

SAP NEW ZEALAND LIMITED

Annual Report
31 December 2023

Contents

Company Information.....	1
Directors' Declaration.....	2
Statement of Financial Position.....	3
Statement of Profit or Loss.....	4
Statement of Changes in Equity.....	5
Statement of Cash Flows.....	6
Notes to the Financial Statements.....	7
Independent Auditor's Report.....	19

Company Information

Annual report

The Board of Directors present their annual report including the financial statements of SAP New Zealand Limited for the year ended 31 December 2023 and the auditor's report thereon.

The sole shareholder of the Company, SAP SE, has exercised its right under section 211 (3) of the Companies Act 1993 (the Act) and agreed that this Annual Report does not need to comply with paragraphs (a), and (e) to (j) of section 211(1) and section 211(2) of the Act.

Directors

Damien Bueno

Gina McNamara

Adrian Griffin

Angela Colantuono (Appointed on 01 January 2024)

Registered office

Level 15

151 Queen Street

Auckland 1010

Shareholders

SAP SE

Auditors

BDO Audit Partnership

Sydney, Australia

For and on behalf of the Board of Directors:

DocuSigned by:

3A7E6DDF9B0B438...
Damien Bueno

Director

19 April 2024

DocuSigned by:

4B472CC941174FF...
Adrian Griffin

Director

19 April 2024

Directors' Declaration

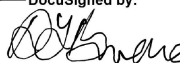
In the opinion of the directors, the financial statements and the notes on page 3 to 18:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company as at 31 December 2023, and the results of their operations and cash flows for the year ended on the date, and
- Have been prepared using appropriate accounting policies, which have been consistently applied and supported by reasonable judgements and estimates.

The directors believe that proper accounting records have been kept which enables, with reasonable accuracy, the determination of financial position of the Company and facilities compliance of the financial statements with the Financial Reporting Act 2013.

The directors consider that they have taken adequate steps to safeguard the assets of the Company, and to prevent and detect fraud and other irregularities, internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.


For and on behalf of the Board of Directors:

DocuSigned by:

3A7E6DDF9B0B438...

Damien Bueno

Director

19 April 2024

DocuSigned by:

A1B4720C944174FF...

Adrian Griffin

Director

19 April 2024

Statement of Financial Position

As at 31 December

\$	Notes	2023	2022
Assets			
Current assets			
Cash and cash equivalents		19,393,009	20,768,510
Other financial assets	(4)	40,769,819	40,781,181
Trade and other receivables	(5)	22,722,303	24,429,991
Other non-financial assets	(6)	8,641,352	5,855,067
Total current assets		91,526,483	91,834,749
Non-current assets			
Property and equipment	(7)	2,936,423	4,699,671
Other non-financial assets	(6)	13,355,540	12,760,013
Income tax assets		6,383,767	4,177,584
Deferred tax assets	(8)	4,832,031	4,493,857
Total non-current assets		27,507,761	26,131,125
Total assets		119,034,244	117,965,874
Liabilities and equity			
Current liabilities			
Lease liabilities		863,203	995,134
Trade and other payables	(9)	39,153,976	35,349,049
Employee benefits liabilities	(10)	14,862,305	13,218,253
Other non-financial liabilities	(11)	3,209,590	6,375,245
Provisions		0	198,298
Contract liabilities	(12)	30,285,490	22,630,941
Total current liabilities		88,374,564	78,766,920
Non-current liabilities			
Lease liabilities		978,073	2,308,327
Employee benefits liabilities	(10)	1,390,202	1,112,489
Provisions		297,714	287,676
Contract liabilities	(12)	0	62,250
Total non-current liabilities		2,665,989	3,770,742
Equity			
Share capital	(13)	100	100
Other reserves		4,123,700	4,123,700
Retained earnings		23,869,891	31,304,412
Total equity		27,993,691	35,428,212
Total liabilities and equity		119,034,244	117,965,874

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

For and on behalf of the Board, who authorise the issue of these financial statements:

Damien Bueno

Director

19 April 2024

Adrian Griffin

Director

19 April 2024

DocuSigned by:

 3A7E6DDF9B0B438...

DocuSigned by:

 4B472CC941174FF...

Statement of Profit or Loss

For the year ended 31 December

\$	Notes	2023	2022
Revenue			
Cloud		86,919,174	67,648,546
Software licenses		488,026	9,105,244
Software support		52,842,766	54,043,755
Software licenses and support		53,330,792	63,148,999
Cloud and software		140,249,966	130,797,545
Services		52,036,429	56,584,371
Total revenue		192,286,395	187,381,916
Other income		2,796,781	387,176
Licenses and agents' commissions		-72,301,896	-70,300,903
Services expenses		-57,920,847	-61,820,318
Employee benefits expenses	(10)	-46,093,239	-40,204,130
Depreciation	(7)	-1,752,065	-1,724,025
Other expenses	(14)	-8,907,720	-7,884,867
Operating profit		8,107,409	5,834,849
Finance income		3,345,676	1,381,995
Finance costs		-111,894	-75,725
Profit before income tax		11,341,191	7,141,119
Income tax expense	(8)	-1,075,712	-1,883,534
Profit after income tax		10,265,479	5,257,585

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

Statement of Changes in Equity

For the year ended 31 December

\$	Note	Share capital	Other reserves	Retained earnings	Total
As at 31 December 2021		100	4,123,700	42,478,827	46,602,627
Profit after income tax		0	0	5,257,585	5,257,585
Dividends		0	0	-16,432,000	-16,432,000
As at 31 December 2022		100	4,123,700	31,304,412	35,428,212
Profit after income tax		0	0	10,265,479	10,265,479
Dividends	(13)	0	0	-17,700,000	-17,700,000
As at 31 December 2023		100	4,123,700	23,869,891	27,993,691

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

Statement of Cash Flows

For the year ended 31 December

\$	Notes	2023	2022
Cash flows from operating activities			
Profit after income tax		10,265,479	5,257,585
Adjustments			
Depreciation	(7)	1,752,065	1,724,025
Gains on disposals of property and equipment		-1,935	-54,870
Expected credit losses releases/ expected credit losses	(14)	-189,852	291,364
Finance income		-3,345,676	-1,381,995
Finance costs		111,894	75,725
Income tax expense	(8)	1,075,712	1,883,534
		9,667,687	7,795,368
Changes in assets and liabilities			
Trade and other receivables		1,897,540	-408,186
Other non-financial assets		-3,381,812	-2,265,485
Trade and other payables		2,577,332	7,027,646
Employee benefits liabilities		1,921,765	14,066
Other non-financial liabilities		-3,165,655	2,287,832
Provisions		-200,400	0
Contract liabilities		7,592,299	3,823,028
		16,908,756	18,274,269
Interest received		3,345,676	1,381,995
Interest paid		-99,754	-66,702
Income tax paid		-2,392,474	-3,421,479
Net cash flows from operating activities		17,762,204	16,168,083
Cash flows from investing activities			
Changes in other financial assets		11,362	8,913,733
Payments for purchases of property and equipment	(7)	-452,178	-1,245,759
Proceeds from sales of property and equipment		5,005	0
Net cash flows used in/ from investing activities		-435,811	7,667,974
Cash flows from financing activities			
Payments for lease liabilities		-1,001,894	-1,021,766
Dividends paid	(13)	-17,700,000	-16,432,000
Net cash flows used in financing activities		-18,701,894	-17,453,766
Net decrease/ increase in cash and cash equivalents		-1,375,501	6,382,291
Cash and cash equivalents as at 1 January		20,768,510	14,386,219
Cash and cash equivalents as at 31 December		19,393,009	20,768,510

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

Notes to the Financial Statements

(1) REPORTING ENTITY

SAP New Zealand Limited (the "Company") is a profit-oriented company incorporated and domiciled in New Zealand and registered under the Companies Act 1993. The ultimate controlling party is SAP SE, a company incorporated in Germany.

The Company is the sole distributor of SAP software in New Zealand. The Company sells software licenses, cloud solutions and services, and provides maintenance, consulting, training and other professional services.

(2) BASIS OF PREPARATION

Approval of financial statements

The financial statements were authorised for issue by the Board of Directors on 19 April 2024.

Statement of compliance

The financial statements have been prepared in accordance with the New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ("NZ IFRS RDR"), as appropriate for Tier 2 for-profit entities.

The Company has elected to report in accordance with Tier 2 for-profit Accounting Standards on the basis that it does not have public accountability and is not a large for-profit public sector entity.

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.

Functional and presentation currency

The Company's functional and presentation currency is the New Zealand Dollar (\$). All amounts included in the financial statements are reported in New Zealand Dollars (\$), unless otherwise stated. All financial information has been rounded to the nearest New Zealand Dollars (\$), 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 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.

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

Accounting for share-based payments

The Company uses certain assumptions in estimating the fair values for the share-based payments, including expected dividends yields. In addition, the final number of Performance Share Units (PSUs) vesting also depends on the achievement of performance indicators. Furthermore, the payout for the MOVE and Grow SAP cash-settled share units depends on SAP SE share price on the respective vesting dates. Changes to these assumptions and outcomes that differ from these assumptions could require material adjustments to the carrying amount of the liabilities the Company has recognised for these share-based payments.

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. The management reviews the material accounting policies periodically.

Revenue from contracts with customers

Classes of revenue

The Company derives its revenue from fees charged to the customers for the use of its cloud offerings, for licenses to its on-premise software products, and for standardised and premium support services, consulting, customer-specific software developments, training, and other services.

Revenue from cloud

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

- Software-as-a-Service (SaaS), that is, a right to use software functionality (including standard functionalities and custom cloud applications and extensions) in a cloud-based infrastructure hosted by the Company or third parties engaged by the Company, where the customer does not have the right to terminate the hosting contract and take possession of the software to either run it on its own IT infrastructure or to engage a third-party provider unrelated to the Company to host and manage the software; SaaS also includes transaction and agent fees for transactions that customers of the Company's network business execute on the Company's cloud-based transaction platforms.
- Platform-as-a-Service (PaaS), that is, access to a cloud-based platform to develop, deploy, integrate, and manage applications.
- Infrastructure-as-a-Service (IaaS), that is hosting and related application management services for software hosted by the Company or third parties engaged by the Company.
- Premium cloud support that is, support beyond the regular support embedded in the underlying cloud subscription services.

Revenue from software licenses

Software license revenue represents fees earned from the sale or license of software to customers for use on the premises owned or fully controlled by the customer, in other words, where the customer has the right to take possession of the software for installation on the customer's premises or on hardware of third-party hosting providers unrelated to the Company (on-premise software). 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.

Services revenue

Services revenue primarily represents fees earned from professional consulting services, premium support services and training services.

Identification of contract

The Company frequently enters into multiple contracts with the same customer that the Company treats, for accounting purposes, as a single 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.

(3) ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (continued)

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 cloud or support arrangements, or additional volumes of purchased cloud solutions or 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. 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. Generally, variable consideration is estimated based on the most likely amount and is included in the transaction price to the extent that the constraint does not apply. This includes estimates as to whether and to what extent subsequent concessions may be granted to customers and whether the customer is expected to pay the contractual fees. In this judgment, the management considers the history with the respective customer on a portfolio basis.

The recognition constrained is applied to on-premise software transactions that include usage-based or sales-based contingent fees. 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, variable cloud fees are considered in the transaction price based on estimates, rather than being accounted for as usage-based or 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 has 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 SSPs for an offering are observable and reasonably consistent across customers (that is, not highly variable), the Company's SSPs 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, across customers, 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, have highly variable pricing, and lack substantial direct costs to estimate based on a cost-plus margin approach 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 has established thresholds of pricing variability. For judging whether contractual renewal prices are substantive, the management has established floor prices which include a minimum margin 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 SSPs periodically or whenever facts and circumstances change to ensure the most objective input parameters available are used.

(3) ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (continued)

Recognition of revenue

Revenue from cloud

Revenue from cloud is recognised over time as the services are performed. For cloud business models where the Company grants rights to continuously access and use one or more cloud offerings for a certain term, revenue is recognised based on time elapsed and thus ratably over this term. For cloud business models provisioned on a consumption basis where a customer commits to a fixed value of spend on cloud services throughout the contract term, but with the discretion to call off cloud services during the contract term, the Company recognises revenue based on consumption as it best reflects the Company's measure towards satisfaction of that performance obligation. In limited scenarios where the transaction price is entirely variable and determined by the customer's consumption, the Company recognises revenue based on usage in the period in which it was earned.

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, customer-specific software or software subscription contracts that combine the delivery of software and the obligation to deliver, in the future, unspecified software products.

Licenses for the Company's standard on-premise software products are delivered by providing the customer with access to download the software. The Company recognises revenue for these on-premise licenses at the point in time when it grants the license rights to the customer and 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 has considered the usefulness of the software without subsequent updates to it.

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

- Represent software developed for specific needs of individual customers and therefore it does not have any 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 measures 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, unspecified 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.

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 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 customer specific 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.

(3) ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (continued)

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 the Company'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.

Licenses and agents' commissions

Licenses and agents' commissions are recognised when software and cloud revenue is recognised.

Finance income and finance costs

Finance income are comprised of interest income from deposits with the ultimate controlling party and interest income on financial instruments at amortised cost.

Finance costs are comprised of interest expense from asset retirement obligations, interest expenses on lease liabilities, and interest expense on income taxes.

Interest income and interest expenses

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

Financial assets and financial liabilities

Trade and other receivables

Trade and other receivables are comprised of trade receivables, 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.

Allowances for expected credit losses

The Company measures trade and other 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 and other receivables and contract assets 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 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 and other receivables and contract assets are credit-impaired. Evidence that trade receivables and other receivables and contract assets are credit-impaired include, among the trade and other 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 and related releases from allowances for expected credit losses from applying the provision matrix, from credit-impaired customer balances, and from write offs are included in other expenses or other income.

(3) ACCOUNTING POLICIES (Continued)

Financial assets and financial liabilities (continued)

Trade and other payables

Trade and other payables are comprised of trade payables, other payables and payables to related parties. Trade and other payables are subsequently measured at amortised cost using the effective interest method. Payables to related parties are priced on an arm's length basis, interest free, unsecured and usually subject to a payment term of 30 days.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset, and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to realise the asset or to settle the liability on net basis and simultaneously.

Employee benefits

Cash settled share-based payments

The fair values of Move and Grow SAP cash-settled awards are measured at grant date using a valuation model and are remeasured to fair value at each reporting date until the award is settled. The fair value is recognised in the profit or loss over the period in which the employees become unconditionally entitled to the rights, with a corresponding increase in liabilities. Any changes in the fair value of the liability are recognised as employee benefits expenses in the profit or loss.

Under SAP Own program, the Company grants its employees discounts on purchases of SAP SE 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.

Other reserves

Other reserves comprise of common control transactions.

Common control transactions

Common control transactions are the acquisition of operations acquired under business combinations arising from transfers of interests in entities and/ or assets and liabilities, that are under the control of the related parties ultimately controlled by SAP SE, are recognised at the carrying amounts recognised previously in the transferor's financial statements. Any cash paid for the acquisition in excess of the carrying amounts recognised directly in equity.

(4) OTHER FINANCIAL ASSETS

\$	Note	2023	2022
Deposits with the ultimate controlling party	(15)	40,678,616	40,721,793
Interest receivables		91,203	59,388
Total		40,769,819	40,781,181

(5) TRADE AND OTHER RECEIVABLES

\$	Note	2023	2022
Trade receivables		15,988,546	17,410,034
Receivables from related parties	(15)	6,751,882	7,228,518
Allowances for expected credit losses		-18,125	-208,561
Total		22,722,303	24,429,991

(6) OTHER NON-FINANCIAL ASSETS

\$	2023	2022
Current		
Capitalised contract costs to obtain customer contracts	4,856,583	3,500,591
Capitalised contract costs to fulfil customer contracts	1,504,174	791,482
Contract assets	2,225,007	1,445,992
Prepaid expenses	55,588	53,803
Withholding tax assets	0	63,199
Subtotal	8,641,352	5,855,067
Non-current		
Capitalised contract costs to obtain customer contracts	13,115,188	12,552,365
Capitalised contract costs to fulfil customer contracts	240,352	207,648
Subtotal	13,355,540	12,760,013
Total	21,996,892	18,615,080

Amortisation expenses from capitalised contract costs

\$	2023	2022
Capitalised contract costs to obtain customer contracts	4,326,455	3,207,339
Capitalised contract costs to fulfil customer contracts	2,735,148	2,211,587

(7) PROPERTY AND EQUIPMENT

\$	Right-of-use assets from leased land and buildings	Leasehold improvements	Office equipment, furniture and fixtures	Information technology equipment	Total
Cost					
As at 31 December 2021	5,904,244	2,661,487	1,605,178	3,646,859	13,817,768
Additions	1,660,677	54,007	176,700	1,015,052	2,906,436
Disposals	0	-182,167	-96,036	-839,091	-1,117,294
Adjustments	0	60,495	0	0	60,495
As at 31 December 2022	7,564,921	2,593,822	1,685,842	3,822,820	15,667,405
Additions	0	1,950	44,488	405,740	452,178
Disposals	-460,291	-194,973	0	-1,347,940	-2,003,204
As at 31 December 2023	7,104,630	2,400,799	1,730,330	2,880,620	14,116,379
Accumulated depreciation					
As at 31 December 2021	-3,312,306	-2,522,270	-1,476,405	-3,012,845	-10,323,826
Depreciation	-1,058,788	-57,897	-40,681	-566,659	-1,724,025
Disposals	0	150,615	95,928	833,574	1,080,117
As at 31 December 2022	-4,371,094	-2,429,552	-1,421,158	-2,745,930	-10,967,734
Depreciation	-1,018,935	-58,540	-53,565	-621,025	-1,752,065
Disposals	0	193,548	0	1,346,295	1,539,843
As at 31 December 2023	-5,390,029	-2,294,544	-1,474,723	-2,020,660	-11,179,956
Net book value					
As at 31 December 2022	3,193,827	164,270	264,684	1,076,890	4,699,671
As at 31 December 2023	1,714,601	106,255	255,607	859,960	2,936,423

(8) INCOME TAXES

Income tax expense

\$	2023	2022
Current income tax expense		
Current income tax expense for current year	-4,266,278	-1,920,740
Current income tax benefit for prior years	2,852,392	82,005
Subtotal	-1,413,886	-1,838,735
Deferred income tax benefit/ expense		
Deferred income tax benefit/ expense for current year	78,152	-111,802
Deferred income tax benefit for prior years	260,022	67,003
Subtotal	338,174	-44,799
Income tax expense	-1,075,712	-1,883,534

Effective income tax rate reconciliation

\$	2023	2022
Profit before income tax	11,341,191	7,141,119
Income tax expense at the applicable corporate tax rate of 28%	-3,175,533	-1,999,513
Adjustments		
Non-deductible expenses	-168,129	-18,337
Prior year taxes	3,112,414	149,008
Other permanent differences	-844,464	-14,692
Income tax expense	-1,075,712	-1,883,534

Deferred taxes

\$	As at 1 January 2023	Recognised in profit or loss	As at 31 December 2023
Deferred tax assets			
Trade and other receivables	58,397	-53,322	5,075
Lease liabilities	924,969	-409,412	515,557
Trade and other payables	134,421	-74,883	59,538
Employee benefits liabilities	3,877,561	318,583	4,196,144
Provisions	136,072	-52,712	83,360
Deferred tax liabilities			
Property and equipment	-637,563	609,920	-27,643
Net deferred tax assets	4,493,857	338,174	4,832,031

\$	As at 1 January 2022	Recognised in profit or loss	As at 31 December 2022
Deferred tax assets			
Trade and other receivables	6,517	51,880	58,397
Lease liabilities	746,074	178,895	924,969
Trade and other payables	199,043	-64,622	134,421
Employee benefits liabilities	3,909,715	-32,154	3,877,561
Provisions	142,381	-6,309	136,072
Deferred tax liabilities			
Property and equipment	-465,074	-172,489	-637,563
Net deferred tax assets	4,538,656	-44,799	4,493,857

(9) TRADE AND OTHER PAYABLES

\$	Note	2023	2022
Trade payables		2,721,634	1,170,999
Payables to related parties	(15)	32,474,220	33,758,480
Other payables		3,958,122	419,570
Total		39,153,976	35,349,049

(10) EMPLOYEE BENEFITS

Employee benefits liabilities

\$		2023	2022
Current			
Bonus accruals		7,041,807	6,573,694
Vacation accruals		4,130,020	4,036,556
Social security accruals		378,195	341,839
Cash-settled share-based payments liabilities		2,832,111	1,760,553
Other employee benefits liabilities		480,172	505,611
Subtotal		14,862,305	13,218,253
Non-current			
Social security accruals		41,293	33,210
Cash-settled share-based payments liabilities		1,348,909	1,079,279
Subtotal		1,390,202	1,112,489
Total		16,252,507	14,330,742

Employee benefits expenses

\$		2023	2022
Salaries		37,246,738	34,815,820
Social security expenses		920,112	559,740
Defined contribution pension plan expenses		1,080,000	1,118,811
Cash-settled share-based payments expenses		6,682,853	3,638,634
Other employee benefits expenses		163,536	71,125
Total		46,093,239	40,204,130

Cash-settled share-based payments

Move SAP Plan (Move) including Grow SAP Plan

To retain and engage executives and certain employees, the Company grants virtual shares representing a contingent right to receive a cash payment determined by the SAP SE share price and the number of share units that ultimately vest. Since 2022, the Company intends to settle share units granted predominantly in shares. The Company has classified it as cash-settled as the Company has the obligation to settle them in SAP SE shares.

From 2020 to 2023, the Company granted shared units under the Grow SAP plan that the Company intends to settle in cash. This fixed term plan has broadly the same terms and conditions as the Move SAP Plan, recognises all employee's commitment to SAP group success, and deepens their participation in the future performance of SAP group.

Different vesting schedules apply to specific share units. Granted share units under the respective plans will vest in different tranches, as follows:

- Restricted Stock Units (RSUs) with service condition only
 - Over a half-year period,
 - Over a three-year period on annual basis,
 - Over a three-year period on a quarterly basis after a waiting period of six months, or
- Performance Share Units (PSUs) with service condition and upon achieving certain key performance indicators (KPIs)
 - Over a one-year period,
 - Over a three-year period, or
 - Over a three-year period on a quarterly basis after a waiting period of twelve months.

(10) EMPLOYEE BENEFITS (Continued)

Cash-settled share-based payments (continued)

The number of PSUs that will vest under the different tranches is mainly contingent upon achievement of two equally weighted SAP group's KPIs in the year of grant: operating profit (non-IFRS at constant currencies) and cloud revenue (at constant currencies). Depending on the weighted average performance, the number of PSUs vesting ranges between 0% and 200% of the number initially granted. Performance against the KPI target was 112.4% in 2023 (2022: 84.3%, 2021: 130.9%). The share units granted are paid out in cash or by transferring SAP SE shares upon vesting.

In units	Move (2019–2023 Tranches)
Outstanding as at 31 December 2021	27,034
Granted	27,621
Transfer	–2,128
Exercised	–17,138
Forfeited	–1,980
Outstanding as at 31 December 2022	33,409
Granted	19,214
Transfer	382
Exercised	–20,815
Forfeited	–1,833
Outstanding as at 31 December 2023	30,357
Weighted average share price (in €) for awards exercised in	
2022	97.35
2023	117.86

Own SAP Plan (Own)

Under Own, employees have the opportunity to purchase, on a monthly basis, SAP SE shares without any required holding period. The Company has classified the plan as cash-settled as the Company has the obligation to settle it in SAP SE shares. The investment per each eligible employee is limited to a percentage of the respective employee's monthly base salary. SAP matches the employee investment by 40% and adds a subsidy of €20 per month for non-executives. As part of SAP's 50th anniversary celebration, SAP's contribution was temporarily doubled from 40% to 80% from January to March 2022 contributing to the peak in 2022.

In units	Own
Number of shares purchased	
2022	16,343
2023	11,587

As a result of Own SAP Plan, the Company has commitments to grant SAP SE shares to employees. The Company has fulfilled and intends to continue to meet these commitments through an agent who administers the program and purchases shares on the open market.

(11) OTHER NON-FINANCIAL LIABILITIES

\$	2023	2022
Advances received	27,678	2,388,626
Payroll tax liabilities	50,740	105,519
Withholding tax liabilities	497,922	0
Goods and services tax liabilities	2,633,250	3,881,100
Total	3,209,590	6,375,245

(12) CONTRACT LIABILITIES**Contract liabilities**

\$	2023	2022
As at 1 January	22,693,191	18,870,163
Increases resulting from billing and invoices becoming due	74,927,554	70,868,111
Decreases resulting from satisfying performance obligations	-67,335,255	-67,045,083
As at 31 December	30,285,490	22,693,191

The amount of revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the reporting period was \$21,981,879 (31 December 2022: \$18,486,986).

Remaining performance obligations

Amounts of a customer contract's transaction price that is allocated to the remaining performance obligations represents contracted revenue that has not yet been recognised. They include amounts recognised as contract liabilities and amounts that are contracted but not yet due.

The transaction price allocated to performance obligations that were unsatisfied or partially unsatisfied as at 31 December 2023 is \$298,869,971 (31 December 2022: \$292,723,533). This amount mostly comprises obligations to provide software support or cloud, as the respective contracts in general have durations of one or multiple years.

The amount of transaction price allocated to the remaining performance obligations, and changes in this amount over time, are impacted by, among others:

- Currency fluctuations
- The contract period of the Company's cloud and support contracts remaining at the balance sheet date and thus by the timing of contract renewals.

(13) EQUITY**Share capital**

\$	2023	2022
Issued and fully paid		
100 ordinary shares of \$ 1 each	100	100
Total	100	100

Dividends

\$	2023	2022
Declared and paid	17,700,000	16,432,000

(14) OTHER EXPENSES

\$	Note	2023	2022
Other expenses with related parties	(15)	5,981,434	4,266,256
Travel expenses		831,777	485,169
Repair and maintenance expenses		818,285	813,795
Recruitment, training and other personnel expenses		377,229	830,535
Administrative expenses		233,931	266,567
Communication expenses		142,271	143,262
Marketing expenses		106,557	176,343
Entertainment expenses		101,827	88,298
Rent expenses		101,003	98,712
Insurance expenses		98,388	112,432
Other taxes and penalties expenses		85,386	65,127
Electronic data processing supplies expenses		74,484	46,211
Donations		43,299	43,142
Exchange rate differences		20,655	22,611
Expected credit losses releases/ expected credit losses		-189,852	291,364
Miscellaneous expenses		81,046	135,043
Total		8,907,720	7,884,867

(15) RELATED PARTIES

\$	2023	2022
Balances		
Deposits with the ultimate controlling party	40,678,616	40,721,793
Receivables from the ultimate controlling party	3,336,402	3,072,047
Receivables from other related parties	3,415,480	4,156,471
Payables to the ultimate controlling party	-23,850,076	-25,698,435
Payables to other related parties	-8,624,144	-8,060,045
Transactions		
Services revenue from the ultimate controlling party	24,320,365	24,705,156
Services revenue from other related parties	8,415,210	8,283,975
Other income from other related parties	312,100	332,306
Internal licenses expenses with the ultimate controlling party	-62,141,893	-61,147,570
Internal licenses expenses with other related parties	-4,317,354	-4,437,273
Third party licenses expenses with the ultimate controlling party	-5,773,283	-4,703,251
Services expenses with the ultimate controlling party	-27,047,003	-27,440,330
Services expenses with other related parties	-26,647,397	-28,429,060
Other expenses with the ultimate controlling party	-3,832,952	-2,550,264
Other expenses with other related parties	-2,148,482	-1,715,992
Interest income from the deposits with the ultimate controlling party	2,374,807	1,050,512
Others		
Share-based payments settled by the ultimate controlling party on behalf of the Company	5,149,455	3,458,894
Key management personnel remuneration		
Remuneration of the key management personnel is included in employee benefits expenses	-2,308,091	-1,848,996



Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret Street
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of SAP New Zealand Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SAP New Zealand Limited (the Company), which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ('NZ IFRS RDR') issued by the New Zealand Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards 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 Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company.



Other information

The other information obtained at the date of this auditor's report includes the Company Information and the Directors' Declaration, but does not include the financial statements and our auditors report thereon.

Our opinion on the financial statements does not cover the other information and accordingly we do not express any form of audit opinion or assurance conclusion thereon.

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

The directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS RDR, and for such internal control as the directors determine 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, the directors are responsible on behalf of the Company 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 unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements

Our objectives are to obtain reasonable assurance about 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 (NZ) will always detect a material misstatement when it exists. Misstatements can 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 users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: <https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-8/>.

This description forms part of our auditor's report.



Report on Other Legal and Regulatory Requirements

Who we Report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

A handwritten signature in cursive script, appearing to read 'Gareth Few'.

A handwritten signature in cursive script, appearing to read 'Gareth Few'.

BDO Audit Partnership

Gareth Few

Partner

Sydney, 19 April 2024