

SAP DANMARK A/S

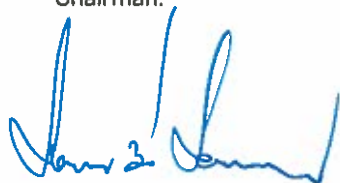
Annual Report

For period 1. January to 31. December 2016

Lautrupsgade 11, 2100 Copenhagen
CVR no. 11 93 56 80

Approved at the Annual General Meeting of Shareholders on 5 May 2017

Chairman:



Jørgen Bo Johansen

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Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of SAP Danmark A/S for the financial year 1 January - 31 December 2016.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January - 31 December 2016.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend the adoption of the Annual Report at the Annual General Meeting.

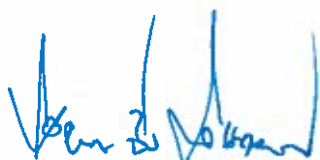
Copenhagen, 5 May 2017

Executive Board:




Martin Günter Schirmer

Board of Directors:



Jørgen Bo Johansen (Chairman)



Martin Günter Schirmer



Christian Pedersen



Independent auditor's report

To the shareholders of SAP Danmark A/S

Opinion

We have audited the financial statements of SAP Danmark A/S for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Company's operations for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.



Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users made on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.



Independent auditor's report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

5 May 2017

KPMG

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

Michael Sten Larsen
State Authorised
Public Accountant

Company Details

Name	SAP Danmark A/S
Address, Postal code, City	Lautrupsgade 11, 2100 Copenhagen
CVR No.	11 93 56 80
Established	1 January 1988
Registered office	Copenhagen
Financial year	1 January - 31 December
Website	www.sap.com/denmark
E-Mail	info.denmark@sap.com
Telephone	+45 39 13 30 00
Board of Directors	Jørgen Bo Johansen, Chairman Martin Günter Schirmer Christian Pedersen
Executive Board	Martin Günter Schirmer
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfaergevej 28, 2100 Copenhagen

Financial Highlights

DKK'000	2016	2015	2014	2013	2012
Key figures					
Revenue	1,430,407	1,460,117	1,491,057	1,234,291	1,233,351
Operating profit	151,716	131,479	166,177	164,977	161,162
Finance income/ costs	-2,588	-334	994	380	1,472
Profit for the year	116,245	100,578	125,140	122,816	121,873
Total assets	636,913	704,323	605,064	514,803	606,762
Equity	210,003	298,258	197,680	147,538	196,190
Financial ratios in %					
Gross margin	29.4%	25.5 %	26.8 %	30.5 %	29.0 %
Return on assets	22.6%	20.1 %	29.7 %	29.4 %	29.6 %
Current ratio	148.7%	173.0 %	148.9 %	139.9 %	150.9 %
Solvency ratio	33.0%	42.3 %	32.7 %	28.7 %	32.3 %
Return on equity	45.7%	40.6 %	72.5 %	71.5 %	57.9 %
Average number of employees	190	179	188	186	166

Operating Review

The Company's business review

SAP vision is to help the world run better and improve people's lives. Together with our broad ecosystem of partners, this comes to life as we help our customers master complexity and innovate and transform to become sustainable digital businesses. SAP is involved in driving innovation in all fields of the digital economy, such as the Internet of Things, machine learning, and artificial intelligence.

In the past years, we have built our success in the business applications market by expanding our product portfolio to help companies meet the needs of the digital economy. We have organically innovated with groundbreaking technology such as SAP HANA and software such as SAP S/4HANA. We have also expanded our portfolio through acquisitions by integrating valuable assets in the cloud and business network spaces.

In 2016, SAP have increased focus on innovation as it is the key to long-term success. Our strategy to be the most innovative cloud company powered by SAP HANA, will help us deliver the digital innovation that our customers need. To execute on this strategy, we are focusing our efforts on the following key areas:

- Continue to develop market-leading applications. We will continue to deliver market-leading applications for ERP, whether in the cloud or on premise. Further, we will continue to develop best-in class, line-of-business (LoB) cloud applications combined with real-time analytics, IoT capabilities, and industry add-ons.
- Scale SAP platform as the innovation platform for our ecosystem partners. SAP built an open cloud platform with cloud application programming interfaces (APIs), which means the platform can communicate with multiple sources to support a strong ecosystem – allowing developers from companies of all sizes to extend our applications or create new solutions for the digital economy.
- Invest in disruptive technologies. SAP have begun incubating new businesses using an "open innovation" approach under the umbrella of the SAP.io program with focus on both internal and external startups. SAP are investing in making our business applications "intelligent" with machine learning.
- Recruit and retain the right talent. Recruiting the right talent and unleashing their innovative power is as crucial for SAP as continuing to develop the talent of existing employees to allow them to realize their full potential.

Product and Services

SAP HANA is our in-memory computing platform that lets companies accelerate business processes, deliver more business intelligence, and simplify their IT environment. SAP HANA removes the burden of maintaining separate legacy systems and siloed data, so companies can run live and business people can make better business decisions in the new digital economy. Emphasizing our cloud-first strategy, SAP HANA can be deployed on several public cloud infrastructures.

Based on SAP HANA, SAP S/4HANA software can store and process huge amounts of data while significantly reducing an organization's data footprint. This means our customers can save time and cost.

Available in the cloud, on premise, or as a hybrid deployment, in 2016, SAP S/4HANA evolved from a finance-focused offering into a full digital-age ERP system. It enables insight and understanding so businesses can predict outcomes and use that data to make decisions live, which helps companies stay competitive in the digital economy. SAP S/4HANA can replace a traditional ERP solution across all lines of business (LoBs), such as finance, human resources, sales, service, procurement, manufacturing, asset management, supply chain, and research and development (R&D).

Operating Review (continued)

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

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 | – R&D/Engineering |
| – Commerce | – Sales |
| – Finance | – Service |
| – Human Resources | – Sourcing and Procurement |
| – Manufacturing | – Supply Chain |
| – Marketing | – Sustainability |

In addition, we are building other functional innovations that serve each line of business: Human capital management (HCM). Our HCM solutions, including SAP SuccessFactors solutions, help organizations increase the value of their total workforce by developing, managing, engaging, and empowering their people. These solutions address the full range of HR needs, from hiring the right people and managing contingent workers to simplifying the way people work.

Operating Review (continued)

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

Our business networks are best-in-class cloud applications that connect a global ecosystem of customers, suppliers, and partners. The products and services go beyond the four walls of a business to integrate and connect systems, services, partners, and data – creating more efficient, more powerful, and far simpler ways to manage key business functions. They provide the outcomes and experiences business users need through open and connected platforms.

Included in the business networks portfolio are SAP's marketleading Concur, SAP Ariba, and SAP Fieldglass solutions, which are at the center of our business network strategy.

SAP Digital Business Services offers an entire portfolio of services. Some of our top innovations in 2016 to help customers transform to a digital business include:

- **SAP Value Assurance service packages** for SAP S/4HANA cover all project phases and scenarios to help customers migrate from SAP ERP to SAP S/4HANA. It includes: system conversion, landscape transformation, new implementations, on-premise, cloud, and hybrid deployment options.

- Latest generation of **SAP Solution Manager** and **SAP Model Company**. SAP Solution Manager manages SAP software implementations from cloud to on premise and hybrid, and is currently rolled out as the delivery platform for SAP Digital Business Services. It addresses both IT and business needs.

The solution gives customers real-time transparency, automation, and control to adopt and manage innovations.

- **Next-generation support.** Our product support has implemented a next-generation support approach that includes real-time support. Named Expert Chat, this live support channel offers direct access to our experts, available for the majority of our solutions. Moreover, a universal, toll-free phone number harmonizes interaction with support across almost all of our products. We also offer customers a way to search for answers to product-related questions, by making knowledge located within SAP searchable using Google. Automating tasks with intelligent, contextsensitive tools provides customers with solutions proactively.

- **SAP Digital:** Expanding the reach of SAP Store and messaging services.

In addition, we launched an SAP Preferred Care offering as a premium support option for on-premise customers transitioning to digital business models. It complements the already existing SAP Preferred Care Cloud offering. The offering is an enhancement to our foundation support offerings, namely SAP Enterprise Support, and includes:

- Advanced service-level agreements
- Additional services
- Dedicated contacts

SAP Danmark A/S offers consulting and training services relating to SAP's software solutions.

SAP Danmark A/S is a wholly-owned subsidiary of SAP SE. The Company works closely together with SAP Norge AS, SAP Svenska AB and SAP Finland Oy as well as the Baltic countries via SAP Nordic. As part of SAP's global strategy, SAP Danmark A/S is also closely tied to SAP's European organization (EMEA).

Operating Review (continued)

Financial review

Revenue for the year amounted to DKK 1,430,407 thousand compared to DKK 1,460,117 thousand last year. Profit for the year before tax amounted to DKK 149,128 thousand compared to DKK 131,145 thousand last year, whereas profit after tax amounted to DKK 116,245 thousand compared to DKK 100,578 thousand last year.

Knowledge resources

A significant parameter of success is SAP Danmark A/S' internal culture and external reputation. The Company works with a value-based management form, in which rules and regulations are replaced by an attitude - and behaviour-based framework.

Management's expectation is that all employees should be responsible for their own development. In that context, SAP Danmark A/S provides the individual employee with a development platform - a platform which is meant to generate a link between the employees' understanding of the objective of personal and professional development and which should also provide them with added value in the form of better culture, cooperation and revenue creation for the Company.

Special risks

In general, SAP Danmark A/S is sensitive to changes in demands relating to companies' needs to invest in software solutions, consultancy assistance and training services.

An analysis of the Danish market of small and medium-sized enterprises emphasises that competition is fierce and well-represented within this market segment and that in-house products and solutions may also represent a considerable competitive factor.

The Company has no significant financial risks.

Statutory CSR report and diversity

The parent company SAP SE has developed a policy and goals for increasing the number of women in management, which SAP Danmark A/S is covered by. The policy set goals for the percentage of women in management, common to the IT industry. To support and develop female leaders throughout 2016, SAP sponsored and hosted numerous events focused on attracting, developing, and supporting women. Additional ongoing initiatives supporting women at SAP include the Women's Professional Growth Webinar series, the Business Women's Network, and the Women@SAP online community. In addition, we offer executive sponsorships for women at SAP and the Leadership Excellence Acceleration Program (LEAP), a highly respected and award-winning development program that helps prepare high-potential women for leadership roles at SAP.

SAP Danmark A/S has set a target for the number of women in the board. The board currently consist of 3 members. Due to the structure of the SAP Nordic organisation, it has been decided that the three seats normally go to the CFO for SAP Danmark A/S, the Nordic CFO and the Nordic Managing Director. A target of reaching 1 female board member before 2019 has been set, based on the assumption that one of the three leader positions is replaced with a woman, or that a female is added to the board.

The company's parent company SAP SE report on SAP's financial, social and environmental performance in one integrated report ("SAP Integrated Report 2016"), which is available at: <http://go.sap.com/integrated-reports/2016/en.html>

Post balance sheet events

No significant events have occurred after the balance sheet date that may significantly affect the financial statements for 2016.

Outlook

SAP Danmark A/S had a very strong and successful 2016.

SAP Danmark A/S has 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.

The ambition for 2017 is to gain even bigger market shares on the Danish market through conscious work and co-operation with our partners. SAP has the right products, solutions and partners and expects to continue the positive trend in sales and maintenance of software licenses that we experienced in 2016.

Based on this, Management also expects satisfactory results for 2017 in line or slightly above the results for 2016.

Income Statement

For the year ended 31. December

DKK'000	Notes	2016	2015
Revenue	(2)	1,430,407	1,460,117
Other external expenses		-1,010,340	-1,087,939
Gross profit		420,067	372,178
Staff costs	(3)	-265,434	-238,418
Amortisation/ depreciation and impairment of intangible assets and property, plant and equipment	(5)	-2,917	-2,281
Operating profit		151,716	131,479
Financial income		5,685	1,815
Financial expense		-8,273	-2,149
Profit before tax		149,128	131,145
Tax for the year	(4)	-32,883	-30,567
Profit for the year		116,245	100,578
Proposed profit appropriation			
Proposed dividend recognised under equity		0	204,500
Retained earnings/ accumulated loss		116,245	-103,922
		116,245	100,578

Balance Sheet

As of 31. December

DKK'000	Notes	2016	2015
Assets			
Non-current assets			
Intangible assets	(5)		
Acquired intangible assets		879	700
		879	700
Property, plant and equipment	(6)		
Other fixtures and fittings, tools and equipment		5,010	4,526
Leasehold improvements		938	1,398
		5,948	5,924
Total non-current assets		6,827	6,624
Current assets			
Receivables			
Trade and other receivables		272,497	243,801
Work in progress for third parties		15,897	8,674
Receivables from group entities		246,059	312,292
Deferred tax assets		7,558	7,027
Income taxes receivable		6,138	18,019
Other receivables		7,171	7,800
Prepayments	(7)	520	763
		555,840	598,376
Cash		74,246	99,323
Total current assets		630,086	697,699
Total assets		636,913	704,323
Equity and liabilities			
Equity			
Share capital	(8)	5,500	5,500
Retained earnings		204,503	88,258
Dividend proposed for the year		0	204,500
Total equity		210,003	298,258
Provisions			
Other provisions		2,568	2,866
Total provisions	(9)	2,568	2,866
Non-current liabilities other than provisions			
Non-current deferred income	(10)	527	19
Current liabilities other than provisions			
Work in progress for third parties		1,193	72
Trade payables		4,703	6,003
Payables to group entities		183,444	212,235
Other payables		190,584	160,123
Deferred income	(10)	43,891	24,747
		423,815	403,180
Total liabilities other than provisions		424,342	403,199
Total equity and liabilities		636,913	704,323

Note 11 – Contingent liabilities and other financial obligations

Note 12 – Related parties

Statement of Changes in Equity

DKK'000	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2015	5,500	192,180		197,680
Profit for the year		-103,922	204,500	100,578
Dividend distributed				
Equity at 1 January 2016	5,500	88,258	204,500	298,258
Profit for the year		116,245		116,245
Dividend distributed			-204,500	-204,500
Equity at 31 December 2016	5,500	204,503	0	210,003

Notes to the Financial Statements

(1) ACCOUNTING POLICIES

The Annual Report of SAP Danmark A/S for 2016 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards large reporting class C enterprises.

The accounting policies applied by the company are consistent with those of last year.

Omission to present a Cash Flow Statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company, SAP SE.

Recognition and measurement in general

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measure.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognizing and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Reporting currency

The financial statements are presented in Danish kroner.

Intra-group business combinations

Intra-group mergers are treated according to the pooling-of-interests method where the acquiror recognises the acquiree's assets and liabilities at the former carrying amounts. Comparatives are restated as if the two entities have always been combined.

Currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest financial statements is recognised in the income statement as financial income or financial expenses.

(1) ACCOUNTING POLICIES (continued)

Revenue

Classes of revenue

The Company derives revenue from fees charged to its customers for (a) the use of hosted cloud offerings, (b) licenses to on-premise software products, and (c) standardized and premium support services, consulting, customer-specific on-premise software development agreements, training, and other services.

Cloud and software revenue, as presented in company's statement of profit or loss, is the sum of cloud subscriptions and support revenue, software licenses revenue, and software support revenue.

- Revenue from cloud subscriptions and support represents fees earned from providing customers with the following:
 - o Software-as-a-Service (SaaS), that is, a right to use software functionality in a cloud-based-infrastructure (hosting) provided by SAP, where the customer does not have the right to terminate the hosting contract and take possession of the software to run it on the customer's own IT infrastructure or by a third-party hosting provider without significant penalty, or
 - o Platform-as-a-Service (PaaS), that is, access to a cloud-based infrastructure to develop, run, and manage applications, or
 - o Infrastructure-as-a-Service (IaaS), that is, hosting services for software hosted by SAP, where the customer has the right to terminate the hosting contract and take possession of the software at any time without significant penalty and related application management services, or
 - o Additional premium cloud subscription support beyond the regular support that is embedded in the basic cloud subscription fees, or
 - o Business Network Services, that is, connecting companies in a cloud-based-environment to perform business processes between the connected companies.
- Software licenses revenue represents fees earned from the sale or license of software to customers for use on the customer's premises, in other words, where the customer has the right to take possession of the software for installation on the customer's premises (on-premise software). Software licenses revenue includes revenue from both the sale of our standard software products and customer-specific on-premise software development agreements.
- Software support revenue represents fees earned from providing customers with standardized support services which comprise unspecified future software updates, upgrades, enhancements, and technical product support services for on-premise software products. The company does not sell separately technical product support or unspecified software upgrades, updates, and enhancements. Accordingly, the Company does not distinguish within software support revenue or within cost of software support the amounts attributable to technical support services and unspecified software upgrades, updates, and enhancements.

Services revenue as presented in statement of profit or loss represents fees earned from providing customers with the following:

- Professional services, that is, consulting services that primarily relate to the installation and configuration of cloud subscriptions and on-premise software products
- Premium support services, that is, high-end support services tailored to customer requirements
- Training services
- Messaging services (primarily transmission of electronic text messages from one mobile phone provider to another)
- Payment services in connection with travel and expense management offerings.

Timing of revenue recognition

The Company does not start recognizing revenue from customer arrangements before evidence of an arrangement exists, the amount of revenue and associated costs can be measured reliably, collection of the related receivable is probable and the delivery has occurred, respectively the services have been rendered. If, for any of the product or service offerings, the company determines at the outset of an arrangement that the amount of revenue cannot be measured reliably, the company concludes that the inflow of economic benefits associated with the transaction is not probable, and defers revenue recognition until the arrangement fee becomes due and payable by the customer. If, at the outset of an arrangement, the company determines that collectability is not probable, the Company concludes that the inflow of economic benefits associated with the transaction is not probable, and defers revenue recognition until the earlier of when collectability becomes probable or payment is received. If a customer is specifically identified as a bad debtor at a later point in time, the company stops recognizing revenue from the customer except to the extent of the fees that have already been collected.

(1) ACCOUNTING POLICIES (continued)

Other external expenses

Other external costs comprise costs such as license fees to the parent company for the use of software rights, subcontractor costs (consultants), advertising costs, office expenses, fees to external consultants, rent payments etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

The Company's employees have the option to purchase employee shares in the ultimate parent company at a price below the market price. The parent company re-invoices the full value of the shares to the Company. The bonus element is expensed under staff costs.

The parent company has issued share options to the Executive Board and a number of executive employees in the Company. The share options can be exercised at a price lower than the market price. The option scheme concerns shares in the ultimate parent company SAP SE. SAP Danmark A/S is invoiced the difference between the market price and the exercise price in relation to those employees who exercise their options. The differences between the market price and executive flow is recognised in the financial statements under staff costs over the vesting period for the options. At 31 December 2016, the total obligation is recognised in the annual report as a provision.

Amortisation / depreciation and impairment of intangible assets and property, plant and equipment

The item comprises amortisation/depreciation and impairment of intangible assets and property, plant and equipment.

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight-line basis over the expected useful life. The expected useful lives are as follows

Leasehold improvements	5-10 years
Other fixtures and fittings, tools and equipment	3-5 years

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses, gains and losses on transactions denominated in foreign currencies as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

Intangible assets

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses are made up as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating costs.

(1) ACCOUNTING POLICIES (Continued)

Impairment of property, plant and equipment

Every year property, plant and equipment and acquired rights are tested for impairment. Where there is evidence of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Receivables

Receivables are measured at amortised cost, which usually corresponds to the nominal value. Provisions are made for bad debts on the basis of objective evidence that a receivable or a group of receivables are impaired. Provisions are made to the lower of the net realisable value and the carrying amount.

An impairment loss is recognised if there is objective indication that a receivable or a group of receivables is impaired. If there is objective indication that an individual receivable has been impaired, write-down is made on an individual basis.

Receivables with no objective indication of individual impairment are tested for objective indication of impairment on a portfolio basis. The portfolios are primarily composed on the basis of debtors' domicile and credit ratings in accordance with the Company's risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Write-downs are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Construction contracts

Ongoing service supplies and work in progress for third parties are measured at the sales value of the work performed less advances received. The sales value is calculated on the basis of the percentage of completion at the balance sheet date and the total expected income from the relevant contract. The percentage of completion is made up based on costs incurred relative to the expected, total costs on each individual work in progress.

Where the outcome of contract work in progress cannot be made up reliably, the sales value is measured at the costs incurred in so far as they are expected to be paid by the purchaser.

Where the total expenses relating to the work in progress are expected to exceed the total market value, the expected loss is recognised as a loss-making agreement under 'Provisions' and is expensed in the income statement.

The value of each contract in progress less advances received is classified as assets when the sales value exceeds advances and as liabilities when advances exceed the market value.

Prepayments

Prepayments recognised under 'Assets' comprise prepaid expenses regarding subsequent financial reporting years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Equity

Proposed dividends

Dividends proposed for the financial year are presented as a separate item under 'Equity'.

Provisions

Provisions comprise share-based payments and restoration of leasehold improvements. Provisions are recognised when the company has a legal or constructive obligation as a result of a past event at the balance sheet date and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions are measured at net realisable value or at fair value if the obligation concerned is expected to be settled far into the future.

(1) ACCOUNTING POLICIES (Continued)

Corporation tax

Current tax payable and receivable is recognised in the balance sheet as tax computed on the taxable income for the year, adjusted for tax on the taxable income of prior years and for tax paid on account.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income.

Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost, corresponding to the capitalised value using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual liability in respect of finance leases.

Other liabilities are measured at net realisable value.

Deferred income

Deferred income recognised as a liability comprises total sales which will not be recognised as income until in the subsequent financial reporting years.

Segment information

Segment information is given for revenue broken down by business segment. The segmentation is in accordance with the entity's internal financial management.

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities}}{\text{Average assets}} \times 100$
Current ratio	$\frac{\text{Current assets} \times 100}{\text{Current liabilities}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

(2) REVENUE

DKK'000	2016	2015
Business segmentation of revenue:		
Software revenue	257,267	331,171
Support revenue	777,465	745,636
Cloud subscriptions and support	61,052	36,368
Consulting revenue	115,268	139,178
Other service revenue	14,403	11,201
Intercompany revenue	204,952	196,563
Total	1,430,407	1,460,117

(3) STAFF COSTS

DKK'000	2016	2015
Wages/ salaries	247,196	220,414
Pensions	13,133	10,254
Other social security costs	3,067	4,284
Other staff costs	2,038	3,466
Total	265,434	238,418
Average number of employees	190	179

The Company's Executive Board only consists of one person and no remuneration have been paid to the members of the Board of Directors. In accordance with section 98b (3), (ii), of the Danish Financial Statements Act, remuneration to management is not disclosed.

(4) TAX FOR THE YEAR

DKK'000	2016	2015
Estimated tax charge for the year	33,447	32,322
Deferred tax adjustment in the year	-531	-1,252
Tax adjustments, prior years	-33	-503
Tax for the year	32,883	30,567

(5) INTANGIBLE ASSETS

DKK'000	Acquired intangible assets
Cost at 1 January 2016	1,469
Additions in the year	455
Cost at 31 December 2016	1,924
Impairment losses and amortisation at 1 January 2016	769
Amortisation in the year	276
Impairment losses and amortisation at 31 December 2016	1,045
Carrying amount at 31 December 2016	879

(6) PROPERTY, PLANT AND EQUIPMENT

DKK'000	Other fixture and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2016	22,535	4,692	27,227
Additions in the year	2,557	236	2,793
Disposals in the year	-2,500	0	-2,500
Cost at 31 December 2016	22,592	4,928	-2,500
Impairment losses and depreciation at 1 January 2016	18,009	3,294	21,303
Depreciation in the year	1,945	696	2,641
Reversal of depreciation and impairment of disposals	-2,372	0	-2,372
Impairment losses and depreciation at 31 December 2016	17,582	3,990	21,572
Carrying amount at 31 December 2016	5,010	938	5,948

(7) PREPAYMENTS

Prepayments include accrual of expenses relating to subsequent financial years, including other prepaid expenses.

DKK'000	2016	2015
Prepayments	520	763

(8) SHARE CAPITAL

DKK'000	2016	2015
The share capital consists of the following:		
1 share of DKK 500,000.00 each	500	500
5 shares of DKK 1,000,000.00 each	5,000	5,000
Total	5,500	5,500

The last change in the share capital was in 1990.

(9) PROVISIONS

Other provisions comprise provisions for share-based payment schemes in the parent company and provision for restoration of leasehold improvements

DKK'000	2016	2015
Provision for share based payments schemes	484	857
Provision for restoration of leasehold improvements	2,084	2,009
Total	2,568	2,866

(10) DEFERRED INCOME

Deferred income comprises payments relating to total sales which will not be recognised as income until in the subsequent financial year once the recognition criteria are satisfied.

DKK'000	2016	2015
Deferred income current portion	43,891	24,747
Deferred income non-current portion	527	19
Total	44,418	24,766

(11) CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

DKK'000	2016	2015
Rent and lease commitments	59,298	37,792

Rent and lease liabilities include a rent obligation totalling TDKK 57,167 in interminable rent agreement with remaining contract terms until year 2022. Furthermore, the company has liabilities under operating leases for cars totalling TDKK 893 with remaining contract terms until year 2019 and other financial commitments totalling TDKK 1,238 with remaining contract terms until year 2017.

(12) RELATED PARTIES

SAP Danmark A/S' related parties comprise the following:

Parties exercising control

Related Party	Domicile	Basis for control
SAP SE	Walldorf, Germany	Participating interest, 100%

Information about consolidated financial

Parent	Domicile	Requisitioning of the parent's consolidated financial statements
SAP SE	Walldorf, Germany	www.sap.com

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes minimum 5% of the share capital:

Name	Domicile
SAP SE	Walldorf, Germany

