# Annual Report 2003
# DCI Database for Commerce and Industry AG

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**Report of the Supervisory Board of DCI Database for Commerce and Industry AG for the 2003 Business Year**

The Supervisory Board regularly monitored the work of the Management Board in the 2003 business year and provided supplementary advice. The detailed reports of the Management Board in the Supervisory Board meetings and monthly financial reports formed the basis for this. In addition, the Supervisory Board had a regular exchange of information and ideas with the Management Board. Thus the Supervisory Board was regularly informed on

- Corporate policy,
- Corporate planning, including finance, investment and staffing policies,
- Profitability of the company and
- Progress of the company.

If approval was required or measures taken by the Management Board or for decisions for which the Supervisory Board bears the responsibility, the members of the Supervisory Board took the decisions based on the submissions in the meetings or based on information in writing sent out under the written decision procedure.

In the 2003 business year, the Supervisory Board held eight ordinary meetings. Committees were not formed by the Supervisory Board.

The financial situation and the development of the Group, the individual divisions and the affiliated companies nationally and internationally described in the reports of the Management Board were the subject of detailed discussion. In this connection, the investment and development activities of the company were the focus points of the discussion. Moreover, subjects handled by the Supervisory Board in the meetings it held included:

- Adoption of the Financial Statements and the Consolidated Financial Statements and the summarized Annual Report of DCI Database for Commerce and Industry AG for business year ending on December 31, 2003;
- Award of the commission to audit the Financial Statements and the Consolidated Financial Statements to December 31, 2003 to Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Munich
- Winding up the subsidiary acequote.com Ltd.

The Financial Statements of DCI Database for Commerce and Industry AG and the Management Report for the 2003 business year were audited by the auditors mandated by the Annual General Meeting, Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Munich, in line with the audit commission awarded by the Supervisory Board.

The Consolidated Financial Statements in accordance with US GAAP including the Group Statement of Cash Flow was also audited by the auditors.

The auditors issued an unqualified audit certificate for the DCI Database for Commerce and Industry AG Financial Statements and the Management Report for the 2003 business year and added the following remark:

> “Without qualifying this opinion, we refer to the continuing decline in sales, the continuing loss situation and the continuing cash outflow. Due to the net loss for the year 2003 more than half of the parent company’s capital stock has now been lost. According to its discussion in section F "Going Concern" of the management report, the management board expects another loss for the fiscal year 2004 and for 2005 a profit for the first time contingent on the assumptions being realized and taking the planning risks and uncertainties into account. Sustained unfavorable planning variances could, however, put an end to the Company as a going concern (see management report, Section D "Indications of risks to future development").”

The Supervisory Board was always kept informed on the financial situation of the company and shares the views of the Management Board in the Management Report regarding the future development of the assets, financial and income situation. The budget plan submitted by the Management Board for the 2004 business year was noted by the Supervisory Board.

Moreover, the auditors were convinced that the Consolidated Financial Statements, in conformity with United States Generally Accepted Accounting Principles (US GAAP), give a true and fair picture of the assets, financial and income situation of reflect accurately the payment flows in the past business year.

The Financial Statements, the Consolidated Financial Statements documentation and the audit reports were made available by Ernst & Young Deutsche Allgemeine Treuhand AG Wirtschaftsprüfungsgesellschaft, Munich, to the Supervisory Board and submitted to all members of the Supervisory Board. They were discussed in detail in the Supervisory Board meetings relating to the Financial Statements on March 9, 2004. The auditors participated in the Board meeting relating to the Financial Statements and reported on the audit and were available to provide supplementary information.

The Financial Statements and the Management Report were reviewed by the Supervisory Board. The Consolidated Financial Statements in according with US GAAP including the Consolidated Cash Flow statement were also reviewed by the Supervisory Board in the meeting on March 9, 2004. No objections were raised concerning the Financial Statements, the Management Report and the Consolidated Financial Statements in according with US GAAP included the Consolidated Cash Flow statement. The Supervisory Board approved the results submitted by the auditors.

In accordance with the final result of its review, the Supervisory Board raised no objections and approved the Financial Statements and the Consolidated Financial Statements on March 9, 2004.

The Supervisory Board thanks the Management Board and all employees for their commitment and for the work performed in the 2003 business year on behalf of the company, its customers and shareholders.

Munich, March 9, 2004

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Michael Böllner
Chairman of the Supervisory Board

## Directors` Dealings (unaudited)

| | DCI Shares<br>**31.12.2003** | DCI Shares<br>**30.09.2003** | DCI Shares<br>**31.12.2002** | Options<br>**31.12.2003** | Options<br>**31.12.2002** |
|---|---|---|---|---|---|
| **Management Board:** | | | | | |
| **Michael Mohr**<br>Chief Executive Officer | 3.566.830 | 3.566.830 | 3.566.830 | 0 | 0 |
| **Dr. iur. Reiner Stecher**<br>Chief Finance Officer | 0 | 0 | 0 | 0 | 0 |
| **Supervisory Board:** | | | | | |
| **Michael Böllner**<br>Chairman of Supervisory Board | 4.500 | 4.500 | 4.500 | 0 | 0 |
| **Dr. Hubert Krieger**<br>Deputy Chairman<br>(since 12.05.2003) | 0 | 0 | 0 | 0 | 0 |
| **Michael Reuss**<br>(since 12.05.2003) | 0 | 0 | 0 | 0 | 0 |
| **Dr. Jack Schiffer**<br>Deputy Chairman<br>(until 12.05.2003) | | | 294 | 0 | 0 |
| **John Thorpe**<br>(until 12.05.2003) | | | 5.874 | 0 | 0 |

**Ownership Structure**

| **Name** | **Shares** | **% Capital Stock** |
|---|---|---|
| Michael Mohr | 3.566.830 | 42,138% |
| Free Float | 4.897.762 | 57,862% |
| **Total** | **8.464.592** | **100,000%** |

## DCI Database for Commerce and Industry AG, Starnberg

## Group management report for 2002

### A. Business Developments

The DCI Group recorded consolidated sales of EUR 3,554 k in the fiscal year 2003 (prior year: EUR 12,344 k). This is down 71% on the prior year.

This sharp sales decrease of EUR 8,790 k primarily results from the fact that the group company MuK GmbH was deconsolidated at the end of 2002 due to its insolvency. MuK was the sales mainstay of the "Marketing/Sales" segment, posting sales of EUR 7,785 k in 2002. As a result of the continuing poor economic situation, another group company, Buying House GmbH, was forced to file for insolvency at the end of 2003. This company, part of the Procurement segment, posted sales of just EUR 135 k in 2003, compared to EUR 466 k in the prior year.

Allowing for the above effects, an assessment of the development shows the following situation:

Whereas significant sales declines were posted in the "E-Commerce" and "Marketing/Sales" business units due to the economic stagnation – down 54% from EUR 1,495 k to EUR 682 k in "E-Commerce" segment and down 44% from EUR 438 k to EUR 245 k in the "Marketing/Sales" segment (excluding the sales of MuK GmbH) – pleasing growth of 15% (EUR 332 k) was posted in the Information Providing segment. This makes the Information Providing segment the sales mainstay of the DCI Group, with EUR 2,492 k and around 70% of total sales.

Overall, the DCI Group therefore significantly reduced its loss by EUR 9,972 k (81%) from EUR 12,344 k in 2002 to EUR 2,372 k in 2003.

This financial year also saw positive results of the cost reduction measures by the parent company DCI AG, started in the prior year and rigorously continued, and the discontinuation of loss-making business units (insolvencies of MuK GmbH and Buying House GmbH). Operating expenses were reduced significantly year-on-year in almost all segments. Lower losses relating to the insolvency and the deconsolidation of group companies as well as lower impairments of fixed assets also helped to reduce the annual loss compared to the prior year. Whereas the loss had increased in the prior year by EUR 3,467 k, partly due to impairments (EUR 369 k) and the negative effects relating to the deconsolidation and insolvency of MuK GmbH (EUR 3,098 k), the only negative impacts on the earnings of the DCI Group in the reporting year were EUR 59 k of impairments of fixed assets. Additionally the loss increased by EUR 91 k relating to the reclassification of exchange losses due to the intended close-down of acequote and by EUR 18 k relating to the insolvency and deconsolidation of Buying House GmbH, Starnberg.

The consolidated financial statements to December 31, 2003 include the DCI subsidiaries acequote.com Ltd, DCI Malta Ltd and DCI Romania S.R.L. The majority interest in Buying House GmbH was included in the consolidated financial statements until its deconsolidation on November 30, 2003. As in prior years, the fiscal year corresponds to the calendar year.

### 1. Market conditions and development of the Company

The difficult economic situation in Germany and the consequent reduced willingness of IT users to embrace risk continued to have a long-term impact on the information technology market. No significant recovery is expected until 2004, when IT spending is set to increase by some 5%. However, double-digit growth rates as in the 1990s will not be generated for the next four years at least (source: IDC).

The DCI Group, and especially the parent company DCI AG, has been closely linked to the development of the German IT market to date. Manufacturers and distributors of ITC products are the most important DCI media customers. ITC products are traded via the WebTradeCenter. Our TradeManager-based electronic catalogs contain IT and e-business solutions.

To reduce the dependency on the IT market, DCI AG has aligned its product portfolio even more strongly towards "sales support", and is therefore now also linked to the development of the advertising market. In general terms, a significant recovery started here in Q4, with the result that the German advertising market grew by 3.3% in 2003 as a whole, with an annual volume of EUR 17.2 billion (source: Nielsen Media Research). Online advertising in particular is currently enjoying a resurgence (source: PWC).

Furthermore, we fundamentally changed the business models of some product lines in 2003 to ensure that pricing for our customers is as profit-oriented as possible.

The performance of the individual lines of business was as follows:

Information Providing segment:

**DCI Media** is the sales mainstay of DCI AG, with around 70%. sales in the core business area rose by 15% from EUR 2,160 k to EUR 2,492 k. This represented a slight increase on the budgeted figures, which were themselves up significantly on the prior year. Almost all well-known IT manufacturers (such as Epson, HP and Fujitsu Siemens) and distributors (such as Actebis GmbH, API GmbH and Wortmann AG) use DCI Media for direct marketing and sales. This means that DCI Media, established in the IT sector since 1994, is the market leader in Germany (source: own research) in the area of product and price information for the ITC trade. The method of delivery is increasingly shifting from fax to e-mail, and international distributors are in the development phase. Sales of the customer-specific "DCI premium e-mail" were particularly strong. This appealing dialog marketing medium combines direct sales promotion via e-mail with the varied possibilities of the HTML standard. Continuous management and verification of the distributors (including approval of e-mail addresses to receive e-mails) ensures direct and inexpensive contact with customers with almost no coverage waste.

The "tie-in e-mail" is to be launched at the beginning of 2004 as a new and additional product. This should enable us to tap into new customer segments in cooperation with partners, particularly outside the ITC sector. As a result of the tie-in effect, the market coverage of the e-mails will be significantly extended without incurring a proportionate increase in coverage waste. Our target customers for the tie-in e-mail are showing considerable interest.

The **Data Services** business unit is increasingly benefiting from the fact that more and more companies, regardless of sector, must prepare, process and maintain data for use in IT systems. This does not only apply to websites and online shops, but also to in-house functions. With Data Services, DCI has a future-oriented service that produces precisely this transformation and maintenance of data cost-effectively. In addition to gaining further content customers from the IT sector, two database applications have been implemented for the BME (German Purchasing and Logistics Association), such as the "Electronic Procurement Market Overview 2004", prepared via online questionnaires, and integrated into the six TradeManager B2B catalogs.

In addition, the cooperation agreement with the former competitor Intertrade was signed in late summer. As well as the amalgamation of databases, which resulted in products primarily from the consumer electronics and domestic appliance sectors being added to the DCI product range, DCI took on the entire data management for the product data included in the Intertrade portals and for Intertrade content customers.

E-Commerce segment:

As is well known, the **WebTradeCenter** did not perform its originally intended function as a trading platform to the expected extent. Its initial attractiveness as a trading platform has declined sharply since its launch. On the other hand, customers have discovered the benefits of the **WebTradeCenter** as a source of information prior to procurement and in selling ITC items. 200,000 product and address data and 2,500,000 price updates each month provide a comprehensive market guide for products and providers in the ITC sector. Consequently, the attractiveness of the DCI WebTradeCenter has been transformed, even if only at a low sales level, towards an information procurement medium.

However, the loss of "VIP partnerships" is also responsible for the EUR 813 k (54%) slump in sales to EUR 682 k in 2003. The VIPs have – probably also in the context of the difficult market situation in the ITC sector – realized cost reduction potential here, and simply cut back on membership.

To achieve a stabilization of sales despite this – albeit at a lower level – we introduced a compulsory charge for access to the specialist trading area in the reporting year. There is now only one access level with the "DCI professional partnership". There is now also a compulsory charge for invitations to tender. The success of these measures remains to be seen.

Marketing/Sales segment

The decline in segment sales by EUR 7,978 k (97%) is largely due to the fact that the company MuK GmbH, deconsolidated on November 30, 2002, contributed EUR 7,785 k to group sales in 2002. In 2003, Marketing/Sales segment only posted the sales generated from the DCI TradeManager.

The **DCI TradeManager** (electronic catalogs with an order function) has also enabled us to gain a foothold in consumer catalogs. Following a successful project start-up in August, the Hamburg-based motorcycle equipment firm Detlev Louis GmbH continued to use the DCI TradeManager, and also made its current 2004 print catalog available as an electronic catalog in .tma format in December 2003. 1.1 million copies of the CD were sent out to customers together with the print catalog, and they are now also distributed at kiosks and in the Louis stores. At the end of February 2004, around 2 million CDs will again be distributed with the electronic Louis catalog via motorcycle magazines.

The business model of the DCI TradeManager was expanded in the reporting year. Whereas internally created storage media were previously the main preference for distributing electronic catalogs, in the reporting year we also made the catalogs available to download via internet sites, and no longer prepare the CDs internally.

An increase in the download figures has already been attained here. The basis is a "reverse paid content" business model, i.e. the downloads are free to the catalog recipient and are financed by the product suppliers. DCI shares this income with the partner portals. Key contributors to this success are the approx. 70 contracted portals, which offer the .tma format catalogs together with the DCI TradeManager in their download areas and already implement this function. In addition to daily newspapers and specialist journals, our portal partners also include virtual catalog kiosks and shopping providers. The range of products included in the various catalogs has also been increased. For instance, with Bär, Cairo, Conrad, Kroschke, Office-XL and Schuricht as well as Globetrotter, Rossmann and Louis – to name but a few – an attractive range is available to companies and consumers alike.

In this segment, adjusted for the effects of MuK GmbH and Buying House GmbH, sales declined significantly from EUR 438 k in 2002 to EUR 245 k in purely numerical terms. However, the figures are not directly comparable. It must be borne in mind that sales for the prior year also included revenues from the manufacture of CDs that was offset on the cost side by corresponding expenses, whilst in the reporting year, only rights/licenses were sold, in which partners again participated via the reverse paid content model.

## 2. Development of sales and result

### Sales

After elimination of the companies MuK GmbH and Buying House GmbH, sales of the DCI Group fell by EUR 674 k from EUR 4,093 k in the prior year to EUR 3,419 k in 2003. This is primarily due to the sustained economic stagnation, which led to a further fall in sales, primarily in the E-Commerce segment and also in the Marketing and Sales segment. These falls were partially offset by the EUR 332 k increase in sales in the Information Providing segment, with the result that sales fell by 16% year-on-year, excluding the declines caused by the deconsolidated companies MuK GmbH and Buying House GmbH.

The DCI Group segment breakdown of sales for the fiscal year 2003 including MuK GmbH und Buying House GmbH is as follows:

| | **2003** | | **2002** | | **Change** | |
|---|---|---|---|---|---|---|
| Information Providing | KEUR | 2,492 | KEUR | 2,160 | KEUR | 332 |
| E-Commerce | KEUR | 682 | KEUR | 1,495 | KEUR | -813 |
| Procurement | KEUR | 135 | KEUR | 466 | KEUR | -331 |
| Marketing/Sales | KEUR | 245 | KEUR | 8,223 | KEUR | -7,978 |
| **Total** | **KEUR** | **3,554** | **KEUR** | **12,344** | **KEUR** | **-8,790** |

The breakdown excluding MuK GmbH and Buying House GmbH is as follows:

| | 2003 | | 2002 | | Change | |
|---|---|---|---|---|---|---|
| Information Providing | KEUR | 2,492 | KEUR | 2,160 | KEUR | 332 |
| E-Commerce | KEUR | 682 | KEUR | 1,495 | KEUR | -813 |
| Marketing/Sales | KEUR | 245 | KEUR | 438 | KEUR | -193 |
| **Total** | **KEUR** | **3,419** | **KEUR** | **4,093** | **KEUR** | **-674** |

**Result**

The DCI Group again generated a negative result, primarily due to the difficult economic situation and the result lack of demand impetus. However, the loss was down 81% on the prior year (EUR 12,344 k) to EUR 2,372 k.

The main causes of this were the reduced negative impacts from impairments, and the cost reduction measures rigorously implemented in the reporting year. With regard to amortization, the negative impact of insolvency of the former subsidiary MuK GmbH on the result of the prior year was far greater than that of the insolvency of the subsidiary Buying House GmbH on the result in 2003. Costs were reduced in all operating areas, in some cases significantly, particularly in the administration and sales areas and manufacturing costs, although this is largely because of the exclusion of MuK GmbH in 2003.

**3. Research and development**

Research and development expenses totaled EUR 931 k in the fiscal year (prior year: EUR 2,254 k).

Information Providing segment:

The core development at **DCI Media** was the sending of HTML e-mails. With the extension of the online configuration options, the recipients of the e-mails can now determine which DCI mails they want to receive in line with their individual preferences. This improvement was also necessary in view of the internationalization of media products. It is also planned to offer DCI media in the United Kingdom, Italy, Switzerland and Austria. The DCI mass emailer was redeveloped for optimized sending of the media.

E-Commerce segment:

In the **WebTradeCenter** segment, developments included new modules within the homepage of the trading platform. These modules provide statistical information regarding the most requested products or the most interesting new entries. Another focal point was the development and introduction of the new user forum within the electronic marketplace. Here, members can now discuss topics relating to information technology. Furthermore, a TradeManager download area was integrated within the DCI WebTradeCenter. To reduce costs, the development activities and the management of the DCI WebTradeCenter were transferred to our subsidiary in Romania.

Marketing/Sales segment

In the reporting period, the research and development activities were focused on the rigorous optimization of the **DCI TradeManager** and the completion of version 8.5. The innovations include the support of different payment types, direct transfer of orders to online ordering systems via XML, general improvements and extended BMEcat compatibility. As part of the rigorous alignment towards catalog download with flexible integration options for download into other portals, a relaunch of the TradeManager homepage was also carried out.

**4. Employee development**

In the reporting year, the number of employees was reduced by 37.5% compared to the prior year through optimization of business processes and reorganization measures. As at the balance sheet date, the DCI Group had 70 employees (prior year: 96: this does not include the headcount of MuK GmbH, Berlin, as MuK GmbH was deconsolidated on October 31, 2002).

On average, there were 85 employees in the group in the fiscal year (prior year: 118 employees).

The headquarters in Starnberg had only 19 employees, 2 board members and 3 freelancers as at the balance sheet date:

| | As at December 31, 2003 | As at December 31, 2002 |
|---|---|---|
| DCI AG Germany | 19 employees | 32 employees |
| DCI Malta Ltd. | 6 employees | 5 employees |
| acequote.com Ltd.: | 0 employees | 0 employees |
| DCI Romania S.L.R.: | 45 employees | 55 employees |
| Buying House GmbH: | 0 employees | 4 employees |
| Total: | 70 employees | 96 employees |

**5. Financing measures**

No capital increases or other financing measures were implemented in the fiscal year.

The authorized capital of DCI AG was unchanged at EUR 3,535 k.

**6. Investments**

No major investments were made in the fiscal year 2003.

**7. Legal form**

DCI Datenbank für Wirtschaftsinformationen GmbH, founded in 1993, was converted to DCI Database for Commerce and Industry AG in December 1999. The legal form remained unchanged in the fiscal year 2003.

**B. Situation**

**1. Net assets**

The balance sheet total of the DCI Group fell by more than half (56% or EUR 5,277 k) to EUR 4,197 k, primarily due to the depletion of cash and cash equivalents by EUR 4,003 k from EUR 7,149 k to EUR 3,146 k.

For this reason, the share of non-current assets in the balance sheet total increased slightly year-on-year from 11,7% to 12,3%, although non-current assets fell by EUR 603 k.

The share of property and equipment as well as intangible assets in the balance sheet total of the company remained virtually unchanged at 10% (prior year 8%) and 2% (prior year 3%). Current assets of EUR 535 k (excluding cash and cash equivalents) amounted to 13% of the balance sheet total (prior year 13%), and mainly consist of trade receivables of EUR 392 k as well as other assets of EUR 59 k and prepaid expenses of EUR 84 k.

Cash and cash equivalents fell heavily year-on-year by EUR 4,003 k or 56% to EUR 3,146 k (prior year EUR 7,149 k), thus equating to 75% of the balance sheet total.

Despite the loss generated in 2003, the equity ratio increased from 53% to 65%, as a result of the significant reduction of the balance sheet total.

The decline of other accruals by EUR 1,320 k or 54% to EUR 1,141 k is primarily due to the utilization and release to income of accruals set up in the prior year. The release was primarily performed for risks from letters of comfort and pending legal disputes.

As at the balance sheet date, trade accounts payable were down from EUR 1,356 k to EUR 55 k.

Deferred income and other liabilities declined by EUR 362 k to EUR 259 k.

**2. Financial situation**

Despite the continuing loss situation, the assessment of the financial situation continues to clearly show a year-on-year improvement.

Whereas the operating activities of the DCI Group resulted in a cash outflow of EUR 5,784 k in the prior year, the corresponding cash outflow was reduced to EUR 3,947 k in the fiscal year 2003. We therefore reduced the cash burn by 32%. The main reason for this improvement was the EUR 9,972 k reduction in the loss compared with the prior year.

Investment activities posted a cash outflow of EUR 29 k in 2003 (prior year: cash outflow of EUR 424 k). This improvement is due to the fact that, in contrast to the prior year, the outflow from the deconsolidation of group companies was reduced by EUR 281 k. In addition, the investment volume for intangible assets and on property and equipment declined by EUR 135 k.

Overall, the cash outflow of EUR 4,003 k in the fiscal year 2003 was down 41% on the prior year's figure of EUR 6,804 k.

### 3. Results of operations

The results of operations of the Group, derived from the statement of operations, are as follows:

| | 2003 | | 2002 | | Delta | |
|---|---|---|---|---|---|---|
| | KEUR | % | KEUR | % | KEUR | % |
| Sales | 3.554 | -179% | 12.344 | -151% | -8.790 | -71% |
| Manufacturing costs | -1.985 | 100% | -8.177 | 100% | 6.192 | -76% |
| Gross profit from sales | 1.569 | -79% | 4.167 | -51% | -2.598 | -62% |
| Selling expenses | -1.374 | 69% | -4.350 | 53% | 2.976 | -68% |
| General administrative expenses | -2.216 | 112% | -6.275 | 77% | 4.059 | -65% |
| Research and development costs | -931 | 47% | -2.254 | 28% | 1.323 | -59% |
| Operating expenses/income | 621 | -31% | -277 | 3% | 898 | -324% |
| Impairment of goodwill | 0 | 0% | -2 | 0% | 2 | -100% |
| Operating expenses | -3.900 | 196% | -13.158 | 161% | 9.258 | -70% |
| Operating income | -2.331 | 117% | -8.991 | 110% | 6.660 | -74% |
| Other operating income and expenses | | | | | | |
| Financial result | 103 | -5% | -129 | 2% | 232 | -180% |
| Non-operating result | -132 | 7% | -3.467 | 42% | 3.335 | -96% |
| Total other operating income and expenses | -29 | 1% | -3.596 | 44% | 3.567 | -99% |
| Income before taxes and minority interests | -2.360 | 119% | -12.587 | 154% | 10.227 | -81% |
| Income taxes | -3 | 0% | 0 | 0% | -3 | 0% |
| Minority interests | -9 | 0% | 243 | -3% | -252 | -104% |
| Net income/loss for the year | -2.372 | 119% | -12.344 | 151% | 9.972 | -81% |

This year, despite the sustained poor economic development and the difficult global economic situation, the Group restricted the decline in sales to EUR 674 k or 16%, allowing for the effects of insolvency and deconsolidation. The decline in the E-Commerce and Marketing segments was partly compensated by the improved performance in the Information Providing segment.

The reduction of the loss of the prior year by EUR 9,972 k or 81% to a loss of EUR 2,372 k primarily relates to the exclusion of MuK GmbH and the associated expenses in 2002, and also results from the cost reduction measures successfully and rigorously continued in 2003 as well as lower unscheduled non-recurring effects and impairments. For instance, operating expenses, excluding non-operating expenses, fell by over half, i.e. by EUR 9,258 k. Rigorous realization of cost reduction potential led to considerable significant savings, primarily in the area of general administrative costs (adjusted by the non-operating result), at EUR 4,059 k or 65%. The exclusion of MuK GmbH accounts for EUR 986 k of the EUR 4,059 k reduction.

Selling expenses were reduced by EUR 2,976 k or 68%. In 2003, due to the sharp fall in sales, selling costs as a percentage of sales revenues increased to 39% (prior year: 35% of sales for 2002).

Although the non-operating result remains negative at EUR –132 k, it still improved significantly compared to the previous year (EUR –3,467 k). This is mainly due to the lower losses relating to the insolvency and deconsolidation of group companies and lower impairments of fixed assets.

Overall, the non-operating result was up by 96% or EUR 3,335 k on the previous year.

## C. Subsequent events

Acequote.com Ltd., which operated a platform similar to the DCI WebTradeCenter in the UK, suspended its commercial operations as planned in the reporting year. It is likely to be closed down by means of the "striking-off" procedure. This has been delayed for administrative reasons. The striking-off therefore cannot take place until 2004.

## D. Indications of risks to future development

### Market risks

DCI AG operates in a highly innovative market with its subsidiaries in Brasov ("production") and Malta ("programming"). Competitive pressure remains strong, while the life cycles of the products in the IT industry are short. We have responded to this challenge by further concentration of our core competencies and basing our actions strictly on the demands of our customers.

In **DCI Media**, we intend to secure and extend our market-leading position through continuous improvement of product quality and further refinement of our address material. By increasing sales by 24%, our media have shown that even in the context of intensified competition they can not only survive, but also gain additional market share. It is clearly no coincidence that the large and well-known ITC sector customers are increasingly working with us. It must also be pointed out that each of our customers only accounts for a small proportion (less than 5%) of total sales. Consequently, if we were to lose a customer, this would not have any significant impacts on total media sales. In general, the situation is also that any lost customers can be at least offset by the acquisition of new customers. In this respect, we do not see any significant market risk here.

To strengthen our market position further, we will accompany the established Push media products with a new product, the tie-in e-mails. They are to be offered not only in the ITC sector, but primarily in other sectors. In this way, we will significantly reduce the risk of only being present with our media on one single market, namely in the ITC sector, whilst utilizing the market opportunities of other sectors. The new product will go onto the market at the beginning of 2004. We see major future potential here. It combines the tried and tested with synergies from intelligent cooperations and has demonstrated its market acceptance in a test phase. We have set demanding sales targets for the next few years. Only if they can be attained will the new product make a significant contribution to returning our company to profitability in 2005.

The **DCI TradeManager** was launched in the reporting year as a unique product serving customer needs. Nevertheless, we cannot rule out the possibility that this promising sales potential may not be realized in full in the coming fiscal year. In other sectors too, the past has always shown that with highly innovative products in particular, despite clear product benefits, market acceptance does not necessarily show rapid growth immediately – it can instead grow slowly at first. We have taken this risk into consideration in our corporate planning.

As a countermeasure, we are consistently enhancing the business model of the TradeManager in line with monitored customer requirements. In this respect, it is planned to make the TradeManager and its electronic catalogs separate from the current need to download the catalogs, and instead to also offer the variant of making the catalogs directly accessible on our server without downloads. We hope this will make our products even more attractive.

At **Data Services**, our highly cost-effective production site in Romania makes us the cost leader in Europe (source: own research). This is why we have an established market position. As we believe that demand for production and maintenance of electronic data will keep on growing and customers are highly likely to leave their data maintenance in reliable hands rather than take it to competitors, we see no significant risks in this business unit. Moderate, continuous growth is planned.

### Legal risks

At DCI Media, the impending amendment of the German Unfair Competition Act is set to result in intensified competitive conditions. One focal point of the amendment of this Act is the prohibition of unsolicited e-mails in order to protect consumers. We take this into account by continuously refining our data and through appropriate internal checks. These activities will be significantly extended in 2004.

However, we also envisage that the intensified legal framework for Push Media will also raise the market entry threshold for new competitors accordingly. In this respect, the new legal situation can

also bring about a market adjustment to the benefit of the company. In our opinion, the new "tie-in e-mail" product will not be negatively impacted by the intensification of the legal situation. The reasons for this cannot be disclosed here due to the need for protection against possible competitors/imitators.

A legal risk that also contains a significant opportunity to improve our equity level arises from a legal dispute against DCI AG relating to a letter of comfort amounting to EUR 600 k for the insolvent subsidiary MuK Berlin. We were successful in every respect in the trial court. The opponent has appealed. If this appeal is finally dismissed, which could be the case in 2004, an accrual set up for the legal dispute can be released. This would significantly boost the equity level. If we lose, a procedure for revision can be pursued. We have not released the accrual in our corporate planning.

**Planning risks**

The fundamental premise of our corporate and financial planning is that the economic situation and a positive development of the economy will increasingly support the marketing of our products and services. In addition, planning statements become increasingly uncertain the more long-term they are. Another uncertainty, which has already been referred to, results from the launch of new products (here: the tie-in e-mails, also TradeManager in principle). Here, there is the risk that an initially positive response from test customers could prove to be incapable of being generalized in future.

If lasting large, unfavorable plan variances arise for the above-mentioned reasons, this could destroy the existence of our company.

However, in the short and medium term, we expect that the future development of the company does not necessarily have to be viewed from the perspective of a pessimistic scenario, but that significant sales increases can be generated, primarily with DCI Media but also at TradeManager and Data Services. There are signs that these assumptions are realistic. These include a highly positive response from customers to the above-mentioned new DCI Media product (tie-in e-mail), the extremely high satisfaction of our client Detlev Louis GmbH with our last major TradeManager project, which is being continued in 2004, and the growing demand for services in our Data Services segment.

On the cost side, we will rigorously continue to realize identified cost reduction potential. However, it must be pointed out that cost reductions/savings must not extend beyond the point at which existing growth opportunities could be jeopardized by downsizing.

Overall, subject to the cited risks, we see the potential to attain profitability in 2005.

### E. Strategy and Outlook

Well-known market research companies are certain: the internet boom is not over – it is only just beginning. Increasing numbers of people are online and buying over the internet, with the result that e-commerce is set to continuously increase its share of overall trade. Furthermore, in industrialized countries it is now an essential success criterion for companies, regardless of their size, to use the internet not only for online trade in the B2B and B2C sector, but also for customer support and as a source of information, and to have their own website and e-mail address. According to recent figures from Forrester, American companies already generate 15% of their sales from the internet; in five years' time, this is likely to be 29%, a significant proportion of total economic output.

Given this long-term scenario of the internet economy, and on the basis of an IT sector upturn that looks likely to occur in Germany over the next few years, we expect a significant increase in our total sales for 2004.

The four main products are set to contribute to this in different ways:

**DCI Media**, which supplies the ITC trade with offers at up-to-date prices, is likely to be able to continue to advance in its customary sector despite increasing competitive pressure. Customers are showing increasing appreciation of the high quality of our media and the professional handling of daily business. We also expect that the internationalization of our distributors and the shift of the marketing budgets of IT manufacturers away from trade fair presence and towards direct sales support will bring further impetus. The new "tie-in e-mail" product is likely to make a major contribution towards reducing the sector risk and generating significant new business.

For the time being, the **DCI WebTradeCenter**, our information and trading platform for ITC products, will remain at the current low sales level. A further decline is possible. However, in view of the diverse improvements that we have made, this is likely to be at least counterbalanced in the medium term. Despite this, our business unit generates a considerable profit margin, although the business model "open internet market place for IT products" has not yet been able to get recognized by the market.

The **DCI TradeManager** has so far demonstrated its market attractiveness in several pilot projects. It is now necessary to extend the .tma product catalog scope whilst increasing the number of available download portals in order to attain the critical mass required for market significance. We have reinforced sales with external sales partners to achieve this. In the long term at least, the TradeManager has the potential to become established as the standard format for product catalogs, comparable to the pdf standard for documents. In this case, demand could increase significantly. We have not yet fully factored this in. In 2004, we intend to increasingly equip retailers with the TradeManager for procurement of their merchandise. Here, we see particular unique features in our "TradeManager" solution. In addition, we are currently working on a "net strategy" that is intended to enable access to the catalog data via web services.

**Data Services** will continue to contribute to increasing customer loyalty and gradual expansion of market share in this sector through continuous growth and high service quality. We expect continued stable growth in demand for these services.

**Summary**

Overall, we believe that our all-round service offer, which covers the entire customer value-added chain from data capture through electronic catalog preparation to distribution of this information via different channels, constitutes a competitive advantage over niche providers. Our market demands services that guarantee a return in the short term. We have aligned our product range, which always supports direct sales promotion, closer to this. A further competitive advantage is what we regard as the strong innovation capacity of our company. We see this as being a crucial success criterion in business areas with relatively short innovation cycles.

However, this also entails a particular planning risk. Whereas companies with traditionally established products can predominantly structure their corporate planning by updating past figures, we generally have to plan business models for which there are few or no empirical values. However, the reporting year has shown that management and employees are in a position to embrace these challenges successfully.

### F. Going concern

The above-mentioned assumptions are reflected in the corporate planning for the parent company DCI AG by the following key data:

| (Figures in KEUR, rounded) | *2004* | *2005* |
|---|---|---|
| Earnings before taxes | Loss: 1,000 | Profit: 100 |
| Equity (closing balance) | 1,600 | 1,700 |
| Cash and cash equivalents (closing balance) | 1,900 | 2,100 |

In our opinion, the planning for the Group is not significantly different. All employees and the management are highly motivated to attain the set targets, in particular the performance-critical sales targets. In this case, the company would successfully achieve the turnaround in 2005. However, it is again necessary to point out the stated premises, planning risks and uncertainties.

Starnberg, March, 2, 2004

| Michael Mohr | Dr. iur. Reiner Stecher |
|---|---|
| Chief Executive Officer | Chief Finance Officer |

## Consolidated Balance Sheets

| ASSETS | US-GAAP<br>31.12.2003<br>€(000) | US-GAAP<br>31.12.2002<br>€(000) |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 3.146 | 7.149 |
| Accounts receivable (less allowances for doubtful accounts of KEUR 247 and KEUR 399 at December 31, 2003 and 2002, respectively) | 392 | 1.017 |
| Prepaid expenses | 84 | 28 |
| Other current assets | 59 | 161 |
| **Total current assets** | 3.681 | 8.355 |
| **Non-current assets** | | |
| Property, plant and equipment, net | 433 | 798 |
| Intangible assets, net | 83 | 312 |
| Deferred income taxes | 0 | 9 |
| **Total non current assets** | 516 | 1.119 |
| **Total assets** | 4.197 | 9.474 |
| **Liabilities and shareholders ' equity** | | |
| **Current liablities** | | |
| Accounts payable, trade | 55 | 1.356 |
| Current capital lease obligation | 16 | 27 |
| Accrued liabilites | 1.141 | 2.461 |
| Deferred income and other current liablities | 259 | 621 |
| Deferred income taxes | 0 | 9 |
| **Total current liablities** | 1.471 | 4.474 |
| **Non current liablities** | | |
| Capital lease obligation, net of current maturities | 1 | 17 |
| **Total non current liablities** | 1 | 17 |
| Minority Interest | 15 | 0 |
| Shareholders´ equity | | |
| Common stock | 8.465 | 8.465 |
| (2003 and 2002 each 8,464,592 shares issued and outstanding) | | |
| Additional paid-in-capital | 80.060 | 80.060 |
| Deferred compensation | -87 | -87 |
| Accumulated deficit | -85.724 | -83.352 |
| Other comprehensive loss | -4 | -103 |
| **Total shareholders' equity** | 2.710 | 4.983 |
| **Total liabilities and shareholders' equity** | 4.197 | 9.474 |

The footnotes are an integral part of these consolidated financial statements

## Consolidated Statements of Operations

| US-GAAP | 2003<br>€(000) | 2002<br>€(000) |
|---|---|---|
| Sales | 3.554 | 12.344 |
| Cost of sales | -1.985 | -8.177 |
| Gross profit | 1.569 | 4.167 |
| Selling expenses | -1.374 | -4.350 |
| General and administrative expenses | -2.257 | -11.193 |
| Research and development expenses | -931 | -2.254 |
| Impairment of goodwill | 0 | -2 |
| Total operating expenses | -4.562 | -17.799 |
| Loss from operations | -2.993 | -13.632 |
| Other income and expenses | | |
| Interest income | 107 | 333 |
| Interest expense | -4 | -462 |
| Other income, net | 530 | 1.174 |
| Total other income and expenses | 633 | 1.045 |
| Net loss from operations before income taxes and minority interests | -2.360 | -12.587 |
| Income taxes | -3 | 0 |
| Minority interests | -9 | 243 |
| Net loss | -2.372 | -12.344 |
| Net loss per share*: | | |
| basic and diluted | - 0,28 | - 1,46 |
| Weighted average shares outstanding*: | | |
| basic and diluted | 8.464.592 | 8.464.592 |

* All amounts are stated in KEUR except shares and per share amounts.
The footnotes are an integral part of these consolidated financial statements

## Consolidated Statements of Cash Flow

| US-GAAP | 1.1.-31.12.2003<br>€(000) | 1.1.-31.12.2002<br>€(000) |
|---|---|---|
| **Cash flow from operating activities** | | |
| Net loss for the year | -2.372 | -12.344 |
| | | |
| Adjustments to reconcile net loss to net cash used in operating activities | | |
| Depreciation and amortization | 544 | 2.040 |
| Impairment of goodwill and other long-lived assets | 59 | 369 |
| Stock compensation expense | 0 | 99 |
| (Gain)/Loss from the disposal of assets | -5 | 2. 068 |
| Gain on sale of securities | 0 | -4 |
| (Gain)/loss on deconsolation | -125 | 382 |
| Loss on reclassification of currency translation comprehensive income | 91 | 0 |
| Gain on sale of shares to minority holders | -6 | 0 |
| Minority interest | 9 | -243 |
| | | |
| Changes in working capital | | |
| Inventories | 0 | 447 |
| Accounts receivable, trade | 567 | 1.652 |
| Other current assets and deferred expenses | 54 | 1.289 |
| Accounts payable, trade | -1.180 | -1.158 |
| Accrued liabilities | -1.319 | 340 |
| Other liabilities and deferred income | -265 | -721 |
| | | |
| Net cash flow used in operating activities | -3.947 | -5.784 |
| | | |
| **Cash flow from investing activities** | | |
| Cash removed with the deconsolidation | -27 | -308 |
| Proceeds from sale of shares in minority | 12 | 0 |
| Purchase of property, plant and equipment | -31 | -125 |
| Purchase of intangible assets | -6 | -47 |
| Proceeds from the disposal of assets | 23 | 34 |
| Proceeds from sale of securities | 0 | 22 |
| | | |
| Net cash flow used in investing activities | -29 | -424 |
| | | |
| **Cash flow from financing activities** | | |
| Payments made on capital leases | -27 | -412 |
| Repayment of liabilities due to banks | 0 | -184 |
| | | |
| Net cash flow used in financing activities | -27 | -596 |
| | | |
| **Decrease in cash and cash equivalents** | -4.003 | -6.804 |
| **Cash and cash equivalents at the beginning of the year** | 7.149 | 13.953 |
| **Cash and cash equivalents at the end of the year** | 3.146 | 7.149 |

The footnotes are an integral part of these consolidated financial statements

# Consolidated statements of shareholders' equity

| US-GAAP | Common Stock €(000) | Additional paid-in capital €(000) | Deferred compensation €(000) | Accumulated earnings (deficit) €(000) | Other accumulated comprehensive income (loss) €(000) | Total shareholders' equity €(000) | Comprehensive loss €(000) |
|---|---|---|---|---|---|---|---|
| Balance January 1, 2002 | 8.465 | 79.952 | -78 | -71.008 | -86 | 17.245 | -47,562 |
| Cheap stock | | 108 | | | | 108 | |
| Stock compensation | | | -9 | | | -9 | |
| Net loss | | | | -12.344 | | -12.344 | -12.344 |
| Foreign currency translation adj ustment | | | | | -31 | -31 | -31 |
| Marketable securities: reclassification adjustment for loss included in net loss | | | | | 14 | 14 | 14 |
| Comprehensive loss | | | | | | | -12.361 |
| Balance December 31, 2002 | 8.465 | 80.060 | -87 | -83.352 | -103 | 4.983 | |
| Net loss | | | | -2.372 | | -2.372 | -2.373 |
| Foreign currency translation adjustment | | | | | 99 | 99 | 99 |
| Comprehensive loss | | | | | | | -2.273 |
| Balance December 31, 2003 | 8.465 | 80.060 | -87 | -85.724 | -4 | 2.710 | |

The footnotes are an integral part of these consolidated financial statements

## DCI Database for Commerce and Industry AG, Starnberg

## Notes to Consolidated Financial Statements

## December 31, 2003

### 1. THE COMPANY

DCI Database for Commerce and Industry AG (the Company or DCI) was incorporated in Germany as DCI Database for Commerce and Industry GmbH on March 3, 1993. DCI is a service company for digital sales management. It performs and optimizes business processes for the procurement, selling and data management functions. The services offered are based on electronic catalogues, data services, push media, and the DCI WebTradeCenter, an online trade database for ITK (Information-Technology and Communication) products. The main customers are manufacturers of ITK products as well as members of the supply chain: distributors, mail order firms and specialist dealers. The Company operates in Germany, Romania and Malta.

By shareholder resolution of August 26, 1999, and the concomitant approval of the articles of incorporation as amended December 2, 1999, DCI Database for Commerce and Industry AG was converted from a limited liability company (GmbH) to a stock corporation (AG). The change in legal form was entered in the Munich commercial register on December 15, 1999.

On March 13, 2000, the Company completed an initial public offering (IPO) of its capital stock and listed its shares on the Neuer Markt of the Frankfurt Stock Exchange, a German stock exchange. When the Frankfurt Stock Exchange was reorganized into new segments, DCI AG was allocated to the Prime Standard segment. DCI AG's shares have been traded in this segment since January 1, 2003.

**Going Concern**

The planned restructuring measures were largely implemented in the reporting year. The corresponding cost savings have already been partially realized in the reporting year. They will become fully effective from the beginning of 2004. Further restructuring measures are planned.

The fundamental premise of the Company´s corporate and financial planning is that the economic situation and a positive development of the economy will increasingly support the marketing of its products and services. In addition, planning statements become increasingly uncertain the more long-term they are. Another uncertainty, which has already been referred to, results from the launch of new products (here: the tie-in e-mails, also TradeManager in principle). Here, there is the risk that an initially positive response from test customers could prove to be incapable of being generalized in future.

If lasting large, unfavorable plan variances arise for the above-mentioned reasons, this could destroy the existence of the Company.

However, in the short and medium term, the Company expects that the future development does not necessarily have to be viewed from the perspective of a pessimistic scenario, but that significant sales increases can be generated, primarily with DCI Media but also at TradeManager and Data Services. There are signs that these assumptions are realistic. These include a highly positive response from customers to the above-mentioned new DCI Media product (tie-in e-mail), the extremely high satisfaction of the Company´s client Detlev Louis GmbH with the last major TradeManager project, which is being continued in 2004, and the growing demand for services in the Company`s Data Services segment.

On the cost side, the Company will rigorously continue to realize identified cost reduction potential. However, it must be pointed out that cost reductions/savings must not extend beyond the point at which existing growth opportunities could be jeopardized by downsizing.

Overall, subject to the cited risks, the Company sees the potential to attain profitability in 2005. However, it is again necessary to point out the stated premises, planning risks and uncertainties (cf. Group Management Report).

**Consolidated Companies**

The following subsidiaries were included in the consolidated financial statements of the Company:

| | December 31, 2003 | December 31, 2002 |
|---|---|---|
| | Share as % | Share as % |
| ace-quote.com Ltd., Cardiff, Great Britain | 100,00 | 100,0 |
| Buying House GmbH, Starnberg | 59,20* | 59,20 |
| DCI Database for Commerce and Industry (Malta) Ltd., Valetta, Malta | 75,00 | 100,00 |
| DCI Database for Commerce and Industry Romania SRL, Brasov, Romania | 100,00 | 100,00 |
| MuK Medien- und Kommunikations-gesellschaft mbH, Berlin | 76,20* | 76,20** |

* The Company is not consolidated as of December 31, 2003. For details please refer to Footnote No. 2.

** The Company is not consolidated as of December 31, 2002. For details please refer to Footnote No. 2

Information on changes in the consolidation group is contained in disclosure No. 2.

## 2. ACQUISITIONS AND CHANGES IN CONSOLIDATED GROUP

**Changes in 2003:**

**DCI Database for Commerce and Industry (Malta) Ltd., Valetta, Malta (“DCI Malta”)**

Effective May, 15, 2003, DCI AG sold 25 % of their 100 % ownership. The Company received proceeds of EUR 13 k, which resulted in a gain in the group of EUR 2 k.

**Buying House GmbH, Starnberg (“Buying House”)**

Buying House GmbH, Starnberg, was removed from the consolidation effective December 1, 2003 on account of an application for insolvency proceedings filed by the shareholders. On December 1, 2003 a preliminary trustee was appointed by the Weilheim i. OB District Court. The deconsolidation is a non-monetary transaction. The gain on the deconsolidation is calculated by subtracting the assets of EUR 95 k and adding the liabilities of EUR 220 k. The gain amounting to EUR 125 k on deconsolidation relates wholly to the procurement segment and is shown as other income in the statement of operations.

**Changes in 2002:**

**Acquisitions**

**Buying House GmbH, Starnberg (“Buying House”)**

To increase its influence over Buying House, DCI purchased an additional 9.0% ownership interest for a purchase price paid in cash of EUR 1,150.00 on November 15, 2002. The whole of the capital subscribed by DCI thus amounts to EUR 14,800.00 as of December 31, 2003 and 2002.

The acquisition of this additional 9% ownership interest was accounted for using the purchase method. Accordingly, the purchase price was allocated to the assets acquired and the liabilities assumed, based on the completion of the evaluation of the fair values of the assets and liabilities of Buying House GmbH at the date of acquisition.

The following is a summary of the purchase price allocation:

| | EUR k |
|---|---|
| Current assets and other property, plant and equipment | 650 |
| Liabilities | -649 |
| Goodwill | 0 |
| | 1 |

**MuK Medien- u. Kommunikationsgesellschaft mbH, Berlin („MuK“)**

The capital stock of MuK was increased by resolution of the shareholders’ meeting on May 16, 2002, from EUR 192,000.00 by EUR 120,000.00 to EUR 312,000.00. The issue price for the new share of EUR 110,650.00, which was subscribed by DCI, was EUR 710,004.17. The capital increase was entered under HRB 63180 in the Commercial Register of Charlottenburg District Court on August 23, 2002. Due to this capital increase, DCI acquired 12,39 % of the interest from minority holders and therefore increased its interest on capital stock from 60 % up to 72,39 %.

By resolution of the shareholders’ meeting of November 8, 2002, the capital stock of MuK was increased by a cash contribution of EUR 50,000.00 from EUR 312,000.00 to EUR 362,000.00. The issue price for the new share of EUR 50,000.00, which was subscribed in full by DCI, was EUR 50,000.00. The capital increase was entered under HRB 63180 in the Commercial Register of Charlottenburg District Court on January 7, 2003. Due to this capital increase, DCI acquired 3,81 % of the interest from minority holders and therefore increased its interest from 72,39 % up to 76,20 %.

The acquisition of minority interest was designed to increase the possibility to influence the business policy of the subsidiary MuK and was accounted for using the purchase method. Accordingly, the purchase price was allocated to the assets acquired and the liabilities assumed, based on the evaluation of the fair values of the assets and liabilities of MuK at the date of acquisition. Goodwill totaling EUR 228 k was recorded as a result of this acquisition.

**Changes in the consolidated group**

The subsidiaries TargetPress Publishing GmbH and bonitrus GmbH, Starnberg were merged into the parent company DCI Database for Commerce and Industry AG, Starnberg, as of January 1, 2002. The merger was entered in the commercial register of DCI AG on March 14, 2002.

MuK Medien- u. Kommunikationsgesellschaft mbH, Berlin, was removed from the consolidation effective December 12, 2002, on account of an application for insolvency proceedings filed by the shareholders. On December 12, 2002, a preliminary receiver was appointed by the Charlottenburg District Court. The deconsolidation is a non-monetary transaction. The loss of EUR 382 k on the deconsolidation was calculated by subtracting the assets and adding the liabilities. The loss on deconsolidation relates wholly to the marketing/sales segment and is shown as other expense in the statement of operations. Goodwill of EUR 765 k was included in the calculation of this loss.

The following information has been prepared for better comparability of the statement of operations for 2003 with the statement of operations for 2002. The following effects resulted from operation and deconsolidation of the subsidiary MuK in 2002:

| | 2002<br>including MuK<br>EUR k | 2002<br>MuK<br>EUR k<br>(Unaudited) | 2002<br>excluding MuK<br>EUR k<br>(Unaudited) |
|---|---|---|---|
| Sales | 12.344 | 7.785 | 4.559 |
| Loss from operations | -13.632 | -547 | -13.085 |
| Interest expense | -462 | -453 | -9 |
| Other income, net | 1.174 | 1.412 | -238 |
| Net loss before income taxes and minority interest | -12.587 | -338 | -12.249 |

**Balance sheet date**

The consolidated financial statements have been prepared as of the balance sheet date of the parent company. Consolidated subsidiaries close their accounts on the same day.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Basis of consolidation**

The consolidated financial statements have been prepared in accordance with United States Generally Accepted Accounting Principles (US-GAAP). The assets, liabilities and results of operations of entities in which the Company has a controlling interest have been consolidated. All material intercompany accounts and transactions have been eliminated.

The accompanying consolidated financial statements and the accompanying notes are reported in thousands of euro (EUR k).

**Use of estimates**

The preparation of financial statements in conformity with US-GAAP requires the management of the Company and the managements of the consolidated companies to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The primary areas requiring significant estimations include allowances for doubtful accounts, the determination of useful lives of fixed assets and intangible assets, valuation allowances for deferred tax assets, the determination of impairment of intangible assets, long-lived assets, accruals and for all consolidated companies the managements estimation about the Company’s ability to continue as a going concern. Changes in these estimates could have a material impact on the financial position and results of operations of the group.

**Fair value of financial instruments**

The fair value of a financial instrument is the amount at which that asset or liability could be bought or sold in a current transaction between willing parties. For cash and cash equivalents, receivables and payables, the carrying amounts reported in the consolidated balances sheets approximate fair value. Due to their short term nature, the carrying amount of current liabilities approximates their fair values.

**Foreign currency translation**

The consolidated financial statements were prepared in Euro. The functional currency of the subsidiaries is the respective local currency of the subsidiary. Assets and liabilities denominated in foreign currencies are translated at the exchange rate prevailing on the balance sheet date. Income and expenses are translated at the average rate of exchange in effect during the year. Differences arising from translation are recorded as a cumulative translation adjustment, a separate component of shareholders’ equity. Due to the fact, that the

subsidiary ace-quote.com Ltd has no business operations as of December 31, 2003, the exchange loss of this company amounting to k 91 EUR has been expensed at balance sheet day. The regulations for 'highly inflationary accounting' apply to DCI Romania. This means that, unlike the other companies, the functional currency is not the national currency but that of the parent company (EUR). Transactions in a currency other than the functional currency are translated at the translation rate prevailing at the time of the transaction. Foreign currency transaction gains and losses are recognized in the statement of operations. The foreign currency transactions recognized in the statements of operations resulted in a loss of EUR 3 k in 2003 and in a loss of EUR 70 k in 2002.

**Cash and cash equivalents**

All highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

**Trade accounts receivable**

When appropriate, write-downs are made for receivables subject to discernable risks and uncollectible receivables are written off. The Company expects that the trade receivables will be collected within a year of their origin.

Allowances are evaluated considering historical losses as well as economic conditions. Interest is not charged or accrued on past due accounts. Receivables past due for more than 60 days are considered to be overdue. For these receivables, assessments of the recoverability are performed and an allowance is recorded accordingly. Bad debt expense is recorded as general and administrative in the consolidated statement of operations.

**Prepaid expenses and other current assets**

Prepaid expenses and other current assets are generally reported at amortized cost and have a residual term of less than one year.

Prepaid expenses mainly contain insurance dues paid in advance.

**Development costs**

Research and development costs are expensed in the period in which they are incurred. Research and development costs of EUR 931 k and EUR 2.254 k were recorded in 2003 and 2002, respectively.

**Intangible assets and property and equipment**

Property and equipment is stated at cost and amortized using the straight-line method over the estimated useful lives of the assets, ranging from three to twenty years. The different groups of assets are depreciated as follows:

| | Years<br>Min | Years<br>Max |
|---|---|---|
| Land, land rights and buildings including buildings on third party land | 10 | 10 |
| Technical equipment and machines | 3 | 3 |
| Other equipment, furniture and fixtures | 3 | 20 |

Asset acquisitions of an amount less than EUR 51 are expensed in full.

Upon adoption of Statement of Financial Accounting Standards ("SFAS") No. 142 "*Goodwill and other intangible assets*", the Company reassessed the useful lives and residual values of all intangible assets acquired, and had no significant amortization period adjustments. The Company did not identify any intangible assets with indefinite lives.

Intangible assets primarily consist of purchased intangible assets, such as licenses and software, which are recorded at acquisition costs.

Purchased intangible assets are stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets. The depreciation periods are determined individually for each assets and range between two and five years.

Acquisition cost includes major expenditures and replacements that extend useful lives or increase capacity and interest cost associated with significant capital additions. For all periods presented, interest costs allocable to these projects have been insignificant and have not been capitalized. When assets are sold or retired, their cost and related accumulated depreciation is removed from the appropriate accounts. Any gains and losses on the sale of these fixed assets are shown as other income or expense. Maintenance and minor repairs are charged to operations as incurred.

**Impairment of long-lived assets**

The Company reviews the realizable value of the carrying amounts of its long-lived assets in compliance with SFAS 144 " *Accounting for the Impairment or Disposal of Long-Lived Assets*" when indicators of impairment exist. When events or changes in the circumstances indicate that the carrying amount of these assets cannot be realized during their remaining useful lives, the Company compares the net undiscounted future cash flows expected from these assets with their carrying value. When these undiscounted cash flows are less than the carrying amounts of the assets, the Company will record impairment losses to write them down to fair value, measured by the discounted estimated net future cash flows expected to be generated from the assets.

**Capital Lease**

The Company has entered into lease agreements for company vehicles. Consequently, the Company has to consider accounting issues involving "capital leases" and must observe the provisions of SFAS No. 13 *"Accounting for Leases"*.

Leased assets which are classified as a capital lease according to SFAS No. 13 are capitalized on the basis of the present value of the minimum future lease payments or the lower of the fair value of the leased asset and subjected to depreciation over their useful life. At the same time, the capital lease obligation is recorded as a liability.

**Accrued Liabilities**

An accrued liability is recorded when an obligation to a third party has been incurred, the payment is probable and the amount can be reasonably estimated. The effects of accrued liabilities relating to personnel and social costs are valued at their net present value where appropriate.

**Revenue Recognition**

The Company generates revenues from the sale of print and media products (in 2002 only) as well as the sale of product information and economic information. The Company also generates revenues from licenses for the use of software products and sales of professional services.

Sales of print and media products were generally recognized when the item is dispatched or the service is provided. In the case of orders from the Houses of Parliament (Bundestag and Bundesrat), sales were not recognized until the signed delivery note has been received from the customer.

Revenue from the sale of product information and economic information is realized after the information is provided. In some cases, these revenues pertain to memberships. Since the memberships usually involve a term of one year, revenues are recognized on a *straight line* basis over the term of the related memberships and deferred accordingly. Matching of income to the correct period and releases of deferred income is done on a monthly basis.

Service revenue is primarily related to implementation and installation services performed under separate arrangements. The Company records sales when the service has been performed, i.e. the customer has information from a database or other information medium at his disposal. The Company recognizes revenue from software licenses and services pursuant to the requirements of American Institute of Certified Public Accountants (“AICPA”) Statement of Position ("SOP") 97-2 "Software Revenue Recognition" ("SOP 97-2").

Under SOP 97-2, provided that the arrangement does not require significant production, modification, or customization of the software, revenue is recognized when the following four criteria have been met:

1. Persuasive evidence of an arrangement exists
2. Delivery has occurred
3. The fee is fixed or determinable, and
4. Collectibility is probable.

If at the outset of an arrangement the Company determines that collectibility is not probable, revenue is deferred until payment is received. The Company considers all arrangements with payment terms extending beyond twelve months and other arrangements with payment terms longer than normal not to be fixed or determinable. If the fee is not fixed or determinable, revenue is recognized as payment become due from the customer.

Billings are generally payable by customers within 14 to 30 days after issuance of the invoice.

**Advertising expenses**

Advertising expenses are expensed as incurred. For the fiscal year 2002 and the fiscal year 2003 advertising expenses of EUR 358 k and EUR 72 k were recorded, respectively.

**Minority interests**

At the time of deconsolidation minority shareholders held 40.8% of Buying House GmbH (December 31, 2002: 40.8%).

As of December 31, 2003, minority shareholders held 25 % of DCI Malta (December 31, 2002: 0 %).

**Income Taxes**

Taxes on income are computed according to the liability method in accordance with SFAS 109 *“Accounting for Income Taxes”.* Deferred taxes are recorded for future tax effects of temporary differences. These result from the different carrying values in the financial statements for tax and commercial law purposes and from the capitalization of the tax benefit of tax loss carry-forwards. Deferred tax assets and liabilities are determined using the tax rates and laws valid at the time of computation. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

Since October 2000, all income has been taxed at a single tax rate. The Company has therefore used this statutory tax rate to compute the deferred tax claims and liabilities as of December 31, 2003.

The Company did not pay any taxes in 2002 and 2003.

**Earnings (loss) per share information**

In accordance with SFAS No. 128, “Earnings per Share”, basic earnings per share are calculated using the income available to common shareholders divided by the weighted average of common shares outstanding during the year. Diluted earnings per share are similar to basic earnings per share except that the weighted

average of common shares outstanding is increased to include additional common shares that would have been outstanding if the dilutive potential common shares, such as options, had been issued. For all periods presented, no potentially dilutive securities have been included in the calculation of diluted loss per share as such amounts would be antidilutive in periods in which a loss has been reported. The aggregate number of potential common share equivalents that have been excluded from the diluted loss per share calculation was 187,400 as of December 31, 2003 (December 31, 2002: 307,900) and related entirely to granted stock options.

**Stock Options**

The Company accounts for its stock-based compensation using the intrinsic value method prescribed in Accounting Principles Board Opinion ("APB") No. 25 "*Accounting for Stock Issued to Employees".* Compensation cost for stock options is measured as the excess of the quoted market price of the Company's stock on the measurement date over the amount an employee must pay to acquire the share and is recognized over the vesting period. The intrinsic value of the options for which the measurement date has not been reached is measured on the basis of the current market value of the Company's share at the end of each period. Due to the modification of the terms of the plan by repricing the options in 2001, the Company accounts for the modified plan applying variable plan accounting.

SFAS No. 123, *"Accounting for Stock-Based Compensation"*, established accounting and disclosure requirements using a fair-value-based method of accounting for stock based employee compensation plans. The Company has elected to remain on its current method of accounting as described above, and has adopted the disclosure requirements of SFAS No. 123. The following weighted average assumptions were used: dividend yield of nil, expected volatility of 82.2%, risk free interest rate of 3.50 % and expected life of 7 years. In accordance with SFAS No. 123, the Company's charge for the year ending December 31, 2003 and 2002 would have been EUR 270 k and EUR 493 k, respectively.

Using the method of SFAS No. 123, the Company's net loss and loss per share would have been reduced to the pro forma amounts indicated below:

| | 2003 | 2002 |
|---|---|---|
| Net loss | | |
| As reported (EUR k) | -2.372 | -12.344 |
| Add: expense (income) in accordance with APB 25 | 0 | -9 |
| Less: expense in accordance with SFAS 123 | -270 | -493 |
| Pro forma | -2.642 | -12.846 |
| Loss per share - basic and diluted | | |
| As reported (EUR) | -0,28 | -1,46 |
| Add: expense in accordance with APB 25 | 0,00 | 0,00 |
| Less: expense in accordance with SFAS 123 | -0,03 | -0,06 |
| Pro forma | -0,31 | -1,52 |

**Cheap Stock**

In January 2000, Michael Mohr, the CEO of the Company, sold a total of 51,350 shares for a price of EUR 1.87 each to members of the board of directors. According to APB Opinion No. 25, *"Accounting for Stock Issued to Employees"*, the selling of shares of a principal stockholder for a price other than fair value is to be qualified as a compensation expense. The Company referred to a cash contribution by a third party in December 1999 to determine the fair value of the shares prior to its IPO. The difference between the fair value and the price of EUR 1.87 per share was deemed cheap stock compensation totaling EUR 745 k. This amount was amortized over three years, the contractual employment terms of the respective members of the board of directors. Accordingly, EUR 0 and EUR 99 k were expensed in 2003 and 2002, respectively.

## 4. NEW ACCOUNTING STANDARDS

**FIN 46**

In January 2003, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 46, "Consolidation of Variable Interest Entities", which addresses consolidation by business enterprises of variable interest entities which have one or both of the following characteristic: (1) The equity investment at risk is not sufficient to permit the entity to finance its activities without support from other parties and (2) the equity investor lacks one or more of the defined essential characteristics of a controlling financial interest. This interpretation requires existing unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risks among the participating parties. This interpretation applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. On December 17, 2003, the FASB modified the application and effective date of FIN 46, requiring that all public companies apply FIN 46 to Special Purposes Entities ("SPE's") created before February 1, 2003 no later than the end of fiscal years subsequent to December 15, 2003. The Company is also required to adopt FIN 46 for non-SPEs created before February 1, 2003 on March 31, 2004. The Company has evaluated the impact of the provisions of Interpretation 46, and has determined that is does not have a material impact on the consolidated financial statements as of December 31, 2003 and is not expected to have a material impact on the Company's financial statements as of March 31, 2004.

**EITF 00-21**

In November 2002, the Emerging Issues Task Force ("EITF") reached a final consensus on EITF 00-21, "*Revenue Arrangements with Multiple Deliverables*". EITF 00-21 addresses certain aspects of the accounting of revenue arrangements with multiple deliverables by a vendor. EITF 00-21 outlines an approach to determine when a revenue arrangement for multiple deliverables should be divided into separate units of accounting and, if separation is appropriate, how the arrangement consideration should be allocated to the identified accounting units. The adoption of EITF 00-21 did not have any material impact on the Company's consolidated financial statements.

## 5. CASH AND CASH EQUIVALENTS

At December 31, 2002, cash and cash equivalents contains a trust account of a customer to which the Company does not have free access. Transfers made from this account require the signature of the customer. As of December 31, 2002, the balance of the bank account was EUR 443 k (December 31, 2003: EUR 0 k). Assignment agreements are also in place for two bank accounts for receivables from existing and future account balances. The balances of the two bank accounts as of December 31, 2002 total EUR 2 k (December 31, 2003: EUR 0 k).

## 6. SECURITIES

Securities held by the Company consisted of shares in a publicly listed company held in the category "available for sale". All securities were sold in 2002. The proceeds from the sale of available for sale securities amounted to EUR 22 k for the year ended December 31, 2002. The result on the sale in 2002 is reported in other income.

## 7. COMPREHENSIVE INCOME (LOSS):

SFAS 130, "*Reporting Comprehensive Income*", establishes rules for the reporting of comprehensive income and its components. Comprehensive income (loss) is defined as all changes in equity from non-owner sources. For the Company, comprehensive income (loss) consists of unrealized gains on marketable securities and changes in the cumulative foreign currency translation adjustments. The Company reports comprehensive income (loss) in the consolidated statement of shareholders' equity.

The cumulative balances of accumulated other comprehensive loss is as follows:

| | Available for sale securities EUR k | Cumulative translation adjustments EUR k | Total EUR k |
|---|---|---|---|
| Balance at January 1, 2002 | -14 | -72 | -86 |
| Changes in 2002 | 14 | -31 | -17 |
| Balance at December 31, 2002 | 0 | -103 | -103 |
| Changes in 2003 | 0 | 99 | 99 |
| Balance at December 31, 2003 | 0 | -4 | -4 |

## 8. INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Scheduled amortization of capitalized software costs amounted to EUR 0 k in fiscal 2003 (2002: EUR 651 k).s

In compliance with the provisions of SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*", software and other licenses were impaired as of December 31, 2003 and had to be fully written off. The respective impairment loss of EUR 22 k was determined based on discounted cash-flow analyses. It is no longer possible to use and market various software to generate sustained sales and positive profit margins. Accordingly, these have been written off entirely as they have a fair value of zero.

The impairment for the intangible assets was expensed as general and administrative expenses. and relates to the procurement segment. In 2002, impairment charges on intangible assets, other than goodwill amounted to EUR 75 k.

The estimated amortization of intangible assets in the next five years amounts to:

| | 2004 EUR k | 2005 EUR k | 2006 EUR k | 2007 EUR k | 2008 EUR k |
|---|---|---|---|---|---|
| Franchises, licenses and similar rights | 48 | 9 | 0 | 0 | 0 |
| Software | 23 | 3 | 0 | 0 | 0 |
| | 71 | 12 | 0 | 0 | 0 |

In addition to straight-line depreciation of property and equipment, impairment charges of EUR 37 k and EUR 292 k were recorded in 2003 and 2002, respectively. The impairment charges were determined based on analyses of estimated undiscounted cash flows. In 2003, this charge relates to furniture and fixtures that are no longer in use and, therefore, were written down to their estimated fair value. In 2002, the impairment charge related primarily to leasehold improvements in a part of the office building that is no longer used and furniture and fixtures that are no longer used. The impairment for property and equipment is shown as general and administrative expenses in the statement of operations, and in 2003 relates to the procurement segment in the amount of TEUR 8 and to the e-commerce segment in the amount of TEUR 29. The impairment charge in 2002 impacted the segments of the Company as follows: EUR 83k Information Providing, EUR 83k E-Commerce and EUR 126k Marketing/sales.

**Goodwill**

As of January 1, 2002, the Company adopted SFAS 142, "Goodwill and Other Intangible Assets," which addresses the financial accounting and reporting standards for goodwill and other intangible assets subsequent to their acquisition.This standard requires that goodwill no longer be amortized, and instead, be tested for impairment on every balance sheet day. As the Company wrote off most of its goodwill in 2001, and there were no acquisitions in 2002 and 2003 that resulted in the recording of material amounts of goodwill in 2002 and 2003, there was no material impact to the Company upon the adoption of SFAS 142.

## 9. CAPITAL LEASE

The Company has entered into lease agreements for vehicles. The lease agreements expire in 2005 at the latest.

The depreciation of assets capitalized in connection with capital leases amounted to EUR 22 k in 2003 (2002: EUR 20 k).

The following table shows the minimum lease payments for the capital lease for the next three years (when the last lease installment falls due):

| | EUR k |
|---|---|
| 2004 | 17 |
| 2005 | 1 |
| Total | 18 |
| less interest portion | 1 |
| net payments | 17 |
| | |
| of which current | 16 |
| of which non-current | 1 |

The following information relates to the fixed assets in connection with the remaining capital lease:

| | Dec. 31, 2003<br>EUR k | Dec. 31, 2002<br>EUR k |
|---|---|---|
| Property, plant and equipment | | |
| Technical equipment and machines | | |
| Acquisition cost | 111 | 111 |
| Accumulated depreciation | -57 | -35 |
| | 54 | 76 |

## 10. INCOME TAX BENEFIT (EXPENSE)

The deferred taxes have been calculated using a corporate income tax rate of 25%. Taking the solidarity surcharge into account, the corporate income tax rate is 26.4%.

Additionally German corporations are subject to a trade tax determined by the municipality where the facilities are located, which typically ranges from 13% to 21% of taxable income.

| | 2003<br>EUR k | 2002<br>EUR k |
|---|---|---|
| Current Tax Expense | | |
| Germany | 0 | 0 |
| other countries | 3 | 0 |
| | 3 | 0 |

The combined tax rate of 36.69% (prior year: 35.26%) has been used for the calculation of deferred taxes as of December 31, 2002 and December 31, 2003.

The following table shows a reconciliation of income taxes:

| | Dec. 31, 2003<br>EUR k | Dec. 31, 2002<br>EUR k |
|---|---|---|
| Statutory income tax (2003 and 2002: 36.80%) | 835 | 4.609 |
| Change in income taxes due to: | | |
| Lower domestic and foreign tax rates | -57 | -148 |
| Differences in revenue recognition | 12 | 0 |
| Tax deductible allowance for intercompany receivables | 396 | 539 |
| Change in valuation allowances on deferred tax assets | -1.125 | -5.284 |
| Other | -58 | 284 |
| | 3 | 0 |

Deferred tax assets and liabilities are summarized as follows:

| | Dec. 31, 2003<br>KEUR | Dec. 31, 2002<br>KEUR |
|---|---|---|
| Deferred tax assets: | | |
| Tax loss carryforward | 27.489 | 26.330 |
| Valuation differences due to accruals for potential losses | 0 | 17 |
| Valuation allowance | -27.472 | -26.347 |
| Valuation differences due to lease commitments | 4 | 9 |
| Deferred tax assets, total: | 21 | 9 |
| Deferred tax liabilities | | |
| Valuation differences due to realization of sales | -12 | 0 |
| Valuation differences due to leased assets | -9 | -9 |
| Deferred tax liabilities, total | -21 | -9 |
| Deferred taxes, net | 0 | 0 |

The deconsolidation of the subsidiary Buying House GmbH in 2003 affected deferred tax assets of EUR 0 k and liabilities of EUR 0 k. In 2002, the deconsolidation of the subsidiary MuK Medien- und Kommunikationsgesellschaft mbH (MuK GmbH) affected deferred tax assets of EUR 728 k and deferred tax liabilities of EUR 769 k. The effects were contained in the result of deconsilidation.

As of December 31, 2003 the Company had unused tax losses of approximately EUR 91,517 k (2002: EUR 88,439 k). At present the unused tax losses can be carried forward indefinitely. After the adoption of the tax changing law (Steueränderungsgesetz) 2003 by the lower house of the German parliament it is still possible to carry forward unused tax losses for an indefinite period of time. However, there exists a limit of EUR 1,000 k per year which can be off-set against future profits. Losses exceeding EUR 1,000 k can be offset against up to 60 % of taxable inocme in excess of EUR 1,000 k.

The Company has recorded valuation allowances on the portion of deferred tax assets for which it is not more likely than not that such asset will be realized. Because the Company has again sustained a loss, valuation allowances have been recorded on all net deferred tax assets as of December 31, 2003.

## 11. SHAREHOLDERS' EQUITY

As of December 31, 2003 and 2002, the Company is authorized to issue up to 12,800,000 shares in the amount of up to EUR 12,800 k. The capital stock of the Company consists of 8,464,592 bearer shares as of December 31, 2003 and 2002. At December 31, 2002 and 2003, capital reserved for stock options was EUR 800 k.

At the shareholders' meeting on January 17, 2000, the board of directors was authorized, with the consent of the supervisory board, to increase the capital stock, once or several times, by up to a nominal amount of EUR 4,000 k by issuing up to 4,000,000 no par value shares in return for cash contribution or contribution in kind in the period until January 1, 2005 (authorized capital 2000/1). In addition, the board of directors was authorized, subject to the approval of the supervisory board, to exclude shareholders' subscription rights.

## 12. OTHER ACCRUALS

Accrued liabilities include the following items:

| | Dec. 31, 2003 | Dec. 31, 2002 |
|---|---|---|
| | EUR k | EUR k |
| Risks from guarantees and letters of comfort | 640 | 1.056 |
| Legal and consulting costs | 137 | 175 |
| Shareholders meeting | 100 | 100 |
| Outstanding invoices | 97 | 908 |
| Directors remuneration | 55 | 60 |
| Other | 112 | 162 |
| Current accruals | 1.141 | 2.461 |

The accrual for risks from guarantees and letters of comfort was necessary due to the MuK's liquidators claim. At first instance the claim had been dismissed, but the liquidator gave a notice of appeal. The accrual was accounted for at December 31, 2003 based on the probable amount of the claim.

## 13. DEFERRED INCOME

Deferred income relates to payments received from members for the use of the database which have been charged a year in advance. The deferred portion corresponds to the pro rata license to use the database for the period after the balance sheet date.

## 14. STOCK OPTION PLANS

The Company accounts for stock-based compensation using the intrinsic value method prescribed in APB Opinion No. 25, *"Accounting for Stock Issued to Employees".* Compensation cost for stock options is measured as the excess of the quoted market price of the Company's stock on the measurement date over the amount an employee must pay to acquire the stock and is recognized over the vesting period. The intrinsic value of the options, for which the measurement date has not been reached, is measured on the basis of the fair value of the Company's stock at the end of each period.

During 2001, 86.250 options were repriced. Due to the modification of terms of the plan by repricing these options in 2001, the Company accounts for the modified plan applying variable plan accounting. This means that the effects on compensation expenses must be revalued at each balance sheet date depending on the development of the share price.

At end of the years 2003 and 2002, the market price has been lower than the exercise price, therefore no revaluation is necessary according to APB Opinion No. 25 (2002: personnel expenses have been decreased by EUR 9 k due to the revaluation).

The Company has set aside a total of 800,000 shares for its 2000 stock option plan. The Company grants stock options to members of the management board, its employees, members of the management and employees of affiliated companies. The options may not be exercised for a period of two years after being granted. The exercise price is the average market price of bearer shares on the last five trading days before the day on which the option agreement was concluded. This is, however, not lower than the share price of the bearer shares on the last day before the agreement is entered into. The subscription price to be paid by the bearer of the option when exercising his option is the base price plus a surcharge of 20%. The options expire if not exercised within a period of 8 years of being granted.

No new options were granted during 2002 and 2003.

As of December 31, 2003, there were 187,400 options outstanding. The difference of 120,500 options is the result of the forfeiture of options upon employees leaving the Company. According to the terms of the stock option plan, such options can no longer be exercised.

The movement in options outstanding during the years ending December 31, 2003 and 2002 is summarized in the following table:

| | Number of Stock Options | Weighted average price EUR | Weighted average contractual life months |
|---|---|---|---|
| Outstanding at January 1, 2002 | 572.050 | 2,10 | 88 |
| Forfeited during 2002 | -264.150 | 2,84 | |
| Outstanding at December 31, 2002 | 307.900 | 2,66 | 83 |
| Forfeited during 2003 | -120.500 | 2,53 | |
| Outstanding at December 31, 2003 | 187.400 | 2,75 | 71 |

Exercise prices range from 1,91 to 10,20 as of December 31, 2002 and 2003. No options were exercisable at December 31, 2002, but all are exercisable at December 31, 2003.

SFAS No. 123 *"Accounting for stock-based compensation"*, defines the accounting and valuation methods and disclosure requirements regarding stock based compensation plans using a fair value based method for stock options. Pursuant to "fair value accounting", the Company discloses the pro forma impact as if the fair value of options granted to employees was recorded as personnel expenses.

## 15. CONTINGENCIES AND OTHER FINANCIAL COMMITMENTS

Other financial commitments as of December 31, 2003 arising from lease agreements are comprised of operating leases for Company vehicles and office space as well as leases for computer equipment and office machine.

The future minimum annual payments from non-cancelable operating lease agreements and rental agreements with original terms of one year or more are as follows:

**Fiscal year ending December 31, 2003**

| | EUR k |
|---|---|
| 2003 | 749 |
| 2004 | 471 |
| 2005 | 291 |
| 2006 | 5 |
| Total | 1.516 |

The commitments from rental agreements are offset by estimated future rental income from sub-leases of the premises in Langenhagen and Bottrop. The Langenhagen sub-leases provides a rental income of EUR 0,4 k per month and can be terminated by either party at any time upon three months notice. The sub-lease agreement on the Bottrop premise will terminate in June 2004 and results in a rental income in 2004 of EUR 10 k. The rental income in 2003 and 2002 amount to EUR 32 k and EUR 20 k, respectively. Rent expense was EUR 551 k and EUR 685 k, for the years ended December 31, 2003 and 2002, respectively.

## 16. CREDIT RISK AND OTHER RISKS

Financial instruments that potentially subject the Company to concentrations of credit risks consist primarily of cash, cash equivalents and trade receivables. The Company places its cash and cash equivalents with high credit-quality financial institutions. The Company invests its excess cash primarily in over-night or short-term deposits, or money market funds in demand and money market accounts in various financial institutions in Germany and internationally. Deposits held with financial institutions may exceed the amount of insurance provided on such deposits; however, these deposits typically may be redeemed upon demand and, therefore, bear minimal risk. The Company has not experienced any losses on its deposits of cash and cash equivalents.

The Company performs ongoing credit evaluations of its customers' financial condition and maintains an allowance for uncollectible accounts receivable based upon the expected collectability of all accounts receivable. The Company is not able to predict changes in the financial stability of its customers. Any material change in the financial status of any one or a group of customers could have a material adverse effect on the Company's results of operations and financial condition. Although such losses have been within management's expectations to date, there can be no assurance that such allowances will continue to be adequate. The Company does not require collateral from its customers. At December 31, 2003 and 2002, no single customer accounted for more than 10% of the Company's gross accounts receivable.

The Company operates in countries in which the political, economic, social and legal developments could have effects on operating activities. The effects of such risks which arise in the ordinary course of business on the operating results of the Company are subject to considerable uncertainty and therefore not contained in these financial statements.

The Company can occasionally be involved in litigation and it may have to pay damages. It can be involved in hearings and other court proceedings, including product liability cases and commercial law disputes. As of December 31, 2003, the management of the Company and its legal advisors are not aware of any claims which could have a major effect on the business, the financial situation, financial position or the results of operations of the group.

## 17. SUBSEQUENT EVENTS

There have been no material subsequent events after balance sheet date..

## 18. RELATED PARTIES

The tax consultant's office which is owned and managed by the Chairman of the supervisory board, Mr. Michael Böllner, advises the Company in all tax matters. The tax advisory office also performs the payroll accounting for the Company. The total expense for of all such services amounted to EUR 41 k for the year ending December 31, 2003 (2002: EUR 47 k). As of December 31 2003, EUR 0 k (December 31, 2002: EUR 1 k) was included in the trade accounts payable.

The Company's legal advice was provided by the law firm of the Vice Chairman of the Supervisory Board, Dr. Hubert Krieger. The cost of these services was EUR 24 k for the year ended December 31, 2003 (2002: EUR 5 k).

The office building located at Enzianstr. 2, 82319 Starnberg, was acquired by Michael Mohr, CEO of the Company, in the year 2000 and is leased to the Company on market terms. The sum of all related rent payments amounted to EUR 277 k for the year ended December 31, 2003 (2002: EUR 356 k).

## 19. SEGMENT REPORTING

In June 1997, the Financial Accounting Standards Board issued SFAS No. 131 *"Disclosure about Segments of an Enterprise and Related Information"* which requires the reconciliation of all segment-related information to the corresponding amounts in the consolidated financial statements. In addition, SFAS No. 131 prescribes standards for segment information about products and services, geographical areas and significant customers. The Company currently operates in four segments:

**eCommerce**

- Open and closed online trade platforms (DCI WebTradeCenter, acequote.com)
- PC HIS: Information system for ITK dealers (offline/online)

**Marketing / Sales**

- Electronic product catalogues (.tma-files and DCI TradeManager [.tma Reader and File Management / Procurement Software])

**Procurement**

- Implementing and optimising procurement processes (The Buying House GmbH)

**Information providing**

- DCI Media: Push media (e.g. DCI Highlight Fax advertising bulletin, Premium Email (HTML) for marketing & advertising)
- Data Service Factory: Cost-saving Database management: licensing, maintenance and filtering of product and address data (Subsidiary in Romania [DCI Romania S.R.L.])

A breakdown by segment is presented below:

| **2002** | eCommerce EUR k | Information Providing EUR k | Marketing/ Sales EUR k | Procurement EUR k | Total EUR k |
|---|---|---|---|---|---|
| Total sales | 1.495 | 2.160 | 8.223 | 466 | 12.344 |
| Goodwill impairment | 0 | 0 | 0 | -2 | -2 |
| Loss from operations | -2.223 | -2.106 | -9.253 | -50 | -13.632 |
| Interest income | 320 | 1 | 1 | 11 | 333 |
| Interest expense | 0 | -1 | -461 | 0 | -462 |
| Other income, net | -289 | 6 | 1.401 | 56 | 1.174 |
| Net loss / income before income taxes and minority interest | -2.192 | -2.100 | -8.312 | 17 | -12.587 |
| Segment assets | 7.971 | 263 | 112 | 1.128 | 9.474 |
| Capital expenditures in tangible assets | 12 | 112 | 1 | 0 | 125 |
| Depreciation, amortization, impairment | 2.219 | 158 | 16 | 16 | 2.409 |

| 2003 | eCommerce EUR k | Information Providing EUR k | Marketing/ Sales EUR k | Procurement EUR k | Total EUR k |
|---|---|---|---|---|---|
| Total sales | 682 | 2.492 | 245 | 135 | 3.554 |
| Loss from operations | -935 | -604 | -1.296 | -158 | -2.993 |
| Interest income | 107 | 0 | 0 | 0 | 107 |
| Interest expense | -1 | -3 | 0 | 0 | -4 |
| Other income, net | 406 | 4 | -5 | 125 | 530 |
| Net loss before income taxes and minority interest | -423 | -603 | -1.301 | -33 | -2.360 |
| Income taxes | 0 | -3 | 0 | 0 | -3 |
| Segment assets | 3.865 | 219 | 129 | 0 | 4.213 |
| Capital expenditures in tangible assets | 27 | 7 | 3 | 0 | 37 |
| Depreciation, amortization, impairment | 473 | 79 | 9 | 42 | 603 |

All transactions between segments were kept to the greatest degree possible at similar terms to those between unrelated parties.

In 2003, a gain of EUR 125 k result from the deconsolidation of the subsidiary Buying House GmbH which relates to the procurement segment. In 2002, a loss of EUR 382 k from deconsolidation of the subsidiary MuK GmbH related to the marketing/sales segment.

There have been the following intersegment sales in 2002 and 2003:

| | 2003 | 2002 |
|---|---|---|
| Sales from Information providing to | EUR k | EUR k |
| e-commerce | 254 | 423 |
| Marketing | 45 | 6 |

**Geographical information**

The Company generates sales in Germany and Great Britain only. In fiscal 2003, sales of EUR 3,505 k (2002: EUR 11,896 k) were recorded in Germany. In Great Britain, the subsidiary acequote.com Ltd. recorded sales of EUR 49 k in fiscal 2003 (2002: EUR 448 k). As of December 31, 2003, there are assets of EUR 5k (2002: EUR 152k ) in Great Britain and of EUR 129 k (2002: EUR 112 k) in Malta. In Romania there are assets totaling EUR 219 k at December 31, 2003 (2002: EUR 263 k). All remaining assets represent assets held in Germany.

**Main customers**

In the fiscal year 2003, there were no customers which accounted for 10 % or more of sales. In 2002, one customer accounted for 32,4 % of sales.

## 20. SUBSIDIARIES

**DCI Database for Commerce and Industry Romania S.R.L.**

DCI Database for Commerce and Industry Romania S.R.L. is the Romanian subsidiary of DCI Database for Commerce and Industry AG, Starnberg, Germany, and is involved in the following main areas of activity: generating, developing, managing and updating databases for information technology and telecommunication, and creating and developing software programs.

DCI Romania has more than 45 full-time employees.

**MuK Medien- und Kommunikationsgesellschaft mbH, Berlin**

MuK Medien- und Kommunikations GmbH was primarily involved in data flow management for all types of data. MuK GmbH's products and services include billing, in particular invoicing services from different sources, i.e. separating head data and transaction data. This procedure could be used to generate and use any number of data streams such as electronic invoicing, Customer Relationship Management and Data Warehousing in a platform-independent manner. Print-on-demand (POD), digital form management and traditional media products rounded off MuK's portfolio.

MuK Medien- und Kommunikations GmbH filed for insolvency in December 2002. For this reason, it was deconsolidated on the basis of the most recent figures as of October 31, 2002.

**Buying House GmbH, Starnberg**

Buying House GmbH was a service provider for the procurement and invoicing management of business and consumer goods. The aim was to increase companies' return on sales by optimizing process costs in procurement and invoice management. Buying House GmbH identifies cost-saving potential without changing the companies' own data processing systems.

Buying House offered its customers a cost-saving option in addition to the existing ordering system. The target group includes large and medium-sized companies.

On December 1, 2003 a liquidator has been appointed by the local district court Weilheim i. Oberbayern. For this reason, it was deconsolidated on the basis of the figures as of November 30, 2003.

**DCI Database for Commerce and Industry (Malta) Limited, Valletta**

DCI Database for Commerce and Industry (Malta) Ltd. was founded on January 3, 2000 and has its registered offices in Valetta, Malta.

DCI Malta specializes in the development of the eCatalogue software package "DCI TradeManager".

In the fiscal year 2003, DCI AG sold 25 % of its 100 % investment.

**acequote.com Ltd., Cardiff, UK**

acequote.com operated a B2B online marketplace in the United Kingdom and developed suitable software solutions. As business operations decreased during the last years, a striking off is planned in 2004.

## 21. ADDITIONAL LOCAL DISCLOSURE REQUIREMENTS

**Disclosures concerning the Company boards**

**Supervisory Board**

| | | |
|---|---|---|
| Michael Böllner | Chairman of the supervisory board<br>Wirtschaftsprüfer, Steuerberater<br>Munich, Germany | IPO Management<br>H.C.M. Capital-Management AG |
| Dr. Hubert Krieger | Vice-chairman<br>since 12.5.2003<br>Lawyer<br>München | |
| Michael Reuss | Stellvertretender Vorsitzender<br>since 12.5.2003<br>Public Trustee<br>München | Cariba Internet Technology AG, Vaterstetten |
| Dr. Jack Schiffer | Vice-chairman<br>Until 12.5.2003<br>Lawyer<br>Munich, Germany | SE Spezial-Electronic AG |
| John Thorpe | Until 12.5.2003<br>Manager<br>Richmond, UK | |

**Management**

| | |
|---|---|
| Michael Mohr | Chief Executive Officer<br>Manager<br>Berg |
| Dr. iur. Reiner Stecher | CFO from January 1, 2003<br>Business consultant<br>Frankfurt am Main |
| Klaus Zuber | CFO until December 31, 2002<br>Employee until 31.3. 2003<br>Dipl.-Kaufmann<br>M.S.I.A. UC Schenectady, N.Y., USA<br>Munich, Germany |

**Employees**

In fiscal 2003, the average group headcount, not including the employees from the deconsolidated Buying House GmbH, was:

| | |
|---|---|
| DCI AG Deutschland | 25 |
| DCI Malta Ltd. | 5 |
| acequote.com Ltd. | 0 |
| DCI Romania | 52 |
| **Total** | **82** |

**Remuneration for board members**

The remuneration paid to members of the supervisory board amounted to EUR 60 k for the fiscal year 2003. The remuneration paid to the chairman amount to EUR 30 k, the remuneration of all other members of the supervisory board amount to EUR 10 k per member.

Total remuneration paid to members of the board of directors amounted to EUR 502k for the fiscal year 2003, thereof

- to the CEO Michael Mohr EUR 238 k
- to the CFO Dr. Reiner Stecher EUR 182 k
- to the CFO Klaus Zuber (until 31.3.2003) EUR 82 k.
  (CFO until December 31, 2002)

The basic salary of the year of the CEO Michael Mohr amounted to EUR 300 k until end of July 2003. It was reduced to EUR 150 k per year, effective since the beginning of August 2003. The basic salary is paid by in monthly rates of 1/12 of the yearly salary.

No variable or performance related salary was paid.

Note: The basic salary of the CFO Dr. Reiner Stecher has been reduced from EUR 170 k to EUR 160 k, effective 1.1.2004.

**Exemption from the duty to prepare consolidated financial statements pursuant to sec. 292a HGB**

The Company is a publicly listed company on the “Prime Standard” since January 1, 2003, before on the “Neuen Markt” as defined by Sec. 292a HGB (German Commercial Code) and is therefore exempted from the provisions of Sections 290 et seq. HGB to prepare consolidated financial statements. The group management report has been prepared in line with Sec. 315 HGB. The compliance of the group accounting with the 7th EC Directive, required for exemption from the duty to prepare group accounts in accordance with German commercial law, on the basis of the interpretation of German Accounting Standards Committee DRS 1, ”Exempting consolidated financial statements pursuant to sec. 292 a HGB” is given.

**Information on the statement of operations**

Cost of materials

| | Dec. 31, 2003<br>EUR k | Dec. 31, 2002<br>EUR k |
|---|---|---|
| Cost of purchased goods | 81 | 1.997 |
| Cost of purchased services | 2.293 | 2.027 |
| | 2.374 | 4.024 |

Payroll costs

| | Dec. 31, 2003<br>EUR k | Dec. 31, 2002<br>EUR k |
|---|---|---|
| Wages and salaries | 2.512 | 6.678 |
| Social security dues | 409 | 1.027 |
| | 2.921 | 7.705 |

**Summary of significant differences between US-GAAP and German GAAP**

The provisions of the German Commercial Code (HGB) and German Stock Corporation Law (AktG) differ from U.S. GAAP in certain significant respects. The main differences that may be relevant to an evaluation of the net worth, financial position, and the results of the Company are described below:

Pursuant to HGB, all items in the balance sheet and statement of the operations must be set out in the form and order laid down in §§ 266, 275 HGB. U.S. GAAP requires a different presentation, in which the balance sheet items are presented with more liquid items first. According to U.S. GAAP, the short-term portions of long-term receivables and liabilities are shown in a separate balance sheet item. The portion that falls due with in less than one year is treated as short-term.

Other variances to the German principles of group financial reporting relate to the following:

Deferred taxes

According to U.S. GAAP, deferred tax assets are to be capitalized. Their value depends upon the probability of the loss carry forwards being utilized within the required period. The Company has recorded a valuation allowance for its deferred tax assets due to uncertainties regarding the realization of the asset. According to HGB, these types of tax assets arising from loss carry forwards may not be shown on the balance sheet as expected future tax savings are deemed to be not yet realized.

Stock options

U.S. GAAP defines a fair value based method of accounting for stock-based employee compensation plans but also allows an entity to continue to account for those plans using the intrinsic value method. The statement also establishes fair value as the basis of measurement for transactions in which an entity acquires goods or services from non-employees in exchange for equity instruments.

The German Commercial Code (HGB) does not provide any specific regulations on the accounting treatment of employee share option plans in terms of both recognition and measurement. E-GAS 11 is the only (draft) Standard, which sets out the procedure for accounting for share options plans and similar compensation arrangements. The intention of E-GAS 11 is to bring German accounting practices for employee share option plans more into line with international accounting principles. E-GAS 11 covers a wide range of employee share option plans; share options plans serviced by new shares, share option plans serviced out of treasury shares, and plans where compensation (cash settlement) is made in the form of a cash payment based on share price changes rather than through the issues of shares. The (draft) Standard also deals explicitly with a possible combination of compensation plans.

Revenue recognition

According to U.S. GAAP revenue is generally recognized when all of the following criteria have been met:

1. Persuasive evidence of an arrangement exists ;
2. Delivery has occurred or services have been rendered;
3. The seller's price to the buyer is fixed or determinable; and
4. Collectability is reasonably assured..

However, under US GAAP , most of the guidance for revenue recognition either relates solely to a particular industry or deals with the recognition of certain forms of revenue. There are several Emergin Issues Task Force consensuses and FASB Technical Bulletins on revenue recognition issues, and several Statements of Position and AAERs (Accounting and Auditing Enforcement Releases) that deal with revenue recognition have been issued by the AICPA and the Securitites and Exchange Commission, respectively.

Although the aforementioned general principles are applied in practice for the recognition of revenue earned from operations, there are multiple pronouncements dealing with special industry situations or other very specific issues with little general application.

As a general rule, the date of realization according to German GAAP is considered to be the point in time when goods are delivered or services are rendered. However, this point in time may vary according to the type of transaction.

Leasing

According to U.S. GAAP, leases are classified as either operating or capital leases based on the criteria defined in SFAS 13 "*Accounting for Leases*". If a lease qualifies for capital lease accounting, the leased item is capitalized as property, plant and equipment and a related capital lease obligation is recorded. The amount capitalized is the lesser of the present value of the minimum lease payments or the fair value of the leased assts. HGB does not allow for capital leases.

Foreign Currency

Under U.S. GAAP, foreign currency transactions, (for example, foreign currency denominated trade receivables or payables) are valued at the current rate on the balance sheet date with the corresponding gain or loss recorded in the income statement. Under HGB, at each balance sheet date revaluation losses are recognized, while gains are only recognized when realized.

Goodwill

For years ending December 31, 2001 and before, U.S. GAAP required goodwill to be amortized to income over an estimated life. Beginning in 2002, U.S. GAAP requires that goodwill will no longer be amortized, but instead is periodically tested for impairment. Impairment losses can not be reversed. German accounting allows goodwill to be amortized to income over the estimated life of the investment or to be netted with retained earnings.

Starnberg, March 2, 2004

**The Management of DCI AG**

| Michael Mohr | Dr. iur. Reiner Stecher |
|---|---|
| Chief Executive Officer | Chief Financial Officer |

## Enclosure A: Fixed Asset Movement

| | Acquisitions and production cost | | | | Accumulated depreciation and amortization | | | | | Net book value | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 01.01.2003 €(000) | Additions €(000) | Disposals €(000) | 31.12.2003 €(000) | 01.01.2003 €(000) | Depreciation and amortization €(000) | Impairments €(000) | Disposals €(000) | 31.12.2002 €(000) | 31.12.2003 €(000) | 31.12.2002 €(000) |
| **Intangible Assets** | | | | | | | | | | | |
| Franchises industrial rights and similar assets and licenses in such rights and assets | 10.020 | 6 | 45 | 9.981 | 9.708 | 213 | 22 | 45 | 9.898 | 83 | 312 |
| Goodwill | 22.691 | 0 | 0 | 22.691 | 22.691 | 0 | 0 | 0 | 22.691 | 0 | 0 |
| | 32.711 | 6 | 45 | 32.672 | 32.399 | 213 | 22 | 45 | 32.589 | 83 | 312 |
| **Property, plant and equipment** | | | | | | | | | | | |
| Land, land rights and buildings including buildings on third party land | 185 | 0 | 0 | 185 | 163 | 2 | 0 | 0 | 165 | 20 | 22 |
| Technical equipment and machines | 15 | 1 | 0 | 16 | 6 | 5 | 0 | 0 | 11 | 5 | 9 |
| Other equipment, furniture and fixtures | 2.850 | 30 | 104 | 2.776 | 2.083 | 324 | 37 | 76 | 2.368 | 408 | 767 |
| | 3.050 | 31 | 104 | 2.977 | 2.252 | 331 | 37 | 76 | 2.544 | 433 | 798 |
| | 35.761 | 37 | 149 | 35.649 | 34.651 | 544 | 59 | 121 | 35.133 | 516 | 1.110 |

The analysis of fixed assets has been adjusted to remove the figures of Buying House GmbH as disposal as of November 30,2003:

On November 30, residual book values were deconsolidated as follows:

| | NBV EUR k | Historical cost EUR k |
|---|---|---|
| Intangible assets | 0 | 41 |
| Property, plant and equipment | 10 | 32 |

## Enclosure B: Listing of Equity Holdings

| | Shareholding in % | Equity as of December 31 2002 €(000) | Net income / loss 2002 €(000) |
|---|---|---|---|
| Acequote.com Ltd., Cardiff, Großbritannien | 100,00 | -12.417 | -1.763 |
| DCI Database for Commerce and Industry Romania SRL, Brasov, Rumänien | 100,00 | 145 | -10 |
| DCI Database for Commerce and Industry (Malta) Ltd., Valetta, Malta | 75,00 | 65 | 17 |
| MuK. Medien- und Kommunikations - gesellschaft mbH, Berlin | 76,20 | -634* | -1.153* |
| Buying House GmbH, Starnberg | 59,20 | -216** | -186** |

*Equity and Net loss as of October 31, 2002
** Equity and Net loss as of November 30, 2003

**Independent Auditors` Report**

We have audited the consolidated financial statements of DCI Database for Commerce and Industry AG, consisting of the consolidated balance sheet, consolidated statement of operations, statement of shareholders` equity, consolidated statement of cash flows and notes to the consolidated financial statements, for the fiscal year from January 1 to December 31, 2003. The preparation and content of the consolidated financial statements is the responsibility of the Company's management board. Our responsibility is to assess – based on our audit procedures – whether the consolidated financial statements are in line with accounting principles generally accepted in the United States (US GAAP).

We conducted our audit of the consolidated financial statements pursuant to German statutory regulations and in compliance with the generally accepted auditing principles set down by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The scope of the audit was planned taking into account our understanding of business operations, the group's economic and legal environment, and any potential errors anticipated.

The effectiveness of the internal control system and the evidence supporting the amounts and disclosures in the consolidated financial statements are examined primarily on a test basis within the framework of the audit. The audit includes an evaluation of the financial statements of the companies included in the consolidation, the identification of the companies to be consolidated, the accounting and consolidation principles to be applied and an evaluation of the significant estimates made by the management, as well as an evaluation of the overall presentation of the annual 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 DCI Group's net worth, financial position and result of ooerations as well as its cash flows for the fiscal year in accordance with US GAAP.

Our audit also covered the group management report prepared by the management for the fiscal year from January 1 to December 31, 2003. In our opinion, the group management report accurately presents the situation of the Group and the risks arising from future developments.

Furthermore, we herewith confirm that the consolidated financial statements and the group management report for the fiscal year from January 1 to December 31, 2003 comply with the requirements exempting the Company from the preparation of consolidated financial statements and a group management report in accordance with German law.

Without qualifying this opinion, we refer to the continuing decline in sales, the continuing loss situation and the continuing cash outflow. Due to the net loss for the year 2003 more than half of the parent company's capital stock has now been lost. According to its discussion in section F "Going Concern" of the management report, the management board expects another loss for the fiscal year 2004 and for 2005 a profit for the first time contingent on the assumptions being realized and taking the planning risks and uncertainties into account. Sustained unfavorable planning variances could, however, put an end to the Company as a going concern (see management report, Section D "Indications of risks to future development").

Munich, March 2, 2004

Ernst & Young AG

Wirtschaftsprüfungsgesellschaft

| Dahmen | Eßer |
|---|---|
| Wirtschaftsprüfer | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |

# Financial Statements of DCI Database for Commerce and Industry AG*

* according to HGB, please contact DCI AG for further informations

# Balance Sheet

| | Euro | 31.12.2003<br>Euro | 31.12.2002<br>Euro |
|---|---|---|---|
| **Assets** | | | |
| **A. Fixed Assetsn** | | | |
| **I. Intangible Assets** | | | |
| Concessions, industrial and similar rights and assets and licences in such rights | 64.109,26 | | 244.119,99 |
| **II. Property, plant and equipment** | | | |
| Building on third party land | 20.762,57 | | 22.470,20 |
| Technical equipment and machines | 851,55 | | 5.454,00 |
| Other equipment, factory and office equipment | 317.324,26 | | 524.413,33 |
| | 338.938,38 | | 552.337,53 |
| **III. Financial Assets** | | | |
| Shares in affiliated companies | 315.205,80 | | 337.235.91 |
| | | 718.253,44 | 1.133.693,43 |
| **B. Current Assets** | | | |
| **I. Receivables and other assets** | | | |
| Trade receivables | 370.653,06 | | 429.725,99 |
| Receivables from affiliated companies | 55.441,31 | | 69.990,64 |
| Other assets | 58.760,33 | | 137.995,48 |
| | 484.854,70 | | 637.712,11 |
| **III. Checks, cash in hand and bank balances** | 2.929,168,72 | | 6.479.039,48 |
| | | 3.414.023,42 | 7.116.751,59 |
| **C. Prepaid expenses** | | 77.439,64 | 21.477,69 |
| **Total assets** | | 4.209.716,50 | 8.271.922,71 |

## Balance Sheet

| | Euro | 31.12.2003<br>Euro | 31.12.2002<br>Euro |
|---|---|---|---|
| **Equity and Liabilities** | | | |
| **A. Equity** | | | |
| **I. Subscribed capital** | 8.464.592,00 | | 8.464.592,00 |
| **II. Capital reserve** | 75.021.138,86 | | 75.021.138,86 |
| **III. Accumulated loss** | -80.850.068,87 | | -78.365.841,70 |
| | | 2.635.661,99 | 5.119.889,16 |
| **B. Accruals** | | | |
| Other accruals | | 1.273.258,12 | 2.344.022,00 |
| **C. Verbindlichkeiten** | | | |
| Trade payables<br>- of which due within one year EUR 50.466,70 (prior year. EUR 337.800,76) | 50.466,70 | | 337.800,76 |
| Liabilities due to affiliated companies<br>- of which due within one year:: EUR 0,00 (prior year: EUR 55.209,76) | 0,00 | | 55.209,76 |
| Other liabilities<br>- of which due within one year: EUR 32.805,53 (prior year: EUR 121.483,10 )<br>- of which taxes: EUR 25.557,92 (prior year EUR 62.342,62)<br>- of which for social security EUR 0,00 (prior year EUR 27.040,77) | 35.833,76 | | 121.483,10 |
| | | 86.300,46 | 514.493,62 |
| **D. Deferred income** | | 214.495,93 | 293.517,93 |
| **Total Equity and Liabilities** | | 4.209.716,50 | 8.271.922,71 |

## Statement of Operations

| | 2003<br>Euro | 2002<br>Euro |
|---|---|---|
| Sales | 3.336.435,80 | 3.645.337,22 |
| Cost of sales | -2.530.350,20 | -2.260.752,22 |
| Gross profit | 806.085,20 | 1.384.585,00 |
| Selling expenses | -1.300.372,75 | -2.687.406,74 |
| General and administrative expenses | -3.235.156,40 | -9.497.226,41 |
| Research and development expenses | -584.939,70 | -1.475.778,98 |
| Other operating income | 768.558,08 | 596.991,84 |
| Other operating expenses | 0,00 | -1.061.632,98 |
| Other interest and similar income | 1.078.626,60 | 1.347.639,46 |
| Write-off of financial assets | -15.780,11 | -1.832.554,39 |
| Interest and similar expenses | -1.448,66 | -8.440,34 |
| Result from ordinary operations | -2.484.427,34 | -13.233.823,54 |
| Other taxes | 200,17 | -62.463,92 |
| Accumulated loss | -2.484.227,17 | -13.296.287,46 |
| Loss brought from prior year | -78.365.841,70 | -65.069.554,24 |
| Accumulated loss | -80.850.068,87 | -78.365.841,70 |

| | Acquisition and production costs | | | | Accumulated depreciation | | | | Book values | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 01.01.2003 € | Additions € | Disposals € | 31.12.2003 € | 01.01.2003 € | Provisions € | Reversals € | 31.12.2003 € | 31.12.2003 € | 31.12.2002 € |
| **I. Start-up and expansion of operations** | 103.820,00 | 0,00 | 0,00 | 103.820,00 | 103.820,00 | 0,00 | 0,00 | 103.820,00 | 0,00 | 0,00 |
| **II. Intangible assets** | | | | | | | | | | |
| Concessions, industrial and similar rights and assets and licences in such rights and assets | 8.103.092,73 | 5.000,00 | 4.414,37 | 8.103.678,36 | 7.858.972,74 | 185.010,73 | 4.414,37 | 8.039.569,10 | 64.109,26 | 244.119,99 |
| | 8.103.092,73 | 5.000,00 | 4.414,37 | 8.103.678,36 | 7.858.972,74 | 185.010,73 | 4.414,37 | 8.039.569,10 | 64.109,26 | 244.119,99 |
| **III. Property, plant and equipment** | | | | | | | | | | |
| Land, land rights and buildings including buildings on third party land | 184.938,39 | 0,00 | 0,00 | 184.938,39 | 162.468,19 | 1.707,63 | 0,00 | 164.175,82 | 20.762,57 | 22.470,20 |
| Technical equipment and machines | 10.912,00 | 899,00 | 0,00 | 11.811,00 | 5.458,00 | 5.501,45 | 0,00 | 10.959,45 | 851,55 | 5.454,00 |
| Other equipment, factory and office equipment | 2.274.532,19 | 21.006,84 | 71.038,81 | 2.224.500,22 | 1.750.118,86 | 211.496,45 | 54.439,35 | 1.907.175,96 | 317.324,26 | 524.413,33 |
| | 2.470.382,58 | 21.905,84 | 71.038,81 | 2.421.249,61 | 1.918.045,05 | 218.705,53 | 54.439,35 | 2.082.311,23 | 338.938,38 | 552.337,53 |
| **IV. Financial assets** | | | | | | | | | | |
| Shares in affiliated companies | 9.930.217,96 | 0,00 | 6.250,00 | 9.923.967,96 | 9.592.982,05 | 15.780,11 | 0,00 | 9.608.762,16 | 315.205,80 | 337.235,91 |
| | 20.607.513,27 | 26.905,48 | 81.703,18 | 20.552.715,93 | 19.473.819,84 | 419.496,37 | 58.853,72 | 19.834.462,49 | 718.253,44 | 1.133.693,43 |

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### Content

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