in 2014 to 2.0 billion in 2015. That represents an increase of 82% at constant currencies. The increase includes effects relating to acquisitions not included, or not included in full, in the 2014 amount. Besides these positive acquisition effects our cloud line of business also continued to benefit from strong organic growth (32% at constant currencies), which surpassed our long-term growth expectations for 2015.

Starting with the reporting for the first quarter of 2015, SAP reports a new cloud related measure called new cloud bookings. This measure is an order entry measure that is determined by including all order entry of a given period that meets all of the following conditions:

- The revenue from the orders is expected to be classified as cloud subscriptions and support revenue.
- It results from purchases by new customers and incremental purchases by existing customers. Consequently, orders to renew existing contracts are not included.
- The order amount is contractually committed (that is, variable amounts from pay-per-use and similar arrangements are not included). Consequently, due to their uncommitted pay-per-use nature, transaction-
based fees from SAP Ariba and SAP Fieldglass solutions are not reflected in the new cloud bookings metric.
- Amounts are annualized. That is, for contracts with durations of more than one year, the average annual order entry amount is included in the number.

Thus, the new cloud bookings measure is an indicator for our cloud-related sales success in a given period and for future cloud subscriptions revenue. New cloud bookings increased 100% in 2015 to 874 million (2014: 436 million). Concur contributed 169 million to new cloud bookings. In addition to the strong growth of the new cloud bookings the combination of our cloud backlog (unbilled future revenue based on existing customer contracts) and deferred cloud revenue that together reflect the committed future cloud subscriptions and support revenue climbed by 53% to 4.6 billion (2014: 3.0 billion). This committed business will drive cloud growth in 2016 and beyond.

Besides the cloud business also our core on-premise business showed an exceptional growth in 2015. Cloud and software revenue (non-IFRS) was 17.2 billion (2014: 14.3 billion). On a constant currency basis, the increase was 12% and based on that result significantly above the forecast for 2015.

Our total revenue (non-IFRS) rose 18% in 2015 to 20.8 billion (2014: 17.6 billion). On a constant currency basis, the increase was 10%.

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Operating expenses (non-IFRS) in 2015 were 14.5 billion (2014: 11.9 billion), an increase of 21%. On a constant currency basis the increase was 12%.

Our expense base in 2015 was impacted by the transformation to a fast-growing cloud business resulting in a significant higher share of more predictable revenue. The gross margins of our cloud offerings made good progress throughout 2015. Our gross margin (Non-IFRS) in our business network segment resulted in ~75% for 2015, already close to our long-term ambition of ~80%. This good result is based on an overall improved profitability as well as related to positive effects of the Concur acquisition. The revenue growth of our private cloud offering was more positive than expected. At the same time, the profitability of our private cloud offering could also be improved further; it is still negative but based on the good progress we saw throughout 2015, we expect break even in the course of 2016. Profitability in our public cloud offering was ~70% for 2015 compared to our long-term ambition of ~80%. Our overall cloud gross margin improved year over year from 64.3% in 2014 to 65.6% in 2015, despite incremental investments in the cloud infrastructure. These investments were necessary so as to be able in future periods to satisfy the increased

customer demand that can be seen in the significantly higher cloud backlog as well as the increased cloud bookings.

Efficiency improvements in both our core and our cloud business drove absolute operating profit growth. Non-IFRS operating profit in 2015 was 5.904 billion, an increase of 5% at constant currencies. The growth in our operating profit in 2015 reflects the continued success of our business transformation in combination with the strong top-line growth. In 2015, we had a positive impact from our Company-wide transformation program in the triple-digit million euro range. On the other hand, we had a net increase of more than 2,500 employees in 2015 as we continued to invest in innovation and growth markets. Thus, constant currency non-IFRS operating profit amounting to 5.904 billion slightly exceeded the range (5.6 billion to 5.9 billion) we had expected in our outlook.

We achieved an effective tax rate (IFRS) of 23.4% and an effective tax rate (non-IFRS) of 26.1%, which is below the outlook of 25.0% to 26.0% (IFRS) and 26.5% to 27.5% (non-IFRS). The reduction mainly results from taxes for prior years.

OPERATING RESULTS (IFRS)

This section on operating results (IFRS) discusses results only in terms of IFRS measures, so the IFRS numbers are not expressly identified as such.

Our 2015 Results Compared to Our 2014 Results (IFRS)

Revenue

millions	2015	2014	Change in % 2015 vs 2014
Cloud subscriptions and support	2,286	1,087	110%
Software licenses	4,835	4,399	10%
Software support	10,093	8,829	14%
Software licenses and support	14,928	13,228	13%
Cloud and software	**17,214**	**14,315**	**20%**
Services	**3,579**	**3,245**	**10%**
Total revenue	**20,793**	**17,560**	**18%**

Total Revenue

Total revenue increased from 17,560 million in 2014 to 20,793 million in 2015, representing an increase of 3,233 million, or 18%. This growth reflects a 10% increase from new business and a 9% increase from currency effects. The growth in revenue resulted primarily from a 1,264 million rise in support revenue, a 1,199 million increase in cloud subscriptions and

support revenue, software license revenue increased 436 million and services revenue grew by 334 million. Cloud and software revenue climbed to 17,214 million in 2015, an increase of 20%. Cloud and software revenue represented 83% of total revenue in 2015 (2014: 82%). Service revenue increased 10% from 3,245 million in 2014 to 3,579 million, which was 17% of total revenue, in 2015.

For more information about the breakdown of total revenue by region and industry, see the Revenue by Region and Industry section below.

Cloud and Software Revenue

Software licenses revenue results from the fees earned from selling or licensing software to customers. Revenue from cloud subscriptions and support refers to the income earned from contracts that permit the customer to access specific software solutions hosted by SAP during the term of its contract with SAP. Support revenue represents fees earned from providing technical support services and unspecified software upgrades, updates, and enhancements to customers.

Cloud subscriptions and support revenue increased from 1,087 million in 2014 to 2,286 million in 2015.

Despite a combination of a challenging macroeconomic and political environment and the accelerating industry shift to the cloud, we achieved a 436 million increase in software license revenue. This increase, from 4,399 million in 2014 to 4,835 million in 2015, reflects a 4% increase from new license business and a 6% increase from currency effects.

Our customer base continued to expand in 2015. Based on the number of contracts concluded, 13% of the orders we received for software in 2015 were from new customers (2014: 12%). The total value of software orders received increased 16% year-over-year. The total number of software license contracts increased 6% to 57,439 (2014: 54,120 contracts), while the average order value increased by 9%. Of all our software orders received in 2015, 27% were attributable to deals worth more than 5 million (2014: 22%), while 40% were attributable to deals worth less than 1 million (2014: 44%).

Our stable customer relations and continued investment in new software licenses by customers throughout 2015 and the previous year resulted in an increase in software support revenue from 8,829 million in 2014 to 10,093 million in 2015. The SAP Enterprise Support offering was the largest contributor to our software support revenue. The 1,264 million, or 14%, growth in software support revenue reflects a 7% increase from new support business and an 8% increase from currency effects. This growth is primarily attributable to SAP Product Support for Large Enterprises and SAP

Enterprise Support. The acceptance rate for SAP Enterprise Support among new customers slightly increased to 99% in 2015 (2014: 98%).

Software licenses and software support revenue rose 1,700 million, or 13%, from 13,228 million in 2014 to 14,928 million in 2015. This growth breaks down into a 6% increase from new software licenses and software support business and a 7% increase from currency effects.

Cloud and software revenue grew from 14,315 million in 2014 to 17,214 million in 2015, an increase of 20%. This reflects a 12% increase from new cloud and software business and a 9% increase from currency effects.

Services Revenue

Services Revenue combines revenue from professional services, premium support services, training services, messaging services and payment services. Professional services primarily relate to the installation and configuration of our cloud subscriptions and on-premise software products. Our premium support offering consists of high-end support services tailored to customer requirements. Messaging services are primarily transmission of electronic text messages from one mobile phone provider to another. Payment services are primarily delivered in connection with our travel and expense management offerings.

Services revenue increased 334 million, or 10%, from 3,245 million in 2014 to 3,579 million in 2015. This increase reflects a 2% increase from new services business and an 8% increase from currency effects.

A solid market demand led to an 8% increase of 222 million in consulting revenue and premium support revenue from 2,634 million in 2014 to 2,856 million in 2015. This increase reflects a 0% increase from new business and an 8% increase from currency effects. Consulting and premium support revenue contributed 80% of the total service revenue (2014: 81%). Consulting and premium support revenue contributed 14% of total revenue in 2015 (2014: 15%).

Revenue from other services increased 112 million, or 18%, to 723 million in 2015 (2014: 611 million). This reflects a 9% increase from new business and a 10% increase from currency changes.

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Revenue by Region and Industry

Revenue by Region

millions	2015	2014	Change in % 2015 vs 2014
Germany	2,771	2,570	8%
Rest of EMEA	6,409	5,813	10%
EMEA	**9,181**	**8,383**	**10%**
United States	6,750	4,898	38%
Rest of Americas	1,678	1,591	5%
Americas	**8,428**	**6,489**	**30%**
Japan	667	600	11%
Rest of APJ	2,517	2,088	21%
APJ	**3,185**	**2,688**	**18%**
SAP Group	**20,793**	**17,560**	**18%**

Revenue by Industry

millions	2015	2014	Change in % 2015 vs 2014
Energy & Natural Resources	4,834	4,158	16%
Discrete Manufacturing	3,672	3,051	20%
Consumer	4,934	4,045	22%
Public Services	2,174	1,786	22%
Financial Services	1,881	1,697	11%
Services	3,298	2,824	17%
Total revenue	**20,793**	**17,560**	**18%**

Revenue by Region

EMEA Region

In 2015, the EMEA region generated 9,181 million in revenue, which was 44% of total revenue (2014: 8,383 million; 48%). This represents a year-over-year increase of 10%. Revenue in Germany increased 8% to 2,771 million in 2015 (2014: 2,570 million). Germany contributed 30% (2014: 31%) of all EMEA region revenue. The remaining revenue in the EMEA region was primarily generated in France, Italy, the Netherlands, Russia, Switzerland, and the United Kingdom. Cloud and software revenue generated in the EMEA region in 2015 totaled 7,622 million (2014: 6,819 million). Cloud and software revenue represented 83% of all revenue in the region in 2015 (2014: 81%). Cloud subscriptions revenue rose 83% to 507 million in 2015 (2014: 277 million). This growth reflects a 69% increase from new cloud business and a 14% increase from currency effects. Software licenses and software support revenue rose 9%

to 7,115 million in 2015 (2014: 6,542 million). This growth reflects an 8% increase from new software license and software support business and a 1% increase from currency effects.

Americas Region

In 2015, 41% of our total revenue was generated in the Americas region (2014: 37%). Total revenue in the Americas region increased 30% to 8,428 million; revenue generated in the United States increased 38% to 6,750 million. This growth reflects a 16% increase from new business and a 22% increase from currency effects. The United States contributed 80% (2014: 75%) of all revenue generated in the Americas region. In the remaining countries of the Americas region, revenue increased 5% to 1,678 million. This reflects a 3% increase from new business and a 2% increase from currency effects. This revenue was primarily generated in Brazil, Canada, and Mexico. Cloud and software revenue generated in the Americas region in 2015 totaled 6,929 million (2014: 5,276 million). Cloud and software revenue represented 82% of all revenue in the Americas region in 2015 (2014: 81%). Cloud subscriptions revenue rose by 123% to 1,579 million in 2015 (2014: 709 million); currency effects were 34%, growth in new cloud business was 89%. Software licenses and software support revenue rose 17% to 5,350 million in 2015 (2014: 4,566 million). This growth reflects a 2% increase from new business; currency effects were 15%.

APJ Region

In 2015, 15% (2014: 15%) of our total revenue was generated in the APJ region, with the strongest revenue growth being achieved in India. Total revenue in the APJ region increased 18% to 3,185 million. In Japan, revenue increased 11% to 667 million. Revenue from Japan was 21% (2014: 22%) of all revenue generated in the APJ region. The revenue growth in Japan was attributable to a 6% increase from new business and a 5% increase from currency effects. In the remaining countries of the APJ region, revenue increased 21%. Revenue in the remaining countries of the APJ region was generated primarily in Australia, China, and India. Cloud and software revenue in the APJ region totaled

2,663 million in 2015 (2014: 2,221 million). That was 84% of all revenue from the region (2014: 83%). Cloud subscriptions revenue grew 98% to 200 million in 2015 (2014: 101 million). This growth reflects an 82% increase from new cloud business and a 17% increase from currency effects. Software licenses and software support revenue increased 16% to 2,463 million in 2015 (2014: 2,120 million). This increase reflects an 8% increase from new business and an 8% increase from currency effects.

Revenue by Industry

We allocate our customers to one of our industries at the outset of an initial arrangement. All subsequent revenue from a particular customer is recorded under that industry sector.

In 2015, we achieved above-average growth in the following industry sectors, measured by changes in total revenue: Public Services (2,174 million, at a growth rate of 22%); Consumer (4,934 million, at a growth rate of 22%); and Discrete Manufacturing (3,672 million, at a growth rate of 20%). Revenue from the other industry sectors was Services (3,298 million, at a growth rate of 17%); Energy & Natural Resources (4,834 million, at a growth rate of 16%); and Financial Services (1,881 million, at a growth rate of 11%).

Operating Profit and Operating Margin

Total Operating Expenses

millions	2015	% of total revenue(1)	2014	% of total revenue(2)	Change in % 2015 vs 2014
Cost of cloud and software	3,313	16%	2,557	15%	30%
Cost of services	3,313	16%	2,716	15%	22%
Research and development	2,845	14%	2,331	13%	22%
Sales and marketing	5,401	26%	4,304	25%	25%
General and administration	1,048	5%	892	5%	17%
Restructuring	621	3%	126	1%	>100%
TomorrowNow and Versata litigation	0	0%	309	2%	< 100%
Other operating income/expense, net	1	0%	4	0%	86%
Total operating expenses	**16,541**	**80%**	**13,230**	**75%**	**25%**

(1) Total revenue for 2015: 20,793 million.

(2) Total revenue for 2014: 17,560 million.

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Operating Profit and Operating Margin

millions, except for operating margin	2015	2014	Change in % 2015 vs 2014
Operating profit	4,252	4,331	2%
Operating margin (in %)	20.5%	24.7%	4.2pp

SAP continued to invest in innovation and its cloud business and generated record turnover in 2015. The strong growth in revenue, however, also led to an increase in compensation payments to our employees, while the climbing stock price translated into higher share-based payment expenses. As a result, our operating profit declined slightly by 2% to 4,252 million (2014: 4,331 million).

In 2015, our operating expenses increased 3,311 million or 25% to 16,541 million (2014: 13,230 million). The main contributors to that increase were our acquisition of Concur in December 2014, our greater investment- and revenue-related cloud subscriptions and support costs, our continued investment in sales activities, and higher restructuring expenses.

The effect of acquisition-related expenses, which were 738 million (2014: 562 million), of restructuring expenses, which were 621 million (2014: 126 million), and of a 724 million expense for share-based payments (2014: 290 million) weighed more heavily on operating profit than in the previous year. The record revenue generated increased the cost of bonus payments, and the improving performance of the share price in 2015 pushed share-based payment expenses higher. Continuing investment in the cloud infrastructure, in sales activities around the world, and in research and development also affected operating profit. Our employee headcount (measured in full-time equivalents, or FTEs) increased by 2,579 year-over-year.

These short-term, negative effects on operating profit largely represent investments in the future and were in part offset by the increase in revenue.

The overall result of these effects on operating profit was a 4.2 percentage point narrowing of our operating margin in 2015 to 20.5% (2014: 24.7 %).

Changes to the individual elements in our cost of revenue were as follows:

Cost of Cloud and Software

Cost of cloud and software consists primarily of customer support costs, cost of developing custom solutions that address customers specific business requirements, costs for deploying and operating cloud solutions, amortization expenses relating to intangibles,

and license fees and commissions paid to third parties for databases and the other complementary third-party products sublicensed by us to our customers.

In 2015, the cost of cloud and software increased 30% to 3,313 million (2014: 2,557 million).

Significant costs included an additional 539 million year-over-year to extend our cloud business in response to the sustained strength of customer demand, with an associated increase in the expense of delivering and operating cloud applications, a 164 million revenue-related increase in the license fees we pay to third parties, and a 74 million rise in the cost of providing custom development projects. These investments contributed to revenue growth. Our margin on cloud subscriptions and support narrowed 0.4 percentage points to 55.3% (2014: 55.8%). This decrease was primarily due to increasing expenses related to the extension of our cloud infrastructure. These expenses represent an investment in our fast-growing cloud business of the future, and were in part already offset by a significant increase in cloud subscriptions and support revenue.

The gross margin on cloud and software, defined as cloud and software profit as a percentage of cloud and software revenue, narrowed to 80.8% in 2015 (2014: 82.1%). This change is driven by the revenue mix effect with a rising cloud subscriptions and support revenue share while both cloud subscriptions and support margin as well as software license and support margin only changed marginally.

Cost of Services

Cost of services consists primarily of the cost of consulting, premium services and training personnel and the cost of bought-in consulting and training resources. This item also includes sales and marketing expenses for our services resulting from sales and marketing efforts where those efforts cannot be clearly distinguished from providing the services.

Although we were able to increase our service revenue by 10% year-over-year to 3,579 million in 2015 (2014: 3,245 million), our service business continues to be greatly affected as we trend away from classic software licensing and consulting revenue toward more subscription revenue from cloud solutions. We are also

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investing in our SAP ONE Service organization. As a result, cost of service rose 22% to 3,313 million (2014: 2,716 million). Our gross margin on services, defined as services profit as a percentage of services revenue, narrowed to 7.4% (2014: 16.3%).

Research and Development Expense

Our research and development (R&D) expense consists primarily of the personnel cost of our R&D employees, costs incurred for independent contractors we retain to assist in our R&D activities, and amortization of the computer hardware and software we use for our R&D activities.

Due to growing personnel costs because of the 11% increase in our headcount by the end of the year, and the revenue-related year-over-year increase in compensation payments, our R&D expense increased by 22% to 2,845 million in 2015 from 2,331 million in 2014. R&D expense as a percentage of total revenue increased to 13.7% (2014: 13.3%). For more information, see Item 4. Information About SAP Products, Research & Development, and Services.

Sales and Marketing Expense

Sales and marketing expense consists mainly of personnel costs, direct sales costs, and the cost of marketing our products and services.

Our sales and marketing expense rose 25% from 4,304 million in 2014 to 5,401 million in 2015. The increase was mainly the result of greater personnel costs as we expanded our global sales force, and of increased expenditure for bonus payments prompted by the strong revenue growth. The ratio of sales and marketing expense to total revenue, expressed as a percentage, increased to 26.0% year-over-year (2014: 24.5%), an increase of 1.5 percentage points.

General and Administration Expense

Our general and administration expense consists mainly of personnel costs to support our finance and administration functions.

General and administration expense increased 17% from 892 million in 2014 to 1,048 million in 2015. That this expense grew less rapidly than revenue is primarily the result of careful cost management. Consequently, the ratio of general and administration expense to total revenue dropped slightly in 2015 to 5.0% (2014: 5.1%).

Segment Information (Non-IFRS)

In 2015, SAP had two reportable segments: the Applications, Technology, and Services segment; and the SAP Business Network segment. These are the components of SAP that our Executive Board regularly reviews to assess the performance of our Company and to make resource allocation decisions.

Revenue and profit figures for each of our operating segments are calculated in line with our internal management reporting and therefore differ from the corresponding revenue and profit in our Consolidated Statements of Income prepared according to IFRS. For more information about our segment reporting, the activities that our two segments derive their revenues from, financial performance measures, and reconciliation from our internal management reporting to our external IFRS reporting, see the Notes to the Consolidated Financial Statements section, Note (28), and the Performance Management System section.

The financial data presented for 2015 contain all revenues and expenses from Concur and Fieldglass, whereas the prior year s comparison figures only include their financial data as of their respective acquisition dates. Fieldglass was acquired on May 2, 2014; Concur on December 4, 2014.

Applications, Technology & Services Segment

millions, unless otherwise stated (Non-IFRS)	**2015**	2014	Change in %	Change in % (Constant Currency)
Segment revenue	19,126	16,871	13%	6%
Gross margin (in %)	72%	73%	1pp	1pp
Cloud subscription and support margin (in %)	53%	55%	2pp	5pp
Segment profit	7,918	7,099	12%	4%
Segment margin (in %)	41%	42%	1pp	1pp

In 2015, the Applications, Technology & Services segment revenue increased 13% (6% at constant currencies) to 19,126 million (2014: 16,871 million).

This increase was driven mainly by strong growth in software support revenue, which increased 14% (7% at constant currencies) to 10,061 million and a 10%

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increase in software licenses (5% at constant currencies) to 4,836 million. As a consequence of continuous strong demand in the human capital management, customer engagement and commerce, and SAP HANA Enterprise Cloud business, cloud subscriptions and support revenue in the Applications, Technology & Services segment grew 64% (45% at constant currencies) to 961 million.

The increase of cloud subscriptions and support revenue and software support revenue results in an increasing revenue share of more predictable revenue streams in this segment of 2 percentage points from 56% in 2014 to 58% in 2015. Software license revenue attributable to this segment increased 10% (5% at constant currencies) to 4,835 million (2014: 4,381 million).

The segment s cost of revenue during the same time period increased 17% (9% at constant currencies) to

5,343 million (2014: 4,564 million). This increase in expenses was primarily the result of greater investment in expanding our cloud infrastructure and in providing and operating our cloud applications, as well as additional personnel expenses to support the growth of the SAP HANA Enterprise Cloud service. The cloud subscriptions and support margin for the segment, therefore, decreased by 2.2 percentage points to 52.9% (50.4% at constant currencies). Segment gross profit increased 12% in 2015 (5% at constant currencies) to 13,784 million (2014: 12,307 million), which resulted in a decrease of the segment gross margin from 72.9% to 72.1% (72.1% at constant currencies). Segment profit increased 12% (4% at constant currencies) to 7,918 million (2014: 7,099 million), while the segment margin decreased by 0.7 percentage points to 41.4% (41.3% at constant currencies).

SAP Business Network Segment

millions, unless otherwise stated

(Non-IFRS)	**2015**	2014	Change in %	Change in % (Constant Currency)
Segment revenue	1,614	644	150%	116%
Gross margin (in %)	67%	66%	1pp	0pp
Cloud subscription and support margin (in %)	75%	75%	0pp	1pp
Segment profit	312	105	199%	139%
Segment margin (in %)	19%	16%	3pp	2pp

In 2015, revenue from the SAP Business Network segment, which combines all of our business network solutions, increased 150% (116% at constant currencies) to 1,614 million (2014: 644 million). Concur and Fieldglass, which were acquired in 2014, together contributed 909 million (2014: 107 million) to the segment s revenue. SAP internal analyses show that more than US$740 billion in commerce is conducted on the network annually.

The segment s cost of revenue increased 144% in 2015 (114% at constant currencies) to 530 million (2014: 217 million), of which 299 million in expenses are attributable to Concur and SAP Fieldglass (2014: 28 million). The cloud subscriptions and support margin for the segment decreased by 0.4 percentage points to 74.9% (74.5% at constant currencies). The SAP Business Network segment achieved a segment gross profit of 1,084 million in 2015 (2014: 427 million), an increase of 154% (117% at constant currencies). This resulted in an increase of the segment gross margin from 66.3% to 67.2% (66.5% at constant currencies). Segment profit increased 199% year on year

(139% at constant currencies) to 312 million (2014: 105 million), resulting in an increase in the segment margin of +3.1 percentage points to 19.4% (18.0% at constant currencies).

Financial Income, Net

Financial income, net, changed to 5 million (2014: 25 million). Our finance income was 241 million (2014: 127 million) and our finance costs were 246 million (2014: 152 million).

Finance income mainly consists of gains from disposal of equity securities and interest income from loans and receivables, financial assets (cash, cash equivalents, and current investments), and income of derivatives.

Finance costs mainly consist of interest expense on financial liabilities (135 million in 2015 compared to 93 million in 2014) due to higher average indebtedness and negative effects from derivatives (72 million in 2015 compared to 28 million in 2014). For more information about financing instruments, see the Notes to the Consolidated Financial Statements section, Note (17b).

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Income Tax

Our effective tax rate decreased to 23.4% in 2015 (2014: 24.7%). The year-over-year decrease in the effective tax rate mainly resulted from changes in taxes for prior

years. For more information on income taxes, see the Notes to the Consolidated Financial Statements section, Note (10).

Our 2014 Results Compared to Our 2013 Results (IFRS)

Revenue

millions	2014	2013	Change in % 2014 vs 2013
Cloud subscriptions and support	1,087	696	56%
Software licenses	4,399	4,516	3%
Software support	8,829	8,293	6%
Software licenses and support	13,228	12,809	3%
Cloud and software	**14,315**	**13,505**	**6%**
Services	**3,245**	**3,310**	**2%**
Total revenue	**17,560**	**16,815**	**4%**

Total Revenue

Total revenue increased from 16,815 million in 2013 to 17,560 million in 2014, representing an increase of 746 million, or 4%. This growth reflects a 5% increase from changes in volumes and prices and a 1% decrease from currency effects. The growth in revenue resulted primarily from a 391 million increase in cloud subscriptions and support revenue and a 536 million rise in software support revenue. Services revenue declined 65 million and software licenses revenue declined 117 million. Cloud and software revenue climbed to 14,315 million in 2014, an increase of 6%. Cloud and software revenue represented 82% of total revenue in 2014 (2013: 80%). Services revenue declined 2% from 3,310 million in 2013 to 3,245 million, which was 18% of total revenue in 2014.

For more information about the breakdown of total revenue by region and industry, see the Revenue by Region and Industry section below.

Cloud and Software Revenue

Software licenses revenue results from the fees earned from selling or licensing software to customers. Revenue from cloud subscriptions and support refers to the income earned from contracts that permit the customer to access specific software solutions hosted by SAP during the term of its contract with SAP. Software support revenue represents fees earned from providing technical support services and unspecified software upgrades, updates, and enhancements to customers.

Cloud subscriptions and support revenue increased from 696 million in 2013 to 1,087 million in 2014.

A combination of a challenging macroeconomic and political environment in Russia, Ukraine, and some Latin American markets and the accelerating industry shift to the cloud resulted in a 117 million decline in software licenses revenue. That decline, from 4,516 million in 2013 to 4,399 million in 2014, reflects a 3% decrease in new software business.

Our customer base continued to expand in 2014. Based on the number of contracts concluded, 12% of the orders we received for software in 2014 were from new customers (2013: 16%). The total value of software orders received declined 3% year-over-year. The total number of software license contracts decreased 3% to 54,120 (2013: 55,909 contracts), while the average order value increased by 1%. Of all our software orders received in 2014, 22% were attributed to deals worth more than 5 million (2013: 24%), while 44% were attributed to deals worth less than 1 million (2013: 44%).

Our stable customer base, continued investment in software by customers throughout 2014 and the previous year, resulted in an increase in software support revenue from 8,293 million in 2013 to 8,829 million in 2014. The SAP Enterprise Support services offering was the largest contributor to our support revenue. The 536 million, or 6%, growth in software support revenue reflects an 8% increase from new support business and a 1% decrease from currency effects. This growth is primarily attributable to SAP Product Support for Large Enterprises and SAP Enterprise Support. The acceptance rate for SAP Enterprise Support among new customers remained high at 98% in 2014.

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Software licenses and support revenue rose 419 million, or 3%, from 12,809 million in 2013 to 13,228 million in 2014. This growth breaks down into a 4% increase from new business and a 1% decrease from currency effects.

Cloud and software revenue grew from 13,505 million in 2013 to 14,315 million in 2014, an increase of 6%. This reflects a 7% increase from new cloud and software business and a 1% decrease from currency effects.

Services Revenue

Services Revenue combines revenue from professional services, premium support services, training services, messaging services and payment services.

Professional services primarily relate to the installation and configuration of our cloud subscriptions and on-premise software products. Our premium support offering consists of high-end support services tailored to customer requirements. Messaging services are primarily transmission of electronic text messages from one mobile phone provider to another. Payment services are delivered in connection with our travel and expense management offerings.

Services revenue decreased 65 million, or 2%, from 3,310 million in 2013 to 3,245 million in 2014. This decline reflects a 1% decrease in new services business and a 1% decrease from currency effects.

Revenue by Region and Industry

Revenue by Region

millions	2014	2013	Change in % 2014 vs 2013
Germany	2,570	2,513	2%
Rest of EMEA	5,813	5,462	6%
EMEA	**8,383**	**7,975**	**5%**
United States	4,898	4,487	9%
Rest of Americas	1,591	1,746	9%
Americas	**6,489**	**6,233**	**4%**
Japan	600	631	5%
Rest of APJ	2,088	1,975	6%
APJ	**2,688**	**2,606**	**3%**
SAP Group	**17,560**	**16,815**	**4%**

Revenue by Industry

millions	2014	2013	Change in % 2014 vs 2013
Energy & Natural Resources	4,158	4,077	2%
Discrete Manufacturing	3,051	2,987	2%
Consumer	4,045	3,778	7%
Public Services	1,786	1,691	6%
Financial Services	1,697	1,633	4%
Services	2,824	2,649	7%
Total revenue	**17,560**	**16,815**	**4%**

Revenue by Region

We break our operations down into three regions: the Europe, Middle East, and Africa (EMEA) region, the Americas region, and the Asia Pacific Japan (APJ) region.

We allocate revenue amounts to each region based on where the customer is located. For more information about revenue by geographic region, see the Notes to the Consolidated Financial Statements section, Note (28).

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EMEA Region

In 2014, the EMEA region generated 8,383 million in revenue, which was 48% of total revenue (2013: 7,975; 47%). This represents a year-over-year increase of 5%. Revenue in Germany increased 2% to 2,570 million in 2014 (2013: 2,513 million). Germany contributed 31% (2013: 32%) of all EMEA region revenue. The remaining revenue in the EMEA region was primarily generated in France, Italy, the Netherlands, Russia, Switzerland, and the United Kingdom. Cloud and software revenue generated in the EMEA region in 2014 totaled 6,819 million (2013: 6,428 million). Cloud and software revenue represented 81% of all revenue in the region in 2014 (2013: 81%). Cloud subscriptions and support revenue rose 58% to 277 million in 2014 (2013: 176 million). This growth reflects a 57% increase from new cloud business and a 1% increase from currency effects. Software licenses and support revenue rose 5% to 6,542 million in 2014 (2013: 6,252 million). This growth reflects a 5% increase from new business and a 1% decrease from currency effects.

Americas Region

In 2014, 37% of our total revenue was generated in the Americas region (2013: 37%). Total revenue in the Americas region increased 4% to 6,489 million; revenue generated in the United States increased 9% to 4,898 million. This growth reflects an 8% increase from new business and a 1% increase from currency effects. The United States contributed 75% (2013: 72%) of all revenue generated in the Americas region. In the remaining countries of the Americas region, revenue declined 9% to 1,591 million. This reflects a 5% decrease in new business and a 4% decrease from currency effects. This revenue was principally generated in Brazil, Canada, and Mexico. Cloud and software revenue generated in the Americas region in 2014 totaled 5,276 million (2013: 4,922 million). Cloud and software revenue represented 81% of all revenue in the Americas region in 2014 (2013: 79%). Cloud subscriptions and support revenue rose by 55% to 709 million in 2014 (2013: 457 million); currency effects were 0%. Software licenses and support revenue rose 2% to 4,566 million in 2014 (2013: 4,465 million). This growth reflects a 3% increase from new business; currency effects were almost 0%.

APJ Region

In 2014, 15% (2013: 15%) of our total revenue was generated in the APJ region, with the strongest revenue growth being achieved in Australia. Total revenue in the APJ region increased 3% to 2,688 million. In Japan, revenue decreased 5% to 600 million. Revenue from Japan was 22% (2013: 24%) of all revenue generated in the APJ region. The decline in revenue from Japan was attributable to a 2% increase from new business and a 7% decrease from currency effects. In the remaining countries of the APJ region, revenue increased 6%. Revenue in the remaining countries of the APJ region was generated primarily in Australia, China, and India. Cloud and software revenue in the APJ region totaled 2,221 million in 2014 (2013: 2,155 million). That was 83% of all revenue from the region (2013: 83%). Cloud subscriptions and support revenue grew 59% to 101 million in 2014 (2013: 64 million). This growth reflects a 60% increase from new cloud business and a 1% decrease from currency effects. Software licenses and support revenue increased 1% to 2,120 million in 2014 (2013: 2,092 million). This increase reflects a 4% increase from new business and a 2% decrease from currency effects.

Revenue by Industry

We allocate our customers to one of our industries at the outset of an initial arrangement. All subsequent revenue from a particular customer is recorded under that industry sector.

In 2014 we achieved above-average growth in the following industry sectors, measured by changes in total revenue: Services (2,824 million, at a growth rate of 7%); Consumer (4,045 million, at a growth rate of 7%); Public Services (1,786 million, at a growth rate of 6%); and Financial Services (1,697 million, at a growth rate of 4%). Revenue from the other industry sectors: Energy and Natural Resources (4,158 million, at a growth rate of 2%); and Discrete Manufacturing (3,051 million, at a growth rate of 2%).

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Operating Profit and Operating Margin

Total Operating Expenses

millions	2014	% of total revenue[1]	2013	% of total revenue[2]	Change in % 2014 vs 2013
Cost of cloud and software	2,557	15%	2,370	14%	8%
Cost of services	2,716	15%	2,660	16%	2%
Research and development	2,331	13%	2,282	14%	2%
Sales and marketing	4,304	25%	4,131	25%	4%
General and administration	892	5%	866	5%	3%
Restructuring	126	1%	70	0%	80%
TomorrowNow and Versata litigation	309	2%	31	0%	< 100%
Other operating income/expense, net	4	0%	12	0%	65%
Total operating expenses	**13,230**	**75%**	**12,336**	**73%**	**7%**

(1) Total revenue for 2014: 17,560 million.

(2) Total revenue for 2013: 16,815 million.

Operating Profit and Operating Margin

millions, except for operating margin	2014	2013	Change in % 2014 vs 2013
Operating profit	4,331	4,479	3%
Operating margin (in %)	24.7%	26.6%	2.0pp

In 2014, SAP continued to invest in innovation and made substantial advances in the cloud business. In addition and among other influences, negative currency effects and the difficult economic situation in Latin America and Russia affected our profitability. As a result, our operating profit in 2014 was 4,331 million, a little less than in the previous year (2013: 4,479 million).

In 2014, our operating expenses increased 894 million or 7% to 13,230 million (2013: 12,336 million). The increase relates primarily to an expense in connection with the TomorrowNow and Versata litigation, restructuring costs, continuing investment in our sales organization, and a rise in personnel and infrastructure costs, especially for our cloud business.

The effect of acquisition-related expenses, which were 562 million (2013: 555 million), of restructuring expenses, which were 126 million (2013: 70 million), and of a 309 million expense relating to the TomorrowNow and Versata litigation weighed more heavily on operating profit than in the previous year. Continuing investment in sales activities around the world and in the cloud also affected operating profit. Our

employee headcount (measured in full-time equivalents, or FTEs) increased 7,834 year-over-year. Acquisitions accounted for more than 5,500 of the added FTEs.

Those negative effects on operating profit were in part offset by the reduced cost of share-based compensation programs totaling 290 million (2013: 327 million) resulting from the declining year-over-year performance of the stock and by savings in general administration costs.

The overall result of these effects on operating profit was a 2.0 percentage point narrowing of our operating margin in 2014 to 24.7% (2013: 26.6%).

Changes to the individual elements in our cost of revenue were as follows:

Cost of Cloud and Software

Cost of cloud and software consists primarily of customer support costs, cost of developing custom solutions that address customers specific business requirements, costs for deploying and operating cloud solutions, amortization expenses relating to intangibles,

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and license fees and commissions paid to third parties for databases and the other complementary third-party products sublicensed by us to our customers.

In 2014, the cost of cloud and software increased 8% to 2,557 million (2013: 2,370 million).

Significant costs included an additional 180 million to extend our cloud business, especially outside the United States, with an associated increase in the expense of delivering and operating cloud applications, and a 34 million rise in the cost of providing customer support. They both represent investments that contributed to revenue growth. Our margin on cloud subscriptions and support widened 0.9 percentage points to 55.8% (2013: 54.8%). This improvement in margin was achieved primarily through strong growth in our cloud subscriptions and support revenue despite the increased expense we incurred to extend our cloud infrastructure. At the same time, the license fees we pay to third parties decreased by 49 million.

The gross margin on our cloud and software, defined as cloud and software profit as a percentage of cloud and software revenue, remained constant year-over-year at 82% in 2014 (2013: 82%).

Cost of Services

Cost of services consists primarily of the cost of consulting, premium services and training personnel and the cost of bought-in consulting and training resources. This item also includes sales and marketing expenses for our services resulting from sales and marketing efforts where those efforts cannot be clearly distinguished from providing the services.

Our consulting business is being greatly affected as we trend away from classic software licensing and consulting revenue toward more subscription revenue from cloud solutions. As a result, our services revenue decreased while our services expense increased by 2% from 2,660 million in 2013 to 2,716 million in 2014. Our gross margin on services, defined as services profit as a percentage of services revenue, narrowed to 16% (2013: 20%).

Research and Development Expense

Our research and development (R&D) expense consists primarily of the personnel cost of our R&D employees, costs incurred for independent contractors we retain to assist in our R&D activities, and amortization of the computer hardware and software we use for our R&D activities.

Although our personnel costs grew because of the 6% increase in our headcount by the end of the year, our R&D expense increased only 2% to 2,331 million in

2014 from 2,282 million in 2013. R&D expense as a percentage of total revenue was slightly less year-over-year at 13.3% (2013: 13.6%). For more information, see Item 4. Information About SAP Products, Research & Development, and Services.

Sales and Marketing Expense

Sales and marketing expense consists mainly of personnel costs, direct sales costs, and the cost of marketing our products and services.

Our sales and marketing expense rose 4% from 4,131 million in 2013 to 4,304 million in 2014. The increase was mainly the result of greater personnel costs as we expanded our global sales force and of the reallocation and re-tasking of employees to sales-related work. By increasing our sales force we accelerated our revenue growth. The ratio of sales and marketing expense to total revenue, expressed as a percentage, decreased slightly to 24.5% year-over-year (2013: 24.6%) because costs grew less rapidly than revenue.

General and Administration Expense

Our general and administration expense consists mainly of personnel costs to support our finance and administration functions.

General and administration expense increased 3% from 866 million in 2013 to 892 million in 2014. That this increase was modest compared to the growth in our revenue is primarily the result of careful cost management. The ratio of general and administration expense to total revenue was unchanged in 2014 at 5% (2013: 5%).

Segment Information (Non-IFRS)

The segment information below for 2014 and 2013 is presented based on the reportable segments created in 2015 (Applications, Technology & Services segment and the SAP Business Network Segment). These segments are the components of SAP that our Executive Board regularly reviews to assess the performance of our company and to make resource allocation decisions.

Revenue and profit figures for each of our operating segments are calculated in line with our internal management reporting and therefore differ from the corresponding revenue and profit in our Consolidated Statements of Income prepared according to IFRS. For more information about our segment reporting, the activities that our two segments derive their revenues from, the financial performance measures, and a reconciliation from our internal management reporting to our external IFRS reporting, see the Notes to the Consolidated Financial Statements section, Note (28), and the Performance Management System section.

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The financial data presented for 2014 contains the revenue and expenses from Concur and SAP Fieldglass as of their respective acquisition dates. Their financial data is not included in the prior-year amounts, as Concur and SAP Fieldglass were acquired on December 4, 2014, and May 2, 2014, respectively.

Applications, Technology & Services Segment

millions, unless otherwise stated

(Non-IFRS)	**2014**	2013	Change in %	Change in % (Constant Currency)
Segment revenue	16,871	16,386	3%	4%
Gross margin (in %)	73%	74%	1pp	1pp
Cloud subscriptions and support margin (in %)	55%	70%	15pp	15pp
Segment profit	7,099	7,056	1%	1%
Segment margin (in %)	42%	43%	1pp	1pp

In 2014, Applications, Technology & Services segment revenue increased 3% (4% at constant currencies) to 16,871 million (2013: 16,386 million). This increase was mainly driven by strong growth in software support revenue, which increased 6% (8% at constant currencies) to 8,806 million, offset by a decrease in software licenses of 3% (3% at constant currencies) to 4,381 million. As a consequence of a continuous strong demand in the human capital management, Customer Engagement and Commerce, and SAP HANA Enterprise Cloud lines of business, cloud subscriptions and support revenue in the Applications, Technology & Services segment grew 42% (42% at constant currencies) to 585 million (2013: 413 million).

The increase of cloud and software revenue did mainly result from a strong increase in cloud subscriptions and support revenue and software support revenue, whereas software licenses revenue slightly decreased. This overall results in an increase in the revenue share of more predictable revenue streams in this segment of three percentage points from 53% in 2013 to 56% in 2014. Software licenses revenue attributable to this segment decreased 3% (3% at constant currencies) to 4,381 million (2013: 4,519 million). This decline was

due to a combination of challenging macroeconomic and political environments in Russia, Ukraine, and some Latin American markets and the accelerating industry shift to the cloud.

The segment s cost of revenue during the same time period increased 6% (7% at constant currencies) to 4,564 million (2013: 4,312 million). This increase in expenses was the result of greater investment in expanding our cloud infrastructure and in providing and operating our cloud applications. The cloud subscriptions and support margin for the segment, therefore, decreased by 15 percentage points to 55.1% (55.1% at constant currencies). Segment gross profit increased 2% in 2014 (3% at constant currencies) to 12,307 million (2013: 12,074 million) which resulted in a decrease of the segment gross margin of 0.7 percentage points to 72.9% (0.8 percentage points to 72.9% in constant currencies). Segment profit increased 1% year on year to 7,099 million (2013: 7,056 million) and was unchanged on a constant currency basis, resulting in a narrowing of the segment margin by one percentage point to 42.1% (41.9% at constant currencies).

SAP Business Network Segment

millions, unless otherwise stated

(Non-IFRS)	**2014**	2013	Change in %	Change in % (Constant Currency)
Segment revenue	644	460	40%	39%
Gross margin (in %)	66%	65%	1pp	1pp
Cloud subscriptions and support margin (in %)	75%	76%	0pp	0pp
Segment profit	105	99	5%	2%

Segment margin (in %)	16%	22%	5pp	6pp

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In 2014, revenue from the SAP Business Network segment, which combines all of our business network solutions, increased 40% (39% at constant currencies) to 644 million (2013: 460 million). This figure includes 107 million in segment revenue attributable to SAP Fieldglass and Concur, which were acquired in 2014 and are reflected in these results for the first time.

The segment s cost of revenue increased 36% in 2014 (37% at constant currencies) to 217 million, of which 28 million in expenses are attributable to Concur and SAP Fieldglass. The cloud subscriptions and support margin for the segment decreased by 0.5 percentage points to 75.2% (0.4 percentage points to 75.3% in constant currencies). The SAP Business Network segment thus achieved a gross profit of 427 million in 2014, an increase of 42% (41% at constant currencies) which resulted in an increase of the segment gross margin of 1.0 percentage points to 66.3% (0.7 percentage points to 66.0% in constant currencies). Segment profit increased year-over-year by 5% (2% at constant currencies) to 105 million (2013: 99 million), resulting in a narrowing of the segment margin by 5 percentage points to 16.2% (15.8% at constant currencies).

Financial Income, Net

Financial income, net, changed to 25 million (2013: 66 million). Our finance income was 127 million (2013: 115 million) and our finance costs were 152 million (2013: 181 million).

Finance income mainly consists of interest income from loans, financial assets (cash, cash equivalents, and current investments) and income of derivatives. This increase is attributable to a higher average liquidity and slightly higher interest rates than in 2013.

Finance costs mainly consist of interest expense on financial liabilities (93 million in 2014 compared to 131 million in 2013). The decrease year-over-year is mainly due to positive effects from interest rate derivatives and due to lower average indebtedness. For more information about financing instruments, see the Notes to the Consolidated Financial Statements section, Note (17b).

Income Tax

Our effective tax rate increased slightly to 24.7% in 2014 (2013: 24.4%). For more information, see the Notes to the Consolidated Financial Statements section, Note (10).

FOREIGN CURRENCY EXCHANGE RATE EXPOSURE

Although our reporting currency is the euro, a significant portion of our business is conducted in currencies other than the euro. Since the Group s entities usually conduct

their business in their respective functional currencies, our risk of exchange rate fluctuations from ongoing ordinary operations is not considered significant. However, occasionally we generate foreign-currency-denominated receivables, payables, and other monetary items by transacting in a currency other than the functional currency; to mitigate the extent of the associated foreign currency exchange rate risk, the majority of these transactions are hedged as described in Note (25) to our Consolidated Financial Statements. Also see Notes (3) and (24) for additional information on foreign currencies.

Approximately 74% of our total revenue in 2015 (2014: 71%) was attributable to operations in non-euro participating countries. That revenue had to be translated into euros for financial reporting purposes. Fluctuations in the exchange value of the euro had a favorable impact of 1,504 million on our total revenue for 2015, an unfavorable impact of 143 million on our total revenue for 2014 and an unfavorable impact of 734 million on our total revenue for 2013.

The impact of foreign currency exchange rate fluctuations discussed in the preceding paragraph is calculated by translating current period figures in local currency to euros at the monthly average exchange rate for the corresponding month in the prior year. Our revenue analysis, included within the Operating Results section of Item 5, discusses at times the effect of currency movements which are calculated in the same manner.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Global Financial Management

We use global centralized financial management to control liquid assets and monitor exposure to interest rates and currencies. The primary aim of our financial management is to maintain liquidity in the Group at a level that is adequate to meet our obligations. Most SAP companies have their liquidity managed centrally by the Group, so that liquid assets across the Group can be consolidated, monitored, and invested in accordance with Group policy. High levels of liquid assets help keep SAP flexible, sound, and independent. In addition, various credit facilities are currently available for additional liquidity, if required. For more information about these facilities, see the Credit Facilities section.

We manage credit, liquidity, interest rate, equity price, and foreign exchange rate risks on a Group-wide basis. We use selected derivatives exclusively for this purpose and not for speculation, which is defined as entering into a derivative instrument for which we do not have a corresponding underlying transaction. The rules for the use of derivatives and other rules and processes

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concerning the management of financial risks are collected in our treasury guideline document, which applies globally to all companies in the Group. For more information about the management of each financial risk and about our risk exposure, see the Notes to the Consolidated Financial Statements section, Notes (24) to (26).

Liquidity Management

Our primary source of cash, cash equivalents, and current investments is funds generated from our business operations. Over the past several years, our principal use of cash has been to support operations and our capital expenditure requirements resulting from our growth, to quickly repay financial debt, to acquire businesses, to pay dividends on our shares, and to buy back SAP shares on the open market. On December 31, 2015, our cash, cash equivalents, and current investments were primarily held in euros and U.S. dollars. We generally invest only in the financial assets of issuers or funds with a minimum credit rating of BBB, and pursue a policy of cautious investment characterized by wide portfolio diversification with a variety of counterparties, predominantly short-term investments, and standard investment instruments. We rarely invest in the financial assets of issuers with a credit rating lower than BBB, and such investments were not material in 2015.

We believe that our liquid assets combined with our undrawn credit facilities are sufficient to meet our present operating needs and, together with expected cash flows from operations, will support debt repayments and our currently planned capital expenditure requirements over the near term and medium term. It may also be necessary to enter into

financing transactions when additional funds are required that cannot be wholly sourced from free cash flow (for example, to finance large acquisitions).

To expand our business, we have made acquisitions of businesses, products, and technologies. Depending on our future cash position and future market conditions, we might issue additional debt instruments to fund acquisitions, maintain financial flexibility, and limit repayment risk. Therefore, we continuously monitor funding options available in the capital markets and trends in the availability of funds, as well as the cost of such funding. In recent years, we were able to repay additional debt within a short period of time due to our persistently strong free cash flow. For more information about the financial debt, see the Cash Flows and Liquidity section.

Capital Structure Management

The primary objective of our capital structure management is to maintain a strong financial profile for investor, creditor, and customer confidence, and to support the growth of our business. We seek to maintain a capital structure that will allow us to cover our funding requirements through the capital markets at reasonable conditions, and in so doing, ensure a high level of independence, confidence, and financial flexibility.

The long-term credit rating for SAP SE is A by Standard and Poor s and A2 by Moody s, both with stable outlook. Since their initial assignment in September 2014, the ratings and outlooks have not changed.

Our general intention is to remain in a position to return liquidity to our shareholders by distributing annual dividends totaling more than 35% of our profit after tax. There are currently no plans for future share buybacks.

Capital Structure

	2015		2014		
	millions	% of Total equity and liabilities	millions	% of Total equity and liabilities	D in %
Equity	23,295	56	19,534	51	19
Current liabilities	7,867	19	8,574	22	8
Non-current liabilities	10,228	25	10,457	27	2
Liabilities	18,095	44	19,031	49	5
Total equity and liabilities	**41,390**	**100**	**38,565**	**100**	**7**

In 2015, we repaid 1,270 million in bank loans that we had taken to finance the Concur acquisition and refinanced another part of this loan through the issuance of a three-tranche Eurobond of 1.75 billion in total with maturities of two to ten years. We also repaid a

550 million Eurobond and a US$300 million U.S. private placement tranche at their maturity. Thus, the ratio of total financial debt to total equity and liabilities decreased by 7 percentage points to 22% at the end of 2015 (29% as at December 31, 2014).

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Total financial debt consists of current and non-current bank loans, bonds, and private placements. For more information about our financial debt, see the Notes to the Consolidated Financial Statements section, Note (17).

As part of our financing activities in 2016, the Company intends to repay a US$600 million U.S. private placement tranche when it matures and a further substantial portion of our outstanding bank loan.

Total liabilities on December 31, 2015, mainly comprised financial liabilities of 9,522 million (of which 8,681 million are non-current). Financial liabilities on

December 31, 2015, consisted largely of financial debt, which included amounts in euros (6,994 million) and U.S. dollars (2,202 million). On December 31, 2015, approximately 64% of financial debt was held at variable interest rates, partially swapped from fixed into variable using interest rate swaps. Total liabilities on December 31, 2015, also comprised non-financial liabilities. Most of these non-financial liabilities result from employee-related obligations.

For more information about financial and non-financial liabilities, see the Notes to the Consolidated Financial Statements section, Note (18).

Cash Flows and Liquidity

Group liquidity on December 31, 2015, primarily comprised amounts in euros and U.S. dollars. Current investments are included in other financial assets in the statement of financial position. Financial debts are included within financial liabilities in the statement of financial position.

Group Liquidity of SAP Group

millions	**2015**	2014	D
Cash and cash equivalents	3,411	3,328	83
Current investments	148	95	53
Group liquidity	**3,559**	**3,423**	**136**
Current financial debt	567	2,157	1,590
Net liquidity 1	**2,992**	**1,266**	**1,726**
Non-current financial debt	8,607	8,936	329
Net liquidity 2	**5,615**	**7,670**	**2,055**

Group liquidity consists of cash and cash equivalents (for example, cash at banks, money market funds, and time deposits with original maturity of three months or less) and current investments (for example, investments with

original maturities of greater than three months and remaining maturities of less than one year) as reported in our Consolidated Financial Statements.

Group Liquidity Development

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Net liquidity is Group liquidity less total financial debt as defined above.

The increase in Group liquidity compared to 2014 was mainly due to cash inflows from our operations and financing activities in issuing bonds. They were offset by cash outflows for dividend payments and repayments of borrowings.

For information about the impact of cash, cash equivalents, current investments, and our financial liabilities on our income statements, see the analysis of our financial income, net, in the Operating Results (IFRS) section.

Analysis of Consolidated Statements of Cash Flows

millions	Years ended December 31,				
	2015	2014	2013	Change in % 2015 vs. 2014	Change in % 2014 vs. 2013
Net cash flows from operating activities	3,638	3,499	3,832	4%	9%
Net cash flows from investing activities	334	7,240	1,781	95%	>100%
Net cash flows from financing activities	3,356	4,298	1,589	< 100%	< 100%

Analysis of Consolidated Statements of Cash Flows: 2015 compared to 2014

Net cash provided by operating activities increased 4% year-over-year to 3,638 million in 2015 (2014: 3,499 million). Payments in connection with the restructuring of 204 million to employees and 272 million to insurance policies have offset partly the non-recurring effect from litigations in 2014. In 2015, days sales outstanding (DSO) for receivables, defined as the average number of days from the raised invoice to cash receipt from the customer, increased six days to 71 days (2014: 65 days).

Cash outflows from investment activities decreased significantly to 334 million in 2015 (2014: 7,240 million). Cash outflows from purchase of intangible assets and property, plant, and equipment remained stable. Cash outflows in 2014 had resulted mainly from business combinations of Concur and Fieldglass. For more information about current and planned capital expenditures, see the Investment Goals section.

Net cash outflows from financing activities were 3,356 million in 2015, compared to net cash inflows of 4,298 million in 2014. The 2015 cash outflows had resulted from repayments of 1,270 million bank loans, 550 million Eurobonds and US$300 million private placements. We refinanced another part of the bank loan through the issuance of a three-tranche Eurobond of 1,750 million in total. Cash inflows in 2014 were the result of issuing a 2,750 million Eurobond and drawing two tranches (of 1,270 million and 3,000 million) of a bank loan. Cash outflows in 2014 arose chiefly from repayments of 1,086 million borrowings and US$1,160 million convertible bonds that we assumed in connection with our acquisition of Concur.

The dividend payment of 1,316 million made in 2015 exceeded the amount of 1,194 million in the prior year resulting from the increased dividend paid per share from 1.00 to 1.10.

Analysis of Consolidated Statements of Cash Flows: 2014 Compared to 2013

Net cash provided by operating activities decreased 9% year-over-year to 3,499 million in 2014 (2013: 3,832 million). Payments in connection with the TomorrowNow and Versata litigation had a 555 million negative effect on net cash provided by operating activities. A 61 million increase to 1,356 million in our income tax payments also negatively affected net cash provided by operating activities. In 2014, days sales outstanding (DSO) for receivables, defined as the average number of days from the raised invoice to cash receipt from the customer, increased three days to 65 days (2013: 62 days).

Cash outflows from investment activities increased significantly to 7,240 million in 2014 (2013: 1,781 million). The increase resulted principally from the Concur, Fieldglass, and SeeWhy acquisitions. For more information about current and planned capital expenditures, see the Investment Goals section.

Net cash inflows from financing activities were 4,298 million in 2014, compared to net cash outflows of 1,589 million in 2013. Cash inflows in 2014 were the result of issuing a 2,750 bond and drawing two tranches (of 1,270 million and 3,000 million) of a loan. Cash outflows arose chiefly from repayments of borrowings (1,086 million) and the repayment of convertible bonds that we assumed in connection with our acquisition of Concur (US$1,160 million). The 2013 cash outflows had resulted chiefly from dividends paid and the repayment of a 600 million bond.

The dividend payment of 1,194 million made in 2014 was greater than that of 1,013 million in the prior year because the dividend paid per share increased from 0.85 to 1.00.

Credit Facilities

Other sources of capital are available to us through various credit facilities, if required.

We are party to a revolving 2.0 billion credit facility contract with maturity in November 2020. The credit line may be used for general corporate purposes. A possible future withdrawal is not subject to any financial covenants. Borrowings under the facility bear interest at the Euro Interbank Offered Rate (EURIBOR) or London Interbank Offered Rate (LIBOR) for the respective optional currency plus a margin ranging from 0.3% to 0.525%. We pay a commitment fee of 0.079% per annum on unused amounts of the available credit facility. So far, we have not used and do not currently foresee any need to use, this credit facility.

As at December 31, 2015, SAP SE had additional available credit facilities totaling 471 million. Several of our foreign subsidiaries have credit facilities available that allow them to borrow funds at prevailing interest rates. As at December 31, 2015, approximately 49 million was available through such arrangements. There were immaterial borrowings outstanding under these credit facilities from our foreign subsidiaries as at December 31, 2015.

OFF-BALANCE SHEET ARRANGEMENTS

Several SAP entities have entered into operating leases for office space, hardware, cars and certain other equipment. These arrangements are sometimes referred to as a form of off-balance sheet financing. Rental expenses under these operating leases are set forth below under Contractual Obligations. We do not believe we have forms of material off-balance sheet arrangements that would require disclosure other than those already disclosed.

CONTRACTUAL OBLIGATIONS

The table below presents our on- and off-balance sheet contractual obligations as of December 31, 2015:

Contractual obligations			**Payments due by period**		
millions	**Total**	**Less than 1 year**	**1-3 years**	**3-5 years**	**More than 5 years**
Financial liabilities(1)	10,127	863	3,759	1,822	3,683
Derivative financial liabilities(1)	132	74	29	29	0
Operating lease obligations(3)	1,347	294	410	246	396
Purchase obligations(3)	872	428	260	118	66
Capital contribution commitments(3)	111	111	0	0	0
Other non-current non-financial liabilities(2)	331	0	201	36	94
Total	**12,920**	**1,770**	**4,660**	**2,251**	**4,239**

(1) For more information on financial liabilities and derivative financial liabilities see Note (24) to our Consolidated Financial Statements.

(2) For more information on other non-current non-financial liabilities see Note (17c) to our Consolidated Financial Statements.

(3) See Note (22) to our Consolidated Financial Statements for additional information about operating lease obligations, purchase obligations, and capital contribution commitments. Our expected contributions to our pension and other post-employment benefit plans are not included in the table above. For more information on these contributions see Note (18a) to our Consolidated Financial Statements.

We expect to meet these contractual obligations with our existing cash, our cash flows from operations and our financing activities. The timing of payments for the above contractual obligations is based on payment schedules for those obligations where set payments exist. For other obligations with no set payment schedules, estimates as to the most likely timing of cash payments have been made. The ultimate timing of these future cash flows may differ from these estimates.

Obligations under Indemnifications and Guarantees

Our software license agreements and our cloud subscription agreements generally include certain provisions for indemnifying customers against liabilities if our software products infringe a third party s intellectual property rights. In addition, we occasionally provide function or performance guarantees in routine consulting contracts and development arrangements. We also generally provide a six to twelve month warranty

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on our software. Our warranty liability is included in other provisions. For more information on other provisions see Note (18b) to our Consolidated Financial Statements. For more information on obligations and contingent liabilities refer to Note (3) and Note (22) in our Consolidated Financial Statements.

RESEARCH AND DEVELOPMENT

For information on our R&D activities see Item 4. Information about SAP Products, Research & Development, and Services. For information on our R&D costs see Item 5. Operating and Financial Review and Prospects Operating Results (IFRS) and for information related to our R&D employees see Item 6. Directors, Senior Management and Employees Employees.

CRITICAL ACCOUNTING ESTIMATES

Our Consolidated Financial Statements are prepared based on the accounting policies described in Note (3) to our Consolidated Financial Statements in this report. The application of such policies requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, revenues and expenses in our Consolidated Financial Statements. We base our judgments, estimates and assumptions on historical and forecast information, as well as regional and industry economic conditions in which we or our customers operate, changes to which could adversely affect our estimates. Although we believe we have made reasonable estimates about the ultimate resolution of the underlying uncertainties, no assurance can be given that the final outcome of these matters will be consistent with what is reflected in our assets, liabilities, revenues and expenses. Actual results could differ from original estimates.

The accounting policies that most frequently require us to make judgments, estimates, and assumptions, and therefore are critical to understanding our results of operations, include the following:

- revenue recognition;
- valuation of trade receivables;
- accounting for share-based payments;
- accounting for income tax;
- accounting for business combinations;
- subsequent accounting for goodwill and other intangible assets;
- accounting for legal contingencies; and
- recognition of internally generated intangible assets from development.

Our management periodically discusses these critical accounting policies with the Audit Committee of the Supervisory Board. See Note (3c) to our Consolidated Financial Statements for further discussion on our critical accounting estimates and critical accounting policies.

NEW ACCOUNTING STANDARDS NOT YET ADOPTED

See Note (3e) to our Consolidated Financial Statements for our discussion on new accounting standards not yet adopted.

EXPECTED DEVELOPMENTS

Future Trends in the Global Economy

In its most recent report, the European Central Bank (ECB) forecasts moderate growth in the world economy and it expects that this growth will vary across regions and countries in 2016. It foresees more favorable prospects for advanced economies than for emerging markets and developing economies. Geopolitical risks, especially of heightened tensions in the Middle East, could undermine global economic performance, the ECB warns.

In the Europe, Middle East, and Africa (EMEA) region, the ECB expects the euro-area economy to recover slightly more rapidly in 2016 than in the previous year. It suggests that low oil prices, increased publicsector spending on assistance for refugees, and its own monetary measures may encourage that acceleration. In Central and Eastern Europe, the ECB expects economic activity to remain stable but for performance to vary from country to country. The European Union s structural funds and strong consumer spending may be principal factors behind such growth. In Russia, on the other hand, the economic situation is expected to remain difficult. The ECB expects further cuts in public spending as a consequence of declining oil revenue.

The ECB s forecasts for 2016 for a number of major countries in the Americas region are cautious. For the United States, the ECB expects that economic growth may slow following the Federal Reserve s move on interest rates in December 2015. The ECB expects political uncertainty, a tightening of monetary policy, and more restrictive financing conditions to continue to weigh on Brazil s economy.

For the Asia Pacific Japan (APJ) region, the ECB expects that wage increases and low oil prices will improve consumer spending in Japan. Japan s exports should also pick up. For China, though, the ECB expects that economic growth will continue to slow following the refocusing of its economy. It believes that the prospects for India s economy are positive in 2016.

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Economic Trends Year-Over-Year GDP Growth

In %	2014e	**2015p**	2016p
World	**3.4**	**3.1**	**3.4**
Advanced economies	1.8	1.9	2.1
Developing and emerging economies	4.6	4.0	4.3
Europe, Middle East, and Africa (EMEA)			
Euro area	0.9	1.5	1.7
Germany	1.6	1.5	1.7
Central and Eastern Europe	2.8	3.4	3.1
Middle East and			
North Africa	2.8	2.5	3.6
Sub- Saharan Africa	5.0	3.5	4.0
Americas			
United States	2.4	2.5	2.6
Canada	2.5	1.2	1.7
Central and South America, Caribbean	1.3	0.3	0.3
Asia Pacific Japan (APJ)			
Japan	0.0	0.6	1.0
Asian developing economies	6.8	6.6	6.3
China	7.3	6.9	6.3

e = estimate; p = projection

Source: International Monetary Fund (IMF), World Economic Outlook Update January 2016, Subdued Demand, Diminished Prospects, as of January 19, 2016, p. 6.

IT Market: The Outlook for 2016

The worldwide IT market is at the dawn of a new era, according to U.S. market research firm IDC. It expects IT market growth to decline in a number of emerging economies, notably Brazil, China, and Russia. For a decade, these countries were the driving force in all segments of the global IT market while the advanced economies were already focusing on the transition from traditional technologies to innovations such as cloud and mobile computing. IDC expects that the growth in traditional IT will also slow in the emerging markets and developing economies in the years ahead. It believes that cloud, mobile, and Big Data will offer the main opportunities for growth. In view of that prediction, IDC expects the worldwide IT market to grow just 2.8% in 2016. Hardware spending is expected to increase by about 1%, and software spending by almost 7% (mainly due to software-as-a-service and platform-as-a-service solutions).

In the Europe, Middle East, and Africa (EMEA) region, IDC expects overall IT market growth to decelerate to 2% in 2016. Notably, the IT market in Western Europe is

expected to grow just 1% to 2% in the coming years. The IT market in Germany is not expected to grow much above these rates either, according to IDC. The institute believes that IT spending in Russia might recover as early as 2016 and grow 6% as a result of short-term government stimulus measures.

IDC expects the Americas region IT spending to increase 3.7% in 2016. It believes the IT market in the United States will grow at a similar rate and that, with 7% growth, the software segment will again be the fastest to expand there. For Brazil, IDC expects that the government will pursue a strict program of economic reform in the next few years, which could slow growth in the IT market to a rate of 3% or 4%. IDC forecasts that the IT market in Mexico will also grow by about 3% annually in the next few years.

In the Asia Pacific Japan (APJ) region, IDC believes growth in the IT market might reach 2.5%. However, growth rates again are expected to vary from country to country. IDC expects the IT market in Japan will grow by about 3% in 2016. It anticipates that China s IT market

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will expand only in the low to middle single-digit percentage range in the years ahead. The IT market in

India, on the other hand, might continue to grow by rates at or above 10% a year, according to IDC.

Trends in the IT Market

Increased IT Spending Year-Over-Year

In %	2014e	**2015p**	2016p
World			
Total IT	4.5	4.9	2.8
Hardware	5.2	5.5	1.1
Packaged software	5.6	6.8	6.8
Applications	6.9	7.3	7.1
IT services	3.0	2.8	3.0
Europe, Middle East, and Africa (EMEA)			
Total IT	3.9	4.6	2.0
Packaged software	4.0	4.8	5.2
Applications	4.5	5.4	5.6
IT services	2.2	1.9	2.6
Americas			
Total IT	4.2	4.6	3.7
Packaged software	6.8	8.4	7.3
Applications	8.5	8.9	7.8
IT services	2.8	2.8	2.6
Asia Pacific Japan (APJ)			
Total IT	5.9	5.9	2.5
Packaged software	4.5	4.9	8.0
Applications	5.6	5.1	7.7
IT services	5.3	4.6	4.6

e = estimate, p = projection

Source: IDC Worldwide Black Book Pivot V3.1, 2015

Impact on SAP

SAP expects to outperform the global economy and the IT industry again in 2016 in terms of revenue growth.

Our 2015 results validate our strategy of innovating across the core, the cloud, and business networks to help our customers become true digital enterprises.

Our innovation cycle for SAP S/4HANA is well underway and the completeness of our vision in the cloud has distinguished SAP from both legacy players and point solution providers. We have beaten our guidance for 2015 on cloud and software as well as on operating income.

In 2015, we have transformed our Company and made it leaner by shifting investments from non-core activities to strategic growth areas enabling us to capture the growth opportunities in the market.

We are well-positioned for the future as reflected in the increase of our ambition for 2017.

We plan to continue to invest in countries in which we expect significant growth, helping us reach our ambitious 2016 outlook targets and medium-term aspirations for 2017 and 2020.

We are confident we can achieve our medium-term targets for 2017 and 2020, assuming that the economic

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environment and IT industry develop as currently forecasted. Balanced in terms of regions as well as industries, we are well-positioned with our product offering to offset smaller individual fluctuations in the global economy and IT market.

A comparison of our business outlook with forecasts for the global economy and IT industry shows that we can be successful even in a tough economic environment and will further strengthen our position as the market leader of enterprise application software.

Operational Targets for 2016 (Non-IFRS)

Revenue and Operating Profit Outlook

We are providing the following outlook for the full-year 2016:

- Based on the continued strong momentum in SAP s cloud business the Company expects full year 2016 non-IFRS cloud subscriptions and support revenue to be in a range of 2.95 billion to 3.05 billion at constant currencies (2015: 2.30 billion). The upper end of this range represents a growth rate of 33% at constant currencies.
- SAP expects full year 2016 non-IFRS cloud and software revenue to increase by 6% to 8% at constant currencies (2015: 17.23 billion).
- SAP expects full-year 2016 non-IFRS operating profit to be in a range of 6.4 billion to 6.7 billion at constant currencies (2015: 6.35 billion).

We expect our headcount to experience an increase similar to the increase in 2015.

While our full-year 2016 business outlook is at constant currencies, actual currency reported figures are expected to continue to be impacted by currency exchange rate fluctuations.

We expect that non-IFRS total revenue will continue to depend largely on the revenue from cloud and software.

However, the revenue growth we expect from this is below the outlook provided for non-IFRS cloud subscriptions and support revenue. We expect the software license revenue in 2016 to be at the same level as in 2015 with SAP gaining market share against our main on-premise license competitors.

We expect that most of the total revenue growth (non-IFRS) will come from the Applications, Technology, and Services segment, equally distributed into software licenses and support revenue growth and cloud subscriptions and support revenue growth. Nevertheless, we anticipate our SAP Business Network segment will outpace the Applications, Technology, and Services segment with a significantly higher total revenue growth rate at lower absolute levels. As such, we expect we will seize a huge market opportunity with continued strong mid- and long-term growth potential.

We continuously strive for profit expansion in all our segments, therefore, we expect an increase in both segments profits. The vast majority of the profit expansion comes from our Applications, Technology, and Services segment. Overall, in the SAP Business Network segment, operating profit growth is higher than in the Applications, Technology, and Services segment, but at significantly lower volume.

Across all segments we expect our 2016 non-IFRS cloud subscriptions and support gross margin to be at least stable or to slightly increase compared to 2015. For SAP s managed-cloud offerings, we still expect negative margins in 2016 which by 2017 are expected to break even.

The following table shows the estimates of the items that represent the differences between our non-IFRS financial measures and our IFRS financial measures.

Non-IFRS Measures

millions	Estimated Amounts for 2016	**Actual Amounts for 2015**
Revenue adjustments	< 20	11
Share-based payment expenses	590 to 630	724
Acquisition-related charges	690 to 740	738
Restructuring	40 to 60	621

We do not expect any Company-wide restructuring programs in 2016.

The Company expects a full-year 2016 effective tax rate (IFRS) of 22.5% to 23.5% (2015: 23.4%) and an effective tax rate (non-IFRS) of 24.5% to 25.5% (2015: 26.1%).

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Goals for Liquidity and Finance

On December 31, 2015, we had a negative net liquidity. We believe that our liquid assets combined with our undrawn credit facilities are sufficient to meet our present operating financing needs also in 2016 and, together with expected cash flows from operations, will support debt repayments and our currently planned capital expenditure requirements over the near term and medium term.

In 2016, we expect a positive development of our operating cash flow mainly due to lower restructuring related payments.

We intend to repay a US$600 million U.S. private placement when it matures in June. Additionally, we are planning to further repay our outstanding 1.25 billion bank loan.

By the time of this report, we have no concrete plans for future share buybacks.

Based on this planning, at this point in time we expect we will noticeably reduce our net debt in 2016 and gradually return to a positive net liquidity in subsequent years.

Investment Goals

Our planned capital expenditures for 2016 and 2017, other than from business combinations, mainly comprise the construction activities described in Item 4. Information About SAP Description of Property Capital Expenditures . We expect investments from these activities of approximately 450 million during the next two years. These investments can be covered in full by operating cash flow.

SAP does not plan any significant acquisitions in 2016 and 2017 but will rather focus on organic growth.

Proposed Dividend

We intend to continue our dividend policy in 2017 as well, which is to pay a dividend totaling more than 35% of the prior year s profit after tax.

Premises on Which Our Outlook Is Based

In preparing our outlook guidance, we have taken into account all events known to us at the time we prepared this report that could influence SAP s business going forward.

Among the premises on which this outlook is based are those presented concerning economic development and the assumption that there will be no effects from major acquisitions in 2016 and 2017.

Medium-Term Prospects

In this section, all discussion of the medium-term prospects is based exclusively on non-IFRS measures.

We expect to grow our more predictable revenue business while steadily increasing operating profit. Our strategic objectives are focused primarily on the following financial and non-financial objectives: growth, profitability, customer loyalty, and employee engagement.

We are raising our 2017 ambition compared to our outlook previously communicated in 2015 to reflect both the current exchange rate environment and our excellent business momentum.

Assuming a stable exchange rate environment going forward, SAP now expects non-IFRS cloud subscriptions and support revenue in a range of 3.8 billion to 4.0 billion in 2017. The upper end of this range represents a 2015 to 2017 compound annual growth rate (CAGR) of 32%. Non-IFRS total revenue is expected to be in a range of 23.0 billion to 23.5 billion in 2017. We now expect our 2017 non-IFRS operating profit to be in a range of 6.7 billion to 7.0 billion.

We continue to anticipate that the fast-growing cloud business along with growth in support revenue will drive a higher share of more predictable revenue. Given the current software license revenue momentum, we now expect the total of cloud subscriptions and support revenue and software support revenue to be in a range of 63% to 65% of total revenue in 2017.

By 2017, we continue to expect the rapidly growing cloud subscriptions and support revenue to be close to software license revenue and they are expected to exceed software license revenue in 2018. At that time, SAP expects to reach a scale in its cloud business that will clear the way for accelerated operating profit expansion.

In 2015, we communicated our long term, high-level ambitions for the year 2020. We are not adjusting this long-term ambition at this time. Thus, we continue to strive for reaching the following by 2020:

- 7.5 billion to 8.0 billion non-IFRS cloud subscriptions and support revenue
- 26 billion to 28 billion non-IFRS total revenue
- 8.0 billion to 9.0 billion non-IFRS operating profit
- 70% to 75% share of more predictable revenue (defined as the total of cloud subscriptions and support revenue and software support revenue)

By 2020, we expect our business network offering to generate the largest portion of the cloud subscriptions and support revenue. The share of this portion of revenue is expected to be followed by our public cloud offerings. Both of these offerings are expected to each generate, in 2020, cloud subscriptions and support revenues that are significantly higher than the cloud subscriptions and support revenue generated from our private cloud offerings.

We also strive for significantly improving, over the next few years, the profitability of our cloud business. We expect that the flat or slightly increasing cloud subscriptions and support margin development in 2016 will be followed by further margin increases in the following years until we reach our envisioned long-term cloud subscriptions and support margin targets in 2020. These will continue to increase at different rates: We expect the gross margin from our public cloud to reach approximately 80% (2015: approximately 70%) in 2020. Likewise, we expect our business network gross margin to reach approximately 80% (2015: approximately 75%) in 2020. The gross margin for our private cloud is expected to break even in 2016 and reach about 40% in 2020.

In a mature state of our cloud business, we expect that approximately 80% of the cloud subscription business will be generated from existing contracts and their renewals and approximately 20% from new business. This is compared to approximately 60% from existing contracts and renewals and 40% from new business in the fast-growth phase of our cloud business.

We also communicated in 2015 that we aim at further improving the profitability of our on-premise software

business. It is our target, from that point in time, to grow, until 2020, our gross profit from software licenses and support by a compound annual growth rate of approximately 3%, leading to an improvement in the software licenses and support gross margin of approximately 2 percentage points.

Non-Financial Goals 2016

In addition to our financial goals, we also focus on two non-financial targets: customer loyalty and employee engagement.

We believe it is essential that our employees are engaged, drive our success, and support our strategy. We remain committed to achieving an 82% employee engagement score in 2016 (2015: 81%).

Further, our customers satisfaction with the solutions we offer is very important to us. We want our customers not only to be satisfied, but also to see us as a trusted partner for innovation. We measure this customer loyalty metric using the Customer Net Promoter Score (NPS). For 2016, we aim to achieve a Customer NPS of 25% (2015: 22.4%).

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ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

SUPERVISORY BOARD

The current members of the Supervisory Board of SAP SE, each member s principal occupation, the year in which each was first elected and the year in which the term of each expires, respectively, are as follows:

Name	Age	Principal Occupation	Year First Elected	Year Term Expires
Prof. Dr. h.c. mult. Hasso Plattner, Chairman(1)(2)(5)(6)(9)(10)	72	Chairman of the Supervisory Board	2003	2019
Pekka Ala-Pietilä(1)(4)(5)(6)(9)	59	Chairman of the Board of Directors, Solidium Oy	2002	2019
Prof. Anja Feldmann(1)(5)(10)	50	Professor at the Electrical Engineering and Computer Science Faculty at the Technische Universität Berlin	2012	2019
Prof. Dr. Wilhelm Haarmann(1)(2)(4)(9)(10)	65	Attorney at Law, Certified Public Auditor and Certified Tax Advisor; Linklaters LLP, Rechtsanwälte, Notare, Steuerberater	1988	2019
Prof. Dr. Gesche Joost(1)(5)(10)	41	Professor for Design Research and Head of the Design Research Lab, University of Arts Berlin	2015	2016
Bernard Liautaud(1)(2)(5)(6)	53	General Partner, Balderton Capital	2008	2019
Dr. Erhard Schipporeit(1)(3)(8)(9)	67	Independent Management Consultant	2005	2019
Jim Hagemann Snabe(1)(2)(4)	49	Supervisory Board Member	2014	2019
Prof. Dr.-Ing. Dr.-Ing. E.h. Klaus Wucherer(1)(3)	71	Managing Director of Dr. Klaus Wucherer Innovations- und Technologieberatung GmbH	2007	2019
Margret Klein-Magar, Vice Chairperson(2)(4)(5)(7)	51	Employee, Vice President Head of People Principles	2012	2019
Panagiotis Bissiritsas(3)(4)(5)(7)	47	Employee, Support Expert	2007	2019
Martin Duffek(3)(7)(10)	40	Employee, Product Manager	2015	2019
Andreas Hahn(2)(5)(7)	45	Employee, Product Expert, Industry Standards & Open Source	2015	2019
Lars Lamadé(2)(7)(9)(10)	44	Employee, Head of Customer & Events GSS COO	2002	2019
Christine Regitz(5)(7)(10)	50	Employee, Vice President User Experience, Chief Product Expert	2015	2019
Robert Schuschnig-Fowler(7)(10)	56	Employee, Account Manager, Senior Support Engineer	2015	2019
Dr. Sebastian Sick(2)(4)(7)(9)	43	Head of Company Law Unit, Hans Boeckler Foundation	2015	2019
Pierre Thiollet(5)(7)	54	Employee, Webmaster	2015	2019

(1) Elected by SAP SE s shareholders on May 20, 2015.

(2) Member of the General and Compensation Committee.

(3) Member of the Audit Committee.

(4) Member of the Finance and Investment Committee.

(5) Member of the Technology and Strategy Committee.

(6) Member of the Nomination Committee.

(7) Appointed by the SAP SE Works Council Europe on May 6, 2015.

(8) Audit Committee financial expert.

(9) Member of the Special Committee.

(10) Member of the People and Organization Committee

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For detailed information on the Supervisory Board committees and their tasks, including the Audit Committee and the General and Compensation Committee, please refer to Item 10 Additional Information Corporate Governance.

Pursuant to the Articles of Incorporation of SAP SE and the Agreement on the Involvement of Employees in SAP SE, members of the Supervisory Board of SAP SE consist of nine representatives of the shareholders and nine representatives of the European employees. The current nine employees representatives were appointed by the SAP SE Works Council Europe on May 6, 2015.

Certain current members of the Supervisory Board of SAP SE were members of supervisory boards and comparable governing bodies of enterprises other than SAP SE in Germany and other countries as of December 31, 2015. See Note (29) to our Consolidated Financial Statements for more detail. Apart from pension obligations for employees, SAP SE has not entered into contracts with any member of the Supervisory Board that provide for benefits upon a termination of the employment or service of the member.

EXECUTIVE BOARD

The current members of the Executive Board, the year in which each member was first appointed and the year in which the term of each expires, respectively, are as follows:

Name	Year First Appointed	Year Current Term Expires
Bill McDermott, CEO	2008	2021
Robert Enslin	2014	2021
Michael Kleinemeier	2015	2018
Bernd Leukert	2014	2021
Luka Mucic	2014	2021
Gerhard Oswald	1996	2016

The following changes occurred in the Executive Board in 2015:

On October 8, 2015, the SAP Supervisory Board appointed Michael Kleinemeier to the SAP Executive Board, effective November 1, 2015.

A description of the management responsibilities and backgrounds of the current members of the Executive Board are as follows:

Bill McDermott, CEO (Vorstandssprecher), 54 years old, holds a master s degree in business administration. He joined SAP in 2002 and became a member of its Executive Board on July 1, 2008. On February 7, 2010 he

became Co-CEO alongside Jim Hagemann Snabe and when Jim Hagemann Snabe concluded his current role as Co-CEO in May 2014, Bill McDermott became sole CEO. As CEO he is leading SAP with organizational responsibility for strategy, business development, corporate development, communications, marketing and internal audit. In addition he assumed responsibility for human resources and is the Labor Relations Director. With the acquisition of Concur, he is also responsible for SAP s Business Network. He represents SAP as a member of the European Roundtable of Chief Executive Officers, the U.S. Business Council and the World Economic Forum. Prior to joining SAP, he served as a global executive in several technology companies.

Robert Enslin, 53 years old, holds diplomas in data science as well as computer science and data management. He joined SAP in 1992 and became a member of the Executive Board in May 2014. He is president of Global Customer Operations and is responsible for global sales, industry & line of business (LoB) solutions sales, services sales, sales operations as well as the Global Customer Office. Before joining SAP, Robert Enslin spent 11 years in various roles in the IT industry.

Michael Kleinemeier, 59 years old, holds a degree in commercial management from the University of Paderborn. He first joined SAP in 1989 and became a member of the Executive Board in November 2015. He leads the Global Service & Support organization including global consulting delivery, all global and regional support and premium engagement functions, maintenance go-to-market, global user groups, and mobile services.

Bernd Leukert, 48 years old, holds a master s degree in business administration with an emphasis on engineering and information technology. He joined SAP in 1994 and became a member of the Executive Board in May 2014. As SAP s Chief Technology Officer he is responsible for the board area Products & Innovation including the global development organization, innovation & cloud delivery, product strategy, development services, and SAP Global Security. In addition, Bernd Leukert heads strategic innovation initiatives at SAP and is responsible for leading design and user experience for SAP.

Luka Mucic, 44 years old, holds master s degrees in law and business administration. He joined SAP in 1996 and became Chief Financial Officer (CFO), Chief Operating Officer (COO) and a member of the Executive Board in July 2014. He is responsible for finance and administration including investor relations and data protection and privacy. In addition, as the company s COO, Luka Mucic is responsible for the Process Office of the company and for Business Innovation & IT.

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Gerhard Oswald, 62 years old, economics graduate. Gerhard Oswald joined SAP in 1981 and became a member of the Executive Board in 1996. He is responsible for the board area Product Quality & Enablement covering quality governance & validation, scale, enablement & transformation, logistics services, and special tasks.

The members of the Executive Board of SAP SE as of December 31, 2015 that are members on other supervisory boards and comparable governing bodies of enterprises, other than SAP, in Germany and other countries, are set forth in Note (29) to our Consolidated Financial Statements. SAP SE has not entered into contracts with any member of the Executive Board that provide for benefits upon a termination of the employment of service of the member, apart from pensions, benefits payable in the event of an early termination of service, and abstention compensation for the postcontractual noncompete period.

To our knowledge, there are no family relationships among the Supervisory Board and Executive Board members.

COMPENSATION REPORT

Compensation for Executive and Supervisory Board Members

This compensation report outlines the criteria that we applied for the year 2015 to determine compensation for Executive Board and Supervisory Board members, discloses the amount of compensation paid, and describes the compensation systems. It also contains information about share-based payment plans for Executive Board members, shares held by Executive Board and Supervisory Board members, and the directors dealings required to be disclosed in accordance with the German Securities Trading Act.

Compensation for Executive Board Members

Compensation System for 2015

The compensation for 2015 for Executive Board members is intended to reflect SAP s company size and global presence as well as our economic and financial standing. The compensation level is internationally competitive to reward committed, successful work in a dynamic business environment.

The Executive Board compensation package is performance-based. It has three elements:

- A fixed annual salary element
- A variable short-term incentive (STI) element to reward performance in the plan year
- A variable long-term incentive (LTI) element tied to the price of SAP shares to reward performance over multiple years

The Supervisory Board sets a compensation target for the sum of the fixed and the variable elements. It reviews, and if appropriate, revises, this compensation target every year. The review takes into account SAP s business performance and the compensation paid to board members at comparable companies on the international stage. The amount of variable compensation depends on SAP s performance against performance targets that the Supervisory Board sets for each plan year. The performance targets are key performance indicator (KPI) values aligned to the SAP budget for the plan year.

The following criteria apply to the elements of Executive Board compensation for 2015:

- The fixed annual salary element is paid as a monthly salary.
- The variable STI element was determined under the STI 2015 plan. Under this plan, the STI compensation depends on the SAP Group s performance against the predefined target values for three KPIs: non-IFRS constant currency cloud and software growth; non-IFRS constant currency operating margin increase; and non-IFRS constant currency new and upsell bookings. In addition, the STI 2015 plan provides for a discretionary element that allows the Supervisory Board, after the end of the fiscal year 2015, to address not only an Executive Board member s individual performance, but also SAP s performance in terms of market position, innovative power, customer satisfaction, employee satisfaction, attractiveness as an employer and the performance in our Business Network Group.

Moreover, if there has been any extraordinary and unforeseeable event, the Supervisory Board can, at its reasonable discretion, retroactively adjust payouts up or down in the interest of SAP. For 2014, this discretion was applied.

On February 18, 2016, the Supervisory Board assessed SAP s performance against the agreed targets and determined the amount of compensation payable under the STI 2015 plan. The STI 2015 plan pays out after the Annual General Meeting of Shareholders in May 2016.

- The variable LTI element was determined under the RSU Milestone Plan 2015. RSU stands for restricted share unit. This originally four-year plan was established in 2012 and focuses on the SAP share price and on certain objectives derived from our Company strategy for the years through 2015. For each of the four years, the members of the Executive Board are allocated a certain number of RSUs for the respective year based on a budget amount that was granted to each Executive Board member in 2012 already for each of the years 2012 through 2015. The number of RSUs allocated to each member for a given year is their target amount (an amount in euros) for

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that year divided by the SAP share price over a reference period (defined in the RSU Milestone Plan 2015 terms) at the beginning of the respective year. The number of RSUs an Executive Board member actually earns in respect of a given year depends on the Company performance against the objectives for that year (a year is a performance period in the plan). The objectives derive from SAP s strategy for the period to 2015. The plan objectives relate to two KPIs: non-IFRS total revenue and non-IFRS operating profit.

After the end of each fiscal year, the Supervisory Board assesses the Company s performance against the objectives set for that year and determines the number of RSUs to be finally allocated and vested in each Executive Board member. No RSUs vest if minimum performance levels of 60%, predefined for each of the two KPIs, are not achieved. There is also a cap. Normally, the quantity of vested RSUs a member can attain in respect of a plan year is capped at 150% of their initial RSU allocation for that year.

The Company strategy underlying the RSU Milestone Plan 2015 focuses on where SAP aimed to be by the end of 2015, so the plan gave greater weight to performance against the KPI targets for 2015 (the final year of the plan) than against the targets for 2012 through 2014. Due to the adjustment factor, the number of vested RSUs a member of the Executive Board actually received for 2015 has been revised according to plan terms.

All vested RSUs are subject to a three-year holding period. The holding period commences at the end of the year for which the RSUs were allocated. The amount an RSU eventually pays out depends on the SAP share price at the end of the holding period. A member who leaves the Executive Board before the end of the plan retains their vested RSUs for completed plan years but does not retain any allocated but unvested RSUs for the year during which they leave. If a member leaves the Executive Board before the beginning of the subsequent year, no RSUs are finally allocated.

Each vested RSU entitles its holder to a (gross) payout corresponding to the price of one SAP share after the end of the three-year holding period. The applicable share price is measured over a reference period defined in the RSU Milestone Plan 2015 terms.

For the terms and details of the RSU Milestone Plan 2015, see the Notes to Consolidated Financial Statements section, Note (27). The number of RSUs issued initially to each member of the Executive Board under the RSU Milestone Plan 2015 for 2015 was decided by the Supervisory Board on February 12, 2015. The number of RSUs allocated finally to each member of the Executive Board under the RSU Milestone Plan 2015 for 2015 was determined by the Supervisory Board on February 18, 2016.

The contracts of Executive Board members Bill McDermott and Robert Enslin require that compensation payments are made in U.S. dollars. The contracts include clauses that determine the exchange rates for the translation of euro-denominated compensation into U.S. dollars.

Changes to Compensation System in 2016

As the RSU Milestone Plan 2015 expired at the end of 2015, the Supervisory Board developed a new LTI 2016 plan for the Executive Board effective January 1, 2016 with the first grant occurring in March 2016. The purpose of the LTI 2016 is to reflect the operating profit target achievement, to ensure long-term retention of our Executive Board members and to reward a share price outperformance by SAP as compared to a group of its peers (Peer Group).

The LTI 2016 is an annual revolving remuneration element that is linked to the price of the SAP share. A grant amount determined by the Supervisory Board is converted into virtual shares, referred to as Share Units, by dividing the grant amount by the price of the SAP share (calculated on the basis of a defined average value). The grant amount is determined by the Supervisory Board in its discretion for each financial year at a level of between 80% and 120% of the contractual target amount; taking into account the achievement of the operating profit targets set for the preceding financial year.

The Share Units granted comprise 40% Retention Share Units (RSUs) and 60% Performance Share Units (PSUs). Both types of Share Units have a vesting period of four years. Each share unit that finally vests entitles its holder to a (gross) payout corresponding to the price of one SAP share after the end of the four-year holding period, but capped at three times the SAP share price applied for the conversion of the grant amount into Share Units.

The number of PSUs, that finally vests depends on the performance of the SAP share. If the increase of price of the SAP share over the four-year vesting period of the PSUs exceeds the increase of a defined Peer Group Index over the same period, the number of PSUs will be increased by a percentage equal to the outperformance expressed as percentage points. This percentage will be doubled if, in addition to the outperformance over the Peer Group Index, the price of the SAP share at the end of the vesting period of the PSUs is higher than the price at the start of this period. The number of vested PSUs a member can attain in respect of a plan year is capped at 150% of their initial PSU allocation for that year. Conversely, if the increase of price of the SAP share over the four-year vesting period of the PSUs underperforms the Peer Group Index, the number of PSUs will be reduced by a percentage equal to the underperformance expressed as percentage points. No PSUs vest if the underperformance exceeds 50%.

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Amount of Compensation for 2015

We present separately Executive Board compensation disclosures under three different compensation disclosure approaches:

- Compensation disclosures under a management view that follows the requirements of sections 314 and 315 of the German Commercial Code (Handelsgesetzbuch, or HGB) as specified in the German Accounting Standards (GAS 17) except that it allocates share-based compensation to the periods to which this compensation economically belongs
- Compensation disclosures fully in accordance the requirements of sections 314 and 315 of the HGB as specified in GAS 17
- Compensation disclosures in accordance with the recommendations of the German Corporate Governance Code (Code)

I. Executive Board Members Compensation Management View

Executive Board Members Compensation for 2015 Management View

thousands	**Fixed Elements**			**Performance-Related Element**	**Compensation for 2015**
			Short-Term Incentive Element	Long-Term Incentive Element	
	Salary	Other[1)]	STI	Share-Based Payment (RSU Milestone Plan 2015)[2)]	
Bill McDermott (CEO)	1,150.0	1,258.0	2,743.5	4,127.5	9,279.0
Robert Enslin	700.0	103.3	1,660.5	1,480.6	3,944.4
Michael Kleinemeier (from November 1, 2015)	116.7	0	277.5	315.0	709.2
Bernd Leukert	700.0	11.7	1,660.5	1,480.6	3,852.8
Luka Mucic	700.0	12.1	1,660.5	1,480.6	3,853.2
Gerhard Oswald	700.0	22.4	1,660.5	1,480.6	3,863.5
Total	**4,066.7**	**1,407.5**	**9,663.0**	**10,364.9**	**25,502.1**

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Executive Board Members Compensation for 2014 Management View

thousands	Fixed Elements		Performance-Related Element		Compensation for 2014[1]
	Salary	Other[1]	Short-Term Incentive Elements STI	Long-Term Incentive Element Share-Based Payment (RSU Milestone Plan 2015)[2]	
Bill McDermott (CEO)	1,150.0	861.4	2,036.7	4,040.5	8,088.6
Jim Hagemann Snabe (co-CEO and member until May 21, 2014)	448.8	2,647.1			3,095.9
Dr. Werner Brandt (until June 30, 2014)	350.0	1,418.8			1,768.8
Robert Enslin (from May 4, 2014)	462.9	121.0	817.3	939.4	2,340.6
Bernd Leukert (from May 4, 2014)	462.9	12.2	817.3	939.4	2,231.8
Luka Mucic (from July 1, 2014)	350.0	4.3	621.4	729.0	1,704.7
Gerhard Oswald	700.0	22.0	1,232.7	1,449.4	3,404.1
Dr. Vishal Sikka (until May 4, 2014)	291.7	1,367.5			1,659.2
Total	**4,216.3**	**6,454.3**	**5,525.4**	**8,097.7**	**24,293.7**

[1] Insurance contributions, benefits in kind, expenses for maintenance of two households, non-recurring payments, use of aircraft, tax, cash disbursement of short-term and long-term incentive elements, and discrete payments arising through application of the fixed exchange-rate clause.

[2] Compensation attributable to Executive Board members for the respective year, including the respective year s plan tranche of LTI 2015 based on the grant value at time of grant.

The share-based payment amounts included in the 2015 and 2014 compensation result from the following RSUs under the RSU Milestone Plan 2015.

Share-Based Payment Under RSU Milestone Plan 2015 (Grants for 2015)

			Grants for 2015
	Quantity	Grant Value per Unit at Time of Grant	Total Grant Value at Time of Grant
			thousands
Bill McDermott (CEO)	77,099	53.53	4,128
Robert Enslin	27,656	53.53	1,481
Michael Kleinemeier (from November 1, 2015)	4,622	68.16	315
Bernd Leukert	27,656	53.53	1,481
Luka Mucic	27,656	53.53	1,481
Gerhard Oswald	27,656	53.53	1,481
Total	**192,345**		**10,365**

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Share-Based Payment Under RSU Milestone Plan 2015 (Grants for 2014)

			Grants for 2014
	Quantity	Grant Value per Unit at Time of Grant	Total Grant Value at Time of Grant
			thousands
Bill McDermott (CEO)	76,374	52.90	4,040.50
Dr. Werner Brandt (until June 30, 2014)[1)]			
Robert Enslin (from May 4, 2014)	18,164	51.72	939.40
Bernd Leukert (from May 4, 2014)	18,164	51.72	939.40
Luka Mucic (from July 1, 2014)	13,811	52.78	729.00
Gerhard Oswald	27,396	52.90	1,449.40
Dr. Vishal Sikka (until May 4, 2014)[1)]			
Total	**153,909**		**8,097.70**

[1)] The allocations for Werner Brandt (27,396 RSUs), and Vishal Sikka (27,396 RSUs) were forfeited at the end of their contracts. Consequently, they are not disclosed in the table above.

II. Executive Board Members Compensation According to HGB and GAS 17

Under the compensation disclosure rules of the German HGB and GAS 17, share-based compensation awards are to be included in the compensation of the year of grant, even if the awards are tied to future years. Accordingly, and in contrast to, the compensation amounts disclosed under the management view above, the Executive Board compensation amounts determined under HGB and GAS 17 for 2014 and 2015:

- Exclude the share-based compensation awards granted to Executive Board members in 2012 for the years 2014 and 2015 as these were already included in the 2012 compensation
- Include in full the grants for 2014 and 2015 made to Executive Board members appointed in 2014, that is, also including the grant for 2015
- Include the grant for 2015 made to Michael Kleinemeier who was appointed to the Executive Board in 2015

Including RSU Milestone Plan 2015 awards for 2015 granted in 2015 to Michael Kleinemeier (263,200) upon his appointment to the Executive Board, the total Executive Board compensation for 2015 calculated as required under section 314 of the German Commercial Code amounts to 15,400,400, thereof: Bill McDermott 5,151,500; Robert Enslin 2,463,800; Michael Kleinemeier 657,400; Bernd Leukert 2,372,200; Luka Mucic 2,372,600; and Gerhard Oswald 2,382,900.

Including RSU Milestone Plan 2015 awards for 2014 and 2015 granted in 2014 to Robert Enslin (1,574,800 for each of the two years); Bernd Leukert (2014:

 1,280,000; 2015: 1,574,800); and Luka Mucic (2014: 1,141,000; 2015: 1,574,800) upon their appointment to the Executive Board, the total Executive Board compensation for 2014 calculated as required under section 314 of the German Commercial Code amounts to 23,216,200, thereof: Bill McDermott 4,048,100; Jim Hagemann Snabe 1,395,900; Werner Brandt 1,768,800; Robert Enslin 4,550,800; Bernd Leukert 4,147,200; Luka Mucic 3,691,500; Gerhard Oswald 1,954,700; and Vishal Sikka 1,659,200.

All amounts as determined under HGB and GAS 17, other than share-based compensation, are identical to the amounts disclosed under the management view above.

III. Executive Board Members Compensation According to the Code

Pursuant to the recommendations of the Code, the value of benefits granted for the year under review as well as the allocation, that is the amounts disbursed for the year under review, are disclosed below based on the reference tables recommended in the Code.

In contrast to the disclosure rules stipulated in the German HGB and GAS 17, the Code includes the service cost according to IAS 19 in the Executive Board compensation and requires the additional disclosure of the target value for the one-year variable compensation and the maximum and minimum compensation amounts achievable for the variable compensation elements. However, due to the payouts under the RSU Milestone Plan 2015 not being capped, there is no disclosure to be made for the maximum variable compensation amount achievable (marked as NA in the table below).

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German Corporate Governance Code (Benefits Granted in 2014 and 2015)

Benefits Granted	Bill McDermott CEO				Robert Enslin Member of the Executive Board				Michael Kleinemeier Member of the Executive Board (from November 1, 2015)			
	2015[1)]	**2015 (Min)**	**2015 (Max)**	2014[1)]	**2015[1)]**	**2015 (Min)**	**2015 (Max)**	2014[1)]	**2015**	**2015 (Min)**	**2015 (Max)**	2014
Fixed compensation	1,150.0	1,150.0	1,150.0	1,150.0	700.0	700.0	700.0	462.9	116.7	116.7	116.7	
Fringe benefits[2)]	1,258.0	1,258.0	1,258.0	861.4	103.3	103.3	103.3	121.0	0	0	0	
Total	**2,408.0**	**2,408.0**	**2,408.0**	**2,011.4**	**803.3**	**803.3**	**803.3**	**583.9**	**116.7**	**116.7**	**116.7**	
One-year variable compensation	1,860.0	0	3,371.3	1,860.0	1,125.8	0	2,040.5	746.4	188.1	0	340.9	
Multiyear variable compensation												
RSU Milestone Plan 2015		0	NA			0	NA	939.4	315.0	0	NA	
Total	**4,268.0**	**2,408.0**	**NA**	**3,871.4**	**1,929.1**	**803.3**	**NA**	**2,269.7**	**619.8**	**116.7**	**NA**	
Service cost	682.4	682.4	682.4	646.8	308.0	308.0	308.0	148.1	0	0	0	
Total	**4,950.4**	**3,090.4**	**NA**	**4,518.2**	**2,237.1**	**1,111.3**	**NA**	**2,417.8**	**619.8**	**116.7**	**NA**	

German Corporate Governance Code (Benefits Granted in 2014 and 2015)

Benefits Granted	Bernd Leukert Member of the Executive Board				Luka Mucic Member of the Executive Board				Gerhard Oswald Member of the Executive Board			
	2015	**2015 (Min)**	**2015 (Max)**	2014	**2015**	**2015 (Min)**	**2015 (Max)**	2014	**2015**	**2015 (Min)**	**2015 (Max)**	2014
Fixed compensation	700.0	700.0	700.0	462.9	700.0	700.0	700.0	350.0	700.0	700.0	700.0	700.0
Fringe benefits[2)]	11.7	11.7	11.7	12.2	12.1	12.1	12.1	4.3	22.4	22.4	22.4	22.0
Total	**711.7**	**711.7**	**711.7**	**475.1**	**712.1**	**712.1**	**712.1**	**354.3**	**722.4**	**722.4**	**722.4**	**722.0**
One-year variable compensation	1,125.8	0	2,040.5	746.4	1,125.8	0	2,040.5	567.5	1,125.8	0	2,040.5	1,125.8
Multiyear variable compensation												
RSU Milestone Plan 2015		0	NA	939.4		0	NA	729.0		0	NA	1,449.4
Total	**1,837.5**	**711.7**	**NA**	**2,160.9**	**1,837.9**	**712.1**	**NA**	**1,650.8**	**1,848.2**	**722.4**	**NA**	**3,297.2**
Service cost	0	0	0	0	0	0	0	0	0	0	0	0
Total	**1,837.5**	**711.7**	**NA**	**2,160.9**	**1,837.9**	**712.1**	**NA**	**1,650.8**	**1,848.2**	**722.4**	**NA**	**3,297.2**

[1)] The value of the fixed and one-year variable elements is subject to a contractual exchange-rate clause applied at the end of the year, so the amounts actually paid may be greater.

[2)] Insurance contributions, benefits in kind, expenses for maintenance of two households, use of aircraft, tax and discrete payments arising through application of the fixed exchange-rate clause.

The total Executive Board compensation granted according to the Code amounted to 13,330,900 (2014: 23,302,200).

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German Corporate Governance Code (Allocation)

Allocation	Bill McDermott CEO 2015	Bill McDermott CEO 2014	Robert Enslin Member of the Executive Board 2015	Robert Enslin Member of the Executive Board 2014	Michael Kleinemeier Member of the Executive Board (from November 1, 2015) 2015	Michael Kleinemeier Member of the Executive Board (from November 1, 2015) 2014
Fixed compensation	1,150.0	1,150.0	700.0	462.9	116.7	
Fringe benefits[1)]	1,258.0	861.4	103.3	121.0	0	
Total	**2,408.0**	**2,011.4**	**803.3**	**583.9**	**116.7**	
One-year variable compensation	2,036.7	1,737.2	817.3			
Multi-year variable compensation						
RSU Milestone Plan 2015						
MTI		1,011.1				
SAP SOP 2011						
SAP SOP 2010						
SAP SOP 2009		378.7				
Other						
Total	**4,444.7**	**5,138.4**	**1,620.6**	**583.9**	**116.7**	
Service cost	682.4	646.9	308.0	148.1	0	
Total	**5,127.1**	**5,785.3**	**1,928.6**	**732.0**	**116.7**	

German Corporate Governance Code (Allocation)

Allocation	Bernd Leukert Member of the Executive Board 2015	Bernd Leukert Member of the Executive Board 2014	Luka Mucic Member of the Executive Board 2015	Luka Mucic Member of the Executive Board 2014	Gerhard Oswald Member of the Executive Board 2015	Gerhard Oswald Member of the Executive Board 2014
Fixed compensation	700.0	462.9	700.0	350.0	700.0	700.0
Fringe benefits[1)]	11.7	12.2	12.1	4.3	22.4	22.0
Total	**711.7**	**475.1**	**712.1**	**354.3**	**722.4**	**722.0**
One-year variable compensation	817.3		621.4		1,232.7	1,051.5
Multi-year variable compensation						
RSU Milestone Plan 2015						
MTI						611.0
SAP SOP 2011					1,126.7	
SAP SOP 2010						1,590.9
SAP SOP 2009						
Other						
Total	**1,529.0**	**475.1**	**1,333.5**	**354.3**	**3,081.8**	**3,975.4**
Service cost	0	0	0	0	0	0
Total	**1,529.0**	**475.1**	**1,333.5**	**354.3**	**3,081.8**	**3,975.4**

[1)] Insurance contributions, benefits in kind, expenses for maintenance of two households, use of aircraft, tax and discrete payments arising through application of the fixed exchange-rate clause.

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The total Executive Board compensation allocated according to the Code amounted to 13,116,700 (2014: 32,687,400).

End-of-Service Benefits

Regular End-of-Service Undertakings

Retirement Pension Plan

The following retirement pension agreements apply to the individual members of the Executive Board:

Michael Kleinemeier, Bernd Leukert, Luka Mucic, and Gerhard Oswald receive a retirement pension when they reach the retirement age of 60 (62 for Board Members appointed after January 1, 2012) and retire from their Executive Board seat, or a disability pension if, before reaching the regular retirement age, they become subject to occupational disability or permanent incapacity. A surviving dependent s pension is paid on the death of a former member of the Executive Board. The disability pension is 100% of the vested retirement pension entitlement and is payable until the beneficiary s 60th birthday, after which it is replaced by a retirement pension. The surviving dependent s pension is 60% of the retirement pension or vested disability pension entitlement at death. Entitlements are enforceable against SAP SE. Current pension payments are reviewed annually for adjustments and, if applicable, increased according to the surplus in the pension liability insurance. If service is ended before the retirement age of 60 (62 for Board Members appointed after January 1, 2012), pension entitlement is reduced in proportion as the actual length of service stands in relation to the maximum possible length of service. The applied retirement pension plan is contributory. The contribution is 4% of applicable compensation up to the applicable income threshold plus 14% of applicable compensation above the applicable income threshold. For this purpose, applicable compensation is 180% of annual base salary. The applicable income threshold is the statutory annual income threshold for the state pension plan in Germany (West), as amended from time to time. Originally, Gerhard Oswald was under a performance-based retirement plan. This plan was discontinued when SAP introduced a contributory retirement pension plan in 2000. His pension benefits are derived from any accrued entitlements on December 31, 1999, under performance-based pension agreements and a salary-linked contribution for the period commencing January 1, 2000. Gerhard Oswald s rights to retirement pension benefits will increase by further annual contributions because he remains a member of the Executive Board after his 60th birthday until his scheduled retirement on December 31, 2016.

Bill McDermott has rights to future benefits under the portion of the pension plan for SAP America classified as Non-Qualified Retirement Plan according to the U.S. Employee Retirement Income Security Act (ERISA). The Non-Qualified pension plan of SAP America is a cash balance plan that on retirement provides either monthly pension payments or a lump sum. The pension becomes available from the beneficiary s 65th birthday. Subject to certain conditions, the plan also provides earlier payment or invalidity benefits. The Non-Qualified pension plan closed with effect from January 1, 2009. Interest continues to be paid on the earned rights to benefits within this plan.

SAP made contributions to a third-party pension plan for Bill McDermott (2015: 682,400; 2014: 646,800) and Robert Enslin (2015: 308,000; 2014: 148,100). SAP s contributions are based on payments by Bill McDermott and Robert Enslin into this pension plan.

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Total Defined Benefit Obligations (DBO) and the Total Accruals for Pension Obligations to Executive Board Members

thousands	Bill McDermott (CEO)	Michael Kleinemeier (from November 1, 2015)[1]	Bernd Leukert[1]	Luka Mucic[1]	Gerhard Oswald	Total
DBO January 1, 2014	1,042.7				5,816.5	6,859.2
Less plan assets market value January 1, 2014					4,651.3	4,651.3
Accrued January 1, 2014	**1,042.7**				**1,165.2**	**2,207.9**
DBO change in 2014	169.8		123.2	102.8	1,404.9	1,800.7
Plan assets change in 2014			94.6	67.8	341.1	503.5
DBO December 31, 2014	1,212.5		123.2	102.8	7,221.4	8,659.9
Less plan assets market value December 31, 2014			94.6	67.8	4,992.4	5,154.8
Accrued December 31, 2014	**1,212.5**		**28.6**	**35.0**	**2,229.0**	**3,505.1**
DBO change in 2015	170.0	29.7	129.2	129.9	171.2	287.6
Plan assets change in 2015		25.4	145.6	138.0	356.9	665.9
DBO December 31, 2015	1,382.5	29.7	252.4	232.7	7,050.2	8,947.5
Less plan assets market value December 31, 2015		25.4	240.2	205.8	5,349.3	5,820.7
Accrued December 31, 2015	**1,382.5**	**4.3**	**12.2**	**26.9**	**1,700.9**	**3,126.8**

[1] The values shown here only reflect the pension entitlements that Michael Kleinemeier, Bernd Leukert and Luka Mucic will receive from the retirement pension plan for Executive Board members.

The table below shows the annual pension entitlement of each member of the Executive Board on reaching the scheduled retirement age (60 for Executive Board members initially appointed before 2012 and 62 for Executive Board members initially appointed after January 1, 2012) based on entitlements from SAP under performance-based and salary-linked plans vested on December 31, 2015.

Annual Pension Entitlement

thousands	Vested on December 31, 2015	Vested on December 31, 2014
Bill McDermott (CEO)[1]	106.9	94.0
Michael Kleinemeier (from November 1, 2015)	0.7	
Bernd Leukert	8.8	3.5
Luka Mucic	7.8	2.6
Gerhard Oswald[2]	302.5	279.4

[1] The rights shown here for Bill McDermott refer solely to rights under the pension plan for SAP America.

[2] Due to the extension of Gerhard Oswald s contract beyond June 30, 2014, these values represent the retirement pension entitlement that he would receive after his current Executive Board contract expires on December 31, 2016, based on the entitlements vested on December 31, 2015 (December 31, 2014).

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These are vested entitlements. To the extent that members continue to serve on the Executive Board and that therefore more contributions are made for them in the future, pensions actually payable at the scheduled retirement age will be higher than the amounts shown in the table.

Postcontractual Non-Compete Provisions

During the agreed 12-month postcontractual non-compete period, each Executive Board member receives abstention payments corresponding to 50% of the final average contractual compensation as agreed in the respective contract on an individual basis. Any other occupational income generated by the Executive Board member will be deducted from their compensation in

accordance with section 74c of the German Commercial Code.

The following table presents the net present values of the postcontractual non-compete abstention payments. The net present values in the table reflect the discounted present value of the amounts that would be paid in the fictitious scenario in which the Executive Board members leave SAP at the end of their respective current contract terms and their final average contractual compensation prior to their departure equals the compensation in 2015. Actual postcontractual non-compete payments will likely differ from these amounts depending on the time of departure and the compensation levels and target achievements at the time of departure.

Net Present Values of the Postcontractual Non-Compete Abstention Payments

thousands	Contract Term Expires	**Net Present Value of Postcontractual Non-Compete Abstention Payment[1)]**
Bill McDermott (CEO)	June 30, 2017	4,627.7
Robert Enslin	June 30, 2017	1,967.2
Michael Kleinemeier (from November 1, 2015)	October 31, 2018	349.6
Bernd Leukert	June 30, 2017	1,921.5
Luka Mucic	June 30, 2017	1,921.7
Gerhard Oswald	December 31, 2016	1,928.9
Total		**12,716.6**

[1)] For the purpose of this calculation, the following discount rates have been applied: Bill McDermott 0.18% (2014: 0.46%); Robert Enslin 0.18% (2014: 0.46%); Michael Kleinemeier 0.50%; Bernd Leukert 0.18% (2014: 0.46%); Luka Mucic 0.18% (2014: 0.46%); Gerhard Oswald 0.15% (2014: 0.38%).

Early End-of-Service Undertakings

Severance Payments

The standard contract for all Executive Board members provides that on termination before full term (for example, where the member s appointment is revoked, where the member becomes occupationally disabled, or in connection with a change of control), SAP SE will pay to the member the outstanding part of the compensation target for the entire remainder of the term, appropriately discounted for early payment. A member has no claim to that payment if they have not served SAP as a member of the Executive Board for at least one year or if they leave SAP SE for reasons for which they are responsible. Upon the appointment of Robert Enslin, Bernd Leukert, Luka Mucic, and Michael Kleinemeier to the Executive Board, the Supervisory Board abstained from the waiting period of one year due to their previous membership to the Global Managing Board.

If an Executive Board member s appointment to the Executive Board expires or ceases to exist because of, or as a consequence of, change or restructuring, or due to a change of control, SAP SE and each Executive Board member has the right to terminate the employment contract within eight weeks of the occurrence by giving six months notice. A change of control is deemed to occur when a third party is required to make a mandatory takeover offer to the shareholders of SAP SE under the German Securities Acquisition and Takeover Act, when SAP SE merges with another company and becomes the subsumed entity, or when a control or profit transfer agreement is concluded with SAP SE as the dependent company. An Executive Board member s contract can also be terminated before full term if their appointment as an Executive Board member of SAP SE is revoked in connection with a change of control.

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Postcontractual Non-Compete Provisions

Abstention compensation for the postcontractual non-compete period as described above is also payable on early contract termination.

Permanent Disability

In case of permanent disability, the contract will end at the end of the quarter in which the permanent inability to work was determined. The Executive Board member receives the monthly basic salary for a further 12 months starting from the date the permanent disability is determined.

Payments to Former Executive Board Members

In 2015, we paid pension benefits of 1,580,000 to Executive Board members who had retired before January 1, 2015 (2014: 1,425,000). At the end of the year, the DBO for former Executive Board members was 32,758,000 (2014: 33,764,000). Plan assets of 26,716,000 are available to meet these obligations (2014: 25,584,000).

Executive Board Members Holdings of Long-Term Incentives

Members of the Executive Board hold or held share-based payment rights throughout the year under the RSU Milestone Plan 2015 and the SAP SOP 2010 (which were granted in previous years). For information about the terms and details of these programs, see the Notes to the Consolidated Financial Statements section, Note (27).

RSU Milestone Plan 2015

The table below shows Executive Board members holdings, on December 31, 2015, of RSUs issued to them under the RSU Milestone Plan 2015. The plan is a cash-settled long-term incentive scheme with a payout subsequent to a performance period of one year and an additional holding period of three years. The RSU Milestone Plan 2015 consists of four plan tranches to be issued with respect to the calendar years 2012 through 2015.

RSU Milestone Plan 2015 (2015 Tranche)

Quantity of RSUs	**Holding on January 1, 2015**	**Grants in 2015**	**Performance-Related Adjustment**	**Exercised Units**	**Forfeited Units**	**Holding on December 31, 2015**
Bill McDermott (CEO)	255,050	77,099	36,568			368,717
Robert Enslin	14,148	27,656	12,329			54,133
Michael Kleinemeier (from November 1, 2015)	0	4,622	599			5,221
Bernd Leukert	14,148	27,656	13,922			55,726
Luka Mucic	10,757	27,656	13,474			51,887
Gerhard Oswald	91,490	27,656	13,117			132,263
Total	**385,593**	**192,345**	**90,009**	**0**	**0**	**667,947**

The holding of RSUs on December 31, 2015, which were issued and not forfeited in 2015, reflects the number of RSUs multiplied by the total target achievement. The total target achievement consists of the addition of the target achievement of the financial KPIs of 112.96% and the adjustment factor based on individual plan participation. The RSUs allocated in 2012 have a remaining term of 0.08 years; the RSUs allocated in 2013 have a remaining term of 1.08 years; the RSUs allocated in 2014 have a remaining term of 2.08 years; and the RSUs allocated in 2015 have a remaining term of 3.08 years.

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RSU Milestone Plan 2015 (2014 Tranche)

Quantity of RSUs	Holding on January 1, 2014	Grants in 2014	Performance-Related Adjustment	Exercised Units	Forfeited Units	Holding on December 31, 2014
Bill McDermott (CEO)	195,562	76,374	16,886			255,050
Dr. Werner Brandt (until June 30, 2014)	70,151	27,396			27,396	70,151
Gerhard Oswald	70,151	27,396	6,057			91,490
Dr. Vishal Sikka (until May 4, 2014)[1)]	70,151	27,396		70,151	27,396	
Robert Enslin (from May 4, 2014)	0	18,164	4,016			14,148
Bernd Leukert (from May 4, 2014)	0	18,164	4,016			14,148
Luka Mucic (from July 1, 2014)	0	13,811	3,054			10,757
Total	**406,014**	**208,701**	**34,029**	**70,151**	**54,792**	**455,743**

[1)] According to the termination agreement with Vishal Sikka, the 2012 grants will be paid out after the close of the Annual General Meeting of Shareholders in 2016, based on a fixed share price of 52.96. The 2013 grants will be paid out after the close of the Annual General Meeting of Shareholders in 2017 based on a fixed share price of 58.69.

The holding of RSUs on December 31, 2014, which were issued and not forfeited in 2014, reflects the number of RSUs multiplied by the 77.89% target achievement.

RSU Milestone Plan 2015 (2013 Tranche)

Quantity of RSUs	Holding on January 1, 2013	Grants in 2013	Performance-Related Adjustment	Exercised Units	Forfeited Units	Holding on December 31, 2013
Bill McDermott (co-CEO)	127,425	73,289	5,152			195,562
Jim Hagemann Snabe (co-CEO)[1)]	127,425	73,289	5,152	195,562		
Dr. Werner Brandt	45,709	26,290	1,848			70,151
Gerhard Oswald	45,709	26,290	1,848			70,151
Dr. Vishal Sikka	45,709	26,290	1,848			70,151
Total	**391,977**	**225,448**	**15,849**	**195,562**	**0**	**406,014**

[1)] According to the termination agreement with Jim Hagemann Snabe, the 2012 and 2013 grants were paid out after the close of the Annual General Meeting of Shareholders on May 21, 2014, based on a fixed share price of 52.96 for the 2012 grants and 58.69 for the 2013 grants.

The holding of RSUs on December 31, 2013, which were issued and not forfeited in 2013, reflects the number of RSUs multiplied by the 92.97% target achievement.

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RSU Milestone Plan 2015 (2012 Tranche)

Quantity of RSUs	Holding on January 1, 2012	Grants in 2012	Performance-Related Adjustment	Exercised Units	Forfeited Units	Holding on December 31, 2012
Bill McDermott (co-CEO)		95,414	32,011			127,425
Jim Hagemann Snabe (co-CEO)		95,414	32,011			127,425
Dr. Werner Brandt		34,226	11,483			45,709
Gerhard Oswald		34,226	11,483			45,709
Dr. Vishal Sikka		34,226	11,483			45,709
Total		**293,506**	**98,471**			**391,977**

The holding on December 31, 2012, reflects the number of RSUs issued in 2012 multiplied by the 133.55% target achievement.

SAP SOP 2010

The table below shows Executive Board members holdings, on December 31, 2015, of virtual share options issued to them under the SAP SOP 2010 since its inception. The strike price for an option is 115% of the base price. The issued options have a term of seven years and can only be exercised on specified dates after the vesting period. The options issued in 2010 were exercisable beginning in September 2014 and the options issued in 2011 were exercisable beginning in June 2015.

SAP SOP 2010 Virtual Share Options

	Year Granted	Holding on January 1, 2015		Strike Price per Option	Rights Exercised in 2015	Price on Exercise Date	Forfeited Rights	Holding on December 31, 2015	
		Quantity of Options	Remaining Term in Years		Quantity of Options		Quantity of Options	Quantity of Options	Remaining Term in Years
Bill McDermott									
(CEO)	2010	135,714	2.69	40.80				135,714	1.69
	2011	112,426	3.44	48.33				112,426	2.44
Gerhard Oswald	2010	0			0				
	2011	68,284		48.33	68,284	64.83			
Total		**316,424**			**68,284**			**248,140**	

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Total Expense for Share-Based Payment

Total expense for the share-based payment plans of Executive Board members was recognized as follows.

Total Expense for Share-Based Payment

thousands	2015	2014
Bill McDermott (CEO)	12,291.1	5,063.8
Robert Enslin	1,851.2	1,833.5
Michael Kleinemeier (from November 1, 2015)	364.7	
Bernd Leukert	2,208.6	1,759.7
Luka Mucic	2,148.5	1,577.2
Gerhard Oswald	3,445.6	1,891.1
Total	**22,309.7**	**12,125.3**

The expense is recognized in accordance with IFRS 2 (Share-Based Payments) and consists exclusively of obligations arising from Executive Board activities.

Shareholdings and Transactions of Executive Board Members

No member of the Executive Board holds more than 1% of the ordinary shares of SAP SE. Members of the

Executive Board held a total of 45,309 SAP shares on December 31, 2015 (2014: 36,426 shares).

The table below shows transactions by Executive Board members and persons closely associated with them notified to SAP pursuant to the German Securities Trading Act, section 15a, in 2015.

Transactions in SAP Shares

	Transaction Date	Transaction	Quantity	Unit Price
Bill McDermott (CEO)	August 11, 2015	Purchase of ADRs	2,000	US$71.5845
Robert Enslin	August 26, 2015	Purchase of ADRs	1,145	US$66.3099
Bernd Leukert	May 7, 2015	Share sale	1,595	66.2364
	August 13, 2015	Share purchase	830	63.7290
Luka Mucic	May 20, 2015	Share purchase	700	68.9990
Gerhard Oswald	July 22, 2015	Share purchase	930	66.7100

Executive Board: Other Information

We did not grant any compensation advance or credit to, or enter into any commitment for the benefit of, any member of our Executive Board in 2015 or the previous year.

As far as the law permits, SAP SE and its affiliated companies in Germany and elsewhere indemnify and hold harmless their respective directors and officers against and from the claims of third parties. To this end, we maintain directors and officers (D&O) group liability insurance. The policy is annual and is renewed from year to year. The insurance covers the personal liability of the insured group for financial loss caused by its managerial acts and omissions. The current D&O policy includes an individual deductible for Executive Board members of SAP SE as required by section 93 (2) of the German Stock Corporation Act.

Compensation for Supervisory Board Members

Compensation System

Supervisory Board members compensation is governed by our Articles of Incorporation, section 16. By resolution of our May 20, 2015, Annual General Meeting of Shareholders the section was changed from the compensation with fixed and performance-related components to a fixed compensation plus fixed amounts for membership in and chairing of committees.

Each member of the Supervisory Board receives, in addition to the reimbursement of their expenses, an annual basic compensation of 165,000. The chairperson receives 275,000 and the deputy chairperson 220,000.

For membership of the Audit Committee, Supervisory Board members receive additional fixed annual

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compensation of 16,500, and for membership of any other Supervisory Board committee 11,000, provided that the committee concerned has met in the year. The chairperson of the Audit Committee receives 27,500, and the chairpersons of the other committees receive 22,000. The fixed remuneration is payable after the end of the year.

Any members of the Supervisory Board having served for less than the entire year receive one-twelfth of the annual remuneration for each month of service commenced. This also applies to the increased compensation of the chairperson and the deputy chairperson(s) and to the remuneration for the chairperson and the members of a committee.

Supervisory Board Members Compensation in 2015

thousands			**2015**				2014
	Fixed Compen-sation	**Compen-sation for Commit-tee Work**	**Total**	Fixed Compen-sation	Compen-sation for Commit-tee Work	Variable Compen-sation	Total
Prof. Dr. h.c. mult. Hasso Plattner (chairperson)	275.0	66.0	341.0	100.0	100.0	150.0	350.0
Margret Klein-Magar (deputy chairperson from May 20, 2015)	215.4	29.3	244.8	50.0	30.0	100.0	180.0
Pekka Ala-Pietilä	165.0	27.5	192.5	50.0	30.0	100.0	180.0
Panagiotis Bissiritsas	165.0	32.1	197.1	50.0	20.0	100.0	170.0
Catherine Bordelon (until May 20, 2015)	68.8	0	68.8	25.0	5.0	50.0	80.0
Martin Duffek (from May 20, 2015)	110.0	18.3	128.3	NA	NA	NA	NA
Prof. Anja Feldmann	165.0	22.0	187.0	50.0	20.0	100.0	170.0
Prof. Dr. Wilhelm Haarmann	165.0	44.0	209.0	50.0	50.0	100.0	200.0
Andreas Hahn (from May 20, 2015)	110.0	14.7	124.7	NA	NA	NA	NA
Christiane Kuntz-Mayr (deputy chairperson and member until May 20, 2015)	91.7	9.2	100.8	70.0	20.8	130.0	220.8
Prof. Dr. Gesche Joost (from May 28, 2015)	110.0	11.0	121.0	NA	NA	NA	NA
Lars Lamadé	165.0	22.0	187.0	50.0	30.0	100.0	180.0
Steffen Leskovar (until May 20, 2015)	68.8	11.5	80.2	25.0	12.5	50.0	87.5
Bernard Liautaud	165.0	22.0	187.0	50.0	30.0	100.0	180.0
Dr. h. c. Hartmut Mehdorn (until May 15, 2015)	68.8	9.2	77.9	50.0	20.0	100.0	170.0
Christine Regitz (from May 20, 2015)	110.0	14.7	124.7	NA	NA	NA	NA
Dr. Kurt Reiner (until May 20, 2015)	68.8	9.2	77.9	50.0	20.0	100.0	170.0
Mario Rosa-Bian (until May 20, 2015)	68.8	9.2	77.9	50.0	15.0	100.0	165.0
Dr. Erhard Schipporeit	165.0	27.5	192.5	50.0	35.0	100.0	185.0
Stefan Schulz (until May 20, 2015)	68.8	11.5	80.2	50.0	30.8	100.0	180.8
Robert Schuschnig-Fowler (from May 20, 2015)	110.0	7.3	117.3	NA	NA	NA	NA
Dr. Sebastian Sick (from May 20, 2015)	110.0	14.7	124.7	NA	NA	NA	NA
Jim Hagemann Snabe	165.0	22.0	187.0	25.0	10.0	50.0	85.0
Pierre Thiollet (from May 20, 2015)	110.0	7.3	117.3	NA	NA	NA	NA
Inga Wiele (until July 6 , 2014)	NA	NA	NA	29.2	14.6	58.3	102.1
Prof. Dr.-Ing. Dr.-Ing. E.h. Klaus Wucherer	165.0	16.5	181.5	50.0	20.8	100.0	170.8
Total	**3,249.6**	**478.5**	**3,728.1**	**924.2**	**514.5**	**1,788.3**	**3,227.0**

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In addition, we reimburse members of the Supervisory Board for their expenses and the value-added tax payable on their compensation.

In total, we received services from members of the Supervisory Board (including services from employee representatives on the Supervisory Board in their capacity as employees of SAP) in the amount of 1,282,800 (2014: 2,295,000). This amount includes fees paid to Linklaters LLP in Frankfurt am Main, Germany (which Supervisory Board member Wilhelm Haarmann is a partner of) of 224,500 (2014: 1,001,700).

Long-Term Incentives for the Supervisory Board

We do not offer members share options or other share-based payment for their Supervisory Board work. Any share options or other share-based payment received by employee-elected members relate to their position as SAP employees and not to their work on the Supervisory Board.

Shareholdings and Transactions of Supervisory Board Members

Supervisory Board chairperson Hasso Plattner and the companies he controlled held 90,248,789 SAP shares on December 31, 2015 (December 31, 2014: 107,442,743 SAP shares), representing 7.346% (2014: 8.746%) of SAP s share capital. No other member of the Supervisory Board held more than 1% of the SAP SE share capital at the end of 2015 or of the previous year. Members of the Supervisory Board held a total of 90,262,686 SAP shares on December 31, 2015 (December 31, 2014: 107,467,372 SAP shares).

The table below shows transactions by Supervisory Board members and persons closely associated with them notified to SAP pursuant to the German Securities Trading Act, section 15a, in 2015:

Transactions in SAP Shares

	Transaction Date	Transaction	Quantity	Unit Price
Andreas Hahn	May 28, 2015	Share purchase	12	57.3600
	June 2, 2015	Share sale	100	67.4170
	August 5, 2015	Share sale	115	66.2200
	October 28, 2015	Share sale	38	70.0100
Margret Klein-Magar	May 7, 2015	Share sale	120	66.2364
Hasso Plattner	December 18, 2015	Share purchase	2,444,816	72.9300
Hasso Plattner GmbH & Co. Beteiligungs-KG	December 23, 2015	Compensation in kind (granting party)	87,803,973	1)
HP Vermögensverwaltungs GmbH & Co. KG	December 23, 2015	Compensation in kind (receiving party)	87,803,973	1)
Sabine Plattner GmbH & Co. Beteiligungs-KG	November 25, 2015	Share sale	480,000	2)
Riitta Schuschnig-Fowler	December 8, 2015	Share sale	50	72.4500
Robert Schuschnig-Fowler	December 8, 2015	Share sale	35	72.6500
Ingrid van Skyhawk	May 28, 2015	Share purchase	11	57.3600
	June 2, 2015	Share sale	75	67.4170
	August 4, 2015	Share sale	122	65.6800
	November 18, 2015	Share sale	90	73.7700

1) Compensation in kind of 87,803,973 shares, hypothetical volume of the transaction 6,299,935,062.75.

2) The notifying party concluded a contract with a bank acting as commission agent for the sale of 10,000 SAP shares per week. The sale will be carried out at the bank s own discretion in the stock market or over the counter in the months December 2015 through November 2016.

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Supervisory Board: Other Information

We did not grant any compensation advance or credit to, or enter into any commitment for the benefit of, any member of our Supervisory Board in 2015 or the previous year.

Hasso Plattner, the chairperson of the Supervisory Board, entered into a consulting contract with SAP after he joined the Supervisory Board in May 2003. The contract does not provide for any compensation. The only cost we incurred under the contract was the reimbursement of expenses.

As far as the law permits, we indemnify Supervisory Board members against, and hold them harmless from, claims brought by third parties. To this end, we maintain directors and officers (D&O) group liability insurance. The current D&O policy does not include an individual deductible for Supervisory Board members as envisaged in the German Corporate Governance Code.

EMPLOYEES

Headcount

Note (7) to our Consolidated Financial Statements presents the number of employees, measured in full-time equivalents by functional area and by geographic region.

On December 31, 2015, we had 76,986 full-time equivalent (FTE) employees worldwide (December 31, 2014: 74,406). This represents an increase in headcount of 2,579 FTEs in comparison to 2014. The average number of employees in 2015 was 75,180 (2014: 68,343).

We define FTE headcount as the number of people we would employ if we only employed people on full-time employment contracts. Students employed part-time and certain individuals employed by SAP but who, for various reasons, are not currently working, are excluded from our figures. Also, temporary employees are not included in the above figures. The number of temporary employees is not material.

On December 31, 2015, the largest number of SAP employees (44%) were employed in the Europe, Middle East, and Africa (EMEA) region (including 23% in Germany and 21% in other countries of the region), while 29% were employed in the North America and Latin America (Americas) region (including 21% in the United States and 8% in other countries of the region) and 27% in the Asia Pacific Japan (APJ) region.

Our worldwide headcount in the field of cloud and software decreased less than 1% to 14,991 FTEs (2014: 15,074). Services counted 15,085 FTEs at the end of 2015 an increase of 3% (2014: 14,639). Our R&D

headcount saw a year-over-year increase of 11% to 20,938 FTEs (2014: 18,908). Sales and marketing headcount grew by 1% to 18,206 FTEs at the end of the year (2014: 17,969). General and administration headcount stayed constant at 5,024 FTEs at the end of the year (2014: 5,023). Our infrastructure employees numbered 2,743 FTEs a decrease of 2% (2014: 2,794).

In the Americas region, headcount (FTEs) increased by 95, or less than 1%; in the EMEA region, the increase was 566, or 2%; and in the APJ region, it was 1,919, or 10%.

Our personnel expense per employee increased to approximately 135,000 in 2015 (2014: approximately 115,000). This rise in expense is primarily attributable to an increase in salaries, employee-related restructuring expenses, share-based payments, and a significant rise in the share price in 2015. The personnel expense per employee is defined as the personnel expense divided by the average number of employees. For more information about employee compensation and a detailed overview of the number of people we employ, see the Notes to the Consolidated Financial Statements section, Note (7).

Employee and Labor Relations

On a worldwide basis, we believe that our employee and labor relations are excellent.

On a corporate level employees of SAP in Europe are represented by the SAP SE Works Council (WoC) (Europe). By law and agreement with SAP the SAP SE WoC (Europe) is entitled to receive information on transnational matters and to consult with the Executive Board or a representative thereof. The SAP SE WoC (Europe) was established in November 2014 as a result of the legal transformation of SAP AG into SAP SE. The SAP SE WoC (Europe) replaced the European Works Council which was dissolved following the conversion.

On the legal entity level, the SAP SE works council (Germany) represents the employees of SAP SE. The employees of SAP Deutschland SE & Co. KG (SAP Germany) are represented by a separate works council. Other employee representatives include the group works council (members of the works councils of SAP SE and SAP Germany), the representatives of severely disabled persons in all entities and on group level (Germany) and the spokespersons committee as the representation of the executives.

Employees of SAP France, SAP France Holding and SAP Labs France SAS are subject to a collective bargaining agreement. Each of SAP France, SAP France Holding, SAP Labs France SAS, Multiposting SAS France and b-process France are represented by a French works council. The represented unions negotiate agreements with SAP France and SAP Labs France SAS.

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In addition, the employees of various other SAP entities, including SAP España Sistemas, Aplicaciones y Productos en la Informática, S.A., SAP Belgium NV/SA., SAP Nederland B.V., SAP Italia Sistemi Applicazioni Prodotti in Data Processing S.p.A., Concur (France) SAS, SAP Brasil Ltda, SAP sistemi, aplikacije in produkti za obdelavo podatkov d.o.o.(Slovenia), SAP Romania SRL, SAP Argentina S.A. and SAP Svenska Aktiebolag (Sweden), are represented by works councils, worker representatives, employee consultation forums and/or unions. In addition, some of these employees are subject to a collective bargaining agreement.

SHARE OWNERSHIP

Beneficial Ownership of Shares

The ordinary shares beneficially owned by the persons listed in Item 6. Directors, Senior Management and Employees Compensation Report are disclosed in Item 7. Major Shareholders and Related-Party Transactions Major Shareholders.

SHARE-BASED COMPENSATION PLANS

Share-Based Compensation

We maintain certain share-based compensation plans. The share-based compensation from these plans result from cash-settled and equity-settled awards issued to employees. For more information on our share-based compensation plans refer to Item 6. Directors, Senior Management and Employees Compensation Report and Note (27) to our Consolidated Financial Statements.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED-PARTY TRANSACTIONS

MAJOR SHAREHOLDERS

The share capital of SAP SE consists of ordinary shares, which are issued only in bearer form. Accordingly, SAP SE generally cannot determine the identity of its shareholders or how many shares a particular shareholder owns. SAP s ordinary shares are traded in the United States by means of ADRs. Each ADR currently represents one SAP SE ordinary share. On March 11, 2016, based on information provided by the Depositary there were 41,751,316 ADRs held of record by 917 registered holders. The ordinary shares underlying such ADRs represented 3.40% of the then-outstanding ordinary shares (including treasury stock). Because SAP s ordinary shares are issued in bearer form only, we are unable to determine the number of ordinary shares directly held by persons with U.S. addresses.

The following table sets forth certain information regarding the beneficial ownership of the ordinary shares to the extent known to SAP as of March 11, 2016 of: (i) each person or group known by SAP SE to own beneficially 5% or more of the outstanding ordinary shares; and (ii) the beneficial ownership of all members of the Supervisory Board and all members of the Executive Board, individually and as a group, in each case as reported to SAP SE by such persons. There was, as far as we are able to tell given the nature of our shares, no significant change in the percentage ownership held by any major shareholder during the past three years. None of the major shareholders have special voting rights.

	Ordinary Shares Beneficially Owned	
Major Shareholders	**Number**	**% of Outstanding**
Dietmar Hopp, collectively[(1)]	65,273,200	5.313%
Hasso Plattner, Chairperson Supervisory Board, collectively[(2)]	90,248,789	7.346%
Joint heirs of Klaus Tschira, collectively [(3)]	88,149,595	7.175%
Executive Board Members as a group (6 persons)	45,309	0.004%
Supervisory Board Members as a group (18 persons)	90,262,818	7.347%
Executive Board Members and Supervisory Board Members as a group (24 persons)[(4)]	90,308,127	7.351%
Options and convertible bonds that are vested and exercisable within 60 days of March 11, 2016, held by Executive Board Members and Supervisory Board Members, collectively	0	NA
BlackRock, Inc.[(5)]	NA	>5%

[1] Represents 65,273,200 ordinary shares beneficially owned by Dietmar Hopp, including 3,404,000 ordinary shares owned by DH Besitzgesellschaft mbH & Co. KG (formerly known as Golf Club St. Leon-Rot GmbH & Co. Betriebs-oHG) of which DH Verwaltungs-GmbH is the general partner and 61,869,200 ordinary shares owned by Dietmar Hopp Stiftung, GmbH. Mr. Hopp exercises voting and dispositive powers of the ordinary shares held by such entities. The foregoing information is based solely on a Schedule 13G filed by Dietmar Hopp and Dietmar Hopp Stiftung, GmbH on February 15, 2016.

(2) Includes HP Vermögensverwaltungs GmbH & Co. KG in which Hasso Plattner exercises sole voting and dispositive power.

(3) Includes Klaus Tschira Stiftung gGmbH and Dr. h. c. Tschira Beteiligungs GmbH & Co. KG in which the joint heirs of Klaus Tschira exercise sole voting and dispositive power.

(4) We believe each of the other members of the Supervisory Board and the Executive Board beneficially owns less than 1% of SAP SE s ordinary shares as of March 11, 2016.

(5) As required under German law, BlackRock, Inc. informed SAP that they own more than 5% of SAP s outstanding ordinary shares. BlackRock, Inc. is not required to provide SAP with the number of shares owned and has not provided such information.

We at present have no knowledge about any arrangements, the operation of which may at a subsequent date result in a change in control of the company.

RELATED-PARTY TRANSACTIONS

For further information on related-party transactions see Note (30) to our Consolidated Financial Statements.

ITEM 8. FINANCIAL INFORMATION

CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

See Item 18. Financial Statements and pages F-1 through F-73.

OTHER FINANCIAL INFORMATION

Legal Proceedings

We are subject to a variety of legal proceedings and claims, either asserted or unasserted, which arise in the ordinary course of business, including claims and lawsuits involving businesses we have acquired.

Refer to Note (23) to our Consolidated Financial Statements for a detailed discussion of our material legal proceedings.

Dividend Policy

For more information on dividend policy see the disclosure in Item 3. Key Information Dividends .

Significant Changes

We are in the process of preparing the consolidation of intellectual property rights from hybris AG to SAP SE. For more information about this transfer, see Note (32).

The Supervisory Board of SAP SE appointed Stefan Ries and Steve Singh to the SAP Executive Board, with effect from April 1, 2016.

Stefan Ries will continue his role as Chief Human Resources Officer and also take on the role of SAP Labor Relations Director. Steve Singh will continue to lead the SAP Business Network Group.

The Global Managing Board will be dissolved on March 31, 2016.

ITEM 9. THE OFFER AND LISTING

GENERAL

Our ordinary shares are officially listed on the Frankfurt Stock Exchange, the Berlin Stock Exchange and the Stuttgart Stock Exchange. The principal trading market for the ordinary shares is Xetra, the electronic dealing platform of Deutsche Boerse AG.

ADRs representing SAP SE ordinary shares are listed on the New York Stock Exchange (NYSE) under the symbol SAP, and currently each ADR represents one ordinary share.

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TRADING ON THE FRANKFURT STOCK EXCHANGE AND THE NYSE

The table below sets forth, for the periods indicated, the high and low closing sales prices for the ordinary shares on the Xetra trading System of the Frankfurt Stock Exchange together with the closing highs and lows of the DAX, and the high and low closing sales prices for the ADRs on the NYSE (information is provided by Reuters):

	Price per Ordinary Share in		DAX[(1)] in points		Price per ADR in US$	
	High	**Low**	**High**	**Low**	**High**	**Low**
Annual Highs and Lows						
2011	45.90	34.26	7,527.64	5,072.33	68.31	48.39
2012	61.43	41.45	7,672.10	5,969.40	81.21	53.25
2013	64.80	52.20	9,589.39	7,459.96	87.14	70.27
2014	62.55	50.90	10,087.12	8,571.95	85.45	64.14
2015	74.85	54.53	12,374.73	9,427.64	80.91	63.37
Quarterly Highs and Lows						
2014						
First Quarter	62.55	54.31	9,742.96	9,017.79	85.45	74.87
Second Quarter	59.15	54.41	10,028.80	9,173.71	81.77	74.21
Third Quarter	61.12	56.53	10,029.43	9,009.32	82.30	72.16
Fourth Quarter	58.73	50.90	10,087.12	8,571.95	71.70	64.14
2015						
First Quarter	67.60	54.53	12,167.72	9,469.66	73.53	63.56
Second Quarter	70.72	62.60	12,374.73	10,944.97	77.27	70.23
Third Quarter	68.77	55.89	11,735.72	9,427.64	74.60	63.37
Fourth Quarter	74.85	57.12	11,382.23	9,509.25	80.91	64.16
Monthly Highs and Lows						
2015						
July	68.77	61.29	11,735.72	10,676.78	74.60	68.26
August	66.79	56.90	11,636.30	9,648.43	73.08	65.47
September	59.83	55.89	10,317.84	9,427.64	67.07	63.37
October	71.88	57.12	10,850.14	9,509.25	78.71	64.16
November	74.85	72.33	11,382.23	10,708.40	80.22	77.96
December	74.75	69.40	11,261.24	10,139.34	80.91	77.21
2016						
January	74.25	70.58	10,310.10	9,391.64	80.36	76.90
February	73.19	64.90	9,757.88	8,752.87	79.70	73.68
March (through March 11, 2016)	71.17	68.62	9,831.13	9,498.15	78.65	76.34

(1) The DAX is a continuously updated, capital-weighted performance index of 30 German blue chip companies. In principle, the shares included in the DAX are selected on the basis of their stock exchange turnover and the issuer s free-float market capitalization. Adjustments to the DAX are made for capital changes, subscription rights and dividends.

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On March 11, 2016, the closing sales price per ordinary share on the Frankfurt Stock Exchange (Xetra Trading System) was 69.97 and the closing sales price per ADR on the NYSE was US $78.65, as reported by Reuters.

ITEM 10. ADDITIONAL INFORMATION

ARTICLES OF INCORPORATION

Organization and Register

SAP SE is a European Company (Societas Europaea, or SE) organized in the Federal Republic of Germany under German and European law, including Council Regulation (EC) No. 2157/2001 on the Statute for a European Company (the SE Regulation), the German Act on the Implementation of Council Regulation No. 2157/2001 of October 8, 2001 on the Statute for a European Company (Gesetz zur Ausführung der Verordnung (EG) Nr. 2157/2001 des Rates vom 8. Oktober 2001 über das Statut der Europäischen Gesellschaft (SE) SE-Ausführungsgesetz; SE-AG) of December 22, 2004, and the German Stock Corporation Act (Aktiengesetz). SAP SE is registered in the Commercial Register (Handelsregister) at the Lower Court of Mannheim, Germany, under the entry number HRB 719915. SAP SE publishes its official notices in the Federal Gazette (www.bundesanzeiger.de).

Objects and Purposes

SAP s Articles of Incorporation state that our objects involve, directly or indirectly, the development, production and marketing of products and the provision of services in the field of information technology, including:

- developing and marketing integrated product and service solutions for e-commerce;
- developing software for information technology and the licensing of its use to others;
- organization and deployment consulting, as well as user training, for e-commerce and other software solutions;
- selling, leasing, renting and arranging the procurement and provision of all other forms of use of information technology systems and related equipment; and
- making capital investments in enterprises active in the field of information technology to promote the opening and advancement of international markets in the field of information technology.

SAP is authorized to act in all the business areas listed above and to delegate such activities to affiliated entities within the meaning of the German Stock Corporation Act; in particular SAP is authorized to delegate its business in whole or in part to such entities. SAP SE is authorized to establish branch offices in Germany and other countries, as well as to form, acquire or invest in other companies of the same or related kind and to enter

into collaboration and joint venture agreements. SAP is further authorized to invest in enterprises of all kinds principally for investment purposes. SAP is authorized to dispose of investments, to consolidate the management of enterprises in which it participates, to enter into affiliation agreements with such entities, or to limit its activities to manage its shareholdings.

CORPORATE GOVERNANCE

Introduction

SAP SE, as a European Company with a two-tier board system, is governed by three separate bodies: the Supervisory Board, the Executive Board and the Annual General Meeting of Shareholders. Their rules are defined by European and German law, by the Agreement on the Involvement of Employees in SAP SE (Employee Involvement Agreement , or EIA), by the German Corporate Governance Code and by SAP s Articles of Incorporation (Satzung) and are summarized below. See Item 16G. Differences in Corporate Governance Practices for additional information on our corporate governance practices.

The Supervisory Board

The Supervisory Board appoints and removes the members of the Executive Board and oversees and advises the management of the corporation. At regular intervals it meets to discuss current business as well as business development and planning. The SAP Executive Board must consult with the Supervisory Board concerning the corporate strategy, which is developed by the Executive Board. Types of transactions for which the Executive Board requires the Supervisory Board s consent are listed in the Articles of Incorporation; in addition, the Supervisory Board has specified further types of transactions that require its consent. Accordingly, the Supervisory Board must also approve the annual budget of SAP upon submission by the Executive Board and certain subsequent deviations from the approved budget. The Supervisory Board is also responsible for representing SAP SE in transactions between SAP SE and Executive Board members.

The Supervisory Board, based on a recommendation by its Audit Committee, provides its proposal for the election of the external independent auditor to the Annual General Meeting of Shareholders. The Supervisory Board is also responsible for monitoring the auditor s independence, a task it has delegated to its audit committee.

Pursuant to Article 40 (3) sentence 1 of the SE Regulation, the number of members of the supervisory board and the rules for determining this number are to be laid down in the articles of incorporation. Furthermore, pursuant to Section 17 (1) SE-AG, the size of supervisory boards of companies which, like SAP SE, have a capital stock exceeding 10,000,000, is limited

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to 21 members. Moreover, the number of members must be divisible by three. In line with these provisions as well as the EIA, the Articles of Incorporation of SAP SE provide that the Supervisory Board shall be composed of 18 members. Furthermore, it is provided in the EIA that the shareholders of SAP SE have the possibility to reduce the size of the Supervisory Board in the future (i.e. at the earliest in the Annual General Meeting of Shareholders in 2018, with effect from the Annual General Meeting of Shareholders in 2019) to 12 members.

The current Supervisory Board of SAP SE consists of eighteen members, of which nine members were elected by SAP SE s shareholders at the Annual General Meeting of Shareholders in 2014, and nine members were appointed by the SAP SE Works Council Europe in 2015. The term of office of all eighteen members will end upon the conclusion of the Annual General Meeting of Shareholders in 2015.

The procedure for the appointment of the employees representatives on the Supervisory Board of SAP SE is governed by the EIA. In accordance with the EIA, the nine seats on the first Supervisory Board reserved for employees representatives were allocated as follows: the first six seats were allocated to Germany, the seventh seat was allocated to France, the eighth seat was also allocated to Germany, and the ninth seat was allocated to a European country not represented by the first eight seats, as determined by the SAP SE Works Council Europe. The employees representatives for the first six seats allocated to Germany were determined by direct vote by all SAP employees with their principal place of employment in Germany. The employees representative for the seventh seat allocated to France was determined according to the applicable provisions of French law on the election or appointment of employees representatives on a supervisory board. With regard to the eighth and ninth seat, members of the SAP SE Works Council Europe from Germany and Slovakia were appointed by the SE Works Council as employees representatives.

Any Supervisory Board member elected by the shareholders at the Annual General Meeting of Shareholders may be removed by three-quarters of the votes cast at the Annual General Meeting of Shareholders. Any Supervisory Board member appointed in accordance with the EIA may be removed by the SAP SE Works Council Europe upon application by the body that nominated the respective employees representative for appointment by the SE Works Council or, in case the employees representative was directly elected, the majority of the employees entitled to vote.

The Supervisory Board elects a chairperson and one or two deputy chairperson(s) among its members by a majority of the votes cast. Only a shareholders

representative may be elected as chairperson of the Supervisory Board. When electing the chairperson of the Supervisory Board, the oldest member in terms of age of the shareholders representatives on the Supervisory Board will chair the meeting and, in the event of a tied vote, will have the casting vote.

Unless otherwise mandatorily prescribed by law or the Articles of Incorporation, resolutions of the Supervisory Board are adopted by simple majority of the votes cast. In the event of a tie, the vote of the chairperson and, in the event that the chairperson does not participate in passing the resolution, the vote of the deputy chairperson, provided that he or she is a shareholders representative, will be decisive (casting vote).

The members of the Supervisory Board cannot be elected or appointed, as the case may be, for a term longer than six years. Other than for the employees representatives on the first Supervisory Board of SAP SE, the term expires at the close of the Annual General Meeting of Shareholders giving its formal approval of the acts of the Supervisory Board for the fourth fiscal year following the year in which the term of office of the Supervisory Board members commenced. Re-election is possible. Our Supervisory Board normally meets four times a year. The compensation of the members of the Supervisory Board is set in the Articles of Incorporation.

As stipulated in the German Corporate Governance Code (GCGC), an adequate number of our Supervisory Board members are independent. To be considered for appointment to the Supervisory Board and for as long as they serve, members must comply with certain criteria concerning independence, conflicts of interest and multiple memberships of management, supervisory and other governing bodies. They must be loyal to SAP in their conduct and must not accept any position in companies that are in competition with SAP. Members are subject to insider trading prohibitions and the respective directors dealing rules of the German Securities Trading Act. A member of the Supervisory Board may not vote on matters relating to certain contractual agreements between such member and SAP SE. Further, as the compensation of the Supervisory Board members is set in the Articles of Incorporation, Supervisory Board members are unable to vote on their own compensation, with the exception that they are able to exercise voting rights in a General Meeting of Shareholders in connection with a resolution amending the Articles of Incorporation.

The Supervisory Board may appoint committees from among its members and may, to the extent permitted by law, entrust such committees with the authority to make decisions on behalf of the Supervisory Board. Currently the Supervisory Board maintains the following committees:

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The Audit Committee

The focus of the Audit Committee (Prüfungsausschuss) is the oversight of SAP s external financial reporting as well as SAP s risk management, internal controls (including internal controls over the effectiveness of the financial reporting process), corporate audit and compliance matters. According to German Law SAP s Audit Committee includes at least one independent member with specialist expertise in the fields of financial reporting or auditing. Among the tasks of the Audit Committee are the discussion of SAP s quarterly and year end financial reporting prepared under German and U.S. regulations, including this report. The Audit Committee proposes the appointment of the external independent auditor to the Supervisory Board, determines focus audit areas, discusses critical accounting policies and estimates with and reviews the audit reports issued and audit issues identified by the auditor. The audit committee also negotiates the audit fees with the auditor and monitors the auditor s independence and quality. SAP s Corporate Audit, SAP s Office of Legal Compliance and Integrity and SAP s Risk Management Office report upon request or at the occurrence of certain findings, but in any case at least once a year (Office of Legal Compliance and Integrity and Risk Management Office) or twice a year (Corporate Audit), directly to the Audit Committee.

The Audit Committee has established procedures regarding the prior approval of all audit and non-audit services provided by our external independent auditor. See Item 16C. Principal Accountant Fees and Services for details.

The Supervisory Board has determined Erhard Schipporeit to be an audit committee financial expert as defined by the regulations of the SEC issued under Section 407 of the Sarbanes-Oxley Act as well as an independent financial expert as defined by the German Stock Corporation Act. See Item 16A. Audit Committee Financial Expert for details. He is also the chairperson of the Audit Committee.

The General and Compensation Committee

The General and Compensation Committee (Präsidial- und Personalausschuss) coordinates the work of the Supervisory Board, prepares its meetings and deals with corporate governance issues. In addition, it carries out the preparatory work necessary for the personnel decisions made by the Supervisory Board, notably those concerning compensation for the Executive Board members and the conclusion, amendment and termination of the Executive Board members contracts of appointment.

The German Stock Corporation Act prohibits the Compensation Committee from deciding on the

compensation of the Executive Board members on behalf of the Supervisory Board and requires that such decision is made by the entire Supervisory Board. This Act also provides the General Meeting of Shareholders with the right to vote on the system for the compensation of Executive Board members, such vote, however, not being legally binding for the Supervisory Board.

The Finance and Investment Committee

The Finance and Investment Committee (Finanz- und Investitionsausschuss) addresses general financing issues. Furthermore, it regularly discusses acquisitions of intellectual property and companies, venture capital investments and other investments with the Executive Board and reports to the Supervisory Board on such investments. It is also responsible for the approval of such investments if the individual investment amount exceeds certain specified limits.

The Technology and Strategy Committee

The Technology and Strategy Committee (Technologie-und Strategieausschuss) monitors technology transactions and provides the Supervisory Board with in-depth technical advice.

The Nomination Committee

The Nomination Committee (Nominierungsausschuss) is exclusively composed of shareholder representatives and is responsible for identifying suitable candidates for membership of the Supervisory Board for recommendation to the Annual General Meeting of Shareholders.

The Special Committee

The Special Committee (Sonderausschuss) deliberates on matters arising out of substantial exceptional risks, such as major litigations.

The People and Organization Committee

The People and Organization Committee (Ausschuss für Mitarbeiter- und Organisationsangelegenheiten) deliberates and advises the Executive and Supervisory Board on key personnel matters and major organizational changes below the Executive Board and Global Managing Board level as well as equal opportunities for women at SAP.

The duties and procedures of the Supervisory Board and its committees are specified in their respective rules of procedure, if any, which reflect the requirements of European and German law, including the SE Regulation and the German Stock Corporation Act, the Articles of Incorporation and the recommendations of the GCGC.

According to the provisions of the Sarbanes-Oxley Act, SAP does not grant loans to the members of the Executive Board or the Supervisory Board.

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The Executive Board

The Executive Board manages the Company s business, is responsible for preparing its strategy and represents it in dealings with third parties. The Executive Board reports regularly to the Supervisory Board about SAP operations and business strategies and prepares special reports upon request. A person may not serve on the Executive Board and on the Supervisory Board at the same time.

The Executive Board and the Supervisory Board cooperate closely for the benefit of the Company. The Executive Board is required to provide the Supervisory Board regular, prompt and comprehensive information about all of the essential issues affecting the SAP Group s business progress and its potential business risks. Furthermore, the Executive Board must maintain regular contact with the chairperson of the Supervisory Board and vice versa. The Executive Board must inform the chairperson of the Supervisory Board promptly about exceptional events that are of significance to SAP s business. The Supervisory Board chairperson must inform the Supervisory Board accordingly and shall, if required, convene an extraordinary meeting of the Supervisory Board.

Pursuant to the Articles of Incorporation, the Executive Board must consist of at least two members. SAP SE s Executive Board is currently comprised of six members. Any two members of the Executive Board jointly or one member of the Executive Board and the holder of a special power of attorney (Prokurist) jointly may legally represent SAP SE. The Supervisory Board appoints each member of the Executive Board for a maximum term of five years, with the possibility of re-appointment. Under certain circumstances, a member of the Executive Board may be removed by the Supervisory Board prior to the expiration of that member s term. A member of the Executive Board may not vote on matters relating to certain contractual agreements between such member and SAP SE, and may be liable to SAP SE if such member has a material interest in any contractual agreement between SAP and a third party which was not previously disclosed to and approved by the Supervisory Board. Further, as the compensation of the Executive Board members is set by the Supervisory Board, Executive Board members are unable to vote on their own compensation, with the exception that they are able to exercise voting rights in a General Meeting of Shareholders resolving a non-binding vote on the system for the compensation of Executive Board members.

Under German law SAP SE s Supervisory Board members and Executive Board members have a duty of loyalty and care towards SAP SE. They must exercise the standard of care of a prudent and diligent businessman and bear the burden of proving they did so if their actions

are contested. Both bodies must consider the interest of SAP SE shareholders and our employees and, to some extent, the common good. Those who violate their duties may be held jointly and severally liable for any resulting damages, unless they acted pursuant to a lawful resolution of the Annual General Meeting of Shareholders.

SAP has implemented a Code of Business Conduct for employees (see Item 16B. Code of Ethics for details). The employee code is equally applicable to managers and members of the Executive Board. Its rules are observed as well by members of the Supervisory board as applicable.

Under German law the Executive Board of SAP SE has to assess all major risks for the SAP Group. In addition, all measures taken by management to reduce and handle the risks have to be documented. Therefore, SAP s management has adopted suitable measures such as implementing an enterprise-wide risk monitoring system to ensure that adverse developments endangering the corporate standing are recognized at a reasonably early point in time.

The Office of Legal Compliance and Integrity was created by the SAP Executive Board in 2006 to oversee and coordinate legal and regulatory policy compliance at SAP. The Chief Global Compliance Officer heading the Office of Legal Compliance and Integrity directly reports to the CFO of SAP SE and also has direct communication channels and reporting obligations to the Audit Committee of the Supervisory Board. The Office of Legal Compliance and Integrity manages a network of more than 100 local subsidiary Compliance Officers who act as the point of contact for local questions or issues under the SAP Code of Business Conduct for employees. The Office of Legal Compliance and Integrity provides training and communication to SAP employees to raise awareness and understanding of legal and regulatory compliance policies. Employee help lines are also supported in each region where questions can be raised or questionable conduct can be reported without fear of retaliation.

The Global Managing Board

In May 2012, SAP created a Global Managing Board in addition to the SAP Executive Board, which retains ultimate responsibility for overseeing and deciding on the activities of the company. The Global Managing Board allows SAP to appoint a broader range of global leaders to help steer the organization. The Global Managing Board has advisory and decision-supporting functions for the Executive Board and comprises all Executive Board members as well as Helen Arnold, Quentin Clark, Stefan Ries and Steve Singh.

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The Annual General Meeting of Shareholders

Shareholders of the Company exercise their voting rights at shareholders meetings. The Executive Board calls the Annual General Meeting of Shareholders, which must take place within the first six months of each fiscal year. The Supervisory Board or the Executive Board may call an extraordinary meeting of the shareholders if the interests of the stock corporation so require. Additionally, shareholders of SAP SE holding in the aggregate a minimum of 5% of SAP SE s issued share capital may call an extraordinary meeting of the shareholders. Shareholders as of the record date are entitled to attend and participate in shareholders meetings if they have provided timely notice of their intention to attend the meeting.

At the Annual General Meeting of Shareholders, the shareholders are asked, among other things, to formally approve the actions taken by the Executive Board and the Supervisory Board in the preceding fiscal year, to approve the appropriation of the corporation s distributable profits and to appoint an external independent auditor. Shareholder representatives of the Supervisory Board are generally elected at the Annual General Meeting of Shareholders for a term of approximately five years. Shareholders may also be asked to grant authorization to repurchase treasury shares, to resolve on measures to raise or reduce the capital of the Company or to ratify amendments of our Articles of Incorporation. The Annual General Meeting of Shareholders can make management decisions only if requested to do so by the Executive Board.

CHANGE IN CONTROL

There are no provisions in the Articles of Incorporation of SAP SE that would have an effect of delaying, deferring or preventing a change in control of SAP SE and that would only operate with respect to a merger, acquisition or corporate restructuring involving it or any of its subsidiaries.

According to the German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz) a bidder seeking control of a company with its corporate seat in Germany or another state of the European Economic Area (EEA) and its shares being traded on an EEA stock exchange must publish an advance notice of its decision to make a tender offer, submit an offer statement to the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) for review, and obtain certification from a qualified financial institution that adequate financing is in place to complete the offer. The offer statement must be published upon approval by the Federal Financial Supervisory Authority or expiry of a certain time period without such publication being prohibited by the Federal Financial Supervisory

Authority. Once a shareholder has acquired shares representing at least 30% of the voting rights in an EEA-listed company, it must make an offer for all remaining shares. The Securities Acquisition and Takeover Act requires the executive board of the target company to refrain from taking any measures that may frustrate the success of the takeover offer. However, the target executive board is permitted to take any action that a prudent and diligent management of a company that is not the target of a takeover bid would also take. Moreover, the target executive board may search for other bidders and, with the prior approval of the supervisory board, may take other defensive measures, provided that both boards act within the parameters of their general authority under the German Stock Corporation Act. An executive board may also adopt specific defensive measures if such measures have been approved by the supervisory board and were specifically authorized by the general shareholders meeting no earlier than 18 months in advance of such measures by a resolution of at least 75% of the shares represented.

Under the European Takeover Directive of 2004 member states had to choose whether EU restrictions on defensive measures apply to companies that are registered in their territory. Germany decided to opt out and to retain its current restrictions on a board implementing defensive measures (as described above). As required by the Directive if a country decides to opt out the German Securities Acquisition and Takeover Act grants companies the option of voluntarily applying the European standard by a change of the Articles of Incorporation (opt-in). SAP SE has not made use of this option.

CHANGE IN SHARE CAPITAL

Under German law, the capital stock may be increased in consideration of contributions in cash or in kind, or by establishing authorized capital or contingent capital or by an increase of the company s capital reserves. Authorized capital provides the Executive Board with the flexibility to issue new shares for a period of up to five years. The Executive Board must obtain the approval of the Supervisory Board before issuing new shares with regard to the authorized capital. Contingent capital allows the issuance of new shares for specified purposes, including stock option plans for Executive Board members or employees and the issuance of shares upon conversion of convertible bonds and exercise of stock options. By law, the Executive Board may only issue new shares with regard to the contingent capital for the specified purposes. Capital increases require an approval by at least 75% of the valid votes cast at the General Meeting of Shareholders in which the increase is proposed, and requires an amendment to the Articles of Incorporation.

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The share capital may be reduced by an amendment to the Articles of Incorporation approved by at least 75% of the valid votes cast at the General Meeting of Shareholders. In addition, the Executive Board of SAP SE is allowed to authorize a reduction of the company s capital stock by canceling a defined number of repurchased treasury shares if this repurchasing and the subsequent reduction have already been approved by the General Meeting of Shareholders.

The Articles of Incorporation do not contain conditions regarding changes in the share capital that are more stringent than those provided by applicable European and German law.

RIGHTS ACCOMPANYING OUR SHARES

There are no limitations imposed by German law or the Articles of Incorporation of SAP SE on the rights to own securities, including the rights of non-residents or foreign holders to hold the ADRs or ordinary shares, to exercise voting rights or to receive dividends or other payments on such shares.

According to the German stock corporation law, the rights of shareholders cannot be amended without shareholders consent. The Articles of Incorporation do not provide more stringent conditions regarding changes of the rights of shareholders than those provided by applicable European and German law.

Voting Rights

Each ordinary SAP SE share represents one vote. Cumulative voting is not permitted under applicable European and German law. A corporation s articles of incorporation may stipulate a majority necessary to pass a shareholders resolution differing from the majority provided by law, unless the law mandatorily requires a certain majority. Section 21 (1) of SAP SE s Articles of Incorporation provides that resolutions may be passed at the General Meeting of Shareholders with a majority of valid votes cast, unless a larger majority is prescribed by law or the Articles of Incorporation. SAP SE s Articles of Incorporation as well as applicable European and German law require that the following matters, among others, be approved by at least 75% of the valid votes cast at the General Meeting of Shareholders in which the matter is proposed:

- changing the corporate purpose of the company set out in the Articles of Incorporation;
- capital increases and capital decreases;
- excluding preemptive rights of shareholders to subscribe for new shares or for treasury shares;
- dissolution;
- a merger into, or a consolidation with, another company;
- a transfer of all or virtually all of the assets;
- a change of corporate form, including re-conversion into a German stock corporation;
- a transfer of the registered seat to another EU member state; and
- any other amendment to the Articles of Incorporation (pursuant to section 21 (2) sentence 1 of the Articles of Incorporation). For any amendments of the Articles of Incorporation which require a simple majority for stock corporations established under German law, however, section 21 (2) sentence 2 of SAP SE s Articles of Incorporation provides that the simple majority of the valid votes cast is sufficient if at least half of the subscribed capital is represented or, in the absence of such quorum, the majority prescribed by law (i.e. two thirds of the votes cast, pursuant to sec. 59 of the SE Regulation) is sufficient.

Dividend Rights

See Item 3. Key Information Dividends.

Preemptive Rights

Shareholders have preemptive rights to subscribe (Bezugsrecht) for any issue of additional shares in proportion to their shareholdings in the issued capital. The preemptive rights may be excluded under certain circumstances by a shareholders resolution (approved by at least 75% of the valid votes cast at the General Meeting of Shareholders) or by the Executive Board authorized by such shareholders resolutions and subject to the consent of the Supervisory Board.

Liquidation

If SAP SE were to be liquidated, any liquidation proceeds remaining after all of our liabilities were paid would be distributed to our shareholders in proportion to their shareholdings.

Disclosure of Shareholdings

SAP SE s Articles of Incorporation do not require shareholders to disclose their share holdings. The German Securities Trading Act (Wertpapierhandelsgesetz), however, requires holders of voting securities of SAP SE to notify SAP SE and the Federal Financial Supervisory Authority of the number of shares they hold if that number reaches, exceeds or falls below specified thresholds. These thresholds are 3%, 5%, 10%, 15%, 20%, 25%, 30%, 50% and 75% of the corporation s outstanding voting rights. In respect of certificates representing shares, the notification requirement shall apply exclusively to the holder of the certificates. In addition, the German Securities Trading Act also obliges anyone who holds, directly or indirectly, financial instruments that convey an unconditional entitlement to acquire under a legally binding agreement, shares in SAP SE, to notify SAP SE and the Federal Financial Supervisory Authority if the thresholds mentioned above have been reached, exceeded or fallen

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below, with the exception of the 3% threshold. This notification obligation also exists for the holder of a financial instrument which merely de facto enables its holder or a third party to acquire shares in SAP SE, subject to the thresholds mentioned in the preceding sentence. In connection with this notification obligation positions in voting rights and other financial instruments have to be aggregated.

Exchange Controls and Other Limitations Affecting Security Holders

The euro is a fully convertible currency. At the present time, Germany does not restrict the export or import of capital, except for investments in certain areas in accordance with applicable resolutions adopted by the United Nations and the European Union. However, for statistical purposes only, every individual or corporation residing in Germany (Resident) must report to the German Central Bank (Deutsche Bundesbank), subject only to certain immaterial exceptions, any payment received from or made to an individual or a corporation residing outside of Germany (Non-Resident) if such payment exceeds 12,500 (or the equivalent in a foreign currency). In addition, German Residents (except for individuals and certain financial institutions) must report any accounts payable to or receivable from Non-Residents if such payables or receivables, in the aggregate, exceed 5 million (or the equivalent in a foreign currency) at the end of any calendar month. Furthermore, companies resident in Germany with accounts payable to or receivable from Non-Residents in excess of 500 million have to report any payables or receivables to/from Non-Residents arising from derivative instruments at the end of each calendar quarter. Residents are also required to report annually to the German Central Bank any shares or voting rights of 10% or more which they hold directly or indirectly in non-resident corporations with total assets of more than 3 million. Corporations residing in Germany with assets in excess of 3 million must report annually to the German Central Bank any shares or voting rights of 10% or more held directly or indirectly by a Non-Resident.

TAXATION

General

The following discussion is a summary of certain material German tax and U.S. federal income tax consequences of the acquisition, ownership and disposition of our ADRs or ordinary shares to a U.S. Holder. In general, a U.S. Holder (as hereinafter defined) is any beneficial owner of our ADRs or ordinary shares that (i) is a citizen or resident of the U.S. or a corporation organized under the laws of the U.S. or any political subdivision thereof, an estate whose income is subject to U.S. federal income tax regardless of its source or a trust, if a U.S. court can exercise primary supervision over its administration and one or more U.S. persons are authorized to control all substantial

decisions of the trust; (ii) is not a resident of Germany for purposes of the income tax treaty between the U.S. and Germany (Convention between the Federal Republic of Germany and the United States of America for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and Capital and to certain other Taxes, as amended by the Protocol of June 1, 2006 and as published in the German Federal Law Gazette 2008 vol. II pp. 611/851; the Treaty); (iii) owns the ADRs or ordinary shares as capital assets; (iv) does not hold the ADRs or ordinary shares as part of the business property of a permanent establishment or a fixed base in Germany; and (v) is fully entitled to the benefits under the Treaty with respect to income and gain derived in connection with the ADRs or ordinary shares.

THE FOLLOWING IS NOT A COMPREHENSIVE DISCUSSION OF ALL GERMAN TAX AND U.S. FEDERAL INCOME TAX CONSEQUENCES THAT MAY BE RELEVANT FOR U.S. HOLDERS OF OUR ADRs OR ORDINARY SHARES. THEREFORE, U.S. HOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE OVERALL GERMAN TAX AND U.S. FEDERAL INCOME TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OUR ADRs OR ORDINARY SHARES IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE EFFECT OF ANY STATE, LOCAL OR OTHER FOREIGN OR DOMESTIC LAWS.

German Taxation

The summary set out below is based on German tax laws, interpretations thereof and applicable tax treaties to which Germany is a party and that are in force at the date of this report; it is subject to any changes in such authority occurring after that date, potentially with retroactive effect, that could result in German tax consequences different from those discussed below. This discussion is also based, in part, on representations of the Depositary and assumes that each obligation of the Deposit Agreement and any related agreements will be performed in accordance with its terms. For additional information on the Depository and the fees associated with SAP s ADR program see Item 12. Description of Securities Other Than Equity Securities American Depository Shares.

For purposes of applying German tax law and the applicable tax treaties to which Germany is a party, a holder of ADRs will generally be treated as owning the ordinary shares represented thereby.

German Taxation of Dividends

Under German income tax law, the full amount of dividends distributed by an incorporated company is generally subject to German withholding tax at a domestic rate of 25% plus a solidarity surtax of 5.5% thereon (effectively 1.375% of dividends before withholding tax), resulting in an aggregate withholding tax rate from dividends of 26.375%. Non-resident corporate shareholders will generally be entitled to a refund in the amount of two-fifths of the withholding tax (including solidarity surtax). This does not preclude a further reduction or refund of withholding tax, if any, available under a relevant tax treaty.

Generally, for many non-resident shareholders the withholding tax rate is currently reduced under applicable income tax treaties. Rates and refund procedures may vary according to the applicable treaty. To reduce the withholding tax to the applicable treaty tax rate a non-resident shareholder must apply for a refund of withholding taxes paid. Claims for refund, if any, are made on a special German claim for refund form, which must be filed with the German Federal Tax Office (Bundeszentralamt für Steuern, D-53221 Bonn, Germany; http://www.bzst.de). The relevant forms can be obtained from the German Federal Tax Office or from German embassies and consulates. For details, such non-resident shareholders are urged to consult their own tax advisors. Special rules apply for the refund to U.S. Holders (we refer to the below section Refund Procedures for U.S. Holders).

Refund Procedures for U.S. Holders

Under the Treaty, a partial refund of the 25% withholding tax equal to 10% of the gross amount of the dividend and a full refund of the solidarity surtax can be obtained by a U.S. Holder. Thus, for each US$100 of gross dividends paid by SAP SE to a U.S. Holder, the dividends (which are dependent on the euro/dollar exchange rate at the time of payment) will be initially subject to a German withholding tax of US$26.375, of which US$11.375 may be refunded under the Treaty. As a result, a U.S. Holder effectively would receive a total dividend of US$85 (provided the euro/dollar exchange rate at the time of payment of the dividend is the same as at the time of refund, otherwise the effective dividend may be higher or lower). Further relief of German withholding tax under the Treaty may be available for corporate U.S. Holders owning at least 10% of the voting stock of SAP or U.S. Holders qualifying as pension fund within the meaning of the Treaty, subject to further requirements being met.

To claim the refund of amounts withheld in excess of the Treaty rate, a U.S. Holder must submit (either directly or, as described below, through the Data Medium Procedure participant) a claim for refund to the German tax authorities, with, in the case of a direct claim, the original bank voucher (or certified copy thereof) issued by the paying entity documenting the tax withheld, within four years from the end of the calendar year in which the dividend is received. Claims for refund are made on a

special German claim for refund form, which must be filed with the German Federal Tax Office (Bundeszentralamt für Steuern, D-53221 Bonn, Germany). The German claim for refund form may be obtained from the German tax authorities at the same address where applications are filed, from the Embassy of the Federal Republic of Germany, 4645 Reservoir Road NW, Washington, DC 20007, or can be downloaded from the homepage of the German Federal Tax Office (http://www.bzst.de).

U.S. Holders must also submit to the German tax authorities a certification of their U.S. residency status (IRS Form 6166). This certification can be obtained from the Internal Revenue Service by filing a request for certification (generally on an IRS Form 8802, which will not be processed unless a user fee is paid) with the Internal Revenue Service, P.O. Box 71052, Philadelphia, PA 19176-6052. U.S. Holders should consult their own tax advisors regarding how to obtain an IRS Form 6166.

An IT-supported quick-refund procedure is available for dividends received (the Data Medium Procedure DMP). If the U.S. Holder s bank or broker elects to participate in the DMP, it will perform administrative functions necessary to claim the Treaty refund for the beneficiaries. The refund beneficiaries must confirm to the DMP participant that they meet the conditions of the Treaty provisions and that they authorize the DMP participant to file applications and receive notices and payments on their behalf. Further each refund beneficiary must confirm that (i) it is the beneficial owner of the dividends received; (ii) it is resident in the U.S. in the meaning of the Treaty; (iii) it does not have its domicile, residence or place of management in Germany; (iv) the dividends received do not form part of a permanent establishment or fixed base in Germany; and (v) it commits, due to its participation in the DMP, not to claim separately for refund.

The beneficiaries also must provide an IRS Form 6166 certification with the DMP participant. The DMP participant is required to keep these documents in its files and prepare and file a combined claim for refund with the German tax authorities by electronic media. The combined claim provides evidence of a U.S. Holder s personal data including its U.S. Tax Identification Number.

The German tax authorities reserve the right to audit the entitlement to tax refunds for several years following their payment pursuant to the Treaty in individual cases. The DMP participant must assist with the audit by providing the necessary details or by forwarding the queries to the respective refund beneficiaries.

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The German tax authorities will issue refunds denominated in euros. In the case of shares held through banks or brokers participating in the Depository, the refunds will be issued to the Depository, which will convert the refunds to dollars. The resulting amounts will be paid to banks or brokers for the account of the U.S. Holders.

German Taxation of Capital Gains

Under German income tax law, a capital gain derived from the sale or other disposition of ADRs or ordinary shares by a non-resident shareholder is subject to income tax in Germany only if such non-resident shareholder has held, directly or indirectly, ADRs or ordinary shares representing 1% or more of the registered share capital of a company at any time during the five-year period immediately preceding the sale or other disposition.

However, a U.S. Holder of ADRs or ordinary shares that qualifies for benefits under the Treaty is not subject to German income or corporate income tax on the capital gain derived from the sale or other disposition of ADRs or ordinary shares.

German Gift and Inheritance Tax

Generally, a transfer of ADRs or ordinary shares by a shareholder at death or by way of gift will be subject to German gift or inheritance tax, respectively, if (i) the decedent or donor, or the heir, donee or other transferee is resident in Germany at the time of the transfer, or with respect to German citizens who are not resident in Germany, if the decedent or donor, or the heir, donee or other transferee has not been continuously outside of Germany for a period of more than five years; (ii) the ADRs or ordinary shares are part of the business property of a permanent establishment or a fixed base in Germany; or (iii) the ADRs or ordinary shares subject to such transfer form part of a portfolio that represents 10% or more of the registered share capital of the Company and has been held, directly or indirectly, by the decedent or donor, respectively, at the time of the transfer, actually or constructively together with related parties.

However, the right of the German government to impose gift or inheritance tax on a non-resident shareholder may be limited by an applicable estate tax treaty. In the case of a U.S. Holder, a transfer of ADRs or ordinary shares by a U.S. Holder at death or by way of gift generally will not be subject to German gift or inheritance tax by reason of the estate tax treaty between the U.S. and Germany (Convention between the Federal Republic of Germany and the United States of America for the Avoidance of Double Taxation with respect to Estate, Gift and Inheritance Taxes, German Federal Law Gazette 1982 vol. II page 846, as amended by the Protocol of

December 14, 1998 and as published on December 21, 2000, German Federal Law Gazette 2001 vol. II, page 65; the Estate Tax Treaty) so long as the decedent or donor, or the heir, donee or other transferee was not domiciled in Germany for purposes of the Estate Tax Treaty at the time the gift was made, or at the time of the decedent s death, and the ADRs or ordinary shares were not held in connection with a permanent establishment or a fixed base in Germany. In general, the Estate Tax Treaty provides a credit against the U.S. federal gift or estate tax liability for the amount of gift or inheritance tax paid in Germany, subject to certain limitations, in a case where the ADRs or ordinary shares are subject to German gift or inheritance tax and U.S. federal gift or estate tax.

Other German Taxes

There are currently no German net worth, transfer, stamp or other similar taxes that would apply to a U.S. Holder on the acquisition, ownership, sale or other disposition of our ADRs or ordinary shares.

U.S. Taxation

The following discussion applies to U.S. Holders only if the ADRs and ordinary shares are held as capital assets for tax purposes. It does not address tax considerations applicable to U.S. Holders that may be subject to special tax rules, such as dealers or traders in securities, financial institutions, insurance companies, tax-exempt entities, regulated investment companies, U.S. Holders that hold ordinary shares or ADRs as a part of a straddle, conversion transaction or other arrangement involving more than one position, U.S. Holders that own (or are deemed for U.S. tax purposes to own) 10% or more of the total combined voting power of all classes of voting stock of SAP SE, U.S. Holders that have a principal place of business or tax home outside the United States or U.S. Holders whose functional currency is not the dollar and U.S. Holders that hold ADRs or ordinary shares through partnerships or other pass-through entities.

The summary set out below is based upon the U.S. Internal Revenue Code of 1986, as amended (the Code), the Treaty and regulations, rulings and judicial decisions thereunder at the date of this report. Any such authority may be repealed, revoked or modified, potentially with retroactive effect, so as to result in U.S. federal income tax consequences different from those discussed below. No assurance can be given that the conclusions set out below would be sustained by a court if challenged by the IRS. The discussion below is based, in part, on representations of the Depositary, and assumes that each obligation in the Deposit Agreement and any related agreements will be performed in accordance with its terms.

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For U.S. federal income tax purposes, a U.S. Holder of ADRs will be considered to own the ordinary shares represented thereby. Accordingly, unless the context otherwise requires, all references in this section to ordinary shares are deemed to refer likewise to ADRs representing an ownership interest in ordinary shares.

U.S. Taxation of Dividends

Subject to the discussion below under Passive Foreign Investment Company Considerations , distributions made by SAP SE with respect to ordinary shares (other than distributions in liquidation and certain distributions in redemption of stock), including the amount of German tax deemed to have been withheld in respect of such distributions, will generally be taxed to U.S. Holders as ordinary dividend income.

As discussed above, a U.S. Holder may obtain a refund of German withholding tax under the Treaty to the extent that the German withholding tax exceeds 15% of the dividend distributed. Thus, for each US$100 of gross dividends paid by SAP SE to a U.S. Holder, the dividends (which are dependent on the euro/dollar exchange rate at the time of payment) will be initially subject to German withholding tax of US$25 plus US$1.375 solidarity surtax, and the U.S. Holder will receive US$73.625. A U.S. Holder who obtains the Treaty refund will receive from the German tax authorities an additional amount in euro that would be equal to US$11.375. For U.S. tax purposes, such U.S. Holder will be considered to have received a total distribution of US$100, which will be deemed to have been subject to German withholding tax of US$15 (15% of US$100) resulting in the net receipt of US$85 (provided the euro/dollar exchange rate at the time of payment of the dividend is the same as at the time of refund, otherwise the effective dividend may be higher or lower).

In the case of a distribution in euro, the amount of the distribution generally will equal the dollar value of the euro distributed (determined by reference to the spot currency exchange rate on the date of receipt of the distribution, or receipt by the Depositary in the case of a distribution on ADRs), regardless of whether the holder in fact converts the euro into dollars, and the U.S. Holder will not realize any separate foreign currency gain or loss (except to the extent that such gain or loss arises on the actual disposition of foreign currency received). However, a U.S. Holder may be required to recognize foreign currency gain or loss on the receipt of a refund in respect of German withholding tax to the extent the U.S. dollar value of the refund differs from the U.S. dollar equivalent of that amount on the date of receipt of the underlying dividend.

Dividends paid by SAP SE generally will constitute portfolio income for purposes of the limitations on the

use of passive activity losses (and, therefore, generally may not be offset by passive activity losses) and as investment income for purposes of the limitation on the deduction of investment interest expense. Dividends paid by SAP SE will not be eligible for the dividends received deduction generally allowed to U.S. corporations under Section 243 of the Code. Dividends paid by SAP SE to an individual are treated as qualified dividends subject to capital gains rates, i.e. at a maximum rate of 20%, if SAP SE was not in the prior year and, is not in the year in which the dividend is paid, a passive foreign investment company (PFIC). Based on our audited financial statements and relevant market and shareholder data, we believe that we were not treated as a PFIC for U.S. federal income taxes with respect to our 2015 tax year. In addition, based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we do not anticipate becoming a PFIC for the 2016 tax year. With the enactment of The Health Care and Education Reconciliation Act of 2010, certain US holders who are individuals, trusts, or estates, must pay a Medicare tax at a rate of 3.8% on the lesser of (i) net investment income such as dividends and (ii) the excess of modified adjusted gross income over the statutory thresholds.

U.S. Taxation of Capital Gains

In general, assuming that SAP SE at no time is a PFIC, upon a sale or exchange of ordinary shares to a person other than SAP SE, a U.S. Holder will recognize gain or loss in an amount equal to the difference between the amount realized on the sale or exchange and the U.S. Holder s adjusted tax basis in the ordinary shares. Such gain or loss will be a capital gain or loss and will be considered a long-term capital gain (taxable at a reduced rate for individuals) if the ordinary shares were held for more than one year. Capital gains may also be subject to the Medicare tax at a rate of 3.8%. The deductibility of capital losses is subject to significant limitations. Upon a sale of ordinary shares to SAP SE, a U.S. Holder may recognize a capital gain or loss or, alternatively, may be considered to have received a distribution with respect to the ordinary shares, in each case depending upon the application to such sale of the rules of Section 302 of the Code.

Deposit and withdrawal of ordinary shares in exchange for ADRs by a U.S. Holder will not result in its realization of gain or loss for U.S. federal income tax purposes.

U.S. Information Reporting and Backup Withholding

Dividend payments made to holders and proceeds paid from the sale of shares or ADRs are subject to information reporting to the Internal Revenue Service and will be subject to backup withholding taxes

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(currently imposed at a 28% rate) unless the holder (i) is a corporation or other exempt recipient or (ii) provides a taxpayer identification number on a properly completed IRS Form W-9 and certifies that no loss of exemption from backup withholding has occurred. Holders that are not U.S. persons are not subject to information reporting or backup withholding. However, such a holder may be required to provide a certification of its non-U.S. status in connection with payments received within the United States or through a U.S.-related financial intermediary.

Backup withholding is not an additional tax and any amounts withheld as backup withholding may be credited against a holder s U.S. federal income tax liability. A holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing the appropriate claim for refund with the Internal Revenue Service and furnishing any required information.

Shareholders may be subject to other U.S. information reporting requirements and should consult their own tax advisors for application of these reporting requirements to their own facts and circumstances.

U.S. Foreign Tax Credit

In general, in computing its U.S. federal income tax liability, a U.S. Holder may elect for each taxable year to claim a deduction or, subject to the limitations on foreign tax credits generally, a credit for foreign income taxes paid or accrued by it. For U.S. foreign tax credit purposes, subject to the applicable limitations under the foreign tax credit rules, German tax withheld from dividends paid to a U.S. Holder, up to the 15% provided under the Treaty, will be eligible for credit against the U.S. Holder s federal income tax liability or, if the U.S. Holder has elected to deduct such taxes, may be deducted in computing taxable income.

For U.S. foreign tax credit purposes, dividends paid by SAP SE generally will be treated as foreign-source income and as passive category income (or in the case of certain holders, as general category income). Gains or losses realized by a U.S. Holder on the sale or exchange of ordinary shares generally will be treated as U.S.-source gain or loss.

Passive Foreign Investment Company Considerations

Special and adverse U.S. tax rules apply to a U.S. Holder that holds an interest in a passive foreign investment company (PFIC). Based on current projections concerning the composition of SAP SE s income and assets, SAP SE does not believe that it will be treated as a PFIC for its current or future taxable years. However,

because this conclusion is based on our current projections and expectations as to its future business activity, SAP SE can provide no assurance that it will not be treated as a PFIC in respect of its current or any future taxable years.

MATERIAL CONTRACTS

Concur Technologies, Inc.

Pursuant to the Agreement and Plan of Merger dated as of September 18, 2014 by and among Concur Technologies, Inc., SAP America, Inc. and Congress Acquisition Corp., on December 4, 2014 SAP America acquired Concur, the leader in the multi-billion travel and expense management software industry, for US$129.00 per share which represents an enterprise value of approximately US$8.3 billion. The transaction was funded primarily from a EUR 7.0 billion credit facility.

See Item 5. Operating and Financial Review and Prospects Liquidity and Capital Disclosures , for information on our credit facilities.

DOCUMENTS ON DISPLAY

We are subject to the informational requirements of the Securities Exchange Act of 1934, as amended. In accordance with these requirements, we file reports and furnish other information as a foreign private issuer with the SEC. These materials, including this report and the exhibits thereto, may be inspected and copied at the SEC s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The SEC also maintains a Web site at www.sec.gov that contains reports and other information regarding registrants that file electronically with the SEC. This report as well as some of the other information submitted by us to the SEC may be accessed through this Web site. In addition, information about us is available at our Web site: www.sap.com.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to various financial risks, such as market risks, including changes in foreign currency exchange rates, interest rates and equity prices, as well as credit risk and liquidity risk. We manage these risks on a Group-wide basis. Selected derivatives are exclusively used for this purpose and not for speculation, which is defined as entering into derivative instruments without a corresponding underlying transaction. Financial risk management is done centrally. See Notes (24), (25) and (26) to our Consolidated Financial Statements for our quantitative and qualitative disclosures about market risk.

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ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

AMERICAN DEPOSITARY SHARES

Fees and Charges Payable by ADR Holders

Deutsche Bank Trust Company Americas is the Depositary for SAP SE s ADR program. ADR holders may be required to pay the following charges:

- taxes and other governmental charges;
- registration fees as may be in effect from time to time for the registration of transfers of SAP ordinary shares on any applicable register to the Depositary or its nominee or the custodian or its nominee in connection with deposits or withdrawals under the Deposit Agreement;
- applicable air courier, cable, telex and facsimile expenses of the Depositary;
- expenses incurred by the Depositary in the conversion of foreign currency;
- US $5.00 or less per 100 ADSs (or portion thereof) to the Depositary for the execution and delivery of ADRs (including in connection with the depositing of SAP ordinary shares or the exercising of rights) and the surrender of ADRs as well as for the distribution of other securities;
- a maximum aggregate service fee of US $3.00 per 100 ADSs (or portion thereof) per calendar year to the Depositary for the services performed by the Depositary in administering the ADR program, including for processing any cash dividends and other cash distributions; and
- US $5.00 or less per 100 ADSs (or portion thereof) to the Depositary for distribution of securities other than SAP ordinary shares or rights.

These fees may at any time and from time to time be changed by agreement between SAP SE and the Depositary. These charges are described more fully in Section 5.9 of the Amended and Restated Deposit Agreement dated as of November 25, 2009, as amended by Amendment No. 1 dated as of March 18, 2016 and as may be further amended from time to time, incorporated by reference as Exhibits 4.1.1 and 4.1.2 to this report.

Applicable service fees are either deducted from any cash dividends or other cash distributions or charged separately to holders in a manner determined by the Depositary, depending on whether ADSs are registered in the name of investors (whether certificated or in book-entry form) or held in brokerage and custodian accounts (via DTC). In the case of distributions of securities other

than SAP ordinary shares or rights, the Depositary charges the applicable ADS record date holder concurrent with the distribution. In the case of ADSs registered in the name of the investor, whether certificated or in book entry form, the Depositary sends invoices to the applicable record date ADS holders. For ADSs held in brokerage and custodian accounts via DTC, the Depositary may, if permitted by the settlement systems provided by DTC, collect the fees through those settlement systems from the brokers and custodians holding ADSs in their DTC accounts. The brokers and custodians who hold their clients ADSs in DTC accounts in such case may in turn charge their clients accounts the amount of the service fees paid to the Depositary.

In the event of a refusal to pay applicable fees, the Depositary may refuse the requested services until payment is received or may set off the amount of the service from any distribution to be made to the ADR holder, all in accordance with the Deposit Agreement.

If any taxes or other governmental charges are payable by the holders and/or beneficial owners of ADSs to the Depositary, the Depositary, the custodian or SAP may withhold or deduct from any distributions made in respect of the deposited SAP ordinary share and may sell for the account of the holder and/or beneficial owner any or all of the deposited ordinary shares and apply such distributions and sale proceeds in payment of such taxes (including applicable interest and penalties) or charges, with the holder and the beneficial owner thereof remaining fully liable for any deficiency.

Fees and Other Payments Payable by the Depositary to SAP

In connection with the ADR program, the Depositary has agreed to make certain payments to SAP and waive certain costs of providing ADR administrative and reporting services, including reporting of ADR program activity, distribution of information to investors, managing the ADR program, including ADR processing activities and corporate actions, ADR broker desk services and ADR investor relations services, including production of investor targeting, peer analysis, shareholder identification reports and market perception studies. For the period beginning November 25, 2014 and ending November 24, 2015, the Depositary has made direct and indirect payments to SAP in an aggregate amount of US $1,287,940.78 related to the ADR program. In 2015, the Depositary agreed to reimburse up to US $25,000 in legal fees associated with the cost of renewal of the ADR program.

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PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are controls and other procedures of SAP that are designed to ensure that information required to be disclosed by SAP in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by SAP in the reports that it files or submits under the Exchange Act is accumulated and communicated to SAP management, including SAP s principal executive and financial officers (i.e. SAP s chief executive officer (CEO) and chief financial officer (CFO)), or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. SAP s management evaluated, with the participation of SAP s CEO and CFO the effectiveness of SAP s disclosure controls and procedures as of December 31, 2015. The evaluation was led by SAP s Global Governance Risk & Compliance function, including dedicated SOX Champions in all of SAP s major entities and business units with the participation of process owners, SAP s key corporate senior management, senior management of each business group, and as indicated above under the supervision of SAP s CEO and CFO. Based on the foregoing, SAP s management, including SAP s CEO and CFO, concluded that as of December 31, 2015, SAP s disclosure controls and procedures were effective.

MANAGEMENT S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of SAP is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. SAP s internal control over financial reporting is a process designed under the supervision of SAP s CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in

accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

SAP s management assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2015. In making this assessment, it used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control Integrated Framework (2013) .

Based on the assessment under these criteria, SAP management has concluded that, as of December 31, 2015, the Company s internal control over financial reporting was effective.

KPMG, our independent registered public accounting firm, has issued its attestation report on the effectiveness of SAP s internal control over financial reporting, which is included in Item 18. Financial Statements, Report of Independent Registered Public Accounting Firm.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

There has been no change in our internal control over financial reporting during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our Supervisory Board has determined that Erhard Schipporeit is an audit committee financial expert , as defined by the regulations of the Commission issued pursuant to Section 407 of the Sarbanes-Oxley Act of 2002 and meeting the requirements of Item 16A. He is independent , as such term is defined in Rule 10A-3 under the Exchange Act.

ITEM 16B. CODE OF ETHICS

In 2003, SAP adopted a Code of Business Conduct that applies to all employees (including all personnel in the accounting and controlling departments), managers and the members of SAP s Executive Board (including our CEO and CFO). Our Code of Business Conduct constitutes a code of ethics as defined in Item 16.B of Form 20-F. Our Code of Business Conduct sets standards for all dealings with customers, partners, competitors and suppliers and includes, among others, regulations with regard to confidentiality, loyalty, preventing conflicts of interest, preventing bribery, and avoiding anti-competitive practices. International differences in culture, language, and legal and social systems make the adoption of uniform Codes of

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