Group management report and management report of Openshop Holding AG for fiscal year 2001

1. Market and economic environment

In the past fiscal year, the market for standard software solutions for the setting up of trading platforms in the internet changed considerably. While the leading market research institutions forecast a progressive increase in worldwide sales of internet-based sales solutions (eCommerce) up until 2000, there was a drastic decline in demand in this segment at the beginning of 2001. This trend was accelerated by the overall downward trend in the economy, which sent out negative signals not only to the eCommerce market but also to eProcurement offerings or market place solutions, and thus to the entire market for internet-based software offerings (eBusiness). Faced with considerably less optimistic forecasts of growth for the economy as a whole and with early indicators suggesting a downturn, budgets for investments in IT were again reduced in the second half of 2001. In many cases, current IT investments, and especially eBusiness projects, were stopped or postponed to a later date.

Once it became clear that the development, which had been imminent since the end of 2000, was not only a short-term weakness in the economy and the market, nearly all providers now will have to adjust their strategies and corporate structures, which were geared to dynamic growth, as quickly as possible to the changed framework conditions. In 2001, the lack of financial funds led to the first failures among providers. Others have withdrawn from the eBusiness market, or are countering this trend with cuts and huge reductions in personnel.

Nevertheless, there are a number of signs that internet and eCommerce are beginning to be seen realistically again by many companies in 2002, following the phases of hysteria and subsequent disillusionment. In the context of overall economic recovery, eBusiness is again being regarded as a promising and vital opportunity for acquiring new customers, enhancing customer ties, and clearly reducing process costs. A number of surveys and studies have confirmed that this will only lead to success if existing business models, processes and IT infrastructure are thoroughly integrated. Many of those responsible have since become aware that eBusiness will change the entire company and all its business processes in future. There is meanwhile a clear trend to holistic internet-based online business concepts. IT is thus changing from a purely technical discipline to a fully integrated, cross-functional part of management.

2. Development and situation of the group

At a very early stage, Openshop reacted to changed market conditions with a number of radical actions. Thus in the 2nd quarter 2001, the US operations were discontinued and the portfolio expanded to include logistics solutions. With the acquisition of a new base technology and the joint venture entered into with Skyva International GmbH, Mannheim, Openshop also laid the foundations for a new direction in its range of offerings. From the second half of 2001, the organization was restructured. The core consideration in this restructuring was that Openshop should develop from a software producer selling indirectly to a provider of solutions for software and services selling mainly directly.

As part of the strategic repositioning mentioned above extensive cuts in personnel were necessary, combined among other things with closure of the two selling locations in the USA. Moreover, in connection with the new strategy and the acquisition of technology, additional locations were opened in Germany. The expenses connected with this rose significantly compared with the previous fiscal year.

These actions were accompanied by a multi-stage adjustment of staff levels to the decline in sales. In a first phase up to June 30, 2001, in addition to 10 employees in the USA, 28 employees were set free, and a further 63 employees were set free in Germany at the end of the fiscal year. As of April 1, 2002, it is expected that staff will number 92. Of the total number as of December 31, 2001, 26 employees were employed in the Sales and Marketing departments, 44 in Research and Development, 55 in Professional Services and Consulting, and 36 in General Administration. There was a change in company leadership following the tragic accidental death of Thomas Egner, the company founder and CEO. In March 2001, a few weeks after the accident, Bruno Rücker was already appointed the new CEO of Openshop Holding AG. At the year end of 2001, Chief Financial Officer Peter Kuhl left the company following the end of his three-year period of service.

As part of a stock option program, which provides for a regular issue of options on the basis of the current share prices of Openshop stock, a number of new employees were involved in the development of the company in 2001. In fiscal 2001, a total of 206,016 new options were issued.

3. Development of sales and gross profit

The marked drop in sales at Openshop is due in particular to the weak state of the market in the second half year and the emerging weakness in indirect selling (channel selling). The transition from indirect sales to direct sales takes time and during the fiscal year it was not possible to offset the decline in channel selling in time. Other reasons included the temporary higher service share and the longer acquisition cycles and longer implementation periods in the project business. In addition, US GAAP required that sales in which the corresponding terms of realization had been extended or whose collectibility was unsure be removed from the 2001 result. This relates above all to KEUR 180 of sales to one customer, with whom agreement was reached in December 2001 to prolong the period of certain guaranteed minimum sales until December 31, 2002. In addition, US GAAP required that sales of roughly KEUR 708 from a license agreement with one customer worth a total of KEUR 944 be cut off to 2002. These two measures in particular explain why sales developed negatively in the fourth quarter of 2001.

Of the total sales of EUR 3.5 million in fiscal 2001 (prior year EUR 6.6 million), 70% was due to software for eCommerce shops, 11% to software for procurement solutions, and 19% to other products. 59% of revenue was due to licenses (prior year: 74%) and 41% to services (prior year: 26%).
Openshop generated 92% of its total sales in Germany, 5% in Switzerland and 3% in North America and the rest of the world.

On account of the significant increase in sales of projects and consulting, the cost of sales grew disproportionately to 39% of sales (prior year: 23%). These costs primarily relate to internal and external personnel expenses for technical services in the project sector. As a result, gross profit on sales fell to 61%, compared with 77% in the prior year.

4. Operating expenses

After adjusting for restructuring expenses, selling and marketing costs rose by 31%, from EUR 9.6 million in 2000 to EUR 12.6 million. The share borne by personnel expenses came to EUR 4.8 million (prior year: EUR 3.7 million). Operating costs came to EUR 7.8 million. Of this amount, advertising and trade fair costs accounted for EUR 2.6 million, valuation allowances for receivables and bad debts for EUR 1.4 million, and consulting costs for EUR 0.7 million.

After adjusting for restructuring costs, research and development expenses rose from EUR 3.7 million in the prior year to EUR 9.6 million. This is essentially due to the opening of locations in Wiesbaden and Hanover, and the appointment of new consultants and developers. Personnel expenses in Research and Development thus rose significantly from EUR 2.5 million to EUR 6.2 million. Operating costs came to EUR 3.4 million, the largest individual items being purchased services (EUR 0.7 million) and pro rata depreciation of tangible assets (EUR 0.8 million).

After adjusting for restructuring costs, general administration expenses rose from EUR 4.2 million in the prior year to EUR 4.6 million in fiscal 2001. Pro rata personnel expenses came to EUR 2.0 million (prior year: EUR 1.5 million), reflecting the increase from 16 to 23 employees on average. In this area, operating costs came to EUR 2.6 million, thus remained practically unchanged from the prior year. The greatest expense items were expenses for investor relations (EUR 0.8 million), legal and consulting costs (EUR 0.6 million) and recruiting costs (EUR 0.3 million).

Restructuring costs totaled EUR 3.1 million, and mainly included expenses totaling EUR 2.3 million for severance payments and salaries outstanding for employees who had already left the company as of cut-off date, or will leave by the end of March 2002. In addition, an accrual of EUR 0.8 million was set up for empty office premises.

Extraordinary depreciation includes the complete depreciation of the remaining goodwill of PSS GmbH, totaling EUR 0.6 million, and depreciation of no longer used software licenses and factory and office equipment totaling EUR 0.5 million.

5. Development of earnings

In fiscal 2001, the adjustment measures needed for extensive reorientation and the investments in the development of new products resulted in a significant loss from ordinary business activities totaling EUR -29.2 million (prior year: EUR -12.6 million).

The result of fiscal 2001 was influenced significantly by falling sales in combination with cost-cutting measures and heavy investments in new technologies and in expanding the range of services offered.
In the fiscal year 2001 restructuring expenses of EUR 3.1 million were incurred and extraordinary depreciation of EUR 1.2 million was recognized. In addition, non-operating expenses of EUR 5.2 million were incurred.

The financial result in the reporting year was greatly marked by interest income of EUR 3.4 million resulting from the fixed interest deposits and fixed interest securities of the proceeds from our public issue. The net result for the year fell from EUR -9.9 million in the prior year to EUR -26.1 million in the reporting period. Loss per share was EUR -2.75 (prior year: EUR -1.09)

6. Cash flow and investments

Cash flow from ordinary business activities was marked by the significantly negative result in 2001, combined with considerable expenses for depreciation and accruals, which were mainly set up for restructuring and empty office premises. This resulted in a negative cash flow from ordinary business activities of EUR -18.3 million (prior year EUR -11.2 million).

Cash flow from investment activities amounted to EUR -1.9 million (prior year: EUR -54.3 million), and mainly results from the purchase of the right to use the new technology and the acquisition of office equipment in connection with the move into new premises in Wiesbaden and Hanover. The high outflow of cash in the prior year was mainly due to the investment of the IPO proceeds in securities.

Cash flow from financing activities came to EUR -0.8 million in the reporting period, and was marked by expenses for the acquisition of own shares. The prior year's high figure of EUR 91.1 million was mainly the result of the cash inflow of IPO proceeds.

7. Assets and equity

The significant decrease in current assets from EUR 65.6 million to EUR 18.0 million is mainly due to a shift of cash and cash equivalents to longer-term securities. Due to sales on the one hand and an increase in valuation allowances on the other, trade receivables fell from EUR 2.8 million to EUR 1.7 million, while prepaid expense items and other current assets increased from EUR 3.0 million to EUR 3.6 million as a result of increased VAT reimbursement claims.

In the short-term accruals and liabilities there was a significant increase in personnel accruals from EUR 0.8 million in the prior year to EUR 2.3 million, especially as a result of the second stage of downsizing introduced at the end of the fiscal year. The increase in other accruals and liabilities from EUR 1.0 million to EUR 2.7 million is especially due to accruals for empty office premises and accruals for outstanding invoices.

The change in equity over prior year was above all due to the increase in the accumulated loss resulting from the net loss for 2001. The own shares totaling EUR 1.2 million acquired in the fiscal year were set off against equity pursuant to US-GAAP. In all, equity totaled EUR 60.8 million as of December 31, 2001, or 87.2% of total assets.

8. Business development and situation of the AG

Until the beginning of 2001, Openshop Holding AG, Ulm, served as a holding company for the operative companies of the Openshop Group, and increasingly assumed operative tasks in the areas of Sales and R&D in fiscal 2001. Since going public on March 21, 2000 the shares of the Company have been traded on the Neuer Markt of the Frankfurt Stock Exchange. Being a German company, Openshop Holding AG prepares financial statements in line with HGB (German Commercial Code).

The business development of Openshop Holding AG and the operative subsidiaries was impacted by extensive restructuring measures and a drop in sales with negative annual results. The increase in the number of employees at Openshop Holding AG from 29 as of December 31, 2000 to 133 as of December 31, 2001 largely relates to personnel shifts between the group companies.

Having taking over operating responsibilities, the holding for the first time recorded sales of EUR 1.9 million in the fiscal year.

The decrease in results from ordinary activities to EUR –29.7 million (prior year: EUR –9.7 million) is mainly attributable to the loss absorption of EUR 13.4 million (prior year: EUR 9.3 million), personnel expenses of EUR 9.5 million (prior year: EUR 1.4 million), other operating expenses of EUR 6.5 million (prior year: EUR 2.6 million) as well as amortization of financial assets of EUR 6.4 million (prior year: 0).

Costs relating to the loss absorption from Openshop Internet Software GmbH, Munich, increased from EUR 9.3 million in the prior year to EUR 13.4 million in the reporting period.

The increase in fixed assets is due in particular to the switching of short-term securities and cash to long-term investments. In the shares in affiliated companies, the book values of PSS GmbH and Openshop Inc., USA, as well as the loans to these affiliated companies were fully written off.

Inventories consist mainly of software intended for resale.

The increase in other accruals is mainly due to the above mentioned accruals for severance payments, unused office space and outstanding invoices.

Equity decreased due to the net loss for the year from EUR 93.6 million to EUR 63.9 million. In December 2001, a total of 200,000 own shares were purchased via the stock exchange and transferred to a reserve for treasury stock set up according to the German Commercial Code.

9. Risk management at Openshop

Entrepreneurial activity in a young company addressing a rapidly changing market requires the conscious and controlled handling of disproportionately high risks. In a very young and dynamic market, the rapid adaptation to changed market conditions, attracting and keeping customers as well as the successful introduction of new software products involves considerable risks but at the same time offers significant opportunities. When exploiting economic opportunities, it is inevitable that risks must be taken. One of the main tasks of the management board and management is therefore to implement an efficient risk management system to identify wrong developments and changed conditions at an early stage and to react quickly with coordinated countermeasures.

Using a risk matrix, the management board of Openshop classified and quantified the risks and documented them in a risk management manual. In practice, risk management at Openshop consists of three phases:

- Identification and evaluation of opportunities and risks
- Appraisal of the controls or risk management measures as well the identification of potential for improvement
- Monitoring of processes and controls

Openshop has appointed a risk manager who is responsible for the installation and ongoing development of the risk management system. The division heads assess the risks in their areas on a monthly basis. This input is summarized in a monthly risk management report to the board of management. It is then the responsibility of the management board to respond to the risks and initiate appropriate counter-measures.

To monitor net assets, the financial position and results of operations management also performs ongoing analyzes of the development of earnings, costs and liquidity.

Risks to Future Development

As required by the law for control and transparency in business (KonTraG) Openshop reports below on risks which may either jeopardize the continued existence of the Company or have a material influence on the Company's net worth, financial situation or results of operations.

Integration of USU AG

Following a takeover offer, Openshop Holding AG plans to take over the majority of shares of USU AG. At the shareholders' meeting on February 8, 2002, the shareholders approved a capital increase for this purpose. It is now up to the Company to integrate USU AG and its subsidiaries in the Openshop Group. Although the management board has given the integration project top priority, it cannot be ruled out that the integration process will take longer than planned and the anticipated positive effects on results will be postponed until later fiscal year or not be realized in full.

Realignment of business activities and sales structure

In the past year, the Openshop partially realigned its business activities and started the change process for supplier of standardized software products to a one-stop provider of products and solutions in the eBusiness area. This requires greater know-how in terms of product development, consulting and services as well as customers, industries and markets. In addition, the sales structure was changed from the indirect selling via distributors and partner organizations to direct sales with a decentralized structure. With such a short history, the new business alignment has not yet been confirmed by the market. It is therefore difficult to predict whether customer needs can be fully met. There is also a risk that the realignment to solutions for specific issues or industries cannot be implemented quickly enough in the internal processes which could in turn have a negative impact on the earnings situation.

However, based on current customer discussions and declarations of intent, the management board is convinced that the new alignment will be will be well received on the market. The planned merger with USU AG, which already has a direct selling infrastructure, will support his process.

Competitive environment

The environment in which Openshop operates is highly competitive. Since the drop in demand, competition and price pressure has become keener, leading in some cases to the withdrawal of rival companies. This did not, however, defuse the market situation. Moreover, the demands placed on the IT solutions offered by Openshop in terms of quality, adaptability and speed have also increased significantly. If the company fails to adjust rapidly and flexibly to changing market conditions, this would have a negative effect on the earnings situation. The management board is convinced that in particular the planned merger with USU AG will help to increase overall market presence and the confidence of the customers, thus generally improving competitiveness.

Duration of business activities and the loss situation

Openshop is a relatively young group that only started up in 1998 and since then has not recorded a positive result. In the current fiscal year 2002, Openshop is expected to sustain further losses. In the absence of meaningful comparative figures, the relatively short period of business operations of Openshop and the recent realignment of business make it difficult to make reliable sales projections. If Openshop fails in the foreseeable future to cross the profit threshold, this may have a negative impact on its business activities and the net worth, financial position and results of operations. However, through the planned merger with USU AG, the customer base will be broadened considerably, thus enhancing planning certainty in the sales and earnings areas.

Layoffs and competition for qualified staff

Staff had to be shed in connection with the realignment of business activities. Additional burdens may also still be incurred from the personnel cuts initiated in the USA and in Germany in the last fiscal year. Actions for unfair dismissal by the employees concerned are currently immaterial. Besides the potential financial effect, it is also not possible to rule out that the dismissal of employees will have a negative impact on the image of Openshop and make it more difficult to attract qualified staff and executives in future.

Strategic partnerships and cooperations

For the provision of consulting services and partner management, Openshop is reliant on cooperation with other qualified companies. The loss of legal and business relations to major strategic associates or cooperation partners could adversely affect the business operations of Openshop.

Risks from customer structure, receivables

Although Openshop is focusing increasingly on large-scale companies and larger mid-sized companies as customer targets, its clientele still includes numerous smaller and mid-sized companies. These smaller companies also contain various companies which themselves are seriously affected by the drastic downward trend in the IT and eBusiness market. The non-collectibility of receivables may lead to bad debts, requiring the recognition of bad debt allowances.

Product defects and defective performance

The software developed and/or sold by Openshop can – like nearly every other software product – be subject to faults which arise despite thorough and careful test runs. This can result in liability consequences to the detriment of Openshop. In this respect, reference is made to the new rulings of contract law inserted in the German Civil Code in January 1, 2002, in particular the law of defective performance. The new rulings provide, among other things, for longer contractually agreed warranty terms and more stringent liability rulings for material and factory defects. To date no claims have been filed by Openshop AG in this respect.

10. Securities held by board members of Openshop Holding AG

As of December 31, 2001, members of the management board and the supervisory board held the following numbers of shares and options:

	Shares	Share options
Management board:		
Bruno Rücker	0	80,000
Uwe Hagenmeier	68,338	8,878
Peter Kuhl	0	6,062
Timo Weithöner	160,698	10,194
Supervisory board:		
Markus Kress	283,772	0
Dr. Thomas Gutschlag	14,124	0
Dr. Roland Mecklinger	142	0
Klaus Langer	0	0
Klaus C. Ploenzke	9,250	0
Dr. Klaus Neugebauer	0	0

Since the quarterly report as of September 30, 2001 was released there were the following changes in the shares held by members of the management board and the supervisory board in the fourth quarter of fiscal year 2001:
On December 27, 2001 Uwe Hagenmeier transferred 416,000 shares to Hagenmeier Verwaltungs-GmbH, a company in which Mr. Hagenmeier is the sole general manager. Peter Kuhl transferred his holding of 53,570 shares to his family on December 27, 2001. Markus Kress transferred 483,968 shares to his family, also on December 27, 2001, and received in return 283,772 shares from his family.

11. Subsequent events

The most important event after balance sheet date was the extraordinary annual general meeting held on February 8, 2002 at which several resolutions were passed including the following:

The extraordinary general meeting passed a resolution raising common stock by up to EUR 8,033,720 from EUR 9,500,000 to EUR 17,533,720 by non-cash contribution. Common stock was raised by EUR 7,711,186. Landesbank Baden-Württemberg subscribed all 7,711,186 of the new bearer shares of no-par value at an issue price of 1 euro per share and agreed to assign 5,507,990 no-par value bearer shares in USU AG, Möglingen to Openshop AG Holding AG as a non-cash contribution.

Prior to this event, Openshop Holding AG had publicly offered the shareholders of USU AG a share swap (shares in USU AG for shares in Openshop Holding AG). The offer remained open from December 20, 2001 to February 1, 2002. The swap was arranged on November 28, 2001, by the management boards of both companies at a ratio of 5 to 7 on the basis of the share price on the exchange, i.e. shareholders of USU AG who agreed to the swap would receive 7 shares in Openshop Holding AG in exchange for 5 shares in USU AG.

The extraordinary general meeting also passed a resolution changing the name of the Company to USU-Openshop AG and relocating the company's domicile to Möglingen.

The resolution is subject to entry in the commercial register which had not been completed by the time the consolidated financial statements were prepared.

In the course of the extraordinary general meeting and the merger with USU AG, Timo Weithöner and Uwe Hagenmeier retired from their positions on the management board of Openshop AG and shall in future promote the business of the Company as managers. The chairman of the management board of USU AG, Udo Strehl, was appointed to the management board as co-CEO. Udo Strehl is responsible for driving the integration of USU AG with Openshop Holding AG. The new management board will also include the previous board members of USU AG, Harald Weimer, who is in charge of operating activities, and Bernhard Oberschmidt, in charge of finance.
Since both companies should be equally represented on the supervisory board after the merger with USU AG, the former members of the supervisory board of Openshop Holding AG, Dr. Roland Mecklinger, Dr. Klaus Neugebauer and Klaus C. Ploenzke retired from their positions upon conclusion of the extraordinary meeting. The following were appointed as new members of the supervisory board: Dr. Frank-Oliver Lehmann (Executive Director of Banque AIG, London), Karl-Heinz Achinger (business consultant, Starnberg) und Werner Preuschhof (general manager of Preuschhof Consulting GmbH, Hamburg). Frank-Oliver Lehmann and Karl-Heinz Achinger were already members of the supervisory board of USU.

12. Prospects

The clear fall in sales in fiscal year 2001 is to some extent a result of the poor condition of the market. Whereas the eBusiness market in the first half of 2001 can only be described as weak, demand for eBusiness solutions collapsed in the third and fourth quarter of 2001 in the wake of reductions in IT budgets and growing insecurity due to worries of a global recession. The general consequence of this on-going downturn and weak market, whose end is not yet in sight, is that there will be a phase of intensive consolidation on the market for Internet software.

In addition to this particularly unfavorable environment for the entire eBusiness sector, there were other reasons more directly associated with the Company for the fall in sales. To address the changes in the market, Openshop changed its sales strategy away from solely using partners (channel distribution) towards a direct sales strategy for its products and services. Past experience has shown that the time needed to establish a direct sales structure and win new customers is usually between six to twelve months. Since the realization of the new strategy was not begun until July 1, 2001, the direct sales method was unable to make up the weaknesses of the channel distribution concept.

After US activities were shut-down at the end of the second quarter of 2001, the focus of Openshop's business activity is now exclusively on Germany where there are now four locations.

In the course of the restructuring program, 30% of the staff were released from duty. It was possible to agree on a binding termination of the employment contract with most of the workers concerned. As a result, half of the lay-offs became effective in the fourth quarter of 2001. The first cost-savings are expected in the first quarter of 2002.

Openshop will pursue its course towards becoming a one-stop provider of eBusiness solutions, also for large customers, in the first quarter of 2002.

Due to the continuing difficulties on the market, the cost-savings measures initiated in 2001 will be continued into 2002. This will enable the Openshop Group to act on a significantly reduced cost base in fiscal 2002. Nevertheless, the savings measures alone will not be sufficient in order to reach the break-even mark in fiscal 2002. For this to be the case, the savings must also be accompanied by a significant rise in sales. Particularly when compared to the disappointing fourth quarter of 2001, the management board of Openshop sees realistic opportunities for a clear upswing in sales. Current indications from the market confirm that the strategy we are pursuing towards becoming a provider of solutions for specific topics and industries is finding acceptance and promises future success.

Projections assume that the market will remain hostile for the first three to six months of fiscal year 2002. However, the management board is forecasting a rise in demand beginning in the third quarter of 2002. The Logistic Solutions business unit that was started up in May 2001 and which involved the expansion of the Wiesbaden location is developing particularly well and has a promising customer potential.

Apart from the great challenges relating to current business activities, Openshop is also confronting the commercial and organizational challenges posed by the acquisition of USU AG in the first quarter of 2002. The management of Openshop is hoping that the merger with the commercial operations of the USU Group will lead to synergies in the product sector as well as in sales and organization. In the short term, there are costs associated with integrating the two groups. However, due to the expected synergies, the Company is targeting substantial cost-savings within the new corporation in the next year.

Thanks to the merger with USU AG, the management board expects a significant rise in sales in fiscal year 2002 in spite of the difficult market. In the current year, Openshop is, however, expected to record a loss again. The projected expansion of business activity and the major reduction in the cost base at the end of 2001 will together lead to a substantial improvement in the overall result.

Ulm, February 2000
Openshop Holding AG

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The Board of Management

AUDITORS OPINION

We have audited the consolidated financial statements of OPENSHOP HOLDING AG as of December 31, 2001, including the consolidated balance sheet and the related consolidated statements of income, cash flows, changes in shareholders´ equity and notes for the year then ended.

The legal representatives of the company are responsible for the preparation and content of the consolidated financial statements. Our responsibility is to express an opinion, based on our audit, whether these consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (US GAAP).

We conducted our audit in accordance with the German Auditing Rules and in compliance with the general accepted standards of auditing prescribed by the German Institute of Certified Public Accountants (Institut der Wirtschaftsprüfer). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatements. In establishing the audit procedures we considered our knowledge about the group´s business operations, its economic and legal environment, and expectations of possible errors. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. 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 consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present a true and fair view of the groups´s financial position, results of operations and cash flows in accordance with United States generally accepted accounting principles.

Our audit which also includes the combined management report and group management report for the fiscal period from January 1, 2001, to December 31, 2001, which is the responsibility of the Company´s management has not given rise to any reservations. In our opinion the combined management report and group management report in the consolidated financial statements conveys a suitable presentation of the situation of the Group taken as a whole and presents the risks to its future developments adequately. Additionally, we confirm that the consolidated financial statements and the combined management report and group management report for the fiscal period from January 1, 2001, to December 31, 2001 meet the requirements for an exemption to prepare consolidated financial statements, and the combined management report and group management report in accordance with the rules and regulations of the German Commercial Code.

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Viering Wirtschaftsprüfer	Hummel Wirtschaftsprüfer

Stuttgart, February 15, 2002

OPENSHOP HOLDING AG, ULM, GERMANY

CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED

DECEMBER 31, 2001 AND 2000

(in thousands of EURO or TEUR)

ASSETS

	Notes No.	2001 TEUR	2000 TEUR
Current assets			
Cash and cash equivalents	2, 12	11.465	32.453
Debt securities held to maturity		0	25.624
Other investments	2	0	150
Accounts receivable, less allowance for doubtful accounts of TEUR 1,028 and TEUR 90 at December 31, 2001 and 2000, respectivly	2, 14	1.745	2.838
Accounts due from other group companies	12	0	474
Work in process	2	191	648
Inventories	2, 13	907	403
Prepayments	2, 12	26	18
Prepaid expenses and other current assets		3.647	2.993
Total current assets		17.981	65.601
Property and equipment, net	2, 4	1.218	1.405
Goodwill, net	2, 3, 4	0	920
Trademarks, net	2	69	115
Purchased software, net	2, 4	1.003	674
Advances paid on intangible assets	2	0	57
Investments in associated companies	2, 3	0	921
Certificate of deposit	2, 12	10.226	0
Debt securities held to maturity	2	39.245	24.251
Total fixed assets		51.761	28.343
Total assets		69.742	93.944

OPENSHOP HOLDING AG, ULM, GERMANY

CONSOLIDATED BALANCE SHEETS FOR THE YEARS ENDED

DECEMBER 31, 2001 AND 2000

(in thousands of EURO or TEUR)

LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term amounts payable to banks	12	579	44
Trade payables		1.637	1.793
Payroll-related accruals and liabilities	4	2.300	822
Tax-related liabilities		609	788
Other accruals and liabilities	4, 5	2.703	1.044
Deferred income		1.110	965
Total current liabilities		8.938	5.456
Long-term debt to banks less current portion	6	0	46
Total long term liabilities		0	46
Total liabilities		8.938	5.502
Commitments and contingencies			
Shareholders' equity			
Common stock	9	9.500	9.500
Additional paid-in capital	9	94.942	94.942
Accumulated deficit		-41.855	-15.719
Accumulated other comprehensive loss	2	-543	-281
Treasury stock	9	-1.240	0
Total shareholders' equity		60.804	88.442
Total liabilities and shareholders' equity		69.742	93.944

The accompanying notes are an integral part of these consolidated financial statements.

OPENSHOP HOLDING AG, ULM, GERMANY

CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

(in thousands of EURO or TEUR)	Notes No.	2001 TEUR	2000 TEUR
Revenues	2, 12, 14	3.528	6.567
Thereof with related parties TEUR 468 in 2001 and TEUR 2,020 in 2000 respectively			
Cost of sales		-1.362	-1.490
Gross profit		2.166	5.077
Selling expenses		-12.604	-9.595
General and administrative expenses		-4.643	-4.219
Goodwill amortization	2	-228	-144
Research and development costs	2	-9.601	-3.727
Restructuring expense	4	-3.140	0
Asset impairment charges	2, 4	-1.177	0
Operating loss	14	-29.227	-12.608
Interest income		3.630	3.196
Interest expenses		-192	-262
Loss from associated companies	3	-921	-390
Other non-operating income and expenses	3	574	246
Loss before taxes and extraordinary expenses		-26.136	-9.818
Income taxes	2, 8	0	0
Net loss before extraordinary expense		-26.136	-9.818
Extraordinary item:			
Losses on early extinguishment of debt, net of tax 0	10	0	-113
Net loss		-26.136	-9.931
Loss per share:			
Basic and diluted			
Income before extraordinary item	9, 11	-2,75	-1,08
Extraordinary item	10	0,00	-0,01
Net loss	9, 11	-2,75	-1,09
Weighted average number of shares outstanding:			
Basic and diluted	9, 11	9.500.000	9.070.915

The accompanying notes are an integral part of these consolidated financial statements.

OPENSHOP HOLDING AG, ULM, GERMANY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

(in thousands of EURO or TEUR)	2001 TEUR	2000 TEUR
Cash flow from operating activities:		
Net loss	-26.136	-9.931
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	1.529	809
Asset impairment charges	1.177	0
Loss from associated companies	921	390
Loss from the diposal of investments	150	0
Amortized interest of debt securities net	191	53
Loss from the disposal of fixed assets	283	6
Loss on early extinguishment of debt	0	113
Loss from increase in valuation allowance on accounts receivable	938	0
Loss from accounts due from other group companies	409	0
Changes in operating assets and liabilities:		
Accounts receivable	155	-786
Work in progress	457	-493
Inventories	-504	-397
Prepayments	-8	152
Prepaid expenses and other current assets	-590	-2.618
Trade payables	-418	909
Personnel-related accruals and liabilities	1.478	620
Taxes payable	-179	609
Current liabilities due to shareholders	-280	0
Other accruals and liabilities	1.938	639
Deferred income	145	-1.255
Net cash used in operating activities	-18.344	-11.180
Cash flow from investing activities:		
Purchase of PSS GmbH, net of cash acquired	0	-535
Purchase of property and equipment	-923	-1.433
Purchase of investments	0	-150
Sale of debt securities	25.625	0
Purchase of marketable debt securities	-15.185	-49.928
Purchase of certificate of deposit	-10.226	0
Purchase of shares in associated companies	0	-1.311
Purchase of intangible assets	-1.184	-861
Advances paid on intangible assets	0	-57
Net cash used in investing activities	-1.893	-54.275

Cash flow from financing activities:		
Cash received from short-term debt to banks	535	0
Repayments of short-term debt to banks	0	-138
Repayments of long-term debt to banks	-46	-619
Repayments of long-term debt to shareholders	0	-767
Repayments of silent partnership	0	-2.414
Cash received from shareholders	0	95.064
Purchase of treasury stock	-1.240	0
Net cash used (provided) by financing activities	-751	91.126
Effect of exchange rate changes on cash and cash equivalents	0	2
Increase (decrease) in cash and cash equivalents	-20.988	25.673
Cash and cash equivalents at the beginning of the year	32.453	6.780
Cash and cash equivalents at the end of the year	11.465	32.453
Supplemental cash flow information		
Cash payments for:		
Interest	5	576
Taxes on income	0	0

The accompanying notes are an integral part of these consolidated financial statements.

OPENSHOP HOLDING AG, ULM, GERMANY

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000

(in thousands of EURO or TEUR)	Common stock Number	TEUR	Additional paid-in capital TEUR	Treasury stock TEUR	Accumulated deficit TEUR	Accumulated Other Compreh. Loss TEUR	Total TEUR	Compreh. loss TEUR
Balance of Holding at December 31, 1999	**1.892.279**	**1.892**	**7.485**	**0**	**-5.788**	**-149**	**3.440**	
Issuance of shares from additional paid in capital	5.676.837	5.677	-5.677	0	0	0	0	
Issuance of shares	1.930.884	1.931	102.337	0	0	0	104.268	
Cost directly related to issuance of shares		0	-9.203	0	0	0	-9.203	
Net loss		0	0	0	-9.931	0	-9.931	-9.931
Foreign currency translation adjustment		0	0	0	0	-132	-132	-132
Comprehensive loss								**-10.063**
Balance at December 31, 2000	**9.500.000**	**9.500**	**94.942**	**0**	**-15.719**	**-281**	**88.442**	
Treasury stock purchased	0	0	0	-1.240	0	0	-1.240	
Net loss	0	0	0	0	-26.136	0	-26.136	-26.136
Foreign currency translation adjustment	0	0	0	0	0	-262	-262	-262
Comprehensive loss								**-26.398**
Balance at December 31, 2001	**9.500.000**	**9.500**	**94.942**	**-1.240**	**-41.855**	**-543**	**60.804**	

The accompanying notes are an integral part of these consolidated financial statements.

OpenShop Holding AG, Ulm, Germany

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY

The Company was founded in November 1998 as ZARO Vermögensverwaltung AG, Ebersbach/Fils, Germany. It was subsequently renamed OpenShop Holding AG (hereinafter referred to as “OpenShop AG” or “the Company”) and moved its statutory seat to Ulm, Germany.

OpenShop Internet Software GmbH, München, Germany, (hereinafter referred to as “OpenShop GmbH”) was founded on April 20, 1998, as a company with limited liability. On September 14, 1998, the shareholders of OpenShop GmbH founded OpenShop Internet Software Inc., a U.S. stock corporation with its statutory seat in Wilmington, Delaware, USA (hereinafter referred to as “OpenShop Inc.”). OpenShop AG purchased all shares in OpenShop Inc. for their nominal value as of December 11, 1998.

On May 26, 2000, the Company acquired all shares in PSS Informationssysteme GmbH, Neu-Ulm, Germany (hereinafter referred to as “PSS GmbH”) in exchange for cash.

On September 8, 2000, the company founded the OpenShop Capital GmbH, Ulm, Germany (hereinafter referred to as “Capital GmbH“).

OpenShop AG, OpenShop GmbH, OpenShop Inc., Capital GmbH and PSS GmbH are together referred to as OpenShop or the Group.

OpenShop designs, develops and sells software solutions for internet-based business concepts. In doing so, OpenShop endeavors to provide its customers with tailor-made, yet integrated and holistic eBusiness strategy advice, which is followed by specific concepts for implementation. For this purpose, OpenShop uses an open, scalable eBusiness platform which can be added to customizable standard applications. This allows complete business processes to be implemented, from eSales and eProcurement, market places and ASP platforms to collaboration projects (process optimization across company and location boundaries, particularly where corporate structures are decentralized), supply chains and internet-based distribution applications. In this way, the products and services offered by OpenShop support a great many corporate eBusiness processes. The services offered by OpenShop range from software development and sales via technical and organizational advice, training, maintenance, support and operation to systems integration and consulting. Since this financial year OpenShop offers logistics solutions which range from business process consulting to the development and implementation of IT solutions for specific distribution tasks.

OpenShop AG has been listed at the Frankfurt Stock Exchange in the segment Neuer Markt since March 21, 2000.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying consolidated financial statements are stated in thousands of Euro ("TEUR"), except share and per share data. All prior year amounts were restated from TDM in TEUR using the Official Fixed Conversion Rate of EUR 1.00 = DM 1.95583.

Basis of consolidation

The accompanying consolidated financial statements include the financial statements of OpenShop AG and the companies in which OpenShop AG controls, by nature of holding a majority of the voting shares. Participations in which the company exercises a significant but not controlling influence – generally companies in which a holding of 20% to 50% is held – are consolidated as associated companies using the equity method. Companies in which the Company has a holding of less than 20 % are recorded at acquisition cost. All material intercompany accounts and transactions have been eliminated.

Consolidation group

The consolidated financial statements of the Company include the four subsidiaries in which the Company holds all of the voting rights. The following table lists the consolidated subsidiaries (amounts according to US-GAAP):

Name and Seat	Share in %	Equity Dec. 31, 2001 TEUR	Equity Dec. 31, 2000 TEUR	Net loss 2001 TEUR	Net income/loss 2000 TEUR
OpenShop GmbH, Munich	100.0	-1,947	-10,934	-13,970	-7,446
OpenShop Inc., USA	100.0	-5,493	-3,103	-1,848	-1,807
Capital GmbH, Ulm	100.0	99	99	0	-1
PSS GmbH, New Ulm	100.0	-286	-380	-104	108

Capital GmbH was founded on September 8, 2000, OpenShop GmbH on April 20, 1998 and OpenShop Inc. on September 14, 1998. During 2000, OpenShop GmbH and the Company entered into a profit and loss agreement. The equity of OpenShop GmbH is shown before the effects of this agreement.

As part of restructuring, the operative business of OpenShop Inc. was reduced within 2001. Nevertheless, OpenShop Inc. remains in the group as a subsidiary.

Investments in associated companies represented in the financial year 2000 the 25.1% investment in b-gate AG, Munich. Shares in earnings or losses were reported as additions to or reductions in the carrying value of the investment and reported currently in the consolidated statements of operations under the caption “Loss from associated companies”.

The OpenShop GmbH also held in the financial year 2000 a further 19.9% stake in b-gate AG, Munich. This further holding was being accounted for using the cost method and was classified as “other investment” in the balance sheet, as the OpenShop GmbH was obligated to sell this 19.9% stake and the investment was only temporary. See also Note 3 ‘ Acquisitions’.

Use of Estimates

The preparation of financial statements in conformity with US-GAAP requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition

OpenShop generates revenues from eSuccess – partner contracts, licensing the rights to use its software products to cooperation partners and indirectly through sublicense fees from resellers. The Group also generates revenues from the sale of professional services and maintenance.

Sales relating to the sale of standard software which are not connected with significant customizing projects are recognized upon transfer of title to the software, if

- persuasive evidence of an arrangement exists,
- delivery has occurred,
- the fee is fixed or determinable, and
- collectability is probable.

Sales to resellers include a stock rotation agreement which enables returns for a 30 day period in the event of the release of a new version. These revenues are recognized upon the earlier of the resale of the products by the reseller to the customer or upon expiration of the return period.

Revenue from professional services is primarily related to implementation and installation services performed under separate service agreements. Revenues from professional services are recognized as the services are performed.

If a license arrangement includes both software and service elements ("multiple element arrangement"), the license fee is allocated to services and other elements of the arrangement based on their relative fair value as established by independent sale of the respective elements to customers ("vendor specific objective evidence"). The resulting license fees allocated to the software are recognized upon delivery if the software provided that the services are not essential to the functionality of the software; the services exclude significant customization or modification of the software and the payment terms for the software are not subject to acceptance criteria.

For situations in which vendor specific evidence of fair value is not available, all revenues are deferred until such time, when such fair value exists or until the only undelivered element is professional services or support. Revenues are realized as the services are performed.

In cases where the license fee payments are contingent upon the performance of services or the services include software customization or modification, revenues from both the license and service elements are deferred and generally recognized under the percentage of completion method of accounting as the services are performed. Percentage-of-completion is measured principally by the percentage of costs incurred and accrued to date for each contract to the estimated total costs for each contract at completion.

However, in situations, when reliable estimates of progress to completion and estimated costs to be incurred can not be made, the completed contract method is used. There were no such contracts during the years ended December 31, 2001 and 2000.

Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. In forecasting ultimate profitability on certain contracts, estimated recoveries are included for work performed under customer change orders to contracts for which firm prices have not yet been negotiated. Due to uncertainties inherent in the estimation process, it is reasonably possible that completion costs, including those arising from contract penalty provisions and final contract settlements, will be revised in the near-term. Such revisions to costs and income are recognized in the period in which the revisions are determined.

Maintenance revenue is recognized ratably over the term of the maintenance period. Sometimes the maintenance is included free or at a discount in a software license arrangement. In these cases these amounts are segregated from the software license fees and recognized ratably over the maintenance period based on their fair value as established by independent sale of maintenance to customers.

On October 18, 1999, the Company signed an unlimited software license and cooperation agreement ("subscription") with Bäurer AG, Hüfingen, (hereinafter referred to as "Bäurer") in the amount of TEUR 2,556 of which TEUR 1,469 (net) was received in 2000 and TEUR 1,087 (net) was received in 1999. The Company was recognizing the revenues under this agreement over the term of the contract until June 30, 2000, on a straight-line basis. In 2000 the Company has recognized TEUR 1,799 out of this agreement. To support this cooperation Bäurer purchased before the initial public offering 175,373 shares in the Company on October 18 and on December 20, 1999, at their estimated aggregate fair value of TEUR 998. The Company did not recognize any revenues out of this contract in the financial year 2001. The agreement was mutually dissolved on December 19, 2001. Bäurer sold all of its holdings in OpenShop AG during 2001.

On December 30, 1999, the Company signed an unlimited software license and cooperation agreement ("subscription") with Lexware GmbH & Co. KG, Freiburg im Breisgau (hereinafter referred to as "Lexware"). Under this agreement the Company received an up-front-fee of TEUR 665 and in addition beginning from 2001 license fees depending on the number of installations by the customer. The up-front-fee included the fee for the unlimited software license (TEUR 409) as well as additional development, integration and customizing (TEUR 256) of this software. For 2001 a minimum license fee of TEUR 256 is agreed of which 20% can be transferred to 2002 by Lexware. For the first half year in 2002 a minimum licence fee of TEUR 127 and for the second half year in 2002 a minimum license fee of TEUR 256 is agreed of which 20% can be transferred to 2003. The Company is recognizing the up-front-fee from this agreement over the term of the contract of 3 years on a straight-line basis. During 2000 the company recognized TEUR 221 as revenue. The license fee is recognized as incurred. The minimum license fee is recognized after the end of each corresponding guarantee period.
In 2001 the Company has recognized TEUR 425 of revenues out of this agreement. The residual TEUR 273 of revenues are presented as deferred revenues as of December 31, 2001. In 2001 the Company has received TEUR 383 payments out of this contract. To support this cooperation the parent company of Lexware, Rudolf Haufe Verlag GmbH & Co. KG, Freiburg im Breisgau (hereinafter referred to as "Haufe") purchased before the initial public offering 60,999 shares in the Company on December 20, 1999, at their estimated aggregate fair value of TEUR 2,045.

In fiscal year 2001, OpenShop recorded sales revenue of TEUR 747 from the sale of licenses to customers from whom services, internally used software and licenses for resale were purchased in return. The sale of licenses and the purchase of services and software was recognized at fair values and carried out in different lines of business or segments respectively.

Foreign currency translation

Since January 1, 1999, the EURO has been legal tender parallel to the local currencies of the participating countries at a fixed exchange rate. The fixed exchange rate is DM 1.95583 for EUR 1.00. In the transitional phase until December 31, 2001, there is an option to keep the books in the local currency or in EURO. The Company converted its capital to EURO as of June 1999. Since October 2001 the Company keeps its books in EURO. All prior year and current year amounts before October 2001 were restated using the above mentioned exchange rate.

The functional currency of each of the Company's subsidiaries is the local currency in which each subsidiary is located. Assets and liabilities denominated in foreign currencies are translated at rates of exchange in effect at the balance sheet date. Revenues and expenses are translated at average rates of exchange in effect during the year. Differences arising from the translation are recorded to accumulated other comprehensive income (loss). Transactions in foreign currencies are translated at the exchange rate in effect at the date of each transaction

Differences in exchange rates during the period between the date a transaction denominated in a foreign currency is consummated and the date on which it is either settled or translated for inclusion in a consolidated balance sheet are recognized in the statement of operations and are included in "Other income and expenses" for that period. The foreign currency exchange gain recognized in the statement of operations for the year ended December 31, 2001 was TEUR 238 (2000: TEUR 153).

Cash and cash equivalents

Cash on hand and bank deposits with original maturities of three months or less are considered to be cash and cash equivalents. The cost of these investments approximates fair value.

Accounts receivable

Accounts receivable are stated at the lower of cost or net realizable value as of the balance sheet date. Receivables with recognizable risks are provided for by adequate allowances, while uncollectible receivables are written off.

The Company performs ongoing credit evaluations to reduce credit risk and requires no collateral from its customers. Management estimates the allowance for uncollectible accounts based on historical experience and credit evaluation.

Work in process

Work in process represents mainly deferred costs in connection with the agreement with „Lexware". See "Revenue recognition".

Inventories

In the fiscal years 2001 and 2000 inventories only of purchased licenses. Licenses in connection with the new 'Logistics' segment on hand as of December 31, 2001 are to be resold to customers in the course of customers projects. Inventories are stated at the lower of cost or market.

Prepayments

Prepayments are stated at the lower of cost or net realizable value.

Other investments

Other investments included a 19.9% holding in b-gate AG, Munich, in the prior years. The Company accounts for other investments at cost.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation. Depreciation is determined according to the straight-line method. The useful lives used for property and equipment range from 3 – 10 years, for hardware 5 years. Refer to the statement of fixed assets for further details.

Impairment of long-lived assets

The Company periodically evaluates the recoverability of the carrying amount of its long-lived assets in accordance with Statement of Financial Accounting Standard (SFAS) No. 121, “Accounting for the Impairment of Long-Lived Assets and for Long-lived Assets to Be Disposed Of.” Whenever events or changes in circumstances indicate that the carrying amounts of those assets may not be recoverable over the remaining amortization period, the Company will compare the estimated undiscounted cash flows expected to be generated by those assets with the assets’ carrying amounts. To the extent that these cash flows are less than the carrying amounts of the assets, the Company will record impairment losses to write the assets down to their respective fair values.

For the year ended December 31, 2001, the Company recognized impairments of goodwill, purchased software and property and equipment totaling TEUR 1,177, recorded as asset impairment charges in the accompanying statement of operations and reflected as loss from impairment in the accompanying ‘Statement of fixed Assets’.

Shares in associated companies

Shares in associated companies included a 25,1 % holding in b-gate AG, Munich, in the prior year.

Certificate of deposit

The certificate of deposit is stated at amortized cost. It is issued from the Landesbank Baden-Württemberg. Its acquisition cost of TEUR 10,226 equals its face value. The certificate of deposit with an interest rate of 4.47% matures on March 21, 2003. It is not for sale before its date of mature.

Debt securities

Held to maturity securities are stated at amortized cost other than intemporary impairments. Unrealized holding losses classified as permanent are recorded in earnings. Realized gains and losses are recorded as earnings and computed on an item by item basis.

Debt securities include the following items:

Name of issuer	Interest %	Mature Date	Acquisition Cost TEUR	Face Value TEUR	Amortized Book Value TEUR
Rheinische Hypothekenbank	5.50	05/02/2002	24,391	24,000	24,063
Deutsche Bank Bond	4.75	06/24/2002	5,137	5,113	5,133
DaimlerChrysler Bond	5.50	03/21/2003	10,049	10,000	10,049
			39,577	39,113	39,245

The Company intends and is in a position to hold the debt securities until they mature.

Purchased software and trademarks

Purchased software and trademarks are stated at cost and depreciated using the straight-line method over the estimated useful life of the software or the trademark. The useful life is generally 2 - 4 years. We refer to the accompanying ‚Statement of fixed assets'.

Software development costs and research and development costs

The Company accounts for internally generated software development costs in accordance with Statement of Financial Accounting Standards ("SFAS") No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed." Capitalization of software development costs begins upon the establishment of technological feasibility of the product, which the Company defines as the completion of a Betaversion. The establishment of technological feasibility and the ongoing assessment of the recoverability of these costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, anticipated future gross product revenue, estimated economic life and changes in technology. Such costs are reported at the lower of unamortized cost or net realizable value. To date, internal software development costs that were eligible for capitalization have not been significant, and the Company has charged all software development costs to research and development expense as incurred.

Research and development costs for general purposes are expensed as incurred.

Advertising Costs

Advertising costs are expensed as incurred. For the fiscal year ended at December 31, 2001, and 2000 the company incurred costs of TEUR 956 and TEUR 2,442, respectively.

Income Taxes

The Group utilizes the liability method of accounting for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes". Under the liability method, deferred taxes are determined based on the differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are recorded to reduce deferred tax assets when it is more likely than not that a tax benefit will not be realized.

In Germany, until the tax law was changed on October 23, 2000, income was taxed at two different rates. A higher „undistributed" tax rate is applied to income generated but not distributed to shareholders.

Due to the new law, effective October 23, 2000, all income will be taxed at one rate beginning January 1, 2001. Accordingly, the Group has applied this enacted rate when measuring deferred tax assets and liabilities as of December 31, 2000.

Stock based compensation

Statement of Financial Accounting Standards ("SFAS") No. 123 "Accounting for Stock-Based Compensation", established accounting and disclosure requirements using a fair value based method of accounting for stock-based employee compensation plans. Nevertheless, in accordance with the provisions of SFAS No. 123, the Company has elected to account for stock-based awards issued to employees using the intrinsic value method prescribed in

Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees". Accordingly, compensation cost for stock based awards granted to employees is measured as the excess of the market value of the Company's stock on the measurement date over the amount an employee must pay to acquire the stock.

For stock-based employee compensation awards in which all terms are fixed on the date of grant, the intrinsic value of the options is measured on the basis of the estimated fair market value of the Company's common stock on that date. The intrinsic value of awards in which some of the award terms are dependent upon future events (a "variable award") is measured each reporting period based on the estimated fair market value of the Company's stock at the end of each reporting period until all terms under the award become known. Compensation expense for either type of award is recognized over the employees' service period, which is generally equivalent to the vesting period of the award.

The Company has adopted the disclosure requirements of SFAS No. 123.

Other comprehensive income (loss)

SFAS No. 130, "Reporting Comprehensive Income", establishes rules for the reporting of comprehensive income and its components. Comprehensive income (loss) is defined as all changes in equity from non-owner sources. For the Company, comprehensive income (loss) consists of net losses and changes in the cumulative foreign currency translation adjustments. The Company reports comprehensive income (loss) in the consolidated statement of shareholders' equity.

Derivative financial instruments and hedging activities

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities". SFAS No. 133 established accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured its fair value. SFAS No. 133 also required that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met and that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. The Company adopted SFAS No. 133 on January 1, 2001.

The Company doesn't use derivative financial instruments or embedded derivatives. Accordingly, no transition accounting adjustments for derivatives according to SFAS No. 133 were necessary as of January 1, 2001.

New U.S. accounting standards

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141 (SFAS 141), "Business Combinations", and Statement of Financial Accounting Standards No. 142 (SFAS 142), "Goodwill and Other Intangible Assets". SFAS 141 requires the use of the purchase method of accounting for all business combinations initiated after June 30, 2001. Additionally, it is likely that more intangible assets will be recognized under SFAS 141 than its predecessor, APB Opinion (APB) No.16, although in some instances previously recognized intangibles will be included as part of goodwill. SFAS 141 requires that upon adoption of SFAS 142, that companies reclassify the carrying amounts of certain intangible assets and goodwill based on the criteria of SFAS 141.

Under SFAS 142, goodwill will no longer be amortized, but will be tested for impairment on an annual basis and whenever indicators of impairment arise. Additionally, goodwill on equity method investments will no longer be amortized; however, it will continue to be tested for impairment in accordance with APB No. 18, "The Equity Method of Accounting for Investments in Common Stock". Under SFAS 142, intangible assets with indefinite lives will not be amortized. Instead they will be carried at the lower cost or market value and tested for impairment at least annually. All other recognized intangible assets will continue to be amortized over their estimated useful lives.

SFAS 142 is effective for fiscal years beginning after December 15, 2001, although goodwill on business combinations consummated after July 1, 2001 is not amortized. Upon adoption, all goodwill and indefinite lived intangible assets must be tested for impairment and a cumulative effect adjustment to net income recognized at that time.

The Company plans to adopt SFAS 142 on January 1, 2002 and does not anticipate that the adoption of SFAS 142 will have a material impact on its results of operations, financial position or cash flow.

In June 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143). SFAS 143 establishes accounting requirements for retirement obligations associated with tangible long-lived assets, including (1) the timing of the liability recognition, (2) initial measurement of the liability, (3) allocation of asset retirement cost to expense, (4) subsequent measurement of the liability and (5) financial statement disclosures. SFAS 143 requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and depreciated over the life of the associated fixed asset. An entity shall measure changes in the liability for an asset retirement obligation due to passage of time by applying an interest method of allocation to the amount of the liability at the beginning of the period. The interest rate used to measure that change shall be the credit-adjusted risk-free rate that existed when the liability was initially measured. That amount shall be recognized as an increase in the carrying amount of the liability and as an expense classified as an operating item in the statement of income. SFAS 143 is effective for fiscal years beginning after June 15, 2002, with early application encouraged.

The Company will adopt SFAS 143 on January 1, 2003, however it does not anticipate that adoption of SFAS 143 will have a material impact on its results of operations, its financial position or its cash flows.

In August 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" (SFAS 144). SFAS 144 establishes a single accounting model for long-lived assets to be disposed of by sale consistent with the fundamental provisions of SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of". While it supersedes portions of APB Opinion 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions", it retains the discontinued operations presentation, yet it broadens that presentation to include a component of an entity (rather than a segment of a business). However, discontinued operations are no longer recorded at net realizable value and future operating losses are no longer recognized before they occur. SFAS 144 also establishes criteria for determining when an asset should be treated as held for sale.

SFAS 144 is effective for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years, with early application encouraged. The provisions of SFAS 144 are generally to be applied prospectively.

The Company expects to adopt SFAS 144 on January 1, 2002 and has yet not determined the impact that it will have on its results of operations, financial position or cash flows.

3. ACQUISITIONS

On May 26, 2000 the company acquired all shares in PSS GmbH. The purchase price totaling TEUR 535 comprised a fixed portion of TEUR 255, which was paid on May 30, 2000, and a variable portion of TEUR 280. The variable purchase price portion was determined on the basis of the result and the sales of PSS GmbH in the period from April 1, 2000 to December 31, 2000 and the sales which the old shareholders of PSS GmbH acquired for the company in this period. The variable purchase price was due 10 banking days after the ratification of the audited financial statements of PSS GmbH. In financial year 2001, the Company received a prepayment of a portion of the purchase price in the amount of TEUR 46 and the final purchase price was settled with an amount of TEUR 489. The acquisition of PSS GmbH was recorded using the purchase method for business combinations.

According to the purchase method, the purchase price is allocated to the assets and liabilities of the acquired company on the basis of their estimated market value.

The portion of the purchase price in excess of the market value of the purchased net assets was recorded as goodwill.

The following table shows the allocation of the purchase price:

	TEUR
Current assets and other tangible assets	560
Liabilities	-1,003
Goodwill	932
	489

The final Goodwill of TEUR 932 was being amortized over an estimated useful life of five years on a straight-line basis. The Goodwill has been written off in fiscal year 2001, we refer to Note 2, “Impairment of Long Lived Assets”. Beginning May 26, 2000, the results of ordinary activities of PSS GmbH are included in the consolidated statement of operations.

The following table shows the unaudited pro forma figures for 2000 assuming that PSS Informationssysteme GmbH was acquired as of January 1, 2000:

	Dec. 31, 2000 (unaudited)
Net revenues (TEUR)	6,678
Net loss (TEUR)	-10,149
Basic and diluted loss per share (in EUR)	-1.12

In the financial year 2000 OpenShop GmbH acquired 45% of the shares in defod Neunundsechzigste Vermögensverwaltungs AG, Berlin. By resolution of the extraordinary shareholders' meeting on May 24, 2000, the articles of incorporation were amended, defod Neunundsechzigste Vermögensverwaltungs AG, Berlin, was renamed b-gate AG and its headquarters moved to Munich. Furthermore, its common stock was increased by a payment in cash from TEUR 50 by TEUR 700 to TEUR 750.

OpenShop GmbH had undertaken to sell 19.9% of the shares in b-gate AG, Munich, to a trustee at face value directly after the registration of the capital increase. This had not been done. Instead, OpenShop GmbH itself managed the 19.9% shares on a trust basis.

On September 14, 2000 the company made a contribution of TEUR 1,121 to the additional paid-in capital of b-gate AG, Munich, as part of the purchase agreement. The contribution to additional paid-in capital was allocated to the 25.1% investment and increased the acquisition costs accordingly. The acquisition costs of the 25.1% participation in b-gate AG thus added up to TEUR 1.311. The acquisition costs of the 19.9% investment in b-gate AG amounted to TEUR 149.

Via b-gate AG, OpenShop GmbH in cooperation with other partners planed to combine complementary competencies in a single company to be able to develop and offer products and services which none of those involved would be able to develop alone with the same degree of efficiency. The objective of the group was to act, particularly in the B2B, as a broker for service auctions, marketplaces, ERP functions that could be called up via the Internet, etc.

The OpenShop GmbH sold the 25.1% investment as well as the 19.9% stake in b-gate AG to Bäurer AG, Hüfingen, for a purchase price of EUR 1 in fiscal year 2001. This sale resulted in a loss of TEUR 921 and is reflected as "loss from associated companies" in the accompanying statements of operations, and in a loss of TEUR 149, which is reflected as "other expenses" in the accompanying statements of operations.

4. RESTRUCTURING COSTS AND ASSET IMPAIRMENT CHARGES

In fiscal 2001, reorganization costs were incurred in the group, due both to the discontinuation of business in the USA and to ongoing activities in Germany. The reorganization costs result from severance payments to employees and the continued payment of salaries to employees made redundant, as well as from tenancy agreements for unused premises.

In an initial phase, 10 employees in the USA and 28 employees in Germany were shed as of June 30, 2001 followed by a further 63 in Germany at year end. The total cost resulting from severance payments and the continued payment of salaries comes to TEUR 2,330. At year-end, severance payments totaling TEUR 1,099 had been paid out, and so accruals of TEUR 1,231 have been set up for outstanding severance pay and continued payment of salaries. The payments outstanding are expected to be made in the first half of 2002.

In addition, the Company has set up an accrual of TEUR 810 for rental obligations of unused premises. The resulting payments are expected to be made in the next four years.

In addition the Company recorded impairment losses of assets in the total amount of TEUR 1,177. The impairment loss of assets consists of TEUR 133 for hardware, TEUR 89 for unused office equipment, TEUR 309 on software, mainly on software for research and development, and TEUR 646 on goodwill stemming from the purchase of PSS GmbH. The impairment losses are a direct result of the restructuring plan. Based on the change of the business strategy , the Company does not expect any further positive cash flows out of the PSS GmbH.

5. OTHER ACCRUALS AND LIABILITIES

Other accruals and liabilities are generally comprised of liabilities for wage and church tax and social security contributions as well as accruals for lease costs, the shareholders annual meeting and outstanding invoices.

6. LONG-TERM DEBT

The following is a summary of long-term debt:

	December 31	
	2001	2000
	TEUR	TEUR
Secured loans		
Sparkasse Neu-Ulm, bank loan	6	46
Non current portion	0	46

The annuity of TEUR 6 with an interest rate of 3,95% is secured through a guarantee from the former shareholder of PSS.

All liabilities are due within one year.

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of cash and cash equivalents, debt securities, certificate of deposite, accounts receivable, trade payables and long-term debt is based on current rates and approximates their fair value.

8. TAXES ON INCOME

Through the tax year ended December 31, 2000, German corporate tax law contains a split-rate calculation with regard to the taxation of the income of a corporation. Specifically, undistributed domestic corporate income is subject to a federal corporate income tax of 40% plus a solidarity surcharge of 5.5% on federal corporate income taxes. Including the effect of the surcharge, the federal corporate income tax rate is 42.2%. Distributed domestic corporate income is subject to a federal corporate income tax of 30%, plus the solidarity charge described above.

In October 23, 2000, the new tax law for corporate income taxes was enacted which reduces the effective income tax rate for all corporations from 40% to 25% for fiscal periods starting at or subsequent to January 1, 2001. The reduced tax rate for distributed earnings was abolished. For German companies, deferred taxes have been calculated using the new federal tax rate of 25% plus the solidarity surcharge and the after federal tax benefit rate for trade tax beginning December 31, 2000.

OpenShop calculated deferred taxes using an effective corporate income tax rate of 26.375% including a solidarity surcharge of 5.5% plus the after federal tax benefit rate for trade tax of 12.27%.

A reconciliation of income taxes determined using the effective German corporate income tax rate of 26.375% (2000: 42.2%) plus an effective federal tax rate for trade taxes on income of 12.27% (2000: 9.6%) for a combined statutory rate of 38.7% in 2001 (2000: 51.8%) is as follows:

	2001 TEUR	2000 TEUR
Expected benefit for corporate income taxes	10,115	5,144
Foreign tax rate differential	67	-289
Changes in valuation allowance on deferred tax assets	-9,819	-6,704
Changes in tax rates	0	2,455
Amortization of non-tax-deductible goodwill	-338	-75
Income/expenses not subject to tax	-18	-79
Other	-7	-452
Actual benefit (provision) for income taxes	0	0

The provision for income taxes consists of the following:

	For the year ended December 31,					
	Germany		USA		Total	
	2001 TEUR	2000 TEUR	2001 TEUR	2000 TEUR	2001 TEUR	2000 TEUR
Deferred tax assets						
• Net operating loss carryforward	16,919	8,355	2,077	1,339	18,996	9,694
• Deferred income	360	341	0	0	360	341
• Other	511	0	0	0	511	0
Total deferred tax assets	17,790	8,696	2,077	1,339	19,867	10,035
Deferred tax liabilities						
• Prepayments	-225	0	0	0	-225	0
• Work in process	-60	-245	0	0	-60	-245
• Other	-53	-80	0	0	-53	-80
Total deferred tax liabilities	-338	-325	0	0	-338	-325
Total tax benefit	17,452	8,371	2,077	1,339	19,529	9,710
Less valuation allowance	-17,452	-8,371	-2,077	-1,339	-19,529	-9,710
Net deferred tax assets	0	0	0	0	0	0

Due to the limited history of business operations and the lack of profitability to date, a valuation allowance was established equivalent to the net amount of deferred tax assets.

The valuation allowance of TEUR 3,552 on the tax asset resulting from the IPO-cost will not result in an tax benefit but set off from the other paid in capital

The company has the following loss carryforwards for tax purposes under various tax regimes:

	Dec. 31, 2001 TEUR	Dec. 31, 2000 TEUR
U.S. - Federal	5,200	3,352
U.S. - State taxes	5,200	3,352
German - Income tax	43,964	21,796
German - Trade tax	43,383	21,239

Loss carryforwards for German tax do not expire.

U.S. federal and state tax loss carryforwards expire. As of December 31, 2001, 2000 and 1999, the company has net operating losses to offset from future income of approximately TEUR 1,848, TEUR 1,782 and TEUR 1,570 respectively, which expire from 2019 through 2021.

9. SHAREHOLDERS' EQUITY

Nominal value of shares

The nominal value of the share capital of OpenShop AG is EUR 1 each.

Contribution of common stock and additional paid-in capital

On March 21, 2000 the Company went public in Germany and placed its shares for trading on the Neuer Markt, a German securities trading place. The listing of these shares and the flotation itself required a series of transactions prior to the initial public offering (IPO). These transactions are explained in the following paragraphs:

By resolution of the extraordinary shareholders' meeting of February 10, 2000 the capital stock was increased by a capital increase from additional paid in capital by TEUR 5,677 to TEUR 7,569. The capital increase was effected by issuing 5,676,837 new no par value shares made out to the bearer representing the equivalent of EUR 1 per share to the shareholders of the company at a ratio of 1:3. Earnings per share information has been restated to reflect this stock split.

Besides converting all registered shares into bearer shares, it was also decided at the annual general meeting on March 2, 2000 to increase capital stock in exchange for a cash contribution of TEUR 1,931 to TEUR 9,500. The capital increase was performed by issuing 1,930,884 new bearer no par value shares with a calculated share of capital stock of EUR 1.00. The new shares were issued at an amount of EUR 1. The subscription rights of former shareholders was excluded. Salomon Brothers International Limited, London, Great Britain, was granted the right to subscribe. They took over the 1,930,884 no par values shares with the obligation to pay the difference between the proceeds of the IPO and the sales charge to the Company.

The issue price of the share upon flotation was EUR 54 per share. 2,525,884 no par value bearer shares were placed of which 595,000 units are from old shareholders and 1,930,884 from Salomon Brothers International Limited, London, Great Britain.

The costs in connection with the IPO in the amount of TEUR 9,203, net of tax of NIL, were offset directly against the additional paid-in capital.

Authorized capital

At the annual general meeting of March 2, 2000, the management board was authorized to increase the capital stock of the company, with the approval of the supervisory board, by March 20, 2005 by cash contribution or contribution in kind by up to EUR 4,750,000 by issuing new shares. The management board is authorized to preclude the statutory subscription right of the shareholders for fractional amounts and to the extent necessary to give bearers of swap or subscription rights issued by the company a subscription rights to the new shares to the extent to which they would be entitled after exercising such swap or subscription rights. The management board was also authorized, with the approval of the supervisory board, to preclude the subscription right of the shareholders for capital increases in exchange for cash contributions up to a maximum of 10% of the existing capital stock of the company upon the first exercise of the authorized capital provided the issue amount of the new shares does not fall materially short of the listed price of the listed shares in the same category. The management board is further authorized, with the approval of the supervisory board, to preclude the subscription rights of the shareholders for capital increases with contributions in kind for a maximum of 20% of the capital stock of the company available upon exercise of the authorized capital provided the capital increases with contributions in kind for the purpose of acquiring companies or investments in companies.

Contingent capital

The capital stock of the Company was conditionally increased by shareholder resolution of March 2, 2000 by EUR 756,911 by issuing 756,911 no par value shares made out to the bearer. The contingent increase in capital serves to grant option rights to members of the board and employees of the company as well as members of management and employees of affiliated enterprises. The contingent capital increase is only carried out to the extent that holders of issued option rights make use of them. The new shares participate in the profit from the beginning of each fiscal year in the course of which they originate as a result of an exercise of option rights.

Treasury stock

By resolution of the shareholders' meeting of June 12, 2001, the management board of the Company was authorized pursuant to sec. 71 (1) no. 8 AktG to acquire shares of the company in the period until December 12, 2002, with the consent of the supervisory board, once or several times for purposes other than trading with own shares and, even after that point in time, observing the principles of equal treatment of shareholders or as consideration for the purchase of companies or interests in companies, to resell them as a whole or in parts or to redeem them without further resolution by the shareholders' meeting.

The stock acquired must not exceed a total share of 10% of the common stock of the company at the time this authorization was made. The amount paid by the Company for the acquisition of each share must be no more than 10% lower than the average closing price of the Company's stock in electronic trading on the Frankfurt Stock Exchange in the ten trading days prior to acquisition. The shareholders' preemption right on the stock acquired shall be excluded if the stock is to be sold as counter-performance for the acquisition of companies or participations in companies. If such a sale is made, the amount received from the sale of each share must be no more than 10% higher or lower than the average closing price of the Company's stock in electronic trading on the Frankfurt Stock Exchange in the ten trading days prior to the obligation to purchase becoming effective.

On December 13, 2001, acquired 107,901 own shares for an acquisition cost of EUR 713,911.86 (this represents EUR 107,901.00 or 1.1% of the capital stock) and on December 28, 2001 92,099 own shares for an acquisition cost of EUR 589,433.42 (this represents EUR 92,099.00 or 1.0% of the capital stock). As of December 31, 2001, the Company has 200,000 own shares representing an imputed share of capital stock of EUR 200,000.00, which is equivalent to 2.1% of the capital stock. The average purchase price was EUR 6.45. Management plans to use this shares for the purposes mentioned above.

Awards of options to employees

The Company has developed a stock option plan for employees of the company. The objectives of the plan include attracting and retaining personnel and promoting the success of the company by providing employees the opportunity to acquire common stock.

The Company is authorized to issue up to 756,911 option rights for up to the same number of no par value shares representing EUR 756,911 of capital stock.

The Company issued stock options to employees in several portions. Each Award has an expiration date of six years from the date of grant. The option rights entitle the bearer to purchase common shares in the Company at a price which is equal to 115% of the share price at the time of the issuance of the stock options. The options vest in installments of 25% each on the date of issuance after 2 through 5 years. The options become exercisable on the same dates if and only if, prior to exercise, the share price of Openshop AG achieves a value of 115% of the share price at the date of issuance.

In former financial year 2000, the Company has issued two portions of stock options to employees (Award #1, #2). In 2001 the Company issued four portions of stock options to employees (Award #3, #4, #5, #6).

At December 31, 2000, the performance criterion of appreciation in stock value for Award #1 had been met. Under APB 25, the Company has not recognized any compensation expense during the year ended December 31, 2000 and will not recognize any compensation expense for this award in the future as the strike price was equal to the fair market value on the measurement date (when the performance criterion was met).

At December 31, 2001, the performance criterion of appreciation in stock value for Award #2 through #6 had not been met. As the performance criteria (appreciation in stock value) is outside of the control of management, management cannot estimate the probability of the achievement of this criterion. The Company has not recognized compensation expense for this award as of December 31, 2001 and will not recognize compensation expense for this award in the future as the strike price will be equal to the fair market value on the measurement date (when the performance criterion is met).

Had compensation cost for these grants been determined consistent with Statement of Financial Accounting Standard No. 123, “Accounting for Stock-Based Compensation,” the Company’s net loss and loss per share would have been the following amounts:

	2001	2000
Net loss		
Pro Forma (TEUR)	-28,750	-11,076
As reported (TEUR)	-26,136	-9,931
Basic and diluted loss per share		
Pro Forma (EUR)	-3.03	-1.22
As reported (EUR)	-2.75	-1.09

Additional stock option awards are anticipated in future years.

The status of the Company’s employee stock option plans is summarized below as of December 31, 1999, 2000 and 2001:

	Award #1	Award #2	Award #3	Award #4	Award #5	Award #6
Date issued	03/20/2000	10/31/2000	03/01/2001	05/01/2001	06/01/2001	08/01/2001
Exercise Price in EUR	62.10	22.43	9.03	7.46	7.77	7.48
Weighted average fair value of options granted in EUR	53.52	13.41	5.37	3.48	3.58	3.21
Outstanding at December 31, 1999	0	0	0	0	0	0
Granted	201,177	138,363	0	0	0	0
Exercised	0	0	0	0	0	0
Forfeited	-30,651	-8,617	0	0	0	0
Outstanding at December 31, 2000	170,526	129,746	0	0	0	0
Granted	0	0	80,000	14,364	105,652	6,000
Exercised	0	0	0	0	0	0
Forfeited	-45,303	-52,114	0	0	0	0
Outstanding at December 31, 2001	125,223	77,632	80,000	14,364	105,652	6,000
Exercisable at December 31, 2001	0	0	0	0	0	0

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Award #1	Award #2	Award #3	Award #4	Award #5	Award #6
Expected term	2-5 years	2-5 years	2-5 years	2-5 years	2-5 years	2-5 years
Volatility	0%	117%	110%	79%	78%	72%
Risk-free interest rate	4.5 - 5.03	5.12 - 5.15%	4.40 - 4.53%	4.64 - 4.86%	4.50 - 4.78%	4.28 - 4.61%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The following table summarizes information about the Company's stock options at December 31, 2001:

	Options Outstanding			Options Exercisable	
	Number	Weighted Average Remaining Life	Exercise Price EUR	Number	Weighted Average Exercise Price
Award #1	125,223	1.8 years	62,10	-	-
Award #2	77,632	2.4 years	22,43	-	-
Award #3	80,000	2.8 years	9,03	-	-
Award #4	14,364	2.8 years	7,46	-	-
Award #5	105,652	2.9 years	7,77	-	-
Award #6	6,000	3.1 years	7,48	-	-

10. EXTRAORDINARY ITEM

In the period of flotation of the Company, the Technologie-Beteiligungs-Gesellschaft mbH of Deutsche Ausgleichsbank, Bonn, was entitled to demand a premium on unsecured loans issued to the Company. These loans and the respective premiums were paid with proceeds from the Company's IPO in 2000. These premiums were recorded in the accompanying consolidated statements of operations as losses on early extinguishments of debt in 2000.

11. LOSS PER SHARE

In accordance with SFAS No. 128, "Earnings per Share", basic earnings per share are calculated using income available to common shareholders divided by the weighted average of common shares outstanding during the year. Diluted earnings per share are similar to basic earnings per share except that the weighted average of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if the dilutive potential common shares, such as options, had been issued. For all periods presented, no potentially dilutive securities have been included in the calculation of diluted loss per share as such amounts would be antidilutive in periods in which a loss has been reported. The aggregate number of potential common share equivalents that have been excluded from the diluted loss per share calculation was 125,223 and 170,526 for the year ended December 31, 2001 and 2000 and related entirely to stock options.

12. RELATED PARTY TRANSACTIONS

b-gate AG, München

Openshop GmbH owned a 45% share in b-gate. The accounts due from associated companies in the prior year in the amount of TEUR 474 related to b-gate AG.

Shareholders' of Openshop AG

The following companies and people are shareholders of OpenShop AG. Beside their status as shareholder, they are involved in various types of business with the Group:

Bäurer

Bäurer is a customer of OpenShop. The Company entered into a master licensing agreement with Bäurer in 1999 which was mutually dissolved on December 19, 2001. We also refer to Note 2 'Revenue Recognition'.

The Company sold its investment in b-gate during fiscal year 2001 to Bäurer.

Haufe

In 1999 Lexware GmbH & Co. KG ("Lexware"), a company in which Haufe owns the majority of shares, has entered into a master licensing agreement with OpenShop. The Company recorded revenues in the total amount of TEUR 468 for the year ended December 31, 2001. We also refer to Note 2 'Revenue Recognition'. The company had receivables from Lexware of TEUR 297 and TEUR 512 outstanding as of December 31, 2001 and 2000 respectively.

3i Group plc.

3i Group plc., London, Great Britain, granted the Company shareholder loans of TEUR 767, which were repaid after the flotation in fiscal year 2000. Interest expenses amounted to TEUR 7 in fiscal year 2000.

Landesbank Baden-Württemberg

The Landesbank Baden-Württemberg (hereinafter refered to as LBBW) announced according to section 20 paragraph 1 AktG on October 12, 2001 that 3i Group plc. sold all its shares in OpenShop AG to LBBW. LBBW now owns more than 25% of the share capital of the Company.

Included in cash and cash equivalents in the accompanying consolidated balance sheets are TEUR 9,900 of time deposits with LBBW as of December 31, 2001. These time deposits have maturities of 3 months or less. The Company has a bank overdraft mounting to TEUR 572.

As of December 31, 2001, the Company holds an LBBW certificate of deposite amounting to TEUR 10,226.

In connection with the intended purchase of the shares of USU AG subsequent to year end, LBBW provided consulting services to the Company for business combinations. We also refer to Note 15 “Subsequent Events.” The total fees for consulting and other services provided by the LBBW amounted to TEUR 407, TEUR 169 were paid. The remaining amount of TEUR 238 is recorded as acquisition costs of the intended acquisition of USU AG in 2002.

13. COMMITMENTS AND CONTINGENCIES

Lease and rental agreements

Certain systems and equipment are leased on the basis of operating leases.

As of December 31, 2001, the annual minimum payments from lease and rental agreements are as follows:

year ended December 31,	TEUR
2002	938
2003	780
2004	536
2005	253
2006 and thereafter	0
	2,507

Expenses for all operating lease and rental agreements amounted to TEUR 1,589 for the year ended December 31, 2001, and TEUR 713 for the year ended December 31, 2000.

Long term purchase contracts

The Company concluded a long-term supply agreement with Skyva International GmbH, Ladenburg, in connection with setting up the new 'Logistics' segment. The Company agreed to purchase licenses for TEUR 1,620 from Skyva International GmbH by December 31, 2003. As of December 31, 2001 the Company had already purchased licenses totaling TEUR 900, recorded in the balance sheet under 'Inventories'. The licenses will be resold to customers in the course of customer projects.

Legal matters

The Company may be involved in lawsuits, claims, investigations and proceedings, including product liability and commercial matters which are handled and defended in the ordinary course of business. There are no such matters pending that the Company and its general counsel expect to be material in relation to the Company's business, financial position or results of operation.

14. SEGMENT AND GEOGRAPHICAL INFORMATIONS

Segment information

Due to a restructuring of the business, the Company changed its segment reporting in the financial year 2001. The prior year information is restated accordingly.

The Company is now organized under three strategic business units which represent operating segments under the criteria set forth by SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information":

- Partner Management,
- Logistic-Solutions, and
- eSolutions and Services

The "Partner Management" business unit sells standardized OpenShop products via international distribution channels. The business unit also focuses on achieving original equipment manufacturer (OEM) status for OpenShop software, and in this way open up sales channels to established hardware and software manufactures.

The "Logistic Solutions" is a new segment in the business of OpenShop. The services offered by OpenShop in its "Logistics-Solutions" business unit range from business process consulting to the development and implementation of IT solutions for specific distribution tasks. The range of services provided by OpenShop is primarily geared to companies in the automotive (particularly vehicle manufacturers and automotive component suppliers) and retail consumer product industries, as well as to logistics services providers.

The "eSolutions and Services" segment comprises all the business activities to provide procurement solutions, sales solutions, services and "Solutions & Technologies" (process platforms). In its Procurement Solutions department, OpenShop's internally developed software and consulting services provide solutions for electronically controlled procurement systems (eProcurement systems), while its Sales Solutions department provides internet-based shop solutions and market places for electronic trading. The provision of tailored solutions in the development, implementation and operation and maintenance of eBusiness and IT solutions is the main task of its "Services" department, and is especially interesting for customers who do not have the necessary expertise or resources at their disposal. Via its

“Solutions & Technologies” department, Openshop provides the process-oriented development of individual eBusiness solutions on the basis of the “Business EE” (Enterprise Edition) software.

The Company limits its segment reporting to revenues and gross profit per segment. Assets, capital expenditure, depreciation and amortization of the segments are not reported to the CEO, the chief operating decision maker of the Company. The numbers are derived from the reporting for the management of the Company. The Company assesses the development of the segments on the basis of various factors, the most important financial factor being revenues.

	Revenues December 31,		Gross profit December 31,	
	2001 TEUR	2000 TEUR	2001 TEUR	2000 TEUR
Partner Management	1,180	5,190	989	4,798
Logistic-Solutions	148	0	123	0
eSolutions and Services	2,200	1,377	1,054	279
	3,528	6,567	2,166	5,077

<u>Geographic Data</u>

The products of the Company are largely developed in Germany and sold via the Company’s own distribution structure and independent resellers in Germany, North America and Europe. Geographic information with respect to revenue, income from operations and identifiable assets is as follows:

	2001 TEUR	2000 TEUR
Revenues		
• Germany	3,260	5,654
• North America	0	49
• Europe (excluding Germany)	268	864
	3,528	6,567
Operating loss		
• Germany	-27,436	-10,969
• North America	-1,791	-1,639
	-29,227	-12,608
Long-lived assets		
• Germany	2,290	3,886
• North America	0	206
	2,290	4,092

<u>Customers</u>

For the year ended December 31, 2001, Skyva International GmbH accounted for 14% of the sales, Lexware accounted for 13% and two other customers accounted for 11% and 7%. For the year ended December 31, 2000, Bäurer accounted for 27 % of the sales and two other customers accounted for 15% and 10% of the sales.

Approximately 54% of the receivables are due from one customer.

15. SUBSEQUENT EVENTS

On December 20, 2001, the Company publicly approached the shareholders of USU AG, Möglingen, offering them the opportunity to exchange voluntarily their USU AG stock for OpenShop AG stock. The offer comprises seven company shares for five USU AG shares. The conversion offer ran for a limited period from December 20, 2001 to February 1, 2002.

The conversion offer and the exchange and transfer agreement arising on its acceptance is subject to the following condition precedent:

- This capital increase is filed with the Commercial Register of OpenShop AG.

The acquisition date relevant for the acquisition of USU AG is the day on which the capital increase is entered in the Commercial Register, as it is not until this time that the new shares of OpenShop come into being, thus consummating the acquisition.

The acquisition costs depend on the number of new shares to be issued. The new shares will be valued at the average price of the OpenShop share two days before and after November 28, 2001, when the intented acquisition was announced. The average price in that period was EUR 6.59.

The extraordinary general meeting passed a resolution raising common stock by up to EUR 8,033,720 from EUR 9,500,000 to EUR 17,533,720 by non-cash contribution. Common stock was raised by EUR 7,711,186. Landesbank Baden-Württemberg subscribed all 7,711,186 of the new bearer shares of no-par value at an issue price of 1 Euro per share and agreed to assign 5,507,990 no-par value bearer shares in USU AG, Möglingen to Openshop AG Holding AG as a non-cash contribution. The purchase price of the acquisition (neglecting incidental acquisition expenses) amounts to TEUR 50,817, which has to be allocated to the fair values of assets received and liabilities assumed as of the acquisition date according to the new SFAS 141 “Business Combinations”. See Note 2 “New U.S. accounting standards”.

16. ADDITIONAL LOCAL DISCLOSURE REQUIREMENTS

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

As a publicly listed company, the parent company makes use of the option provided by sec. 292a German Commercial Code (HGB) concerning the obligation to prepare consolidated financial statements under German law and prepares consolidated financial statements pursuant to international accounting principles.

In accordance with the interpretation by the German Standardization Committee (DRSC) in DRS 1 the consolidated financial reporting of the parent company is in line with Directive 83/349/EWG.

Differences to the HGB principles of financial reporting relate to software revenue recognition (SOP 97-2), the translation of currencies (SFAS 52), the percentage-of-completion method

(ARB 45 in conjunction with SOP 97-2), the setting off of IPO costs against emission gains without effect on income (SAB 1), as well as the amount of acquired goodwill (APB 16).

Headcount

The average number of employees in the fiscal year amounted to:

	2001	2000
Sales and Marketing	44	41
Professional Services and operations	40	27
Research and Development	58	25
Administration and Finance	23	16
	165	109

Personnel expense can be stated as follows:

	2001 TEUR	2000 TEUR
Wages and salaries	13,782	7,279
Social security and pension benefits	1,594	926
Of which for retirements benefits TEUR 14 (TEUR 6 in 2000)		
	15,376	8,205

Board of management and powers of representation

In the fiscal year 2001 the management board consisted of:

Thomas Egner, Chairman, until January 26, 2001 (deceased)
Qualified economist, member of the management of OpenShop GmbH

Bruno Rücker, Chairman, since March 20, 2001
Degree in business administration

Uwe Hagenmeier until February 8, 2002
Qualified engineer, member of the management of OpenShop GmbH

Timo Weithöner until February 8, 2002
Entrepreneur, member of the management of OpenShop GmbH

Peter Kuhl until December 31, 2001
Qualified economist, member of the management of OpenShop GmbH

The removal of Mr. Kuhl from the company management board was entered in the Commercial Register on January 25, 2002.

The total remuneration of the management board in the fiscal year amounted to TEUR 1,083.

Supervisory Board

In the fiscal year 2001 the supervisory board consisted of:

Markus Kress, Chairman
Member of the board of Gardena AG, Ulm
Member of the supervisory board of tecways AG, Munich
Member of the advisory board of IT-Informatik, Ulm

Dr. Thomas Gutschlag, Deputy Chairman
Member of the board of Blättchen und Partner AG, Leonberg
Chairman of the supervisory board of b-gate AG, Munich
Member of the supervisory board of Elan4 AG, Wiesbaden
Member of the supervisory board of Quoka AG, Lampertheim
Member of the supervisory board of Boerse-Stuttgart.de AG, Stuttgart
Member of the supervisory board of Broda Venture Engineering AG, Stuttgart

Klaus Langer since June 12, 2001
Member of the supervisory board of 4MBO International Electronic AG, Plochingen
Member of the supervisory board of Müller Weingarten AG, Weingarten

Dr. Ing. Roland Mecklinger until February 8, 2002
Member of the supervisory board of ELMOS Semiconductor AG, Dortmund
Member of certain advisory boards on numerous companies as IMR Proudfood, 3i Deutschland GmbH, BNP Paribas.

Dr. Klaus Neugebauer from June 12, 2001 to February 8, 2002
Member of the supervisory board of Helkon Media AG, Munich
Member of the supervisory board of Healy Hudson AG, Munich
Member of the supervisory board of Webfair AG, Munich
Member of the supervisory board of Equita KGaA, Bad Homburg

Klaus C. Plönzke from June 12, 2001 to February 8, 2002
Member of the board of CSC Switzerland AG, Zürich
Member of the board of Business Technologie Consulting AG, Oldenburg
Member of the board of Easy Software AG, Mühlheim, Ruhr
Member of the supervisory board of CSC Plönzke AG
Member of the supervisory board of Viveon AG, Munich
Member of the supervisory board of WWL Internet AG, Nürnberg
Member of the supervisory board of equinet Venture Partners AG, Frankfurt
Member of the supervisory board of Apus4 AG, Bern

The total remuneration of the supervisory board in the fiscal year amounted to TEUR 77.

Advisory board:

In the fiscal year 2001 the advisory board consisted of:

Walter C. Dostmann

Klaus Langer

Klaus C. Plönzke

The total remuneration of the advisory board in the fiscal year amounted to TEUR 7. By resolution of the shareholders' meeting of June 12, 2001, the advisory board was dissolved.

Ulm, in February 2002

The Management Board

EXHIBIT

FIXED ASSETS MOVEMENTS OF THE YEAR ENDED DECEMBER 31, 2001 AND 2000

	AT COST			
	Jan. 1, 2001 TEUR	Additions TEUR	Disposals TEUR	Dez.31, 2001 TEUR
Intangible Assets				
Goodwill	1.112	0	46	1.066
Purchased Software	776	1.184	9	1.951
Trademarks	138	0	0	138
Advances paid on intangible assets	57	0	57	0
	2.083	1.184	112	3.155
Property and Equipment				
Property and equipment	1.847	923	460	2.310
Investments				
Investments in associated companies	1.311	0	1.311	0
Certificate of deposit	0	10.226	0	10.226
Marketable Securities	24.390	15.185	0	39.575
	25.701	25.411	1.311	49.801
	29.631	27.518	1.883	55.266

FIXED ASSETS MOVEMENTS OF THE YEAR ENDED DECEMBER 31, 2001 AND 2000

	ACCUMULATED DEPRECIATION					NET BOOK VALUE	
	Jan. 1, 2001 TEUR	Additions TEUR	Loss from impairment TEUR	Disposals TEUR	Dez.31, 2001 TEUR	Dez.31, 2001 TEUR	Dez. 31, 2000 TEUR
Intangible Assets							
Goodwill	192	228	646	0	1.066	0	920
Purchased Software	102	545	309	8	948	1.003	674
Trademarks	23	46	0	0	69	69	115
Advances paid on intangible assets	0	0	0	0	0	0	57
	317	819	955	8	2.083	1.072	1.766
Property and Equipment							
Property and equipment	442	710	222	282	1.092	1.218	1.405
Investments							
Investments in associated companies	390	0	0	390	0	0	921
Certificate of deposit	0	0	0	0	0	10.226	0
Marketable Securities	139	191	0	0	330	39.245	24.251
	529	191	0	390	330	49.471	25.172
	1.288	1.720	1.177	680	3.505	51.761	28.343

ANNUAL FINANCIAL STATEMENT
OF OPENSHOP HOLDING AG

OPENSHOP HOLDING AG, ULM

BALANCE SHEET AS OF DECEMBER 31, 2001

A S S E T S

	Notes	2001 EUR	2000 EUR
FIXED ASSETS	(1)		
Intangible assets			
Licenses and software		323.716,15	0,00
Property, plant and equipment			
Factory and office equipment		133.348,96	0,00
Financial assets			
Shares in affiliated companies		356.686,50	892.814,46
Loans to affiliated companies		0,00	11.797.542,93
Long-term investments		49.537.808,44	24.225.600,00
		49.894.494,94	36.915.957,39
		50.351.560,05	36.915.957,39
CURRENT ASSETS			
Inventories			
Work in process		33.500,00	0,00
Merchandise		900.000,00	0,00
Payments on account		10.644,61	0,00
		944.144,61	0,00
Receivables and other assets	(2)		
Trade receivables		1.161.695,50	0,00
Receivables from affiliated companies		1.688.936,51	0,00
Other assets		3.433.291,93	2.276.354,04
		6.283.923,94	2.276.354,04
Securities			
Treasury stock	(3)	1.240.000,00	0,00
Other securities		0,00	25.537.140,00
		1.240.000,00	25.537.140,00
Cash in hand, bank balances		10.634.519,84	29.874.579,65
		19.102.588,39	57.688.073,69
PREPAID EXPENSES		84.803,32	18.800,00
		69.538.951,76	94.622.831,08

OPENSHOP HOLDING AG, ULM

BALANCE SHEET AS OF DECEMBER 31, 2001

E Q U I T Y A N D L I A B I L I T I E S

	Notes	2001 EUR	2000 EUR
EQUITY			
Subscribed capital	(4)	9.500.000,00	9.500.000,00
Capital reserve	(7)	102.874.457,46	104.114.457,46
Reserve for own shares	(8)	1.240.000,00	0,00
Accumulated loss		-19.998.330,71	-1.134.880,86
Net loss for the year		-29.719.827,66	-18.863.449,85
		63.896.299,09	93.616.126,75
ACCRUALS			
Other accruals	(9)	3.291.462,43	403.849,01
LIABILITIES	(10)		
Liabilities to banks		572.658,02	53,20
Payments received on account of orders		35.000,00	0,00
Trade payables		963.721,52	142.314,63
Other liabilities		779.810,70	460.487,49
		2.351.190,24	602.855,32
		69.538.951,76	94.622.831,08

OPENSHOP HOLDING AG, ULM

INCOME STATEMENT

FOR FISCAL YEAR 2001

	Notes	2001 EUR	2000 EUR
Sales	(11)	1.911.152,79	0,00
Increase in finished goods inventories and work in process		33.500,00	0,00
Other operating income	(12)	685.284,92	23.615,01
Cost of materials			
Cost of raw materials, consumables and supplies and of purchased goods		-12.237,26	0,00
Cost of purchased services		-443.598,46	-2.608,40
Personnel expenses			
Wages and salaries		-8.434.184,65	-1.338.140,44
Social security and other pension costs		-1.051.093,37	-88.355,69
- of which for old age pensions: EUR 13,109.98 (prior year: EUR 5,808.27)			
Depreciation on intangible assets and property, plant and equipment	(13)	-606.056,48	0,00
Other operating expenses		-6.464.026,57	-2.593.903,27
Other interest and similar income	(14)	4.420.561,95	3.670.921,77
- of which for affiliated companies: EUR 852,224.00 (prior year: EUR 828,676.57)			
Amortization of financial assets and securities classified as current assets	(15)	-6.388.697,21	0,00
Expenses from loss absorption		-13.368.881,37	-9.330.888,49
Interest and similar expenses	(16)	-306,76	0,00
Result from ordinary activities		-29.718.582,47	-9.659.359,51
Extraordinary expenses		0,00	-9.203.478,32
Extraordinary result		0,00	-9.203.478,32
Other taxes		-1.245,19	-612,02
Net loss for the year		-29.719.827,66	-18.863.449,85
Loss brought forward from prior year		-19.998.330,71	-1.134.880,86
Accumulated loss		-49.718.158,37	-19.998.330,71

OPENSHOP HOLDING AG, ULM

NOTES TO THE FINANCIAL STATEMENTS FOR FISCAL YEAR 2001

(1) General disclosures

The company applies German Commercial Code (HGB) and German Stock Corporation law (AktG) when classifying the balance sheet and the income statement.

The income statement was prepared using the method of total costs. The prior year figures have been adjusted to allow comparison.

The financial statements have been prepared in Euro.

The Company accomplished its IPO on March 21, 2000 on the Neuer Markt of the Frankfurt Stock Exchange. In total, 2,525,884 shares of no-par value with an imputed share of subscribed capital of EUR 1.00 each at an issue price of EUR 54.00.

Owing to it being a publicly listed company, the Company is a large stock corporation as defined by sec. 267 (3) sent. 2 HGB. The classification of the notes to the financial statements is therefore in line with the requirements for large corporations.

In the prior year, the Company only exercised a holding function. Hence, it had no operating activities of its own. In the fiscal year 2001, the Company built up its own staff and started operations. The balance sheet and income statement are therefore only conditionally comparable with the prior year statements.

(2) Accounting and valuation methods

Intangible assets acquired for a consideration are stated at acquisition cost net of systematic amortization.

Property, plant and equipment are generally stated at acquisition cost less systematic depreciation. Generally, the Company uses the straight-line method of depreciation. Depreciation is carried out pro rata temporis. Low value assets are written off in full in the year of acquisition pursuant to sec. 6 (2) EStG (Income Tax Law).

Financial assets are valued at the lower of cost or market. In the prior year, due to their long-term nature the current accounts with subsidiaries were shown as loans to affiliated companies. From the fiscal year 2001, receivables due from OpenShop Internet Software GmbH, Munich, are shown under current assets in the receivables due from affiliated companies because in future it will be possible to offset receivables due from the company by loss absorptions on account of the profit and loss transfer agreement with OpenShop Internet Software GmbH. We refer to our explanations on the income statement (3).II.15. ‘Amortization of financial assets and securities classified as current assets’.

Merchandise is also generally valued at acquisition cost taking the lower of cost or market principle into account.

Receivables and other assets are stated at nominal value or at the lower realizable value at the balance sheet date. Appropriate bad debt allowances are made for receivables where there are recognizable risks that they may not be collectible; uncollectible receivables are written off. The general credit risk is covered by a general bad debt allowance. The valuation allowance was determined by deducting the receivables for which specific bad debt allowances have been set up from the net receivables on hand.

Current securities are valued at the lower of cost or market as of balance sheet date.

Other accruals are created for contingent liabilities. They have been created on the basis of prudent commercial judgment and cover all known risks as at balance sheet date. Accruals for expenses as defined by sec. 249 (2) HGB have not been created.

Liabilities have been stated at repayment value.

Receivables and liabilities in foreign currency are booked at the transaction rate. Exchange rate losses resulting by balance sheet date from realization or valuation at the balance sheet date exchange rates are included in the profit and loss.

(3) Explanations to the financial statements

I. Explanations to the balance sheet

1. Fixed assets

The development of fixed assets in fiscal year 2001 is shown in Exhibit A to these notes to the financial statements.

As at balance sheet date, OpenShop Holding AG held investments in:

Name and seat of the company	Share in capital in %	Currency	Year	Equity	Net income/loss for the year
OpenShop Internet Software GmbH, Munich (1)	100	TEUR	2001	-1,241	0
OpenShop Internet Software Inc., Wilmington, USA	100	TUSD	2001	-4,820	-1,674
OpenShop Capital GmbH, Ulm	100	TEUR	2001	99	-1
PSS Informationssysteme GmbH, Neu-Ulm	100	TEUR	2001	-286	46

Ad (1): Net income/loss for the year after loss absorption

2. Receivables and other assets

As in the prior year, receivables and other assets includes no items that have a residual term of more than one year.

3. Treasury stock

By resolution of the shareholders' meeting of June 12, 2001, the management board of the Company was authorized pursuant to sec. 71 (1) no. 8 AktG to acquire shares of the company in the period until December 12, 2002, with the consent of the supervisory board, once or several times for purposes other than trading with own shares and, even after that point in time, observing the principles of equal treatment of shareholders or as consideration for the purchase of companies or interests in companies, to resell them as a whole or in parts or to redeem them without further resolution by the shareholders' meeting.

The purchased shares may not exceed 10% of the capital stock of the Company at the time of this authorization. The consideration paid by the Company to purchase each share may not fall short of or exceed the closing price of the share of the Company in electronic trading on the Frankfurt Stock Exchange for the ten trading days preceding the purchase by more than 10%. The subscription right of the shareholders to the purchased shares is precluded if the shares are to be sold as consideration for the purchase of companies or interests in companies. In the case of such a sale, the transaction price for the sale of each share may not fall short of the average closing price of the share of the Company in electronic trading on the Frankfurt Stock Exchange for the ten trading days before the purchase obligation takes effect by more than 10%.

On December 13, 2001, acquired 107,901 own shares for an acquisition cost of EUR 713,911.86 (this represents EUR 107,901.00 or 1.1% of the capital stock) and on December 28, 2001 92,099 own shares for an acquisition cost of EUR 589,433.42 (this represents EUR 92,099.00 or 1.0% of the capital stock). As of December 31, 2001, the Company has 200,000 own shares representing an imputed share of capital stock of EUR 200,000.00, which is equivalent to 2.1% of the capital stock. The Company intends to use these shares for the above mentioned purposes.

4. Equity

Subscribed capital as at December 31, 2001 amounts to EUR 9,500,000.00 and is divided into 9,500,000 non-par shares with an imputed nominal value of EUR 1.00 each.

5. Authorized capital

At the annual general meeting of March 2, 2000, the management board was authorized to increase the capital stock of the company, with the approval of the supervisory board, until March 20, 2005 by cash or non-cash contribution by up to EUR 4,750,000.00 by issue of new shares. The management board is authorized to preclude the statutory subscription right of the shareholders for fractional amounts and to the extent necessary to give bearers of swap or subscription rights issued by the company a subscription right to the new shares to the extent to which they would be entitled after exercising such swap or subscription rights. The management board was also authorized, with the approval of the supervisory board, to preclude the subscription right of the shareholders for capital increases in exchange for cash contributions up to a maximum 10% of the existing capital stock of the company upon the first exercise of the authorized capital provided the issue amount of the new shares does not fall materially short of the listed price of the listed shares in the same category. The management board was further authorized, subject to approval of the supervisory board, to preclude the subscription rights of the shareholders to increases in capital by non-cash contribution not exceeding 20% of the capital stock of the company at the time the authorized capital is exercised, provided the increase in capital by non-cash contribution is for the purpose of acquiring companies or investments in companies.

6. Contingent capital

The capital stock of the Company was conditionally increased by shareholder resolution of March 2, 2000 by EUR 756,911.00 by issue of 756,911 no par value bearer shares. The contingent increase in capital serves to grant option rights to members of the board and employees of the company as well as members of management and employees of affiliated enterprises. The contingent capital increase is only carried out to the extent that holders of issued option rights make use of them. The new shares participate in profit from the beginning of the fiscal year in which they originate when option rights are exercised.

The following table shows the most important elements of the stock option plan:

- The option holders receive the right to convert their options into the number of bearer shares and at the exercise price defined in the option agreement when the prerequisites for exercise are met.
- The exercise price is the closing market price on the day the management board and supervisory board decide how many options are to be issued for one no-par value share with an imputed share in common stock of EUR 1.00 each, plus a mark-up of 15%. For those options issued before the IPO the exercise price is the price of issue for the IPO plus a mark-up 15%.
- 25% of the options cannot be exercised in the first 24 months of being granted. A second batch of 25% of the options can be exercised after a waiting period of at least three years after being granted, a further 25% after a waiting period of four years, and the last 25% after a waiting period of five years. After six years the options lapse without compensation;
- The prerequisite for the exercise of the options is that the share price has increased at least 15% above the closing price on the day the options were granted. The prerequisite on exercising options issued before going public is that the share price has risen at least 15% upon the price of initial issue.
- The options are not transferable. An exception is made in the case of death. Option rights that cannot yet be exercised expire without any right to compensation upon completion of the employment/service agreement.

7. Capital reserve

In the fiscal year 2001, the capital reserve was reduced from EUR 104,114.457.46 by EUR 1,240,000.00 to EUR 102,874,457.46 to form a reserve for own shares.

8. Reserve for own shares

Corresponding to the treasury stock posted in the position “Treasury stock”, a reserve for own shares of EUR 1,240.000.00 was formed.

9. Other accruals

The restructuring measures give rise to further costs for severance payments and wage payments (TEUR 641) as well as costs for unused rented property (TEUR 446). Other accruals also contain amounts for variable remuneration (TEUR 422), annual general meetings expenses (TEUR 275) as well as expenses for the vacation accrued but not taken (TEUR 328) and outstanding invoices (TEUR 179).

10. Liabilities

	2001 Total amount EUR	of which due in less than one year EUR	of which due in one to five years EUR	of which due in more than five years EUR	2000 Total amount EUR	Of which due in less than one year EUR
Liabilities to banks	572,658.02	572,658.02	0.00	0.00	53.20	53.20
Payments received on account of orders	35,000.00	35,000.00	0.00	0.00	0.00	0.00
Trade payables	963,721.52	963,721.52	0.00	0.00	142,314.63	142,314.63
Other liabilities	779,810.70	779,810.70	0.00	0.00	460,487.49	460,487.49
	2,351,190.24	2,351,190.24	0.00	0.00	602,855.32	602,855.32

Other liabilities contain liabilities pertaining to social security of TEUR 173 (prior year TEUR 32) and tax payables of TEUR 440 prior year (TEUR 143).

II. Explanations to the income statement

11. Sales revenues

The following table shows the breakdown of sales by activities and geographical regions:

	2001 EUR	2000 EUR
Licenses		
Domestic	1,586,309.17	0.00
Foreign	0.00	0.00
	1,586,309.17	0.00
Services		
Domestic	215,870.75	0.00
Foreign	105,750.26	0.00
	321,621.01	0.00
Other		
Domestic	3,222.61	0.00
Foreign	0.00	0.00
	3,222.61	0.00
	1,911,152.79	0.00

12. Other operating income

Other operating income contains an insurance credit note.

13. Amortization of intangible assets and depreciation of property, plant and equipment

During the fiscal year 2001, extraordinary depreciation was recognized for permanent impairments of value in the fixed assets:

Intangible fixed assets:	TEUR 227
Factory and office equipment:	TEUR 101

14. Other interest and similar income

Other interest and similar income includes EUR 852,224.00 (prior year: EUR 828,676.57) from affiliated enterprises.

15. Amortization of financial assets and securities classified as current assets

The loans to and shares in PSS Informationssysteme GmbH, Neu-Ulm, and OpenShop Internet Software Inc., Wilmington, USA, were fully written off in the fiscal year.

Of the amortization on financial assets and securities classified as current assets, TEUR 6,325 relates to financial assets and TEUR 64 to own shares. We also refer to our explanations in the fixed assets movement schedule (Exhibit A).

16. Interest and similar expenses

Interest and similar expenses does not include any interest and similar expenses paid to affiliated enterprises, as in the previous year.

III. Other disclosures

17. Contingent liabilities

OpenShop Holding AG, Ulm, has granted a letter of comfort to OpenShop Internet Software GmbH, Munich and to PSS Informationssysteme GmbH, Neu-Ulm by which OpenShop Holding AG is obliged to equip these subsidiaries in fiscal 2002 with sufficient financial resources to allow them to meet their liabilities. Furthermore, OpenShop Holding AG has undertaken an obligation to influence these subsidiaries towards meeting its obligations beyond the year 2002. Additionally, OpenShop Holding AG has undertaken an obligation towards OpenShop Internet Software Inc., Wilmington, USA to prevent its indebtedness by equipping it with the necessary funds for business operations up until February 15, 2002.

On March 10, 1999, OpenShop Holding AG issued a letter of subordination to OpenShop Internet Software GmbH, subordinating all receivables related to the current account agreement between them to all receivables of current and future creditors for as long as and to the extent that OpenShop Internet Software GmbH is indebted.

The Company entered into a profit and loss transfer agreement with OpenShop Internet Software GmbH on March 2, 2000. OpenShop Internet Software GmbH is obliged to transfer all profit to OpenShop Holding AG for the duration of the agreement. It may only make additions to its free reserves upon approval from OpenShop Holding AG. In return, OpenShop Holding AG is obliged for the duration of the agreement to offset any loss made when the loss cannot be covered by the company's free reserves that were accumulated during the term of the agreement. The Company absorbed a net deficit of EUR 13,368,881.37 from OpenShop Internet Software GmbH in the fiscal year.

18. Other financial commitments

Other financial commitments from future lease and rental obligations amount to TEUR 1,751. These other financial commitments can be allocated to future periods as follows:

	TEUR
2002	607
2003	568
2004	386
2005	190
	1,751

Purchase commitments amount to TEUR 720.

19. Employees

The average number of employees in the fiscal year was:

	2001	2000
Selling and Marketing	4	0
Professional Services and Consulting	39	0
Research and Development	59	4
Administration and Finance	21	11
	123	15

20. Duty to report pursuant to sec. 160 AktG

On October 12, 2001, the Landesbank Baden-Württemberg announced in accordance with sec. 20 (1) AktG that in a block transaction it had taken over all shares of 3i Group plc in the Company and now held more than one quarter of the Company's capital stock.

21. Management Board

The following were members of the Management Board in fiscal year 2001:

Thomas Egner, Chairman, until January 26, 2001 (deceased)
Qualified economist, Member of the management of OpenShop Internet Software GmbH

Bruno Rücker, Chairman, since March 20, 2001
Degree in business administration

Uwe Hagenmeier until February 8, 2002
Qualified engineer, member of the management of OpenShop Internet Software GmbH

Timo Weithöner until February 8, 2002
Entrepreneur, member of the management of OpenShop Internet Software GmbH

Peter Kuhl until December 31, 2001
Qualified economist, member of the management of OpenShop Internet Software GmbH

The dismissal of Mr. Peter Kuhl from the management board of the Company was filed with the Commercial Register on January 25, 2002.

Total remuneration received by the management board for its work during the fiscal year ending December 31, 2001 with the members at that time amounted to TEUR 948.

22. Supervisory Board

The following were members of the Supervisory Board in fiscal year 2001:

Markus Kress, Chairman
Management board of Gardena AG, Ulm
Supervisory board member of tecways AG, Munich
Advisory board member of IT-Informatik GmbH, Ulm

Dr. Thomas Gutschlag, Deputy Chairman
Management Board of Blättchen und Partner AG, Leonberg
Chairman of the supervisory board of b-gate AG, Munich
Supervisory board member of Elan4: AG, Steinhagen
Member of the supervisory board, Ouoka AG, Lampertheim
Supervisory board member of Boerse-Stuttgart.de AG, Stuttgart
Supervisory board member of Broda Venture Engineering AG, Stuttgart

Klaus Langer since June 12, 2001
Supervisory board member of 4MBO International Electronic AG, Plochingen
Supervisory board member of Müller Weingarten AG, Weingarten

Dr. Ing. Roland Mecklinger until February 8, 2002
Member of the supervisory board of ELMOS Semiconductor AG, Dortmund
Numerous functions in advisory bodies like IMR Proudfood, 3i Deutschland GmbH, BNP Paribas.

Dr. Klaus Neugebauer from June 12, 2001 to February 8, 2002
Supervisory board member of Helkon Media AG, Munich
Supervisory board member of Healy Hudson GmbH, Munich
Supervisory board member of Webfair AG, Munich
Supervisory board member of Equita KGaA, Bad Homburg

Klaus C. Plönzke from June 12, 2001 to February 8, 2002
Supervisory board of CSC Plönzke AG
Chairman of the management board of CSC Switzerland AG, Zürich
Chairman of the management board of Business Technology Consulting AG, Oldenburg
Chairman of the management board of Easy Software AG, Mühlheim, Ruhr
Supervisory board member of Viveon AG, Munich
Supervisory board member of WWL Internet AG, Nuremberg
Supervisory board member of equinet Venture Partners AG, Frankfurt
Member of the administrative board of Apus4 AG, Berne

Total remuneration of the supervisory board for the fiscal year came to TEUR 77.

23. Advisory board

In the fiscal year 2001 the advisory board consisted of:

Walter C. Dostmann

Klaus Langer

Klaus C. Plönzke

By resolution of the shareholders' meeting, the advisory board was dissolved on June 12, 2001.

24. Group affiliations

OpenShop Holding AG is the parent company of the enterprises listed in the schedule of participations. These companies are affiliated to OpenShop Holding AG. OpenShop Holding AG prepares consolidated financial statements according to US-GAAP for the smallest and the largest group of companies, which are exemptive pursuant to sec. 292a HGB. The consolidated financial statements will be submitted to both the Federal Gazette and the commercial register for public disclosure. The consolidated statements are available upon request from OpenShop Holding AG.

Ulm, February 2002

OpenShop Holding AG

The Board of Management

EXHIBIT A

OPENSHOP HOLDING AG, ULM

FIXED ASSET MOVEMENT SCHEDULE FOR FISCAL YEAR 2001

	ACQUISITION AND PRODUCTION COST			
	Jan. 1, 2001 EUR	Additions EUR	Disposals EUR	Dec. 31, 2001 EUR
INTANGIBLE ASSETS				
Licenses and software	0,00	684.284,37	0,00	684.284,37
PROPERTY, PLANT AND EQUIPMENT				
Factory and office equipment	0,00	378.837,22	86.235,23	292.601,99
FINANCIAL ASSETS				
Shares in affiliated companies	892.814,46	0,00	47.294,50	845.519,96
Loans to affiliated companies	11.797.542,93	0,00	6.061.114,46	5.736.428,47
Long-term investments	24.225.600,00	25.412.298,44	0,00	49.637.898,44
	36.915.957,39	25.412.298,44	6.108.408,96	56.219.846,87
	36.915.957,39	26.475.420,03	6.194.644,19	57.196.733,23

OPENSHOP HOLDING AG, ULM

FIXED ASSET MOVEMENT SCHEDULE FOR FISCAL YEAR 2001

	ACCUMULATED DEPRECIATION				NET BOOK VALUES	
	Jan. 1, 2001 EUR	Provisions EUR	Reversals EUR	Dec. 31, 2001 EUR	Dec. 31, 2001 EUR	Dec. 31, 2000 EUR
INTANGIBLE ASSETS						
Licenses and software	0,00	360.568,22	0,00	360.568,22	323.716,15	0,00
PROPERTY, PLANT AND EQUIPMENT						
Factory and office equipment	0,00	245.488,26	86.235,23	159.253,03	133.348,96	0,00
FINANCIAL ASSETS						
Shares in affiliated companies	0,00	488.833,46	0,00	488.833,46	356.686,50	892.814,46
Loans to affiliated companies	0,00	5.736.428,47	0,00	5.736.428,47	0,00	11.797.542,93
Long-term investments	0,00	100.090,00	0,00	100.090,00	49.537.808,44	24.225.600,00
	0,00	6.325.351,93	0,00	6.325.351,93	49.894.494,94	36.915.957,39
	0,00	6.931.408,41	86.235,23	6.845.173,18	50.351.560,05	36.915.957,39

Audit opinion

We have audited the financial statements of OpenShop Holding AG, Ulm, including the accounting and the combined management report and group management report, for the financial year from January 1, 2001 to December 31, 2001. The accounting and preparation of the financial statements and management report in compliance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion, based on our audit, on the financial statements, including the accounting system, and on the combined management report and group management report.

We conducted our audit of the financial statements pursuant to sec. 317 of the German Commercial Code (HGB) and in compliance with the generally accepted standards for the audit of financial statements issued by the German Institute of Auditors (Institut der Wirtschaftsprüfer). Those standards require that we the presentation of the net worth, financial position and results of operations of the Company as plan and perform the audit to obtain reasonable assurance that inaccuracies and violations are recognized which significantly affect 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 accounting controls was assessed, and the disclosures made in the books and records, financial statements and management report were verified, mainly on a test basis. 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 combined management report and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give any cause for qualification.

In our opinion, the financial statements present a true and fair view of the Company's net worth, financial position and results of operations in accordance with generally accepted accounting principles. In all material respects, the combined management report and group management report accurately presents the situation of the Company and the risks to its future development.

Arthur Andersen
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft mbH

Viering
Wirtschaftsprüfer

Hummel
Wirtschaftsprüfer

Stuttgart, February 15, 2002

Report of the Supervisory Board

In the past fiscal year from 1 January 2001 to 31 December 2001, the Supervisory Board was informed comprehensively and regularly brought up to date by the Board of Management at six Supervisory Board meetings. In addition, the Supervisory Board was informed in verbal and written reports about the status and development of the company. All questions of fundamental importance for the business policy were discussed with the Supervisory Board by the Board of Management. All steps which required the approval of the Supervisory Board were discussed in detail. The Chairman of the Supervisory Board was kept up to date about all important business transactions. The Supervisory Board did not set up any committees during the reporting period.

The attention at the six meetings was focused on both strategic and operative topics. For example, on a strategic level, in particular, the search for a suitable acquisition partner as well as the short and medium-term corporate planning were discussed in detail. In order to find a suitable partner, five companies were subjected to a closer examination. With three of the five companies a Due Diligence, in other words, a detailed examination of the financial and planning data as well as an assessment of the business was conducted. Discussions with all of those were discontinued. With two companies, the prices being asked were too high, and in the other cases, the strategies of the companies did not match the long-term plans. The contact with USU AG, in contrast, soon led to a positive conclusion. The Supervisory Board was extensively informed about the results of the Due Diligence audit and the planned merger with USU AG and the Supervisory Board agreed.

In the area of operative topics, in particular, the restructuring of the company from a product to a solutions provider as well as the business trend of the subsidiary and affiliated companies was the focal point of discussions. The Board of Management was particularly able to draw upon the many years of experience of individual members of the Supervisory Board with respect to the repositioning of the company.

The Financial Statement of Openshop Holding AG and the Group, as of 31 December 2001, was submitted for examination by the Supervisory Board. It was examined together with the accounting by Arthur Andersen Wirtschaftsprüfungsgesellschaft Steuer-beratungsgesellschaft mbH, Stuttgart, the company chosen to audit the company accounts, and provided with its unconditional certificate of approval. The Financial Statement as well as the auditors' report were submitted to the members of the Supervisory Board and were discussed in detail at the Balance Sheet Approval meeting of the Supervisory Board in the presence of the auditors on 26 March 2002.

The Supervisory Board agrees with the result of the auditors and, based on the final result of its examination, raises no objections to the Statement. In its meeting on 26 March 2002, the Supervisory Board approved the Financial Statement prepared by the Board of Management. It is thus approved.

By resolution of the Ordinary Annual General Meeting on 12 June 2001, the number of Supervisory Board Members was increased from three to six. With this expansion of the Supervisory Board, Openshop is securing itself additional know-how resulting from the many years of experience of the individual members. The new Members of the Supervisory Board are Klaus Langer, Klaus C. Ploenzke and Dr. Klaus Neugebauer.

At the Extraordinary Annual General Meeting on 8 February this year, the joining with USU AG was approved by a large majority of the shareholders. Within the scope of this planned merger, it is intended to present both companies in appropriate form. As a result, the following changes will be made in the Supervisory Board for the new USU-Openshop AG. The previous Supervisory Board Members Dr. Roland Mecklinger, Dr. Klaus Neugebauer and Klaus C. Ploenzke retired from their offices on the conclusion of the Extraordinary Annual General Meeting on 8 February 2002. We would like to express our special thanks for their suggestions, the constructive criticism and the high level of commitment with which they have accompanied the progress of Openshop. The new Members are Karlheinz Achinger, Dr. Frank Oliver Lehmann and Werner Preuschhof.

Furthermore, the Supervisory Board would like to thank the Board of Management and the management team for the good cooperation, the outstanding performance and the great commitment in the 2001 fiscal year. Our thanks are also extended to all the other employees. Their extraordinary efforts in this decidedly difficult and turbulent year was remarkable.

Ulm, 26 March 2002

Markus Kress
Chairman of the Supervisory Board