General Information About This Management Report

BASIS OF PRESENTATION

This combined group management report by the SAP Group (collectively, "we," "us," "our," "SAP," "Group," or "Company") and management report of SAP SE has been prepared in accordance with sections 289, 315, and 315a of the German Commercial Code and German Accounting Standards (GAS) No. 17 and 20. The management report is also a management commentary complying with the International Financial Reporting Standards (IFRS) Practice Statement Management Commentary.

All of the information in this report relates to the situation on December 31, 2014, or the fiscal year ended on that date, unless otherwise stated.

The report contains references to additional information in other parts of the SAP Integrated Report that is available online. This additional information is not part of the management report.

FORWARD-LOOKING STATEMENTS

This management 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, many of which are beyond our control. 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. We describe these risks and uncertainties in the *Risk Management and Risks* section.

The words "aim," "anticipate," "assume," "believe," "continue," "could," "counting on," "is confident," "development," "estimate," "expect," "forecast," "future trends," "guidance," "intend," "may," "might," "outlook," "plan," "project," "predict," "seek," "should," "strategy," "want," "will," "would," and similar expressions as they relate to us are intended to identify such 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, the Expected *Developments and Opportunities* section, the *Risk Management and Risks* 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 on Form 20-F 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.

Overview of the SAP Group

Founded in 1972, SAP today is the world's leader in application and analytics software for enterprises in terms of market share and the market leader in mobile enterprise management. 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, and our ability to anticipate ever-changing customer requirements. With more than 282,000 customers in over 180 countries, the SAP Group includes subsidiaries in all major countries and employs more than 74,400 people.

Our company's culture puts our customers' success at the center of everything we do. With Run Simple as our operating principle, we focus on helping our customers master complexity and run their businesses better, which is the most intractable challenge facing business today.

SAP is headquartered in Walldorf, Germany; our legal corporate name is SAP SE. The corporation is listed on the Frankfurt Stock Exchange as well as several regional stock exchanges in Germany and the New York Stock Exchange in the United States. At the end of 2014, our market capitalization was €71.6 billion. SAP is a member of Germany's DAX, the Dow Jones EURO STOXX 50, and the Dow Jones Sustainability index.

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

As of December 31, 2014, SAP SE controlled directly or indirectly a worldwide network of 287 subsidiaries in more than 180 countries to distribute our products, solutions, and services. Distributorship agreements are in place with independent resellers in many countries. For more information, see the *Strategy and Business Model* section.

Our subsidiaries perform tasks such as sales and marketing, consulting, research and development, cloud delivery, customer support, training, or administration. For a complete list of subsidiaries, associates, and other equity investments, see the Notes to the Consolidated Financial Statements section, *Note (35)*.

Strategy and Business Model

OUR VISION AND MISSION
Our vision is to help the world run better and improve people's lives. Our mission is to help our customers run at their best. To fulfill our mission, we apply our Run Simple operating principle to help customers run their businesses simpler and master complexity, which is the most intractable challenge businesses face today. We do this by delivering technology innovations that we believe address the challenges of today and tomorrow without disrupting our customers' business operations.

For more than 40 years, we have managed highly advanced, mission-critical business processes that enable entire industries. We continue to deliver sophisticated solutions for 25 industries and 12 lines of business in a simple manner. It is our challenge to do the most sophisticated things for our customers, yet in simple ways.

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 2015 non-IFRS cloud subscriptions and support revenue to be in a range of €1.95 billion to €2.05 billion at constant currencies (2014: €1.10 billion). Further, we expect full-year 2015 non-IFRS cloud and software revenue to increase by 8% to 10% at constant currencies (2014: €14.33 billion). Looking beyond 2015, we have updated our 2017 ambition. By 2017, SAP's rapidly growing cloud subscriptions and support revenue is expected to be close to software license revenue and is expected to exceed software license revenue in 2018. In 2017, we expect non-IFRS cloud subscriptions and support revenue to reach a range of €3.5 billion to €3.6 billion in 2017. Non-IFRS total revenue is expected to reach €21 billion to €22 billion in 2017. Further, we have also introduced high-level 2020 ambitions 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 2015 non-IFRS operating profit to be in a range of €5.6 billion to €5.9 billion at constant currencies (2014: €5.64 billion). We expect non-IFRS operating profit in a range of €6.3 billion to €7.0 billion in 2017 and in a range of €8 billion to €9 billion in 2020.

Customer loyalty: SAP has used Customer Net Promoter Score (NPS) as a key performance indicator to measure customer loyalty since 2012. As we gather experience with the metric and as our business evolves, we expanded our customer base when conducting the 2014 assessment to better reflect our business completely. In addition to our on-premise customers, in 2014, for the first time we included Ariba, SuccessFactors, and Sybase customers in the survey. Therefore, the 2014 Customer NPS score is not fully comparable to the prior year's score.

In 2014, we achieved a global Customer NPS of 19.1% (2013: 12.1%). This very positive score exceeded our 2014 target of 16%. We aim to achieve a Customer NPS score of 24% in 2015.

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 saw a solid increase in our score in 2014 (2014: 79%) compared to 2013 (2013: 77%) and remain committed to achieving a score of 82% in 2015.

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

In addition to primary key performance indicators (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 integrated report seeks to clarify some of those relationships, for example, the link between our energy consumption and our profitability.

Our main goals are presented with more detail throughout the report.

For more information on our strategic goals, see the *Performance Management System*; *Expected Developments and Opportunities*; *Customers*; and *Employees and Social Performance* sections.

OUR STRATEGY: THE CLOUD COMPANY POWERED BY SAP HANA

As described above, complexity has become a significant challenge to business. With our history and focus on software innovation, we believe SAP is uniquely positioned to tackle the challenge of complexity for our customers by enabling them to Run Simple. We are realizing the potential of Run Simple through our strategy to become "THE cloud company powered by SAP HANA." Together, SAP HANA and SAP Cloud powered by SAP HANA equal Run Simple.

SAP HANA simplifies IT landscapes, technology, and business models. By moving most of our applications and analytics to the SAP HANA platform, we are simplifying the solutions we can offer our customers. We further simplify how customers consume our solutions by bringing them onto our cloud – SAP Cloud powered by SAP HANA. The cloud can offer a better user experience while radically simplifying business processes.

We will focus on three key initiatives to deliver on our commitment to Run Simple:

Simplify consumption: We continue to streamline and simplify consumption of our portfolio of products. Our focus will remain on solutions specific to 25 industries and 12 lines of business. We will support our customers with a mix of public cloud, managed cloud, and on-premise capabilities through a world-class platform based on SAP HANA.

Simplify business processes: At the foundation of our innovation and strategy is SAP HANA. With SAP HANA as the common platform, we help our customers dramatically accelerate the speed of their business by radically simplifying their IT stack and enabling smarter and faster business processes.

Simplify user experience: With SAP Fiori we provide a holistic and consistent consumer grade user experience based on modern design principles and across lines of business, tasks, and devices.

We see enormous potential to increase our share of our customers' overall IT spend. Through simplification, customers can dramatically reduce their expenditures on hardware and services, shift the savings to innovation, transform their businesses, and create positive societal impact.

We aim to better innovate and grow by:
– Building simple, yet sophisticated applications by lines of business and industries that deliver superior customer experience, coverage of end-to-end processes, and insights
– Continuing to invest in SAP HANA as an industry-leading platform for innovation and promoting SAP HANA Cloud Platform as a world-class platform as a service (PaaS)
– Continuing to be the world's leading business network, connecting businesses, devices, and people to drive unparalleled collaboration and productivity

For example, by enhancing their efficiency, we help customers cope with resource scarcity and reduce their energy usage and emissions. By partnering with our banking customers, we help them bring banking services to the "unbanked," thereby creating opportunity for people seeking to enter the modern economy. Through software focused on healthcare, education, and public services, we help create a positive social impact by enhancing people's quality of life. In all of these ways, our solutions are advancing our vision to help the world run better and improve people's lives.

OUR BUSINESS MODEL

Our vision and mission also unlock our ability to create positive economic, environmental, and social impact. As we help our customers tackle complexity and run at their best, they contribute to the world's economies, create jobs, and unleash the potential of their employees. As we help them become more efficient, they can mitigate their environmental footprint. And as we help them run their businesses simpler, they free up space for innovation, creating opportunities for people and communities.

To realize our vision, SAP provides business solutions to customers throughout the world based on our deep expertise in business processes across industries. Through our customers – which represent 98% of the top 100 most valued brands in the world, according to the annual ranking from Interbrand – we can increase our ability to create value.

Playing this role for our customers requires us to deploy several key types of capital. First, we rely on financial capital provided by our investors. But what truly enables our success is the intellectual and social capital of our employees. They are the gateway to our knowledge, expertise, and business relationships. For this reason, engaged, highly skilled, and agile employees are central to our business model and success.

Our direct sales organizations drive most business development. Sales go-to-market strategies are established at the global level, and then adapted and executed by regional subsidiaries. Our customer-facing employees, in close collaboration with sales support and marketing, drive demand, build pipeline, and enhance relationships with customers within our target industries. Our marketing efforts cover large enterprises as well as small and midsize enterprises. We believe our broad portfolio of solutions and services enables us to meet the needs of customers of all sizes and across industries. We will amplify our efforts in the digital channel through additional e-commerce and digitally native offerings that further enable a low-touch or no-touch customer journey.

Our extensive ecosystem provides scalability to meet the demand for SAP innovation and provide customers with a wide selection of third-party competencies. We have developed an independent sales and support force through independent value-added resellers. We have also established partnerships with hardware and software suppliers, systems integrators, and third-party consultants. For more information, see the *Partner Ecosystem* section.

Historically, our sales model was focused on charging a one-time, upfront fee for a perpetual license to our software that was typically installed at the customer site. In addition, the customer usually concluded a maintenance contract that covered support and software updates. As we have seen customer preferences evolve, we are increasingly delivering our solutions in the cloud, which we believe is a simple and efficient software consumption model. Our cloud solutions are offered through a subscription-based software-as-a-service (SaaS) model. Depending on the solutions offered, the customer pays either usage-based or periodic fees to use our software. This software is installed at an SAP or an SAP partner location, and the customer accesses the software over the Internet.

To help companies invest in SAP solutions and the associated services and hardware, the SAP Financing service offers customers payment plans optimized for maximum economic benefit. It 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 the best possible solution.

By executing on our strategy, SAP contributes to the creation of holistic, long-term value for society in a number of ways. SAP's greatest strength in making environmental impact comes through the solutions we deliver. For example, our software enables our customers to have more efficient and sustainable supply chains or provide greater transparency of energy consumption and emissions.

We also apply our expertise in business processes across industries to direct our innovations to the world's greatest challenges, such as the social and environmental strains posed by a rapidly expanding global middle class. Our goal is to create long-term value by providing solutions that not only address the current challenges faced by our customers, but also those of the future. In this way, we see our role moving beyond the creation of new and efficient solutions: We want to fundamentally help change how people use software, conduct business, and live their lives. This objective underscores how SAP can create its greatest impact through the use of our solutions by more than 282,000 customers worldwide.

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. Our solutions also enable customers to provide greater learning and talent development opportunities for their employees. In addition, SAP solutions, such as those for manufacturing, are designed not only to ensure health and safety during the production process, but also to increase the quality of the resulting consumer products, which impact millions of people throughout the world.

Products, Research & Development, and Services

STEERING OUR CUSTOMERS THROUGH UNPRECEDENTED CHANGE

The world is operating in a time of accelerated change that has created new complexity, challenges, and opportunities for both our customers and SAP. Digitalization represents more than a trend but a paradigm shift, one that is shaping whole industries, business models, and sources of competitive advantage.

Software is at the heart of this transformation – for many organizations, it is the new differentiator. We recognize that enterprise software today must do far more than run business processes. It is an enabler for navigating complexity and unlocking innovation. Throughout our history, we have helped our customers manage other major paradigm shifts impacting their business, from the massive expansion of the Internet to globalization. Today, we are supporting their transition to a cloud-based world, as increasingly complex business problems demand simple solutions.

We help customers Run Simple by innovating with the SAP HANA platform as our foundation. This strategy combines ease of use and flexibility with sizeable computing power. Through the capabilities of SAP HANA, we can now enable a real-time enterprise; we can leverage Big Data to achieve deeper insight; and we can empower users through the ease of mobile apps, so that people can access what they need securely and flexibly.

These developments – similar to packaged software in the 1980s and client/server architecture in the 1990s – signal a new wave of innovation at SAP. Wherever they are on their journey, we are helping our customers reinvent how they do business while making the transition seamless and providing a holistic and consistent user experience. As we aim to become "THE cloud company powered by SAP HANA," we are going far beyond incremental change to achieve radical simplification – enabling our customers to stay ahead of trends, make better decisions faster, and propel innovation.

SAP HANA

Nothing signifies the changes we are making at SAP – and for our customers – more than SAP HANA. The platform holds the power to simplify both the user experience and the overall IT landscape, creating a smaller data footprint, increased system throughput, and easier data processing and operation. For this reason, we have evolved SAP HANA from a database to a full business platform that will act as the basis for our products going forward.

The SAP HANA platform combines database, data processing, and application platform capabilities in-memory. By providing advanced capabilities – such as predictive text analytics, spatial processing, and data virtualization – on the same architecture, it further simplifies application development and processing across Big Data sources and structures.

To take our capabilities to the next level, we built the open SAP HANA Cloud Platform, which is the embodiment of our SAP Cloud powered by SAP HANA strategy. The cloud platform enables ease and flexibility in building, extending, and integrating business applications – available to all SAP partners, customers, and third-party developers.

Realizing that one size does not fit all, we are providing a bridge for our customers in the transition to the cloud. We also offer to manage mission-critical software such as SAP Business Suite and SAP Business Warehouse as well as custom SAP HANA applications in our cloud data centers.

Our overarching goal is to create the broadest integration offering in the industry where customers can connect SAP and third-party software across heterogeneous environments by leveraging application lifecycle management to reduce IT complexity. Our customers can enhance the power of an integrated landscape with a refreshing user experience across multiple devices and interfaces. At the same time, all core applications can be built and run in the cloud or on premise, giving developers a powerful tool to build applications with flexibility and efficiency.

APPLICATIONS

As the market leader in enterprise application software, we offer end-to-end solutions specific to 25 industries grouped in six industry sectors 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
– Sales
– Service
– Sourcing and Procurement
– Supply Chain
– Sustainability

Today, we are delivering solutions that simplify how applications are built, consumed, and deployed. Our SAP Business Suite powered by SAP HANA software optimizes business-critical processes for companies from large enterprises to small businesses. Building on SAP HANA, we are providing an innovative suite of business applications unifying analytics and transactions into a single in-memory platform, thereby helping customers to dramatically simplify their IT landscape.

At the same time, we are building functional innovations that serve each line of business and industry to address the specific and evolving needs of our customers, for example:

Human capital management: On-premise solutions from SAP, as well as cloud solutions for human resources from SuccessFactors, an SAP company, help HR organizations transform business strategies into measurable business outcomes by simplifying HR processes and helping increase employee engagement. We combine global and industry expertise with a unique combination of key HR enablers: a modern user experience, talent and core HR applications, embedded content, and analytics.

Customer engagement and commerce: Solutions from SAP and software from hybris, an SAP company, serving the commerce, marketing, sales, and service lines of business, enable business-to-business (B2B) and business-to-consumer (B2C) companies everywhere to provide real-time, consistent, contextual, and relevant experiences to their customers regardless of channel or device. SAP solutions for customer engagement and commerce are a direct response to the fact that the traditional focus of customer relationship management (mostly sales force automation) is no longer enough to satisfy the demands of a customer-driven market.

Finance: In 2014, we launched the SAP Simple Finance solution to address the critical need for flexibility in the most complex finance processes and IT landscapes. Created through close collaboration with our customers, SAP Simple Finance is a comprehensive solution of finance applications that decreases runtime for financial analysis, delivers instant insight, and is easy to use and consume. Continuing to leverage SAP HANA as a driver of simplicity, we launched SAP S/4HANA (SAP Business Suite 4 SAP HANA) in early 2015, a next-generation and innovative business suite that will redefine business processes and drive business value for our customers.

FREEDOM, FLEXIBILITY, AND ELEGANT DESIGN

As our customers adapt to shifting business conditions, we also provide them with the freedom and flexibility of our mobile solutions. These solutions enable companies to better serve customers and provide employees with secure access to important tools and data anywhere, anytime – using their mobile devices. Mobile solutions from SAP allow our customers to:

– Innovate rapidly to deliver user-centric capabilities for employees, consumers, and partners
– Lower their total cost of ownership by streamlining operations and processes
– Protect themselves against security risks and challenges at the device, app, and content levels

Regardless of how our customers consume our software, we are building applications using the SAP Fiori user experience (UX), which delivers a personalized, responsive, and simple UX. Applying modern and consistent design principles, SAP Fiori is the new face of SAP software. We also offer a portfolio of UX services, including design, rapid deployment, and custom development, to enhance customer engagement.

BUSINESS NETWORK

The cloud has profoundly changed the way people interact, and this impact will only grow as enterprises connect and collaborate in new ways with their global networks of customers and partners. We believe these new networks are transforming how companies do business, and we are helping to lead this wave of innovation.

With our sourcing, procurement, and travel and expense management solutions from SAP; Ariba, an SAP company; Fieldglass; and Concur Technologies, we now run the world's largest business network, connecting more than 1.7 million companies. SAP internal analysis shows that businesses conduct more than US$700 billion in commerce on the network annually, and it holds the potential to alter the B2B landscape. Procurement leaders can achieve cost savings, integrate sourcing and procurement operations, improve supplier collaboration, and realize purchasing compliance. Combining our innovations and core applications, the network is helping companies interact outside of silos and gain far greater visibility into different parts of their operations.

By digitizing business transactions and facilitating the sharing of information across global value chains, we are providing customers with a greater ability to connect with others and take action. As a result, we are facilitating far more than simple transactions but helping companies tap into information and insights, incorporate them into their business processes, and make better real-time decisions. Customers can easily identify and connect with high-quality suppliers, collaboratively enhance supplier performance, transact seamlessly with intelligent rules, and drive additional savings through dynamic discounting.

Our vision for the network extends to managing all of a company's business expenditures. Therefore, we have moved from a procurement network to a business network to a network of networks that includes all types of parties: suppliers, B2B partners, logistics providers, financial service providers, and individuals, as well as travel agents.

ANALYTICS

SAP HANA has increased the efficiency with which our customers can use analytics to drive business decisions. SAP HANA is able to bridge the historical divide between transactions and analytics that had hindered real-time decision making. Now transactions and analytics can be combined into a single in-memory platform, allowing customers to access a "single source of truth" for real-time planning, execution, reporting, and analysis on very large volumes of data.

With the amount of data growing exponentially, our software is helping customers have access to immediate, actionable intelligence, thereby simplifying their business processes. They can retrieve available data in real time. Our analytics offerings deliver outstanding business value by providing insights to better manage every aspect of the enterprise – from integrated planning and metrics monitoring to risk and compliance.

Namely, analytics solutions from SAP comprise:

– **Enterprise business intelligence:** Engaging companies more fully with information, with solutions that enable users to add new information and see updates in real time
– **Agile visualization:** Bringing data to life in real time through intuitive visualizations
– **Advanced analytics:** Combining the power of predictive processing with intuitive modeling and advanced data visualization

RESEARCH AND DEVELOPMENT

From the earliest days of SAP, we have worked diligently to stay ahead of trends and develop new solutions to meet the challenges faced by our customers and those they serve. Our research and development (R&D) is a global effort that centers on bringing together the creative ideas and talents of our customers as well as valued partners from industry, technology, the public sector, and academia. Our focus on co-innovation ensures that we keep up with groundbreaking research and ultimately turn it into solutions that create a real-world impact.

In 2014, we made organizational changes to enhance collaboration between our R&D teams, thereby speeding up innovation. Rather than operating independently, research and development is now embedded in our development organization, so that the exploration and execution of ideas are happening side by side, with each informing the other.

Our product development organization is truly global, with the majority of our R&D teams located in 14 SAP Labs locations in 12 countries. Research teams are also based throughout the world and span a network across multiple locations.

We follow a dual and complementary research and innovation approach. First, topic-focused research teams within existing development units drive innovation projects. These teams focus on improving existing products as well as delivering short-term innovation with a time horizon of up to two years.

Second, we established a dedicated central unit that pursues both short-term and long-term strategic innovation. This unit supports projects with a time horizon of two to five years by providing a protected environment for business ideas and focusing on a limited number of new solutions. It also develops the future generation of high-growth opportunities in areas such as the Internet of Things or personalized medicine. With a time horizon of five to eight years, these projects focus on technologies, applications and new business models that do not fit the product portfolio but hold the potential to open up new opportunities, markets, and user groups for SAP.

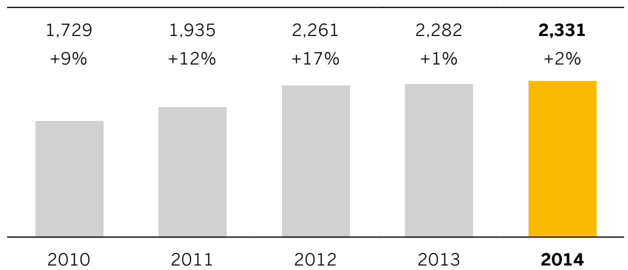
SAP Innovation Center locations, based in Potsdam and Walldorf, are part of this organization. They combine the creativity and agility of a startup culture with the backbone of a world market leader in enterprise applications. As the future end users of our innovations, our customers and partners are involved during the entire runtime of projects and come from industries and companies of all sizes, from longstanding SAP customers to early stage startups with no current SAP footprint. With a focus on the SAP HANA platform and our cloud and mobile solutions, these innovation centers strive to open up new application areas for SAP software, ranging from personalized cancer therapy to smart services that leverage the connectivity of things with the Internet.

Regardless of the setting, SAP embeds methods such as design thinking into all projects and researches innovative approaches to generate and evaluate applications, technologies, and business ideas.

R&D Investment
SAP's strong commitment to R&D is reflected in our expenditures: In 2014, we increased our R&D expense (IFRS) slightly by €49 million, to €2,331 million (2013: €2,282 million). We spent 13.3% of total revenue on R&D in 2014 (2013: 13.6%). Our non-IFRS R&D expense as a portion of total operating expenses declined slightly from 18.9% to 18.5% year-over-year.

At the end of 2014, our total full-time equivalent (FTE) count in development work was 18,908 (2013: 17,804). Measured in FTEs, our R&D headcount was 25% of total headcount (2013: 27%). 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)
€ millions | change since previous year



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 enterprise solutions and services. Our investment in R&D has resulted in numerous patents. SAP holds a total of more than 6,800 validated patents worldwide. Of these, 916 were granted and validated in 2014.

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

SERVICE AND SUPPORT

Many of our customers are experiencing profound shifts in how they use technology and run their businesses. Our service and support professionals focus on helping them navigate these changes with greater speed, efficiency, and impact. A prime example is our recognition that customers have different needs and goals to innovate and make use of the cloud, while preserving their investment to date. Regardless of their path, we have a broad offering to chart their course. Our teams regularly partner with customers to create a road map, removing obstacles and building a business case for migration.

In 2014, we began a significant transformation of our professional consulting service and support teams, bringing them together into one organization called Global Service & Support. Our goal with the SAP ONE Support program is to provide customers with an integrated support experience regardless of whether their landscape is on premise, in the cloud, or a hybrid of the two. Customers also benefit from a simplified experience with SAP with the next generation of premium support engagements.

In addition, SAP ONE Support is designed to enhance SAP Enterprise Support services to simplify the customer experience. This includes a multitude of aspects, such as removing underlying complexity typically associated in managing end-to-end support across hybrid landscapes, helping customers choose how to migrate to the cloud, and driving innovation while building on existing on-premise investments. We simplify customer interactions with us through a single touch point for all services across the entire solution landscape, creating a unified experience across multiple channels as well as expanding opportunities for co-innovation.

Our new SAP ONE Service approach goes far beyond the traditional consulting model. We combine strong engineering skills with experienced program management and the domain capabilities of consulting. In a cloud-based environment, this framework is critical to support our customers in building and running end-to-end solutions for the future, mapping their technology strategy to their business strategy, and prioritizing the steps to migrate to SAP HANA and the cloud.

An important element of our organization is education. Each year, more than 500,000 individuals are trained by SAP Education, making it one of the largest IT training organizations in the world. In 2014, we updated SAP Learning Hub, providing customers with an even easier-to-use, cloud-based platform that allows for flexible, individualized training. Winner of the prestigious Technology Services Industry Association (TSIA) Star Award in the fall of 2014, this platform solution further simplifies the user experience of SAP software.

SAP has been a frontrunner in the adoption of Massive Open Online Courses (MOOCs) for use in an enterprise context. openSAP is SAP's enterprise MOOC provider delivering 18 courses through the end of 2014 free of charge on topics such as SAP HANA, cloud, user experience, sustainability, and business innovation. openSAP has reached over 500,000 course enrollments with more than 170,000 individual learners.

In addition, the SAP University Alliances program brings SAP to over 2,000 universities in more than 80 countries, and aims to develop highly-qualified graduates with critical skills for the 21st-century workforce. In partnership with SAP's six University Competence Centers around the world, universities gain access to an ever-expanding range of SAP software and curriculums, enabling faculty to help students better connect business and IT concepts to practice.

Acquisitions

SAP views acquisitions as strategic investments in people, technologies, and growth. In 2014, SAP focused on acquisitions that would enhance its position as a cloud and business network company and advance its mission of helping customers Run Simple.

NEW ACQUISITIONS

– In May, SAP acquired Fieldglass, a leading provider of cloud solutions for procuring and managing contingent labor and third-party services. Combined with the collaborative, network-based procurement capabilities of Ariba and the human resources expertise of SuccessFactors, the Fieldglass acquisition uniquely positions SAP to deliver a platform for businesses to manage their entire workforce – both temporary and permanent staff.
– In June, SAP acquired SeeWhy, a leading provider of cloud-based behavioral target marketing solutions to help businesses increase customer engagement and drive revenues.
– In December, SAP acquired Concur Technologies. With more than 23,000 customers and 25 million active users in over 150 countries, Concur is the leader in the multibillion dollar travel and expense management field. With the addition of Concur's corporate travel ecosystem to the Ariba and Fieldglass networks, our business network – the world's largest – already transacts more than US$700 billion in annual transaction volumes today, according to internal analyses. In addition, this acquisition provides an opportunity for us to power transactions that drive more than US$10 trillion of global spend annually.

Organic growth remains the primary driver of our strategy. We will continue to invest in our own product development and technology innovation, improving the speed, number of projects, and innovations brought to market. We will also continue to acquire targeted, strategic, and "fill-in" technology and software to add to our broad solution offerings and improve coverage in key strategic markets. By doing so, we will strive to best support our customers' needs for simplified operations.

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

VENTURE ACTIVITIES

Through Sapphire Ventures (formerly called SAP Ventures), which comprises our consolidated venture investment funds, SAP supports investments in renowned entrepreneurs worldwide to build industry-leading businesses. Sapphire Ventures has invested in more than 125 companies on five continents for more than 18 years. Some of these companies have been acquired or have become publicly listed companies.

Sapphire Ventures invests in the next generation of global category 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 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 (35)*.

Partner Ecosystem

HELPING PARTNERS RUN SIMPLE

We engage with an extensive partner ecosystem to help customers around the world overcome complexity, create value, innovate, and thrive. Our partners help expand our reach to thousands more companies and millions more users. With more than 12,800 partners at the end of 2014, our partner ecosystem remains an important element in our success and we continue to create innovative ways for partners of all kinds to collaborate with us for mutual success.

Partners operate independently of SAP, yet complement our business in one or more of the following ways:

– **Reselling SAP software and cloud services:** Our partners help companies of all sizes identify, purchase, and deploy the ideal solutions for their businesses. Our value-added resellers (VARs) and multitier distribution channels offer local market and industry expertise that simplifies the customer's journey to the right solution. We closely align our sales efforts with those of our partners through well-defined rules of engagement that outline each organization's roles and responsibilities. In most markets, partners are the primary sales channel to address the needs of small and midsize enterprises (SMEs). Our company also sells selected products through our own online channel, SAP Store, which includes complementary solutions developed by our partners. In addition, we resell applicable partner solutions as part of our solution extensions portfolio. These partner-developed solutions are tested, validated, and approved by our development organizations, and supported by SAP.

– **Developing solutions that complement SAP software:** SAP has a vibrant community of partners that develop software on SAP platforms and create complementary products that integrate with our applications. This community is vital in providing our customers with a broad portfolio of industry-specific solutions that allow customers to meet the demands of their markets. At the same time, we maintain strategic relationships with industry-leading technology, software, and services firms. For example, we engage with the partner community in the development of new and simpler products. Our SAP PartnerEdge program for Application Development, with more than 850 active members, enables partners to build complementary solutions on top of our technology platforms – and quickly monetize those solutions. Partners can also embed SAP technology within their offerings under an original equipment manufacturer (OEM) licensing agreement. We work actively with partners to enable new and innovative delivery and go-to-market approaches to support customer needs and preferences. Aside from these formal partnerships, companies within our ecosystem can also certify their integration with SAP technology through the SAP Integration and Certification Center.

– **Providing implementation and other services:** SAP has strong partnerships with a broad network of IT professional services firms that provide consulting, system integration, hosting, education, and more. These companies are critical to helping our mutual customers simplify the implementation and deployment of SAP solutions. In response to growing customer demand for flexible deployment and purchase options, we work closely with the partner ecosystem to offer innovative cloud-based offerings and services to support different business models.

To help our partner ecosystem Run Simple and achieve its business goals, we provide an extensive array of business support offerings. For example, our flagship partner program, SAP PartnerEdge, offers a tiered engagement model that provides marketing, sales, and technical enablement, as well as education, deal support, and other resources. In addition, we provide selected global partners with dedicated teams that work closely with them to proactively engage in specialized business development and technical initiatives. Many of our partners participate in SAP Community Network, an online community that facilitates networking and information sharing. In addition, many also participate in the SAP Listens program, which surveys partners for feedback and addresses partner issues.

Our partner ecosystem is rapidly embracing our cloud, mobile, and in-memory computing offerings, including SAP HANA, with more than 3,200 partners or startups already building on our platform. This ecosystem remains a key component in our efforts to simplify our customers' technology landscapes and improve the lives of people everywhere.

Customers

When our customers reduce complexity and Run Simple, they can create more sustainable business models – which, in turn, helps us ensure our own long-term viability. That is why we strive to provide more than just software. We continually engage with our customers at every stage – not only during the sales and implementation phases, but also through the ongoing 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 potential future products and product enhancements so they can provide early input and feedback in the development cycle. 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 and SAP TechEd conferences, as well as virtual events.

CUSTOMER LOYALTY

We gauge customer loyalty through an annual survey that measures our Customer Net Promoter Score (NPS). Customer loyalty is one of our four enterprise-wide strategic goals, along with growth, profitability, and employee engagement.

SAP has used Customer NPS as a key performance indicator since 2012. As we gather experience with the metric and as our business evolves, we expanded our customer base when conducting the 2014 assessment to better reflect our business completely. In addition to our on-premise customers, in 2014 for the first time we included Ariba, SuccessFactors, and Sybase customers in the survey. Therefore, the 2014 Customer NPS score is not fully comparable to the prior year's score.

In 2014, we achieved a global Customer NPS of 19.1%. This very positive score exceeded our 2014 target of 16%. We aim to achieve a Customer NPS score of 24% in 2015.

Our increased NPS reflects our continued commitment to listening to our customers and responding to their needs. Our goal is to best support both their success and the success of SAP. For example, we conducted global in-person and online focus groups with customers to gain additional insights into "business benefits" themes identified through the surveys. These sessions have enabled us to identify the underlying reasons behind issues and focus more precisely on where we need to make improvements.

For more information on the Customer NPS, see the *Performance Management System* and the *Notes to Social Performance Reporting* sections of the SAP Integrated Report 2014 online.

STRONG CUSTOMER DEMAND

In 2014, we saw customers embrace our strategy by licensing or subscribing to the full range of the SAP portfolio – from comprehensive solutions for large enterprises to the latest mobile apps.

Some examples by region include the following customers:

AMERICAS REGION

- **Antofagasta Minerals**, a Chilean-based copper mining group, selected SAP solutions – including SAP HANA and SuccessFactors HR solutions – to manage its operations on a single platform and help support innovation through Big Data analytics as well as cloud and mobile solutions.
- **Bombardier Recreational Products**, a Canadian-based global leader in motorized recreational vehicles and powersports engines, selected SAP solutions, including SuccessFactors Employee Central, to optimize its HR solutions and delivery.
- The **National Hockey League** (NHL), composed of 30 member clubs in the United States and Canada, plans to use the power of SAP HANA to create new statistics that increase fan engagement. This content is expected to be served to fans through a variety of online, television, and mobile media channels.

– **Banco Central de Costa Rica** selected SAP ERP, SuccessFactors, and other software to obtain an integrated business platform for all administrative, financial, and accounting functions. The Central Bank of Costa Rica plans to create a centralized and integrated business information warehouse for efficient reporting and decision making.
– **Ralph Lauren**, one of the world's most successful fashion brands, has chosen solutions from hybris and Ariba, both SAP companies, to pursue its growth objectives. Ralph Lauren will use hybris solutions to improve the consumer shopping experience through better omnichannel capabilities and Ariba's global procurement network to reduce costs and enhance service quality.

ASIA PACIFIC JAPAN (APJ) REGION

– **AGL Corporate Services Pty**, one of Australia's leading renewable energy companies, recently went live with SAP Fiori apps for purchase order approval and leave request approval. SAP Fiori helps AGL simplify business processes through an improved user interface and external access to workflow tasks.
– **Infosys**, a global leader in technology, consulting, outsourcing, and next-generation services has gone live with SAP Business Suite powered by SAP HANA. With SAP HANA, Infosys expects to accelerate its financial closing processes and progressively move more and more batch activities into a real-time environment.
– **Singapore Health Services**, one of the largest healthcare groups in Singapore, has selected Ariba solutions to replace its existing procurement platforms. Singapore Health Services expects to improve collaboration with vendors and standardize purchasing practices across its network.
– **Tatung Group**, a major computer and electronic home appliance company in Taiwan, has chosen SAP as its strategic partner for co-innovation and simplification of all business processes on SAP HANA. Over a five-year period, Tatung plans to implement multiple SAP solutions to transform its business, simplify operations, and become a leader in the "smart energy" industry.
– **Mitsui Knowledge Industry** (MKI), an IT services provider in Japan, selected the SAP HANA Enterprise Cloud service. In addition to its own professional data analysis service, MKI now aims to provide a market forecasting service for various commodities through a highly available and efficient enterprise cloud infrastructure.

EUROPE, MIDDLE EAST, AND AFRICA (EMEA) REGION

– The **Department of Zakat and Income Tax** (DZIT), reporting to the Ministry of Finance of the Kingdom of Saudi Arabia, selected the SAP Fraud Management analytic application powered by SAP HANA with the goal of reducing fraud exposure. With the help of SAP, DZIT looks to replace manual processes and increase the revenue for the Kingdom of Saudi Arabia.
– The **Kenya Electricity Transmission Company** has selected the SAP HANA platform for innovation and the SAP Fiori user experience to simplify its user interface. With these solutions, Ketraco expects to increase its capacity to provide a premium customer experience based on real-time data and analysis.
– **Spire Healthcare**, a provider of private healthcare in the United Kingdom, selected SAP HANA with the aim of improving its patient overall experience.
– **Telefónica**, an international telecommunications company based in Spain, with more than 120,000 employees selected SuccessFactors HCM Suite as its solution to provide employees with an optimal workplace, demonstrate a commitment to talent, and ensure the best opportunities for professional development.
– **Euromaster**, a leading integrated tire service and car maintenance network in Europe, chose SAP Business Suite powered by SAP HANA to help handle its finance and supply chain processes. The company hopes to improve efficiency, optimize network coverage and make its business processes more efficient. Euromaster chose SAP software as SAP was the only company offering a concrete industry-specific solution for retail and wholesale using the power of SAP HANA.

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

Measures We Use to Manage Our Operating Financial Performance

In 2014, 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 (non-IFRS) when we provide software and the respective support for delivery in the cloud. We use the measure cloud subscriptions and support revenue both at actual currency and at constant currency.

Software and software-related service (SSRS) revenue (non-IFRS): We use SSRS revenue (non-IFRS) and constant currency SSRS revenue (non-IFRS) to measure our revenue growth. Our SSRS revenue includes cloud subscriptions and support revenue plus software and related 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 maintenance contracts, and these generate recurring software-related service revenue in the form of support revenue after the software sale. Maintenance contracts cover support services and software updates and enhancements. Software revenue as well as cloud subscriptions and support revenue also tend to stimulate service revenue from consulting and training sales.

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

Operating profit (non-IFRS)/operating margin (non-IFRS): We use operating profit (non-IFRS)/operating margin (non-IFRS) and constant currency operating profit (non-IFRS)/ operating margin (non-IFRS) to measure our overall operational process efficiency and overall business performance. Operating margin (non-IFRS) is the ratio of our operating profit (non-IFRS) to total revenue (non-IFRS), expressed as a percentage. See below for more information on the IFRS and non-IFRS measures we use.

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 especially 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 asset and capital investment portfolio, and the average rate of interest at which assets are invested. We also monitor average outstanding borrowings and the associated finance costs.

Days' Sales Outstanding (DSO) and Days' Payables Outstanding (DPO): We manage working capital by controlling the days' sales outstanding for operating receivables, or DSO (defined as average number of days from the raised invoice to cash receipt from the customer), and the days' payables outstanding for operating liabilities, or DPO (defined as average number of days from the received invoice to cash payment to the vendor).

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 (using the weighted average number of shares outstanding over the reporting period). EPS is influenced not only by our operating and non-operating business, and income taxes but also by the number of shares outstanding. We are authorized by our shareholders to repurchase shares and believe that such repurchases, additional to dividend distributions, are a good means to return value to our shareholders.

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 used 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 in order to adapt to changing circumstances and opportunities. We use our free cash flow measure to estimate 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 2014, we used the following key measures to manage our non-financial performance in the areas of employee engagement and customer loyalty:

Employee Engagement Index: We use the employee engagement 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. With this measure, we recognize that we can achieve our growth strategy with engaged employees only.

Customer Net Promoter Score (NPS): This score measures the willingness of our customers to recommend or promote SAP to others. It is derived from our customer survey. Conducted each year, this survey 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 to 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. In addition to our on-premise customers, in 2014 for the first time we included Ariba, SuccessFactors and Sybase customers in the survey. Therefore, the 2014 Customer NPS score is not fully comparable to the prior year's score.

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 strategic 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 2014 financial outlook on the basis of certain non-IFRS measures. Therefore, this report contains a non-IFRS based comparison of our actual performance in 2014 against our outlook in the *Performance Against Outlook for 2014 (Non-IFRS)* section.

Reconciliations of IFRS to Non-IFRS Financial Measures for 2014 and 2013

The following table reconciles our IFRS financial measures to the respective and most comparable non-IFRS financial measures of this report for each of 2014 and 2013. Due to rounding, the sum of the numbers presented in this table might not precisely equal the totals we provide.

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

€ millions, unless otherwise stated

	2014					2013		
	IFRS	Adj.	Non-IFRS	Currency Impact	Non-IFRS Constant Currency	IFRS	Adj.	Non-IFRS
Revenue measures								
Cloud subscriptions and support	1,087	14	1,101	–3	1,098	696	61	757
Software	4,399	0	4,399	0	4,399	4,516	2	4,518
Support	9,368	5	9,373	114	9,487	8,738	19	8,756
Software and support	13,767	5	13,773	113	13,886	13,254	21	13,275
Software and software-related service revenue	**14,855**	**19**	**14,874**	**110**	**14,984**	**13,950**	**82**	**14,032**
Professional services and other service revenue	**2,706**	**0**	**2,706**	**32**	**2,738**	**2,865**	**0**	**2,865**
Total revenue	**17,560**	**19**	**17,580**	**142**	**17,722**	**16,815**	**82**	**16,897**
Operating expense measures								
Cost of software and software-related services	–2,894	350	–2,543			–2,629	364	–2,265
Cost of professional services and other services	–2,379	121	–2,258			–2,402	123	–2,278
Total cost of revenue	**–5,272**	**471**	**–4,801**			**–5,031**	**487**	**–4,543**
Gross profit	**12,288**	**490**	**12,778**			**11,784**	**570**	**12,354**
Research and development	–2,331	127	–2,204			–2,282	120	–2,162
Sales and marketing	–4,304	170	–4,134			–4,131	205	–3,926
General and administration	–892	86	–806			–866	70	–796
Restructuring	–126	126	0			–70	70	0
TomorrowNow and Versata litigation	–309	309	0			31	–31	0
Other operating income/expense, net	4	0	4			12	0	12
Total operating expenses	**–13,230**	**1,288**	**–11,942**	**–152**	**–12,093**	**–12,336**	**921**	**–11,415**
Operating profit measures								
Operating profit	**4,331**	**1,307**	**5,638**	**–9**	**5,628**	**4,479**	**1,003**	**5,482**
Operating margin (in %)	**24.7**		**32.1**		**31.8**	**26.6**		**32.4**

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), earnings per share (non-IFRS), deferred revenue (non-IFRS), and calculated cloud billings measures (non-IFRS), as well as constant currency revenue, expense, profit, deferred revenue, and calculated cloud billings measures that are not prepared in accordance with IFRS and are therefore considered non-IFRS financial measures. Our non-IFRS financial measures may not correspond to non-IFRS financial measures that other companies report. The non-IFRS financial measures that we report should only be considered in addition to, and not as substitutes for 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 or – in the case of calculated cloud billings (non-IFRS) – management uses the measures to anticipate metrics that investors use. 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) and operating profit (non-IFRS) 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 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 support revenue, IFRS cloud subscriptions and support revenue, IFRS software and software-related service 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 pre-existing 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.

The adjustment for expenses and income from the Versata litigation was introduced in 2014 (for details regarding this litigation refer to our Notes to the Consolidated Financial Statements section, *Note (24)*). Prior-year amounts have been adjusted to comply with the modified set of non-IFRS adjustments. We exclude expenses and income from the Versata litigation to provide additional insight into the comparability of our ongoing operating performance across periods and to continue the alignment of our non-IFRS measures with our internal performance measures.

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

Deferred Cloud Subscriptions and Support Revenue (Non-IFRS) and Calculated Cloud Billings (Non-IFRS)

It is common in capital markets to use metrics based on billings to help evaluate the performance of cloud subscription offerings. A common metric of this kind is calculated cloud billings that can be calculated as the total of a period's cloud subscriptions and support revenue and the respective period's change in the deferred cloud subscriptions and support revenue balance. To ease the effort of determining this metric, we report the metric's components as well as a calculation of the metric itself. To allow an alignment of this calculated cloud billings metric with our revenue reporting, we present the calculated cloud billings metric on an IFRS basis (that is, derived from IFRS numbers) as well as on a non-IFRS basis and a non-IFRS at constant currency basis. The calculated cloud billings (non-IFRS) are derived from both:
- Our cloud subscriptions and support revenue (non-IFRS), which is adjusted from the respective IFRS number for the effect of fair value accounting for the contracts in effect at the time of the respective acquisitions as outlined above
- Our deferred cloud subscriptions and support revenue (non-IFRS), which is adjusted from the respective IFRS number accordingly

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. Constant currency deferred revenue balances are calculated by translating the current period's opening and closing deferred revenues balances as well as the comparative period's closing deferred revenue balance using the opening exchange rates of the comparative 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

	2014	2013	Change (in %)
Net cash flows from operating activities	3,499	3,832	–9
Purchase of intangible assets and property, plant, and equipment (without acquisitions)	–737	–566	30
Free cash flow	**2,762**	**3,266**	**–15**

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.
– Our deferred cloud subscriptions and support revenue (non-IFRS) and calculated cloud billings (non-IFRS) metrics provide additional insight into amounts that are contracted for and invoiced and that are expected to be recognized in cloud subscriptions and support revenue in the future.

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 that result 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.
  - The deferred cloud subscriptions and support revenue (non-IFRS) and calculated cloud billings (non-IFRS) metrics that we disclose may be impacted significantly by our revenue recognition policies, for example, when fees from components other than cloud subscriptions sold in multiple element arrangements with cloud subscriptions are reallocated to cloud subscriptions and vice versa. Thus, our calculated cloud billings (non-IFRS) metrics for a given period may not be indicative of the amounts that we have actually billed to customers in the respective 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. Additionally, we use different prior period exchange rates for deferred revenue versus revenue items to adjust for currencies. 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.

Employees and Social Performance

OUR PEOPLE ARE OUR DIFFERENTIATOR

While we put our customers in the center of everything we do, we are equally committed to caring about our employees – the drivers behind our success. Our people are our major asset and differentiator. They give us the competitive advantage in the marketplace and are key to helping our customers Run Simple and helping us realize our goal of becoming "THE cloud company powered by SAP HANA."

Our top priority is fostering a culture that attracts, retains, and develops talented people. We want our people to flourish, be creative, and unfold their full potential. Therefore, it is essential to create an organization that is simple, to develop and retain leaders who care, and to offer continuous learning opportunities in a work environment that embraces diversity and celebrates inclusion.

In 2014, we won a significant number of awards as an employer, among them the "Great Place to Work" in Brazil, France, India, and Turkey; "Top Employer" in Africa and the United Kingdom; and the top spot as "Best Employer" in the IT category in Germany. In addition, SAP America was ranked as a "Top Place to Work" in the U.S. cities of Philadelphia and Atlanta, as well as in the Bay Area in California.

Leadership

As a cloud company, we must be able to navigate rapid change and chart the simplest possible course through complex problems. The ability not only to stay focused and be both persuasive and decisive but also inspirational and open to feedback has become imperative to our success. To develop those competencies in our leaders is essential; and leadership development is a major undertaking for us at SAP.

We adopted three leadership principles in 2014 that are essential to our continuous growth: ensuring customer success; driving simplicity; and developing amazing talent. These principles are at the core of all of our leadership actions. Each speaks to the need to adapt to changing market demands.

Our customers expect to realize value more quickly and nimbly in the cloud, asking for solutions that navigate greater complexity in simple and sophisticated ways. While they seek agility, we simultaneously have to increase our ability to become more adaptable, comfortable with volatility, uncertainty, complexity, and ambiguity. To drive simplicity, we are fostering a work environment based on trust by letting go of checks and balances, and moving away from a culture of command and control. And finally, to develop amazing talent, leaders are requested to find a balance between business results and people. It is mandatory that leaders actively support employee skill-building to maximize the impact on our success.

We see leadership as a profession. We make leaders accountable, and create a consistent leadership culture across the organization to ensure the engagement with and the advancement of our people. To further enhance accountability and to measure our collective effort to foster a work environment based on trust, we added a question to our annual global employee survey to gauge employees' trust in our leaders. We measure leadership trust by using the Net Promoter Score (NPS) methodology. Our leadership trust score increased most significantly by 18.3 percentage points up to 46.8%, far exceeding our already ambitious target of 35.0% for 2014. The goal for 2015 is to even further increase the trust in our leadership; we aim for a target of 51.0%. In addition, we made leadership trust one of the key performance indicators for our top leaders at SAP for 2014. Finally, we introduced mandatory leadership training, launching a revamped, roles-based, and interactive curriculum.

In 2014, we brought together 220 leaders including senior executives, top talents, Millennials, and expert-level employees from across the company at a leadership summit. We explored ways to grow our business in the cloud, lead with purpose, and cultivate engagement as well as foster trust and simplicity. In the spirit of transparency and leadership accountability, we asked the participants at the end of the summit to identify a personal commitment and concrete follow-up action that were displayed on an online "commitment wall," accessible to all employees in the organization.

Learning
Our learning culture at SAP aims to enable all employees at any level or in any role to learn. We introduced a philosophy of "everyone is a talent," to focus on maximizing the skills of all our employees. We have adopted a new approach to assessing the individual potential of every person at SAP and have updated our portfolio of development offerings for each level of employee.

We took a number of steps throughout 2014 to ensure that SAP is a best-in-class learning organization. We appointed SAP's first chief learning officer to create and execute a unified strategy for employee learning. We adopted our Success Map global learning platform, a cloud solution that enables highly personalized "learning on demand." We streamlined our learning offerings and launched Webinars, produced online courses, and fostered peer interaction. New opportunities include career planning and mentoring workshops, behavioral tests, business simulations, and sponsorship pilots.

As we work to build an agile and heterogeneous workforce to meet future demands and reflect our customer base, we seek to also attract earlier generations of talent to broaden our expertise and balance our experienced employee base that we call "mature talents." While putting a strong focus on developing our own talents, we also look for new talents externally to complement our current skills. In 2014, we made our recruiting more dynamic, mobile, social media-friendly, and easy to navigate. We launched a new careers site that highlights potential career paths at SAP, catering to different backgrounds, interests, and goals. At the same time, we continued proven methods of recruiting such as opportunities to talk in person and with our presence on university campuses, both important to reach new generations.

Beyond our focus on talent, leadership, and learning, the following four areas help us foster a winning culture that enables us to achieve our goals and create positive impact.

Inclusion
A diverse and inclusive culture fuels our innovation, helps us connect with customers, and makes us a better, more attractive workplace. We focus on four key areas:
– Generational intelligence
– Gender intelligence
– Differently abled people
– Culture and identity

We continue to work toward our goal of increasing the number of women in management from 18% in 2010 to 25% in 2017, a goal common to players in the IT industry. Our overall percentage of women in the workforce stayed constant at 31% from 2013 to 2014, and the percentage of women in management slightly increased to 21.3% in 2014 from 21.2% in 2013, marking the fifth year of growth in this area. Year-over-year, we added another 102 women to our management team. To further support progress, we offer executive sponsorships for women and require that at least one female candidate is included on the short list for leadership and other key executive positions.

Through our employee networks and other programs, we recognize and support diversity in its many dimensions. For example, in 2014, we released “LGBT Allies: SAP Employee Stories,” a video of SAP employees voicing support for the lesbian, gay, bisexual, and transgender (LGBT) community. This grassroots effort brought people together from different nationalities, backgrounds, and roles. We have also expanded our hiring of people with autism in our Autism at Work initiative, which is now implemented in five countries; we are targeting 1% of the total workforce by 2020.

In 2014, we repeated our annual People Weeks, a two-week opportunity for employees to learn and exchange ideas in in-person sessions, Webinars, and discussion forums. This year’s motto, “Shine Through the Cloud,” was designed to connect colleagues to our cloud strategy. A total of 36 virtual and 600 local sessions were offered in 69 countries.

Work/Life Integration

We work to ensure that people at SAP have the ability to manage stress, balance their personal and professional lives, and perform at their best.

To help employees and managers invest in their health and a balanced lifestyle, we continued our global initiatives such as People Weeks, which place a strong focus on health, diversity, and learning. Further, we developed the Employee Health Support Program, which provides a personalized health report and recommendations. Piloted in 2013 in Austria and Ireland, the program has since been rolled out at all SAP locations in Germany and will be offered globally.

In 2014, we introduced a Corporate Oncology Program for Employees, which provides personalized analysis of cancer treatment options supported by SAP HANA. This program assesses individual genetic profiles of cancer cells. SAP is the first company to offer this service to its employees. We piloted the program in the United States and Germany and expect to expand it in further locations.

Our Business Health Culture Index (BHCI), based on our People Survey, assesses the degree to which our workplace culture supports people’s well-being, work/life balance, and organizational health. In 2014, we achieved a score of 70%, compared to 67% in 2013. Given the fast pace of change in the IT industry, we have set a goal of maintaining a score of 70% or higher. Based on our internal model and assumptions, we were able to quantify the connectivity between the BHCI and our operating profit. For each percentage point in change of the BHCI, the impact on our operating profit was approximately between €65 million and €75 million in 2014. For more information, see the Integrated Performance Analysis section of the SAP Integrated Report 2014 online.

Social Investments

Our corporate social responsibility strategy applies our talent, technology, and strategic partnerships to create long-term, sustainable social impact. This year, we continued to focus on two areas that are critical to both SAP and society: education and entrepreneurship. In 2014, SAP contributed approximately €22 million in cash donations to non-governmental and non-profit organizations. Eleven hundred non-profit organizations received technology donations, including a comprehensive implementation of the SAP Business One solution at *Specialisterne*, an organization SAP works closely with that secures employment for people with autism, and *Emprego Ligado*, a social organization that offers an online job marketplace to Brazil’s working class. Our employees volunteered about 188,000 hours in communities in 47 countries, with more than 40% of their time spent devoted to providing their unique talents and abilities (“skills-based volunteering”).

In 2014, we expanded the SAP Social Sabbatical, one of our most successful and strategic programs, designed to cultivate existing talent and create social impact. Each year, we send high-performing employees from around the world to emerging markets, where they collaborate with social enterprises and entrepreneurs on month-long projects to solve a pressing business challenge. Many employees say the experience is life-changing, and they come back as stronger leaders and innovators. Strategic "pro-bono volunteering" is being extended to include local projects and an executive social sabbatical.

We also unveiled an innovative partnership in which SAP helped to create a technology-focused high school in New York City called the Business Technology Early College High School. The public six-year school features a special business and technology curriculum as well as mentoring and internship opportunities with SAP and others within our ecosystem. The school – known as BTECH – is an investment in the next generation as well as our own future, as we help develop a skilled workforce to drive innovation and growth. We plan to support additional schools with similar focus in North America in 2015.

Enhancing Engagement
From our earliest interactions with potential new employees to the many ways that we develop people at SAP, we are ultimately working to engage everyone in our vision – to help the world run better and improve people's lives. We know that to win in the marketplace and be successful with our cloud strategy, we must continually expand the boundaries of what is possible, and engagement unlocks exceptional performance.

Indeed, in 2014, we were able to show a correlation between employee engagement and margin, further linking our financial and non-financial performance. For each percentage point our employee engagement index goes up or down, the impact on our operating profit was between €35 million and €45 million. For more information, see the Integrated Performance Analysis section of the SAP Integrated Report 2014 online. Employee engagement remains one of SAP's four corporate strategic goals, along with growth, profitability, and customer loyalty. In our 2014 "pulse check," we achieved an overall employee engagement score of 79%, compared to 77% in 2013. We aim at achieving a score of 82% by 2015. Employee satisfaction went up in every single category and in nearly all questionnaire items, including topics addressing the confidence in our strategic direction, in particular.

The scores of our People Survey in 2013 revealed that our employees were committed to execute the refreshed strategy but wanted support to translate the strategic direction into their daily life; subsequently this was selected as the key topic for 2014. We attribute the success in 2014 to our efforts to communicate and to explain the refreshed strategy. This effort will be continued in 2015.

We still see the need to continue our simplification efforts which will be our second focus area for increasing employee engagement in 2015, as our score in this area only improved slightly in 2014. We strongly believe that effective and simple processes and structures are critical to ensure our customer's and SAP's success. They not only save time and duplication of effort, but they free up energy for innovation.

In addition to our learning and development opportunities, special initiatives also support engagement. In 2014, we launched the Hasso Plattner Founders' Award to celebrate the best of who we are and what we do at SAP. More than 2,000 nominations were submitted, with criteria based on transforming problems into opportunities through innovative thinking, reducing complexity, and making bold decisions involving risk-taking and learning from mistakes. Our two winning teams overcame significant technological and organizational challenges to deliver solutions that simplify business problems, focus on the customer, and deliver meaningful value. They showcased the spirit of innovation, entrepreneurialism, and courage that we will maintain as our hallmarks in the years to come.

Our connectivity analysis revealed that employee retention is positively impacted by employee engagement and in 2014, our employee retention rate worldwide was 93.5%, same as in 2013. After making minor adjustments in the assumptions of our connectivity model, a one percentage point change in employee retention can impact our operating profit by about €40 million to €50 million. The average length of service at SAP worldwide in 2014 was approximately 7.2 years (2013: 6.5 years). While we do not seek a general retention rate of 100%, as some turnover supports innovation, a high retention rate is a priority. As with engagement, we believe that a thriving culture and strong leadership, along with a sense of purpose and opportunities to develop, motivate our top talent to stay at SAP.

HEADCOUNT

On December 31, 2014, we had 74,406 full-time equivalent (FTE) employees worldwide (December 31, 2013: 66,572). This represents an increase in headcount of 7,834 FTEs in comparison to 2013. Of the overall headcount increase in 2014, 5,535 resulted from acquisitions. The average number of employees in 2014 was 68,343 (2013: 65,409).

We define the 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 who are 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 such temporary employees is not material.

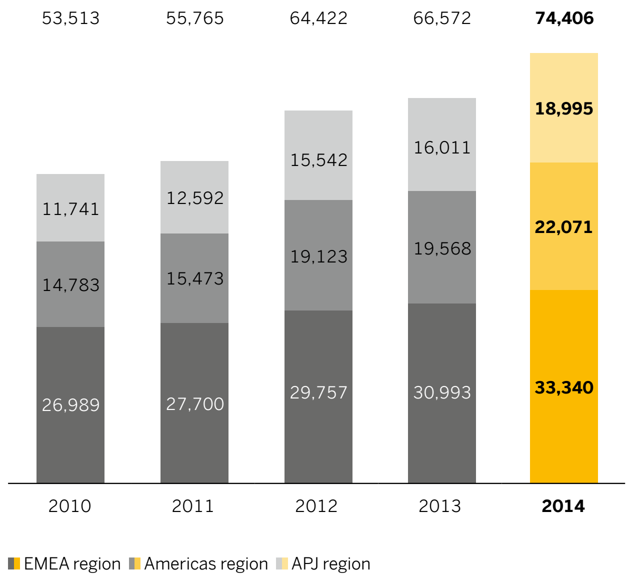
On December 31, 2014, the largest number of SAP employees (45%) were employed in the EMEA region (including 24% in Germany), while 30% were employed in the Americas region (including 21% in the United States) and 26% in the APJ region.

Unless otherwise stated, the main driver for the following headcount increases were SAP's acquisition activities (mainly Concur). Our worldwide headcount in the field of software and software-related services grew 34% to 15,074 FTEs (2013: 11,261). Cloud operations and support accounted for most of the increase. Professional services and other services counted 14,639 FTEs at the end of 2014 – an increase of less than 1% (2013: 14,629). Our R&D headcount saw a year-over-year increase of 6% to 18,908 FTEs (2013: 17,804). This growth stemmed from an increase in headcount in the area of Products & Innovation. Sales and marketing headcount grew by 14% to 17,969 FTEs at the end of the year (2013: 15,824). General and administration headcount rose 10% to 5,023 FTEs at the end of the year (2013: 4,566). Our infrastructure employees numbered 2,794 FTEs – an increase of 12% (2013: 2,488) driven primarily in our investments in IT.

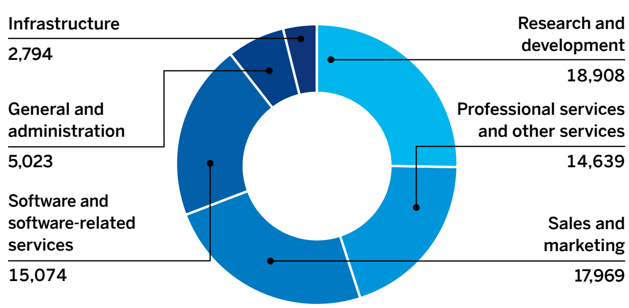
In the Americas region, headcount (FTEs) increased by 2,503, or 13%; in the EMEA region, the increase was 2,347, or 8%; and in the APJ region, it was 2,985, or 19%.

Our personnel expense per employee stayed essentially flat at approximately €115,000 in 2014 (2013: approximately €114,000). 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 SAP employed, see the Notes to the Consolidated Financial Statements section, *Note (8)*.

Number of Employees
Full-time equivalents



Employees by Functional Area
Full-time equivalents



Environmental Performance: Energy and Emissions

One of the primary ways that we can help both our customers and SAP tackle the challenge of complexity is by increasing efficiency. Simplification and efficiency go hand in hand, and we have worked to enhance both by taking responsibility for our energy usage and carbon emissions including IT-related impact of our customers consuming our cloud offerings.

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 offsets. This change – which we implemented in 2014 – does more than mitigate our own impacts. It also means that we can better serve our customers, as we simplify their IT landscape through our cloud offerings and help them increase their own efficiency. Our green cloud strategy is complemented by 100% renewable energy for facilities and electric company cars charged at SAP locations.

The evolution of our green cloud reflects the critical links we see between our environmental and business performance. We bring equal rigor to addressing and measuring both of these areas. In assessing our environmental impact, we focus on energy usage throughout SAP, as well as greenhouse gas emissions across our value chain. Since the beginning of 2008, our energy efficiency measures have generated a cumulative cost avoidance of €310 million, compared to a business-as-usual scenario, with €45 million of that amount created in 2014.

TOTAL ENERGY CONSUMED

Because our energy usage drives our emissions, one of the most important measures we look at is our 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 920 gigawatt hours (GWh) in 2014, compared to 910 GWh in 2013.

This increase is due to significant growth in our 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 are supplementing our servers. This additional cloud operation, along with the accompanying servers and facilities, consumes more energy. At the same time, we believe this shift has the opposite effect for our customers, which can simplify their technology and save energy through our shared infrastructure, reducing the overall IT-related energy consumption through our highly energy-efficient cloud provisioning.

As our business grows, we have maintained the efficiency gains we have made over the past several years. For example, our total corporate car fleet is not consuming more fuel despite the fact that a significant number of company cars have been added, since the average company car has become more fuel-efficient. So, while our car fleet grew by 5%, we had efficiency gains of 3% across the entire fleet. As a result, our total energy consumption decreased slightly to 13,400 kilowatt hours (kWh) per employee in 2014 (2013: 13,900 kWh).

GREENHOUSE GAS EMISSIONS

Our goal is to reduce the net greenhouse gas emissions from our operations to levels of the year 2000 by 2020. This target includes all direct and indirect emissions from running our business (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 chose to focus first on those emissions over which we have control or capability 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 goal for 2020, we have set annual targets. Despite integrating new acquisitions in 2014, our total net emissions decreased to 500 kilotons CO_2 (2013: 545 kilotons). This decrease stems primarily from our shift to powering all of our data centers and facilities with 100% renewable electricity. We are effectively compensating the emissions caused by our customers' systems that have moved into our green cloud. Given the large size of our customers' footprints and our growth strategy in the cloud, we see significant potential to reduce both our own and our customers' environmental impact.

Nonetheless, we missed our annual target to reduce our emissions to 440 kilotons. The reason is that our business has continued to grow, and more of our overall emissions are caused by business travel. In other words, our shift to green energy – while critical to our long-term reduction strategy – could not fully compensate for the business travel enabling our growth. At the same time, this shift did enhance our efficiency. Our greenhouse gas emissions decreased from 32.4 grams CO_2 per euro of total revenue in 2013 to 28.4 grams CO_2 per euro in 2014. Our carbon emissions per employee also decreased by about 12% in 2014.

In addition to greater efficiency, we have achieved an overall absolute reduction of 16% since our peak year 2007, when we set our long-term carbon target. This reduction has occurred even as the average number of employees at SAP has increased by almost 32%.

ENVIRONMENTAL INNOVATIONS

The ongoing tension between growth in our business and our goal to reduce our emissions has led us to pursue new approaches. To further decrease our car-related emissions, in 2014, we committed to increase the portion of electric vehicles (or alternatives) in our company car fleet from currently less than 1% to 20% by 2020. This initiative addresses a dilemma that has grown in recent years. Namely, along with our business expansion, the number of SAP employees who are eligible for a company car has increased annually. We aim 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, we continue to power our electric company cars with 100% renewable sources. In Germany, for example, we are incentivizing employees to make the switch by offering a battery subsidy that offsets the cost of using an electric vehicle. We are also developing a management solution that will address "range anxiety," helping drivers intelligently plan out their trips, their maximum range and the availability of charging stations. We believe that our electric car initiative will play a critical role in helping us achieve our 2020 carbon reduction goal.

Our shift to a green cloud will also bring us closer to our carbon emission goal while extending our reach beyond SAP. In addition to reducing our own emissions, this change enables us to create a far greater impact through our customers. In 2014 alone, the emissions caused by SAP products in use at the sites of our more than 282,000 customers were at least 10 times larger than SAP's own footprint, meaning they caused more than 6,200 kilotons of CO_2. By using 100% renewable energy, we dramatically broaden our sustainability efforts and align them with our cloud strategy. We believe this move not only helps the world run better, but significantly reduces the carbon produced both inside and outside SAP.

In 2014, we also began realizing the benefits of another key sustainability initiative, our investment in the Livelihoods Fund, a unique investment fund whose returns consist of high-quality carbon credits. Several years ago, we made an initial investment of €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, agro-forestry, and rural energy. In eastern India, for example, the fund has helped communities plant fruit trees to diversify food sources and address overcultivation of soil. As opposed to a charitable donation, we have made a long-term investment that brings benefits to society, the environment and SAP. In 2014, we received our first carbon credits from the fund, which helped us reduce our carbon footprint by another 11.2 kilotons.

Another important piece of progress in 2014 was the further implementation of ISO 14001 in SAP locations throughout the world. This well accepted environmental management system is now in place in 23 of our locations worldwide, including our SAP North America headquarters in Newtown Square, Pennsylvania, in the United States, as well as in such diverse countries as Austria, Brazil, Canada (Vancouver), the Czech Republic, Germany, Israel, Italy, and South Africa. To act faster and achieve consistency, we have created a template for rolling out to new sites, enabling us to efficiently build a large global network in which different sites interact and share best practices.

DATA CENTER ENERGY
Data centers are at the heart of how SAP provides solutions to our customers. The energy consumption in data centers is closely related to technology innovation and customer adoption of our solutions. 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.

As noted earlier, in 2014 we addressed our data center electricity consumption by shifting entirely to a green cloud at SAP. This means that 100% of our energy usage to provide internal and external computation power now comes from renewable sources. At the same time, we began utilizing external data centers to meet the growing needs of our cloud customers. For this reason, our total data center electricity consumption – at both our internal and external sites – increased from 173 to 179 GWh. To reflect our strategic shift towards a cloud delivery model based on internal and external data centers, we decided to normalize total data center electricity consumption against revenue instead of per SAP employee. On a per million euro basis, this consumption stayed flat at 10.2 megawatt hours (MWh) per million euro revenue between 2013 and 2014.

RENEWABLE ENERGY
Our investment in renewable energy plays a critical role in mitigating our environmental impact, helping us better serve our customers and support a more sustainable energy market. We are committed to buying from renewable sources – in 2014 we focused on solar, wind, and hydro. Our shift in 2014 to 100% renewable energy in all of our data centers and facilities is one of our most significant actions to date to make our operations more sustainable.

In 2014, renewable energy accounted for 100% of our total electricity, compared with 43% in 2013. While we produce a small amount of renewable energy through solar panels in some locations, we mainly rely on the purchase of Renewable Electricity Certificates (RECs) to increase the renewable electricity in our energy mix. We procure RECs that add value and drive change in the electricity market, adopting a set of key criteria to establish high-quality standards, which were aligned with two NGOs. For example, we will 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 and production of renewable energy.

Financial Performance: Review and Analysis

ECONOMY AND THE MARKET

Global Economic Trends

The global economy recovered during the course of 2014, although slowly and heterogeneously, according to the European Central Bank (ECB). The ECB reports that progress in some advanced economies was restrained early in the year, gained momentum in the second and third quarters, but then weakened slightly in the fourth quarter. In the emerging economies, in contrast, the ECB says, structural problems and a tight credit environment impeded growth throughout the year. On the other hand, geopolitical crises, such as those in Ukraine and the Middle East, had little impact on the global economy in 2014, according to the ECB.

Year-over-year growth in the Europe, Middle East, and Africa (EMEA) region was significantly slower than the global average. The ECB reports that growth in the euro area lost momentum throughout 2014; it was particularly weak in the fourth quarter given unexpectedly low investment and exports. The ECB estimates that euro-area gross domestic product (GDP) increased 0.8% year-over-year. It notes that overall growth was robust in Central and Eastern Europe in the first half of 2014 but that in some countries growth slowed in the second half of the year. The intensifying conflict in Ukraine, the international sanctions, and falling oil prices all hampered growth in the Russian economy, especially in the second half of the year.

Year-over-year growth in the Americas region was also slower than the global average, the ECB reports. Strong domestic demand underpinned substantial growth in the U.S. economy, especially in the second and third quarters. In contrast, economic growth in Latin America weakened and the disparity between countries' growth increased in 2014. For example, the ECB reports that the Brazilian economy grew little – indeed, it contracted in the first six months – while experiencing steep inflation. In contrast, the Mexican economy regained traction in 2014 after suffering a marked reversal the previous year, according to the ECB.

Economic trends in the Asia Pacific Japan (APJ) region were again mixed. In Japan, economic growth slowed again. In the second and third quarters, Japan's economy even contracted; the ECB links this development with the increase in consumption tax on April 1, 2014. Japan returned to growth in the last quarter of the year. Year-over-year, economic growth in China decelerated – primarily because of a decline in investments. National and local stimulus programs brought a return to greater stability in the fourth quarter. According to the ECB, the outcome was full-year economic growth in China at a rate in the upper single-digit percentage range.

The IT Market

According to U.S. market research firm International Data Corporation (IDC), the global IT market expanded 4.1% in 2014, which is in the lower end of the range IDC expected in its earlier quarterly projections. Drivers were a decrease in production and a decline of average prices for tablets and smartphones in a saturated market, according to IDC. These effects had not been foreseen at the beginning of the year. On the other hand, PC-related sales revenue shrank less than IDC had forecasted in its projections earlier in the year. Indeed, in the advanced economies PC spending rose for the first time since 2010, although it continued to decline in the emerging economies. IDC's expectations for the software and related services markets remained broadly constant all year. IDC expected that the software market grew 6.1% and the services market grew 3.3% in 2014. According to IDC companies continue to invest in software; increasingly so in solutions for the cloud, mobile, and Big Data. Such investment is targeted at cost reduction, more efficient operation, and optimized hardware utilization.

Each segment of the IT market in the EMEA region expanded less than the global average. IDC states that, in Western Europe, a resurgent PC market (8.2% growth) drove an increase in total IT spending. Nonetheless, overall growth in the IT market in Western Europe market was 1.8% (Germany: 3.6%), which was negatively influenced by political tensions with Russia. The impact of the Ukraine crisis was more noticeable in Central and Eastern Europe, where the IT market nearly stagnated with 0.1% growth (Russia 0.1%). The IT market in Africa and the Middle East grew by a percentage well into double digits.

In the Americas region, IDC estimates the U.S. IT market as relatively stable and calculated growth of 3.8% in 2014. Progress was slowest in the first quarter, similar to what was seen in the U.S. economy. IT demand grew most rapidly for cloud products, and that growth was at the expense of traditional software products. The markets in Latin America grew more slowly than previously. IDC estimates that the IT market in Latin America grew only 6.2% year-over-year (Brazil: 7.1%; Mexico: 2.8%) after double-digit growth in the previous year and despite a projection of 8% growth for 2014 made at the beginning of the year.

The two largest economies in the APJ region, China and Japan, experienced some difficulty in 2014, and in both countries the IT market was affected, IDC reports. In Japan, where IT spending had grown 4.0% in 2013, IDC estimates that it increased only 0.6% in 2014, held back by the weakness of the overall economy. For China, IDC projected 13.3% growth in 2014 at the beginning of the year, but by the end of the year it had trimmed its expectation to 9.8%.

Impact on SAP
Once again, growth in the overall global economy and in the IT industry was relatively slow in 2014, and it became increasingly volatile as the year progressed. This confronted SAP with considerable challenges. However, thanks to our innovation strategy, extended product portfolio, and strong diversification, we once again succeeded in significantly expanding our business and outperformed the overall global economy and IT industry in all regions in 2014 with regards to revenue growth.

Our non-IFRS software and software-related services revenue increased 7% at constant currencies in 2014. Both our core business and our cloud business contributed substantially to the increase. In our core business, non-IFRS software and support revenue increased 5% at constant currencies, although software revenue growth was affected by difficult economic conditions in almost all of the most important emerging economies for us, notably in Latin America, Russia and Ukraine, and Japan. That led to a 3% year-over-year decline in our non-IFRS software revenue at constant currencies, while our constant currency non-IFRS support revenue grew 8%. 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. Non-IFRS cloud subscription and support revenue grew 45% over the year at constant currencies. That growth was 32% even after eliminating the results from the acquired cloud companies.

In the EMEA region, we were again highly successful, attaining 7% growth in non-IFRS software and software-related services revenue at constant currencies, while our performance in the United Kingdom was especially noteworthy. A 57% year-over-year increase in non-IFRS cloud subscription and support revenue at constant currencies is an indication that the cloud business is also of growing importance in the EMEA region.

In the Americas region, we achieved 7% growth in non-IFRS software and software-related services revenue at constant currencies despite the difficulties of weak economic progress, particularly in Latin America. Non-IFRS cloud subscription and support revenue grew 39% in the full year at constant currencies.

In the APJ region, the economic environment remained weak in 2014 and was also reflected in our modest revenue growth. However, our strong growth in cloud and a solid performance in India are worth highlighting. In the APJ region, our non-IFRS software and software-related services revenue grew 7% year-over-year at constant currencies, considerably supported by a 60% increase in constant currency non-IFRS cloud subscription and support revenue.

In 2014, 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.

OVERALL FINANCIAL POSITION

Executive Board's Assessment

SAP delivered strong growth in the cloud. We also showed a solid software and software-related service revenue performance despite the accelerated shift from upfront software revenue to more predictable cloud revenue. The strong cloud growth is driven by a broad cloud portfolio, the largest cloud business network in the world (Ariba, Concur, and Fieldglass), and SAP HANA Cloud Platform. We will continue to invest in the transformation toward a more predictable cloud business model and once again raise our cloud ambition to grow our cloud subscription and support revenue to be, by 2020, about seven times the respective 2014 revenue.

We achieved our operating profit guidance while we significantly expanded our cloud delivery capabilities. We still aim for a strong total revenue growth, both for the near term and for the medium term. At the same time, we want to maintain the high profitability of our business. All in all, SAP remains in good financial shape.

Influence of Accounting Policies on Our Financial Position

For more information about our accounting policies, see the Notes to the Consolidated Financial Statements section, *Note (3)*.

There are no off-balance sheet financial instruments, such as sale-and-lease-back transactions, asset-backed securities, and liabilities related to structured entities, which are not disclosed in our Consolidated Financial Statements.

SEGMENT INFORMATION

In the first quarter of 2014, we took significant steps to drive forward our strategy and our ambition to become THE cloud company powered by SAP HANA. To execute this strategy, we merged certain areas of the company that performed similar tasks (for example, the on-premise sales forces with the cloud sales force, and the on-premise support units with the cloud support units) to achieve the seamless organization of SAP. Since this integration and in the entire year 2014, our cloud-related activities were no longer handled by separate components in our Company. Our Executive Board assesses the financial performance of our Company on an integrated basis only. Consequently, SAP had one single operating segment in 2014.

For more information about the changes to our segment reporting, see the Notes to the Consolidated Financial Statements section, *Note (29)*.

PERFORMANCE AGAINST OUTLOOK FOR 2014 (NON-IFRS)

Our 2014 operating profit-related internal management goals and published outlook were based on our non-IFRS financial measures. For this reason, in this section we discuss performance against our outlook referring solely to these non-IFRS financial measures. All discussion in the *Operating Results (IFRS)* section, however, is in terms of measures in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), and the numbers in that section are not explicitly identified as IFRS measures.

Starting in the second quarter of 2014, we additionally adjusted our non-IFRS operating expense by excluding the expenses resulting from the Versata litigation. (For more information about this litigation, see the Notes to the Consolidated Financial Statements section, *Note (24)*). Prior-year amounts have been adjusted accordingly. We exclude the Versata litigation expenses to provide additional insight into the comparability of our ongoing operating performance across periods and to continue the alignment of our non-IFRS measures with our internal performance measures.

Guidance for 2014 (Non-IFRS)

At the beginning of 2014, we gave the guidance that our cloud subscription and support revenue (non-IFRS) will increase to between €950 million and €1 billion (2013: €757 million) at constant currencies. For our software and software-related service revenue (non-IFRS) for 2014, we forecasted an increase of between 6% and 8% at constant currencies (2013: €14,032 million). We expected our full-year operating profit (non-IFRS) for 2014 to be between €5.8 billion and €6.0 billion (2013: €5.48 billion) at constant currencies. We anticipated an effective tax rate (IFRS) of between 26.0% and 27.0% (2013: 24.4%) and an effective tax rate (non-IFRS) of between 27.5% and 28.5% (2013: 25.9%).

In April, we confirmed the guidance for 2014 that we had published in January 2014. In July, we increased our outlook for cloud subscription and support revenue (non-IFRS) to between €1,000 million and €1,050 million (2013: €757 million) at constant currencies.

Based on the strong momentum in SAP's cloud business, we raised our cloud outlook again in October and expected non-IFRS cloud subscriptions and support revenue to be in a range of €1,040 million to €1,070 million at constant currencies (2013: €757 million). With the customer-driven mix shift from upfront to cloud subscription revenue we expected full-year 2014 non-IFRS operating profit to be in a range of €5.6 billion to €5.8 billion (previously €5.8 billion to €6.0 billion) at constant currencies (2013: €5.48 billion). We confirmed our predictions for software and software-related service revenue (non-IFRS at constant currencies) and for the anticipated effective tax rates.

Actual Performance in 2014 Compared to Guidance (Non-IFRS)

We achieved or exceeded the amended outlook guidance for revenue and operating profit we published in October.

Comparison of Forecast and Results for 2014

	Forecast for 2014	**Results for 2014**
Cloud subscription and support revenue (non-IFRS, at constant currencies)[1]	€1,040 million to €1,070 million	€1,098 million
Software and software-related service revenue (non-IFRS, at constant currencies)	+6% to +8%	+7%
Operating profit (non-IFRS, at constant currencies)[1]	€5.6 billion to €5.8 billion	€5.63 billion
Effective tax rate (IFRS)	26.0% to 27.0%	24.7%
Effective tax rate (non-IFRS)	27.5% to 28.5%	26.1%

[1] Revised forecast (October 2014).

Despite ongoing economic uncertainty throughout 2014, our new and existing customers continued to show a strong willingness to invest in our solutions. We saw a strong impetus toward growth in the cloud business.

At constant currencies, non-IFRS cloud subscription and support revenue grew from €757 million in 2013 to €1,098 million in 2014. That represents an increase of 45% at constant currencies. The increase includes effects relating to acquisitions not included, or not included in full, in the 2013 amount. These acquisition-related effects account for 13 percentage points in the increase. The increase in our cloud subscription and support revenue led to an increase in our annual cloud revenue run rate to €1,716 million (2013: €1,016 million), with Concur and Fieldglass having together contributed €0.3 billion to the 2014 run rate. In 2014, we began to use the sum of non-IFRS fourth-quarter cloud subscription and support revenue (€360 million) and fourth-quarter non-IFRS cloud-related professional services and other service revenue (€69 million), multiplied by four, to calculate our annual cloud revenue run rate.

Our non-IFRS software and software-related services revenue grew 7% at constant currencies to €14,984 million (2013: €14,032 million).

Despite adverse economic conditions weighing on business in Russia and Ukraine, our performance in the Europe, Middle East, and Africa (EMEA) region was again sound. Non-IFRS software and software-related service revenue grew 6% (7% at constant currencies) and non-IFRS cloud subscription and support revenue increased 58% (57% at constant currencies) in the EMEA region. In the Americas region, non-IFRS software and software-related service revenue increased 6% (7% at constant currencies), with strong growth in the United States. The economic and political environment in Latin America remained difficult. Our non-IFRS cloud subscription and support revenue increased 39% (39% at constant currencies) in the Americas region. In the Asia Pacific Japan (APJ) region, our non-IFRS software and software-related service revenue increased 4% (7% at constant currencies). Non-IFRS cloud subscription and support revenue increased 59% (60% at constant currencies) in the APJ region.

In 2014, we achieved a non-IFRS operating profit of €5,628 million at constant currencies. Thus, constant currency non-IFRS operating profit was within the range (€5.6 billion to €5.8 billion) we had expected in our updated outlook.

We achieved an effective tax rate (IFRS) of 24.7% and an effective tax rate (non-IFRS) of 26.1%, which is below the outlook of 26.0% to 27.0% (IFRS) and 27.5% to 28.5% (non-IFRS). The reduction mainly results from the regional allocation of income, from tax effects on changes in foreign currency exchange rates, and 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.

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 for May to December. Similarly, because we acquired hybris in August 2013, hybris results are incorporated in our 2013 results only for August to December.

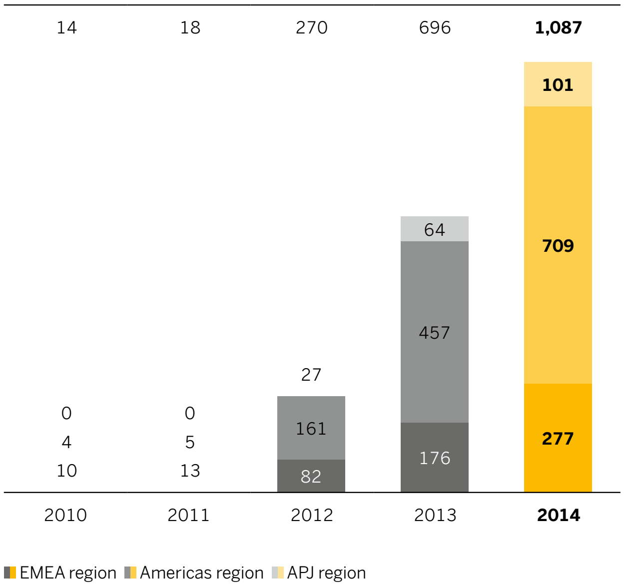
Revenue

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 subscription and support revenue and a €631 million rise in support revenue. Consulting revenue declined €147 million and software revenue declined €117 million. Software and software-related service revenue climbed to €14,855 million in 2014, an increase of 6%. Software and software-related service revenue represented 85% of total revenue in 2014 (2013: 83%). Professional services and other service revenue declined 6% from €2,865 million in 2013 to €2,706 million, which was 15% of total revenue, in 2014.

Cloud Subscriptions and Support Revenue by Region (based on customer location)

€ millions



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

Software and Software-Related Service Revenue

Software 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 subscription and support revenue increased from €696 million in 2013 to €1,087 million in 2014.

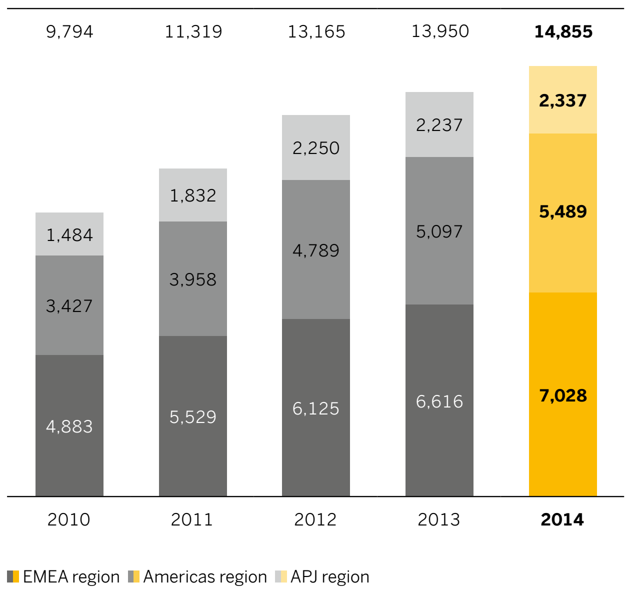
Deferred cloud subscription and support revenue totaled €690 million on December 31, 2014, an increase of 56% (December 31, 2013: €443 million).

The revenue share from more predictable cloud subscription and support revenue together with support revenue increased to 60% (2013: 56%) of total revenue.

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 revenue. That decline, from €4,516 million in 2013 to €4,399 million in 2014, reflects a 3% decrease from changes in volumes and prices.

Software and Software-Related Service Revenue by Region (based on customer location)

€ millions



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 contracts signed for new software 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, and the continued success of our premium support offerings resulted in an increase in support revenue from €8,738 million in 2013 to €9,368 million in 2014. The SAP Enterprise Support services offering was the largest contributor to our support revenue. The €631 million, or 7%, growth in support revenue reflects a 9% increase from changes in volumes and prices and a 1% decrease from currency effects. This growth is primarily attributable to SAP Product Support for Large Enterprises, SAP Enterprise Support, and our premium offerings. The acceptance rate for SAP Enterprise Support among new customers remained high at 98% in 2014.

Software and support revenue rose €514 million, or 4%, from €13,254 million in 2013 to €13,767 million in 2014. This growth breaks down into a 5% increase from changes in volumes and prices and a 1% decrease from currency effects.

Software and software-related service revenue grew from €13,950 million in 2013 to €14,855 million in 2014, an increase of 6%. This reflects a 7% increase from changes in volumes and prices and a 1% decrease from currency effects.

Professional Services and Other Service Revenue

Professional services and other service revenue consists primarily of consulting and other service revenue. We generate most of our consulting revenue from the implementation of our software products. Other service revenue consists mainly of revenue from messaging services and of training revenue from educational services supplied to customers and partners on the use of our software products and related subjects.

Professional services and other service revenue decreased €159 million, or 6%, from €2,865 million in 2013 to €2,706 million in 2014. This decline reflects a 4% decrease from changes in volumes and prices and a 1% decrease from currency effects.

Customers' cautious buying behavior toward large services projects led to a decline in consulting revenue from €2,242 million in 2013 to €2,095 million in 2014, a decrease of €147 million, or 7%. This decline reflects a 5% decrease from changes in volumes and prices and a 1% decrease from currency effects. Consulting revenue contributed 77% of the total professional services and other service revenue (2013: 78%). Consulting revenue contributed 12% of total revenue in 2014 (2013: 13%).

Revenue from other services decreased €12 million, or 2%, to €611 million in 2014 (2013: €623 million). This reflects a 1% decrease from changes in volumes and prices and a 1% decrease from currency changes.

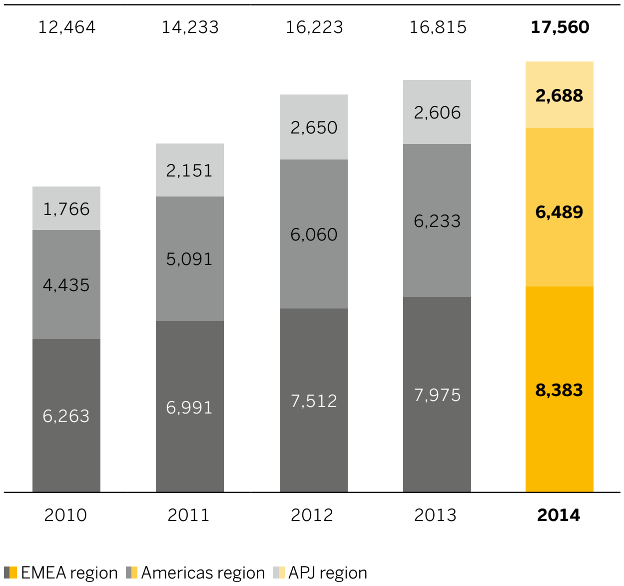
Revenue by Region and Industry

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 (29)*.

Total Revenue by Region (based on customer location)

€ millions



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. Software and software-related service revenue generated in the EMEA region in 2014 totaled €7,028 million (2013: €6,616 million). Software and software-related service revenue represented 84% of all revenue in the region in 2014 (2013: 83%). Cloud subscription revenue rose 58% to €277 million in 2014 (2013: €176 million). This growth reflects a 57% increase from changes in volumes and prices and a 1% increase from currency effects. Software and support revenue rose 5% to €6,751 million in 2014 (2013: €6,440 million). This growth reflects a 6% increase from changes in volumes and prices and a 1% decrease from currency effects.

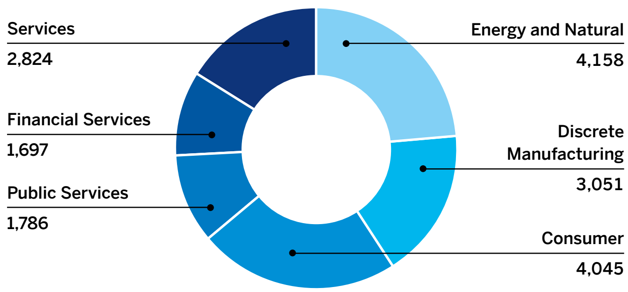
Americas Region

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 changes in volumes and prices 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 from changes in volumes and prices and a 4% decrease from currency effects. This revenue was principally generated in Brazil, Canada, and Mexico. Software and software-related service revenue generated in the Americas region in 2014 totaled €5,489 million (2013: €5,097 million). Software and software-related service revenue represented 85% of all revenue in the Americas region in 2014 (2013: 82%). Cloud subscription revenue rose by 55% to €709 million in 2014 (2013: €457 million); currency effects were 0%. Software and support revenue rose 3% to €4,780 million in 2014 (2013: €4,641 million). This growth reflects a 3% increase from changes in volumes and prices; currency effects were 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 changes in volumes and prices 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. Software and software-related service revenue in the APJ region totaled €2,337 million in 2014 (2013: €2,237 million). That was 87% of all revenue from the region (2013: 86%). Cloud subscription revenue grew 59% to €101 million in 2014 (2013: €64 million). This growth reflects a 60% increase from changes in volumes and prices and a 1% decrease from currency effects. Software and support revenue increased 3% to €2,236 million in 2014 (2013: €2,173 million). This increase reflects a 5% increase from changes in volumes and prices 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.

Revenue by Industry
€ millions



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%).

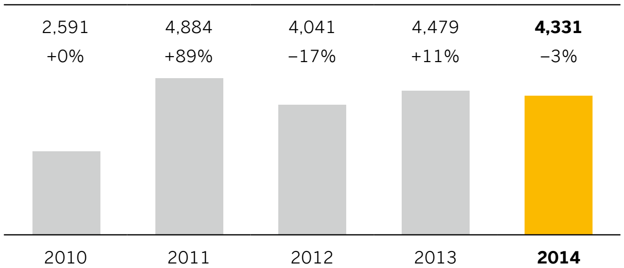
Operating Profit and Operating Margin
In 2014, SAP continued to invest in innovation and made substantial advances in the cloud business. In addition and among other influences, negative currency effects and the difficult economic situation in Latin America and Russia affected our profitability. As a 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.

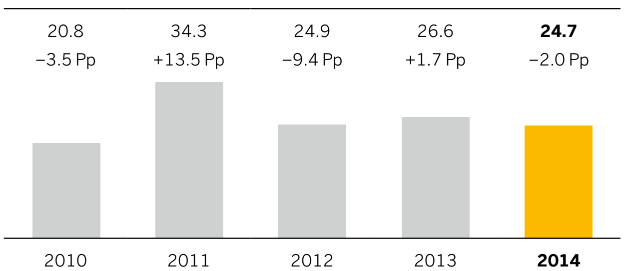
Operating Profit

€ millions | change since previous year



Operating Margin

Percent | change since previous year



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 Software and Software-Related Services

Cost of software and software-related services 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 2014, the cost of software and software-related services increased 10% to €2,894 million (2013: €2,629 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 €112 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 subscription and support revenue and 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 software and software-related services, defined as software and software-related services profit as a percentage of software and software-related services revenue, remained constant year-over-year at 81% in 2014 (2013: 81%).

Cost of Professional Services and Other Services
Cost of professional services and other services consists primarily of the cost of consulting and training personnel and the cost of bought-in third-party consulting and training resources. This item also includes sales and marketing expenses for our professional services and other services resulting from sales and marketing efforts where those efforts cannot be clearly distinguished from providing the professional services and other 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, both our professional and other services revenue and our professional and other services expense decreased. We reduced costs for professional and other services 1% from €2,402 million in 2013 to €2,379 million in 2014. Our gross margin on professional and other services, defined as professional and other services profit as a percentage of professional and other services revenue, narrowed to 12% (2013: 16%).

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 the *Products, Research & Development, and Services* section.

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%).

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 these financing instruments, see the Notes to the Consolidated Financial Statements section, *Note (18b)*.

Income Tax

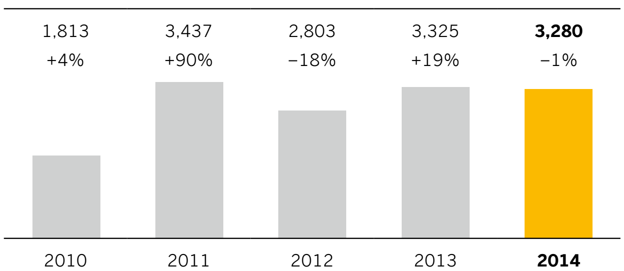
Our effective tax rate increased slightly to 24.7% in 2014 (2013: 24.4%). For more information, see the Notes to the Consolidated Financial Statements section, *Note (11)*.

Profit After Tax and Earnings per Share

Profit after tax remained almost constant year over year at €3,280 million in 2014 (2013: €3,325 million).

Profit After Tax

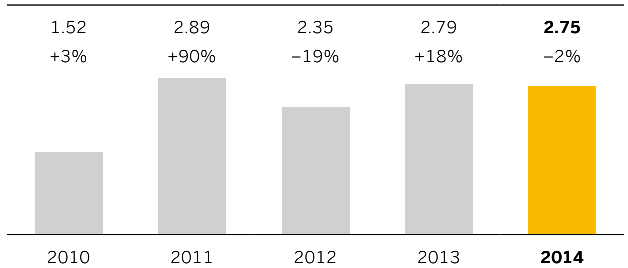
€ millions | change since previous year



Basic earnings per share decreased slightly to €2.75 (2013: €2.79). The number of shares outstanding increased to 1,195 million in 2014 (2013: 1,193 million).

Earnings per Share

€ | change since previous year



Dividend

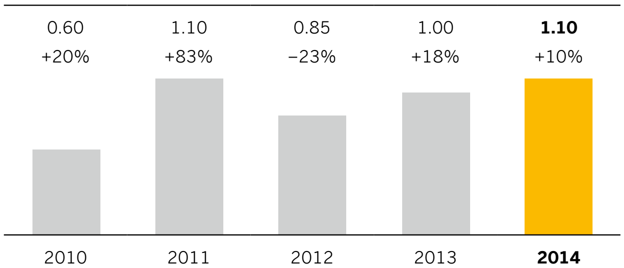
We believe our shareholders should benefit appropriately from the profit the Company made in 2014. Until now, our policy has been to distribute more than 30% of profit after tax in dividend. In practice however, the payout has been greater than 35% of profit after tax in all recent years. We are therefore amending our policy, which from now on will be to pay a dividend totaling more than 35% of profit after tax.

The Executive Board and the Supervisory Board will therefore recommend to the Annual General Meeting of Shareholders that the total dividend be increased by 10% to €1.10 per share (2013: €1.00). Based on this recommendation, the overall dividend payout ratio (which here means total distributed dividend as a percentage of profit) would be 40% (2013: 36%).

If the shareholders approve this recommendation and if treasury shares remain at the 2014 closing level, the total amount distributed in dividends would be €1,315 million. The actual amount distributed may be different from this total because the number of shares held in treasury may change before the Annual General Meeting of Shareholders. Transactions related to share-based payments could also change the amount of common stock. In 2014, we distributed €1,194 million in dividends from our 2013 profit. In 2014 and 2013, we did not repurchase any SAP treasury shares.

Dividend per Share

€ | change since previous year



In 2011, in addition to the regular dividend of €0.75 per share, we rewarded our shareholders with a special dividend of €0.35 per share to celebrate our 40th anniversary.

FINANCES (IFRS)

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 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 (25)* to *(27)*.

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, 2014, 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 2014.

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 doing so, ensure a high level of independence, confidence, and financial flexibility.

After undergoing an external credit rating process, on September 19, 2014, SAP SE was assigned a first-time long-term issuer credit rating of "A2" by Moody's and "A" by Standard & Poor's, both with the outlook "Stable."

Our general intention is to remain in a position to return excess liquidity to our shareholders by distributing annual dividends and potentially repurchasing shares. The amount of future dividends and the extent of future repurchases of shares will be balanced with our effort to continue to maintain an adequate liquidity position.

In 2014, we took out a two-tranche bank loan of €4,270 million in total and issued a three-tranche Eurobond of €2,750 million in total with maturities of four to 12 years to finance the acquisition of Concur. In addition a €500 million short-term bank loan was taken for the acquisition of Fieldglass and was repaid in the same year. We also repaid a €500 million Eurobond and the last tranche of the promissory notes amounting to €86 million. Thus, the ratio of total financial debt to total equity and liabilities increased by 13 percentage points to 29% at the end of 2014 (16% as at December 31, 2013).

Capital Structure

	2014		2013		Change (in %)
	€ millions	% of Total equity and liabilities	€ millions	% of Total equity and liabilities	
Equity	19,598	51	16,048	59	22
Current liabilities	8,544	22	6,347	23	35
Non-current liabilities	10,366	27	4,695	17	121
Liabilities	18,909	49	11,043	41	71
Total equity and liabilities	**38,507**	**100**	**27,091**	**100**	**42**

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 (18)*.

As part of our financing activities, in 2015, the Company intends to repay a €550 million Eurobond as well as a US$300 million U.S. private placement tranche when they mature. Furthermore, we are planning to repay a substantial portion of our outstanding bank loans.

Total liabilities on December 31, 2014, mainly comprised financial liabilities of €11,542 million (of which €8,980 million are non-current). Financial liabilities on December 31, 2014, consisted largely of financial debt, which included amounts in euros (€8,799 million) and U.S. dollars (€2,276 million). On December 31, 2014, approximately 70% of financial debt was held at variable interest rates, partially swapped from fixed into variable using interest rate swaps. Total liabilities on December 31, 2014, 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, 2014, 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 the SAP Group

€ millions

	2014	2013	Change
Cash and cash equivalents	3,328	2,748	580
Current investments	95	93	2
Group liquidity	**3,423**	**2,841**	**582**
Current financial debt	–2,157	–586	–1,571
Net liquidity 1	**1,266**	**2,255**	**–989**
Non-current financial debt	–8,936	–3,722	–5,214
Net liquidity 2	**–7,670**	**–1,467**	**–6,203**

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.

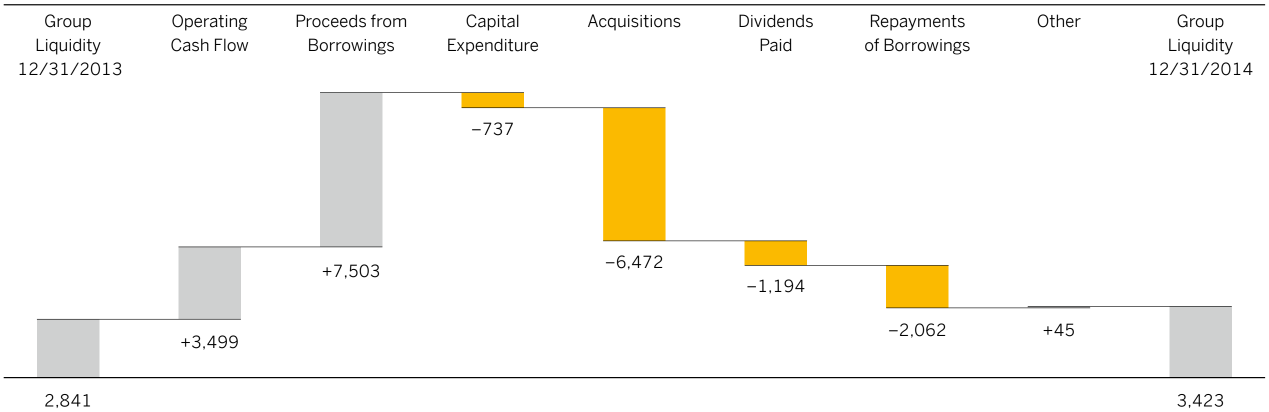
Net liquidity is Group liquidity less total financial debt as defined above.

The increase in Group liquidity compared to 2013 was mainly financing activities in issuing bonds. They were partly offset by cash outflows for acquisitions (such as Concur and Fieldglass), dividend payments, and loan repayments.

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.

Group Liquidity Development

€ millions



Analysis of Consolidated Statements of Cash Flow

Analysis of Consolidated Statements of Cash Flow

€ millions

	2014	2013	Change (in %)
Net cash flows from operating activities	3,499	3,832	−9
Net cash flows from investing activities	−7,240	−1,781	>100
Net cash flows from financing activities	4,298	−1,589	>100

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 *Assets* and *Investment Goals* sections.

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.

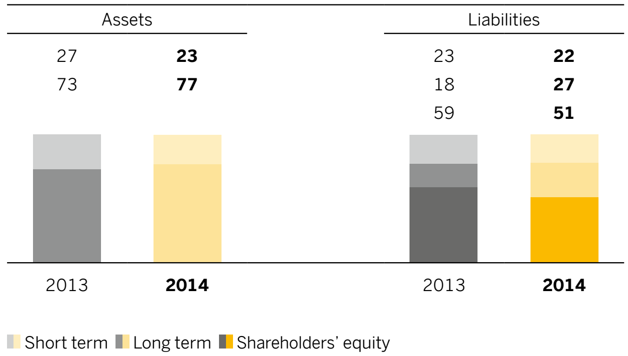
We are party to a revolving €2.0 billion credit facility contract with a current tenor of five years plus one extension option for an additional year. The credit line may be used for general corporate purposes. A possible future withdrawal is not bound to any financial covenants. Borrowings under the 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, 2014, 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 in their local currencies at prevailing interest rates, generally to the extent SAP SE has guaranteed such amounts. As at December 31, 2014, approximately €54 million was available through such arrangements. There were immaterial borrowings outstanding under these credit facilities from our foreign subsidiaries as at December 31, 2014.

ASSETS (IFRS)

Analysis of Consolidated Statements of Financial Position
Total assets increased by 42% year over year to €38,507 million.

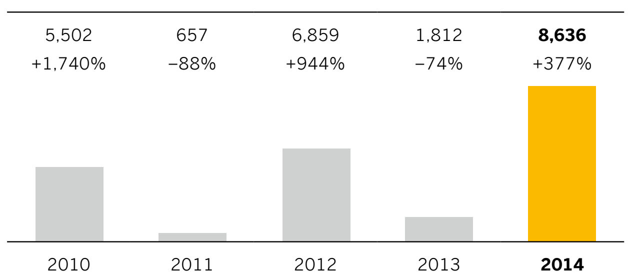
Breakdown of Consolidated Statements of Financial Position
Percent



Total current assets increased by 22% in 2014 from €7,351 million to €8,980 million. This was mainly due to an increase in cash and cash equivalents to €3,328 million (2013: €2,748 million) stemming from cash inflows from our operating activities.

Total non-current assets increased by 50% in 2014 to €29,527 million compared to the previous year's figure of €19,739 million. This change was mainly due to additions to goodwill and intangible assets, resulting from the acquisitions of Concur, Fieldglass and SeeWhy.

Investment in Goodwill, Intangible Assets or Property, Plant, and Equipment (incl. Capitalizations due to Acquisitions)
€ millions | change since previous year



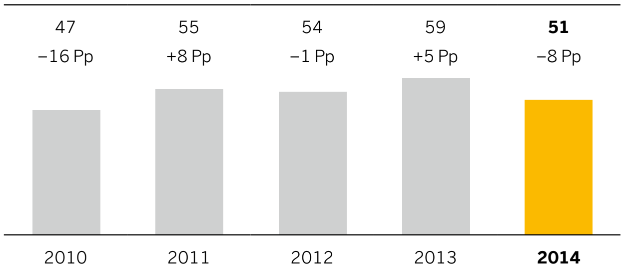
Current liabilities increased by 35% to €8,544 million in 2014 as compared to the prior year (€6,347 million) which is mainly due to a short-term bank loan we took to finance the Concur acquisition.

The increase in total non-current liabilities from €4,695 million in 2013 to €10,366 million in 2014 was due mainly to financing activities. We took a long-term bank loan and issued a three-tranche Eurobond, both in connection with the Concur acquisition. For more information about financing activities in 2014, see the *Finances (IFRS)* section.

Such financing activities lowered the equity ratio (that is, the ratio of shareholders' equity to total assets) down to 51%, compared to 59% of the prior year.

Equity Ratio

Percent | change since previous year



Principal Capital Expenditures and Divestitures Currently in Progress

In 2014, we started construction activities in several locations. 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. The 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 €49 million, of which we had paid approximately €3 million as of December 31, 2014. We expect to complete the construction of this office building in 2016.
- In Ra'anana, Israel, we commenced construction of a new building. We estimate the total cost of this project to be approximately €54 million, of which we had paid approximately €15 million as of December 31, 2014. We expect to complete the construction of this office building in 2016.
- In our research center in Potsdam, Germany, we started with a second construction phase in order 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 €15 million, of which we had paid approximately €4 million as of December 31, 2014. We expect to complete the construction of this office building in 2016.
- In New York City, New York, United States, we started planning 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 €31 million, of which we had paid approximately €1 million as of December 31, 2014. We expect to complete the leasehold improvements in 2016.
- In Paris, France, we started an office consolidation project. The project aims to consolidate three office spaces in Paris into one office space. We estimate the total cost of the leasehold improvements to be approximately €32 million. We expect to complete the leasehold improvements in 2015.
- In Dubai, United Arab Emirates, we started an 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. We expect to complete the leasehold improvements in 2016.

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

COMPETITIVE INTANGIBLES

The resources that are the basis for our current as well as future success do not appear on the Consolidated Statements of Financial Position. This is apparent from a comparison of the market capitalization of SAP SE (based on all outstanding shares), which was €71.6 billion at the end of 2014 (2013: €76.5 billion), with the book value of our equity on the Consolidated Statements of Financial Position, which was €19.6 billion (2013: €16.0 billion). This means that the market capitalization of our equity is more than three times higher than the book value. The difference is mainly due to certain internally generated intangible resources that the applicable accounting standards do not allow to be recorded (at all or at fair value) on the Consolidated Statements of Financial Position. They include customer capital (our customer base and customer relations), employees and their knowledge and skills, our ecosystem of partners, software we developed ourselves, our ability to innovate, the brands we have built up – in particular, the SAP brand itself – and our organization. On December 31, 2014, SAP ranked fourth of the most valuable companies in Germany in terms of market capitalization based on all outstanding shares. According to the Interbrand "Best Global Brands" annual survey, SAP ranked again the 25th most valued brand in the world (2013: 25th). Against other German brands, the SAP brand ranks third behind Mercedes-Benz and BMW, and 9th globally against other IT brands. Interbrand determined our brand value as US$17.3 billion, an increase of 4% compared to the previous year (2013: US$16.7 billion).

The results of our current and past investment in research and development are also a significant element in our competitive intangibles.

Our customer capital continued to grow in 2014. We gained more than 28,500 new customers in various market segments and strengthened our existing customer relationships. To help us improve insight into our customers' view of SAP, in 2012 we began measuring our Customer Net Promoter Score (NPS), a metric that gives a more complete picture of customer loyalty as it answers the question of how likely our customers would be to recommend SAP. For more information about our new customers and NPS, see the *Customers* section.

Employee-related activities increased the value of our employee base and our own software. For more information, see the *Employees and Social Performance* section and the *Products, Research & Development, and Services* section. We also increased the value of our partner ecosystem by continuing to develop sales and development partnerships.

REPORT ON THE ECONOMIC POSITION OF SAP SE

SAP SE is headquartered in Walldorf, Germany, and is the parent company of the SAP Group, which comprises 288 companies. SAP SE is the Group holding company and employs most of the Group's Germany-based development and service and support personnel.

As the owner of the intellectual property in most SAP software, SAP SE derives its revenue mainly from software license fees paid by its subsidiaries for the right to market SAP solutions.

The SAP SE annual financial statements are prepared in accordance with the reporting standards in the German Commercial Code and the German Stock Corporation Act. The full SAP SE annual financial report and unqualified audit report are submitted to the operator of the *Elektronischer Bundesanzeiger* (Online German Federal Gazette) for publication and inclusion in the *Unternehmensregister* (German Business Register). It is available from SAP SE on request.

Income

The income statement uses the nature of expense method and presents amounts in millions of euros.

SAP SE Income Statement – German Commercial Code (Short Version)

€ millions

	2014	2013
Total revenue	**8,957**	**8,413**
Other operating income	722	893
Cost of services and materials	–3,099	–2,896
Personnel expenses	–1,476	–1,390
Depreciation and amortization	–272	–309
Other operating expenses	–2,697	–2,197
Operating profit	**2,135**	**2,514**
Finance income	**921**	**825**
Income from ordinary activities	**3,056**	**3,339**
Income taxes	–749	–834
Net income	**2,307**	**2,505**

The total revenue of SAP SE in 2014 was €8,957 million (2013: €8,413 million), an increase of 6%. Product revenue increased €383 million to €6,926 million (2013: €6,543 million). As in previous years, product revenue was primarily generated from license fees paid by subsidiaries of SAP SE. The increase in SAP SE revenue in 2014 was therefore principally the result of the increase in software and software-related service revenue achieved by the SAP Group.

Other operating income decreased €171 million to €722 million (2013: €893 million). The year-over-year decrease is due primarily to a decline in gains from currency effects. SAP SE cost of services and materials increased 7% to €3,099 million (2013: €2,896 million). SAP SE cost of services and materials comprises third-party services, including those provided by SAP subsidiaries. SAP SE personnel expenses, mainly the labor cost of the developers, service and support employees, and administration staff employed by SAP SE, increased 6% to €1,476 million (2013: €1,390 million) primarily because headcount increased over the year. Other operating expenses increased 23% to €2,697 million (2013: €2,197 million). This increase is mainly attributable to litigation settlement payments in the amount of €267 million and higher currency losses which increased €122 million compared to the previous year. The effect was partly offset by decreased costs for third-party services and impairments of trade receivables. SAP SE operating income decreased 15% to €2,135 million (2013: €2,514 million), primarily due to an increase in other operating expenses.

Finance income was €921 million (2013: €825 million), an increase of €96 million compared with the previous year. The increase is due to a €148 million increase in income from securities classified as financial assets, a €78 million increase in investment income, and an €8 million increase in net interest income. These were in part offset by a decrease of €125 million in income from profit transfer agreements and an increase of €13 million in write-downs of financial assets.

SAP SE income from ordinary activities, which is the sum of operating profit and finance income, decreased €283 million to €3,056 million (2013: €3,339 million). Income tax decreased 10% to €749 million (2013: €834 million). After deducting taxes, the resultant net income is €2,307 million (2013: €2,505 million), a decrease of €198 million year-over-year.

Assets and Financial Position

In 2014, SAP SE total assets closed at €30,169 million (2013: €22,055 million).

SAP SE Balance Sheet – German Commercial Code (Short Version)

€ millions

	12/31/2014	12/31/2013
Assets		
Intangible assets	232	289
Property, plant, and equipment	994	965
Financial assets	24,953	16,857
Fixed assets	**26,179**	**18,111**
Inventories	2	2
Accounts receivable	3,048	2,857
Liquid assets	691	884
Short-term assets	**3,741**	**3,743**
Prepaid expenses and deferred charges	**146**	**113**
Deferred taxes	**70**	**63**
Surplus arising from offsetting	**33**	**25**
Total assets	**30,169**	**22,055**
Equity and liabilities		
Shareholders' equity	12,494	11,295
Provisions	1,102	1,203
Other liabilities	16,568	9,549
Deferred income	5	8
Total shareholders' equity and liabilities	**30,169**	**22,055**

Financial assets increased €8,096 million compared with the previous year to €24,953 million (2013: €16,857 million), due mainly to the increase in contributions to subsidiaries for the acquisitions of Concur and Fieldglass. Short-term assets stood at €3,741 million (2013: €3,743 million), a year-over-year decrease of €2 million, reflecting a €191 million increase in accounts receivable and €193 million decrease in liquid assets.

SAP SE shareholders' equity rose 11% to €12,494 million (2013: €11,295 million). Against outflows of €1,194 million associated with the payment of the 2013 dividend, there was a €2,307 million increase in net income and an inflow of €85 million from the issuance of shares to service the share-based payments of employees. The equity ratio (that is, the ratio of shareholders' equity to total assets) decreased from 51% in 2013 to 41% in 2014.

Provisions decreased €101 million to €1,102 million (2013: €1,203 million). While the other provisions increased €12 million to €674 million, the reserves for tax decreased €113 million to €426 million (2013: €539 million).

Other liabilities increased €7,019 million to €16,568 million (2013: €9,549 million). This increase is mainly attributable to higher financing liabilities for the acquisition of Concur and Fieldglass in the amount of €6,433 million in 2014. Liabilities to affiliated companies increased €599 million, primarily due to increased cash contributions by subsidiaries through SAP SE's centralized management of finance and liquidity.

Cash flow from operating activities decreased €118 million to €2,869 million in 2014 (2013: €2,987 million), largely caused by a decrease in net income. This decrease was partly offset by the abovementioned cash contributions by subsidiaries through SAP SE's centralized management of finance and liquidity.

SAP SE Cash Flow Statement – German Commercial Code (Short Version)

Mio. €

	2014	2013
Net cash flows from operating activities	2,869	2,987
Net cash flows from investing activities	–8,302	–485
Net cash flows from financing activities	5,290	–1,975
Net decrease/increase in cash and cash equivalents	–143	527
Cash and cash equivalents at the beginning of the year	**834**	**307**
Cash and cash equivalents at the end of the year	**691**	**834**

SAP SE used net cash flows from investing activities of €8,302 million in 2014 (2013: €485 million), a year-over-year increase of €7,817 million, notably for contributions to the capital of SAP America, Inc. in connection with the acquisition of Concur and Fieldglass and €266 million for property, plant, and equipment. They were in part offset by inflows of €73 million from sales of property, plant and equipment and financial assets, additonally long-term investments of SAP SE generated cash inflows of €50 million.

Net cash flows from financing activities were €5,290 million in 2014 compared to a cash outflow of €1,975 million in 2013. Inflows of €7,520 million were mainly attributable to the issued new bonds and the additional loans for the abovementioned acquisitions, and €54 million inflows were generated from the reissuance of treasury shares for share-based payments. SAP SE outflows included the dividend of €1,194 million (2013: €1,013 million) and repayments of financial liabilities of €1,090 million.

At the close of the year, SAP SE held €691 million in short-term liquid assets (2013: €834 million), a year-over-year decrease of €143 million.

Opportunities and Risks

SAP SE is subject to materially the same opportunities and risks as the SAP Group. For more information, see the *Risk Management and Risks* as well as the *Expected Developments and Opportunities* sections.

Corporate Governance Fundamentals

CORPORATE GOVERNANCE STATEMENT
The German Commercial Code, section 289a, requires that as a listed company, SAP SE publish a corporate governance statement either as part of its management report or on its Web site. The Executive Board of SAP SE filed the corporate governance statement on February 18, 2015, and published it on the SAP public Web site at www.sap.com/corporate-en/investors/governance.

For more information about the corporate governance of SAP, see the *Corporate Governance Report* section.

CONVERSION TO A EUROPEAN COMPANY
At the Annual General Meeting of Shareholders on May 21, 2014, SAP shareholders approved the conversion of the Company's legal form to a European Company (Societas Europaea, SE). The conversion became effective when it was entered in the commercial register on July 7, 2014. Since this date, the Company's legal form is SAP SE.

CHANGES IN MANAGEMENT
Bob Calderoni, president of Ariba, an SAP company, and a member of our Global Managing Board, left SAP on January 15, 2014.

On May 4, 2014, the Supervisory Board appointed Robert Enslin and Bernd Leukert to the Executive Board, with immediate effect. Robert Enslin continues to be responsible for our global customer operations. Bernd Leukert assumed responsibility for the entire development organization for products and innovation from Vishal Sikka who resigned from the Executive Board for personal reasons and left the Company on May 4, 2014.

In addition, the Supervisory Board of SAP SE endorsed the appointment of Ingrid-Helen Arnold and Stefan Ries to our Global Managing Board, with a view to further strengthening the next generation of SAP executives.

With effect from the closing of the Annual General Meeting of Shareholders on May 21, 2014, Jim Hagemann Snabe resigned from his position as co-CEO of SAP AG and was elected to the Supervisory Board of SAP SE.

Effective July 1, 2014, Luka Mucic succeeded Werner Brandt as chief financial officer, when the latter retired, as planned, from the Executive Board.

INFORMATION CONCERNING TAKEOVERS
Information required under the German Commercial Code, sections 289 (4) and 315 (4), with explanatory report.

- **Composition of share capital:** For information about the composition of SAP SE's share capital as of December 31, 2014, see the Notes to the Consolidated Financial Statements section, Note 21. Each share entitles the bearer to one vote. American depositary receipts (ADRs) representing our shares are listed on the New York Stock Exchange in the United States. ADRs are certificates representing non-U.S. shares and are traded on U.S. stock exchanges instead of the underlying shares. One SAP ADR corresponds to one SAP share.
- **Restrictions applying to share voting rights or transfers:** SAP shares are not subject to transfer restrictions except the lock-in period under the SAP Share Matching Plan (SMP), described below. SAP held 33,274,852 treasury shares as at December 31, 2014. Treasury shares do not entitle us to any rights, and therefore not to any voting rights or dividend. Shares issued in 2014 under the employee SMP are subject to contractual transfer restrictions for a three-year lock-in period unless the plan member's employment with SAP is ended during that period. Until that lock-in period has expired, the participating employees are not ordinarily allowed to dispose of the shares they have acquired under the plan. We are not aware of any other restrictions applying to share voting rights or to share transfers.
- **Shareholdings that exceed 10% of the voting rights:** We are not aware of any direct or indirect SAP SE shareholdings that exceed 10% of the voting rights.

– **Shares with special rights conferring powers of control:** No SAP shareholder has special rights conferring powers of control.
– **Type of control over voting rights applying to employee shareholders who do not directly exercise their control rights:** As with other shareholders, employee holders of SAP shares exercise their control rights in accordance with the law and the Articles of Incorporation. In votes on the formal approval of their acts at the Annual General Meeting of Shareholders, employee representatives on the Supervisory Board – as all other members of the Supervisory Board – are prohibited from exercising the voting rights associated with their shares.
– **Legal requirements and provisions in the Articles of Incorporation concerning the appointment and dismissal of members of the Executive Board and amendment to the Articles of Incorporation:**
Conditions for the appointment and dismissal of members of the Executive Board and amendment to the Articles of Incorporation reflect the relevant provisions of applicable European and German law, including Council Regulation (EC) No. 2157/2001 on the Statute for a European Company (the "SE Regulation") and the German Stock Corporation Act. Under the Articles of Incorporation, the Executive Board consists of at least two members who are appointed for a period of not more than five years by the Supervisory Board in accordance with the SE Regulation, articles 39 and 46. The number of members of the Executive Board is decided by the Supervisory Board. Executive Board members may be reappointed for, or their term of office extended by, a maximum of five years. Simple majority of the Supervisory Board membership is required for Executive Board appointments. In the event of a tie, the chairperson of the Supervisory Board has the casting vote. The Supervisory Board can appoint a chairperson of the Executive Board and one or more deputy chairpersons from among the members of the Executive Board. The Supervisory Board can revoke appointments to the Executive Board in accordance with the SE Regulation, article 9, and the German Stock Corporation Act, section 84, if compelling reasons exist, such as gross negligence on the part of the Executive Board member. If the Executive Board is short of a required member, one may be appointed in urgent cases by a court in accordance with the SE Regulation, article 9, and the German Stock Corporation Act, section 85. In accordance with the SE Regulation, article 59, and the German Stock Corporation Act, section 179, an amendment of the Articles of Incorporation requires a resolution of the General Meeting of Shareholders with a majority of at least three-quarters of the valid votes cast. For any amendments of the Articles of Incorporation which require a simple majority for stock corporations established under German law, however, 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 (that is, two thirds of the votes cast, pursuant to article 59 of the SE Regulation) is sufficient. Section 11 (2) of the Articles of Incorporation authorizes the Supervisory Board to amend the Articles of Incorporation where such amendments only concern the wording.
– **Powers of the Executive Board to issue and repurchase shares:** The Annual General Meeting of Shareholders on May 25, 2011, granted powers to the Executive Board, subject to the consent of the Supervisory Board, to issue convertible and warrant-linked bonds and to grant conversion and option rights in respect of SAP SE shares representing a total attributable portion of the share capital of not more than €100 million secured by a corresponding amount of contingent capital. These powers will expire on May 24, 2016. The Executive Board is also authorized until June 7, 2015, to increase the share capital by not more than €250 million by issuing new shares against contributions in cash and to increase the share capital by not more than €250 million by issuing new shares against contributions in cash or in kind. For more details about the different tranches of authorized capital and the aforementioned contingent capital, see the Articles of Incorporation, section 4. The Annual General Meeting of Shareholders on June 4, 2013, granted a power to the Executive Board in accordance with the German Stock Corporation Act, section 71 (1)(8), to buy back for treasury on or before June 3, 2018, SAP SE shares attributable in total to not more than €120 million of the share capital. The power is subject to the proviso that the shares repurchased, together with any shares that were previously acquired and are still held by SAP in treasury and any other shares controlled by SAP, must not in total exceed 10% of SAP's share capital. Executive Board powers, such as those described to issue and repurchase stock and to grant rights of conversion and subscription to shares of SAP, are widely followed common practice among German companies like SAP. They give the Executive Board the flexibility it needs,

in particular, the options to use SAP shares as consideration in equity investments, raise funds on the financial markets at short notice on favorable terms, or return value to shareholders during the course of the year. To service the SMP, which is an employee stock plan we established in 2010, the Executive Board is authorized, subject to Supervisory Board consent, to issue to participants of the plan new shares until June 7, 2015. This authorized capital has been used for plan tranches in 2010, 2011, and 2012 (but not in 2013 and 2014), and on December 31, 2014, it empowered the Company to issue new shares representing a total attributable portion of the share capital of not more than €29,609,256.

– **Material agreements with provisions that take effect in the event of a change of control following a takeover bid:** SAP SE has concluded the following material agreements with provisions that take effect in the event of a change of control, whether following a takeover bid or otherwise:
  - The terms of SAP's syndicated €2 billion revolving credit facility include a change-of-control clause. For more information about this syndicated credit facility, see the Notes to the Consolidated Financial Statements section, *Note (26)*. This clause obliges SAP SE to notify the banks in case of a change of control. If, on receiving the notification, banks that represent at least two-thirds of the credit volume so require, the banks have the right to cancel the credit facility and demand complete repayment of the outstanding debt. If no continuation agreement is reached, the credit facility would end and the obligation to repay would become effective at an ascertainable time.
  - In agreements between SAP SE and various banks for bilateral credit facilities that totaled €471 million as at December 31, 2014, we have agreed customary material adverse change clauses permitting the banks to terminate if events occur that are materially averse to the economic standing of SAP SE, which may possibly also include a change of control. We believe that in view of our current liquidity situation, termination of these credit facilities would not have a material adverse effect, at least in the near term.
  - SAP issued two bonds in 2010, each in two tranches of different tenures, totaling €2.2 billion, of which one matured in fiscal year 2014. In 2012, SAP set up a Debt Issuance Program under which a first tranche of Eurobonds in the amount of €1.3 billion was issued. In 2013, a new €4 billion Debt Issuance Program was set up under which no bonds were issued until December 31, 2013. In 2014, SAP renewed our Debt Issuance Program that now amounts to €6 billion. In November 2014, three tranches of Eurobonds in the total amount of €2.75 billion were issued under the Debt Issuance Program. For more information about these bonds, see the Notes to the Consolidated Financial Statements section, *Note (18b)*. Under the terms agreed with the buyers, we are required to notify the buyers of any change of control without delay. If there is a change of control and SAP is consequently assigned a lower credit rating within a defined period, buyers are entitled to demand repayment.
  - Under the terms of our U.S. private placements totaling US$2.65 billion, we are required to offer lenders repayment of outstanding debt if there is a change of control and SAP is consequently assigned a lower credit rating within a defined period. For more information about these private placements, see the Notes to the Consolidated Financial Statements section, *Note (18b)*. Lenders would have at least 30 days to accept the offer.
  - We have entered into relationships with other companies to jointly develop and market new software products. These relationships are governed by development and marketing agreements with the respective companies. Some of the agreements include provisions that, in the event of a change of control over one of the parties, give the other party a right to consent to the assignment of the agreement or to terminate it.

– **Agreements to compensate members of the Executive Board or the employees in the event of a takeover bid:** Agreements have been concluded with the members of the Executive Board concerning compensation in the event of a change of control. These agreements, which are customary in Germany and elsewhere, are described in the Compensation Report, which is an integral part of this management report. We have no analogous compensation agreements with other employees.

Risk Management and Risks

OUR RISK MANAGEMENT

Internal Control and Risk Management System

As a global company, SAP is exposed to a wide variety of risks across our range of business operations. As a consequence, the Executive Board has put comprehensive risk management and internal control structures into place that enable SAP to identify and analyze risks early on and take appropriate action. Our risk management and internal control system is designed to identify potential events that could negatively impact the Company and to provide reasonable assurance regarding the achievement of the Company objectives, specifically our ability to achieve our financial, operational, or strategic goals as planned.

This system comprises multiple control mechanisms and is an important element of the corporate decision-making process; it is therefore implemented as an integral part of SAP's business processes across the entire Group. Ensuring that our global risk management efforts are effective and enable us to aggregate risks and report on them transparently, we have adopted an integrated risk management and internal control approach.

Because we are publicly listed in both Germany and the United States, we are subject to both German and U.S. regulatory requirements that relate to risk management and internal controls over financial reporting, such as provisions in the German Stock Corporation Act, section 91 (2), and the U.S. Sarbanes-Oxley Act (SOX) of 2002, section 404. Our Executive Board has established an early warning system (risk management system) to ensure compliance with applicable regulations and for the effective management of risks.

Our risk management system is based on five pillars, comprising a dedicated risk management policy and a standardized risk management methodology followed by a global risk management organization. The internal control system comprises the internal control and risk management system for financial reporting (ICRMFR) that also covers the broader business environment. In 2014, we continued to implement continuous control monitoring and continuous auditing in selected areas. Using the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework 2013, we define and cover internal controls all along the value chain on a process and subprocess level to assure that sound business objectives are set in line with the organization's strategic, operational, financial, and compliance goals. In addition, we have a governance model in place across risk management and the internal control system to ensure both systems are effective, as well as a central software solution to store, maintain, and report all risk-relevant information.

Risk Management Policy and Framework

The risk management policy issued by our Executive Board governs how we handle risk in line with the Company's risk appetite and defines a methodology that is applied uniformly across all parts of the Group. The policy stipulates who is responsible for conducting risk management activities and defines reporting and monitoring structures. In 2014, as part of our regular review, we updated and rolled out the mandatory policy to all employees with a dedicated acknowledgement process. Our global corporate audit function conducts regular audits to assess the effectiveness of our risk management system. Every year, SAP's external auditor assesses if SAP SE's early risk identification system is adequate to identify risks that may endanger our ability to continue as a going concern. SAP's enterprise risk management follows COSO II (integrated framework for enterprise risk management) and covers risks in the areas of strategy, operational business, financial reporting, and compliance. As of today, the risk management system analyzes risks and only assesses or analyzes opportunities where deemed appropriate.

Risk Management Methodology and Reporting

The following sections describe the key elements of the risk management process as part of the SAP risk management policy: risk planning, identification, analysis, response, and monitoring.

Risk planning and risk identification for both internal and external risks are conducted in cooperation between risk managers and the business units or subsidiaries across the Group. We use various techniques to identify risks. For example, we have identified risk indicators and developed a comprehensive risk catalog that includes risk mitigation strategies for known product and project risks. Risk identification takes place at various levels of our organization to ensure that common risk trends are identified and end-to-end risk management across organizational borders is enabled. We apply both qualitative and quantitative risk analysis as well as other risk analysis methods such as sensitivity analyses and simulation techniques.

To determine which risks pose the highest threat to the viability of the SAP Group, we classify them as “high,” “medium,” or “low” based on the likelihood that a risk will occur within the assessment horizon as well as the impact the risk would have on SAP’s business objectives if it were realized. The scales for measuring these two indicators are given in the following tables.

Probability/Likelihood of Occurrence	Description
1% to 19%	Remote
20% to 39%	Unlikely
40% to 59%	Likely
60% to 79%	Highly Likely
80% to 99%	Near Certainty

In this framework, we define a remote risk as one that will occur only under exceptional circumstances and a near certain risk as one that can be expected to occur within the specified time horizon.

The period for analyzing our risks is at least the used forecast period. The period for analyzing our risks that could be possible threats to the Group’s ability to continue as a going concern, is eight rolling quarters.

Impact Level	Impact Definition
Insignificant	Negligible negative impact on business, financial position, profit, and cash flows
Minor	Limited negative impact on business, financial position, profit, and cash flows
Moderate	Some potential negative impact on business, financial position, profit, and cash flows
Major	Considerable negative impact on business, financial position, profit, and cash flows
Business-Critical	Detrimental negative impact on business, financial position, profit, and cash flows

Based on the likelihood that a risk will occur as well as the impact the risk would have on SAP’s reputation, business, financial position, profit, and cash flow leads us to classify the risks as “high,” “medium,” or “low.”

Probability	Insignificant	Minor	Moderate	Major	Business-Critical
80–99%	L	M	H	H	H
60–79%	L	M	M	H	H
40–59%	L	L	M	M	H
20–39%	L	L	L	M	M
1–19%	L	L	L	L	M

Impact

H = High risk
M = Medium risk
L = Low risk

Risk analysis is followed by risk response and risk monitoring. Our risk managers work in close cooperation with the business owners, ensuring that effective strategies are implemented to address risks. Risks may be reduced by taking active steps based on risk approval. Business owners are responsible for continuously monitoring the risks and the effectiveness of mitigation strategies, with support from the respective risk managers. To provide greater risk transparency and enable appropriate decision making for business owners, we have established a risk delegation of authority (RDOA) for relevant parts of the organization as deemed appropriate. RDOA is a risk management decision-making hierarchy that helps business owners gain timely insight into projects and processes with the greatest risk, so they are better able to review the relevant information, understand the risk profile and associated mitigation strategies, and determine if their approval is warranted. Depending on the exposure, approval is required at different levels of the Company, up to and including the Executive Board.

All identified and relevant risks are reported at the local, regional, and global levels in accordance with our risk management policy. At local, regional, and global levels, we have established executive risk councils that regularly discuss risks and countermeasures and that monitor the success of risk mitigation. In addition, the Executive Board is informed quarterly about individual risks based on clearly defined reporting criteria. Newly identified or existing significant risks that are above a defined threshold or with a potential significant impact are also reported to the chairperson of the Supervisory Board and to the chairperson of the Audit Committee of the Supervisory Board. This includes any potential going concern risks.

We also have a process in place that analyzes those risks with respect to potential effects on liquidity, excessive indebtedness, and insolvency, which could be possible threats to the Group's ability to continue as a going concern.

Risk Management Organization

Our risk management organization ensures the coverage of the functions of risk management governance, strategic, operational, financial, and compliance risk management. The Global Governance, Risk & Compliance (GRC) organization comprises a group-wide governance function, which includes regular maintenance and implementation of our risk management policy. The uniform process model comprises all essential elements of risk management: risk planning, risk identification, risk analysis, risk response, and risk monitoring. This function is also responsible for standardized risk reporting to risk committees at different levels of the Company, including the Executive Board as well as the chairpersons of the Supervisory Board and the Audit Committee.

Our strategic risk management function resides within Global Controlling and is responsible for enabling early identification and mitigation of risks that could threaten the successful execution of SAP's strategic priorities and targets. It also supports the successful execution of our corporate strategy by creating transparency regarding risks that could threaten commercial interests or intangible assets such as corporate or product reputation and brand image.

Operational and financial risk management is uniformly implemented at SAP. GRC risk managers independent of the business are assigned to each of SAP's important business units and business activities and to selected strategic initiatives. All GRC risk managers, together with assigned risk contacts in the business units, continuously identify and assess risks associated with material business operations using a uniform approach and monitor the implementation and effectiveness of the measures chosen to mitigate risks. Further financial risk management activities are performed by our Global Treasury function.

During the merger and acquisition and post-merger integration phase newly acquired companies are subject to risk management performed by SAP's Corporate Development function. Furthermore, as long as they are not integrated, existing risk management structures are maintained within the acquired companies.

Risk managers are responsible for supporting and monitoring the implementation of risk management across the Group that is both effective and compliant with regulatory requirements and SAP's global risk management policy. Based on SAP's risk management policy, all risks and risk-related matters have to be reported to the Global GRC organization.

The head of Global GRC, together with other key functions (for example Global Controlling or Treasury), is responsible for SAP's internal control and risk management program, and provides regular updates to the Audit Committee of the Supervisory Board. The overall risk profile of the Group is consolidated by the head of Global GRC, who reports to the Group CFO.

Internal Control and Risk Management System for Financial Reporting

The purpose of a company's system of internal control over financial reporting is to ensure with sufficient certainty that its financial reporting is reliable and in compliance with applicable generally accepted accounting principles. Because of the inherent limitations of internal control over financial reporting, it may not prevent or bring to light all potential misstatements in our financial statements.

SAP's internal control and risk management system for financial reporting (ICRMSFR) is based on our Group-wide risk management methodology. The ICRMSFR includes organizational, control, and monitoring structures designed to ensure that data and information concerning our business are collected, compiled, and analyzed in accordance with applicable laws and properly reflected in the IFRS Consolidated Financial Statements.

Our ICRMSFR also includes policies, procedures, and measures designed to ensure compliance of SAP's financial reports with applicable law and standards. We analyze new statutes, standards, and other pronouncements concerning IFRS accounting and its impact on the ICRMSFR. Failure to adhere to them would present a substantial risk to the compliance of our financial reporting. Finally, the ICRMSFR has both preventive and detective controls, including, for example, automated and non-automated reconciliations, segregated duties with two-person responsibility, authorization concepts in our software systems, and monitoring.

Our Corporate Financial Reporting department codifies all accounting policies in the Group Accounting and Global Revenue Recognition Guidelines. These policies and the corporate closing schedule together define the closing process. Under this closing process, all SAP legal entities prepare, partly supported by centralized and outsourced services, their financial statements for consolidation by our Corporate Financial Reporting department. The Corporate Financial Reporting department and other corporate departments assist the local subsidiaries' efforts to comply with Group accounting policies and monitor their work. Our corporate audit function and Corporate Financial Reporting department conduct financial statement audits of SAP subsidiaries.

The Corporate Financial Reporting department conducts all of SAP's financial consolidation. We have outsourced some work, such as valuing projected benefit obligations and share-based payment obligations, and purchase price allocations in the context of asset acquisitions and business combinations. We have also outsourced the preparation of the local statutory financial statements of most of our subsidiaries. The employees who work on SAP's financial reporting receive training in the policies and processes.

A committee proposes the results of the assessment on the ICRMSFR effectiveness with respect to our IFRS consolidated financial statements as at December 31 each year to the Group CFO based on an analysis of the design and operating effectiveness of our respective internal controls over financial reporting. The committee meets regularly to set the annual scope for the test of effectiveness, to evaluate any possible weaknesses in the controls, and to determine measures to address them adequately. During its own meetings, the Audit Committee of the Supervisory Board regularly scrutinizes the resulting assessments of the effectiveness of the internal controls with respect to the IFRS consolidated financial statements.

Its assessment of the effectiveness of the ICRMSFR related to our IFRS consolidated financial statements was that on December 31, 2014, the Group has an effective internal control system over financial reporting.

Risk Management and Internal Control Governance

Our Executive Board is responsible for ensuring the effectiveness of the risk management and internal control system. The effectiveness of both systems and their implementation in the different Executive Board areas is monitored by each board member. We regularly provide a status on the risk management and the internal control system to the Audit Committee. Key risks are reported quarterly to the chairman of the Supervisory Board and in the Audit Committee. The Audit Committee of the Supervisory Board regularly monitors the effectiveness of SAP's risk management and internal control system. In this regard, they requested the Corporate Audit department to regularly audit various aspects of the risk management system and its effectiveness. Additional reassurance will be obtained through the external audit of the effectiveness of our internal control system over financial reporting and the internal warning system.

Software Solution Deployed

We use our own risk management software (SAP solution for GRC) to effectively support the governance process. Risk managers record and address identified risks using our risk management software to create transparency across all known risks that exist in the Group, as well as to facilitate risk management and the associated risk reporting. This information is available to managers through a mobile app as well as regularly issued reports, and is consolidated and aggregated for the quarterly risk report to the Executive Board. The solution also supports the risk-based approach of SAP's internal control and risk management system for financial reporting (ICRMSFR).

RISK FACTORS

The following sections outline risk factors that we identify and track using our risk management software (SAP solutions for GRC). They are presented below at a more aggregated level as compared to their use in internal controlling, but are broken down by the same risk categories we use in our internal risk management system reporting structure.

SAP SE is the parent company of the SAP Group. Consequently, the risks described below also apply – directly or indirectly – to SAP SE.

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, and 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 a global economic crisis, chronic fiscal imbalances and slowing economic conditions in emerging markets, might decrease the ability and willingness of our customers to invest in our solutions or might lead to delays in purchasing. In addition, changes in the euro 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, crisis situations (such as in Ukraine), natural disasters, and pandemic diseases (such as Ebola) 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 cancelations 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 might 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.

SAP has established measures and conducted scenario analyses to address and mitigate the described risks and adverse effects to the extent possible. We offer our customers standard software and product packages that are fast and easy to install, as well as financially attractive financing, software licensing, and subscription models. Furthermore, we continue to apply cost discipline internally and have a conservative financial planning policy. Additionally, SAP is continuously reshaping our organizational structure and processes to increase efficiency.

We estimate the probability of occurrence of this risk to be likely. Therefore, we cannot completely exclude the possibility that it will have a business-critical impact on our business, financial position, profit, and cash flows. This could exacerbate the other risks we describe in this report or cause a negative deviation from our revenue and operating profit target. We classify this risk as a high risk.

Our international business activities expose us to numerous 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 (including Latin America and North America); Asia Pacific Japan (APJ); China, Hong Kong, Taiwan and Macau (Greater China); Europe, Middle East, and Africa (EMEA); and Middle and Eastern Europe (MEE) regions. Our business in these countries is subject to numerous risks inherent in international business operations. Among others, these risks include:
– 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 and regulations for import and export
– Works councils, labor unions, and immigration laws in different countries
– Data protection and privacy in regard to access by government authorities to customer, partner, or employee data
– Difficulties enforcing intellectual property and contractual rights in certain jurisdictions
– Country-specific software certification requirements

As we expand further 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 sometimes may conflict between different jurisdictions. Additionally these laws and governments' approach to enforcement, as well as our products and services, are continuing to change and evolve. Compliance with these types of regulation may involve significant costs or require changes in products or business practices. Non-compliance could result in penalties being imposed on us or orders that we stop the alleged noncompliant 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.

We address these risks with various measures depending on the circumstances, including, for example, a strong legal and compliance office presence in the main countries, maintaining an effective Data Protection and Privacy Office and associated policy, receiving guidance from external economics consultants, law firms, tax advisors, and authorities in the concerned countries, and taking legal actions.

Although we estimate the probability of occurrence of this risk to be unlikely, we cannot completely exclude the possibility that this risk could have a major impact on our business, financial position, profit, and cash flows, or cause a negative deviation from our revenue and operating profit target. We classify this risk as a medium risk.

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 and other acts of violence or war, civil and political unrest (such as in the Middle East, in Ukraine, Israel, Syria, Libya, and in other parts of Africa), natural disasters (such as hurricanes, flooding, or similar events) or pandemic diseases (such as Ebola) could have a significant adverse effect on the related economy or 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.

Our mitigation measures have been designed and implemented to minimize such adverse effects. To ensure continuous operations of all critical business processes, we have been implementing and operating a worldwide business continuity management and crisis management system. To enable effective response and minimize possible losses in case of crisis situations, we have installed local crisis management teams at our main locations, supplemented by regional crisis management teams for the Americas (including Latin America and North America), APJ, and EMEA regions, and a global crisis management team.

To protect our key IT infrastructure (especially our data centers), critical business systems, and processes from material adverse effects in crisis situations, disaster recovery and business continuity plans have been developed that include implementation of data redundancies and daily data backup strategies. To verify and improve our approach, our Global IT organization has been certified to the internationally recognized ISO 22301:2013 (Business Continuity Management) standard. In addition, our corporate headquarters, which includes certain critical business functions, is located in the German state of Baden-Württemberg. This area has historically been free of natural disasters.

With regard to the increased relevance of current and anticipated political crisis situations and acts of violence as well as pandemic diseases impacting SAP's business, we believe that the increased likelihood of this risk materializing is unlikely; however, we cannot exclude the possibility of such a risk occurring and having a business-critical impact on our reputation, business, financial position, profit, and cash flows, or causing a negative deviation from our revenue and operating profit target. We classify this risk as a medium risk.

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 2014, we offered a wide range of support services including SAP MaxAttention, SAP Enterprise Support, and SAP Product Support for Large Enterprises. We continue 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 engagements, we may be unable to meet customer expectations. 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 subscription licenses could have a potential negative impact on our software and maintenance revenue streams. This could have an adverse effect on our on-premise software and maintenance business, financial position, profit, and cash flows.

Working closely with SAP user groups, we continuously demonstrate the business value and the benefits of our solution, service and support portfolio in terms of innovation, quality, and high service level as well as through customer references and success stories. Additionally, we continuously monitor the performance and the perceived value of our services and the satisfaction of our customers. We implement mitigating steps where required.

With regard to our increasing volume in cloud business as well as the conversion of traditional on-premise licenses to cloud subscription licenses we estimate the increased probability of this risk materializing to be unlikely. However, we cannot completely exclude the possibility that it could have a business-critical impact on our business, financial position, profit, and cash flows, or cause a negative deviation from our revenue and operating profit target. Overall, we classify this risk as medium risk.

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 SuccessFactors, Ariba, Fieldglass and Concur. Due to ongoing contracts and previous substantial investments to integrate traditional on-premise enterprise software into their businesses, customers and partners might be reluctant or unwilling to migrate to the cloud.

Other factors that could affect the market acceptance of cloud solutions 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 in secure and successful delivery of cloud services by any cloud service provider could have a negative impact on customer trust in cloud solutions
– Strategic alliances amongst our competitors in the cloud area could lead to significantly increased competition in the market

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.

Among measures to communicate the business value of our cloud solutions to the market, we invest significantly in infrastructure and processes that ensure secure operations of our cloud solutions including the adaption of cloud service delivery to local and/or specific market requirements (such as local or regional data centers) and the compliance with all local legal regulations regarding data protection and privacy as well as data security.

Although we estimate the probability of occurrence of this risk to be unlikely, we cannot completely exclude the possibility that this risk could have a business-critical impact on our reputation, business, financial position, profit, and cash flows, or cause a negative deviation from our revenue and operating profit target. We classify the risk as a medium risk.

Our market share and profit could decline due to increased competition, market consolidation and technological innovation, and 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 mobile, Big Data, connectivity, the Internet of Things, digital, cloud computing, and social media. While smaller innovative companies tend to create new markets continuously, large traditional IT vendors tend to enter such markets mostly through acquisitions. SAP faces increased competition in its business environment from traditional as well as new competitors. This could result in increased 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, 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 an increased risk of the potential loss of existing on-premise customers. It may also have a temporary adverse effect on our revenue due to an increased number of conversions from on-premise licenses to cloud subscriptions from existing SAP customers in our installed base.

We believe we will be able to protect our leadership in the market if we continue to execute successfully on our customer-centric innovation strategy, which is driven by a mix of organic growth, targeted acquisitions, and attractive cloud solution offerings. To compete successfully in the market, we continuously enhance our global processes and adjust our organizational structures.

Although we estimate the probability of occurrence of this risk to be unlikely, we cannot completely exclude the possibility that this risk could have a major impact on our business, financial position, profit, and cash flows, or cause a negative deviation from our revenue and operating profit target. We classify this risk as a medium risk.

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 software business consists of new software licenses, software license updates, and support and maintenance fees, as well as of cloud subscriptions. Our customers are looking 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. There is an increased risk that such uncertainties may lead customers to wait for reference customers 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.

To mitigate this risk, SAP is balancing the distribution of our strategic investments by evolving and protecting our core businesses and simultaneously developing new solutions, technologies, and business models for markets, such as analytics, applications, and database and technology. Furthermore, we continuously demonstrate the benefits of our solution and service portfolio through customer references and success stories as well as the provision of support excellence to ensure customer satisfaction with and after the implementation of our solution.

We estimate the probability of occurrence of this risk to be remote, but cannot completely exclude the possibility that this risk could have a business-critical impact on our business, financial position, profit, and cash flows, or cause a negative deviation from our revenue and operating profit target. We classify this risk as a medium risk.

We recognize cloud subscription and support revenue over the term of the respective service periods, and our business depends substantially on customers renewing their agreements and purchasing additional modules or user licenses from us. Although any 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 the cloud business.

We recognize cloud subscription and support revenue over the respective service provision, which typically range from one to three years with some up to five years. As a result, most of the respective revenue recognized in a given period originates from agreements entered into in earlier periods. Consequently, a shortfall in demand for our cloud portfolio in any period may not significantly impact our cloud subscription and support revenue for that quarter, but could have an adverse effect on targeted cloud subscription and support revenue in future periods.

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 users. 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 a number of factors, including their satisfaction or dissatisfaction with our cloud solution and services portfolio, the integration capabilities of our cloud solutions into their existing solution environment (including hybrid solutions combining both cloud and on-premise solutions), our customer support, concerns on stable, efficient and secure cloud operations and in compliance with legal and regulatory requirements, our pricing, the prices of competing products or services, mergers and acquisitions affecting our customer base, the effects of global economic conditions, or reductions in our customers' spending levels.

If our customers do not renew their subscriptions, renew on less favorable terms, or fail to purchase additional modules or users, our revenue and billings may 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.

We share our overall long-term cloud strategy and our integration road map with our customers and continuously implement improvements that enhance our cloud solutions including instant provisioning, a consumer-grade user experience, and a fast time to value, among others. To continuously improve our services, we closely monitor any issue and work together with customers to perform a root-cause analysis and provide a solution. Furthermore, we are adapting cloud service delivery to local and/or specific market requirements (such as local or regional data centers) and in accordance with legal and regulatory requirements.

Although we estimate the probability of occurrence of this risk to be remote, we cannot completely exclude the possibility that this risk could have an increased business-critical impact on our business, financial position, profit, and cash flows, or cause a negative deviation from our revenue and operating profit target. We classify this risk as a medium risk.

If we are unable to scale and enhance an effective partner ecosystem, increased revenue already included in our forecast might be endangered.

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, 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 or if SAP fails to establish a network of qualified partners that meet 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 our customers
– Drive growth of references by creating customer use cases and demo systems
– Sufficiently embed our solutions to profitably drive product adoption, especially with new innovations such as SAP HANA
– Enable and train sufficient resources to promote sell and support to scale into 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

If one or more of these risks materialize, this may have an adverse effect on the demand for our products and services. 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.

SAP continues to invest in long-term, mutually beneficial relationships and agreements with partners. We continue to develop and enhance a wide range of partner programs to retain existing and attract new partners of all types. We offer training opportunities to a wide range of resources for our partners and additionally provide demo solutions to enable partners to lead business value discussions on cloud and on-premise with customers. A thorough certification process for third-party solutions has been designed and established to ensure consistent high-quality and seamless integration.

Although we consider this risk to be unlikely in view of our partner strategy, we cannot exclude the possibility that this risk could have a major impact on our reputation, business, financial position, profit, and cash flows, or cause a negative deviation from our revenue and operating profit target if it were to materialize. We classify this risk as a medium risk.

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 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.

We are focusing on mitigating this risk through a range of activities including transformation of the business, succession management; workforce planning (which aims to achieve diversity and the right mix of talent and to take account of demographic changes); outsourcing; external short-term staffing; employer branding; career management (such as offering opportunities for short-term assignments and opportunities to improve skills, competencies, and qualifications); and extended benefit programs – for example, a performance-oriented remuneration system, an employer-financed pension plan in certain countries, and long-term incentive plans.

We estimate this risk to be a remote possibility, but we cannot underestimate its potential to have a major impact on our business, financial position, profit, and cash flows, or cause a negative deviation from our revenue and operating profit target. We classify this risk as a low risk.

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 high growth targets, specifically in countries and regions such as Africa, China, and Latin America. 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 become 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.

These increased risks notwithstanding, we continue to believe our leading market position, employer brand, and extended benefit programs will enable us to hire top talent internationally with the potential to contribute to SAP's growing business success in the future. We address the risk of an adverse effect on our business operations from a failure to recruit the employees we need or from the loss of leaders and employees by seeking to build employee and leadership strengths through a range of targeted professional development, mentoring, and coaching programs, a gender diversity program, and a special focus on accelerated high-potential employee development that aims to develop talent as well as leadership talent, in particular. A strong focus on succession planning for leadership and key positions seeks for sustainable leadership and to safeguard the business from disruption caused by staff turnover.

Although the risks related to failure to attract, develop, and retain talent could materialize, we believe that this is unlikely and that the impact on our reputation, business, financial position, profit, and cash flows, or potential negative deviation from our revenue and operating profit target would be major. We classify this risk as a medium risk.

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 us 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.

It is difficult to assess the precise potential risk, because there is a wide variety of complex legal and regulatory requirements that apply, and therefore an equally wide variety of potential non-compliance scenarios exist.

However, we continuously monitor new and increased regulatory requirements, updated or new enforcement trends, and publicly available information on compliance issues in the computer software industry, the emerging markets where we invest our resources, and in the business environment in general to cope with an increase in regulation enforcement efforts of certain countries or state-driven protectionism. Based on this information and any other available sources, we continuously update and refresh our compliance programs to achieve the most effective approach possible and to ensure that our employees understand and comply with the SAP Code of Business Conduct. This process is coordinated by our Global Compliance Office, a team of dedicated resources that are tasked with managing our policy-related compliance measures. Our chief compliance officer coordinates policy implementation, training, and enforcement efforts throughout SAP. Those efforts are monitored and tracked to allow trending and risk analysis and to ensure consistent policy application throughout the SAP Group. Despite our comprehensive compliance programs and established internal controls, intentional efforts of individuals to circumvent controls or engage in fraud for personal gains cannot always be prevented.

With regard to the increase of regulation enforcement efforts we have already experienced and continue to expect as well as state-driven protectionism we estimate the increased likelihood of this risk to be unlikely. We cannot completely exclude the possibility that this risk could have a major impact on our reputation, business, financial position, profit, and cash flows, or cause a negative deviation from our revenue and operating profit target. We classify this risk as a medium risk.

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 the laws in the locations where SAP does business. SAP and its subsidiaries are facing a surge of data protection and privacy laws and regulations around the world, with further changes to be expected in the future, for example, by the European Data Protection Regulation proposed by the European Commission. 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.

To mitigate these risks, SAP actively monitors changes to laws and regulations so we can take adequate measures and certify our existing standards and policies on an ongoing basis. We have implemented a wide range of measures to protect data controlled by SAP and our customers from unauthorized access and processing, as well as from accidental loss or destruction. This includes, among others, a continuous enhancement of our data center operations worldwide, also taking into account local and/or sector specific market and legal requirements. We have implemented a certified data protection management system in areas critical to data protection, such as support, HR, global services, marketing, products and innovation, and custom development, whereby implementation is audited internally and externally by the British Standard Institutions on an annual basis. Furthermore, customers are provided with security certifications (such as ISO 27001), security white papers, and reports from our independent auditors and certification bodies.

We estimate this risk to be unlikely, but cannot rule out the possibility of it having a business-critical impact on our business, financial position, profit, and cash flows, causing damage to our reputation, or causing a negative deviation from our revenue and operating profit target. We classify this risk as a medium risk.

Failure to respond 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 and green IT
– 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 addition, our customers might no longer recognize SAP for its 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 indices might decrease, which could have an adverse effect on our reputation, business, financial position, profit, and cash flows.

In recent years, SAP has shown that it is possible to take a proactive position on social and environmental issues while delivering robust financial growth. As a result, we received great recognition for our sustainability efforts. As a proof point for SAP's sustainability performance, we continue to be listed in the most prominent and recognized sustainability indices, such as the Dow Jones Sustainability Indices and the CDP

Climate Performance and Disclosure Leadership Indices. As we did not meet our greenhouse gas emissions target of 440 kilotons for 2014 we might fail to meet expectations regarding our energy and emission performance.

However, we believe that the risk of failing to meet expectations regarding our energy and emission strategy is unlikely to occur and that if the risk were to occur, it would only have a moderate impact on our reputation, business, financial position, profit, and cash flows, as well as on the achievement of our revenue and operating profit target. We classify this risk as a low risk.

Unethical behavior and non-compliance with our integrity standards due to intentional and fraudulent behavior of employees 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, put into words 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.

To help prevent this, we instituted a comprehensive compliance management system (CMS), which is based on the three pillars of prevention, detection, and reaction. Our CMS program comprises several educational, counseling, control, and investigative instruments. The objective is to minimize and mitigate the risk of unethical behavior, whether intentional or negligent.

The SAP Code of Business Conduct is mandatory and applies to every employee. It provides legal compliance guidance on how to avoid unethical behavior and solve dilemma situations. On a yearly basis, the SAP Code of Business Conduct is re-confirmed by SAP's workforce (except where disallowed by local legal regulations). We also rolled out and enforce various additional compliance policies aimed at managing third parties and preventing misuse of third-party payments for illegal purposes; ensuring controls around travel, entertainment, gift, and expense policies; and pushing out a commitment to business with integrity through our partner and vendor ecosystems.

These efforts are flanked by continuous education including e-learning and classroom training to target audiences as identified by compliance risk assessment. The overall CMS approach by SAP is continuously monitored internally and externally, and adapted accordingly, if needed.

Although we estimate the probability of occurrence of intentional or negligent major unethical conduct to be remote, we cannot exclude the possibility that this risk could materialize. In that event, this risk could have a major impact on our reputation, business, financial position, profit, and cash flows and could cause a negative deviation from our operating profit target. We classify this risk as a low risk.

Communication and Information Risks

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

Confidential or strictly confidential information and internal information that is 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 misperception in the market. This could require us to notify multiple regulatory agencies 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 decline 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.

We take a wide range of actions to prevent unauthorized disclosure of information, including procedural and organizational measures. These measures include mandatory security awareness training for all employees, standards for safe internal and external communication, and technical security features in our IT hardware and communication channels, such as mandatory encryption of sensitive data.

Although we estimate the likelihood of occurrence of this risk to be remote, we cannot completely exclude the possibility that this risk could have a business-critical impact on our reputation, business, financial position, profit, and cash flows, or cause a negative deviation from our operating profit target. We classify this risk as a medium risk.

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 in particular our software revenue, 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 license transactions
– The introduction of new 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 customer's 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 the global economic crisis and the current 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, which are still characteristic of the large enterprise segment, could have an adverse effect on our business, financial position, profit, and cash flows.

We use a "pipeline" system to forecast sales and trends in our business. Pipeline analysis informs and guides our business planning, budgeting, and forecasting, but pipeline estimates do not necessarily consistently correlate to revenue in a particular quarter, potentially due to one or more of the reasons outlined above. The reliability of our plans, budgets, and forecasts may therefore be compromised. Because our operating expenses are based upon anticipated revenue levels and a high percentage of our expenses are relatively fixed in the near term, any shortfall in anticipated revenue or delay in revenue recognition could result in significant variations in our operating results from quarter to quarter or year to year. Continued deterioration in global economic conditions would make it increasingly difficult for us to accurately forecast demand for our products and services, and could cause our revenue, operating results, and cash flows to fall short of our expectations and public forecasts. This could have an adverse effect on our stock price. To the extent any future expenditure fails to generate the anticipated increase in revenue, our quarterly or annual operating results may be subject to an adverse effect and may vary significantly compared to preceding or subsequent periods.

Although we estimate the probability of occurrence of this risk to be unlikely, we cannot completely exclude the possibility that this risk could have a moderate impact on our business, financial position, profit, and cash flows, or cause a negative deviation from our revenue and operating profit target. We classify this risk as a low risk.

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 on 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.

SAP's investment policy with regard to total Group liquidity is set out in our internal treasury guideline document, which is a collection of uniform rules that apply globally to all companies in the SAP Group. Among its stipulations, it requires that with limited exceptions we invest only in assets and funds rated BBB flat or better. The weighted average rating of the investments of our total Group liquidity is in the range A to A–. We continue to pursue a policy of cautious investment characterized by wide portfolio diversification with a variety of counterparties, predominantly short-term investments, and standard investment instruments.

Although we estimate the probability of occurrence of this risk to be remote, there can be no assurance that the prescribed measures will be successful or that uncertainty in global economic conditions could not have a business-critical impact on our business, financial position, profit, cash flows, or operating profit target. We classify this risk as a medium risk.

Management's 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.

We have a number of control procedures in place to make sure that our estimates and judgments are adequate. For example, we apply two-person verification to significant estimating.

Although we estimate the probability of occurrence of the risk to be unlikely, we cannot completely exclude the possibility of a moderate impact on our business, financial position, profit, and cash flows, or a negative deviation from our revenue and operating profit target. We classify this risk as a low risk.

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

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 likely need to adopt in 2017), 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.

Although we estimate the probability of occurrence of the risk to be unlikely, we cannot completely exclude the possibility of a major impact. We classify this risk as a medium risk.

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 SAP 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 71% of our revenue in 2014 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 revenue and income. 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.

We continuously monitor our exposure to currency fluctuation risks based on balance-sheet items and expected cash flows, and pursue an SAP Group-wide foreign exchange risk management strategy using, for example, derivative financial instruments as appropriate. With regard to our financial debt, we have a very balanced maturity profile and mixture of fixed and floating interest rate arrangements in place.

We believe that the likelihood of this risk of significant currency and interest rate fluctuations affecting our reported revenue and income materializing is remote and that if the risk were to occur, its impact on our business, financial position, profit, and cash flows could be major, or cause a negative deviation from our revenue and operating profit target. We classify this risk as a low risk.

For more information about risks arising from financial instruments, including our currency and interest-rate risks and our related hedging activity, see the Notes to the Consolidated Financial Statements section, *Notes (25)* to *(26)*.

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. We decide on a case-by-case basis whether and to what extent we should hedge this risk. 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.

We believe that the likelihood of this risk materializing is remote and that if the risk were to occur, its potential impact on our business, financial position, profit, cash flows, and operating profit target would be minor. We classify this risk as a low risk.

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 make their business a best-run business. 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 customers' implementations have taken longer than planned. We cannot guarantee that we can reduce or eliminate protracted installation or significant third-party consulting costs, 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.

Our customers continue to follow project approaches to optimize their IT solutions in a non-disruptive manner. Our projects also include risk management processes that are integrated into SAP project management methods intended to safeguard implementations with coordinated risk and quality management programs. In our opinion, we make adequate financial planning provisions for the remaining individual risks.

We estimate the probability of occurrence of this risk to be unlikely, but we cannot completely exclude the possibility that this risk could have a major negative impact on our reputation, business, financial position, profit, and cash flows, or cause a negative deviation from our revenue and operating profit target. We classify this risk as a medium risk.

Product and Technology Risks

Undetected security vulnerabilities shipped and deployed within our software 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.

SAP has implemented a software security development lifecycle as a mandatory integral part of our software development process. We systematically use methods to develop secure software in all development phases starting early in the design phase. This includes industry best practices such as automated security source code scans, mandatory security training for all developers, and solid testing and validation of our products, patches, and services before shipment.

SAP has a software security response process in place to rapidly react to detected vulnerabilities and provide fixes. We have also improved the roll-out procedures for security-relevant notes, patches, and service packs to ensure easy and fast consumption on the customer side.

We cannot completely exclude the possibility of a negative impact on our customers' and partners' or our own operations globally or in one or more countries or regions. We estimate the probability of occurrence of the risk of severe customer and SAP damages to be unlikely. If such an occurrence happens, it could have a business-critical impact on our reputation, business, financial position, profit, and cash flows as well as on the achievement of our revenue and operating profit target. We classify this risk as a medium risk.

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

To achieve market acceptance and high customer satisfaction, our new products and product enhancements often require long development and testing periods. Development work and market introduction are subject to risks. For example, products might not completely meet our stringent 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, 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 shipment 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 simultaneously at a higher innovation rate. 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 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.

We counter these risks using a broad range of techniques, including project management, project monitoring, product standards and governance, rigid and regular quality assurance measures certified to ISO 9001:2008, and program risk assessments during product development as well as market introduction phases. In addition, direct customer feedback is considered in the market release decision process. Delivering high-quality software products is a priority and part of our core business. Our strong investment and permanent efforts lead to a generally high level of quality of our products, which is made transparent in the defined quality perception and support index and confirmed by our constantly high customer satisfaction ratings as measured by customer quality perception reporting.

With regard to the increased volume of open source software components used in our products as well as in the products of our acquired companies, we believe that the increased likelihood of this risk materializing is unlikely. We cannot completely exclude the possibility that this risk, if it were to occur, could have a business-critical impact on our reputation, business, financial position, profit, and cash flows, or cause a negative deviation from our revenue and operating profit target. We classify this risk as a medium risk.

Changes in our rights to use software and technologies we license from third parties, which 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 functional capabilities and therefore could jeopardize the stability of our solution portfolio offering.

The numerous third-party technologies we have licensed and certain open source software components we use have become an integral part of our product portfolio. We depend on those technologies for the functionality of our software or 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 functionality and/or usability of SAP's software products. 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 acquisition of a company or a company's intellectual property assets that had been subject to third-party technology licensing, open source software, and product standards less rigorous than our own.

We strive to execute appropriate due diligence and contract management processes and to continuously monitor development projects through our product implementation lifecycle process and monitoring as part of our cloud deployment.

We believe that the probability of occurrence of this risk is likely and we cannot exclude the possibility of a major impact on our business, financial position, profit, and cash flows, or the possibility of a negative deviation from our revenue and operating profit target. We classify this risk as a medium risk.

If we are unable to keep up with rapid technological innovations, new business models, and 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 shift 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.

We will continue to align our organization, processes, products, delivery model, and services to changing markets and customer and partner demands. We invent new technology and new solutions such as the next-generation suite SAP S/4HANA or adopt the latest technology if there is a clear business opportunity for SAP and if it provides value to our customers. To ensure that we remain competitive in the future, we still conduct wide-ranging market and technology analyses and research projects, often in close cooperation with our customers and partners. We strive for strategic acquisitions with the potential to drive innovation and contribute to achieving our growth target.

We believe that the likelihood of this risk materializing is remote; however, we cannot exclude the business-critical impact this risk would have on our reputation, business, financial position, profit, and cash flows, or the potential negative deviation from our revenue and operating profit target if it were to materialize. We classify this risk as a medium risk.

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 success of our technology strategy depends on the convergence of SAP HANA with our mobile, cloud, and SAP NetWeaver platform. It also depends on the delivery of SAP solutions based on the SAP HANA platform as well as the success of our new framework to meet changing customer expectations regarding end-to-end user experience. 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 portfolio, harmonizing our user interface design and technology, integrating acquired technologies, or bringing new solutions based on the SAP HANA platform to the market as fast as expected. In addition, we may not be able to compete effectively in the area of managed cloud services. As a result, our partner organizations and customers might not adopt the SAP HANA platform or our managed 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.

We believe that we will be able to deliver additional business value with minimum disruption to our customers if we can successfully drive the integration and convergence of our technology platform offerings as well as acquired technologies, enable our current product portfolio for SAP HANA, develop new solutions based on SAP HANA, and offer comprehensive cloud-based services. We enable and encourage partners to leverage SAP technology by providing guidance about business opportunities, architecture, and technology, as well as a comprehensive certification program designed to ensure that third-party solutions are of consistently high quality.

We believe that the increased likelihood of this risk materializing is unlikely, due to products that have been or will be developed together with acquired companies. If this risk were to occur, its impact on our reputation, business, financial position, profit, cash flows, and revenue and operating profit target would be business-critical. We classify this risk as a medium risk.

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, system stability, or data center operations 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

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. Because of the large amount of data that we collect and manage, it is possible that 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. Furthermore, the availability of our cloud applications could be interrupted by a number of factors, including customers' inability to access the Internet, the failure of our network or software systems due to human or other error, security breaches, or variability in user traffic for our cloud applications. 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 only use 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.

Our mitigation measures have been designed and implemented to minimize such adverse effects. We continuously invest in protecting the integrity and security of our products and services as well as internal and external data that is managed within our data centers. We are consolidating and harmonizing our data centers and our data protection measures, including implementing SAP Enterprise Threat Detection software, our own cybersecurity tool based on SAP HANA as well as network access control enforcement, to run a homogeneous landscape that supports the complex infrastructure, application, and security requirements so that we can deliver the required service level for cloud solutions.

Although we estimate the probability of occurrence of this risk to be unlikely, we cannot completely exclude the possibility that any disruption of our cloud operations could result in a business-critical impact on our reputation, business, financial position, profit, cash flows, and revenue and operating profit target. We classify this risk as a medium risk.

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 the number of products in our industry segment grows, as we acquire companies with increased use of third-party code including open source code, as we expand into new industry segments with our products, resulting in greater overlap in the functional scope of products, 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 non-SAP software upon which we depend.

SAP continues to expand its participation in standards organizations and increase the use of such standards in its products. Participation in standards organizations might require the licensing of SAP's intellectual property to contributors to the standard and to all standards implementers, including competitors, on a non-discriminatory basis in accordance with licensing terms defined by standards organizations. Within the software-related standards field, there is a trend toward expanding the scope of licensing obligations and narrowing an intellectual property owner's right to revoke a license if sued by a licensee. In certain situations, limitations on SAP's rights to revoke a license could reduce SAP's ability to assert a patent infringement claim against a third party. Assertion of patents inadvertently licensed through standards could expose SAP to third-party claims.

Our Global Compliance Office is responsible for constantly assessing and managing risks associated with third-party intellectual property. It works closely with our Global GRC organization. The Global Compliance Office investigates the way we handle intellectual property, sets internal policies, and monitors compliance with these policies.

We consider the probability of this risk materializing to be likely, and that any claims concerning intellectual property rights of third parties, open source requirements, or certain standards could have a business-critical impact on our business, financial position, profit, cash flows and reputation, as well as on the achievement of our revenue and operating profit target, and could also exacerbate the other risks we describe in this report. We classify this risk as a high risk.

We are named as a defendant in various legal proceedings for alleged intellectual property infringements. For more information and a more detailed discussion relating to certain of these legal proceedings, see the Notes to the Consolidated Financial Statements, *Note (24)*.

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 the lawsuit-related provisions we set up according to the IFRS.

We consider the probability of occurrence of this risk to be likely, and cannot exclude its business-critical impact on our reputation, business, financial position, profit, cash flows, and revenue and operating profit target if it were to materialize. We classify this risk as a high risk.

For more information and more detailed discussion relating to certain of these legal proceedings, see the Notes to the Consolidated Financial Statements, *Note (24)*.

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

To expand our business, we have in the past made acquisitions of businesses, products, and technologies. Such acquisitions have increased in size and in strategic importance for SAP, and we expect to continue to make acquisitions in the future. Management's 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 increased risks. These risks include, among others:
- The selection of the wrong integration model for the acquired company
- The failure to integrate 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
- The 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
- The 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
- The 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 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 counter these acquisition-related risks with many different methodological and organizational measures. These include technical, operational, financial, and legal due diligence on the company or assets to be acquired and a holistic evaluation of material transaction and integration risks. The methods we use depend on the integration scenario. Our integration planning is detailed and standardized, and carried out by a dedicated integration team. We therefore believe we have minimized this risk.

Although we estimate this risk to be unlikely, we cannot completely exclude the possibility that this risk could have a business-critical impact on our business, financial position, profit, cash flows, and revenue and operating profit target. We classify this risk as a medium risk.

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 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.

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. We have established various internal programs, such as internal policies, processes, and monitoring, to assess and manage the risks associated with standards organizations, open source, and third-party intellectual property.

We may be dependent in the aggregate on technology that we license from third parties that is embedded in 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 party to certain patent cross-license agreements with third parties.

We estimate the probability of this risk occurring as likely, and that it could have a business-critical impact on our reputation, business, financial position, profit, cash flows, and revenue and operating profit target. We classify this risk as a high risk.

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 SAP include state-driven economic espionage as well as competitor-driven industrial espionage, and criminal activities including, but not limited to, cyber-attacks and " mega breaches" against on-premise software, hosted, and cloud services. This might result in, for example, leakage 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 expose our business operations and 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.

To address the increasing cybersecurity threats, SAP is continuously adapting and modifying its security procedures. We have multiple security measures in place, such as technical IT security measures, identity and access management, and mandatory security and compliance trainings. In addition, our security governance model clearly defines security management accountabilities for all security areas regarding product security and corporate security, which enables us to respond quickly to identified cybersecurity risks.

Although we still consider the occurrence of this risk to be unlikely, we cannot completely exclude the possibility that this risk could have a business-critical impact on our business, financial position, profit, cash flows, and reputation as well as revenue and operating profit target. We classify this risk as a medium risk.

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 regard 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.

To minimize these risks, we have implemented several technical and organizational measures designed to safeguard our information, IT and facility infrastructure, and other assets. These measures include, for example, physical access control systems at facilities, multilevel access controls, closed-circuit television surveillance, and security personnel in all critical areas. Access to information and information systems is controlled using authorization concepts. Managers and employees are regularly sensitized to the issues and given mandatory security and compliance training. We keep these measures under continuous review to meet current threats.

Although we estimate the probability of occurrence of this risk to be unlikely, we cannot completely exclude the possibility that any misuse, theft, or breach of security could have a moderate impact on our business, financial position, profit, and cash flows as well as on our revenue and operating profit target. We classify this risk as a low risk.

Our insurance coverage might not be sufficient and uninsured losses may occur.

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.

In view of the scope of our insurance coverage and our selection of insurers, and because we keep our insurance programs under constant review, we believe that the likelihood of this risk materializing is remote.

However, we cannot exclude the possibility of a business-critical impact on our business, financial position, profit, cash flows, and operating profit target if the risk were to occur. We classify this risk as a medium risk.

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.

To address this risk, Sapphire Ventures diversifies its portfolio and manages our investments actively. In addition, our venture capital activities have a limited scope.

We believe that the likelihood of this risk materializing is remote and that if the risk were to occur, its potential impact on our business, financial position, profit, cash flows, and operating profit target would be minor. We classify this risk as a low risk.

Consolidated Risk Profile

SAP consolidates and aggregates all risks reported by the different business units and functions following our risk management policy, monitored by an SAP Group-wide risk management governance function.

Compared to previous years, in 2014 we recognized only minor changes in the percentages of all individual risks categorized as “high” or “medium” in our risk-level matrix. At the end of the year, the number of risks categorized as “high” accounted for 11% (2013: 12%) of all identified risks, while the risks categorized as “medium” accounted for 46% (2013: 39%) of all identified risks.

In our view, considering their likelihood of occurrence and impact level, the risks described in our aggregated risk report do not individually or cumulatively threaten our ability to continue as a going concern. Management remains confident that the SAP Group’s earnings strength forms a solid basis for our future business development and provides the necessary resource to pursue the opportunities available to the SAP Group. Because of our strong position in the market, our technological leadership, our highly motivated employees, and our structured processes for early risk identification, we are confident that we can continue to successfully counter the challenges arising from the risks in our risk profile in 2015.

Expected Developments and Opportunities

FUTURE TRENDS IN THE GLOBAL ECONOMY
The European Central Bank (ECB) forecasts that global economic activity will continue to regain strength gradually but that the recovery will remain modest. Economic prospects for the various countries and regions are becoming increasingly mixed: The ECB believes key advanced economies should do well in the years to come; while structural problems will grow more severe and credit will become tighter in the emerging economies. Developments in current geopolitical flashpoints, for example in the Middle East and Ukraine, could also be a crucial factor, the ECB says.

In the Europe, Middle-East, and Africa (EMEA) region, economic growth may be slower than the worldwide average in 2015. Notably, growth in the euro area may remain weak. In the euro area, the ECB now expects annual growth of a little more than 1% in 2015 and 2016, which is a downward correction of its earlier forecasts. However, the ECB believes various monetary interventions could bear fruit in 2015, encouraging company investment. The ECB projects relatively robust growth in Central and Eastern Europe, rooted in a gradual increase in domestic demand. On the other hand, it expects export trade will be hampered by the geopolitical tensions between Russia and Ukraine.

Growth may also be slower than the global average in the Americas region in 2015, says the ECB. The ECB predicts strong economic growth in the United States in the future. Better conditions on the labor and housing markets and continuing easier finance should have a positive influence. However, the ECB believes that in Latin America growth will stay on a low level as commodity prices continue to fall and production costs increase. Clear differences in countries' performance may remain. The ECB observes constraining factors in Brazil in particular, whereas it notes that in Mexico growth may accelerate in years to come as a result of that country's far-reaching structural reforms.

Growth prospects remain mixed in the Asia-Pacific-Japan (APJ) region for the coming years, according to the ECB. In light of encouraging signs from housing and industrial output, the ECB expects positive numbers from Japan in 2015. It estimates that in 2015, the Chinese economy will grow slightly slower than in 2014. Consumer spending and trade are expected to make the largest contributions to growth in China.

Economic Trends – Year-Over-Year GDP Growth
Percent

	2013e	2014p	2015p
World	**3.3**	**3.3**	**3.5**
Advanced economies	1.3	1.8	2.4
Developing and emerging economies	4.7	4.4	4.3
Europe, the Middle East, and Africa (EMEA)			
Euro area	–0.5	0.8	1.2
Germany	0.2	1.5	1.3
Central and Eastern Europe	2.8	2.7	2.9
Middle East and North Africa	2.2	2.8	3.3
Sub-Saharan Africa	5.2	4.8	4.9
Americas			
United States	2.2	2.4	3.6
Canada	2.0	2.4	2.3
Central and South America, Caribbean	2.8	1.2	1.3
Asia-Pacific-Japan (APJ)			
Japan	1.6	0.1	0.6
Asian developing economies	6.6	6.5	6.4
China	7.8	7.4	6.8

e = estimate; p = projection
Source: International Monetary Fund (IMF), World Economic Outlook Update January 2015, Cross Currents, as of January 20, 2015, p. 3

IT MARKET: THE OUTLOOK FOR 2015
Expansion of the worldwide IT market year-over-year will slow slightly to 3.7% (software: 6.5%) in 2015, according to International Data Corporation (IDC), a market research firm based in the United States. It believes that across the advanced, emerging, and developing economies, there will be stable demand for IT in the coming years. However, it expects prices to come under increasing pressure as

competing segments, such as cloud offerings and classic software products, react to one another. In IDC's view, moreover, the future expansion of the IT market depends on the resilience of the global economy in the face of many risk factors, for example the Ebola epidemic, the activities of Islamic State in the Middle East, the troubles in Ukraine, and the political tension in Southeast Asia.

In the EMEA region, IDC expects overall IT market growth to decelerate to 3.0% in 2015. Nonetheless, it predicts growth in the software and services segments of 5.3% and 3.3% respectively; both higher than in 2014. According to IDC, IT spending in Western Europe will possibly grow 1.2% in 2015 – considerably more slowly than in 2014. The German IT market may grow only slightly more quickly than that, at 1.5%. In Central and Eastern Europe, IT spending growth could again increase, to 7.1% (Russia: 5.9%) in 2015, but in the Middle East and Africa it might slow to single-digit growth of 8.6%, IDC says.

In the Americas region, IDC projects that in 2015 the IT market will continue to expand at 3.9% – a similar rate to that in 2014. It forecasts 7.3% growth in the software segment, as in 2014, and 2.7% growth in the services segment, somewhat slower than in 2014. IDC forecasts that IT spending may grow 3.5% in the United States and 5.7% in Latin America (Brazil: 3.2%; Mexico 6.3%) in 2015.

Expansion of overall IT spending in the APJ region may be sustained at 4.4% in 2015, according to IDC. That could include accelerated growth of 6.2% in the software segment. IDC expects IT market growth to slow by 0.2% in Japan and 4.4% in China in 2015.

Trends in the IT Market – Increased IT Spending Year-Over-Year
Percent

	2013e	2014p	2015p
World			
Total IT	4.6	4.1	3.7
Hardware	4.9	3.8	2.8
Packaged software	7.4	6.1	6.5
Applications	7.3	6.0	6.2
IT services	2.6	3.3	3.5
Europe, Middle East, and Africa (EMEA)			
Total IT	3.1	3.6	3.0
Packaged software	4.5	4.1	5.2
Applications	4.5	4.2	5.0
IT services	1.5	2.6	3.3
Americas			
Total IT	5.2	4.3	3.9
Packaged software	8.9	7.3	7.3
Applications	8.9	7.1	7.0
IT services	2.8	3.1	2.7
Asia-Pacific-Japan (APJ)			
Total IT	5.7	4.4	4.4
Packaged software	8.2	5.8	6.2
Applications	7.8	6.0	5.9
IT services	4.3	5.5	5.8

e = estimate, p = projection
Source: IDC Worldwide Black Book Q3 2014 Update

IMPACT ON SAP

SAP expects to outperform the global economy and the IT industry again in 2015 in terms of revenue growth. The last years of growth momentum underscore our leadership in the transformation of the industry.

In 2014, we delivered on our Run Simple strategy to help our customers transform their businesses. SAP's strong growth is driven by the SAP HANA platform, the broadest cloud portfolio, and the largest business network in the world. SAP powers the clear path to growth for businesses in the 21st century: run real time, run networked, Run Simple. We will continue to push relentlessly toward a much more predictable business model, in parallel we will further expand our core business and at the same time we will continue to expand our operating profit.

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

The significantly more volatile market environment challenges also SAP to reach its ambitious targets. Our market and the demands of our customers are changing rapidly. We anticipated these changes early and positioned ourselves strategically. 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.

We plan to continue to invest in countries in which we expect significant growth. Such countries include Brazil, China, India, Russia, as well as countries in the Middle East and Africa. We therefore expect to see further future growth potential not only regionally but also with our broad product offering helping us reach our ambitious 2015 outlook targets and medium-term aspirations for 2017 and 2020.

OPERATIONAL TARGETS FOR 2015 (NON-IFRS)

Changes to Income Statement Structure

As outlined in the *Service and Support* section in this report, we have started to combine several of our services under our SAP ONE Service approach. In aligning our financial reporting with this change, starting in 2015, we are combining the revenue from premium support services with the revenue from professional services and other services in a new services revenue line item in our income statement. Until 2014, revenues from premium support services were classified as support revenues. Simultaneously with this change, we are simplifying and clarifying the labeling of several line items in our income statement. This includes renaming the previous revenue subtotal labeled software and support (which included premium support revenues) to software licenses and support (which no longer includes premium support revenues). The previous revenue subtotal labeled software and software-related service revenue is renamed cloud and software and accordingly no longer includes premium support revenue, which is now reclassified under the new services revenue line item. The two revenue line items, cloud subscriptions and support and total revenue are not affected by any of these changes and remain unaltered.

Our outlook for 2015 and beyond as outlined below is based on this modified income statement.

Revenue and Operating Profit Outlook

We are providing the following outlook for the full year 2015:

- SAP expects full-year 2015 non-IFRS cloud subscriptions and support revenue to be in a range of €1.95 billion to €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. Concur and Fieldglass are expected to contribute approximately 50 percentage points to this growth.
- SAP expects full-year 2015 non-IFRS cloud and software revenue to increase by 8% to 10% at constant currencies (2014: €14.33 billion).
- SAP expects full-year 2015 non-IFRS operating profit to be in a range of €5.6 billion to €5.9 billion at constant currencies (2014: €5.64 billion).

While our full-year 2015 business outlook is at constant currencies, actual currency reported figures are expected to continue to be impacted by currency exchange rate fluctuations. If exchange rates remain at the December 2014 closing rates for the rest of the year 2015, the Company expects the non-IFRS cloud and software revenue growth rate to experience a currency benefit of approximately two percentage points and the non-IFRS operating profit growth rate at actual currencies to experience a currency benefit of approximately one percentage point for the full-year 2015.

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.

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 2015	**Actual Amounts for 2014**
Revenue adjustments	< 20	19
Share-based payment expenses	520 to 560	290
Acquisition-related charges	670 to 720	562
Restructuring	150 to 250	126

In 2014, we incurred an expense of €309 million in connection with the TomorrowNow und Versata lawsuits. Versata and SAP have entered into a patent license and settlement agreement in Q3 2014.

The company expects a full-year 2015 effective tax rate (IFRS) of 25.0% to 26.0% (2014: 24.7%) and an effective tax rate (non-IFRS) of 26.5% to 27.5% (2014: 26.1%).

Goals for Liquidity and Finance
On December 31, 2014, 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 2015 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. We intend to repay a US$300 million U.S. private placement and a €550 million Eurobond when they mature in October and November 2015, respectively. Furthermore, we are planning to repay a substantial amount of our outstanding bank loans and refinance another part through the debt capital markets. By the time of this report, we have no concrete plans for future share buybacks.

Investment Goals
Our planned capital expenditures for 2015 and 2016, other than from business combinations, mainly comprise the construction activities described in the section *Assets (IFRS)* section of this report. We expect investments from these activities of approximately €170 million during the next two years. These investments can be covered in full by operating cash flow.

Proposed Dividend
Until now, our policy has been to distribute more than 30% of profit after tax in dividend. In practice however, the payout has been greater than 35% of profit after tax in all recent years. We are therefore amending our policy, which from now on will be to pay a dividend totaling more than 35% of 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 a major acquisition.

OUTLOOK FOR SAP SE

The primary source of revenue for SAP SE is the license fees it charges subsidiaries for the right to market and maintain SAP software solutions. Consequently, the performance of SAP SE in operating terms is closely tied to the cloud and software revenue of the SAP Group.

We expect SAP SE product revenue to increase at constant currencies generally in line with the 8% to 10% constant-currency rise in non-IFRS cloud and software revenue anticipated for the SAP Group in 2015.

Negative effects totaling €267 million from non-recurring payments relating to the settlement of lawsuits impacted SAP SE's operating income in 2014. Also, in 2015 there will be a positive non-recurring effect of €266 million from the realization of unrecognized gains from forward currency contracts. Consequently, we expect an unusually steep rise in operating income in 2015, provided the SAP Group achieves its targets and there are no non-recurring negative effects.

Provided the SAP Group continues to hit its revenue and profit targets, we expect SAP SE to sustain revenue and operating income growth into the medium term.

We believe SAP SE, the parent company of the SAP Group, will receive investment income in the form of profit transfers and dividends again in the future. The growth we expect from the SAP Group should have a positive effect on SAP SE investment income.

The outlook projections for the SAP Group in respect of liquidity, finance, investment, and dividend are equally applicable to SAP SE.

Among the assumptions underlying this outlook are those presented above concerning the economy and our expectations for the performance of the SAP Group.

MEDIUM-TERM PROSPECTS

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

SAP expects to grow its 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.

Looking beyond 2015, SAP updated its ambition for 2017. We continue to expect fast growth in our cloud business, with cloud subscriptions and support revenue reaching a range between €3.5 billion to €3.6 billion in 2017. Total revenue is expected to reach €21 billion to €22 billion and operating profit is expected to be between €6.3 billion and €7.0 billion in 2017.

The changes to the 2017 goals reflect the impact of the Concur acquisition and anticipated faster customer adoption of SAP's managed cloud offering. SAP also anticipates that its fast-growing cloud business along with growth in support revenue will drive a higher share of more predictable revenue, with the total of cloud subscriptions and support revenue and software support revenue reaching 65% to 70% of total revenue in 2017 (2014: 57%).

By 2017, SAP's rapidly growing cloud subscriptions and support revenue is expected to be close to software license revenue – and is expected to exceed software licenses 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.

SAP also has high-level ambitions for 2020, with 2020 cloud subscriptions and support revenue expected to reach €7.5 billion to €8.0 billion. Total revenue is expected to be between €26 billion and €28 billion and operating profit is expected to be in a range of €8 billion to €9 billion in 2020. We expect the share of more predictable revenue to grow further, with the total of cloud subscriptions and support revenue and software support revenue reaching between 70% and 75% of total revenue in 2020. To realize the expected increase in operating profit, until 2020 SAP aims to grow gross profit from cloud subscriptions and support (defined as the difference between cloud subscription and support revenue and the respective cost of revenue) by a compound annual growth rate of approximately 40% on the 2014 figure. This growth is expected to result in a cloud subscription and support gross margin; in other words, the gross margin derived from the cloud subscription and support gross profit that is approximately 9 percentage points higher in 2020 than in 2014 (2014: 64%). In the same period, our target is to grow 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 (2014: 86%).

SAP anticipates that the gross margins of the various cloud business models will continue to differ significantly in the long term. While the gross margin from public cloud subscriptions and from the business network are both expected to reach approximately 80% long term, we anticipate that in the long-term, gross margin on managed cloud offerings will be about 40%. In addition, based on subscription bookings, we expect, once our cloud business has achieved a mature state, approximately 80% of the cloud subscription business will be generated from existing contracts and their renewals (2014: approximately 60%) and approximately 20% from new business (2014: approximately 40%).

NON-FINANCIAL GOALS 2015

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. Therefore, we remain committed to increasing our employee engagement index score to 82% by 2015 (2014: 79%).

Further, our customers' satisfaction with the solutions we offer is very important to us. We want our customers to not only be satisfied, but also see us as a trusted partner for innovation. We measure this customer loyalty metric using the Customer Net Promoter Score (NPS). For 2015, we aim to achieve a combined (on-premise and cloud) NPS score of 24%.

Our financial and non-financial goals affirm our commitment to innovation and sustainability, and will help us deliver on our vision to help the world run better and improve people's lives. Our mission is to help our customers run at their best. To fulfill our mission, we apply our Run Simple operating principle to help our customers run their businesses better and master complexity, which is the most intractable challenge businesses face today. We do this by delivering technology innovations that we believe address the challenges of today and tomorrow without disrupting our customers' business operations.

OPPORTUNITIES

Market dynamics are shifting rapidly as the advantages of in-memory technologies are becoming more evident and customers are significantly adopting cloud applications with the objective of reducing complexity and simplify business operations. Additionally, customers are increasingly reaping benefits from digital business networks.

Our customers rely on SAP as the trusted partner in their business transformation, not only toward providing in-memory technology, standardized cloud applications, and access to business networks, but also toward driving new business outcomes and enabling business model innovations. To meet these expectations, we must grow consistently and accelerate the pace of our own business transformation by exploiting new opportunities.

We have established a framework for opportunity management by evaluating and analyzing four key areas: current markets, competitive landscapes, external scenarios, and technological trends. Additionally, we have delved into customer and product segmentation, growth drivers, and industry-specific success factors. Based on these combined insights, our Executive Board defines winning market strategies. Our shareholder value relies heavily upon a fine balance of risk mitigation and value-driven opportunities. Therefore, our strong governance model ensures that decisions are based on return, investment required, and risk mitigation. We rely on the talent and resources within SAP and our entire ecosystem.

As far as opportunities are likely to occur, we have incorporated them into our business plans, our outlook for 2015, and our medium-term prospects outlined in this report. Therefore, the following section focuses on future trends or events that might result in an uplift of our outlook and medium-term prospects, if they develop better than we have anticipated in our forecasts.

SAP SE is the parent company of the SAP Group and earns most of its revenue from software license fees, subscriptions fees, and dividends paid by affiliates. Consequently, the opportunities described below also apply – directly or indirectly – to SAP SE.

Opportunities from Economic Conditions

Economic conditions have a clear influence on our business, financial position, profit, and cash flows. Should the global economy experience a more sustained growth than is reflected in our plans today, our revenue and profit may exceed our current outlook and medium-term prospects.

In our current plans, we have assumed a continued or recovering growth in emerging markets (Africa, Brazil, China, India, Middle East, and Russia). These markets are prime opportunities both for our established enterprise applications and for new offerings. They offer opportunity for sustainable double-digit growth rates. At the same time, they show a higher degree of short-term volatility influenced by geopolitical disturbances (for example, government policy shifts or disease).

We continue to acknowledge the growing demand for prudent management of resources and new business models, both for our customers and for ourselves. SAP will continue to leverage the technological capabilities to solve even more complex problems of humanity (for example, in innovations for the healthcare sector, the utility industry, the labor market, and others.).

For more information about future trends in the global economy, the IT market outlook, and the potential influence on SAP, see the *Expected Developments and Opportunities* section.

Opportunities from Research and Development Traction
Our continued growth through innovation is based on our ability to leverage R&D resources effectively. We continue to improve our development processes through design thinking and lean methodologies. We are accelerating innovation cycles especially in the area of cloud applications and engaging more closely with our customers to ensure accuracy and success.

While speed is a key strength, we also focus on ease of adoption and providing compelling returns. This allows our customers to easily consume technologies and software applications with immediate benefits for their businesses. If we make innovations available faster than currently anticipated, or if customers adopt the innovations faster than currently expected, for example, shifting faster to managed clouds for ERP, or cloud-based finance solutions, this could positively impact our revenue, profit, and cash flows and result in exceeding our stated outlook and medium-term prospects.

For more information about future opportunities in research and development for SAP, see the *Products, Research & Development, and Services* as well as *the Expected Developments and Opportunities* sections.

Opportunities from Our Strategy for Profitable Growth
SAP strives to generate profitable growth across our portfolio of products, solutions, and services to keep or improve its market position. We will continue to expand our addressable market to US$350 billion in 2020, compared to US$110 billion in 2010.

We see opportunities in growing product and market areas, such as in-memory computing, cloud, mobile, business networks, digital marketing, social media, Big Data, the Internet of Things, and predictive analytics. In addition to organic developments and tuck-in acquisitions, large strategic acquisitions in particular may boost our revenue and profits significantly. For example, the acquisition of Concur significantly strengthens the value proposition of a business network from SAP by addressing one of the most important enterprise spend categories – travel expenses. Furthermore, SAP seeks to establish new business models and leverage our expanding ecosystem of partners to achieve scale and maximize opportunities.

Our strong assets in applications and analytics, as well as database and technology, continue to offer solid multiyear growth opportunities as we bring innovative technologies with simplified consumption to our installed base and continue to add net-new customers. Unexpected portfolio growth may positively impact our revenue, profit, and cash flows and result in exceeding our stated outlook and medium-term prospects. Specifically, the SAP HANA platform and our cloud offerings, including simplified solutions, could create even more demand than is reflected in our stated outlook and medium-term prospects.

For more information about future opportunities for SAP, see the *Strategy and Business Model* and *Expected Developments and Opportunities* sections.

Opportunities from Our Partner Ecosystem
SAP continues to grow and develop a global partner ecosystem. To increase market coverage, we want to enhance our portfolio and spur innovation with the specified objective of increasing the partner revenue contribution to SAP's overall revenue target. In addition to strengthening our core, we will leverage our entire ecosystem to drive adoption of SAP HANA and cloud solutions. This includes strategic partnerships across all areas: third-party software vendors, systems integrators, service providers, and infrastructure providers. As

a result, we are creating an ever-stronger setup, where SAP, along with our customers and partners, co-innovate and develop new innovative solutions on top of SAP HANA. Should the business of our partners develop better than currently expected, our indirect sales (partner revenue) could grow stronger than reflected in our outlook and medium-term prospects. This may positively impact our revenue, profit, and cash flows, and result in exceeding our stated medium-term prospects.

For more information about opportunities arising from our partner ecosystem, see the *Partner Ecosystem* and *Expected Developments and Opportunities* sections.

Opportunities from Our Employees
Our employees drive our innovation, are the value to our customers, and consistently promote our growth and profitability. In 2014, we increased the number of full-time employees accompanied with balanced job restructurings to drive SAP's simplification and growth. We anticipate improvements in employee productivity as a result of our continued endeavors in design-thinking principles. As described in the *Employees and Social Performance* section, we constantly invest in our talents to increase engagement, collaboration, social innovation, and health.

To ensure continuous innovation and sustained business success, we need to continuously tap into the global talent pool and bring the best and brightest talent to SAP. To do so, we will further strengthen our brand perception in the market and optimize our recruiting experience to emphasize our focus on helping the world run better and improving people's lives. Furthermore, we will maximize mobile channels and innovative talent strategies to tap into new talent pools.

Our outlook and medium-term prospects are based on certain assumptions regarding employee productivity and engagement. If the actual employee productivity exceeds these assumptions, it could positively impact our revenue, profit, and cash flows and result in exceeding our stated medium-term prospects.

For more information about future opportunities from our employees, see the *Employees and Social Performance* section.

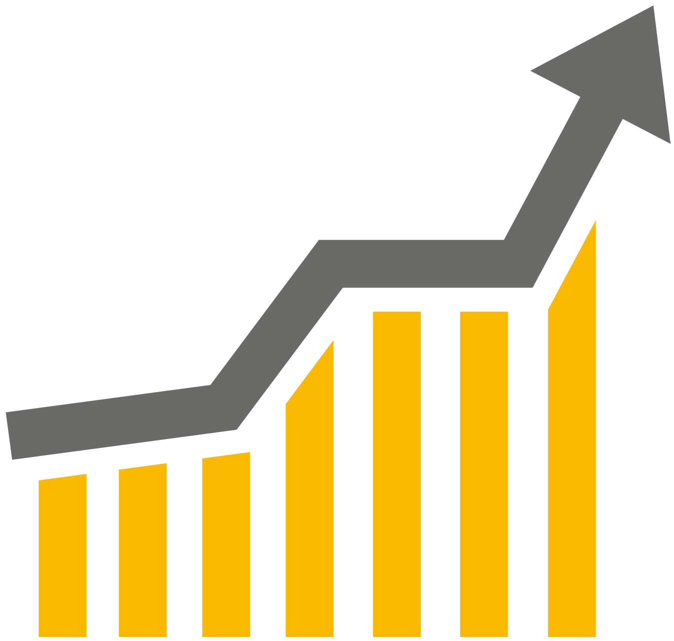
Opportunities from Our Customer Engagement
SAP goes to market by region, customer segments, line of business, and industry. We evolve and invest in our go-to-market coverage model to effectively sell industry-specific solutions while increasing our engagement with customers. We focus on the dynamic and fast-changing landscape each industry faces as technology evolves.

We offer unique services that significantly drive a return on investment, and continue to actively look at new opportunities to increase the value we deliver to our customers. Our outlook and medium-term prospects are based on certain assumptions regarding the success of our go-to-market approaches. If the actual go-to-market success exceeds these assumptions, this could positively impact our revenue, profit, and cash flows, and result in exceeding our stated medium-term prospects.

Events After the Reporting Period

The Supervisory Board of SAP SE nominated Steve Singh, CEO of Concur, to the Global Managing Board with effect from January 1, 2015. He is responsible for our business network strategy and activities.

Additionally, the Supervisory Board nominated Michael Kleinemeier to the Global Managing Board. Together with Gerhard Oswald and Ingrid-Helen Arnold, he is responsible for the Global Service & Support board area with effect from January 1, 2015.



€17.58B

GROWTH

We use Non-IFRS total revenue to measure the growth of our company. We saw a solid increase in this revenue measure in 2014 (€17.58 billion) compared to 2013 (€16.90 billion) and expect to reach a range of €21 billion to €22 billion in 2017 and a range of €26 billion to €28 billion in 2020.