

SAP DANMARK A/S

Annual Report 31 December 2019

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

Approved at the Annual General Meeting of Shareholders on 6 May 2020

DocuSigned by:
Christian Pedersen
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Christian Larsen Pedersen
Chairman of the Board

Contents

Statement by the Board of Directors and the Executive Board.....1

Independent Auditor's Report2

Company Information.....5

Financial Highlights6

Operating Review7

Statement of Financial Position.....12

Statement of Profit or Loss13

Statement of Changes in Equity14

Notes to the Financial Statements15

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 2019.

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

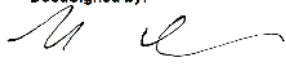
In our opinion, the financial statements give a true and fair view of the Company's financial position as at 31 December 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019.

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, 6 May 2020

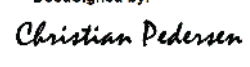
Executive Board:

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Marika Auramo

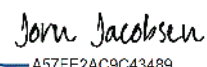
Appointed on 1 July 2019

Board of Directors:

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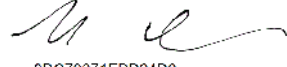
Christian Larsen Pedersen

Chairman of the Board

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Jørn Bo Jacobsen

Board member

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Marika Auramo

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 2019 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 2019 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2019 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.

Copenhagen, 6 May 2020

KPMG

Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

A handwritten signature in black ink, appearing to read 'H. Kyhnauv'.

Henrik Kyhnauv
State Authorised
Public Accountant
mne40028

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	www.sap.com/denmark
E-Mail	info.denmark@sap.com
Telephone	+45 39 13 30 00
Board of Directors	Christian Larsen Pedersen, Chairman of the Board Jørn Bo Jacobsen Marika Auramo (appointed on 1 July 2019) Per Haakon Lomsdalen (resigned on 1 July 2019)
Executive Board	Marika Auramo (appointed on 1 July 2019) Per Haakon Lomsdalen (resigned on 1 July 2019)
Auditors	KPMG Statsautoriseret Revisionspartnerselskab Dampfaergevej 28, 2100 Copenhagen

Financial Highlights

DKK'000	2019	2018	2017	2016	2015
Key figures					
Revenue	2.025.791	1.595.603	1.491.223	1.430.407	1.460.117
Operating profit	256.569	169.483	126.663	151.716	131.479
Exchange rate differences, finance income and finance costs	1.228	-119	-1.363	-2.588	-334
Profit after income tax	200.965	131.478	96.264	116.245	100.578
Total assets	1.089.583	841.039	747.259	636.913	704.323
Equity	481.384	370.419	306.267	210.003	298.258
Financial ratios in %					
Gross margin	31,0%	30,7%	29,9%	29,4%	25,5%
Return on assets	26,6%	21,3%	18,3%	22,6%	20,1%
Current ratio	175,5%	178,0%	169,2%	148,7%	173,0%
Solvency ratio	44,2%	44,0%	41,0%	33,0%	42,3%
Return on equity	47,2%	38,9%	37,3%	45,7%	40,6%
Average number of employees	215	220	213	190	179

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 ground-breaking 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 2019, SAP delivers software and technologies addressing the three core elements of the intelligent enterprise for the 25 industries and 12 lines of business (LoBs) we serve:

- An intelligent suite of LoB applications that includes next generation enterprise resource planning (ERP) in the cloud, as well as solutions for customer experience, manufacturing and supply chain, network and spend management, and people engagement. The intelligent suite is integrated and differentiated by industry-specific business processes for end-to-end scenarios.
- A digital platform to help customers manage data orchestration across their entire application footprint. This includes real-time visibility into distributed data silos using next generation data management solutions and an open cloud platform as a business platform for integration and business process innovation.
- Intelligent technologies, such as AI/ML, IoT, and advanced analytics, help customers optimise their core business processes, extract real-time insights, and reinvent their business models. This intelligence is integrated across applications and helps us deliver unique outcomes to every customer.

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.

Network and Spend Management

SAP cloud solutions under the SAP Ariba, SAP Concur, and SAP Fieldglass brands give customers the essential visibility and capacity to control their spending.

SAP Ariba solutions offer an online business-to-business marketplace connecting more than 3.8 million sellers in more than 190 countries

SAP Fieldglass solutions are cloud-based applications for external workforce management and services procurement. The SAP Fieldglass Vendor Management System helps organisations find, engage, and manage all types of flexible resources – including contingent workers, statement-of-work-based consultants, freelancers, and more.

SAP Concur is the world's leading travel and expense management software with close to 58 million users worldwide. SAP Concur solutions help companies of all sizes and stages go beyond automation to a connected spend management system that encompasses travel, expense, invoice, compliance, and risk.

People Engagement

SAP SuccessFactors Human Capital Management (HCM) solutions help organisations increase the value of their workforce by developing, managing, engaging, and empowering their people. SAP SuccessFactors solutions are delivered as a complete digital suite that addresses all aspects of human resources (HR), from administration, payroll, and benefits to talent management and collaboration across the employee journey.

Digital Core

SAP S/4HANA is our enterprise resource planning (ERP) suite for the intelligent enterprise. It enables a business to access and analyse data in real time, giving them insights to act in the moment, providing predictive suggestions, and connecting business functions and the people within them. SAP S/4HANA software spans all business functions including finance, human resources, sales, service, procurement, manufacturing, asset management, supply chain, and R&D.

Operating Review (Continued)

Manufacturing and Supply Chain

Our SAP Digital Supply Chain portfolio offers enterprises an integrated suite of digital supply chain solutions to plan, design, manufacture, deliver, and operate their products. With these solutions, customers can blend the physical and the digital world throughout the complete supply chain – from design, planning, and manufacturing to logistics and ongoing maintenance – embedding intelligence and ensuring their customers are central to every phase of their business.

SAP Integrated Business Planning solution is powered by SAP HANA and delivers real-time supply chain planning capabilities for sales and operations, demand and supply planning, and inventory optimisation in the cloud. It provides the necessary information to make business decisions using embedded analytics, simulation, prediction, and decision support. Specific SAP Integrated Business Planning applications can be used with the established SAP Fiori user experience interface or with a Microsoft Excel plug-in, allowing users to run optimisation scenarios directly in their spreadsheets.

SAP Intelligent Asset Management solutions support manufacturers and asset operators to define, plan, and monitor the optimal service and maintenance strategy for their physical products and assets. The solutions do this by providing the required level of collaboration, integration, and analytical insights, using an asset central foundation, our digital twin for physical assets, as the common data set.

Customer Experience

SAP C/4HANA was launched in June 2018, a unified suite of cloud solutions designed as the next generation of customer relationship management. SAP C/4HANA software provides companies with a single, holistic view of each customer across all channels and connects demand to the fulfilment engine in one end-to-end value chain. To complete our portfolio of customer experience solutions, SAP acquired and integrated Gigya, Callidus Software, and Coresystems, and rebranded the SAP Hybris business area to SAP Customer Experience to reflect the depth and breadth of our offerings.

Digital Platform

SAP digital platform consists of SAP Cloud Platform, the foundation on which the intelligent suite is built, and SAP HANA Data Management Suite, which manages distributed data from any source. The platform not only caters to the runtime and data storage needs of the end-to-end applications in the intelligent suite, but it also enriches them with intelligent technologies, such as machine learning, Internet of Things (IoT), and analytics capabilities, all offered as cloud services, which are easily embedded in business applications.

SAP Cloud Platform offers an enterprise platform-as-a-service (PaaS) environment where companies can build, test, run, manage, and expand software applications in the cloud. It is the centre of gravity for the intelligent enterprise, as applications can run on SAP Cloud Platform, or run with it, by using the platform's services while running on another stack. SAP Data Hub is the solution that enables businesses to manage data from numerous sources, SAP or third-party, without having to centralise data into one location. The solution lets companies safely and effectively move and share their data to enable agile data operations across the enterprise. SAP Data Hub is also part of the SAP Leonardo Data Intelligence capability.

Intelligent Technologies

SAP Leonardo is a methodology that combines design thinking services with intelligent technologies for every business process, to enable rapid innovation and create better outcomes for the customer. SAP Leonardo brings together the customer vision, SAP's processes and industry knowledge, and technologies such as analytics, AI/machine learning, and IoT capabilities. SAP Cloud Platform provides the environment for applications to consume these technologies.

The SAP Analytics Cloud solution leverages the inherent intersection of business intelligence (BI), planning, and predictive analytics to deliver new capabilities such as simulation and automated discovery in BI, as well as storytelling and predicted forecasts in planning. The solution allows organisations to close the gap between transactions, data preparation, analysis, and action. In addition, the SAP Analytics Cloud solution allows customers to take advantage of high-speed innovation in the cloud, while using their existing on-premise investments.

SAP BW/4HANA is a data warehouse solution built entirely on SAP HANA. It offers a unique real-time analytics layer, which can directly query the database, instead of processing data at the application layer like traditional analytical engines do. It integrates data from across an organisation to deliver key business intelligence.

SAP Leonardo Internet of Things Intelligent devices that generate contextual sensor data are becoming more commonplace in the enterprise, as older machines are retrofitted with sensors and processing capabilities, while newer machines are made intelligent by design.

Operating Review (Continued)

SAP Leonardo Machine Learning solutions are already integrated in our SAP portfolio, providing intelligent capabilities in SAP S/4HANA, SAP C/4HANA, SAP Concur, SAP Fieldglass, and SAP SuccessFactors solutions, among others. These intelligent capabilities are orchestrated through the SAP Leonardo Machine Learning Foundation, which runs on SAP.

SAP Digital Business Services

SAP offers an entire portfolio of services and support designed to help our customers maximise the value of their SAP solutions and to realise the full potential of innovation. In 2019, SAP Digital Business Services embarked on a major portfolio simplification process. This work resulted in a portfolio framework that groups our SAP Digital Business Services products into three categories:

- Premium engagements. SAP MaxAttention is the most exclusive and closest customer partnership with SAP. As the highest engagement level throughout the software lifecycle, this customised, on-site engagement orchestrates all SAP experts to work with our customers to innovate, develop ideas, and accelerate their digital transformation. It enables our customers to simplify their IT operations and optimise operations. The SAP ActiveEmbedded service encompasses a similar level of premium engagement but is designed to support smaller businesses requiring less intensive interaction.
- Services. Depending on the needs of the customer, we may offer advisory and implementation services separately, or package them together to deliver defined business outcomes. Advisory services create and realise new opportunities. We guide customers throughout the innovation process, focusing on creating economic, social, and environmental impact. Recent innovations in our advisory services include SAP Leonardo Innovation Services. Implementation and migration services help companies realise the benefits of our products and solutions faster and safer when deploying SAP technology.
- Continuous customer success. We want to enable our customers to succeed, so we help drive adoption of our products and facilitate business continuity with services and support. We deliver success plans to accelerate time to value from SAP technology. Our support offerings are the foundation of customer success plans and are embedded in all cloud solutions from SAP and for on-premise installations.

These services and support products are underpinned by our collaborative platform, advisory services that provide customers with intelligent guidance, and the SAP ecosystem.

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 organisation (SAP North Europe). Company is managed by Nordic Managing Director, Nordic CFO, Country Managing Director for SAP Denmark A/S and CFO for SAP Denmark.

Financial review

Revenue for the year amounted to DKK 2.025.791 thousand compared to DKK 1.595.603 thousand last year. Profit for the year before tax amounted to DKK 257.797 thousand compared to DKK 169.364 thousand last year, whereas profit after tax amounted to DKK 200.965 thousand compared to DKK 131.478 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.

Operating Review (Continued)

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. The Company's statutory CSR report is in pursuant to section 99(a) of the Danish Financial Statements Act.

The policy set goals for the percentage of women in management, common to the IT industry. To support and develop female leaders throughout 2019, 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.

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.

The Company's ultimate controlling party SAP SE report on SAP's financial, environmental and social performance in one integrated report ("SAP Integrated Report 2019"), 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.

Global restructuring program

In early 2019, SAP launched a global restructuring program to further increase the focus on the key strategic growth areas. The program is aimed at further simplifying Company structures and processes and to ensure that SAP's organisational setup, skillsets, and resource allocation continue to meet evolving customer demand. The main features of the restructuring plan were announced on 29 January 2019. Substantially all restructuring expenses recognised in 2019 result from this program.

Material events during the financial period

In December 2019 SAP Danmark A/S purchased two data centre sites within the Municipality of Aabenraa near the German border. The sites, located in Padborg and Kassø, are SAPs first in the Nordic countries. Access to renewable energy, as well as Denmark's geopolitical stability and its adherence to data privacy are some of the important reasons for SAP to invest in Denmark.

Outlook

SAP Danmark A/S had a very strong and successful 2019.

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 existence of novel coronavirus (Covid-19) was confirmed in early 2020 and has spread across mainland China and beyond, causing disruptions to businesses and economic activity across the region.

The Danish government acts to mitigate effects of the Covid-19 pandemic on the economy. The Government has announced immediate measures, such as relief packages for businesses, guarantees for exporting companies and partial reimbursements for wage costs, to avoid unnecessary layoffs and bankruptcies in viable companies from the economic uncertainty of Covid-19 and will monitor the situation closely and act appropriately to respond to the situation as it evolves.

Operating Review (Continued)

Outlook (continued)

During the upcoming weeks and months, the Danish government will work on further targeted measures towards sectors and businesses affected by the virus outbreak. The government is prepared to respond quickly with new measures. If the virus outbreak causes a more extensive economic impact bringing the economy into a more severe downturn, the government will consider broader measures to sustain economic activity.

The Danish economy is in a strong position with unemployment is under 4 percent 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.

Events after the reporting period

Given the spread of the novel coronavirus (Covid-19), and its declaration by the World Health Organisation (WHO) as a global health pandemic, it is unpredictable and fluid situation around Covid-19, causing a significant increase in economic uncertainty.

SAP is taking action to ensure the safety, health and wellbeing of the employees and customers. SAP has restricted travel, reimagined in-person events as digital experiences, and the employees are almost entirely working remotely. SAP also recognises the massive disruptions impacting global supply chains, and hence opened up access to its supply chain collaboration. Considering SAP developed and documented business continuity plans to respond to disruptive incidents such as Covid-19, the management believes that the above situation will not affect the Company's ability to deliver services. The management is continuously monitoring the outbreak but cannot make a conclusion on its impact on the Company's performance as at the date of the approval of the financial statements.

Except for the events mentioned above, there have been no significant events after the reporting period which may affect either the Company's operations or results of those operations or the Company's state of affairs.

Statement of Financial Position

As at 31 December

DKK'000	Notes	2019	2018
Assets			
Non-current assets			
Property and equipment	(4)	71.201	7.629
Intangible assets	(5)	48	232
Total non-current assets		71.249	7.861
Current assets			
Deferred tax assets	(6)	0	7.084
Other assets	(7)	89.243	72.590
Trade and other receivables	(8)	797.183	619.201
Cash and cash equivalents		131.908	134.303
Total current assets		1.018.334	833.178
Total assets		1.089.583	841.039
Equity and liabilities			
Equity			
Share capital	(9)	5.500	5.500
Retained earnings		475.884	364.919
Total equity		481.384	370.419
Non-current liabilities			
Contract liabilities		1.619	253
Provisions	(10)	2.242	2.226
Lease liabilities		23.964	0
Total non-current liabilities		27.825	2.479
Current liabilities			
Deferred tax liabilities	(6)	8.696	0
Income tax liabilities		2.977	1.248
Contract liabilities		85.292	95.428
Other liabilities		72.074	64.061
Provisions	(10)	433	0
Employee benefits liabilities		138.898	129.315
Trade and other payables	(11)	260.591	178.089
Lease liabilities		11.413	0
Total current liabilities		580.374	468.141
Total liabilities		608.199	470.620
Total equity and liabilities		1.089.583	841.039

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	2019	2018
Revenue	(12)	2.025.791	1.595.603
Other income		244	0
Material expenses			
Royalties and licenses		-950.139	-765.146
Purchased services expenses		-168.855	-115.969
Total material expenses		-1.118.994	-881.115
Employee benefits expenses	(13)	-356.254	-316.259
Depreciation	(4)	-15.575	-3.345
Amortisation	(5)	-184	-324
Rent expenses		-1.157	-16.734
Other expenses		-277.302	-208.343
Operating profit		256.569	169.483
Exchange rate differences		1	1.274
Finance income	(14)	1.317	0
Finance costs	(14)	-90	-1.393
Profit before income tax		257.797	169.364
Income tax expense	(15)	-56.832	-37.886
Profit after income tax	(16)	200.965	131.478

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
As at 1 January 2018		5.500	300.767	306.267
Adoption of IFRS 15		0	7.736	7.736
Adoption of IFRS 9		0	-62	-62
Profit after income tax		0	131.478	131.478
Dividends		0	-75.000	-75.000
As at 31 December 2018		5.500	364.919	370.419
Profit after income tax		0	200.965	200.965
Dividends	(16)	0	-90.000	-90.000
As at 31 December 2019		5.500	475.884	481.384

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.

Adoption of IFRS 16

On 1 January 2019, the Company adopted IFRS 16 'Leases.' Using the modified retrospective transition approach requires that the cumulative effect of initially applying the standard be recognised as an adjustment to the opening balance of retained earnings on the date of initial application. The prior-year figures were not adjusted. The new standard significantly impacts the lease accounting by lessees as, in general, all leases need to be recognised on the lessee's balance sheet. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The nature of expenses related to those leases has now changed because the Company recognises depreciation expense for right-of-use assets and interest expense on lease liabilities. These changes apply to leases that had previously been classified as operating leases under IAS 17. The Company has used practical expedients offered by the standard (such as non-capitalisation of short-term leases and low-value leases, and the use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease).

For measuring the Company's right-of-use assets for pre-existing leases, The Company has applied the retrospective approach for its larger leases (primarily facility leases), while smaller leases were measured at an amount equal to the lease liability and adjusted by the amount of any prepaid or accrued lease payments existing immediately prior to the date of initial application.

Upon IFRS 16 adoption, lease liabilities from pre-existing leases were discounted at the incremental borrowing rates as at 1 January 2019. The weighted average discount rate applied to the lease liabilities as at 1 January 2019, was -5,90%.

The adjustments to the opening balances resulting from the initial application of IFRS 16 as at 1 January 2019, were as follows:

- Property and equipment – increased by DKK 48.103 thousand;
- Lease liabilities – increased by DKK 48.103 thousand.

In 2019, IFRS 16 had a favorable impact on the Company's EBITDA and EBIT since there are no longer rent expenses, and depreciation and interest expenses are lower than the rent expenses. In the comparative period, as a lessee, the Company classified leases that transferred substantially all the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

(2) BASIS OF PREPARATION (Continued)

Statement of compliance (continued)

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

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

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.

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. 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

(3) ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

- 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.

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.

(3) ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

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.

- 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.

(3) ACCOUNTING POLICIES (Continued)

Revenue recognition (continued)

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.

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 and licenses and cost of services and are recognised when software and cloud is sold to customers and services are rendered by vendors.

Rent expenses

Rent expenses comprise of short-term leases with a lease term of 12 months or less, leases of low value assets and variable rents that do not depend on an index or rate are recognised as rent expense in the statement of profit or loss on a straight-line basis over the lease term.

Policy applicable before the adoption of IFRS 16

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Operating lease payments (as lessee) are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

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.

(3) ACCOUNTING POLICIES (Continued)

Exchange rate differences from foreign currency transactions (continued)

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.

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.

(3) ACCOUNTING POLICIES (Continued)

Intangible assets (continued)

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.

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 are priced on an arm's length basis, 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.

(3) ACCOUNTING POLICIES (Continued)

Trade and other receivables (continued)

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.

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.

(3) ACCOUNTING POLICIES (Continued)

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 priced on arm's length basis, 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.

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.

(3) ACCOUNTING POLICIES (Continued)

Employee benefits (continued)

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.

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.

Restructuring provisions

A provision for restructuring is recognised when a detailed and formal restructuring plan has been approved and the restructuring has been announced or has commenced.

(3) ACCOUNTING POLICIES (Continued)

Provisions (continued)

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.

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.

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.

(3) ACCOUNTING POLICIES (Continued)

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

(4) PROPERTY AND EQUIPMENT

DKK'000	Land and buildings	Leasehold improvements	Office equipment, furniture and fixtures	Computer equipment	Right-of-use assets from leased land and buildings	Right-of-use assets from leased motor vehicles	Total
Cost							
As at 1 January 2019	0	3.043	12.131	16.549	0	0	31.723
Adoption of IFRS 16	0	0	0	0	47.777	326	48.103
Additions	28.147	341	2	2.580	0	0	31.070
Disposals	0	0	0	-1.395	0	0	-1.395
As at 31 December 2019	28.147	3.384	12.133	17.734	47.777	326	109.501
Accumulated depreciation							
As at 1 January 2019	0	-2.053	-9.363	-12.678	0	0	-24.094
Depreciation	0	-236	-760	-2.517	-11.944	-118	-15.575
Disposals	0	0	0	1.369	0	0	1.369
As at 31 December 2019	0	-2.289	-10.123	-13.826	-11.944	-118	-38.300
Net book value							
As at 31 December 2019	28.147	1.095	2.010	3.908	35.833	208	71.201

(5) INTANGIBLE ASSETS

DKK'000	Acquired technology
Cost	
As at 1 January 2019	1.924
As at 31 December 2019	1.924
Accumulated amortisation	
As at 1 January 2019	-1.692
Amortisation	-184
As at 31 December 2019	-1.876
Net book value	
As at 31 December 2019	48

(6) DEFERRED TAXES

DKK'000	2019	2018
Deferred tax assets		
Intangible assets	378	792
Property and equipment	0	322
Trade and other receivables	0	569
Provisions	589	490
Employee benefits liabilities	7.422	4.911
Lease liabilities	7.783	0
Deferred tax liabilities		
Property and equipment	-7.545	0
Other assets	-4.354	0
Trade and other receivables	-12.969	0
Net deferred tax liabilities/ assets	-8.696	7.084

(7) OTHER ASSETS

DKK'000	2019	2018
Capitalised contract costs	81.017	66.003
Contract assets	6.813	5.228
Prepaid expenses	1.239	1.255
Salary advances	133	19
Advances paid	41	85
Total	89.243	72.590

Prepaid expenses

DKK'000	2019	2018
Rent expenses	641	854
Insurance expenses	282	203
Marketing expenses	149	10
Travel expenses	126	188
Administrative expenses	41	0
Total	1.239	1.255

(8) TRADE AND OTHER RECEIVABLES

DKK'000	Note	2019	2018
Trade receivables		416.780	267.981
Deposits with the ultimate controlling party	(17)	341.049	309.057
Receivables from related parties	(17)	33.295	36.207
Rent deposits		6.059	5.956
Total		797.183	619.201

(9) SHARE CAPITAL

DKK'000	2019	2018
Authorised, issued and fully paid		
500,000 ordinary shares of 1 DKK each	500	500
1,000,000 ordinary shares of 5 DKK each	5.000	5.000
Total	5.500	5.500

The last change in the share capital was in 1990.

(10) PROVISIONS

DKK'000	2019	2018
Current		
Restructuring provisions	433	0
Non-current		
Restoration provisions	2.242	2.226
Total	2.675	2.226

(11) TRADE AND OTHER PAYABLES

DKK'000	Note	2019	2018
Trade payables		17.911	5.656
Payables to related parties	(17)	242.680	172.433
Total		260.591	178.089

(12) REVENUE

Revenue by line of business

DKK'000	2019	2018
Cloud	240.294	165.073
Software licenses	481.149	264.701
Software support	888.185	828.555
Software licenses and support	1.369.334	1.093.256
Cloud and software	1.609.628	1.258.329
Services	416.163	337.274
Total	2.025.791	1.595.603

(12) REVENUE (Continued)

Revenue by region

DKK'000	2019	2018
Denmark	1.767.517	1.369.476
Germany	130.078	117.618
Sweden	43.313	30.075
Iceland	17.774	15.598
Norway	15.927	15.517
Other foreign countries	51.182	47.319
Total	2.025.791	1.595.603

(13) EMPLOYEE BENEFITS AND EMPLOYEES' NUMBER

Average number of employees

Number of full-time equivalents	2019	2018
Average number of employees	215	220

Employee benefits expenses

DKK'000	2019	2018
Salaries	299.604	275.152
Cash-settled share-based payments expenses	25.650	13.012
Defined contribution pension plan expenses	18.383	17.792
Equity-settled share-based payments expenses	3.921	4.082
Social security expenses	3.877	2.369
Other employee benefits expenses	4.819	3.852
Total	356.254	316.259

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	2019	2018
Finance income			
Interest income		1.317	0
Total		1.317	0
Finance costs			
Interest expenses		-111	-1.065
Interest expenses on the late royalty payments to the ultimate controlling party	(17)	-4	-16
Negative interest expenses on lease liabilities		25	0
Interest expenses on income taxes		0	-312
Total		-90	-1.393

(15) INCOME TAXES

DKK'000	2019	2018
Current income tax expense/ benefit		
Current income tax expense for current year	-55.054	-39.795
Current income tax benefit for prior year	14.003	53
Subtotal	-41.051	-39.742
Deferred income tax expense/ benefit		
Deferred income tax expense/ benefit	-15.781	1.856
Income tax expense	-56.832	-37.886

(16) PROPOSED PROFIT APPROPRIATION

DKK'000	2019	2018
Proposed dividends	90.000	90.000
Retained earnings	110.965	41.478
Profit after income tax	200.965	131.478

(17) RELATED PARTIES

DKK'000	2019	2018
Balances		
Deposits with the ultimate controlling party	341.049	309.057
Receivables from the ultimate controlling party	3.581	4.593
Receivables from other related parties	29.714	31.614
Payables to the ultimate controlling party	-203.834	-145.292
Payables to other related parties	-38.846	-27.141
Transactions		
Services revenue from the ultimate controlling party	68.787	71.822
Services revenue from other related parties	162.467	129.347
Royalties and licenses expenses with the ultimate controlling party	-859.828	-696.355
Royalties and licenses expenses with other related parties	-67.342	-40.986
Third party royalties and licenses expenses with the ultimate controlling party	-23.185	-26.693
Purchased services expenses with the ultimate controlling party	-43.639	-44.919
Purchased services expenses with other related parties	-118.678	-67.273
Other expenses with the ultimate controlling party	-113.755	-82.750
Other expenses with other related parties	-99.210	-71.303
Interest expenses on the late royalty payments to the ultimate controlling party	-4	-16