



WHAT YOU WANT TO KNOW ABOUT UPGRADING TO mySAP™ ERP 2005

FREQUENTLY ASKED QUESTIONS FOR SAP® R/3® CUSTOMERS



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PREFACE

This document provides SAP customers with the most frequently asked questions and answers about the evolution of the SAP® enterprise resource planning (ERP) application, the trusted foundation for business excellence and innovation.

With unrestricted shipment of its new release, the mySAP™ ERP 2005 application, SAP is pleased to announce more than 300 functional enhancements that add value to your business: new functions, greater productivity with role-based user interfaces, and integrated analytical insights into business processes. mySAP ERP 2005 also embeds industry-specific functions that are all available in a single solution. The application is powered by the SAP NetWeaver® platform, the foundation for enterprise service-oriented architecture (enterprise SOA) – thus giving your organization the flexibility to design new business processes more quickly to meet changing customer requirements.

In addition, SAP has significantly simplified the process of upgrading your systems – making mySAP ERP the “go-to release” for SAP R/3® software customers. In this document, you will learn how upgrading your current SAP R/3 software to mySAP ERP 2005 provides clear value. It is an excellent opportunity for your organization to create a real competitive advantage now, and stay a best-run business over the long term.

Please note: This document is a preliminary version not subject to your license agreement or any other agreement with SAP. The document contains only intended strategies, developments, and functionalities of mySAP ERP and is not intended to be binding upon SAP to any particular course of business, product strategy, and/or development. Please note that this document is subject to change and may be changed by SAP at any time without notice. SAP assumes no responsibility for errors or omissions in this document.

UPGRADE FROM SAP R/3 TO mySAP ERP

*A SIMPLE UPGRADE,
CLEAR VALUE,
AND A PROFOUND OPPORTUNITY*

"mySAP ERP provides existing SAP customers with a rock-solid business foundation for future success, enabling organizations to achieve and sustain excellence in core operational areas. This new release delivers on the promise of enterprise SOA: the high levels of flexibility and adaptability needed to innovate and address today's business challenges, and the capabilities end users require to do their jobs effectively and efficiently."

Shai Agassi, President of the Product and Technology Group
and Executive Board Member, SAP AG

OVERVIEW

WHAT IS mySAP ERP?

The mySAP™ ERP application is the follow-up product to SAP® R/3® software. mySAP ERP 2005 is the target release for customers considering upgrades of their current SAP R/3 systems.

The latest ERP solution from SAP delivers significant product enhancements for financial management, human capital management, procurement and logistics, product development and manufacturing, sales and service, and other corporate services.

In addition, mySAP ERP is powered by the SAP NetWeaver® platform, a composition platform that allows organizations to build new business solutions rapidly while realizing more business value from existing IT investments. SAP NetWeaver supports new cross-functional business processes, helping lower your total cost of ownership by reducing the need for custom integration and offering complete life-cycle management for your applications. As the foundation for enterprise service-oriented architecture (enterprise SOA), it helps align people, information, and business processes across organizational and technological boundaries.

To find further information on mySAP ERP, please visit www.sap.com/erp. You can also download the *mySAP ERP Overview Brochure* (available on the site).

WHAT BENEFITS DOES mySAP ERP PROVIDE TO MY ORGANIZATION?

mySAP ERP is a world-class, integrated ERP application that addresses the core business software requirements of the most demanding midsize and large organizations in all industries and sectors.

With the new release, mySAP ERP 2005, SAP is delivering more than 300 functional enhancements that add the following value to your business:

- **New functionality and improved processes** – Major improvements in financials, human capital management, procurement and logistics, product development and manufacturing, sales and service, corporate services, and analytics as well as industry-specific functionality that can be adopted as your business needs them
- **Information worker productivity** – A way of connecting people directly to processes and delivering the information and functionality they need to be highly productive and make the right decisions
- **Architecture that adapts to change** – Architecture that's built on SAP NetWeaver and enterprise service-enabled, allowing you to innovate and adapt to changing business requirements with greater speed and at lower cost
- **Proven and low-risk upgrades** – Proven, cost-effective upgrade path with tools honed through years of experience, packaged services to help plan and execute upgrades, and a fully prepared service organization and ecosystem partners

With mySAP ERP, you also have the opportunity to reduce the total cost of ownership by simplifying your IT landscape through systems consolidation, maximizing SAP standard functionalities by replacing custom modifications and homegrown interfaces to legacy applications. For example, you can deploy new functionalities of mySAP ERP incrementally and leverage preset defaults. Prepackaged versions are

available for specific industries to eliminate complexity and simplify the management of your IT landscape. In addition, the latest release of mySAP ERP reduces your reliance on expensive third-party applications to support financial reporting, e-learning, e-procurement, and other emerging business practices.

Your organization can gain the following key benefits from mySAP ERP:

- Better financial management and reporting
- Greater control over managing your employees globally
- Tighter linkage and visibility of business operations
- Superior flexibility to address new business requirements
- Easier access to enterprise information and reports
- Lower cost of deploying industry-based processes
- Confidence in ongoing support and development of enterprise processes
- Lower ERP costs per employee through self-services
- Easier method of integrating add-on functionality

WHAT'S NEW ABOUT THE LATEST RELEASE OF mySAP ERP?

mySAP ERP 2005 provides significant innovations compared to previous releases, as follows:

- **Over 300 new and enhanced functions/features** in every functional area compared to SAP R/3 4.6C, including financials, human capital management, procurement and logistics, product development and manufacturing, sales and service, corporate services, and analytics
- **Consolidation with more than 25 industry solution portfolios** that can be delivered through mySAP ERP
- **Dramatically improved user experience and usability** with a rich client, work centers, personalized and reusable role-based access, guided procedures, and interactive forms
- **Integrated corporate performance management**
- **Advanced and embedded analytics** to provide strategic business insight (SAP xApp™ Analytics composite application)
- **Native Microsoft Office integration via Duet™ software, the first joint product of SAP and Microsoft** (option only available with mySAP ERP 2004 and mySAP ERP 2005)
- **Native integration with the SAP xApps™ family of composite applications**, such as the SAP xApp Resource and Portfolio Management, SAP xApp Manufacturing Integration and Intelligence, and SAP xApp Cost and Quotation Management composite applications
- **Enterprise SOA blueprint** with 300 new enterprise services delivered to enable flexible and adaptable business processes available

WHAT'S NEW ABOUT THE LATEST RELEASE OF mySAP ERP (in detail)?

mySAP ERP 2005 offers many enhancements. Following are the highlights:

- **Compatibility with SAP Industry Solutions** – mySAP ERP 2005 is the first ERP application from SAP that works compatibly, out of the box, with all of the more than 25 SAP industry solution portfolios. SAP industry solutions now use mySAP ERP 2005 as a code base. As a result, you will find a deeper level of process integration between mySAP ERP and industry solutions. In addition, since both your industry solutions and mySAP ERP are essentially one product to manage, your maintenance and periodic updates to the software are much easier to handle. Most customers will benefit from a consolidated system landscape with fewer physical instances to manage.

- **Improved Role-Based Access** – mySAP ERP 2005 provides a broader catalog of roles than earlier versions of the software. Role-based access improves the usability of your ERP system and enables your employees to configure and tailor the type of processes and information they need to manage their work.
- **Better Reporting and Analytics** – Major advances in enterprise reporting are now available with mySAP ERP 2005. This version takes advantage of the latest versions of the SAP NetWeaver Business Intelligence component and enables your employees to design reports in a “click and drag” fashion, publish the information to Microsoft PowerPoint or Adobe PDF documents, or share reports internally via Microsoft Outlook.
- **Improved Collections and Accounts Receivable Processes** – Significant improvements in invoicing, accounts receivable, dispute management, and collections are now available in mySAP ERP 2005. This version uses the latest and most advanced generation of SAP financial supply chain management solutions and gives you greater abilities to streamline invoicing, payments, and cash management.
- **Improved Consolidated Financial Reporting** – Financial consolidation processes are significantly improved in mySAP ERP 2005. With this version of the software, SAP has improved the ability to upload financial information from third-party systems, manage investments in different currencies, and accommodate inter-unit elimination transactions.
- **Simplified Budgeting and Planning Processes** – Planning and budgeting are easier with mySAP ERP 2005. This is the first version that uses an “express planning” technique to help nontechnical users construct and manage the process of creating budgets or updating periodic forecasts. This software is built on a common planning engine delivered with SAP NetWeaver, and with “express planning,” the usability and workflow related to managing plans and budgets is greatly improved.
- **Improved Efficiency for HR Managers and Administrators** – The work of your HR department gets significantly easier with mySAP ERP 2005. This is SAP’s first attempt – and perhaps the first in the industry – to think about what HR managers do, instead of providing them with a set of tasks they have to “find” in the system. Workflow lists, approval notices, and report notifications are prioritized and presented in an intuitively designed and personalized portal.
- **Better Insight for Plant Managers** – mySAP ERP 2005 provides manufacturers with an integrated shop-floor analysis solution. If yours is a manufacturing company, this new solution enables your plant managers to gain real-time insight into line performance and availability. With this integration, you’re able to adjust manufacturing capacity based upon forecast information generated in your sales and planning solutions.
- **Improved Employee Self-Services** – mySAP ERP 2005 is the first version of SAP software that delivers employee interaction center software. This feature organizes self-services for employees, increases the level of process automation in human resources, and allows you to support HR shared-services centers or even outsource entire aspects of your HR function.
- **Service Enablement and Future Innovation** – mySAP ERP 2005 is the industry’s first service-enabled ERP application, and will be the base on which SAP will deliver new and enhanced functionality. Through a delivery approach called enhancement packages, SAP will deliver incremental and periodic improvements that customers can optionally apply on top of their mySAP ERP 2005 implementation. These enhancement packages are tested and work compatibly with mySAP ERP 2005. (Please note that these functionality enhancements will not be provided with earlier versions of the software.)

For additional information on these and other new functionality in mySAP ERP 2005, please refer to the *mySAP ERP 2005 Value of Upgrade* document and the *mySAP ERP Solution Browser* available on the SAP Service Marketplace extranet at service.sap.com/upgrade-erp.

WHAT MAJOR FUNCTIONAL ENHANCEMENTS DOES mySAP ERP 2005 PROVIDE, BY AREA?

ENHANCED FINANCIAL MANAGEMENT, ANALYSIS, AND REPORTING FUNCTIONALITY

- A newly architected general ledger solution that lessens manual reconciliations and improves the ability to balance ledgers by multiple dimensions
- Improved management dashboards that provide a complete picture of business operations and improve decision making among managers and line-of-business users
- New collections and credit management functionality to accelerate cash collections and improve day-sales-outstanding metrics

ENHANCED HUMAN CAPITAL MANAGEMENT FUNCTIONALITY

- End-to-end talent management tools to improve recruiting, training, performance evaluation, and retention of employees
- Improved employee self-service functionality to reduce administrative overhead of HR departments
- Improved employee expense and travel reporting to reduce the time and improve control over employee expense reimbursements

ENHANCED SUPPORT FOR NEW BUSINESS MODELS AND OPERATIONS

- Improved architecture to support outsourcing for payroll and cash management
- New ability to support electronic procurement, invoicing, sales order management, and documentation of internal controls for the U.S. Sarbanes-Oxley Act
- Enhanced enterprise services repository for system and instance consolidation and shared-service management

SERVING A BROAD BUSINESS USER COMMUNITY

- Empowered users through enhanced functionality to connect people directly to processes leveraging the specific role-based user interface
- Improved business insight through expanded SAP xApp Analytics

For additional information on these and other new functionalities in mySAP ERP 2005, please refer to the *mySAP ERP 2005 Value of Upgrade* document and the *mySAP ERP Solution Browser* available on SAP Service Marketplace at service.sap.com/upgrade-erp.

WHERE CAN I FIND MORE DETAILED INFORMATION ON DELTA FUNCTIONALITIES BETWEEN DIFFERENT ERP RELEASES?

You can find more information on delta functionalities between different releases through the use of a new mySAP ERP browser tool. This HTML-based tool lets you easily view the functionality enhancements between two releases of ERP software – for example, your current release, such as SAP R/3 4.6C, and the one you are considering, such as mySAP ERP 2005. You can narrow your search by mySAP ERP solution area or SAP R/3 module, and then export the results directly to Microsoft Word.

Please note that a new hosted version is available on SAP Service Marketplace at service.sap.com/upgrade-erp. In addition, you can refer to the release notes for mySAP ERP 2005 at service.sap.com/releasenotes.

WHAT DOES mySAP ERP 2005 INCLUDE?

mySAP ERP includes the following key components:

- **SAP ERP Central Component** for financials, human capital management, procurement and logistics, product development and manufacturing, and sales and service
- **SAP NetWeaver** – with the following components:
 - SAP NetWeaver Business Intelligence
 - SAP NetWeaver Portal
 - SAP NetWeaver Exchange Infrastructure
 - SAP NetWeaver Mobile
 - SAP NetWeaver Application Server
- Self-service procurement functionality, available in the mySAP Supplier Relationship Management application
- SAP Strategic Enterprise Management application
- SAP E-Recruiting application
- SAP Learning Solution
- SAP Financial Supply Chain Management set of applications (including treasury and bank communication solutions)
- SAP Employee Self-Service application
- SAP Manager Self-Service application
- Collaboration Projects (cProjects) application
- SAP E-Commerce application (Web application component)
- Support for industry-specific applications

To find further details about mySAP ERP, please visit www.sap.com/erp and SAP Service Marketplace at service.sap.com/erp.

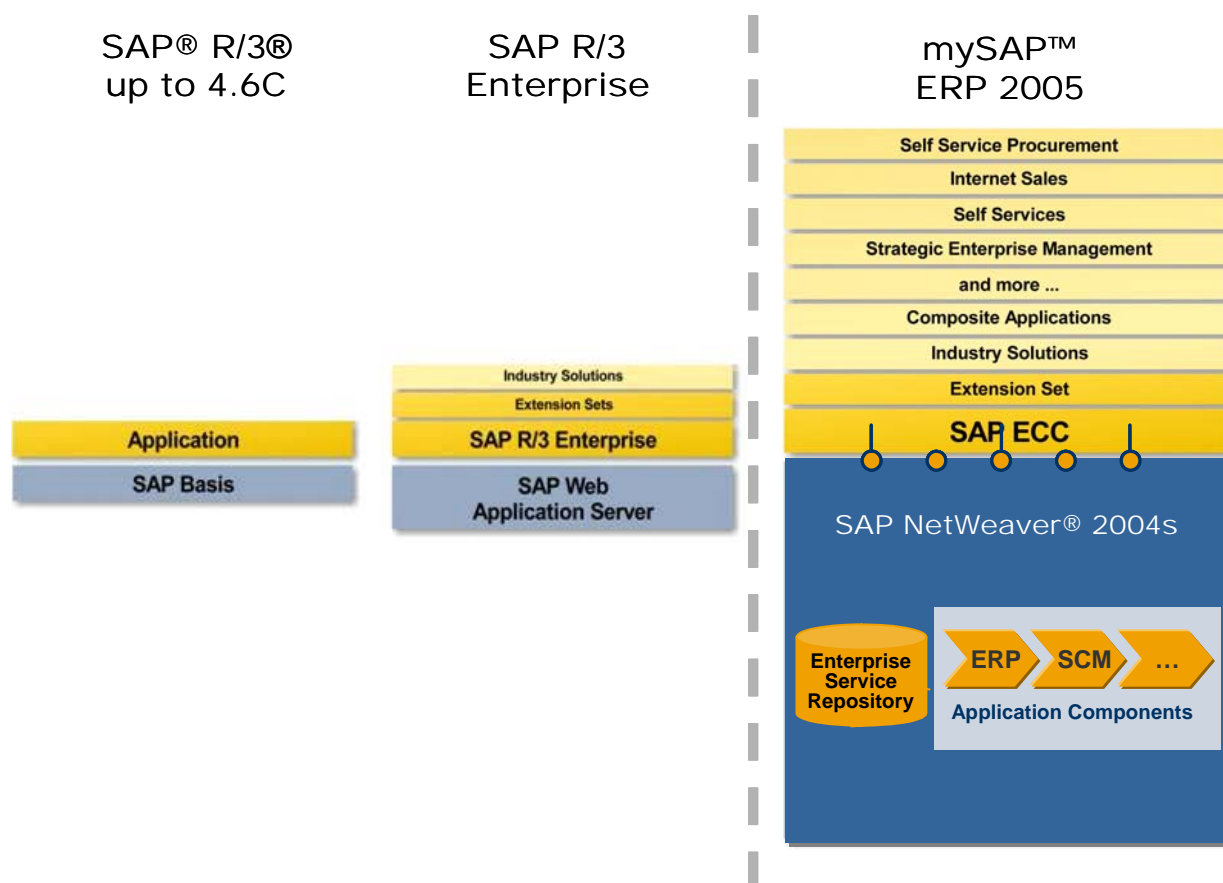


Figure 1: Evolution of SAP ERP Applications

IS mySAP ERP 2005 CURRENTLY AVAILABLE?

Yes, mySAP ERP 2005 has been available for unrestricted shipment since May 31, 2006.

HAS THE mySAP ERP 2005 RAMP-UP GONE WELL?

The ramp-up for mySAP ERP 2005, which involved stress-testing ERP scenarios in 407 projects, ended May 30, 2006, as a clear success. This number of projects represents the largest ramp-up process that SAP has conducted to date.

WHERE CAN I FIND MORE DETAILED INFORMATION ON mySAP ERP?

In general, you can find information about mySAP ERP by visiting www.sap.com/erp and SAP Service Marketplace at service.sap.com/erp.

MAINTENANCE OF SAP R/3

IS mySAP ERP THE SUCCESSOR TO SAP R/3?

Yes. With mySAP ERP, SAP redefines enterprise resource planning based on more than three decades of experience – delivering role-based access to crucial data, applications, and analytical tools – with more than 300 functional enhancements that add value to your business. It's all powered by the SAP NetWeaver platform, the foundation for enterprise SOA.

Therefore, as communicated publicly early in 2003, SAP is discontinuing its SAP R/3 product. However, SAP provides maintenance for SAP R/3 releases following the SAP maintenance principles. (For more specific details on SAP R/3 maintenance strategy by release, please refer to “What Is the Maintenance Strategy for SAP R/3 Releases?” section below.)

WHY WASN'T IT POSSIBLE TO SIMPLY MODERNIZE SAP R/3?

SAP has a rich history and culture of innovation to empower every aspect of business operations – with SAP R/2[®] for mainframe systems and with SAP R/3 based on client-server architecture, for example. Also, with the extension sets, SAP R/3 Enterprise pioneered the concept of encapsulated new functionality, which is optional and deployable as needed.

With proven innovations, SAP has leveraged its extensive experience to deliver a comprehensive range of solutions for customers to help them reduce costs, improve performance, and gain the agility to respond to changing business needs. By 2012, SAP will have provided SAP R/3 support for 20 years.

As a response to the rapidly changing needs of our customers, SAP is evolving the underlying architecture of its ERP application to improve the flexibility of our applications and provide a framework to support advanced business processes. Enterprise SOA is a business-driven software architecture that increases adaptability, flexibility, openness, and cost efficiency. SAP's approach to enterprise SOA goes beyond SOA fundamentals by supporting business requirements through the use of enterprise services. This enterprise services architecture elevates the design, composition, and management of Web services to address enterprise requirements.

SAP has delivered major innovations with mySAP ERP around the core functionality that was provided with SAP R/3. SAP ERP Central Component (5.0 in mySAP ERP 2004 and 6.0 in mySAP ERP 2005), included in mySAP ERP and built on the SAP NetWeaver platform, is the modernized version of SAP R/3 for a services-based, enterprise-scale business solution. In addition, SAP ERP Central Component will offer more flexible deployment options.

In other words, mySAP ERP enables your organization to optimize the entire value chain and make your business processes more innovative. You can thus react more quickly and cost-effectively to changes in your industry and your market. The basis for future SAP and partners applications, mySAP ERP helps you take an important step toward enterprise SOA.

WHAT IS SAP'S MAINTENANCE STRATEGY?

The maintenance strategy for SAP applications is based on the following principles:

- SAP offers three successive maintenance phases: mainstream maintenance, extended maintenance, and customer-specific maintenance.
- SAP provides support packages during mainstream maintenance and extended maintenance. The delivery frequency of support packages is dependent on the maintenance phase.
- As part of its release strategy, SAP announces the planned duration of the mainstream maintenance period for a release as soon as the release is announced.

For SAP applications based on SAP NetWeaver 2004 and higher, SAP usually applies the 5-1-2 maintenance strategy:

- Five (5) years of mainstream maintenance
- One (1) year of extended maintenance (currently at an additional 2% fee)
- Two (2) years of extended maintenance (currently at an additional 4% fee)

In summary, SAP provides maximum flexibility with an eight-year time frame to leverage SAP releases, allowing you to skip several release upgrades and plan an upgrade based on business needs. SAP guarantees an upgrade path for all SAP releases in mainstream and extended maintenance.

To find further information, please visit SAP Service Marketplace at service.sap.com/maintenance.

WHAT IS THE MAINTENANCE STRATEGY FOR SAP R/3 RELEASES?

Mainstream maintenance for SAP R/3 4.6C ends in December 2006. SAP offers extended maintenance from January to December 2007. After December 2007, customers can benefit from extended maintenance for another two years until December 2009. Beginning in January 2010, SAP will provide customer-specific maintenance for SAP R/3 4.6C.

Mainstream maintenance for SAP R/3 Enterprise ends in March 2009. After this date, SAP will offer extended maintenance until March 2012, subject to additional fees.

By 2012, SAP will have provided SAP R/3 support for 20 years. Beyond 2012, SAP will provide customer-specific maintenance for all SAP R/3 customers.

Following are specific details for each SAP R/3 release:

- **SAP R/3 Enterprise:** Extended maintenance from April 1, 2009, until the end of March 2012 (first 12 months, additional fee of 2% on top of the mainstream maintenance fee of 17%; next 24 months, additional fee of 4%)
- **SAP R/3 4.6C:** Extended maintenance from January 1, 2007, until the end of December 2009 (during 2007, additional fee of 2% on top of the mainstream maintenance fee of 17%; 2008 and 2009, additional fee of 4%)
- **SAP R/3 3.11–4.6B:** Extended maintenance from January 1, 2004, until the end of December 2006 (during 2004, additional fee of 2% on top of the mainstream maintenance fee of 17%; 2005 and 2006, additional fee of 4%)

Whether you're evaluating the opportunity to upgrade to mySAP ERP this year or have decided to continue running your current release for a time and benefit from extended maintenance, it is important that you start planning your upgrade now. SAP encourages you to move to the latest available release of mySAP ERP. Upgrading is simple, provides clear value, and represents an excellent opportunity to your organization.

WILL THERE BE ANY FUTURE IMPROVEMENTS TO SAP R/3 ENTERPRISE AFTER SAP R/3 ENTERPRISE 47x200?

SAP R/3 Enterprise 47x200 will enter a long-term maintenance mode. As explained above, SAP provides support including bug fixes, legal changes, and other support-related services for SAP R/3 Enterprise until the end of the first quarter of 2009, and this support will be extendable to the end of the first quarter 2012, subject to additional maintenance fees.

However, SAP will not ship a new release of SAP R/3 Enterprise or a new extension set.

UPGRADING FROM SAP R/3 TO mySAP ERP

WHAT IS THE OLDEST SAP R/3 RELEASE FROM WHICH A DIRECT UPGRADE TO A mySAP ERP RELEASE IS POSSIBLE?

SAP provides upgrade procedures to the latest release from all former releases that are still in mainstream maintenance or extended maintenance. As long as no technical restrictions apply, SAP R/3 3.1i is the oldest possible release from which customers can directly upgrade to mySAP ERP.

WHY UPGRADE TO mySAP ERP NOW?

mySAP ERP software addresses your business needs based on three decades of SAP experience, as follows:

- **Built on the SAP NetWeaver platform** – Reduces IT complexity while supporting scalability and growth through a comprehensive integration and application platform
- **Tightly integrated to optimize cross-functional business processes** – Enables comprehensive collaboration within and beyond your organization
- **Enhanced by industry-specific features and support for best practices** – Enables you to reduce total cost of ownership, achieve a faster return on investment, and benefit from a more flexible IT infrastructure that helps drive innovation
- **Designed to support international operations** – Promotes efficient and successful global operations and competition

In addition, the switch upgrade technology introduced in 2003 is a proven and stable procedure that provides significant improvements (for example, shortening the technical downtime up to 50%).

Here are some of the most compelling reasons to upgrade to mySAP ERP 2005:

- **Clear value** – mySAP ERP encompasses major improvements in financials, human capital management, sales, procurement, and corporate services, as well as industry-specific capabilities that can be adopted as your business needs them.
- **The “go-to release”** – mySAP ERP 2005 is the foundation for the future. It is built on SAP NetWeaver and enterprise service-enabled so any organization can innovate and adapt with greater speed at lower cost.
- **Ready assistance** – SAP and our partners are ready and able to help, with expert guidance, tailored services and tools, and highly skilled consultants to help plan and execute an upgrade considering your situation.
- **Cost-effective, low-risk upgrade** – SAP offers a proven, cost-effective upgrade path with tools, content, and functionality honed through years of experience. The upgrade to mySAP ERP is simpler, with less risk than ever before.

SAP realizes that every company faces a unique set of business challenges, and so has developed a specific set of service offerings to analyze the advantages of mySAP ERP in the specific customer context. Services such as SAP Accelerated Value Assessment for mySAP ERP serve to work out the detailed value proposition and business case of the upgrade.

For further information, please visit SAP Service Marketplace at service.sap.com/upgradeservices.

WHAT IS THE TRANSITION PATH FROM SAP R/3 TO mySAP ERP?

Thanks to proven standard tools available since 2003, the technical upgrade procedure has been significantly improved. Based on customer and partner experience, upgrading from SAP R/3 to mySAP ERP 2005 is simpler in comparison to earlier SAP R/3 release upgrades. (For example, compared to past migrations of SAP R/2 to SAP R/3, the transition to mySAP ERP 2005 is a simple technical upgrade project.)

For the transition from SAP R/3 to mySAP ERP, you may want to consider the following three major aspects:

Conversion of License Contract

All customers who signed SAP R/3 contracts in the past must convert their contracts in order to use mySAP ERP and the supporting SAP components. Of course, if you have already converted your SAP R/3 contract to a contract for mySAP ERP or mySAP Business Suite applications (formerly called “mySAP.com” contract), the contract conversion is not required.

To best evaluate your situation, we invite you to contact your SAP representative, who will be pleased to provide you with all relevant information on your contract. (For more specific details on licensing, please also refer to the “Licensing Guidance” section of this document.)

Scope and Procedure of the Upgrade Project(s)

To provide maximum flexibility on the upgrade process and the incremental deployment of new functionalities, SAP has developed a framework of three different upgrade approaches to move from SAP R/3 to mySAP ERP 2005: **technical**, **functional**, and **strategic upgrades**. Each approach can be tailored for your individual situation.

- **The technical upgrade** is a fast upgrade at constant functional perimeter, without additional functionality but with minor user interface changes, to ensure business continuity. This upgrade type includes a clean-up of the system without implementing additional functionality, as well as a technology upgrade with the opportunity to eliminate “not used” modifications and custom developments. If you operate a system using SAP R/3, reviewing the technical aspect is a logical place to start as a key step in any upgrade.
- **The functional upgrade** is built on the technical upgrade. The functional upgrade provides in addition the opportunity to implement new functionalities of mySAP ERP 2005 for business processes and usability improvements in the following areas:
 - Financials
 - Human capital management
 - Procurement and logistics execution
 - Product development and manufacturing
 - Sales and service
 - Other corporate services

This upgrade type also represents an opportunity to maximize the use of SAP standard functionalities by replacing custom modifications and consolidate instances or systems.

- **Strategic upgrade** is driven by enterprise SOA to provide more flexibility to business process innovation. This type of upgrade approach represents a significant technology improvement step by leveraging SAP NetWeaver components to standardize, adapt, and enable new business processes and optimized scenarios through the use of SAP xApps composite applications, for example.

Of course, each upgrade approach leads to a different total cost of ownership, ROI, and payback period. Based on SAP customer experiences, ROI depends on the extent to which upgrade decisions are driven by business process standardization, improvement, and innovation.

Usually the functional upgrade is managed in subsequent project(s), while the technical upgrade is considered the initial step and key enabler for any additional business processes improvements and innovation. (Please refer to “Scope of Subsequent Projects” below.) Current surveys confirm that more than 70% of SAP R/3 customers who have upgraded begin with the technical upgrade by transferring their existing system at constant functional perimeter to the latest release. They then consider in a subsequent step the opportunities to expand, improve, and change their business by fully leveraging other functionality of mySAP ERP.

Scope of Subsequent Projects

mySAP ERP 2005 offers your organization new functions, greater productivity due to role-based user interfaces, integrated analytical insights into business processes, and the flexibility to design new business processes to meet your changing requirements. It also embeds industry-specific functions, all available in a single solution. The new SAP application offers 300 product enhancements as well as significant service enablement.

As explained above, most of the new opportunities provided with mySAP ERP 2005 are usually implemented in subsequent project(s) after the completion of the technical upgrade. mySAP ERP allows you to deploy incrementally as your business requires new functionalities.

- For example, many customers have already implemented and experienced the value of analytics to enable their information workers gain credible, clear, and comprehensive business insights.
- Another good example is the self-services functionality delivered by mySAP ERP, which customer experience has proven to be quickly implemented and offering great value.
- mySAP ERP 2005 is also the foundation for SAP industry solutions that can be easily activated with the supporting technology.

To find all relevant information on upgrading, please visit SAP Service Marketplace at service.sap.com/erp-inst, service.sap.com/upgrade, service.sap.com/upgradeservices, and service.sap.com/upgrade-erp.

WHAT SUPPORT DO SAP AND ITS PARTNERS PROVIDE TO EXISTING CUSTOMERS WHO WOULD LIKE TO UPGRADE?

Even though every upgrade is a unique situation, reliable and proven tools exist to ensure a smooth and easy transition.

However, you may encounter special opportunities and challenges with your technical upgrade. Through dedicated market analysis and customer surveys, SAP has identified the typical challenges and constantly evolves its portfolio of upgrade services, tools, and content. SAP launched a global upgrade service portfolio, dedicated to mySAP ERP 2005, which will support customers' upgrade projects by minimizing costs and risks and maximizing the value.

Your organization can tailor the following offerings to your specific needs according to your experience, current landscape, and the scope of the upgrade project. The appropriate engagement level ensures an effective planning and cost-effective execution of your project(s).

Key elements of the portfolio of SAP upgrade offerings, by typical customer challenges, are shown here:

Customer Challenges	SAP Upgrade Offerings
Value proposition and business case definition	mySAP ERP browser tool SAP Accelerated Value Assessment
Project planning (e.g., cost and effort estimation)	SAP Quick Upgrade Check SAP Quick Upgrade Evaluation service SAP upgrade experience database
Project team skills, coaching, and project review	SAP Upgrade Road Map content SAP Upgrade Coaching service
Cost-efficient project execution and technical risk mitigation	SAP Solution Manager tool SAP Safeguarding for Upgrade portfolio of services

SAP and selected partners are aligning dedicated offerings and upgrade packages for customers who need assistance in their upgrade situation.

To find all relevant upgrade information, please visit SAP Service Marketplace at service.sap.com/upgrade, service.sap.com/upgradeservices, service.sap.com/upgrade-erp, and service.sap.com/ufg.

WHY IS SAP SOLUTION MANAGER A KEY UPGRADE TOOL?

The SAP Solution Manager tool is a centralized solution management platform that provides the tools, integrated content, and gateway to SAP service and support teams that you need to implement, support, operate, and monitor your SAP applications. SAP Solution Manager runs in your SAP landscape and facilitates the technical support of your distributed systems in all key aspects of software implementations, operations, and continuous improvements to minimize risk and reduce total cost of ownership. SAP Solution Manager at your site can be connected to a large set of back-end applications at SAP, and therefore also provides the basis for collaboration with SAP service and support teams.

To find further information, please visit SAP Service Marketplace at service.sap.com/solutionmanager.

HOW SHOULD WE MANAGE MODIFICATIONS OF THE PREVIOUS SYSTEM DURING THE UPGRADE?

The first step is to check the modifications in your SAP R/3 system and compare them with the new functionalities provided by mySAP ERP 2005. As explained above, the upgrade project can also be an opportunity to reduce total cost of ownership by returning modifications back to standard within the higher release (retrofitting).

To find further information, please visit SAP Service Marketplace at service.sap.com/upgradeservices.

DOES AN UPGRADE TO mySAP ERP 2005 REQUIRE ADDITIONAL TRAINING FOR END USERS?

The training requirement is mainly dependent on the functional scope of the project and the SAP R/3 source release.

- In the case of a technical upgrade from SAP R/3 4.6C or SAP R/3 Enterprise 47x200 at constant functional perimeter, (without additional functionality and minor user-interface changes), minimum training should be required. But if you consider a major redesign with functional enrichments during the upgrade, then more training will of course be required for the new functions implemented.
- If your source release is lower than SAP R/3 4.6C, then more training might be required depending on the scope of the upgrade.

SAP offers e-learning tools allowing users to improve or maintain their skills by building online coursework into their schedules. Your people have the flexibility to determine what, where, and when to learn. They can repeat learning units as often as required and control the duration of the sessions. And your organization can realize significant benefits in reduced travel – and the resulting time and cost savings.

Please note that quite a bit of the new functionality, such as work centers, employee self-service, manager self-service, and Duet software have gone through extensive design work and have been developed to facilitate user adoption with minimum end-user training.

In all cases, you should consider consulting with the SAP Education organization to evaluate the training effort.

To find further information on training offers, please visit www.sap.com/services/education/index.epx or SAP Service Marketplace at service.sap.com/education.

DO CUSTOMERS NEED TO CONVERT TO A UNICODE-COMPLIANT ENVIRONMENT?

If your company employs truly global business processes, such as managing global master data, or if you open your system to the Web by allowing your customers to enter contact data directly via the Internet, you will likely need to support multiple local-language characters. Various code pages have enabled the display of national characters, but collaboration on the Web has led to a huge number of language-specific, platform-dependent code pages that must interact with each other. And this compliance is only possible through Unicode – an international standard that supports virtually all of the languages and scripts used in the world, ensuring that they work no matter what the language or platform.

The Unicode conversion depends on the customer situation. SAP has encoded the Unicode standard in the latest release so that multiple languages within the ERP system, which required different code pages in the past, can now run on one system.

The need to implement Unicode depends on your use of one or more languages in the current SAP system:

- If your organization runs a single code page system prior to the upgrade to mySAP ERP 2005, then the use of Unicode is not mandatory. For example, German, English, Spanish, Italian, and French all run on code page 1100 and thus can all live in the same system without Unicode. However, using Unicode is recommended if the system is deployed globally to facilitate interfaces and connections.
- If your organization uses Multiple Display Multiple Processing (MDMP) or other outdated technology such as blended code pages, which is very common, then the use of Unicode is mandatory for the mySAP ERP 2005 upgrade. These projects always include two steps: the upgrade to the target release and the Unicode conversion of the ERP software. Existing installations of SAP R/3 Enterprise or mySAP ERP 2004 can be converted to Unicode prior to the upgrade to mySAP ERP 2005, resulting in two separate procedures, whereas customers running SAP R/3 4.6 (or below) ideally will execute these steps in one project.

SAP is supporting the conversion into Unicode by offering country-specific services. To find further information on Unicode conversions and the support SAP provides, please visit SAP Service Marketplace at service.sap.com/unicode.

WHAT IMPACT DOES AN UPGRADE TO mySAP ERP HAVE ON THE HARDWARE?

In general, the impact on existing IT infrastructure depends on the following criteria:

- Short or long transition path (the difference between the current and target release)
- Scope of functional enhancements in the target release
- Extent of utilization of existing IT infrastructure (such as number of users)

With the help of SAP standard application benchmarks (results at www.sap.com/benchmark), statements can be made as to CPU consumption and memory consumption of particular mySAP ERP components. In all cases, you should plan to conduct a hardware requirement analysis. You should also contact your hardware vendor to verify if your current hardware will stand the requirements given after the upgrade.

To facilitate sizing adjustment estimation, SAP also offers the SAP GoingLive™ Functional Upgrade Check service that optimally prepares your system to operate efficiently in the upgraded environment. This service usually consists of two phases:

- During the upgrade, the service estimates the need of IT infrastructure adjustments and provides a service plan with recommendations (for example, how to minimize cost-intensive system downtime).
- After the upgrade, you benefit from optimal use of your system resources.

Furthermore, the SAP Safeguarding for Upgrade portfolio includes additional services to review your IT situation and provide tailored support for risk mitigation and possible optimization potentials (for example, to reduce the existing database size and postpone required hardware investments).

For more information, please visit SAP Service Marketplace at service.sap.com/goinglive-fu and service.sap.com/safeguardingupgrade, and please read the SAP Note 901070.

WHAT PRODUCTION DOWNTIME SHOULD WE EXPECT DURING THE TECHNICAL UPGRADE?

The production downtime is the period during the technical upgrade when the production system is out of service. The downtime period depends on various factors such as hardware power and size of the tables to be migrated, and is therefore contingent on each individual situation. SAP upgrade technology provides you with two strategy options: **downtime-minimized strategy** and **resource-minimized strategy**.

Characteristics of the downtime-minimized strategy:

- Shorter production downtime
- Parallel operation of production system and shadow system that enables the execution of as many upgrade tasks as possible during the uptime of the production system
- Higher demand on system resources

Characteristics of the resource-minimized strategy:

- No parallel operation of production system and shadow system
- Lower demand on system resources
- Increased production downtime

SAP recommends that you perform the upgrade using the downtime-minimized strategy if a short production downtime is required.

To find further information, please visit SAP Service Marketplace at service.sap.com/upgradeservices.

WHAT SHOULD WE CONSIDER WHEN UPGRADING THE NEW GENERAL LEDGER in mySAP ERP 2005?

Customers wishing to migrate to new general ledger will be required to purchase a license for a service package, which includes migration tools. This service will ensure that historical data remains intact.

To find further information, please read the SAP Note 812919 on SAP Service Marketplace at service.sap.com.

RELATIONSHIP TO OTHER SAP SOLUTIONS

HOW DOES mySAP ERP RELATE TO mySAP BUSINESS SUITE, QUALIFIED mySAP All-in-One PARTNER SOLUTIONS, AND THE SAP BUSINESS ONE APPLICATION?

mySAP ERP is one of the applications within mySAP Business Suite, which includes as well the mySAP Supply Chain Management, mySAP Customer Relationship Management, mySAP Product Lifecycle Management, and mySAP Supplier Relationship Management applications.

In principal, mySAP ERP is an ERP application designed for midsize to large companies. The application is also available in packaged solutions that include services tailored for midsize organizations and support for industry best practices.

Qualified mySAP All-in-One partner solutions are based on mySAP Business Suite and SAP Best Practices offerings. These solutions reflect many years of SAP and partner experience working with midsize enterprises in a range of industries. They include preconfigured software for rapid deployment of best practices. Partners build upon the foundation of SAP Best Practices to provide additional support for highly specialized industry best practices, based on their unique knowledge and expertise. Qualified mySAP All-in-One partner solutions are easy to implement and to maintain, and they comprise the full industry functions.

Nevertheless, all qualified mySAP All-in-One partner solutions can be extended to meet specific requirements that are not covered by the standard scope. Since all qualified mySAP All-in-One partner solutions are based on SAP applications, the full functions of the SAP portfolio can be exploited. All qualified mySAP All-in-One partner solutions are released and maintained by SAP partners, who also define the corresponding release and maintenance strategy.

SAP Business One is an affordable, integrated business management application designed specifically for small organizations. For the first time, business owners have a single system that was built to automate business processes and deliver a true and unified picture of critical, up-to-the-minute business information across customer relationship management, manufacturing, and finance. With SAP Business One, owners can increase the profitability of their business and achieve a new level of control.

For more information, please visit www.sap.com.

HOW DOES mySAP ERP RELATE TO SAP INDUSTRY SOLUTIONS?

SAP understands that the only industry that matters to you is your industry. That's why there's no such thing as a generic industry business solution from SAP. Our industry solution sets are based on an in-depth knowledge of the processes that drive your business. So you can make better, more informed strategic decisions in the areas most important to you – whether you want to gain greater visibility across your enterprise, get closer to your customers, or reduce inefficiencies. And since SAP has been working with businesses like yours for 30 years, we understand the demands of your industry.

SAP offers a portfolio of applications for more than 25 industries. These support key business scenarios and enable you to implement industry-specific business processes using software tailored to job functions within your organization.

With mySAP ERP 2005, almost all industry solutions are synchronized within the standard release. Business function sets, controlled by the switch framework, provide the mechanism to activate industry and generic functionality in mySAP ERP. This technology offers an industry-ready solution to innovate, extend, and adapt to changing industry requirements with greater speed and at lower cost.

In addition, the deployment of those prepackaged versions available for specific industries provides you with the opportunity to reduce total cost of ownership by consolidating systems, therefore simplifying the management of your enterprise application landscape.

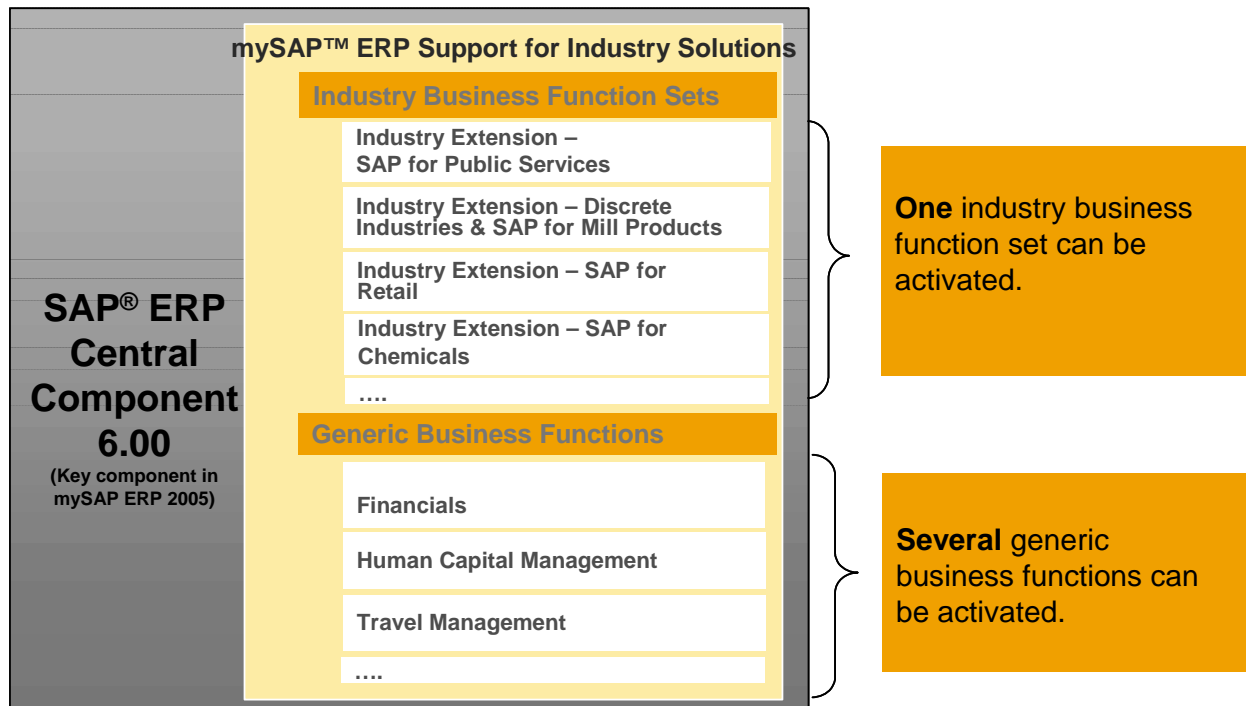


Figure 2: Available Add-Ons – Industry Extensions and Generic Business Functions

mySAP ERP delivers key functionality to support the following industry solution portfolios, which SAP currently offers:

- SAP for Aerospace & Defense
- SAP for Automotive
- SAP for Banking
- SAP for Chemicals
- SAP for Consumer Products
- SAP for Defense & Security
- SAP for Engineering, Construction & Operations
- SAP for Healthcare
- SAP for High Tech
- SAP for Higher Education & Research
- SAP for Industrial Machinery & Components
- SAP for Insurance
- SAP for Life Sciences
- SAP for Logistics Service Providers
- SAP for Media
- SAP for Mill Products
- SAP for Mining
- SAP for Oil & Gas
- SAP for Postal Services
- SAP for Professional Services
- SAP for Public Sector
- SAP for Railways
- SAP for Retail
- SAP for Telecommunications
- SAP for Utilities
- SAP for Wholesale Distribution

For more information, please refer to the release strategy and the documents on SAP Service Marketplace at service.sap.com/releasestrategy and *Enterprise Management and Support for Industries with mySAP ERP* (available for download at www.sap.com/solutions/business-suite/erp/pdf/BWP_Enterprise_Management_SOD.pdf).

LICENSING GUIDANCE

WHAT TYPE OF ORGANIZATIONS IS mySAP ERP DESIGNED FOR?

mySAP ERP is available for new and existing SAP customers, packaged appropriately for large, midsize, and small enterprises. Please note that organizations running solutions from PeopleSoft, JD Edwards (JDE), Retek, and Siebel now have a safe passage to IT investment protection. With the Safe Passage program from SAP, you can take advantage of comprehensive offerings that help you face the uncertainties of the end of life of your PeopleSoft, JDE, Retek, or Siebel solutions.

To find more information on the Safe Passage program, please visit www.sap.com/solutions/safepassage/index.epx.

HOW CAN SAP R/3 CUSTOMERS CONVERT LICENSES TO UPGRADE TO mySAP ERP?

When considering the upgrade from SAP R/3 to mySAP ERP, the existing SAP R/3 contract and possible contracts for other specific components are to be converted in their entirety to a new contract. Please note that a customer with a “mySAP ERP” or “mySAP Business Suite” contract (formerly called “mySAP.com” contract) does not need an additional contract conversion.

To evaluate your personal situation, we invite you to contact your SAP representative who will be pleased to provide you with all the information relevant to your contract.

WHICH CONVERSION CREDIT APPLIES WHEN SAP R/3 CUSTOMERS UPGRADE?

When customers convert from SAP R/3 to the new contract, a percentage of their SAP R/3 licenses may be credited in the new contract. The calculation of the percentage rate depends on the number of licenses and the way in which SAP R/3 is deployed at a company, and is thus calculated individually for each customer. To evaluate your personal situation, we invite you to contact your SAP representative who will be pleased to provide you with all the information relevant to your contract.

HOW IS mySAP ERP BEING LICENSED?

Standard SAP software licensing requires that all users accessing SAP applications must be licensed at the appropriate named-user level. Core mySAP ERP functionality are predominantly offered via named-user licensing. SAP offers other software functionality via options and industry packages, which are licensed in addition to named-user licenses via business metrics. Specifically for mySAP ERP, we offer extended functionality for corporate management and compliance, financial management, human capital management, and operations in the form of mySAP ERP options.

ENTERPRISE SOA AND BUSINESS PROCESS PLATFORM

HOW DOES mySAP ERP RELATE TO THE CONCEPT OF ENTERPRISE SOA?

The new mySAP ERP helps you take an important step toward enterprise SOA. mySAP ERP is powered by SAP NetWeaver, the foundation of enterprise SOA. SAP NetWeaver provides the tools that enable your organization to model your own service-enabled applications easily and cost-effectively without programming knowledge. mySAP ERP enables you to optimize your entire value chain and make your business processes more innovative – and thus react more quickly and cost-effectively to changes in the industry and market.

All functional areas of mySAP ERP are leveraging SAP NetWeaver and enterprise SOA. In addition, SAP is developing enterprise services for mySAP ERP that will bring immediate benefits to your organization. Financial and accounting services are provided in the areas of dispute management, collections, corporate compliance, and financial consolidation. Human capital management services help you manage personnel files and recruitment.

In addition to exposing existing functionality, mySAP ERP 2005 delivers enterprise services that expose new functions. For example, the functions for supplier collaboration and credit management make full use of enterprise SOA. Enterprise services for the supplier collaboration function in mySAP ERP 2005 make it easier to ascertain the status of invoicing and payment and verify the budget, and the creditworthiness check by credit agencies is service-enabled as well.

Following the enterprise SOA road map, mySAP ERP 2005 delivers these new functions:

- 300+ new enterprise services supporting extensible and adaptable business processes, breaking the boundaries of traditional ERP solutions
- Extended use of the SAP NetWeaver Exchange Infrastructure component, allowing a greater degree of automation and tighter integration with shared-service centers, outsourcers, and third parties
- Increased flexibility by offering guided procedures and composite applications
- Delivery of preconfigured business content with portal-enabled roles and simplified search functionality
- Interactive forms based on Adobe software, leveraging Adobe technologies to provide an efficient interactive user experience
- Extended analytical functions delivered through the SAP NetWeaver Business Intelligence component, improving user productivity and allowing faster, better-informed decision making

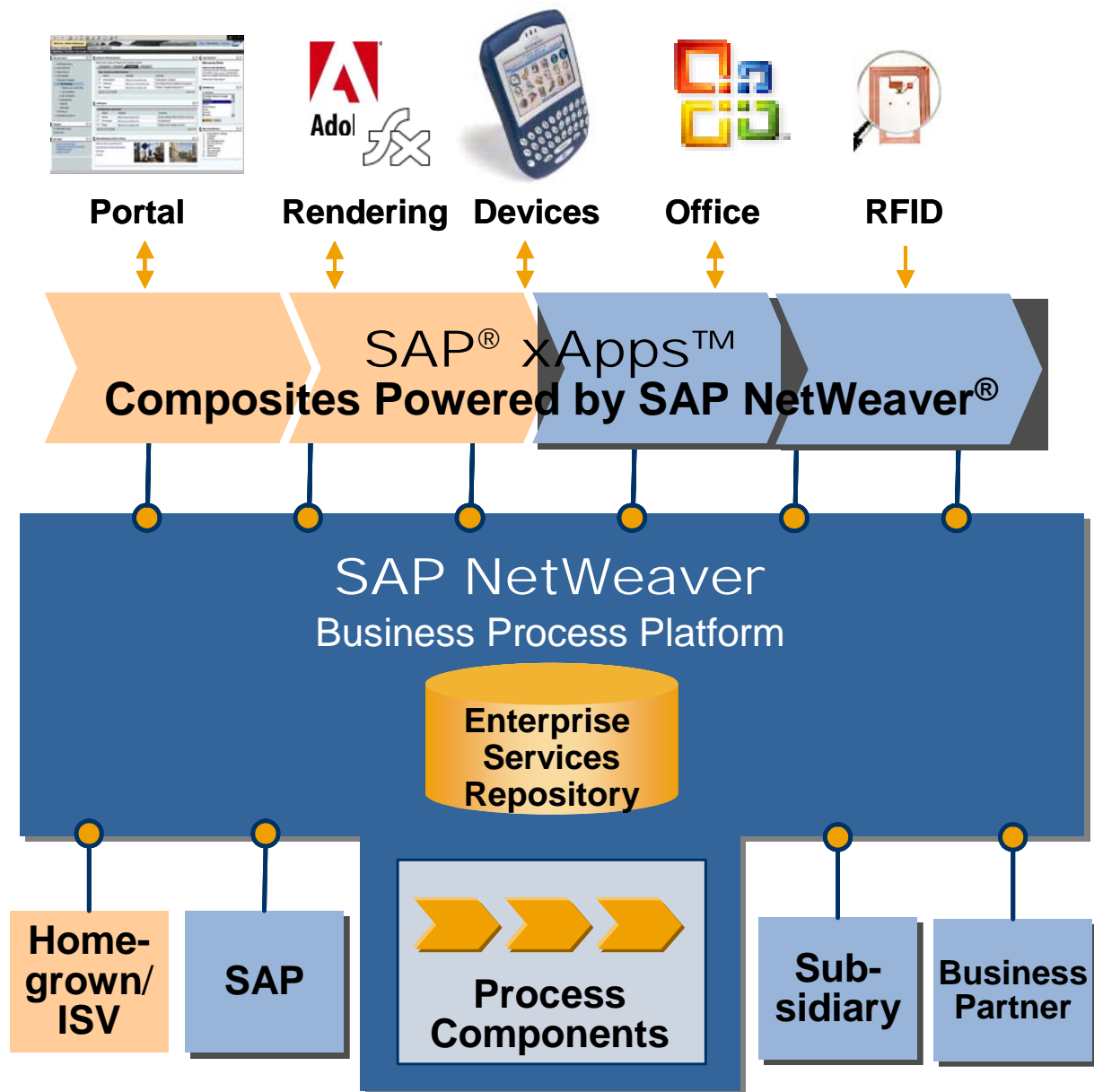


Figure 3: Convergence of Applications and Infrastructure

Please note that SAP NetWeaver is a tangible product suite, while enterprise SOA is a concept. The term “enterprise SOA,” coined by SAP, is defined as a business-driven approach to SOA for delivering adaptive solutions in the customer’s IT landscape.

WHAT IS THE BUSINESS PROCESS PLATFORM?

A business process platform combines infrastructure technology with fundamental, highly reusable application functionality using enterprise SOA that allows customers to respond quickly to business change through the use of integrated composition technologies, an enterprise services repository, and reusable enterprise service definitions.

With SAP NetWeaver, organizations can compose applications using enterprise services, orchestrate business processes and events, manage enterprise information, and deliver applications and content to users more quickly and cost-effectively. SAP and its partners and customers can use SAP NetWeaver along with mySAP ERP as a business process platform to develop packaged composite applications, to provide additional enterprise services and composite applications, and to address specific business needs.



Figure 4: Business Process Platform

SAP and its partners and customers will use SAP NetWeaver along with mySAP ERP as a business process platform to develop packaged composite applications, to provide additional enterprise services and composite applications, and to address specific business needs.

HOW DOES mySAP ERP 2005 RELATE TO THE BUSINESS PROCESS PLATFORM?

As the most current version of SAP's family of ERP applications, mySAP ERP 2005 inherits all functionality of SAP R/3 versions. mySAP ERP applications run on SAP NetWeaver 2004S and can take advantage of the enterprise service repository, as well as the development, application integration, business intelligence, and composition platform functionality provided by the platform.

As explained above, mySAP ERP delivers greater flexibility of business processes for accelerated innovation through service-enablement on the SAP NetWeaver platform. And of course, customers that have migrated to mySAP ERP 2004 or 2005 will have a smoother transition to the next version of SAP NetWeaver.

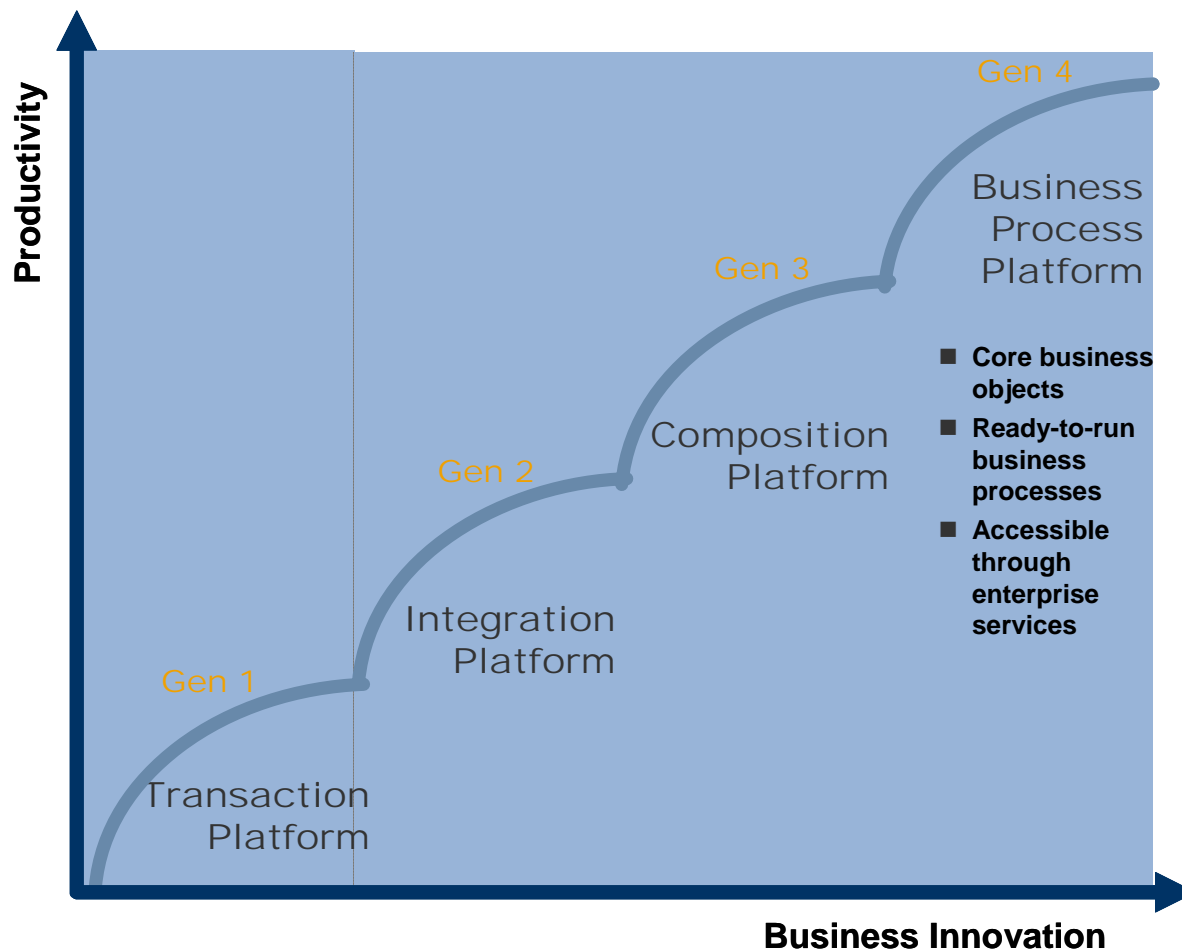


Figure 5: Evolution of the Business Process Platform

IN 2005, SAP SAID THAT IT WOULD DELIVER A SUITE OF APPLICATIONS THAT WERE BUSINESS PROCESS PLATFORM-ENABLED IN 2007. WHAT IS THE STATUS TODAY?

SAP is systematically service-enabling its applications suite, making the resulting enterprise services available through an enterprise services repository in SAP NetWeaver. SAP is delivering 500 enterprise services across the entire SAP portfolio, approximately 300 of which are available with mySAP ERP 2005, and will continuously add to those services until the complete suite of applications are compliant with enterprise SOA in 2007.

SAP is also delivering enterprise services packages for mySAP ERP. Enterprise services packages are bundles of enterprise services and related documentation that enable delivery of focused, high-impact business functionality to customers. Enterprise service packages are grouped by main business scenarios and processes to help customers adopt them swiftly. Each enterprise service package includes the following:

- A group of mySAP ERP 2005 enterprise services for a particular business scenario
- The definition of these services in the enterprise service repository
- Applications consuming those services – including composites where available
- All the documentation required for customers to get up and running, delivered via an interactive Wiki format

To find further details about enterprise SOA, please visit www.sap.com./platform/index.epx and SAP Service Marketplace at service.sap.com/esa.

For further information about enterprise services packages, visit the Enterprise Services Workplace site on the SAP Developer Network site at www.sdn.sap.com. (Registration is required.)

FUTURE ROAD MAP AND RELEASE STRATEGY

WHAT IS THE mySAP ERP FUTURE ROAD MAP AND RELEASE STRATEGY?

SAP is evolving the mySAP ERP major release schedule to a five-year rhythm to better align with the customer adoption cycle. To ensure that customers take advantage of innovations while minimizing the impact to core operational systems, SAP plans to accelerate delivery of new functionality through enhancement packages that customers can optionally implement on top of mySAP ERP 2005.

Enhancement packages are intended to contain functional enhancements and enterprise services in areas such as shared services, end-to-end business processes such as order to cash or “hire to retire,” supplier collaboration, and industry-specific functionality. The intent is to deliver more innovation, more quickly, in a more accessible way. SAP is thus ensuring the greatest possible protection of your investments by continuing to deliver high-quality ERP functions. We plan to deliver the next major ERP release in 2010.

New Release Strategy

Stabilizing the Core While Delivering Continuous Innovation

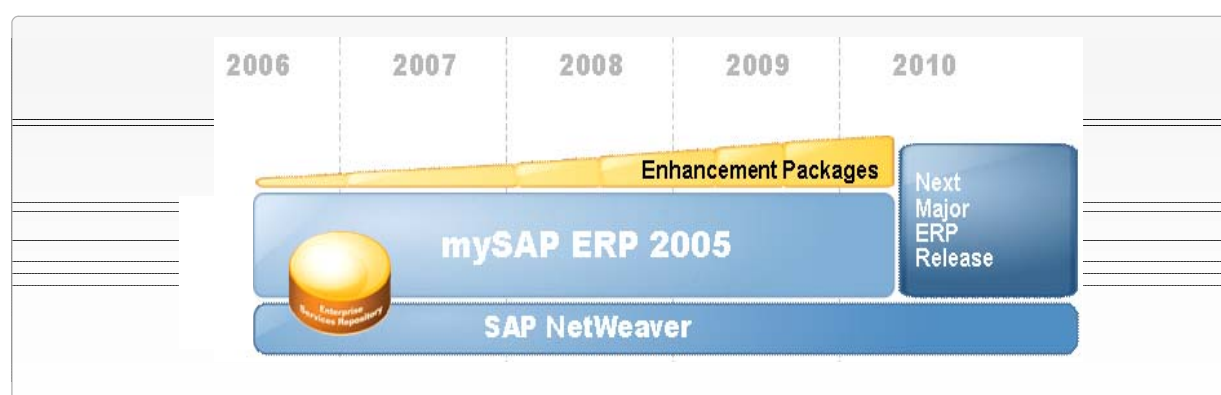


Figure 6: mySAP™ ERP Application Release Strategy

WE HEARD THERE WILL BE A mySAP ERP 2007 RELEASE. IS THAT INCORRECT?

There will not be a mySAP ERP 2007 release. **mySAP ERP 2005 is the go-to release for SAP R/3 customers**, and we are delivering innovations through a series of enhancement packages that customers can optionally adopt on top of mySAP ERP 2005.

WHAT EXACTLY ARE ENHANCEMENT PACKAGES?

Enhancement packages are an SAP technique to deliver more innovation, more quickly, in a more accessible way to organizations that have implemented or upgraded to mySAP ERP 2005. The packages enable rapid deployment of select new functionality in a way that minimizes disruption on core production systems. SAP intends to deliver enhancement packages several times per year and will include new functionality along with enterprise services. Customers will have the option of applying enhancement packages to their mySAP ERP 2005 environment.

WHAT ENHANCEMENT PACKAGES WILL BE AVAILABLE FOR mySAP ERP 2005 AND WHEN?

Our intention is to deliver the first enhancement package at the end of 2006. The contents of the individual enhancement packages and more specific information on availability will be announced by early November.

WILL THERE BE INDUSTRY-SPECIFIC ENHANCEMENT PACKAGES?

Since mySAP ERP 2005 supports industry solutions, some functionality delivered within the enhancement packages is intended to be industry-specific. Also, all enhancement packages will be compatible with all industry solutions supported by mySAP ERP 2005.

WILL SAP DELIVER ENTERPRISE SERVICES WITH ENHANCEMENT PACKAGES?

Yes. SAP also plans to continue delivering enterprise services and related documentation as part of enhancement packages for mySAP ERP 2005. This is intended to enable delivery of focused, high-impact business functionalities grouped by main business processes to help customers adopt them swiftly. The plan is to deliver the following:

- A group of mySAP ERP 2005 enterprise services for a particular business process or set of processes
- The definition of these services in the enterprise services repository
- Applications consuming those services – including composites where available
- All the documentation required for customers to get up and running delivered via an interactive Wiki format

DO CUSTOMERS NEED TO IMPLEMENT ENHANCEMENT PACKAGES OR ARE THEY OPTIONAL?

Enhancement packages for mySAP ERP 2005 will be optional for customers to implement depending on their needs.

WILL THERE BE A FEE FOR ENHANCEMENT PACKAGES?

Functionality delivered through enhancement packages will be covered under the terms of customer's maintenance and license agreements.

ARE THERE DEPENDENCIES BETWEEN ENHANCEMENT PACKAGES?

Our intention is to deliver enhancement packages in a cumulative way (for example, enhancement package 1 will be included in enhancement package 2). To help customers manage complexity and impact on their systems, they will be able to select the desired functionality through the switch framework technology delivered within SAP NetWeaver (for more information on the switch framework technology, please refer to the "Relationship to Other SAP Solutions" section of this document).

HOW MANY NEW ENHANCEMENT PACKAGES WILL BE DELIVERED EACH YEAR?

Our intention is to deliver two to three new enhancement packages each year.

WILL THERE BE SUPPORT PACKAGES SPECIFICALLY FOR ENHANCEMENT PACKAGES?

Enhancement packages may require corresponding support packages. Ongoing corrections or legal adjustments for a particular enhancement package will be delivered through ongoing support packages.

WHERE CAN I FIND MORE TECHNICAL INFORMATION ON THE ENHANCEMENT PACKAGES?

SAP will provide detailed information about the technical view of enhancement packages in the *mySAP ERP 2005 Statement of Direction* document that will be released by early November. The document will be available at www.sap.com and SAP Service Marketplace, service.sap.com/erp.

HOW DOES THIS LONG-TERM STRATEGY FOR mySAP ERP 2005 AFFECT OTHER mySAP BUSINESS SUITE APPLICATIONS?

This release strategy relates specifically to mySAP ERP. Although release cycles of the other mySAP Business Suite applications might differ from mySAP ERP, SAP intends to continue to ensure a high level of integration and backward compatibility with the other mySAP Business Suite applications.

IS 2010 THE END OF mySAP ERP? IS THERE ANY REASON CUSTOMERS SHOULD HOLD OFF UPGRADING TO mySAP ERP 2005 NOW?

No. As explained above, SAP has decided that mySAP ERP will follow a five-year release cycle to better match our customers' upgrade cycle with the release of mySAP ERP 2005. SAP plans to deliver the next major ERP version in 2010.

mySAP ERP 2005 is the go-to release and the foundation for the future for SAP R/3 customers, delivering tremendous value and continuous innovation through the enhancement packages.

CUSTOMER EXPERIENCES

DO YOU HAVE ANY CUSTOMER ANALYSIS ON UPGRADE PROJECTS?

Yes, we have the results of a May 2006 ASUG/SAP survey entitled *Upgrade Evaluations Best Practices Survey*. Companies of all sizes – based on revenue and number of named users – participated in the survey. In total, 163 responses were submitted. Participants represented a wide array of industries and most of the respondents were IT professionals.

This year, analysts have predicted that IT budgets will grow, and a critical piece of this spending is on ERP enhancements and upgrades. The *Upgrade Evaluations Best Practices Survey* confirms this trend: **74% of survey respondents are planning to upgrade in the next 24 months.**

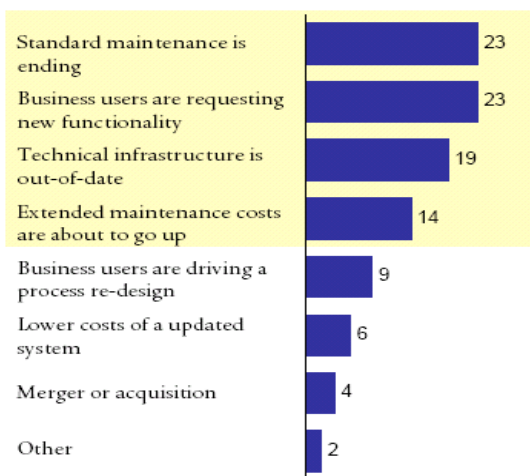
Flexibility, business risk mitigation, and business process improvement are indicated as the key drivers for these future upgrades. As companies begin their upgrade evaluations, respondents indicate their biggest challenges are timing, balancing the upgrade projects against other projects, and lack of knowledge concerning release-specific functional enhancements. Despite these challenges, respondents report that an overwhelming number of upgrade projects deliver value, as follows:

- **92% of upgrade projects are completed on time, early, or only slightly delayed.**
- **94% of upgrade projects are on-budget, under budget, or only slightly over budget.**
- **86% of upgrade projects meet or exceed expectations for delivering functional enhancements and supporting business process improvements.**
- **88% of upgrade projects meet or exceed expectations for delivering desired results from a financial or ROI perspective.**

To learn more about other best-practices surveys, please visit the ASUG Web site at www.asug.com/benchmarking/bestpractices.

Flexibility, risk mitigation and business process improvement are key upgrade drivers

% of overall responses



90% of companies have already upgraded or plan to do so in the next 24 months

% of overall responses

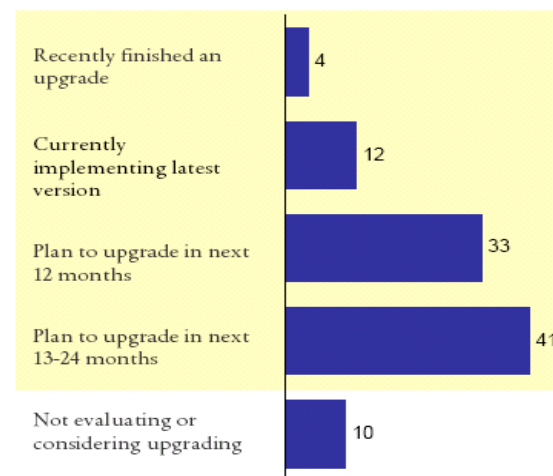


Figure 7: Snapshot of SAP/ASUG Survey, May 2006

WHAT ARE CUSTOMERS SAYING ABOUT THEIR UPGRADES TO mySAP ERP?

SAP dedicated significant effort in the development of mySAP ERP 2005 to the simplification and acceleration of ERP upgrades at customer sites. Upgrades from SAP R/3 to mySAP ERP have been completed at unprecedented speed while mySAP ERP 2005 becomes the key milestone for customers as part of their own enterprise SOA road maps.

Customers who have already implemented mySAP ERP 2005 report positive experiences. After a successful upgrade, they gained a wide range of options for optimization. Many customers have achieved savings by consolidating systems and standardizing processes globally, while others see potential benefits from optimizing business processes and implementing new functions. Companies can become more innovative thanks to the software's greater transparency and holistic performance management.

Following are a few snapshots of individual projects and quotes from the survey.

Air France – Soaring Business Excellence

Air France KLM Group is a world leader in terms of international passenger and cargo traffic, as well as one of the world's major aircraft maintenance service providers. The company has a fleet of 551 aircraft that carried nearly 64 million passengers to 234 destinations in the fiscal year 2004–2005. Air France upgraded to mySAP ERP in December 2005 to support its strategy for profitable growth and its commitment to operational excellence across all business areas.

“Air France is committed to excellence, and to deliver on this commitment we need the best available IT and business process backbone,” said Antoine Bihler, ERP competence center manager, Air France. “That’s why we made the move to mySAP ERP, and we were able to do it quickly and cost-effectively. The upgrade has helped us build an even stronger foundation. We will continue to leverage the software’s capabilities to optimize our resources, eliminate redundancies, and reduce custom development.”

CHEP – Upgrade with Minimum Downtime

CHEP, based in Orlando, Florida, is the world leader in pallet and plastic container pooling services, serving many of the world's largest companies with more than 300,000 customers and 7,700 employees in 42 countries. When CHEP upgraded to the latest release of mySAP ERP, one of the main objectives was to minimize the downtime and risk typically associated with upgrade projects. With the help of support services from SAP, the company completed the upgrade on a single weekend.

“Overall, the upgrade went smoothly, and I was impressed by the teamwork,” said Sherfudeen Hassan, project manager, CHEP. “The on-site consultants and CHEP team quickly resolved the few minor issues that arose and thoroughly tested everything, enabling us to go live with all business processes immediately after the upgrade.”

Noord-Holland – Benefiting from Enhanced Functionality and Integration

The administration of the Dutch province Noord-Holland, providing services for a population of 2.5 million, upgraded to the newest version of mySAP ERP with the aim of adding functionality to support its grantor management process that funds social programs for its constituents. The provincial government cites the benefits of a total solution covering the entire grantor process, including document management and integration with the financial department, as the main reason for collaborating with SAP.

“The move to mySAP ERP 2005 provides us with the newest functionality, which is closer to our business processes and primary process of grantor management,” said Derk Riesthuis, program manager at the Provincie Noord-Holland. “We completed our ERP upgrade on time and within budget, and are now up and running with a robust application and technology that helps improve our business processes and enhance visibility for our managers. The new architecture of mySAP ERP allows us to collaborate more effectively and operate more flexibly at a lower overall cost.”

Erdgas Zürich AG – Flexibility to Meet Future Business Challenges

Swiss utilities company Erdgas Zürich AG provides the city of Zurich and 30 additional communities with natural gas. The company needed an ERP solution with industry-specific functionality such as energy data management to enable it to react flexibly to the future liberalization of the natural gas industry. With the enhanced functionality of the newest version of mySAP ERP, Erdgas Zürich AG now benefits greatly from improved operational efficiency.

“The upgrade to mySAP ERP 2005 provides us with the flexibility we need to master future challenges in the gas industry,” said Bernhard Hegmann, project lead, IT and Organization, Erdgas Zürich AG. “The ramp-up program was completed on time and budget and runs reliably. The direct communication line to SAP via the ramp-up coach was a key success factor.”

Dexxon Group – Upgrade to mySAP ERP to Power Rapid Business Growth

Dexxon Group, headquartered in Paris, is a leading distributor of equipment and supplies for the office and IT marketplace, offering one of the most extensive product lines for removable data storage. Dexxon began serving European customers more than 25 years ago under the name data media. Today, Dexxon distributes its products to more than 50 countries worldwide through its five European and U.S. offices. Around 500 employees worldwide help the group generate revenues of more than US\$500 million annually.

“The move to mySAP ERP provides us with a strong foundation for excellence in our core business functions and supports our overall growth strategy as we continue to expand internationally,” said Guillaume Bruyneel, CIO at Dexxon Group Holding. “We completed our ERP upgrade on time and budget, and are now up and running with a system that helps improve our financial supply chain processes, enhances visibility for our managers, and streamlines sales and contract flow with our customers. The new architecture of mySAP ERP allows us to collaborate more effectively and operate more flexibly at a lower overall cost.”

Fischer Advanced Composite Components – Upgrade in 45 Days

“Fischer Advanced Composites upgraded to mySAP ERP in 45 days. This could not have been accomplished without support from SAP,” said Michael Dolejsi, project manager, Fischer Advanced Composite Components.

Orange County Public Schools – mySAP ERP at a Public School

“Orange County Public Schools hires more than 2,000 employees each year and needed a solution that would change the way we do business, improving how the administration recruits talented teachers and hires qualified staff,” said Charles Thompson, CIO, Orange County Public Schools in Orange County, California. “As an existing SAP customer, Orange County turned to the latest version of mySAP ERP because its e-recruiting capabilities will help automate steps in the recruiting process, giving the school district visibility into candidates and allowing hiring managers to post job descriptions.”

“In the course of the upgrade, we were able to replace around 50% of all of our previous release’s individual modifications with the standard functions offered by mySAP ERP. To us, this clearly indicates that SAP is getting better at thinking along the lines of other companies’ needs and mapping the requirements of industrial processes in its solutions.”

T-Systems International – Achieve New Level of Integration

“The main benefit of our choosing SAP software is the level of integration,” said Michael Mathieu, real estate product manager, T-Systems International GmbH. “We are pleased that the high level of integration of SAP Real Estate Management with the company’s existing infrastructure has already produced very positive results. Faster, leaner processes, more transparency, and lower interface costs underscore the organizational and business benefits of using SAP Real Estate Management.”

NOVA Chemicals – Drive Continuous Productivity and Innovation

“The upgrade [to SAP ERP Central Component] is our first step in realizing the increased value of mySAP ERP to drive continuous business process productivity and innovation. The upgrade was accomplished easily, quickly, cost-effectively, and with minimal disruption to our business,” said John Wheeler, CIO, NOVA Chemicals.

HDI Austria – Meet with Legal Regulations

“With 160 employees, HDI Austria may be smaller than what people think of as a typical SAP customer, but mySAP ERP fits our needs perfectly,” said Dieter Bankosegger, head of finance, HDI Hannover Versicherung AG, Austria. “mySAP ERP provides the tools we need to comply with corporate governance requirements such as local GAAP, U.S. GAAP, and new International Accounting Standards regulations, and that was a large factor in our decision. We have successfully implemented the next-generation general ledger of mySAP ERP to improve and simplify our financial and management accounting and are benefiting from the flexibility it provides for analyzing data and easily accessing views of various company divisions or segments, online and in real time.”

Colgate-Palmolive – Maximize the Value of the Workforce

“As a truly global company doing business in more than 200 countries, we need the most advanced enterprise resource planning software to manage our business operations and maximize the value of our diverse work force,” said Ed Toben, CIO, Colgate-Palmolive Company. “With new human capital management features such as compensation management, e-learning, and self-services, our first mySAP ERP implementation will improve our global HR system to better align employee skills, activities, and incentives with our business objectives while setting the foundation for implementing the service-oriented infrastructure of mySAP ERP across our enterprise software system.”

Northwest Pipe Company – Smooth Upgrade to mySAP ERP

“Congratulations go to everyone involved – we went live smoothly and wound up under budget,” said Georgine Muntz, project manager, Northwest Pipe Company. “mySAP ERP is an excellent solution that works as advertised. We’ve had no unplanned downtime, and its stability shows that our concerns about moving to something so new were unfounded.”

To find further information on mySAP ERP customer success stories, please visit www.sap.com/solutions/business-suite/erp/customersuccess/index.epx.

FURTHER INFORMATION

SAP Web Site

mySAP ERP: www.sap.com/solutions/business-suite/erp/index.epx

mySAP ERP Community: www.sap.com/community/pub/innovation/erp2005/ and sdn.sap.com

Enterprise SOA: www.sap.com/platform/index.epx

SAP Service Marketplace

mySAP ERP: service.sap.com/erp

SAP Upgrade Info Center: service.sap.com/upgrade

SAP Upgrade Services: service.sap.com/upgradeservices

mySAP ERP Upgrade: service.sap.com/upgrade-erp

Maintenance Strategy and Support Offerings from SAP: service.sap.com/maintenance

SAP Safeguarding: service.sap.com/safeguardingupgrade

Unicode: service.sap.com/unicode

SAP Solution Manager: service.sap.com/solutionmanager

mySAP ERP Solution Browser: service.sap.com/upgrade-erp

SAP Release Strategy and Release Notes: service.sap.com/releasestrategy and service.sap.com/releasenotes

Enterprise SOA: service.sap.com/esa

ASUG Benchmarking Surveys

www.asug.com/benchmarking/bestpractices

CONTACTS

To learn more about how mySAP ERP can help your organization, call your SAP representative today.

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