1999 ANNUAL REPORT



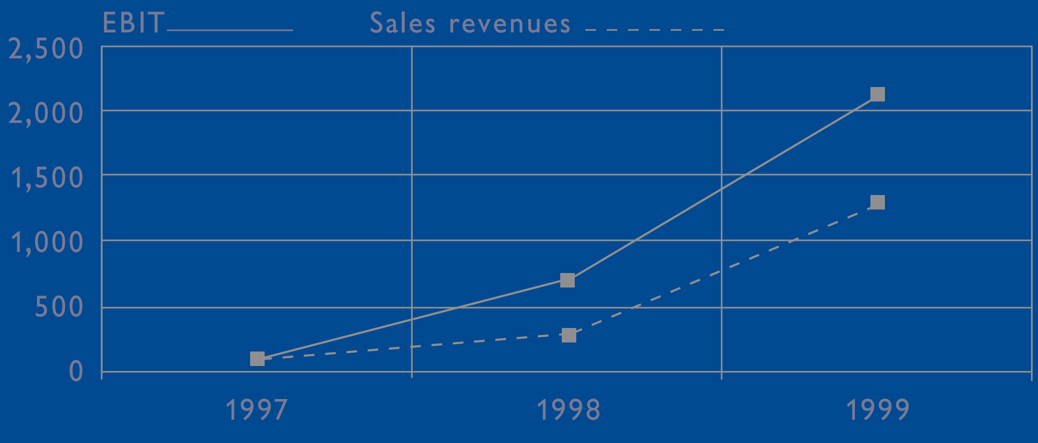

KNORR CAPITAL PARTNER
AKTIENGESELLSCHAFT

KEY FIGURES

All figures in DM thousand according to US GAAP	1999	1998	1997
Net sales	35,871	7,777	2,755
Development in %	361 %	182 %	
Gross profit	23,102	5,987	1,483
Development in %	286 %	304 %	
EBIT	12,975	4,273	616
Development in %	204 %	594 %	
Net income [1]	7,572	4,257	596
Development in %	78 %	614 %	
Earnings per share in DM (US-GAAP) [1]	1.47	0.77	0.11
DVFA/SG adjustment	-	2,322	510
DVFA/SG earnings	7,572	1,935	86
DVFA/SG earnings per share (DM)	1.47	0.35	0.02
DVFA/SG earnings per share (Euro)	0.75	0.18	0.01
Shareholders' equity [2]	47,386	8,637	298
Equity ratio	68 %	53 %	41 %
Investment volumes at acquisition cost	45,454	3,539	0
Investment volumes according to US GAAP	54,059	4,779	0
Number of investments	33	3	0
Number of employees (not including trainees)	29	10	6
Issuing price:	12.50	-	-
Share price – high	27.50	-	-
Share price – low	15.70	-	-
Share price – as of December 30	21.00	-	-

[1] No comparison is possible between 1999 and previous years due to the income taxes.
[2] Including contributions paid in connection with the performance of the capital increase resolved.

Sales revenues and EBIT 1997–1999 (Index 1997=100)



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DEAR SHAREHOLDERS, Our own IPO in April was a definite high point both of fiscal year 1999, and of our corporate history as well. KNORR CAPITAL PARTNER AG is among the top performers in its trading segment – and our business development is just as remarkable.

For example, we substantially exceeded the forecasts we announced at the time of our IPO. By how much can be seen from two key figures: whereas we forecast sales of approximately DM 13 million and DVFA earnings per share of DM 0.51 (EUR 0.26) in April, we actually generated sales of around DM 36 million (+177 %) and EPS of DM 1.47 or EUR 0.75 (+188 %) over the past fiscal year.

We can proudly state that KNORR CAPITAL PARTNER AG is:

- Number one in terms of earnings per share among all listed venture capital companies in our first year on the stock exchange
- Number one in terms of EBIT (DM 13 million)
- Number one in terms of the number of completed IPOs on the Neuer Markt in Frankfurt. What is more, we are proud of the fact that KNORR CAPITAL PARTNER AG has become a brand name for an innovative venture capital partner focusing on the IT industry in particular.

WHAT IS INNOVATIVE VENTURE CAPITAL? Venture capital means connecting people and capital, bringing together both resources effectively and successfully. It is providing expertise in the optimal form to benefit growth processes. And consistently seeking closer relationships with our portfolio companies in order to manage, or at least influence, their performance.

This close, long-term cooperation, particularly with young, high-growth companies, has inspired us.

Our objective is not short-term success, but long-term, in-depth consulting and support. We only invest in companies that can benefit from our special expertise. It is also crucial that a selected company fits into the KNORR CAPITAL PARTNER AG concept. Prerequisites are a solid business plan and a proof of concept for promising market access. The particular advantages for our clients lie in our industry and technology knowledge on the one hand, and our growth management consulting expertise on the other, which can open up market opportunities even for smaller companies.

Our core competencies lie in the following areas:

- Growth development and management
- Planning and financial control
- Corporate finance (IPO consulting, mergers and acquisitions)

RESPONSIBILITY FOR ACHIEVING VALUE-ADDED: THE KEY FOCUS OF OUR VALUE GROWTH TEAMS

Delegation, responsibility, agreed targets, performance-based remuneration – all promising concepts and useful pieces of the puzzle, but not the entire picture. The structure we have developed for KNORR CAPITAL PARTNER AG calls for responsibility to reside consistently with individual employees – a central element of and basic prerequisite for our company's success.

Direct personal responsibility for decisions and for corporate success fosters loyalty and motivation. The organizational units required for this approach are known as "WETs" ("Wertentwicklungsteams" or "value growth teams"). The consultants assigned to individual projects/portfolio companies are responsible for these from the first contact through generation of their IPO concept to the creation of synergy effects within our investment portfolio by leveraging KNORR CAPITAL PARTNER AG's numerous industry contacts. Our innovative consulting concept covers all critical links in the value chain and supports the related growth processes by providing human resources, expertise and capital.

"We aim to be the most transparent and profitable listed venture capital company." Thomas H. Knorr, Chairman of the Managing Board.

Whether a project or equity investment is even accepted depends primarily on the consultant, who is the first person to introduce a new project to his or her value growth team, and subsequently to the Managing Board. Only if agreement has been obtained at all decision-making levels does the consultant continue with the investment process.

All employees are paid according to a variable performance-based remuneration system. The targets agreed by the value growth team and management form the basis for measuring individual employees' performance.

OUR FINANCIAL STATEMENTS ALREADY COMPLY WITH US GAAP

Our financial statements have already been adapted to the demands of tomorrow's capital markets. Although companies listed on the SMAX index will not actually be required to prepare their accounts according to International Accounting Standards (IAS) or US Generally Accepted Accounting Principles (US GAAP) until fiscal year 2002, we have already prepared our statements according to US GAAP. Another important reason for this is that we are aiming to list on a different trading segment of the Neuer Markt. We hope to generate even more attention in the best interests of the Company and of the even greater value of your shares.

OUR GOAL: SUBSTANTIAL GROWTH IN THE CURRENT FISCAL YEAR Our core market is experiencing strong growth. Our sales and earnings figures as well as our forecasts stem from this extremely positive environment. In order to continue to defend and expand our leading position, we intend to undertake a cash capital increase from authorized capital in the first half of 2000.

In 1999, we were extremely successful at making new contacts, concluding transactions and familiarizing ourselves with potential opportunities in future.

We now intend to exploit these opportunities and, in particular, to expand our investment portfolio and global market presence accordingly.

We expect net sales to more than double in fiscal year 2000, with net income increasing even more rapidly. KNORR CAPITAL PARTNER AG's employees offer in-depth, effective support that translates into tangible benefits for our portfolio companies. We will do everything possible to further the interests of our clients, our employees and our company, so that you as our shareholders may also participate in this development in the form of increasing earnings and share prices.

"We offer in-depth, effective support that translates into tangible benefits for our portfolio companies." Manfred Frey, Managing Board member.

However, this also means that we will continue to focus our corporate communications activities on the outside world in order to strengthen investor confidence. We are aiming to achieve the greatest possible transparency and clarity, including by providing segment reporting for our investment and consulting business, among other things. At the same time, we are committed to complying with corporate governance principles for listed companies.

We would like to thank all of our employees, whose achievements and commitment have made our success possible, as well as you, our shareholders, for the trust you have shown us in the past. We hope that you will continue to have the same confidence in us in the future.

Sincerely,
The Managing Board
Munich, March 2000

Thomas H. Knorr   Manfred Frey

Dr. Sonja Legtmann

Value Growth Manager at
KNORR CAPITAL PARTNER AG

Beans are the symbol of Beans AG; winner of a 1998 award for promising start-ups from the then Federal German President,

Dr. Martin Fischer

Chairman of the Board of BEANS AG

Roman Herzog. Honored by Siemens as an e-commerce technology leader. Coached and advised by us for their forthcoming IPO.

1999 was a year of contrasts for the stock market. In the first half of the year, investors were expecting deflation, while in the second half of the year fear of inflation got the upper hand. In addition, discussions of the possible adverse effects of the transition to the year 2000 dominated the early part of the year, while as it progressed the focus shifted to the change in interest rate trends. While the average current yield of German bonds was still at a historical low in January at 3.45%, it had risen to 5.15% by the end of the year. The dominant topic on the bond market was the restrictive interest rate policy of the US central bank.

Combines expertise and flexibility: Dr. Sonja Legtmann, Value Growth Manager, has managed the IPOs of Mensch und Maschine AG, plenum AG, PSI AG, Gontard& MetallBank AG, KCP AG and Systematics AG.

Since interest rate increases in the USA were in line with expectations, the stock exchange was free to develop positively once again in late autumn and recorded substantial increases, especially in the last two months of the year. Technology stocks in particular showed appreciable gains.

MEASURING OURSELVES BY THE NEUER MARKT

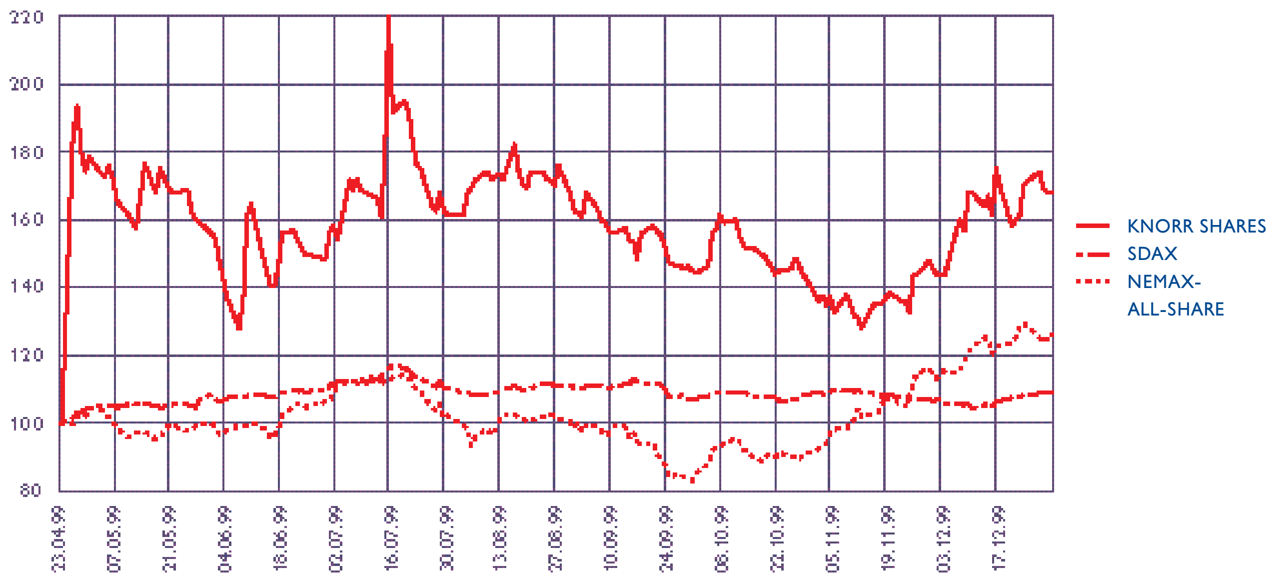
As one of the 100 top SMAX securities, our shares are included in the SDAX, the small cap index. However, financial market players more often compare the performance of Knorr's shares with the development of the Neuer Markt.

This is only to be expected, as our investment portfolio consists of high-growth, extremely promising companies that are typically aiming at listing on the Neuer Markt.

Due to our clear focus on dynamic companies, in particular in the fields of information and telecommunications technology, our investees are either already traded on the Neuer Markt or, at the very least, already have concrete plans for an IPO. In this context, moving from the SMAX to the Neuer Markt segment is a concrete goal of our Investor Relations work we do not fear comparison; we seek it.

KNORR OUTPERFORMS INDICES Our shares clearly outperformed both the SDAX and also the NEMAX-ALL-SHARE Index. Starting with an issuing price of EUR 12.50 on April 23, 1999, Knorr's shares reached an annual high on July 15, 1999 of EUR 27.5, an increase of up to 130 %. However, we could not avoid the consolidation phase that affected the Neuer Markt in the third quarter and ended the year with a price of EUR 21.

Comparison KNORR SHARES/SDAX/NEMAX-ALL-SHARE 1999



FOCUS ON INVESTOR RELATIONS After the presentation of third-quarter results in the middle of October that considerably exceeded both our forecasts at the time of the IPO and analysts' expectations, Knorr's shares were awarded "buy" recommendations in many quarters. The increase in our profit forecasts and our rapid revenue and earnings growth led to our shares being classified as outperforming the market.

Looking back, we can see that this assessment was indeed correct. Our shares increased in value by 31 % from mid-November until the end of the year.

In addition, we gave numerous one-on-one interviews with journalists and investors both at home and abroad in order to explain our strategy and to establish and expand personal relationships.

OUR GOAL: TO SWITCH TO THE NEUER MARKT Given our dynamic growth and the fact that our share's performance is increasingly measured against developments on the Neuer Markt, we are aiming to switch market segments, i.e. to leave the SMAX and join the Neuer Markt in fiscal year 2001. In addition, we intend to obtain a listing on NASDAQ in order to further our internationalization strategy.

These steps, together with a comprehensive program of different investor relations measures, are aimed at increasing the visibility of Knorr's shares and hence further increasing our company's shareholder value.

CONTINUOUS COMMUNICATION WITH FINANCIAL MARKETS AND MAXIMUM POSSIBLE TRANSPARENCY As a venture capital company we want to provide a good example and win the market's confidence with ongoing investor relations and proactive publicity campaigns. We aim to report on business developments, corporate strategy and adherence to forecasts comprehensively and on a timely basis.

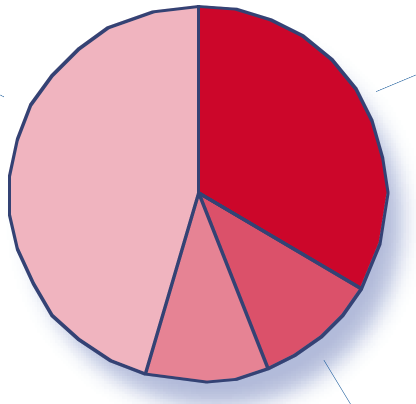
As part of our investor relations measures, we aim to conduct additional roadshows and investor events, primarily in major European cities. The focus here is on direct contact on the part of our management with journalists and private and institutional investors.

In addition, we intend to conduct an even more intensive dialogue with representatives of the media, share analysts and other opinion leaders in the financial world.

Our strategic goal is to be the most transparent and most profitable venture capital company quoted on the stock exchange.

SHAREHOLDER STRUCTURE: LARGER FREE FLOAT Our shareholder structure has undergone a positive change since the IPO, with an increase in the number of shareholders. The interest formerly held by Gold-Zack AG was used in part to increase the free float, which led to greater liquidity in our shares. The shares concerned were acquired by institutional investors in particular. Nevertheless, Knorr's founders and employees, together with their families, remain closely connected with the Company, accounting for approximately 55% of the shares.

KNORR CAPITAL PARTNER AG: SHAREHOLDER STRUCTURE



as of March 2000

OVERVIEW OF SHARE DATA

Securities code number (WKN)	768 610
Symbol	KCP
Trading segment	Amtlicher Handel/ SMAX
Designated sponsors	Gontard&MetallBank AG, SGZ Bank
Initial listing on exchange	April 26, 1999
Admission to SMAX	April 26, 1999

IPO on April 26, 1999 on the Amtlicher Handel of Frankfurt Stock Exchange and the Bavarian Stock Exchange in Munich, with OTC trading on the Berlin, Düsseldorf, Hamburg and Stuttgart stock exchanges.

Information on the IPO	
Underwriting syndicate	Gontard&MetallBank AG, SGZ Bank Bankhaus Delbrück & Co. Privatbankiers

Placement in bookbuilding process	
Bookbuilding spread	EUR 10.50 to EUR 12.50
Subscription period	April 21–24, 1999
Issuing price	EUR 12.50
Placement volume	1,249,662 no par value shares

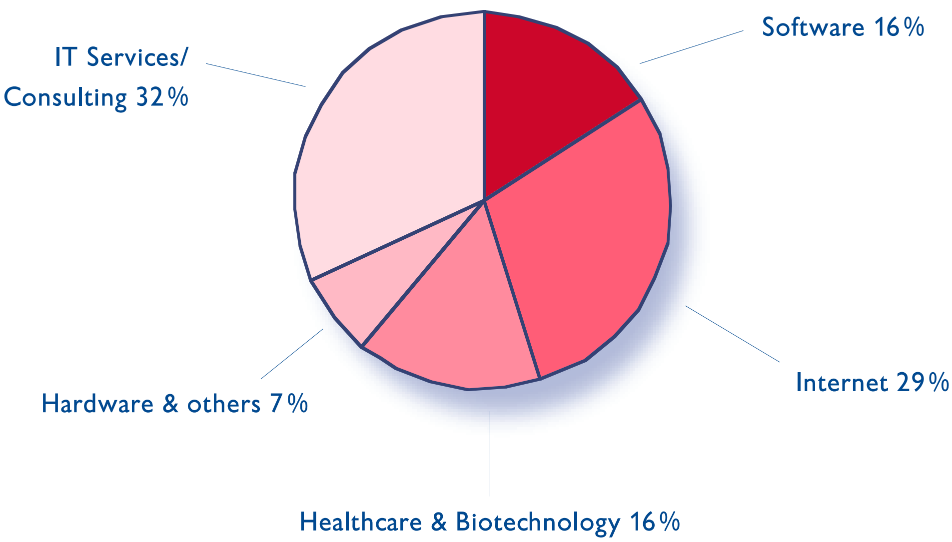
KNORR CAPITAL PARTNER AG's investment portfolio included a total of 31 investments as of December 31, 1999, excluding our own subsidiaries in Switzerland and Israel. The focus was on the areas of telecommunications and information technology, our traditional spheres of activity. Here in particular we have experienced industry experts among our colleagues who are in a position to rapidly evaluate whether a selected company has a promising market strategy and whether it fits KNORR CAPITAL PARTNER AG's concept.

In more detail, our investment portfolio consists of companies in the IT services and consulting area (32 %), Internet investments (29 %) and software companies (16 %). Our healthcare/ biotechnology holdings are on the up, and now account for 16 % of our portfolio.

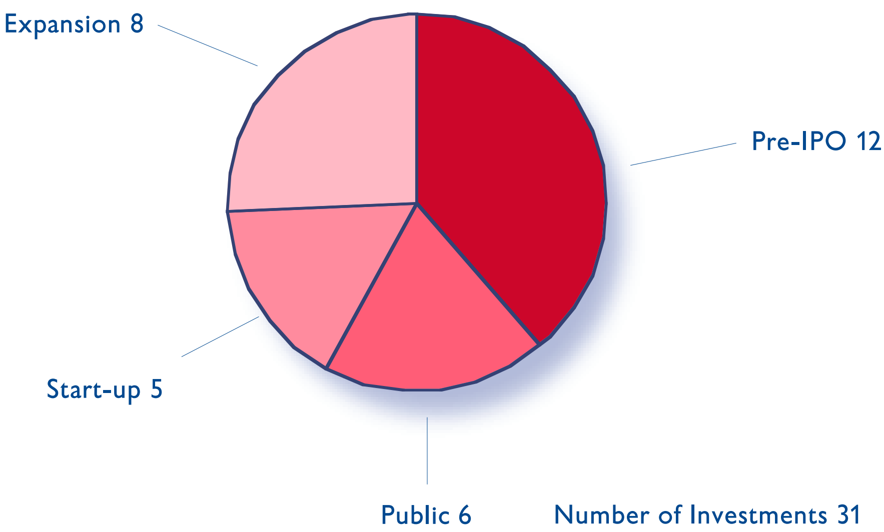
Acquisition costs for our total investments amount to approximately DM 45 million, with interests being widely diversified in order to minimize risks. Thus, the value of 15 of our 31 investments is less than DM 1 million, with a further 10 being worth less than DM 2.5 million. Equally important in this respect is the balance of development phases at which the companies concerned find themselves. The right mix promotes the exploitation of synergy effects within the portfolio.

Three star investees are Heyde AG, Systematics AG and InternetMediaHouse.com AG – all companies that we supported during their IPOs and that have since shown outstanding performance.

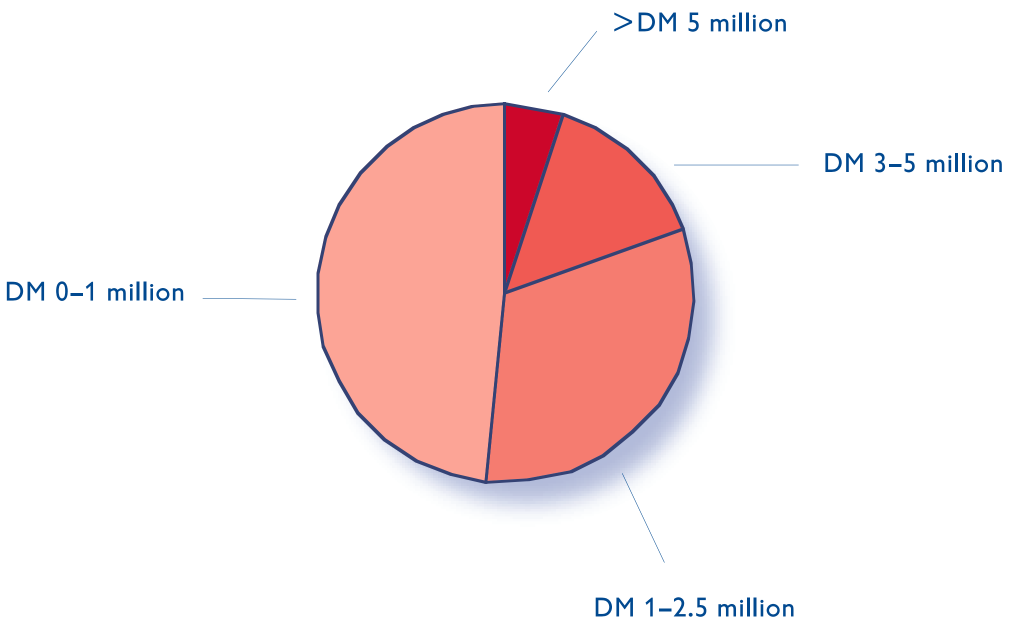
INVESTMENT PORTFOLIO BY INDUSTRY



INVESTMENT PORTFOLIO BY DEVELOPMENT PHASE



INVESTMENT PORTFOLIO BY INVESTMENT VOLUME



Total volume approximately DM 45 million (acquisition costs)

INVESTMENTS IN LISTED COMPANIES

Company	Industry	Development Phase	Interest
Internet MediaHouse.com AG	Internet	Public	83,000 shares
Systematics AG	Information Technology	Public	81,020 shares
Prodacta AG	Information Technology	Public	33,000 shares
Heyde AG	Information Technology	Public	10,000 shares
Plenum AG	Information Technology	Public	10,000 shares
Gontard& MetallBank AG	Banking	Financial Investment	226,756 shares

INVESTMENTS IN UNLISTED COMPANIES

Company	Industry	Development Phase	Interest
ComTelco	Telecommunications/software	Pre-IPO	103,000 shares
VIPcom	Telecommunications/software	Expansion	20.00%
IQ Soft, Hungary	Telecommunications/software	Expansion	4.90%
DATAFlor	Telecommunications/software	Pre-IPO	5.00%
ATOSS	Telecommunications/software	Pre-IPO	1.50%
MCY.com	Internet	Pre-IPO	500,000 shares
Match Net	Internet	Pre-IPO	20,000 shares
SWI	Internet	Expansion	50.00%
Callasong	Internet	Expansion	25.00%
Feedback	Internet	Pre-IPO	16.70%
SecoData	Internet	Start-up	16.50%
BEANS	Internet	Pre-IPO	22.0%
gayforum.de	Internet	Start-up	5.00%
IT-Adventure	Information Technology	Expansion	14.80%
Erdmann Network	Information Technology	Pre-IPO	10.00%
KC Data Systems	Information Technology	Expansion	35.2%
MI-Marschler	Information Technology	Expansion	7.0%
Paragon	Information Technology	Expansion	6.00%
Curanum[1)]	Healthcare & Biotechnology	Pre-IPO	150,000 shares
OPED	Healthcare & Biotechnology	Pre-IPO	15.00%
DenX, Israel	Healthcare & Biotechnology	Pre-IPO	6.50%
Medisana	Healthcare & Biotechnology	Pre-IPO	4.00%
Cortendo	Healthcare & Biotechnology	Pre-IPO	1.00%

[1)] Option

STRATEGIC INVESTMENTS

Company	Industry	Development Phase	Share
VIPER Media Venture AG	Media & Entertainment	Start-up	100.00%
MEDICIS AG	Healthcare & Biotechnology	Start-up	40.00%
MANAGEMENT SUPPORT SYSTEMS AG	Information Technology	Start-up	40.00%

Manfred Frey

Managing Board of KNORR CAPITAL PARTNER AG

Dentistry is entering a new era and our shareholders are part of it. DenX Ltd., founded in 1994, links computer tomography images

Alon Hayka

President DenX Ltd.

with real-time photos during treatment. Giving dentists a precise, all-round view of procedures in progress for the first time.

OVERALL ECONOMIC DEVELOPMENT Overall economic development in Germany lagged considerably behind that of other industrialized nations in fiscal year 1999. Whereas the US economy experienced an upswing so sharp that the Federal Reserve had to prevent the economy from overheating by raising interest rates moderately, the Statistisches Bundesamt (German Federal Statistics Office) put average economic growth at only 2.1% in the euro zone and a mere 1.4% in Germany. It was not until the last quarter of 1999 that Germany also saw more substantial economic improvement.

INDUSTRY AND MARKET SITUATION The situation on the market for venture capital and private equity, as well as on our investees' and customers' core markets, is completely different to the overall economy. The focus of our investment and consulting activities is on information and communications technologies, and we are also in the process of developing the healthcare, biotech and media/entertainment markets. Our core business is thus in those future-oriented markets with the highest growth potential.

The entrepreneurial boom in high-tech industries is releasing an avalanche of demand for venture capital. The primary driver of growth for an increasing number of industries and economic sectors is the Internet, which is offering small and mid-sized companies in particular wide-ranging opportunities to develop an edge over the competition in terms of innovation and new markets.

The market for venture capital and private equity is currently experiencing a strong, sustained growth phase due to pent-up demand overall and to the growth resulting from new technologies in our target sectors. The share of gross national product of the EU member states attributable to private equity investments over the past ten years averaged 0.6%. The comparable figure for the US was 4%. Overall growth in the private equity sector amounts to over 30% p.a., with venture capital recording 70%–100%.

Growth phases are preceded by phases in which capital consumption and liquidity requirements are high. The equity ratio of new and mid-sized companies is generally well below 20%, and opportunities to borrow funds are extremely limited due to the lack of collateral as well as scaled-back lending by banks. Acquiring venture capital is often the only option left for companies to finance further growth. However, the market for venture capital in Europe, and particularly in Germany, is only just beginning and is thus experiencing sustained expansion. Our venture capital and consulting activities enable us to benefit directly from this market trend.

"Well-structured, fair financing agreements are the basis for successful, open cooperation with the companies in our investment portfolio."
Dr. Boris Mariacher.

In our first year as a listed company, we were able to achieve excellent results compared to other companies in the industry, with earnings per share of DM 1.47 (EUR 0.75). Our EBIT is further proof of this, at DM 13 million before adjustment for the costs of the IPO. With six completed IPOs in 1999, four of which were on the Neuer Markt, we are the market leader among venture capital companies in terms of the number of completed listings on this trading segment of the Frankfurt Stock Exchange. KNORR CAPITAL PARTNER AG is a brand name for an innovative venture capital partner, particularly in the IT industry.

Particularly noteworthy were the SYSTEMATICS AG and InternetMedia-House.com AG IPOs; these companies have performed extraordinarily well following their placement in the year under review (1999). Heyde, a company we supported both before and after its listing, also saw its share price rise sharply.

DEVELOPMENT OF SALES AND EARNINGS In fiscal year 1999, KNORR experienced extraordinarily dynamic growth. Sales in 1999 amounted to DM 35,871 thousand (cumulative sales in 1998: DM 7,777 thousand). The net income before income tax amounted to DM 12,809 thousand (cumulative net income for 1998: DM 4,299 thousand). After adjustment for income taxes of DM 5,237 thousand, the company's net income for the period totaled DM 7,572 thousand (cumulative net income for 1998: DM 4,257 thousand). Due to the company's reorganization (the company consisted of two different single entities until December 22, 1998; when the sole proprietorships were merged into the AG, KNORR became a public limited company), only the net income before tax is comparable.

In line with the positive developments in our investment business in 1999, total sales also comprised sales of DM 23,038 thousand from disposals of equity investments in fiscal year 1999.

RANGE OF SERVICES:
VENTURE CAPITAL, MANAGEMENT CONSULTING AND SUPPORT

Our range of services mainly comprises

- Venture capital and
- Consulting services.

Our consulting services have consistently focused on strategies for value growth and their implementation.
Our core consulting areas are:

- Corporate strategy,
- Growth management and
- Corporate finance.

We offer one-stop consulting services aimed at adding value, starting with the venture capital investment itself. We intend to reinforce and refine this comprehensive range of services, and in particular to help develop markets and sales channels for our portfolio companies, as well as in the areas of employee recruitment and development.

INVESTMENTS Investments in noncurrent assets, including strategic equity investments but not including loans, amounted to DM 5,862 thousand in 1999. Investments in marketable securities and equity investments disclosed under current assets totaled DM 37,353 thousand. The following are notable strategic equity investments:

(1) MEDICIS AG: 40% interest as the basis for venture capital investments focused on the healthcare and biotech sectors.

(2) MANAGEMENT SUPPORT SYSTEMS AG: 40% interest as the basis for providing consulting to our customers on management information systems, monthly and quarterly reporting and financial strategies.

(3) VIPER Media Venture AG: 100% interest as the basis for venture capital investments focused on the media and entertainment sectors (currently being set up).

Investments in plant and equipment chiefly comprise office workstation equipment including the company's IT infrastructure at the headquarters in Munich as well as the office in Eschborn.

Additional strategic equity investments are planned for fiscal year 2000 in order to reinforce KNORR CAPITAL PARTNER AG's offering, particularly with regard to the focus on our two business areas, venture capital and consulting. These investments will be partially financed by utilizing authorized capital in the amount of up to EUR 2,750 thousand.

FINANCIAL POSITION In the year under review, the development of the company's financial structure was primarily influenced by its IPO and the utilization of the proceeds of the IPO, in the form of changes in the equity investment portfolio.

"The key to the venture capital business is not just providing capital, but adding value through professional management consulting." Stefan Fischbach, consultant.

The capital stock of the company amounts to DM 10,757 thousand (EUR 5,500 thousand) and is composed of 5.5 million no-par value shares.

The additional paid-in capital amounting to DM 25,439 thousand is the result of the premium for 1,249,662 no-par value bearer shares (DM 28,107 thousand) less the costs of the IPO (DM 2,863 thousand, not recognized in income in accordance with US GAAP) plus the DM 195 thousand attributable to the additional paid-in capital resulting from the employee stock option program (see also the Consolidated Statements of Stockholders' Equity and Comprehensive Income).

Other comprehensive income (DM 3,728 thousand) primarily includes the net unrealized change in investment securities due to increases in value up to the balance sheet date. The difference to the acquisition cost was disclosed as comprehensive income, less deferred tax, since available-for-sale securities were involved. The overall equity ratio is thus 68%.

The funds from the capital increase performed as part of the IPO were used principally to expand the company's equity investment portfolio. During the course of the fiscal year, DM 41,915 thousand was invested in 30 companies, and the volume of investments in companies and other securities was increased to 33 equity investments, the acquisition costs for which totaled DM 45,454 thousand (Dec. 31, 1998: DM 3,539 thousand).

EMPLOYEES The total number of employees at the end of 1999 compared to the prior year was as follows (prior year figures are based on the single entities Knorr, Reinsch & Partner and Manfred Frey, Management Consulting)

	1999	1998
Employees	29	10
Trainees	4	1
Total	33	11

The increase in human resources reflects the considerable increase in the company's business volume. As of December 31, 1999, the company employed 16 qualified consultants in addition to the two members of the Managing Board.

RISK MANAGEMENT The Managing Board has integrated a risk management system into the company's workflows as required by KonTraG (the German Act on Control and Transparency in Business); this system is subject to further development on an ongoing basis and adapted to reflect current requirements. The primary goal of risk management is to identify developments that could endanger the continuing existence of the company as early on as possible.

The Managing Board has a comprehensive management information system (MIS) at its disposal for this purpose, which can identify and analyze risks as well as opportunities.

Building on this is KNORR's internal monitoring system, which also includes an internal auditing feature. An additional core element of the company's risk management procedures is the financial control department with its planning, information and control systems.

The following section provides a discussion of some specific risks.

1. LUCRATIVE OPPORTUNITIES ARE SUBJECT TO CORRESPONDING RISKS Investing in young, rapidly growing companies is a high-risk, high-reward undertaking. Even though we provide careful, high-quality consulting to the companies we finance, the possibility exists that in individual cases these companies may not be as successful as anticipated, and that KNORR CAPITAL PARTNER AG may have to write off an equity investment wholly or in part. We aim to use our risk management system, which is continually being updated, to identify problems as soon as possible, in order to be able to take suitable and suitably resolute countermeasures.

2. YOUNG COMPANIES ARE GENERALLY HIGHLY DEPENDENT ON THEIR FOUNDERS

If founding partners were to resign or cease working for such a company, this could have material adverse effects on the development of investees.

KNORR CAPITAL PARTNER AG therefore aims to ensure that other key employees in portfolio companies also have a stake in their companies and that employee loyalty is encouraged via stock option programs. These measures are intended to minimize the effects of the departure of individuals by encouraging loyalty on a broad basis among all key employees.

3. INFLUENCE OF SUCCESSFUL IPOS BY COMPANIES IN OUR PORTFOLIO

When selecting companies in which to invest, we develop various exit scenarios from the acquisition stage onwards. The form of disposal promising the greatest profit is an IPO. If a stock exchange listing is not advisable for whatever reason, alternatives such as mergers with a listed company or sales to institutional/strategic investors must be pursued; these other exit scenarios can result in lower valuations of our investments or lower capital gains for KNORR CAPITAL PARTNER AG than an IPO.

4. CONSULTING CAPACITY UTILIZATION AND ADMINISTRATIVE COSTS Given the fact that we now employ 16 highly qualified consultants, our company's fixed cost risk would be considerable if we were not able to fully utilize our capacity. In order to reduce our personnel cost risk, part of the Managing Board members' and consultants' salaries is performance-based. They bear an above-average risk if they do not attain these performance targets, while exceeding them results in above-average compensation, in order to increase the value of the company.

KEY EVENTS DURING THE FISCAL YEAR The most important event in the year under review was our IPO in April. We generated proceeds amounting to DM 30,552 thousand by issuing 1,249,662 no-par value bearer shares at an issuing price of EUR 12.50.

"Venture capital today gives young companies a real chance for success." Paul Kammerscheid, currently head of sales at KCP (formerly IT manager and entrepreneur).

KEY EVENTS AFTER THE END OF THE FISCAL YEAR There were no extraordinary business events after the balance sheet date. The millennium date change did not result in any technical problems for us or our clients, and thus will in no way affect the results of the company negatively.

ANNUAL FINANCIAL STATEMENTS OF KNORR CAPITAL PARTNER AG Due to the globalization of our business activities, the focus of our financial reporting is also on the consolidated financial statements. However, the results of KNORR CAPITAL PARTNER AG are the decisive factor for deciding on the utilization of the net retained earnings. A summary of the single-entity financial statements of KNORR CAPITAL PARTNER AG is presented below.

KNORR CAPITAL PARTNER AG's sales for 1999 are only comparable to a limited degree because the AG did not commence operations until December 22, 1998. Until December 22, 1998, the company's operations were performed by Knorr, Reinsch & Partner and Manfred Frey, Management Consulting.

PROPOSAL FOR THE UTILIZATION OF NET RETAINED EARNINGS The Managing Board and Supervisory Board of KNORR CAPITAL PARTNER AG propose to the General Meeting to transfer the net retained earnings amounting to DM 2,283 thousand to other retained earnings.

INCOME STATEMENT OF KNORR CAPITAL PARTNER AG

	DM thou. 1999	DM thou. 1998
Sales	**35,920**	**586**
Other operating income	122	2
Cost of materials	–8,811	–60
Personnel expenses	–4,870	–108
Amortization of intangible assets and depreciation of tangible assets	–663	–60
Other operating expenses	–7,819	–296
Other interest and similar income	274	0
Amortization of investments classified as current assets	–1,267	0
Interest and similar expenses	–279	–8
Result from ordinary activities	**12,607**	**56**
Extraordinary expense	–2,864	0
Extraordinary results	**–2,864**	**0**
Taxes	–5,199	33
Net income for the year	**4,544**	**23**
Retained profits brought forward from the previous year	11	0
Appropriations to the legal reserve	0	–1
Appropriations to other revenue reserves	–2,272	–11
Net retained profits	**2,283**	**11**

ANNUAL FINANCIAL STATEMENTS OF KNORR CAPITAL PARTNER AG

Balance sheet	DM thou. Dec. 31, '99	DM thou. Dec. 31, '98
Intangible assets	5,494	5,738
Tangible assets	1,309	406
Financial assets	5,963	719
Fixed assets	**12,766**	**6,863**
Receivables and other assets	7,228	956
Securities	40,173	2,820
Cash and cash equivalents	1,622	4,323
Current assets	**49,023**	**8,099**
Prepaid expenses	184	5
Total assets	**61,973**	**14,967**
Equity	**43,432**	**6,423**
Contributions paid in to implement a resolved capital increase	**0**	**1,599**
Provisions	**7,410**	**659**
Liabilities	**11,131**	**6,286**
Total equity and liabilities	**61,973**	**14,967**

OUTLOOK The ongoing positive mood on the stock markets leads us to expect dynamic growth once again in fiscal year 2000. We have set ourselves the goal of extending our range of services in our core business by concluding additional strategic partnerships. We intend to expand our investment portfolio of potential IPO candidates in the short term to at least 40 investees, of which around 10 companies would be listed per year starting in 2001.

We aim to establish a global presence through alliances with partners. To this end, we will be able to support and accompany future equity investments in adding value even more effectively by implementing the necessary globalization measures.

Anne Born: another employee thrilled about the rapid growth of KNORR CAPITAL PARTNER AG.

DEAR SHAREHOLDERS, The foundations for our successful year were laid in April 1999, at the time of our IPO. Your participation in KNORR CAPITAL PARTNER AG generated the IPO proceeds on which our further expansion and dynamic growth are based. As a result, we would like to extend our cordial thanks to you, our shareholders.

The Supervisory Board has received regular written and oral reports from the Managing Board on matters of import to the Company. In addition to an ongoing exchange with respect to the course of business, five joint Supervisory Board meetings took place last year with the Managing Board during which we performed the duties assigned to us under the terms of the Articles of Association and the law, and advised and monitored the Company's management. In some cases Company employees were invited as guests to provide additional clarification.

The agenda of all meetings included detailed discussions of the current course of business with a view to upcoming IPOs, new projects and investments, alliances and acquisitions.

At the March 16, 1999, meeting in Frankfurt am Main the Company's future strategy was exhaustively discussed. In addition, the Supervisory Board was informed on the status of preparations for our Company's IPO. At the May 31, 1999, meeting in Frankfurt am Main, Mr. Adi Drotleff, who was elected to the Supervisory Board during the Extraordinary General Meeting of April 14, 1999, was appointed Deputy Chairman of the Supervisory Board. The Managing Board reported in detail on the Company's successful IPO in April and explained KNORR CAPITAL PARTNER AG's long-term strategic planning, including its plans for international expansion. In addition, human resources planning was discussed comprehensively in the context of corporate planning.

The third Supervisory Board meeting of the year under review, held on August 6, 1999 in Munich, included, in addition to the regular reports on the course of business to date, current IPOs, projects and investments, an agreement to the proposal by the Managing Board to found a subsidiary in Israel in order to acquire IPO and merger and acquisition mandates there. At the meeting on November 5, 1999, in Munich, the status of the company's risk management provisions and their integration within the enterprise was discussed. A detailed, comprehensive risk management system was produced in co-operation with the external auditors during the period under review. By-laws were passed for the Managing Board; these are intended to be adapted to specific current requirements.

The last meeting of the Supervisory Board with the Managing Board in 1999 took place on December 20 in Frankfurt am Main. The emphasis was on the discussion of our Company's corporate planning for 2000, plus detailed income and balance sheet forecasts for the period from 1999 to 2002. On the subject of risk management, the current status of documentation for the "early warning system" was discussed with the auditors. The annual financial statements and management report of KNORR CAPITAL PARTNER AG as well as the consolidated annual financial statements and management report were audited by Treuhand Kurpfalz GmbH Wirtschaftsprüfungsgesellschaft – Steuerberatungsgesellschaft and granted an unqualified audit certificate. The individual financial statements were produced according to German commercial law.

Section 292a of the HGB (German Commercial Code) was applied in producing the consolidated financial statements. According to this section, the consolidated financial statements, consisting of the balance sheets, statements of income, statements of stockholder's equity, statements of cash flows and the notes, are produced according to Generally Accepted Accounting Principles (US GAAP). In addition, a management report on the consolidated financial statements was produced in order to meet the requirements for exemption according to section 292a of HGB.

These reports were submitted to each member of the Supervisory Board and were discussed in depth at the Supervisory Board's annual financial statements meeting on February 15, 2000, in Munich, with the participation of the auditor. The auditor gave detailed answers to the Supervisory Board's questions. Our own examination, too, raised no objections to the annual financial statements and management report as well as the consolidated financial statements and management report. We approved the annual financial statements presented by the Managing Board, which were thus adopted. We also examined and concurred with the recommendation made by the Managing Board for the appropriation of net profits.

In addition, the agenda for the Annual General Meeting on April 18, 2000, in Munich was agreed.

The Supervisory Board wishes to thank the Managing Board for its work as well as its trust, openness and cooperation. Our thanks also go to all employees for their achievements and commitment in the interest of our Company, which made it possible for us to achieve these outstanding results.

The Chairman of the Supervisory Board
Munich, February 18, 2000

SUPERVISORY BOARD

Hans Wrieden, Dreieich (Chairman)
Supervisory Board of Gold-Zack AG, Mettmann (Chairman)
Supervisory Board of 3x AG Banktechnik, Göppingen (Chairman)
Administrative Board of Wilkening & Hahne GmbH & Co. KG, Bad Münder (Chairman)
Supervisory Board of Pako AG, Königswinter
Supervisory Board of IFES AG, Potsdam
Director of Evers Bauelemente GmbH, Rothenburg/L.

Adi Drotleff, Munich (Deputy Chairman)
Managing Board of Mensch und Maschine Software AG, Wessling (Chairman)
Supervisory Board of DATAflor AG, Göttingen (Chairman)
Supervisory Board of JUMPtec AG, Deggendorf
Supervisory Board of SOFISTIK AG, Munich

Dr. Rainer Bommert, Heusenstamm
Supervisory Board of Gold-Zack 5. Bet. AG, Mettmann (Chairman)
Supervisory Board of Gold-Zack 2. Bet. AG, Mettmann

Premiere at the Systems 99 trade fair in Munich: the first Internet TV channel for the high-tech sector

Christian Stammel
Managing Board member, Feedback AG

went live. Feedback AG, one of our investment companies, played a major role in setting up the new channel.

KNORR CAPITAL PARTNER AG was required to draw up consolidated financial statements for the first time in fiscal year 1999. The company took advantage of the provisions of section 292a HGB (German Commercial Code).

To facilitate comparability, developments at Knorr, Reinsch & Partner and Manfred Frey, Management Consulting – the individual operating companies active until December 22, 1998 – have been presented in addition to developments at KNORR CAPITAL PARTNER AG.

ASSETS

	Group December 31, 1999 DM thousand	AG December 31, 1998 DM thousand	KNORR/FREY December 22, 1998 DM thousand	KNORR/FREY December 31, 1997 DM thousand
Current assets				
Cash and cash equivalents	**1,820**	4,323	1,025	102
Marketable securities and equity investments	**48,606**	4,060	0	0
Trade accounts receivable	**6,325**	916	236	421
Other assets	**916**	41	63	33
Prepaid expenses	**185**	5	5	10
	57,852	9,345	1,329	566
Noncurrent assets				
Plant and equipment				
Leasehold improvements	**168**	26	26	0
Other equipment, operating and office equipment	**1,223**	399	377	164
Intangible assets				
Software	**148**	9	6	0
Goodwil	**5,185**	5,761	0	0
Financial assets				
Investments in affiliates	**4,841**	719	318	0
Other loans	**612**	0	0	0
	12,177	6,914	727	164
	70,029	16,259	2,056	730

LIABILITIES AND STOCKHOLDERS' EQUITY

	Group December 31, 1999 DM thousand	AG December 31, 1998 DM thousand	KNORR/FREY December 22, 1998 DM thousand	KNORR/FREY December 31, 1997 DM thousand
Current liabilities				
Liabilities to banks	**0**	6	6	12
Trade payables	**10,458**	196	185	46
Other current liabilities	**662**	6,084	785	74
Accrued taxes	**5,153**	34	0	0
Other accrued liabilities	**1,927**	625	321	275
Deferred tax liabilities	**4,305**	645	0	0
Deferred income	**17**	0	0	0
	22,522	7,590	1,297	407
Long-term debt				
Accrued benefit liability	**2**	0	0	0
Deferred tax liabilities	**73**	32	0	24
	75	32	0	24
Contributions paid in to implement the resolved capital increase	**0**	1,599	0	0
Stockholders' equity/Minority interest				
Minority interest	**46**	0	0	0
	46	0	0	0
Stockholders' equity				
Capital stock	**10,757**	6,401	0	0
Additional paid-in capital	**25,439**	0	0	0
Legal reserve	**1**	1	0	0
Other retained earnings	**2,283**	11	0	0
Net retained earnings	**5,330**	30	0	0
Other comprehensive income	**3,728**	595	0	0
Deferred compensation expense from stock option program	**–152**	0	0	0
Initial capital			298	749
Partners' withdrawals/contributions			–3,755	–1,046
Net income			4,216	596
	47,386	7,038	759	299
	70,029	16,259	2,056	730

See the accompanying notes to the consolidated financial statements.

CONSOLIDATED INCOME STATEMENTS JANUARY 1–DECEMBER 31, 1999

	Group Jan. 1- Dec. 31, 1999 DM thou.	Cumulative values Jan. 1– Dec. 31, 1998 DM thou.	AG Jan. 1– Dec. 31, 1998 DM thou.	KNORR/FREY Jan. 1– Dec. 22, 1998 DM thou.	KNORR/FREY Jan. 1– Dec. 31, 1997 DM thou.
Net sales	**35,871**	7,777	589	7,189	2,755
Cost of services	**–12,769**	–1,790	–137	–1,653	–1,272
Gross profit	**23,102**	5,987	452	5,536	1,483
Operating expenses					
Selling expenses	**–3,688**	–580	–18	–562	–271
General and administrative expenses	**–5,910**	–1,310	–318	–993	–622
Amortization of goodwill	**–576**	0	0	0	0
Other operating income	**111**	182	0	182	28
Other operating expenses	**–64**	–6	0	–6	–2
	–10,127	–1,714	–336	–1,379	–867
Income from operations	**12,975**	4,273	116	4,157	616
Interest and similar income	**359**	38	1	38	2
Interest and similar expenses	**–277**	–12	–9	–3	–2
Income from investments	**–252**	0	0	0	0
Minority interest	**4**	0	0	0	0
Income before income taxes	**12,809**	4,299	108	4,192	616
Income taxes	**–5,237**	–42	–66	24	–20
Net income	**7,572**	4,257	42	4,216	596

Basic earnings per share	DM 1.47
Diluted earnings per share	DM 1.47

See the accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS JANUARY 1–DECEMBER 31, 1999

	Group Jan. 1– Dec. 31 1999 DM thou.	AG Jan. 1– Dec. 31 1998 DM thou.	KNORR/FREY Jan. 1– Dec. 22 1998 DM thou.	KNORR/FREY Jan. 1– Dec. 31 1997 DM thou.
Cash flows from operating activities				
Net income	**7,572**	41	4,216	596
Adjustments to reconcile net income/ net loss to net cash from operating activities				
Depreciation of plant and equipment, amortization of software	**221**	9	115	73
Amortization of goodwill	**576**	0	0	0
Cost of stock option program	**43**	0	0	0
Adjustment of minority interest	**46**	0	0	0
	886	9	115	73
	8,458	50	4,330	669
Decrease/increase in assets and increase/decrease in liabilities				
Trade accounts receivable	**–5,409**	–916	185	514
Other assets	**–875**	–37	–30	–31
Other securities	**–41,013**	–3,465	0	0
Prepaid expenses	**–180**	–5	5	–9
Accrued taxes	**5,119**	34	0	0
Deferred tax liabilities	**3,701**	677	–24	20
Accrued benefit liability	**2**	0	0	0
Other accrued liabilities	**1,302**	623	46	100
Trade accounts payable	**10,262**	197	139	–11
Other current liabilities	**–5,422**	6,084	711	–29
Deferred income	**17**	0	0	0
	–32,496	3,192	1,032	554
Net cash provided by/used in operating activities	**–24,038**	3,242	5,362	1,222

	Group Jan. 1– Dec. 31 1999 DM thou.	AG Jan. 1– Dec. 31 1998 DM thou.	KNORR/FREY Jan. 1– Dec. 22 1998 DM thou.	KNORR/FREY Jan. 1– Dec. 31 1997 DM thou.
Cash flows from investing activities				
Investments in plant and equipment (net)	**–1,327**	–6,204	–360	–171
Investments in financial assets	**–5,133** [1]	880 [1]	–319	0
	–6,460	–5,324	–679	–171
	–30,498	–2,082	4,684	1,051
Cash flows from financing activities				
Proceeds from capital increases	**30,864**	6,301	0	0
IPO costs	**–2,863**	0	0	0
Outstanding contributions	**0**	75	0	0
Payments to shareholders	**0**	0	–3,755	–1,046
	28,001	6,376	–3,755	–1,046
Net increase/decrease in cash and cash equivalents	**–2,497**	4,294	929	5
Cash and cash equivalents at beginning of period	**4,317**	23	91	86
Cash and cash equivalents at end of period	**1,820**	4,317	1,020	91
Composition of cash and cash equivalents at end of period				
Cash and cash equivalents	**1,820**	4,323	1,026	103
Liabilities to banks	**0**	–6	–6	–12
	1,820	4,317	1,020	91
Additional information on cash flows				
Interest paid	**208**	0	– [2]	– [2]
Income taxes paid	**77**	0	– [2]	– [2]

[1] The “Contribution paid in to implement the resolved capital increase” disclosed under “Financing activities” in the prior period was disclosed under “Investing activities” as there were no cash flows from investing activities.
[2] No amounts disclosed here because of a lack of comparative data

	Capital (individual entities) DM thou.	Outstanding contributions DM thou.	Capital stock DM thou.	Additional paid-in capital DM thou.
Balance at December 31, 1996	748	–75	100	
Net income for 1997	596		0	
Partners’ withdrawals/contributions	–1,046			
Balance at December 31, 1997	298	–75	100	
Net income for January 1 – December 22, 1998	4,216		0	
Partners’ withdrawals/contributions	–3,755			
Balance at December 22, 1998	759			
Payment of outstanding contribution			100	
Issuance of stock			6.301	
Unrealized gains on investment securities				
Net income				
Balance at December 31, 1998		**0**	**6,401**	
Comprehensive income				
Net income				
Comprehensive income				
Cash capital increase prior to IPO			313	
Capital increase from noncash contributions (formerly: “Contributions paid in to implement the resolved capital increase”)			1,599	
Capital increase from IPO			2,444	28,107
Issuing costs deducted directly from the proceeds in equity				–2,863
Effects of employee stock option program				195
Balance at December 31, 1999			**10,757**	**25,439**

Legal reserve DM thou.	Other retained earnings DM thou.	Net retained earnings/loss DM thou.	Accumulated comprehensive income DM thou.	Deferred compensation expense from stock option program DM thou.	Total stockholders’ equity DM thou.	Comprehensive Income DM thou.
					25	
					0	
					25	
					0	
					100	
					6,301	
			595		595	595
1	11	30			42	30
1	**11**	**30**	**595**		**7,038**	**625**
	2,272	5,300			7,572	7,572
			3,133		3,133	3,133
					313	
					1,599	
					30,551	
					–2,863	
				–152	43	
1	**2,283**	**5,330**	**3,728**	**–152**	**47,386**	**11,330**

Not a bad omen for an IPO: Dr. Wittkötter received the ⓔ-conomy price for the

Thomas H. Knorr

Chairman of the Managing Board of
KNORR CAPITAL PARTNER AG

Dr. Erland Wittkötter

Founder and Managing Director of SecoData

development of Brainshield®, his brilliant Internet copyright protection technology.

1. GENERAL INFORMATION KNORR CAPITAL PARTNER Aktiengesellschaft, Munich, and its Group companies are active in the venture capital sector as well as in the fields of IPO consulting and corporate finance consulting. Their primary target sectors are companies in the information and communications technology industries, as well as media, entertainment and life sciences.

KNORR CAPITAL PARTNER AKTIENGESELLSCHAFT (formerly Gold-Zack Erste Beteiligungs- und Vermögensverwaltungs-Aktiengesellschaft, Frankfurt am Main, Germany) in the form in which it exists today was created by the contribution of the companies Knorr, Reinsch & Partner, Munich and Manfred Frey, Management Consulting, Bad Soden, to the existing bare-shell company Gold-Zack Erste Beteiligungs- und Vermögensverwaltungs-Aktiengesellschaft.

The shares of the parent company were admitted to trading on the Frankfurt Stock Exchange and the Bavarian Stock Exchange on April 26, 1999.

2. ACCOUNTING AND REPORTING POLICIES German Group companies maintain their books and accounting records in accordance with the provisions of the German Commercial Code, which represents the generally accepted accounting principles applicable in Germany (Handelsgesetzbuch/HGB). Foreign Group companies maintain their books and accounting records in accordance with the local provisions in each case. The German Commercial Code and the local accepted accounting principles used in the foreign Group companies differ in material respects from the generally accepted accounting principles valid in the United States of America (US GAAP). All necessary adjustments needed to present the annual financial statements in accordance with US GAAP were performed.

EXEMPTION FROM THE OBLIGATION TO PREPARE CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH SECTION 292A HGB

As a public listed company, the parent company has availed itself at the balance sheet date of the opportunity to present exempting consolidated financial statements in accordance with international accounting standards as laid down in section 292a HGB.

In accordance with the interpretation issued by the Deutscher Standardisierungsrat (DSR – German Standardization Board) in E-DRS 1, the Group accounts prepared by the parent company comply with Directive EEC 83/349.

"Innovative strategies and structures are vital for increasing value at growth companies." Stephan Herre, Consultant.

Differences as against the HGB accounting standards are to be found in the areas of the capitalization of tax loss carryforwards (SFAS 109), foreign currency translation (SFAS 52), accounting for securities (SFAS 115), issuing costs deducted directly from the proceeds in equity (SAB 1), accounting for the cost of stock option programs (ABP 25 in conjunction with SFAS 123), accounting and consolidation of business combinations (APB 16) and differences in the accounting treatment of depreciation of noncurrent assets using the straight-line method under US GAAP compared with the declining balance method under the HGB.

USE OF ESTIMATES The management of the company has made certain estimates and assumptions relating to the reporting of assets and liabilities, the disclosure of contingent liabilities at the balance sheet date and of income and expenses during the reporting period, in order to prepare the financial statements in conformity with generally accepted accounting principles. The actual amounts can differ from these estimates.

FOREIGN CURRENCY TRANSLATION The functional currency of all foreign Group companies is the relevant local currency. When translating financial statements drawn up in foreign currencies into the Group currency, assets and liabilities are translated at the rate applicable on the balance sheet date. Income statement items are based on the average exchange rate for the month in which the transaction concerned was performed. Exchange differences in the balance sheet and statements of income resulting from the different exchange rates are recognized as other comprehensive income. Ongoing income or expenses in foreign currencies are stated at their net effect in the statements of income.

COMPANIES CONSOLIDATED The consolidated financial statements of KNORR CAPITAL PARTNER Aktiengesellschaft, Munich include all domestic and foreign Group companies in which the parent company has a controlling financial interest, i.e., in which it generally directly or indirectly holds more than 50% of the voting rights (FAS 94.2 in conjunction with ARB 51.2). A duty of consolidation exists as a matter of principle in those cases in which the conditions for consolidation are fulfilled. Associates in which KNORR CAPITAL PARTNER Aktiengesellschaft holds between 20% and 50% of the shares directly are measured using the equity method.

As of December 31, 1999 KNORR CAPITAL PARTNER Aktiengesellschaft held the following interests in affiliates and associates that are to be included in the consolidated financial statements (information on shareholders' equity and net income/net loss for the period according to US GAAP).

	Interest in %	Local currency	December 31, 1999 (in local currency/ thousands)	Net loss for 1999 (in local currency/ thousands)
VIPER Media Venture AG, Munich	100.00	DM	93	–5
KNORR CAPITAL PARTNER (ISRAEL) Ltd.	90.00	NIS	101	–138
KNORR CAPITAL PARTNER (SCHWEIZ) AG	60.00	CHF	104	4
MEDICIS AG, Munich [1]	40.00	DM	2,777	–157
MANAGEMENT SUPPORT SYSTEME AG, Munich [1]	40.00	DM	2,392	–150

[1] Associates (equity method)

The interests in MEDICIS AG and in MANAGEMENT SUPPORT SYSTEME AG were “acquired” during the period under report primarily by means of a capital increase. MEDICIS AG and MANAGEMENT SUPPORT SYSTEME AG were consolidated at equity.

VIPER Media Venture AG, KNORR CAPITAL PARTNER (ISRAEL) Ltd. and KNORR CAPITAL PARTNER (SCHWEIZ) AG were founded during the 1999 reporting period.

PRINCIPLES OF CONSOLIDATION The financial statements of the single-entity Group companies are consolidated in accordance with the legal provisions in a uniform manner on the basis of the accounting and reporting principles laid down by KNORR CAPITAL PARTNER AG. In the case of the consolidated companies, the acquisition cost is eliminated against the proportionate equity at the time of acquisition using the German Buchwertmethode (purchase method), which largely corresponds to the purchase method in US GAAP (APB 16). Remaining goodwill is reported under the intangible assets and amortized using the straight-line method over its expected useful life.

The difference between the purchase price and the net assets of MEDICIS AG amounts to DM 1,644 thousand; this will be amortized over 5 years. The proportionate goodwill for the fiscal year is DM 82 thousand. The proportionate loss including amortization of goodwill amounts to DM 145 thousand. The difference between the carrying value of the investment and net assets in the case of MANAGEMENT SUPPORT SYSTEME AG amounts to DM 939 thousand and will be amortized over 10 years. The proportionate amortization for the fiscal year amounts to DM 47 thousand. The proportionate loss including amortization of goodwill amounts to DM 107 thousand.

"PR is the be all and end all for listed companies."
Gertraud Hielscher, Communications.

Intercompany receivables, liabilities, expenses and income were eliminated. Income and expenses are mainly the result of cost allocation and of interest income and expense from loan agreements.

The consolidated financial statements were prepared as of the balance sheet date of the financial statements of the parent company. The business year of the consolidated companies ends on December 31, 1999 with the exception of MEDICIS AG, for which interim financial statements were prepared.

INCOME TAXES Income taxes are calculated using the liability method. Deferred taxes are set up for future tax effects arising from temporary differences. These are the result of different carrying values in the tax base and the financial statements and of the capitalization of tax loss carryforwards. Deferred tax assets and accrued liabilities are calculated using the tax rates and laws valid at the time the calculation is made.

REVENUE RECOGNITION Revenue is recognized as soon as services have been performed and receipt of payment is ensured. Revenue mainly comprises the sale of securities and fees.

3. NOTES TO INDIVIDUAL ITEMS ON THE BALANCE SHEET

CASH AND CASH EQUIVALENTS

	December 31 1999	December 31 1998
	DM thou.	DM thou.
Cash-in-hand	3	2
Current accounts	1,817	4,321
	1,820	4,323

Cash and cash equivalents comprise cash-in-hand and bank balances with a maturity of less than three months at the time of the acquisition. Due to the short term to maturity of these items, their book value corresponds to their market value.

SECURITIES

Securities are measured at fair value. Unrealized gains and losses from measuring available-for-sale securities at fair value are recognized in income. Unrealized gains and losses from all other securities measured at fair value are taken to equity and include deferred taxes. Amortization was performed on all securities in cases of a permanent decline in value. The acquisition costs, fair values and realized and unrealized gains and losses are as follows:

	Acquisition costs DM thou.	Fair value DM thou.	Unrealized gain/loss DM thou.	Realized gain/loss DM thou.
Other securities	41,440	48,606	8,036	–870

The unrealized gains amount to DM 8,432 thousand and the unrealized losses to DM 396 thousand. Listed securities are measured at fair market value. Adjustment of the securities to fair market value results in deferred tax liabilities amounting to DM 4,305 thousand; in accordance with SFAS 115, these are eliminated directly against the fair market value adjustment in stockholders' equity (other comprehensive income).

Unlisted equity interests were measured as of December 31, 1999 at acquisition cost. In accordance with SFAS 121, the investment in KC Data was written off in full by DM 870 thousand due to permanent impairment. In accordance with SFAS 115, the new fair value to be applied for subsequent measurement is the net value. For the subsequent measurement of KC Data this means a fair value of DM 0 thousand.

TRADE ACCOUNTS RECEIVABLE

	December 31 1999	December 31 1998
	DM thou.	DM thou.
Receivables (gross)	7,118	916
Less allowance for doubtful accounts	–793	0
	6,325	916

Trade accounts receivable are carried at their nominal value or at the lower value to be applied at the balance sheet date. In the case of trade accounts receivable whose payment is doubtful, appropriate allowances have been set up. Trade accounts receivable have a term of up to one year.

OTHER ASSETS

	December 31 1999	December 31 1998
	DM thou.	DM thou.
Other assets	916	41

Other assets are carried at their nominal value or at the lower fair value to be applied at the balance sheet date. They principally comprise short-term loans that are to be repaid within one year.

Other assets have a term of up to one year.

NONCURRENT ASSETS

	December 31 1999	December 31 1998
	DM thou.	DM thou.
Acquisition costs:		
Leasehold improvements	175	26
Other equipment, operating and office equipment	1,394	407
	1,569	433
Cumulative depreciation	–178	–8
	1,391	425

Noncurrent assets are stated at their historical acquisition or production costs, less cumulative regular depreciation. Assets are depreciated using the straight-line method on the basis of their expected useful life (3 – 4 years for computer hardware and 3–10 years for vehicles and operating equipment). Depreciation of noncurrent assets in fiscal year 1999 amounted to DM 170 thousand (previous year DM 8 thousand). The Group checks at regular intervals whether the carrying values need to be reduced as a result of changes in general conditions or concrete events.

INTANGIBLE ASSETS

	December 31 1999 DM thou.	December 31 1998 DM thou.
Acquisition costs:		
Computer software	195	9
Goodwill	5,761	5,761
	5,956	5,770
Cumulative amortization	-623	0
	5,333	5,770

Intangible assets are stated at historical acquisition costs, less cumulative regular amortization. Intangible assets are amortized using the straight-line method on the basis of their expected useful life (3–5 years for computer software and 10 years for goodwill). The goodwill results from the contribution of the two single entities Knorr, Reinsch & Partner and Manfred Frey, Management Consulting in accordance with the resolution of the General Meeting on December 22, 1998.

FINANCIAL ASSETS

	December 31 1999 DM thou.	December 31 1998 DM thou.
Investments in affiliates	4,841	719
Other loans	612	0
	5,453	719

Investments in affiliates

	December 31 1999 DM thou.	December 31 1998 DM thou.
MEDICIS Aktiengesellschaft	2,673	0
MANAGEMENT SUPPORT SYSTEME Aktiengesellschaft	1,849	0
IT-Adventure Aktiengesellschaft für Beteiligungen	319	319
Erdmann Network Computing AG	0	400
	4,841	719

By way of a share purchase and transfer agreement dated June 28, 1999, 40% of the shares in Palamedes Vermögensverwaltungs AG (since August 23, 1999 MEDICIS AG) were acquired at a price of EUR 20 thousand (DM 39 thousand). In the Extraordinary General Meeting of Palamedes Vermögensverwaltungs AG also held on June 28, 1999, a resolution was passed to increase the capital stock from EUR 50 thousand by EUR 50 thousand to EUR 100 thousand. In this context, KNORR CAPITAL PARTNER AG undertook to pay an issuing price of EUR 1,420 thousand (DM 2,777 thousand) for 20,000 no-par value shares. The incidental acquisition costs relating to the investment amount to DM 1 thousand. The shares were measured in accordance with the equity method. Due to the loss made by MEDICIS AG, the carrying value of this investment is reduced by the proportionate loss of DM 145 thousand, taking into account the amortization of goodwill.

MANAGEMENT SUPPORT SYSTEME AG was founded on April 7, 1999 and entered in the commercial register on July 5, 1999. By way of a resolution of the General Meeting on July 15, 1999, the capital stock was increased from EUR 50 thousand by EUR 450 thousand to EUR 500 thousand. In this context, KNORR CAPITAL PARTNER AG undertook to pay an issuing price of EUR 1,000 thousand (EUR 1,956 thousand) for 200,000 no-par value shares (40% of the shares).

"We are accelerators for the business of the companies we support." Matthias Golz, Value Growth Manager.

The shares were measured in accordance with the equity method. The carrying value of this investment is reduced as of December 31, 1999 by the proportionate loss in the amount of DM 107 thousand.

The shares in IT-Adventure Aktiengesellschaft für Beteiligungen, Munich, were contributed by the single entity of Knorr, Reinsch & Partner as part of the capital increase against non-cash contributions. The nominal value of the shares amounts to DM 319 thousand. The 14.77% interest is carried at cost. On December 17, 1998, the General Meeting of the investment company resolved to increase the capital stock by DM 442 thousand from DM 1,250 thousand at par to DM 1,692 thousand at par. At December 31, 1998, there was a call commitment of DM 103 thousand (for shares of DM 34 thousand at par). The call commitment was met by a transfer of funds on February 1, 1999. The investment in Erdmann Network Computing AG was reclassified under "Other marketable securities". The company plans to sell this investment in 2000.

OTHER LOANS

	December 31 1999	December 31 1998
	DM thou.	DM thou.
Gerhard Baumeister	462	0
DataFlor	150	0
	612	0

The other loans relate to loans granted with more than one year to maturity. Interest payments arising in 1999 were credited against the loan principal.

STATEMENT OF CHANGES IN CONSOLIDATED NONCURRENT ASSETS IN FISCAL YEAR 1999

	Historical cost			
	January 1, 1999 DM thou.	Additions DM thou.	Disposals DM thou.	December 31, 1999 DM thou.
Noncurrent assets				
Leasehold improvements	26	149	0	175
Other equipment, operating and office equipment	407	1,006	19	1,394
	433	1,155	19	1,569
Intangible assets				
Software	9	186	0	195
Goodwill	5,761	0	0	5,761
	5,770	186	0	5,956
Financial assets				
Investments in affiliates	719	4,522	400	4,841
Other loans	0	612	0	612
	719	5,134	400	5,453
	6,922	6,475	419	12,978

Cumulative depreciation/amortization				Net book values	
January 1, 1999 DM thou.	Additions DM thou.	Reversals DM thou.	December 31, 1999 DM thou.	December 31, 1999 DM thou.	December 31, 1999 DM thou.
0	6	0	6	168	26
8	169	5	172	1,223	399
8	175	5	178	1,391	425
0	47	0	47	148	9
0	576	0	576	5,185	5,761
0	623	0	623	5,333	5,770
0	0	0	0	4,841	719
0	0	0	0	612	0
0	0	0	0	5,453	719
8	798	5	802	12,177	6,914

CREDIT FACILITIES At December 31, 1999, the Group had credit facilities totaling DM 4,400 thousand at 5.5% interest. No drawdowns had been made against the credit facilities as of December 31, 1999.

TRADE PAYABLES The trade payables are due within one year.

OTHER CURRENT LIABILITIES The other current liabilities are due within one year and are composed as follows:

	December 31 1999	December 31 1998
	DM thou.	DM thou.
VAT	462	285
Wage and church tax	106	206
Social security contributions	54	21
Miscellaneous	40	5,572
	662	6,084

DEFERRED INCOME TAXES All of the deferred income taxes relate to the parent company KNORR CAPITAL PARTNER AG, Munich.

OTHER ACCRUED LIABILITIES

	December 31 1999 DM thou.	December 31 1998 DM thou.
Liabilities to employees	1,386	246
Year-end closing costs (prior period: cost of contribution)	126	249
Litigation costs	117	50
Vacation entitlements	90	0
Miscellaneous	208	80
	1,927	625

CURRENT AND NONCURRENT DEFERRED TAX LIABILITIES The German Körperschaftsteuergesetz (Corporation Tax Act) provides for an imputation procedure regarding the taxation of the company and its shareholders. As a rule, corporate income is subject to corporation tax (federal tax) of 40% (45% in 1998) plus the 5.5% solidarity surcharge on the corporation tax. Including this surcharge, the effective corporation tax rate is 42.20% (47.475% in 1998). The local authority trade tax is deductible for corporation tax purposes.

After distribution of retained earnings to the shareholders, the company's corporation tax on distributed profits is reduced to 30% plus the 5.5% solidarity surcharge, for a total of 31.65%, by reimbursement of corporation tax paid in prior periods in excess of 30% plus the solidarity surcharge. In 1999 and 1998, the aggregate tax rate for corporation tax and trade tax on the company's retained earnings amounted to 53.57% and 52% respectively.

The net tax effects of significant temporary differences resulting in deferred tax liabilities as of December 31 were as follows:

	December 31 1999 DM thou.	December 31 1998 DM thou.
Deferred tax assets		
From operating loss carryforwards (noncurrent)	41	0
Goodwill (noncurrent)	86	0
	127	0
Deferred tax liabilities		
Marketable securities (current)	–4,305	–645
Stock option programs (noncurrent)	–158	0
Plant and equipment, intangible assets (noncurrent)	-42	-32
	–4,505	–677
	–4,378	–677

The net amounts of deferred tax assets and liabilities carried in the balance sheet are as follows:

	1999		1998	
	Total	thereof noncurrent	Total	thereof noncurrent
Deferred tax liabilities	–4,378	-73	–677	–32

Reconciliation of income taxes (the cumulative amounts from the income statement were used for 1998).

	1999 DM thou.	1998 DM thou.
Expected income taxes	–6,862	–2,235
IPO costs	1,534	0
Taxable income at single entities	0	–2,139
Other costs	90	0
Disclosed income taxes	–5,238	–42
Effective tax rate	40.89 %	1 %
Enacted tax rate	53.57 %	52 %

"Rapid internationalization is a critical success factor for many of our companies. We help them achieve this through our international network and long-standing experience."
Dr. Jörg Nowak, Value Growth Manager.

The taxes on income at KNORR CAPITAL PARTNER AG and the pro forma consolidated single entities Knorr, Reinsch & Partner und Manfred Frey, Management Consulting, are not comparable. Because both of the partners concerned worked as freelance professionals until December 22, 1998, there was no trade tax liability up to this date; in contrast, KNORR CAPITAL PARTNER AG is fully liable to trade tax on account of its legal form. In addition, the personal taxes of the partners until December 22, 1998 were not allowable against earnings; in contrast, the corporation tax liability of KNORR CAPITAL PARTNER AG is recognized in the income statement in accordance with SFAS 109.

STOCKHOLDERS' EQUITY,

CAPITAL STOCK AND ADDITIONAL PAID-IN CAPITAL

The fully paid-up capital stock of the parent company amounts to DM 10,757 thousand (EUR 5,500 thousand) at December 31, 1999 and is composed of 5,500,000 no-par value bearer shares with a theoretical par value of EUR 1 each (amount not in thousands).

The parent company has been admitted to stock exchange trading with official quotation on the Frankfurt Stock Exchange and the Bavarian Stock Exchange since April 26, 1999.

KNORR CAPITAL PARTNER AG, Munich, was formed on August 20, 1996 as “Gold-Zack Erste Beteiligungs-und Vermögensverwaltungs-Aktiengesellschaft” with a capital stock of DM 100 thousand. By way of a resolution by the General Meeting on December 11, 1998, the capital stock was increased by DM 6,301 thousand from DM 100 thousand to DM 6,401 thousand. The capital increase was implemented against cash contributions by issuing 1,260,160 new DM 5 par value bearer shares (amount not in thousands). It was entered in the Frankfurt am Main commercial register on December 21, 1998. The General Meeting on December 22, 1998 resolved to increase the capital stock of the company against non-cash contributions by DM 1,599 thousand from DM 6,401 thousand to DM 8,000 thousand by issuing 319,840 shares at an issuing price of DM 5 each (amount not in thousands). The non-cash contributions by the single entity of Knorr, Reinsch & Partner, Munich, and the single entity of Manfred Frey, Management Consulting, Bad Soden, each account for around DM 800 thousand (159,920 shares) of the amount of the capital increase. The two partners transferred their companies to the company together with all assets and liabilities, all tangible and intangible assets, rights and obligations, employees, contractual relationships and obligations by way of transfer of individual rights. The non-cash capital increase was entered in the Frankfurt am Main commercial register on March 22, 1999. The Extraordinary General Meeting of the company on March 16, 1999 resolved the following:

- to convert the capital stock from Deutsche Mark to euros (DM 8,000 thousand to EUR 4,090 thousand);
- to increase the capital stock by EUR 160 thousand from EUR 4,090 thousand to EUR 4,250 thousand by way of cash contributions;
- to increase the capital stock by EUR 1,250 thousand from EUR 4,250 thousand to EUR 5,500 thousand by way of cash contributions.

The General Meeting on March 16, 1999 resolved to authorize the Managing Board, with the consent of the Supervisory Board, to increase the capital stock of the company up to March 15, 2004 by up to EUR 2,750 thousand by issuing bearer shares against cash or non-cash contributions on one or more occasions (authorized capital).

At the same General Meeting, the company was authorized to grant options to employees and members of the Managing Board or to employees and management of an affiliated Group company to subscribe for up to 327,200 shares (contingent capital increase).

OTHER COMPREHENSIVE INCOME In fiscal year 1999, the Group applied SFAS 130, “Reporting comprehensive income”. Comprehensive income consists of the net income for the period and other comprehensive income.

Other comprehensive income consists of all changes in equity during a period except those resulting from investments by owners and distributions to owners. The item is composed of current translation differences and differences from the measurement of marketable securities at fair value. Please refer to the Statement of Stockholders' Equity and Comprehensive Income for information on changes in these items.

Peter Harter, Value Growth Manager, supported the IPOs of Heyde AG, DataDesign AG, Prodacta AG und ATOSS AG

Earnings per share – the new provisions of SFAS 128 are applied for the first time to the annual financial statements as of December 31, 1999. In accordance with SFAS 128, all effects of rights convertible to equity are now recognized in the computation of earnings per share. In the case of these dilutive effects, two ratios must be stated for earnings per share. The ratio “Basic earnings per share” does not recognize the dilutive effect; the net income is divided by the average number of shares outstanding. The ratio “Diluted earnings per share” recognizes not only the shares actually outstanding, but also the number of potential shares from the exercise of options.

	1999 DM thou.
Basic earnings per share	
Consolidated earnings	7,572
Weighted average number of shares outstanding [1]	5,147,500
Earnings per share in DM	1.47
Diluted Earnings per share	
Consolidated earnings	7,572
Weighted average number of shares outstanding [1]	5,147,500
Dilutive effect of stock options [2]	7,032
Fully diluted earnings per share in DM [3]	1.47

Re. [1] All shares issued in the fiscal year carry dividend rights for the full fiscal year.
Re. [2] Assuming that all holders of the options issued in the fiscal year exercise their conversion rights.
Re. [3] Due to the different legal form in 1998 as against 1999, comparable earnings per share cannot be stated for 1998.

STOCK OPTION PROGRAM The General Meeting on March 16, 1999 resolved to authorize the company to grant options to employees and members of the Managing Board or to employees and management of an affiliated Group company to subscribe for up to 327,200 shares; resolutions by the Managing Board to exercise this authorization require the consent of the Supervisory Board. To this end, the General Meeting on March 16, 1999 resolved to contingently increase the capital stock by up to EUR 327 thousand. The contingent capital increase will only be implemented to the extent that the holders of the options allotted on the basis of the authorization exercise their options. The new shares carry dividend rights from the start of the fiscal year in which they are issued. 25% of the stock options will be granted to members of the Managing Board and of the management team and 75% to employees. In the year of the IPO, the issuing price of the new shares corresponds to the placement price established by the underwriting bank during bookbuilding. Where stock options are issued in subsequent years, the issuing amount of the shares corresponds to the average price (cash price) of the shares in the 90 market days prior to the preceding Ordinary General Meeting. The granting of stock options in fiscal years 1999 and 2000 is not contingent upon any performance targets. In subsequent years, the granting of stock options will be made contingent upon the average market price in the month of January being at least 12.5% higher than the average market price in the same month of the respective previous year or that the average market price in the month concerned is at least 20% higher than the placement price for each year since the IPO.

The lock-up period for the first-time exercise of the option expires at the end of the second calendar year after the year in which the option was granted. The option expires three years after this date.

Subject to special rules in the event of termination of employment and the expiration of the term of the option, the option may only be exercised within a four week period after official publication of the company's quarterly report or, if such quarterly reports are not published, within a four week period after publication of the annual report. Stock options can be acquired from February to July.

By way of resolutions dated June 8 and July 13, 1999, the Managing Board resolved to issue 19,500 options to subscribe for KNORR CAPITAL PARTNER AG shares to employees and members of the Managing Board. The strike price for the options is the issuing price of the shares of the parent company of EUR 12.50. The options can be exercised in full after December 31, 2001.

In conjunction with the above-mentioned stock option program, KNORR CAPITAL PARTNER AG exercises the option under SFAS 123 to apply the measurement rules set out in the predecessor standard, Accounting Principles Board Opinion 25. However, this requires the effects of theoretical fair value measurement in accordance with SFAS 123 to be recognized in the income statement. If the cost of the stock option program in accordance with SFAS 123 had been measured on the basis of the fair value at the date of grant, the net income for 1999 would have been reduced by DM 302 thousand, and the earnings per share by DM 0.06 DM. The fair value of the options granted in 1999 was computed at the grant date using the Black-Scholes option pricing model. The following assumptions were applied to this calculation:

Volatility	30.0 %
Risk-free interest rate	5.5 %
Expected time to exercise	2 Years

CHANGES IN STOCK OPTIONS ISSUED

	Face value of the options (EUR)	Number of options	Average strike price (EUR)
Balance at beginning of year	0	0	0 EUR
Granted	243,750	19,500	12.50 EUR
Exercised	0	0	0 EUR
Balance at end of year	243,750	19,500	12.50 EUR
Exercisable at year-end	0	0	0 EUR

CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS

RENTAL CONTRACTS AND LEASES The Group companies have entered into rental contracts and leases for various business premises, facilities and vehicles. The annual minimum payments from these agreements for the subsequent years are shown below:

	DM thou.
2000	742
2001	742
2002	742
2003	742
2004	742

LEGAL SITUATION During the course of their normal business activities, the Group companies may, from time to time, be involved in legal disputes. According to the company's management and its legal counsel, there were no claims as of December 31, 1999 which could be material with regard to the business, financial position and results of operations of the Group.

4. SEGMENT REPORTING SFAS 131 sets out that the internal organization of a group used by its management to measure profitability is the basis for segment reporting. For its decisions, the management of our Group does not distinguish between IPO Consulting, Corporate Finance and Venture Capital, as the Group prefers to receive its fees for these services in the form of shares in the companies concerned. As a result, management makes only the following distinction:

	1999 DM thou.	1998 DM thou.
Income from sales of securities	23,038	0
Consulting	12,833	7,777
	35,871	7,777

The segment result and the segment assets do not differ from the amounts stated in the consolidated income statement and the consolidated balance sheet.

5. GEOGRAPHICAL AREAS

In 1999, all of the company's revenues were generated in Germany. The subsidiaries in Switzerland and Israel are in the start-up phase, as is VIPER Media Venture AG.

6. MANAGING BOARD AND POWERS OF REPRESENTATION

The members of the Managing Board are:

- Thomas H. Knorr (from April 21, 1999)
- Manfred Frey

The Managing Board members Thomas H. Knorr and Manfred Frey have sole power of representation of the company. They are authorized without restriction to represent the company in legal transactions in which they act as third-party agents. The remuneration of the Managing Board amounted to a total of DM 760 thousand for the year under review. There were liabilities of DM 3,933 thousand to Thomas H. Knorr at the balance sheet date.

7. SUPERVISORY BOARD In accordance with section 95 of the AktG (German Public Companies Act) in conjunction with section 10 of the Articles of Association, the Supervisory Board of the parent company has three members. The members of the Supervisory Board are:

- Hans Wrieden, Dreieich, Chairman
- Dr. Boris Mariacher, Munich (Deputy Chairman until April 14, 1999)
- Adi Drotleff, Munich (Deputy Chairman from April 14, 1999)
- Dr. Rainer Bommert, Heusenstamm

The remuneration of the Supervisory Board for fiscal year 1999 amounts to DM 59 thousand in accordance with the Articles of Association.

8. RECENTLY PUBLISHED ACCOUNTING STANDARDS In June 1998, the FASB published SFAS No. 133 “Accounting for Derivative Instruments and Hedging Activities”. SFAS No. 133 makes changes to the accounting and reporting of derivative financial instruments and forward exchange deals; however, application of this standard has been postponed until further notice by the Financial Accounting Standards Board.

On April 3, 1998, the American Institute of Certified Public Accountants issued Statement of Position 98-5 (SOP 98-5) "Reporting on the Costs of Start-Up Activities". This Statement of Position (SOP) provides guidance on the financial reporting of start-up costs and organization costs and requires such costs to be expensed when incurred. This SOP applies to financial statements for fiscal years commencing after December 15, 1998. Application to previous fiscal years is encouraged if no financial statements have yet been prepared for such years. SOP 98-5 does not affect financial accounting and reporting by the company.

"The search for suitable M&A candidates for our clients, both before and after an IPO, is becoming increasingly important." Theresa Baumann, Consultant.

This photo of Thomas H. Knorr was used in the advert announcing our

Thomas H. Knorr

Chairman of theManaging Board of
KNORR CAPITAL PARTNER AG

1999 results. You can tell how good they are just by looking at him.

We have audited the consolidated financial statements of KNORR CAPITAL PARTNER AG, consisting of the balance sheets, income statements, statements of changes in stockholders' equity and comprehensive income, statements of cash flows and notes for the fiscal year from January 1 to December 31, 1999. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion, based on our audit, as to whether the consolidated financial statements comply with United States Generally Accepted Accounting Principles (US GAAP).

We conducted our audit of the consolidated financial statements in accordance with German audit regulations and in compliance with the German principles of proper auditing adopted by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, 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 give, in accordance with US GAAP, a view of the financial position of the Group and the results of its operations and its cash flows for the year then ended.

Our audit, which included the Group management report prepared by the Managing Board for the fiscal year from January 1 to December 31, 1999, did not result in any objections. In our opinion, the Group management report accurately reflects the position of the Group overall and accurately presents the risks associated with future developments.

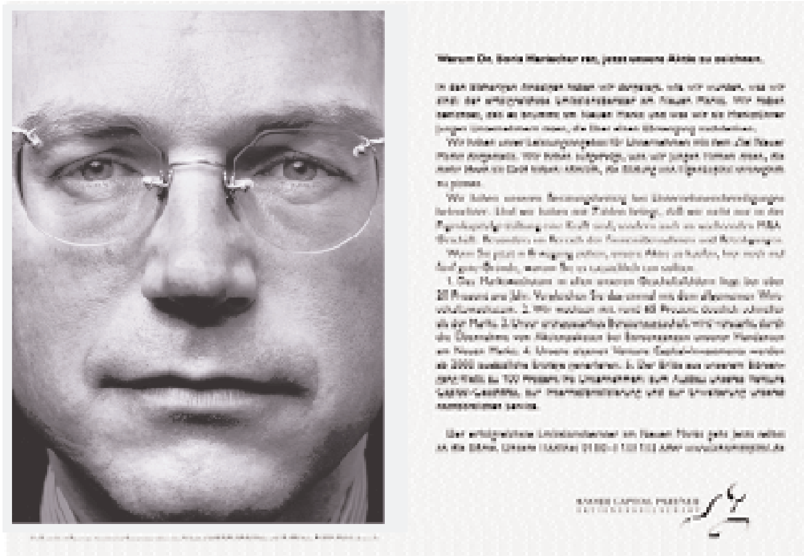
We also confirm that the consolidated financial statements and the Group management report for the fiscal year from January 1 to December 31, 1999 fulfill the requirements for releasing the Company from preparing consolidated financial statements and a Group management report in accordance with German law.

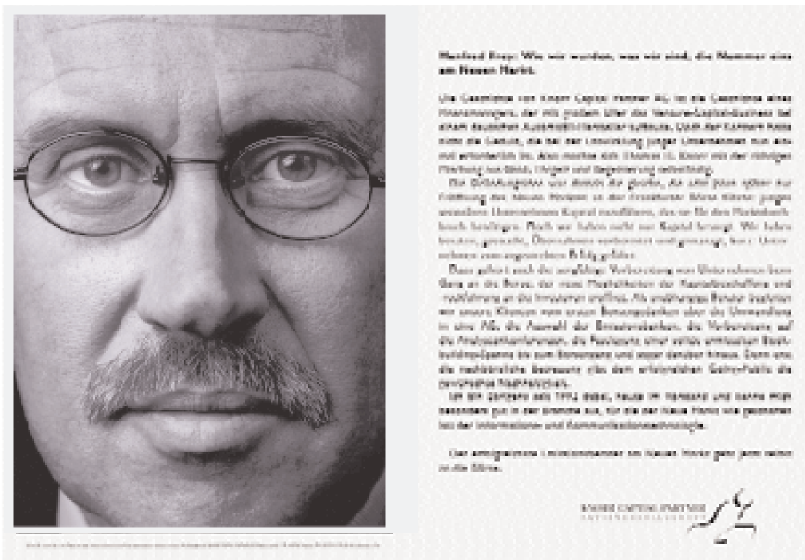
Mannheim/Munich, February 18, 2000

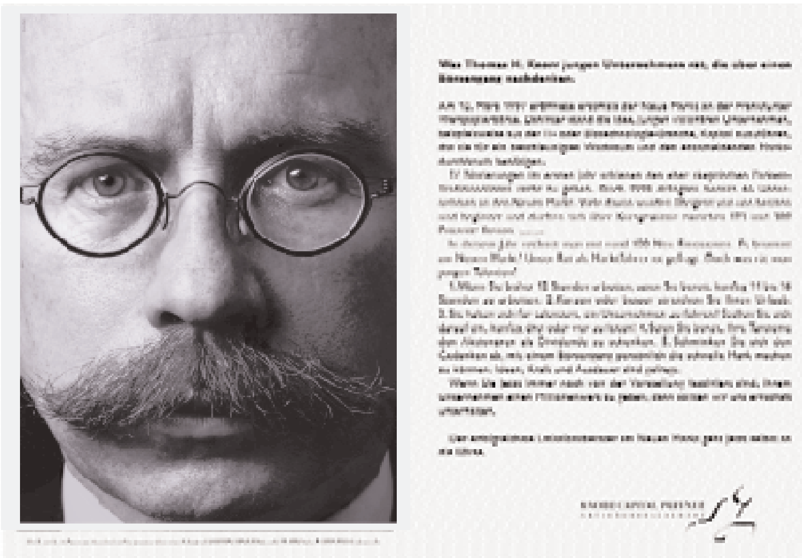
Treuhand Kurpfalz GmbH
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

(M. Ritzi)	(G. Hendel)
Wirtschaftsprüfer	Wirtschaftsprüfer

These advertisements in the business and financial press accompanied our IPO in April 1999. At the same time, they laid the foundation for a consistent information and communications policy: we aim to win the trust of investors and business partners with our transparency, clarity and personal commitment.







Key staff at KNORR CAPITAL PARTNER explain in detail our concept of helping young, innovative companies break into the market by providing not only money, but also consulting and concrete help. An offer that met with an enthusiastic response both from investors and from interested companies.

KNORR CAPITAL PARTNER started out with the goal of being not just the most profitable venture capital company, but also the most transparent. This principle governs our entire approach to communications. We assign special importance to open, proactive communication with all relevant target groups, and above all with our shareholders.

We use all appropriate means of communication to do this, taking into account issues of efficiency and economy.

Direct addresses and personal exchange, such as in our Annual General Meetings, exhibitions and regular roadshows for institutional investors naturally take pride of place. The Internet also offers opportunities for dialog, within the boundaries of its technical limitations. www.knorrcapital.de offers extremely comprehensive information about the Company and its shares, as well as offering you an opportunity to send us your questions, requests and thoughts. In addition, we maintain intensive media relations that consistently focus on the value of the information provided.

Continual corporate publicity in the financial and business press is another part of our investor relations activities.

At the time of the IPO in April 1999 we informed interested private and institutional investors in an unusually clear campaign of who we are, what we do and what our goals are. You will find examples of the advertisements on the preceding two pages.

Attentive business press readers will have noticed that we have continued this means of communication and use it today to announce up-to-the-minute news on interesting portfolio investments and developments at KNORR CAPITAL PARTNER AG.

We will continue to view communications as an important strategic factor and make use of it accordingly.

March 7, 2000	Annual financial press conference, Munich
	Analysts conference in Frankfurt am Main
April 18, 2000	Annual General Meeting in Munich
May 2000	Publication of quarterly report for Q1
May 23–25, 2000	Internet World 2000, Berlin, Hall 1.2, Stand B14
June 2000	2nd shareholders' evening, Munich
August 17–20, 2000	Pop Komm (Cologne)
August 2000	Publication of half-yearly report
September 1–3, 2000	Berlin Beta (Berlin)
September 2000	3rd shareholders' evenings, Berlin and Dusseldorf
September 2000	Investors conference, Hamburg
October 21, 2000	Participation – Hamburg Stock Exchange Open Day
November 6–10, 2000	Systems 2000, Munich
November 2000	Publication of quarterly report for Q3
November 2000	4th shareholders' evening, Frankfurt
March 2001	Annual financial press conference for fiscal year 2000
April 18, 2001	Annual General Meeting

The exact dates of publication of the quarterly reports and of the shareholders' evenings will be announced in the press and on the Internet at www.knorrcapital.de or. com.

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