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SAP software development continues to set standards in information technology for enterprises of all sizes in all types of industry worldwide.



SAP's flagship R/2 and R/3 business application software systems continue to set standards in the IT sector. Both systems meet the business requirements of all types of enterprises around the globe, regardless of size or industry. What makes the SAP software system stand heads above the crowd is its greatest and most basic feature – flexibility. The R/2 and R/3 Systems allow customers to optimize critical business processes, and adapt them to ever-changing corporate needs and market conditions. SAP maintains its position as market leader by developing state-of-the-art technology that is quickly accepted worldwide by a broad number of industries. Some examples of this advanced technology include the Internet-enabled R/3 Release 3.1, now being used productively by numerous companies engaging in electronic commerce; or R/3 Release 4.0, delivered on schedule to its first customers at the end of fiscal year 1997. With the addition of a number of innovative value-added products, Release 4.0 brings with it significant enhancements in all functional areas.

THE R/3 SYSTEM – THE DE FACTO INDUSTRY STANDARD

The R/3 System is a software solution based on established business processes. The most critical processes in an everyday business environment can essentially be divided into three areas: accounting, logistics, and human resources. The R/3 System offers comprehensive functionality in each of these business areas, allowing companies to model their entire operational flow of values and goods. The Accounting solutions define the ground rules for every corporate activity, and cover all aspects of financial accounting, management accounting, capital investment, treasury management, enterprise controlling, and risk management. Enterprise Controlling monitors performance ratios and other key factors for success while supporting the automatic consolidation of financial transactions between companies and the automatic calculation of various types of currency.

The R/3 Logistics solutions improve productivity and quality while saving valuable time and reducing costs. They support the logistics chain of products and services by fully integrating business applications in the areas of procurement, production, sales and distribution. Each application consists of tightly knit process chains that simplify and streamline the flow of information within an enterprise. Processes in capacity and production planning, for example, as well as those for forecasting revenue and service needs, use data from the same consistent database. Human resources management solutions consolidate all key functions required in personnel management and also link personnel tasks to cross-application functions.

In addition to its adaptable functionality and modular building-block structure, the growing number and increasing success of R/3 System implementations worldwide is due, in part, to the development of country-specific versions. Localized versions of the R/3 System have made SAP a global leader in client/server software by offering multinational corporations comprehensive support in the international marketplace, taking into account various language and character sets, local currencies, tax regulations, and other national accounting specifications.

APPLICATION SOFTWARE FOR THE INTERNET: R/3 RELEASE 3.1 AND PANDESIC

With the introduction of R/3 Release 3.1, SAP became the first software provider to market a business application software package offering simple and unrestricted Internet functionality for a broad spectrum of R/3 System business processes. This extensive Internet functionality can also be modified to suit individual customer requirements. Furthermore, the newest Internet and intranet applications have been integrated into ready-to-use application components, offering customers a variety of individually configurable applications for business-to-business, consumer-to-business and intranet communication. Applications are designed for a very large number of users, who can access the R/3 System via the Internet or any company-wide intranet. Using open and stable "Business Application Programming Interfaces" (or BAPIs), the R/3 System can be integrated over the Internet with a business partner's applications and systems. In this way, business processes can be spread across the complete supply chain. One such benefit from implementing this Internet functionality can clearly be recognized in the human resources management area. Corporations can, for example, advertise their employment openings over the Internet and reach potential applicants anywhere in the world. Interested applicants can submit employment applications online, and with the click of a mouse, the applications are then sent and processed automatically in the R/3 Human Resources component.

Pandesic is an attractive e-commerce package for providers, end-users, and suppliers operating via the Internet. The product was developed by Intel Corporation and SAP America and is being marketed by the two companies jointly. It comprises hardware, software, and related services and is especially cost-effective for small businesses wanting to make their goods and services available over the Internet. Integrated processes support the entire business operation. The Pandesic solution, based on some of the core business processes in R/3, is already available in Canada and the USA.



PRODUCTS AND SERVICES

As of December 31, 1997, there were a total of 13,433 R/3 installations around the world

R/3 RELEASE 4.0 - A FLEXIBLE AND DYNAMIC APPROACH TO THE VALUE CHAIN

R/3 Release 4.0 offers users a business software solution with clear enhancements made to its previous scope of functionality. This release includes innovative value-added elements that support the entire process chain from point-of-sale to procurement and production. Enhanced functionality streamlines enterprise-wide processes in Logistics, Accounting and Human Resources and offers additional ways of working with external business partners. Release 4.0 also helps reduce time-to-market for products and services. Users profit from greater flexibility in the Logistics component, as well as improved cost and risk management. Highlights of Release 4.0 in Accounting include the addition of the Consolidation and Joint Venture Accounting components. Consolidation is a new application in Enterprise Controlling that consolidates financial data from the operationally integrated R/3 Systems on company, business area, and profit center levels. Additionally, transferring data from companies that do not have an R/3 System is simplified. Joint Venture Accounting enables companies to combine the financial and human resources required for projects entailing high risk, substantial financial investment, and long payback periods. Treasury Management offers functionality for handling financial transactions and related items such as money market trading, foreign exchange, derivatives, loans, and securities. Risk Management plays an important role in insuring corporate competitiveness. In Cash Management, all information relating to a company's liquid assets is prepared for analysis, providing a basis for important business decisions. As of Release 4.0, the Travel Management function contains even more international functionality, and is now integrated in the R/3 Financial Accounting component.

TOOLS FOR LEAN PRODUCTION AND IMPROVED FLOW OF INFORMATION

In the R/3 Logistics component area, Release 4.0 enhancements deserving special mention are the Available-To-Promise (ATP) Server, continuous flow production, catalog integration, distribution resource planning, and payment card processing. The ATP Server guarantees integrated real-time availability checks along the supply chain, a requirement for companies with a high throughput in sales and production. The R/3 System can define delivery expectations and support their fulfillment as demand arises. With its ATP Server technology, SAP has created an entirely new benchmark for providing enterprise-wide availability data. The new line design functions in Release 4.0 offer companies with continuous flow production and repetitive manufacturing processes a key tool for streamlining production and improving information flow for production based on demand. Procurement via Catalogs is an Internet application for Release 4.0 that simplifies ordering office supplies or materials required for production. Employees at any workstation can call up and browse through internal and external product catalogs using an easy-to-operate Internet browser interface and then select items for procurement. Additional focal points in the R/3 Logistics component area include auto-

matic availability checks, reservations, material groups, and account assignment types. Distribution Resource Planning (DRP) calculates distribution centers' net requirements and insures that required stock is shipped to centers on a strict distribution schedule. The Payment Card Accounting function in Release 4.0 supports sales transactions made by credit cards, procurement cards, and customer cards by checking for valid authorization when deliveries are scheduled or goods are issued.

HUMAN RESOURCES SPANS EVEN MORE OF THE GLOBE

The localized versions of the R/3 Human Resources (HR) component enhance the international functionality in all personnel management and payroll accounting areas by including functions that adhere to the legal requirements and standard business processes and policies of individual countries. With the latest addition of Mexico, Indonesia, Malaysia, New Zealand, and Taiwan (ROC) to the list, the number of R/3 HR country versions for the complete human resources management area has reached 20. For the growing number of multinational corporations, the ability to operate several localized versions productively at the same time is a real value-added advantage. Compensation Management is an additional function that schedules, monitors, and manages company wage and salary plans. As of Release 4.0, R/3 Human Resources is the first core application of the R/3 System delivered as an independent component, while remaining fully integrated in the Business Framework architecture.

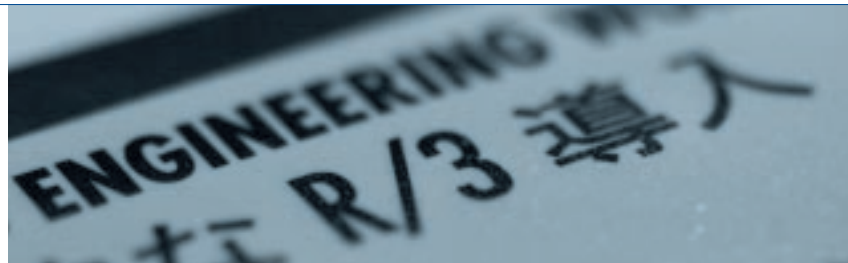
EMPLOYEE SELF-SERVICE - MORE EFFICIENT MANAGEMENT OF HUMAN RESOURCES

One of the Release 4.0 highlights in the R/3 Human Resources component area is the Employee Self-Service applications. These applications are simply easy-to-use intranet scenarios, enabling employees to view and update their own personnel data when necessary, thus relieving human resources staff of often routine administrative tasks that consume valuable time and expense. At the same time, the Employee Self-Service applications improve the information flow in an enterprise by allowing employees to check, change, or add to their address data, record a new member of the family, review leave entitlement and status of leave requests (up to and including approval), call up information regarding employee benefits, enter business trip or other travel costs, calculate expenses, and print out statements on any of the above.

FIT FOR THE YEAR 2000 - COMPETITIVE ADVANTAGES OF THE R/3 SYSTEM

While numerous companies are spending millions to revamp their existing software for the turn of the century, SAP customers can confidently face the year 2000 with peace of mind. Migration or upgrades are not required for R/3 System users because the software was originally developed using four-digit year fields. This forethought results in yet another competitive advantage for companies using R/3. They save the enormous cost of installing new soft-

The localized versions of the R/3 System have contributed significantly to the product's success in the international marketplace



ware or adapting existing software, and can focus completely on core business operations, free from concern over the "millennium bug". Nor can any problems arise with data transferred from an external application to the R/3 System that is not year-2000 compliant: The R/3 System recognizes two-digit year representations and automatically converts them into a four-digit format.

EUROPE'S NEW CURRENCY MADE EASY - SAP EURO

European Monetary Union (EMU) and its new currency, the euro, will impact almost every area of an enterprise. External accounting is the area perhaps most affected by the upcoming currency changeover, requiring significant conversions and modifications to support the introduction of the euro. Every single account ledger has to be modified, and entire reporting and payment transaction systems have to be readied for calculations with the new currency. In addition, internal corporate areas of reporting, controlling, payroll accounting, materials management, and sales and distribution have to support the changeover to the euro. The R/3 System meets requirements for the currency changeover head on. SAP Euro, a complete software solution for EMU and the euro, includes the comprehensive euro functionality necessary to keep business transactions simple during the dual currency phase. Furthermore, SAP Euro insures compliance with all applicable legal regulations and allows companies to review monetary amounts in both the euro and their local currency. SAP Euro software also contains functionality for automatically calculating local currency into euros.

CONTINUED SERVICE AND MAINTENANCE GUARANTEED FOR THE R/2 SYSTEM

Around 1,400 companies worldwide continue to use the R/2 System for mainframe computers as their business software solution. SAP has always been committed to safeguarding the software investments of its customers whenever possible, and will continue to enhance, maintain, and support the R/2 System up to the year 2004. Releases 6.0 and 6.1 are the latest examples of the improved range of R/2 System functionality, with both releases containing new Basis System functions to increase the level of system availability. Release 6.1 combines Basis functionality from 6.0 with special developments created for Release 5.0. Because more and more R/2 users want to profit from the significant advantages of the modern client/server environment provided by an R/3 System, SAP has developed specific tools to support the migration process from R/2 to R/3. In addition, customers holding existing SAP R/2 maintenance contracts receive R/3 migration tools free of charge.

SUCCESSFUL IMPLEMENTATION PROJECTS WITH TEAMSAP

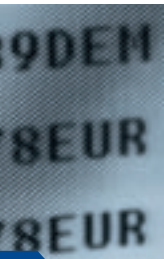
SAP AG supports the "TeamSAP" initiative, which was successfully inaugurated in 1997 in North America, and has now spread across the globe. SAP has now taken on increased responsibility for insuring successful R/3 System installations for its customers in Europe and Asia. From initial client contact with SAP to actual software implementation, including regu-

lar system updates in concert with project managers and certified partners, TeamSAP offers an integrated infrastructure of people, products and processes. TeamSAP is based on a brand-new concept in which an SAP consultant, or "coach," is assigned to each customer project. At the same time, it leverages the proven AcceleratedSAP's state-of-the-art implementation methods, reflecting experience gained during the course of thousands of R/3 installations. SAP project coaches guarantee the success of the software implementation by providing hands-on assistance with the following: partner certification, coordination of resources, quality assurance, and efficient knowledge transfer. They even assume the project leadership role when required.

COMPETENT SERVICE ORGANIZATION CREATES COMPETITIVE ADVANTAGE

The SAP Services area faces the daily challenge of supporting the rapidly growing number of R/3 installations (13,433 as of December 31, 1997), with over two million users worldwide, including an increasing number of medium-sized companies. A strong R/3 service organization is required for a variety of reasons. First, it must provide optimal support for the implementation process and infrastructure to insure trouble-free operation of customers' R/3 Systems. Second, a strong service organization is essential not only to distinguish SAP from the competition, but also to help it achieve the competitive edge in its core business. And, above all, a strong service organization offers an opportunity to gain valuable feedback and insight from customers, resulting in improvements to both products and services.

The numbers speak for themselves in terms of SAP service and support. In December 1997, SAP had a worldwide service and support infrastructure comprising more than 4,200 SAP consultants. These were joined by over 30,000 qualified external consultants from SAP part-



PRODUCTS AND SERVICES

SAP's enterprise business software complies with the requirements for EMU



The R/3 Services area is divided into Support, Education and Consulting. One of the Support Services' tasks is to operate helpdesks

ners, all supporting R/3 customers with their system implementations. In addition, SAP maintains 60 training centers, 35 local support centers with 300 employees, four regional support centers with approximately 320 employees, as well as six regional service centers with approximately 200 employees around the world. Strong partner integration and efficient remote communication links insure that support processes and infrastructures are standardized across the board.

24-HOUR SERVICE WORLDWIDE

R/3 Services is divided into three main areas: Support Services, Education Services, and Consulting Services. Support Services is chiefly responsible for software maintenance and trouble-shooting. A three-tiered service concept has been established to offer customers the best possible service and support with quick response times.

A worldwide, 24-hour Online Service System (OSS) is available which SAP customers can use to enter messages, search for notes, or download software patches. Over 80% of SAP customers now use remote connections and the OSS. For additional support for live system operation, SAP offers an automatic situation analysis function. With the aid of an automatic data download from the customer server, the customer's system load is checked at certain intervals. If any essential parameters differ greatly from standard parameters, an automatic warning is generated and sent to the support organization. These preventive measures enable corrective action to be taken long before a critical situation occurs.

SAP is again in the forefront by using the Internet to make a wide range of information available to the world. With SAPNet, SAP has established a new information and communication channel offering information on SAP to customers, partners, employees, and prospects. SAPNet distinguishes itself from conventional corporate web sites by transparently linking the functionalities of the Internet and the R/3 System, making the information provided of a much better quality. Internet users interested in SAP can call up a typical home page detailing SAP, the company and its products. SAP customers and partners, on the other hand, can enter a user ID and then view a pre-determined web page specifically targeted at them. Remote Services is another important area, and includes services that SAP provides via "remote" connections (up to customers' R/3 Systems). Some remote services, such as Early-Watch, which enable a customer's live R/3 System to be analyzed, monitored and optimized while in operation, have been active for a number of years. Other Remote Services include Remote Upgrade, used to carry out a complete system upgrade from a remote location, Remote Archiving and Remote Consulting.

TRAINING AND CONSULTING INSURE OPTIMAL BENEFITS

SAP's Education Services represents an important focus of the company's service activities. Its goals are to improve user qualifications and insure continuous knowledge transfer through business-process-oriented training for various target groups. Customer project teams are trained at SAP; training for end-users is usually carried out by partners or by the customers themselves. They are supported by the R/3 Information Database, which contains all licensed training materials and is updated regularly. Using these authorized training tools, customers and partners can put together their own internal training programs. Essential teaching materials for end-users are also available in the form of multi-media learning units on CDs. With its computer-based training and knowledge products, SAP provides valuable support in expanding and reinforcing knowledge learned because the tools accurately simulate the R/3 System environment. Testing and training examples provided in the form of an integrated "test case" enterprise are especially valuable.

Consulting Services offers complete support worldwide for R/3 implementations. Consulting can be carried out directly at the customer location, or remotely over data lines. Consulting Services is responsible for optimizing the potential of the R/3 System for the customer, assisting customers in setting up and customizing their systems, testing live systems, making recommendations to optimize performance, performing system upgrades, and helping customers adapt their systems to reflect ever-changing business situations.

