

# SAP DANMARK A/S

## Annual Report 31 December 2021

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

Approved at the Annual General Meeting of Shareholders on 27 May 2022

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Christian Larsen Pedersen  
Chairman of the Board

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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 2021.

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 as at 31 December 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021.

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, 27 May 2022

Executive Board:

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*Helle Dochedahl*  
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Helle Dochedahl

Chief Executive Officer

Board of Directors:

DocuSigned by:  
*Christian Pedersen*  
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Christian Larsen Pedersen

Chairman of the Board

DocuSigned by:  
*Jørn Jacobsen*  
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Jørn Bo Jacobsen

Board member

DocuSigned by:  
*Helle Dochedahl*  
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Helle Dochedahl

Board member



## **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 2021 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 2021 and of the results of the Company's operations for the financial year 1 January – 31 December 2021 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.

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.



## Independent auditor's report

### 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.

27 May 2022

**KPMG**

Statsautoriseret Revisionspartnerselskab

CVR no. 25 57 81 98

A blue ink signature of David Olafsson, written in a cursive style.

David Olafsson  
State Authorised  
Public Accountant  
mne19737

## Company Information

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	<a href="http://www.sap.com/denmark">www.sap.com/denmark</a>
E-Mail	<a href="mailto:info.denmark@sap.com">info.denmark@sap.com</a>
Telephone	+45 39 13 30 00
Board of Directors	Christian Larsen Pedersen, Chairman of the Board Jørn Bo Jacobsen Helle Dochedahl
Executive Board	Helle Dochedahl
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfaergevej 28, 2100 Copenhagen

# Financial Highlights

DKK'000	2021	2020	2019	2018	2017
<b>Key figures</b>					
Revenue	1.863.876	1.957.605	2.025.791	1.595.603	1.491.223
Operating profit	218.501	206.059	256.569	169.483	126.663
Exchange rate differences, finance income and finance costs	-1.683	-2.409	1.228	-119	-1.363
Profit after income tax	170.027	159.659	200.965	131.478	96.264
Total assets	1.175.799	1.406.414	1.089.583	841.039	747.259
Equity	572.270	551.043	481.384	370.419	306.267
<b>Financial ratios in %</b>					
Gross margin	31,5%	29,9%	31,0%	30,7%	29,9%
Return on assets	16,9%	16,5%	26,6%	21,3%	18,3%
Current ratio	187,1%	159,2%	175,5%	178,0%	169,2%
Solvency ratio	48,7%	39,2%	44,2%	44,0%	41,0%
Return on equity	30,3%	30,9%	47,2%	38,9%	37,3%
Average number of employees	219	219	215	220	213



# Operating Review

## **The Company's business review**

SAP vision is to help the world run better and improve people's lives.

We strive to achieve this as both an enabler and an exemplar of sustainable business. Our products and services aim to help our customers both meet the challenges and take advantage of the opportunities presented by today's rapidly changing world.

In 2020, SAP introduced our REINVENT strategy. The underlying vision of this strategy was extended in 2021 to "REINVENT how the world runs as a network of intelligent, sustainable enterprises." In our pursuit of this vision, we focus on three areas:

### **Helping Our Customers Become Intelligent and Sustainable Enterprises**

Intelligent enterprises use data with embedded artificial intelligence (AI) and experience management to remove friction across business processes and drive innovation, enabling people to work more flexibly.

### **Creating a Network of Intelligent, Sustainable Enterprises**

We deliver innovation and intelligent technologies across procurement, logistics, asset management, and industry-specific offerings to enable a global business network spanning entire industries and value chains.

### **Enabling a Sustainable World**

Our REINVENT strategy is firmly rooted in our goal to be an innovative and trusted partner for our ecosystem, supporting them on their journey to reinvent how their businesses run.

While each of our line-of-business (LoB) solutions must be competitive in its own right, we believe the true value comes through the strength of our collective offerings, with SAP S/4HANA Cloud at the core. SAP has the technologies, products, footprint, and experience to combine four essential end-to-end business processes to create not just one intelligent enterprise, but a global ecosystem of intelligent enterprises. Those processes – Recruit to Retire, Source to Pay, Design to Operate, and Lead to Cash – are supported by our products.

The most prominent building blocks of our product portfolio are:

**SAP S/4HANA Cloud** provides modular cloud ERP in the areas of finance, supply chain, and sustainability among others – and can enable customers to adjust and adopt business process and business models.

**SAP SuccessFactors Human Experience Management (HXM) Suite** provides cloud-based solutions, such as a human resources management system (HRMS) for core HR and payroll, talent management, employee experience management, and people analytics, by aiming to create differentiated employee experiences across the employee lifecycle.

Our **intelligent spend management** applications aim to provide a more unified view of a customer's spending to reduce costs, mitigate risks, improve collaboration, and make sure every spend decision is aligned with the business strategy.

Our **SAP Customer Experience** solutions deliver a personalized view across customers and business partners, connecting the front- and back office with solutions spanning from the point of sale, to manufacturing, to logistics, customer experience, and returns management.

**SAP Business Technology Platform (SAP BTP)** is a business-centric and open platform that enables customers and partners to extend and customize SAP applications in a cloud-native way. It allows shared data and insights, AI-powered experiences, as well as partner solutions and customer-led customizations. Specifically, it provides capabilities in four key areas: database and data management; analytics and planning; application development and integration; and intelligent technologies such as AI, all bundled into one platform offering.

SAP's **Industry Cloud** provides the opportunity for SAP and our partners to extend our core with modular solutions addressing industry-specific functions, built on SAP BTP.

**SAP Business Network** is a network of enterprises. The interactive community helps enable companies to extend their ecosystem, react to supply chain disruptions, discover new trading partners, and find new opportunities, all through a unified, role-based experience.

Our **business process intelligence (BPI)** application portfolio, which has been significantly expanded with the integration of Signavio solutions, helps our customers enable their business transformations. We support analysis of current processes, benchmarking against best practices, and reconfiguring current processes towards future processes.

# Operating Review (Continued)

## The Company's business review (continued)

Our **sustainability management** solutions empower customers to integrate sustainability into their business processes – from ethical sourcing and inclusive hiring to visibility into and management of a company's overall ecological footprint. The solutions aim to help our customers minimize carbon emissions, reduce waste through responsible supply chain management, and enable diversity across all business practices.

Pursuant to the requirements of Norwegian Accounting Legislation, the Board confirms that the requirements for the going concern assumption have been met and that the financial statements have been prepared on this basis.

## Product and services

SAP works to deliver an intelligent enterprise that brings together machine and human intelligence across all business functions to provide value to customers.

The goal of our product and services portfolio is to deliver on expanded vision to "REINVENT how the world runs as a network of intelligent, sustainable enterprises."

## SAP S/4HANA Cloud

Our ERP suite with intelligent technologies such as artificial intelligence (AI), machine learning, and advanced analytics. Running on SAP HANA, the suite combines automation and integrated business processes analytics and a role-based user experience. The suite provides software capabilities for finance, sales, service, procurement, manufacturing, and asset management, as well as research and development (R&D).

**Human Experience Management** solutions for human experience management (HXM) under the SAP SuccessFactors brand aim to increase the value of a workforce by developing, managing, engaging, and empowering people. SAP SuccessFactors HXM Suite was designed to provide decision-makers with tools to identify and reduce unconscious bias from key people decisions such as hiring, calibration, and compensation.

## Intelligent Spend Management

SAP provides a comprehensive set of solutions for customers to better navigate spend management decisions aligned with corporate strategies. It brings together SAP's intelligent spend management solutions including products branded under SAP Ariba, SAP Concur, and SAP Fieldglass as well as SAP Business Network.

**Customer Experience** solutions bring together customer data, machine learning technology, and microservices to support customer engagements across end-to-end processes in the areas of marketing, commerce, sales, and service.

**SAP Business Technology Platform (SAP BTP)** spans a comprehensive set of on-premise and cloud-native technologies and services that support SAP applications across four areas: database and data management; analytics; application development and integration; and AI and robotic process automation.

## SAP Business Network

SAP officially launched SAP Business Network in June 2021, bringing together Ariba Network, SAP Logistics Network, and SAP Asset Intelligence Network with the aim to unify the points of interaction and integration across trading partners – from supplier collaboration to logistics coordination and traceability, to equipment usage and maintenance. The trading partner directory in SAP Business Network aims to provide trading partners with a view of their customer relationships and transactions on the network.

**Business Process Intelligence (BPI)** solutions aim to help our customers analyze their operations, understand their process bottlenecks, and improve their business process landscape. Our goal is to offer one integrated BPI portfolio, the SAP Signavio Business Process Management (BPM) Suite.

**Experience Management (XM)** refers to both Qualtrics technology as well as the discipline of seeking out and closing the experience gaps across the four core areas of businesses – customer, product, employee, and brand.

**Industry Cloud** is an open innovation space for SAP and our partners to build solutions that make a difference to the core business of our customers. Industry cloud solutions extend the end-to-end processes of SAP S/4HANA, LoB cloud solutions, and SAP Business Network to enable our customers optimize and transform their core business.

## Ecosystem

The introduction of SAP PartnerEdge Cloud Choice, flex model in 2021 offers greater flexibility for customers, partners, and SAP to support cloud adoption.

# Operating Review (Continued)

## Product and services (continued)

### Service and Support

Complementing our software and technology offerings, SAP provides services and support to help customers continually realize business value from their SAP investment. Throughout the customer lifetime partnership, we aim to help customers as they implement and adopt new solutions in the cloud, move legacy solutions to the cloud, or transform their business.

### Financial review

Revenue for the year amounted to DKK 1,863,876 thousand compared to DKK 1,957,605 thousand last year. Profit for the year before tax amounted to DKK 218,501 thousand compared to DKK 206,059 thousand last year, whereas profit after tax amounted to DKK 170,027 thousand compared to DKK 159,659 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 ultimate controlling party SAP SE has developed a policy and goals for increasing the number of women in management, which SAP Danmark A/S is covered by. One of the three members of the Company's executive board is a woman. The Company's statutory CSR report is in pursuant to section 99(a) of the Danish Financial Statements Act.

At SAP, we are always striving for inclusion and reflecting the diversity of society. As a global organization with 161 nationalities in our workforce, our aspiration is that SAP's employees mirror the diversity in society that includes the gender parity and demographics of all of the regions where we have employees. With our Diversity and Inclusion Strategy, we set our long-term focus to ensure we cover critical areas such as providing inclusive career journeys, creating a culture of inclusive collaboration, and improving our diverse ecosystem through supplier diversity efforts, an inclusive language campaign, and accessibility efforts.

The Company's ultimate controlling party SAP SE report on SAP's financial, environmental and social performance in one integrated report ("SAP Integrated Report"), which is available at: <https://www.sap.com/investors/en/reports.html>. Additionally, the following information can be found in the report such as Anticorruption and Bribery Corporate Social Responsibility, Climate and Environment, Human rights and Labour Standards, Target of the Board, Management levels.

### Due Diligence for Data Protection

With our global product and services portfolio, the Company aims to protect the rights of individuals involved and meet relevant local requirements when processing personal data. To meet and ensure consistent security and data protection compliance, the Company has implemented a formal governance model that assigns clear responsibilities across the SAP Group. SAP Group has established a global network of data protection and privacy coordinators (DPPCs) across all SAP Group entities that process personal data. This DPPC network is aimed to ensure data protection and privacy compliance on a local level.

The SAP Global Data Protection and Privacy Policy outlines a group-wide minimum standard for data protection-compliant processing of personal data. It defines requirements for business processes that involve personal data, and assigns clear responsibilities. The principles established by this policy take into account the requirements of the EU GDPR.

## Operating Review (Continued)

### **Gender inclusion, advancement, and equality**

Currently, SAP's representation of women in the overall workforce is 34.3% (2020: 33.6%), with the representation of women in management roles at 28.3% (2020: 27.5%). We continue to advance workplace equity through promoting inclusive policies on flexible work arrangements, enhanced parental leave benefits, and a focus on fair pay. We are present in the Bloomberg Gender-Equality Index in 2019, 2020, and again in 2021, confirming our commitment to gender equity.

The policy set goals for the percentage of women in management, common to the IT industry. To support and develop female leaders throughout, SAP s

pponsored 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 Global Business Women's Network, and the Women@SAP online community. In addition, we offer the Connecting our Future Female Leaders Program, self-driven, yearlong initiative. Its purpose is to provide a platform and structured approach to increase exposure and develop and strengthen relationships for SAP women with the GFA Leaders as well as each other. The Program provides a valuable opportunity for women with leadership ambitions to extend their network, gain new insights, promote and share best practices and increase their exposure with the Leaders of GFA.

Gender equality is a core company value for SAP and a strategic priority for its comprehensive diversity and inclusion efforts. The Company believes that a rich mix of gender perspectives helps drive innovation and enables the Company to better serve to its customers.

SAP Danmark A/S has set a target for the number of women in the board. A target of reaching 1 female board member in 2019 has been set and achieved with the appointment of a female board member on 1 July 2019. With this appointment, the Company is no longer under the obligation to set up further target figures.

The board currently consist of 3 members. It has been decided that the three seats go to the Country Managing Director SAP Danmark A/S, the Nordic CFO and the Nordic Managing Director.

### **Outlook**

SAP Danmark A/S had a strong and successful 2021, despite Covid-19 pandemic.

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.

By developing software, providing software and services to the customers, and engaging them in feedback, the Company immediately generates results for SAP such as growth, profitability, employee engagement, and customer loyalty. Value creation for the customer is realised when they implement the software and services to support their business and help achieve their own visions and purposes.

The Danish economy is in a strong position with unemployment is under 4% of the labour force, profitability in the corporate sector has been good in recent years, and economic growth has been above trend. The banking sector in the country is sound and the payment system is well-functioning and efficient.

# Statement of Financial Position

As at 31 December

DKK'000	Notes	2021	2020
<b>Assets</b>			
<b>Non-current assets</b>			
Property and equipment	(4)	47.770	60.462
Intangible assets	(5)	14.667	9.601
<b>Total non-current assets</b>		<b>62.437</b>	<b>70.063</b>
<b>Current assets</b>			
Income tax assets		9.009	17.087
Other assets	(6)	148.051	129.713
Trade and other receivables	(7)	818.650	970.230
Cash and cash equivalents		137.652	219.321
<b>Total current assets</b>		<b>1.113.362</b>	<b>1.336.351</b>
<b>Total assets</b>		<b>1.175.799</b>	<b>1.406.414</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	(8)	5.500	5.500
Retained earnings		566.770	545.543
<b>Total equity</b>		<b>572.270</b>	<b>551.043</b>
<b>Non-current liabilities</b>			
Contract liabilities		0	1.842
Other liabilities		6.226	4.274
Provisions	(9)	2.242	2.242
Lease liabilities		0	12.031
<b>Total non-current liabilities</b>		<b>8.468</b>	<b>20.389</b>
<b>Current liabilities</b>			
Deferred tax liabilities	(10)	21.762	17.815
Contract liabilities		110.502	134.434
Other liabilities		55.072	82.799
Provisions	(9)	190	0
Employee benefits liabilities		113.026	156.537
Trade and other payables	(11)	286.576	435.116
Lease liabilities		7.933	8.281
<b>Total current liabilities</b>		<b>595.061</b>	<b>834.982</b>
<b>Total liabilities</b>		<b>603.529</b>	<b>855.371</b>
<b>Total equity and liabilities</b>		<b>1.175.799</b>	<b>1.406.414</b>

The above financial statements should be read in conjunction with the accompanying notes.

# Statement of Profit or Loss

For the year ended 31 December

DKK'000	Notes	2021	2020
<b>Revenue</b>	(12)	<b>1.863.876</b>	<b>1.957.605</b>
<b>Other income</b>		<b>668</b>	<b>462</b>
<b>Material expenses</b>			
Royalties, licenses and agents' commissions		-800.465	-883.779
Purchased services expenses		-417.223	-400.397
<b>Total material expenses</b>		<b>-1.217.688</b>	<b>-1.284.176</b>
Employee benefits expenses	(13)	-348.866	-362.324
Depreciation	(4)	-16.037	-15.722
Amortisation	(5)	-3.102	-871
Other expenses		-60.350	-88.915
<b>Operating profit</b>		<b>218.501</b>	<b>206.059</b>
Exchange rate differences		-890	-1.790
Finance income	(14)	17	0
Finance costs	(14)	-810	-619
<b>Profit before income tax</b>		<b>216.818</b>	<b>203.650</b>
Income tax expense	(15)	-46.791	-43.991
<b>Profit after income tax</b>	(16)	<b>170.027</b>	<b>159.659</b>

The above financial statements should be read in conjunction with the accompanying notes.

# Statement of Changes in Equity

For the year ended 31 December

DKK'000	Note	Share capital	Retained earnings	Total
<b>As at 1 January 2020</b>		<b>5.500</b>	<b>475.884</b>	<b>481.384</b>
Profit after income tax		0	159.659	<b>159.659</b>
Dividends		0	-90.000	<b>-90.000</b>
<b>As at 31 December 2020</b>		<b>5.500</b>	<b>545.543</b>	<b>551.043</b>
Profit after income tax		0	170.027	<b>170.027</b>
Dividends	(16)	0	-148.800	<b>-148.800</b>
<b>As at 31 December 2021</b>		<b>5.500</b>	<b>566.770</b>	<b>572.270</b>

The above financial statements should be read in conjunction with the accompanying notes.



# Notes to the Financial Statements

These notes form an integral part of the accompanying financial statements.

## (1) REPORTING ENTITY

SAP Danmark A/S (the "Company") is a profit-oriented company incorporated and domiciled in Denmark and registered in Lautrupsgade 11, 2100 Copenhagen, Denmark.

The Company sells software licenses, cloud solutions and services, and provides maintenance, consulting, training and other professional services. The Company is a wholly owned subsidiary of SAP SE.

The following shareholder is the Company's ultimate controlling party and is registered in the Company's register of shareholders as holding a minimum of 5% of votes.

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

The consolidated financial statements of SAP SE have been prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from: <http://go.sap.com/investors/en.html#reports> and from SAP SE, Dietmar-Hopp-Allee 16, 69190 Walldorf, Germany.

## (2) BASIS OF PREPARATION

### Statement of compliance

The financial statements have been prepared in accordance with the provisions of the Danish Financial Statements Act as regards large reporting class C enterprises.

Assets held under other leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

### Basis of measurement

The financial statements have been prepared using the historical cost basis of accounting except for the following:

- Liabilities for cash-settled share-based payments are measured at fair value.
- Monetary assets and liabilities denominated in foreign currencies are translated at period-end exchange rates.

Where applicable, information about the methods and assumptions used in determining the respective measurement bases is disclosed in the Notes specific to that asset or liability.

### Omission to present a statement of cash flows and to disclose audit fees

With reference to section 86(4) of the Danish Financial Statements Act, no statement of cash flows has been prepared. The Company's statement of cash flows are part of the consolidated statement cash flows for the ultimate controlling party, SAP SE. With reference to section 96(3) of the Danish Financial Statements Act, no audit fees have been disclosed.

### Functional and presentation currency

The Company's functional and presentation currency is Danish Kroner (DKK). All amounts included in the financial statements are reported in thousands of Danish Kroner (DKK), unless otherwise stated. All financial information has been rounded to the nearest thousand Danish Kroner (DKK) unless otherwise indicated. As figures were rounded, numbers presented throughout this document may not add up precisely to the totals provided, and percentages may not precisely reflect the absolute figures.

### Management judgments and sources of estimation uncertainty

The preparation of the Company's financial statements in accordance with the provisions of the Danish Financial Statements Act as regards large reporting class C enterprises requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues, and expenses, as well as disclosure of contingent assets and liabilities.



## (2) BASIS OF PREPARATION (Continued)

### Management judgments and sources of estimation uncertainty (continued)

The management bases the judgments, estimates, and assumptions on historical and forecast information, as well as on regional and industry economic conditions in which the Company or the Company's customers operate, changes to which could adversely affect the management's estimates. Due to the global consequences of the Covid-19 pandemic, these management judgments and estimates continue to be subject to uncertainty. All available information on the expected economic developments and governmental mitigation measures was included when updating the management judgments and estimates. This information was also included in the analysis of the recoverability and collectability of assets and receivables.

As the pandemic continues, it remains difficult to predict its duration and the magnitude of its impact on assets, liabilities, results of operations, and cash flows. The management applied a scenario that assumes the Covid-19 situation will continue to improve as vaccine programs continue to take effect globally, leading to a growing demand environment in 2022.

Although the management believes to have made reasonable estimates about the ultimate resolution of the underlying uncertainties, no assurance can be given that the final outcome of these matters will be consistent with what is reflected in the Company's assets, liabilities, revenues, and expenses. Actual results could differ from original estimates.

The management reviews the critical accounting policies periodically.

Further details of the nature of estimates and assumptions may be found in the relevant accounting policies and notes to the financial statements.

## (3) ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, unless otherwise stated.

### Revenue recognition

#### Classes of revenue

The Company derives its revenue from fees charged to the customers for cloud, software licenses, software support and services including consulting, customer-specific on-premise software development agreements, training, and other services.

#### Revenue from cloud

Revenue from cloud represents fees earned from providing customers with the following:

- 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
- Platform-as-a-Service (PaaS), that is, access to a cloud-based infrastructure to develop, run, and manage applications, or
- 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
- Premium cloud support beyond the regular support that is embedded in the basic cloud subscription fees, or
- Business Network Services that is connecting companies in a cloud-based-environment to perform business processes between the connected companies.

#### Revenue from software licenses

Revenue from software licenses represents fees earned from the sale or license of software to customers for use on the customer's premises. Software licenses revenue includes revenue from both the sale of the Company's standard software products and customer-specific on-premise software development agreements.

#### Revenue from software support

Revenue from software support represents fees earned from providing customers with standardised support services which comprise unspecified future software updates, upgrades, and enhancements as well as 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.

#### Services revenue

Services revenue primarily represents fees earned from professional consulting services, premium support services, training services, messaging services, and payment services in connection with the Company's travel and expense management offerings.

### (3) ACCOUNTING POLICIES (Continued)

#### Revenue recognition (continued)

##### Identification of contract

The Company frequently enters into multiple contracts with the same customer that the Company treats, for accounting purposes, as one contract if the contracts are entered into at or near the same time and are economically interrelated. The Company does not combine contracts with closing days more than three months apart because the Company does not consider them being entered into near the same time. Judgment is required in evaluating whether two or more contracts are interrelated, which includes considerations as to whether they were negotiated as a package with a single commercial objective, whether the amount of consideration on one contract is dependent on the performance of the other contract, or if some or all goods in the contracts are a single performance obligation.

New arrangements with existing customers can be either a new contract or the modification of prior contracts with the customer. The management's respective judgment in making this determination considers whether there is a connection between the new arrangement and the pre-existing contracts, whether the goods and services under the new arrangement are highly interrelated with the goods and services sold under prior contracts, and how the goods and services under the new arrangement are priced. In determining whether a change in transaction price represents a contract modification or a change in variable consideration, the management examines whether the change in price results from changing the contract or from applying unchanged existing contract provisions.

##### Identification of performance obligations

The Company's customer contracts often include various products and services. In general, the products and services outlined under the Classes of revenue section qualify as separate performance obligations and the portion of the contractual fee allocated to them is recognised separately. Judgment is required, however, in determining whether a good or service is considered a separate performance obligation. In particular for the Company's professional services and implementation activities, judgment is required to evaluate whether such services significantly integrate, customise, or modify the on-premise software or cloud service to which they relate. In this context, the management considers the nature of the services and their volume relative to the volume of the on-premise software or cloud service to which they relate. In general, the implementation services for the Company's cloud services go beyond pure setup activities and qualify as separate performance obligations. Similarly, the Company's on-premise implementation services and custom development services qualify as separate performance obligations. Non-distinct goods and services are combined into one distinct bundle of goods and services (combined performance obligation).

When selling goods or services, the Company frequently grants its customers options to acquire additional goods or services (for example, renewals of renewable offerings, or additional volumes of purchased software). The management applies judgment in determining whether such options provide a material right to the customer that the customer would not receive without entering into that contract (material right options). In this judgment, the management considers whether the options entitle the customer to a discount that exceeds the discount granted for the respective goods or services sold together with the option.

##### Determination of transaction price

The management applies judgment in determining the amount to which the management expects to be entitled in exchange for transferring promised goods or services to a customer. This includes estimates as to whether and to what extent subsequent concessions or payments may be granted to customers and whether the customer is expected to pay the contractual fees. In this judgment, the management considers the history both with the respective customer and more broadly.

The Company's typical cloud services do not provide the customer with a software license because the customer does not have the right to terminate the hosting contract and take possession of the software. Consequently, cloud fees that are based on transaction volumes are considered in the transaction price based on estimates rather than being accounted for as sales-based license royalties.

Only very rarely, the Company's contracts include significant financing components. The Company does not account for financing components if the period between when the Company transfers the promised goods or services to the customer and when the customer pays for those goods or services is one year or less.

##### Allocation of transaction price

The Company have established a hierarchy to identify the stand-alone selling prices (SSPs) that is used to allocate the transaction price of a customer contract to the performance obligations in the contract.

### (3) ACCOUNTING POLICIES (Continued)

#### Revenue recognition (continued)

- Where standalone selling prices for an offering are observable and reasonably consistent across customers (that is, not highly variable), the Company's SSP estimates are derived from its respective pricing history. In general, the Company's standardised support offerings and its professional service offerings follow this approach.
- Where sales prices for an offering are not directly observable or highly variable across customers, the management uses estimation techniques. For renewable offerings with highly variable pricing, these techniques consider the individual contract's expected renewal price as far as this price is substantive. In general, the Company's cloud subscription offerings follow this approach. For non-renewable offerings, these estimations follow a cost-plus-margin approach.
- For offerings that lack renewals and have highly variable pricing, the Company allocates the transaction price by applying a residual approach. The Company uses this technique in particular for its standard on-premise software offerings.

Judgment is required when estimating SSPs. To judge whether the historical pricing of the Company's goods and services is highly variable, the management have established thresholds of pricing variability. For judging whether contractual renewal prices are substantive, the management have established floor prices that they use as SSPs whenever the contractual renewal prices are below these floor prices. In judging whether contracts are expected to renew at their contractual renewal prices, the Company relies on its respective renewal history. The SSPs of material right options depend on the probability of option exercise. In estimating these probabilities, the management applies judgment considering historical exercise patterns.

The management reviews the stand-alone selling prices periodically or whenever facts and circumstances change to ensure the most objective input parameters available are used.

#### Recognition of revenue

##### Revenue from cloud

Revenue from cloud is recognised over time as the services are performed. Where the Company's performance obligation is the grant of a right to continuously access and use a cloud offering for a certain term, revenue is recognised based on time elapsed and thus ratably over this term.

##### Revenue from software licenses

Revenue from software licenses is recognised at a point in time or over time depending on whether the Company delivers standard software or customer-specific software.

Licenses for the Company's standard on-premise software products are delivered by providing the customer with access to download the software. The license period starts when such access is granted. The Company recognises revenue for these on-premise licenses at the point in time when the customer has access to and thus control over the software. In judging that the Company's on-premise software offerings grant customers a right to use, rather than a right to access, the Company's intellectual property, the management have considered the usefulness of the software without subsequent updates to it.

In general, the Company's custom on-premise-software development agreements

- Are for software developed for specific needs of individual customers and therefore it does not have any alternative use for the Company;
- Provide the Company with an enforceable right to payment for performance completed to date.

For such development agreements, the Company recognises revenue over time as the software development progresses. Judgment is required in identifying an appropriate method to measure the progress toward complete satisfaction of such performance obligations.

The management measure progress of the Company's development agreements based on the direct costs incurred to date in developing the software as a percentage of the total reasonably estimated direct costs to fully complete the development work (percentage-of-completion method). This method of measuring progress faithfully depicts the transfer of the development services to the customer, as substantially all of these costs are cost of the staff or third parties performing the development work. In estimating the total cost to fully complete the development work, the management considers the Company's history with similar projects.

For agreements that combine the delivery of software and the obligation to deliver, in the future, unspecific software products, the Company recognises revenue at a point in time for licenses that are made immediately accessible to the customer. The Company recognises revenue ratably over the term of the software subscription contract for the unspecified software products, as the Company's performance obligation is to stand ready to deliver such products on a when-and-if available basis.

### (3) ACCOUNTING POLICIES (Continued)

**Revenue recognition (continued)****Revenue from software support**

Revenue from software support is recognised based on time elapsed and thus ratably over the term of the support arrangement. Under the Company's standardised support services, the Company's performance obligation is to stand ready to provide technical product support and unspecified updates, upgrades, and enhancements on a when-and-if-available basis. The Company's customers can simultaneously receive and consume the benefits of these support services as the support services are performed.

**Services revenue**

Services revenue is recognised over time. Where the Company stands ready to provide the service (such as access to learning content), the Company recognises revenue based on time elapsed and thus ratably over the service period. Consumption-based services (such as separately identifiable consulting services and premium support services, messaging services, and classroom training services) are recognised over time as the services are utilised, following the percentage-of-completion method or ratably. When using the percentage-of-completion method, the Company measures the progress toward complete satisfaction of the performance obligation in the same way and with the same reasoning and judgment as the Company does for custom on-premise software development agreements. The management applies judgment in determining whether a service qualifies as a stand-ready service or as a consumption-based service.

Revenue for combined performance obligations is recognised over the longest period of all promises in the combined performance obligation.

Judgement is also required to determine whether revenue is to be recognised at a point in time or over time. For performance obligations satisfied over time, the Company needs to measure the progress using the method that best reflects SAP's performance. When using cost incurred as a measure of progress for recognising revenue over time, the management applies judgement in estimating the total cost to satisfy the performance obligation.

All of the judgments and estimates mentioned above can significantly impact the timing and amount of revenue to be recognised.

**Material expenses**

Material expenses are mainly comprised of royalties, licenses, agents' commissions and cost of services and are recognised when software and cloud is sold to customers and services are rendered by vendor.

**Other expenses**

Other expenses are mainly comprised of costs of administering the day-to-day operations of the business and costs incurred to market and advertise the Company's services.

**Exchange rate differences from foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Exchange rate differences from foreign currency transactions are recognised on a net basis as net gains or losses in profit or loss.

**Finance income and finance costs**

Finance income is comprised of interest income.

Finance costs are comprised of interest expense from trade and other payables, negative interest expenses on lease liabilities and interest expenses on the late royalty payments to the ultimate controlling party.

**Interest income and interest expenses**

Interest income and interest expenses are recognised using the effective interest method.

**Income taxes****Income taxes**

Income taxes are comprised of current and deferred taxes. Income tax expense is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income and equity.

### (3) ACCOUNTING POLICIES (Continued)

#### **Income taxes (continued)**

##### **Current taxes**

Current taxes are the expected tax liabilities or assets on the taxable income or loss for the year. Current tax liabilities or assets for the current and prior periods are measured at the amount expected to be paid to or recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Current tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the current taxes relate to the same fiscal authority.

##### **Deferred taxes**

Deferred taxes are recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, and/ or from tax losses carry forward.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised, or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax is not recognised for the following:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- Temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off deferred tax assets against deferred tax liabilities and when the deferred taxes relate to the same fiscal authority.

#### **Intangible assets**

##### **Recognition and measurement**

The Company classifies intangible assets according to their nature and use in its operations. Software and database licenses consist primarily of developed technology for internal use, whereas acquired technology consists primarily of purchased software to be incorporated into the Company's product offerings and in-process research and development (IPRD). Customer relationship consists of customer contracts and acquired trademark licenses.

Intangible assets are measured at cost less accumulated amortisation and impairment losses on intangibles assets.

##### **Amortisation**

Intangible assets with a definite useful life are amortised and recognised in profit or loss on a straight-line method over the estimated useful lives of the intangible assets.

The estimated useful lives for the current and comparative years are as follows:

Acquired technology	2 – 10 years
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#### **Property and equipment**

##### **Recognition and measurement**

Property and equipment are stated at cost, net of accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of assets and includes the cost of replacements that are eligible for capitalisation when these are incurred.

Gains and losses on disposal of property and equipment items are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognised net within other income or other expenses, as relevant, in profit or loss.

### (3) ACCOUNTING POLICIES (Continued)

#### **Property and equipment (continued)**

##### **Depreciation**

Depreciation is recognised in profit or loss on a straight-line method over the estimated useful lives of each part of the asset.

The estimated useful lives for the current and comparative years are as follows:

Leasehold improvements	The shorter of the estimated useful lives and the lease term of the related leasehold;
Office equipment, furniture and fixtures	3 – 15 years;
Computer equipment	2 – 6 years;
Construction in progress	No depreciation;
Right-of-use assets	The shorter of the estimated useful lives and the lease term of the underlying assets.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Where the carrying amount of an asset is greater than its estimated recoverable amount, the asset is written down immediately to its recoverable amount. Expenditure for repairs and maintenance of property and equipment is charged to profit or loss of the year in which it is incurred.

##### **Derecognition**

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

##### **Cash and cash equivalents**

Cash and cash equivalents are comprised of cash at banks.

##### **Trade and other receivables**

Trade and other receivables are comprised of trade receivables, other receivables, deposits with the ultimate controlling party, rent deposits and receivables from related parties. Trade and other receivables are initially recognised as per the determination of the transaction price in the revenue accounting policy. They are subsequently measured at amortised cost using the effective interest method, less allowances for expected credit losses. Receivables from related parties interest free, unsecured and usually subject to a payment term of 30 days.

##### **Deposits with the ultimate controlling party**

Deposits with the ultimate controlling party are cash pooling arrangements with balances that fluctuates from being positive to overdrawn. The amounts are interest bearing, available short-term and are held by the ultimate controlling party, SAP SE on behalf of the Company. Subsequent to initial recognition, deposits are measured at amortised cost using the effective interest method, less allowance for impairment of deposits.

##### **Rent deposits**

Subsequent to initial recognition, rent deposits are measured at amortised cost using the effective interest method, less allowance for impairment of deposits. Rent deposits are expected to be recovered after more than one year.

##### **Allowances for expected credit losses**

The Company measures trade receivables and contract assets from contracts with customers at amortised cost less expected credit losses. The Company accounts for expected credit losses by recording an allowance on a portfolio basis. The Company applies the simplified impairment approach in that, on initial measurement of the receivables, the Company considers all credit losses that are expected to occur during the lifetime of the receivables. The Company uses a provision matrix to estimate these losses.

### (3) ACCOUNTING POLICIES (Continued)

#### **Trade and other receivables (continued)**

The default risk of the Company's trade receivables is managed separately, mainly based on assessing the creditworthiness of customers through external ratings and on the Company's past experience with the customers concerned. Based on this assessment, individual credit limits are established for each customer and deviations from such credit limits need to be approved by management.

The Company applies the simplified impairment approach using a provision matrix for all trade receivables to take into account any lifetime expected credit losses already at initial recognition. For the purpose of the provision matrix, customers are clustered into different risk classes, mainly based on market information such as the country risk assessment of their country of origin. Loss rates used to reflect lifetime expected credit losses are determined using a roll-rate method based on the probability of a receivable progressing through different stages of being overdue and on the Company's actual credit loss experience over the past four years. These loss rates are enhanced by forward-looking information to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions, and the expected changes in the economic conditions over the expected life of the receivables. Forward-looking information is based on changes in country risk ratings, or fluctuations in credit default swaps of countries of the customers the Company does business with. The Company continuously monitors outstanding receivables locally to assess whether there is objective evidence that the trade receivables are credit impaired. Evidence that trade receivables are credit-impaired include, among the trade receivables being past due, information about significant financial difficulty of the customer or non-adherence to a payment plan. The Company considers receivables to be in default when the counterparty is unlikely to pay its obligations in full. However, a delay of payments (e.g. more than 90 days past due) in the normal course of business alone does not necessarily indicate a customer default.

Additionally, the Company recognises allowances for individual receivables if there is objective evidence of credit impairment.

The Company writes off account balances either partially or in full if the management judges that the likelihood of recovery is remote, which might be evidenced, for example, when bankruptcy proceedings for a customer are finalised or when all enforcement efforts have been exhausted.

In the statement of profit or loss, expenses from allowances for expected credit losses from applying the provision matrix, from credit-impaired customer balances, and from write offs are included in other income or other expenses.

#### **Other assets**

Other assets are comprised of capitalised contract costs, contract assets, prepaid expenses, salary advances and advances paid.

##### **Capitalised contract costs**

Capitalised contract costs are assets which mainly result from the capitalisation of direct and incremental cost incurred when obtaining a customer cloud subscription contract. Capitalised contract costs are amortised on a straight-line basis over the period of providing the cloud subscriptions to which the assets relate.

##### **Prepaid expenses**

Prepaid expenses are assets recognised in the statement of financial position when it is probable that future economic benefit will flow to the Company and the amounts can be measured reliably. Prepaid expenses are amortised over the period for which the expenses are incurred and recognised in profit or loss.

##### **Advances paid**

Advances paid are assets and are comprised of the payments made by the Company to the external parties for the acquisition of current assets.

##### **Salary advances**

Salary advances are assets and are comprised of the interest-free advances given to the employees by the Company.

#### **Trade and other payables**

Trade payables are comprised of trade payables and payables to related parties. Trade payables are subsequently measured at amortised cost using the effective interest method. Payables to related parties are interest free, unsecured and usually subject to payment term of 30 days.

#### **Lease liabilities**

##### **Identification of a lease**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains a lease, if the contract conveys the following for a period of time in exchange for consideration:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

### (3) ACCOUNTING POLICIES (Continued)

#### **Lease liabilities (continued)**

##### **The Company as a lessee**

The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases defined as leases with a lease term of 12 months or less and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The right-of-use asset comprise of the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. Right-of-use assets are initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property and equipment.

The lease liability is initially measured at the present value of the future lease payments discounted using the discount rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others.

The Company determines its incremental borrowing rate based on the country-specific government bond rate for the lease term, SAP SE's risk premium rate and the contract life.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in rent expenses in the statement of profit or loss.

#### **Other liabilities**

Other liabilities are comprised of advances received, value added tax (VAT), payroll tax liabilities, other tax liabilities, other payables and miscellaneous liabilities.

##### **Advances received**

Advances received are liabilities and are comprised of the payments received from the Company's external parties for the future deliverables.

##### **Value-added tax (VAT)**

Revenue, expenses and assets are recognised net of the amount of VAT except where the VAT incurred on a purchase of goods or services are not recoverable from the taxation authority, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

Input VAT represents the input taxes paid on the purchase of goods or services that the Company can claim against output VAT received from sale of goods or services. VAT is included in the statement of financial position as other assets when the net amount is positive and as other liabilities when the net amount is negative.

#### **Employee benefits**

##### **Short-term employee benefits**

Salaries, vacation, bonuses, sales commissions and other employee benefits

Salaries, paid vacation and sick leave, bonuses, sales commissions, and other employee benefits expected to be settled within 12 months of the reporting date are recognised in respect of employees' services during the reporting period. Short-term employee benefits are measured at the amounts expected to be paid when the liabilities are settled on an undiscounted basis.

##### **Post-employment benefits**

###### **Defined contribution pension plan**

The Company maintains domestic defined contribution plan based on local practices and regulations. Amounts contributed by the Company under such plan is based on a percentage of the employees' salaries or on the amount of contributions made by employees and are recognised as part of pension expenses in profit or loss in the periods during which services are rendered by employees.

##### **Share-based payments**

Share-based payments are comprised of cash-settled awards and equity settled awards issued to employees.

The fair values of both cash-settled and equity-settled awards are measured at grant date using an option-pricing model. The fair value of equity-settled awards is not subsequently re-measured. The grant-date fair value of equity-settled awards is recognised as employee benefits expenses in the profit or loss over the period in which the employees become unconditionally entitled to the rights, with a corresponding increase in equity.



### (3) ACCOUNTING POLICIES (Continued)

#### **Employee benefits (continued)**

The amount recognised as an expense is adjusted to reflect the actual number of equity-settled awards options that ultimately vest. Employees are granted discounts on certain share-based payments plans. Since those discounts are not dependent on future services to be provided by the employees, the discount is recognised as an expense when the rights are granted.

Cash-settled awards are re-measured to fair value at each reporting date until the award is settled. Any changes in the fair value of the liability are recognised as employee benefits expenses in the profit or loss. The amount of unrecognised share-based payments expenses related to non-vested share-based payment arrangements granted under the cash-settled plans is dependent on the final intrinsic value of the awards. The amount of unrecognised share-based payments expenses is dependent on the future price of the ultimate controlling party's common share which cannot be reasonably predicted.

Under certain programs, SAP grants its employees discounts on purchases of SAP shares. Since those discounts are not dependent on future services to be provided by our employees, the discount is recognised as an expense when the discounts are granted.

Certain assumptions are used in estimating the fair values for the Company's share-based payments plans, including expected future stock price volatility and expected option life (which represents the management's estimate of the average amount of time remaining until the options are exercised or expire unexercised). In addition, final pay-out for these plans also depends on the SAP SE share price at the respective exercise dates. All these assumptions may significantly impact the fair value determination and thus the amount and timing of the share-based payments expenses.

#### **Contract assets and contract liabilities**

The Company recognises trade receivables for performance obligations satisfied over time gradually as the performance obligation is satisfied and in full once the invoice is due. Judgment is required in determining whether a right to consideration is unconditional and thus qualifies as a receivable.

Contract liabilities primarily reflect invoices due or payments received in advance of revenue recognition.

In general, the Company invoice fees for on-premise standard software upon contract closure and software delivery. Periodic fixed fees for cloud subscription services, software support services, and other multiperiod agreements are invoiced yearly or quarterly in advance. Such fee prepayments account for the majority of the Company's contract liability balance. Fees based on actual transaction volumes for cloud subscriptions and fees charged for non-periodical services are invoiced as the services are delivered. While payment terms and conditions vary by contract type and region, the terms generally require payment within 30 to 60 days.

#### **Provisions**

Provisions are recognised when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Company regularly adjust provisions as further information becomes available or as circumstances change. Non-current provisions are reported at the present value of their expected settlement amounts as at the reporting date. Discount rates are regularly adjusted to current market interest rates.

#### **Restoration provisions**

The Company records a provision for restoration of leasehold improvements. Restoration costs are initially recognised at the present value of expected future costs to settle the obligation using estimated cash flows and are recognised as part of the cost of the related asset.

The cash flows are discounted at a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the provision for renovation. The unwinding of the discount is expensed as incurred and recognised in the statement of profit or loss as a finance cost. Restoration costs are reviewed annually and adjusted as appropriate.

#### **Share capital**

Share capital is recognised as issued when it is paid for or subscribed under a binding subscription agreement and is measured at par value.

#### **Retained earnings**

Retained earnings represent the cumulative balance of net profit or loss, dividend declaration, effect of changes in accounting policy and other equity adjustments.

**(3) ACCOUNTING POLICIES (Continued)****Dividends**

Dividends are recognised as a liability in the period in which they are declared. The holder of ordinary shares i.e. the immediate controlling party is entitled to receive dividends as and when declared by the Company and approved by the Board of Directors. Dividends to the shareholders are accounted for as a deduction from retained earnings.

**Related parties**

Related party relationship exists when one party has the ability to control the other party, directly or indirectly, through one or more intermediaries or exercise significant influence over the other party in making financial and operating decisions.

Such relationships exist between the Company and its ultimate controlling party, SAP SE, between the Company and other related parties that are fellow subsidiaries under common control of SAP SE, and between the Company and its key management personnel. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

**Key management personnel**

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of senior management of the Company.

**Comparative figures**

Comparatives have been reclassified wherever necessary to conform to the presentation adopted in the current year. The reclassifications are not considered material and do not impact the financial statements as at the beginning of the earliest comparative period.

**Events after the reporting period**

Events after the reporting period that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to financial statements, when material.

**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	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

SAP DANMARK A/S

## (4) PROPERTY AND EQUIPMENT

DKK'000	Land and buildings	Right-of-use assets from leased land and buildings	Leasehold improvements	Office equipment, furniture and fixtures	Computer equipment	Right-of-use assets from leased motor vehicles	Total
<b>Cost</b>							
<b>As at 1 January 2021</b>	<b>29.827</b>	<b>48.374</b>	<b>3.440</b>	<b>12.133</b>	<b>17.927</b>	<b>326</b>	<b>112.027</b>
Additions	0	382	0	160	2.826	0	3.368
Disposals	0	0	0	-271	-1.497	0	-1.768
Transfers	0		0	1.405	-1.405		0
<b>As at 31 December 2021</b>	<b>29.827</b>	<b>48.756</b>	<b>3.440</b>	<b>13.427</b>	<b>17.851</b>	<b>326</b>	<b>113.627</b>
<b>Accumulated depreciation</b>							
<b>As at 1 January 2021</b>	<b>0</b>	<b>-24.064</b>	<b>-2.636</b>	<b>-10.809</b>	<b>-13.820</b>	<b>-236</b>	<b>-51.565</b>
Depreciation	0	-12.346	-352	-697	-2.552	-90	-16.037
Disposals	0	0	0	271	1.474	0	1.745
Transfers	0	0	0	-1.070	1.070	0	0
<b>As at 31 December 2021</b>	<b>0</b>	<b>-36.410</b>	<b>-2.988</b>	<b>-12.305</b>	<b>-13.828</b>	<b>-326</b>	<b>-65.857</b>
<b>Net book value</b>							
<b>As at 31 December 2021</b>	<b>29.827</b>	<b>12.346</b>	<b>452</b>	<b>1.122</b>	<b>4.023</b>	<b>0</b>	<b>47.770</b>

## (5) INTANGIBLE ASSETS

DKK'000	Acquired technology
<b>Cost</b>	
As at 1 January 2021	12.348
Additions	8.168
As at 31 December 2021	20.516
<b>Accumulated amortisation</b>	
As at 1 January 2021	-2.747
Amortisation	-3.102
As at 31 December 2021	-5.849
<b>Net book value</b>	
As at 31 December 2021	14.667

## (6) OTHER ASSETS

DKK'000	2021	2020
Capitalised contract costs	144.257	117.723
Contract assets	2.643	11.178
Prepaid expenses	616	804
Salary advances	269	6
Advances paid	0	2
Other taxes assets	266	0
<b>Total</b>	<b>148.051</b>	<b>129.713</b>

## Prepaid expenses

DKK'000	2021	2020
Rent prepaid expenses	214	427
Insurance prepaid expenses	360	322
Repair and maintenance prepaid expenses	0	6
Travel prepaid expenses	18	0
Administrative prepaid expenses	24	49
<b>Total</b>	<b>616</b>	<b>804</b>

## (7) TRADE AND OTHER RECEIVABLES

DKK'000	Note	2021	2020
Trade receivables		183.119	423.589
Deposits with the ultimate controlling party	(17)	548.715	502.671
Receivables from related parties	(17)	80.520	37.828
Rent deposits		6.296	6.142
<b>Total</b>		<b>818.650</b>	<b>970.230</b>

## (8) SHARE CAPITAL

DKK'000	2021	2020
<b>Authorised, issued and fully paid</b>		
500,000 ordinary shares of 1 DKK each	500	500
1,000,000 ordinary shares of 5 DKK each	5.000	5.000
<b>Total</b>	<b>5.500</b>	<b>5.500</b>

## (9) PROVISIONS

DKK'000	2021	2020
<b>Current</b>		
Customer-related provisions	190	0
<b>Non-current</b>		
Restoration provisions	2,242	2,242
<b>Total</b>	<b>2,432</b>	<b>2,242</b>

## (10) DEFERRED TAXES

DKK'000	2021	2020
<b>Deferred tax assets</b>		
Intangible assets	3,193	2,051
Provisions	493	493
Employee benefits liabilities	6,245	5,407
Lease liabilities	1,734	4,460
<b>Deferred tax liabilities</b>		
Property and equipment	-2,096	-4,874
Other assets	-7,758	-6,148
Trade and other receivables	-23,573	-19,204
<b>Net deferred tax liabilities</b>	<b>-21,762</b>	<b>-17,815</b>

## (11) TRADE AND OTHER PAYABLES

DKK'000	Note	2021	2020
Trade payables		19,822	46,437
Payables to related parties	(17)	266,754	388,679
<b>Total</b>		<b>286,576</b>	<b>435,116</b>

## (12) REVENUE

## Revenue by line of business

DKK'000	2021	2020
<b>Cloud</b>	<b>415,172</b>	<b>327,226</b>
Software licenses	122,850	323,186
Software support	912,409	918,523
<b>Software licenses and support</b>	<b>1,035,259</b>	<b>1,241,709</b>
<b>Cloud and software</b>	<b>1,450,431</b>	<b>1,568,935</b>
<b>Services</b>	<b>413,445</b>	<b>388,670</b>
<b>Total</b>	<b>1,863,876</b>	<b>1,957,605</b>

## Revenue by region

DKK'000	2021	2020
Denmark	1,616,705	1,735,280
Germany	143,246	102,770
Sweden	25,645	32,735
Iceland	19,136	17,258
Norway	13,232	13,588
Other foreign countries	45,912	55,974
<b>Total</b>	<b>1,863,876</b>	<b>1,957,605</b>

## (13) EMPLOYEE BENEFITS AND EMPLOYEES' NUMBER

## Average number of employees

	2021	2020
Number of full-time equivalents		
<b>Average number of employees</b>	<b>219</b>	<b>219</b>

## Employee benefits expenses

DKK'000	2021	2020
Salaries	292.286	316.414
Cash-settled share-based payments expenses	26.043	15.379
Defined contribution pension plan expenses	19.055	18.491
Equity-settled share-based payments expenses	4.702	4.277
Social security expenses	947	3.057
Other employee benefits expenses	5.833	4.706
<b>Total</b>	<b>348.866</b>	<b>362.324</b>

The Company's Executive Board consists of only 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.

## (14) FINANCE INCOME AND FINANCE COSTS

DKK'000	Note	2021	2020
<b>Finance income</b>			
Interest income		17	0
<b>Total</b>		<b>17</b>	<b>0</b>
<b>Finance costs</b>			
Interest expenses		-853	-640
Interest expenses on the late royalty payments to the ultimate controlling party	(17)	-3	0
Negative interest expenses on lease liabilities		46	21
<b>Total</b>		<b>-810</b>	<b>-619</b>

## (15) INCOME TAXES

DKK'000	2021	2020
<b>Current income tax expense/ benefit</b>		
Current income tax expense for current year	-42.839	-35.349
Current income tax expense/ benefit for prior year	-5	477
<b>Subtotal</b>	<b>-42.844</b>	<b>-34.872</b>
<b>Deferred income tax expense</b>		
Deferred income tax expense	-3.947	-9.119
<b>Income tax expense</b>	<b>-46.791</b>	<b>-43.991</b>

## (16) PROPOSED PROFIT APPROPRIATION

DKK'000	2021	2020
Proposed dividends	298.000	148.800
Accumulated losses/ Retained earnings	-127.973	10.859
<b>Profit after income tax</b>	<b>170.027</b>	<b>159.659</b>

## (17) RELATED PARTIES

DKK'000	2021	2020
<b>Balances</b>		
Deposits with the ultimate controlling party	548.715	502.671
Receivables from the ultimate controlling party	16.381	7.222
Receivables from other related parties	64.139	30.606
Payables to the ultimate controlling party	-193.663	-330.424
Payables to other related parties	-73.091	-58.255
<b>Transactions</b>		
Services revenue from the ultimate controlling party	65.357	69.370
Services revenue from other related parties	164.306	141.486
Royalties and licenses expenses with the ultimate controlling party	-721.972	-786.587
Royalties and licenses expenses with other related parties	-46.835	-63.501
Third party royalties and licenses expenses with the ultimate controlling party	-29.305	-32.937
Purchased services expenses with the ultimate controlling party	-206.486	-276.513
Purchased services expenses with other related parties	-198.731	-114.853
Other expenses with the ultimate controlling party	-17.124	59.193
Other expenses with other related parties	-14.801	-116.836
Interest expenses on the late royalty payments to the ultimate controlling party	-3	0

