



Transform Finance with SAP

The Business Value for Finance with SAP S/4HANA, Cloud/ Line-of-Business Applications and SAP Leonardo



PUBLIC

Enel energizes financial closing operations with SAP S/4HANA for central finance solution



Enel selected the SAP S/4HANA solution for central finance foundation to update and streamline its finance department's closing process and reporting model. Now Enel can continue down its path of modernization while simultaneously enabling new services for its customers.



White Paper Background and Key Definitions

The information outlined below will help you understand the contents of this value proposition white paper. It gives details on the objectives and scope of the paper. Key definitions are also provided.

DELIVERABLE OBJECTIVE

Provides information on the value in moving from an ERP on a traditional database to SAP S/4HANA, Cloud/ LoB applications and SAP Leonardo solutions.

KEY DEFINITIONS

Within the **process and subprocess deep dives**, there is detailed content in table format articulating the following:

Typical Pain Points

Major customer business and IT challenges

Current State with ERP on Traditional Database

ERP capabilities that are available on a traditional database.

SAP S/4HANA Capabilities

Capabilities shipped with the latest release of SAP S/4HANA, including apps that are optimized for SAP Leonardo.

Cloud/ LoB and SAP Leonardo Solution Capabilities

Solutions that can be integrated with SAP S/4HANA and provide business value – for example, the SAP Cash Application or SAP Digital Boardroom. These solutions are not embedded in SAP S/4HANA but they can be integrated.

2018: Planned Innovations*

New functionalities planned for the 2018 release of SAP S/4HANA, Cloud/ LoB applications and SAP Leonardo solutions.

Business Benefits

Key value drivers that are impacted by the adoption of SAP S/4HANA, Cloud/ LoB applications and SAP Leonardo solutions.

With the **value proposition section**, all quantified benefits are conservative, estimated improvement ranges tied to the top value drivers. They are based on early adopters or new developments and enhancements of SAP S/4HANA, Cloud/ LoB applications and SAP Leonardo solutions that can drive value. Keep in mind that these benefits should be used as a guide. We recommend working together to assess your current maturity and the value of moving to SAP S/4HANA, Cloud/ LoB applications and SAP Leonardo solutions to develop a personalized business case.

Last Update

SAP S/4HANA 1709 release. All Leonardo capabilities are highlighted in bold.

*Detailed road map available on [SAP.com](https://www.sap.com)

(customer login required)

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Finance in a Digital Economy

TRANSFORM FINANCE WITH SAP

Enterprises today are increasingly experiencing a new normal of volatility that is fundamentally changing how they engage with their investors, customers, suppliers, regulators, and employees. This volatility is driven not only by traditional areas of currency exchange risk and commodity prices but also by macroeconomic volatility and rapidly changing consumer and employee preferences. Additionally, tax policy volatility and complex regulatory requirements are challenging finance to capture, analyze and provide deeper and more relevant real-time information.

The role of finance itself is evolving towards active engagement with business partners, simplifying and automating processes, enabling new questions to be asked that were never possible and delivering new insights during the decision-making process. Leading finance organizations are driving digital transformation and fundamentally changing the way they bill, collect, report, and pay taxes, and how they plan for and manage a constantly changing business. Finance's role is expanding as it leans into innovation to creatively adapt to change, manage volatility, and to find new opportunities to create value.

SAP S/4HANA is the finance innovation platform that enables today's digital business by bringing business processes and analytics together into a single, smooth, digital motion. It provides the foundation for continuous innovation by allowing customers to benefit from newest SAP Leonardo innovations as they emerge along with the ability to leverage extended finance for procurement, workforce management, travel & expense management, etc. The time to innovate and transform is now and SAP supports a live business for all roles of the office of the CFO.



Dynamic Planning and Analysis

- Real-time evaluation and analysis of new business models and M&A through dynamic planning and forecasting
- Single version of the truth, available live and at the most granular level, for instance plan-actual variance analysis, prediction, and simulation on the fly



Soft or Virtual Close

- Strong foundation for "soft close"
- One universal journal for a single source of truth, eliminating reconciliation and enabling instant profit-and-loss insights and detailed reporting on the fly
- Real-time consolidation capabilities for group close



Predictive and Simplified Treasury

- Real-time integrated liquidity planning with predictive and automated cash forecasting
- Higher transparency on financial exposure
- Simplified and automated bank processes



"Lights-Out" Finance

- Radical automation and self-learning processes enabling "lights-out" finance
- Business networks, coupled with faster deployment models, allowing for dramatic leaps in process automation
- More agile organizations with operational cost reductions of 40% or more



Always-On Compliance

- Automated and embedded compliance, so that the focus turns to protecting the brand
- Focus on enterprise risk topics
- Instant prediction of potential fraud using data patterns and employing prevention strategies

New York Life

The company deployed SAP S/4HANA Finance to enable an enterprise-wide financial transformation and enhance its overall business strategy.

"SAP HANA appeared to be the best solution for what we were trying to do. But at the same time, with our future state in mind, we wanted to be on the latest version, especially with such a large transformation."

Jonathan Feinstein, VP of Insurance Finance, New York Life Insurance Company

Imperial Logistics

Implemented SAP S/4HANA to enable a single source of the truth, increased visibility, greater efficiency across all job responsibilities.

"SAP S/4HANA put analytics directly in the hands of the business with its role-specific, intuitive SAP Fiori UX. For example, our freight agents now have access to customer information and open items at the moment they're needed and can act on that information instantly."

Reimund Kuche, Head of Corporate Accounting, Imperial Logistics International

SAP FINANCE VALUE PROPOSITION SUMMARY

SAP provides a market-leading, best-in-class finance solution portfolio designed to help the office of the CFO meet the demands of a digital economy.

This portfolio covers all areas of finance and allows finance professionals to transform their business models and processes to thrive in a digital economy, remove bottlenecks, and enable an innovation-driven enterprise – all with simpler and more efficient IT operations.

The solutions deliver instant insights with on-the-fly analysis across all dimensions of financial data, empowering users with contextual, real-time information for faster and better decision-making. Processes can easily be extended through pre-built connections, enabling business network collaboration and connecting the core to the digital ecosystem to support business model efficiencies. Equipped with a simple and intuitive user experience, these solutions offer one common, real-time view of financial and operational data to help ensure enterprise-wide consistency and reduce reconciliation time and errors.

They also come with a built-in prediction and simulation capabilities that enable evaluation of financial implications while also optimizing business processes.

SAP S/4HANA Finance can deliver end-to-end business benefits across the entire finance portfolio, improving overall operations and supporting business transformation. SAP S/4HANA Finance is available with on-premise, hybrid, and cloud deployment options with minimal disruptive migration paths for new and existing SAP customers.

- **SAP S/4HANA for central finance foundation**
Provides a non-disruptive path to adopt SAP's latest finance simplifications and innovations for customers with heterogeneous landscapes, out-of-maintenance, and/or highly customized SAP systems. It provides a unified financial and management platform to centralize process execution, planning, and reporting based on the same (single source of the truth) data. Benefits include advanced reporting at the segment, entity, or group level; business-model-agnostic rollups for reorganizations and M&A modeling; scalable local and central process execution (complementing process execution in source ERPs); and a starting point for finance shared services across business units.
- **Transformation platform for the digital enterprise** Create an advanced digital data architecture (universal journal), a platform to include future innovations, a single source of the truth for both transactions and analytics, and a digital core to include integration for workforce, network, customers, and new innovations enabled by SAP Leonardo, SAP Ariba, SAP Concur, SAP SuccessFactors, and SAP Fieldglass solutions.
- **Rapid value creation with minimal disruption**
Massive simplification and optimization within SAP S/4HANA can be deployed with minimal business disruption to accelerate business value and capture and eliminate the need for overly complex processes. Additional value can be achieved by deploying solutions and templates within our SAP Activate methodology, standardizing master data using the SAP Master Data Governance application, and focusing effort on the reduction or elimination of legacy custom code.

End-to-End Business Scenarios

Some organizations measure value by the impact to their end-to-end processes. Outlined below are the primary end-to-end processes that are important to finance operations.

1. RECORD TO REPORT

A horizontal bar with four segments: orange, olive green, teal, and blue. The blue segment is an arrow pointing right. Below the bar are three small colored boxes: orange, teal, and blue.

'Record to report' is an end-to-end finance scenario that relates to faster, continuous, and compliant financial close. This scenario starts with recording of accounting data for multiple companies, charts of accounts, and so on and ends with closing the books and creating financial statements at the entity and corporate levels for International Financial Reporting Standards, U.S. GAAP, or other local regulatory requirements.

2. ORDER TO CASH

A horizontal bar with four segments: blue, teal, olive green, and orange. The orange segment is an arrow pointing right. Below the bar are three small colored boxes: orange, teal, and blue.

'Order to cash' is an end-to-end finance scenario that relates to frictionless order processing from quote to cash. This scenario includes all financial operations related to accounts receivable, including billing customers and managing disputes, collections, and evaluating customer credit risk.

3. PROCURE TO PAY

A horizontal bar with four segments: orange, olive green, teal, and blue. The blue segment is an arrow pointing right. Below the bar are three small colored boxes: orange, teal, and blue.

'Procure to pay' is an end-to-end process for effective buyer-supplier collaboration and compliant and efficient processes by electronically connecting trading partners. This scenario encompasses managing requests and creating orders in compliance with policies, procuring from suppliers, verifying delivery, settling supplier obligation along with streamlining accounts payable processes.

Reimagine Record to Report

Traditional Scenario

- **Delayed close activities** that do not begin **until period end**
- **Multiple ledgers** require time-consuming and error-prone **reconciliations**

- Risk of regulatory noncompliance due to lack of transparency and **manual monitoring** of processes
- **Risk of penalties and fines** with insufficient, manual and error-prone tax audit processes

Manual, time-consuming and effort-intensive processes

Financial data needs to be **replicated** from the financial system into the consolidation system, requiring data aggregation and transformation

Executive conversation is **limited to static presentations**, and ad hoc questions and analysis need to be taken offline for a later discussion



The New World With SAP

- **Event-triggered execution** enabled through real-time derivation of profitability characteristics
- **No reconciliation needed** because of one **universal journal entry** that provides a single source of the truth

- **End-to-end visibility** and steering capabilities for local periodic legal reporting
- **Continuous, self-auditing** tax monitoring processes

Faster, efficient, and compliant close process

Real-time consolidation enabled by instant data access from integrating transaction and master data

Transformed board room experience with real-time business intelligence, ad hoc reporting at a granular level, and what-if analysis to make decisions

TOP VALUE DRIVERS*

40% to 50% reduction in days to close annual books; Faster Access to insights

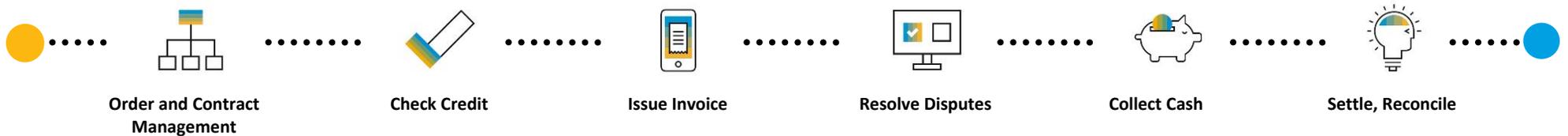
20% to 40% reduction in G/L and Financial Closing Cost and Audit Cost

*Benefits are based on early adopters of SAP S/4HANA or conservative outside-in benefits due to moving from a traditional ERP to enhanced SAP S/4HANA and LoB and cloud capabilities. As each enterprise is at a different level of maturity, our recommendation is to work with you to determine the value proposition for your enterprise.

Reimagine Order to Cash

Traditional Scenario

- **Inconsistency** of interactions with customers across business
- **Manual**, time-consuming and effort-intensive processes
- **Manual**, costly, and time consuming billing processes
- **Disjointed manual** handling, which drives up DSO and puts customer relationships at risk
- Significant **manual and error-prone** effort required to process payments and handle exceptions
- Highly technical custom efforts for **building and maintaining interfaces** to external agencies
- Increased rate of accounting and settlement errors
- **Inconsistent account prioritization**; labor-intensive and long cycles; high costs of collection; increased bad debt risk
- Rule-based approaches **decline in effectiveness** over time



The New World With SAP

- **Multichannel, role-based** access to accurate, real-time information on products, pricing, customers, and contracts
- **Event-triggered** execution and full automation of creditworthiness assessment
- Empowered customers with a **payment portal and e-billing**
- Standardized processes that **scale** according to business needs
- **Next-generation intelligent invoice-matching powered by machine learning**
- Seamless integration to external credit agencies to incorporate **external credit rating information**
- **Real time access** to all transactional details
- **Centralized** information repository for root cause analysis of disputes
- Ability to capture much **richer** detail of customer- and country-specific behavior without the costs of manually defining detailed rules.
- **High processing speed** for digital businesses
- Immediate **visibility** of customer account and status across the company
- **Smarter automation** and **collaboration** for cash collection

TOP VALUE DRIVERS*

5% to 10% reduction in Days Sales Outstanding 5% to 25% reduction in Bad Debt Write-Offs 10% to 25% reduction in Receivables Management Cost

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Reimagine Procure to Pay

Traditional Scenario

- **Poor user experience** leads to lower adoption of procurement systems.
- Lack of visibility into buying process leads to **lost saving opportunities**
- **Poor approval processes**
- Slow and error-prone supplier communications
- **Manual** and error-prone processes
- Delayed payments due to **lack of receipts**
- **Physical invoices** or e-mail attachments requiring manual data entry
- Slow approvals leading to payment delays and missed discounts
- Proliferation of different payment terms
- Low acceptance of **discount offers**
- **Check-based payments** with low visibility, leading to large numbers of supplier calls
- Infrequent and **cumbersome payments** process



The New World With SAP

- Access to an **online marketplace** provides a consumer-grade experience.
- **Guided buying** experience navigates users through proper buying channels, leveraging **preferred suppliers, pre-negotiated pricing, and in-context policies**
- Simple and streamlined **automated approvals from any device**
- **Automated, faster,** and consistent supplier connections
- **Streamlined receiving** processes
- **Automated three-way match** that enables efficient, error-free processing
- **Validated electronic invoices** that improve accuracy and reduce manual effort
- **Automated routing, alerts,** and reminders to help ensure timely approval and payment
- Small set of **standard payment terms** to help ensure seamless settlement
- **Holistic working capital strategy** for terms extension, static and dynamic discounts, supply chain finance programs, and payment channels
- **Electronic payments** with full visibility to related invoices and POs
- Payments process **optimized to capture discounts** and yield rebates, and maximize DPO

TOP VALUE DRIVERS*

Reduction in Discounts Lost from Suppliers

10% to 20% reduction in Accounts Payable and Expense Costs

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FINANCE CAPABILITIES

Outlined below are the primary capabilities for finance where value can be achieved through SAP S/4HANA, Cloud/ LoB applications and SAP Leonardo solutions.



Financial Planning and Analysis

- Strategy development and translation
- Planning, budgeting, and forecasting
- Profitability and cost management
- Monitoring and reporting



Accounting and Financial Close

- Accounting
- Entity close
- Corporate close
- Reporting and disclosure
- Financial close governance



Treasury and Financial Risk Management

- Payments and bank communications
- Cash and liquidity management
- Debt and Investment management
- Financial risk management



Finance Operations

- Receivables management
- Invoice management and accounts payable
- Travel and expense (T&E) management
- Real estate management
- Financial shared services



Enterprise Risk and Compliance Management

- Enterprise risk management
- Controls and compliance management
- International trade
- Fraud management
- Audit management

Financial Planning and Analysis Deep Dive



TYPICAL PAIN POINTS

- Lack of capability to directly tie board strategy to line manager execution
- Management views for planning and analysis often maintained separately, leading to reconciliation issues
- Difficult to model and simulate business innovation, costs, and structural changes in the organization to assess the financial impact



Current State with ERP on Traditional Database

- Separate planning tools and processes that are disconnected from everyday operations; manual and static budget allocations
- Alternate hierarchies and reporting and planning master data are often maintained outside of ERP
- Modeling and simulation for cost, M&A, and other structural changes are done outside of the ERP system



SAP S/4HANA Capabilities

- Planning processes and functions are integrated into transactional system, allowing for closed-loop planning and execution at any level
- Managerial views are derived from the income statement, and therefore no reconciliation is needed
- Single consolidated view of all planning and forecasting information and simplified user experience through SAP BusinessObjects Planning and Consolidation application
- Central finance deployment enables faster integration capabilities during restructuring and M&A.
- SAP BusinessObjects Planning and Consolidation enables planning at any level, providing flexibility to combine and maintain alternate views
- Real-time "what if" analysis and simulations to model and test the impact of changes to profitability before committing to plans



Cloud/ LoB and SAP Leonardo Solution Capabilities

- Enterprise analytics is available in SAP Digital Boardroom, allowing for detailed analysis of board-level strategies and plans at any level of transaction detail against any version of actual, plan, prior year, or rolling forecast data.
- SAP Analytics Cloud for predictive analytics brings together actuals, forecast and simulation to predict market trends and run what-if analysis**
- SAP Financial Statement Insights provides visual analysis of financial statements, including user-defined reporting hierarchies. Integration of further finance data sources and notification based on alerts and thresholds



2018 Planned Innovations

- Financial planning – connectivity of SAP Analytics Cloud to an on-premise planning environment



Business Benefits*

- Increased speed, agility, and accuracy of forecasting
- Reduction of silos across business units
- 25% to 50% reduction in cycle time for financial forecasting and reporting
- 50% to 100% reduction in financial forecasting error rate
- 25% to 50% reduction in budgeting and forecasting costs
- Valuable resources to focus on insights and analytics rather than the mechanics of putting together budgets and reporting
- 5% to 10% reduction in business and operations analysis and reporting costs

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Financial Planning and Analysis Deep Dive



TYPICAL PAIN POINTS

- Lack of data visibility and availability for modeling, analysis, and reporting, delaying or preventing appropriate cost avoidance, mitigation, and austerity actions



Current State with ERP on Traditional Database

- Granular drill-down into financial metrics is not possible; data is stored in multiple and disparate systems, requiring manual consolidation



SAP S/4HANA Capabilities

- Ability to flexibly slice and dice data to any level of granularity in real time. This allows analysis of profitability at individual product or customer level along with ad hoc root cause analysis.
- Radically new UIs that are simple to use and accessible on tablets for business users
- Merger of financials and controlling into a universal journal, creating a single source of the truth; added value of profitability analysis being reconciled with universal journal
- Additional processes supported for refinement of cost of goods sold to provide details from manufacturing, such as labor or material costs coming from the costing sheet
- The production cost analysis app provides a view of detailed product costs, comparisons with the budgeted cost, and track variances
- Semantic tagging and flexible hierarchies to provide agility and facilitate the overall reporting capability



2018 Planned Innovations

- Central finance function to include extended financial reporting scenarios



Business Benefits*

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- Valuable resources to focus on insights and analytics rather than the mechanics of putting together budgets and reporting
- 5% to 10% reduction in business and operations analysis and reporting costs

- Static planning limited to legacy finance calendar constraints (six-month, annual planning cycle)

- Separate, additional planning tools are required

- Real-time planning allows for flexible frequencies of planning cycle
- Integrated financial planning processes with operational planning, such as workforce, T&E, procurement, supply chain, and demand planning
- Enhanced content for sales and profitability planning
- End-to-end process support for planning content for financial product cost calculation

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Financial Planning and Analysis Deep Dive

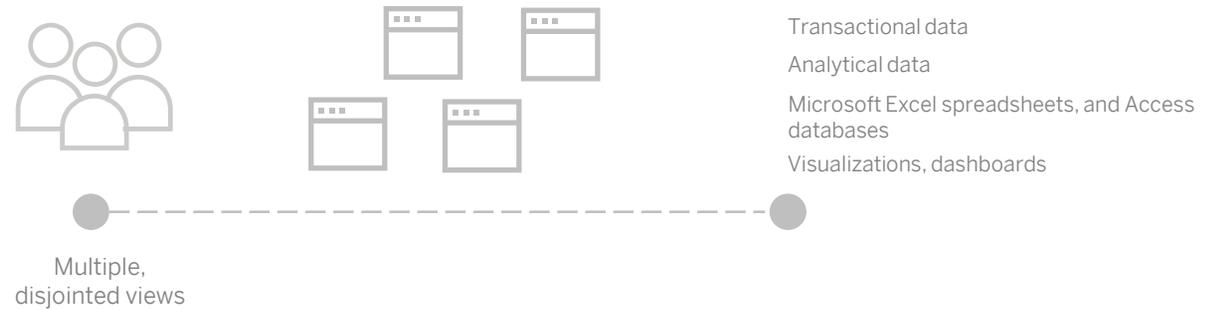
FINANCIAL PLANNING & ANALYSIS SCENARIO EXAMPLE

SAP S/4HANA enables an anywhere, any-device, mobile-first, role-based user experience that simplifies and enhances employee engagement and productivity while providing a consolidated view for better decision-making.

User experience simplification with SAP S/4HANA

Traditional ERP

Transactional and analytical data is maintained separately, leading to a disjointed view.



SAP S/4HANA

An intuitive user experience on any device provides a single, consolidated source of the truth for all information at the lowest level of granularity.



Accounting and Financial Close Deep Dive



TYPICAL PAIN POINTS

- Delayed close activities do not begin until period end



Current State with ERP on Traditional Database

- Close calendar adheres strictly to financial period definition



SAP S/4HANA Capabilities

- Foundation for soft close, for example real-time derivation of profitability characteristics, single source of the truth, extension ledger and consolidated group results
- Financial closing cockpit is now an integral part of SAP S/4HANA. It supports in planning, executing, monitoring, and analyzing financial closing tasks



Cloud/ LoB and SAP Leonardo Solution Capabilities

- Effort-intensive reconciliations and eliminations are performed, preventing an accurate intra-period depiction of the organization's performance

- Multiple ledgers and subledgers are utilized, requiring time-consuming and error-prone reconciliations

- One universal journal entry for general ledger, controlling, asset accounting, and material management items enables continuous intercompany reconciliation
- Revenue recognition process is now reflected in universal journal, thereby further reducing reconciliation efforts

- Multiple batch run dependencies cause bottlenecks that delay downstream activities

- Frequent delays in batch processing and post-close activities create protracted cycle times

- Significant reduction in the need for end-of-period batch processing in order to accelerate closing activities through real-time processing



2018 Planned Innovations

- Predictive accounting capabilities for incoming sales orders
- Integration with business networks – purchase order accruals



Business Benefits*

- 20% to 40% reduction in audit cost
- 40% to 50% reduction in days to close annual books
- 20% to 40% reduction in G/L and financial closing costs
- 5% to 10% reduction in business and operations analysis and reporting costs

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Accounting and Financial Close Deep Dive



TYPICAL PAIN POINTS

- Delayed visibility into reporting as data is stored across multiple ledgers

- Separate close and consolidation processes

- Lack of flexibility or agility to respond to regulatory changes



Current State with ERP on Traditional Database

- Disparate ledgers without integration, creating accounting blind spots

- Closing process within ERP; consolidation resides on other systems

- Additional configurations and add-on solutions required



SAP S/4HANA Capabilities

- Predefined reports and configurable reporting tools to leverage G/L, subledgers, and consolidation apps; central finance function integrates all ledgers and subledgers into one source of the truth.

- Universal journal enables more efficient consolidation process.
- Embedded real-time consolidation enables "continuous accounting" from entity to group close.

- Statutory reporting streamlined and facilitated through statutory reporting framework
- Advanced compliance reporting provides a new framework for meeting critical compliance reporting requirements for periodic legal reporting.



Cloud/ LoB and SAP Leonardo Solution Capabilities

- Capture real-time information from sources such as SAP Concur and SAP Ariba solutions, and revenue accounting and reporting

- Revenue and lease accounting solutions address the specialized changes in regulatory requirements.



2018 Planned Innovations

- Central finance function to support extended financial reporting scenarios

- Enhanced multiple valuation and currencies as a basis for real-time consolidation



Business Benefits*

- 20% to 40% reduction in audit cost
- 40% to 50% reduction in days to close annual books
- 20% to 40% reduction in G/L and financial closing costs
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Accounting and Financial Close Deep Dive

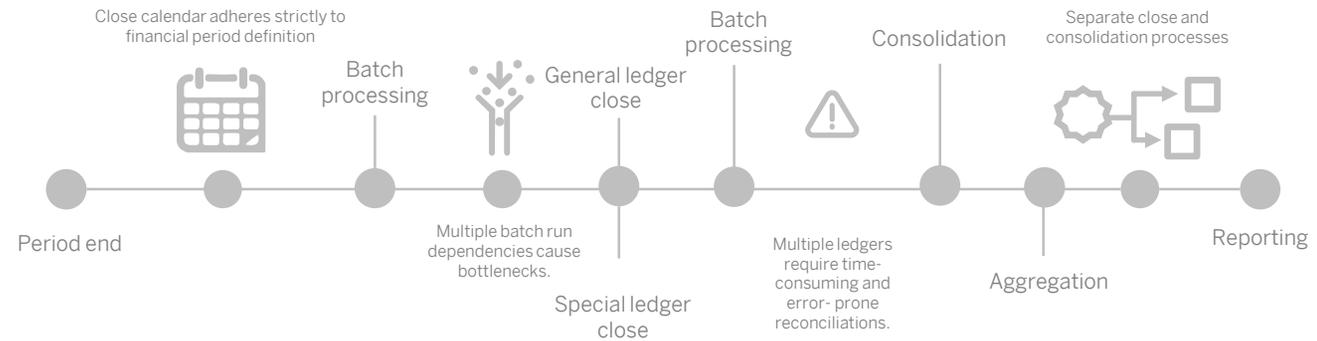
ACCOUNTING & FINANCIAL CLOSING SCENARIO EXAMPLE

SAP S/4HANA provides reengineered and simplified business processes that can yield significant benefits, transforming the execution from static, batch-driven processes with latency to real-time processes with actionable insights.

Accelerate financial closing with event-triggered automation

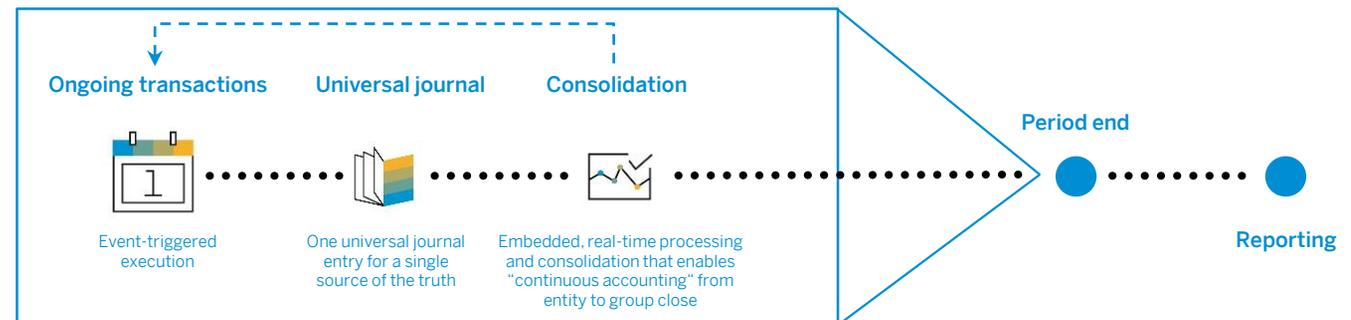
Traditional ERP

Delayed close activities that do not begin until period end. Monthly closing done for multiple operative entities leads to significant transaction volume at month end and time-intensive posting cycles.



SAP S/4 HANA

Event-triggered execution enabled through real-time derivation of profitability characteristics and single source of the truth, which ensures continuous intercompany reconciliation.



Treasury and Financial Risk Management Deep Dive



TYPICAL PAIN POINTS

- Lack of visibility into accurate and integrated current cash balances and liquidity positions creates out-of-date global cash positions.
- Manual and offline cash forecasting processes result in inaccurate and delayed planning, leading to lost business investment opportunities.
- It is difficult to centrally manage exposure and mitigate risk with forecasting and controlling FX, commodity price fluctuation, and contractual information.



Current State with ERP on Traditional Database

- Limited capabilities to integrate data from multiple and disparate treasury systems and external bank interfaces
- Only limited, basic cash management functions with almost no analytical capabilities
- Exposure management often a manual and incomplete process, or requires separate add-on solutions



SAP S/4HANA Capabilities

- Integrated liquidity management, including cash flow analysis and embedded liquidity planning based on integrated business planning
- The SAP Cash Management application used to enable complete lifecycle management of liquidity
- Cash flow analyzer app used to give a high-level overview and detailed insight into the cash flow status across different views and hierarchies
- Use of prediction, simulation, and analysis functionality to support an informed and automated forecasting process with higher accuracy
- Availability of plan versus actual comparisons during the liquidity forecasting process
- "One exposure" – central storage of all actual and forecast operational transactions, the single source of the truth for all financial risks
- Enhancements in FX risk management, streamlining hedge management processes, and supporting hedge accounting according to IFRS 9; finalization of foreign currency hedge management and accounting in regard to IFRS 9
- Balance sheet FX exposure further drill down possibility into exposures and hedging instruments



2018 Planned Innovations

- Enhance liquidity forecast by integration of real estate data
- Snapshot of historic cash position report
- Basic coverage of legislations in foreign currency hedge management and accounting for U.S. GAAP



Business Benefits*

- Reduced risk due to real-time visibility into cash positions
- 20% to 40% reduction in treasury and cash management cost
- 50% to 100% reduction in cash forecast error rate
- 25% to 35% reduction in unnecessary capital requirements
- Optimized hedging costs

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Treasury and Financial Risk Management Deep Dive



TYPICAL PAIN POINTS

- Separate handling of payment orders or bank statements for each bank leads to unnecessary, time-consuming, and error-prone manual processing, increasing the potential for control breakdown and risk.



Current State with ERP on Traditional Database

- Basic bank account management capabilities are manual and require add-on solutions.



SAP S/4HANA Capabilities

- Simplified, automated bank reconciliations and workflows enabled by centralized bank account management
- Continuous enhancements for bank guarantee and stand-by letter of credit
- Central payment functionality that allows for making centralized payments and performing centralized clearing activities
- Improved bank relationship management, including bank fee analysis
- Improved integration with the SAP Bank Communication Management and SAP In-House Cash applications
- Integration of sales and distribution with trade finance



Cloud/ LoB and SAP Leonardo Solution Capabilities

- SAP Financial Services Network enables a complete end-to-end integration of SAP's digital core to banks for incoming and outgoing payment processes



2018 Planned Innovations

- Extended capability of bank fee import and report
- Correspondence for bank account management



Business Benefits*

- 5% to 10% reduction in bank fees

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Finance Operations Deep Dive



TYPICAL PAIN POINTS

- Common receivable management processes in financial operations such as dispute resolution, credit risk analysis, bad debt identifications, and clearing are often manual, disjointed, reactive, and consume significant resources.



Current State with ERP on Traditional Database

- Business processes related to receivables management are often addressed across multiple solutions



SAP S/4HANA Capabilities

- Easy integration with external data providers and other data sources to simplify, harmonize, and improve collaboration in operations as well as provide an improved and intuitive user experience through SAP Fiori UX



Cloud/ LoB and SAP Leonardo Solution Capabilities

- **SAP Cash Application enables next-generation intelligent invoice-matching powered by machine-learning (more on slide 23)**
- SAP S/4HANA Cloud for credit integration enables use of external credit risk information for better customer credit risk assessment
- SAP S/4HANA Cloud for customer payments provides a self-service offering to deploy electronic bill presentment and payment processes
- SAP digital payments add-on can process incoming credit card and other real-time payment methods in a secure and efficient way, significantly reducing cash reconciliation effort



2018 Planned Innovations

- SAP S/4HANA Cloud for credit integration: integration of additional credit agencies
- SAP digital payments add-on: enablement of additional payment service providers and Bitcoin payments
- Introduction of credit management cockpit
- Remittance advice extractor for extracting payment information from unstructured documents to automate clearing process



Business Benefits*

- 5% to 10% reduction in days sales outstanding
- 5% to 25% reduction in AR write-offs
- 25% to 40% reduction in AR management costs
- Reduction in accounts payable operational costs

- Manual, disparate, and reactive payables management processes

- Difficulty in managing the associated clearing processes when data is brought in from other systems

- Multiple accounts payable systems integrated for a consolidated view of multiple invoices, suppliers, and vendors; centralized liquidity planning leveraging central finance function

- End-to-end automated invoice, vendor, and supplier relationship management through SAP Ariba solutions

- SAP Cloud Platform for finance – invoice and goods receipt monitor that leverages machine learning

*Benefits are based on early adopters of SAP or conservative outside-in benefits due to moving from a traditional ERP to enhanced SAP S/4HANA, Cloud/ LoB applications and SAP Leonardo solutions.. As each enterprise is at a different level of maturity, our recommendation is to work with you to determine the value proposition for your enterprise.

(continued next page)

Finance Operations Deep Dive

TYPICAL PAIN POINTS	Current State with ERP on Traditional Database	SAP S/4HANA Capabilities	Cloud/ LoB and SAP Leonardo Solution Capabilities	2018 Planned Innovations	Business Benefits*
<ul style="list-style-type: none"> Difficulty in creating a single interconnected process for invoice processing, fulfillment, and vendor management 	<ul style="list-style-type: none"> Business processes related to invoice management are often addressed across multiple solutions. 	<ul style="list-style-type: none"> Seller-side integration with Ariba Network (invoice and discount management); cost center (SAP SuccessFactors solutions); payment advice (SAP Fieldglass solutions); SAP Ariba Payables for credit card payment 	<ul style="list-style-type: none"> Business networks solutions from SAP Ariba support PO and invoice collaboration for end-to-end fulfillment, onboarding, change orders, and cancellations. 	<p>Integration with business networks -</p> <ul style="list-style-type: none"> Purchase order accruals Cost center integration with SAP SuccessFactors Employee Central and SAP SuccessFactors Employee Central Payroll 	<ul style="list-style-type: none"> Optimized DPO 10% to 40% improvement in invoice processing productivity
<ul style="list-style-type: none"> Organizations spend significant portions of their revenue on unnecessary payments for leasing 	<ul style="list-style-type: none"> Real-estate-management-related business processes are often addressed across multiple solutions. 	<ul style="list-style-type: none"> SAP Real Estate Management facilitates all processes across the real-estate lifecycle: investment and construction, sales and marketing, lease and space management, and maintenance and repair. 	<ul style="list-style-type: none"> Increased compliance reporting strategies and decisions for managing real estate and leases with the SAP Lease Administration application by Nakisa 	<ul style="list-style-type: none"> Optimizations for high-volume processes Integration with legal content management 	<ul style="list-style-type: none"> Reduction in real estate management cost

*Benefits are based on early adopters of SAP S/4HANA or conservative outside-in benefits due to moving from a traditional ERP to enhanced SAP S/4HANA and LoB and cloud capabilities. As each enterprise is at a different level of maturity, our recommendation is to work with you to determine the value proposition for your enterprise.

(continued next page)

Finance Operations Deep Dive



TYPICAL PAIN POINTS

- Difficulty in integrating third-party data for an end-to-end back-office process in shared services



Current State with ERP on Traditional Database

- Integration of third-party data is difficult and requires additional implementation



SAP S/4HANA Capabilities

- Central finance solution simplifies integration of third-party data for shared services. It also provides support for shared services with central processes in accounts payable and accounts receivable



Cloud/ LoB and SAP Leonardo Solution Capabilities

- Shared services framework improves operational excellence by standardizing and syndicating best practices across departments, including procurement (SAP Ariba solutions), HR (SAP SuccessFactors solutions), and T&E (SAP Concur solutions)



2018 Planned Innovations

- SAP RealSpend for developing additional expense management scenarios



Business Benefits

- Reduction in time spent on finance-related transactional activities

- Difficult for cost center managers to control, analyze, and forecast expenses in real time and compare to their budgets

- Many of the expense-related processes are managed offline, in separate systems, and are not real time

- SAP S/4HANA brings together detailed expense information from multiple systems and allows cost center managers to make more informed and proactive decisions

- Improved decision-making with respect to budgets and tracking spend and expenses through the SAP RealSpend solution, and T&E expense through SAP Concur software

- Increased visibility into overall spend and expenses
- Reduced expense management cost

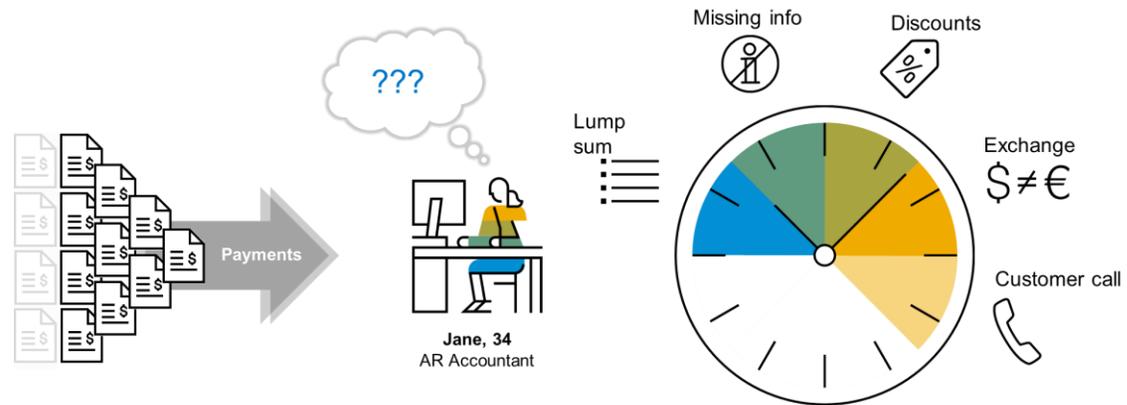
RECEIVABLES MANAGEMENT SCENARIO EXAMPLE

SAP Cash Application software empowers businesses to focus on developing innovative strategies and growth plans with intelligent receivable matching automation that handles manually intensive financial processes.

Intelligent invoice matching powered by SAP Leonardo

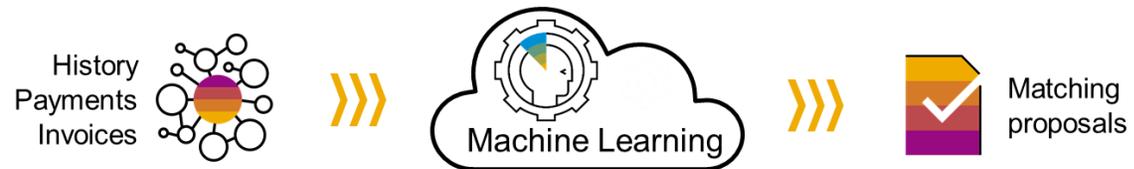
Traditional Process

Significant manual and error-prone effort required to process payments where there is no or incomplete invoice references or when customers pay multiple invoices at once, resulting in credit blocked situation for sales orders, slowing sales while driving up the days sales outstanding metrics



SAP Cash Application

Intelligent and integrated payment clearing automation. New incoming payment and open invoice information are passed to the matching engine in SAP Cloud Platform, and proposed matches are either automatically cleared or suggested for review



Enterprise Risk and Compliance Management Deep Dive



TYPICAL PAIN POINTS

- Difficult to analyze high volume of data to investigate potential fraud along with inability to prevent fraudulent transactions from occurring
- Fragmented systems and compliance processes across the organization lack transparency and accountability.
- No link between governance, risk, and compliance activities and business strategy and performance due to inconsistent practices across the organization
- Management has little visibility into strategic, operational, and emerging risks that can disrupt the business.
- Overly manual processes and controls that occupy internal resources in limited-value activities



Current State with ERP on Traditional Database

- Data samples need to be manually extracted from multiple systems and analyzed to detect potential fraud.
- Use of data samples carries the risk of missing out on potential cases.
- Limited continuous control monitoring (CCM) view of only one source of data at a time
- Potentially complex delegation of authority across multiple systems
- Limited use of CCM and automated control performance due to speed and complexity issues



Cloud/ LoB and SAP Leonardo Solution Capabilities

- **SAP Business Integrity Screening improves fraud identification and prevention with customized predictive detection methods. It increases accuracy of fraud alerts with predictive algorithms that identify potential cases based on historical data**
- Streamlined, automated controls, aligning risk to business value drivers, regulations, and policies through the use of SAP Process Control and SAP Risk Management
- In combination with SAP Audit Management, an effective “three-lines-of-defense” framework to focus on accountability, oversight, and collaboration
- SAP Process Control on SAP HANA provides high-volume, high-speed CCM capabilities with exceptions routed directly to appropriate users for action and issue processing if needed.



2018 Planned Innovations**

- 15% to 20% (some customer examples include 90%) reduction in single, high-value fraud categories, such as travel expense fraud, waste, and abuse
- Significant reduction in internal and external audit costs
- 25% to 30% reduction in risk management and compliance costs
- 20% cost savings through effective risk management and better resource allocation
- Reduced total staff time and manual effort per audit engagement
- Significant reduction in manual efforts with increased engagement in value-adding activities
- Issues found and resolved much faster



Business Benefits*

*Benefits are based on early adopters of SAP or conservative outside-in benefits due to moving from a traditional ERP to enhanced SAP S/4HANA, Cloud/ LoB applications and SAP Leonardo solutions.. As each enterprise is at a different level of maturity, our recommendation is to work with you to determine the value proposition for your enterprise.

(continued next page)

**Coming Soon in Q1 2018

Enterprise Risk and Compliance Management Deep Dive



TYPICAL PAIN POINTS

- Inability to easily analyze data to identify potential issues and control weaknesses causes delays in problem resolution.
- Inability to scale financial compliance, audit, and regulatory requirements and processes when companies expand
- Difficult to manage compliance across different international trade processes to avoid penalties and fines



Current State with ERP on Traditional Database

- No single view of end-to-end processes across multiple systems
- Limited continuous control monitoring (CCM) view of only one source of data at a time
- Basic audit management capabilities enabled through separate offline solutions
- Limited basic functionality available requiring add-ons



Cloud/ LoB and SAP Leonardo Solution Capabilities

- Large data volumes residing in SAP HANA can be monitored end-to-end in near-real time.
- SAP HANA supports continuous monitoring using more robust calculations to identify more specific data exceptions.
- Visibility into the reliability and quality of the controls and compliance management processes during periods of restructuring or M&A
- SAP Global Trade Services standards embedded into international trade processes for imports and exports for improved compliance and efficiency
- Leverage free trade agreements to drive bottom-line savings



2018 Planned Innovations**

- Reduction in fines and penalties due to noncompliance
- Combine screening of names and addresses with transaction monitoring to capture any potential violations
- Provide trade compliance automation embedded in SAP S/4HANA, reducing risks, costs, and resources
- Add cash to the bottom line by improving supply chain performance; meet customer request dates; and reduce inventory



Business Benefits

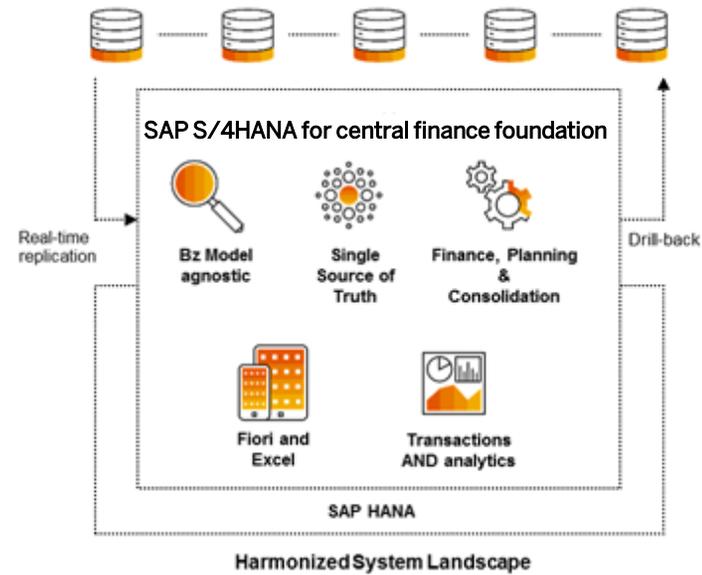
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**Coming Soon in Q1 2018



Central Finance

SAP S/4HANA for central finance foundation (central finance) is an SAP S/4HANA system, installed as side-car, receiving financial accounting transactions through real-time replication from SAP or non-SAP source systems. Central finance comes with a set of enabling technologies that allow any enterprise to start using SAP S/4HANA innovations in as little as **three to six months**.



Value Pillars



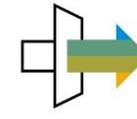
Advanced reporting at segment, entity, and group level

- Business model-agnostic roll-up reporting and growth (reorganization and M&A) extrapolations
- Embedded planning and real-time consolidation
- User front-end agnostic and self-service real-time reporting including using Microsoft Excel



Scalable execution of local and central processes

- Alternative and complement to process execution in source ERP systems
- Process centralization (cross-organization, shared service); economies of scale
- Cycle-time reducing process execution based on SAP Fiori apps and optimized for SAP HANA



Transformation platform for the digital business

- Advanced digital finance data architecture (universal journal)
- Single source of truth for transactions and analytics
- Digital core cloud connectors (workforce, network, customer, IoT); ready for SAP Cloud Platform

(continued next page)



Central Finance

Central Finance enables scalable execution of local and central processes.

Here is the coverage across five end to end finance processes:



Financial Planning and Analysis

- Strategy development and translation
- **Planning, budgeting, and forecasting**
- **Profitability and cost management**
- **Monitoring and reporting**



Accounting and Financial Close

- **Accounting**
- **Entity close**
- **Corporate close**
- Reporting and disclosure
- Financial close governance



Treasury and Financial Risk Management

- **Payments and bank communications**
- **Cash and liquidity management**
- Debt and Investment management
- Financial risk management



Finance Operations

- **Receivables management**
- **Invoice management**
- Travel and expense (T&E) management
- Real estate management
- **Financial shared services**



Enterprise Risk and Compliance Management

- Enterprise risk management
- Controls and compliance management
- International trade
- **Fraud management**
- Audit management



= Core central finance focus areas



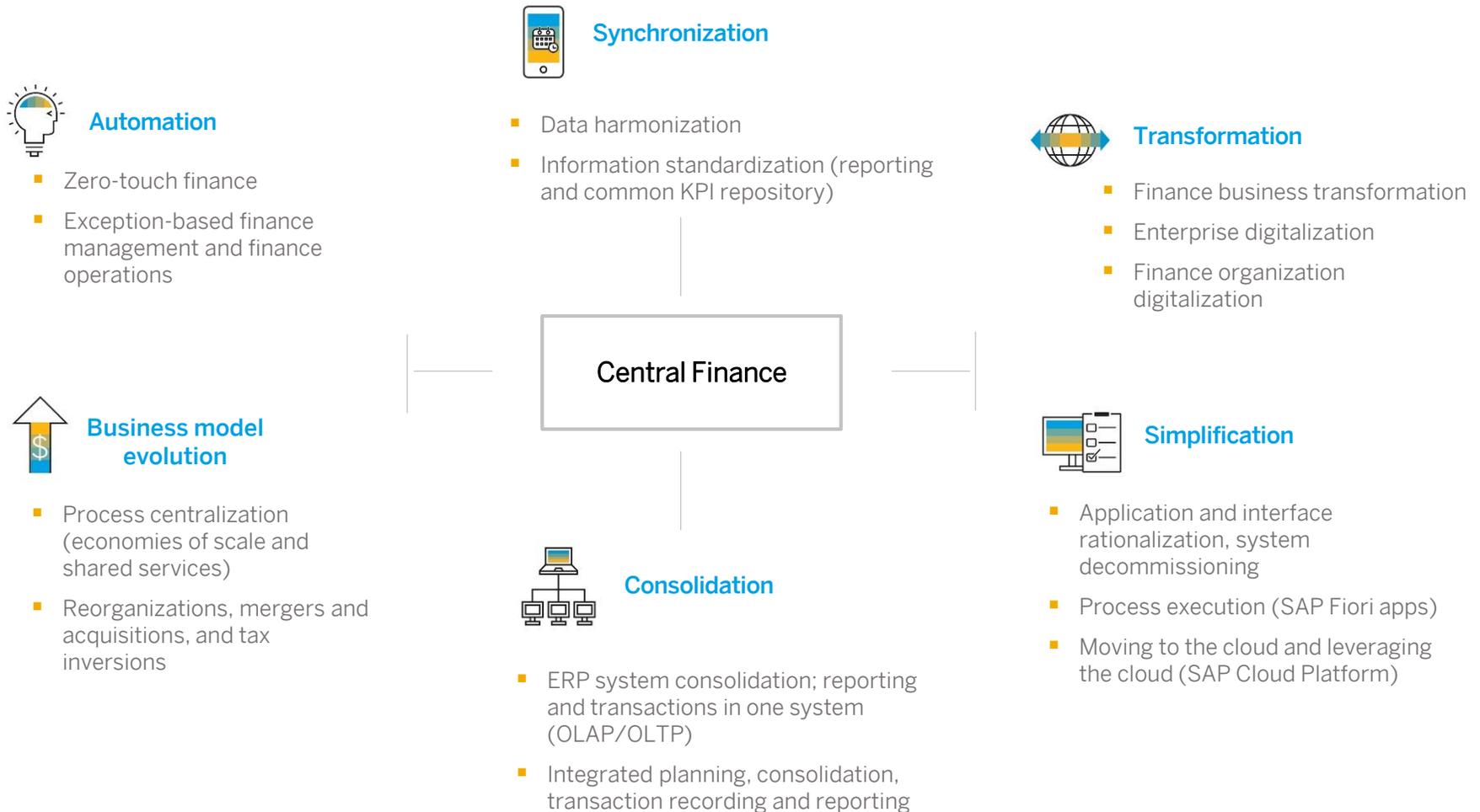
= Secondary focus and optimization candidates

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Central Finance

Here are **the key use cases** enabled by central finance to accelerate your finance transformation journey.



Digital Priorities in Finance

Corporate finance organizations are experiencing the first impacts of what will be a massive change in the way they work, as the world transitions to the digital economy. Here are a few key CFO digital priorities for enabling finance to become a true strategic business partner.

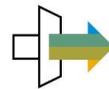
Highly automated and self-learning processes



Highly automated and self-learning processes help finance move away from executing transactional processes and become a true strategic partner. Shared service functions can benefit dramatically through automation; scarce human capital can be redeployed; deeper skillsets can be developed; and higher value added services can be established.

SAP Cash Application powered by SAP Leonardo automates the process of matching bank statement items and invoices. It learns from accountants' past manual actions, and from customer- and country-specific behavior. Apart from increasing efficiency, it also helps to reduce DSO by processing incoming payments faster to increase liquidity and improve customer service.

UI revolution for increased productivity



Providing consumer-grade experience is key to digital change within an organization, to driving adoption and user engagement, and to improving productivity. Finance will play a significant role in providing business users with the same user experience they have in their private lives with their smart devices.

SAP Fiori user experience delivers a role-based, consumer-grade user experience across all lines of business, tasks, and devices. SAP Digital Boardroom, the next-generation board portal, creates interactive data visualizations to support boardroom conversations as they arise, and easily drill down to a supporting level of detail.

Enabling a true business ecosystem



A networked, real-time finance platform is a key prerequisite in the current digital economy. Breakage between buyers and suppliers is being eliminated through extension of business networks, removing the need for manual data capture and reconciliation. Extended finance networks are being used for procurement, invoicing, and payment, as well as for travel and expense automation.

SAP S/4HANA provides an end-to-end digital platform with integration capabilities for cloud solutions such as SAP Ariba solutions for supplier integration, SAP Concur solutions for travel and expense management, SAP S/4HANA Cloud for integrating with external credit agencies, among other cloud solutions such as SAP Fieldglass and SAP SuccessFactors solutions.

Managing internal and ecosystem-related risk



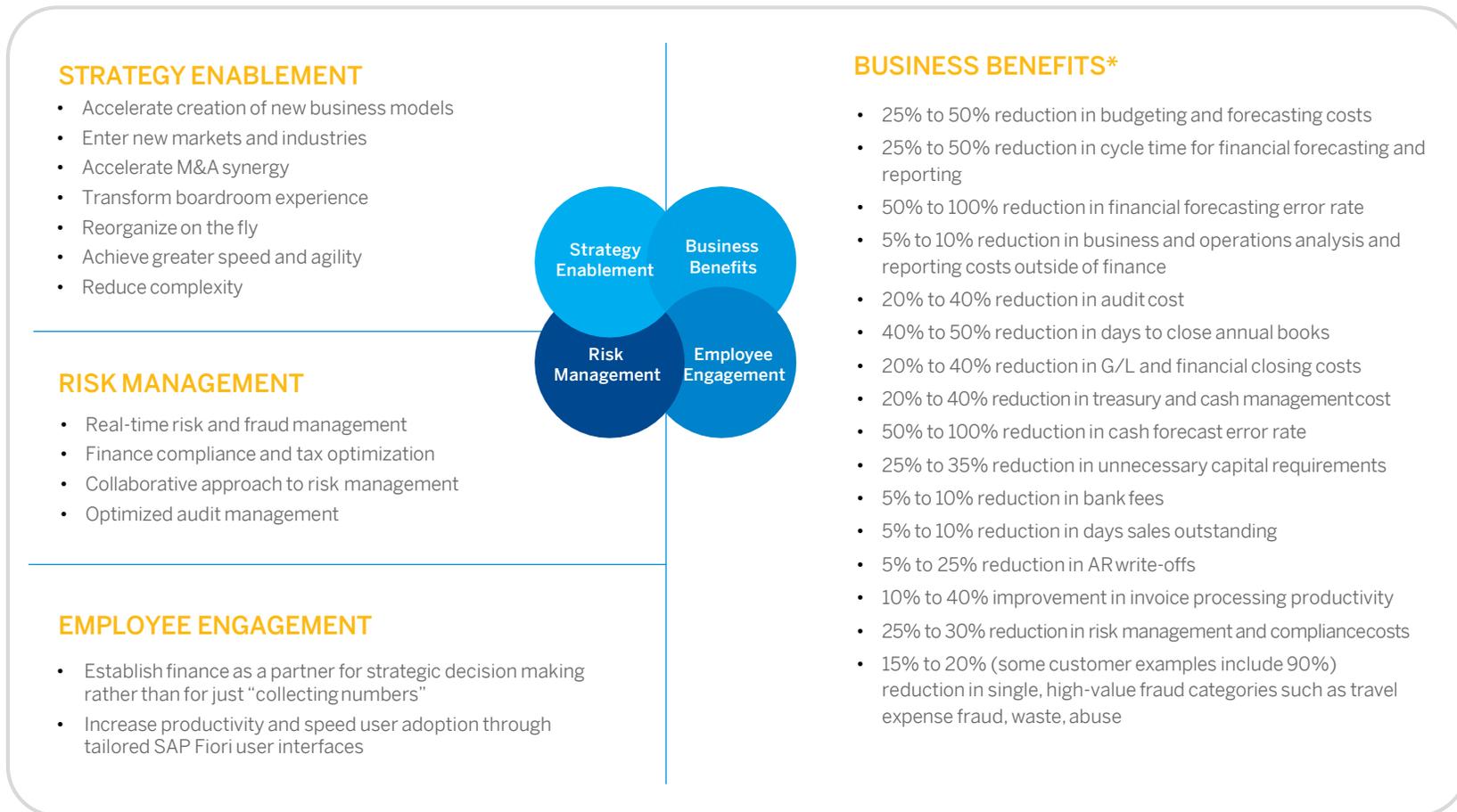
Powerful new tools are providing increased levels of transparency into internal activities, while business networks bring visibility to supplier and credit risk in the ecosystem. To keep pace with real-time transaction processing, finance needs to embed compliance monitoring directly into the transactional systems, allowing 24x7 monitoring to keep their organizations safe.

The SAP Business Integrity Screening application improves fraud detection and prevention by identifying anomalous activity faster using flexible rule sets and predictive analyses that can help uncover potential fraud patterns.



SAP's Value Proposition for Finance

The opportunity exists to transform business processes and achieve the digital transformation of your business with more automation, real-time visibility, and better alignment to your end customers by delivering products tailored to their specific requirements.



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★ Customers are Achieving Value from SAP



IMPERIAL LOGISTICS INTERNATIONAL

- Imperial Logistics needed to consolidate its heterogeneous finance system landscape, which was a result of continuous acquisition strategy over the last 15 years.
- Within six months, Imperial built a centralized system from scratch, starting with the implementation of SAP S/4HANA as the digital core for its German finance operations. It consolidated all finance operations in one accounting service center.
- The result was increased data quality, transparency, and accessibility along with making the reporting processes significantly leaner and 30% faster.

[Click here for Imperial Logistics International source reference](#)

Company

Imperial Logistics International

Industry

Travel and transportation

SAP Solution

SAP S/4HANA

Customer Web Site

www.imperial-international.com



NEW YORKLIFE

- Deployed SAP S/4HANA Finance to enable an enterprise-wide financial transformation and enhance its overall business strategy
- Digitized key processes in finance, procurement, expense management, and human capital management
- Gained a single source of the truth for delivery of accurate, real-time insights and is expected to provide financial leadership to facilitate vital strategic business direction, including M&A, financing, and long-term capital market strategies that support performance along with rapid innovation

[Click here for New York Life source reference](#)

Company

New YorkLife Insurance Company

Industry

Insurance

SAP Solution

SAP S/4HANA Finance

Customer Web Site

www.newyorklife.com

★ Customers are Achieving Value from SAP



AIRBUS DS OPTRONICS

- Migrated to SAP S/4HANA to accelerate reporting and digitize finance processes
- Simplified IT landscape and operations; 75% reduction in data volume
- Accelerated financial closing processes by a factor of three to four times: 1.5 days to close the monthly books and 4 days to close the annual books
- Provided real-time visibility into all major key metrics, sales forecasts, and project cash flows
- Improved data quality through automatic reconciliation between finance and controlling
- Limited downtime to just one weekend with support from SAP Consulting

[Click here for Airbus DS Optronics source reference](#)

Company
Airbus DS Optronics

Industry
Aerospace and defense

SAP Solution
SAP S/4HANA
Finance
Customer Web Site
www.airbusds-optronics.com



BORYUNG PHARMACEUTICAL

Boryung Pharmaceutical needed to compete on a global scale, and it required a simplified IT architecture and real-time analysis to drive critical business management. It turned to the SAP S/4HANA Finance solution as a foundation for its transformation. It gained high visibility and control of its business information in real time.

- **17% higher** on-time delivery performance
- **15% fewer** days in raw material inventory
- **4.5% higher** operating margin for in-house manufacturing goods

[Click here for Boryung source reference](#)

Company
Boryung
Pharmaceutical

Industry
Life sciences

SAP Solution
SAP S/4HANA Finance

Customer Web Site
<http://www.boryung.co.kr/eng/index.do>

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Key Assets for Next Steps on SAP S/4HANA
www.sap.com/s4next

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Lay the Foundation for an In-depth Digital Transformation Engagement

Get clear guidance on S/4HANA centric product map through a free self-service for customers and partners.
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