

SAP: PROVIDING A BETTER RETURN ON INFORMATION

SAP's key focus is to insure that its customers earn "a better return on information." It accomplishes this goal by delivering state-of-the-art information technology solutions which enable customers to meet market challenges, both today and tomorrow. SAP's commitment extends to companies of all sizes operating in a variety of industries, thus insuring an enterprise-wide, process-oriented approach to business solutions which enhance the entire value chain.

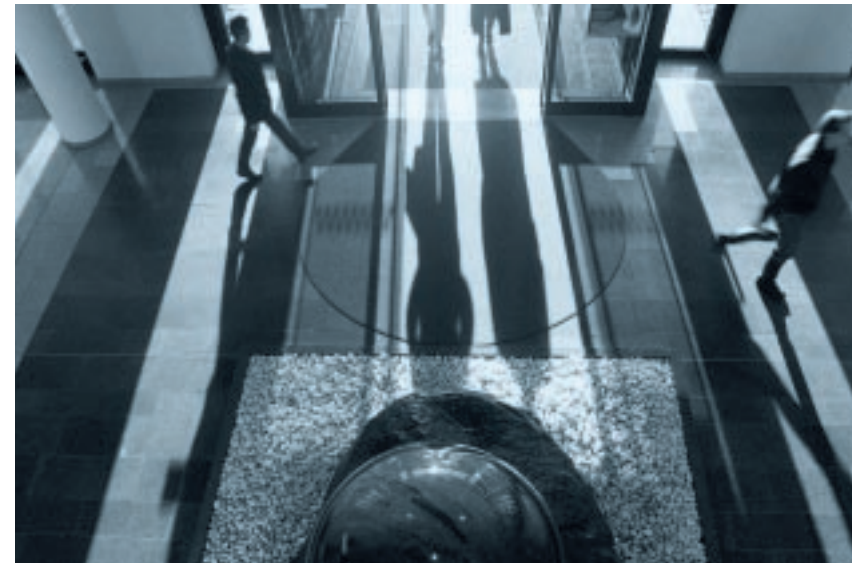
As it strengthens its leadership in the world market for enterprise business software, customer reliance on SAP continues to grow. According to a recent study by International Data Corporation, a respected US market research firm, SAP has established a commanding lead in the client/server industry, holding a market share of 28%, a figure greater than the combined shares of its next five competitors. In the European market for integrated enterprise software, its position is even stronger, with a market share of 41%. Through its subsidiaries, branches, or representative offices, SAP is now present in virtually all of the world's industrialized markets. Its products are used in more than 90 countries, representing around 98% of the world's economic capacity – conclusive proof of SAP's global reach.

The twenty-sixth year of the company's history was a highly successful one. Sales revenues grew by 62% to DM 6.02 billion, with 81% of sales made outside Germany. Pre-tax profit for 1997 grew even faster than sales, rising by 72% to DM 1,667 million. Net profit (DM 925 million) and earnings per share (DM 8.87) grew in line with sales, increasing by 63% and 62% respectively. This vigorous growth was fueled by continued worldwide demand for enterprise business software. The demands of the year-2000 challenge and the coming introduction of the euro had a particular effect on demand characteristics. More than two million users now work with over 13,000 R/3 installations worldwide, while some 1,400 companies use the mainframe R/2 System.

A key factor in this global sales success is SAP's capacity to constantly develop new and innovative solutions. SAP has consistently led the software industry in terms of research and development. In 1997, the company invested DM 813 million – just under 14% of its total sales – in enhancing and developing existing and new products. Users particularly appreciate that SAP is evolving its software in stages and is actively committed to protecting its customers' software investments. The current R/3 Releases – 3.1 and 4.0 – are clear evidence of this commitment. With Release 3.1, SAP brought to market a business application package that delivers easier-to-implement Internet features which support all R/3 business processes and can be tailored to individual customer requirements. R/3 Release 4.0, focusing on value chain innovation, supports the entire process chain from point-of-sale to manufacturing and procurement. The enhanced functions increase the speed of company-wide logistics, financials and human resources, while other innovations create opportunities for closer cooperation with business partners.

SAP's component strategy, based on its Business Framework technology approach, represents an aggressive evolution in SAP's product portfolio. The company is refashioning the R/3 System into a family of integrated components, while simultaneously developing a range of independent applications that can be marketed separately. This boosts SAP's potential for tapping new horizontal and vertical markets.

The rapid growth of the company is also reflected in the development of the workforce. At the end of the year, the SAP Group employed 12,856 people, representing a rise of 40% compared to the previous year. The number of people employed outside Germany rose by 51% to 7,340 – an increase significantly greater than for Germany, where in 1997, 1,171 new employees were hired, increasing the headcount by 27% to 5,516. SAP owes its success to the capabilities, performance, and commitment of its employees. The Group is committed to strengthening its unique corporate culture, a culture characterized by respect and mutual trust. SAP nurtures individuality, and provides considerable latitude for innovation and creativity to blossom. Teamwork, an open exchange of information, flat hierarchies, and tolerance of risk-taking all promote entrepreneurial thinking and actions.



SAP PROFILE



The revolving granite ball in the lobby of SAP's headquarters in Walldorf symbolizes the company's international orientation