

Management Report

Strong organic growth and high profitability

In view of this turbulent market situation we are happy with last year's performance. Although XYZ group only just achieved its self-defined sales target, with a 46 percent increase in turnover up to DM 169 m, this was an ambitious goal that was accomplished organically, and it coincides with enhanced profitability - our operating result improved by 42.7 percent up to DM 11.6 m. In the year under review we hired around 280 highly qualified and motivated employees, lifting XYZ group's payroll to 880 permanent employees and freelancers by the end of the year.

Transparent and value-oriented management

The capital market's interest in XYZ grew considerably last year. The number of banks and research institutes regularly monitoring and analysing our group of companies has increased from three to twenty, and we are happy to say that there have been many positive evaluations and recommendations to buy XYZ stock, which have helped our share price rise 23 percent despite the general downward trend in the indices. With a current market capitalisation of € 823 m, up from € 668 m last year, our enterprise value has risen appreciably. Nonetheless, we will again not be paying a dividend in 2001 and instead will reinvest all profits as planned, as a foundation for further growth and to ensure the sustainability of our financial policy.

We expressly welcome the exchange's efforts to improve transparency on the Neuer Markt. The changes in the stocks and stock option rights held by the members of the management and supervisory boards, disclosed for the first time in this company report, clearly underline our unreserved conviction that XYZ will continue to thrive. Virtually no shares in XYZ have been sold since the IPO. We will continue our open dialogue with you, our shareholders and analysts, in the future.