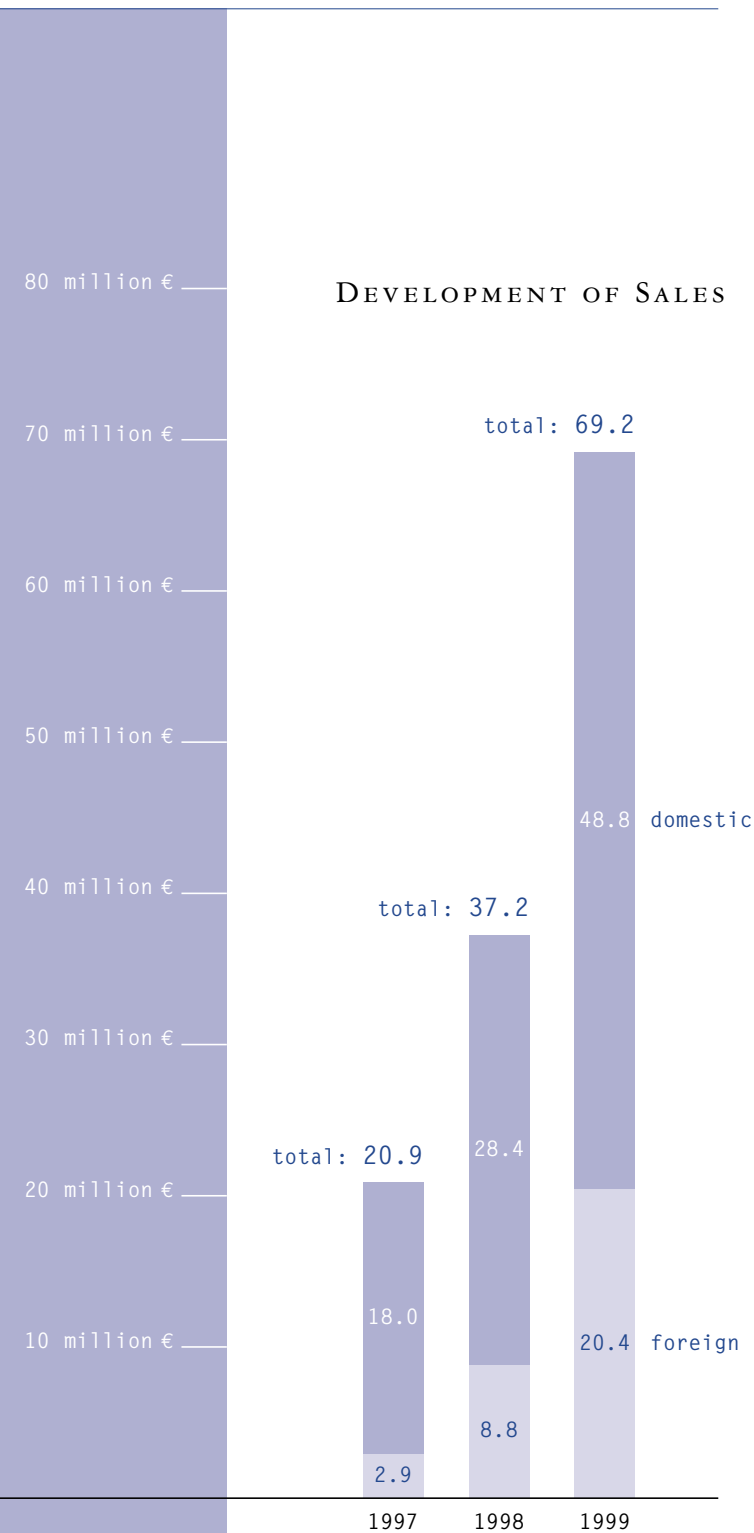


ANNUAL REPORT 1999

TODAY

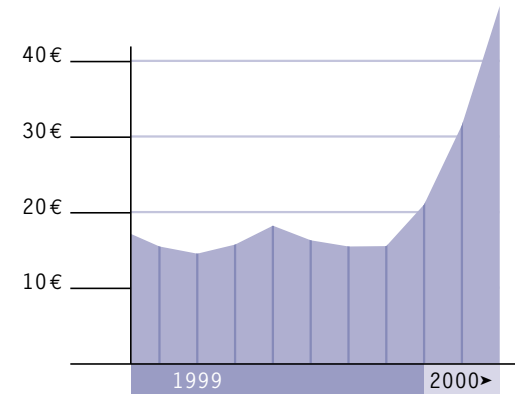
THREE YEARS AT A GLANCE

DEVELOPMENT OF SALES

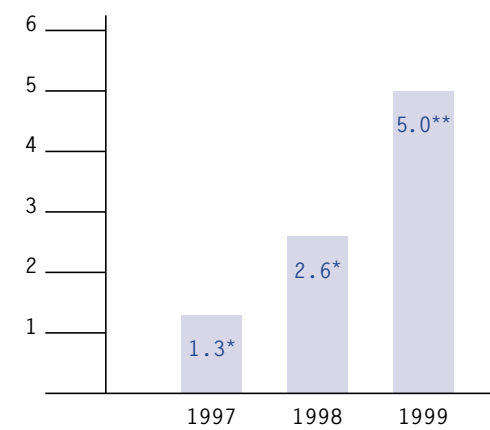


PERFORMANCE OF THE SVC SHARE

Source: www.neuer-markt.de

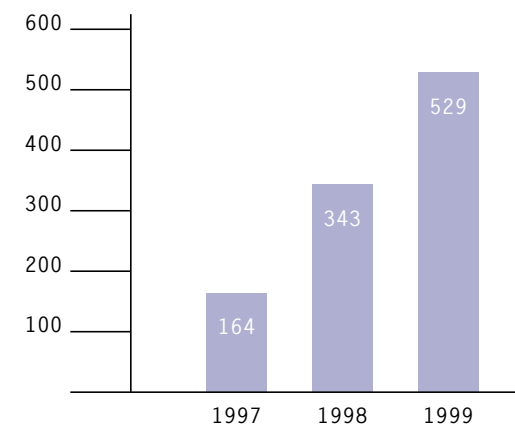


EARNINGS BEFORE INTEREST AND TAXES (EBIT) in million €



* adjusted
** adjusted for IPO costs and amortization of goodwill

NUMBER OF EMPLOYEES at Year-End



SVC IN FIGURES

	1999	1998	1997	Change 98/99
Sales in million €	69,2	37,2	20,9	86%
– domestic	48,8	28,4	18,0	71%
– foreign	20,4	8,8	2,9	131%
EBIT in million €	5,0**	2,6*	1,3*	92%
Net income in million €	1,6	0,7	0,3	129%
Profit margin in million €	2,3%	1,9%	1,4%	21%
DVFA/SG earnings in million €	2,0	0,90	0,50	122%
Cash flow in million €	15,6	8,5	0,2	84%
Total assets in million €	58,9	23,9	6,8	146%
Shareholders' equity in million €	34,2	2,4	0,5	1325%
Return on equity	4,7%	29,2%	60,0%	-84%
Capital expenditure in million €	6,4	1,6	0,5	300%
Average number of employees	436	263	139	66%
– domestic	293	208	122	41%
– foreign	143	55	17	160%
Personnel expenses	32,3	17,8	9,7	81%
EPS before taxes in €	0,44	0,19	0,07	132%
DVFA/SG earnings per share in €	0,20	0,09	0,05	122%
Cash flow per share in €	1,52	0,85	0,02	79%

* adjusted
** adjusted for IPO costs and amortization of goodwill

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FOREWORD BY THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

1999 was no doubt the most eventful year in our Company's history. During the first six months the main focus was on our IPO. We put most of the resulting proceeds towards implementing our strategic objectives: we pushed ahead with internationalization, focusing primarily on business processes on the Internet, where we see the strongest growth potential for the future.

Our IPO was a great success. On May 10, the SVC share was listed on Frankfurt's "Neuer Markt" for the first time. Unfortunately, our excellent business development was not fully matched by share performance in the course of the year. However, we are confident that this will change fundamentally and that the share's price will increasingly reflect SVC's growth momentum and potential in the B2B segment. The performance of our share in the first two months of the current fiscal year has been positive.

The expansion of our international branch network proceeded according to plan. In the past fiscal year, we opened new branches in Barcelona, Bern, Chicago, Sao Paulo, to name a few. 24 branches in nine countries are evidence of our strong international focus. Last year, foreign sales accounted for 30% of total sales. We will continue to increase this share in the years to come.

Herbert Vogel
CEO of SVC AG



FOREWORD BY THE MANAGEMENT BOARD

»» In 1999, we extended our range of services significantly to include customer relationship management (CRM), business warehouse (BW), supply chain management (SCM), application service providing (ASP) and e-commerce in addition to traditional enterprise resource planning (ERP). We anticipated the trend in the area of e-commerce solutions early on and laid the foundation to attain a market-leading position in this segment through intensive research and development.

Our development into one of the leading providers in the B2B segment has been accelerated by close partnerships with market leaders in e-commerce. We will continue on the course on which we have embarked and will expand our network of partnerships by adding further selected companies offering first-class e-commerce solutions. Our core competencies now already range from ERP to the integrated use of e-commerce. We will remain committed to our industry approach and will use our solutions to create the greatest possible benefit for our clients.

Our development in the past fiscal year was extremely positive. Sales increased by 86 % to Euro 69.2 million. Earnings rose at an even faster rate, with EBIT up 92 % to Euro 5.0 million. We intend to continue this successful performance. Our targets for 2000 are sales of Euro 113.8 million and EBIT of Euro 8.7 million.

We would like to thank our employees for their achievements and commitment. Our thanks also go to our business partners and shareholders for the trust they have placed in our Company.



REVIEW

THE YEAR 1999

JANUARY: – The planned IPO takes shape:
company presentation at Deutsche Börse in Frankfurt

MARCH: – The legal requirements for the IPO are met:
Conversion to SVC AG Schmidt · Vogel Consulting

APRIL: – Our internationalization continues:
Opening of our branch in Houston, USA

MAY: – SVC AG goes public:
First listing of the SVC share on May 10

AUGUST: – Growth of the Internet business:
SVC acquires a majority interest in Internet consultant ASECON
– Entry in the outsourcing market:
IT-GO! – a joint venture with realTech AG

SEPTEMBER: – Another milestone of our internationalization strategy:
Opening of our branch in Milan, Italy

OCTOBER: – The next step:
Opening of our branch in Barcelona, Spain
– Innovation leadership confirmed:
Successful implementation of SAP R/3 on Linux

NOVEMBER: – SVC continues to grow:
Opening of our branches in Bern, Switzerland, and Sao Paulo, Brazil

DECEMBER: – Takeover of Missana & Associates:
SVC obtains the exclusive right to market SAP products
in the states of Wisconsin, Illinois and Indiana, USA
– Examination of a potential merger with APCON AG:
SVC aims to become a global business solutions architect

STRATEGY



Wolfgang Schmidt
SVC AG Management Board Member
Strategy and Corporate Development

CLEAR FOCUS

SVC AG pursues a clearly focused strategy. We develop total Internet-based solutions for small and medium-sized enterprises throughout the world.

To do this with maximum success, we focus on our core competencies: process, consulting and industry know-how. Thanks to our many years of experience in traditional SAP consulting, we have excellent knowledge of the structuring of business processes. This gives our Company – and, by extension, our customers – a clear competitive edge over suppliers who merely develop online stores. We know the processes and can translate this knowledge into efficient software solutions.

We offer more than traditional SAP consulting. We offer proprietary e-commerce solutions. The integration of business software such as ERP systems and B2B solutions is gaining in importance. Last year, we successfully completed the first projects in this field. We developed customized solutions giving our customers genuine competitive advantages. We intend to push ahead with this development in the coming years and thus to advance to one of the world's leading providers of B2B solutions.

Of course, this will require strong growth coupled with further international expansion. While we have achieved our expansion exclusively through organic growth to date, we will also look to grow through acquisitions to an increasing degree in future.

» Our strategy - B2B and
 internationality «

MARKETS

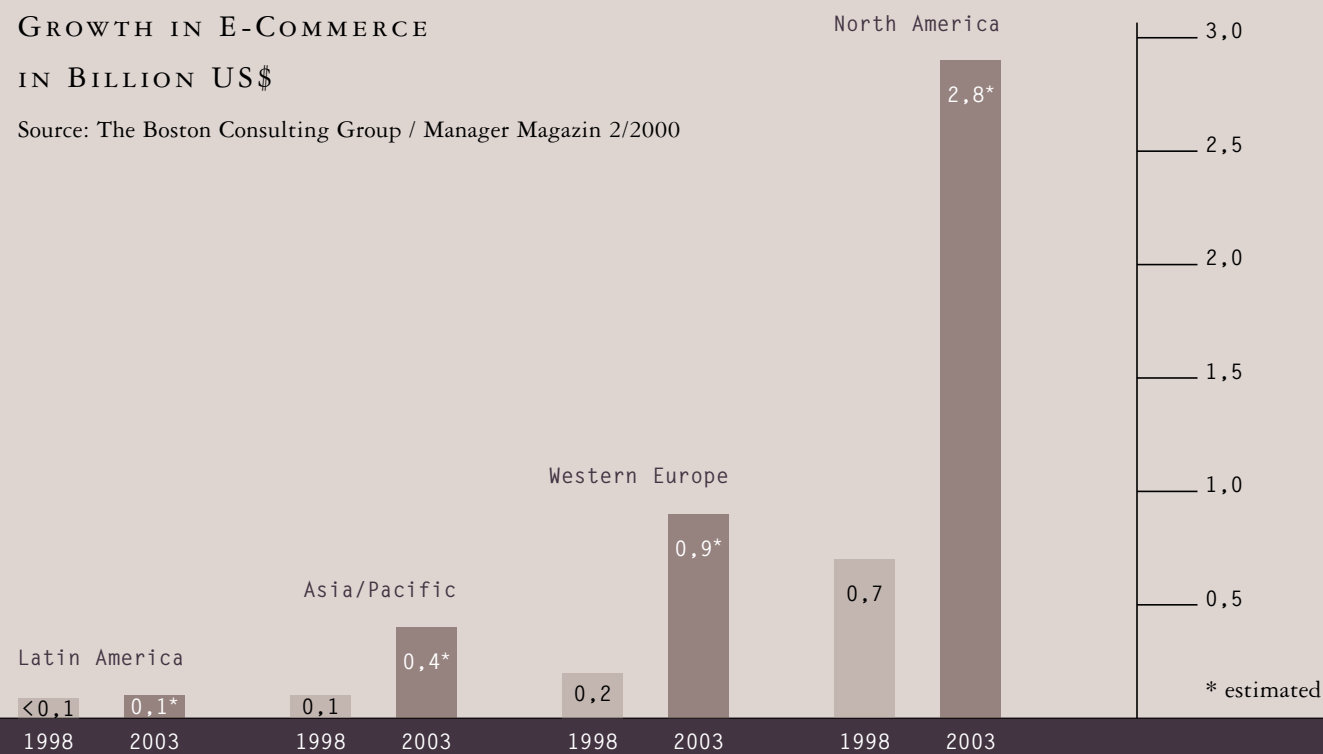
ATTRACTIVE GROWTH RATES



*Michael Kleinemeier
SVC AG Management
Board Member
Sales and Marketing*

GROWTH IN E-COMMERCE
IN BILLION US\$

Source: The Boston Consulting Group / Manager Magazin 2/2000



SVC operates in highly attractive growth markets. The e-commerce market has been growing particularly fast. A recent e-commerce market study forecasts that the B2B market will grow by over 280 % from USD 1.1 billion in 1998 to USD 4.2 billion in 2003. Offering solutions which combine complex business processes with intelligent Internet scenarios, SVC is excellently positioned in this market.

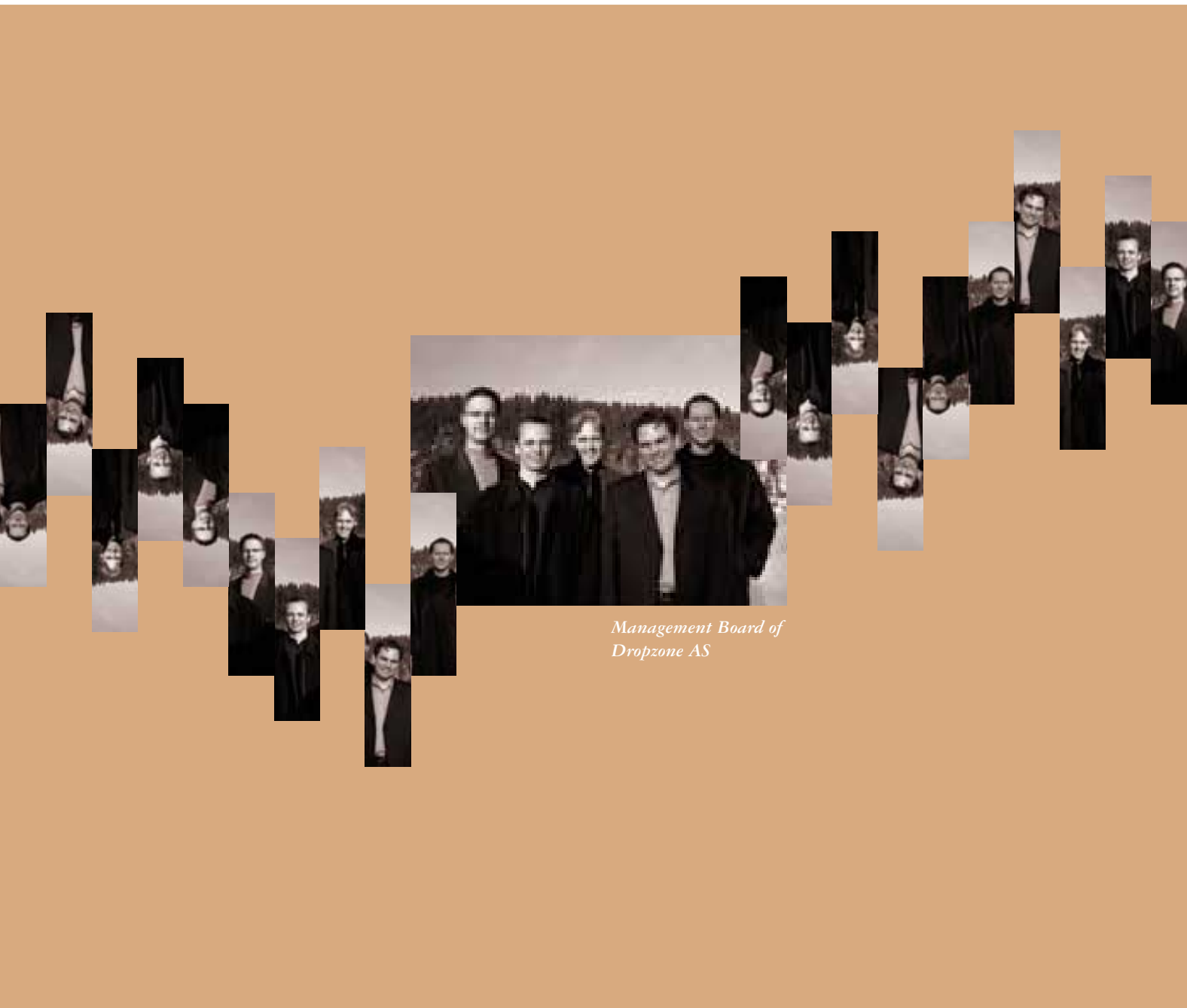
The market for ERP software (enterprise resource planning) is also characterized by strong growth. The IT working group of the VDMA (German Machinery and Plant Manufacturers' Association) and the ZVEI (German Electrical and Electronic Manufacturers' Association) predicts annual growth rates significantly in excess of 20 %. Much higher growth rates are expected for the SME market, in which SVC sells its SAP software solutions.

SVC's joint venture, IT-GO!, offers innovative outsourcing solutions, another market characterized by high growth rates. The research company IT Research projects average annual growth rates of approx. 44 %.

In the years to come, SVC clearly stands to benefit from the activities in these three growth markets.

E-SOLUTIONS

CUSTOMIZED SOLUTIONS



*Management Board of
Dropzone AS*

Our customized e-solutions have recorded healthy growth. We have developed comprehensive e-solutions for a large number of national and international customers.

One of our international customers is Dropzone AS, Norway, a company which sells IT products to companies and private users via the Internet. Dropzone customers can choose from among 7,000 products offered by market-leading suppliers such as Compaq, IBM, HP, Apple, Cisco and Microsoft.

Successful e-commerce takes more than an attractively designed user interface. The link to standard business software and logistics is much more important. An online store will only be successful if the underlying processes are designed and mastered effectively. Precise understanding of these business processes is the strength of SVC.

We developed an online store offering perfect interaction with SAP R/3. Dropzone's SAP system is constantly updated to reflect current wholesaler information on product availability, prices and delivery periods. Once a customer has placed an order, the order is processed and passed on to the wholesaler, and the virtual store is updated. This is a fully standardized process requiring no manual intervention. The result is effective and efficient logistics and hence a clear competitive edge.

» The innovative development of SVC's solutions even exceeded our high expectations: we're online 24 hours a day, 365 days a year - guaranteed! «

INDUSTRY SOLUTIONS

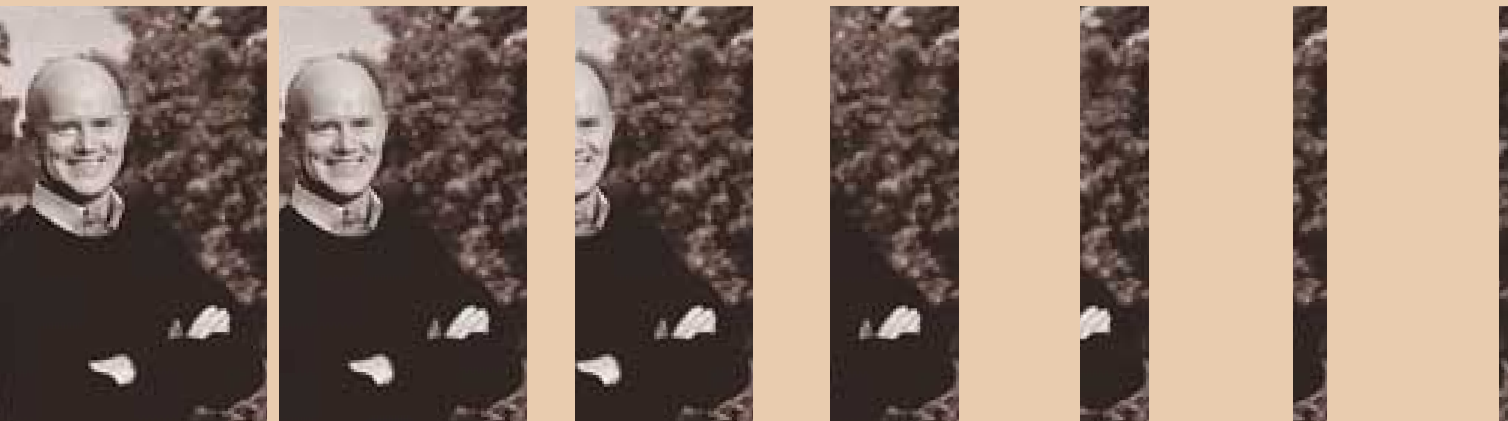
FAST AND EFFICIENT

We have taken a new approach to developing customized industry solutions for our customers. SVC was the world's first provider to implement SAP R/3 on the Linux operating system for ce Consumer Electronic AG – and that after a lead time of only 100 days.

ce Consumer Electronic AG is the world's leading chip broker. The Munich-based company resells a wide variety of different computer chips. ce Consumer Electronic markets chip and semiconductor products of renowned manufacturers, often assisting customers in critical production situations or when other chip manufacturers fail to deliver. The strong growth of the company could no longer be supported by the existing IT systems. The company was in need of a homogeneous system capable of supporting its future growth.

We developed a customized solution for ce Consumer Electronic which optimally fulfills the different demands made on a high-performance system and integrates the national and international branches. The integration of standard business software was a matter of course. At the time, Linux did not support SAP. SVC developed the SAP implementation on Linux with a substantial time lead over its competitors.

The advantages of SAP on Linux are highly convincing. The Linux operating system has dramatically reduced the system failure rate while the homogeneous SVC systems solution has clearly enhanced productivity. Logistical and accounting transactions are processed on an integrated basis, paper output has been reduced considerably, up-to-date sales statistics are always available and much less manpower is required to prepare the financial statements.



Erich J. Lejeune
ce Consumer Electronic AG
Management Board Member

» A world premiere after only three months' lead time.
SVC implements SAP R/3 on Linux. «



INDUSTRY SOLUTIONS



*Michael Janßen
Chief Financial Officer
of Brokat AG*

» The unique capabilities of SVC's industry solution fully convinced us. «

CUSTOMER FOCUS

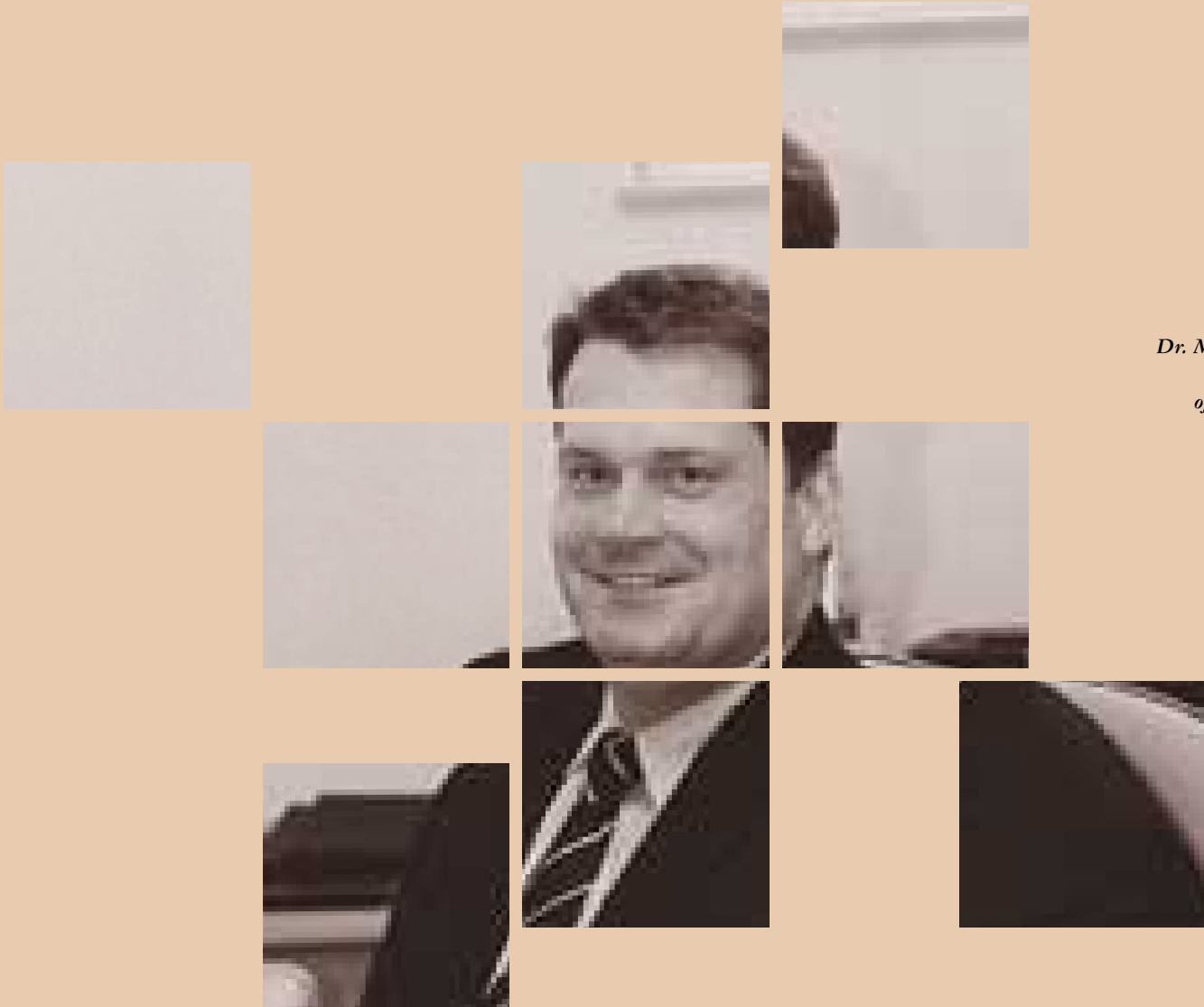
All our activities are focused on the customer. When developing our solutions, we only have one goal in mind: giving our customers an important edge in an increasingly competitive global environment.

One of our customers is Brokat Infosystems AG, one of the world's leading suppliers of secure e-banking and e-commerce solutions. Brokat software solutions enable companies to offer their customers secure electronic services via different electronic channels such as the Internet or mobile phones. More than 2,000 companies now use Brokat solutions, including a large number of renowned financial institutions. Brokat AG is one of the fastest-growing software houses in the world. Integrating their constantly growing number of new branches and subsidiaries is a major challenge.

We have introduced SVC Service, our innovative industry solution, at Brokat. Project control, personnel planning, materials management and the entire accounting function including financial controlling are now all handled by a single solution package. Compared to the system previously used, this has resulted in considerable efficiency gains and impressive process optimization.

The swift implementation of the project in the space of just four months was only possible thanks to SVC's intelligent industry solution. The changeover from a heterogeneous systems landscape to a uniform environment means huge time savings and better customer support for Brokat. Comprehensive report options also provide Brokat with detailed information about project progress, costs and revenues, with even the most diverse business segments mapped by a single system. The ability to control the company has been improved considerably.

OUTSOURCING



*Dr. Markus Meyer-Stork
General Manager
of the Windel Group*

CONCENTRATING ON THE ESSENTIALS

The administration of a company's complete IT processes ties up substantial capacities. Outsourcing is the solution. To enable our customers to fully concentrate on their core businesses, IT-GO!, our joint venture with realTech AG, Walldorf, offers innovative, high-quality outsourcing solutions.

Outsourcing IT systems is a major competitive advantage, especially for small and medium-sized enterprises. The Bielefeld-based Windel Group is a textile finisher with a long tradition. Since 1872, the company has bleached, dyed and finished textile yard goods. Each day, some 150,000 square meters of finished fabrics leave the group's international facilities.

In 1999, this customer decided to replace its IT system, large parts of which had been developed by the company itself, with flexible, future-proof standard software, SAP R/3. Outsourcing was the obvious solution as it entailed significant advantages: costs have been minimized and the IT department's workload reduced considerably. The systems have been installed in IT-GO!'s computer center, which is responsible not only for systems operation but also for complete network administration and the central user helpdesk.

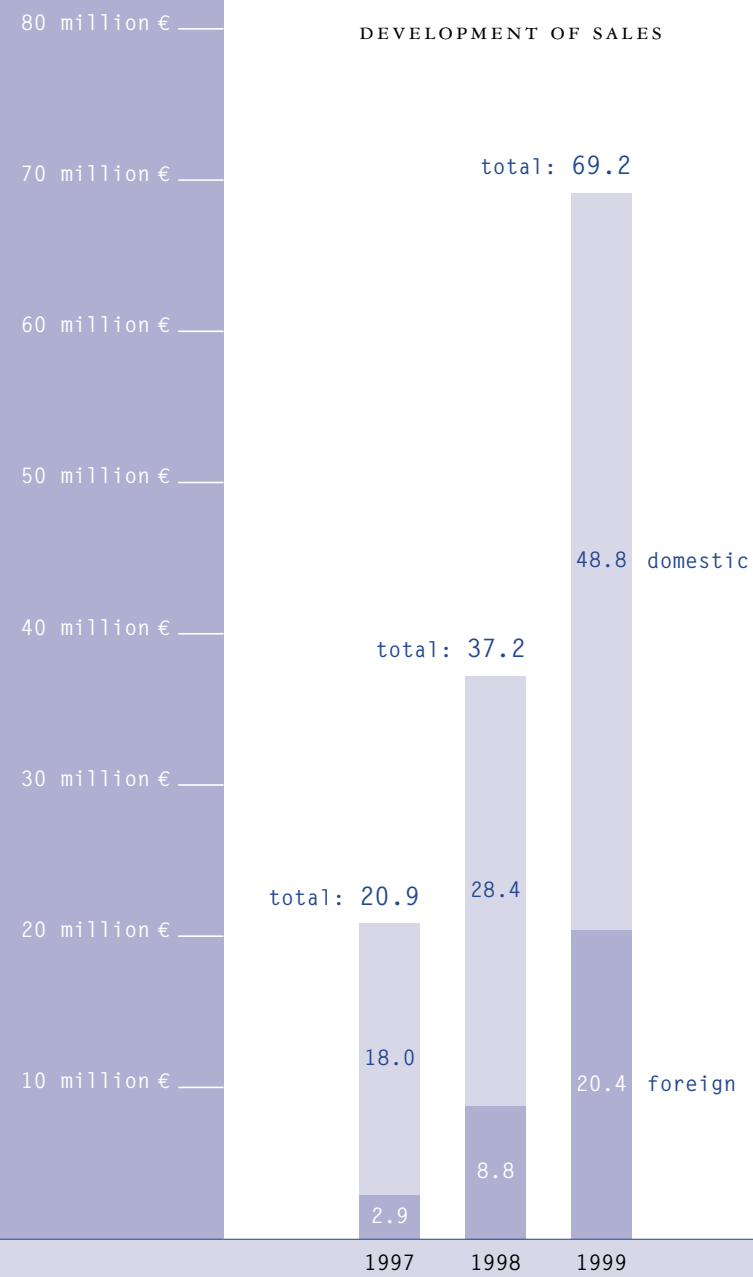
Companies are making higher and higher demands on modern IT systems. Systems are becoming more complex, data volumes larger and processes faster all the time. Outsourcing is the ideal and most cost-efficient solution.

» We can fully concentrate on our core business again - thanks to the professional outsourcing solution by SVC. «

SVC 1999

SALES

*Dr. Thomas Wrede
SVC AG Management Board Member
Finance and Controlling*



At Euro 69.2 million, sales reached a new record level in fiscal year 1999, rising by 86 % over the prior year's Euro 37.2 million. Major contributions were made by the successful project business and the e-commerce segment.

Sales increased both in Germany and abroad. SVC's international expansion is reflected by a clear increase in the share of foreign sales, which accounted for 30 % of total sales for 1999. The United States (22 %) was SVC's most important market after Germany.

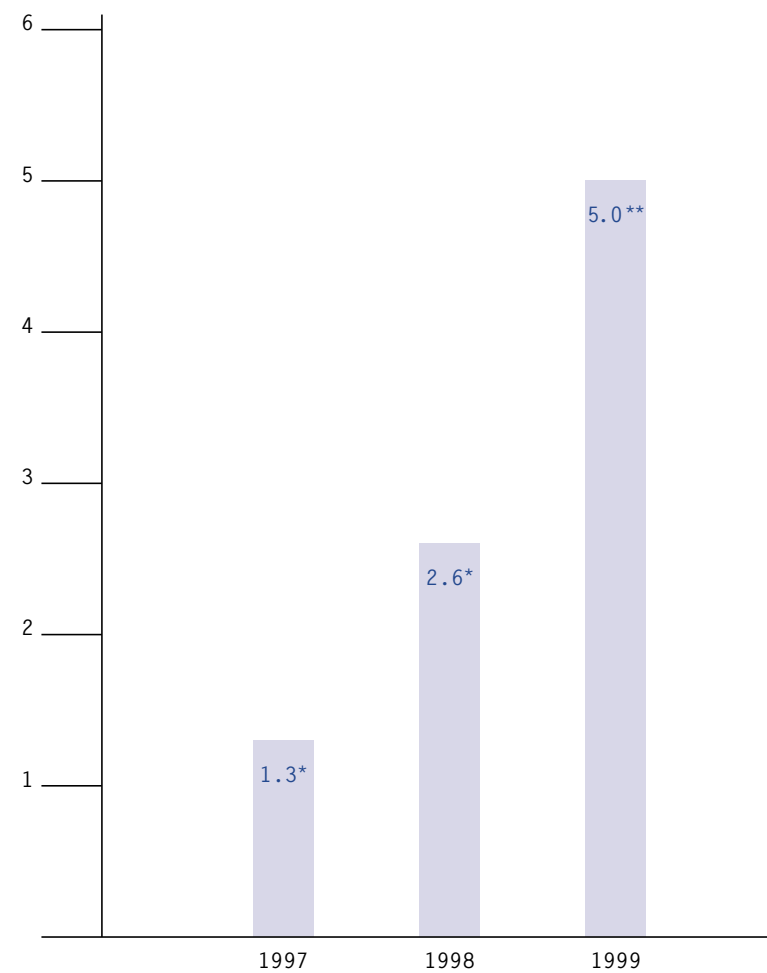
» 1999 - another record year:
sales +86%, DVFA/SG earnings +122% «

SVC 1999

EARNINGS

EARNINGS BEFORE INTEREST AND TAXES

(EBIT) in million €



* adjusted

** adjusted for IPO costs and amortization of goodwill

Earnings increased at a much higher rate than sales. Adjusted for the IPO expenses, DVFA/SG earnings reached Euro 2.0 million, compared to Euro 0.9 million in 1998. This represents an increase of 122%. Consequently, DVFA/SG earnings per share rose by 122% to Euro 0.20, compared to Euro 0.09 in 1998.

The EBIT margin increased to 7.2% (1998: 7.0%) in the last fiscal year. The margin has been affected by the initial losses of several start-up companies in Germany and abroad and by training costs as a result of the strong growth in personnel. The investments will soon translate into higher margins.

Our goal is to achieve an EBIT margin of 15%. In absolute figures, EBIT rose by 92% from Euro 2.6 million to Euro 5.0 million.

SVC 1999

At year-end 1999, we employed 529 people, 186 more than last year. Personnel expenses rose by 81 % from Euro 17.8 million to Euro 32.3 million. This renewed increase is primarily attributable to SVC's international expansion. While the number of employees in Germany was up 49 %, the number of employees abroad surged by 70 %, which means that 29 % of SVC's workforce is now based outside Germany. We expect this share to increase further in future.

Our employees' qualifications are very important to us. To increase the know-how required for our successful expansion in the Internet segment, we regularly train our employees at our Step Training Center. Besides know-how, motivation is the key to success in the project business. We have therefore launched a comprehensive stock option scheme which turns our employees into shareholders. We also promote staff responsibility and an entrepreneurial attitude. The success of our strategy is reflected in a single key figure: over the past ten years, staff turnover has remained below 5 %. This is a unique achievement in the IT sector and clear proof of the SVC spirit shared by all our employees.

SVC AG'S EMPLOYEES

SVC AG'S EMPLOYEES

Country	Dec. 31, 1999	Dec. 31, 1998
Germany	376	253
United States	77	49
Switzerland	40	27
Brazil	1	0
Italy	3	0
France	8	3
United Kingdom	10	5
Norway	10	6
Spain	4	0
Total	529	343

SVC 1999

OUTLOOK

In future, the IT market will remain one of the fastest growing markets in the world. We expect the B2B segment to grow at a much faster rate than the market as a whole. More and more companies are realizing the benefits of holistic business solutions which efficiently combine e-commerce applications with traditional IT systems. We stand to benefit from this trend more than most.

We intend to continue last year's excellent business performance in the year 2000. In addition to the targeted internationalization of our Company, this will be achieved primarily with the help of additional developments of proprietary e-commerce tools for selected industries. We aim to boost full-year sales for 2000 by 64 % to Euro 113.8 million. DVFA/SG earnings should increase at an even higher rate of 125 % to Euro 0.45 million. Our workforce is expected to grow from 529 to 864 people.

Since December 1999 we have been negotiating a potential merger with APCON AG, Hamburg, an innovative technology and business consulting firm. We are looking at the possibility of merging the two companies to form a global business solution architect before the end of the year. The post-merger company would have achieved pro-forma sales of approx. Euro 113 million and EBT of approx. Euro 12 million in 1999.

The new company would be in a position to offer its customers a full range of solutions, from web-based IT solutions to full outsourcing services. The company would benefit from significant cross-selling effects since SVC and APCON are a perfect fit in terms of customer structures and regional presence. SVC's focus on the services and manufacturing sectors perfectly complements APCON AG's knowledge of the banking, insurance, telecommunications, transportation and logistics industries. The new company would have a global presence, employing over 1,000 people in 18 countries. We will continue our negotiations with Apcon so that we can make the best decision for our Company and our shareholders.



THE SVC SHARE



Management Board of SVC AG



POSITIVE PERFORMANCE

Following the excellent stock market year 1998, the German equity market continued its positive performance in 1999. Driven by the ongoing growth expectations in the telecommunications and media sector, Frankfurt's "Neuer Markt" recorded particularly strong growth. At year-end 1999, the NEMAX All Share Index reached a historic high of 4,552.45 points, a 66.2% increase in the space of just twelve months.

The shares of SVC AG Schmidt · Vogel Consulting were listed on the "Neuer Markt" in Frankfurt for the first time on May 10, 1999. A total of 2.3 million shares were placed in the market at an issue price of Euro 18. The proceeds from the IPO amounted to Euro 23.0 million, while IPO expenses came to Euro 2.2 million.

In November 1999, SAP AG, Walldorf, reduced its share in SVC AG Schmidt · Vogel Consulting to 5%. The shares were sold to institutional investors in a private placement, such that the market was not affected by this transaction. On the contrary: the increased free float of 35.5% made the SVC share even more appealing to private and institutional investors. Company founders Herbert Vogel and family and Wolfgang Schmidt continue to hold 26% each in the Company. Another 7.5% is held by SVC employees.



THE SVC SHARE

»» The weak performance of the “Neuer Markt”, which began in mid-1999, mainly affected shares in the IT sector. The SVC share was unable to isolate itself from the overall trend. At Euro 21, the year-end price was up only 17 % on the issue price. Compared to the performance of the NEMAX All Share Index, which rose by 45.2 % during the same period, the SVC share delivered a disappointing performance in 1999. The successful e-commerce project business and our international expansion were not rewarded by the market. Last year's share price performance does not do justice to SVC's dynamic earnings development and future potential.

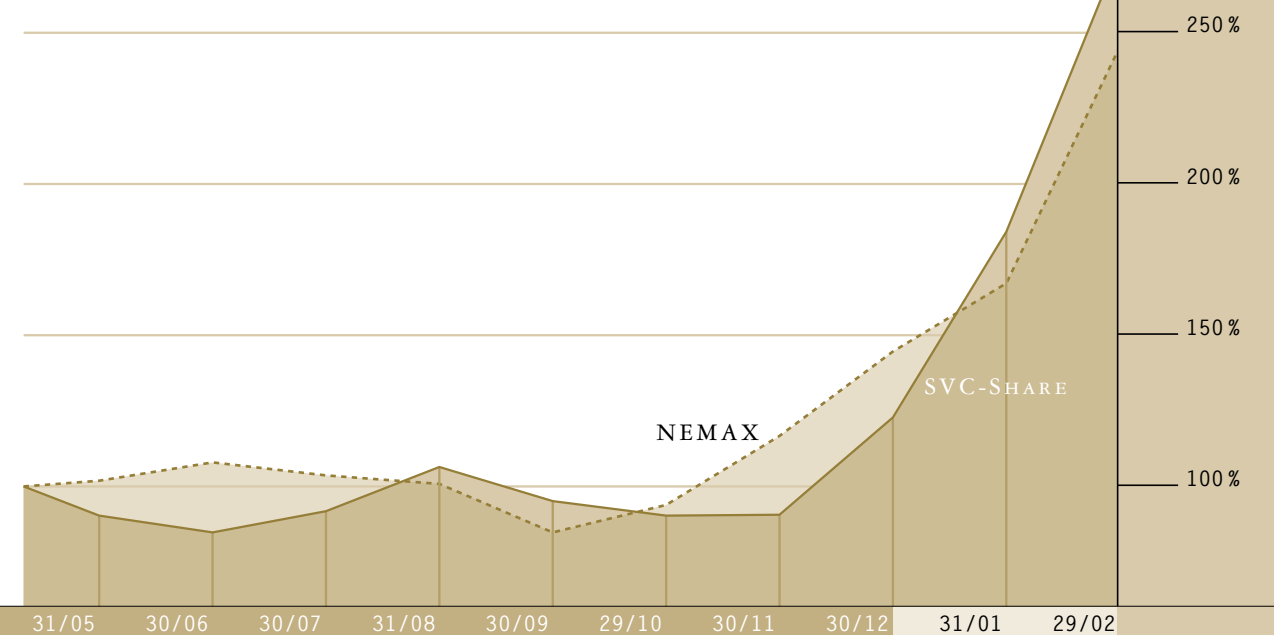
We will continue to intensify our investor relations activities. We view investor relations as an important means of communication with our shareholders. The focus of our international investor relations activities in 1999 was on the two analysts' conferences in Frankfurt and the presentation at IPOC '99, one of the most important international analysts' events. We established personal contacts with fund managers and financial analysts in many individual and group meetings. We also went on roadshows in major cities such as London, Paris, Milan, Luxembourg, Amsterdam, Geneva and Zurich. These presentations focused on SVC's strategy as a developer of intelligent industry solutions and B2B solutions.

We are confident that our good business prospects will have a highly positive effect on our share price performance in the coming fiscal year. On February 2, 2000 the SVC share was already worth Euro 47.25, 125 % up on the price at year-end 1999.

KEY FIGURES OF THE SVC SHARE	1999
DVFA/SG EPS	0.20 €
Dividend	--
High/low	13.4/26.8 €
DVFA/SG cash flow	16.0 million €
Number of shares	10,225,837
Year-end market capitalization	214.74 million €

SVC SHARE PERFORMANCE IN RELATION TO NEMAX

Source: www.neuer-markt.de



Value of the SVC share on
May 10, 1999: 17.10 €

Value of the SVC share on
February 29, 2000: 47.25 €

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MANAGEMENT REPORT FOR THE SVC GROUP

COURSE OF BUSINESS IN 1999

Schmidt, Vogel und Partner Consult Gesellschaft für Organisation und Managementberatung mit beschränkter Haftung was converted into a stock corporation in March 1999. At the same time, the Company's name was changed to SVC AG Schmidt · Vogel Consulting - hereinafter referred to as "SVC AG" for short. This procedure was also undertaken for the wholly-owned subsidiaries during the year 1999. SVC AG was listed on the "Neuer Markt" of the Frankfurt Stock Exchange for the first time on May 10, 1999.

In fiscal year 1999 the Company achieved its best result ever.

Sales increased by Euro 32.0 million from Euro 37.2 million to Euro 69.2 million. The main source of revenues was the consulting division with Euro 54.7 million. The importance of licensing and maintenance operations was increased further in 1999. In this area, sales were increased by 181 % to Euro 13.8 million.

Income from ordinary operations rose from Euro 2.2 million to Euro 4.0 million.

In the past fiscal year, the Company invested Euro 6.4 million in fixed and financial assets. Most funds went towards increasing financial assets. The investments made are described below.

– At the end of 1999, the Company increased its investment in Schmidt · Vogel Consulting America Inc. to 100 %. In addition, the subsidiary's capital was increased for the purpose of acquiring the net assets and the business operations of the US SAP reseller Missana & Associates Inc. This enabled us to include the lucrative SAP licensing business in our existing consulting offerings in the United States and to strongly expand our position in the United States growth market.

– In Italy and Spain, wholly-owned subsidiaries were founded.

– In May 1999 the Company increased its investment in SVC Schmidt · Vogel Consulting AS, Norway, to 100 %.

– In 1999 the Company also increased the capital of its subsidiaries in Norway and Switzerland.

– In August 1999 SVC AG acquired a 50 % share in the newly founded outsourcing company IT-GO! GmbH in Walldorf. With the IT-GO! joint venture, SVC AG offers innovative solutions in the area of SAP R/3 outsourcing.

– The interest in the Internet company ASECON GmbH which was founded in 1998 was increased in September from 30 % to 95.2 %.

In accordance with the shareholders' resolution of March 2, 1999 and the entry in the Commercial Register at the Local Court of Bielefeld on March 11, 1999 SVC AG's capital stock of DM 17,500,000 was divided into 3,500,000 no-par-value bearer shares. Following the resolution of the Company's extraordinary general meeting of shareholders on April 7, 1999 the capital stock was converted to Euro 8,947,607.92. At the same time, it was decided that the capital stock would be redivided into 8,947,607 no-par-value bearer shares. At the extraordinary general meeting of shareholders held on April 28, 1999 a further capital increase of Euro 1,278,230.13 was decided. The capital stock of SVC Aktiengesellschaft is now Euro 10,225,838.05. It is divided into 10,225,837 no-par value shares.



MANAGEMENT REPORT FOR THE SVC GROUP

PERSONNEL

As of December 31, 1999 the Company employed 529 people. This is 186 more than at the same time last year. SVC AG is a very attractive employer. A pleasant working environment aimed at long-term retention of employees is achieved by the further development of the Company's established corporate culture, an employee stock ownership plan, attractive incentive systems and career paths at the Company as well as internal training programs. As a result of these measures, the turnover rate at SVC AG is considerably lower than the industry average. SVC AG also lives up to its responsibility as a company that trains young people.

OUTLOOK

Another significant increase in sales far in excess of the market trend is expected for the new fiscal year. This increase in sales is to be matched by a simultaneous increase in returns.

For fiscal year 2000 SVC AG is currently considering a merger with APCON AG in Hamburg. The company created by the merger would be the leading IT solution provider on the "Neuer Markt". Clients would be offered the full range of services of a modern solution provider, from Web-based solutions to full-service outsourcing. Synergies would result from cross-selling effects due to the two merged companies' different regional presence and customer focus.

No particular risks for the development of business can be identified at present.

However, the successful realization of SVC AG's corporate objectives is especially dependent on

its ability to recruit and retain highly qualified employees in the area of information technology (IT) on a permanent basis. There is a great demand for qualified personnel in the IT industry. Owing to the general growth of the IT market and the resulting demand for trained staff, the lack of qualified employees may limit SVC's growth.

Furthermore, the close relationship with SAP and the resulting dependency on SAP's strategy and the market position of SAP's products may have a negative impact on SVC's sales and results of operations. SAP's current sales concept in most countries is not to market its products in the SME segment itself, but to use independent system houses for this purpose. However, if the market position of SAP products were to lose ground or SAP were to change its current business strategy in the SME area, this could affect the Company's performance.

Bielefeld, February 19, 2000

Herbert Vogel

CEO

Dr. Thomas Wrede

CFO

ASSETS	NOTE	1999 K €	1998 K €
CURRENT ASSETS			
– Cash and cash equivalents		29,034	9,209
– Trade accounts receivable	(5)	20,367	11,902
– Inventories	(6)	0	484
– Other current assets	(5)	726	177
– Prepayments		871	45
TOTAL CURRENT ASSETS		50,998	21,817
NON-CURRENT ASSETS			
– Deferred taxes	(20)	661	118
– Other non-current assets	(5)	75	0
– Financial assets	(7)	261	50
– Intangible assets	(8)	4,700	797
– Property, plant and equipment	(9)	2,226	1,078
TOTAL NON-CURRENT ASSETS		7,923	2,043
TOTAL ASSETS		58,921	23,860

LIABILITIES AND SHAREHOLDERS' EQUITY	NOTE	1999 K €	1998 K €
CURRENT LIABILITIES AND ACCRUALS			
– Short-term financial debt	(11)	5,064	797
– Trade accounts payable		7,884	2,096
– Liabilities due to associated companies	(12)	170	2,628
– Advance payments		428	1,561
– Other accruals	(13)	3,901	1,950
– Other current liabilities	(14)	2,603	2,990
– Deferred taxes	(20)	947	369
– Accrued taxes		1,316	620
– Deferred income		1,417	139
TOTAL CURRENT LIABILITIES AND ACCRUALS		23,730	13,150
NON-CURRENT LIABILITIES AND ACCRUALS			
– Pension reserves	(15)	251	172
– Bonds	(16)	528	0
– Long-term financial debt	(11)	25	206
– Deferred taxes	(20)	20	40
– Other non-current liabilities		0	8
TOTAL NON-CURRENT LIABILITIES AND ACCRUALS		824	426
MINORITY INTEREST		182	166
CONTRIBUTION FOR CAPITAL INCREASE	(17)	0	7,669
SHAREHOLDERS' EQUITY			
– Share capital*	(17)	10,226	1,278
– Capital reserves	(17)	21,061	0
– Cumulative translation adjustment		133	0
– Retained earnings		2,765	1,171
TOTAL SHAREHOLDERS' EQUITY		34,185	2,449
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		58,921	23,860

The accompanying Notes are an integral part of the Financial Statements.

* Conditional share capital K Euro 895

	Note	1999 K €	1998 K €	1997 K €
Sales	(18)	69,227	37,197	20,911
Cost of Sales	(18)	-51,834	-28,483	-17,325
Gross Income		17,393	8,714	3,586
Selling		-5,637	-3,932	-1,451
General and Administration		-7,361	-2,728	-1,522
Goodwill Amortization		-152	-19	-19
Other Operating Income/Expense, Net	(19)	-224	168	259
Operating Income		4,019	2,203	853
Income from Investments		-15	-17	2
Interest Income, net		349	-310	-136
Income before Tax		4,353	1,876	719
Income Taxes	(20)	-2,688	-1,054	-360
Net Income before Minority Interest		1,665	822	359
Minority Interest		-71	-101	-77
Net Income		1,594	721	282

The accompanying Notes are an integral part of the Financial Statements.

(1) BUSINESS OF THE COMPANY

SVC AG SCHMIDT · VOGEL CONSULTING – hereinafter also referred to as SVC or the Company – and its subsidiaries offer consulting to companies in commercial and EDP-related areas, full-service support for the implementation of complex projects as well as seminars and conferences.

As a system house of SAP AG, the Company is primarily involved in the implementation, licensing and maintenance of SAP R/3 software.

The Company operates several offices in Germany and has subsidiaries in Germany, the United States, England, France, Norway, Italy, Spain and Switzerland which continue to expand.

(2) CHANGE OF LEGAL BACKGROUND

The change of form from a limited liability company (GmbH) to a stock corporation (AG) was approved at the shareholders' meeting on March 2, 1999. In this connection Schmidt, Vogel und Partner Consult Gesellschaft für Organisation und Managementberatung mbH was renamed SVC AG SCHMIDT · VOGEL CONSULTING. The change of form was registered in the Commercial Register on March 11, 1999.

(3) CHANGES IN THE GROUP STRUCTURE

The following changes have occurred since the prior year:

- In an agreement dated February 8, 1999 SVC AG acquired all the remaining shares outstanding in SVC Nordic AS (32%).
- As of August 12, 1999 SVC AG purchased a further 65.2% of the shares in ASECON GmbH, Paderborn.
- With effect from August 24, 1999 a joint venture named IT-GO! was established together with realTech AG, Walldorf. SVC holds a 50% share.
- SVC España S.A. was formed with effect from September 28, 1999.
- SVC Italia S.r.l. was formed with effect from October 4, 1999
- In an agreement dated December 27, 1999 SVC AG acquired all the remaining shares outstanding in SVC America, Inc. (8%).
- SVC America, Inc., founded a wholly-owned subsidiary, Schmidt · Vogel Solutions, Inc., Cincinnati, at the end of December 1999. This subsidiary purchased all the assets, liabilities and the business operations of Missana & Associates Inc. with effect from December 29, 1999.

(4) SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with US generally accepted accounting principles ("United States Generally Accepted Accounting Principles" or "US GAAP").

a) Companies in the Group and Principles of Consolidation

SVC and all subsidiaries under the legal or factual control of SVC are included in the Group.

Capital consolidation follows the purchase method. Goodwill is capitalized and amortized over a period of 7 years. All material intercompany transactions and balances have been eliminated.

Substantial investments held by the Group are accounted for under the equity method. A substantial investment is assumed when 20% to 50% of the shares are held by the Group.

For the subsidiaries and investments included in the consolidated financial statements reference is also made to the explanations to financial assets in item (7).

b) Foreign Currency Translation

Foreign currency translation was performed in accordance with the Statement of Financial Accounting Standards ("SFAS") No. 52 "Foreign Currency Translation". The functional currency of the Company's subsidiaries is the local currency in which the subsidiary operates. Accordingly, assets and liabilities recorded in foreign currencies in the books of the Company's foreign subsidiaries are translated at the exchange rate on the balance sheet date. Translation adjustments resulting from this process are charged or credited to shareholders' equity. Revenues and expenses are translated at weighted average rates of exchange prevailing during the year.

c) Revenue Recognition

Revenue from sales of software is recognized in accordance with the Statement of Position 97-2, "Software Revenue Recognition" of the American Institute of Certified Public Accountants. Recognition of revenue requires a legally effective agreement, delivery of the software, a fixed or determinable license fee and a probable receipt of payments. All requirements must be met.

Maintenance revenue is taken to income over the term of the agreement.

Consulting revenue from project business is recognized in accordance with SOP 97-2 and SOP 81-1. Thus, for long-term projects income is recognized according to the percentage-of-completion method. Income from other advisory services is recognized as services are rendered.

d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and deposits at banks with original terms of three months or less.

e) Trade Accounts Receivable

Trade accounts receivable are stated at their nominal value less bad debt allowances calculated on an individual basis. Consulting projects in progress and not yet invoiced are valued according to the percentage-of-completion method and are disclosed as unbilled receivables under trade accounts receivable.

f) Inventories

In the prior year inventories consisted of merchandise (software) and were stated at acquisition cost specifically identified for each item.

g) Intangible Assets and Goodwill

Intangible assets include purchased software and capitalized expenses incurred in connection with implementing EDP software in fiscal year 1996 as well as goodwill. Software is amortized over a useful life of 4 years using the straight-line method. Goodwill is amortized over 7 years.

h) Property, Plant and Equipment

Property, plant and equipment are valued at acquisition cost less accumulated depreciation. Maintenance expenses that do not increase the value of the assets or prolong their useful life are expensed as incurred. Gains or losses from the disposal of fixed assets are included in other operating income/expenses.

Property, plant and equipment are depreciated over the expected useful life of the asset using the straight-line method. Low-value assets are fully expensed in the year of acquisition.

The estimated useful lives are as follows:

USEFUL LIFE IN YEARS

Leasehold improvements	10
EDP hardware	4
Office equipment and furnishings	3 to 10
Vehicles	2

i) Other Accruals

Other accruals' include vacation entitlements, outstanding invoices and bonus and salary obligations.

j) Pension Reserves

Pension reserves are computed on the basis of an actuarial report using the projected unit credit method. The pension obligations concern defined benefit obligations towards the directors of the parent company. These include old-age, invalidity and survivors' pensions. The cash surrender values of reinsurance policies were set off against pension obligations.

k) Deferred Taxes

Deferred taxes are recorded in accordance with SFAS No. 109 ("Accounting for Income Taxes") for temporary differences between the book and taxable result which are expected to reverse in the future, using enacted tax rates in effect in years in which the differences are expected to reverse.

l) Use of Estimates

The preparation of the consolidated financial statements in accordance with US GAAP requires management to make estimates and assumptions which affect the reported amounts in the consolidated financial statements and the disclosures in the notes. Actual results could differ from these assumptions.

m) Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever an event or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The carrying values of long-lived assets are assessed for recoverability by reference to the expected future undiscounted cash flows associated with them. Where this assessment indicates a deficit, the assets are written down to their market value. For assets which do not have a readily determinable market value, the assets are written down to their estimated market value calculated by reference to the expected future discounted cash flows.

n) The New Accounting Provisions

SFAS 130 – "Reporting Comprehensive Income"

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 130, "Reporting Comprehensive Income." SFAS No. 130 establishes standards for reporting on comprehensive income and its components in general-purpose financial statements. SFAS No. 130 is effective for the Company beginning January 1, 1998.

Comprehensive income for 1997 is K Euro 293, K Euro 12 higher than the net income for the year, and K Euro 707 in 1998, K Euro 14 lower than the net income for the year. For 1999 comprehensive income is K Euro 1,727, K Euro 133 higher than net income.

SFAS 131 - "Disclosure about Segments of an Enterprise and Related Information" In June 1997 the FASB issued SFAS 131 "Disclosures about Segments of an Enterprise and Related Financial Information". SFAS 131 establishes standards for segment reporting on products and services, geographical areas and major customers. The Company currently operates as one segment according to the guidelines of SFAS No. 131.

SFAS 132 - "Employers' Disclosures about Pensions and Other Postretirement Benefits"

In February 1998, the FASB issued SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits" which revised employers' disclosures about pension and other postretirement benefit plans. It did not change the measurement or recognition of those plans. It did however standardize the disclosures on pensions and other postretirement benefits, requiring additional information on changes in the benefit obligations and fair values of plan assets. This statement was effective for 1998. The disclosures for 1997 were restated according to SFAS No. 132.

SFAS 133 und SFAS 137 - "Accounting for Derivative Instruments and Hedging Activities"

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded in the balance sheet as either an asset or liability measured at its fair value. The Statement requires that changes

in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results in the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

SFAS No. 133 was originally intended to take effect for fiscal years beginning after June 15, 1999. SFAS 137 caused its introduction to be postponed until fiscal years beginning after June 15, 2000. Nevertheless, the Company does not expect the impact of this new statement on the Company's balance sheet or income statement to be material.

SFAS Statements 134, 135 and 136, introduced from October 1998 to June 1999, are not relevant for the Company.

(5) ACCOUNTS RECEIVABLE AND OTHER ASSETS

(a) Trade Accounts Receivable

	1999 K €	1998 K €
Trade accounts receivable	20,249	10,818
Unbilled receivables	387	1,078
Accounts due from associated companies	162	33
	20,798	11,929
Less:		
Individual bad debt allowances	-431	-27
Trade accounts receivable, net	20,367	11,902

(b) Other Assets

	1999 K €	1998 K €
Current:		
Tax refunds	173	18
Interest receivable	147	0
Bank receivables	102	0
Down payments on inventories	31	3
Accounts due from Employees	27	51
Security deposits	26	49
Other	220	56
Total	726	177
Non-current:		
Loans to employees	75	0

The bank receivables refer to convertible bonds paid in that had not been credited to the company's bank accounts.

(6) INVENTORIES

	1999 K €	1998 K €
Inventories	0	484

In 1998 the item related to SAP R/3 licenses not yet delivered to customers.

(7) FINANCIAL ASSETS

	1999 K €	1998 K €
Shares in associated companies	251	40
Investments	10	10
Financial assets, net	261	50

The shares in associated companies include the 50% share in Dr. Lindner & Partner Consult Gesellschaft für Organisation und Technologieberatung mbH as well as the 50% share in IT-GO! GmbH, Walldorf.

The investments refer to the shares held (<1%) in BfL Gesellschaft des Bürofachhandels mbH & Co.

The Company's investment holdings as of December 31, 1999 are as follows:

Affiliated companies ⁽¹⁾	Share of capital in %	Equity 31.12.99 K €	Results 1999 K €
Schmidt · Vogel Consulting America, Inc., Cincinnati, USA	100.0	5,450	431
Schmidt · Vogel Solutions, Inc., Cincinnati, USA	100.0	3,783	0
SVC Schmidt · Vogel Consulting Nordic AS, Oslo, Norway	100.0	142	-78
SVC Schmidt · Vogel Consulting France S.A., Paris, France	100.0	117	11
SVC Schmidt · Vogel Consulting (U.K.) Ltd., London, England	100.0	46	7
SVC Schmidt · Vogel Consulting España S.A., Barcelona, Spain	100.0	44	-76
SVC Schmidt · Vogel Consulting Italien S.r.l., Milan, Italy	100.0	40	-58
ASECON GmbH, Paderborn	95.2	-63	-115
SVC Schmidt · Vogel Consulting (Schweiz) AG, Urdorf, Schweiz	100.0	-1,377	-1,393
ITC Information Technology Consulting Gesellschaft für Netzwerk Management und Systemintegration mbH, Detmold	56.0	417	207
Investments:			
IT-GO! GmbH, Walldorf ⁽²⁾	50.0	444	-56
Dr. Lindner & Partner GmbH, Oerlinghausen ⁽²⁾	50.0	58	5
BfL GmbH & Co., Eschborn ⁽³⁾	< 1.0	6,886	1,635

(1) All affiliated companies are fully consolidated according to the purchase method
(2) Consolidation according to the equity method
(3) Not included in the consolidated financial statements, values as of December 31, 1998

(8) INTANGIBLE ASSETS

	1999 K €	1998 K €
Acquisition cost		
Software	381	213
Goodwill	4,809	698
	5,190	911
Less:		
Accumulated amortization	490	114
Intangible assets, net	4,700	797

The goodwill results from the purchase of all the assets, liabilities and the business operations of Missana & Associates, Inc., by Schmidt · Vogel Solutions (book value: K Euro 3,683), the acquisitions of shares in SVC America (book value: K Euro 823) and SVC Nordic (book value: K Euro 93).

(9) PROPERTY, PLANT AND EQUIPMENT

	1999 K €	1998 K €
Acquisition cost		
Leasehold improvements	155	140
EDP hardware	2,389	1,055
Office equipment	1,105	491
Vehicles	20	86
Advance payments	16	6
Total	3,685	1,778
Less:		
Accumulated depreciation	1,459	700
Property, plant and equipment, net	2,226	1,078

(10) MATURITIES OF NON-CURRENT LIABILITIES

The maturities of non-current liabilities to silent partners, banks and suppliers are shown in the table below:

	1999 K €	1998 K €
1999	0	0
2000	0	30
2001	8	35
2002	8	6
2003	9	6
Thereafter	0	137
Total	25	214
Financial debt	25	206
Other non-current liabilities	0	8

In 1998 non-current liabilities due after 2003 included the contributions of the silent partners totaling K Euro 128. The silent partners transferred the silent partnership existing between themselves and SVC AG to SVC AG in the course of changing the legal form into a stock corporation effective March 11, 1999. The Company paid K Euro 128 to the silent partners as consideration.

(11) FINANCIAL DEBT

(a) Short-Term Financial Debt

	1999 K €	1998 K €
Advances on current bank accounts	5,037	797
Current maturities of long-term financial debt	27	0
Total	5,064	797

The Company has at several banks the following credit lines for advances on current accounts and other short-term loans:

	1999 K €	1998 K €
Available credit line	9,235	2,459
Amounts outstanding	-5,037	-797
Credit lines not utilized	4,198	1,662
Average interest rate (in %)	6.5 %	6.6 %

(b) Long-Term Financial Debt

	1999 K €	1998 K €
Long-term bank debt	25	78
Silent partners	0	128
Total	25	206

(12) LIABILITIES DUE TO ASSOCIATED COMPANIES

	1999 K €	1998 K €
IT-GO! GmbH, Walldorf	126	0
Dr. Lindner & Partner Gesellschaft für Organisation und Technologie-Beratung mbH, Oerlinghausen	44	19
SAP AG, Walldorf	0	2,609
Total	170	2,628

In fiscal year 1999 SAP AG reduced its investment in the Company to 5%, thus the corresponding liabilities in 1999 (K Euro 3,024) were disclosed as trade accounts payable.

(13) OTHER ACCRUALS

	1999 K €	1998 K €
Bonuses and wages	1,755	597
Vacation entitlements	946	561
Outstanding invoices	569	468
Accounting and audit fees	144	65
Workmen's compensation board fees	106	67
Credit notes to be issued	82	82
Other	299	110
Total	3,901	1,950

(14) OTHER CURRENT LIABILITIES

	1999 K €	1998 K €
Taxes	1,309	1,426
Social security	861	383
Liabilities due to shareholders	136	345
Liabilities due to employees	88	19
Purchase price obligation for shares in SVC USA	0	698
Leasing obligations	0	46
Loans from third parties	0	0
Other	209	73
Total	2,603	2,990

(15) PENSION RESERVES

The pension obligations exist in respect of the directors of the Company who, after their retirement, are entitled to a fixed basic pension which increases by 2.0% per year. All but K Euro 105 of the claims are vested.

The Company's pension cost over the fiscal years is composed as follows:

	1999 K €	1998 K €
Service cost	51	26
Interest cost	23	18
Amortization of the unrecognized net obligation	26	6
Net periodic pension cost	100	50

The following table sets forth the funded status of the Company's pension obligations and the principal assumptions used in the calculation of the pension reserves.

	1999 K €	1998 K €
PBO as of January 1	292	242
Net periodic pension cost	100	50
PBO as of December 31	392	292
Cash surrender value of reinsurance	-141	-120
Accrued benefit cost	251	172
Assumptions		
Discount rate	6.0 %	6.0 %
Future pension increase	2.0 %	2.5 %

Future wage and salary increases are not included in the calculation as they do not affect the future pension payments.

(16) BONDS

	1999 K €	1998 K €
Convertible bonds	522	0
Option bonds	6	0
Total	528	0

SVC issued a convertible bond with a total par value of Euro 428,594 on May 3, 1999. The term of the convertible bond runs until May 4, 2004 and the bond bears 4% interest p.a. The bonds with a par value of Euro 1 entitle the bearers to convert each into one no-par-value share in SVC AG subject to making an additional payment of Euro 19.70 per share. The conversion right may be exercised for the first time on May 4, 2001 and for the last time on April 30, 2004.

A second convertible bond with a total par value of Euro 102,599 on May 3, 1999 and a term from June 23, 1999 until May 4, 2004 was issued on June 23, 1999 also bearing 4% interest p.a. The bonds with a par value of Euro 1 entitle the bearers to convert each into one no-par-value share in SVC AG subject to making an additional payment per share. That additional payment is calculated at 115% of the average closing stock price at the Frankfurt Stock Exchange for last five trading days before June 23, 1999. The conversion right may be exercised for the first time on May 4, 2001 and for the last time on April 30, 2004.

SVC issued an option bond for a total par value of Euro 5,887 on May 3, 1999. The term of bond runs until May 4, 2004 and the bond bears 4% interest p.a. Each bond of a par value of Euro 1 includes ten bearer options entitling the bearer to acquire one share in SVC AG for a price of Euro 20.70. The options may be exercised for the first time on May 4, 2001 and for the last time on April 30, 2004.

(17) SHAREHOLDERS' EQUITY

The fully paid in share capital amounts to K Euro 10,226. As of the balance sheet dates the shares were held as follows:

	1999 K €	1998 K €
Free float	4,393	0
Wolfgang Schmidt, Bielefeld	2,661	428
Herbert Vogel, Bad Salzuflen	1,657	266
Karin Vogel, Bad Salzuflen	1,004	162
SAP AG, Walldorf	511	322
Vierte DRESIB Beteiligungsgesellschaft mbH, Frankfurt	0	100
Total	10,226	1,278

An increase in capital of K Euro 7,669 was decided in fiscal year 1998. The capital contribution was fully paid in as of December 31, 1998. The capital increase was registered in the Commercial Register on February 24, 1999. Accordingly, the aforementioned amount was shown under the item "Contribution for capital increase" in the consolidated financial statements as of December 31, 1998.

In fiscal year 1999 another increase in capital by K Euro 1,278 to K Euro 10,226 was decided in connection with the initial public offering on the "Neuer Markt" of the Frankfurt Stock Exchange and was entered in the Commercial Register on May 6, 1999. The capital increase was equivalent to 1,278,230 no-par-value shares issued at a price of Euro 18.00 each, with the existing shareholders having waived their subscription right. This resulted in a premium of K Euro 21,730 for the Company, which was transferred to the capital reserves.

Costs directly associated with the initial public offering (K Euro 1,417) were netted, after deduction respective tax effects of K Euro 749 to leave a net amount of K Euro 669, and set-off with the proceeds from the capital increase in the course of the IPO without affecting results. The resulting capital reserve amounts to K Euro 21,061.

For the years 1998 and 1997, earnings per share have been calculated for the purpose of comparison as if the Company had had the same amount of shares and conditional capital as in 1999.

	1999	1998	1997
Net income (rounded in €)	1,594,000	721,000	282,000
Number of shares – basic	10,225,837	10,225,837	10,225,837
Earnings per share – basic (in €)	0.16	0.07	0.03
Maximum dilution from conditional Capital	894,760	894,760	894,760
Number of shares – fully diluted	11,120,597	11,120,597	11,120,597
Earnings per share – fully diluted (in €)	0.15	0.07	0.03

(18) SALES AND COST OF SALES

Sales as of December 31, 1999, 1998 and 1997 developed as follows:

	1999 K €	1998 K €	1997 K €
Sales Consulting revenues			
Germany	35,659	23,113	14,209
Other European countries	3,786	2,002	112
United States	15,241	6,378	2,763
	54,686	31,493	17,084
Product revenues			
Germany	12,320	4,484	3,032
Other European countries	1,276	403	0
United States	166	0	0
	13,762	4,887	3,032
Other			
Germany	779	817	795
Total	69,227	37,197	20,911

The sales are consolidated figures, with sales between the segments eliminated. Sales deductions were set off against product revenues.

The cost of sales splits up as follows as of the balance sheet dates:

	1999 K €	1998 K €	1997 K €
Cost of sales Consulting	42,338	23,947	14,321
Products	8,833	3,619	2,394
Other	663	917	610
Total	51,834	28,483	17,325

Thus the gross income per area of business is as follows:

	1999 K €	1998 K €	1997 K €
Consulting	12,348	7,546	2,763
Products	4,929	1,268	638
Other	116	-100	185
Total	17,393	8,714	3,586

(19) OTHER OPERATING INCOME / EXPENSES, NET

	1999 K €	1998 K €	1997 K €
Income from private use of company cars	466	232	135
Reversals of liabilities and accruals	103	0	178
Exchange rate differences, net	9	-21	7
Individual bad debt allowances and receivable losses	-664	-3	-2
Other, net	-138	-40	-59
Total	-224	168	259

20) INCOME TAXES

The income taxes break down as follows:

	1999 K €	1998 K €	1997 K €
Domestic corporate income tax	947	508	130
Domestic trade tax	519	261	96
Tax expense for IPO costs	749	0	0
Foreign income taxes	458	103	96
	2,673	872	322
Deferred taxes	15	182	38
Income taxes, total	2,688	1,054	360

The tax expense for IPO-costs refer to the tax effects on the direct IPO-costs that were netted with the proceeds from the capital increase. (see 17)

Applying the German income tax rates to the consolidated result would have resulted in the following tax burden:

	1999 K €	1998 K €	1997 K €
Corporate income tax on earnings retained	1,428	692	265
Trade tax	784	337	129
Solidarity surcharge	79	38	20
Income tax expense	2,291	1,067	414
Deviations mostly due to deviating foreign tax rates	397	-13	-54
Income taxes, total	2,688	1,054	360

The deferred tax items include:

	1999 K €	1998 K €
Deferred tax assets:		
Loss carryforwards SVC Switzerland	661	118

Current deferred tax liabilities:

Adjustment for percentage-of-completion method	720	214
General warranty accrual	116	71
General bad debt allowance	111	71
Special tax item with an equity portion	0	-9
Reversal of bonus accrual	0	22
	947	369

Non-current deferred tax liabilities:

Pension obligations	20	40
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(21) OTHER FINANCIAL OBLIGATIONS AND CONTINGENCIES

As of December 31, 1999 the Company had the following future obligations from rental and leasing agreements:

2000	K € 1,927
2001	K € 2,156
2002	K € 991
2003	K € 729
2004	K € 682
Thereafter	K € 9,449

Other financial obligations from 2001 largely comprise the annual costs (K Euro 674) for an office building under construction in Bielefeld. The lease agreement has been concluded for an 18-year term starting from January 1, 2001.

An EDP system valued at K Euro 50 has been pledged to Sparkasse Herford as security.

Contingencies from guarantees amount to K Euro 64 (prior year: K Euro 0).

(22) SUBSEQUENT EVENTS

SVC intends to merge with APCON AG, Hamburg, in fiscal year 2000. Both companies are currently engaged in negotiations with respect to this merger.

	1999 K €	1998 K €	1997 K €
Net income	1,594	721	282
Minority interest	71	101	77
Net income before minority interest	1,665	822	359
Amortization and depreciation	1,055	444	285
Changes in pension reserves	79	17	25
Changes in other non-current liabilities and accruals	-156	35	3
Changes in inventories	484	-484	0
Changes in trade accounts receivable	-8,465	-6,888	-3,392
Changes in deferred tax assets	-542	-102	-16
Changes in other current assets	-1,374	158	-62
Changes in other non-current assets	-75	0	0
Changes in trade accounts payable and advance payments	2,195	3,436	1,917
Changes in other current liabilities and accruals	4,117	3,777	1,545
Cash flow from operating activities	-1,017	1,216	664
Investments in intangible assets and property, plant and equipment	-6,107	-1,519	-463
Changes in financial assets	-211	-11	-12
Purchase of minority interest in SVC America and SVC Norway	-55	-76	0
Cash flow from investing activities	-6,373	-1,605	-475
Capital increase and contribution for capital increase	1,278	8,896	0
Premium from capital increase	21,061	0	0
Issue of convertible and option bonds	528	0	0
Changes in medium and long-term financial debt	-53	3	-51
Cash flow from financing activities	22,815	8,899	-51
Foreign exchange rate differences	133	-22	17
Net change in cash and cash equivalents (term under 3 months)	15,558	8,488	154
Cash and cash equivalents as of January 1	8,412	-76	-230
Cash and cash equivalents as of December 31	23,970	8,412	-76

The accompanying Notes are an integral part of the Financial Statements.

	Share capital K €	Capital reserves K €	CTA K €	Retained earnings K €	Total equity K €
January 1, 1997	51		2	168	221
Net income 1997				359	359
Minority interest				-77	-77
Foreign exchange rate differences			12		12
December 31, 1997	51		14	450	515
Net income 1998				822	822
Minority interest				-101	-101
Capital increase	1,227				1,227
Foreign exchange rate differences			-14		-14
December 31, 1998	1,278		0	1,171	2,449
Net income 1999				1,665	1,665
Minority interest				-71	-71
Capital increase	8,948	21,061			30,009
Foreign exchange rate differences			133		133
December 31, 1999	10,226	21,061	133	2,765	34,185

REPORT OF INDEPENDENT AUDITORS

To the shareholders and management board of
SVC AG SCHMIDT · VOGEL CONSULTING

We have audited the consolidated balance sheets of SVC AG SCHMIDT · VOGEL CONSULTING as of December 31, 1999 and 1998, the related consolidated income statements, the consolidated cash flow statements as well as the changes in shareholders' equity for fiscal years 1999, 1998 and 1997. The preparation and content of the consolidated financial statements are the responsibility of the Company's management board. It is our responsibility to render an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in compliance with German auditing provisions and the generally accepted auditing principles set down by the Institut der Wirtschaftsprüfer (IDW) while also observing United States generally accepted auditing standards. These standards require that we plan and perform the audits 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 audit of the consolidated financial statements includes examining on a test basis the amounts and disclosures in the consolidated financial statements. It also includes assessing the accounting

principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the SVC Group as of December 31, 1999 and 1998 and the consolidated results of its operations and its cash flows for the years then ended in conformity with US generally accepted accounting principles (US GAAP).

Eschborn/Frankfurt/M., March 3, 2000

ARTHUR ANDERSEN

Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft mbH

Klein
Auditor

Turowski
Auditor

FINANCIAL STATEMENTS OF SVC AG

BALANCE SHEETS

ASSETS	1999 K €	1998 K €
FIXED ASSETS		
Intangible assets		
Intangible assets Franchises, trademarks, patents, licenses and similar rights and licenses in such rights	83	98
Property, plant and equipment		
– Leasehold improvements	54	62
– Operational and office equipment	1,179	680
	1,233	742
Financial assets		
– Shares in affiliated companies	6,646	1,083
– Investments	286	66
	6,932	1,149
TOTAL FIXED ASSETS	8,248	1,989
CURRENT ASSETS		
Inventories		
– Work-in-process	1,611	1,613
– Merchandise	1	484
– Advance payments	22	0
	1,634	2,097
Accounts receivable and other assets		
– Trade accounts receivable	11,194	7,262
– Accounts due from affiliated companies	2,577	71
– Accounts due from other group companies	14	2
– Other assets	658	157
	14,443	7,492
Cash on hand, balances at banks	27,733	8,595
TOTAL CURRENT ASSETS	43,810	18,184
DEFERRED CHARGES AND PREPAID EXPENSES	49	23
TOTAL ASSETS	52,107	20,196

LIABILITIES AND SHAREHOLDERS' EQUITY	1999 K €	1998 K €
SHAREHOLDERS' EQUITY		
– Subscribed capital *	10,226	1,278
– Capital reserve	21,730	0
– Retained earnings	1,959	678
TOTAL SHAREHOLDERS' EQUITY	33,915	1,957
CONTRIBUTIONS PAID FOR A CAPITAL INCREASE	0	7,669
ACCRUALS		
– Pension reserves	455	365
– Accrued taxes	1,110	413
– Other accruals	2,350	1,349
TOTAL ACCRUALS	3,915	2,126
LIABILITIES		
– Loans	528	0
– Liabilities due to banks	4,224	77
– Advance payments received on account of orders	2,254	1,963
– Trade accounts payable	4,706	1,039
– Liabilities due to affiliated companies	351	89
– Liabilities due to other group companies	170	2,597
– Other liabilities	2,044	2,678
TOTAL LIABILITIES	14,277	8,444
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	52,107	20,196

* Conditional capital 895 K €

	1999 K €	1998 K €
Sales	44,423	25,718
Increase or decrease in work-in-process	-2	1,611
Other operating income	690	208
Cost of materials		
– Cost of raw materials and supplies and purchased goods	-4,925	-4,130
– Cost of purchased services	-6,422	-3,636
Personnel expenses		
– Salaries and wages	-17,222	-10,446
Social security, pensions and other benefit costs		
– thereof for pensions: K Euro 80.3 (prior year: K Euro 100.7)	-2,625	-1,722
Depreciation, amortization of intangible assets, property, plant and equipment	-639	-312
Other operating expenses	-11,264	-5,951
Income from investments	22	3
Other interest and similar income	623	12
– thereof from affiliated companies: K Euro 69.2 (prior year: K Euro 6.6)		
Interest and similar expenses	-167	-301
INCOME FROM ORDINARY OPERATIONS	2,492	1,054
Taxes on income	-1,148	-607
Other taxes	-63	-9
NET INCOME	1,281	439
Retained earnings brought forward	678	240
RETAINED EARNINGS	1,959	678

I. DISCLOSURES CONCERNING THE ACCOUNTING AND VALUATION METHODS

1. General Disclosures

The financial statements for 1999 have been prepared in accordance with the legal provisions of the German Commercial Code (HGB) and the Stock Corporation Law (AktG). The Company is a large corporation as defined by Sec. 267 (3) HGB. The amounts stated in the balance sheet of December 31, 1998, have been converted into Euro, but other than that were carried over unchanged as the opening balance.

2. Legal Background

The Company was founded by an agreement dated June 21, 1989.

The Company was entered in the Commercial Register of the Local Court of Bielefeld under HRB 33388 on August 2, 1989. The Company's name was S&P Gesellschaft für Organisation und Managementberatung mit beschränkter Haftung.

In accordance with the resolution of the meeting of shareholders on June 1, 1993 the Company's name was changed to Schmidt, Vogel und Partner Consult Gesellschaft für Organisation und Managementberatung mbH. This was entered in the Commercial Register at the Local Court of Bielefeld on October 28, 1994.

Following the shareholders' resolution of March 2, 1999 and entry in the Commercial Register under the same number HRB 33388 at the Local Court of Bielefeld on March 11, 1999 Schmidt · Vogel und Partner Consult Gesellschaft für Organisation und Managementberatung mbH was converted into a stock corporation (AG). Since the entry of the AG in the Commercial Register the Company's name has been SVC AG Schmidt · Vogel Consulting.

The Company's fiscal year is the calendar year.

3. Business Activities

The Company is an international IT and consulting firm offering software solutions and service to help small and medium-sized enterprises improve their competitiveness in the area of information technology and organization. For this purpose, the Company offers consulting services, sales, implementation of IT solutions using standard software purchased from third parties and additional internally developed products and software adjustments as well as project management, training and help-line services.

4. Accounting Function

Financial accounting was maintained using the accounting program SAP R/3.

5. Fixed Assets

Purchased intangible assets are valued at acquisition cost less regular depreciation according to the straight-line method. The useful life is generally set at a period of 4 years.

Property, plant and equipment are recorded at acquisition or production cost less regular depreciation resulting from usage. The useful life of movable assets is 3 to 10 years.

Low-value fixed assets as defined by Sec. 6 (2) of the Income Tax Law (EStG) are fully expensed in the year of addition. A disposal is only recorded when the individual asset is actually retired.

The simplification regulation set out in Section 44 (2) sentence 3 of the Income Tax Regulation (EStR) is applied to additions to fixed assets.

6. Current Assets

Work-in-process is stated at direct costs plus capitalized overheads while taking the lower of cost or market principle into consideration.

Accounts receivable are recorded at nominal value. Individual recognizable risks are accounted for by bad debt allowances. General credit risk is covered by a general bad debt allowance.

Other assets are recorded at nominal value or at the lower market value.

Cash on hand and balances at banks are recorded at nominal value.

7. Deferred Charges and Prepaid Expenses

Deferred charges and prepaid expenses are determined according to the periodical allocation of expenses.

8. Accruals

Accruals are recorded on the basis of prudent business judgment and are adequate.

9. Liabilities

Liabilities are recorded at the repayment amounts.

10. Translation of Foreign Currency Positions

Accounts receivable and payable in foreign currency are translated at the exchange rate on the date of the transaction. Losses due to exchange rate fluctuations on the balance sheet date are accounted for.

11. Sales and Income Recognition

Sales and income from long-term orders and fixed-price projects are recognized at the completion of the project. Revenues from software sales are recognized on the basis of a legally effective agreement once the software has been delivered. Maintenance revenues are taken to income over the term of the agreement. Income from other services is recognized as these are rendered.

II. DISCLOSURES CONCERNING THE BALANCE SHEET

1. Fixed Assets

The development of fixed assets in accordance with Sec. 268 (2) HGB in fiscal year 1999 is presented in the attached statement of fixed assets. The amounts listed in the "additions" column of accumulated depreciation correspond to the depreciation expense of the year.

2. Financial Assets

Financial assets split up as follows:

	1999 K €	1998 K €
Shares in affiliated companies	6,646	1,083
Investments	286	66
	6,932	1,149

	Share of capital in %	Equity 31.12.99 K €	Results 1999 K €
Investments			
Dr. Lindner & Partner GmbH, Oerlinghausen	50	58	5
BfL GmbH & Co., Eschborn *	> 1	6,886	1,635
IT-GO! GmbH, Walldorf	50	444	-56

* Figures as of December 31, 1998

Affiliated companies	Share of capital in %	Equity 31.12.99 K €	Results 1999 K €
Schmidt · Vogel Consulting America, Inc., Cincinnati, USA	100	5,450	431
Schmidt · Vogel Solutions, Inc., Cincinnati, USA	100	3,783	0
SVC Schmidt · Vogel Consulting (U.K.) Ltd., London, England	100	46	7
SVC Schmidt · Vogel Consulting (Schweiz) AG, Urdorf, Schweiz	100	-1,377	-1,393
SVC Schmidt · Vogel Consulting France S.A., Paris, France	100	117	11
SVC Schmidt · Vogel Consulting Nordic AS, Oslo, Norway	100	142	-78
ITC Information Technology Consulting Gesellschaft für Netzwerk Management und Systemintegration mbH, Detmold	56	417	207
SVC Schmidt · Vogel Consulting España S.A., Barcelona, Spain	100	44	-76
SVC Schmidt · Vogel Consulting Italien S.r.l., Milan, Italien	100	40	-58
ASECON GmbH, Paderborn	95.2	-63	-115

3. Accounts Receivable and Other Assets

As in the prior year, all trade accounts receivable are due within one year. Accounts due from affiliated companies with a residual term of more than one year amount K Euro 234 (1998: K Euro 71). Of the other assets, K Euro 166 (1998: K Euro 120) has a residual term of more than one year.

4. Cash and Cash Equivalents

Balances on current bank accounts and cash on hand as well as fixed-term deposits in the amount of K Euro 26,843 are included in the amount of K Euro 27,733 carried in the balance sheet.

5. Subscribed Capital

The Company's subscribed capital as of December 31, 1999 is composed as follows:

Number and class of shares	€
10,225,837 no-par-value bearer shares	10,225,838.05

In accordance with the shareholders' resolution of March 2, 1999 and the entry in the Commercial Register on March 11, 1999 SVC's capital stock of KDM 17,500 was divided into 3,500,000 no-par-value bearer shares.

Following resolutions of the general meeting of shareholders on April 7, 1999 the capital stock was converted to Euro 8,947,607.92 and increased by Euro 1,278,230.13 in return for contributions in cash. In addition, the Management Board was authorized to issue convertible and warrant-linked bonds up to a total amount of Euro 894,760. The conditional capital as of the balance sheet date was Euro 894,760.

The Management Board was authorized by the resolution of the general meeting of shareholders of April 28, 1999 to increase, with the consent of the Supervisory Board, the capital stock once or several times until April 1, 2004 through the issuance of new no-par-value shares in return for contributions in kind or in cash, by a maximum of Euro 5,112,900 in total, provided that the number of shares is increased in the same proportion as the capital stock. No use was made of this authorization during the fiscal year.

6. Capital Reserve

The increase in the capital reserve of K Euro 21,730 is a result of the premium generated in connection with the shares issued during the initial public offering.

7. Pension Reserves

Defined benefit obligations for which reserves are recorded exist in respect of the Management Board members. The reserve stated as of the balance sheet date corresponds to the present values of the obligations for tax purposes (Sec. 6a EStG) as calculated by an independent actuary using the 1998 mortality tables.

8. Other Accruals

Other accruals split up as follows:

	1999 K €	1998 K €
Accrued taxes	1,110	413
Other accruals	2,350	1,349
Total	3,460	1,762

Other accruals include amounts reserved for warranty risks, bonuses, workmen's compensation contributions, vacation entitlements, costs for the preparation of financial statements and audit fees, bonus entitlements of one customer as well as suppliers' invoices not yet received.

9. Liabilities

As of the balance sheet date, the Company had the following liabilities:

	Residual term of up to 1 year K €	Residual term of 1 to 5 years K €	Value as of Dec. 31, 99 K €
Loans	0	528	528
Liabilities due to banks	4,173	51	4,224
Advance payments received on account of orders	2,254	0	2,254
Trade payables	4,706		4,706
Liabilities due to affiliated companies	351	0	351
Liabilities due to other group companies	170	0	170
Other liabilities	2,044	0	2,044
Total	13,698	579	14,277

SVC issued a convertible bond for a total par value of Euro 428,594 on May 3, 1999. The term of the convertible bond runs until May 4, 2004 and the bond bears 4% interest p.a. The bonds with a par value of Euro 1 entitle the bearer to make an additional payment of Euro 19.70 to convert each into one no-par-value share in SVC AG. The conversion right may be exercised for the first time on May 4, 2001 and for the last time on April 30, 2004.

A second convertible bond with a par value of Euro 102,599 and a term from June 23, 1999 to May 4, 2004 was issued on June 23, 1999 at 4% interest p.a. If converted to shares the conversion price is 115% of the average (arithmetic mean) closing price of the last five days of trading at the Frankfurt Stock Exchange prior to the decision to issue the bonds, i.e. the last five trading days before June 23, 1999. SVC issued a warrant-linked bond for a total par value of Euro 5,887 on May 3, 1999. The term of the warrant-linked bond runs until May 4, 2004 and the bond bears 4% interest p.a. Each bond of a par value of Euro 1 includes ten bearer warrants entitling the bearer to acquire one share in SVC AG for a price of Euro 20.70. The warrant may be exercised for the first time on May 4, 2001 and for the last time on April 30, 2004.

Other liabilities include tax liabilities in the amount of K Euro 1,255 (prior year: K Euro 1,189) and obligations in connection with social security of K Euro 500 (prior year K Euro 307).

III. DISCLOSURES CONCERNING THE INCOME STATEMENT

1. Sales

Sales can be classified according to the following business areas:

	1999 K €	1998 K €
Consulting, training	33,369	19,262
Products	9,191	5,776
Hotline, maintenance	2,401	850
Other	164	121
Sales deductions	-702	-291
Total	44,423	25,718

Euro 1.7 million (prior year: Euro 1.0 million) of the sales were generated abroad.

2. Personnel Expenses

Personnel expenses include the following:

	1999 K €	1998 K €
Salaries	17,222	10,446
Social security	2,625	1,722
thereof expenses for pensions	(80)	(101)
Total	19,847	12,168

IV. SUPPLEMENTARY DISCLOSURES

1. Contingencies and Other Financial Liabilities

A computer system has been assigned to Sparkasse Herford by way of security. It is valued at K Euro 50. There are contingencies from guarantees in the amount of K Euro 64 (prior year: K Euro 0).

Limited and unlimited rental and leasing obligations are spread over the following years as follows:

	K €
Payable in 2000	1,188
Payable in 2001	1,418
Payable in 2002	991
Payable in 2003	729
Payable in 2004	682
Thereafter	9,448

Other financial obligations from 2001 largely comprise the annual costs (K Euro 674) for an office building under construction in Bielefeld. The rental agreement has been concluded for an 18-year term starting from January 1, 2001.

2. Annual Average Number of Employees

Applying the calculation method of Sec. 267 (5) HGB, the average number of employees is:

1998	192 employees
1999	315 employees

3. Appropriation of Retained Earnings

Unappropriated retained earnings of Euro 1,958,485.84 shall be carried forward to new account in full.

4. Executive Bodies

Total remuneration of the members of the Management Board in 1999 amounted to K Euro 996. The remuneration of the Supervisory Board was K Euro 20 in the fiscal year.

As of December 31, 1999 no loans, guarantees or warranties from the Company existed in respect of the members of its executive bodies.

Management Board

Herbert Vogel, CEO
Consulting, Service and Training

Dr. Thomas Wrede
Finance, Legal, Tax and Controlling

Wolfgang Schmidt
Strategy and Corporate Development

Michael Kleinemeier
Sales and Marketing

Supervisory Board

Dr. Markus Wenserski
Chairman
RA (lawyer), StB (tax advisor), Partner
HAARMANN, HEMMELRATH & PARTNER

Dr. Claus E. Heinrich
Vice Chairman
Member of the Management Board of SAP AG, Walldorf

Leonhard Fischer
Member of the Management Board of Dresdner Bank AG

Membership of supervisory boards and other comparable German and foreign control bodies of business enterprises (As of December 31, 1999)

Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH,
Dresdner Capital International Kapitalanlagegesellschaft mbH,
dresdnerbank investment management Kapitalanlagegesellschaft mbH,
EUREX Clearing AG, EUREX Frankfurt AG, K+S Beteiligungs AG

dresdnerbank asset management S.A., Dresdner Kleinwort Benson (ASIA) Limited,
Hongkong/Tokio, Dresdner Kleinwort Benson (Marchés) S.A. Paris, Dresdner RCM
Global Investors LLC, San Francisco, EUREX Zürich AG, Meiji Dresdner Asset
Management Company Ltd., Tokio

AQUISITION COST	Jan.1,99 K €	Additions K €	Disposals K €	Transfers K €	Dec.31,99 K €
Intangible Assets					
Franchises, trademarks, patents, licenses and similar rights and licenses in such rights	212	144	0	0	356
	212	144	0	0	356
Property, Plant and Equipment					
Leasehold improvements	140	6	0	0	146
Office equipment	1,148	1,051	123	0	2,076
	1,288	1,057	123	0	2,222
Financial Assets					
Shares in affiliated companies	1,083	5,533	0	30	6,646
Investments	66	250	0	-30	286
	1,149	5,783	0	0	6,932
Total:	2,649	6,984	123	0	9,510

DEPRECIATION	Jan.1,99 K €	Additions K €	Disposals K €	Dec.31,99 K €
Intangible Assets				
Franchises, trademarks, patents, licenses and similar rights and licenses in such rights	114	159	0	273
	114	159	0	273
Property, Plant and Equipment				
Leasehold improvements	78	14	0	92
Office equipment	468	466	37	897
	546	480	37	989
Financial Assets				
Shares in affiliated companies	0	0	0	0
Investments	0	0	0	0
	0	0	0	0
Total:	660	639	37	1,262

BOOK VALUE	Dec.31,99 K €	Dec.31,98 K €
Intangible Assets		
Franchises, trademarks, patents, licenses and similar rights and licenses in such rights	83	98
	83	98
Property, Plant and Equipment		
Leasehold improvements	54	62
Office equipment	1,179	680
	1,233	742
Financial Assets		
Shares in affiliated companies	6,646	1,083
Investments	286	66
	6,932	1,149
Total:	8,248	1,989

MANAGEMENT REPORT FOR SVC AG

COURSE OF BUSINESS IN 1999

Schmidt, Vogel und Partner Consult Gesellschaft für Organisation und Managementberatung mit beschränkter Haftung was converted into a stock corporation in March 1999. At the same time, the Company's name was changed to SVC AG Schmidt · Vogel Consulting – hereinafter referred to as “SVC AG” for short. SVC AG was listed on the “Neuer Markt” of the Frankfurt Stock Exchange for the first time on May 10, 1999.

In fiscal year 1999 the Company achieved its best result ever.

Sales increased by Euro 18.7 million from Euro 25.7 million to Euro 44.4 million. The main source of revenues was the consulting division with Euro 33.4 million. The importance of licensing and maintenance operations was increased further in 1999. In this area, sales were increased by 71 % to Euro 11.3 million.

Income from ordinary operations rose from Euro 1.1 million to Euro 2.5 million.

In the past fiscal year, the Company invested Euro 7.0 million in fixed and financial assets. Most funds went towards increasing financial assets. The investments made are described below.

– At the end of 1999, the Company increased its investment in Schmidt · Vogel Consulting America Inc. to 100 %. In addition, the subsidiary's capital was increased for the purpose of acquiring the net assets and the business operations of the US SAP reseller Missana & Associates Inc. This enabled us to include the lucrative SAP licensing business in our existing consulting offerings in the United States and to strongly expand our position in the United States growth market.

– In Italy and Spain, wholly-owned subsidiaries were founded.

– In May 1999 the Company increased its investment in SVC Schmidt · Vogel Consulting AS, Norway, to 100 %.

– In 1999 the Company also increased the capital of its subsidiaries in Norway and Switzerland.

– In August 1999 SVC AG acquired a 50 % share in the newly founded outsourcing company IT-GO! GmbH in Walldorf. With the IT-GO! joint venture, SVC AG offers innovative solutions in the area of SAP R/3 outsourcing.

– The interest in the Internet company ASECON GmbH which was founded in 1998 was increased in September from 30 % to 95.2 %.

In accordance with the shareholders' resolution of March 2, 1999 and the entry in the Commercial Register at the Local Court of Bielefeld on March 11, 1999 SVC AG's capital stock of DM 17,500,000 was divided into 3,500,000 no-par-value bearer shares. Following the resolution of the Company's extraordinary general meeting of shareholders on April 7, 1999 the capital stock was converted to Euro 8,947,607.92. At the same time, it was decided that the capital stock would be redivided into 8,947,607 no-par-value bearer shares. At the extraordinary general meeting of shareholders held on April 28, 1999 a further capital increase of Euro 1,278,230.13 was decided. The capital stock of SVC Aktiengesellschaft is now Euro 10,225,838.05. It is divided into 10,225,837 no-par value shares.



MANAGEMENT REPORT FOR SVC AG

PERSONNEL

As of December 31, 1999 the Company employed 351 people. This is 110 more than at the same time last year. On average, 315 people were employed in 1999, while the Company had an average of 192 employees in 1998. SVC AG is a very attractive employer. A pleasant working environment aimed at long-term retention of employees is achieved by the further development of the Company's established corporate culture, an employee stock ownership plan, attractive incentive systems and career paths at the Company as well as internal training programs. As a result of these measures, the turnover rate at SVC AG is considerably lower than the industry average. SVC AG also lives up to its responsibility as a company that trains young people.

OUTLOOK

Another significant increase in sales far in excess of the market trend is expected for the new fiscal year. This increase in sales is to be matched by a simultaneous increase in returns.

For fiscal year 2000 SVC AG is currently considering a merger with APCON AG in Hamburg. The company created by the merger would be the leading IT solution provider on the "Neuer Markt". Clients would be offered the full range of services of a modern solution provider, from Web-based solutions to full-service outsourcing. Synergies would result from cross-selling effects due to the two merged companies' different regional presence and customer focus.

No particular risks for the development of business can be identified at present.

However, the successful realization of SVC AG's corporate objectives is especially dependent on its ability to recruit and retain highly qualified employees in the area of information technology (IT) on a permanent basis. There is a great demand for qualified personnel in the IT industry. Owing to the general growth of the IT market and the resulting demand for trained staff, the lack of qualified employees may limit SVC's growth.

Furthermore, the close relationship with SAP and the resulting dependency on SAP's strategy and the market position of SAP's products may have a negative impact on SVC's sales and results of operations. SAP's current sales concept in most countries is not to market its products in the SME segment itself, but to use independent system houses for this purpose. However, if the market position of SAP products were to lose ground or SAP were to change its current business strategy in the SME area, this could affect the Company's performance.

Bielefeld, February 18, 2000

Herbert Vogel
CEO

Dr. Thomas Wrede
CFO

REPORT OF INDEPENDENT AUDITORS

We have audited the financial statements including the accounting and the management report of SVC AG SCHMIDT VOGEL CONSULTING, for the fiscal year from January 1, 1999 to December 31, 1999. The legal representatives of the Company are responsible for the accounting and preparation of the financial statements and management report in compliance with German commercial law. Our responsibility is to express an opinion, based on our audit, on the financial statements, including the accounting, and on the management report.

We conducted our audit of the financial statements pursuant to Sec. 317 HGB 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 that inaccuracies and violations are recognized which significantly affect the presentation of the assets, liabilities, financial position and results of the Company as conveyed by the financial statements, in compliance with generally accepted accounting principles, and by the management report. The scope of the audit was planned taking into account our understanding of business operations, the Company's economic and legal environment, and any potential errors anticipated. In the course of the audit, the effectiveness of the system of internal controls has been assessed, and the disclosures made in the accounting, financial statements and management report have been verified, mainly on the basis of spot checks. The audit also includes assessing the accounting

principles used and significant estimates made by the legal representatives, as well as evaluating the overall presentation of the financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give any cause for qualification.

We believe that the financial statements, in compliance with generally accepted accounting principles, present a true and fair view of the asset, liabilities, financial position and results of the Company. In all material respects, the management report accurately presents the situation of the Company and the risks arising from future developments.”

ARTHUR ANDERSEN

Wirtschaftsprüfungsgesellschaft, Steuerberatungsgesellschaft mbH

Klein

Auditor

Turowski

Auditor

Eschborn/Frankfurt/M., February 25, 2000

SIGNIFICANT DIFFERENCES BETWEEN GERMAN ACCOUNTING PRINCIPLES AND US GAAP

A) PRELIMINARY REMARK

Accounting in accordance with US GAAP and accounting based on the provisions of the German Commercial Code (HGB) differ in terms of objectives. While the primary aim of US GAAP is to provide investors with useful information for the purposes of decision-making, HGB accounting places greater emphasis on protecting the rights of creditors and on the prudence concept. As a result, US GAAP attaches greater importance to comparability – both over time and between companies – and to the determination of the actual performance of the company on the basis of financial data.

B) REVENUE RECOGNITION / ACCOUNTING FOR WORK-IN-PROCESS

In accordance with the provisions of the HGB, work-in-process is valued at production cost and carried under inventories. Revenues are not recognized until the respective consulting project has been completed and accepted. Under US GAAP income from long-term projects is recognized according to the percentage-of-completion method. Those parts of the project which are still in progress are disclosed as unbilled receivables.

C) GENERAL BAD DEBT ALLOWANCE / WARRANTY ACCRUAL

SVC AG's individual financial statements record a general bad debt allowance of 2 % of trade accounts receivable and general accrual for warranty risks of 0.5 % of sales. These allowances are not recorded in the consolidated financial statements in accordance with US GAAP.

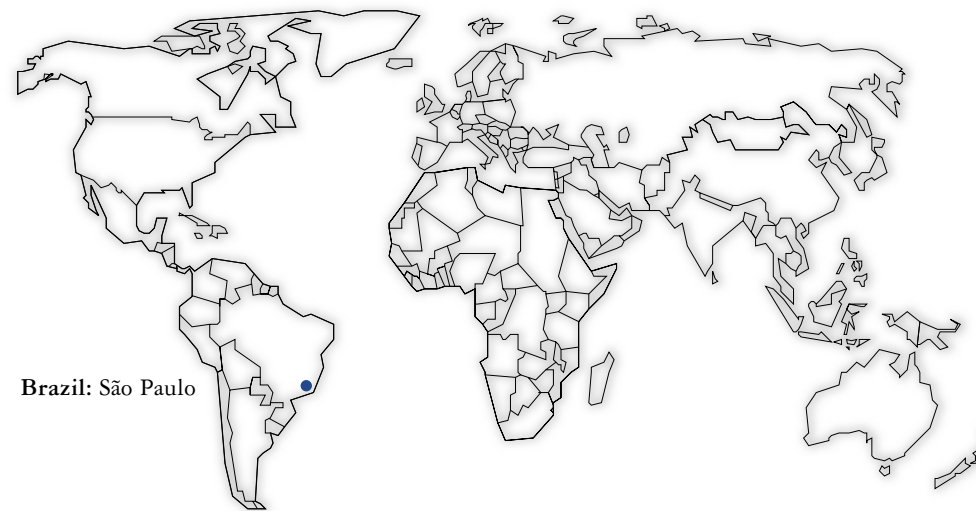
D) DEFERRED TAXES

Under the provisions of the HGB, deferred taxes on losses carryforwards may not be capitalized. In accordance with US GAAP, deferred taxes on loss carryforwards must be accounted for. A valuation allowance is recorded for deferred tax assets that are unlikely to be realized.

BRANCHES

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REPORT OF THE SUPERVISORY BOARD



*Dr. Markus Wenserski
Chairman of the Supervisory Board*



DEAR SHAREHOLDERS AND FRIENDS OF OUR COMPANY,

Fiscal year 1999 was a decisive year for the Company. Our IPO on the "Neuer Markt" was immensely important and provided the Company with the financial resources required for further expansion. Some of these resources have already been used for the establishment of new internal divisions and in the area of joint ventures and acquisitions. Judging by what we have seen of fiscal year 2000 so far, the Company's development will continue to be positive. The course is set.

In the past fiscal year, the Management Board regularly provided the Supervisory Board with oral and written information on the Company's assets, liabilities, financial position and results. Following its constituent meeting on March 2, 1999, the Supervisory Board held further meetings on June 23, 1999, August 26, 1999 and November 23, 1999 in the presence of the Management Board and also adopted several resolutions by circularization. At the meetings, the Company's strategic and business focus, business development, earnings situation and general financial situation were discussed in detail.

The financial statements and management report of SVC AG Schmidt · Vogel Consulting have been audited by ARTHUR ANDERSEN Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft in Eschborn/Frankfurt/M. and received their unqualified audit opinion. The auditors attended the Supervisory Board's discussion of the financial statements and consolidated financial statements, reported in detail on the course of the audits and were available for additional information. At the meeting on March 28, 2000, the Supervisory Board approved the financial statements of SVC AG Schmidt · Vogel Consulting presented by the Management Board. The Supervisory Board also accepted the Management Board's proposal for the appropriation of retained earnings for fiscal year 1999.

We would like to take the opportunity to thank the Management Board and all employees of the Company for their outstanding commitment and extraordinary achievements in the past fiscal year. We wish them every success for the year 2000.

Bielefeld, March 30, 2000

Important Events

Results press conference	April 7, 2000
Quarterly report 1/2000	May 23, 2000
General Meeting of Shareholders	June 29, 2000
Quarterly report 2/2000	August 23, 2000
Quarterly report 3/2000	November 29, 2000

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Business Reply

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