





**A N N U A L   R E P O R T**

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**DataDesign AG**



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|----------------------------------|---|
| 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 on behalf of Schmidt Bank KgaA and ConSors Discount-Broker) |
|                                  | Bankhaus Heinrich Gontard & Co. AG  |
|                                  | Sal. Oppenheim jr. & Cie. KgaA  |
| Equity capital:                  | EUR 5.550.000 = 5.550.000 shares  |
| End of fiscal year:              | Dezember 31   |
| Employees:                       | 170 (as at Feb. 2000)   |
| Executive Board:                 |   |
|                                  | Roy von der Locht (President, CEO)  |
|                                  | Michael Reithinger  |
| Supervisory Board:               |   |
|                                  | Lothar Mark (Chairman), Robert Käß, Dr. Graf Hartwig von Westerholt             |

IR Event Calendar

|                                |                   |
|--------------------------------|-------------------|
| Roadshow in London             | March 17, 2000    |
| Annual Report 1999             | March 31, 2000    |
| Roadshow North America         | April 10–14, 2000 |
| 1st Quarter 2000               | May 31, 2000      |
| Press Conference:              | Aug. 7, 2000      |
| Analyst Conference             | Aug. 7, 2000      |
| Ordinary Shareholders’ Meeting | Aug. 9, 2000      |
| 2nd Quarter 2000               | Aug. 8, 2000      |
| 3rd Quarter 2000               | Nov. 30, 2000     |
| Annual Report 2000             | March 28, 2001    |

You can find out about any rescheduled or newly scheduled dates on our website at [www.datadesignag.com](http://www.datadesignag.com)

**DataDesign Business Developments**

| in million DM       | 1996 | 1997 | 1998 | 1999 | 2000e |
|---------------------|------|------|------|------|-------|
| Revenues            | 1.5  | 4.2  | 12.3 | 12.2 | 33.0  |
| Net income (loss)   | 0.1  | 0    | -0.8 | -9.7 | 0.3   |
| Balance sheet total | 0.6  | 1.2  | 37.7 | 28.1 | *     |
| Equity capital      | 0.1  | 0.2  | 32.9 | 24   | *     |
| Equity ratio in %   | 14   | 22   | 87   | 85   | *     |

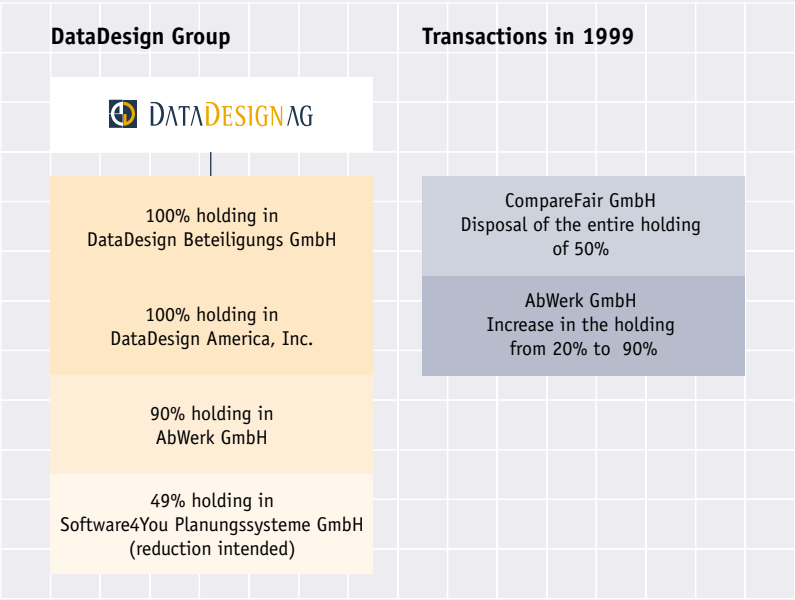
A look at the key figures over the long term provides insight into the enterprise’s business developments.

**Revenues and Earnings Growth**



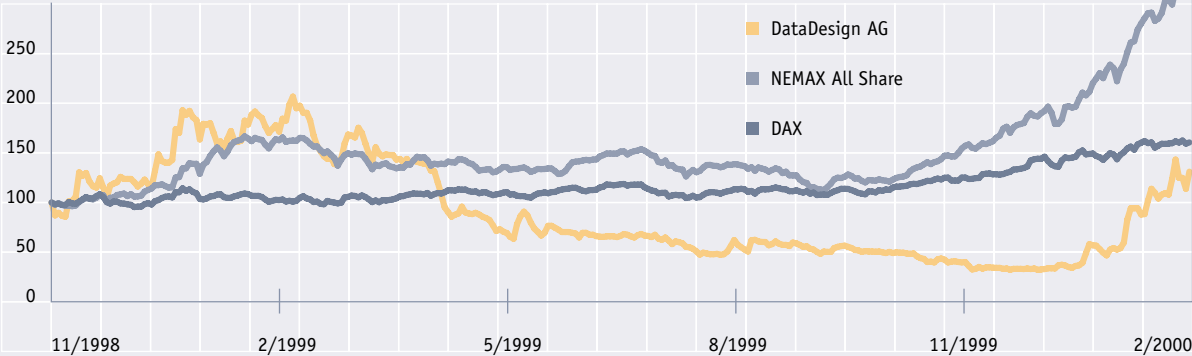
As early as the fiscal year 2000, DataDesign AG stands to revive the success of earlier years.

Overview of the DataDesign Group

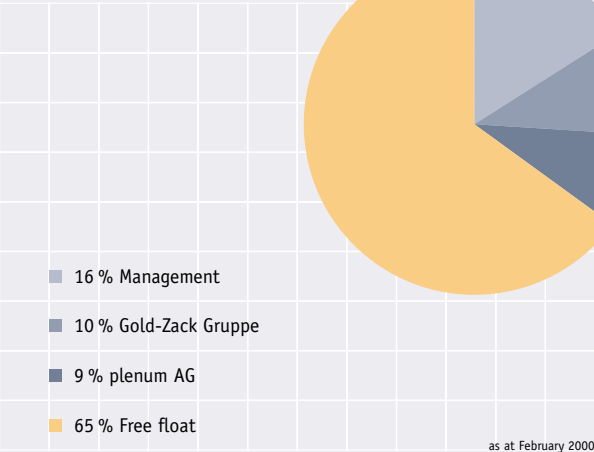


Next to the parent company DataDesign AG, the DataDesign Group comprised two wholly-owned subsidiaries and material holdings in two other companies at the copy deadline date.

**Comparative Performance of DataDesign AG Stock** (November 9, 1998 to February 29, 2000)



**Shareholder Structure**



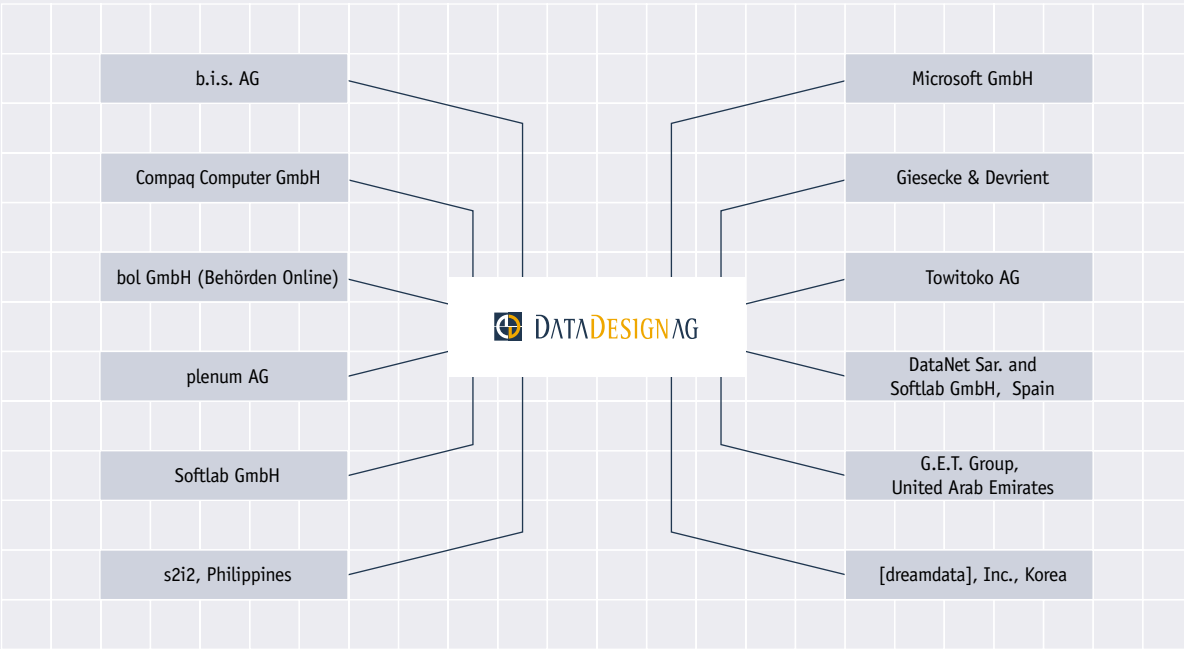
In view of its healthy and transparent shareholder structure as well as portfolio investments, DataDesign AG’s stock has caught the eye of institutional investors. These attributes also make the stock an attractive investment for large-scale investors.

DataDesign Worldwide



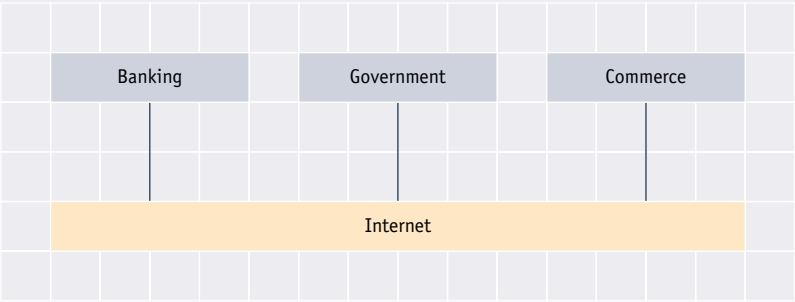
DataDesign’s international expansion campaign is focused on northern Asian markets and the entire EMEA (Europe, Middle East, Africa) region. With the support of regional business developers and strong partners, the enterprise is in a position to achieve initial successes in 2000.

Partners



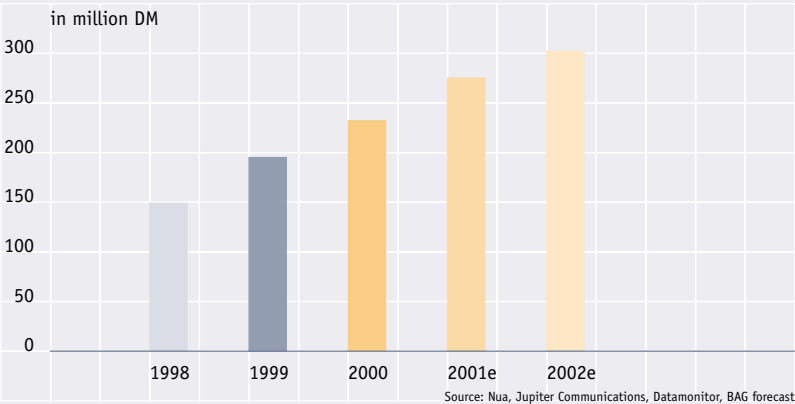
With these strong partners, DataDesign AG enjoys the benefit of an international network, enabling it to deliver innovative software solutions, leading-edge technologies and best customer care.

Lines of Business



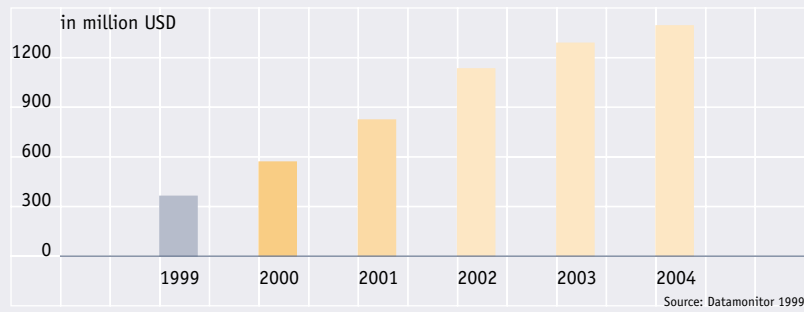
With the benefit of its advanced, highly standardized transaction platform for secure handling of business over the Internet, DataDesign AG can swiftly roll out its entire product range in new lines of business. To date, the Enterprise has focused on the fields of e-banking and e-commerce. DataDesign is putting forth every effort to expedite its drive to penetrate the e-government market.

Worldwide Growth of Internet Users



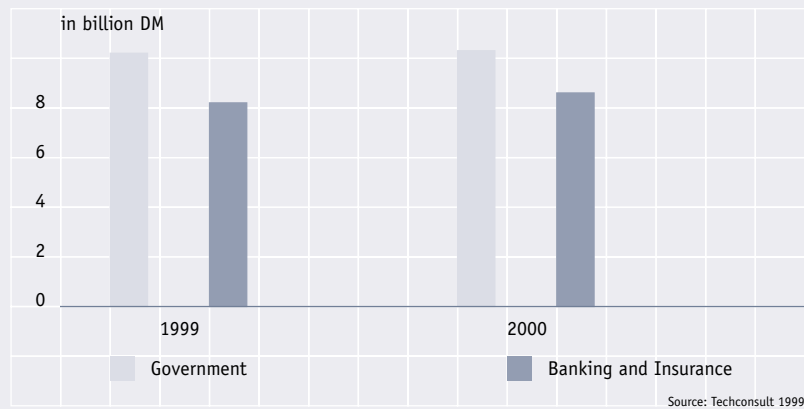
Leading research institutes confirm that the steep growth rate of the Internet will continue unabated. According to experts, the number of Internet users in 2002 will be more than double 1998's figure.

### Volume of Investments in E-Banking in Europe



It will require increased investments in innovative technologies worldwide to sustain the rate of growth that has been forecast for the Internet.

### Development of Information- and Communication Technology Investments in Germany by Sector



## Customers and Partners

*"Their remarkable technical skills and well-founded experience in handling sensitive data make DataDesign AG the ideal partner for us in the field of E-Government."*

**bol** Adalbert Göttlinger, Managing Director

*"DataDesign AG's expertise in turning up solutions is a key success factor for us."*

**Towitoko** Jürgen Arauner, Managing Director

*"DataDesign AG is the specialist for HBCI-based multi-channel banking and therefore the ideal partner for joint projects."*

**Softlab** Dr. Kerstin Schaperlang, Business Development Manager Banks

*"Thanks to highly qualified partners such as DataDesign AG, we set new standards in security for home banking."*

**Giesecke & Devrient** Christian Jüttner, Head of Product Marketing Payment

*"DataDesign is poised to make major inroads into the Asian e-finance market."*

*With its premium expertise and the benefits of this partnership, we are forming an Asian powerhouse — DreamDataDesign."*

**dreamdata** Hyun-Sook Kim, President

*"DataDesign makes Internet business a reality. With its developments, the enterprise is superbly positioned."*

**plenum AG** Heiner Andexer, Executive Officer

*"Since we entered into an alliance, we have gained the distinct impression that DataDesign AG is determined to make its mark worldwide."*

**Smart Systems** Mutaz Zeidan, General Manager

*"Collaboration with DataDesign is constructive, open, honest and conscientious. The team thinks ahead, they're with us beyond the boundaries of the project."*

**Siemens AG** Holger Ewald, Engineer and Project Manager ICN

*"With our DataDesign solution, we took second place among all major German banks in the website rating of Manager Magazin (9/99)."*

**Bayerische Landesbank AG** **Martin Huzele**, Head of Marketing Services, New Media

*"These people know what they're doing and routinely come up with ideas that make our solutions even more successful."*

**Log2000 GmbH** **Reiner Schaaf**, Director Electronic Commerce Europe

*"We didn't anticipate that DataDesign would turn up a website that surpasses our own expectations."*

**Mensch und Maschine AG** **Michael Endres**, Information Scientist

*"Our partnership has been a synergetic relationship. We are very impressed by the quality of the DataDesign product line."*

**s2i2** **Dr. Victor Sandoval**, President & CEO

*"Even under great deadline pressure, we had a highly motivated team at our side."*

**YES! FinanzPartner AG** **Dr. Bernd Ihler**, CEO

*"Internet banking must be 100% secure. With its HBCI solution, DataDesign satisfied this discerning demand for us."*

**Bankhaus Reuschel** **Bernd Märzluft**, Head of E-Banking

*"We are highly satisfied with DataDesign's e-banking platform and with the affirmative feedback of our customers."*

**Gontard & MetallBank AG** **Manfred Dahmen**, Executive Officer

*"DataDesign has for years been an important partner of Microsoft. Of particular interest to us is one aspect the company brings to projects—innovative technology."*

**Microsoft GmbH** **Rudolf Gallist**, General Manager Small, Medium and Enterprise Customers

*"Cooperation with strong partners such as DataDesign guarantees a high standard of service to our customers."*

**Compaq** **Hans-Dieter Biester**, Marketing Manager Banks/Insurance, Tandem Business Unit

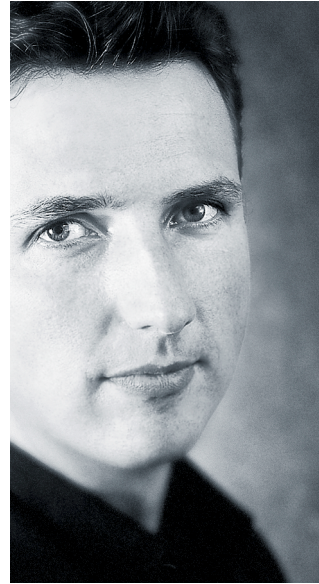




**Dear Stockholders,**

*1999 was a turbulent year for us: By virtue of the merger with Software4You GmbH, we were able to expand our team to 104 employees and create additional business opportunities, particularly in the field of Internet business. The second half of the year was a period of extensive restructuring that saw changes in the membership of the executive board and a shift in strategic policy. Buoyed by the faith of our employees, our customers and our investors, we were able to successfully rise to this challenge. Although as a repercussion of the Y2k problem, our revenues growth stagnated, we invested in the further expansion of our enterprise. In addition to reinforcing our management team, we were able to recruit considerable human resources and enlarge our Marketing and Sales divisions. Despite the bleak situation on the labor market, we managed to grow our human resources base by 60% so that at the end of 1999, personnel on DataDesign's payroll numbered 160. Guided by a new strategy, this highly motivated team has set a lofty goal for itself—to lead DataDesign down the road to lasting success.*

*The developments toward the end of the past year confirm that DataDesign is on the right track: We are regaining the confidence of our stockholders, investors and the public at large. Opinion makers are back to recommending DataDesign shares as a viable buying option. They recognize the potential of both the enterprise and technology of our solutions. In October, Bundeswirtschaftsminister Dr. Werner Müller, Germany's secretary of commerce, presented BfG Bank AG—one of our earliest Internet banking customers—with the Innovationspreis, TeleTrust Germany's award honoring the use of digital signatures in Europe. This recognition evidences the proven quality and innovative nature of our multi-channel banking platform on an international level. DataDesign is enjoying a renewed sense of purpose, and will continue to back up this new impetus with hard facts to sustain your*



**Roy von der Locht**  
Chief Executive Officer,  
DataDesign AG

*confidence in our enterprise and our solutions over the long term. And we owe it our employees to do so, for it was they who, with their know-how, team spirit and belief in the company, lent us the support that carried us through those trying times of the past year.*



**Michael Reithinger**  
Executive Officer,  
DataDesign AG

*In the past fiscal year, three formative factors had a major impact on the company, fostering changes that are already perceptible:*

- We focused on and consolidated our core line of business, Internet banking, to assure considerable yet healthy growth in the future.*
- We restructured and expanded our product and service offering to assure greater flexibility and ease of use on the Internet.*
- We launched an internationalization campaign on behalf of our enterprise and have pursued it with persistence.*

*As a result, we have won numerous new customers for our solutions, considerably expanded our Internet banking product range, and entered into strategic alliances. Beyond that, we have prospected a host of promising offers abroad. Indeed, our expansion into international markets is playing a pivotal role for our business. Particularly in Asia and EMEA (Europe, Middle East, Africa), we have successfully positioned our company by leveraging our Internet banking solutions. Moreover, with the launch of our subsidiary DataDesign AG America, Inc., we have taken the first step in our drive to develop American markets. In this year, we are stepping up our internationalization campaign and setting the stage for a bright future replete with new customers, strategic alliances, partnerships, and acquisitions in Europe and Asia. With these efforts, we are establishing and satisfying all the conditions for national and international growth. Thank you for your faith in us!*

*The Executive Board*



W E I N T E R N E T B U S I N E S S .

W E I N T E R N E T L I F E .

## From a Technology Forge to an End-to-end

### Internet Banking Solutions Provider

The success story of the products and technology by DataDesign AG began with the discovery of the World Wide Web as the communication medium of a new era. The Munich-based enterprise soon developed an e-business product suite focused predominantly on secure Internet banking. Since its founding in 1992, the company has been at the vanguard of this growth market. The development of a technologically advanced solution for easy online banking set things in motion. It provided the underpinning for a range of products that, in terms of security, convenience and functionality, markedly outperforms traditional applications offering banking transactions via closed networks such as VTX and T-Online. With Financial Transaction Systems (FTS), the software vendor, initially primarily a technology company, succeeded in turning up a viable alternative to conventional PIN/TAN (personal identification and transaction number) based transactions. HBCI (Home Banking Computer Interface), with its state-of-the-art encryption procedure, became the decisive security component for all of the enterprise's developments. This standard was developed in Germany and instated for all financial institutes in October of 1997 under the auspices of the Zentralen Kreditausschusses (ZKA; Central Credit Committee). It stipulates the rules governing the uniformity, expansion and above all security of electronic transactions between customers and banks. Today, DataDesign is one of the leading providers of end-to-end Internet banking systems. Its offering comprises everything from user-friendly customer systems to a modular transaction platform and versatile interfaces to the host systems of banks.

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## The Beginning of a New Era

From its inception, the enterprise was active in one of the strongest growth markets. Indeed, ever more people are discovering the advantages of the Internet as a service and business medium. With the number of users growing daily, the significance of Internet banking stands to steadily increase on a global scale.

**We internet Business. We internet Life.**

In the meantime, the technology enterprise evolved to become a modern solutions provider. What was once marketed as an online banking product is today a leading-edge, all-in-one solution that accommodates the entire spectrum of secure, flexible Internet business. With its multi-channel business platform, DataDesign AG created a modular, product-based solution that made secure communication in open networks a reality. With the benefit of digital signatures, the platform satisfies all Internet transaction security stipulations worldwide. Asymmetrical encryption guarantees the authenticity of transmitted data and prevents unauthorized third parties from tampering with online transactions.

Focused on the company's core line of business Internet banking, the multi-channel business platform by DataDesign today empowers financial institutes to address all sales channels via a single platform. All a bank has to do is simply install the system—it is then free to establish a secure connection to its customers irrespective of the given medium, be it PCs, call centers, self-service terminals, Web TV or mobile phones. This throws open a window of opportunity—the reach of the financial service provider is extended immeasurably, and the bank finds it so much easier to address potential new customers and win their loyalty.

At the same time, with customers' transactions being loaded directly to the system and processed therein, banks' internal processing and workflow-related costs are reduced dramatically. Bank employees are free to attend to their core competency—customer service and care. Thus the centerpiece of the Munich-based company's offering supports the new service paradigm.

### Thinking and Acting in New Dimensions

More and more, the bank customer is becoming the focal point of R&D activities. Today he can take advantage of his bank's services around the clock, seven days a week over the Internet, at the office or at home on his PC computer or on the road via mobile telephone. Modern multimedia society has transcended virtually all communication boundaries, which spells a genuine win-win situation for both the customer and the bank. By making the Internet an experience accessible to all, DataDesign is part of these developments.

Rather than working on insular applications, the enterprise has developed and continues to evolve an all-in-one solution that integrates the customer directly into the business processes of the bank. No longer the last link in the development chain, the customer plays an interactive role as a communication partner—rather than being treated as an afterthought, he is the focal point of modern Internet-based customer care.

With its solution, DataDesign is opening up a portal to an entirely new world of business over the Internet. For its next step, the company is porting its proven solutions to new lines of business such as e-government. DataDesign's evolution from technology company to solution provider and IT service enterprise has been taken to the next higher level: We internet Business. We internet Life.

The supervisory board carried out 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 1999. 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 business developments of DataDesign AG and consulted at length with the executive board. Among the subject of deliberations in six meetings was the friction within the executive board and the attrition that this engendered. Effective January 1, 1999, Mr. Wolfram Themann was appointed to the executive board and tasked with the responsibility for Sales and Marketing. On December 31, 1999 he resigned from office. Mr. Stefan Pfender, CEO and President of the executive board, resigned on July 30, 1999. Mr. Roy von der Locht became the new CEO and President of the executive board. Further topics of discussion included the company's sales strategy, the introduction of internal accounting and controlling departments as well as business planning and a reorientation of DataDesign AG's future direction.

To prepare it for decisions of material economic significance, the supervisory board was informed prior to the meetings. The supervisory board participated in decisions of the enterprise in accordance with its statutory duties.

The general meeting of April 23, 1999 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 carry out the audit. It was completed in accordance with the auditing standards stipulated by the Institut der Wirtschaftsprüfer.

The auditor raised no objections to the Annual Financial Statements and Management Report of the enterprise for the year ended December 31, 1999.

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 in due time and, with the auditors in attendance, discussed in depth in 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 raises no objections to the Audit Opinion.

The Annual Financial Statements and Management Report of DataDesign AG were awarded an unqualified audit certificate and approved at the supervisory board meeting of March 29, 2000. The Consolidated Financial Statement was acknowledged and approved.

The supervisory board hereby expresses its gratitude to the executive board and all employees of the enterprise for the accomplishments of the year under review 1999 and wishes them success in rising to the challenges of the fiscal year 2000.

Frankfurt am Main, March 29, 2000

The Supervisory Board

Lothar Mark, Chairman



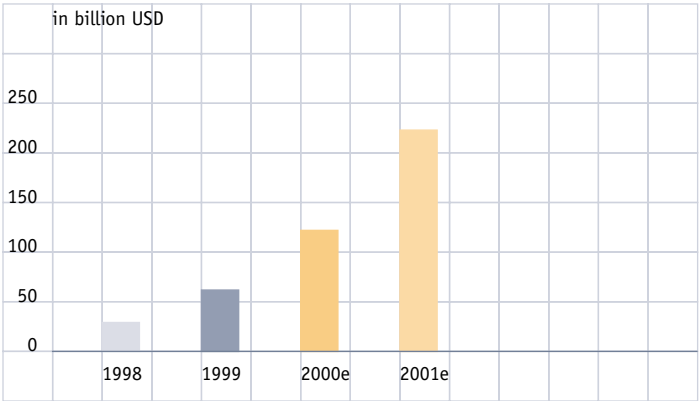


A Look at the Global E-Business Market

Markets

Munich-based DataDesign AG has for eight years been active in one of the most successful growth markets worldwide. In 1998, total turnover in the global e-business market tallied to 29.2 billion US dollars (International Data Corporation, abbreviated IDC). This is equivalent to a growth rate of 175% over the previous year's figure. For the coming years, IDC anticipates further growth rates of 97% annually.

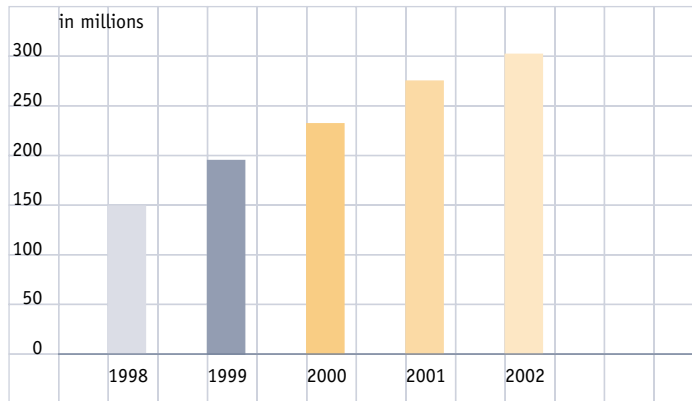
The Market for E-Business



Source: IDC 1999

The number of Internet users is developing at a similarly furious pace: Currently, there are some 201 million Internet users worldwide. Experts expect further annual growth rates of some 20%. In Asia, according to a Goldman Sachs analysis, projected growth rates of some 40% are entirely feasible.

### Worldwide Growth of Internet Users



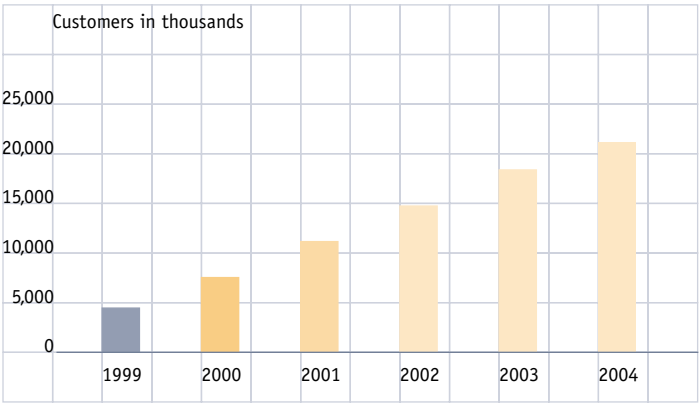
Source: Nua, Jupiter Communications, Datamonitor, BAG estimates

This inexorable advance of the Internet is having a profound impact on the entire world economy. More and more enterprises are readying their organizations to rise to emerging challenges and, to this end, are investing enormous amounts into building modern IT infrastructures. For instance, according to an IDC study, investments in e-business software solutions will reach the 122 billion US dollar mark in the year 2000. Banks and financial service providers are still at the vanguard in this field. As in the previous years, these enterprises are striving for efficient means to secure customer loyalty by steadily improving their Internet offering and interactive communication capabilities and options.

DataDesign AG’s Markets: E-Banking

For this reason, the entire field of Internet banking will remain one of the strongest growth segments in the e-business market. According to information provided by the market research agency Datamonitor, the number of Internet banking customers in Europe will climb from 4.5 million in 1999 to 11.2 million in 2001.

Internet Banking Customers in Europe

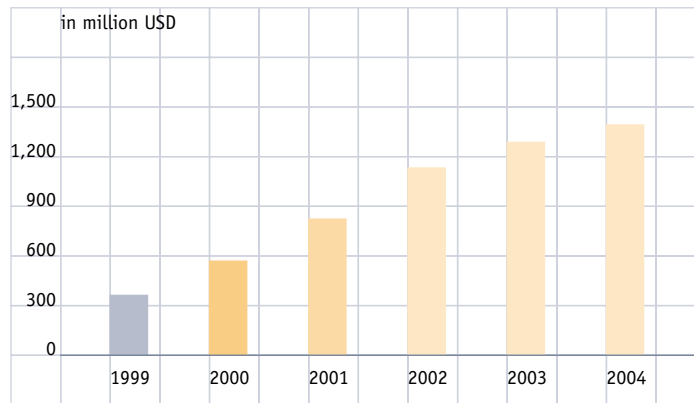


Source: Datamonitor 1999

This trend stands to continue so that the number of Internet banking customers is expected to grow to more than 21 million Europe-wide by the year 2004. According to statistics compiled by IDC, banks and financial service providers intend to invest over 3.5 billion US dollars worldwide into highly specialized banking and financial software during 2001 in order to accommodate this growth rate.

With regional growth rates in some cases topping 40% (Datamonitor), in the coming three years Europe and Asia will be the strongest growth markets in this field and thus the most desirable target markets for DataDesign AG.

### Volume of Investment in E-Banking in Europe



Source: Datamonitor 1999

This regional concentration may be attributed to local populations groups' affinity for modern technology and, in some cases, the above-average economic growth rates in individual countries. In Asia, the process is accelerated to a degree that entire development cycles in the field of communication are simply being skipped. This effects considerably faster penetration of new technology, swiftly preparing the region for the imminent changes in the way business will be conducted worldwide.

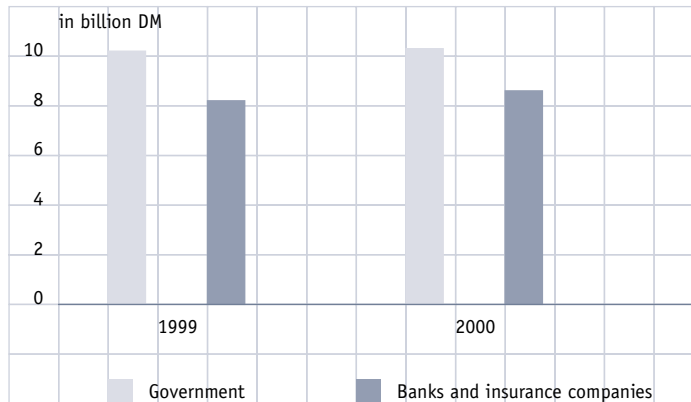
## The Markets of DataDesign AG: E-Government

Much the same holds true for the field of e-government: The option of taking care of official business in the virtual realm has found favor with Internet users worldwide. In fact, according to a Booz, Allen & Hamilton analysis based on a 1999 emnid poll, it is the service that was welcomed most by consumers.

Although it is early days yet—the Internet boom is just beginning to make headway in government authorities—growing numbers of public offices are discovering the advantages of the Internet. On the one hand, it can serve as a platform to simplify, speed up and reduce the costs of internal communication. On the other, the Internet offers diverse options to serve constituents in the spirit of a true service provider: It facilitates handling and forwarding of forms, enables applications for passports and birth certificates to be processed or ordered online, and puts an end to the long lines and interminable waits in the overcrowded facilities of government offices.

According to IDC, in 1998 some 38% of public authorities in Western Europe were connected to the Internet. By the year 2003, the number is expected to climb to 72%. In Germany alone, DM 10.2 billion in funding was appropriated to public administrations for IT infrastructures in the year 1999. Today, the government is already planning on spending more money on information and communication technology than banks and insurance companies collectively—public administrations plan to invest DM 10.3 billion, while banks and the insurance industry intends to spend DM 8.6 billion (source: Techconsult).

### Development of I & C Investments in Germany by Sector



Source: Techconsult 1999

#### The DataDesign Business Model

#### Banks and Financial Service Providers 33

DataDesign's core line of business is the strong growth market of e-banking. With its proprietary multi-channel business platform, it addresses and offers the entire range of electronic financial services. The first German bank to install the complete Internet banking product suite by DataDesign was Frankfurt-based BfG AG. Today, it offers more than 30,000 customers online handling of banking transactions. Large and medium-sized banks such as Dresdner Bank AG, Gontard & MetallBank AG and Bankhaus Reuschel soon followed suit and deployed products and solutions by DataDesign AG. The company's goal is now to exploit the market potential in Germany and capture a greater share of the market. The products' exceptionally high level of standardization provides the ideal prerequisites for achieving these goals. On the one hand, standard products significantly accelerate

implementation of virtual banks. This assures shorter project cycles, enhances profitability and frees up resources, the latter of which may be put to productive use in refining and advancing solutions. On the other hand, standardized products enable companies who are members of DataDesign AG's strong partner network to market, implement and maintain these solutions on their own. The enterprise is thus able to serve the market much more efficiently and consolidate its competitive edge on rival companies.

## Government

In the year 1999, DataDesign AG smoothed the way for the opening of the multi-channel business platform to public administrations. To this end, the company is set to enter into an alliance due to be finalized shortly. Within the framework of this partnership, the two companies will share development costs, carry out and evaluate analyses, and elaborate joint business plans for the launch of the solution. Based on digital signatures, the solution is a system that enables secure exchange of interactive forms between government offices, constituents and publishers. The partner, who maintains close ties to public authorities, will market the solution nationwide, while DataDesign AG serves as the technology provider. Beyond that, DataDesign AG will implement and maintain the solution. Tenders have been submitted on behalf of the DataDesign platform at the beginning of the year 2000 and the prospects of these projects being implemented are very promising.

To assure healthy expansion into new target markets, DataDesign persistently pursues an international growth strategy. By means of close, strategic partnerships with suitable enterprises, DataDesign AG has already positioned itself with considerable success in northern Asia and southern Europe. Pointing the way to a promising future, major orders are in the offing.

**Exacting Standards for Resellers**

When it comes to choosing partners, DataDesign's standards are high: On the one hand, they must have proven expertise in marketing and implementing complex IT solutions. On the other, they must have an established customer base as well as experience and references—projects that they have carried out successfully for the financial service industry. Called "domestics", these partners are well aware of the unique requirements of their respective region and are sensitive to the business climate as well as the structures and individual needs of the given target groups. In essence, partner companies are charged with five key tasks: marketing, sales, implementation, maintenance and support of products and solutions.

### The Two-phase Model: The First Phase

In the interests of assuring effective prospecting and an efficient internationalization campaign, DataDesign relies on the following two-phase model:

As a rule, the first phase kicks off with an analysis of selected target markets conducted by a business development manager. Then an International Business Unit—a strong team of experienced personnel—searches out suitable enterprises and closes contracts with the most promising candidates. Once selected, these partners are trained in seminars and their development and sales teams undergo an intensive, personal training program in Germany. Under the auspices of a jointly elaborated business plan, Marketing and Sales immediately begin preparations for road shows and presentations in order to market the new Internet banking solution to the desired target groups. Ideally, this first phase ends with the winning of new customers.

Research, experience and observations of the competition's activities have proven that this approach is far more successful than immediately setting up international subsidiaries. The partner's established customer base, proven market data and insight into regional peculiarities do much to facilitate market penetration. Beyond that, DataDesign only has to fund training sessions and consulting services, so that this approach dramatically reduces the costs of international expansion. Salaries for local development teams fall by the wayside and travel expenses, which are often considerable, decrease.

### **The Two-phase Model: The Second Phase**

The object of the second phase is to consolidate the companies' shared interests at the organizational and capital level and thus lay the cornerstone for above-average, healthy growth of the enterprise in the respective region. A stake in the partner enterprises is ideally financed by a mutual exchange of stock, which affords DataDesign the opportunity to secure its investments over the long-term and participate even more in the development of regional markets. In the event that the success of a campaign to develop its alliances and shared customer base hinges on a stronger presence of DataDesign AG personnel, the company reserves the right to launch its own subsidiary staffed with regional business development managers and consulting teams. These teams are then tasked with supporting partners and coordinating their activities on location.

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### **Expansion in Asia**

In the year 2000, DataDesign intends to acquire a 20% share in its Korean partner dreamdata, Inc. Subsidiaries in Japan and China are already pending. In the course of this year, further investments in Europe, the Middle East and Asia are geared towards promoting the already positive trend in the expansion of the company's international market position. Local business development managers provide consulting to partner enterprises and help coordinate their activities. DataDesign AG's small on-site consulting and marketing teams provide the requisite support to partners, helping them to market and implement solutions.

Now that DataDesign, in collaboration with its partner s2i2 in the Philippines and dreamdata in Korea, was able to position itself successfully in the Asian market, the launch of a subsidiary in Singapore is planned for the year 2000.

### Expansion in Europe

To serve EMEA (Europe, Middle East, Africa), the company has maintained a branch office in Denmark since the beginning of March 2000. In addition to supporting existing strategic alliances in Spanish and Arabian markets, the Copenhagen-based team will develop markets in further European regions such as Scandinavia, the United Kingdom and Benelux nations. Particularly notable is the present situation in Spain and the United Arab Emirates (UAE). The Spanish partner DataNet maintains outstanding ties to the regional banking and telecommunication industries, including distinguished enterprises such as Hispamer Banco Financiero, Banco Santander Central Hispano, and Telefónica, among others. The G.E.T. Group is represented in virtually all Arabian countries and has an extensive customer base in the financial services industry.

### Expansion in America

In 1999, with the founding of DataDesign America, Inc., the Company inaugurated its first international subsidiary. With its tightly-knit partner network of US enterprises as well as the Spanish partner DataNet, DataDesign AG has established the ideal conditions for successful development of the North and South American markets.

With revenues amounting to DM 12.2 million in the fiscal year 1999, DataDesign AG's sales figures were, in contrast to initial expectations, on par with those of the previous year. Incoming orders amounted to DM 8.4 million for the entire year of 1999. Its backlog of orders had been virtually cleared by December 31, 1999. The auspicious developments of the first quarter of the year 2000 will be elaborated subsequently at length. In 1999, license fees accounted for roughly 15% or slightly more than DM 2 million of total revenue, professional services for DM 8.1 million and product sales for DM 2.1 million. In fiscal 1999, the share of revenues generated internationally and by partners is negligible. However, as early as the year 2000, international sales should constitute a significant share of total turnover.

The high amount of revenues from product sales is attributable to increased demand for smartcards and card readers, which will continue to grow in the coming years. However, the percentage share of product sales in overall turnover will diminish.

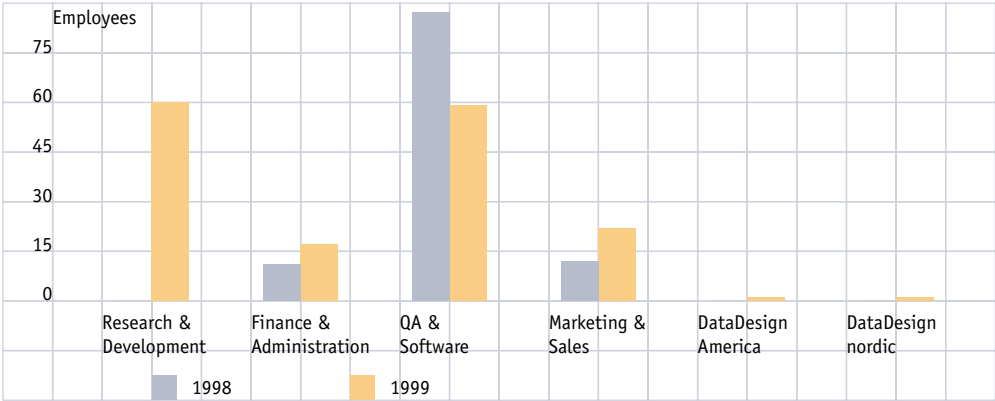
The past fiscal year saw an unexpectedly high total net loss of DM 9.7 million, compared to a net profit of DM 0.8 million in the previous year. US GAAP requires deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of the assets and liabilities and for tax carryforwards to be disclosed. Capitalized deferred taxes comprise exclusively tax loss carryforwards and were capitalized at

the expected future amount of the lower tax burden, roughly DM 3.8 million.

Despite a significant rise in product sales and increased investments in tangible assets (EDP equipment), cost of sales decreased by some DM 1 million in 1998 to DM 9 million for the past fiscal year. This improvement was made possible by reassigning some employees to the research and development departments.

Consequently, the Company's gross margin improved from DM 2.2 million in 1998 to 3.2 million DM in 1999. Operative losses amount to DM 13 million for the period under review, compared to roughly DM 1.1 million in 1998. This development is attributable to increased research and development costs. Whereas on account of high utilization capacities in projects the company reported no research and development costs in the previous year, these expenditures increased to approximately DM 6.5 million in 1999.

Personnel Structure



The Company successfully closed out projects on behalf of customers, which enabled it to redeploy human resources previously tasked with implementation and service for the purpose of exploring new technologies and refining solutions. At roughly DM 5.8 million, an increase of almost 300% over the previous year's figure, marketing and sales costs nearly tripled. In 1999, general administrative costs amounted to some DM 4 million. An increase of approximately DM 2.1 million, these costs are attributable to the introduction of internal Accounting and Controlling departments as well as increased use of outside consulting services. Furthermore, unexpected expenses for revisions of projects that had already been concluded added to the disproportionate increase in costs.

#### **Cost Development by Cost Category**

A more detailed look at the use of funds according to cost category follows:

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Establishing a second upper management level led to a disproportionate increase in wage, salary and social security costs from some DM 6.6 million to approximately DM 13 million. In 1999, the company stepped up its marketing activities at trade shows and other events, which led to a rise in advertising expenses of some DM 0.5 million to 1.9 million. This cost item as well as waivers of claims outstanding and warranty accruals are disclosed fully as sales costs (cost-of-sales accounting format) in compliance with US GAAP. Notably, further cost items include one-off realtor commissions as well as rental costs for the offices into which the two merged enterprises moved, IPO expenses and expenditures for legal and management consulting tallying to a total amount of roughly DM 2.1 million.

## Stagnating Sales in 1999 and Future Business Developments

Poor sales and results for fiscal 1999 are attributable to, among other factors, as yet inadequate marketing and sales structures as well as a dearth of demand for state-of-the-art IT infrastructures for Internet-based business. Concerned with assuring smooth introduction of the euro and overcoming year 2000 problems, many financial institutes' IT investments were put on hold. Popularly known as the "frozen zone", this condition dramatically impacted sales. The integration of Software4You GmbH had a detrimental influence on productivity and thus directly affected the company's sales revenue and financial results.

During the first half-year, there was considerable friction in the course of daily operations at the management level due to differing opinions on future strategy. This situation led to the resignation of the company's founder and former CEO Stefan Pfender in July. Although sales in Germany slacked off considerably, the enterprise nonetheless pursued its internationalization campaign with persistence. The company nurtured an extensive, worldwide net of resellers and invested in research and development in the last year. These efforts today put the company in a position to better offset regional risks brought about by its one-sided customer base and turn around 1999's slowdown in growth.

For the year 2000, the enterprise is expecting revenues to increase by some 150% to more than DM 30 million. The majority of revenue is anticipated to be generated in the core line of business Internet applications and products for e-banking. The Company is expecting overhead to amount to approximately

DM 30 million in 2000, while the break-even point is projected to arrive in the second half of the year. The enterprise is intent on reviving the success of the previous years and bringing its growth curve back on track.

The anticipated boom in Internet banking based on the HBCI standard (Home Banking Computer Interface) was delayed by the Y2K problem and the introduction of the euro. A substantial increase in e-banking license revenues had been predicted for 1999; it now stands to take place in the year 2000. Company polls of more than 60 financial institutes have indicated that 80% of German financial institutes budgeted for the introduction of the HBCI standard during the year 2000.

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**The DataDesign Group:  
Holdings  
and Subsidiaries**

Following the successful acquisition of Software4You GmbH in 1998, this company was legally incorporated into DataDesign AG during the period under review, thus completing the merger between the two enterprises. Moreover, 1999 saw the foundation of DataDesign Beteiligungs GmbH, an enterprise launched to manage the company's shareholdings and other assets. By resolution of the general meeting, the company—a subsidiary wholly owned by DataDesign AG—may be capitalized by up to an amount of EUR 10 million for the purpose of investing in or acquiring other enterprises.

### **Software4You Planungssysteme GmbH**

As planned, DataDesign AG invested roughly DM 2 million into Software4You Planungssysteme GmbH—a subsidiary in which the company previously held a 49% share—in the form of a loan and a share capital increase to set up and further expand its line of businesses. At present, DataDesign AG is negotiating with outside investors and venture capitalists with the intention of reducing its holding in the subsidiary. On the one hand, this approach is geared towards freeing up resources to drive the company's international growth strategy. On the other, management consulting and other services related to preparations for an IPO do not appertain to the core business of DataDesign AG. By calling on the services of companies specialized in professional business consulting and growth financing, the company intends to provide a solid underpinning for the strategic re-orientation of Software4You Planungssysteme GmbH and ultimately secure its projected growth in the target markets.

### **AbWerk GmbH**

Effective April 30, 1999, DataDesign AG upped its 20% minority stake in Cologne-based AbWerk GmbH, an Internet factory outlet, to 90%. The object of this investment was to restructure the e-commerce company. For its first step, DataDesign provided consulting to the enterprise as it restructured and enlarged its management and positioned its range of products on the market. In the second step, the online concept of AbWerk GmbH will be revamped. Beyond simply offering shopping services, it is entirely conceivable that the enterprise will enter into strategic partnerships in the fields of logistics,

site marketing, communities and web auctions. According to the business plan, the enterprise will be operated jointly with strategic partners and introduced successfully to the European marketplace. To this end, DataDesign AG will sell the enterprise in the near future.

### **CompareFair GmbH**

In 1999, DataDesign disposed of the business and trademark of its deficit-ridden Munich subsidiary CompareFair GmbH, an online information forum for e-commerce. The enterprise's mission was considered too far removed from the core business of DataDesign AG and, in the wake of the Company's strategic re-orientation, no longer fitted in with the service offering of the solution provider. The holding was sold to Database for Commerce and Industry AG (DCI), headquartered in Starnberg. DCI already held 50% of the enterprise at the time and was able to integrate the service profitably into its Internet offering. At the beginning of fiscal 2000, DataDesign also disposed of its 50% share of DCI AG. As discussed above, in the fiscal year 2000, the company is planning on acquiring shares in other companies and make investments to back up its growth strategy and reinforce strategic partnerships in Asia and Europe.

The proceeds of the company's 1998 IPO were invested primarily in the field of research and development. These investments yielded a high-quality, far wider range of banking products suitable for national as well as international deployment. In view of these product developments, DataDesign AG expects to strengthen its market position significantly and, by extension, anticipates above-average growth in its income from licenses.

The year saw a considerable increase in tangible assets. This increase is attributable to the fact that the two merged enterprises, Software4You GmbH and DataDesign AG, moved into a shared facility, while the number of the company's personnel grew steadily. The enterprise was in some cases able to terminate lease contracts for EDP and office equipment and furnishings. This enabled it to invest in a state-of-the-art infrastructure and thus assure a modern, technically well-appointed working environment.

Beyond that, DataDesign AG invested heavily in Software4You Planungssysteme GmbH, a subsidiary in which it previously held a 49% share. The company made roughly DM 2 million available to the young enterprise in the form of a loan and a share capital increase to set up and further expand its line of businesses. At present, DataDesign AG is negotiating with outside investors and venture capitalists in order to reduce its holding to less than 20% in the fiscal year 2000.

Within the framework of the IPO planned for Software4You Planungssysteme GmbH, DataDesign will have the opportunity to reduce its investment and free up further resources to finance its own growth. The 100% share of DataDesign Beteiligungs GmbH acquired in 1999 amounts to roughly DM 0.2 million and is disclosed as part of financial assets.

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## Balance Sheet Structure

## Translation of Capital to Euro and Stock Split

On April 23, 1999, the ordinary general meeting of DataDesign AG shareholders resolved to convert the company's capital stock of DM 9,250,000.00 into euros at the DM-to-euro conversion rate (EUR 1 = DM 1,95583) determined by the Council of the European Union under Article 109 I (4). The converted capital stock amounted to EUR 4,729,449.90. The company's conditional capital was also translated to euros. The general meeting also resolved to raise the company's converted capital stock of EUR 4,729,449.90 by increasing share capital out of retained earnings by EUR 820,550.10 (DM 1,604,856.50) to a total of EUR 5,550,000.00 (DM 10,854,856,50) and effecting a 3-for-1 stock split. With these transactions, the capital stock of DataDesign was readjusted from the previous unit of common stock with an accounting par value of DM 5.00 to the new unit consisting of three shares of common stock with an accounting par value of EUR 1.00 each. Since then, the capital stock of the company has been divided into 5,550,000 shares of common stock and increased conditionally to EUR 360,000.00. Approved capital amounts to EUR 1,150,406.73.

A net loss for the year of approximately DM 9.3 million has engendered a significant decrease in equity capital and therefore a reduction of the balance sheet total of DM 37,740,443.00 to DM 28,054,021.33. The equity ratio at the balance sheet date is 85%.

In view of the general expansion of its business, the company was compelled to accrue considerably greater reserves for liabilities than in the previous year for almost all its operative areas of business. In particular by pursuing a more active financial disclosure policy and intensifying investor relations-related activities geared towards assuring greater transparency for the investor, the company's accrued liabilities for sweeping, ongoing disclosure and publication of its finances as well as for carrying out the annual general meeting increased. The sum total of short-term liabilities to banks, amounting to roughly DM 1 million, was redeemed in full. In connection with the merger of the two enterprises and the move into shared facilities, the company decreased the amount of its lease contracts and increased its tangible assets.

Investments in financial assets consist primarily of loans to the affiliated company Software4You Planungssysteme GmbH as well as the holdings in DataDesign Beteiligungs GmbH and Software4You Planungssysteme GmbH. As mentioned above, DataDesign AG will reduce its shares in Software4You Planungssysteme GmbH considerably during the course of the fiscal year 2000.

The company closed out several large projects in its electronic banking line of business. Payment for these services led to an appreciable reduction of trade receivables in the fiscal year. Loans to affiliated companies as well as considerable tax liabilities offset this reduction.

The need to compensate losses due to steadily rising personnel costs and a lack of sales revenue reduced cash and cash equivalents to approximately DM 12.5 million at the end of the fiscal year. Planned countermeasures are explained at length in the section entitled "Risk Factors". The item "Deferred taxes" comprises tax liability carryforwards capitalized at the expected amount of the lower tax burden, roughly DM 3.8 million.

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## Research and Development

## Expansion of the Proven E-Banking Product Suite

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During the past year in the field of research and development, DataDesign AG focused on enhancing its Internet banking product suite to turn up a ready-to-run, all-in-one solution. Concentrating primarily on the aspects ease of use, partner capability and internationalization, the company created a very wide range of user-friendly solutions for banks and financial service providers. The company successfully closed out numerous projects in the course of the year, which, compared to 1998, enabled it to redeploy highly qualified personnel previously concerned with implementation and service and task these to explore new technologies and develop and evolve solutions.

### The Transaction Platform FTS (Financial Transaction Server)

The company's core range of products includes the multi-bank capable, high-security transaction platform FTS. Its is designed to enable banks to handle customer transactions over the Internet effectively. Equipped with an open, easy-to-manage interface to the backoffice systems of computing centers and banks, the solution enabled the company to considerably accelerate implementation time for its platform. Particularly the universal connectivity solution for the new CI interface of Siemens' standard banking system Kordoba is geared towards developing new market potential. For example, with this solution, DataDesign offers some 60 financial institutes throughout Germany direct, swift integration of the most diverse Internet services such as HBCI Internet banking, mobile e-banking and telephone banking. All of the platform's interfaces are XML (Extensible Markup Language) enabled, which assures that the solution is eminently suitable for and ready to accommodate new developments, above all in the field of business-to-business communication.

In the course of its internationalization campaign, DataDesign expanded FTS to a multilingual transaction platform for Internet business. With the benefit of Unicode support, the enterprise has made rapid implementation of its products in Central Asian markets possible. Beyond that, in an effort to internationalize its products, the company turned up modular security components. This assures that the proprietary platform may be adapted very quickly to individual countries' varying statutory requirements for encryption, thus allowing the solution to be marketed worldwide.

## **Finance Client Applications for the End User**

The end-to-end solution is rounded out by a remarkably wide range of user-friendly applications for home and tele-banking, Internet and e-banking as well as portal banking. With its new innovation FinanceMobile, an application based on the Wireless Application Protocol (WAP), DataDesign has rolled out a solution that delivers value to both banks and end users. At the IT trade show Systems 1999 in Munich, the company was the first provider to present a live demonstration of banking transactions via mobile telephone. FinancePortal offers financial service providers and portal operators the opportunity to integrate a multi-bank capable, HTML Internet banking client directly into their own Web pages. The proven solutions FinanceBrowser, FinanceManager and FinanceAgent were steadily refined. DataDesign AG's innovations remain the benchmark for the competition in the marketplace. Evidencing as much, BfG Bank AG won TeleTrust Germany's award honoring the use of digital signatures in Europe in recognition of its leading-edge Internet banking services. Recently, at the CeBIT 2000, it also clinched a nomination for the German Internet Award in a field of more than 580 candidates.

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## **HBCI Internet Banking**

The advanced version of DataDesign's core technology for HBCI Internet banking was similarly successful. With the debut of DDBAC 2.1 (DataDesign Banking Application Components)—a component library for HBCI compliant execution and protection of banking transactions via Internet—in January 2000, the enterprise was the first provider to satisfy the stringent requirements of the new HBCI Version 2.1 and integrate these improved features, including all security trans-

actions, into a product. Moreover, the HBCI product line was expanded with an automated HBCI testing tool. In the course of FTS integration, it serves to identify and analyze error sources for the purpose of optimizing the end-to-end solution and adapting it to the backoffice systems and client solutions of the given financial service provider. This considerably abridges development cycles during the implementation of HBCI systems. Consequently, banks are able to offer secure Internet banking via HBCI to their customers much sooner.

### **Secure Electronic Transaction™ (SET™)**

In collaboration with its partner Globeset, a US company, DataDesign was able to steadily refine and improve products for secure payment over the Internet on the basis of the SET standard (Secured Electronic Transaction™). These products were installed successfully on behalf of shop operators in Germany and Austria.

### **E-Government with Platon Systems**

The Platon Systems range of products is designed to enable official business to be carried out in the virtual realm. It is currently in the development phase. With its proven multi-channel business platform serving as the underpinning, DataDesign AG has since the end of 1999 been developing an innovative, standardized system environment based on XML to enable secure handling of official business via Internet. By means of a Form Editor, publishers are able to retrieve standardized templates from an XML-based form server and adapt these individually. Constituents receive these forms over the Internet and fill them out in the comfort of their own homes. Guaranteeing the security of electronic transac-

tions, DataDesign AG's FormularGateway controls communication between constituents and government offices. In the year 2000, the focus of DataDesign's development activities will remain predominantly on advanced solutions for the banking and government markets.

Human Resources

The market in the Internet business is booming and the entire industry is desperately seeking qualified personnel. Job fairs for IT specialists are proliferating. Never before has the market for computer specialists and software developers been as depleted as in 1999. Nonetheless, DataDesign was able to increase the number of its personnel from 110 to 160 in the past fiscal year. The company's personnel growth targets were achieved in full.

Personnel Development

| DataDesign AG Group |                             |  |  | 1999 |  |  |     | 1998 |  |     |  |
|---------------------|-----------------------------|--|--|------|--|--|-----|------|--|-----|--|
|                     | Finance & Administration    |  |  |      |  |  | 17  |      |  | 11  |  |
|                     | Research & Development      |  |  |      |  |  | 60  |      |  | 0   |  |
|                     | QA & Software               |  |  |      |  |  | 59  |      |  | 87  |  |
|                     | Marketing & Sales           |  |  |      |  |  | 22  |      |  | 12  |  |
|                     | DataDesign AG America, Inc. |  |  |      |  |  | 1   |      |  | –   |  |
|                     | DataDesign nordic           |  |  |      |  |  | 1   |      |  | –   |  |
| DataDesign AG total |                             |  |  |      |  |  | 160 |      |  | 110 |  |

At the end of the fiscal year, DataDesign AG employed some 125 personnel at its Munich headquarters. The company's entire Administration, Personnel Development, parts of Research and Development, Product Management as well as the Marketing and Sales divisions are managed from the Munich offices. The company moved into the new facility on the Fürstenrieder Strasse in the southwest of the city at the beginning of 1999. At the end of 1999, 23 employees worked at the Berlin subsidiary, which is predominantly focused on product design in the area of the SET™ electronic payment system and e-government. The Berlin subsidiary also recently helped enhance the multi-channel business platform to enable mobile access to accounts via WAP-enabled mobile phones. The 10 employees at the Stuttgart subsidiary are specialized primarily in GeoShop solutions for government authorities and land survey offices as well as developing e-catalogs and custom solutions. The subsidiary turns up an equal share of standard products and customized solutions.

### **Personnel Growth in Hotly-contested Markets**

The company's strong growth in human resources is the product of a persistent personnel recruiting program. This policy calls for, among other things, close cooperation with universities and colleges. A strategic approach to the market is also imperative to personnel recruiting—potential new employees must be courted just as if they were potential new customers. They seek personal and career development opportunities. They want to work in a team in which the focus is not only on professional competence, but also on constructive interpersonal relationships, a rewarding environment in which the human element

plays a key role. To this end, DataDesign has introduced a personnel development department. It is tasked with caring for and training new employees, ascertaining advanced training requirements as well as organizing and carrying out extensive training programs.

The corporate culture of DataDesign AG stresses an open, receptive mindset. Its defining qualities are mutual respect and goal-oriented teamwork. Every employee is accorded a high degree of accountability to nurture a sense of personal responsibility in reaching quantitative as well as qualitative goals. Performance is reviewed in terms of achieved goals, while individual development requirements and opportunities are assessed in personal interviews. Internal product training, seminars and language courses encourage professional growth and career development. A liberal stock option plan offers additional motivation. The growth of the enterprise is thus closely linked to the personal development of its employees. The company is planning to increase its human resources to some 190 employees by the end of the year.

Under a stock option plan designed to enable employee participation, members of executive bodies and employees have 150,630 options that vest in the year 2000 and 129,003 options that vest in the year 2001. Own shares pursuant to Article 160, Paragraph 1, No. 2 AktG (German Stock Corporation Law) are held neither by the company nor its subsidiaries or proxies appointed by the company.

## Predatory Competition in E-Business

## Risk Factors

As an end-to-end provider of a well-rounded, state-of-the-art platform that enables business to be transacted via Internet, DataDesign AG is active in a booming growth market. Nevertheless, dependable figures for potential future growth rates are difficult to forecast.

Mergers in the target markets, for example the Deutsche Bank's and Dresdner Bank's recent attempt to join forces, may have a significant adverse impact on market conditions as well as the market potential of complex IT infrastructures for e-business. One potential effect of these changing conditions could be a saturated market. Beyond that, the e-business market is subject to predatory competition. From the viewpoint of providers, the market has yet to consolidate. DataDesign AG's customer base is still one-sided and capable of development. These factors can have a detrimental impact on DataDesign's revenue and earnings situation.

These risks may also engender losses despite a good order position. As discussed above, changes in the banking environment may occur at short notice and inspire customers to reevaluate their priorities, which in turn can delay the introduction of modern infrastructures for Internet banking. Furthermore, driven by the need for greater security on the Internet, the demand for chip cards and card readers is on the rise worldwide. This could impair the availability of these products and lead to short-term delivery bottlenecks. Rapid technological advances or changes

in software standards and de facto standards in the product business as well as, on a lesser scale, in the large systems project business of DataDesign AG may require unforeseen investments in product and development know-how to adapt to these changes.

By appropriating approved capital, the enterprise is planning to increase share capital to assure short-term liquidity to finance its international expansion campaign as well as secure a greater share of the market in Germany. The enterprise will submit an offer featuring attractive subscription rights to its stockholders. However, there can be no assurance that positive business developments will automatically lead to a rise in the price of DataDesign AG's shares.

## **Product and Project Liability** 57

Software development is an area in which unforeseeable programming errors can never be entirely ruled out. In the company's contracts with its customers, there are appropriate clauses which limit the company's risk regarding potential product and liability claims. Although the company has insured itself against these risks, it is possible that these provisions are not sufficient in every case.

In addition, DataDesign often acts as a general contractor for the projects that it is involved in, so there is a 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.

### **National and International Sales Structure**

Despite an underdeveloped marketing and sales structure, the company pursued a promising internationalization strategy to assure market penetration in EMEA and Asia in the current fiscal year. For the purpose of prospecting customers, the company relies on its partners, their industry know-how as well as their business contacts. To a certain extent, DataDesign AG is thus dependent on alliances. On the one hand, this harbors the risk that these integration partners may be unable to sell the products of DataDesign. On the other, the international partner business is also subject to predatory competition, as DataDesign's national rivals are also working on internationalizing their operations.

### **Development of New Lines of Business, Further Expansion and Personnel Development**

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In the past fiscal year, DataDesign AG for the first time addressed the electronic government market, along with its core market, electronic banking. This market is also hotly contested by the company's rivals. The key to successfully establishing a foothold in this crowded market is to implement and roll out viable products in the very near future. On the one hand, good contacts to government offices and municipal administrations are indispensable for further expansion. On the other, DataDesign AG must recruit qualified personnel to develop this new line of business, which, in view of the scarcity of available IT specialists, is a formidable challenge.

The company is implementing numerous measures to secure suitable personnel, both by means of its stock option plan and its activities in the fields of personnel development and recruiting. As mentioned above, to this end, the company cooperates closely with universities, regularly attends job fairs and calls on the services of external personnel consultants.

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#### **Outlook for 2000**

Whereas the year 1999 was a time of transition and restructuring for DataDesign AG, in 2000, our company is set to see its new enterprise strategy reap initial rewards. Personnel changes at the management level and a re-orientation of DataDesign's business strategy were necessary to this end. In the wake of the former executives Stefan Pfender's and Wolfram Themann's departure, we smoothed the way for repositioning the enterprise and proceeded directly with the structural and strategic consolidation of DataDesign AG. An experienced team on the second level of upper-echelon management is poised to head Marketing and Sales as well as Finance and Controlling. These managers will take control of their respective divisions in the first half of 2000. We are not planning any short-term changes in the composition of the executive board. Beyond that, the shareholder structure of our enterprise has changed in the new year: The 36% stake previously in the possession of Stefan Pfender was recently placed with institutional investors by Gontard & MetallBank AG. In this context, plenum AG increased its holding in our enterprise to some 10%.

Now that the company's internal affairs have been put in order, we have established the preconditions for achieving our principal goals for 2000—expansion of our national and development of international market position in the field of Internet banking.

### Successful Internationalization

In addition to consolidating our domestic market position, in the year 2000, the focal point of our strategy is clearly on expanding into e-banking markets abroad. The share of international revenues in total turnover will increase markedly in the current fiscal year. With our South Korean partner dreamdata and Philippine partner s2i2, we are on the brink of a significant breakthrough in the Asian market. In view of the success of our alliance with dreamdata in Asia in the first quarter of 2000, we are planning to acquire a 20% share of the company financed by an exchange of stock. We intend to launch joint ventures in Japan and China, which will enable us to access the desired target markets throughout the entire Asian region.

In the Philippines, we were able to position ourselves successfully with the help of the system integrator s2i2. Metropolitan Bank, Diners Club International and Globe Telecom number among s2i2's A-list accounts. As an exclusive partner, we stand to benefit from the company's promising business relationships, and we will regularly report on these developments during the course of the year.

We were also successful in winning suitable partners in Spain and in Arabian countries, thus establishing numerous contacts to major banks as well as the Spanish communication giant Telefónica and other enterprises.

### **Platon Systems Penetrates German Government Offices**

On a national scale, we see the strongest growth potential in the still fairly new business field of e-government. Expanding our activities into the pan-European market appears to be a feasible proposition over the medium term. The primary goal here is to roll out Platon Systems in the offices of municipal authorities, district administrations, and ministries nationwide. Our Internet business platform today satisfies the stringent stipulations of the European signature law, which means that a market offering exceptional opportunities is awaiting our e-government solution. With the legal validation of the electronic signature in Europe, the personal signature—today still an indispensable authorization medium—will in the near future be supplanted by secure transaction solutions that enable constituents to take care of official business in the virtual realm.

## Revenue and Earnings Growth in 2000

By focusing on establishing a firm foothold for our Internet banking offering in international markets and strengthening the position of our Internet government offering in the domestic market, we have set the stage for a successful year 2000. The current trend in sales and, in particular, our steadily growing backlog of orders validate the forecasts of the Business Plan we presented in November of 1999: For this year, we expect revenues to grow by 150%.

The impact of our domestic and international sales activities—already evident in the first quarter—our range of strong solutions, a steadily growing network of alliances and, particularly, the efforts of each employee have assured that the company is again looking forward to a bright future. We will assert ourselves as a technology leader offering state-of-the-art Internet business solutions in both domestic and international markets. We have a clear objective—to make DataDesign AG the market leader in our core lines of business. This goal is now well within our reach.







Income Statements for the Periods of January 1 to December 31,  
1999 and for 1998 (US GAAP)

|   | Notes | 1999<br>DM     | 1998<br>DM     |
|---|-------|----------------|----------------|
| Sales   | (1)   | 12,197,016.61  | 12,271,378.71  |
| Cost of sales   | (2)   | -8,989,404.40  | -10,065,990.48 |
| Gross profit on sales                                       |       | 3,207,612.21   | 2,205,388.23   |
| Operating expenses  | (4)   |                |                |
| Selling expenses  |       | -5,793,112.39  | -1,539,360.66  |
| Research and development expenses                           |       | -6,491,570.88  | 0.00           |
| General administrative expenses                             |       | -3,993,559.25  | -1,797,871.91  |
|   |       | -16,278,242.52 | -3,337,232.57  |
| Income (loss) from operations                               |       | -13,070,630.31 | -1,131,844.34  |
| Losses from affiliated companies                            |       | -1,004,307.00  | -8,158.09      |
| Income from financial assets (loans and securities)         |       | 331,118.74     | 0.00           |
| Depreciation of financial assets and securities             |       | -278,157.13    | 0.00           |
| Interest and similar income                                 |       | 549,376.01     | 160,103.05     |
| Interest and similar expense                                |       | -30,564.57     | -78,211.61     |
| Other operating income                                      | (5)   | 139,038.09     | 323,313.61     |
| Result from ordinary activities                             |       | -13,364,126.17 | -734,797.38    |
| Taxes on income from the result from ordinary activities    | (6)   | 3,693,492.51   | 499,386.89     |
| Result from ordinary activities after taxes on income       |       | -9,670,633.66  | -235,410.49    |
| Gain on disposal of business segments after taxes on income | (7)   | 0.00           | 563,034.50     |
| Net income/loss   | (8)   | -9,670,633.66  | 327,624.01     |
| Profit carryforward from the previous year                  |       | 395,657.54     | 68,033.53      |
| Net profit/net loss for the year                            |       | -9,274,976.12  | 395,657.54     |

### Consolidate Balance Sheets for the Years Ended December 31, 1999 and 1998 (US GAAP)

## Assets

|                   |                                     |  |  |  |  |  |  |  |  |  | Notes |  |  | 1999<br>DM    |              | 1998<br>DM    |            |               |
|-------------------|-------------------------------------|--|--|--|--|--|--|--|--|--|-------|--|--|---------------|--------------|---------------|------------|---------------|
| A. Current assets |                                     |  |  |  |  |  |  |  |  |  |       |  |  |               |              |               |            |               |
| 1.                | Cash and cash items                 |  |  |  |  |  |  |  |  |  | (1)   |  |  | 12,485,907.48 |              | 28,320,252.01 |            |               |
| 2.                | Trade receivables                   |  |  |  |  |  |  |  |  |  | (2)   |  |  | 4,457,871.78  |              | 6,604,817.08  |            |               |
| 3.                | Other assets                        |  |  |  |  |  |  |  |  |  | (3)   |  |  | 1,648,025.85  |              | 427,848.95    |            |               |
| 4.                | Prepayments and deferred expense    |  |  |  |  |  |  |  |  |  |       |  |  | 253,859.55    |              | 86,493.29     |            |               |
| 5.                | Other current assets                |  |  |  |  |  |  |  |  |  | (4)   |  |  | 1,061,644.44  |              | 0.00          |            |               |
| 6.                | Inventories                         |  |  |  |  |  |  |  |  |  | (5)   |  |  | 168,800.00    |              | 0.00          |            |               |
|                   |                                     |  |  |  |  |  |  |  |  |  |       |  |  | 20,076,109.10 |              | 35,439,411.33 |            |               |
|                   |                                     |  |  |  |  |  |  |  |  |  |       |  |  |               |              |               |            |               |
| B. Fixed assets   |                                     |  |  |  |  |  |  |  |  |  | (6)   |  |  |               |              |               |            |               |
| 1.                | Financial assets                    |  |  |  |  |  |  |  |  |  |       |  |  |               |              |               |            |               |
|                   | Shares in affiliated companies      |  |  |  |  |  |  |  |  |  |       |  |  | 1.00          |              | 51,798.66     |            |               |
|                   | Loans to affiliated companies       |  |  |  |  |  |  |  |  |  |       |  |  | 1,000,001.00  |              | 0.00          |            |               |
|                   | Other financial assets              |  |  |  |  |  |  |  |  |  |       |  |  | 1.00          |              | 10,000.00     |            |               |
| 2.                | Tangible assets                     |  |  |  |  |  |  |  |  |  |       |  |  |               |              |               |            |               |
|                   | Other plant, property and equipment |  |  |  |  |  |  |  |  |  |       |  |  | 2,177,209.39  |              | 852,478.00    |            |               |
| 3.                | Intangible assets                   |  |  |  |  |  |  |  |  |  |       |  |  |               |              |               |            |               |
|                   | Software                            |  |  |  |  |  |  |  |  |  |       |  |  | 205,928.77    |              | 49,143.00     |            |               |
|                   | Goodwill                            |  |  |  |  |  |  |  |  |  |       |  |  | 702,771.07    |              | 789,812.71    |            |               |
|                   |                                     |  |  |  |  |  |  |  |  |  |       |  |  | 4,085,912.23  |              | 1,753,232.37  |            |               |
|                   |                                     |  |  |  |  |  |  |  |  |  |       |  |  |               |              |               |            |               |
| C. Deferred tax   |                                     |  |  |  |  |  |  |  |  |  | (7)   |  |  |               | 3,892,000.00 |               | 547,800.00 |               |
|                   |                                     |  |  |  |  |  |  |  |  |  |       |  |  |               |              | 28,054,021.33 |            | 37,740,443.70 |

## Shareholders' equity and liabilities

|   |  | Notes | 1999<br>DM    | 1998<br>DM    |
|---|--|-------|---------------|---------------|
| <b>D. Liabilities</b>                                     |  |       |               |               |
| 1. Amounts due to banks                                   |  | (8)   | 2,289.70      | 957,622.51    |
| 2. Payments received on account of orders                 |  |       | 127,504.88    | 0.00          |
| 3. Trade payables   |  | (9)   | 1,733,067.53  | 1,122,605.23  |
| 4. Other short-term liabilities                           |  | (10)  | 713,583.98    | 831,883.07    |
| 5. Accruals for pensions and similar obligations          |  | (11)  | 0.00          | 0.00          |
| 6. Tax accruals   |  |       | 45.00         | 533,923.99    |
| 7. Other accruals   |  | (12)  | 1,516,555.00  | 662,800.00    |
| 8. Accruals for deferred tax                              |  |       | 0.00          | 0.00          |
|   |  |       | 4,093,046.09  | 4,108,834.80  |
| <b>E. Funds appropriated for increasing share capital</b> |  |       |               |               |
|   |  | (13)  | 0.00          | 750,000.00    |
| <b>F. Shareholders' equity</b>                            |  |       |               |               |
| 1. Subscribed capital                                     |  | (14)  | 10,854,856.50 | 8,500,000.00  |
| 2. Capital reserves                                       |  | (15)  | 22,381,094.86 | 23,985,951.36 |
| 3. Retained earnings                                      |  |       | -9,274,976.12 | 395,657.54    |
|   |  |       | 23,960,975.24 | 32,881,608.90 |
|   |  |       | 28,054,021.33 | 37,740,443.70 |

**Preliminary Remarks**

The Consolidated Financial Statements of DataDesign AG and its subsidiaries are compiled 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 the generally accepted accounting principles basic principles of the US. 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 of the Financial Statements of Group companies to US GAAP were carried out.

**Exemption from the Obligation to Prepare Consolidated Financial Statements in Accordance  
with Article 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 exemption 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 guidelines 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 Handelsgesetzbuch (German Commercial Code), as do the recognition of work in process by the percentage-of-completion method, ARB 45, SoP No. 97-2, Software Revenue Recognition, and setting the costs of issuing securities off against proceeds without affecting operating result according to SAB 1, and disclosure and consolidation of acquired companies (APB 16), and the disclosure requirements of options granted to employees APB 25 SFAS No. 123, Accounting for Stock-Based Compensation.

Consolidated Group

Next to the parent company DataDesign AG, the following enterprises are accounted for in the Consolidated Financial Statements:

|              |                    |      |            |          |              |             |  |  |  |  |  |  |  |  |  |  | Equity<br>in % | Effective date of<br>initial consolidation |
|--------------|--------------------|------|------------|----------|--------------|-------------|--|--|--|--|--|--|--|--|--|--|----------------|--|
| DataDesign   | Beteiligungs       | GmbH | (1),(2)    | Planegg, | Municipality | Martinsried |  |  |  |  |  |  |  |  |  |  | 100.0          | February 2, 1999                           |
| AbWerk       | Handelsvermittlung | GmbH | (3)        | Cologne  |              |             |  |  |  |  |  |  |  |  |  |  | 90.0           | January 1, 1998                            |
| Software4You | Planungssysteme    | GmbH | (4)        | Planegg, | Municipality | Martinsried |  |  |  |  |  |  |  |  |  |  | 49.2           | Dec. 30, 1998                              |
| Compaire     | Fair               | GmbH | (2), (5)   | Planegg, | Municipality | Martinsried |  |  |  |  |  |  |  |  |  |  | 50.0           | October 7, 1998                            |
| Software4You | America, Inc.      | (6)  | Miami, USA |          |              |             |  |  |  |  |  |  |  |  |  |  | 100.0          | January 1, 1999                            |

- Remarks on (1): Disclosure in the Consolidated Financial Statements according to the basic principles of full consolidation.
- Remarks on (2): Disclosure of the affiliated company from the date of founding.
- Remarks on (3): Disclosure of the affiliated company based on the equity method from the date of acquisition.  
During fiscal year 1999, additional shares were acquired in this enterprise with the object of disposing of these at short notice after the company's operative business has been restructured. Therefore, these shares were reported as current assets and are not disclosed further in the Consolidated Financial Statements.
- Remarks on (4): Balance sheet accounting and valuation of the affiliated company under the equity method.
- Remarks on (5): The affiliated company disposed of its operative business in 1999; the shares that remained in the possession of the Group were disposed of shortly after the balance sheet date. Therefore, these shares were reported as current assets and are not disclosed further in the Consolidated Financial Statements.
- Remarks on (6): Indirect holding via Software4You GmbH, Planegg, Municipality Martinsried. Disclosure in its Financial Statements from the date of founding according to the basic principles of full consolidation.

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.

### a) Consolidation

All material subsidiaries under the legal or actual control of DataDesign AG are represented in the Consolidated Financial Statements. The capital consolidation procedure used herein complies with 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 this enterprise was inactive prior to this date.

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.

All material inter-company balances and transactions have been eliminated in consolidation. Requisite tax accruals and deferrals were carried out for consolidations that affect 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 into 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 any differential amount.

**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 reported as accrued profits without affecting operating result. Income from license and maintenance agreements are disclosed as sales revenues for the given period.

**c) Current assets**

Current assets include inventories, demand, cash in hand, and other securities and shares in affiliated companies designated for short-term disposal, and pre-paid 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 and fixed-term accounts.

**e) Trade receivables and other assets**

To cover general credit risks and interest and cash discount losses, if necessary, allowances are made for trade receivables. Trade receivables include amounts due from third parties that are not part of the corporate Group.

**f) Inventories**

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

**g) Deferred tax**

US GAAP requires deferred tax 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 to be disclosed. Capitalized deferred taxes comprise exclusively tax loss carryforwards. These were capitalized at the expected future amount of the lower tax burden. Deferred taxes are carried as accrued liabilities and disclosed at the expected future amount of the lower tax burden.

**h) Financial assets**

Other financial assets, in particular shares in affiliated companies, are valued by means of the equity method. Loans to affiliated enterprises and other financial assets are stated at cost. In case of a permanent impairment in the value of assets, these are depreciated accordingly.

**i) Tangible assets**

Assets disclosed as tangible assets are stated at purchase cost with scheduled depreciation in accordance with the declining balance method and straight-line method of depreciation. This property is written off over the period of useful life of the given item. The declining balance method is supplanted by the straight-line method of depreciation as soon as even distribution of the residual book value over the remaining service life leads to higher depreciation values. For the purpose of ascertaining depreciation values, the useful life of an asset is determined within a range of 2 to 10 years. Profits or losses incurred from the disposal of assets disclosed under tangible assets are reported under other operating expenses and earnings.

**k) Intangible assets**

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

#### **l) Leasing**

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

#### **m) Accruals**

Tax 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.

#### **n) Market value of liabilities**

All reported 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 corresponds roughly to the market value.

#### **o) Research and development**

Expenditures incurred within the framework of research and development projects are disclosed as cost of sales, thus affecting net income since direct allocation to other software assets designated for sale was infeasible. These costs were disclosed separately for the first time in the fiscal year. Since it was not possible to allocate individual expenditures for the previous year, no adjustments were made to the figures of the previous year.

**p) Use of estimates**

To a certain degree, estimates and assumptions were made while compiling the Consolidated Financial Statements. These affect the amounts of assets and liabilities disclosed in the Consolidated Financial Statements, reporting of contingent liabilities, reporting of earnings and expenditures during the period under review as well as the Notes to Consolidated the Financial Statement. Actual results could differ from these estimates.

**q) Income (loss) per share**

In accordance with SFAS No. 128, , Income (loss) per share, all effects of equity capital options must be considered when calculating Income (loss) per share. If dilution effects occur, two benchmark figures regarding net Income (loss) per share must be reported. In the case of basic Income (loss) per share, the dilution effect is not taken into account—the Group result is divided by the weighted average of the number of issued shares. For diluted Income (loss) per share, not only are the actual issued shares taken into account, but also potential common share equivalents, i.e. shares available by virtue of option rights. The Group result represents the consolidated results for the year attained by the entire corporate group.

**r) 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 only one segment.

All enterprises consolidated in the DataDesign Financial Statement are active in identical areas of business and markets and largely deliver comparable services and products. Furthermore, all enterprises employ comparable marketing methods predominantly to address the 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 the separate segmental 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 of the Annual Financial Statements.

Notes to the Consolidated Balance Sheet

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

|   |  |  |  |  |  |  |  |  |  |  | 1999<br>DM |  |  | 1998<br>DM |
|---|--|--|--|--|--|--|--|--|--|--|------------|--|--|------------|
| Short-term receivables from Software4You Planungssysteme GmbH |  |  |  |  |  |  |  |  |  |  | 991,165    |  |  | 0          |
| Other securities  |  |  |  |  |  |  |  |  |  |  | 52,573     |  |  | 0          |
| Shares in Compare Fair GmbH (1)                               |  |  |  |  |  |  |  |  |  |  | 17,905     |  |  | 0          |
| Shares in AbWerk GmbH (1)                                     |  |  |  |  |  |  |  |  |  |  | 1          |  |  | 0          |
|   |  |  |  |  |  |  |  |  |  |  | 1,061,644  |  |  | 0          |

Remarks on 1: These assets are disclosed under shares in affiliated companies.

6. Detailed information on the Group fixed assets is provided in the Fixed Asset Movement Schedule for fiscal 1999. In particular, intangible fixed assets include goodwill derived from the initial consolidation of Software4You GmbH, Planegg, Municipality Martinsried.

[illegible]

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## Fixed Asset Movement Schedule for the Fiscal Year 1999 (US GAAP)

|  |  |  |  |  |  |  | Acquisition cost |              |  |           |  |                |  |               |
|--|--|--|--|--|--|--|------------------|--------------|--|-----------|--|----------------|--|---------------|
|  |  |  |  |  |  |  |                  |              |  |           |  |                |  |               |
|  |  |  |  |  |  |  | Jan. 1, 1999     | Additions    |  | Disposals |  | Book transfers |  | Dec. 31, 1999 |
|  |  |  |  |  |  |  | DM               | DM           |  | DM        |  | DM             |  | DM            |
| Financial assets   |  |  |  |  |  |  |                  |              |  |           |  |                |  |               |
| Shares in affiliated companies   |  |  |  |  |  |  | 59,956.75        | 977,915.00   |  | 32,500.00 |  | 0.00           |  | 1,005,371.75  |
| Loans to affiliated companies  |  |  |  |  |  |  | 10,000.00        | 1,035,000.00 |  | 0.00      |  | −10,000.00     |  | 1,035,000.00  |
| Other investments  |  |  |  |  |  |  | 0.00             | 125,000.00   |  | 0.00      |  | 10,000.00      |  | 135,000.00    |
|  |  |  |  |  |  |  | 69,956.75        | 2,137,915.00 |  | 32,500.00 |  | 0.00           |  | 2,175,371.75  |
|  |  |  |  |  |  |  |                  |              |  |           |  |                |  |               |
| Tangible assets  |  |  |  |  |  |  |                  |              |  |           |  |                |  |               |
| Other property, plant and office equipment   |  |  |  |  |  |  | 1,373,508.67     | 2,166,272.92 |  | 0.00      |  | 0.00           |  | 3,539,781.59  |
|  |  |  |  |  |  |  | 1,373,508.67     | 2,166,272.92 |  | 0.00      |  | 0.00           |  | 3,539,781.59  |
|  |  |  |  |  |  |  |                  |              |  |           |  |                |  |               |
| Intangible assets  |  |  |  |  |  |  |                  |              |  |           |  |                |  |               |
| Software   |  |  |  |  |  |  | 98,068.54        | 244,606.77   |  | 0.00      |  | 0.00           |  | 342,675.31    |
| Goodwill   |  |  |  |  |  |  | 886,918.28       | 0.00         |  | 0.00      |  | 0.00           |  | 886,918.28    |
|  |  |  |  |  |  |  | 984,986.82       | 244,606.77   |  | 0.00      |  | 0.00           |  | 1,229,593.59  |
|  |  |  |  |  |  |  | 2,428,452.24     | 4,548,794.69 |  | 32,500.00 |  | 0.00           |  | 6,944,746.93  |
|  |  |  |  |  |  |  |                  |              |  |           |  |                |  |               |
| Due to an at equity valuation of the holding in an affiliated company, there has been an addition of DM 1,004,307.00 to depreciations. |  |  |  |  |  |  |                  |              |  |           |  |                |  |               |

| Accumulated depreciation |              |  |              |  |          |  |               |  |  |
|--------------------------|--------------|--|--------------|--|----------|--|---------------|--|--|
|                          |              |  |              |  |          |  |               |  |  |
|                          | Jan. 1, 1999 |  | Charge       |  | Release  |  | Dec. 31, 1999 |  |  |
|                          | DM           |  | DM           |  | DM       |  | DM            |  |  |
|                          |              |  |              |  |          |  |               |  |  |
|                          | 8,158.09     |  | 1,004,307.00 |  | 7,094.34 |  | 1,005,370.75  |  |  |
|                          | 0.00         |  | 34,999.00    |  | 0.00     |  | 34,999.00     |  |  |
|                          | 0.00         |  | 134,999.00   |  | 0.00     |  | 134,999.00    |  |  |
|                          | 8,158.09     |  | 1,174,305.00 |  | 7,094.34 |  | 1,175,368.75  |  |  |
|                          |              |  |              |  |          |  |               |  |  |
|                          |              |  |              |  |          |  |               |  |  |
|                          | 521,030.67   |  | 841,541.53   |  | 0.00     |  | 1,362,572.20  |  |  |
|                          | 521,030.67   |  | 841,541.53   |  | 0.00     |  | 1,362,572.20  |  |  |
|                          |              |  |              |  |          |  |               |  |  |
|                          |              |  |              |  |          |  |               |  |  |
|                          | 48,925.54    |  | 87,821.00    |  | 0.00     |  | 136,746.54    |  |  |
|                          | 97,105.57    |  | 87,041.64    |  | 0.00     |  | 184,147.21    |  |  |
|                          | 146,031.11   |  | 174,862.64   |  | 0.00     |  | 320,893.75    |  |  |
|                          | 675,219.87   |  | 2,190,709.17 |  | 7,094.34 |  | 2,858,834.70  |  |  |
|                          |              |  |              |  |          |  |               |  |  |
|                          |              |  |              |  |          |  |               |  |  |

| Net book values |              |      |  |  |  |  |              |  |  |
|-----------------|--------------|------|--|--|--|--|--------------|--|--|
|                 |              |      |  |  |  |  |              |  |  |
|                 |              | 1999 |  |  |  |  | 1998         |  |  |
|                 |              | DM   |  |  |  |  | DM           |  |  |
|                 |              |      |  |  |  |  |              |  |  |
|                 |              | 1.00 |  |  |  |  | 51,798.66    |  |  |
|                 | 1,000,001.00 |      |  |  |  |  | 10,000.00    |  |  |
|                 | 1.00         |      |  |  |  |  | 0.00         |  |  |
|                 | 1,000,003.00 |      |  |  |  |  | 61,798.66    |  |  |
|                 |              |      |  |  |  |  |              |  |  |
|                 |              |      |  |  |  |  |              |  |  |
|                 | 2,177,209.39 |      |  |  |  |  | 852,478.00   |  |  |
|                 | 2,177,209.39 |      |  |  |  |  | 852,478.00   |  |  |
|                 |              |      |  |  |  |  |              |  |  |
|                 |              |      |  |  |  |  |              |  |  |
|                 | 205,928.77   |      |  |  |  |  | 49,143.00    |  |  |
|                 | 702,771.07   |      |  |  |  |  | 789,812.71   |  |  |
|                 | 908,699.84   |      |  |  |  |  | 838,955.71   |  |  |
|                 | 4,085,912.23 |      |  |  |  |  | 1,753,232.37 |  |  |
|                 |              |      |  |  |  |  |              |  |  |
|                 |              |      |  |  |  |  |              |  |  |

7. Deferred taxes are capitalized and carried as an asset. The itemized position was created to report creditable, unlimited carryforwards of accrued tax loss incurred in the fiscal year 1999. The future lower taxes on income were taken into account. Due to uncertainty whether these would be realized, in the previous year, allowances were made for deferred tax claims. In determining these allowances, the fact that part of the claims are realizable at short notice through inter-company transactions was taken into account. Insofar as they were realizable, disclosures in the Financial Statements take advantage of these benefits for the fiscal year 1999, while all other allowances made in 1998 were retained.

At the close of fiscal 1998, the parent company's tax loss carryover amounts to the rounded figure of DM 14,920,000.

8. Amounts due to banks comprise exclusively credit in current accounts due within a year. These are not secured by guaranty. In the previous year DM 343,109 were secured by guaranty.

9. Trade payables are due within a year.

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

|                              |  |  |  |  |  |  |  |  |  |  | 1999<br>DM |  | 1998<br>DM |
|------------------------------|--|--|--|--|--|--|--|--|--|--|------------|--|------------|
| Social security              |  |  |  |  |  |  |  |  |  |  | 307,657    |  | 187,542    |
| Taxes                        |  |  |  |  |  |  |  |  |  |  | 254,310    |  | 69,530     |
| Wages and salaries           |  |  |  |  |  |  |  |  |  |  | 114,047    |  | 5,465      |
| Liabilities from investments |  |  |  |  |  |  |  |  |  |  | 0          |  | 168,863    |
| Group employees              |  |  |  |  |  |  |  |  |  |  | 0          |  | 47,580     |
| Short-term loans             |  |  |  |  |  |  |  |  |  |  | 0          |  | 30,000     |
| Other                        |  |  |  |  |  |  |  |  |  |  | 37,570     |  | 322,903    |
|                              |  |  |  |  |  |  |  |  |  |  | 713,584    |  | 831,883    |

11. Other accrued provisions include the following material items:

|   |  |  |  |  |  |  |  |  |  |  | 1999<br>DM |  | 1998<br>DM |
|---|--|--|--|--|--|--|--|--|--|--|------------|--|------------|
| Costs for year-end accounting, general meeting and audits |  |  |  |  |  |  |  |  |  |  | 657,000    |  | 70,000     |
| Vacation entitlements                                     |  |  |  |  |  |  |  |  |  |  | 280,000    |  | 151,060    |
| Guarantees  |  |  |  |  |  |  |  |  |  |  | 150,000    |  | 0          |
| Outstanding invoices                                      |  |  |  |  |  |  |  |  |  |  | 0          |  | 357,740    |
| Other short-term provisions                               |  |  |  |  |  |  |  |  |  |  | 429,555    |  | 84,000     |
|   |  |  |  |  |  |  |  |  |  |  | 1,516,555  |  | 662,800    |

DataDesign AG develop 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. Since the end of 1997, an ISO 9000 certification project is underway within the group. As a precaution, the company formed accrued reserves for first time in the fiscal year for such potential risks as well as liberal settlements of customer claims.

12. In the previous year, the funding for a share capital increase comprised non-cash capital contributions. It was appropriated by the decision of the executive board on December 29, 1998 to carry out a capital increase.

13. The company's capital stock amounts to EUR 5,550,000. It is divided into 5,550,000 shares of common stock.

After the resolution to increase share capital was entered to the commercial register on February 11, 1999 and in connection with the noncash capital contribution of all shares of Software4You GmbH, Planegg, Municipality Martinsried, capital stock amounts to DM 9,250,000 and is split up into 1,850,000 bearer shares.

In fiscal 1999, the company's capital stock of DM 9,250,000.00 was translated into euros at the DM-to-euro conversion rate (EUR 1 = DM 1,95583) determined by the Council of the European Union under Article 109 l (4). The converted capital stock thus amounts to 4,729,449.90 euros. The company's converted capital stock was increased by 820,550.10 euros to a total of 5,550,000.00 euros by means of a share capital increase out of retained earnings as disclosed in the Financial Statement for the Year Ended December 31, 1998. At the same time, a 3-for-1 stock split was effected, which changed the distribution of capital stock. Stockholders are entitled to an amount of new shares at the ratio of shares held in old capital stock.

For the period until August 31, 2004 and with the approval of the supervisory board, the executive board is authorized to increase capital stock once or several times by up to DM 3,000,000 by issuing shares made out to bearer (common stock) against cash or noncash capital contributions (approved capital). By decision of the executive board and with the approval of the supervisory board on December 29, 1998 and exercising the above authorization upon entry of the share capital increase into the commercial register, a partial amount of DM 750,000 of approved capital was used to increase capital stock by means of noncash capital contribu-

tions. The remaining approved capital amounts to DM 2,250,000. After translation into euros, approved capital amounted to EUR 1,150,406.73. Should this authorization 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. The same applies if the shares of the enterprise are listed on the stock exchange and the share issue price does not fall substantially below the stock exchange quotation. The stock subscription right of stockholders may also be excluded to grant stock option rights to group employees who are entitled to these. Should preferred shares be issued, the company reserves the right to issue further preferred shares on par with the existing preferred shares.

The special general meeting of shareholders on September 4, 1998 authorized the supervisory board to issue stock purchase warrants for up to 36,000 shares of common stock to executive board members (DataDesign AG Stock Option Plan 1998) and grant options to persons entitled to options for up to a total par value of DM 180,000 within the framework of an employee investment participation model, the Stock Option Plan. The executive board was authorized to issue stock purchase warrants for up to 84,000 shares in 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 in each case not exceed 10 years; in addition, the executive board is entitled to issue options

which were not allocated to the executive board by the supervisory board. Each of the issued options may be converted into one share. In accordance with the stock purchase warrant conditions, options may be exercised at the earliest two years after the issuance of a warrant. After this vesting term, options may be exercised at any time. When a warrant is converted to a share, the person entitled to the option is required to pay the amount indicated on the warrant as the exercise price. On account of the stock option split, the 72,710 option rights which have been granted but not been terminated up to the date of the ordinary general meeting will be increased to 218,130 option rights.

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 thus far (a total of 218,130 option rights following the option split), the ordinary general meeting of shareholders on April 23, 1999 authorized the supervisory board to issue options for up to 141,870 shares of common stock (DataDesign AG Stock Option Plan 1999) 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 a further employee investment participation model, the Stock Option Plan. 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 holder to convert the option into one share of common stock. The vesting period of these options may in each case not exceed 10 years.

In accordance with the stock purchase warrant 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 remained at least 15 percent higher than the exercise price at the date of issue for a period of five consecutive stock exchange trading days within a month prior to the day that the option is exercised. The percentage mentioned above applies to the first year after the option first vests and increases by 10 percentage points for every year thereafter.

Beyond that, even after the mandated minimum two-year vesting period and irrespective of the express minimum stock performance requirements, options may be exercised no more than four times in the fiscal year, in each case within a four week period. These predetermined periods in which options may be exercised in each case begin on the third day that banks are open for business following the publication of the four quarterly reports. When a warrant is converted to a share, the option holder is required to pay the amount indicated on the warrant as the exercise price.

(Following a 3-for-1 stock option split and/or EUR):

|  | Nominal value of options in EUR | Number of options in shares | Average exercise price in EUR | Average remaining term in months |
|--|---------------------------------|-----------------------------|-------------------------------|----------------------------------|
| Number of subscribed warrants in 1998:                         |                                 |                             |                               |                                  |
| – Members of the executive board                               | 54,000                          | 54,000                      | 3.21                          | 106.0                            |
| – Employees  | 179,730                         | 179,730                     | 3.58                          | 105.8                            |
|  | 233,730                         | 233,730                     |                               |                                  |
| Warrants terminated in the fiscal year:                        |                                 |                             |                               |                                  |
| – Members of the executive board                               | 0                               | 0                           |                               |                                  |
| – Employees  | 20,100                          | 20,100                      | 3.21                          | 106.0                            |
|  | 20,100                          | 20,100                      |                               |                                  |
| Newly subscribed warrants in the fiscal year:                  |                                 |                             |                               |                                  |
| – Members of the executive board                               | 0                               | 0                           |                               |                                  |
| – Employees  | 125,859                         | 125,859                     | 10.40                         | 119.0                            |
|  | 125,859                         | 125,859                     |                               |                                  |
| Number of subscribed warrants in 1999:                         |                                 |                             |                               |                                  |
| – Members of the executive board                               | 54,000                          | 54,000                      | 3.21                          | 106.0                            |
| – Employees  | 285,489                         | 285,489                     | 5.56                          | 111.7                            |
|  | 339,489                         | 339,489                     |                               |                                  |
| Number of warrants available for subscription                  |                                 |                             |                               |                                  |
| – Available to members of the executive board and/or employees | 20,511                          | 20,511                      |                               |                                  |

As disclosed in the Consolidated Financial Statements, the DataDesign Group accrued reserves of DM 15,000 for liabilities due to potential termination of option rights. Beyond that, APB Opinion No. 25 and Related Interpretations was applied for accounting for and valuating liabilities resulting from employee investment participation models (DataDesign AG Stock Option Plan).

Preparation of a balance sheet for the Stock Option Plan in keeping with the stipulations set forth in SFAS No. 123 would have engendered additional expenditures of 1,752,000, which is equivalent to a cost of DM 0.32 per share. In accordance with the DataDesign AG Stock Option Plan, capital stock is increased conditionally by up to DM 600,000.00 by issuing up to 120,000 shares of common stock made out to bearer to grant options to entitled persons (Conditional Capital I). Should these options be exercised, the new shares are issued against payment of at least DM 18.83 per share. The exercise price of at least DM 18.83 per share is increased by the amount that the share's market value exceeds the minimum price of DM 18.83 on the last workday prior to the issuance of an option.

Pursuant to Article 218, German Stock Corporation Law and by resolution of the general meeting of April 23, 1999 and following the translation to euros and the increase of capital stock as well as the stock split, conditional capital was increased at the same ratio as the share capital increase. Consequently, capital stock now amounts to EUR 360,000.00 and is divided in 360,000 shares.

Stockholders are entitled to 145,420 of the 240,000 newly created option rights at the ratio of options held to date. At the same time, in accordance with the 3-for-1 stock split, the exercise price was in each case reduced to one third of the previous exercise price. Moreover, conditional capital may only be used for the DataDesign AG Stock Option Plan 1999 insofar it has not been appropriated otherwise.

The conditional increase in share capital is only carried out insofar as the persons entitled to the options exercise their rights and the conditional capital is required in accordance with the stipulations governing the conditions for exercising options. The executive board is authorized to determine the further details for carrying out the conditional increase in share capital.

14. 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, reported capital reserves to the amount of EUR 820,550.10 (equivalent to DM 1,604,856.50) were transferred from capital reserves and converted into capital stock.

Notes to the Income Statement

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

|                                   | 1999 in<br>thousands of DM | 1998 in<br>thousands of DM |
|-----------------------------------|----------------------------|----------------------------|
| Software development and projects | 9,828                      | 12,180                     |
| Revenues from goods sold          | 2,182                      | 23                         |
| Other                             | 187                        | 68                         |
|                                   | 12,197                     | 12,271                     |

In the fiscal year 1999, 29.4% (previous year: 22.5%) of sales revenue were generated by one customer. Another customer accounted for sales revenue of 12.3% in 1999. Beyond these two customers, no other single customer accounted for more than 10% of sales revenue in fiscal years 1999 and 1998.

2. The following expenditures for materials and services are contained in the disclosed cost of sales and research and development expenses:

|                                   | 1999 in<br>thousands of DM | 1998 in<br>thousands of DM |
|-----------------------------------|----------------------------|----------------------------|
| Expenses for third-party goods    | 2,735                      | 608                        |
| Expenses for third-party services | 304                        | 800                        |
|                                   | 3,039                      | 1,408                      |

3. The following personnel costs are contained in the Income Statement:

|                     |  |  |  |  |  |  |  |  |  |  | 1999 in<br>thousands of DM | 1998 in<br>thousands of DM |
|---------------------|--|--|--|--|--|--|--|--|--|--|----------------------------|----------------------------|
| Wages and salaries  |  |  |  |  |  |  |  |  |  |  | 10,760                     | 5,459                      |
| Social security     |  |  |  |  |  |  |  |  |  |  | 1,785                      | 944                        |
| Retirement benefits |  |  |  |  |  |  |  |  |  |  | 34                         | 4                          |
|                     |  |  |  |  |  |  |  |  |  |  | 12,579                     | 6,407                      |

4. Operating expenses consist predominantly of sales and distribution costs, cost of office space, advertising expenditures, administration costs, legal and consulting expenses as well as costs for vehicles and outside services. This item also contains out-of-period expenditures of DM 9,139 (previous year: DM 1,750).

5. Other income contains profits from nonmonetary compensation and income from disposal of fixed assets. The itemized position contains out-of-period income of DM 11,394 (previous year: DM 147,000).

6. Tax on income from the results of ordinary activities comprise exclusively tax on earnings (DM 198,507; previous year: DM 526,113); in 1998, DM 384,200 of this figure was transferred to the gain on disposal of business segments after taxes on income as well as income from the release of deferred tax accruals in 1998 at the amount of DM 93,500. On account of tax loss carryover, deferred taxes were capitalized to the amount of DM 3,892,000. Allowances made in the previous year were retained.

The figures for this itemized position are as follows:

|  | 1999<br>DM | 1998<br>DM |
|--|------------|------------|
| Current Taxes on income  | 198,507    | 432,613    |
| Less:  |            |            |
| Tax on income from gains on the disposal of business segments                              | 0          | -384,200   |
| Tax on income from the result of ordinary activity before capitalization of deferred taxes | 198,507    | 48,413     |
| Capitalized deferred taxes on account of loss carryover                                    | -3,892,000 | -2,090,000 |
| Less valuation adjustment hereof   | 0          | 1,542,200  |
|  | -3,892,000 | -547,800   |
|  | -3,693,493 | -499,387   |

7. In the previous year, gain on disposal of business segments comprised profits from the sale of the independent division "Planungssysteme", which in 1998 was developed to market maturity by a subsidiary and, in keeping with the strategy of the DataDesign Group, subsequently sold. Profits stated under this itemized position were determined as follows:

[illegible]

8. The figures for Income (loss) per share are indicated in the following chart. The figures for 1998 were adjusted to the stock and option split carried out in the year under review:

|  | 1999<br>DM | 1998<br>DM |
|--|------------|------------|
| Income (loss) per share  |            |            |
| Consolidated Group results                                       | -9,670,634 | 347,624    |
| Weighted average of issued shares (1)                            | 5,550,000  | 5,100,000  |
| Per share yield  | -1.74      | 0.07       |
| Income (loss) per share (fully diluted)                          |            |            |
| Consolidated Group results                                       | -9,670,634 | 347,624    |
| Weighted average of issued shares (1)                            | 5,550,000  | 5,100,000  |
| Shares issued in the share capital increase of December 1998     | -          | 450,000    |
| Dilution effect due to the Stock Option Plan; issued options (2) | 339,489    | 233,730    |
|  | 5,889,489  | 1,927,910  |
| Per share yield (3)  | -1.74      | 0.06       |

Remarks on (1): All shares issued in the fiscal year are entitled to dividends for the entire fiscal year, with the exception of the shares issued in the course of the share capital increase in December 1998. These are entitled to dividends from the fiscal year 1999. The same holds true for shares issued under the stock option split.

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

Remarks on (3): On account of the loss situation in the fiscal year, granted options did not engender dilution effects according to SFAS No. 128.

1. Other financial obligations that do not appear in the balance sheet and are not required to be reported in accordance with Article 251, HGB (German Commercial Code) are as follows:

|                              |  |  |  |  |  |  |  |  |  | 2000 in<br>thousands<br>of DM | 2001 in<br>thousands<br>of DM | 2002 in<br>thousands<br>of DM | after<br>2002 in<br>thousands<br>of DM |
|------------------------------|--|--|--|--|--|--|--|--|--|-------------------------------|-------------------------------|-------------------------------|--|
| Leases (real property) (1)   |  |  |  |  |  |  |  |  |  | 1,654                         | 1,477                         | 346                           | 0                                      |
| Contracts (movable property) |  |  |  |  |  |  |  |  |  | 253                           | 163                           | 37                            | 112                                    |
| Telephone system             |  |  |  |  |  |  |  |  |  | 6                             | 6                             | 6                             | 6                                      |
|                              |  |  |  |  |  |  |  |  |  | 1,913                         | 1,646                         | 389                           | 118                                    |

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

In connection with the acquisition of a 49.2% equity in Software4You Planungssysteme GmbH, Planegg, Municipality Martinsried, DataDesign AG has the right to purchase a DM 500.00 share of the other shareholders' equity. In return, 6,250 shares of DataDesign AG's common stock are transferred to the seller.

2. The average number of employees for the respective year was:

|           |  |  |  |  |  |  |  |  |  |  |  |      |  |  |      |
|-----------|--|--|--|--|--|--|--|--|--|--|--|------|--|--|------|
|           |  |  |  |  |  |  |  |  |  |  |  | 1999 |  |  | 1998 |
| Employees |  |  |  |  |  |  |  |  |  |  |  | 138  |  |  | 68   |

### 3. Executive officers of DataDesign AG:

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

|                    |                                |
|--------------------|--------------------------------|
| Roy von der Locht, | (since February 23, 1999;      |
| Pöcking            | chairman since August 9, 1999) |

|                 |                                |
|-----------------|--------------------------------|
| Stefan Pfender, | (chairman until July 30, 1999) |
| Munich          |                                |

|                     |  |
|---------------------|--|
| Michael Reithinger, |  |
| Munich              |  |

|                  |                         |
|------------------|-------------------------|
| Wolfram Themann, | (from February 23, 1999 |
| Frankfurt/Main   | to September 28, 1999)  |

In total, remuneration to the executive board in the fiscal year amounted to DM 967,495 (previous year: DM 179,640). This figure includes compensation in the amount of DM 250,000.

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

|                        |   |
|------------------------|---|
| Lothar Mark,<br>Rodgau | Member of the executive board,<br>Gontard & MetallBank AG, Frankfurt<br>Chairman<br>Also a member of the following<br>supervisory bodies:<br>plenum AG, Wiesbaden |
|------------------------|---|

|                            |   |
|----------------------------|---|
| Robert Käß,<br>MBA, Munich | Deputy chairman<br>Also a member of the following<br>supervisory bodies:<br>Towitoko AG, Ottobrunn<br>2CK Software AG, Munich |
|----------------------------|---|

|   |  |
|---|--|
| Dr. Hartwig Graf von Westerholt,<br>Attorney, Königsstein | Also a member of the following<br>supervisory bodies:<br>Producta AG, Ettlingen<br>digital advertising AG, Ottobrunn |
|---|--|

Remuneration to the supervisory board of DataDesign AG in the fiscal year amounted to DM 27,639 (previous year: DM 13,500).

### Newly Adopted Accounting Standards

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

### Consolidated Financial Statements

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, March 2000

Roy von der Locht

CEO and President  
of the Executive Board

Michael Reithinger

Executive Officer

## Consolidated Statement of Changes in Equity Capital for the Year Ended December 31, 1999 (US GAAP)

|   |  | Capital<br>stock | Capital<br>reserve | Revenue<br>reserve | Total<br>equity capital |
|---|--|------------------|--------------------|--------------------|-------------------------|
|   |  | DM               | DM                 | DM                 | DM                      |
| <b>Status on December 31, 1995</b>  |  | 50,000.00        | 0.00               | -67,309.58         | -17,309.58              |
| Net income 1996   |  | 0.00             | 0.00               | 105,144.43         | 105,144.43              |
| Dividend payout   |  | 0.00             | 0.00               | 0.00               | 0.00                    |
| <b>Status on December 31, 1996</b>  |  | 50,000.00        | 0.00               | 37,834.85          | 87,834.85               |
| Share capital increase  |  | 150,000.00       | 0.00               | 0.00               | 150,000.00              |
| Dividend payout   |  | 0.00             | 0.00               | 0.00               | 0.00                    |
| Net income 1997   |  | 0.00             | 0.00               | 30,198.68          | 30,198.68               |
| <b>Status on December 31, 1997</b>  |  | 200,000.00       | 0.00               | 68,033.53          | 268,033.53              |
| Share capital increase  |  | 8,300,000.00     | 0.00               | 0.00               | 8,300,000.00            |
| Transfer of the premium to capital reserve  |  | 0.00             | 27,047,780.00      | 0.00               | 27,047,780.00           |
| Capital procurement costs offset against capital reserve without affecting operating result |  | 0.00             | -3,061,828.64      | 0.00               | -3,061,828.64           |
| Dividend payout   |  | 0.00             | 0.00               | 0.00               | 0.00                    |
| Net income 1998   |  | 0.00             | 0.00               | 327,624.01         | 327,624.01              |
| <b>Status on December 31, 1998</b>  |  | 8,500,000.00     | 23,985,951.36      | 395,657.54         | 32,881,608.90           |
| Capital increases through non-cash contributions  |  | 750,000.00       | 0.00               | 0.00               | 750,000.00              |
| Capital increases out of retained earnings  |  | 1,604,856.50     | 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               | -1,604,856.50           |
| Dividend payout   |  | 0.00             | 0.00               | 0.00               | 0.00                    |
| Net loss for the year 1999  |  | 0.00             | 0.00               | -9,670,633.66      | -13,562,633.66          |
| <b>Status on December 31, 1999</b>  |  | 10,854,856.50    | 22,381,094.86      | -9,274,976.12      | 20,068,975.24           |

**Consolidated Flow Statements for the Years Ended December 31,  
1999 and for 1998 (US-GAAP)**

|   | 1999<br>DM     | 1998<br>DM    |
|---|----------------|---------------|
| <b>Operating income and expenses</b>  |                |               |
| Net income/loss   | -9,670,633.66  | 327,624.01    |
| Allowance to reconcile net income/loss to income/expenses                                 |                |               |
| Depreciation of intangible assets   | 174,862.64     | 96,772.18     |
| Depreciation of fixed assets  | 841,541.53     | 335,145.25    |
| Depreciation of financial assets  | 169,998.00     | 0.00          |
| Decrease/increase in assets and increase/decrease in liabilities and shareholders' equity | 1,004,307.00   | 8,158.09      |
| Change in deferred taxes  | -3,344,200.00  | -547,800.00   |
| Net change in accruals for pensions   | 0,00           | -34,659.00    |
|   | -1,153,490.83  | -142,383.48   |
|   | -10,824,124.49 | 185,240.53    |
| Decrease/increase in assets and increase/decrease in liabilities and shareholders' equity |                |               |
| Trade receivables   | 2,146,945.30   | -5,124,863.72 |
| Trade receivables from affiliated companies   | -991,165.07    | 0.00          |
| Other assets  | -1,220,176.90  | -384,474.75   |
| Inventories   | -168,800.00    | 63,059.61     |
| Payments received on account of orders  | 127,504.88     | 0.00          |
| Short-term tax accruals   | -533,878.99    | 509,542.01    |
| Accruals for deferred tax   | 0.00           | -93,500.00    |
| Other accruals  | 853,755.00     | 15,143.00     |
| Trade payables  | 610,462.30     | 918,849.41    |
| Other short-term liabilities  | -118,299.09    | 318,932.15    |
| Other   | -237,845.63    | -53,714.42    |
|   | 468,501.80     | -3,831,026.71 |
| Net operating income/expenses   | -10,355,622.69 | -3,645,786.18 |



**Audit Opinion for the Consolidated Financial Statements for the Year Ended December 31, 1999****and the Group Management Report for the Year Ended 1999**

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, 1999. The preparation and the content of the financial statements are the responsibility of the executive board of DataDesign AG. Our responsibility is to express an opinion, based on our audit, about whether the consolidated financial statements are in accordance with accounting principles generally accepted in the United States of America (US GAAP).

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 evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. 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.

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. Our audit, which — according to German auditing regulations — also extends to the Group management report prepared by the executive board for the financial year from January 1 through December 31, 1999, 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. In addition, I confirm that the consolidated financial statements of the Group and the Group management report for the financial year from January 1 through December 31, 1999 satisfy the conditions required for the company's exemption from its obligation to prepare the consolidated financial statements and the Group management report in accordance with the German Commercial Code.

Augsburg, March 17, 2000

PUHLE GOLLING & STÖTTER

Rechtsanwälte – Steuerberater  
Wirtschaftsprüfer

Stötter

Wirtschaftsprüfer

Publication or dissemination of the consolidated financial statements and/or management report, including translations to other languages, in any form that deviates from the audited version requires our further comment if our audit report is quoted or any reference is made to our audit; in particular, we refer to Article 328 HGB (German Commercial Code).

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