

Quarterly Report 1/2000

STATUS QUO

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HIGHLIGHTS

- Focus on B2B solutions
- Successful e-commerce projects
- Strategic partnership with Intershop
- Sales increase to Euro 20.65 million
- Merger with APCON AG before the end of this year

In the first quarter, SVC AG was still able to increase its sales by 30 % despite comparison with an extremely strong first quarter in 1999, high investments in employee training in the area of e-commerce and international product roll-out.

MARKET

Even after the restraint expected in the first quarter of 2000 due to the Y2K problem, companies are investing more and more in software solutions. When making these investments, companies are currently focusing increasingly on front office solutions, business-to-business (B2B) and customer relationship management.

STRATEGY

In the past year, SVC already tailored its strategy even more to a segment with high growth potential: B2B solutions for small and medium-sized companies. A current market survey projects growth of more than 280 percent to USD 4.2 billion worldwide in this segment by the year 2003. SVC would like to profit considerably from this growth to become one of the world's leading providers of B2B solutions.

In the first three months of the current fiscal year, SVC invested in the further development of industry solutions already available. SVC offers specialized solutions for the service, wholesale, metal and chemical industries, among others. In every case the software must be rendered compatible with the Internet, and the Company must create

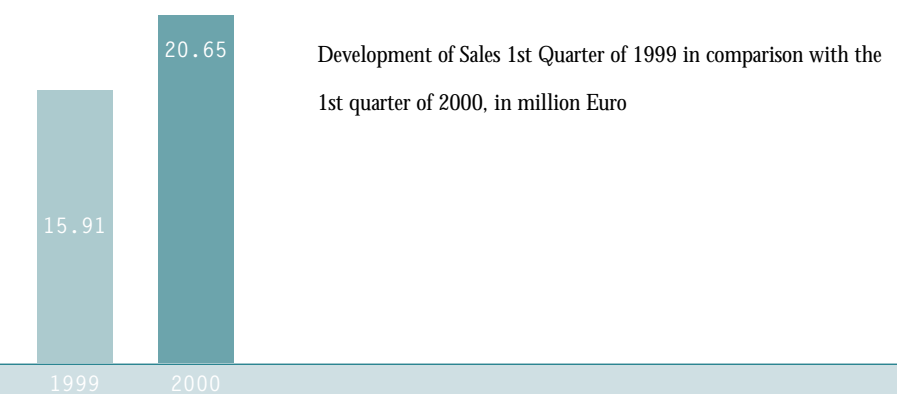
individual solutions for B2B markets. One example for the success of SVC software is an e-commerce project realized together with Programm Standard GmbH, the German subsidiary of Europe's largest IT group Cap Gemini. Both partners developed modern e-commerce solutions which will be used in the future by some 350 major wholesalers and more than 25,000 users. The project's success was due to the industry solution especially developed by SVC. But this is only one of many examples. SVC implemented additional successful e-commerce projects for the virtual hardware computer trader Elan AG (marketplace).

In order to realize successful projects in the B2B segment, SVC AG invested not only in the further development of its own industry solutions but also in reinforcing the Internet skills of its employees. Via individual training concepts the Company laid the foundation for highly competent B2B consulting services – competence to which SVC's customers have grown accustomed in traditional business areas for more than a decade.

Its development into a leading provider of B2B solutions receives additional impetus through close cooperation with market leaders and the forthcoming merger with APCON AG based in Hamburg. During the first three months the network of partnerships was expanded to include not only SAP but also partners such as Intershop AG and Heiler AG. Together with Intershop, SVC develops, markets and realizes e-commerce projects based on the high-end e-commerce system Intershop Enfinity. The past three months were used by SVC and APCON to set up integration teams to work out a basis for the new joint business model as an e-business integrator.

SALES

In view of its increased investments in the future and its status as a leading provider of B2B solutions, SVC AG improved its sales in the first quarter of 2000 by 30 % to Euro 20.65 million. Sales during these three months already include a growing number of projects with e-commerce components.



EARNINGS

SVC AG's results in the period of the report were heavily influenced by expenses for product development, for its measures taken to reinforce the Internet skills of SVC consultants and also by the integration projects already in progress concerning the merger with APCON. The adjusted result after taxes (in accordance with US GAAP) reached Euro 0.45 million. In the comparable period in the prior year this figure was Euro 0.26 million.

Accordingly, the result per share was Euro 0.04 (prior year Euro 0.03).

EMPLOYEES

As of March 31, 2000, the number of employees had grown by 63 to 592 and therefore exceeds the number in the prior year by 52 %. Following its successful IPO, SVC became an increasingly attractive employer both domestically and abroad. This is also reflected by the switch by an experienced management team from a global IT leader to SVC's new branch in Italy.

INVESTOR RELATIONS

SVC AG continued to intensify its direct and personal contact to individual members of the financial community in the period under review. The Company's new strategic alignment was explained in detail to institutional investors, in part during roadshows in Berlin, Geneva and Zurich. Another highlight was its participation in the DVFA (German Association for Financial Analysis and Investment Counseling) IT forum at Germany's largest IT trade fair, the CeBIT.

OUTLOOK

The measures introduced by SVC AG in the first quarter laid the foundation for continued company growth. The strategic transformation to a leading provider of B2B solutions worldwide was already confirmed by the first successful e-commerce projects. In general, it is assumed that the IT market will grow significantly in the second half of the fiscal year due to demand for front office systems and the integration of such systems.

The merger with Apcon AG, an innovative technology and business consulting firm located in Hamburg, has progressed considerably. Synergies from the merger are evident above all in terms of regional presence, varying customer structures and additional technologies. The shareholders will receive detailed information on the merger during the ordinary shareholders' meeting on June 29, 2000. After the meeting, it is planned to offer shareholders shares in the new company in place of their SVC shares.

The company which will result from the merger would have generated sales of Euro 31.7 million in the first quarter of 2000 and a result (according to US GAAP) of Euro 1.0 million. With over 1,000 employees in 18 countries, the new company will have global presence from the very beginning.

Consolidated Statements of Income

	31.3.00 million €	31.3.99 million €
Sales	20.65	15.91
Cost of Sales	-16.17	-11.69
Gross Income	4.48	4.22
Selling	-1.86	-1.74
General and Administration	-1.76	-1.68
Goodwill Amortization	-0.19	-0.03
Other Operating Income/Expense, Net	0.10	-0.04
Operating Income	0.76	0.73
Income from Investments	-0.02	-0.01
Interest Income, net	0.16	-0.16
Income before Tax	0.90	0.56
Income Taxes	-0.45	-0.28
Net Income before Minority Interest	0.45	0.28
Minority Interest	-0.00	-0.02
Net Income	0.45	0.26



Assets	31.3.00 million €	31.12.99 million €
Current Assets		
– Cash and cash equivalents	20.10	29.03
– Trade accounts receivable	20.88	20.37
– Inventories	0.03	0
– Other current assets	1.28	0.73
– Prepayments	0.32	0.87
Total Current Assets	42.61	51.00
Non-Current Assets		
– Deferred taxes	0.78	0.66
– Other non-current assets	0.08	0.08
– Financial assets	0.22	0.26
– Intangible assets	5.03	4.70
– Property, plant and equipment	2.49	2.23
Total Non-Current Assets	8.60	7.92
Total Assets	51.21	58.92

Liabilities and Shareholders' Equity	31.3.00 million €	31.12.99 million €
Current Liabilities and Accruals		
– Short-term financial debt	0.61	5.06
– Trade accounts payable	6.27	8.05
– Advance payments	0.38	0.43
– Other accruals	2.74	3.90
– Other current liabilities	2.80	2.60
– Deferred taxes	0.95	0.95
– Accrued taxes	1.50	1.32
– Deferred income	0.16	1.42
Total Current Liabilities and Accruals	15.41	23.73
Non-Current Liabilities and Accruals		
– Pension reserves	0.26	0.25
– Bonds	0.53	0.53
– Long-term financial debt	0	0.03
– Deferred taxes	0.02	0.02
– Other non-current liabilities	0	0
Total Non-Current Liabilities and Accruals	0.81	0.82
Minority Interest	0.18	0.18
Contribution for Capital Increase	0	0
Shareholders' Equity		
– Share capital*	10.23	10.23
– Capital reserves	21.06	21.06
– Cumulative translation adjustment	0.30	0.13
– Retained earnings	3.22	2.77
Total Shareholders' Equity	34.81	34.19
Total Liabilities and Shareholders' Equity	51.21	58.92

*Conditional share capital K Euro 895.

Consolidated Statements of Cash Flow

	31.3.00 million €	31.12.99 million €
Net income	0.45	1.59
Minority interest	0.00	0.07
Net income before minority interest	0.45	1.67
Amortization and depreciation	0.48	1.06
Changes in pension reserves	0.01	0.08
Changes in other non-current liabilities and accruals	-0.03	-0.16
Changes in inventories	-0.03	0.48
Changes in trade accounts receivable	-0.51	-8.47
Changes in deferred tax assets	-0.12	-0.54
Changes in other current assets	0.00	-1.37
Changes in other non-current assets	0.00	-0.08
Changes in trade accounts payable and advance payments	-1.83	2.20
Changes in other current liabilities and accruals	-2.04	4.12
Cash flow from operating activities	-3.62	-1.02
Investments in intangible assets and property, plant and equipment	-1.07	-6.11
Changes in financial assets	0.04	-0.21
Purchase of minority interest		-0.06
Cash flow from investing activities	-1.03	-6.37
Capital increase and contribution for capital increase	0.00	1.28
Premium from capital increase	0.00	21.06
Issue of convertible and option bonds	0.00	0.53
Changes in medium and long-term financial debt	0.00	-0.05
Cash flow from financing activities	0.00	22.81
Foreign exchange rate differences	0.17	0.13
Net change in cash and cash equivalents (term under 3 months)	-4.48	15.56
Cash and cash equivalents as of January 1	23.97	8.41
Cash and cash equivalents as of March 31, 2000/December 31, 1999	19.49	23.97