

MANAGEMENT REPORT 1998



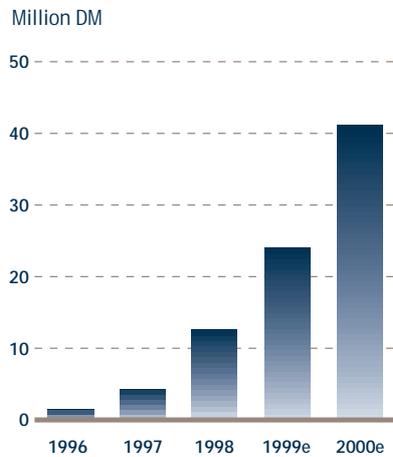
DATA DESIGN AG

# DATA DESIGN AT A GLANCE

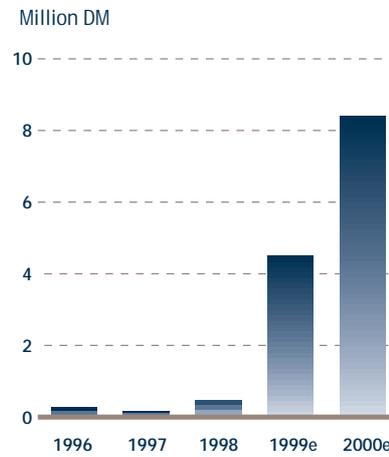
US GAAP	1996 *	1997 *	1998 **	1999e **	2000e **
Revenues (million DM)	1.5	4.2	12.3	24.0	41.1
Income from ordinary activities (million DM)	0.2	0.1	0.4	4.5	8.4
Cash flow (million DM) ***	0.1	0.1	0.7		
Balance sheet total (million DM)	0.6	1.2	37.7		
Equity capital (million DM)	0.1	0.2	32.9		
Equity capital ratio (%)	14	22	87		

- \* DataDesign GmbH
- \*\* DataDesign Group (Pro Forma)
- \*\*\* Net profit + tax depreciation

Growth in Revenues



Income From Ordinary Activities



## About DataDesign

DataDesign is a technology leader among software solution providers catering to the future growth markets electronic banking and electronic commerce.

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# FOREWORD

## BY THE CHIEF EXECUTIVE OFFICER



Dear ladies and gentleman,  
Dear friends, stockholders and staff members,

It has been some three months since DataDesign AG went public. I would like to take this opportunity to extend my gratitude to all. We have been through a somewhat trying time since the company was admitted to the stock exchange, but also a period of great joy and success. Currently, the share quotation is fourfold that of initial issue. For DataDesign, this is a clear indication that we chose the right path in expanding our strategic business, were able to satisfy our customers and enjoy the full confidence our investors. Success of this scale brings with it a new obligation. We intend to ensure you consider DataDesign AG and its goals as persuasive as ever. To this end, we continue to strive for complete customer and investor satisfaction. And in the future we will carry on enhancing our e-business strategies and solutions to achieve our ambitious goals. Collaborating with plenum AG in marketing and sales is of strategic significance to this endeavor.

The remarkable performance of our stock and improved financial resources of DataDesign resulting from the public offering enabled us to further expand our product portfolio. Particularly the acquisition of Software4You made it possible for us to complement our service spectrum and encourage future synergy. Our electronic banking, Internet payment, HBCI and SET software solutions were made amenable to a growing range of customers. For example, we are proud that BfG Bank not only uses our HBCI Internet Banking solution, but also exploits all sales channels available within our Financial Transactions Systems (e.g. call center etc.).

On the one hand our primary clientele, banks, benefit from a powerful infrastructure comprising our technology. On the other, the banks' customers also enjoy numerous advantages, because smart cards for user

authentication, encryption and digital signatures afford maximum security and handling ease throughout the range of online financial transactions.

With our revamped employee and enterprise structure, we have adapted the company to accommodate the growing customer base of DataDesign AG in finance and insurance. In order to be able to offer our software solutions more selectively, we also devised a new marketing and holdings structure. In addition, DataDesign acquired Munich-based Software4You GmbH, a custom e-business solutions house, at the end of 1998. With this enhanced potential, we are able to meet growing customer demand for implementation services. The integration process is running smoothly so that in the course of the first half of 1999 the two enterprises will truly be merged in terms of location and legal standing. The number of our employees has already grown to 115. DataDesign AG is planning on hiring some 50 more in the course of the 1999.

Our agenda calls for us to fully penetrate markets in the German-speaking regions and establish a stronger presence in target markets throughout Europe and later, worldwide. The chances of us succeeding are promising, as many of our potential customers have successfully adapted to the euro and assured year 2000 readiness, and are now prepared to accept leading-edge technology and rise to the challenge of the Internet. Now our mission is to focus on new trends, develop markets, persuade customers with innovative solutions and attract anticipated e-business investments to DataDesign, thus setting the stage for our common goal, future growth.

Munich, February 1999  
Stefan Pfender  
Chief Executive Officer

## BRIEF BIOGRAPHIES



**Stefan Pfender**  
Chief Executive Officer  
DataDesign AG

Stefan Pfender, 27, founded DataDesign Datenbanken und Systemanpassung GmbH in 1992. An MBA, Mr. Pfender sought to make his vision—developing leading-edge software solutions for future e-commerce markets—a reality. In recent years, he diligently expanded DataDesign AG to this end. From this time, he has been CEO of DataDesign AG as well as head of Finances, Investor Relations and Product Management.

Mr. Pfender has been an entrepreneur since he graduated from high school. While holding the position of Managing Director of the former DataDesign Datenbanken und Systemanpassung GmbH, he attended university at Munich, earning a degree in business administration in 1995.



**Michael Reithinger**  
Executive Officer, Development  
DataDesign AG

Michael Reithinger, 27, has been with DataDesign since its inception in 1992. In March 1998 he was invited to join the executive board and tasked with heading development activities at DataDesign. As R&D officer, he is responsible for developing innovative information technology and software solutions for electronic banking and electronic commerce.



**Wolfram Themann**  
Executive Officer, Marketing and Sales  
DataDesign AG

Wolfram Themann, 45, has been a member of the DataDesign AG board since January 1999, holding the position of Executive Officer for Marketing and Sales.

Formerly Sales Manager at Tandem from 1992 and Director Finance Industry at EMEA, Compaq Computers from 1998, Mr. Themann now brings his professional experience to bear at DataDesign.

He began his career at a major German bank in 1971, where until 1989 he held several positions and was tasked with both national and international activities. Subsequently, he joined the staff of an international vendor of business technology as Marketing Manager.



**Roy von der Locht**  
Executive Officer, Professional Services,  
Human Resources, Operations and  
Strategic Alliances, DataDesign AG

Roy von der Locht, 34, was named DataDesign's Executive Officer for Professional Services, Human Resources, Operations and Strategic Alliances in January 1999.

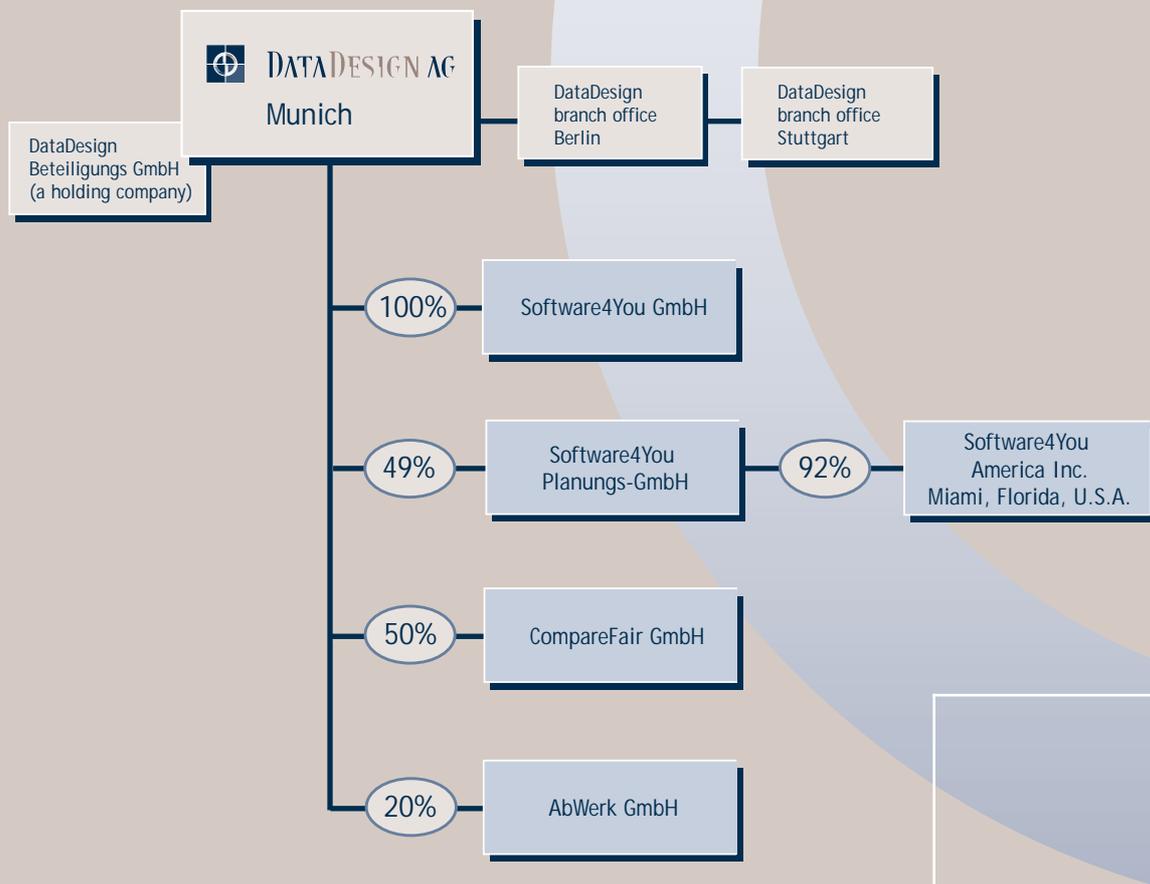
While earning a degree in computer science at the University of Munich, Mr. von der Locht gained business experience pursuing a concurrent career as an entrepreneur. In 1993, he founded Software4You GmbH, an enterprise specialized in custom electronic commerce software, which in 1998 was acquired in full by DataDesign AG.

# STRUCTURE OF DATA DESIGN AG GROUP

To accommodate the company's remarkable growth and facilitate full integration of Software4You GmbH, DataDesign AG is planning to move its headquarters, already located in Munich, to new offices in the same city at the end of March 1999. Now that Software4You GmbH has been incorporated into the company, DataDesign presently maintains two subsidiaries in Berlin and Stuttgart. In the course of this year, DataDesign plans on enhancing its presence by inaugurating additional subsidiaries in Germany. For its next step, the company intends to expand into other European countries and ultimately win target markets worldwide.

Further growth of the enterprise is also promoted by strategic alliances. For example, with the acquisition of Software4You GmbH,

DataDesign also acquired 20 percent of AbWerk GmbH, an Internet factory outlet, and 50 percent of CompareFair GmbH, an online information forum for e-commerce. The services of the DataDesign Group will be marketed via this medium, which will be expanded to offer agency pricing in the Internet. In addition, DataDesign owns 49 percent of the newly founded Software4You Planungssysteme GmbH, Martinsried, a company that designs and develops business planning software. Since January 1999, this company operates its own sales organization in the USA, Software4You America Inc. In the long term, Software4You Planungssysteme GmbH is slated for independent IPO. Moreover, DataDesign Beteiligungs GmbH was set up as an independent holding company which will in future actively manage investments.



The supervisory board met on 9 November 1998 and was informed at length about the situation and ongoing developments of the enterprise by the executive board. In a supervisory board session on 15 December 1998, the acquisition of Software4You GmbH, Munich, Martinsried, via share capital increase was discussed in great depth with the executive board. After elaborating all the risks involved and deliberating on a number of reservations as well as suggested modifications to the submitted acquisition model, the acquisition was ultimately approved.

The Financial Statement 1998 and Situation Report were audited by Puhle Golling & Stötter, Augsburg, and awarded an unqualified audit certificate.

At the meeting held on 23 February 1999, the supervisory board discussed in detail the audit of the Financial Statement 1998 of 31 December 1998 and the Situation Report for fiscal 1998 with Mr. Stötter. Based on the results of the board's review of this audit, the supervisory board concurs with its findings.

The supervisory board affirms that the enterprise has achieved its targeted revenues through the acquisition of Software4You. Targeted profits for 1998 were not achieved in full. For this reason, the supervisory board has determined that improving the organizational quality of Sales and Finance is im-

perative. At the supervisory board meeting of 23 February 1999, the board appointed Mr. Themann, employed by the enterprise since 1 January 1999, to the executive board and tasked him with exclusive responsibility for Sales. Moreover, the supervisory board requested that the executive board intensify joint marketing activities with the partner plenum AG. Mr. von der Locht, previously Manager of Software4You GmbH, was appointed to the executive board; his primary responsibilities are Professional Services, Human Resources, Operations and Strategic Alliances.

For final implementation of the company's financial controlling and planning systems, the executive board, on request of the supervisory board, has hired Dr. Gereon Mertens, former member of the executive board of Metallgesellschaft, to make his knowledge and experiences available within the framework of a temporary consultant contract.

The supervisory board hereby expresses its gratitude to previous members of the supervisory board, the executive board and all employees of the enterprise for the accomplishments of the year under review.

Munich, 23 February 1999

Lothar Mark  
Chairman of the Supervisory Board

C O R P O R A T E   S I T U A T I O N   R E P O R T  
A N D   F I N A N C I A L   S T A T E M E N T  
D A T A D E S I G N   G R O U P



# GROUP (PRO FORMA) CORPORATE SITUATION REPORT 1998

## Introduction

Since 1992, DataDesign AG has pioneered electronic business software solutions. The enterprise is particularly focused on the future growth markets electronic banking and electronic commerce. According to IDC studies and estimates by the European Information Technology Observatory (EITO), total worldwide revenue generated by online commerce will increase tenfold from currently some 52 billion DM to 500 billion DM by the year 2001, whereby these projections only address certain segments of e-commerce. According to the same source, with 25 billion DM in projected sales, Germany will become the largest interactive marketplace of Europe.

The DataDesign Group consists of innovative enterprises, which, inspired by unique ideas and concepts, were able to implement leading-edge e-commerce technology and thus position themselves successfully on the market. Developing products and designing a suitable marketing strategy were key entrepreneurial pursuits of the previous year.

Including acquisitions, in 1998 revenues of the DataDesign Group, a pro forma group, increased by some 190%. This achievement was supported to a considerable degree by listing the company on the Neuen Markt (New Market) of the Frankfurt stock exchange.

Since stock was issued in November 1998, share prices increased by 400%. This clearly indicates that investors support and condone the strategy of DataDesign AG. The IPO-based capital injection finances further product development as well as the expansion of sales and marketing departments and activities.

At the end of 1998, DataDesign acquired 100% of Software4You GmbH. Since 1993, Software4You GmbH has gained a solid reputation for pioneering e-business and e-commerce projects, in particular commercial systems on the Internet. The two enterprises dovetail perfectly so that tangible synergy in development, marketing and implementation of special customer solutions will be manifest as early as 1999. Moreover, the innovative patented technologies of Software4You GmbH were used to enhance existing DataDesign products. For customers of DataDesign AG, this merger means that in future homogenous product packages can be implemented at their respective sites and comprehensive customer service is guaranteed.

With sales of 12.3 million DM in fiscal 1998, DataDesign Group's revenues were roughly triple the previous year's figures. Key factors were a substantial increase of revenues of DataDesign AG and the incorporation of Software4You GmbH. On a comparable basis, the turnover of the group increased by 46%.

Gross earnings (revenues minus cost of sales) increased to 2.2 million DM. Notably, product development costs are fully accounted for in the cost of sales figures and the option to capitalize was not exercised. Marketing and administrative costs amounted to a total of 3.3 million DM. The nonoperating results or extraordinary gains of 0.8 million DM after taxes were proceeds from the sale of a division that was acquired with Software4You GmbH, but was deemed incompatible with the

## Revenues and Earnings



strategy of the group. Net income (after taxes) for the year consequently increased to a total of 328,000 DM (previous year 30,000 DM).

Expenditures for going public amounted to approx. 3.1 million DM; these were offset against capital reserves without affecting the operating result.

## Human Resources

The number of personnel employed within the group increased from an average of 43 in 1997 to an average of 68 in 1998. At the end of the fiscal year, the group employed a total of 110 people. For DataDesign, motivating and providing advanced technology training to employees are essential management instruments. Nonetheless, guidance and support of employees begins as early as the application procedure. Staff members specifically tasked with recruitment serve as liaisons to applicants and facilitate the interview process, contract negotiations and integration into the new working environment. To provide ample career perspectives for employees, the company established a comprehensive training and human resource development program; it is constantly refined by a department tasked solely with training-related matters. Incentives and company-wide events reinforce team spirit, resulting in an extremely low fluctuation rate and strong personal identification with the enterprise. An extensive stock option plan, greeted with a great deal of enthusiasm by employees, provides additional motivation.

Meeting increased demand for e-commerce security solutions, DataDesign consolidated and enhanced its market position by deploying innovative technologies and new products. In 1998, DataDesign rolled out products successfully in diverse projects and created reference solutions: Multi-channel banking solutions (e.g. BfG Bank AG, Dresdner Bank AG) and other e-business solutions for renowned corporate customers (AOK Bundesverband, BMW Bank, Computer 2000, Münchener Rück etc.) were implemented successfully by the group. The complete Multi-channel Banking solution was deployed in 1998. It proved to be powerful, extremely stable and delivered good performance.

The first private bank to support the new German home-banking standard HBCI, in force since October 1998, relied exclusively on DataDesign Group's Financial Transaction Systems (FTS), and at the same time deployed leading-edge smart card technology for encryption and digital signature-based user authentication. DataDesign thus underscored its technology leadership in the market.

Further evidence of the remarkable stability of e-banking components by DataDesign AG is the alliance with the software manufacturer Intuit Deutschland GmbH. This company acquired licenses for software releases for its standard finance software Quicken 2000 and QuickBooks. Moreover, DataDesign has entered technology alliances with Giesecke & Devrient, Munich in the area of smart cards and Towitoko electronics GmbH, Taufkirchen in the area of chip card readers, among others.

## Technology / Research & Development



An extensive alliance was also launched with the American company Globeset, whose SET products for secure transactions in the Internet are integrated into DataDesign products by DataDesign and marketed jointly.

Other ground-breaking innovations such as Questioner, a polling system for the Internet, intranets, call centers and handheld PCs featuring patent-applied-for technology, will premiere at CeBIT '99.

### Capital Stock and Investments

Going public in November 1998 significantly enhanced the financial posture of DataDesign: capital stock is 8.5 million DM. Equity capital is 32.5 million DM. On the one hand, this capital is invested to promote further internal growth of the enterprise, on the other, in future planned strategic acquisitions. These in turn serve to expand the service portfolio as well as the strategic site policy.

### Branch Offices, Holdings, Subsidiaries

With the acquisition of Software4You GmbH at the end of 1998, two new branch offices in Berlin and Stuttgart augmented the existing head office in Munich. The branch offices will be significantly enlarged, further subsidiaries will follow in the course of the new fiscal year.

In addition, DataDesign acquired two new holdings: With 20% of AbWerk GmbH, an Internet factory outlet, and 50% of CompareFair GmbH, an Internet pricing agency, DataDesign has targeted interesting e-commerce niche markets.

In order to remedy the problem of insufficient office space brought about by rapid growth of DataDesign, the enterprise will move to a new office building in Munich towards the end of the first quarter of 1999. This assures Software4You is integrated into DataDesign AG physically as well as economically and the common goals for growth can be achieved in a joint effort.

In the course of acquiring Software4You GmbH, DataDesign AG also procured a 49% share of the newly founded company Software4You Planungssysteme GmbH located in Martinsried near Munich. This enterprise designs and develops business planning software. The company's products are used extensively by Metro AG, real, Henkel etc. DataDesign AG will support the expansion of the limited company. An independent IPO of Software4You Planungssysteme GmbH is projected for the long term.

The market for products and services in the field of electronic banking and electronic commerce is relatively new. Indeed, it is certainly at a very early stage of development. Dependable figures for potential future growth rates as well as the size of the market are difficult to forecast. Currently, it is hard to predict precisely how the market will develop. Although DataDesign has positioned itself very favorably in this market, the company's success is closely tied to the future development of the business sectors e-commerce and e-banking.

### Business Development Risks



The DataDesign Group has to date emphasized technologically advanced, ultra-modern software architectures, and in recent years, proved that it can respond quickly and flexibly to market conditions. With the support of de facto standards such as HBCI, OFX, SET and the benefit of a well-trained young development and implementation team, the company is able to execute requisite modifications and expansions expeditiously.

Further growth and expansion of the DataDesign Group will above all hinge on its ability to recruit new qualified employees. To date, the Group's own recruiting department has succeeded in hiring highly qualified and motivated employees.

The DataDesign Group largely acts as general contractor for the projects it is involved in, so there is a potential for liability claims as well as the risk inherent in calculating and offering fixed quotes for projects. With its own as well as licensed products, DataDesign AG focuses on e-business solutions, in particular in electronic banking and e-commerce. Compared to other lines of business, the company depends on what is currently a relatively manageable customer base since e-business has not yet been established as a standard business. To date, active project management and comprehensive services have fostered a sound basis for expanding the range of business relationships.

The merger with Software4You GmbH and its consequences, i.e. relocation to new offices, may temporarily hamper productivity.

The year 1998 was characterized by efforts to enhance the company's market position as one of the leading providers of e-business solutions. Listing the enterprise on the stock exchange in November substantially strengthened the financial position and increased the prominence of DataDesign, thus decisively promoting the desired growth of the company. The DataDesign Group intends to continue to expand in Germany as well as Europe and increase its share of the market by acquiring suitable companies. Expansion into and building a presence in Europe is planned for 1999. The Sales and Professional Services divisions will operate internationally and implement solutions jointly. A new platform for e-business will be available to various industry companies within the first half of the year.

## Outlook for 1999



In collaboration with the strategic partner plenum AG, DataDesign offers specific solutions for the insurance and financial service sectors—a market that promises the greatest growth for e-business software solutions. The two enterprises' products complement each other superbly, which facilitates an effective joint sales effort. It is also expected that Internet payment (SET) products will enjoy significant growth in 1999. While the focus was long on the euro and year 2000 readiness, the market is now clamoring for new trends, developments and particularly investments in e-business. DataDesign AG will clearly point the way to the future and cater to future markets with its products.

DataDesign is one of the first companies to offer a powerful, high-performance product family for the market of the future, e-business. As a technology market leader, DataDesign is in a good position to enjoy extraordinary growth in these expanding market segments.

During the first quarter of 1999, due to typical seasonal fluctuations—this time of the year is historically the weakest for IT companies—DataDesign's sales are expected to decrease, potentially generating a negative result.

The positive trend in sales is expected to continue in fiscal 1999 and the targeted revenues (24 million) and earnings (4.5 million) are expected to be met.

Munich, February 1999  
The Executive Board



GROUP ( P R O F O R M A )  
FINANCIAL STATEMENT

**STATEMENT OF INCOME FOR THE PERIOD FROM 1 JANUARY 1998  
TO 31 DECEMBER 1998 AND 1997 (US GAAP)**

	DataDesign Group ( Pro Forma)		DataDesign AG
	1998 DM	1997 DM	1997 DM
Revenues	12,271,378.71	8,426,067.27	4,223,637.45
Costs of goods sold	-10,065,990.48	-7,072,298.97	-3,719,100.61
Gross profit	2,205,388.23	1,353,768.30	504,536.84
Operating expenses			
Sales/distribution expenses	-1,539,360.66	-656,105.96	-188,007.62
General and administrative expenses	-1,797,871.91	-698,967.67	-292,254.00
	-3,337,232.57	-1,355,073.63	-480,261.62
Operating result	-1,131,844.34	-1,305.33	24,275.22
Losses from associated companies	-8,158.09	0.00	0.00
Interest and similar income	160,103.05	223.84	123.25
Interest and similar expenses	-78,211.61	-32,501.46	-14,331.77
Other operating income	323,313.61	85,742.87	62,439.86
Income from continuing operations	-734,797.38	52,159.92	72,506.56
Taxes on income and profits from cont. operations	499,386.89	-32,807.38	-42,307.88
Income from continuing operations after taxes	-235,410.49	0.00	0.00
Income from sale of discontinued operations after taxes			
Earnings	563,034.50	0.00	0.00
Net profit for the year before dividends to other shareholders	327,624.01	19,352.54	30,198.68
Losses of other shareholders	0.00	10,846.14	0.00
Net income	327,624.01	30,198.68	30,198.68
Retained earnings brought forward	68,033.53	37,834.85	37,834.85
Retained earnings at year end	395,657.54	68,033.53	68,033.53

**BALANCE SHEET AS OF 31 DECEMBER 1998 AND 31 DECEMBER 1997  
(US GAAP)**

	DataDesign Group (Pro Forma)		DataDesign AG
	1998 DM	1997 DM	1997 DM
<b>Assets</b>			
<b>A. Current Assets</b>			
1. Cash and cash items	28,320,252.01	263,695.28	185,816.55
2. Trade receivables	6,604,817.08	1,479,953.36	850,249.80
3. Other assets	427,848.95	43,374.20	6,866.49
4. Prepaid expenses	86,493.29	31,628.20	29,041.20
5. Other current assets	0.00	1,150.67	1,150.67
6. Inventories	0.00	63,059.61	0.00
	<u>35,439,411.33</u>	<u>1,882,861.32</u>	<u>1,073,124.71</u>
<b>B. Fixed Assets</b>			
1. Financial Assets			
Shares in associated companies	51,798.66	20,000.00	0.00
Loans to associated companies	10,000.00	0.00	0.00
2. Tangible assets			
Other plant, property and equipment	852,478.00	342,652.00	138,797.00
3. Intangible assets			
Software	49,143.00	4,888.00	4,888.00
Goodwill	789,812.71	39,430.00	20,397.00
	<u>1,753,232.37</u>	<u>406,970.00</u>	<u>164,082.00</u>
<b>C. Deferred Taxes</b>	547,800.00	0.00	0.00
	<u>37,740,443.70</u>	<u>2,289,831.32</u>	<u>1,237,206.71</u>

(Continued on page 16)

(Continued from page 15)

**Liabilities and Shareholders' Equity**

	DataDesign Group ( Pro Forma)		DataDesign AG
	1998 DM	1997 DM	1997 DM
<b>D. Liabilities</b>			
1. Current liabilities due to banks	957,622.51	416,722.23	73,613.32
2. Trade accounts payable	1,122,605.23	203,755.82	135,096.10
3. Other current liabilities	831,883.07	512,950.92	182,904.88
4. Pension reserves	0.00	34,659.00	0.00
5. Tax provisions	533,923.99	24,381.98	18,301.88
6. Other provisions	662,800.00	647,657.00	489,157.00
7. Provisions for deferred taxes	0.00	93,500.00	70,100.00
	<u>4,108,834.80</u>	<u>1,933,626.95</u>	<u>969,173.18</u>
<b>E. Funds Appropriated for Increasing Share Capital</b>			
	750,000.00	0.00	0.00
<b>F. Other Shareholder's Equity</b>			
	0.00	88,170.84	0.00
<b>G. Equity Capital</b>			
1. Capital subscribed	8,500,000.00	200,000.00	200,000.00
2. Capital surplus	23,985,951.36	0.00	0.00
3. Retained earnings	395,657.54	68,033.53	68,033.53
	<u>32,881,608.90</u>	<u>268,033.53</u>	<u>268,033.53</u>
	<u>37,740,443.70</u>	<u>2,289,831.32</u>	<u>1,237,206.71</u>

## ANNOTATIONS TO THE PRO FORMA GROUP FINANCIAL STATEMENT FOR FISCAL 1998 (US GAAP)

### Preliminary Remarks

The Pro Forma Financial Statement (referred to in the following as "Financial Statement") for DataDesign Aktiengesellschaft and its subsidiaries dated 31 December 1998 was for the first time compiled to comply with the basic accounting principles generally recognized in the USA ("United States Generally Accepted Accounting Principles" or "US GAAP"). To enable comparison of figures with those reported on 31 December 1997, the figures were adapted to reflect the changes in the consolidated group during fiscal 1998. The statement was compiled as if the underlying conditions on which the Financial Statement is based were known at the beginning of the fiscal year. The Financial Statement thus represents the consolidated assets, finances, earnings and profits of DataDesign Aktiengesellschaft and all enterprises in which it holds an interest as if corporate holdings acquired later in the fiscal year had been among the company's assets at the onset of the fiscal year.

### Consolidated Group

In addition to DataDesign Aktiengesellschaft, the following enterprises are accounted for in the Financial Statement:

	Capital share in %	Effective date of initial consolidation
Software4You GmbH (1) Planegg, Municipality Martinsried	100	1 January 1998
Software4You Planungssysteme GmbH (1),(2),(3) Planegg, Municipality Martinsried	49.2	30 December 1998
CompareFair GmbH (1),(2),(4),(5) Planegg, Municipality Martinsried	50	7 October 1998
AbWerk Handelsvermittlung GmbH (1),(2),(4) Cologne	20	1 January 1998

Remarks on (1): Acquisition of holdings economically effective on 30 December 1998.

Remarks on (2): Balance sheet accounting and valuation of the associated company based on the equity method.

Remarks on (3): Incorporation of the associated company occurred on the date of acquisition.

Remarks on (4): Indirect holding via Software4You GmbH, Planegg, Municipality Martinsried.

Remarks on (5): Incorporation of the associated company occurred on the date of acquisition.

### a) Consolidation

All substantial subsidiaries under legal or actual control of DataDesign Aktiengesellschaft are reflected in the Financial Statement. The capital consolidation procedure used herein complies with the book value method. In keeping with the principle of purchase accounting, the costs of acquisition are offset against the parent company's proportional equity capital at the time of acquisition. The difference between the acquisition costs and the proportional equity capital is ascribed in full or in part to the assets of the subsidiary. The residual difference is capitalized as goodwill and depreciated over the anticipated useful life of the assets, thus affecting net income. As a rule, the Financial Statement reflects the assumption that the prerequisites for initial consolidation had been met on 1 January 1998 or at the later date on which the subsidiary was founded. For a subsidiary, the date at which shares in it were acquired is the effective date of consolidation, since this enterprise was inactive prior to this date.

### Reporting Principles

Substantial holdings are accounted for in keeping with the equity method when DataDesign Aktiengesellschaft or one of its subsidiaries holds from 20% to 50% of the shares ("associated companies"). The book value accounting procedure was applied.

The effects of internal transactions within the group are eliminated. Requisite tax accruals and deferrals were carried out for consolidation processes that affect net income.

All associated companies, with the exception of associated companies founded at a later date or associated companies in which holdings were acquired at a later date, were incorporated in the DataDesign Group Financial Statement with 1 January 1998 being the effective date of initial consolidation. Later incorporation of an associated company at equity, effective on the day the company was founded, did not yield any differential amount.

Within the framework of valuation at equity, incorporation of an associated company acquired in fiscal 1998 yielded a differential amount of DM 5,317, which is carried as goodwill and depreciated over a period of 5 years in accordance with the straight-line method of depreciation.

#### **b) Revenues**

Revenues are considered to be generated at the point in time when a customer receives delivery of goods or services.

#### **c) Current assets**

Current assets comprise inventories, accounts receivable and cash, including amounts due after a year.

#### **d) Cash and cash equivalents**

Cash and cash equivalents comprise the current credit balance at banks, cash in hand as well as fixed-term accounts.

#### **e) Accounts receivable and other assets**

To cover general credit risks and interest and cash discount losses, when necessary, valuation adjustments are made to accounts receivable from sales and services. The entitlements from insurance for pension obligations contained in the previous year were evaluated at cash-in value.

#### **f) Inventories**

Inventories are reported at purchase or manufacturing costs and market prices, whichever is lower, and include exclusively longer-term project orders which were valued separately. Next to the immediate costs for production of goods or service, manufacturing costs also contain proportional overhead for production of goods or service as well as depreciation.

#### **g) Deferred taxes**

In accordance with US GAAP, accumulated and deferred taxes which result from temporary differences between tax valuations and balance sheet valuations must be reported. Capitalized deferred taxes refer exclusively to tax losses carried forward. Deferred taxes payable are carried as a liability at the expected amount of the tax burden and are reported as long-term accrued reserves for deferred taxes.

#### **h) Other financial assets**

Other financial assets, in particular loans to associated companies, are valued at acquisition cost. In case of a permanent decline in the value of assets, these are depreciated accordingly.

#### **i) Tangible fixed assets**

Assets reported as tangible fixed assets are valued at purchase cost with scheduled depreciation in accordance with the declining balance method and straight-line method of depreciation. This property is written off over the period of service life of the given item. The declining balance method is supplanted by the straight-line method of depreciation as soon as even distribution of the residual book value over the remaining service life

leads to higher depreciation values. For the purpose of ascertaining depreciation values, the service life is defined within a range of 2 to 10 years.

Profits or losses resulting from disposal of assets reported as fixed assets are reflected in other operating expenses and earnings.

#### **k) Intangible fixed assets**

Acquired intangible assets, including goodwill, are valued at purchase cost with scheduled depreciation in accordance with the straight-line method of depreciation. Goodwill is valued on the respective effective date of a balance sheet. Intangible assets are depreciated over a period of 5 to 15 years. In the year of purchase, pro rata temporis depreciation is carried out.

#### **l) Leasing**

As a lessee, the DataDesign Group utilizes tangible assets, particularly passenger cars and property, plant and equipment. US GAAP sets forth the rules by which, judged on the basis of chances and risks, the lessee—as is the case with a capital lease—or the lessor—as is the case with an operating lease—is ascribed beneficial ownership of the leased object. According to these regulations, beneficial ownership is in this case ascribed to the lessor.

#### **m) Accruals**

Provisions for tax accruals and other reserves for accrued liabilities are accumulated if an obligation to third parties exists, claims are probable and the requisite amount of reserves can be estimated reliably. The valuation of pension obligations in the previous year is based on the projected unit credit method as stipulated in SFAS 87.

#### **n) Research and Development**

Expenditures incurred within the framework

of research and development projects were included in the cost of goods sold, thus affecting net income, since direct allocation to other software assets designated for sale was infeasible.

#### **o) Estimates**

To a certain degree, estimates and assumptions were made while compiling the Group Financial Statement. These have an influence on the itemized positions of the Group Financial Statement, reporting of contingent liabilities, reporting of earnings and expenditures during the period covered as well as the annotations to the Financial Statement. Actual results may deviate from estimates and assumptions.

#### **p) Net earnings per share**

In accordance with SFAS 128, all effects of equity capital conversion privileges must be considered when calculating net earnings per share. If dilution effects occur, two benchmark figures regarding net earnings per share must be reported. In the case of basic earnings by share, the dilution effect is not taken into account—the group result is divided by the weighted average of the number of issued shares. For diluted earnings by share, not only are the actual issued shares taken into account, but also shares available by virtue of option rights. The group result represents the overall results of the year attained by the entire corporate group.

#### **q) Segmental reporting**

All enterprises consolidated in the DataDesign Financial Statement are active in identical areas of business and markets and largely deliver comparable services and products. Furthermore, all enterprises employ comparable marketing methods predominantly to address the national market and are active in the same markets, merely with

disparate objectives. For this reason, the Financial Statement does not make use of the separate segmental reporting option. Although this statement does not employ this option, the SFAS 131 stipulations governing reporting of specific information are met to the extent that, wherever pertinent, this information is provided in the annotations to the itemized positions of the Financial Statement.

6. Changes in the group fixed assets are due to fixed asset developments in the course of fiscal 1998. In particular, the intangible fixed assets include the goodwill derived from initial consolidation of Software4You GmbH, Planegg, Municipality Martinsried.

Tangible fixed assets comprise the following:

	1998 DM	1997 DM
Vehicles	237,353	88,940
Property, plant and equipment	615,125	253,712
	<u>852,478</u>	<u>342,652</u>

Depreciation reported in the financial statement amounted to DM 432,981 for the fiscal year (previous year DM 171,151).

#### Annotations to the Group Balance Sheet

1. Cash and cash equivalents comprise the current credit balance at banks, cash in hand as well as fixed-term accounts.

2. All accounts receivable from sales and services are due within a year.

3. In the previous year, the other assets contained DM 9,906 with a residual term in excess of one year.

4. In the previous year, other current assets exclusively included accounts receivable from partners, specifically from short-term advances paid out to the partner Stefan Pfender.

5. Solely the work in process of longer-term projects which were concluded within the fiscal year are reported in the inventories of the previous year. At the end of the current fiscal year, all services provided were settled or taken in delivery by the customer.

GROUP FIXED ASSETS IN FISCAL 1998 (US GAAP)

	Costs of Acquisition and Production			
	1 Jan. 1998 DM	Additions DM	Disposals DM	31 Dec. 1998 DM
<b>Financial Assets</b>				
Shares in associated companies	20,000.00	39,956.75	0.00	59,956.75
Loans to associated companies	0.00	10,000.00	0.00	10,000.00
	<u>20,000.00</u>	<u>49,956.75</u>	<u>0.00</u>	<u>69,956.75</u>
<b>Tangible Assets</b>				
Other plant. property and equipment	627,408.52	1,089,892.09	343,791.94	1,373,508.67
	<u>627,408.52</u>	<u>1,089,892.09</u>	<u>343,791.94</u>	<u>1,373,508.67</u>
<b>Intangible Assets</b>				
Software	44,085.00	53,983.54	0.00	98,068.54
Goodwill	49,491.93	837,426.35	0.00	886,918.28
	<u>93,576.93</u>	<u>891,409.89</u>	<u>0.00</u>	<u>984,986.82</u>
	<u>740,985.45</u>	<u>2,031,258.73</u>	<u>343,791.94</u>	<u>2,428,452.24</u>

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	Accrued Depreciation				Net Book Values	
	1 Jan. 1998 DM	Appropriations DM	Retransfers DM	31 Dec. 1998 DM	1998 DM	1997 DM
<b>Financial Assets</b>						
Shares in associated companies	0.00	8,158.09	0.00	8,158.09	51,798.66	20,000.00
Loans to associated companies	0.00	0.00	0.00	0.00	10,000.00	0.00
	0.00	8,158.09	0.00	8,158.09	61,798.66	20,000.00
<b>Tangible Assets</b>						
Other plant. property and equipment	284,756.52	335,145.25	98,871.10	521,030.67	852,478.00	342,652.00
	284,756.52	335,145.25	98,871.10	521,030.67	852,478.00	342,652.00
<b>Intangible Assets</b>						
Software	39,197.00	9,728.54	0.00	48,925.54	49,143.00	4,888.00
Goodwill	10,061.93	87,043.64	0.00	97,105.57	789,812.71	39,430.00
	49,258.93	96,772.18	0.00	146,031.11	838,955.71	44,318.00
	334,015.45	440,075.52	98,871.10	675,219.87	1,753,232.37	406,970.00

Additions to depreciations include a change in value due to an at equity valuation of shares in associated companies to the amount of: 8,158.09

7. Deferred taxes are carried as an asset. The itemized position was created to report creditable, unlimited carryover of accumulated tax losses. Because of uncertain feasibility, value adjustments were made to the deferred tax claim. While determining value adjustment requirements, the fact that part of the claims are realizable at short notice through group-internal distribution was taken into account.

At the close of fiscal 1998, the parent company's tax loss carryover amounts to approximately DM 3,800,000.

8. Short-term liabilities to banks comprise exclusively credit in current accounts due within a year. DM 651,901 of these liabilities are secured by guaranty (previous year DM 343,109).

9. All accounts payable for sales and services are due within a year.

10. The other short-term liabilities are due for redemption within a year and comprise the following:

	1998 DM	1997 DM
Taxes	69,530	181,305
Wages and salaries	5,465	6,750
Group employees	47,580	0
Social security	187,542	98,215
Liabilities from investment acquisitions	168,863	0
Short-term loans	30,000	0
Other	322,903	11,458
	<u>831,883</u>	<u>297,728</u>

11. In the previous year, due to commitments made to individuals, DataDesign Group had pension obligations to managers of a subsidiary; these persons waived their entitlements in fiscal 1998. Accordingly, the provisions for pension obligations accrued up to this time were retransferred. Consequently, in fiscal 1998, proceeds of DM 34,659 were reported from retransfer of accrued pension reserves. In the previous year, the expenditures for pension obligations were DM 26,113. The overall expenditures for the pension plan during the fiscal year were DM 3,739 (previous year DM 30,611).

12. Other accrued provisions include the following substantial positions:

	1998 DM	1997 DM
Invoices not yet received	357,740	253,000
Guaranties	0	147,000
Bonuses	0	181,957
Vacation entitlements	151,060	38,700
Year end accounting and auditing costs	70,000	20,500
Other short-term provisions	84,000	6,500
	<u>662,800</u>	<u>647,657</u>

13. The funding provided for carrying out an increase in share capital comprises the non-cash capital contributions appropriated by decision of the executive board on 29 December 1998 for the capital increase.

14. Capital stock was increased several times in fiscal 1998 by issuing 1,660,000 new bearer shares worth DM 8,300,000

Capital stock thus amounts to DM 8,500,000. It is split up into 1,700,000 bearer shares.

On 29 December 1998, by decision of the executive board, with approval of the supervisory board, and by authority of the general



meeting of shareholders, and using a part of approved capital, capital stock was increased by issuing new bearer shares to the amount of DM 750,000, thus increasing noncash capital. The increase in share capital is effective at time of entry in the commercial register. The measure was reported to the commercial register on 31 December 1998. By the time of reporting, this resolution had been entered to the commercial register. The noncash capital required for carrying out the increase in share capital was furnished to DataDesign Aktiengesellschaft by an agreement governing the transfer of property in exchange for stock dated 30 December 1998. Subject of the noncash capital contribution were all shares of Software4You GmbH, Planegg, Municipality Martinsried. The requisite figures are reported under the position "Funds appropriated for increasing share capital."

After the resolution to increase share capital was entered to the commercial register on 11 February 1999, capital stock amounts to DM 9,250,000 and is split up into 1,850,000 bearer shares.

For the period until 31 August 2003 with the approval of the supervisory board, the executive board is authorized to increase capital stock by up to DM 3,000,000 by issuing bearer shares (individual share certificates) for cash or noncash capital contributions (approved capital). The stock subscription right of the stockholders may be excluded to compensate for residual amounts, grant subscription rights to bearers of convertible bonds with warrants or conversion privileges, issue shares to employees of the group, raise non-cash capital—particularly in the form of enterprises or shares in enterprises—develop new capital markets, in particular abroad. The same applies if the shares of the enterprise are listed on the stock exchange and the share issue price does not fall substantially below the stock exchange quotation. The stock subscription right of the stockholders may also be excluded to grant stock subscription rights to persons entitled to the conversion privileges granted to group employees.

Should preferred shares be issued, the company reserves the right to issue further preferred shares which are on par with the existing preferred shares.

By decision of the executive board and with the approval of the supervisory board on 29 December 1998 and exercising the above authorization, a partial sum of DM 750,000 of the approved capital was used to increase capital stock from noncash capital contributions.

Upon entry of the resolution to increase share capital to the commercial register, the approved capital amounts to DM 2,250,000.

The special general meeting of shareholders on 31 August 1998 authorized the supervisory board to issue stock purchase warrants for up to 36,000 individual share certificates to DataDesign Aktiengesellschaft executive board members (Stock Option Plan) and grant conversion privileges to persons entitled to options for up to a total par value of DM 180,000 within the framework of an employee investment participation model, the Stock Option Plan.

The executive board was authorized to issue stock purchase warrants for up to 84,000 individual share certificates to DataDesign Aktiengesellschaft employees and grant conversion privileges to persons entitled to options for up to a total par value of DM 420,000. The term of these options may in each case not exceed 10 years; in addition, the executive board is entitled to issue options which were not allocated to the executive board by the supervisory board. Each of the issued options is authorized for conversion into one share. In accordance with the stock purchase warrant conditions, conversion privileges can be exercised at the earliest two years after the issuance of a warrant. After this interim, conversion privileges can be exercised at any time. When a warrant is converted to a share, the person entitled to the option is required to pay the amount indicated on the warrant as the conversion price.

The figures for warrants in fiscal 1998 are as follows:

	Nominal value of the options DM	Number of conversion privileges in shares Unit no.	Average conversion price DM	Average remaining term Months
<b>Subscribed Warrants:</b>				
- Members of the executive board	90,000	18,000	18.83	118.0
- Employees	299,550	59,910	21.02	117.8
	389,550	77,910		
<b>Unissued Warrants:</b>				
- Members of the executive board	90,000	18,000		
- Employees	120,450	24,090		
	210,450	42,090		
<b>Total</b>	<b>600,000</b>	<b>120,000</b>		

During fiscal 1998, the DataDesign Group accrued reserves of DM 15,000 for obligations due to potential call-ins of option rights. Incidentally, "APB Opinion No. 25 and Related Interpretations" was applied in accounting for and valuing obligations resulting from the Stock Option Plan. The weighted average value of a granted option amounts to DM 2.12 and is based on the minimum value of the option, making use of risk-free capital investment interest (6.0% at the date of commitment) and reaching maturity at a date corresponding to the expected life of the option and a term of 10 years. A balance sheet prepared for the Stock Option Plan in keeping with the stipulations set forth in SFAS 123 would have no further influence on the result or financial status of the DataDesign Group.

In accordance with the issuance of warrants within the framework of the Stock Option Plan, capital stock is increased conditionally by up to DM 600,000,00 through issuance of up to 120,000 individual share certificates made out to the bearer to grant conversion privileges to persons entitled to the share

options (conditional capital). In case of conversion, the new shares are issued against payment of at least DM 18.83 per share. The conversion price of at least DM 18.83 per share is increased by the amount that the share's market value exceeds the minimum price of DM 18.83 on the last workday prior to issuance of any given warrant. The conditional increase in share capital is only carried out insofar as the persons entitled to the warrant exercise their right of exchange and the conditional capital is required in accordance with the stipulations governing the conditions for the conversion. The executive board is authorized to determine the further details for carrying out the conditional increase in share capital.

15. The premium yield of DM 27,047,780 from increases in share capital carried out in 1998 was allocated to capital reserves; financing costs of DM 3,061,829 were deducted without affecting the operating result.

## ANNOTATIONS TO THE CONSOLIDATED STATEMENT

1. All revenues were generated nationally. The following is a listing by products:

	1998 DM thous.	1997 DM thous.
Software development and projects	12,180	8,352
Other	91	74
	<u>12,271</u>	<u>8,426</u>

The following major customers generated the percentage of revenues annotated at the right for the respective fiscal years:

	1998	1997
BfG-Bank AG	22.5 %	16.1 %
Münchner Rückversicherung AG	7.2 %	10.6 %
DCS AG	-	11.5 %

2. The following expenditures for materials and services are contained in the costs of goods sold:

	1998 DM thous.	1997 DM thous.
Costs for acquisition and receipt of goods	671	413
Costs for acquisition and receipt of services	800	632
	<u>1,471</u>	<u>1,045</u>

3. The following personnel costs are contained in the financial statement:

	1998 DM thous.	1997 DM thous.
Wages and salaries	5,459	3,438
Social security	944	495
Expenditures for retirement benefits	4	31
	<u>6,407</u>	<u>3,954</u>

4. Operating expenses consist predominantly of sales and distribution costs, cost of office space, advertising expenditures, administration costs, legal and consulting expenses as well as costs for vehicles and outside services. The position contains aperiodic expenditures of DM 1,750 (previous year DM 671).

5. Other income contains profits from writing back itemized allowances for bad debt from accounts receivable, reimbursement from insurance, nonmonetary compensation and income from disposal of fixed assets. The itemized position contains aperiodic income of DM 147,000 (previous year DM 50,953).

6. Taxes on income and profits from ordinary activities refer primarily to taxes on income (DM 526,113; previous year DM 32,708), of which in 1998, DM 384,200 were integrated into the operating results of independent divisions after taxes on income and profits from the retransfer of deferred tax reserves (DM 93,500; previous year DM 3,700). On account of the parent company's tax loss carryover, deferred taxes were capitalized and value adjustments were carried out; for the same reason, the parent company's accumulated tax deferrals were retransferred.

The figures for this itemized position are as follows:

	1998 DM	1997 DM
Current taxes on earnings and profits	432,613	32,810
Less taxes on earnings from sales of independent divisions	-384,200	0
Taxes on income and profits from ordinary activity before capitalization of deferred taxes	48,413	0
Capitalized deferred taxes on account of loss carryover	2,090,000	0
Less valuation adjustment	-1,542,200	0
	547,800	0
	<u>-499,387</u>	<u>32,810</u>



7. The results from the sale of independent divisions comprise profits from the sale of the independent division "Planungssysteme," which in 1998 was developed to market maturity by a subsidiary and in keeping with the strategy of the DataDesign Group, subsequently sold. The profit reported in this itemized position was determined as follows:

	1998 DM thous.	1997 DM thous.
Results from the sale of independent divisions before taxes	947	0
Taxes	-384	0
Results from the sale of independent divisions after taxes	563	0

8. The figures for the results per share are as follows:

	1998 DM	1997 DM
<b>Results per share</b>		
Consolidated group results	347,624	30,199
Weighted average of issued shares (1)	1,700,000	40,000
Per share yield	0,20	0,75
<b>Results per share (fully diluted)</b>		
Consolidated group results	347,624	30,199
Weighted average of issued shares (1)	1,700,000	40,000
Shares issued in the share capital increase of December 1998	150,000	0
Dilution effect due to the Stock Option Plan; issued options (2)	77,910	0
	1,927,910	40,000
<b>Per share yield</b>	<b>0,18</b>	<b>0,75</b>

Remarks on (1): All shares issued in the fiscal year are entitled to dividends for the entire fiscal year, with the exception of the shares issued in the course of the share capital increase in December 1998.

Remarks on (2) It is expected that all bearers of options issued during the fiscal year will exercise their conversion privileges.

## Other

1. Other financial obligations that do not appear in the balance sheet and are not required to be reported in accordance with Article 251 are as follows:

	1999 DM thous.	2000 DM thous.	2001 DM thous.	after 2001 DM thous.
Leases (real property)	600	528	424	2,002
Contracts (movable property)	165	148	117	208
Telephone system	6	6	6	12
	<u>771</u>	<u>682</u>	<u>547</u>	<u>2,222</u>

In connection with the acquisition of 49.2% of equity in Software4You Planungssysteme GmbH, Planegg, Municipality Martinsried, DataDesign Aktiengesellschaft has the right to purchase a DM 500.00 partial share of the other shareholders' equity. In return, 6,250 DataDesign Aktiengesellschaft individual share certificates are transferred to the seller. DataDesign Aktiengesellschaft as well as the other shareholders have agreed to provide a business loan of DM 2,000,000 with a minimum term until at least 31 December 2001 and an annual interest rate of 3.5% to Software4You Planungssysteme GmbH, Planegg, Municipality Martinsried. Of this loan, the amount of DM 1,000,000 falls upon DataDesign Aktiengesellschaft. DataDesign Aktiengesellschaft develop products for the financial, insurance, media and telecommunication industries. These products and solutions are implemented in projects where DataDesign Aktiengesellschaft acts as a

general contractor. Such projects have the potential for liabilities and risks. Diverse projects were carried out at and are in preparation for key strategic areas in the computing centers of banks. Some contracts governing these projects stipulated penalties in case of project overrun or contain significant liability requirements. As a provision against risk, the company strives to cover a part of these contingencies via insurance. The enterprise's own products are subjected to quality assurance measures and quality control inspections. Since the end of 1997, an ISO 9000 certification project is underway within the group.

2. The respective year's average number of employees was:

	1998	1997
Employees	68	43

3. Executive body of DataDesign Aktiengesellschaft:

The members of the executive board of DataDesign Aktiengesellschaft are:

**Stefan Pfender**, Munich (Chairman)

**Michael Reithinger**, Munich  
(since 10 February 1998)

In total, remuneration to the executive board of DataDesign Aktiengesellschaft in the fiscal year amounted to DM 179,640. Within the framework of the Stock Option Plan, 18,000 options to purchase shares in DataDesign Aktiengesellschaft were issued to future members of the executive board during the fiscal year.

The members of the supervisory board of DataDesign Aktiengesellschaft were:

**Lothar Mark**, Rodgau

- Member of management, Metall-Bank
- Since 15 September 1998
- Chairman
- Also a member of the following supervisory committees: plenum AG, Wiesbaden, Refugium AG, Königswinter

**Christian Klocke**, Munich

- MA Computer Science
- From 10 February 1998 to 5 November 1998
- Chairman until 15 September 1998

**Robert Käß**, Munich

- MBA
- Deputy chairman since 10 February 1998

**Dr. Hartwig Graf von Westerholt**, Königsstein

- Attorney
- Since 5 November 1998
- Also a member of the following supervisory committees: Producta AG, Ettlingen

**Klaus Pfender**, Lauterach

- EDP Consultant
- From 10 February 1998, until 15 September 1998

Remuneration to the executive board of DataDesign Aktiengesellschaft in the fiscal year amounted to DM 13,500.

Munich, February 1999

Stefan Pfender  
Chief Executive Officer

Michael Reithinger  
Executive Board Member

**CASH FLOW STATEMENT FOR THE PERIOD FROM 1 JANUARY 1998  
TO 31 DECEMBER 1998 AND 1997 (US GAAP)**

	DataDesign Group (Pro Forma)		DataDesign AG
	1998 DM	1997 DM	1997 DM
<b>Income / Expenses from the Operating Activities</b>			
Net income	327,624.01	30,198.68	30,198.68
Adjustment to reconcile net income/loss to income/expenses			
Amortization of intangible assets	96,772.18	2,432.00	2,432.00
Depreciation of fixed assets	335,145.25	72,970.70	72,970.70
Depreciation of financial assets	8,158.09	0.00	0.00
Net change in pension reserves	-34,659.00	0.00	0.00
	405,416.52	75,402.70	75,402.70
	733,040.53	105,601.38	105,601.38
Decrease/increase in assets and increase/decrease in liabilities and shareholder's equity			
Trade accounts receivable	-5,124,863.72	-286,164.13	-286,164.13
Other assets	-384,474.75	-5,611.47	-5,611.47
Inventories	63,059.61	0.00	0.00
Short-term tax provisions	509,542.01	18,301.88	18,301.88
Provisions for deferred taxes	-93,500.00	9,600.00	9,600.00
Other provisions	15,143.00	467,215.00	467,215.00
Trade accounts payable	918,849.41	-18,909.38	-18,909.38
Liabilities to shareholders	0.00	-91,487.25	-91,487.25
Other short-term liabilities	318,932.15	11,761.01	11,761.01
Accumulated deferred taxes	-547,800.00	0.00	0.00
Other	-53,714.42	-287,039.05	-21,808.87
	-4,378,826.71	-182,333.39	82,896.79
Net receipts from/net expenses for activities	-3,645,786.18	-76,732.01	188,498.17

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	DataDesign Group ( Pro Forma)		DataDesign AG
	1998 DM	1997 DM	1997 DM
<b>Cash flow from Investment Activities</b>			
Investment in intangible assets	-891,409.89	-5,750.00	-5,750.00
Investments in fixed assets	-1,089,892.09	-173,844.70	-173,844.70
Investments in financial assets	-49,956.75	0.00	0.00
Fixed asset disposals (at net book value)	244,920.84	0.00	0.00
	-1,786,337.89	-179,594.70	-179,594.70
	-5,432,124.07	-256,326.71	8,903.47
<b>Cash flow from Financing Activities</b>			
Increase in subscribed capital	8,300,000.00	150,000.00	150,000.00
Transfer to capital surplus	23,985,951.36	0.00	0.00
Funds appropriated for increasing share capital	750,000.00	0.00	0.00
Changes in other shareholder's equity	-88,170.84	0.00	0.00
	32,947,780.52	150,000.00	150,000.00
<b>Increase/Decrease in Cash and Cash Equivalents</b>	<b>27,515,656.45</b>	<b>-106,326.71</b>	<b>158,903.47</b>
<b>Cash and Cash Equivalents at the Beginning of the Fiscal Year</b>	<b>-153,026.95</b>	<b>-46,700.24</b>	<b>-46,700.24</b>
<b>Cash and Cash Equivalents at the End of the Fiscal Year</b>	<b>27,362,629.50</b>	<b>-153,026.95</b>	<b>112,203.23</b>
<b>Composition of Cash Equivalents at the End of the Fiscal Year</b>			
Cash and cash equivalents	28,320,252.01	263,695.28	185,816.55
Liabilities to banks	-957,622.51	-416,722.23	-73,613.32
	27,362,629.50	-153,026.95	112,203.23

**DATADESIGN AKTIENGESELLSCHAFT MUNICH  
PRO FORMA GROUP EQUITY CAPITAL TO 31 DECEMBER 1998 (US GAAP)**

	Capital stock DM	Capital reserve DM	Revenue reserve DM	Total equity capital DM
<b>Status on 31 December 1995</b>	50,000.00	0.00	-67,309.58	-17,309.58
Net income 1996	0.00	0.00	105,144.43	105,144.43
Dividend payout	0.00	0.00	0.00	0.00
<b>Status on 31 December 1996</b>	50,000.00	0.00	37,834.85	87,834.85
Share capital increase	150,000.00	0.00	0.00	150,000.00
Dividend payout	0.00	0.00	0.00	0.00
Net income 1997	0.00	0.00	30,198.68	30,198.68
<b>Status on 31 December 1997</b>	200,000.00	0.00	68,033.53	268,033.53
Share capital increases	8,300,000.00	0.00	0.00	8,300,000.00
Transfer of the premium to capital reserve	0.00	27,047,780.00	0.00	27,047,780.00
Capital procurement costs offset against capital reserve without affecting the operating result	0.00	-3,061,828.64	0.00	-3,061,828.64
Dividend payout	0.00	0.00	0.00	0.00
Net income 1998	0.00	0.00	327,624.01	327,624.01
<b>Status on 31 December 1998</b>	8,500,000.00	23,985,951.36	395,657.54	32,881,608.90

# AUDITOR'S REPORT

## DATADesign GROUP

The qualified auditor has awarded the entire pro forma group financial statement of DataDesign Aktiengesellschaft, Munich, as of 31 December 1998 and the year then ended, compiled in accordance with the United States Generally Accepted Accounting Principles (US GAAP) principles, and the pro forma group management report for the fiscal year 1998 the following auditor's report:

The non-binding translation of the auditor's report is as follows:

"We have audited the pro forma group financial statement of DataDesign Aktiengesellschaft, Munich, as of 31 December 1998 and the year then ended. In reporting DataDesign Aktiengesellschaft group accounts, the statements predicate that the rendering of accounts was compulsory for the entire fiscal year 1998, although reporting did not become obligatory until the end of the fiscal year. These group financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on the compliance of these pro group financial statements with US GAAP based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the

financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. In our opinion, our audit forms a sufficiently sound basis for our audit report.

On account of the results of our audit, we have come to the following conclusion:

In our opinion, these pro forma group financial statements present fairly, in all material respects, the financial position of the DataDesign group as of 31 December 1998 and the results of its operations and changes in its financial position for the year then ended in accordance with United States Generally Accepted Accounting Principles."

PUHLE GOLLING & STÖTTER  
Attorneys-At-Law – Tax Consultants  
Certified Public Accountants

Stötter  
Certified Public Accountant

Augsburg, 22 February 1999



C O R P O R A T E   S I T U A T I O N   R E P O R T  
A N D   F I N A N C I A L   S T A T E M E N T  
D A T A D E S I G N   A G



## Introduction

Since 1992, DataDesign AG has pioneered electronic business software solutions. The enterprise is particularly focused on the future growth markets electronic banking and electronic commerce. According to IDC studies and estimates by the European Information Technology Observatory (EITO), total worldwide revenue generated by online commerce will increase tenfold from currently some 52 billion DM to 500 billion DM by the year 2001, whereby these projections only address certain segments of e-commerce. According to the same source, with 25 billion DM in projected sales, Germany will become the largest interactive marketplace of Europe.

DataDesign AG is an innovative enterprise, which, inspired by unique ideas and concepts, was able to implement leading-edge e-commerce technology and thus position itself successfully on the market. Developing products and designing a suitable marketing strategy were key entrepreneurial pursuits of the previous year.

At the end of 1998, DataDesign acquired 100% of Software4You GmbH. Since 1993, Software4You GmbH has gained a solid reputation for pioneering e-business and e-commerce projects, in particular commercial systems on the Internet. The two enterprises dovetail perfectly so that tangible synergy in development, marketing and implementation of special customer solutions will be manifest as early as 1999. Moreover, the innovative patented technologies of Software4You GmbH were used to enhance existing DataDesign products. For customers of DataDesign AG, this merger means that in future homogenous product packages can be implemented at their respective sites and comprehensive customer service is guaranteed.

## Revenues and Earnings 1998

DataDesign AG's individual accounts showed sales of 5.4 million DM in fiscal 1998, an increase over the 1997 figure of 4.2 million DM. Expressed in percentages, turnover increased by 29%.

Net loss for the year amounted to 3.9 million DM (previous year a net profit of 10,000 DM). Expenditures for going public amounted to approx. 3.1 million DM, an extraordinary debit that contributed significantly to net loss. Marketing and administrative costs increased by 1.3 million DM over the previous year's figures. Net interest income increased by 130,000 DM over the previous year's figures, improving performance by the same measure.

The number of personnel employed by the AG increased from an average of 13 in 1997 to an average of 24 in 1998. For DataDesign, motivating and providing advanced technology training to employees are essential management instruments. Nonetheless, guidance and support of employees begins as early as the application procedure. Staff members specifically tasked with recruitment serve as liaisons to applicants and facilitate the interview process, contract negotiations and integration into the new working environment.

To provide ample career perspectives for employees, the company established a comprehensive training and human resource development program; it is constantly refined by a department tasked solely with training-related matters. Incentives and company-wide events reinforce team spirit, resulting in an extremely low fluctuation rate and strong personal identification with the enterprise. An extensive stock option plan, greeted with a great deal of enthusiasm by employees, provides additional motivation.

Meeting increased demand for e-commerce security solutions, DataDesign consolidated and enhanced its market position by deploying innovative technologies and new products. In 1998, DataDesign rolled out products successfully in diverse projects and created reference solutions: Multi-channel banking solutions (e.g. BfG Bank AG, Dresdner Bank AG). The complete Multi-channel Banking solution was deployed in 1998. It proved to

## Human Resources

## Technology / Research & Development

be powerful, extremely stable and delivered good performance. With the acquisition of Software4You, DataDesign also acquired technology and project know-how, the product of a number of years experience in the field.

The first private bank to support the new German home-banking standard HBCI, in force since October 1998, relied exclusively on Financial Transaction Systems (FTS) by DataDesign AG, and at the same time deployed leading-edge smart card technology for encryption and digital signature-based user authentication. DataDesign thus underscored its technology leadership in the market.

Further evidence of the remarkable stability of e-banking components by DataDesign AG is the alliance with the software manufacturer Intuit Deutschland GmbH. This company acquired licenses for software releases for its standard finance software Quicken 2000 and QuickBooks. Moreover, DataDesign has entered technology alliances with Giesecke & Devrient, Munich in the area of smart cards and Towitoko electronics GmbH, Taufkirchen in the area of chip card readers, among others.

An extensive alliance was also launched with the American company Globeset, whose SET products for secure transactions in the Internet are integrated into DataDesign products by DataDesign and marketed jointly.

Other ground-breaking innovations such as Questioneer, a polling system for the Internet, intranets, call centers and handheld PCs featuring patent-applied-for technology, will premiere at CeBIT '99.

Going public in November 1998 significantly enhanced the financial posture of DataDesign: capital stock amounts to 8.5 million DM. Equity capital is 32.5 million DM. On the one hand, this capital is invested to promote further internal growth of the enterprise, on

the other, in future planned strategic acquisitions. These in turn serve to expand the service portfolio as well as the strategic site policy.

With the acquisition of Software4You GmbH at the end 1998, DataDesign—next to the head office in Munich—has access to the associated company's two branch offices in Berlin and Stuttgart. The branch offices will be significantly enlarged; further subsidiaries will follow in the course of the new fiscal year.

With the acquisition of a 100% share of Software4You GmbH, DataDesign also indirectly acquired two new holdings: With 20% of Ab-Werk GmbH, an Internet factory outlet, and 50% of Compare Fair GmbH, an Internet pricing agency, DataDesign has targeted interesting e-commerce niche markets.

In order to remedy the problem of insufficient office space brought about by rapid growth of DataDesign, the enterprise will move to a new office building in Munich towards the end of the first quarter of 1999. This assures Software4You is integrated into DataDesign AG physically as well as economically and the common goals for growth can be achieved in a joint effort.

In the course of acquiring Software4You GmbH, DataDesign AG also procured a 49% share of the newly founded company Software4You Planungssysteme GmbH located in Martinsried near Munich. This enterprise designs and develops business planning software. The company's products are used extensively by Metro AG, real, Henkel etc. DataDesign AG will support the expansion of the limited company. An independent IPO of Software4You Planungssysteme GmbH is projected in the long term.

## **Branch Offices, Holdings, Subsidiaries**

## **Capital Stock and Investments**

## Business Development Risks

The market for products and services in the field of electronic banking and electronic commerce is relatively new. Indeed, it is certainly at a very early stage of development. Dependable figures for potential future growth rates as well as the size of the market are difficult to forecast. Currently, it is hard to predict precisely how the market will develop. Although DataDesign has positioned itself very favorably in this market, the company's success is closely tied to the future development of the business sectors e-commerce and e-banking.

The DataDesign Group has to date placed the greatest emphasis on technologically advanced, ultra-modern software architectures, and in recent years, proved that it can respond quickly and flexibly to market conditions. With the support of de facto standards such as HBCI, OFX, SET and the benefit of a well-trained young development and implementation team, the company is able to execute requisite modifications and expansions expeditiously.

Further growth and expansion of the DataDesign Group will above all hinge on its ability to recruit new qualified employees. To date, the Group's own recruiting department has succeeded in hiring highly qualified and motivated employees.

DataDesign largely acts as general contractor for the projects it is involved in, so there is a potential for liability claims as well as the risk inherent in calculating and offering fixed quotes for projects. With its own as well as licensed products, DataDesign AG focuses on e-business solutions, in particular in electronic banking and e-commerce. Compared to other lines of business, the company depends on what is currently a relatively manageable customer base since e-business has not yet been established as a standard business. To date, active project management and comprehensive services have fostered a sound basis for expanding the range of business relationships.

The takeover and requisite relocation to new offices may temporarily hamper productivity.

The year 1998 was characterized by efforts to enhance the company's market position as one of the leading providers of e-business solutions. Listing the enterprise on the stock exchange in November substantially strengthened the financial position and increased the prominence of DataDesign, thus decisively promoting the desired growth of the company. DataDesign intends to continue to expand in Germany as well as Europe and increase its share of the market by acquiring suitable companies. Expansion into and building a presence in Europe is planned for 1999. The Sales and Professional Services divisions will operate internationally and implement solutions jointly. A new platform for e-business will be available to various industry companies within the first half of the year.

In collaboration with the strategic partner plenum AG, DataDesign offers specific solutions for the insurance and financial service sectors—a market that promises the greatest growth for e-business software solutions. It is also expected that Internet payment (SET) products will enjoy significant growth in 1999. While the focus was long on the euro and year 2000 readiness, the market is now clamoring for new trends, developments and particularly investments in e-business. DataDesign will clearly point the way to the future and cater to future markets with its products.

DataDesign is one of the first companies to offer a powerful, high-performance product family for the market of the future, e-business. As a technology market leader, DataDesign is in a good position to enjoy extraordinary growth in these expanding market segments.

Munich, February 1999  
The Executive Board

## Outlook for 1999

# DATA DESIGN AG FINANCIAL STATEMENT

## STATEMENT OF INCOME FOR THE YEAR 1998 (US GAAP)

	1998 DM	1997 DM
Revenues	5,438,042.46	4,223,637.45
Costs of goods sold	-4,870,986.41	-3,719,100.61
Gross profit	567,056.05	504,536.84
Operating expenses		
Sales/distribution expenses	-635,568.66	-188,007.62
General and administrative expenses	-1,105,224.72	-292,254.00
	-1,740,793.38	-480,261.62
Operating result	-1,173,737.33	24,275.22
Losses from associated companies	-1,063.75	0.00
Interest and similar income	159,559.40	123.25
Interest and similar expenses	-45,265.84	-14,331.77
Other operating income	81,935.89	62,439.86
Income from continuing operations	-978,571.63	72,506.56
Taxes on income and profits from cont. operations	91,929.88	-42,307.88
Net profit for the year	-886,641.75	30,198.68
Retained earnings brought forward	68,033.53	37,834.85
Retained earnings at year end	-818,608.22	68,033.53



**BALANCE SHEET AS OF 31 DECEMBER 1998 (US GAAP)**

	1998 DM	1997 DM
<b>Assets</b>		
<b>A. Current Assets</b>		
1. Cash and cash items	28,265,657.85	185,816.55
2. Trade receivables	3,911,529.20	850,249.80
3. Other assets	374,672.68	6,866.49
4. Prepaid expenses	76,910.29	29,041.20
5. Other current assets	0.00	1,150.67
	32,628,770.02	1,073,124.71
<b>B. Fixed Assets</b>		
1. Financial Assets		
Shares in associated companies	925,597.19	0.00
Loans to associated companies	26,393.00	0.00
2. Tangible assets		
Other plant, property and equipment	601,998.00	138,797.00
3. Intangible assets		
Software	25,693.00	4,888.00
Goodwill	18,828.00	20,397.00
	1,598,509.19	164,082.00
	34,227,279.21	1,237,206.71

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**Total Equity  
and Liabilities**

	1998 DM	1997 DM
<b>C. Liabilities</b>		
1. Current liabilities due to banks	301,442.58	73,613.32
2. Trade accounts payable	649,885.82	135,096.10
3. Other current liabilities	327,807.67	182,904.88
4. Pension reserves	0.00	0.00
5. Tax provisions	0.00	18,301.88
6. Provisions for deferred taxes	530,800.00	489,157.00
	0.00	70,100.00
	<u>1,809,936.07</u>	<u>969,173.18</u>
<b>D. Funds Appropriated for Increasing Share Capital</b>		
	750,000.00	0.00
<b>E. Equity Capital</b>		
1. Capital subscribed	8,500,000.00	200,000.00
2. Capital surplus	23,985,951.36	0.00
3. Retained earnings	-818,608.22	68,033.53
	<u>31,667,343.14</u>	<u>268,033.53</u>
	<u>34,227,279.21</u>	<u>1,237,206.71</u>

**DATADESIGN AG MUNICH  
NOTES ON FISCAL 1998 (US GAAP)**

**Preliminary  
Remarks**

The Financial Statement of DataDesign Aktiengesellschaft was compiled on 31 December 1998 and complies with the basic accounting principles generally recognized in the USA ("United States Generally Accepted Accounting Principles" or "US GAAP") and the stipulations of German Stock Corporation Law.

**d) Accounts receivable and other assets**

To cover general credit risks and interest and cash discount losses, if necessary, valuation adjustments are made to accounts receivable from sales and services.

**e) Deferred taxes**

In accordance with US GAAP, accumulated and deferred taxes which result from temporary differences between tax valuations and

**Holdings**

DataDesign Aktiengesellschaft holds shares in the following enterprises:

	Capital share in %	Equity capital DM	Operating result DM
Software4You GmbH Planegg, Municipality Martinsried	100	845,473.58	776,402.74
Software4You Planungssysteme GmbH (2) Planegg, Municipality Martinsried	49.2	21,002.00	-3,998.00
CompareFair GmbH (1),(2) Planegg, Municipality Martinsried	50	10,811.32	-14,188.68
AbWerk Handelsvermittlung GmbH (1) Cologne	20	(3)	(3)

Remarks on (1): Indirect holding via Software4You GmbH, Planegg, Municipality Martinsried.

Remarks on (2): Minus outstanding contributions.

Remarks on (3): Information unavailable at time of accounting.

**Reporting  
Principles**

**a) Revenues**

Revenues are considered to be generated at the point in time when a customer receives delivery of goods or services.

**b) Current assets**

Current assets comprise inventories, accounts receivable and cash, including amounts due after a year.

**c) Cash and cash equivalents**

Cash and cash equivalents comprise the current credit balance at banks, cash in hand as well as fixed-term accounts.

balance sheet valuations must be reported. Capitalized deferred taxes refer exclusively to tax losses carried forward. Deferred taxes payable are carried as a liability at the expected amount of the tax burden and reported as long-term accrued reserves for deferred taxes.

**f) Financial assets**

Holdings in associated companies are reported at purchase cost. At this position, solely the holding in the one subsidiary is reported. This company was acquired effective 30 December 1998, so the amount reported is

identical to the net book value—there was no change in value at the close of fiscal 1998. In accordance with US GAAP, initial consolidation of this sole subsidiary compliant with the principle of full consolidation would have no substantial effect on the Financial Statement.

Substantial holdings are accounted for in keeping with the equity method when DataDesign Aktiengesellschaft or one of its subsidiaries holds from 20% to 50% of the shares ("associated companies"). The book value accounting procedure was applied.

Other financial assets, in particular loans to associated companies, are valued at acquisition cost. In case of a permanent decline in the value of assets, these are depreciated accordingly.

#### **g) Tangible fixed assets**

Assets reported as tangible fixed assets are valued at purchase cost with scheduled depreciation in accordance with the declining balance method and straight-line method of depreciation. This property is written off over the period of service life of the given item. The declining balance method is supplanted by the straight-line method of depreciation as soon as even distribution of the residual book value over the remaining service life leads to higher depreciation values. For the purpose of ascertaining depreciation values, the service life is defined within a range of 2 to 10 years.

Profits or losses resulting from disposal of assets reported as fixed assets are reflected in other operating expenses and earnings.

#### **h) Intangible fixed assets**

Acquired intangible assets, including goodwill, are valued at purchase cost with scheduled depreciation in accordance with the straight-line method of depreciation. Goodwill is valued on the respective effective date of a balance sheet. Intangible assets are depreciated over a period of 5 to 15 years. In the year of purchase, pro rata temporis depreciation is carried out.

#### **i) Leasing**

As a lessee, DataDesign AG utilizes tangible assets, particularly passenger cars and property, plant and equipment. US GAAP sets forth the rules by which, judged on the basis of chances and risks, whether the lessee—as is the case with a capital lease—or the lessor—as is the case with an operating lease—is ascribed beneficial ownership of the leased object. According to these regulations, beneficial ownership is in this case ascribed to the lessor.

#### **k) Accruals**

Provisions for tax accruals and other reserves for accrued liabilities are accumulated if an obligation to third parties exists, claims are probable and the requisite amount of reserves can be estimated reliably.

#### **l) Research and development**

Expenditures incurred within the framework of research and development projects were included in the cost of goods sold, thus affecting net income, since direct allocation to other software assets designated for sale was infeasible.

#### **m) Estimates**

To a certain degree, estimates and assumptions were made while compiling the Financial Statement. These have an influence on the itemized positions of the Financial Statement, reporting of contingent liabilities, reporting of earnings and expenditures during the period covered as well as the annotations to the Financial Statement. Actual results may deviate from estimates and assumptions.

#### **n) Net earnings per share**

In accordance with SFAS 128, all effects of equity capital conversion privileges must be considered when calculating net earnings per share. If dilution effects occur, two benchmark figures regarding net earnings per share must be reported. In the case of basic earnings by share, the dilution effect is not taken into account—the year's result is

divided by the weighted average of the number of issued shares. For diluted earnings by share, not only are the actual issued shares taken into account, but also shares available by virtue of option rights. The results for DataDesign Aktiengesellschaft thus represent the overall result of the year.

#### **o) Segmental reporting**

DataDesign AG is active in identical areas of business and markets and largely delivers comparable services and products. Furthermore, DataDesign AG employs comparable marketing methods predominantly to address the national market and is active in virtually identical market segments. For this reason, the Financial Statement does not make use of the separate segmental reporting option. Although this statement does not employ this option, the SFAS 131 stipulations governing reporting of specific information are met to the extent that, wherever pertinent, this information is provided in the annotations to the itemized positions of the Financial Statement.

1. Cash and cash equivalents comprise the current credit balance at banks, cash in hand as well as fixed-term accounts.

2. All accounts receivable from sales and services are due within a year.

3. In the previous year, other current assets exclusively included accounts receivable from partners, specifically from short-terms advances paid out to the partner Stefan Pfen-der.

4. Changes in fixed assets are due to fixed asset developments in the course of fiscal 1998.

Tangible fixed assets comprise the following:

	1998 DM	1997 DM
Vehicles	229,531	77,666
Property, plant and equipment	372,467	61,131
	<u>601,998</u>	<u>138,797</u>

The total amount of depreciation reported in the Financial Statement for the fiscal year was DM 185,207 (previous year DM 75,401).

#### **Annotations to the Balance Sheet**

DATADESIGN AG FIXED ASSETS IN FISCAL 1998 (US GAAP)

Costs of Acquisition and Production				
	1 Jan. 1998 DM	Additions DM	Disposals DM	31 Dec. 1998 DM
<b>Financial Assets</b>				
Shares in associated companies	0.00	925,597.19	0.00	925,597.19
Loans to associated companies	0.00	27,456.75	0.00	27,456.75
	0.00	953,053.94	0.00	953,053.94
<b>Tangible Assets</b>				
Other plant, property and equipment	247,636.46	656,752.96	30,000.00	874,389.42
	247,636.46	656,752.96	30,000.00	874,389.42
<b>Intangible Assets</b>				
Software	44,085.00	28,983.54	0.00	73,068.54
Goodwill	23,530.43	0.00	0.00	23,530.43
	67,615.43	28,983.54	0.00	96,598.97
	315,251.89	1,638,790.44	30,000.00	1,924,042.33

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	Accrued Depreciation				Net Book Value	
	1 Jan. 1998 DM	Additions DM	Disposals DM	31 Dec. 1998 DM	1998 DM	1997 DM
<b>Financial Assets</b>						
Shares in associated companies	0.00	0.00	0.00	0.00	925,597.19	0.00
Loans to associated companies	0.00	1,063.75	0.00	1,063.75	26,393.00	0.00
	0.00	1,063.75	0.00	1,063.75	951,990.19	0.00
<b>Tangible Assets</b>						
Other plant, property and equipment	108,839.46	174,426.96	10,875.00	272,391.42	601,998.00	138,797.00
	108,839.46	174,426.96	10,875.00	272,391.42	601,998.00	138,797.00
<b>Intangible Assets</b>						
Software	39,197.00	8,178.54	0.00	47,375.54	25,693.00	4,888.00
Goodwill	3,133.43	1,569.00	0.00	4,702.43	18,828.00	20,397.00
	42,330.43	9,747.54	0.00	52,077.97	44,521.00	25,285.00
	151,169.89	185,238.25	10,875.00	325,533.14	1,598,509.19	164,082.00

Additions to depreciations include a change in value due to an at equity valuation of shares in associated companies to the amount of:

1,063.75

5. Short-term liabilities to banks comprise exclusively credit in current accounts due within a year.

6. All accounts payable for sales and services are due within a year.

7. Other short-term liabilities are due for redemption within a year and comprise the following:

	1998 DM	1997 DM
Taxes	69,530	133,527
Wages and salaries	5,465	1,666
Social security	72,040	36,255
Liabilities from investment acquisitions	168,863	0
Other	9,910	11,457
	<u>327,808</u>	<u>182,905</u>

8. Other accrued provisions include the following substantial positions:

	1998 DM	1997 DM
Invoices not yet received	357,740	253,000
Bonuses	0	181,957
Vacation entitlements	71,560	38,700
Year end accounting and auditing costs	45,000	9,000
Other short-term provisions	56,500	6,500
	<u>530,800</u>	<u>489,157</u>

9. The funding provided for carrying out an increase in share capital comprises non-cash capital contributions appropriated by decision of the executive board on 29 December 1998 for the capital increase.

10. Capital stock was increased several times in fiscal 1998 by issuing 1,660,000 new bearer shares worth DM 8,300,000

Capital stock thus amounts to DM 8,500,000. It is split up into 1,700,000 bearer shares.

On 29 December 1998, by decision of the executive board, with approval of the supervisory board, and by authority of the general meeting of shareholders, and using a part of approved capital, capital stock was increased by issuing new bearer shares to the amount of DM 750,000, thus increasing noncash capital. The increase in share capital is effective at time of entry in the commercial register. The measure was reported to the commercial register on 31 December 1998. By the time of reporting, this resolution had been entered to the commercial register. The noncash capital required for carrying out the increase in share capital was furnished to DataDesign Aktiengesellschaft by an agreement governing the transfer of property in exchange for stock dated 30 December 1998. Subject of the non-cash capital contribution were all shares of Software4You GmbH, Planegg, Municipality Martinsried. The requisite figures are reported under the position "Funds appropriated for increasing share capital."

After the resolution to increase share capital was entered to the commercial register on 11 February 1999, capital stock amounts to DM 9,250,000 and is split up into 1,850,000 bearer shares.

For the period until 31 August 2003 with the approval of the supervisory board, the executive board is authorized to increase capital stock by up to DM 3,000,000 by issuing bearer shares (individual share certificates) for cash or noncash capital contributions (approved capital). The stock subscription right of the stockholders may be excluded to compensate for residual amounts, grant subscription rights to bearers of convertible bonds with warrants or conversion privileges, issue shares to employees of the group, raise noncash capital—particularly in the form of enterprises or shares in enterprises, and develop new capital markets—in particular abroad. The

same applies if the shares of the enterprise are listed on the stock exchange and the share issue price does not fall substantially below the stock exchange quotation. The stock subscription right of the stockholders may also be excluded to grant stock subscription rights to persons entitled to the conversion privileges granted to group employees. Should preferred shares be issued, the company reserves the right to issue further preferred shares which are on par with the existing preferred shares.

By decision of the executive board, with the approval of the supervisory board on 29 December 1998, and exercising the above authorization, a partial sum of DM 750,000 of the approved capital was used to increase capital stock from noncash capital contributions.

Upon entry of the resolution to increase share capital to the commercial register, the approved capital amounts to DM 2,250,000.

The special general meeting of shareholders on 31 August 1998 authorized the supervisory board to issue stock purchase warrants for up to 36,000 individual share certificates to DataDesign Aktiengesellschaft executive

board members (Stock Option Plan) and grant conversion privileges to persons entitled to options for up to a total par value of DM 180,000 within the framework of an employee investment participation model, the Stock Option Plan.

The executive board was authorized to issue stock purchase warrants for up to 84,000 individual share certificates to DataDesign Aktiengesellschaft employees and grant conversion privileges to persons entitled to options for up to a total par value of DM 420,000. The term of these options may in each case not exceed 10 years; in addition, the executive board is entitled to issue options which were not allocated to the executive board by the supervisory board. Each of the issued options is authorized for conversion into one share. In accordance with the stock purchase warrant conditions, conversion privileges can be exercised at the earliest two years after the issuance of a warrant. After this interim, conversion privileges can be exercised at any time. When a warrant is converted to a share, the person entitled to the option is required to pay the amount indicated on the warrant as the conversion price.

The figures for warrants in fiscal 1998 are as follows:

	Nominal value of the options DM	Number of conversion privileges in shares Unit no.	Average conversion price DM	Average remaining term Months
<b>Subscribed Warrants:</b>				
- Members of the executive board	90,000	18,000	18.83	118.0
- Employees	299,550	59,910	21.02	117.8
	389,550	77,910		
<b>Unissued Warrants:</b>				
- Members of the executive board	90,000	18,000		
- Employees	120,450	24,090		
	210,450	42,090		
<b>Total</b>	<b>600,000</b>	<b>120,000</b>		

During fiscal 1998, DataDesign accrued reserves of DM 15,000 for obligations due to potential call-ins of option rights. Incidentally, "APB Opinion No. 25 and Related Interpretations" was applied for accounting for and valuating obligations resulting from the Stock Option Plan. The weighted average value of a granted option amounts to DM 2.12 and is based on the minimum value of the option, making use of risk-free capital investment interest (6.0% at the date of commitment) and reaching maturity at a date corresponding to the expected life of the option and a term of 10 years. A balance sheet prepared for the Stock Option Plan in keeping with the stipulations set forth in SFAS 123 would have no further influence on the result or financial status of the DataDesign Group.

In accordance with the issuance of warrants within the framework of the Stock Option Plan, capital stock is increased conditionally by up to DM 600,000,00 through issuance of up to 120,000 individual share certificates made out to the bearer to grant conversion privileges to persons entitled to the share options (conditional capital). In case of conversion, the new shares are issued against payment of at least DM 18.83 per share. The conversion price of at least DM 18.83 per share is increased by the amount that the share's market value exceeds the minimum price of DM 18.83 on the last workday prior to issuance of any given warrant. The conditional increase in share capital is only carried out inasmuch as the persons entitled to the warrant exercise their right of exchange and the conditional capital is required in accordance with the stipulations governing the conditions for the conversion. The executive board is authorized to determine the further details for carrying out the conditional increase in share capital.

11. The premium yield of DM 27,047,780 from increases in share capital carried out in 1998 was allocated to capital reserves; financing costs of DM 3,061,829 were deducted without affecting the operating result.

1. All revenues were generated nationally. The following is a listing by products:

	1998 DM thous.	1997 DM thous.
Software development and projects	5,400	4,164
Other	38	60
	<u>5,438</u>	<u>4,224</u>

The following major customers generated the percentage of revenues annotated at the right for the respective fiscal years:

	1998	1997
BfG-Bank AG	50.7 %	32.2 %
DCS AG	-	22.9 %

2. The following expenditures for materials and services are contained in the costs of goods sold:

	1998 DM thous.	1997 DM thous.
Costs for acquisition and receipt of goods	558	351
	<u>558</u>	<u>351</u>

3. The following personnel costs are contained in the financial statement:

	1998 DM thous.	1997 DM thous.
Wages and salaries	1,731	1,112
Social security	349	163
Other	72	39
	<u>2,152</u>	<u>1,314</u>

## Annotations to the Income Statement

4. Operating expenses consist predominantly of sales and distribution costs, cost of office space, advertising expenditures, administration costs, legal and consulting expenses as well as costs for vehicles and outside services. The position contains aperiodic expenditures of DM 1,750 (previous year DM 671).

5. Other income contains profits from writing back itemized allowances for bad debt from accounts receivable, reimbursement from insurance, nonmonetary compensation and income from disposal of fixed assets. The itemized position contains aperiodic income of DM 1,448 (previous year DM 50,953).

6. Taxes on income and profits from ordinary activities refer primarily to taxes on income (DM 91,930; previous year DM 22,308). On account of tax loss carryover, deferred taxes were capitalized and value adjustments were carried out; for the same reason, the accumulated tax deferrals were retransferred.

The figures for this itemized position are as follows:

	1998 DM	1997 DM
Taxes on income and profits from ordinary activity before capitalization of deferred taxes	-91,930	42,308
Capitalized deferred taxes on account of loss carryover	2,090,000	0
Less valuation adjustment	-2,090,000	0
	0	0
	<u>-91,930</u>	<u>42,308</u>

7. The figures for the results per share are as follows:

	1998 DM	1997 DM
<b>Results per share:</b>		
Results	-886,642	30,199
Weighted average of issued shares (1)	1,700,000	40,000
Per share yield	-0.52	0.75
<b>Results per share (fully diluted):</b>		
Results	-886,642	30,199
Weighted average of issued shares (1)	1,700,000	40,000
Shares issued in the share capital increase of December 1998	150,000	0
Dilution effect due to the Stock Option Plan; issued options (2)	77,910	0
	<u>1,927,910</u>	<u>40,000</u>
Per share yield	-0.46	0.75

Remarks on (1): All shares issued in the fiscal year are entitled to dividends for the entire fiscal year, with the exception of the shares issued in the course of the share capital increase in December 1998.

Remarks on (2) It is expected that all bearers of options issued during the fiscal year will exercise their conversion privileges.

## Other

1. Other financial obligations that do not appear in the balance sheet and are not required to be reported in accordance with Article 251 are as follows:

	1999 DM thous.	2000 DM thous.	2001 DM thous.	After 2001 DM thous.
Leases	177	138	103	0
Telephone system	6	6	6	12
	183	144	109	12

In connection with the acquisition of 49.2% of equity in Software4You Planungssysteme GmbH, Planegg, Municipality Martinsried, DataDesign Aktiengesellschaft has the right to purchase a DM 500.00 partial share of the other shareholders' equity. In return, 6,250 DataDesign Aktiengesellschaft individual share certificates are transferred to the seller. DataDesign Aktiengesellschaft as well as the other shareholders have agreed to provide a business loan of DM 2,000,000 with a minimum term until at least 31 December 2001 and an annual interest rate of 3.5% to Software4You Planungssysteme GmbH, Planegg, Municipality Martinsried. Of this loan, the amount of DM 1,000,000 falls upon DataDesign Aktiengesellschaft.

DataDesign Aktiengesellschaft develop products for the financial, insurance, media and telecommunication industries. These products and solutions are implemented in projects where DataDesign Aktiengesellschaft acts as a general contractor. Such projects have the potential for liabilities and risks. Diverse projects were carried out at and are in preparation for key strategic areas in the computing centers of banks. Some contracts governing these projects stipulated penalties in case of project overrun or contain significant liability requirements. As a provision against risk, the company strives to cover a part of these contingencies via insurance. The enterprise's own products are subjected to quality assurance measures and quality control inspections. Since the end of 1997, an ISO 9000 certification project is underway within the group.

2. The respective year's average number of employees was:

	1998	1997
Employees	24	13



3. Executive body of DataDesign Aktiengesellschaft:

The members of the executive board of DataDesign Aktiengesellschaft are:

**Stefan Pfender**, Munich (Chairman)

**Michael Reithinger**, Munich  
(since 10 February 1998)

In total, remuneration to the executive board of DataDesign Aktiengesellschaft in the fiscal year amounted to DM 179,640. Within the framework of the Stock Option Plan, 18,000 options to purchase shares in DataDesign Aktiengesellschaft were issued to future members of the executive board during the fiscal year.

The members of the supervisory board of DataDesign Aktiengesellschaft were:

**Lothar Mark**, Rodgau

- Member of management, Metall-Bank

- Since 15 September 1998

- Chairman

- Also a member of the following supervisory committees: plenum AG, Wiesbaden, Refugium AG, Königswinter

**Christian Klocke**, Munich

- MA Computer Science

- From 10 February 1998 to 5 November 1998

- Chairman until 15 September 1998

**Robert Käß**, Munich

- MBA

- Deputy chairman since 10 February 1998

**Dr. Hartwig Graf von Westerholt**, Königstein

- Attorney

- Since 5 November 1998

- Also a member of the following supervisory committees: Producta AG, Ettlingen

**Klaus Pfender**, Lauterach

- EDP Consultant

- Member from 10 February 1998 until 15 September 1998

Remuneration to the executive board of DataDesign Aktiengesellschaft in the fiscal year amounted to DM 13,500.

Munich, February 1999

Stefan Pfender

Chief Executive Officer

Michael Reithinger

Executive Board Member



**DATADESIGN AKTIENGESELLSCHAFT MUNICH**  
**CASH FLOW STATEMENT FOR FISCAL 1998 (US GAAP)**

	1998 DM	1997 DM
<b>Income from/ Expenses for Operating Activities</b>		
Net income	-886,641.75	30,198.68
Adjustment to reconcile net income/loss to income/expenses		
Depreciation of intangible assets	9,747.54	2,432.00
Depreciation of fixed assets	174,426.96	72,970.70
Depreciation of financial assets	1,063.75	0.00
	185,238.25	75,402.70
	-701,403.50	105,601.38
Decrease/increase in assets and increase/decrease in liabilities and shareholder's equity		
Trade accounts receivable	-3,061,279.40	-286,164.13
Other assets	-366,655.52	-5,611.47
Short-term tax provisions	-18,301.88	18,301.88
Provisions for deferred taxes	-70,100.00	9,600.00
Other provisions	41,643.00	467,215.00
Trade accounts payable Liabilities to shareholders	514,789.72	-18,909.38
Other short-term liabilities	144,902.79	-79,726.24
Other	-47,869.09	-21,808.87
	-2,862,870.38	82,896.79
<b>Net income from/net expenses for operating activities</b>	<b>-3,564,273.88</b>	<b>188,498.17</b>
<b>Cash flow from Investment Activities</b>		
Investment in intangible assets	-28,983.54	-5,750.00
Investments in fixed assets	-656,752.96	-173,844.70
Investments in financial assets	-953,053.94	0.00
Fixed asset disposals (at net book value)	19,125.00	0.00
	-1,619,665.44	-179,594.70
	-5,183,939.32	8,903.47
<b>Cash flow from Financing Activities</b>		
Increase in subscribed capital	8,300,000.00	150,000.00
Transfer to capital surplus	23,985,951.36	0.00
Funds appropriated for increasing share capital	750,000.00	0.00
	33,035,951.36	150,000.00
<b>Increase/Decrease in Cash and Cash Equivalents</b>	<b>27,852,012.04</b>	<b>158,903.47</b>
<b>Cash and Cash Equivalents at the Beginning of the Fiscal Year</b>	<b>112,203.23</b>	<b>-46,700.24</b>
<b>Cash and Cash Equivalents at the End of the Fiscal Year</b>	<b>27,964,215.27</b>	<b>112,203.23</b>
<b>Composition of Cash Equivalents at the End of the Fiscal Year</b>		
Cash and cash equivalents	28,265,657.85	185,816.55
Liabilities to banks	-301,442.58	-73,613.32
	27,964,215.27	112,203.23

**DATADESIGN AKTIENGESELLSCHAFT MUNICH  
EQUITY CAPITAL TO 31 DECEMBER 1998 (US GAAP)**

	Capital stock DM	Capital reserve DM	Revenue reserve DM	Total equity capital DM
Status on 31 December 1995	50,000.00	0.00	-67,309.58	-17,309.58
Net income 1996	0.00	0.00	105,144.43	105,144.43
Dividend payout	0.00	0.00	0.00	0.00
Status on 31 December 1996	50,000.00	0.00	37,834.85	87,834.85
Share capital increase	150,000.00	0.00	0.00	150,000.00
Dividend payout	0.00	0.00	0.00	0.00
Net income 1997	0.00	0.00	30,198.68	30,198.68
Status on 31 December 1997	200,000.00	0.00	68,033.53	268,033.53
Share capital increases	8,300,000.00	0.00	0.00	8,300,000.00
Transfer of the premium to capital reserve	0.00	27,047,780.00	0.00	27,047,780.00
Capital procurement costs offset against capital reserve without affecting the operating result	0.00	-3,061,828.64	0.00	-3,061,828.64
Dividend payout	0.00	0.00	0.00	0.00
Net loss for the year 1998	0.00	0.00	-886,641.75	-886,641.75
Status on 31 December 1998	8,500,000.00	23,985,951.36	-818,608.22	31,667,343.14



A U D I T O R ' S O P I N I O N  
D A T A D E S I G N A G

The qualified auditor has awarded the entire annual financial statement of DataDesign Aktiengesellschaft, Munich, as of 31 December 1998 and the year then ended and the management report for the fiscal year 1998 an unqualified audit opinion in accordance with German law as stipulated by Article 322 HGB.

The non-binding translation of the auditor's opinion is as follows:

"The accounting and the annual financial statements, which we have audited in accordance with professional standards, comply with the (German) legal provisions. With due regard to the generally accepted accounting principles the annual financial statements give a true and fair view of the company's assets, liabilities, financial position and profit or loss. The management report is consistent with the annual financial statements."

PUHLE GOLLING & STÖTTER  
Attorneys-At-Law – Tax Consultants  
Certified Public Accountants

Stötter  
Certified Public Accountant

Augsburg, 22 February 1999



DataDesign AG is a provider of end-to-end electronic business solutions comprising products and services. The company's product portfolio features the following innovations:

## Electronic Banking

### FINANCIAL TRANSACTION SYSTEMS (FTS)

#### FTS Server Products

- **Financial Transaction Server:**  
Powerful high-availability transaction platform for electronic banking. It supports Internet banking based on HBCI and OFX as well as links to call centers and self-service terminals, and integrates any number of clients via standard interfaces into the installed host systems.
- **IntelliGate:**  
Flexible connectivity solution for free PC/host integration of any number of clients via standard interfaces into the installed host systems.
- **ProtocolGateways:**  
Supports HBCI and OFX, including institute-specific expansions.
- **GateKeeper:**  
Access management that ensures accurate identification of transaction partners via digital signatures and digital certificates, safeguarding against misuse.
- **Call Center Solutions:**  
*Finance Agent* – A telephone banking solution (IVR) with integrated voice recognition for building and managing call centers.  
*Questioner* – Simple, fast and inexpensive tool for every type of electronic polling.

#### FTS Client Products:

- **FinanceBrowser:**  
Platform-independent Java Internet online client for financial transactions.
- **FinanceManager:**  
Multi-bank capable HBCI offline client for bank customers—the plug-and-play solution for Windows.
- **FinanceAgent:**  
Call center solutions—the intelligent agent software for the most demanding security needs.
- **Chipdrive / Smartcard:**  
Portable and handy—hardware-based security featuring ultra-modern encryption technology.

### PAYMATICS PRODUCT SUITE (SET™ PROTOCOL)

## Electronic Commerce

Paymatics is the product suite for secure Internet payment based on international protocols such as SET. It is used as the payment component for e-commerce solutions. All manufacturers of e-commerce software require secure transaction handling, in particular payment assurance. Paymatics supports all common e-commerce server systems (e.g. Intershop, Microsoft, ICAT, Netscape, Broadvision).

SET is the international standard for credit card- and debit card-based Internet payment. The authenticity of transaction parties is assured via certificates and digital signatures. SET is a standard initiated by VISA and MasterCard for the Internet. As a result of the OEM alliance with GlobeSet Inc., Austin, Texas, DataDesign SET products are the first and only products of their kind certified by VISA and MasterCard. This technology lead is extended further via new products (e.g. Serverwallet).

Every e-commerce package requires an Internet payment package (1:1), so that a vast market potential exists. Various strategic partnerships are currently being initiated.

- **Paymatics Certificate Authority Trust Center** manages and grants digital certificates for credit cards.
- **Paymatics Gateway** Access to the credit card system of the transacting bank, disposition, credit card check and authorization of certificates.

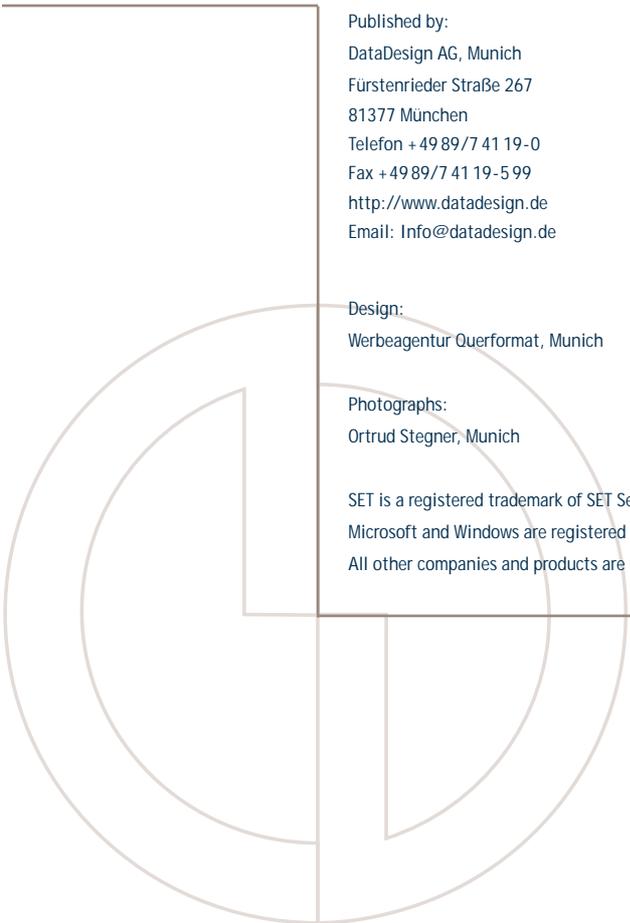
- **Paymatics POS**  
A product for retailers, it serves as a virtual cash register for Internet shopping centers. The POS system executes retailer transactions with the bank.

- **Paymatics ServerWallet**  
The customer's virtual purse or wallet. It archives credit card certificates and protocols consumer transactions.

A flexible, powerful platform for e-business solutions for deployment in various other lines of business is currently in development and will debut in 1999.

## **Electronic Business**





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