REPORT REPORT 2000 ANNUAL



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Facts & Figures

Securities code number: 552710
SE code: DTD
Reuters symbol: DTDG
Bloomberg symbol: DTD
Market issued/market place: Neuer Markt/Frankfurt
First trading day (Neuer Markt): November 9, 1998
Fixed / subscription price: EUR 10.57
First price: EUR 25.48
Designated sponsors: Gontard & MetallBank AG, Sal. Oppenheim jr. & Cie. KGaA
Underwriters:
MetallBank AG (also Schmidt Bank KgaA and ConSors Discount-Broker)
Bankhaus Heinrich Gontard & Co. AG
Sal. Oppenheim jr. & Cie. KgaA
Equity capital: EUR 6,146,350.00 = 6,146,350.00 shares
End of fiscal year: December 31
Employees: 183 (as at the end of 2000)
Executive Board:
Roy von der Locht (President, CEO)
Michael Reithinger
Philip Hartley, COO (from January 1st, 2001)
Gerhard Weichenhain, CFO (from January 1st, 2001)
Supervisory Board:
Lothar Mark (Chairman), Robert Käß, Dr. Graf Hartwig von Westerholt

IR Event Calendar

Annual Report 2000	March 31, 2001
Q1/2001 Report	May 31, 2001
Press Conference	July 18, 2001
Analyst Conference	July 18, 2001
Ordinary Shareholders' Meeting	July 18, 2001
Q2/2001 Report	Aug. 31, 2000
Q3/2001 Report	Nov. 30, 2000
Annual Report 2001	March 31, 2002

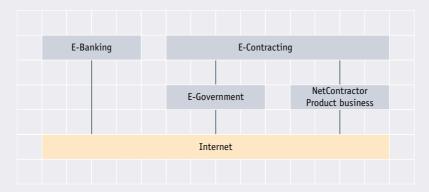
Change of dates and new events on the calendar will be posted on our website at www.datadesignag.com

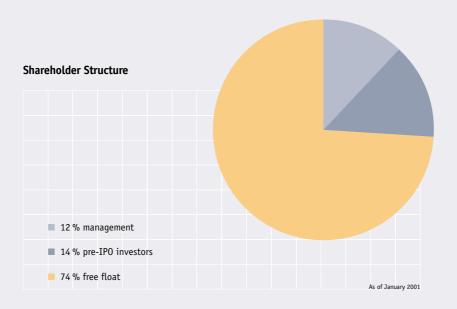
DataDesign Group

in thousand DM	2000	1999
Revenues	25,695	12,197
Gross earnings before taxes	11,219	3,208
Gross profit margin (percentage return on sales)	44 %	26 %
Operative result	-9,594	-13,071
Balance sheet total	25,564	28,054
Equity capital	19,053	23,961
Employees	183	160

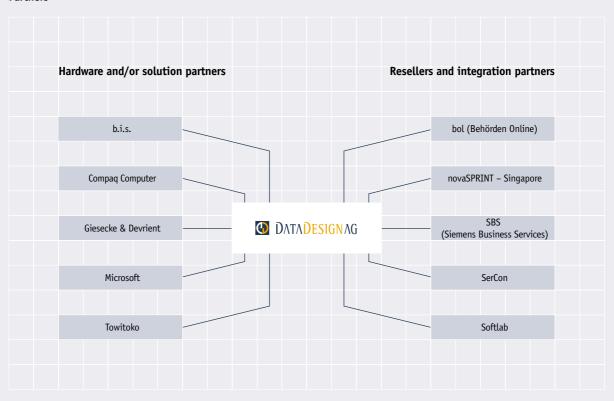
Übersetzung bitte kontrollieren

Lines of business





Partners







Dear Valued Shareholders,

Setting the tone for the past fiscal year were strong revenues growth and our campaign to create an entirely new line of business called e-contracting. We succeeded in growing sales revenues by some 100% from DM 12.2 million to DM 25.7 million. The previous year's loss of DM 9.7 million was nearly halved to DM 5.2 million. Granted, we expected 2000 to bring better results. However, it must be taken into consideration that our enterprise is still midway in a phase of restructuring and reorientation.

On that note I would like to thank our customers and above all our employees for the immense effort they put forth on behalf of the enterprise and the share-holders.

During the first 11 months of the year 2000, the performance of DataDesign AG's stock was outstanding. Until mid-November arrived, it out-performed the Nemax All Share Index by 150%. Unfortunately, by the end of the year our share also felt the effects of the general slump on the stock exchange. Many investors took advantage of our stock's performance to earn a great deal of money. Unfortunately, it is our most loyal shareholders who have been made to suffer for the time being. I deeply regret this. I would, however, like to extend my heartfelt gratitude to you, DataDesign's shareholder, for your confidence. We will continue to do everything in our power in the new year to make our stock a good investment.

While the goal for 2000 was revenues, our goal for 2001 is profit!



Roy von der Locht Chief Executive Officer, DataDesign AG

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In 2000 we demonstrated that we are capable of achieving extraordinary revenues growth. Now we will prove that we can also turn a profit. We have already succeeded in mastering that challenge in 2000 on a quarterly basis. In order to also achieve this goal over the full year, we will introduce further restructuring measures and continue to optimize costs during the first quarter. This may cause growth to stagnate over the short term because we are slimming down structures and will rely more on external partners. However, we expect to see positive effects from this strategy as early as 2001.

With the debut of NetContracter, a software for legally valid contract closure over the Internet, our revenues potential has grown significantly, extending our business beyond the boundaries of the banking market. Partners such as Behörden Online, Siemens Business Services and others will help us to achieve a leadership position in the market for e-contracting. We have already won the patronage of the first government authorities, who have opted for NetContracter to make virtual government a reality. More are poised to follow.

We are looking forward to the new year, and are determined to leverage even more improved products and new ideas in our quest to make this the first profitable year since our IPO.

Thank you for you confidence in us.

Yours sincerely,

Roy von der Locht



WE INTERNET BUSINESS.

WE INTERNET BUSINESS.
WE INTERNET LIFE.

WE INTERNET LIFE.

Launched as a company specialized in database technology, DataDesign focused exclusively on the development of high-security solutions for Internet banking soon after the World Wide Web was born.

DataDesign was one of the first enterprises able to offer applications complying with the HBCI (Home Banking Computer Interface) standard developed by ZKA (Zentralen Kreditausschusses; *Central Credit Committee*). In the meantime DataDesign AG has evolved to become one of the leading providers of end-to-end systems for Internet banking & brokerage.

Building on the basis of this security know-how we also developed products and solutions for our new line of business e-contracting. Making use of the digital signature, these products and solutions enable secure, legally binding contract closure over the Internet. They are geared toward what has come to be called the virtual city hall or e-government.

In addition, DataDesign laid the cornerstone for product sales with the e-contracting platform NetContracter. Third-party companies can integrate NetContracter into the most diverse e-business solutions.

DataDesign AG thus evolved from a company specialized in banking solutions to become a provider of a wide-ranging suite of e-business products and solutions. Next to security, ease of use enjoys the highest priority at DataDesign because ever more people use the company's applications in their daily lives. We believe they should find this experience enjoyable.

DataDesign: We internet Business. We internet Life.

DataDesign's Development Makes Strides The supervisory board performed its statutory duties pursuant to German law and the articles of association during the year under review and continuously monitored the activities of DataDesign AG's executive bodies.

The composition of DataDesign's supervisory board did not change in the fiscal year 2000. Its members are Lothar Mark (Chairman), Robert Käß (Deputy Chairman) and Dr. Hartwig Graf von Westerholt. The supervisory board regularly gathered in-depth information on the business developments of DataDesign AG and consulted at length with the executive board. The central issues of discussions in six meetings were the current business situation, the drive to expand marketing activities, further cost savings measures, as well as the augmentation of the executive board.

Effective January 1, 2000, Mr. Gerhard Weichenhain was appointed to the executive board as Chief Financial Officer and Mr. Philip Scott Hartley was appointed to the executive board as Chief Operations Officer.

The general meeting of August 9, 2000 appointed Mr. Markus Stötter of Sozietät Puhle Golling & Stötter, Rechtsanwälte, Steuerberater, Wirtschaftsprüfer (attorneys-at-law, accountants and auditors) the auditor of the company's financial statements. The supervisory board commissioned the auditor to perform the audit. The audit was performed in accordance with the auditing standards stipulated by the Institut der Wirtschaftsprüfer.

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The auditor found no objections to the annual financial statements and management report of the enterprise for the year ended December 31, 2000. The management report presents a true and fair view of the situation of the company and the risks of future developments.

The annual financial statements, management report and audit report were presented to all members of the supervisory board and, with the auditor in attendance, discussed at length during a supervisory board meeting. All of the supervisory board's questions were answered comprehensively. Upon elaborating and reviewing the annual financial statements and management report, the supervisory board concurs and finds no objections to the audit report.

The annual financial statements and management report of DataDesign AG were awarded an unqualified audit opinion and approved at the supervisory board meeting of February 23, 2000. The supervisory board concurs with the consolidated financial statement.

In fiscal 2000, next to conducting its operative business, DataDesign AG was compelled to put forth a special effort, revamping its operational functions and strategy to rise to the ever more challenging demands of the market and competition.

WE INTERNET BUSINESS. WE INTERNET LIFE.

The supervisory board hereby extends its gratitude to management and employees who contributed to the company's accomplishments to date, and who were involved the drive to enhance the quality of the enterprise. The supervisory board wishes the enlarged management team success in achieving its targeted goals.

Frankfurt am Main, February 23, 2001

The Supervisory Board Lothar Mark, Chairman



MANAGEMENT REPORT

MANAGEMENT REPORT

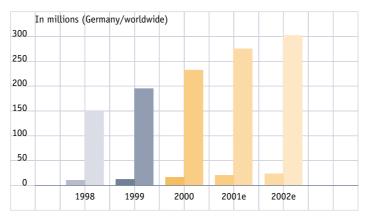
Global View of the E-business Market

Markets

As the premiere infrastructure provider for Internet business transaction and security solutions, Munich-based DataDesign AG operates in one of the world's most successful growth markets

The number of Internet users continues to grow at a furious pace. In 1998, the Internet user headcount came to some 150 million. By the end of 2000 over 230 million people were connected to the net.

Rise in Internet user numbers worldwide



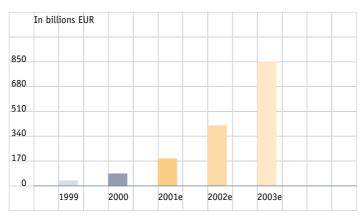
Sources: GFK/IDC/BA&H, TELECOM INVESTOR 11/2000, Nua, Juniper Communications, Datamonitor

Computer Industry Almanac predicts that as many as 490 million people will use the Internet by 2002.

The Market for E-Business

In recent years annual revenues growth in the field of e-business regularly topped a rate of 100%. Industry forecasts predict that future annual growth will remain in that 100% range (source IDC).

E-commerce revenues in Europe



Source: Forrester Research, NET-INVESTOR 10/2000

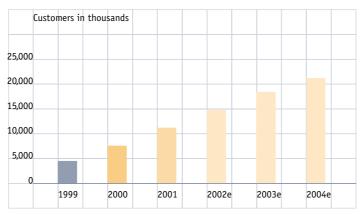
In order to maintain the pace of these developments, ever more companies are investing vast sums of money into their IT infrastructure.

The Markets of DataDesign: E-Banking & Brokerage

Banking & brokerage via Internet enjoyed yet another boom year in 2000.

As it turned out, the optimistic forecasts for the expected number of e-banking customers actually fell short of the mark. It is expected that this growth will continue unabated.

Internet banking customers in Europe



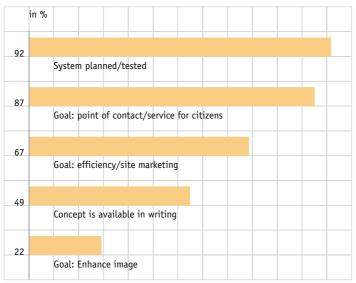
Source: Datamonitor

To tap into the revenues potential of this development, banks plan to continue making huge investments in highly specialized banking and finance software — precisely those products that are the speciality of DataDesign AG. According to the stock exchange journal Börsen-Zeitung, Deutsche Bank alone will invest roughly one billion DM in its e-business activities in 2001. And Commerzbank announced that it intends to invest two billion DM up to 2002.

Public authorities and government offices are using the Internet to an ever greater extent. In a study conducted by Mummert & Partner, 77% of the city halls polled stated that the Internet is gaining importance to municipal government. The study also indicated that municipal governments are interested primarily in e-government—a term that has been coined to describe services provided to citizens over the Internet. These services empower citizens to conduct official business, for example, to submit change of address forms or apply for dog tags, in the comfort of their own homes.

The study indicates that 92% of the municipal governments polled have already field tested an e-government system or have definite plans to install one.

Acceptance of the Internet at government offices



Source: Mummert & Partner

The so-called digital signature provides the underpinning for the legal validity of official forms and applications sent via Internet. Legislation equating the legal status of the digital signature with that of the handwritten signature will be enacted in 2001. This has already occurred in the USA and Austria.

At the end of 2000 DataDesign AG had already implemented its first pilot solution for the district administration office of Bad Tölz. However, this is a so-called hash value solution. Because the digital signature has yet to be ratified, this solution still requires citizens to mail forms signed by hand to the public authority.

The Markets of DataDesign: Product Business with the Cross-Industry

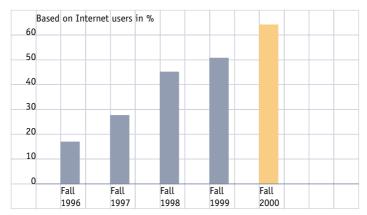
Transaction Platform NetContracter

In light of varying customer wishes and preferences, the solutions business demands considerable human resources. This means that revenues growth is only possible when the human resources pool grows commensurately. In view of the extremely bleak situation on the labor market for information scientists and software developers, DataDesign AG began pursuing a product-oriented approach to doing business. A software program only has to be written once, but it can be sold time and again to third-party companies who then integrate the application into their solutions.

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Building on the company's e-contracting technology, in 2000 DataDesign began developing NetContracter, a product that enables form-based contract closure over the Internet. NetContracter may be integrated into virtually every e-business solution to support almost every conceivable transaction—subscribing to mobile phone services, closing service agreements with power companies, or buying a car over the Internet.

Yes, I will definitely shop online in the next six months!



Source: W3B 11, Fittkau & Maaß: www.w3b.de and E-Market 47/2000

Consumers' confidence in e-commerce has grown markedly in recent years.

The introduction of the digital signature is sure to drive this development.

Indirect Sales Strategy

Back in 1998 DataDesign began building up a partner network to sell and implement software. In 2000 DataDesign pursued with great diligence a campaign to reorient business operations toward indirect sales, intensifying its efforts as the year headed for a close.

DataDesign AG expects this strategy to:

- provide fast access to a broader customer base, above all in the new line
 of business e-contracting
- reduce costs, and thus
- clearly increase productivity.

In the field of e-banking & brokerage, however, the enterprise continues to pursue a tried-and-true strategy of addressing customers directly.

By collaborating with strong partners, the enterprise is able to step up sales pressure and lighten the software implementation load perceptibly.

DataDesign's existing partner network is comprised of a number of distinguished enterprises who also aspire to ambitious goals:

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SBS (Siemens Business Services)

Siemens Business Services (SBS) numbers among the world's leading providers in the field of electronic business. Leveraging comprehensive know-how and specialized industry expertise, SBS is a one-stop shop offering solutions and services—everything from consulting to system integration, from operating customers' business processes to managing their IT infrastructures.

The Siemens subsidiary enjoys a broad customer base with the many Kordoba-equipped banks. These banks have demand for considerable online banking & brokerage solutions. In a joint effort, DataDesign and SBS developed an ASP (application service providing) model that caters particularly to smaller banks with relatively few online users. Similar to leasing, this offering breaks down what would otherwise be a large initial investment into smaller monthly service fees. This model calls for SBS to host the required hardware, freeing the bank from the necessity of recruiting or dedicating personnel for this purpose. In addition to reselling DataDesign's banking solutions, SBS also sells and implements the enterprise's new e-government solutions.

SerCon

SerCon ranks among Germany's top ten IT consulting companies. A wholly-owned subsidiary of IBM, SerCon shows companies how they can exploit information technology to develop future markets and enhance efficiency. Nearly 2000 employees at 25 sites support customers in all industries and lines of business, providing solutions for their IT needs. A full-service consultancy, SerCon delivers consulting, product and technology expertise from a single source.

Softlab

Softlab GmbH is a company of the BMW Group. A system vendor operating on international markets, the company focuses on marrying e-business technologies to customer relationship management (eCRM), supply chain management (eSCM), and enterprise application solutions (EAP). Boasting nearly 30 years experience in large-scale IT projects, Softlab offers a comprehensive range of consulting and system integration services over the full scale of the value-added chain. The company's key target sectors are the financial services industry, insurance, telecommunication and heavy industry. Softlab is represented by subsidiaries in all important European markets, the USA and Japan.

bol (Behörden Online)

bol Behörden Online is a subsidiary of VIAG Interkom GmbH and S-Finanzgruppe/Informatik-Zentrum Bayern (IZB). Operating as a network carrier and service provider for government offices, bol Behörden Online's voice services are used by the Bavarian government. With its Behörden-Service-Online offering, bol Behörden Online provides an end-to-end service package for virtual government comprising everything from content management systems to form servers and applications for business process optimization.

novaSPRINT

Launched in 1994 in Singapore, novaSPRINT is one of the leading providers of end-to-end, industry-focused e-business solutions. The enterprise maintains excellent business contacts in the fields of health services, financial services, power supply and government. novaSPRINT aims to expand into Indonesia as well as into Malaysia in 2001, with Hong Kong, Japan and China following suite in 2002. novaSPRINT and DataDesign entered into an alliance in fall of 2000.

International Subsidiaries

Set up in 2000, the Miami subsidiary's mission is to seek out partners who are able to facilitate the company's bid to penetrate the US market. At this time the company is not planning to establish a direct sales organization. The financial and human resources required to do this would conflict with the company's current business orientation and jeopardize profitability goals.





Revenues

Business Developments

The company's diligent drive to reorient its business focus at the change of the fiscal year 1999 to 2000, and its efforts to establish marketing and sales structures early on in the year, had an impact on performance. In the fiscal year 2000 DataDesign AG was able to increase sales revenues to DM 25.7 million. That amounts to an increase of some 100% over the previous year's figure.

Professional services accounted for DM 11.8 million or 46% of total revenues, product sales for DM 8.3 million or 32% of total revenues, and license fees for DM 3.1 million or 12% of total revenues. The company also took in proceeds in the amount of DM 2.6 million from activities other than its core business.

Owing to undiminished high demand for smart card and card reading devices, revenues from hardware sales increased at a disproportionate ratio to total turnover. These revenues were generated by equipment sales in connection with numerous new projects as well extensive follow-up jobs for projects that had already been concluded. The percentage share of professional services and license sales in total revenues decreased. Incoming orders tallied to approximately DM 30.5 million in 2000. The order backlog as at December 31 totaled roughly DM 4.8 million.

The relatively low order backlog at the change of the year is attributable to the company's hard-driving campaign to intensify its partner business, which was launched at the start of the fourth quarter.

In an effort to extend the partner network posthaste, the enterprise placed greater priority on this drive to acquire partners, and its efforts to clinch deals directly with end customers took a backseat. This is an investment in the future, allowing DataDesign to create the underpinning for stable, high-margin revenues growth over the long term.

Results

The past fiscal year saw net loss totaling DM 5.2 million. The previous year's loss came to DM 9.7 million. Though loss was reduced by nearly half compared with the previous year's result, it was nevertheless higher than expected. Deferred taxes were capitalized in view of expected future profits.

Compared with 1999, cost of sales increased by 60% to DM 14.5 million, while sales revenues doubled. Operating expenses came to DM 20.8 million, an increase of merely 28% compared with the previous year.

A detailed analysis of operating expenses reveals that selling and marketing expenses increased by some 50% to DM 8.9 million, while general administrative expenses increased by 45% to DM 5.7 million. Tallying to approximately DM 6.2 million, research and development expenses remained slightly lower than in the previous year.

Particularly low-margin hardware sales, whose percentage share of total revenues increased, was a deterrent to the company's goal of achieving better business results. The proceeds from divestment of the company's shares in Software4You Planungssysteme GmbH decreasing its holding from 49% to 9%, contributed income in the amount of DM 1.7 million.

Costs Development by Cost Category

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A detailed look at the development of cost categories indicates the following significant changes compared with the previous year: Owing to higher hardware sales figures, costs of purchased goods came to some DM 6.9 million. This is an increase of 150% over the previous year's figure. Conversely, expenses for advertising and trade shows increased at a disproportionately low rate. These costs came to DM 2.5 million, an increase of merely some 30% over 1999's figure.

With its redoubled focus on business activities, the company was able to attribute costs more accurately to the various departments. This made significant savings possible: other costs were reduced by approximately 20% to DM 3.4 million.

Strong Revenues Growth, Disappointing Result and a Positive Outlook

Despite strong revenues growth of over 100%, business developments failed to meet expectations. This applies particularly to the net result. German banks are still reluctant to introduce the HBCI standard, which prevented the company from achieving its revenues target in the domestic market. Though they value the security of HBCI highly, foreign banks are at present unwilling to focus exclusively on a German standard. For this reason and in view of the fact that they see widespread use on an international scale, DataDesign has decided to offer PIN/TIN solutions along with HBCI.

Investments in product design as well as partner acquisition, training and relationship management were not recompensed by commensurate returns in 2000. The new and extremely promising line of business e-contracting also demanded considerable start-up investments in the fiscal year. As a newly launched line, it could not generate return on investments until 2001. The recruiting campaign was also pursued with considerable earnings growth in mind. This also contributed to insufficient deficit cover for the period. However, in light of these investments, DataDesign is ready for the future.

Holdings

Focused Strategy Leads to a New Holding Structure

The company's redoubled focus on products and applications for secure Internet transactions prompted it to restructure its investment portfolio in 2000.

Software4You Planungssysteme GmbH

A 49% holding in Software4You Planungssysteme GmbH was reduced as planned to 9% at the end of 2000. The enterprise's mission—providing management consulting and other services related to preparations for IPOs—does not harmonize with the core business of DataDesign AG.

AbWerk GmbH

Liquidation of the Internet factory outlet AbWerk GmbH began at the end of 1999 as planned. This enterprise was also too far removed from DataDesign's core business and no longer fit in with the range of services on offer. 33

CompareFair GmbH

DataDesign AG divested the 50% holding in the online information forum CompareFair in early 2000.

4insurance.de Internetforum GmbH

DataDesign AG acquired a 9% share in the financial marketplace 4insurance.de
Internetforum GmbH. This company offers privates consumers the opportunity
to obtain insurance coverage directly over the Internet. With NetContracter,
DataDesign AG provides the technology required to offer this service. Above all,
the company expects to gain valuable experience from this strategic commitment,
enabling it to fine-tune its e-contracting solutions to better satisfy market
demands.

4privateequity.de Internetforum GmbH

At 4private equity.de, investors can buy shares in companies, for example, by means of shipping, media, real estate or venture capital funds. This 16% share is also a strategic investment that affords the company the opportunity to gain marketable experiences in the new line of business e-contracting.





Investments and Financing

DataDesign AG's expansion efforts set the tone for the fiscal year 2000. In addition to bankrolling other activities, the company leveraged investments to launch the subsidiary in Leipzig, resulting in total costs of approximately DM 0.5 million, as well as to develop the e-contracting market. The company bought B2B market-place licenses to this end; they will be used in 2001 to showcase the company's implemented e-contracting solutions. DataDesign invested DM 1.2 million for this purpose.

At the close of 1999 the company redoubled its focus on its core business, which led to a restructuring of the investment portfolio in 2000. DataDesign sold all shares in CompareFair GmbH and reduced its holding in Software4You Planungs-systeme GmbH. Proceeds from these divestments came to the rounded figure of DM 2.5 million. Software4You Planungssysteme GmbH was transformed into an AG. In the course of this change of legal form, the company carried out an increase in share capital. DataDesign AG contributed EUR 313,000 to this share capital increase.

However, fiscal year 2000 saw more than just divestments. DataDesign also decided to make two new strategic investments. The enterprise did not disburse these investments in 2000 so that the company's liabilities increased by roughly DM 1.6 million.

In comparison with the previous year, there were perceptible fluctuations in the cash flow statement.

This pertains to the following itemized positions:

Accounts receivable increased by DM 1.2 million to the rounded figure of DM 5.7 million. This is attributable to the marked increase in sales revenues compared with the previous year. Owing to more moderate growth in human resources, the company was able to reduce investments in tangible assets to approximately DM 0.9 million, which is over DM 1.2 million less than the previous year's figure. Redeemed stock options from the stock-based employee compensation plan are disclosed in the cash flow statement along with an increase of subscribed capital in the amount of DM 90,653.

The company incurred net loss for the year 2000, engendering a further decrease in equity capital and therefore a reduction of the balance sheet total of DM 28,054,021.33 to DM 25,563,750.12. The equity ratio at the balance sheet date is 75%. The increase in other short-term liabilities from DM 2.2 million to DM 2.9 million is attributable largely to payments that have yet to be rendered for investments in the two financial marketplaces 4insurance.de Internetforum GmbH and 4privateequity.de Internetforum GmbH.

Deferred taxes comprise tax liability carryforwards capitalized at the expected amount of the lower tax burden in the rounded amount of DM 6.7 million.

Balance Sheet Structure

Liquidity decreased by approximately DM 7.4 million to DM 5.1 million. Next to the aforementioned net loss, this decrease is attributable on the one hand to an increase of DM 1.2 million in accounts receivable, on the other to an increase in other assets, in the amount of DM 0.4 million. These assets are comprised mainly of licenses for the new line of business e-contracting, which were capitalized in 2000 but will not see use until fiscal year 2001.

Research and Development

In fiscal year 2000 DataDesign re-invested roughly 25% of sales revenues in an endeavor to further develop its offering. Considerable investments in efforts to extend the product suite for Internet banking & brokerage had already been made in 1999, so the development team was able to dedicate its time largely to developing new product and solution offerings for the e-contracting line of business.

E-Banking & Brokerage

DataDesign AG provides high-security e-banking & brokerage solutions, and it is a technology leader in this field. The company developed its product suite further with great diligence and persistence in 2000, optimizing it to ensure compatibility with partners' products and facilitate international deployment. As part of this effort, the company implemented the features defined by HBCI Version 2.2 and introduced a scalable security concept that enables banks to offer diverse security solutions such as HBCI and PIN/TAN on the basis of a single infrastructure. This will clearly facilitate expansion into further European markets.

E-Contracting

The focus of development efforts in the year under review was on the new line of business e-contracting. DataDesign developed an e-government solution and, with NetContracter, an industry-independent product.

The company leveraged its expertise in the development of banking products to create e-contracting technology. This know-how enables it to roll out a fully functional and productive pilot within a remarkably short time.

E-Government

The company's virtual government solution enables forms to be processed via Internet. Citizens download applications to process them on their PCs, print them out, and send the signed forms to the government office. The completed form may be stored on the citizen's PCs for archiving purposes. This solution is ready today for the digital signature of tomorrow.

NetContracter

Core e-contracting technology for downloading, processing, signing, storing and sending encoded digital forms can be used in virtually every e-business solution. With this in mind, DataDesign began developing a product line in 2000 that offers precisely these features so that it may be integrated into other vendors' e-business solutions.

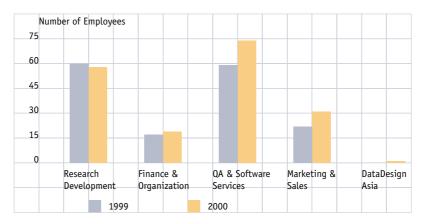
Secure Electronic Transaction (SET)

DataDesign ceased further development of its SET offering on account of SET's lack of success and the economic situation of the US partner enterprise Globeset.

Human Resources

Internet commerce continued to see enormous growth rates in 2000. This explosive development and the launch of countless start-up companies fostered an even greater demand for personnel. For this reason it can be said without exaggeration that the market for information scientists and software developers has been picked clean. Despite these difficult conditions, DataDesign was able to increase the number of personnel from 160 to 183. 132 employees worked at the Munich headquarters and 51 employees at the subsidiaries.

Personnel Development



Concrete measures have already been introduced to cover current and future demand for human resources. DataDesign set up a development subsidiary in the university city of Leipzig, literally meeting highly qualified graduates far more than halfway. This means that upon graduation the former students are not compelled to relocate to accept job offers. The enterprise decided to take this approach to create smaller, self-reliant development teams, while at the same time promoting employee satisfaction.

Further recruiting measures include increasing the number of student trainees, which attracts qualified junior developers to the enterprise early on, as well as an internal training program for apprentice information scientists slated for kick-off in 2001.

A recruiting program's success is determined by its capacity to enlist new personnel, but its long-term success also hinges on low fluctuation. It takes a corporate culture that nurtures an open mindset and mutual respect to achieve the latter. To this end, DataDesign stresses goal-oriented leadership and encourages employees to assume a maximum of personal responsibility.

Personnel development and training programs tailored to individual employees is as much a part of the repertoire of a modern stock corporation as is a liberal stock option plan.

Risk Management

DataDesign AG clearly improved and extended its risk management in the fiscal year 2000. The company introduced cost center-based budgeting and reporting in the year under review. A detailed weekly sales report now discloses current sales by customer, industry, product and vendor. In addition, receivables are routinely documented by customer accounts. Contracting was revised and centralized. Beyond that, purchase order accounting is now controlled according to order amount.

Effective January 1, 2001, the executive board was augmented with two new members, CFO Gerhard Weichenhain and COO Philip Hartley, in a bid to improve controlling, above all with regard to monitoring costs and liquidity, and to maximize the efficiency of operative units.

Risk Factors

DataDesign AG operates in a booming growth market. E-business is still in its infancy. Ratification of the digital signature is bound to drive growth. As the last months of 2000 and early 2001 would attest, it is impossible to make an accurate prognosis in this environment. Some of the euphoric growth forecasts for various markets and enterprises proved unrealistic and had to be recanted.

The Markets

It cannot be ruled out that the field of e-banking will see the first market saturation effects. These could be reinforced by mergers of potential customers. Moreover, the market for sophisticated e-banking & brokerage solutions is subject to predatory competition. And with additional providers entering this market, competition is likely to become even fiercer. In the past DataDesign focused predominantly on solutions revolving around the standard HBCI. Despite the company's efforts in 2000 to expand its offering with PIN/TAN solutions, acceptance of the HBCI standard at home and abroad will have a considerable influence on the success of the enterprise in 2001.

On account of the company's past focus on e-banking & brokerage products and solutions, it is to be expected that DataDesign will continue to depend to a considerable degree on the financial services industry for revenues. This is an industry in which the players are few but very big.

With its new e-contracting line of business, DataDesign is entering unfamiliar and previously uncharted markets. In addition, e-contracting is an entirely new offering that other IT enterprises are sure to embrace. On these grounds, it remains to be seen which technology will succeed on the market.



Indirect Sales

DataDesign is moving forward with its campaign to drive partner reselling. This mandates considerable advance outlay for product design as well as for recruiting and training partners. On account of local market conditions and the given competitive situation, there can be no absolute assurance that these investments will reap returns.

Human Resources

In our line of business, intense competition for highly qualified employees is the norm. The future success of our company hinges in part on whether we will be able to recruit qualified employees and managers, integrate them into the enterprise, and win their long-term loyalty.

Goods

Rapidly growing demand for chip cards and card readers worldwide could lead to short-term delivery bottlenecks and thus delay sales.

Technological Advances

Rapid technological advances in the field of e-business solutions as well as possible changes in software standards may mandate additional unforeseen investments in research and development.

The current situation on financial markets complicates efforts to infuse the company with fresh capital. In this situation, the long-term viability of an enterprise can only be secured by decreasing the cash burn rate posthaste.

DataDesign has already introduced extensive measures aimed at preserving and, over the long-term, increasing the enterprise's liquid funds.

Product and Project Liability

Software development is an area in which unforeseeable programming errors can never be entirely ruled out. In DataDesign AG's contracts with its customers, there are appropriate clauses which limit the company's risk regarding potential product and liability claims. Furthermore, the enterprise procured insurance coverage to limit these risks. However, it is possible that these provisions limiting liability may not be sufficient in every case. In addition, DataDesign often acts as a general contractor for the projects it is involved in, so there is potential for risks and liability claims in this type of project. Although there have been no substantial cases of product liability to date, and no claims have been made against the company for economic losses, DataDesign AG is subject to the risk of such claims.

All of the aforementioned factors could have a detrimental impact on DataDesign's business, financial and earnings situation and they could engender losses.

Events Occurring after the Balance Sheet Date

The company resolved to introduce extensive measures to increase its working capital over the medium term. Some of these measures have since been implemented.

For one, the entire range of products and services was examined for profitability. Unprofitable products and services were phased out. In related developments, the subsidiary in Stuttgart was closed, and — in connection with company's efforts to redouble its focus on core competencies and markets—so will the representative offices in Copenhagen and Singapore. These measures are expected to have no negative effects on the business, financial and earnings situation. Associated costs are deemed negligible. In future, the enterprise's headquarters will reassume responsibility for managing relationships with foreign partner companies. Effective immediately, the enterprise's headquarters nurtures and maintains relationships with international partner companies. Moreover, the company is striving for additional savings by pushing forward with its campaign to centralize purchasing and reduce investments in tangible assets. The enterprise expects the aforementioned measures to collectively effect savings of DM 5.3 million in fiscal year 2001. A share capital increase in the amount of EUR 550,000 was approved at the beginning of the fiscal year. It is slated to be carried out in the course of the year to provide additional working capital and enhance liquidity.

Outlook for 2001

After seeing substantial revenues growth in 2000, DataDesign's principle goal for 2001 is to turn a profit.

Restructuring and cost-cutting measures introduced at the beginning of 2001 will go a long way toward achieving this goal.

Revenues Structure

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In view of the current order backlog, increased investments in partner acquisition during the fourth quarter, and the changes described above, DataDesign AG expects to see a weaker start into the year with belated revenues and earnings growth. Moreover, the growing demand for ASP (application service providing) models would underscore this forecast. Similar to leasing, ASP breaks down what would otherwise be a large initial investment into smaller monthly service fees. Conversely, ASP generates far lower initial sales, but it delivers a steady stream of revenues over the long term.

Following up on product sales, DataDesign AG aims to pursue related implementation projects with greater intensity.

It is expected that the new e-contracting line of business will swiftly gain significance as a major source of revenues. However, in 2001 the bulk of revenues will still be generated by e-banking products and services.

Augmentation of the Executive Board

The executive board was extended with two members on January 1, 2001. Philip Hartley was appointed Chief Operating Officer (COO) and tasked with the responsibility for Global Sales/Global Partner Management, Product Management, Product Sales, Business Consulting and Support. Hailing from England, Mr. Hartley left General Electric to join DataDesign, bringing with him many years international experience and long-standing management expertise. Previously DataDesign's Director of Finance, Gerhard Weichenhain was appointed Chief Financial Officer (CFO). Effective January 1, 2001, he is at the helm of the Finance, Administration and Human Resources department. Mr. Weichenhain also brings to the table international professional experience. Roy von der Locht remains the Chief Executive Officer. He heads Corporate Strategy, Corporate Development (M&A), Business Development, Marketing Communications, Investor Relations, Public Relations and manages relationships with customers and partners at the executive level.





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Income Statements for the Periods of January 1 to December 31, 2000 and for 1999 (US GAAP)

	Notes	2000 DM	1999 DM
Sales	(1)	25,694,707.33	12,197,016.61
Cost of sales	(2)	-14,475,968.26	-8,989,404.40
Gross profit on sales		11,218,739.07	3,207,612.21
Operating expenses	(4)		
Selling expenses		-8,894,121.01	-5,793,112.39
Research and development expenses		-6,215,095.16	-6,491,570.88
General administrative expenses		-5,703,153.67	-3,993,559.25
		-20,812,369.84	-16,278,242.52
Income (loss) from operations		-9,593,630.77	-13,070,630.31
Losses from affiliated companies		0.00	-1,004,307.00
Income from financial assets (loans and securities)		35,000.00	331,118.74
Proceeds from equity divestments	(5)	2,517,093.93	0.00
Depreciation of financial assets and securities	(6)	-1,515,677.36	-278,157.13
Interest and similar income		185,798.96	549,376.01
Interest and similar expense		-6,962.43	-30,564.57
Other operating income	(7)	359,257.30	139,038.09
Result from ordinary activities		-8,019,120.37	-13,364,126.17
Taxes on income from the result from ordinary activities	(8)	2,777,221.78	3,693,492.51
Result from ordinary activities after taxes on income		-5,241,898.59	-9,670,633.66
Net loss	(9)	-5,241,898.59	-9,670,633.66
Profit carryforward from the previous year		-9,274,976.12	395,657.54
Net profit/net loss for the year		-14,516,874.71	-9,274,976.12

Assets

Consolidated Balance Sheets for the Years Ended December 31, 2000 and 1999 (US GAAP)

	Notes	2000 DM	1999 DM
A. Current assets			
1. Cash and cash items	(1)	5,139,060.71	12,485,907.48
2. Trade receivables	(2)	5,683,741.78	4,457,871.78
3. Other assets	(3)	2,031,205.89	1,648,025.85
4. Prepayments and deferred expense		878,866.82	253,859.55
5. Other current assets	(4)	1,130,799.95	1,061,644.44
6. Inventories	(5)	139,047.00	168,800.00
		15,002,722.15	20,076,109.10
B. Fixed assets	(6)		
1. Financial assets			
Shares in affiliated companies		0.00	1.00
Loans to affiliated companies		0.00	1,000,001.00
Other financial assets		966,649.29	1.00
2. Tangible assets			
Other plant, property and equipment		2,137,485.02	2,177,209.39
3. Intangible assets			
Software		168,165.23	205,928.77
Goodwill		615,728.43	702,771.07
		3,888,027.97	4,085,912.23
C. Deferred tax	(7)	6,673,000.00	3,892,000.00
		25,563,750.12	28,054,021.33

Shareholders' equity and liabilities

	Notes	2000 DM	1999 DM
D. Liabilities			
1. Amounts due to banks	(8)	0.00	2,289.70
2. Payments received on account of orders		47,570.86	127,504.88
3. Trade payables	(9)	2,080,921.24	1,733,067.53
4. Other short-term liabilities	(10)	2,947,251.09	713,583.98
5. Tax accruals		948.00	45.00
6. Other accruals	(11)	1,434,429.56	1,516,555.00
		6,511,120.75	4,093,046.09
E. Shareholders' equity			
1. Subscribed capital	(12)	10,945,509.22	10,854,856.50
2. Capital reserves	(13)	22,620,620.64	22,381,094.86
3. Retained earnings		-14,516,874.71	-9,274,976.12
4. Differential amounts resulting from currency translation		3,374.22	0.00
		19,052,629.37	23,960,975.24
		25,563,750.12	28,054,021.33

Preliminary remarks

The consolidated financial statements of DataDesign AG and its subsidiaries are prepared in conformity with the United States generally accepted accounting principles (US GAAP). They account for and disclose the financial situation of the parent company and all its subsidiaries as at the date of the Annual Financial Statements. The books and documents of the Group's companies domiciled in Germany are maintained in accordance with the German Commercial Code and accounting principles generally accepted in Germany. The Group's company domiciled in the USA maintains its books and accounting documents in conformity with generally accepted accounting principles in the United States. In certain aspects, the German Commercial Code deviates materially from the United States generally accepted accounting principles (US GAAP). All adjustments necessary to reconcile revenue reporting in the financial statements of Group companies to US GAAP were carried out.

The business activity of the DataDesign Group comprises the creation and development of proprietary and third-party programs for data processing, above all for databases, copying, licensing and sales, as well as enterprise consulting. Foreign subsidiaries serve the exclusive purpose of selling products created and developed by the Group's parent company DataDesign AG.

Waiver of the Obligation to Prepare Consolidated Financial Statements in Accordance with Numbered Clause 292, HGB (German Commercial Code)

Pursuant to Article 292, HGB (*German Commercial Code*), DataDesign AG, as a publicly listed company, exercises on the balance sheet date its right to be exempted from the obligation to prepare consolidated financial statements according to international accounting principles.

In accordance with the interpretation of the Deutschen Standardisierungsrat (DSR; *German standardization council*) in DRS 1, the accounting principles of DataDesign AG conform to the quidelines set forth in 83/349/EWG.

SFAS No. 109, *Accounting for Income Taxes*, governing the capitalization of tax loss carryforwards, deviates from the accounting principles of the Handelsgesetz-buch (*German Commercial Code*), as does the principle of charging the costs of issuing securities against proceeds without affecting operating result according to SAB 1, and the disclosure requirements and consolidation of acquired companies (APB 16), and the disclosure requirements of options granted to employees according to APB 25 SFAS No. 123, *Accounting for Stock-Based Compensation*.

Consolidated Companies

Next to the parent company DataDesign AG, the following enterprises are accounted for in the consolidated financial statements:

	Equity in %	Effective date of initial consolidation
DataDesign Beteiligungs GmbH (1), (2) Munich	100	February 22, 1999
DataDesign AG ASIA PTE LTD (1), (2) Singapore	100	May 31, 2000
DataDesign AG AMERICA, Inc. (1), (2) Miami, USA	100	January 31, 2000
AbWerk Handelsvermittlung GmbH (3) Cologne	90	January 1, 1998

- Included in the consolidated financial statements according to the principles of full consolidation.
- (2): The affiliated company was included in the consolidated financial statements as of the date of founding.
- (3): The affiliated company was included in the consolidated financial statements on the basis of the equity method as of the date of acquisition. During fiscal year 1999, additional shares were acquired in this enterprise with the goal of divesting these at short notice after the company's operative business had been restructured. For this reason, these shares are been stated as current assets and are thus not disclosed further in the consolidated financial statements. A decision has been made to liquidate the company, so these shares are disclosed as in the previous year.

In addition, the parent company DataDesign AG holds shares in the following enterprises:

	Equ	ity in '	% (3)
Software4You Planungssysteme GmbH (1) Planegg, Municipality Martinsried			9.20
Software4You Planungssysteme, Inc. (2) Miami, USA			9.20
4privateequity.de Internetforum GmbH (1), (2) Ebersberg		:	15.75
4insurance.de Internetforum GmbH (3) Ebersberg			6.36

- (1): 40% of the holding in the capital stock of the enterprise was sold in fiscal year 2000. For this reason, the company was not included in the consolidated financial statements.
- (2): Indirect equity holding via die Software4You Planungssysteme GmbH, Planegg, Municipality Martinsried.
- (3): Further figures were unavailable at the time the consolidated financial statements for fiscal year 2000 were prepared.

All affiliated companies that remain undisclosed in the consolidated financial statements are not of material significance to presenting a view of the company's assets, financial position, earnings and profits.

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Summary of Significant Accounting Policies

a) Consolidation

All material subsidiaries under the legal or actual control of DataDesign AG are represented in the consolidated financial statements. Capital consolidation was performed according to the book value method. In keeping with the principle of purchase accounting, the costs of an acquisition are offset against the parent company's proportional equity capital at the time of acquisition. The difference between the purchase cost 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 expected useful life of the assets, thus affecting net income. As a rule, the consolidated financial statements reflect the assumption that the prerequisites for initial consolidation had been met on January 1, 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 prior to this date the enterprise was inactive for the purposes of disclosure.

Material holdings are accounted for in conformity with the equity method whenever DataDesign AG or one of its subsidiaries holds between 20% and 50% of the shares in the company ("affiliated companies"). The book value method of accounting was applied.

Other companies in which DataDesign AG or one of its subsidiary enterprises holds less than 20% equity are stated at cost.

All material inter-company balances and transactions have been eliminated in consolidation. Requisite tax accruals and deferrals were carried out for consolidations affecting net income.

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

Currency is converted in compliance with SFAS 52, meaning that foreign subsidiaries' annual financial statements are translated according to the concept of functional currency using the middle rate on the balance sheet date, and that foreign subsidiaries' income statements are translated using average rates for the year. Differences in currency translation for receivables and payables between the year under review and previous year are stated at equity not affecting net income. The following exchange rates were used for purposes of currency translation:

	Unit of currency	Middle rate on the balance sheet date DM	Year's average rate DM
Singapore	1 SGD	1.19858	1.26700
USA	1 USD	2.10190	2.14070

b) Revenue recognition

Revenues are recognized at the point in time when a customer takes delivery of goods or services. Installments or payments on account received from customers are not disclosed as sales revenues, instead they are carried as a liability without affecting operating result. Income from license and maintenance agreements is stated as sales revenue in the period in which it was incurred.

c) Current assets

Current assets include inventories, receivables, cash in hand, as well as other securities and shares in affiliated companies designated for short-term disposal, and prepaid expenses. All amounts are due within one year.

d) Cash and cash equivalents

Cash and cash equivalents comprise cash and interest-bearing deposits 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, allowances are made for accounts receivable as far as this is necessary. Accounts receivable include amounts due from third-party companies that are not affiliated with the Group.

f) Inventories

Inventories are stated at the lower of actual cost or market and include exclusively longer-term project orders which were evaluated separately. Next to the immediate costs for production of goods or service, manufacturing costs also contain proportional overhead for production of goods or service and depreciation. If projects generated losses, they are stated at lower value.

g) Deferred tax

Deferred taxes are stated as assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of the assets and liabilities and for tax carryforwards. These are disclosed at the expected future tax rate at the time of realization.

h) Long-lived assets

FAS 121, Recognition of Impairment of Long-Lived Assets requires that tangible and intangible assets be reviewed for potential impairment whenever changes in circumstances indicate that their carrying amounts may not be recoverable.

FAS 121 mandates extraordinary depreciation in the event that the future income generated by the asset falls below the current book value of the asset. Impairment is measured according to the amount by which the carrying amount of the assets exceed the fair value of the assets. This is normally derived from the depreciated current cost of replacement or the unit sales price. The company regularly reviews long-lived assets for potential impairment and states resultant extraordinary depreciation in a manner affecting net income.

i) Financial assets

Other financial assets, in particular shares in affiliated companies, are evaluated at equity. Other investments and securities stated as tangible assets are evaluated at cost. Unrealized profits and losses from securities disclosed as tangible assets are stated as equity capital with due consideration of deferred taxes.

Loans to affiliated enterprises and other financial assets are stated at cost.

Extraordinary depreciation is recorded in cases of permanent reduction of the fair value of assets.

k) Tangible assets

Tangible assets are evaluated at cost or at manufacturing cost less ordinary depreciation according to the straight-line or declining balance method. Items are depreciated over the period of useful life. The declining balance method takes precedence over the straight-line method of depreciation as soon as even distribution of the residual book value over the remaining useful life achieves a higher amount of depreciation. The useful life of an asset ranges from two to ten years for the purpose of ascertaining the amount of depreciation.

Profits or losses incurred from the disposal of assets disclosed under tangible assets are reported under other operating expenses and income.

Acquired intangible assets, including goodwill, are evaluated at cost with ordinary depreciation according to the straight-line method of depreciation. Goodwill is stated as evaluated on the given balance sheet date. Intangible assets are depreciated over a period of five to 15 years. Assets are subject to prorated depreciation in the year of purchase.

m) Leasing

The DataDesign Group leases 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 ascribed to the lessor.

n) Accruals

Tax reserves and other reserves are accrued when a liability to third parties exists, claims are probable and reasonable estimates of the required amount of accruals can be made.

o) Fair value of liabilities

All stated liabilities are due for redemption in the near term. Taking into account current interest rates of comparable financing options by means of loans, the book value of items disclosed under liabilities is roughly equivalent to fair value.

p) Research and development

Expenditures for research and development projects are disclosed as cost of sales, thereby reducing net income since direct allocation to other capitalized software assets designated for sale was not possible.

q) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

r) Earnings per share

According to SFAS No. 128, all effects of equity capital options must be taken into consideration when calculating earnings per share. If dilution effects occur, two benchmark figures concerning earnings per share must be reported. In the case of basic earnings per share, the dilution effect is not taken into account—the consolidated result is divided by the weighted average of the number of issued shares. In the case of diluted earnings per share, not only are the actual issued shares taken into account, but also shares available by virtue of option rights. Consolidated earnings represent earnings achieved by the entire corporate group during the year.

s) Segment disclosures

In accordance with SFAS 131, *Disclosures about Segments of an Enterprise and Related Information*, and taking into account the organization of management and enterprise control, the DataDesign Group is at present active in just one segment. All enterprises included in the DataDesign Group's consolidated financial statements are active in identical areas of business and markets, and sell largely comparable services and products. Furthermore, all enterprises employ comparable marketing methods, predominantly to address the domestic market. They are active in the same markets and pursue different objectives. For this reason, the consolidated financial statement does not make use of a separate segment reporting option. Although this report 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 notes to the itemized positions.

Notes to the Consolidated balance Sheet

- 1. Cash and cash equivalents include current deposits with banks, cash in hand as well as fixed-term accounts.
- 2. All accounts receivable are due within a year.
- 3. Other assets vest or mature within a year.
- 4. Other current assets include the following items:

	2000 DM	1999 DM
Short-term receivables from Software 4 You Planungssysteme GmbH	1,092,544	991,165
Other securities	38,255	52,573
Shares in AbWerk GmbH	1	1
Shares in Compare Fair GmbH	0	17.905
	1,130,800	1,061,644

5. Inventories include the following items:

		2000 DM	1999 DM
Work in process	(1)	125,447	168,800
Advance payments made on account of orders		13,600	0
		139,047	168,800

(1): Contained therein is solely work in process related to longer-term projects.

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6. Detailed information on the Group's fixed assets is provided in the Fixed Asset Movement Schedule for fiscal 2000.

Intangible fixed assets include in particular goodwill derived from the initial consolidation of Software4You GmbH, Planegg, Municipality Martinsried, which merged with DataDesign AG in 1999. Depreciation of intangible fixed assets in the fiscal year amounted to DM 195,513 (previous year DM 174,863). Contained therein is goodwill in the amount of DM 87,043 (previous year DM 87,042).

Tangible assets include the following:

	2000 DM	1999 DM
Property, plant and equipment	2,112,415	1,981,402
Vehicles	25,070	195,807
	2,137,485	2,177,209

Depreciation of tangible assets as reported in the income statement amounted to DM 802,193 for the fiscal year (previous year DM 841,542).

Fixed Asset Movement Schedule for the Fiscal Year 2000 (US GAAP)

	Acquisition cost	:			
	Jan. 1, 2000	Additions	Disposals	Book transfers	Dec. 31, 2000
	DM	DM	DM	DM	DM
Financial assets					
Shares in affiliated companies	1,005,371.75	0.00	1,005,371.75	0.00	0.00
Loans to affiliated companies	1,035,000.00	0.00	35,000.00	-1,000,000.00	0.00
Other investments	135,000.00	1,468,008.35	0.00	1,000,000.00	2,603,008.35
	2,175,371.75	1,468,008.35	1,040,371.75	0.00	2,603,008.35
Tangible assets					
Other property, plant and office equipment	3,539,781.59	920,351.94	338,619.60	0.00	4,121,513.93
	3,539,781.59	920,351.94	338,619.60	0.00	4,121,513.93
Intangible assets					
Software	342,675.31	87,159.46	25,000.00	0.00	404,834.77
Goodwill	886,918.28	0.00	0.00	0.00	886,918.28
	1,229,593.59	87,159.46	25,000.00	0.00	1,291,753.05
	6,944,746.93	2,475,519.75	1,403,991.35	0.00	8,016,275.33

Accumulate	ed deprec	iatio	n						
Jan. 1, 20	000	Cl	narge		Re	lease	De	ec. 31,	2000
	DM		DM			DM			DM
1,005,370).75		0.00	1,	,005,37	70.75			0.00
34,999	9.00		0.00		34,99	99.00			0.00
134,999	9.00 1,	501,36	50.06			0.00	1	,636,3	59.06
1,175,368	3.75 1,	501,36	50.06	1,	,040,36	69.75	1	,636,3	59.06
1,362,572	2.20	802,19	3.46		180,73	36.75	1	,984,0	28.91
1,362,572	2.20	802,19	3.46		180,73	36.75	1	,984,0	28.91
136,746	5.54	106,47	0.00		6,54	47.00		236,6	69.54
184,147	7. 21	87,04	2.64			0.00		271,1	89.85
320,893	3.75	193,51	2.64		6,54	47.00		507,8	59.39
2,858,834	.70 2,	497,06	6.16	1,	,227,6	53.50	4	,128,2	47.36

Net	book	value	es		
		2000			1999
		DM			DM
		0.00			1.00
		0.00	1,	,000,0	01.00
	966,6	49.29			1.00
	966,6	49.29	1,	,000,0	03.00
2	,137,4	85.02	2,	,177,2	09.39
2	,137,4	85.02	2,	,177,2	09.39
	168,1	65.23		205,9	28.77
	615,7	28.43		702,7	71.07
	783,8	93.66		908,6	99.84
3	,888,0	27.97	4,	,085,9	12.23

7. German corporate income tax law mandates that an imputation system be applied to the taxable income of companies and shareholders until December 31, 2000. Retained profits are initially taxed at the corporate tax rate of 40%, then a solidarity surcharge of 5.5% is levied on the corporate tax liability. This yields an effective tax rate of 42.2%. When profits are paid out to shareholders, the corporate tax rate is reduced to 30% plus a solidarity surcharge of 5.5% by refunding the amount paid in excess of the effective tax rate of 31.65% on distributed profits. Taxable shareholders receive a tax credit in Germany in the amount of the corporate tax and solidarity surcharge paid by the company. This credit is applied to their personal income tax liability (imputation system).

Legislation reducing tax rates and reforming the enterprise taxation system (tax reduction law) that went into effect on January 1, 2001 reduced the corporate tax rate to 25% of the taxable earnings. The 25% rate plus solidarity surcharge of 5.5% on the corporate tax liability applies to both retained and distributed profits. This taxation rate supplants the imputation system.

The local municipal percentage (currently 490% for the domestic headquarters in Munich) is multiplied by the basic federal rate of 5% for corporations to ascertain the effective trade tax rate.

The effective corporate tax rate plus the effective local trade tax rate is applied to ascertain the expected deferred tax liability. A tax rate of 37.85% is applied to calculate deferred tax (previous year 55.00 %).

The corporate tax rate change was adopted in fiscal year 2000.

Allowances were made for deferred tax claims in the previous years due to uncertainty whether these taxes would be realized and in expectation of reduced taxes on income. Allowances made in the previous year for this purpose were written back owing to the change in corporate tax rate in the fiscal year. The remaining allowances made in previous years were retained.

Deferred tax effects resulted exclusively from loss carryforwards.

At the end of the fiscal year 2000, the parent company reports corporate tax loss carryforwards in the amount of approximately TDM 14,516.

8. Amounts due to banks comprise exclusively credit in current accounts due within a year and are not secured by guaranty.

- 9. Accounts payable are due for redemption within a year.
- 10. Other short-term liabilities are due for redemption within a year and comprise the following:

	2000 DM	1999 DM
Payment obligations to holdings	2,207,350	0
Social security	383,706	307,657
Taxes	344,699	254,310
Group employees	10,498	0
Wages and salaries	998	114,047
0ther	0	37,570
	2,947,251	713,584

11. Other accruals include the following material items:

	2000 DM	1999 DM
Costs for year-end accounting, general meeting and audits	448,000	657,000
Vacation entitlements	437,000	280,000
Outstanding invoices	163,500	0
Unredeemed credits	119,000	0
Guarantees	65,500	150,000
Other short-term accruals	201,430	429,555
	1,434,430	1,516,555

DataDesign AG develops products for the financial, insurance, media and tele-communication industries. These products and solutions are implemented in projects where DataDesign AG 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 stipulate penalties in case of project overrun or contain significant liability stipulations. As a provision against risk, the company strives to cover a part of these contingencies by means of insurance. The enterprise's proprietary products are subjected to quality assurance measures and quality control inspections. As a precaution, the company formed accrued reserves for such potential risks as well as for liberal settlements of customer claims.

12. Capital stock amounts to EUR 5,596,350. It is divided into 5,596,350 shares of common stock.

By exercising option rights granted in the DataDesign AG Stock Option Plan 1998, in the fiscal year 2000 capital stock was increased from EUR 5,550,000.00 by EUR 46,350.00 to EUR 5,596,350.00 by issuing 46,350 shares made out to bearer (common stock) from Conditional Capital I.

For the period up to August 9, 2005 and with the approval of the supervisory board, the executive board is authorized to increase capital stock once or several times by up to EUR 2,777,500.00 by issuing shares made out to bearer (common stock) against cash or noncash capital contributions (Authorized Capital I). Should this entitlement be exercised, the stock subscription right of stockholders may be excluded to compensate for residual amounts, grant subscription rights to bearers of convertible bonds with warrants or options, 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, particularly abroad, provided that 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, and are in so far limited to a total increase in the amount of EUR 555,000.00. Should preferred shares be issued, the company reserves the right to issue further preferred shares on par with the existing preferred shares.

By decision of the executive board of January 3, 2001 and with the approval of the supervisory board and exercising the authorization granted by the general meeting of August 9, 2000, share capital will be increased after December 31, 2000 by further EUR 550,000.00 to EUR 6,146,350.00. 550,000 common stocks with a proportional share in capital stock of EUR 1.00 will be issued. The subscription right of shareholders is excluded. Gontard & MetallBank Aktiengesellschaft, Frankfurt am Main, took custody of the new shares with the obligation to offer these to interested investors for purchase at a higher price, and to place these with institutional investors at a price of EUR 4.50 during the period up to the preparation of the annual report. Subject to registration of the share capital increase in the commercial register—which had not transpired by the date that the annual report was prepared—capital stock amounts to EUR 6,146,350.00 and is divided in 6,146,350 common stocks made out to bearer. Authorized Capital I is reduced accordingly, and upon effectiveness of the share capital increase amounts to EUR 2,227,500.00.

The extraordinary general meeting of September 4, 1998 authorized the supervisory board to issue stock options for up to 36,000 shares of a common stock to executive board members and grant options to persons entitled to options for up to a total par value of DM 180,000 within the framework of a stock-based employee compensation plan (DataDesign AG Stock Option Plan 1998). The executive board was authorized to issue stock options for up to 84,000 shares of common stock to DataDesign AG employees and grant options to persons entitled to options for up to a total par value of DM 420,000.

The vesting period of these options may not exceed ten 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 may be converted into one share. In accordance with the stock option conditions, these options may be exercised at the earliest two years after issuance. After this vesting term, options may be exercised at any time. When an option is converted to a share, the person entitled to the option is required to pay the amount indicated on the option as the exercise price.

In fiscal year 2000, 46,500 option rights for the subscription of common stocks granted by this stock-based employee compensation plan were redeemed in exchange for DataDesign AG stocks.

supervisory board to issue options for up to 141,870 shares of common stock to employees of DataDesign AG and/or of current or future affiliated companies ("employees") and members of the executive board and/or management of DataDesign AG ("members of the executive board and/or management") and grant options to entitled persons within the framework of another stock-based employee compensation plan (DataDesign AG Stock Option Plan 1999). A maximum of 120,591 option rights are allotted to employees and a maximum of 21,279 option rights to members of the executive board and/or management. Any of the latter's option rights that have not been allocated by July 1, 1999 are from this date also available for allotment to employees. Each option entitles the bearer to convert the option into one share of common stock. The vesting period of these options may not exceed ten years. In accordance with the stock option conditions, options can as a rule be exercised at the earliest two years after the issuance of a warrant, whereby two-thirds of the options granted to entitled parties vest two years from the effective date of grant and one third of the options vest at the end of the third year from the effective

date of grant, provided that the share price of the DataDesign AG share has

for a period of five consecutive stock exchange trading days within a month

prior to the day that the option is exercised.

remained at least 15 percent higher than the exercise price at the date of issue

Supplementing the resolution of the general meeting of shareholders on

September 4, 1999 and taking into account the 72,710 option rights granted and not terminated to date (a total of 218,130 option rights following the option split), the ordinary general meeting of April 23, 1999 authorized the

The percentage mentioned above applies to the first year after the option first vests and increases by ten percentage points for every year thereafter. As for the rest, options may be exercised no more than four times in the fiscal year, in each case within a four week period even after the mandated minimum two year vesting period has elapsed and irrespective of the express minimum stock performance requirements. These predetermined periods in which options may be exercised begin in each case on the third day that banks are open for business following the publication of the four quarterly reports. When an option is converted to a share, the bearer is required to pay the amount indicated on the option as the exercise price. Within the framework of this stock-based employee compensation plan, option rights were granted in November 1999 as well as in January 2000.

The ordinary general meeting of August 9, 2000 authorized the supervisory board to issue once or several times options for up to 195,000 shares of common stock to employees of DataDesign AG and/or of current or future affiliated companies ("employees") and members of the executive board and/or management of DataDesign AG ("members of the executive board and/or management") and grant options to entitled persons up to May 1, 2005 within the framework of another stock-based employee compensation plan (DataDesign AG Stock Option Plan 2000). A maximum of 165,750 option rights are allotted to employees and a maximum of 29,250 option rights to members of the executive board and/or management. Each option entitles the bearer to convert the option into one share of common stock.

The vesting period of these options may not exceed ten years. In accordance with the stock option conditions, options can as a rule be exercised at the earliest two years after the issuance of an option. The bearer is required to pay a base exercise price that corresponds to the fair value of the stock at the time the option is exercised as well as a premium of an additional 25% of the base price quoted as the performance target at the time of issuance. As for the rest, options may be exercised at any time after the mandated minimum two-year vesting period has elapsed and irrespective of the express minimum stock performance requirements, provided that the periods in which options are prohibited from being exercised are observed. When an option is converted to a share, the bearer is required to pay the amount indicated on the option plus a premium as the exercise price. Within the framework of this stock-based employee compensation plan, no option rights had been granted as of December 31, 2000.

In the fiscal year 2000, options developed as follows (after a 3-to-1 stock option split in EUR):

		Average current value of the	Number of	Average exercise	Average remaining
	Nominal value of options in EUR	option at issuance in EUR	options in shares	price in EUR	term in months
Number of subscribed options in 1999:					
- Members of the executive board	54,000	8.86	54,000	3.21	94.0
- Employees	285,489	8.86	285,489	5.56	99.7
	339,489		339,489		
Options terminated in the fiscal year:					
- Members of the executive board	54,000	8.86	54,000	3.21	94.0
- Employees	80,776	8.86	80,776	8.84	103.0
	20,100		20,100		
Options exercised in the fiscal year:					
- Members of the executive board	0		0		
- Employees	46,350	8.86	46,350	3.64	92.2
	46,350		46,350		
Newly subscribed options in the fiscal year:					
- Members of the executive board (1)	8,000	7.74	8,000	12.84	109.0
- Employees	92,311	7.74	92,311	12.84	109.0
	100,311		100,311		

		Average current value of the	Number of	Average exercise	Average remaining
	Nominal value of options in EUR	option at issuance in EUR	options in shares	price in EUR	term in months
Number of subscribed options in 2000:					
- Members of the executive board (1)	8,000	7,74	8,000	12.84	109.0
- Employees	250,674	8,45	250,674	8.74	102.3
	258,674		258,674		
Of which may be redeemed:					
- Members of the executive board	0		0		
- Employees	3,000	8,86	3,000	7.67	93.0
	3,000		3,000		
Number of options available for subscription:					
- available to members of the executive board	232,888		232,888		

^{(1):} Initially issued to employees of DataDesign AG who were appointed to the executive board effective January 1, 2001.

No expenses are stated in connection with the aforementioned stock option plan of DataDesign AG in 2000 since DataDesign AG exercises the option granted by SFAS 123 to continue to determine the value of options as stipulated by the predecessor regulation, *Accounting Principles Board Opinion (APB) 25*. However, this directive mandates that the effects on the statement of income be disclosed as if the fair value based accounting method had been used. If the costs of the stock option plan had been determined on the basis of the fair value method prescribed by SFAS 123, this would have reduced the result for the year 2000 by TDM 1,373 (previous year TDM 1,752) and earnings per share by DM 0.25 (previous year DM 0.32). The fair value of stock options at the date of grant was estimated using the Black-Scholes method, an exercise price of EUR 14.77, and the corresponding exercise prices for options granted in previous years. Significant assumptions used to estimate the fair value of options were as follows:

Expected average dividends	0.0 %
Risk-free interest rate	3.6 %
Expected volatility of the stock price	123.0 %
Expected life	2 years

In accordance with the DataDesign AG Stock Option Plan 1998, capital stock was increased conditionally by up to EUR 360,000.00 by issuing up to 360,000 shares of common stock made out to bearer to grant options to entitled persons (Conditional Capital I). After 46,350 options were exercised in the fiscal year 2000, Conditional Capital I amounts to EUR 313,650.00 as at December 31, 2000. Conditional Capital may also be used for the DataDesign AG Stock Option Plan 1999. The conditional share capital increase shall only be carried out in so far as the entitled parties exercise their option rights.

Furthermore, capital stock may be increased conditionally by EUR 195,000.00 by issuing up to 195,000 shares of common stock made out to bearer (Conditional Capital II). Conditional Capital II serves to secure and redeem options issued within the framework of the DataDesign AG Stock Option Plan 2000. The conditional share capital increase shall only be carried out in so far as the entitled parties make use of their option rights and DataDesign AG does not use its own stocks to fulfill subscription obligations or use existing Authorized Capital for this purpose.

13. 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 operating result. For the purpose of carrying out the share capital increase out of retained earnings in the fiscal year 1999, stated capital reserves in the amount of EUR 820,550.10 (equivalent to DM 1,604,856.50) were transferred from capital reserves and converted into capital stock. Proceeds from exercised share options and the executed conditional share capital increase in Conditional Capital I in the fiscal year 2000 and payment of the option price made by the persons entitled to options in the amount of DM 239,525.78 were transferred to capital reserves.

Notes to the Income Statement

1. The following discloses revenues by products:

	2000 TDM	1999 TDM
E-banking	8,246	3,753
E-business	4,756	5,909
E-contracting	1,852	165
Goods	8,303	2,182
Other	2,538	188
	25,695	12,197
Of which were achieved abroad	56	0

In the fiscal year 2000, 37.3% (previous year: 29.4%) of sales revenue was generated by one customer. Two other customers accounted for 11.2% and 10.9%, respectively, of sales revenue in 2000 (in the previous year, one customer accounted for 12.3%). Other than these customers, no other single customer accounted for more than 10% of sales revenue in fiscal years 2000 and 1999.

	2000 TDM	1999 TDM
Cost of purchased materials	6,853	2,735
Cost of purchased services	368	304
	7,221	3,039

3. The following personnel expenses are disclosed in the income statement:

	2000 TDM	1999 TDM
Wages and salaries	16,076	10,760
Social security	2,363	1,785
Retirement benefits	69	34
	18,508	12,579

- 5. Divestments of equity holdings generated proceeds in the amount of DM 2,500,000 from the disposal of a nominal equity of 40% in Software4You Planungssysteme GmbH, as well as DM 17,094 from the disposal of all shares in CompareFair GmbH.
- 6. Amortization of financial assets and investments classified as current assets comprises the following:

	2000 TDM	1999 TDM
Amortization of financial assets	1,501	260
Amortization of investments classified as current assets	15	18
	1,516	278

7. Other operating income contains primarily income from the release of allowances for accounts receivable, the release of accruals, and income from disposal of fixed assets. The itemized position contains out-of-period income in the amount of DM 208,409 (previous year DM 11,394).

8. Tax on income from the results of ordinary activities comprise exclusively income tax in the amount of DM 3,778 (previous year: DM 198,507). Deferred taxes were capitalized on account of tax loss carryforward at the parent company during the fiscal year.

Tax on income is comprised of the following:

	2000 DM	1999 DM
Current taxes on income	3,778	198,507
Capitalized deferred taxes due to loss carryforward	-2,464,000	-6,116,000
Revaluation of the capitalized deferred tax claims from previous years	1,907,000	0
Less allowance	-2,224,000	2,224,000
	-2,777,222	-3,693,493

9. The benchmark figures for earnings per share are indicated in the following chart.

	2000 DM	1999 DM
Earnings per share		
Consolidated result	-5,241,899	-9,670,634
Weighted average of issued shares (1)	5,596,350	5,550,000
Per share yield:	-0.94	-1.74
Earnings per share (fully diluted):		
Consolidated result	-5,241,899	-9,670,634
Weighted average of issued shares (1)	5,596,350	5,550,000
Dilution effect due to the stock option plan; issued options (2)	258,674	339,489
	5,855,024	5,889,489
Per share yield (3)	-0.90	-1.64

- (1): All shares issued in the fiscal year are entitled to dividends for the entire fiscal year.
- (2): It is expected that all holders of options issued during the fiscal year will exercise their options.
- (3): On account of the loss situation in the fiscal year, granted options do not engeder dilution effects according to SFAS No. 128.

- 1. The Group's enterprises have closed lease agreements with terms ranging from three month to three years for office space in Munich, Berlin, Stuttgart and Singapore as well as for a telephone system in Munich. In addition, the companies also lease motor vehicles. If these leases had been accounted for as prescribed by US GAAP, their effects would not have been of material significance to presenting a view of the DataDesign Group's assets, financial position, earnings and profits. Rental and lease costs stated in the consolidated income statement amounted to TDM 1,775 in the fiscal year (previous year TDM 1,156).
- 2. The following chart lists other financial obligations that do not appear in the balance sheet and are not required to be reported by numbered clause 251, HGB (German Commercial Code):

	2001 TDM	2002 TDM	2003 TDM	2004 TDM
Leases (real property) (1)	1,730	1,477	346	0
Contracts (movable property)	367	309	132	41
Telephone system	6	6	6	0
Other	61	5	5	5
	2,164	1,797	489	46

(1): Each figure pertains to the earliest possible date that DataDesign AG may terminate existing leases.

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				2000		1999
Employees				149		138

4. Executive bodies of the parent company DataDesign AG:

The following individuals were members of the executive board of DataDesign AG:

Roy von der Locht,

Chairman

Pöcking

Michael Reithinger (to April 11, 2001)

Munich

Effective January 1, 2001 Philip Hartley, Munich, and Gerhard Weichenhain, Freilassing, were appointed members of the executive board.

In total, remuneration to the executive board in the fiscal year amounted to DM 645,312 (previous year DM 967,495). The previous year's figure includes compensation in the amount of DM 250,000. In the year 2000 and within the framework of the Stock Option Plan, 8,000 options for the purchase of shares in DataDesign AG were granted to employees who were appointed members of the executive board effective January 1, 2001.

Advances in the amount of DM 12,376 (previous year DM 6,188) were granted to members of the executive board as of December 31, 2000.

The following individuals were members of the supervisory board of DataDesign AG:

Lothar Mark, Chairman of the executive board,

Rodgau Gontard & MetallBank AG, Frankfurt

Member of the following

supervisory bodies:

plenum AG, Wiesbaden (to June 9, 2000)

PvF Investor Relations AG, Frankfurt,

Chairman

Robert Käß, MBA,

Munich Deputy chairman

Member of the following

supervisory bodies:

Towitoko AG, Ottobrunn

Agri Exchange Network AG, Munich

Dr. Hartwig Graf von Westerholt, Attorney,

Königstein Member of the following

supervisory bodies:

Prodacta AG, Ettlingen

digital advertising AG, Ottobrunn

Remuneration to the executive board of DataDesign AG in the fiscal year $\,$

amounted to DM 10,000 (previous year: DM 27,639).

Events Occurring after the Balance Sheet Date

An account of events that occurred after the balance sheet date of December 31, 2000 and are subject to mandatory disclosure is provided in the management report. No further events subject to mandatory disclosure are on record.

Related Party Transactions

Gontard & MetallBank AG, Frankfurt

Mr. Lothar Mark, member of the supervisory board, is the chairman of the executive board and a shareholder of Gontard & MetallBank AG, Frankfurt, which in turn is a shareholder of the company. The DataDesign Group holds 1,000 shares in Gontard & MetallBank AG with a value of TDM 12. These shares were bought in fiscal year 1999 for TDM 34. On account of a mandated revaluation, the Group incurred expenses in the amount of TDM 2 in 2000 (previous year TDM 8). The DataDesign Group maintains a bank account at Gontard & MetallBank AG, Frankfurt, and takes advantage of services provided by Gontard & MetallBank AG in its role as a credit institute. Furthermore, Gontard & MetallBank AG remains the Group's designated sponsor and issuing bank. The costs of these services amounted to TDM 60 in 2000 (previous year TDM 28). Gontard & MetallBank AG generated revenues in the net amount of TDM 735 in 2000 (previous year net TDM 1,314) for the DataDesign Group. These sales revenues were generated by software products, licenses and hardware as well as other services provided by the DataDesign Group. Accounts receivable for these services amounted to TDM 15 (previous year TDM 1,445) as of December 31, 2000.

ADVAL Capital Management AG, Munich

Mr. Robert Käß, member of the supervisory board, is the chief executive officer and a shareholder of ADVAL Capital Management AG, Munich. Within the framework of a sublet agreement, the company leased office space to ADVAL Capital Management AG at the prevailing market rates. Income from this lease amounted to TDM 54 in 2000 (previous year TDM 20), which were charged against rent expenses in accordance with ARB 43. The sublease agreement was terminated on November 30, 2000.

Lovells Boesebeck Droste Rechtsanwälte

Dr. Hartwig Graf von Westerholt, member of the supervisory board, is a partner in the law offices of Lovells Boesebeck Droste Rechtsanwälte, who regularly provide legal services to the Group. Payments to Lovells Boesebeck Droste Rechtsanwälte amounted to TDM 52 in 2000 (previous year TDM 0) for fees for counsel on legal matters.

4L Beteiligungs GmbH, Pöcking

Mr. Roy von der Locht, chief executive officer and shareholder, is a partner and manager of 4L Beteiligungs GmbH. This company bought licenses for software products in the amount of TDM 37 (gross) during the fiscal year. Receivables for these rights amounted to TDM 37 (previous year TDM 6) as of December 31, 2000. Furthermore, 4L Beteiligungs GmbH holds a 25.4% equity share in Software4You Planungssysteme GmbH. In addition, advances in the amount of TDM 12 (previous year TDM 6) were granted to Mr. Roy von der Locht.

letscross entertainment GmbH, Hamburg

Mr. Michael Reithinger, executive officer and stockholder, is a partner and member of the advisory board of letscross Entertainment GmbH. The DataDesign Group conducted business with this enterprise, achieving sales revenue in the net amount of TDM 48 in 2000 (previous year net amount of TDM 0). These revenues concern software products offered by the DataDesign Group. Receivables for these products amounted to TDM 55 (previous year TDM 0) as of December 31, 2000.

Software4You Planungssysteme GmbH, Planegg, Municipality Martinsried

The DataDesign Group initially held 49.2% equity in the enterprise amounting to EUR 98,400.00 of the company's EUR 200,000.00 capital stock. A 40% share of capital stock in the nominal amount of EUR 80,000.00 was first disposed of at a sales price of TDM 2,500 in the fiscal year. This resulted in a profit of TDM 2,500 because in the fiscal year 1999 this investment was written down from initially TDM 1,004 to TDM 0 on account of an at-equity evaluation. Gontard & MetallBank AG, Frankfurt, acquired equity in the nominal amount of EUR 26,700.00, and Gold-Zack AG, Mettmann, acquired equity in the nominal amount of EUR 53,300.00.

After divesting itself of these shares, the DataDesign Group now holds a 9.2% equity in the enterprise. The company also closed an investment agreement with the other partners of Software4You Planungssysteme GmbH. In connection with this agreement, it was then decided to transform the enterprise into a stock corporation. The DataDesign Group took part in a capital increase in accordance with its 9.2% share in the enterprise's equity and acquired further 312,800 shares of common stock in the nominal amount of EUR 312,800,00 plus a premium of EUR 800.00. In connection with further capital measures stipulated by this investment agreement, the old partners (Mr. Brinkmann, Roy von der Locht GmbH, DataDesign) agreed to waive all claims from loans in the total amount of TDM 2,000.

The DataDesign Group disclaimed a loan amounting to TDM 1,000 that the company had extended in fiscal year 1999. The loan was granted in 1999 in accordance with the equity share that the company held at the time. The waived loan was credited to the equity share, increasing the company's holding. This loan generated income for the DataDesign Group in the form of interest amounting to TDM 35 (previous year TDM 32) in the fiscal year. Since June 1, 1999, DataDesign has sublet office space to this enterprise at cost. Rental income from sublet facilities came to TDM 179 in 2000 (previous year TDM 55), which was charged against rent expenses in accordance with ARB 43. The equity share was compared with the proportional capital stock of the company as at December 31, 2000. An adjustment of TDM 859 was made to reconcile the difference to the lower proportional capital stock, thus reducing net sales proceeds.

As at December 31, 2000, receivables from the disposal of the business division "Planungssysteme" sold in 1998 amounted to TDM 1,000 (previous year TDM 1,000), interest to TDM 67 (previous year 32) and rent to TDM 26 (previous year TDM 0). The term of payment for these receivables has been extended to June 30, 2001.

Software4You Planungssysteme, Inc., Miami, USA

The enterprise is a wholly-owned subsidiary of Software4You Planungssysteme GmbH. Consequently, the DataDesign Group indirectly holds a 9.2% equity share in this enterprise as at December 31, 2000. The DataDesign Group leased premises from this enterprise for its resident sales company, and occasionally called on the services of its personnel and made use of its infrastructure. Sublet fees and all other services were invoiced at the prevailing market rates as well as on the basis of proportional use. Resultant costs amounted to TDM 68 in the fiscal year (previous year TDM 0).

Accounting Standards

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, was issued in June 1998, and has since been supplemented by SFAS. These regulations are to be applied for fiscal years beginning after June 15, 2000. According to this standard, all derivatives are to be recognized in the balance sheet as either assets or liabilities at their fair value. No material effects are expected from the initial application of this standard.

Group Relationships

DataDesign AG, as the parent company of a group of companies, has prepared exempting consolidated financial statements in compliance with the regulations of Article 292 a, HGB (German Commercial Code) in combination with accounting principles generally accepted in the USA (US GAAP). Consolidated financial statements are available on request at the headquarters of DataDesign AG.

Munich, January 2001

Roy von der Locht Michael Reithinger Philip Hartley Gerhard Weichenhain

Chief Executive Executive Officer Executive Officer Chief Financial Officer

Officer

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	2000 DM	1999 DM
Operating income and expenses		
Net income/loss	-5,241,898.59	-9,670,633.66
Allowance to reconcile net income/loss to income/expenses		
Depreciation of intangible assets	193,512.64	174,862.64
Depreciation of fixed assets	802,193.46	841,541.53
Depreciation of financial assets	1,501,360.06	169,998.00
Decrease/increase in assets and increase/decrease in liabilities and shareholders' equity	0.00	1,004,307.00
Change in deferred taxes	-2,781,000.00	-3,344,200.00
	-283,933.84	-1,153,490.83
	-5,525,832.43	-10,824,124.49
Decrease/increase in assets and increase/decrease in liabilities and shareholders' equity		
Trade receivables	-1,225,870.00	2,146,945.30
Trade receivables from affiliated companies	991,165.07	-991,165.07
Other assets	-383,180.04	-1,220,176.90
Inventories	29,753.00	-168,800.00
Payments received on account of orders	-79,934.02	127,504.88
Short-term tax accruals	903.00	-533,878.99
Other accruals	-82,125.44	853,755.00
Trade payables	347,853.71	610,462.30
Other short-term liabilities	2,233,667.11	-118,299.09
Other	-1,685,327.85	-237,845.63
	146,904.54	468,501.80
Net operating income/expenses	-5,378,927.89	-10,355,622.69

	2000 DM	1999 DM
Cash flow from investment activities		
Investments in intangible assets	-87,159.46	-244,606.77
Investments in fixed assets	-920,351.94	-2,166,272.92
Investments in financial assets	-1,468,008.35	-1,102,915.00
Loans to affiliated companies	0.00	-1,035,000.00
Fixed asset disposals (at net book value)	176,337.85	25,405.66
	-2,299,181.90	-4,523,389.03
	-7,678,109.79	-14,879,011.72
Cash flow from financing activities		
Increase in subscribed capital	90,652.72	2,354,856.50
Additions to capital reserves	239,525.78	-1,604,856.50
Funds appropriated for increasing share capital	0.00	-750,000.00
	-7,347,931.29	-14,879,011.72
Impact of exchange rate fluctuations	3,374.22	0.00
Increase/decrease in cash and cash equivalents	-7,344,557.07	-14,879,011.72
Cash and cash equivalents, beginning of the fiscal year	12,483,617.78	27,362,629.50
Cash and cash equivalents, end of the fiscal year	5,139,060.71	12,483,617.78
Composition of cash equivalents, end of the fiscal year		
Cash and cash equivalents	5,139,060.71	12,485,907.48
Amounts due to banks	0.00	-2,289.70
	5,139,060.71	12,483,617.78

Consolidated Statement of Changes in Equity Capital for the Year Ended December 31, 2000 (US GAAP)

	Carrital	Capital	December	Differential amount from	Total
	Capital Capit stock reser		Revenue reserve	currency translation	equity capital
	DM	DM	DM	DM	DM
Status on December 31, 1997	200,000.00	0.00	68,033.53	0.00	268,033.53
Share capital increase	8,300,000.00	0.00	0.00	0.00	8,300,000.00
Transfer of the premium to capital reserve	0.00	27,047,780.00	0.00	0.00	27,047,780.00
Capital procurement costs offset against capital reserve without affecting operating					
result	0.00	-3,061,828.64	0.00	0.00	-3,061,828.64
Dividend payout	0.00	0.00	0.00	0.00	0.00
Net income 1998	0.00	0.00	327,624.01	0.00	327,624.01
Status on December 31, 1998	8,500,000.00	23,985,951.36	395,657.54	0.00	32,881,608.90
Capital increases through non-cash contributions	750,000.00	0.00	0.00	0.00	750,000.00
Capital increases out of retained earnings	1,604,856.50	0.00	0.00	0.00	1,604,856.50
Transfer from capital reserves to carry out capital increase out of retained					
earnings	0.00	-1,604,856.50	0.00	0.00	-1,604,856.50
Dividend payout	0.00	0.00	0.00	0.00	0.00
Net loss for the year 1999	0.00	0.00	-9,670,633.66	0.00	-9,670,633.66
Status on December 31, 1999	10,854,856.50	22,381,094.86	-9,274,976.12	0.00	23,960,975.24
Share capital increases by exercising options granted within the framework of employee stock					
option plans	90,652.72	239,525.78	0.00	0.00	330,178.50
Dividend payout	0.00	0.00	0.00	0.00	0.00
Change in the currency translation balance in					
fiscal year 2000	0.00	0.00	0.00	3,374.22	3,374.22
Net loss for the year 2000	0.00	0.00	-5,241,898.59	0.00	-5,241,898.59
Status on December 31, 2000	10,945,509.22	22,620,620.64	-14,516,874.71	3,374.22	19,052,629.37

Audit Opinion for the Consolidated Financial Statements for the Year Ended December 31, 2000 and the Group Management Report for the Fical Year 2000

I have audited the consolidated financial statements of DataDesign AG, comprising the income statement, the balance sheet, the statement of changes in equity, and the statement of cash flows as well as the notes to the financial statements for the financial year from January 1 through December 31, 2000. The preparation and the content of the financial statements are the responsibility of the executive board of the enterprise. My responsibility is to express an opinion, based on my audit, about whether the consolidated financial statements are in accordance with United States generally accepted accounting principles (US GAAP for short).

I conducted my audit of the consolidated financial statements in accordance with German auditing standards as stipulated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. The audit procedure is planned on the basis of knowledge of the business activity of the company, its financial and legal situation, and the likelihood of errors. The audit involves assessing the effectiveness of systems of internal control and examining the evidence supporting the amounts and disclosures in the consolidated financial statements on a test basis. The audit includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements. I believe that my audit provides a reasonable basis for my opinion.

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In my opinion, based on my audit, the consolidated financial statements give a true and fair view of the net worth, financial position, results of operations and cash flows of the Group for the fiscal year in accordance with US GAAP.

My audit, which extended to the Group management report prepared by the executive board for the fiscal year from January 1, 2000 to December 31, 2000, has not led to any objections. In my opinion, the management report provides, on the whole, a fair understanding of the Group's position and adequately presents the risks related to its future development.

I also confirm that the consolidated financial statements and the Group management report for the fiscal year from January 1, 2000 to December 31, 2000 satisfy the conditions for its exemption from the obligation to prepare consolidated financial statements and a management report for the Group in accordance with German law. To ascertain whether the company is exempt from the obligation to prepare consolidated financial statements, I examined the Group's consolidated financial statements on the basis of DRS 1 "Exempting Consolidated Financial Statements in accordance with Numbered Clause 292a of the Commercial Code" to determine if they comply with the EU Directive No. 7.

Augsburg, February 1, 2001

PUHLE STÖTTER RÜHL GROPPER THOMA GUGGEMOS

Stötter

Rechtsanwälte – Steuerberater – Wirtschaftsprüfer

Wirtschaftsprüfer

ASP (Application Service Providing) The process of provisioning applications (e.g. software programs) and services over the Internet

DIGITAL SIGNATURE A digital fingerprint that employs different encryption procedures to assure compliance with the statutory security principles of authenticity, confidentiality, integrity and

reliability.

E-Banking Electronic handling of banking transactions, for example, over the Internet, via phone, as well as other electronic transmission media. E-banking comprises both retail and whole-

sale banking.

E-Commerce Electronic handling of business transactions

over the Internet and other electronic data transport networks. E-commerce is generally classed in two categories, Internet shopping

and Internet payment.

E-Contracting Legally binding contract closure over the

Internet that holds up in a court of law.

E-GOVERNMENT Electronic handling of official business over the Internet and other communication networks. These transactions may be carried out both internally within government offices

and externally with constituents.

HASH VALUE Term used in cryptography. This value is derived when a hash function is applied to a

character string of random length (checksum).

HBCI Home Banking Computer Interface: Industry standard for secure transaction handling. This universal solution was instated for all

German finacial institutes in 1998 under the auspices of the Zentralen Kreditausschusses

(ZKA; Central Credit Committee).

Host Large-scale computer or mainframe system that manages databases required to provision communication within a network.

KORDOBA A standard banking system by Siemens, some 60 Kordoba installations are deployed in the German financial community. It provides the underpinning for all banking

banking.

NET CONTRACTER

Product by DataDesign AG. It uses interactive online forms to close legally binding contracts over the Internet. Data is encrypted with state-of-the-art security protocols. NetContracter uses either a hash value

business, particularly retail and investment

or digital signature.

PIN Personal identification number that enables

unambiguous authentication of a user.

SET Secure Electronic Transaction, an international industry standard, was developed by the credit card companies VIS and MasterCard to enable secure payments for

electronic commerce. This standard works with an asymmetric public/private keybased procedure using digital certificates.

SMARTCARD A SmartCard is a chip card with an onboard microprocessor. This microprocessor is equipped with an operating system and possibly several applications that carry out different tasks autonomously.

Systemintegrator

A service provider who assures interoperability between disparate hardware and software, either by modifying these or by provi-

ding the requisite interfaces.

TAN The transaction number makes transactions over open and closed networks

legally binding.

See E-Government. VIRTUAL GOVERNMENT

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