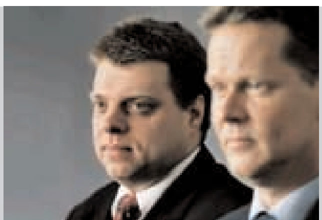
ANNUAL REPORT 2003

LOOK BEYOND THE NUMBERS





MIS at a glance

in '000 € (unless stated)	2003	2002	2001
Sales	47,935	47,888	60,843
Sales per employee	104	88	93
Personnel expenses	30,016	30,453	37,331
Capital investments	1,695	631	3,455
Depreciation and amortization	4,259	3,337	30,081
Research and development expenses	5,744	5,239	6,221
Research and development expenses in % of sales	12.0	10.9	10.2
Restructuring charges	0	2,030	3,951
Earnings before interest, taxes and amortization of goodwill (EBITA)	1,647	-3,726	-4,186
Earnings before interest and taxes (EBIT)	-1,548	-5,397	-19,485
Earnings before taxes (EBT)	-1,389	-5,338	-31,176
Net income/net loss	-1,944	-11,620	-27,863
Cash flow	-233	-2,722	-11,718
Average number of shares	3,409,732	3,396,932	3,370,900
Earnings per share in €	-0.57	-3.42	-8.27
Balance sheet total	25,419	29,425	46,372
Shareholders' equity	11,926	13,749	25,281
Equity ratio in %	46.9	46.7	54.5
Average workforce	461	545	651
Period-end workforce	459	460	639

This annual report conforms to International Financial Reporting Standards (IFRS).

Company Profile

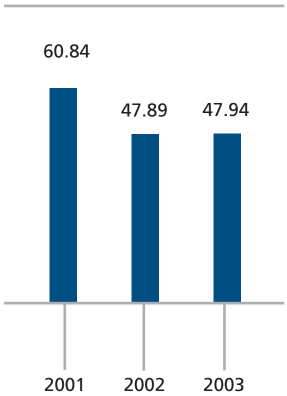
MIS AG is the leading European provider of Business Intelligence solutions for planning, reporting, consolidation and analysis.

With the software MIS DecisionWare and the business analysis consulting based thereupon, MIS AG customers achieve an attractive return-on-investment. Training and support complete the package.

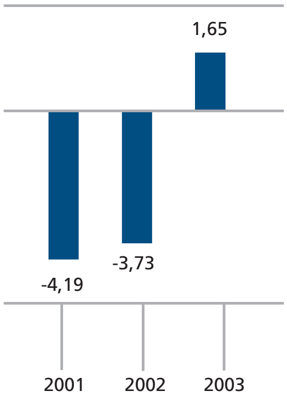
Roughly 28,000 users in 1,300 firms profit from MIS AG solutions and consulting through 460 MIS employees worldwide. In fiscal year 2003, MIS AG earned revenues of Euro 48 million.

For further information please visit www.misag.com.

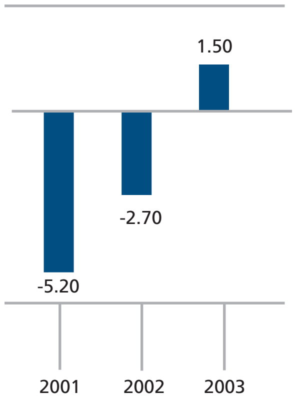
Revenue
in millions €



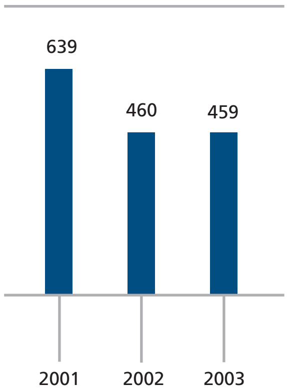
EBITA
in millions €



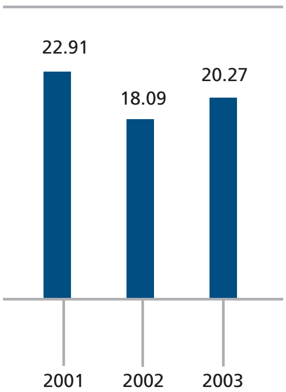
Cash flow from ordinary Operations in millions €



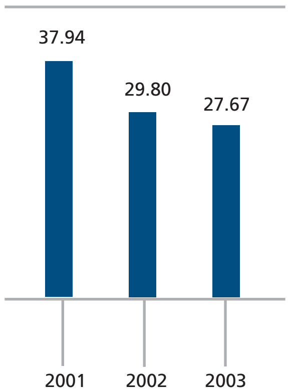
Headcount



Product revenue
in millions €



Service revenue
in millions €



Core competencies of MIS AG

Solutions for planning, reporting, analysis and consolidation

Innovative Software
MIS DecisionWare

Professional consulting services

MIS Solutions

Scalable ■ ■ Industry independent
Rapid implementation ■ ■ Platform independent

MIS is the right partner for Corporate Performance Management Solutions

MIS solutions are used by

- **1,300 Companies**
- **28,000 users worldwide**

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"Purchasing, production planning, liquidity management – you name it. The possibilities to leverage MIS software are endless. There is hardly a department in our company that doesn't benefit from it!"

Mathias Sänger, IT Director, Schmiedetechnik Plettenberg GmbH & Co. KG

“MIS has helped us significantly reduce our time to answers as well as expedite our management's time to decisions.”

Lars-Ulrich Kahl, Head of Controlling, Schmiedetechnik Plettenberg GmbH & Co. KG

Message from the Board

Dear partners and customers:

The main thrust of our efforts in the fiscal year 2003 centered around continuing to improve our products and solutions. The quality, performance and sheer versatility of the new software versions which we presented at CeBIT 2004 have been substantially enhanced and our customers again have ample reason to look forward with excited anticipation to all we have to offer in the field of corporate management in the forthcoming year.

New, innovative corporate management products developed

During the fiscal year 2003 we concentrated on the continued development of our MIS DecisionWare software platform for planning, reporting and analysis applications. The new Version 5.0 sets new standards in user friendliness and covers a comprehensive spectrum of corporate management topics, for medium-sized enterprises as well as for globally operating multinationals. Our systems are not only scalable and, with regard to functionality, infinitely extensible, they can also be tailored to meet any requirements. Implementation times are appreciably shorter and the costs lower than those of our competitors, allowing us to offer a much quicker return on investment.

Significant progress made on publication of web based reports

With the new MIS DeltaMiner 5.0, which was also developed in the last fiscal year, we now supply a software solution which enables customers to analyze extremely large amounts of data considerably faster and more efficiently. We have also made significant progress when it comes to web based publication of analyses and reports. The integration of reporting services offered by our new, flexible front end MIS Plain permits ad hoc analyses to be seamlessly integrated into Microsoft Reporting Services.

The applications we offer for consolidation, risk management planning and investment controlling tasks have also profited from the further development of our MIS DecisionWare software platform. In cases such as this it is clearly beneficial that all our applications run on the same platform.

Peter Raue
CEO

Michael Danninger
CTO

Hannes Wambach
COO

Since December 2003, MIS AG has been a member of the Systems Union Group plc based in Farnborough, UK. The company made MIS AG shareholders a successful voluntary takeover bid in the fall of 2003. MIS AG – which continues to operate as an independent company – subsequently assumed responsibility within the Systems Union Group for establishing a global division for corporate management software. Our customers now profit from the global presence of the combined group.

1,300 companies now use MIS AG software worldwide

The new role adopted by our company is also reflected in the Supervisory Board's decision to expand MIS AG's Management Board. I am delighted to be able to introduce Michael Danninger, Stefan Sexl and Hannes Wambach as our new colleagues on the Management Board. Together we will ensure that MIS AG provides our customers with unrivalled services in the field of enterprise planning and control. We are already well on the way to achieving this goal. In 2003 alone, the number of companies in which our software is installed grew by 30 percent to 1,300. At the same time the number of users increased by 22 percent to 28,000. A selection of our customers are pictured in this report, referred to explicitly, or described in one of the project reports. I would like to take this opportunity to express my immense appreciation to all those involved for the generous acknowledgement of our work that these inclusions represent.

MIS AG employed around 450 people in its worldwide operations in 2003

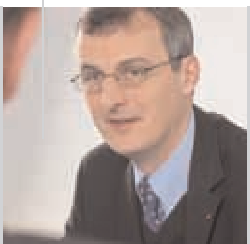
MIS AG operates from 31 locations in 22 countries across the globe. Around 450 employees have shown unwavering commitment to the interests of our customers, shareholders, partners and suppliers throughout the whole of the last fiscal year. At this juncture I would like to thank our employees on behalf of the Management Board for their steadfast allegiance to the company and the extraordinary commitment they have so often demonstrated. I would also like to thank our customers, partners and suppliers for placing their confidence in us. I look forward with optimism to their continuing collaboration with MIS AG in the fiscal year 2004.

Darmstadt, March 2004

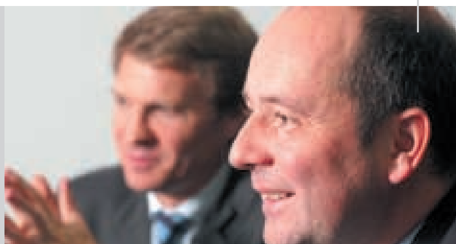
Peter Raue
CEO

Detlef Klüssendorf
CFO

Stefan Sexl
Member of the Management Board



Peter Raue
CEO



Report of the Supervisory Board

During the fiscal year 2003, the Supervisory Board discussed the business and strategic development of MIS AG in the course of eight meetings, one teleconference and one circular resolution.

The work of the Supervisory Board focused in particular on the takeover offer made by Systems Union Group plc. The Supervisory Board also concerned itself with the quarterly financial reports, group planning, acceptance of the principles of corporate governance, approval of the 2004 budget and the updating and approval of the standing rules and the Management Board organization chart.

Prof. Dr. Sven Piechota vacated his position as Chairman of the Supervisory Board on June 11, 2003. His duties were assumed by the previous Vice Chairman Gerd Nicklisch. At the same time, Bernhard Dorn was appointed as a new member of the Supervisory Board by the Darmstadt Local Court. Hans-Dieter Holler and Bernhard Dorn resigned their seats on the Supervisory Board on December 1, 2003 following the takeover of the company by Systems Union Group. Paul Coleman and Tony Sweet, both members of the Systems Union Board, were appointed to the MIS AG Supervisory Board by the Darmstadt Local Court on December 3, 2003. On December 9, 2003, the Supervisory Board elected Paul Coleman as its new Chairman and Gerd Nicklisch as Vice Chairman. The Supervisory Board wishes to take this opportunity to thank Mr. Piechota, Mr. Holler and Mr. Dorn for the commitment shown to the MIS Group in their work.

The Supervisory Board commissioned the independent auditors appointed by the general meeting of shareholders, Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Eschborn/Frankfurt am Main, to audit the annual financial statements and consolidated financial statements of MIS AG as of December 31, 2003.

The consolidated financial statements and the group's management report, as well as the MIS AG annual financial statements and management report, for fiscal year 2003, were reviewed by the independent auditor and received an unqualified auditor's report. The audit report of the independent auditor was submitted to all members of the Supervisory Board and was discussed in detail in the presence of the auditor at the Supervisory Board's

Paul Coleman
Chairman of the Supervisory Board

balance sheet meeting. The Supervisory Board concurred with the results of the audit, and approved and thereby adopted the 2003 annual financial statements of MIS AG. The 2003 annual financial statements of MIS AG were thus accepted as submitted and the consolidated financial statements approved.

The Supervisory Board wishes to thank the Management Board and the employees of the MIS Group and to express its sincere appreciation of the work undertaken by them all on behalf of the company in fiscal year 2003.

Darmstadt, February 2004

The Supervisory Board

Paul Coleman
- Chairman-

MIS AG Supervisory Board:

Paul Coleman, Chairman of the Supervisory Board (as of December 9, 2003)

Gerd Nicklisch, Vice Chairman (as of December 9, 2003)

Tony Sweet, Member of the Supervisory Board (as of December 9, 2003)

Prof. Dr. Sven Piechota, Chairman of the Supervisory Board (until June 11, 2003)

Bernhard Dorn, Member of the Supervisory Board (from June 11, 2003 to December 1, 2003)

Hans-Dieter Holler, Member of the Supervisory Board (until December 1, 2003)

MIS Solutions at Work

Vattenfall Europe AG

Profile:

Vattenfall Europe AG was created by incorporating four organizations: Bewag, HEW, LAUBAG and VEAG. Germany's third largest electricity company is part of the Europe-wide Vattenfall group, which is active throughout the value chain of the energy industry. Its customers include private households, trades and industry, municipal utilities and regional suppliers.

Situation:

The complex group structures spawned a need for a software solution that supports the risk management process enterprise-wide.

Solution:

The MIS solution allows the individual risks of each company and each business area to be systematized and evaluated using standardized procedures, for instance according to risk areas. It thereby maps every established risk management process from early identification to reporting. In addition, its consistent database provides a quantifiable indication of the company's aggregated risk position.

Advantages:

The MIS solution enables Vattenfall Europe AG to implement user-friendly support for risk monitoring workflows and make the actual risk situation more transparent. At the same time, it facilitates detailed analyses based on meaningful performance indicators that are capable of much more than simply describing the risks. The underlying methodology is in line with the latest business standards in the field of risk management.

Assessment:

"Thanks to the expert collaboration between our partner MIS and our own risk management specialists, the software was successfully implemented within a very short time. Its flexibility and customizability were severely challenged by the complexity of risk management in the Vattenfall group. We are particularly appreciative of MIS' willingness to integrate new requirements emanating directly from our everyday work."

Mario Hempel, Risk Management Manager (KonTraG), Vattenfall Europe AG

Pepperl+Fuchs

Profile:

Pepperl+Fuchs – a medium-sized, family run company with more than 2700 employees headquartered in Mannheim, Germany – designs, produces and distributes electronic components for factory and process automation. The group is represented in 26 countries with its own sales companies and maintains ten manufacturing facilities in eight countries.

Situation:

The existing standalone solutions in the Controlling and Consolidation Divisions had to be replaced by an application capable of providing database consistency. Another stipulation was that recording and analysis of information should be geared to actual needs.

Solution:

The standardized, enterprise-wide solution that was evolved by meaningfully combining several of the components in the MIS product family is based on a shared data pool to facilitate compliance with all the specified requirements. The use of a web based front end permits decentralized data entry as well as flexible creation of analysis reports.

Advantages:

The MIS solution has been instrumental in automating the majority of processes and harmonizing data logistics. Potential sources of error have thus been systematically eliminated, with the result that users profit particularly from time savings and significantly improved data quality. The centralized, practically maintenance-free IT environment is a further advantage, because the web link enables local installations to be dispensed with.

Assessment:

"Thanks to MIS DecisionWare, we have successfully completed a standardized data transfer from the subsidiaries to the parent company and realized timely, quarterly consolidation", sums up **Simone Kunz, Project Manager Group Accounting**. And her colleague **Manuela Fischer, responsible for Controlling**, adds: „Overall, both the subsidiaries and the parent have been able to exploit important synergies, which can now be put to more focused use in analyses."

MIS Solutions at Work

IG Immobilien Group

Profile:

The Vienna based IG Immobilien group is a wholly owned subsidiary of the Austrian National Bank and one of the leading enterprises in the Austrian real estate sector. The company sees itself as a full service provider for discerning commercial and private customers. IG Immobilien also acts as a partner in public-private partnership models.

Situation:

Realizing that the reporting needs of around 20 subsidiaries could no longer be catered for efficiently with Microsoft Excel, IG Immobilien decided to introduce a new solution for reporting and long-term planning. In addition to automating processing of actual accounting data and merging planning data from almost every department, the application needed to provide efficient support for analyses of all kinds.

Solution:

Following a short implementation phase lasting just 20 weeks, the MIS solution has successfully optimized IG Immobilien's internal processes: the Accounting department performs analyses that accurately reflect real requirements and Property Management uses the software for statistical evaluations, while practically all departments are linked via the system to the planning process and consequently profit from access to performance indicators.

Advantages:

Consistent data and a centrally maintained set of reports have enabled sources of errors to be systematically eliminated. Controllers take advantage of the saved time to prepare meaningful analyses for timely submission to department heads, management and the Austrian National Bank, the parent company.

Assessment:

"The MIS solution gives us a firm grip on all planning activities and is a convenient tool for preparing both standard and ad hoc reports. It has also enabled us to systematically eliminate potential errors in target/actual comparisons and budgeting."

Dagmar Czapek, Accounting Manager, IG Immobilien GmbH

Pfleiderer AG

Profile:

PFLEIDERER AKTIENGESELLSCHAFT

Now focused on its Engineered Wood and Infrastructure Technology operations, SDAX-listed Pfleiderer AG is one of Europe's leading systems providers for wood based panels and surface finishes, railway sleeper technology and a vast range of infrastructure poles and towers. With 5,600 employees and 27 locations spread over six countries, the Pfleiderer Group has annual sales exceeding 1 billion euros. By further internationalizing its activities, the company intends to expand foreign sales, presently accounting for 48 percent of revenues.

Situation:

To facilitate central processing of group data, Pfleiderer was seeking a consolidation solution that can be adapted to specific corporate requirements in addition to complying with international accounting principles, while also taking account of planning and analytic aspects.

Solution:

The MIS solution enables all consolidation-relevant data from the most diverse source systems to be centrally merged, processed and subsequently consolidated step by step. The data is analyzed on a sophisticated user interface integrating different report layouts that accurately reflect real requirements.

Advantages:

Thanks to its standardized database technology, the MIS solution caters for a variety of topics such as consolidation, planning and analysis. Numerous processes have been successfully harmonized and optimized group-wide. The result is faster closing times, increased transparency and consequently peerless data quality and consistency. The system is designed to allow new reporting and consolidation requirements, and the changeover from US GAAP to the IFRS standard, to be efficiently mapped.

Assessment:

"The changeover of our consolidated financial statements to MIS systems was completed absolutely smoothly within an extremely ambitious time frame. The complexity of the processes involved was significantly reduced and we were able to shorten our closing deadlines even further."

Jürgen Cappell, Head of Corporate Unit Accounting/Reporting/Tax at Pfleiderer AG and Project Manager MIS Implementation

"MIS will help us to further increase our competitiveness in the European market."

Jørgen Pluym,
Manager After Market Sales,
DENSO EUROPE B.V.

"With MIS our employees will be able again to concentrate on their core tasks."

Incoronata Gallo, Financial Analyst in Planning section of Financial Accounting Department.
DENSO EUROPE B.V.

Management Report 2003

Market Trend

Following the major downturn in economic activity in the years 2001 and 2002, the global economy began to find its feet again in 2003. According to the German Council of Economic Experts, the world economy grew by 3.5 percent in 2003 edging ahead of the growth rates for 2002 (3.0 percent).

Global economy stabilizes in 2003

While demand picked up in the USA and Japan, the Hamburg Institute of International Economics demonstrated that performance in the European economies continued to be weak . The economic recovery anticipated for the second half of the year failed to materialize. Gross domestic product in the European Union grew in comparison with the previous year by a mere 0.7 percent (2002: 1.0 percent). While it was net exports which exercised the greatest stabilizing effect in the previous year, European Union exports were hampered in the year 2003 by the rise in the value of the euro. The reluctance of companies to invest was reinforced in particular by the uncertain economic outlook and the associated prospects for production and sales. Private consumption proved most dynamic and, at 1.3 percent, grew faster than in the previous year (2002: 1.0 percent).

Zero GDP growth in Germany in 2003

The German economy was unable to steer out of stagnation in 2003. Domestic demand continued weak and the parlous state of the world economy resulted in zero growth in gross domestic product (GDP) following similarly weak growth of 0.2 percent in the year 2002. In its assessment of overall economic development, the Council of Economic Experts forecast GDP growth of 1.5 percent for 2004.

Industry Sectors

Following the major phase of growth in the information technology and communications sector up to mid-2001, the industry contracted throughout Europe by 0.8 percent in 2002 . Germany too reported zero growth.

According to the German Association for Information Technology, Telecommunications and New Media (BITKOM), in 2003 the German IT market stagnated at its 2002 level. Nonetheless, BITKOM expects growth of around 2 percent in 2004.

Growth in the BI market is set to exceed expectations for the IT and communications market

The business intelligence (BI) market is just one part of the IT and communications market. In terms of growth the BI market continues to occupy a special position. Analysts based at International Data Corporation (IDC) expect the market for analysis software to grow to a volume of $4.8b by 2007. The market in Germany is expected to be stimulated in particular by the imperative facing medium-sized enterprises to modernize their information technology, after years of temporizing, and to comply with international accounting standards. However, according to analysts Forrester Research, budgets will

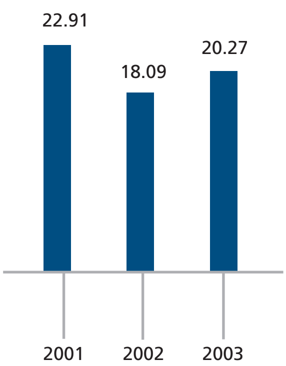
[1] German Council of Economic Experts “Annual Economic Report 2003/2004”: page 56ff.
[2] Günter Weinert: “She slow recovery of the global economy”. In: HWWA Konjunkturforum, page 531ff.
[3] German Council of Economic Experts “Annual Economic Report 2003/2004”: page 56ff.
[4] German Council of Economic Experts. Pressrelease: “Annual Economic Report 2003/2004”. November 12th, 2003, page 1.
[5] European Information Technology Observatory (EITO): Study of October 8, 2003. In: Bitkom: “Press release: Wind of change in the European IT and telecommunications market”, October 8, 2003.
[6] BITKOM: “Industry survey December 10, 2003” page 3. (www.bitkom.de).
[7] IInternational Data Corporation: Study. In: Computerwoche, Branchenmonitor, September 1, 2003, page 11.
[8] META Group: IT for Medium-Sized Enterprises. In: http://Systems-world.de.
[9] Forrester Research. In: Computerwoche, Branchenmonitor, January 8, 2004, page 1f.

continue to be subject to stringent profitability restraints. This is one of MIS AG's major strengths. MIS solutions have a market reputation for unrivalled launch schedules with implementation periods of just a few months.

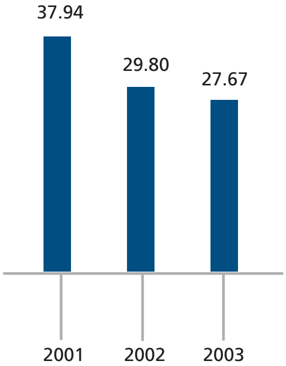
Revenue Trend

Despite the difficult economic climate, particularly in Europe, and persistently weak demand on the IT market, MIS AG has stabilized its position in the fiscal year 2003. The company reported revenues of € 47.94 million (2002: E 47.89 million).

Product revenue
in millions €



Service revenue
in millions €



Product sales developed particularly encouragingly by 12 percent to € 20.27 million (2002: € 18.09 million) accounting for 42 percent of total revenue (2002: 38 percent). Sales of our MIS DecisionWare software platform, which facilitates the mapping of a wide variety of planning, reporting and analysis applications, made a decisive contribution to product business.

At € 27.67 million, revenue from the technical and business consulting support which we provide our customers in tandem with our software was around 7 percent down on the previous year (2002: € 29.80 million). One of the reasons for this was the extreme reluctance of our customers to invest as well as a tendency among customers to perform more project-related work internally. Our per diem fees resisted the downward pressure felt elsewhere in the industry. One of the reasons for this was the verifiably high level of qualification and specialization which our consultants provide as well as the investment security our integrated software and consultancy services represent for our customers.

The hesitant approval of tight IT budgets led to a slight drop in revenues in Germany of 2 percent to € 34.11 million (2002: € 34.73 million).

In contrast, the rest of Europe proved to be a growth market for business intelligence solutions in 2003. Revenue from this source grew significantly compared with the previous year by 5 percent from € 13.16 million to € 13.83 million. The credit for this growth in revenue goes mainly to our subsidiaries in the United Kingdom and Austria.

We were able to increase the number of installed MIS software packages in fiscal year 2003 by 22 percent to 28,000 users. The number of companies in which our software is installed grew by 30 percent to 1,300. Thanks to relevant service contracts which were secured for subsequent months, MIS AG's open orders improved in the fourth quarter of 2003 compared with the previous quarter.

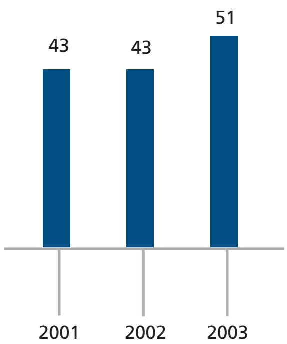
Profit, Financial and Asset Situation

We were able to bring about a further improvement in the profitability of MIS AG in fiscal year 2003. The energies we focused on reducing the cost of sales, combined with stable revenues, resulted in a significantly positive rise in gross income, which increased by 18 percent compared with the previous year. As a result, the gross margin rose to 51 percent (2002: 43 percent).

Despite the continued implementation of cost-cutting measures we decided to respond to a continuing weak market by investing in the effectiveness of our sales operations. We increased the number of people working in marketing and sales by 42 percent. Of the 112 employees now active in this area, some are new recruits, while others have been reorganized into new teams. Sales and marketing expenditure consequently rose to 24 percent of total revenue (2002: 21 percent).

At the same time we again successfully slashed our administrative costs. The share of total revenue accounted for by administrative costs fell in comparison with the previous year from 13 percent (2002) to 10 percent.

Gross margin
in percent



Combined with stable revenue, lower production costs generated earnings before interest, taxes and amortization (EBITA) of € 1.65 million following a loss of € -3.73 million the previous year.

Earnings before interest and taxes (EBIT) were € -1.55 million, an improvement of around € 4 million on last year (2002: € -5.40 million). Despite this decisive improvement, these results did not meet our original plans. We performed a strategic review of our operations following the acquisition of MIS AG as a result of which we recognized a goodwill impairment charge of € 1.89 million of certain subsidiaries in 2003. The recoverability of specific balance sheet items relating to these entities was also subject to a critical review and earnings were consequently negatively affected by € 0.88 million. These one time adjustments amounted to € 2.77 million.

Earnings per share improved

Post-tax operating results were € -1.94 million (previous year: € -11.62 million), resulting in earnings per share of € -0.57 (2002: € -3.42).

MIS AG on sound financial footing

Total assets declined by 14 percent compared to the 2002 reporting date, falling to € 25.42 million on December 31, 2003 (December 31, 2002: € 29.43 million). At the end of the reporting year MIS AG had equity of € 11.93 million (2002: € 13.75 million) corresponding to an unchanged equity ratio of 47 percent. Following the issue of 19,500 new shares based on convertible bonds, MIS AG's capital stock amounted to € 3,429,232 on December 31, 2003.

Investments financed wholly from cash flow

We succeeded in improving the financial position of MIS AG in the fiscal year 2003. Cash flows from operating activities rose to € 1.50 million (2002: € -2.70 million). Cash flow from investments amounted to € -1.63 million in fiscal year 2003. These figures include

Liquidity remains stable

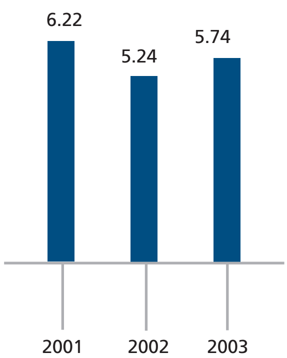
amounts paid for the acquisition of shares in chorus GmbH, Eurasburg, Germany, in the second quarter of 2003 as well as investments in the replacement and expansion of hardware and software.

Despite this acquisition, MIS AG's liquidity remains stable. Liquid assets as at December 31, 2003 amounted to € 4.74 million (December 31, 2002: € 4.91 million). MIS AG primarily financed its operations in the year under review from its operative cash flow.

Research and Development

The success of MIS AG depends crucially on the performance of its research and development department. In order to be able to offer our customers even better products and solutions, we boosted our spending on research and development in the fiscal year 2003 by almost 10 percent from € 5.24 million (2002) to € 5.74 million. The 12 percent sales share of total expenditure assigned to R&D (2002: 11 percent) is ample demonstration of MIS AG's innovative power and strong commitment to development.

Research and development costs
in millions €



We employed 66 development staff on December 31, 2003. Most of these employees work at our Darmstadt headquarters. Our other development centers are located in Langenfeld, Prague, and Vienna. As well as software development, extensive software-related quality management programs are also implemented at all three locations.

In 2003 we concentrated our development endeavors on the continued evolution of the MIS DecisionWare planning, analysis and reporting software platform and successfully positioned ourselves as pioneers in the development of XMLA front ends. XMLA stands for "Extended Mark-up Language for Analysis" and is an integrated standard interface for web-based access to analytic platforms. In fiscal year 2003 we implemented an XMLA interface which makes it even easier to integrate MIS Software in existing IT environments. By using XMLA, MIS technology is now open for all other BI architectures enabling BI components from various other suppliers to be freely combined with each other.

We also developed the platform-conform MIS DecisionWare Studio as a universal front end for analytic applications. MIS DecisionWare Studio is a tool which allows all the steps involved in building analytic applications to be controlled faster and more easily from a single user interface.

MIS DeltaMiner 5.0 speeds up data analysis

Last year MIS AG also presented the MIS DeltaMiner 5.0 – a completely reengineered edition of the market-leading analysis cockpit for controllers and specialist users. This latest version is distinguished by an even more convenient user interface which handles like a web browser – similar to the other components of the MIS product family. Its intuitive control and pre-built methodology enable users to carry out business data analyses easi-

MIS front end certified by SAP

ly and reliably, regardless of their previous experience and knowledge. The new MIS DeltaMiner 5.0 supports ".net technology" and also facilitates true client/server operation. Our customers consequently profit from the ability to analyze extremely large data volumes at a significantly accelerated rate.

MIS AG is the first provider of business intelligence solutions to have its web-based front ends certified by SAP for the mySAP Enterprise Portal. SAP's internationally recognized certificate testifies to our solutions' nigh-on seamless integration in the mySAP Enterprise Portal.

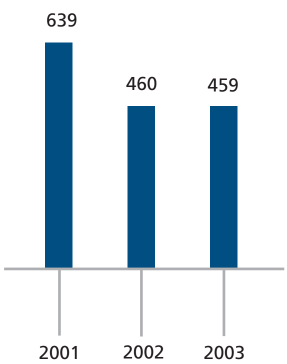
MIS wins Deloitte & Touche Fast Fifty Award

This award is just one of the various certificates and partnerships we have received from SAP and Microsoft. In autumn of 2003 MIS AG won Deloitte & Touche's Technology Fast Fifty Award as one of the fastest growing companies in the technology sector.

Human Resources

On December 31, 2003 the company employed a total workforce of 459 – a figure which has hardly changed since last year (December 31, 2002: 460 employees). The growth in the number of marketing and sales staff on the payroll was compensated for by the deconsolidation of our subsidiary activeWeb GmbH. The number of employees based in Germany fell slightly by 2 percent to 317. Outside of Germany there was little change in the size of the workforce which numbered 142 people (December 31, 2002: 138). Sales per employee increased worldwide by 18 percent from € 88,000 (2002) to € 104,000 in 2003.

Headcount

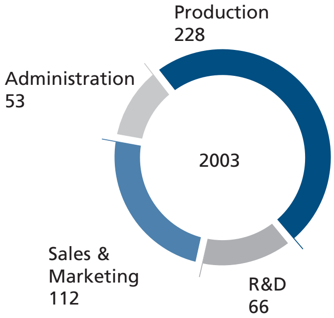


The fact that MIS AG managed to stabilize its sales during the fiscal year 2003 is due to the efforts of its employees across the world. The energy, creativity and sheer hard work of our employees were major contributing factors in the company's improved results. MIS AG systematically promoted the talents of its people in the fiscal year 2003 by supporting the continuing professional development – in the form of in-service courses of study, for example - of more individual employees than ever. The training opportunities offered by the company were also geared towards improving the company's sales, consulting and management performance. We provided training in standardized sales strategies to our entire global sales and marketing staff and thus laid the groundwork for a uniform Group-wide marketing approach. The success of this strategy is reflected in our product revenue, which we were able to boost by 12 percent compared with the previous year.

We launched an extensive training program in which our consultants were able to qualify as Project Management Specialists certified by the German Society for Project Management. This training course is on a par with the internationally recognized standard established by the Project Management Institute (PMI, founded in Pennsylvania in 1969) and has met with a highly favorable response from our customers.

In a difficult business climate the quality of work undertaken by our employees is highly dependent on the performance of the company's management. For this reason we ran special training seminars for our management in the fiscal year 2003 oriented towards management staff from the board to team managers.

Workforce according to business segment



The long-term success of MIS AG is secured by the ongoing proliferation of know-how within our company. By promoting the development of our employees we also strengthen our position vis-à-vis customers and enhance our ability to provide them with first-class, high-quality services and products. The core of this commitment is the MIS Academy where our employees are involved in both teaching and learning, and where we train our customers in the use of our products and solutions. The ongoing qualification of our employees also reinforces their ties of commitment to MIS AG enabling us to offer our customers continuity over a period of many years. In projects which involve highly-sensitive data, and which not only require know-how but also in-depth understanding and trust, this factor is of incalculable value.

	2003	2002
Total workforce	459	460
Of which female	31 %	33 %
Of which male	69 %	67 %

	2003
Graduates from universities and other institutions of higher education	52 %
Employees with specialist professional qualifications	24 %
Employees with basic professional qualifications	21 %
Non-professional employees	2 %
Trainees	1 %

	2003	2002
30 or younger	25.4 %	31.3 %
31 - 50	74.2 %	67.6 %
50 +	0.4 %	1.1 %
Average age	34	34

MIS AG operates in 22 countries

MIS AG is an international company which, alongside partner companies, operates from 31 sites in 22 countries. In order to meet our own objective of providing high-quality customer service, we offer our entire performance spectrum at all our locations.

Acquisition by Systems Union Group plc

Systems Union Group plc, Farnborough, United Kingdom, became the new majority shareholder in MIS AG in December 2003. Following successful completion of the acquisition, Systems Union Group plc held a total of 93.5 percent of MIS AG shares on December 18, 2003.

The voluntary public tender offer made by the UK bidders at the end of fiscal year 2003, was supported by the MIS AG Management Board and Supervisory Board. Following successful completion of the acquisition, MIS AG – which continues to operate as an independent company – took on the task within Systems Union Group of establishing a global business intelligence division.

Two members of the MIS AG Supervisory Board from Systems Union Group plc

As a result of the new ownership structure of the company, Paul Coleman (52), Chief Executive Officer of Systems Union Group plc, Farnborough, United Kingdom, and Antony Sweet (48), Chief Financial Officer of Systems Union Group plc, Farnborough, United Kingdom, were appointed as new members of the Supervisory Board as of December 3, 2003. Paul Coleman took over the chair of the Supervisory Board from Gerd Nicklisch (51) who has since assumed the position of Deputy Chairman. As a result of the new ownership structure of MIS AG, Hans-Dieter Holler (60) and Bernhard Dorn (63) resigned from their posts and left the Supervisory Board.

MIS to switch to the General Standard

In December 2003 we applied to the Deutsche Börse AG to switch the company's listing from the Prime Standard to the General Standard. This change will take effect as of April 15, 2004.

Dependent company report receives unqualified auditor's report

The MIS AG Management Board has issued a dependent company report for the fiscal year 2003 in which it declares, in accordance with Paragraph 312 (3) of the German Stock Corporation Act (AktG), that under the circumstances known to the company at the time at which legal business was transacted with affiliated companies listed in the report, MIS AG received an adequate return from each legal transaction and has not suffered loss or detriment.

The dependent company report has been audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, Eschborn/ Frankfurt am Main, and has been furnished with an unqualified certificate.

Corporate Governance

The corporate governance code presents essential statutory regulations for the management and supervision (governance) of German listed companies and contains internationally and nationally recognized standards for good and responsible governance. The purpose of the code is to promote the trust of shareholders, customers, employees and the general public in the management and supervision of listed German stock corporations.

MIS complies almost entirely with the Corporate Governance Code

The MIS AG Management and Supervisory Boards have issued a mandatory declaration in compliance with Section 161 German Stock Corporation Act (AktG) and have made this permanently accessible to the shareholders. The declaration of conformity has been published on the internet at

www.misag.com/Germany/Unternehmen/CorporateGovernance.

MIS AG decided to depart in a few points from the recommendations of the Code which was submitted by the Government Commission in July 2002 in the name of the Justice Minister and amended in the version published on June 30, 2003. MIS AG explained the divergences from the Code in its declaration of conformity, which has been mandatory since July 2002, as follows:

- The Supervisory Board shall perform a review during 2003 regarding the implementation of standing rules which shall summarize the tasks and authority of the Supervisory Board as specified in the Code (Section 5.1.3).

- To date the MIS AG Supervisory Board has not formed any committees (Section 5.3.1. of the Code) as, in accordance with Section 5.1.1 of the MIS AG articles of association, the Supervisory Board only consists of three members. It would not therefore be appropriate to form committees as this would not improve the efficiency of the work undertaken by the Supervisory Board.

- To date the MIS AG Supervisory Board has not set up an audit committee (Section 5.3.2 of the Code) but concerns itself directly and intensively with issues relating, in particular, to accounting, risk management, the necessary independence of the auditor, the issuing of the mandate to the auditor, the determination of auditing focal points and the fee agreement.

Risk Management

All entrepreneurial activity is, by its very nature, accompanied by substantial risks. The investment decisions of our customer groups and the performance of our competitors are influenced by a number of factors over which we have only limited influence. For example, we are subject to the business, structural and seasonal fluctuations of the economic regions where we operate. Product business is characterized by shorter life cycles and increasing technical complexity.

Risks are subject to ongoing assessment

The MIS AG Management Board regularly reviews external and internal risk factors and weighs the risks and opportunities of all decisions and activities of the MIS Group that may affect our business. Our goal is to minimize risks and to concentrate our resources on those areas expected to provide attractive returns for the Company.

The Management Board regularly monitors the efficacy of the instruments and processes required to control risk and is constantly working to refine them.

We believe, as do independent experts, that the market for business intelligence is still a growth market. In addition to the established specialized providers of business intelligence, new providers are constantly entering the market. A number of new, strongly focused companies, as well as established software providers such as SAP, Microsoft and Oracle, are currently attempting to position themselves in the market for BI solutions by offering an expanded range of products and services. The entry of these providers may put pricing pressure on our products.

Product innovations strengthen market position

We are accelerating our product development to strengthen our market position as an innovative and flexible provider of BI solutions. At the same time, we integrate basic technologies of other manufacturers if our own development expense is unnecessary or unwarrantable. The Microsoft SQL server including analysis services, for example, is a permanent component of MIS DecisionWare, and our highly flexible, rapidly usable business intelligence solutions are SAP-certified and ideally complement SAP's standard BI solutions.

Project business subject to seasonal fluctuations

Our business development is cyclical in nature due to seasonal influences and normal project fluctuations. Conceiving, building and implementing business intelligence solutions require multifaceted experience and knowledge. To successfully gain new customers and projects, we must maintain and have this expertise readily available. Thus, due to fluctuations in the product business, there may be phases of under- or overutilization in the consulting business that negatively impact profit margins.

Both the company's license and consultancy business are highly dependent on the readiness of our customers to invest, which in turn depends on the economic trend in their respective industry sectors. A lack of readiness to invest, or the delay of orders and projects, may have a substantial negative impact on the development of our business.

More stability through participation in several industry sectors

Nearly without exception, our participation in almost every sector of the economy allows us to successfully weather fluctuations in individual industries. Nevertheless, we cannot avoid specific industry cycles entirely.

Quality management guarantees quality products

The market for software is in constant change. New technologies and shorter product life cycles increase the potential for risk. The pressure to release new products for sale as soon as possible – in order to begin amortizing start-up costs – creates significant challenges to internal quality management. Unforeseeable problems may also occur during software development. This can lead to delays in market launch and the risk of substantial warranty and damage claims.

Rigorous management to achieve project goals

Major projects come with higher implementation risks due to their greater complexity. By continuously monitoring such projects we recognize potential problems early on and can deal with them immediately. In addition, we establish further provisions for possible future losses and additional costs of individual projects.

High priority given to employee retention

The market for IT specialists and executives recovered in fiscal year 2003. However, hiring and retaining experienced employees and executives over the long term remains a challenge. We have an intense and enduring commitment to the critical task of providing an attractive work environment as well as opportunities for the continuing professional development of MIS employees. Our decentralized organization, which allows our employees to assume responsibility very early on, is of considerable benefit to us in this effort.

Company finances stable

Based on current figures and projected revenues, we believe the financing of MIS AG's business commitments is secure.

If, despite expectations, revenues fall well short of our projections, we must count on a further reduction in available funds. However, MIS AG enjoys a considerable measure of financial security thanks to its membership of Systems Union Group plc, Farnborough, United Kingdom.

Currency fluctuations play minor role

Our international activities are subject to stronger financial and currency risks than are our business activities in Germany, even though MIS AG mainly settles international transactions in euros; only a small part of its business is carried out in British pounds and U.S. dollars. The risks resulting from currency fluctuations therefore play only a minor role.

Events after the End of Fiscal Year 2003

Three additional MIS AG Board members as of February 2004

On January 23, 2004, the Supervisory Board appointed MIS GmbH's three managing directors to the MIS AG Management Board to join the CEO Peter Raue (44) and CFO Detlef Klüssendorf (45). The appointment of the three new members will take effect as of February 1, 2004. Michael Danninger (41) will be responsible for product development, and Stefan Sexl (34) for marketing and indirect sales. Responsibility for the operative business of MIS companies is held by Hannes Wambach (40).

The MIS Management Board

Peter Raue
Chairman

Detlef Klüssendorf	Michael Danniger	Stefan Sexl	Hannes Wambach
Finance	Development	Marketing	Operations

We increased our shareholding in chorus GmbH, Eurasburg from 75.2 to 90 percent in January 2004. This investment was financed out of liquid assets.

In February 2004, we sold our 49 percent shareholding in MIS Asia to the local management. In the future, MIS AG's business in Asia will be undertaken from the Asia office of Systems Union Group in Shanghai.

Outlook for 2004: Growth Perspectives in the Group

Weak market demand in German-speaking countries

Bearing in mind persistently muted forecasts of around 1.5 percent growth in the German economy we do not anticipate a sustained improvement in demand in Germany itself. The same applies to Austria and Switzerland.

Growth dynamic promising outside Germany

On the other hand, we expect markets in the United Kingdom to stimulate growing business. We also expect additional revenue to be generated by sales of software by our parent company, Systems Union Group plc, Farnborough, United Kingdom. In order to exploit this potential to the full we are working at full speed on original equipment manufacturing (OEM) versions of our software. We also intend to commit more manpower to our development and support work in 2004.

We will be presenting the new generation of our DecisionWare software platform at CeBIT in March 2004. Version 5.0 of our market-tested software for planning, reporting and analysis tasks will enable us to improve our product revenue and strengthen our profitability.

We will continue to invest in the professional development of our employees in fiscal year 2004 and this should enable us to resist the general downwards pressure on per diem fees chargeable for service business. We plan to take on more staff in the United Kingdom where we anticipate a considerable expansion in our business, due not least to the proximity of Systems Union Group plc, Farnborough, United Kingdom.

On current estimates we expect a further improvement of the results and a positive cash flow from operations.

MIS is well poised for future growth

The global infrastructure of the extended Systems Union Group plc, as well as continuous improvements to internal processes and procedures, mean we are well poised for future growth.

Darmstadt, February 2004

Peter Raue
CEO

Detlef Klüssendorf
CFO

Michael Danninger
CTO

Stefan Sexl
Member of the Management Board

Hannes Wambach
COO

"Our IT department looks for solutions with a fast implementation, low maintenance and compatibility to SAP R/3. MIS is a perfect match."

Boris Sterzenbach,
Team Leader Application Development,
Koelnmesse GmbH

"Our controllers at Koelnmesse act as internal service providers and it is our job to meet the requirements from management as well as to give other colleagues the information to make educated decisions. Thanks to MIS, we can meet these demands quickly and easily."

Volker Ahrberg,
Head of Controlling,
Koelnmesse GmbH

“The software's flexibility and customization features speak for themselves. MIS makes its really easy to work with our complex corporate structures. That's good news for users like me!”

Stefan Mittag,
Marketing Controller,
Koelnmesse GmbH

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MIS AG Consolidated Income Statement

for the fiscal year 2003 and 2002

in '000 €	Notes	2003	2002
Sales		47,935	47,888
Cost of sales	50	-23,492	-27,202
Gross profit		**24,443**	**20,686**
Research and development costs	51	-5,744	-5,239
Marketing and sales expenses	52	-11,540	-10,225
General and administration expenses	53	-4,991	-6,085
Other operating income (expenses) – net	54	-521	-833
Restructuring expenses		0	-2,030
Profit/loss from operations before amortization of goodwill (EBITA)		**1,647**	**-3,726**
Regular amortization (goodwill)	34	-1,304	-1,671
Impairment of goodwill	34	-1,891	0
Profit/loss from operations (EBIT)		**-1,548**	**-5,397**
Financial income/expenses – net	56	159	59
Profit/loss before tax (EBT)		**-1,389**	**-5,338**
Minority interests		-105	-14
Income tax	57	-450	-6,268
Net profit/loss after tax from operations		**-1,944**	**-11,620**
Earnings per share in €	58	-0.57	-3.42

MIS Group Consolidated Balance Sheet

as of December 31, 2003 and 2002

in '000 €	Notes	12/31/2003	12/31/2002
Assets			
Current assets			
Cash and cash equivalents	32	4,735	4,911
Trade accounts receivable – net	33	11,299	12,384
Accounts receivable from associated companies		356	22
Prepaid expenses		905	774
Other current assets		1,161	1,669
Total current assets		**18,456**	**19,760**
Non-current assets			
Intangible assets	34	4,641	6,795
Property, plant and equipment at cost – net	35	1,388	1,934
Financial investments	37	934	936
Total non-current assets		**6,963**	**9,665**
Total assets		**25,419**	**29,425**

MIS Group Consolidated Balance Sheet

as of December 31, 2003 and 2002

in '000 €	Notes	12/31/2003	12/31/2002
Liabilities and equity			
Current liabilities			
Short term liabilities due to banks	39	699	1,198
Trade and other accounts payable		1,251	1,328
Other liabilities	40	6,889	7,594
Accrued liabilities for taxes		539	398
Other provisions	41	968	1,575
Deferred income	42	2,440	2,516
Total current liabilities		**12,786**	**14,609**
Non-current liabilities			
Convertible bonds	43	0	65
Long-term liabilities due to banks		0	136
Deferred tax liabilities		394	362
Total non-current liabilities		**394**	**563**
Minority interests		313	504
Equity			
Subscribed capital	45	3,429	3,410
Additional paid-in capital		57,717	57,573
Earnings reserve		165	165
Currency translation adjustments	46	-11	31
Retained earnings		-49,374	-47,430
Total equity		**11,926**	**13,749**
Total liabilities and equity		**25,419**	**29,425**

MIS Group Consolidated Cash Flow Statement

for the fiscal year 2003 and 2002

in '000 €	Notes	2003	2002
Cash flows from ordinary operations			
Income before taxes and income/loss attributable to minority interests		**-1,389**	**-5,338**
Adjustments to net income/loss to produce cash flow from ordinary operations			
Depreciation on tangible assets		905	1,373
Amortization of intangible assets		3,354	1,964
Loss on disposal of subsidiary		52	0
Interest income		-172	-225
Interest paid		65	166
Tax payments		362	-716
Change in other non-cash items		-97	-227
Change in assets and liabilities			
Change in inventories		0	76
Change in accounts receivable and other current assets		917	866
Change in other provisions and other current liabilities		-2,314	-487
Change in prepaid expenses/deferred income		-184	-148
Net cash flows from ordinary operations		**1,499**	**-2,696**

MIS Group Consolidated Cash Flow Statement

the fiscal year 2003 and 2002

in '000 €	Notes	2003	2002
Cash flows from investments			
Change in tangible and intangible assets		-598	-233
Acquisitions	59	-1,202	0
Sale of subsidiary companies	59	1	40
Interest received		171	283
Net cash flows from investment activities		**-1,628**	**90**
Cash flows from financing			
Change in short-term investments		0	3,842
Change in long-term liabilities		-136	-3,799
Interest expenses		-67	-159
Capital increase – net		99	0
Net cash flows from financing activities		**-104**	**-116**
Increase/decrease of liquid assets		**-233**	**-2,722**
Liquid assets at the beginning of the period		4,911	7,668
Impact of currency conversions on cash and cash equivalents		57	-35
Cash and cash equivalents at the end of the period		**4,735**	**4,911**

MIS Group Consolidated Statement of Changes in Equity

in '000 €	Subscribed capital	Additional paid-in capital	Earnings reserve	Currency translation	Retained earnings	Total
Balance at January 1, 2002	**3,371**	**57,490**	**165**	**65**	**-35,810**	**25,281**
Conversion of bonds	39	92				131
Currency translation differences				-34		-34
Equity component of convertible bonds		-9				-9
Net loss					-11,620	-11,620
Balance at December 31, 2002	**3,410**	**57,573**	**165**	**31**	**-47,430**	**13,749**
Conversion of bonds	19	145				164
Currency translation differences				-42		-42
Equity component of convertible bonds		-1				-1
Net loss					-1,944	-1,944
Balance at December 31, 2003	**3,429**	**57,717**	**165**	**-11**	**-49,374**	**11,926**

MIS Group Notes to Consolidated Financial Statements

for the years ended December 31, 2002 and 2003

(A) General Information

MIS AG (MIS) is incorporated in Germany; the registered office address is Landwehrstr. 50, D-64293 Darmstadt, Germany. The object of the MIS Group (further - the Group or the Company) is general corporate consulting, development and marketing of information systems, the creation and modification of application systems, project management consulting and services, trading in self-produced and third-party software and hardware, and the conducting of training events and seminars.

The Company is entitled to engage in any and all measures and business activities that are conducive to the promotion of its business purpose. This also includes the formation of additional German and international branch locations, the acquisition and formation of other enterprises, as well as domestic and international equity investments in such entities. The Company is additionally entitled to transfer all or portions of its operations to such companies.

On October 10, 2003, MIS AG was informed by Systems Union Group plc, Farnborough, Hampshire, United Kingdom, that Systems Union Group plc was planning to make a voluntary public takeover offer to the shareholders of MIS AG and purchase the shares of MIS AG at a price of € 10.00 per no-par value share. Following the expiry of the further (and thereby final) closing date for the public offer, the Systems Union Group plc held a total of 93.5% of voting rights in MIS AG as of December 18, 2003.

(B) Summary of Significant Accounting Policies

The principal accounting policies adopted in preparing the consolidated financial statements of MIS are as follows:

(1) General

The accompanying consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) valid on the balance sheet date. As a listed company, MIS makes use of the possibility of exempting consolidated financial statements according to international accounting regulations pursuant to Section 292a of the German Commercial Code (HGB).

The main differences to the German accounting principles according to HGB exist with the following items:

- Revenue is recognized through application of the percentage-of-completion method pursuant to IAS 11.
- Deferred tax assets have been set up in accordance with IAS 12 for tax loss carry forwards and a full valuation allowance established.
- The direct ascribable expenses of the IPO in 2000 have been set-off against proceeds in accordance with interpretation no. 17 of the Standing Interpretations Committee (SIC).
- Convertible bonds which contain both a liability and an equity element are split into two components on initial issuance based on the present value of the cash flows and each is accounted for separately.
- Other provisions are recognized pursuant to IAS 37 but differ in terms of categorization and their recognition (refer to 15).

The Management Board prepared the MIS AG consolidated financial statements as of December 31, 2003 and will submit these to the Supervisory Board for approval at the balance sheet meeting held on February 27, 2004.

(2) Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention, except that investments held for trading and available-for-sale are stated at their fair value as disclosed in the accounting policies hereafter.

(3) Reporting currency

Starting on January 1, 2001, MIS converted its reporting currency from Deutsche Mark ("DM") to Euro ("€").

(4) Changes in the presentation or classification of items in the consolidated financial statements

The allocation to the Products and Services segments has been changed. Costs for services have no longer been apportioned to Products and Services based on the sales ratio but have been allocated directly to the Services segment. The figures for the previous year have been modified accordingly.

(5) Principles of consolidation

The Group's consolidated financial statements include MIS and all German and international companies controlled by MIS. This control is normally evidenced when MIS owns, either directly or indirectly, more than 50% of the voting rights of a company's subscribed capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheets and income statements, respectively.

Equity investments in associated companies (generally investments of between 20% and 50% in a company's equity), where MIS exercises a significant influence are accounted for by the equity method in accordance with IAS 28. Investments in associates are reassessed if there is an indication that the asset has been impaired or impairment losses recognized in prior years no longer exist.

If the Group's share of losses exceeds the carrying amount of the investment, the investment is reported at nil value and recognition of losses is discontinued except to the extent of the Group's commitment.
Intercompany balances and transactions, including intercompany and unrealized profits and losses, are eliminated. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the associate. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

(6) Financial instruments

As an internationally active enterprise, the Group is subject to risks from interest-rate and currency fluctuations. Customer relationships are a source of both operating and liquidity risks.

Risk of interest rate fluctuations

Thanks to the modest level of its long-term external financing sources, the Group is not currently subject to a significant interest-rate risk.

Foreign exchange risk management

Despite its international business operations, the Group is only exposed to minor foreign exchange risks. The Group mainly operates in Germany and, via its independent subsidiaries, in Europe (United Kingdom, Italy, Switzerland, Czech Republic and Austria).

Liquidity risks

Liquidity risks, i.e. the risk that the Group might no longer be in a position to raise funds to cover its debts as they fall, are met by planning the cash flow and continuous monitoring.

Default risks

Default risks, i.e. the risk that customers fail to meet their payment obligations, are managed by means of credit approval procedures, specified upper limits and monitoring procedures. The maximum default risk is limited to the level of receivables disclosed in the balance sheet.

Non-current liabilities

Non-current liabilities are subject to usual market interest rates. The carrying amount thus corresponds to the fair value.

Current liabilities

The book value approximates very closely to the fair value owing to the imminent final maturity of these financial instruments.

(7) Cash and cash equivalents

Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(8) Receivables

Receivables are stated at the fair value of the consideration given, after provision for impairment.

(9) Tangible assets

Tangible assets, such as property, plant and equipment, are stated at cost less accumulated depreciation and accumulated impairment loss. When tangible assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the fixed assets have been put into operation, such as repairs, maintenance and overhaul costs, are normally charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Tangible assets are depreciated on a straight-line basis; scheduled depreciation on plant, equipment and office furniture is based upon consistent anticipated useful lives of 2 to 13 years throughout the consolidated Group.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

(10) Operating lease

Leases of assets under which the lessor effectively retains all the risks and rewards of ownership are classified as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.

(11) Investments

Pursuant to IAS 39 "Financial Instruments: Recognition and Measurement", financial assets are classified as follows: held-to-maturity, held-for-trading, and available-for-sale investments. Investments with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading.

All other investments, other than loans and receivables originated by the company, are classified as available-for-sale.
Held-to-maturity investments are included in non-current assets unless they mature within 12 months of the balance sheet date. Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realize them within 12 months of the balance sheet date.
All purchases and sales of investments are recognized on the trade date. Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date.

Gains or losses on measurement to fair value of available-for-sale investments are recognized directly in the fair value reserve in shareholders' equity, until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period.

Changes in the fair values of trading investments are included in financial expense. Held-to-maturity investments are carried at amortized cost using the effective interest rate method.

(12) Intangible assets

Intangible assets are initially measured at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. Amortization is disclosed according to the relevant functions.

Patents, trademarks, licenses and distribution rights

An amount paid for a distribution right is capitalized and then amortized on a straight-line basis over the expected period of benefit. The expected useful live of the distribution right is determined as 4 years.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from patents, trademarks, licenses and distribution rights.

Software

The cost of acquisition of new software is capitalized and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortized on a straight-line basis over 3 years.

(13) Goodwill

The excess of the cost of an acquisition over the Company's interest in the fair value of the net identifiable assets acquired at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the balance sheet. Goodwill is carried at cost less accumulated amortization and accumulated impairment losses. Goodwill is amortized on a straight-line basis over its useful life. With respect to investments in associates, goodwill is included in the carrying amount of the investment.
The amortization period is determined at the time of the acquisition based upon the particular circumstances and ranges from 5 to 10 years. The un-amortized balances are reviewed at each balance sheet date to assess the probability of continuing future benefits. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount is more than the recoverable amount, an impairment loss is recognized.

(14) Research and development costs

Research and development costs principally comprise internally generated expenditure on R & D development costs for major projects where it is reasonably anticipated that the costs will be recovered through future commercial activity. As at the balance sheet date no capitalized research and development costs exist.

(15) Provisions

A provision is recognized when, and only when, an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures which it is expected will be required to settle the obligation.

In accordance with IAS 37, a restructuring provision includes only the direct expenditure arising from the restructuring that is both necessarily entailed by the restructuring and not associated with the ongoing activities of the company. A constructive obligation to restructure arises when the company has a detailed formal plan for the restructuring identifying the business or part of a business concerned; the principal locations affected; the location, function, and approximate number of employees who will be compensated for terminating their services; the expenditures that will be undertaken; and when the plan will be implemented; and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

Gains from the expected disposal of assets are not taken into account in measuring the provision. Property, plant and equipment that are retired from active use are carried at the lower of the carrying amount or estimated net selling price less costs of disposal.

When some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is only recognized once it is certain that reimbursement will be received.

(16) Liabilities and equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement on initial recognition.

Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. When the rights and obligations regarding the manner of settlement of financial instruments depend on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, the financial instrument is classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is remote at the time of issuance, in which case the instrument is classified as equity.

Convertible bonds which contain both a liability and an equity element are separated into two components on initial issuance based on the present value of the bonds' cash flows and each is accounted for separately.

(17) Equity transaction costs

The transaction costs of an equity transaction, other than in the context of a business combination, are accounted for as a deduction from equity, net of any related income tax benefit. Equity transaction costs are comprised of only those incremental external costs directly attributable to the equity transaction, which would otherwise have been avoided.
Cost of issuing equity securities in connection with a business combination is included in the cost of acquisition.

(18) Reserves

The translation reserve is used for translation differences arising from the consolidation of financial statements of foreign entities and from the accounting of associated companies using the equity method.

(19) Additional paid-in capital and other reserves

Due to legal restrictions (Section 150, Sub-Para. 3 and 4, German Stock Corporation Act [AktG]), the additional paid-in capital and statutory reserve are not available for distribution.

The additional paid-in capital represents the full amount of the issue surcharge on subscribed capital minus issuance costs.

(20) Minority interests

Minority interests include their proportion of the fair values of identifiable assets and liabilities recognized upon acquisition of a subsidiary.

The losses applicable to the minority interest in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

(21) Revenue recognition

In the standard product segment, revenues from sales are recognized net of value added tax and discounts when delivery has taken place and transfer of risks and rewards has been completed. Revenue from maintenance and support contracts is recognized evenly over the period of the individual contracts. Revenue from services rendered is recognized through the application of the percentage-of-completion method pursuant to IAS 11. The percentage of completion is determined on the basis of the number of chargeable hours already worked relative to the estimated total number of hours for each contract.

Interest income is recognized on a time proportion basis that reflects the effective yield on the asset.

(22) Foreign currencies

Foreign currency transactions

Foreign currency transactions are recorded in the reporting currency by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognized in the income statement in the period in which they arise.

Foreign entities

The majority of foreign consolidated subsidiaries are regarded as foreign entities since they are financially, economically and organizationally autonomous. Their reporting currencies are the respective local currencies. Financial statements of foreign consolidated subsidiaries are translated at year-end exchange rates with respect to the balance sheet, and at average exchange rates with respect to the income statement. All resulting translation differences are included in a translation reserve in equity.

(23) Share options

The employees and management of the Company were granted options to purchase common shares of the Company. MIS was not required to account for the share option plan. Amounts recognized in the financial statements will be shown as increase in equity when the share options are exercised.

(24) Borrowing costs

Borrowing costs are generally expensed as incurred.

(25) Income tax

The income tax charge is based on profit for the year and takes account of deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to reverse.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Company re-assesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or the entire deferred tax asset to be utilized.

(26) Impairment of assets

Financial instruments

Financial instruments are reviewed for impairment at each balance sheet date.

For financial assets carried at amortized cost, whenever it is probable that the company will not collect all amounts due according to the contractual terms of loans, receivables or held-to-maturity investments, an impairment or bad debt loss is recognized in the income statement. Reversal of impairment losses previously recognized is recorded when the decrease in impairment loss could be objectively related to an event occurring after the write-down. Such reversal is recorded in income. However, the increased carrying amount is only recognized to the extent that it does not exceed the amortized cost which would have arisen had the impairment not been recognized.

For available-for-sale financial assets, the cumulative gain or loss previously recognized in equity is included in net profit or loss for the period when there is objective evidence that the asset is impaired. The recoverable amount of a debt instrument re-measured to fair value is the present value of expected future cash flows discounted at the current market interest rates for a similar financial asset. Reversal of impairment losses is recorded when the decrease in impairment loss could be objectively related to an event occurring after the write-down. Such reversal is recorded in income.

Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income. The recoverable amount is the higher of an asset’s net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm’s length transaction less the costs of disposal; value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if this is not possible, for the cash-generating unit to which the asset belongs.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded in income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent it does not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for that asset in prior years.

As an exception, an impairment loss recognized for goodwill is not reversed in a subsequent period unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

(27) Segments

Analogously to IAS 14, the Company reports on business segments and geographic segments, with differentiation primarily being made on the basis of business segments for segment reporting purposes. Consequently, the geographic segment is viewed as a secondary segment. The Company differentiates in the primary segments

- Products Business Segment
- Services Business Segment

In determining segment income/losses, other operating income and expenses, as well as amortization of goodwill, are viewed as being un-allocatable expenses.

Intersegment transactions: Intersegment revenue, expenses and performance include transfers between business segments and between geo-graphical segments. Such transfers are accounted for at competitive market prices charged to unaffiliated customers for similar services. Those transfers are eliminated in consolidation.

(28) Contingencies

Contingent liabilities are not recognized in the financial statements. However, they are disclosed if the possibility of an outflow of resources embodying economic benefits is remote.
A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

(29) Subsequent events

Post-year-end events that provide additional information about a company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate, are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

(C) Changes in the Group's Organization

(30) Acquisitions

MIS AG acquired an additional 20% of shares in chorus Gesellschaft für Informations- und Kommunikationstechnologie mbH, Eurasburg, Germany, at a purchase price of K€ 965 in May 2003 and a further 5% at a purchase price of K€ 237 in June 2003. This means that MIS AG increased its shares from 50.2% to 75.2% on December 31, 2003. In January 2004, the Company acquired a further 10% of shares at a purchase price of K€ 482, followed by another 4.8% in the same month, and therefore now holds 90% of shares in the company.

(31) Disposals

In December 2003, MIS AG sold its 100% investment in activeWeb GmbH, Darmstadt, Germany, at a price of K€ 79. The company was divested on December 31, 2003.

(D) Notes to the Consolidated Balance Sheet

Current assets

(32) Cash and cash equivalents

in '000 €	2003	2002
Cash	4,735	4,911
Total	**4,735**	**4,911**

(33) Trade accounts receivable - net

in '000 €	2003	2002
Trade accounts receivable	12,689	13,124
Less provision for doubtful debts	-1,390	-740
Total	**11,299**	**12,384**

Trade accounts receivable include amounts of K€ 1,106 (previous year: K€ 1,313) resulting from the application of the percentage-of-completion method.

Non-current assets

(34) Intangible assets

in '000 €	2003	2002
Goodwill	4,347	6,636
Purchased software	294	159
Total	**4,641**	**6,795**

in '000 €	Goodwill	Purchased sofware	Distribution rights	Total
Cost				
Gross values, opening balance	25,265	2,196	369	27,830
Additions	906	296	0	1,202
Disposals	-920	-63	0	-983
Currency translation effects	0	-2	0	-2
Gross values, closing balance	**25,251**	**2,427**	**369**	**28,047**
Accumulated depreciation				
Depreciation, opening balance	18,629	2,037	369	21,035
Amortization for the year	3,195	159	0	3,354
Disposals	-920	-62	0	-982
Currency translation effects	0	-1	0	-1
Depreciation, closing balance	**20,904**	**2,133**	**369**	**23,406**
Net book value	**4,347**	**294**	**0**	**4,641**

Depreciation for the current fiscal year includes impairment of goodwill for certain group companies of K€ 1,891.

(35) Property, plant and equipment at cost – net

in '000 €	2003	2002
Cost		
Gross values, opening balance	7,969	8,072
Additions	493	159
Disposals	-2,244	-263
Currency translation effects	-28	1
Gross values, closing balance	**6,190**	**7,969**
Accumulated depreciation		
Depreciation, opening balance	6,035	4,831
Amortization for the year	905	1,373
Disposals	-2,116	-169
Currency translation effects	-22	0
Depreciation, closing balance	**4,802**	**6,035**
Net book value	**1,388**	**1,934**

(36) Equity investments

	Equity ratio Dec. 31, 2003 in %	Equity Dec. 31, 2003 in '000 €	Net income/ loss 2003 in '000 €
MIS AG Inc., Newark, New Jersey, USA	49.0%	-4,025	-547
MIS Asia Co. Ltd. Seoul, South Korea	49.0%	-1,286	-789

The companies referred to above generated losses in 2003. Their losses exceeded the equity investment of MIS AG by a total of K€ 3,458.

In addition, MIS AG continues to hold shares of 49% in each of MIS do Brasil Solucoes E Sistemas Ltda, Sao Paulo, Brazil, and MIS AG Mexico S.A. de CV, Mexico City, Mexico. Due to the fact that MIS AG does not have a significant influence on the above companies, these companies will no longer be treated as associated companies.

MIS AG's shares in MIS Asia Co. Ltd. Seoul, South Korea, were sold to the local management in February 2004.

(37) Financial investments

in '000 €	2003	2002
Opening balance, January 1	936	4,778
Additions	0	0
Disposals	0	-3,842
Impairment losses	0	0
Currency translation effects	-2	0
Closing balance, December 31	**934**	**936**

Financial investments at December 31, 2003 include restricted cash of K€ 873. MIS has entered into a risk takeover agreement with Deutsche Bank AG, Frankfurt, Germany. Deutsche Bank AG guarantees to take over the risk for a credit facility of K€ 873 provided by Deutsche Bank AG, Seoul branch, Seoul, South Korea, to MIS Asia Co., Ltd, Seoul, South Korea. As collateral MIS has deposited the same amount in a money market account with Deutsche Bank AG, Frankfurt, Germany. The money market account carries a usual market interest rate.

(38) Deferred taxes

There were no deferred tax assets in 2003. According to the tax return, tax loss carry forwards for the German profit and loss pooling agreements ("Organschaft") for trade tax on income amounted to € 36.5 million on December 31, 2002.

Composition of deferred tax liabilities:

in '000 €	2003	2002
Liabilities		
Deferred taxes resulting from application of the percentage-of-completion method	376	353
Others	18	9
Total	**394**	**362**

Current liabilities

(39) Short term liabilities due to banks

in '000 €	2003	2002
Secured	669	1,090
Unsecured	30	108
Total	**699**	**1,198**

Liabilities due to banks are secured through assignment of the gross receivables of certain group entities.

(40) Other liabilities

in '000 €	2003	2002
Workforce commissions	1,190	688
Outstanding invoices	892	1,136
Payroll and church taxes	851	756
Remaining leave entitlements	792	759
Social security	556	621
Turnover tax	432	715
Restructuring	366	1,115
Worker compensation	215	258
Annual financial statements and audit	208	151
Miscellaneous	1,387	1,395
Total	**6,889**	**7,594**

Restructuring liabilities are related to the reorganization and down-sizing of the organization of MIS GmbH, Germany, and MIS AG, Germany. Restructuring liabilities developed as follows:

in '000 €	Jan. 1, 2003	Utilization	Release	Addition	Currency effects	Dec. 31, 2003
Restructuring liabilities	1,115	472	277	0	0	366

(41) Other accrued liabilities

in '000 €	Jan. 1, 2003	Utilization	Release	Addition	Currency effects	Dec. 31, 2003
Credit guarantee MIS Asia *	873	0	0	0	0	873
Warranties **	238	54	182	77	0	79
Miscellaneous	464	64	384	0	0	16
Total	**1,575**	**118**	**566**	**77**	**0**	**968**

* Deutsche Bank AG, Seoul branch, South Korea, has granted MIS Asia Co. Ltd. a credit of K€ 873. As collateral MIS has deposited the same amount in a money market account with Deutsche Bank AG, Frankfurt, Germany. It appears unlikely that MIS Asia Co. Ltd will be able to repay such credit, hence MIS has accrued the total amount.

** The provision for warranties is related to specific projects for which the Company has an amendment obligation to the customer up to the end of the fiscal year. These projects are scheduled to be completed in fiscal year 2004.

(42) Deferred income

Deferred income relates to the periodic accrual of maintenance and service contracts for software, which were invoiced during the period covered by this report. These contracts typically have a term of one year.

Non-current liabilities

(43) Convertible bonds

Under a resolution adopted by an Extraordinary Shareholders Meeting on December 15, 1997, the Management Board was authorized, with the consent of the Supervisory Board, to issue 80,000 convertible bonds (excluding the subscription rights of current shareholders) by December 1, 2002. A total of 51,917 convertible bonds were issued. The terms of the convertible bond issues were repeatedly amended through resolutions of the Shareholders Meetings on December 22, 1998, and August 31, 1999, as well as by separate resolutions of the holders of preferred shares following these Shareholders Meetings, and are now as follows:

Employees of the Company and its equity holdings, including shareholders and members of the bodies of these equity holdings, are entitled to subscribe these bonds. The convertible bonds will mature on November 30, 2007 and bear interest at a rate of 3% p.a. These bonds cannot be redeemed by the bearer prior to December 31, 2002, thereafter on June 30 or December 31 of any year, with prior notice of four months. The bearers of the convertible bonds have the irrevocable right to exchange these convertible bonds for new shares of common stock in the Company in the ratio of 1 : 3 between January 1, 1999 and November 30, 2007, subject to payment of the cash amounts set forth below. If issued prior to the close of the day of the Annual Shareholders Meeting of the respective year, the new shares of common stock will be entitled to dividend distributions from the beginning of the fiscal year prior to the fiscal year in which they are issued.

The exchange payment for 3 common shares, each representing a mathematical € 1.00 share of the capital stock, is as follows: the difference that results between the par value of the convertible bond as converted at the official conversion rate of € 1 = DM 1.95583 (pursuant to Art. 109, I, (4), 1, of the Treaty on European Union) and the cumulative average daily price for 3 shares of common stock listed on a securities exchange, less a bonus of 15% in cash – however only if and to the extent such a difference exists.

To satisfy these conversion rights, the capital stock was conditionally increased by up to € 240,000.00 through the issuance of up to 240,000 shares under a further resolution (as amended by resolutions of the Annual Shareholders Meetings on August 28, 1998 and August 31, 1999, as well as under a separate resolution of the holders of preferred shares following the Annual Shareholder Meeting on August 31, 1999). The increase of authorized un-issued capital will be affected only to the extent that these conversion rights are exercised.

At the beginning of the fiscal year 2003 a total of 6,500 convertible bonds vesting the right of conversion to 19,500 shares of no-par stock were in circulation.

In December 2003 a total of 6,500 convertible bonds had been converted into a total of 19,500 MIS AG shares. The additional payment was K€ 99. No convertible bonds were therefore still in circulation on December 31, 2003.

(44) Other financial obligations

On the balance sheet date, there were obligations in the amount of K€ 8,383 under long-term rental and leasing contracts. The obligations essentially relate to contracts for buildings, passenger cars, DP systems and office machines, as well as consulting agreements.

Future minimum lease payments under non-cancelable operating lease are as follows:

in '000 €	
Next 1 year	2,883
1 year through 5 years	5,201
After 5 years	299
Total	**8,383**

Earnings for the current fiscal year include rent and leasing expenses amounting to K€ 3,118.

Future obligations denominated in foreign currencies were translated at the exchange rate prevailing on December 31, 2003.

The "put-call agreement" concluded with the minority shareholders of MIS AG Italia S.r.l. and Auron Management Consultants S.r.l in the context of a Shareholders' Agreement was not used. A new put-call agreement has been reached, granting MIS AG a purchase option with regard to all investments in the period from January 15, 2005 to February 14, 2005. This put-call arrangement grants minority shareholders the right to sell their entire shareholdings in the period from February 15, 2005 to March 14, 2005.

Minority shareholders in chorus Gesellschaft für Informations- und Kommunikationstechnologie mbH exercised their put agreement in May 2003 and June 2003. MIS AG purchased 25% of shares in chorus Gesellschaft für Informations- und Kommunikationstechnologie mbH at a price of K€ 1,202. A further 10% of the shares were acquired on January 1, 2004 at a price of K€ 482. Also in January 2004, a further 4.8% of shares were acquired as part of the put agreement. The company has agreed to purchase a further 10% of the shares in January 2005 at a price of K€ 482.

Equity

(45) Subscribed capital

	2003 Number of shares	2002 Number of shares	2003 in '000 EUR	2002 in '000 EUR
Common shares (no-par value) Issued and paid up				
January 1	3,409,732	3,371,332	3,410	3,371
Conversion of bonds	19,500	38,400	19	39
December 31	**3,429,232**	**3,409,732**	**3,429**	**3,410**

(46) Currency translation adjustments

Analysis of currency translation adjustments in 2003 and 2002:

in '000 €	2003	2002
Variance in net income/loss between average and year-end exchange rates	4	10
Variance from translation of net opening assets at a year-end rate which differs from that prevailing the previous year	-46	-44
Variance in shareholders' equity at beginning of fiscal year	31	65
Total	**-11**	**31**

(47) Authorized unissued capital – convertible bond

To satisfy the conversion rights of the Convertible Bond (see note 43), the capital stock was conditionally increased by up to € 240,000 through the issuance of up to 240,000 shares. The increase of authorized unissued capital will be affected only to the extent that these conversion rights are in fact exercised.

As of December 31, 2003 a total of 51,917 convertible bonds have been converted into 155,751 shares in MIS. Of these, the remaining 6,500 convertible bonds were converted into 19,500 shares in 2003, increasing the capital in 2003 by € 19,500. No convertible bonds are still in circulation as of December 31, 2003.

(48) Authorized unissued capital – option plan

The capital stock has been conditionally increased by a further amount of up to € 181,790 to be employed exclusively for issuing a maximum of 181,790 shares of no-par stock, representing a € 1.00 pro-rata share of the capital stock, to satisfy subscription rights granted under the MIS AG Stock Option Plan. The increase of authorized un-issued capital will be affected only to the extent that the holders of subscription rights under the Stock Option Plan exercise their subscription rights.

Stock options are available to all MIS AG employees according to the following segments:

Plan 1: 27,470 to members of the Management Board and selected MIS Group executives.
Plan 2: 20,000 to members of the Management Board, 35,000 to managing directors of affiliated companies and 65,000 to all employees of MIS AG and affiliated companies.

The subscription rights granted under Plan 1 have a term of five years and are subject to a waiting period of 3 years subsequent to their date of issue. Following the waiting period (i.e. during the third year of the term), up to 50% of the subscription rights can be exercised, during the fourth year a further 25% and during the fifth year of the term the remaining 25%. It is only possible to exercise the subscription rights if, on the day prior to the exercise of the subscription rights, the trading price of MIS shares has developed better than the Deutsche Börse AG Neuer Markt Software Index since the day the MIS shares were first listed for trading. If new shares of common stock are issued according to Plan 1 prior to the close of the day of the Annual Shareholders Meeting of the respective year, such new shares will be entitled to dividend distributions from the beginning of the fiscal year prior to the fiscal year in which they are issued, and, if issued after the close of the day of the Annual Shareholders Meeting, they will be entitled to dividend distributions from the beginning of the fiscal year in which they are issued.

The subscription rights granted under Plan 2 have a term of 5 years and are subject to a waiting period of 2 years subsequent to their date of issue. In some cases the option terms may stipulate that subscription rights may only be exercised subsequent to the expiry of a longer waiting period. The subscription price for no-par stock corresponds to the average closing prices for MIS shares as quoted on the Xetra trading system on the Frankfurt Stock Exchange over the 10 last stock exchange trading days prior to a

resolution by the Management Board to launch the stock option program. Stock options may only be exercised if, at the time at which the option tranches are free to be exercised for the first time, the MIS shares, adjusted as described in the "Guide to the Share Indices of Deutsche Börse" applicable at the time, have performed better than the Deutsche Börse AG Neuer Markt Software Index during the same period. The share options may only be exercised in a strictly defined time frame following publication of either the quarterly report or annual financial statements.
No subscription rights currently exist under Plan 2. Of the subscription rights granted under Plan 1 in recent fiscal years, none were exercised in 2003.

No stock option rights were granted during the fiscal year 2003.

(49) Authorized capital

With the consent of the Supervisory Board the Management Board was authorized, for a period of five years from September 16, 1999, to increase the capital stock through the issuance of new no-par value shares of bearer stock (common stock) against contributions in kind and/or cash by a maximum amount of € 984,519, in one or multiple tranches. In addition, the Management Board is authorized, with the consent of the Supervisory Board, to exclude shareholders' subscription rights. It is permissible to exclude subscription rights for the purpose of rounding fractional amounts, for the purpose of gaining access to German and foreign capital markets in connection with an Initial Public Offering, in particular to the extent that additional shares can be placed with the investing public as part of a so called "greenshoe" (additional issuance) option, as well as in connection with private placements and for the purpose of acquiring or merging with other enterprises or elements of other enterprises through the use of such fractional shares as contributions in kind; furthermore, they may also be used to issue shares to the Company's workforce or to the employees of affiliated companies, as well as if the issue price of these shares is not substantially lower than the market price.

The Supervisory Board is authorized to change the Articles of Association in accordance with the scope of the capital increase from authorized capital.

(E) Notes to the Consolidated Income Statement

(50) Cost of sales

Cost of sales comprises the following expenses:

in '000 €	2003	2002
Depreciation	463	703
Personnel expenses	14,693	17,004
Other expenses	8,336	9,495
Total	**23,492**	**27,202**

(51) Research and development expenses

Research and development cost comprises the following expenses:

in '000 €	2003	2002
Depreciation	235	283
Personnel expenses	3,966	3,741
Other expenses	1,543	1,215
Total	**5,744**	**5,239**

(52) Marketing and sales expenses

Marketing and sales cost comprises the following expenses:

in '000 €	2003	2002
Depreciation	194	228
Personnel expenses	7,854	6,149
Other expenses	3,492	3,848
Total	**11,540**	**10,225**

(53) General and administration expenses

General and administration cost comprises the following expenses:

in '000 €	2003	2002
Depreciation	172	451
Personnel expenses	3,503	3,559
Other expenses	1,316	2,075
Total	**4,991**	**6,085**

(54) Other operating income (expenses) – net

Other operating income/expenses essentially comprises exchange rate gains and losses, write downs of accounts receivable and bad debts.

(55) Personnel expenses and average number of employees

in '000 €	2003	2002
Total	**30,016**	**30,453**

The average number of employees in 2003 and 2002 was:

	2003 average	2002 average
Germany	326	403
International activities	135	142
Total	**461**	**545**

MIS's total headcount as of December 31, 2003 was 459 (previous year: 460).

(56) Financial income / expenses – net

in '000 €	2003	2002
Interest income	172	225
Interest expenses	-65	-166
Appreciation of financial assets	52	0
Financial income/expenses – net	**159**	**59**

(57) Income tax

Income taxes paid or owed in the individual countries, as well as deferred taxes, are carried as income taxes. Income taxes consist of corporate income and trade taxes, the solidarity surcharge of the German entities, as well as comparable foreign income taxes.

Composition of income taxes:

in '000 €	2003	2002
Current tax expense / income	418	229
Deferred tax expense / income	32	6,039
Total	**450**	**6,268**

The Company's effective tax rate in Germany (for corporate and local income tax and the solidarity surcharge) during 2003 amounts to 41%.

The adjustment from tax expenses at the effective tax rate in Germany (based upon pre-tax income/loss) to actual income tax expenses is structured as follows:

in '000 €	2003	2002
Income before income tax	-1,389	-5,338
Tax expense under German tax rate	-569	-2,135
Changes of deferred tax assets	-341	7,584
Differing tax rates outside Germany	33	121
Taxes on non-deductible operating expenses	35	28
Amortization of goodwill	1,310	668
Miscellaneous	-18	2
Total	**450**	**6,268**

(58) Earnings per share

Basic earnings per share are calculated by dividing the net result for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit attributable to ordinary shareholders and the weighted average number of shares outstanding are generally adjusted for the effects of all dilutive potential ordinary shares from conversion of bonds. MIS's Stock Option Plan and convertible bonds are not taken into consideration in computing the diluted earnings per share, as the potential ordinary shares are anti-dilutive since their conversion to ordinary shares would not decrease earnings or increase loss per share from continuing operations.

For the year ended 2002	Income in '000 €	Weighted average number of shares in '000 €	Earnings per share in €
Earnings attributable to shareholders	-11,620		
Earnings	**-11,620**		
Earnings available to common shareholders	-11,620	3,397	-3.42

For the year ended 2003	Income in '000 €	Weighted average number of shares in '000 €	Earnings per share in €
Earnings attributable to shareholders	-1,944		
Earnings	**-1,944**		
Earnings available to common shareholders	-1,944	3,410	-0.57

(F) Notes to Cash Flow Statements

(59) Acquisitions/disposals

In the fiscal year 2003, MIS increased its shares in chorus Gesellschaft für Informations- und Kommunikationstechnologie mbH, Eurasburg, Germany, from 50.2% to 75.2% and sold its shares in activeWeb GmbH, Darmstadt, Germany. The purchase price for the shares in chorus Gesellschaft für Informations- und Kommunikationstechnologie mbH, Eurasburg, Germany, amounting to K€ 1,202 and the sales proceeds (K€ 79) for the shares in activeWeb GmbH, Darmstadt, Germany, are shown as cash flow from investments. The cash components for the purchase of activeWeb GmbH amounted to K€1.

The assets and liabilities connected with the disposal of activeWeb GmbH, Darmstadt, Germany, are as follows:

in '000 €	2003
Fixed assets	-23
Accounts receivable and other current assets	-343
Liabilities and other provisions	212
Deferred income	23
Total	**-131**
Sale price	79
Variance from deconsolidation	-52

The sold company recorded the following sales and net income/loss in 2003:

in '000 €	Sales	Net income/loss
activeWeb GmbH	1,191	-196

(G) Segment Information

Analogously to IAS 14, the Company reports on business segments and geographic segments, with differentiation primarily being made on the basis of business segments for segment reporting purposes only. From an operational point of view the two segments are very closely interconnected and not managed separately. The geographical segment is regarded accordingly as the secondary segment and the following differentiation made in the primary segment:

- Products Business Segment
- Services Business Segment

In determining segment income/losses, amortization of goodwill and other operating income and expenses are viewed as being un-allocatable expenses.

The allocation of production costs for services has been changed such that these costs are allocated directly to the Services segment and are no longer split between Products and Services based on the sales ratio. The presentation for previous years has been modified accordingly.

The secondary segment differentiates between German and international activities.

(60) Business segments

	Products		Services		Eliminations		Total	
in '000 €	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
External segment sales	20,265	18,093	27,670	29,795	0	0	47,935	47,888
Internal segment sales	1,389	935	450	467	-1,839	-1,402	0	0
Subtotal	**21,654**	**19,028**	**28,120**	**30,262**	**-1,839**	**-1,402**	**47,935**	**47,888**
Segment income/loss	4,774	2,063	-2,602	-4,932	-4	-25	2,168	-2,894
Unallocated expenses							-3,716	-2,503
Operating income/loss							**-1,548**	**-5,397**
Financial income/expenses – net							159	59
Income/loss from ordinary operations							**-1,389**	**-5,338**
Minority interests							-105	-14
Income tax							-450	-6,268
Net loss							**-1,944**	**-11,620**

in '000 €	**2003**	**2002**
Segment assets		
Products	11,893	10,396
Services	8,922	13,551
Un-allocatable assets	4,604	5,478
Total	**25,419**	**29,425**
Segment liabilities		
Products	5,058	4,567
Services	5,814	6,705
Un-allocatable liabilities	2,308	3,900
Total	**13,180**	**15,172**

in '000 €	2003	2002
Capital investments in tangible and intangible assets		
Products	814	145
Services	881	486
Un-allocatable capital investments	0	0
Total	**1,695**	**631**
Depreciation and amortization		
Products	1,800	1,164
Services	2,459	2,173
Un-allocatable depreciation and amortization	0	0
Total	**4,259**	**3,337**

(61) Geographical segments

in '000 €	2003	2002
Sales		
Germany	34,105	34,729
International activities	13,830	13,159
Total	**47,935**	**47,888**
Segment assets		
Germany	19,104	22,638
International activities	6,315	6,787
Total	**25,419**	**29,425**
Capital investments in tangible and intangible assets		
Germany	1,501	529
International activities	194	102
Total	**1,695**	**631**

(H) Related Party Transactions

(62) Management Board

The following table lists the total remuneration of the members of the Management Board:

	Fixed remuneration in €	Variable remuneration in €	Total remuneration in 2003 in €
Peter Raue, Chairman	202,238	31,444	233,682
Detlef Klüssendorf	135,408	22,500	157,908
Total	**337,646**	**53,944**	**391.590**

In addition, € 123,414.60 was paid to Jürgen Faißt, a previous Management Board member who left the Management Board of MIS AG in 2002.

On January 23, 2004, the MIS AG Supervisory Board appointed MIS GmbH's three managing directors to the MIS AG Management Board to join the CEO Peter Raue and CFO Detlef Klüssendorf. The appointment of the three new members will take effect as of February 1, 2004. Michael Danninger will be responsible for product development, and Stefan Sexl for marketing and indirect sales. Responsibility for the operative business of MIS companies is held by Hannes Wambach.

Other positions held by members of the Management Board:

- Peter Raue: Chairman of the Supervisory Board of DENC AG, Darmstadt, Germany.

(63) Supervisory Board

The members of the Supervisory Board during the fiscal year were:

- Paul Coleman, Beaconsfield (Chairman of the Supervisory Board as of December 9, 2003), CEO of Systems Union Group plc, Farnborough, United Kingdom, who joined on December 3, 2003
- Gerd Nicklisch, Buchholz (Chairman of the Supervisory Board from June 11, 2003 to December 9, 2003, Vice Chairman of the Supervisory Board since December 9, 2003), CEO of Impala AG, Hamburg
- Antony Sweet, Wokingham, CFO of Systems Union Group plc, Farnborough, United Kingdom, who joined on December 3, 2003
- Prof. Dr. Sven Piechota, Lüneburg (Chairman of the Supervisory Board until June 11, 2003) Professor of Controlling and Innovation Management, Lüneburg Technical University, Germany, who departed on June 11, 2003
- Bernhard Dorn, Nuremberg (Vice Chairman of the Supervisory Board from June 11 to December 1, 2003), consultant, who joined on June 11, 2003 and departed on December 1, 2003
- Hans-Dieter Holler, Schlangenbad, Managing Partner of VISTEC Internet Services GmbH, Wiesbaden, Germany, who left on December 1, 2003

The following table lists the total remuneration of the members of the Supervisory Board:

Remuneration in €	**2003**
Prof. Dr. Sven Piechota	10,000
Gerd Nicklisch (Vice chairman)	17,917
Hans-Dieter Holler	10,000
Bernhard Dorn	8,750
Paul Coleman (Chairman)	0
Antony Sweet	0
Total	**46,667**

Other positions held by members of the Supervisory Board:

- Prof. Dr. Sven Piechota: Chairman of the Supervisory Board of Softmark AG, Oberhaching, Germany
- Gerd Nicklisch: Chairman of the Supervisory Board of nextevolution AG, Hamburg, Germany
- Hans-Dieter Holler: Member of the Supervisory Board of Innovaphone AG, Sindelfingen, Germany.
- Bernhard Dorn: Member of the Supervisory Board at the following companies:
  - ATOSS Software AG
  - AXA Service AG
  - ce Consumer Electronics AG
  - DB Systems GmbH
  - TDS Informationstechnologie AG
  - twenty4help AG
  - United Internet AG
  - 1&1 Internet AG

Mr. Paul Coleman and Mr. Antony Sweet held other board mandates within Systems Union Group plc.
On June 26, 2003, Prof. Dr. Sven Piechota sold 5% of the shares in chorus GmbH for K€ 237 after leaving the Supervisory Board of MIS AG (June 11, 2003).

On October 10, 2003, MIS AG was informed by Systems Union Group plc, Farnborough, Hampshire, United Kingdom, that Systems Union Group plc was planning to make a voluntary public takeover offer to the shareholders of MIS AG and purchase the shares of MIS AG at a price of € 10.00 per no-par value share. Following the expiry of the further (and thereby final) closing date for the public offer in December 2003, the English Systems Union Group plc held a total of 93.5% of voting rights in MIS AG as of December 18, 2003. Paul Coleman and Antony Sweet belong to the Board of Systems Union Group plc where they are CEO and CFO respectively.

(64) Consultancy agreements

The members of the Management and Supervisory Boards are viewed as related individuals in the sense of IAS 24.3. With the exception of those explicitly cited here, there were no noteworthy business relations between members of the Management and Supervisory Boards and the companies included in the Consolidated Financial Statements in 2003.

The Company entered into a consulting agreement with Prof. Dr. Sven Piechota. No consultancy fees were incurred during 2003. Up to June 2003, Prof. Dr. Sven Piechota was the Chairman of the MIS AG Supervisory Board. The consulting agreement may be terminated by both parties at any time by serving notice of 6 months to the end of the year.

(65) Pool agreement

On the occasion of the Initial Public Offering, the Company's founding shareholders – Sven Piechota, Peter Raue, Franklin Syrowatka, Sven Anwander and Jiri Vodicka and their family members respectively – entered into a pool agreement, under which portions of their shareholdings are governed by a procedure for producing unanimous votes following joint deliberations. Sven Piechota, Peter Raue and Jiri Vodicka were still involved in this agreement in the fiscal year 2003. Jiri Vodicka withdrew from the pool agreement on April 1, 2003. The pool agreement was terminated as Sven Piechota left it on September 30, 2003.

(66) Associated companies

MIS Group has entered into a variety of transactions with its associates. The Company enters into transactions in the normal course of business on an arm's-length basis. In total, these transactions generated revenue of K€ 265.

(I) Waiver pursuant to § 264 Sub-Para. 3, German Commercial Code (HGB)

The German subsidiary MIS GmbH exercised the provisions of Section 264, Sub-Para. 3, of the German Commercial Code (HGB) relating to waiver of its obligation to audit and disclose the annual financial statements and management's discussion and analysis. As the shareholder in the subsidiary, MIS AG has consented to the waiver for the 2003 fiscal year and disclosed the resolution pursuant to Section 325, German Commercial Code (HGB). The subsidiary is included in the Consolidated Financial Statements of MIS.

(J) Corporate Governance: Declaration of Conformity

The Management and Supervisory Boards have issued a mandatory declaration of conformity in compliance with Section 161 German Stock Corporation Act (AktG) and have made this permanently accessible to the shareholders.

(K) Notifications Pursuant to Section 20 Sub-Para. 1 or Sub-Para. 4 Stock Corporation Act (AktG) or Section 21 Sub-Para. 1 or Sub-Para. 1a Securities Trading Act (WpHG)

1. Mr. Sven J. Anwander, Schwarzburgstr. 69, 60318 Frankfurt, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that his shareholding in MIS AG, Darmstadt, fell below the 25% and 10% thresholds on January 1, 2003 and now amounts to 6.40%. Voting rights are no longer counted additionally towards him.

2. Ms. Karin Stiller, Schwarzburgstr. 69, 60318 Frankfurt, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that her shareholding in MIS AG, Darmstadt, fell below the 25%, 10% and 5% thresholds on January 1, 2003 and now amounts to 3.19%. Voting rights are no longer counted additionally towards her.

3. Ms. Tanja Syrowatka, Rehkopfweg 5, 61381 Friedrichsdorf, has notified us pursuant to Section 21, Sub-Para. 1 of the Securities Trading Act that her shareholding in MIS AG fell below the 25%, 10% and 5% thresholds on January 1, 2003 owing to modifications to assignment methods and now amounts to 1.73%.

4. Mr. Jiri Vodicka, Voskovcova 39, 152 00 Prague/Czech Republic, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that his shareholding in MIS AG, Darmstadt, fell below the 25% and 10% thresholds on April 1, 2003 and now amounts to 9.65%. Voting rights are no longer counted additionally towards him.

5. Prof. Dr. Sven Piechota, Am Osterberg 4, 21379 Rullstorf, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that his shareholding in MIS AG, Darmstadt, fell below the 25% threshold on April 1, 2003 and that he now holds 19.02% of the voting rights in MIS AG. Of this, 12.47% are counted as the holder's voting rights pursuant to Section 22 Sub-Para. 2 of the Securities Trading Act and 1.88% according to Section 22 Sub-Para. 1 No. 6 of the Securities Trading Act.

6. Ms. Annette Piechota, Am Osterberg 4, 21379 Rullstorf, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that her shareholding in MIS AG, Darmstadt, fell below the 25% threshold on April 1, 2003 and that she now holds 19.02% of the voting rights in MIS AG. Of this, 18.08% are counted as the holder's voting rights pursuant to Section 22 Sub-Para. 2 of the Securities Trading Act and 1.88% according to Section 22 Sub-Para. 1 No. 6 of the Securities Trading Act.

7. Prof. Dr. Sven Piechota and Ms. Annette Piechota, Am Osterberg 4, 21379 Rullstorf, has notified to us, as legal representatives, in accordance with Section 21 Sub-Para. 1 of the Securities Trading Act that the shareholding of their underage daughter, Meike Piechota, fell below the 25% threshold on April 1, 2003 and that she now holds 19.02% of the voting rights in MIS AG. Of these 18.08% are counted as the holder's voting rights pursuant to Section 22 Sub-Para 2 of the Securities Trading Act.

8. Prof. Dr. Sven Piechota and Ms. Annette Piechota, Am Osterberg 4, 21379 Rullstorf, has notified to us, as legal representatives, in accordance with Section 21 Sub-Para. 1 of the Securities Trading Act that the shareholding of their underage son, Steffen

Piechota, fell below the 25% threshold on April 1, 2003 and that he now holds 19.02% of the voting rights in MIS AG. Of these 18.08% are counted as the holder's voting rights pursuant to Section 22 Sub-Para 2 of the Securities Trading Act.

9. Mr. Peter Raue, Klein-Bieberauer Weg 5, 64397 Modautal, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that his shareholding in MIS AG, Darmstadt, fell below the 25% threshold on April 1, 2003 and that he now holds 19.31% of the voting rights in MIS AG. Of these 15.23% are counted as the holder's voting rights pursuant to Section 22 Sub-Para 2 of the Securities Trading Act.

10. Ms. Sinje Raue, Klein-Bieberauer Weg 5, 64397 Modautal, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that her shareholding in MIS AG, Darmstadt, fell below the 25% threshold on April 1, 2003 and that she now holds 19.02% of the voting rights in MIS AG. Of these 13.16% are counted as the holder's voting rights pursuant to Section 22 Sub-Para 2 of the Securities Trading Act.

11. Mr. Peter Raue, Klein-Bieberauer Weg 5, 64397 Modautal, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that his shareholding in MIS AG, Darmstadt, exceeded the 25% threshold on May 14, 2003 and that he now holds 25.30%. Of these 15.23% are counted as the holder's voting rights pursuant to Section 22 Sub-Para 2 of the Securities Trading Act.

12. Kreissparkasse Groß-Gerau, Darmstädter Straße 22, 64521 Groß-Gerau, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that the shareholding of Mr. Jiri Vodicka, Voskovcova 39, 152 00 Prague/Czech Republic, in MIS AG, Darmstadt, fell below the 5% threshold on May 14, 2003 due to disposal of a pledge for his shares by Kreissparkasse Groß-Gerau.

13. Mr. Horst Syrowatka, Kranichstr. 4, 68782 Brühl, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that his shareholding in MIS AG, Darmstadt, fell below the 5% threshold on September 9, 2003 and that he now holds 0.74%.

14. Prof. Dr. Sven Piechota, Rullstorf, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that his shareholding in MIS AG, Darmstadt, fell below the 10% threshold on October 1, 2003 and that he now holds 6.6%. A further 1.88% are counted as the holder's voting rights pursuant to Section 22 Sub-Para 1 No. 6 of the Securities Trading Act.

15. Ms. Annette Piechota, Rullstorf, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that her shareholding in MIS AG, Darmstadt, fell below the 5% threshold on October 1, 2003 and that she now holds 0.9%. A further 1.88% are counted as the holder's voting rights pursuant to Section 22 Sub-Para 1 No. 6 of the Securities Trading Act.

16. Prof. Dr. Sven Piechota and Ms. Annette Piechota has notified to us, as legal representatives, in accordance with Section 21 Sub-Para. 1 of the Securities Trading Act that the shareholding of their underage son, Steffen Piechota, in MIS AG, Darmstadt, fell below the 5% threshold on October 1, 2003 and that he now holds 0.94%.

17. Prof. Dr. Sven Piechota and Ms. Annette Piechota has notified to us, as legal representatives, in accordance with Section 21 Sub-Para. 1 of the Securities Trading Act that the shareholding of their underage daughter, Meike Piechota, in MIS AG, Darmstadt, fell below the 5% threshold on October 1, 2003 and that she now holds 0.94%.

18. Mr. Peter Raue, Modautal, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that his shareholding in MIS AG, Darmstadt, fell below the 25% threshold on October 1, 2003 and that he now holds 10.07%.

19. Ms. Sinje Raue, Modautal, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that her shareholding in MIS AG, Darmstadt, fell below the 10% threshold on October 1, 2003 and that she now holds 5.86%.

20. Systems Union Group plc, Farnborough, Hampshire (Great Britain), has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that their shareholding in MIS AG, Darmstadt, exceeded the 10% threshold on October 14, 2003 and that they now hold 11.1%.

21. SüdKapitalanlagegesellschaft mbH, Frankfurt, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that their shareholding in MIS AG, Darmstadt, fell below the 5% threshold on November 14, 2003 – due to the special security fund managed by them as a capital investment company – and that they now hold 0%.

Correction to publication no. 20 dated October 16, 2003:

22. As a correction to our above publication, we announce that the shareholding of Systems Union Group plc, Farnborough, Hampshire (Great Britain), in MIS AG, Darmstadt, exceeded the 5% and 10% thresholds on October 16, 2003 and then amounted to 11.1%.

23. Systems Union Group plc, Farnborough, Hampshire (Great Britain), has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that their shareholding in MIS AG, Darmstadt, exceeded the 25% threshold on November 13, 2003 and that they then held 28.83%. Of this, 2.50% were counted as the holder's voting rights pursuant to Section 22 Sub-Para 1 No. 5 of the Securities Trading Act.

24. Systems Union Group plc, Farnborough, Hampshire (Great Britain), has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that their shareholding in MIS AG, Darmstadt, exceeded the 50% threshold on November 17, 2003 and that they then held 60.61%. Of this, 33.96% were counted as the holder's voting rights pursuant to Section 22 Sub-Para 1 No. 5 of the Securities Trading Act.

25. Systems Union Group plc, Farnborough, Hampshire (Great Britain), has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that their shareholding in MIS AG, Darmstadt, exceeded the 75% threshold on November 20, 2003 and that they then held 77.90%. Of this, 50.74% are counted as the holder's voting rights pursuant to Section 22 Sub-Para 1 No. 5 of the Securities Trading Act.

26. Prof. Dr. Sven Piechota, Rullstorf, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that his shareholding in MIS AG, Darmstadt, fell below the 5% threshold on December 1, 2003 and that he now holds 0%. There are no more assignments.

27. Mr. Peter Raue, Modautal, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that his shareholding in MIS AG, Darmstadt, fell below the 10% and 5% threshold on December 1, 2003 and that he now holds 0%.

28. Ms. Sinje Raue, Modautal, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that her shareholding in MIS AG, Darmstadt, fell below the 5% threshold on December 1, 2003 and that she now holds 0%.

29. Mr. Sven J. Anwander, Frankfurt, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that his shareholding in MIS AG, Darmstadt, fell below the 5% threshold on December 1, 2003 and that he now holds 0%.

30. Baden-Württembergische Versorgungsanstalt für Ärzte, Zahnärzte und Tierärzte, Tübingen, has notified us pursuant to Section 21 Sub-Para. 1 of the Securities Trading Act that their shareholding in MIS AG, Darmstadt, fell below the 5% threshold on December 4, 2003 and that they now hold 0%.

(L) List of Subsidiaries Consolidated

Companies	Equity ratio Dec. 31, 2003 in %	Equity Dec. 31, 2003 in '000 €	Income/Loss in 2003 in '000 €
MIS GmbH, Darmstadt, Germany*	100.0	912	0
MIS AG s.r.o., Prague, Czech Republic	100.0	666	27
MIS Austria GmbH, Vienna, Austria	100.0	715	91
MIS UK Limited, London, Great Britain	100.0	299	2
RSL Business Solutions Limited, London, Great Britain	100.0	88	-1
MIS Schweiz AG, Zurich, Switzerland	100.0	-40	-177
Auron Management Consultants S.r.l., Milan, Italy	50.5	-440	-724
MIS AG Italia S.r.l., Milan, Italy	50.5	-971	-944
chorus Gesellschaft für Informations- und Kommunikationstechnologie mbH, Eurasburg, Germany	75.2	1,182	411

*MIS GmbH and MIS AG have entered into a control and profit and loss transfer agreement; i.e. the net income/loss has been transferred to MIS AG.

Darmstadt, February 20, 2004

The Management Board

Report of Independent Auditors

We have audited the consolidated financial statements of MIS AG, Darmstadt, as of December 31, 2003, including the balance sheet, the statement of income, cash flows, changes in shareholders' equity and notes for the year then ended. The legal representatives of the company are responsible for the preparation and content of the consolidated financial statements. Our responsibility is to express an opinion, based on our audit, whether these consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

We conducted our audit in accordance with the German Auditing Rules and in compliance with the generally accepted standards of auditing prescribed by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. In establishing the audit procedures we considered our knowledge about the group's business operations, its economic and legal environment, and expectations of possible errors. An audit includes examining the effectiveness of the internal control system relating to the accounting system and the evidence supporting the amounts and disclosures in the consolidated financial statements, primarily on a test basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present a true and fair view of the Group's financial position, results of operations and cash flows in accordance with IFRS.

Our audit which also includes the management report for the fiscal period from January 1 to December 31, 2003, which is the responsibility of the Management Board, has not given rise to any reservations. In our opinion the management report in the consolidated financial statements, combined with the other information in the consolidated financial statements, conveys a suitable presentation of the situation of the Group taken as a whole and presents the risks to its future developments adequately. Additionally, we confirm that the consolidated financial statements and the Group's management report for the fiscal period from January 1 to December 31, 2003 meet the requirements for an exemption to prepare consolidated financial statements and the Group's management report in accordance with the rules and regulations of the German Commercial Code.

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft

Hanft	Vöhl
Wirtschaftsprüfer	Wirtschaftsprüfer

Eschborn/Frankfurt/M., February 23, 2004

Additional information concerning the Board members of MIS AG
(not subject to the audit)

Management Board

The following table lists the MIS AG share transactions engaged in and MIS AG shareholdings of the members of the Management Board:

	Shareholding on January 1, 2003	Share transactions in 2003	Shareholding on December 31, 2003
Peter Raue	139,330	-139,330	0
Detlef Klüssendorf	0	0	0
Total	**139,330**	**-139,330**	**0**

Other positions held by members of the Management Board:

- Peter Raue: Chairman of the Supervisory Board of DENC AG, Darmstadt, Germany

Supervisory Board

The following table lists the MIS AG share transactions and MIS AG shareholdings of the members of the MIS AG Supervisory Board:

	Shareholding on January 1, 2003	Share transactions in 2003	Shareholding on December 31, 2003
Prof. Dr. Sven Piechota	223,495	-223,495	0
Gerd Nicklisch (Vice Chairman)	2,000	-2,000	0
Hans-Dieter Holler	0	0	0
Bernhard Dorn	0	0	0
Paul Coleman (Chairman)	0	0	0
Antony Sweet	0	0	0
Total	**225,495**	**-225.495**	**0**

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This annual report was produced by the Corporate Communications Department of MIS AG.

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Michael Fahrig, Cologne, Germany

Layout:
IR-One AG & Co., Hamburg, Germany

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