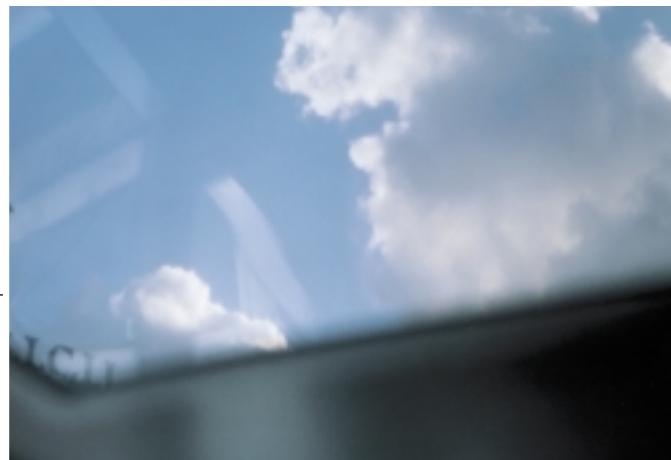


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Blue skies and silver linings

Looks good. The odd cloud is no bother.
What matters are conditions overall.
And that's where Pixelpark has had an effect.
Novel solutions and a pioneering spirit really put
a bit of movement in the Net.
That's Pixelpark.



Corporate mission

// The digital world has become an irrevocable part of everyday life. Once it was electricity, railroads and automobiles that completely changed our way of life. Today it is computers and the Internet. Pixelpark aims to shape the interface between man and his technological environment. We want to make our technological environment livable in and understandable. In doing so, we bear a unique responsibility: today's innovations are tomorrow's norm.

// For this reason, it is people who are always at the forefront of our minds. We develop solutions for people - with the people concerned. Solutions for today's digital age and for the future, too. Giving our customers the best possible service with our combination of strategic thinking, technical ingenuity and first-class creative design.

Pixelpark aims to shape the interface between man and his technological environment.

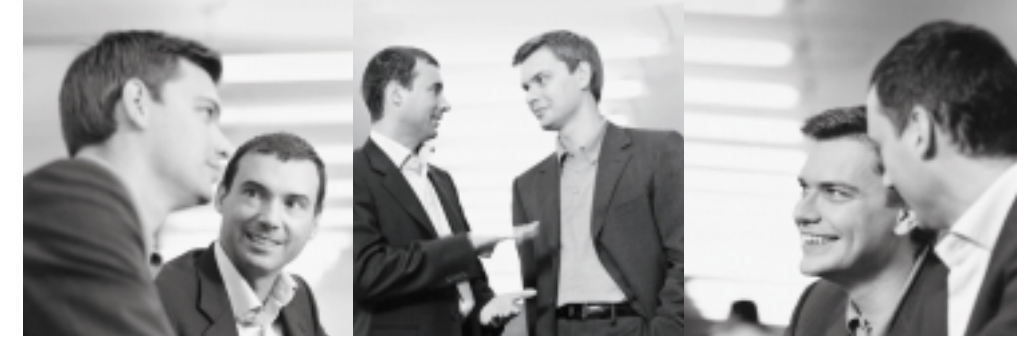


// If you want to help shape the future, you can't just stand still. Pixelpark is constantly learning and adapting to new developments. This is one of the reasons for our international presence. It means we are close to our customers and markets and responsive to specific regional features at the same time.

// We know that the success of a company is built on the quality of its employees; and we make every effort to attract the best to Pixelpark. We expect a lot from every single one. In turn, they are given our full support and scope to develop creative ideas.

// Our clients need to know their money is wisely invested at Pixelpark. We aim to give them a high return on their investment. Working together to find solutions that take them to the forefront of their markets. And we don't just see ourselves as a temporary advisor - more as a long-term partner. We don't only want to initiate change but to shape developments and influence attitudes in a lasting way.

// Pixelpark was one of the first companies in Germany to really get things moving on the Net and incorporate multimedia solutions in our everyday life. Pixelpark's innovations and pioneering spirit have set standards for the entire industry. And that's the way it should stay. Not only in Germany, but worldwide.



Interview with the Board

// How well did Pixelpark progress over the last fiscal year?

Paulus Neef : Very well indeed. The IPO was a great success, giving us new energy that helped us really pick up speed. Revenues have almost tripled - an increase far beyond what we originally anticipated and far beyond market expectations, as well. We have taken on upwards of 500 highly motivated and extremely well qualified new staff. We have attracted a great many interesting new clients, such as Credit Suisse, Financial Times Deutschland, Lloyds TSB, Allianz, Viva etc. And, on top of that, our integration of the multimedia companies, Furrer & Partner and east-europe.com, the incubator and venture capital company, GrizzlyFarm, the logistics expert, ZLU, and the IT specialist, K2, is impressive testimony to the success of our acquisition strategy, too.

// Have you recovered from any damage to Pixelpark's image when the planned merger with the Swedish company, CellNetwork/Mandator, fell through?

Jan Kantowsky : We came out of the thing stronger than before. We made it clear that, even under extreme pressure, Pixelpark's identity is nonnegotiable. No harm appears to have been done to our image, at all.

Paulus Neef : It didn't do us any damage. At the end of the year - you can tell from the accounts - we are miles ahead of expectations. It was right to stick to our principles. Pixelpark's internationalization strategy has been a great success.

// Where will Pixelpark's expansion take it next? South, east, across Europe, or are you going worldwide?

Paulus Neef : The first main target for expansion is Europe. At the same time, we want to strengthen our position in markets in countries where we are already represented. Our first priority will be to look towards Southern and Eastern Europe. But we still have an eye on Northern Europe, too.

// How quickly will you be moving ahead with Pixelpark's global expansion?

Paulus Neef : As quickly as reasonable. Our primary goal is to build up a pan-European base. Then we will be able to make our move across the Atlantic from a position of strength. We are absolutely convinced that our industry is a global one and that one day only a few global players will remain. When that happens, we want to be one of the players out front.

The new energy we got from the IPO has helped us really pick up speed.

left:

Paulus Neef

CEO

Born 1960 in Gütersloh.

Founded Pixelpark

in 1991.

right:

Dr. Jan Kantowsky

CFO and COO

Born 1968 in Constance.

Joined Pixelpark

in 1997.

// Pixelpark has grown dramatically – both from an internal and an external point of view. Will the organization be able to hold its own with this rapid rate of growth?

Jan Kantowsky: Management of change is one of the main challenges for management at Pixelpark. Given the exceptional strength of our expansion, we are very satisfied with the results achieved so far. We are constantly investing in management development. And reaping the rewards! For example, we were able to fill all executive posts at our new sites with our own people. The fact we didn't have to appoint anybody from outside shows just how much potential there is in Pixelpark and its employees – not to mention the prospects for talented people at Pixelpark.

// Given the company's rapid growth, how does Pixelpark manage to stay flexible and react promptly to market demands?

Paulus Neef: Our leadership principle delegates responsibility to the operative level: the client-project interface. Pixelpark employees carry the highest possible degree of responsibility. But that also puts them – and us – in a position to react more flexibly than other companies to market conditions and to customers' needs.

Jan Kantowsky: What we are talking about here is innovation on all levels. Our job is to promote innovation – whether with our Solution Centers or through Venturepark. We provide a space for people with outstanding

new ideas. Venturepark is a platform for innovative business concepts that don't fit into Pixelpark's service operation. I am convinced that Venturepark will become a second pillar of strength for business at Pixelpark.

// Does Pixelpark still see itself as a multimedia agency?

Paulus Neef: Not at all! We have already become far far more than that. Pixelpark is a full-service provider. Our range of services is based on three areas of expertise: Marketing & Design, Management & Logistics Consulting, and Systems & Technology. Pixelpark provides services for every link of the value chain.

// Where will the future lead?

Paulus Neef: The future will be further expansion of our expertise. I personally believe that the greatest stimulus to business will come from mobile communication and convergence of television and the Internet. That really will make the Net a mass medium – and one catering to totally different target groups.

Jan Kantowsky: Pixelpark will be able to help companies take advantage of the prospects emerging in precisely this area: multiple access to interactive services of whatever sort. And Venturepark will provide the platform for development and implementation of interesting business models in this field.



The right tree for the right soil

Palm trees don't grow in the taiga.
You really do need the right tree for the right soil.
In 1991, Pixelpark sowed the seed for a company that has
stood for the best in quality and innovation ever since —
from electronic commerce to media convergence.
Pixelpark: full service at the highest level.



Range of services

The Internet has introduced a new competitive dynamism to the economy: creativity, technology, innovation and speed are now impacting each other far more directly and far more intensely than ever before. This requires a new approach, an integrated process driving strategy as well as the creative realization and technical implementation of defined corporate and marketing goals.

Pixelpark has focused firmly on customer needs ever since it was founded in 1991. Our task: helping companies integrate the strategic and implementation process so they achieve sustained success. We do this by pulling together all the requisite disciplines. Our management and logistics consulting services benefit from close links with conceptual planning, copy and graphic design; and, of course, everybody benefits from the proximity of our IT people with their wide-ranging and up-to-the-minute expertise. We also collaborate on projects from start to finish, helping clients prepare strategic decisions and sticking in there until they have been put into practice and take effect.

Together with our clients,
we aim to find solutions
taking them right to the
forefront of their markets.

2

That is where Pixelpark's operations really differ from the sort of service model that was customary in the past - consultants, creative and technical people all working separately with a strictly sequential approach. Breakdowns in communication and shortfalls in performance are unavoidable working in such a way.

Ultimately, it is the quality of execution that determines success. Continuous investments in our technical expertise, in key technologies and in quality control have put Pixelpark in a position to successfully implement major international projects. To guarantee the best possible quality, we have established quality standards for every phase of project work.

Our **IT experts** develop powerful, integrated applications to solve complex technical problems day after day. 20 million hits in just one day on the Tour de France web pages we designed and implemented for ARD is just one example of the load-carrying capacity of the applications we create. The staff at our IT Competence Center make sure our Internet solutions form a homogeneous fit with existing IT environments so they operate smoothly and without a hitch.

The number of companies wanting to take active advantage of new-media approaches is increasing steadily. Pixelpark's strategic consultants assist and advise clients how best to proceed from the very first step, looking for

We don't just see
ourselves as a
temporary advisor -
more as a
long-term partner.

We develop solutions for tomorrow's digital age, giving customers the best possible service with our combination of strategic thinking, technical ingenuity and first-class creative design.

answers to very specific questions: What sort of impact will the Internet and new media have on existing business? What strategies are available, and are there any new business opportunities that might arise?

Our **Strategic Consulting Team** is made up of people with both Internet know-how and experience in management consulting. Advice is available in all relevant areas - from proposed business models and business plans to effective organizational design.

While strategy is being worked out, creative implementation of projects is the task of **Marketing & Design**, who prepare a rough design in which the content and structure of the specific application are laid down, taking technical issues into account right from the start. Central elements are development of a graphic concept, preparation of copy suited to the media, and creation of an appropriate layout.

Integration of **Zentrum für Logistik und Unternehmensplanung GmbH (ZLU)** - literally "Center for Logistics and Corporate Planning" - in the Pixelpark network put us in an exemplary position as regards end-to-end e-business. In the space of just ten years, ZLU has acquired an outstanding international reputation as experts for logistics and process design. Working with ZLU, we will be able to devise efficient solutions to help customers meet the new demands on the most critical links in the value chain - procurement, distribution, execution - all of which now need to be accomplished extremely fast.



With the continual development of the Internet, there is a constant need for new approaches. That is why we established our **Solution Centers**: so that we can keep ourselves and our customers up-to-date.

The Internet is getting more and more universal and moving more into the sphere of people's personal lives. It can now be accessed using cell phones and hand-held terminals, television, games consoles and even in cars. Companies have to use a variety of channels to cultivate customer relations. **Pixelpark Convergence Solutions** was founded to help clients successfully negotiate the complex changes in today's media environment. This is where changes in user behavior are researched, Internet products are developed for the third generation of cellular radios, and new applications are designed for a TV or mobile interface.

Pixelpark also offers various services in the realm of **electronic commerce**. For example, we design and implement customized solutions in banking, shopping and distribution capable of meeting the growing demands on electronic trade. From a technical point of view, e-commerce is based on digital on- and offline catalogs connected directly via sales terminals to distribution systems, merchandise planning and inventory control. Our designers are responsible for the creative input and for assembly of virtual stores.



Traditional advertising often has its limits. Integrated communication, on the other hand, opens up new perspectives. Digital brand management and [electronic marketing](#) are among our most important capabilities. Pixelpark does not restrict itself to strategic consulting and creative production; we are also capable of managing entire cross-media marketing campaigns.

Tomorrow's brand names will have to exploit the strengths of interactive media. That is why we have [Brandpark](#). This integrated brand management and communication concept enables us to position brands effectively in the new media field.

Of course, anyone investing money in a web site wants to make sure the site is well-known. But how do you attract the right visitors to a site? How do you build brand awareness on the Net? Pixelpark's international [Online Advertising Team](#) knows the most efficient advertising vehicles in Europe and the most innovative advertising forms: banners, site sponsoring, newsletters and viral marketing programs. What is more, we offer a complete package from media planning and online research to creative production work.

We have developed a number of powerful market research tools for informed decision-making in the marketing field. Our [Marketing Research Team](#) conducts its own qualitative and quantitative research, ranging from user structure analyses and satisfaction appraisal to brand positioning studies and impact evaluation for online advertising campaigns.



The increasing competitive thrust of business today calls for drastic changes in the way communication and information are processed - both within companies and at the customer interface. [Knowledge management](#) based on Intranet applications can facilitate a company-wide process of change. Pixelpark was one of the first multimedia providers to realize the importance of the Intranet.

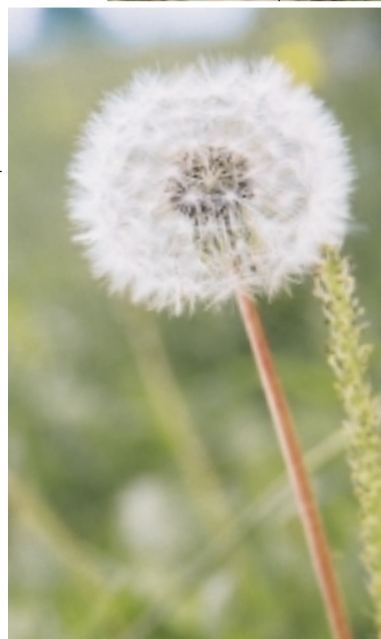
The digital world is not confined to the Internet. What matters is to take multimedia beyond the limits of conventional PCs and create total online experiences. Pixelpark set up [Interactive Environments](#) to focus on this area of innovation and provide the latest technologies for this new interface between man and his environment.

To make progress on the road to the digital future, you really have to think ahead. Our research and development center, the [Institute for Media Development](#) (IMD), keeps an eye on where technology is going, analyzes innovations and sounds out the market potential of new ideas - knowledge our customers need. And, with close links between IMD and Pixelpark's current projects, it is knowledge our clients receive.

If you want to
shape the future,
you can't just
stand still.

Simple, ingenious and effective

The dandelion spreads its seeds in all directions.
Pixelpark is recommended from one customer to the next.
That comes from our excellent results in all sorts of
industries from finance to chemicals and communications.
Customers are what give Pixelpark its good name.
See for yourself.



Case studies

One of the most complex German online operations was developed by Pixelpark.

Financial Times Deutschland www.ftd.de

The Financial Times Deutschland online operation was launched in February 2000 at the same time as the print version of the newspaper. Pixelpark acted as full-service partner responsible for strategic consulting, development, technological implementation and creative design.

Financial Times Deutschland, the German version of the Financial Times, is one of the most important newspapers to have come on the market in Germany in the last 50 years and, what is more, it is the first to have been launched in the Information Age. The particular strategic challenge was, therefore, to position the brand and product benefits in the online market and to link them with the printed product at the same time. Our task was to design an innovative editorial product providing users with up-to-the-minute, personalized information around the world, around the clock. We had to develop an IT architecture that would optimally support the editorial workflow and integrate various agency ticker-tape services, information on current stock exchange rates, the newspaper's archives and its print and online editorial systems.



“Financial Times anywhere”. Pixelpark’s strategy of integrated cross-media branding puts the brand firmly in the center. All user-relevant features were designed for intuitive, easy and efficient use.

The complex heart of the web site is a multi-channel IT system giving users the option of accessing it via Internet PCs, WAP mobile phones, personal digital assistants (PDAs) and e-books. The powerful content management system - developed on the basis of Openmarket Futuretense and Sun/Netscape application servers - fully processes all data in XML. A meta search engine searching various international databases has also been installed. For added efficiency, the system can be personalized in a variety of ways. Registered users can subscribe to dedicated newsletters and newsflashes by e-mail. They can set up personalized portfolios. Or browse through the entire archive of the print edition of the FTD.

In partnership with Pixelpark, Financial Times Deutschland has succeeded in positioning its product and brand in a way that is suited not only to the online medium but also to its target group. The launch was an even greater success than anticipated, far surpassing company expectations. All technological and workflow systems were promptly integrated in editorial routine. One of the most complex German online operations was up and running overnight.



Wacker Chemie GmbH www.wacker.com

Wacker Chemie GmbH decided to develop an e-commerce strategy in 1999. The aim was to organize distribution structures for 23 production sites and over 100 subsidiaries worldwide. At the same time, the company's online operation was to be overhauled so that up-to-date marketing information would be retrievable at all times online. Wacker Chemie chose Pixelpark to do the job because they needed across-the-board assistance – from strategic consulting to conceptual and graphic design, not to mention Pixelpark's invaluable expertise in the systems and technology field.

A strategy was drawn up for the company and the project was planned in less than three months. First, Pixelpark's strategic consultants analyzed the status quo within the company and the market environment. Then they produced an overview of e-business opportunities along the entire value chain in which priorities were laid down and the focus placed on distribution and marketing support.

The new Wacker Chemie pages went online in April 2000. The web site's main elements are descriptions of the company and its four fields of business as well as a search engine with over 3,000 entries to help users find contacts at the company and obtain information on products. Later, this platform is also intended to serve as the company's e-commerce portal.

An editorial system has been set up, allowing the web pages to be updated by the Internet team at Wacker Chemie GmbH. This means the company can provide clients and business partners with up-to-date information every day. The Internet style guide developed by Pixelpark ensures that all technical, layout and design guidelines are adhered to worldwide.

Construction of an e-commerce platform is proceeding step-by-step. Further transaction-oriented applications are planned using the current setup – specifically, links to inventory control and merchandising systems as well as logistics and fulfillment process control.

Development of the projects is seen as an ongoing process. Pixelpark will continue to support Wacker Chemie GmbH as a strong and efficient full-service partner.

Wacker Chemie's
online operation
called for the
full-service approach
provided by
Pixelpark.



Lloyds TSB www.lloydstsb.com

In March 2000, the British bank, Lloyds TSB, commissioned Pixelpark to develop an e-finance portal for the UK. It is the most important project of the year at Lloyds TSB. Initially, collaboration with Pixelpark has been scheduled to last twelve months. The first stage went into operation online in August 2000.

In Britain, the personal banking sector is characterized by strong competition with four large and old-established high-street banks and various Internet start-ups battling for customers. Lloyds TSB intends to keep its customers and continue serving them in the traditional way. At the same time, Pixelpark was asked to prepare ways for the bank to move into the e-business field. Pixelpark responded to the challenge by creating an e-commerce strategy that puts Lloyds TSB at the forefront of the e-finance market in the UK.

By the end of 2000, Lloyds TSB's Internet banking operation aims to be catering to roughly a million customers. It will then be possible for the bank to offer additional services and build up more direct customer relationships.

Pixelpark's innovative approach to this project is based on a unique communications strategy and technological design. Lloyds TSB presented the strategy to selected financial analysts in May 2000 and it was very enthusiastically received. The technological platform will also enable Lloyds TSB to use the content of the web site on other platforms, such as WAP browsers and Internet TV.

Pixelpark puts Lloyds TSB at the forefront of the Internet banking market with a unique communications strategy and innovative technological design.

You don't gain experience
if you stay at home

Berlin's a great place. But it isn't the whole world.
It takes all Pixelpark's locations working together
to ensure far-reaching and steady growth.
In all areas. Including customer growth.
From Hamburg to Munich, from São Paulo to Eastern Europe.
Growth defines Pixelpark.



New markets

From an international point of view, Pixelpark again grew substantially over the last fiscal year. We are now a lot closer to achieving our declared aim: leadership in the European market. We were able to consolidate and extend our strong positions in Germany and Switzerland; and we are now also outstandingly well placed in the markets in Austria, France and the UK. In addition, we have taken initial steps towards expansion into Spain and Latin America as well as Central and Eastern Europe.

Aside from its international expansion, Pixelpark was able to appreciably extend its range of services with the acquisition of [Zentrum für Logistik und Unternehmensberatung GmbH](#) (ZLU) and a majority stake in the incubator [GrizzlyFarm](#) (since renamed [Venturepark Incubator AG](#)).

Pixelpark locations

// Switzerland

In July 1999, Pixelpark acquired [Furrer & Partner AG](#). Founded in 1984, the company was one of the pioneers in the Swiss multimedia industry with sites in Zurich and Biel. As a result of the merger, we are now the undisputed number one in the market in Switzerland. Our presence there means various Swiss-based international companies, such as Credit Suisse, are able to benefit from the complete range of Pixelpark services on the spot. At the same time, Switzerland is an important part of an international Pixelpark network aimed at satisfying as fully as possible our customers' wishes and needs.

// Austria

In Austria, we acquired the top-of-the-tree multimedia agency, [UseIt! GmbH](#), in the 1999/2000 fiscal year, so that Pixelpark has further strengthened its leading market position in Austria, too. UseIt! has been smoothly and rapidly integrated in Pixelpark's international network, as can be seen from its involvement in various multi-location and multinational projects such as our work with Wacker Chemie AG. Pixelpark Austria has an impressive customer portfolio, including blue-chip clients such as Mobilkom AG, Meindl Bank, Bank Austria, Austrian Airlines and Tyrolit. Cutting-edge technology (Vignette, WAP, Allaire) is also on our books. Pixelpark Austria's success story is written in numbers, too: our revenues and payroll total more than doubled in Austria over the year.

Our international presence means we are close to our customers and responsive to specific regional market features, too.



// France

Over the last twelve months, Pixelpark has evolved from a company with a total of five employees in France to become one of the five leading providers of Internet services in the French market.

Reliable implementation of projects for clients such as OECD, Fujifilm, Nart.com and Libertysurf gave us an excellent reputation; and we were able to acquire new big-name clients such as Crédit Agricole, Bull and Lexmark.

After the takeover of the IT service provider, K2 S.A., announced shortly before the end of the fiscal year, Pixelpark France will be in a position to develop even larger and more complex projects in future. With its 70 IT specialists, K2 is one of only two Oracle Certified Advantage Partners in France. K2 clients include major companies such as France Télécom, EuropCar and Kellogg's.

// United Kingdom

In the course of our international expansion, we opened our London office in July 1999. In less than a year, we have managed to turn it into a company covering all of Pixelpark's core services on site. The large number of new clients, such as the financial services provider, Lloyds TSB, and British Telecom, is evidence of the good name Pixelpark UK has made for



itself in the British market. Our British team even succeeded in notching up a positive result in the 4th quarter of its first fiscal year. However, the costs of establishing the location meant the company ended the year with a deficit for the year as a whole.

// USA

Over the last year, we succeeded in repositioning Pixelpark USA so as to take account of the difficult market conditions in the USA. In future, the company will have an active role in our Bridge to Europe program, working with companies in the USA who intend to expand their e-business activities to Europe with the help of the European Pixelpark network.

// Spain/Latin America

In spring 2000, Pixelpark and leading Spanish bank, Banco Bilbao Vizcaya Argentaria S.A. (BBVA), agreed on a joint venture to develop the Iberian and Latin American markets for Internet-based solutions. To this end, we have now founded Pixelpark Latam S.A., which will operate as a holding company for several country-specific companies in Spain and Latin America. In parallel, we opened our first office in Madrid; and we will be rapidly expanding our presence in Spain over the coming months. Acquisition of ZLU GmbH means we are also represented in São Paulo/Brazil. The combination of Pixelpark's expertise and BBVA's excellent customer relations puts us in an outstanding position for entry into these markets.

Pixelpark is a learning company, constantly adapting to new developments.



Our primary goal is to build up a pan-European base. Then we will be able to make our move across the Atlantic from a position of strength.

// Central and Eastern Europe

Pixelpark has taken over a majority stake in east-europe.com data AG (since renamed Pixelpark CEE AG), setting the stage for expansion into the Central and Eastern European markets. Our joint-venture partner, S&T System Integration & Technology Distribution AG, Vienna, Austria, has an excellent infrastructure and outstanding customer contacts in these regions. This will provide an excellent base for Pixelpark to supply customers in the region with a broad range of interactive solutions. Depending on the specific market factors in each of the Central and Eastern European countries, expansion will come from both organic growth and targeted acquisitions.

// Germany

Over the last fiscal year, Pixelpark further consolidated its position in the German market. Alongside our head office in Berlin and other offices in Hamburg, Stuttgart and Cologne, we have now opened new offices in Munich, Dortmund and Frankfurt am Main (July 2000). This underlines Pixelpark's position as a strongly customer-orientated company and the importance placed on proximity to our clients. Once again, we were able to attract a large number of new employees and considerably strengthen all areas of our operations. Our Solution Centers, which provide a significant knowledge base for our core business, were also strengthened and actively integrated into

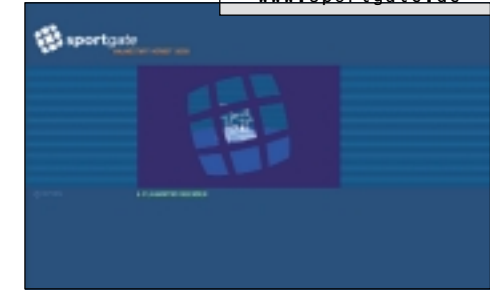
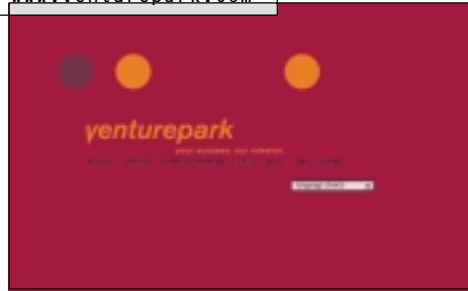


the Pixelpark network. As a result, we were able to broaden and extend the range of services we provide to major companies operating both nationally and internationally. Pixelpark's customers in Germany now include many of the 200 most important firms.

New business fields

// Logistics and corporate planning

Pixelpark has extended its product range following acquisition of Zentrum für Logistik und Unternehmensplanung GmbH (ZLU), in the 3rd quarter of the 1999/2000 fiscal year. With ZLU's expertise in the fields of logistics design and business process optimization, Pixelpark is now in an even better position to respond to the increasing impact of interactive solutions on company work processes. ZLU employs roughly 100 people in Berlin, São Paulo/Brazil and Boston/USA.



// Venturepark

On top of its service business, Pixelpark's 63% holding in GrizzlyFarm AG (now [Venturepark Incubator AG](#)) gives it a second leg to stand on in the attractive incubator field.

Speed is a prime necessity in the rapidly evolving Internet market.

Venturepark helps start-up companies become internationally viable and rapidly and successfully establish themselves in the New Economy. People with exciting, innovative ideas in the new media field get vital assistance from Venturepark in obtaining start-up capital, building a qualified workforce, developing important strategic partnerships and turning their ideas into fully-functional Internet platforms. As an incubator, Venturepark works alongside start-up companies from the ideas phase to the flotation stage and also incorporates them in a network stretching worldwide.

Venturepark is very careful in selecting the teams to help. The strategic focus is on Internet spin-offs. This is where Venturepark sees the future of the Internet in Europe. Pixelpark is also specifically interested in high-quality start-ups and implementation of its own Internet projects with hand-picked external teams. The main emphasis is on the B2B and online media fields.

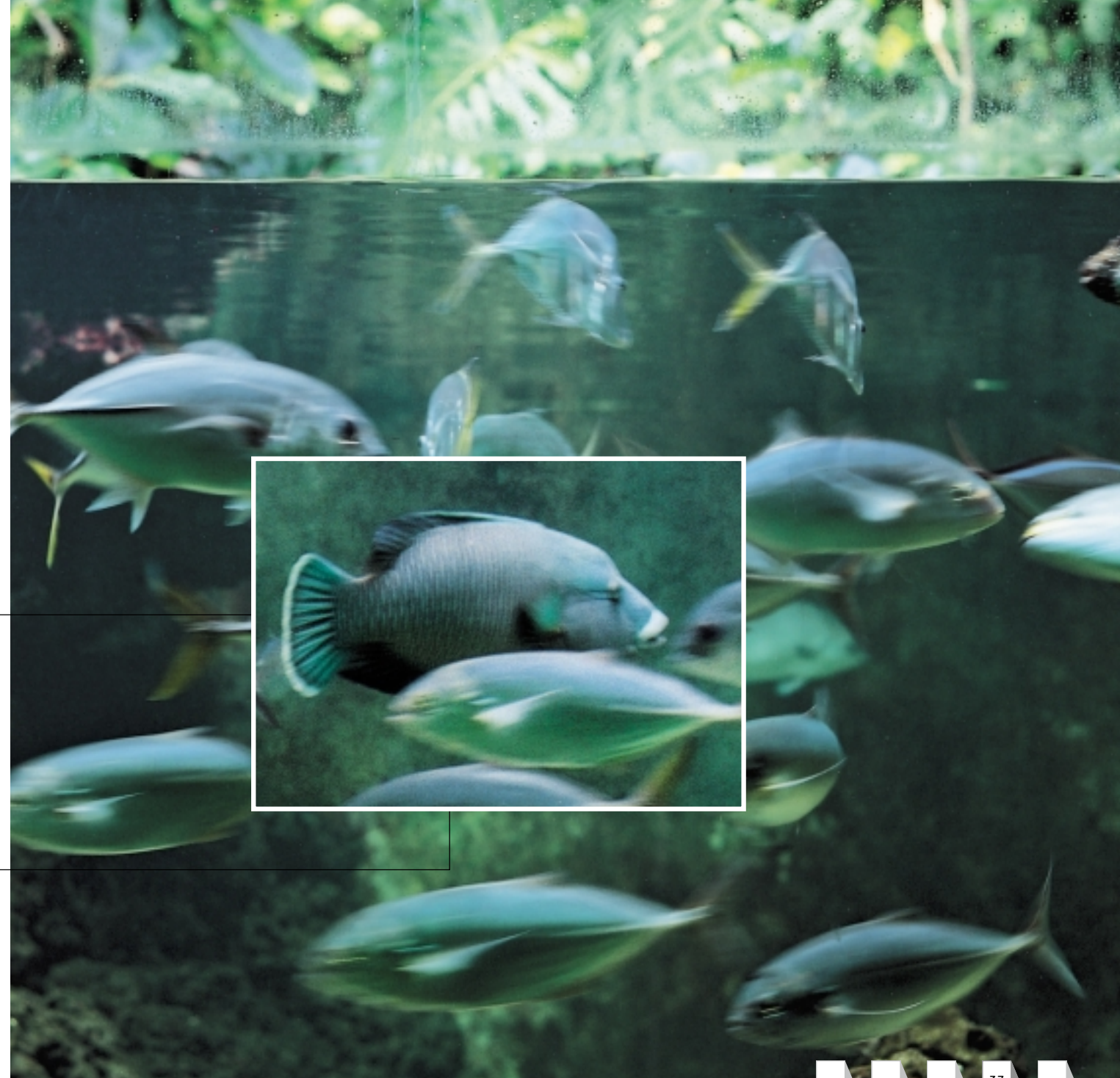
When the quality of the concept has been examined thoroughly, previous experience has been taken into account and the structure of the team has been appraised, those selected to receive assistance stay with us for a maximum of six months. A further important consideration is that the people concerned fit in with Venturepark and the other incubated teams. This makes joint learning processes possible and enables synergy effects.

The basis for the success of our incubator business is Pixelpark's wealth of experience in the field of interactive solutions combined with the Venturepark management team's expertise and many years of experience in the strategic consulting, venture capital and investment banking fields. Alongside the prospect of an increase in the value of its investment, Pixelpark also benefits from its proximity to new customer groups. Venturepark now has locations in Berlin, Warsaw, Milan, Madrid and Paris; so it is already represented across Europe after just a few months. We plan to proceed rapidly with further geographical expansion of Venturepark.

Pixelpark will help companies open up the markets emerging from convergence of television and the Internet.

Ideas are best pursued in teams

You don't have to be a big fish to enjoy success. You just have to get together with the right people. Pixelpark people come from all around the world and all sorts of industries. The right combination for the right solution. For people as well as the Net. It's people make Pixelpark.



Pixelpark people

As a result of the rapid growth of the company over the last twelve months, the composition of Pixelpark's workforce also changed in the course of the year. A stronger focus on specific branches of industry at Pixelpark means employees are increasingly drawn from traditional commercial and industrial sectors - chemicals, pharmaceuticals, finance and telecommunications. Pixelpark's projects benefit considerably from their first-hand experience and expertise.

New job and career profiles and new training schemes in the multimedia field have given rise to an appreciable shift in the background and qualifications of new employees. The number - or proportion - of people switching careers has decreased in favor of those with a higher qualification or specialization in the new media and related fields. This means the average age of Pixelpark staff has increased. It is currently in the region of 33 years.

One of the most remarkable features about Pixelpark's employees is their enterprise and resourcefulness. Pixelpark people are very keen to take on tasks with personal responsibility. But, even with so many highly specialized



individualists, Pixelpark focuses on working as a team. The same is true in a broader framework. As a result of our international expansion, an extremely diverse mix of nationalities are working around the world in what is rapidly becoming a multinational team.

// Recruitment

The competition for quality staff is getting stiffer all the time - both nationally and internationally. To attract the best to Pixelpark, we are constantly working to increase public awareness of Pixelpark, using all possible means of communication from advertising to marketing, public relations and press relations work. One particularly important recruitment tool is what is known as relationship marketing. Pixelpark staff visit universities to introduce students and graduates to the company's range of services at university events. Personal contacts and face-to-face discussions are an ideal way to show what an attractive employer we are, offering a wide variety of career opportunities and excellent prospects for personal growth. The result: up to 1000 applications per month for all posts from trainee to CEO.

It is vital that potential new employees receive a swift response to applications. The market is highly competitive - and, if you react too slowly, the best people have already been snapped up. The job page on our web site allows

We aim to attract
the best to Pixelpark.



company-wide digital recruitment management. So, we have succeeded in considerably accelerating the processing of applications. Applicants know whether Pixelpark is interested in them within about five days.

// Professional Development and Further Training

In today's knowledge-based society, you can only survive if you don't stand still. In an innovative field like the Internet industry, working and learning have to go hand in hand. Intellectual capital is one of the most important factors for success. Which is why such strong emphasis is placed on further training at Pixelpark. We want to continue setting the pace in tomorrow's technological and information society, too.

We expect a lot from every single employee.

Pixelpark Certification Program. Pixelpark was one of the first new media companies to invest in personnel development tools. Feedback and Development Dialogs have been established in which managers and staff agree on parameters for specialist training and personal development. The key to this is the Pixelpark Certification Program developed by our Training and Development Team. Pixelpark's clients expect high quality, innovation and dedicated attention to customer needs. The Certification Program was set up precisely to increase quality standards, to develop personal skills and to help identify future needs. It involves a balanced combination of modules oriented towards the immediate demands of our projects, prospective developments and long-term needs.

Management Certification Program. The Management Certification Program is the framework through which we specifically aim to enhance the managerial skills and leadership quality of our executive staff. It includes international training sessions and various individual coaching measures to promote the development of our management team.

New Media Management Program. Pixelpark also invests in the professional development of university graduates. Our New Media Management Program, which provides an opportunity for outstanding graduates to familiarize themselves with every link of the value chain in three corporate fields (Marketing & Design, Management & Logistics Consulting and Systems & Technology), is unique in the industry.

Event Training. Event Training was set up to facilitate the dissemination of knowledge in-house, getting it out of the heads of our experts and into the organization as a whole. With educational support provided by our Training and Development Team, more experienced Pixelpark staff pass on their specialist know-how to other employees.

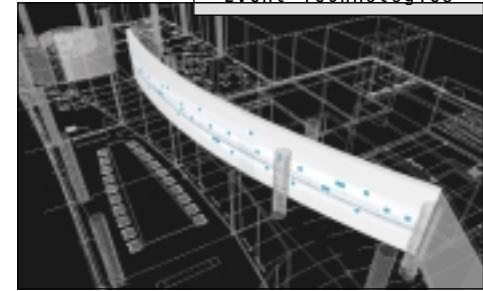
Vocational Training. From September 2000, Pixelpark AG is providing places for computer science trainees specializing in applications development. By autumn 2001, we will have created further vacancies for vocational training in other careers.

We give our employees our full support and scope to develop creative ideas.

Future currents, future trends

Upstream and downstream, cross-country and straight ahead.
Today's communications channels connect everyone.
Contact all the time. And everywhere you are.
The prospects for tomorrow?
Mobile communication and convergence of television and
the Internet.
The future is Pixelpark.





Where will the future lead?

We don't only want to initiate change but to shape developments and influence attitudes in a lasting way.

Pixelpark is one of the most innovative companies in the Internet industry. And that's the way it's going to stay. We aim to keep one step ahead of our competitors. Always. Worldwide. To do so, we can bank on our existing abilities and our constant efforts to expand our scope and expertise. We aim to press ahead with our internationalization strategy and spread our digital network right around the world.

Convergence is an area in which Pixelpark sees considerable future potential. Digital and mobile - that's tomorrow's world. Our knowledge-based society wants access to information everywhere and all the time. Television and Internet are converging. Mobile phones, WAP devices and pagers are already everyday things. And so, the Internet really is becoming a mass medium, catering to totally new target groups.

To make progress on the road to the digital future, you really have to think ahead. That's why Pixelpark has its own research center: the [Institute for Media Development](#) (IMD) keeps an eye on where technology is going, analyzes innovations and sounds out the market potential of new ideas. Our IMD researchers are exploring ways information can best be processed and presented so that it is understood and used. Pixelpark already sees itself as shaping the interface between man and machine. We still have a long way to go; but we know this is an area ripe with opportunity.

One project with excellent prospects is Venturepark. Above all, Venturepark helps established companies realize promising ideas in the Internet field. As an incubator, Venturepark provides such spin-offs and other top-quality start-ups with indispensable contacts, enabling them to secure necessary capital, build a qualified workforce and develop important strategic partnerships. Speed is a prime necessity in the rapidly evolving Internet market. Venturepark gives Pixelpark an opportunity to take up ideas that don't fit into Pixelpark's service operation. This has given us a second leg to stand on in an interesting and up-and-coming field.

Pixelpark has set standards for the entire industry. And that's the way it's going to stay. Not only in Germany, but worldwide.

The Pixelpark share

Our first nine months on Frankfurt's New Market were a great success. We are one of the top Internet companies in Germany. Up-to-date information is available on the Web at www.pixelpark.com/ir/annualreport2000

Key share information

Offering price	€	15.00
52-week low (initial listing)	€	16.30
52-week high	€	193.00
Share price on August 31 (Xetra)	€	120.00
Market capitalization as of August 31	€bn	2.23
Number of shares in millions		18.6

Pixelpark – the share

The Pixelpark share was launched on the stock exchange in the autumn and has been listed on Frankfurt's New Market since October 1999. Despite difficult conditions on the market at that time, the IPO was an outstanding success. The share was oversubscribed more than 20 times; the issue was priced at €15; and the share opened at €16.30. Of a total of approximately 18.6 million non-par-value shares, some 4.3 million - i.e. roughly 23% of issued capital - are at present freefloat.

Prior to the deduction of flotation costs, proceeds from the issue amounted to approximately €48m (including Greenshoe). This capital is being invested to promote internal growth as well as in M&A activities at home and abroad.

Pixelpark has established itself in Frankfurt's New Market as one of the leading Internet service providers. The importance of our share in this segment was highlighted by its inclusion in the NEMAX-50 index in March 2000.

We maintained close contact with financial analysts as well as private and institutional investors over the last fiscal year. We also staged a number

The price of the Pixelpark share has increased more than sevenfold since the IPO.

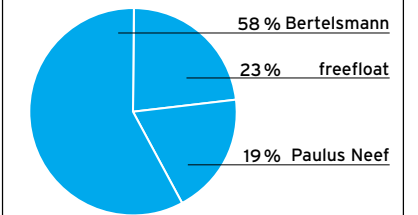
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of roadshows and other events, providing in-depth information on current developments in the Pixelpark Group and elucidating our corporate strategy. Our candid and comprehensive public relations work not only strengthened our shareholders' confidence in the Pixelpark share; we also received a special honor. The German business magazine, "Wirtschaftswoche", compared the investor relations activities of various companies on the New Market. Pixelpark came out top with maximum points.

Our impressive business performance and our wealth of contacts in the financial community also boosted shareholder value. Between its initial listing on October 4, 1999 and August 31, 2000, the price of the Pixelpark share increased more than sevenfold, considerably outperforming the NEMAX 50 over this period of time.

Pixelpark's IPO met with broad media interest. The resulting in-depth reporting gave us an admirable opportunity to inform a broad public of the services and international positioning of Pixelpark. Not only were we able to increase awareness of the company among investors and clients, but also among potential future employees.

Shareholder structure



Management report

The Pixelpark Group closed the fiscal year with record growth. At the same time, we were able to take important steps on the road to further expansion. Up-to-date information is available on the Web at www.pixelpark.com/ir/annualreport2000

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Management report

Strategically, the Pixelpark Group was admirably positioned to take full advantage of the favorable market conditions over the last fiscal year. This was duly reflected in what were extraordinarily satisfying operating figures for the year.

Market Trends

// Rapid growth in Internet service sector

Over the last few years, the Internet has established itself as one of the key factors affecting the development of corporate strategies. On the threshold to a digital economy, companies are now increasingly dependent on outside help – but many of the services they require are things traditional service companies cannot provide. Market research shows that significantly higher growth is to be expected in the market for Internet services over the coming years than in traditional sectors of the service industry. For example, the International Data Corporation forecasts annual growth averaging 44% in the market for Internet services up to 2004, while Enterprise Resource Planning (ERP) services are only expected to grow at a rate of 17% per year.

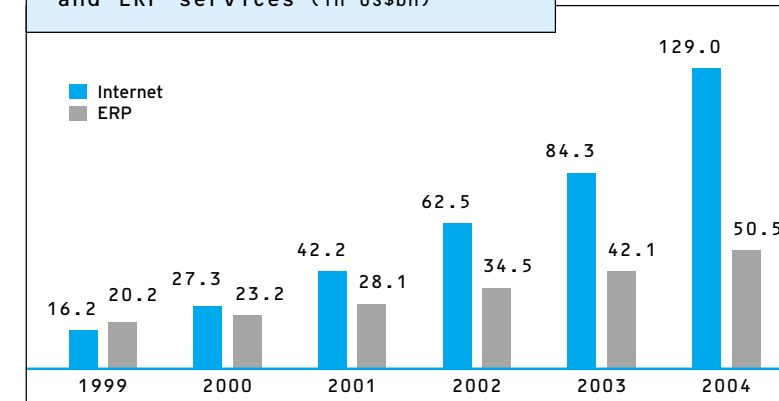
Pixelpark has grown dramatically. We are very satisfied with the results achieved so far.

4

Shorter and shorter cycles of innovation sustain the momentum and ensure the stability of market growth. To remain competitive, companies continually have to improve and update applications. There is a constant high demand for Internet services and a sizeable volume of follow-up contracts for those providing them.

Pixelpark has benefited considerably from these developments over the last few years. We rapidly demonstrated our Internet expertise and sowed the seeds for long-term customer relationships very early on.

Worldwide spending on Internet and ERP services (in US\$bn)



Source: International Data Corporation 2000

// Broad-ranging service portfolio required

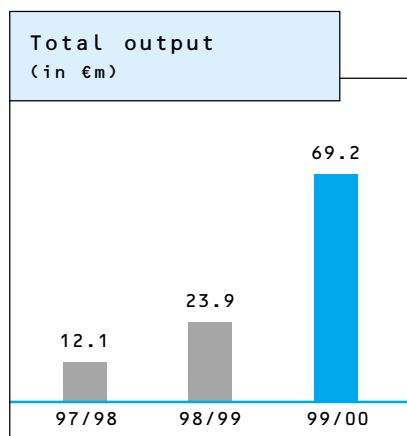
Successful implementation of digital solutions calls for a broad-ranging, integrated service portfolio. Digital solutions now affect more and more company operations. Providers of Internet services must be capable of dealing with all the relevant aspects, too. The spectrum extends from elaboration of comprehensive e-business strategies to integration of Internet applications in companies' inventory control and merchandising systems. The business-to-business area, in particular, requires the availability of increasingly complex services to make sure everyone in the marketplace has the benefit of optimal interface design.

Pixelpark has extended its service portfolio to meet the higher standards required in the industry in very good time. The additional resources we needed were assembled organically. For example, Systems & Technology was established as one of our three areas of expertise. A number of companies with other necessary know-how were acquired. By autumn 2000, our takeover of the logistics experts, Zentrum für Logistik und Unternehmensplanung GmbH (ZLU), will have been finalized.

// Dramatic expansion in scope of Internet services

Rapid cycles of innovation result in perpetually new areas of application for Internet technology. Developments such as the mobile Internet or broadband services are just a couple of examples. Those providing Internet services have to be able to recognize and take advantage of such innovations in good time. This is the only way customers can be given an optimum service and Pixelpark can retain its competitive edge. The colossal importance of such new areas can be seen from prognoses for the mobile Internet: the market research agency, Datamonitor, expects roughly 500 million people to be taking part in m-commerce by 2005, including 270 million in Europe. Overall, Datamonitor expects annual m-commerce revenues in excess of US\$200bn by 2005.

The Solution Centers Pixelpark has established in up-and-coming fields such as convergence put us in a position to swiftly evaluate emerging trends and devise suitable strategies for our customers to exploit them properly. We have already carried out a number of very successful projects involving interactive television and the mobile Internet.



¹ All figures and statements in the management report are based on the consolidated financial statements prepared in accordance with German commercial law.

² Total output consists of revenues, change in inventory of unfinished projects and grants for EU research and development projects.

Business development 1999/2000¹

// Record growth

The 1999/2000 fiscal year saw more growth than any other since Pixelpark was founded in 1991. Total output was up 190% on the figure for the previous year.² Growth was due to several factors: organic growth at our existing European locations; new geographic expansion; and acquisition of companies in Switzerland, Austria and Eastern Europe (holding company based in Vienna/Austria).

Pixelpark Multimedia Agentur GmbH changed its name and corporate form, becoming Pixelpark AG in August 1999. This was followed a few weeks later by the company's initial listing on Frankfurt's New Market (October 4, 1999). Flotation had a substantial impact on the figures for the 1999/2000 fiscal year. The IPO realized net proceeds amounting to €44m.

External growth also meant a change in the scope of the consolidation in 1999/2000. Furrer & Partner AG, Switzerland, and Uselt! GmbH, Austria, were included in the consolidation with effect from July 1, 1999. Furrer & Partner was merged with Pixelpark MMK AG, forming Pixelpark Schweiz AG, in October 1999. Uselt! GmbH was renamed Pixelpark Austria GmbH in spring 2000. The two companies are now responsible for Pixelpark's core business in their respective countries.

Other acquired companies consolidated for the first time in the course of the fiscal year have not yet had a significant impact on the consolidated statement of income, either because the companies concerned were nonoperational or because they were only operational to a limited extent. Since March this year, these include our 75% stake in east-europe.com AG, Vienna (now Pixelpark CEE Holding AG) and our 62.7% stake in GrizzlyFarm AG (now Venturepark Incubator AG). It also includes nontrading, readymade or shelf companies purchased in Spain on June 30, 2000 and consolidated on the same date.

Our acquisitions of the Zentrum für Logistik und Unternehmensplanung GmbH Group (ZLU) in March 2000 and of K2 S.A. (K2) in France in June 2000 were not consolidated in the 1999/2000 fiscal year. The takeover of ZLU - literally "Center for Logistics and Corporate Planning" - is subject to the suspensory condition of shareholder approval at the Pixelpark AG Annual General Meeting in November 2000. Pixelpark took over control of K2's activities with effect from July 1. Official, legal transfer of shares is expected to take place in September 2000. Capital increases to be effected from authorized capital are required for both ZLU and K2.

// Total output rises 190%

The Group's total output amounted to €69.2m. This figure was made up of sales revenues in accordance with the German Commercial Code (HGB)

amounting to €58.7m, a net change in the inventory of unfinished projects of €9.0m and research grants received totaling €1.5m. Revenues rose from €21.7m to €58.7m year on year, which translates as an increase of 171%. Growth in our project portfolio was accompanied by an increase in the inventory of unfinished projects, as a result of which the overall increase in total output was as high as 190%. Pixelpark Group revenues consist almost exclusively of revenues for Internet services in Management & Logistics Consulting, Marketing & Design and Systems & Technology that members of the Pixelpark Group provide clients in Germany and elsewhere.

The remarkable increase in total output is an indication to what extent Pixelpark was in a position to attract qualified employees: the payroll total was up 461 by the end of the fiscal year. There was also a hefty increase in output per billable employee. While the average number of billable employees rose from 171 to 411 year on year (+140%), per-capita output for the year as a whole rose from €140k to €169k (+20%) per billable employee.

Germany is still Pixelpark's largest single market. Domestic business accounted for approximately 62% of total output in the 1999/2000 fiscal year (1998/1999: 80%). Foreign business accounted for 38% as opposed to 20% the previous year, which shows just how well we were able to accelerate our geographic expansion in the 1999/2000 fiscal year. Despite the size that our

established German operation had already achieved, Pixelpark Deutschland managed to secure growth of 120% in the very attractive market for Internet services in Germany.

A breakdown of total output by client shows a healthy, stable balance between larger and smaller clients in the 1999/2000 fiscal year. Pixelpark's top ten clients accounted for 40% of total output. The largest individual client, Credit Suisse, accounted for 12%. Pixelpark is not reliant on specific clients. Nor is it dependent on the Bertelsmann Group, whose companies accounted for 18% of output overall.

Top 10 clients
Credit Suisse, Zurich
Bertelsmann Broadband Group GmbH, Hamburg
Conrad Electronic GmbH, Hirschau
Bank Sarasin & Cie, Basle
Bertelsmann AG, Gütersloh
AWD, Hanover
adidas-Salomon AG, Herzogenaurach
Westdeutsche Landesbank, Dusseldorf
Wacker Chemie GmbH, Munich
Viva Medien AG, Cologne
Pixelpark's top 10 clients account for 40% of total output: €27.4m

// Earnings in line with expectations

Pixelpark's earnings before interest and taxes, or EBIT result, for the 1999/2000 fiscal year was -€8.0m. This was in line with expectations, even though the rate of growth was considerably higher than originally anticipated. Our initial public offering involved one-off expenses on marketing and public relations measures amounting to €2.1m, which impacted the EBIT result this year. Adjusted for these costs, the EBIT result would have been -€5.9m.

Including extraordinary flotation expenses (bank charges, legal fees and consulting costs) and our positive net interest and tax result, the net loss for the year was €10.4m. Adjusted for all IPO-related expenses, it was €4.8m.

Our operating loss was primarily attributable to two factors. First, the high rate of growth led to a reduction in overall capacity utilization rates, particularly in structural areas and fields of innovation and especially with hefty recruitment of new employees. Second, internationalization meant appreciable start-up losses amounting to €3.4m, above all for our operations in the UK and USA.

// Growth generates sharp rise in expenditure

The large number of new recruits also led to a substantial increase in personnel costs, which totaled €32.9m for the 1999/2000 fiscal year (1998/1999: €11.7m; +181%). This corresponds to 47% of total output - a slightly lower proportion than the previous year. The average number of employees rose from 211 to 501 (+138%). Personnel costs per capita grew 19% year on year.

The cost of materials, €19.9m, includes the cost of subcontracted services (€12.6m), fees and licenses (€4.4m), and raw materials, supplies and purchased goods (€2.9m). At 29% of total output (1998/1999: also 29%), the cost of materials still accounts for a sizeable proportion of expenditure. The reason for this is that the high rate of growth means we have to outsource various parts of the work on specific projects.

There was also a sharp rise in other operating expenses, which grew from the equivalent of 20% of total output to 32%. Even adjusted for one-off marketing and PR measures related to the IPO, they nevertheless rose from 20% to 29%. One reason for this sharp rise was that we had to establish the administrative and communications structures a public company requires. In addition, our regional expansion and related M&A activities led to

an increase in traveling expenses, consulting and audit costs. The disproportionate increase in other operating expenses this fiscal year should be viewed as exceptional. Operating expenses should develop much more regularly in the current fiscal year.

Depreciation on fixed assets and software licenses rose from €1.1m in 1998/1999 to €3.0m in the 1999/2000 fiscal year (+170%) – i.e. in more or less the same proportion as revenue increased. Mounting M&A activities doubled the figure for amortization of goodwill, which is now €1.5m. Goodwill from our acquisitions of ZLU and K2 has not yet been included in the Group accounts; it will only be included with effect from 2000/2001.

// Positive net interest and tax result

Investment of proceeds from the IPO meant Pixelpark had higher interest income than interest expenses in the 1999/2000 fiscal year. Net interest income amounted to €0.7m.

There was also a positive net result for income tax, amounting to €0.7m. For local trade tax purposes, Pixelpark AG is integrated in the Bertelsmann Multimedia Vertriebs GmbH Group of companies. As a result of the high

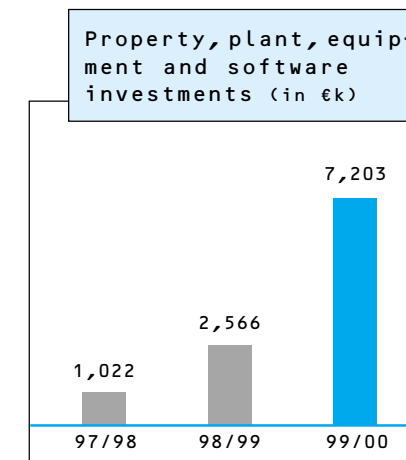
tax loss – primarily due to IPO-related expenses – Pixelpark received tax income of €1.5m. Set against this income was tax expenditure of €0.8m, mainly for taxes due in Switzerland.

Exceptional expenses totaling €3.6m relate solely to the costs of the IPO. These are capitalizable in accordance with US-GAAP and deductible from the proceeds of the issue. They include expenditure for bank charges, legal fees and consulting costs as well as the cost of publishing the IPO prospectus.

// Stable financial position

Following the IPO, total shareholders' equity in the Pixelpark Group rose from €14.8m to €57.2m in 1999/2000.

The Group invested €7.2m in property, plant, equipment and software licenses. This was almost three times the figure for the previous fiscal year. Other investments included the purchase of goodwill totaling €7.9m (1998/1999: €4.1m). These were financed partly from cash in hand and partly from an increase in capital.



At the close of the fiscal year, liquid funds amounted to €30.6m, while other short-term liabilities came to €3.8m. There was also a substantial increase in accounts receivable year on year. The close-of-the-year figure for accounts receivable was €19.1m (1998/1999: €6.0m).

The Pixelpark Group was in a position to meet its financial obligations to third parties at all times. As a result of the IPO, Pixelpark has established a liquidity base sufficient for its planned organic growth. However, in order to be able to finance further acquisitions in the future, Pixelpark is examining the possibility of increasing equity.

// Mitigation of risk

Pixelpark is a service provider that grew 190% during the last fiscal year. Management of growth is therefore a major area of potential risk. With such high organic growth rates and the large number of acquisitions either carried out or planned, Pixelpark needs a flexible organizational structure capable of integrating new businesses and business fields. Here, Pixelpark has developed a standard postmerger integration process to facilitate integration of new companies and their employees.

Management of growth at Pixelpark consists, above all, in attracting and holding on to qualified staff. In the Internet and IT service sector, competition for new recruits has become exceptionally keen. There is an increasing danger of experienced staff being lured away - which might even involve a loss of clients. Pixelpark is meeting these risks with the pulling power of the Pixelpark brandname, attractive job surroundings, a competitive remuneration policy and targeted investment in further training and professional development.

With the increasing size of projects in Pixelpark's area of business, risks also arise in project work. These mainly have to do with budgeting, delays and warranty risks. As projects grow larger and more complex, Pixelpark is making continual improvements in contract and project management and control. Controlling instruments include a monthly evaluation of the state of all projects. Because of this, no significant provisions for warranties have been included in the Group accounts.

The market Pixelpark operates in is developing at headlong speed. This makes it essential for Pixelpark to be able to identify technological developments in good time and provide customers with pioneering new technologies. Pixelpark has its own research and development department, responsible

among other things for technological monitoring. This puts the company in a position to counteract potential risks from technological developments going in unexpected directions. Technological developments are also monitored and analyzed at Pixelpark's Solution Centers. When technological change occurs, we have a training and further education program for our employees.

Pixelpark AG has put a risk management system in place. A comprehensive catalog of risks is drawn up twice a year. Evaluation is a constant and ongoing process. In addition, a system has been set up for ad-hoc reporting of significant risks.

Segment reporting

Pixelpark provides clients with Internet services in various international locations. Segment reporting is therefore based on countries and not on other divisions such as business areas or industries.

The main accounting figures for the individual countries are as follows:

(in €m)	Total Output	EBITDA	Balance-sheet total
Germany	44.1	-2.5 ¹	68.0 ²
Switzerland	18.2	3.7	14.3
Austria	2.8	0.4	3.0
France	2.0	0	1.2
United Kingdom	3.5	-0.7	3.5
USA	1.1	-2.3	1.0
Central and Eastern Europe	0.1	-0.1	3.3

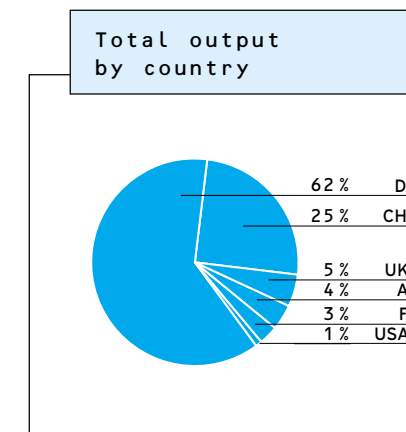
¹ excluding one-off IPO-related marketing and PR costs

² excluding Venturepark Incubator AG and Pixelpark Latam S.A.

A breakdown of total output by country is provided on the right.

// Germany

Pixelpark Germany (Pixelpark AG and Pixelpark Köln GmbH) again recorded very high rates of growth in the 1999/2000 fiscal year. Total output rose 120% to €44.1m. The number of employees also rose considerably: from 204 to 527. Pixelpark AG includes the company's central management and administrative functions, the various Solution Centers and the Institute for Media Development (IMD). For this reason, the result for Pixelpark in Germany is only to some extent comparable with those of Pixelpark's international subsidiaries. Excluding the costs of central management and staff, the loss in Germany was €1.3m.



// Switzerland

Pixelpark Schweiz AG has the largest client in the Pixelpark Group on its books: Credit Suisse. Following the merger of Furrer & Partner AG and Pixelpark MMK AG in October 1999, Pixelpark Schweiz AG heads the market in Switzerland. With a total output of €18.2m and 93 employees, it also represents the second-largest market in the Pixelpark Group. Pixelpark Schweiz AG is a highly profitable company. Thanks to its excellent client spread, it generated an EBITDA yield of 20% in the 1999/2000 fiscal year.

// Austria

Pixelpark took over the multimedia agency, Uselt! on July 1, 1999. In just one year, the former Uselt! GmbH (now Pixelpark Austria GmbH) became one of the largest providers of Internet services in the Austrian market. Pixelpark Austria now has 35 employees compared with 11 at Uselt! the previous year and has boosted total output from €1.0m to €2.8m. The largest client in the 1999/2000 fiscal year was Mobilkom Austria AG, which accounted for 27% of total output. In its first year in the Group, Pixelpark Austria generated an operating profit (EBITDA) of €0.4m.

// France

In its second year of operation, Pixelpark France grew at a rate of 220% and achieved a total output of €2.0m in the 1999/2000 fiscal year - without taking acquisition of K2 S.A. in June 2000 into account. Despite its high rate of growth, Pixelpark France reached the break-even point by the close of the year.

// United Kingdom

Pixelpark UK was only founded in July 1999; and in its first year of operation, it already managed to achieve a total output of €3.5m. The British market is very competitive. Even so, Pixelpark UK was able to keep start-up losses to a minimum. The operating loss amounted to €0.7m, primarily attributable to the costs of building up a customer base in the first six months. Pixelpark UK reached break-even in the 4th quarter of the year. It is currently collaborating very successfully with customers such as Lloyds TSB and British Telecom.

// USA

Unlike the other international Pixelpark subsidiaries, Pixelpark USA consists of a very marketing-oriented office that brought in revenues of €1.1m in the 1999/2000 fiscal year. Owing to the difficult conditions in the American market, losses arose amounting to €2.3m. Because of the extremely competitive market in the USA and the high costs of operating an office in New York, we decided to reposition the location in the spring so that it is active solely as the bridgehead in our Bridge to Europe program. This program aims to help American clients develop Internet strategies to penetrate the European market. In line with this repositioning, Pixelpark reduced the number of employees from 17 in June 1999 to 8 in June 2000. We plan to maintain our presence in the USA with 3 or 4 employees, which would mean running costs were considerably reduced.

// Central and Eastern Europe

Following the purchase of east-europe.com AG (now Pixelpark CEE Holding AG, Vienna) in March 2000, Pixelpark devoted the 4th quarter to establishing contacts to clients, potential employees and businesses it may be possible to acquire. There were no service revenues to June 2000. Start-up losses have been kept to a minimum.

Personnel

// A very attractive company for employees

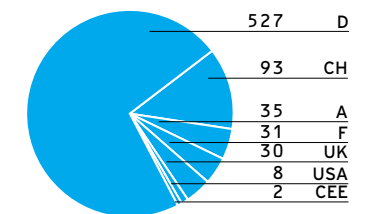
At the close of the 1999/2000 fiscal year, Pixelpark had 726 permanent employees - 461 more than in 1998/1999. 45 of these joined Pixelpark as a result of acquisitions in the year. The rest were recruited directly, thanks to Pixelpark's excellent reputation in the market. A breakdown of permanent employees by segment is provided on the right.

Investment in the further training and professional development of employees is extraordinarily important for Pixelpark. The company arranged 3,605 days of training over the last fiscal year. Set against the average number of employees in the company, that comes to 8 days of training for every employee.

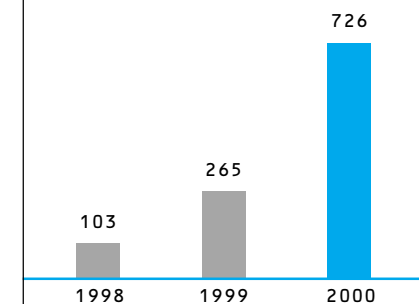
Research & development

Our in-house research department, the Institute for Media Development (IMD), which was founded in 1994, cooperates with various highly thought of research establishments and a number of well-known national and European firms. GMD, the Fraunhofer Institute, the University of Bari, SFB, Siemens, RTE Dublin, ABN Amro, and DW are just some of the names that we might mention here.

Employees by segment



Employees (June 30)



IMD projects include development of innovative applications for existing new media technologies. These applications are also used by Pixelpark clients. Examples are development of an intelligent community platform based on Autonomy, BSCW (GMD) as part of our Estonia project and the work support system developed in our ADDRESS project on the basis of Hyperwave.

Dependent company report

As a member of the Bertelsmann Group of companies, Pixelpark AG has prepared a dependent company report in accordance with German company law (AktG §312). Pixelpark companies received fair consideration in all legal transactions listed in the report on relations to related companies. Based on the circumstances known to the Board at the time transactions subject to disclosure took place, they were not disadvantaged by the measures either taken or not taken listed in the report.

Outlook

// Basis laid for future growth

Compared with the competition, Pixelpark is clearly well above average. The company has grown far in excess of expectations. What is more, it has also shown it can go on providing high quality, hi-tech services, even at extraordinarily high rates of growth.

Pixelpark expects growth rates well above the market average again in the current fiscal year. The aim is unmistakable: Pixelpark is looking to lead the European market for Internet services long-term. As a result of our planned expansion into new markets, international business can be expected to account for a substantially higher share of revenues this year. In Pixelpark's existing markets, we expect the greatest upsurge in activity in the United Kingdom – as well as considerable impetus to growth in Spain. France will significantly strengthen its market position with the integration of K2 S.A. and the potential for synergy it will generate in access to clients and customer approach. This will make Pixelpark France one of the three principal Internet architects in France. Austria and Switzerland will further extend their market leadership. And Pixelpark CEE will make Eastern Europe another important future market for Pixelpark.

Pixelpark aims to provide clients operating internationally with a uniform range of services throughout Europe. Our investments in a pan-European service platform are already beginning to pay off. Since the market is generally fragmented, Pixelpark has more or less a clear monopoly here.

Over the last fiscal year, Pixelpark made substantial investments in establishing flexible organizational structures and in developing its technology portfolio. In the current fiscal year, the company will continue to invest in further development of various technologies as well as developing product modules and platforms in the convergence, e-commerce, knowledge management and business integration fields. These platforms will be made available to all local Pixelpark offices and provide a firm, promising and profitable business base.

Pixelpark's main capital is - and will remain - its employees. The company will continue to invest in recruitment, further training and professional development of employees. Pixelpark is admirably placed to secure and retain the very best of employees - through acquisitions, postmerger integration and organic growth.

Venturepark Incubator AG, a 40% subsidiary of Pixelpark AG since August 2000, will go into full operation in the current fiscal year. Venturepark is funded by various financial investors. Pixelpark benefits from its involvement

in Venturepark in two ways: providing consulting, design and technological services to the start-up companies sponsored by Venturepark and with capital gains on its investments, although these are not expected to accrue in the current fiscal year.

Over the coming year, Pixelpark plans to maintain its growth with targeted M&A activity. The primary emphasis will be on further geographic expansion in Europe and consolidating our market leadership in countries we are already operating in. At the same time, Pixelpark intends to expand its areas of competency by means of acquisition. The focus of such activity will be on the convergence field.

With such an unambiguous policy, we expect not only high rates of growth in the current fiscal year, but also a positive result from the company's ordinary business activities.

Berlin, August 25, 2000

Paulus Neef
Chairman of the Management Board,
CEO

Dr. Jan Kantowsky
Member of the Management Board,
CFO and COO

Consolidated financial statements

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Consolidated statement of income
for the year ended June 30, 2000 (and 1999)

(in €k)	Notes	07-01-1999	07-01-1998
		-06-30-2000	-06-30-1999
1. Revenues	1	58,710	21,666
2. Change in inventory of unfinished projects	2	9,014	733
3. Other operating income	3	3,887	1,830
4. Cost of materials			
a) Cost of raw materials, supplies and purchased goods		-2,934	-686
b) Cost of purchased services		-16,984	-6,276
		-19,918	-6,963
5. Personnel costs			
a) Wages and salaries		-28,531	-10,047
b) Social security charges		-4,342	-1,634
		-32,873	-11,680
6. Depreciation and amortization (including goodwill)		-4,516	-1,768
7. Other operating expenses	4	-22,295	-5,075
8. Interest and similar income		1,115	87
thereof from related companies: €620k (1999: €0k)			0
9. Write-offs on investments in affiliated companies	5	-79	0
10. Interest and similar expenses		-454	-618
thereof to related companies: €329k (1999: €93k)			
11. Operating income/loss		-7,409	-1,788

At the end of the year,
we are miles ahead of
expectations. You can
tell from the accounts.

5

(in €k)	Notes	07-01-1999	07-01-1998
		-06-30-2000	-06-30-1999
11. Operating income/loss		-7,409	-1,788
12. Exceptional expenses	6	-3,642	0
13. Exceptional income/loss		-3,642	0
14. Income taxes	7	713	-139
15. Other taxes		-59	-11
16. Net income/loss		-10,397	-1,938
17. Minority interests in income/loss		-25	-160
18. Accumulated deficit at beginning of year		-2,166	-83
19. Effect of exchange rates		-96	15
20. Accumulated deficit at end of year		-12,684	-2,166

Note: Unless otherwise stated, the figures in this and all following tables have been rounded and given in thousand euro (€k).

Consolidated balance sheet
as of June 30, 2000 (and 1999)

Assets (in €k)	Notes	06-30-2000	06-30-1999
A. Fixed assets	1		
I. Intangible assets			
1. Software		766	309
2. Goodwill		10,494	4,109
		11,260	4,418
II. Property, plant and equipment			
1. Leasehold improvements		151	563
2. Production, office and other equipment		5,101	2,117
3. Advance payments and construction in progress		755	140
		6,007	2,819
III. Financial assets			
1. Investments in affiliated companies		12	15
2. Investment securities		8	0
		20	15
		17,287	7,252
B. Current assets			
I. Inventories			
1. Unfinished projects	2	10,683	1,465
2. Finished goods		591	0
3. Advance payments		2,142	0
		13,416	1,465
II. Receivables and other assets	3		
1. Trade accounts receivable		18,054	5,435
2. Due from related companies		1,110	528
3. Other assets		2,853	212
		22,016	6,175
III. Marketable securities			
Miscellaneous marketable securities		0	64
IV. Cash and cash equivalents		30,591	16,498
		66,023	24,202
C. Prepaid expenses		3,377	180
Total assets		86,688	31,635

Equity and liabilities (in €k)	Notes	06-30-2000	06-30-1999
A. Shareholders' equity	4		
I. Subscribed capital		18,601	444
II. Additional paid-in capital		49,943	15,891
III. Accumulated deficit		-12,684	-2,166
thereof carried forward from previous year: €2,166k (1999: €83k)			
IV. Minority interests		1,362	583
		57,222	14,753
B. Accrued expenses	5		
1. Accrued taxes		1,091	353
2. Other accrued expenses		7,058	1,448
		8,149	1,800
C. Liabilities	6		
1. Liabilities to credit institutions		1,446	300
2. Advance payments from customers		11,022	945
3. Trade accounts payable		4,995	1,178
4. Due to related companies		635	10,789
5. Other liabilities		3,113	1,870
thereof for taxes: €796k (1999: €185k)			
thereof in connection with social security: €510k (1999: €83k)			
		21,212	15,082
D. Deferred credits		105	0
Total equity and liabilities		86,688	31,635

Consolidated statement of cash flows
for the year ended June 30, 2000 (and 1999)

(in €k)	Notes	07-01-1999	07-01-1998
		-06-30-2000	-06-30-1999
1. Net income/loss		-10,397	-1,938
2. + Depreciation and amortization		4,594	1,768
3. - Write-up of fixed assets		0	-121
4. + Flotation costs paid		3,642	0
5. + Change in accruals		6,131	377
6. + Loss on disposal of fixed assets		804	1
7. - Change in operating assets		-29,148	-3,176
8. + Change in operating liabilities		13,739	864
9. = Net cash flows from operating activities	1	-10,635	-2,225
10. + Proceeds from the sale of fixed assets		198	28
11. - Cash paid for acquisitions, net of cash acquired (change in scope of consolidation)		-1,682	-4,068
12. - Investments in property, plant, equipment and software		-7,203	-2,566
13. = Net cash flows from investing activities	2	-8,687	-6,606
14. + Proceeds from capital increase		47,730	15,339
15. - Flotation costs paid		-3,642	0
16. + Proceeds from debt financing		0	107
17. - Repayments of debt financing		-300	-260
18. + Proceeds from shareholder financing		0	9,544
19. - Repayments of shareholder financing		-10,160	0
20. = Net cash flows from financing activities	3	33,628	24,730
21. Net cash flows (total of items 9, 13 and 20)		14,306	15,899
22. +/- Effect of exchange rates on cash		-213	1
23. + Cash at beginning of year		16,498	598
24. = Cash at end of year		30,591	16,498

Reconciliation from HGB to US-GAAP
for the year ended June 30, 2000 (and 1999)

Reconciliation of consolidated net loss (in €k)	1999/2000	1998/1999
Net loss in accordance with HGB	-10,397	-1,938
less minority interests	-25	-160
Adjusted net loss in accordance with HGB	-10,422	-2,098
Reconciling items		
Use of percentage of completion method	2,556	335
Reversal of fixed assets write-up due to change in HGB method of depreciation	0	-121
Amortization of goodwill	-55	-12
Capitalization of development costs of software for internal use	37	84
Amortization of capitalized software development costs	-28	0
Flotation costs not affecting income/loss	3,553	85
Tax income relating to flotation costs not affecting income/loss	-546	0
Deferred costs of rental agreements	-108	0
Translation adjustments	-159	2
Deferred taxes	-612	120
Minority interests	-52	-75
Consolidated net loss in accordance with US-GAAP	-5,839	-1,680
Consolidated net loss per share in €; in accordance with US-GAAP	-0.33	-0.12
Weighted average ordinary shares outstanding	17,675	14,359

Reconciliation from HGB to US-GAAP
for the year ended June 30, 2000 (and 1999)

Reconciliation of consolidated shareholders' equity (in €k)	1999/2000	1998/1999
Consolidated shareholders' equity in accordance with HGB	57,222	14,753
less minority interests	-1,362	-583
Adjusted consolidated shareholders' equity in accordance with HGB	55,860	14,170
Reconciling items		
Use of percentage of completion method	3,160	508
Goodwill	-16	87
Capitalized costs of software developed for internal use	93	84
Deferred flotation costs	0	89
Deferred costs of rental agreements	-108	0
Deferred taxes	-348	-39
Minority interests	0	-79
Other	0	0
Consolidated shareholders' equity in accordance with US-GAAP	58,641	14,819

Reconciliation from HGB to US-GAAP
for the year ended June 30, 2000 (and 1999)

Changes in consolidated shareholders' equity (in €k)	1999/2000	1998/1999
Consolidated shareholders' equity in accordance with US-GAAP at beginning of year	14,819	1,038
Capital increase for cash	47,730	15,339
Flotation costs set off against additional paid-in capital	-3,642	0
Tax income set off against flotation costs	546	0
Capital increase through contributions in kind	4,478	0
Consolidated net loss in accordance with US-GAAP	-5,839	-1,680
Translation adjustments not affecting income/loss	548	122
Consolidated shareholders' equity in accordance with US-GAAP at end of year	58,641	14,819

Consolidated statement of changes in
fixed assets for the year ended June 30, 2000

(in €k)	Historical cost							Depreciation and amortization					Net book value			
	Balance	Initial	Effect	Additions	Disposals	Reclassifi-	Balance	Balance	Initial	Effect	D&A in	Disposals	Write-ups	Balance	Balance	Balance
	07-01-1999	consoli-	of exchange				06-30-2000	07-01-1999	consoli-	of exchange				the year	06-30-2000	06-30-2000
I. Intangible assets																
1. Software	941	107	2	718	-53	0	1,715	632	56	2	301	-42	0	949	766	309
2. Goodwill	4,766		0	7,916	0	0	12,682	657	0	0	1,531	0	0	2,188	10,494	4,109
	5,707	107	2	8,635	-53	0	14,398	1,289	56	2	1,832	-42	0	3,137	11,260	4,418
II. Property, plant and equipment																
1. Leasehold improvements	776	0	0	140	-582	67	401	214	0	0	96	-59	0	251	151	563
2. Production, office and other equipment	4,432	503	36	5,675	-960	0	9,686	2,315	158	16	2,588	-492	0	4,585	5,101	2,117
3. Advance payments and construction in progress	140	0	0	682	0	-67	755	0	0	0	0	0	0	0	755	140
	5,348	503	36	6,496	-1,542	0	10,842	2,529	158	16	2,684	-551	0	4,836	6,007	2,819
III. Financial assets																
1. Investments in affiliated companies	15	0	2	75	0	0	92	0	0	2	78	0	0	80	12	15
2. Investment securities	0	0	0	8	0	0	8	0	0	0	0	0	0	0	8	0
	15	0	2	83	0	0	100	0	0	2	79	0	0	80	20	15
	11,070	611	41	15,214	-1,595	0	25,341	3,818	214	19	4,595	-592	0	8,053	17,287	7,252

Notes

to the consolidated financial statements

1. General information

Pixelpark AG was formed following the decision of the directors of Pixelpark Multimedia Agentur GmbH to change the corporate form of the company on August 9, 1999 and following registration of the change in the Commercial Register on September 15, 1999. Pixelpark AG has been listed on the New Market at the Frankfurt Stock Exchange since October 4, 1999.

The company is a large-scale "public limited company" as per §267 para. 3 of the German Commercial Code (Handelsgesetzbuch, hereinafter HGB). The consolidated financial statements of Pixelpark AG were prepared in accordance with the statutory accounting principles laid down in §§290ff HGB and the German Companies Act (AktG). To prepare the consolidated statement of income, the total cost type of accounting was applied.

2. Significant accounting policies

All consolidated companies have uniformly adopted the accounting policies of the parent company, Pixelpark AG.

In the event that national statutory accounting requirements deviate from Group accounting policies, subsidiaries prepare adjusted financial statements for inclusion in those of the consolidation. Immaterial differences between local and Group accounting policies are not adjusted. Certain reclassifications are made so that adjusted financial statements from the affiliated companies conform to the presentation required by §266 HGB.

On the basis of §312 para. 5 HGB, the company has elected not to adjust the valuation of investments in affiliated companies.

The following accounting and valuation policies are used in preparation of our consolidated financial statements:

Intangible assets

Intangible assets consist primarily of goodwill and data processing software. In accordance with §248 para. 2 HGB, only intangibles obtained against payment are capitalized. Goodwill is written off over a useful life of 7 years. Other assets are valued on the basis of their historical cost and written off pro rata temporis over a period of 2 to 4 years.

Fixed assets

Fixed assets are capitalized at historical cost and depreciated on a straight-line basis over their estimated useful lives. To the extent that the acquisition of certain assets is subsidized by the Berlin "Mittelstandsförderungsprogramm" for small to medium-sized enterprises, such subsidies are reflected in a reduction of historical cost. Estimated useful lives of production, office and other equipment range from 3 to 5 years. Leasehold improvements are amortized over the remaining term of the lease or over 10 years, whichever is the less. Low value assets - those costing less than DM800 - are written off in full in the year of acquisition and included in disposals the following year.

Financial assets

Investments in affiliated companies (Venturepark GmbH, Berlin) are accounted for at book value in accordance with §312 para. 1 no. 1 HGB at the time of initial consolidation. Due to its insignificance, we waived the option of including in the consolidated accounts a share of the company's 1999/2000 result.

Inventory

Inventory of unfinished projects is valued at the lower of cost (production cost plus overhead) or market value. Overhead also include administrative overhead. In accordance with the lower-of-cost-or-market principle, finished goods are valued at their historical cost.

Receivables and other assets

Receivables and other assets are stated at nominal value adjusted appropriately to cater for risk. All identifiable risks are covered by specific reserves. For risks inherent in trade accounts receivable, a general reserve has been established of 2%. Foreign currency receivables are valued in accordance with the principle of unequal treatment of losses and income at the lower of the historical exchange rate or that ruling on the balance-sheet date.

Marketable securities

Marketable securities consist primarily of common stock, which are accounted for at the lower of cost or market value on the balance-sheet date in accordance with §253 para. 3 HGB.

Accrued expenses

Provisions are made for all risks and contingent liabilities identifiable at the time the consolidated financial statements are prepared. Provisions for taxes and other provisions are made on the basis of sound business judgment.

Provisions for expenses in accordance with §249 para. 2 HGB are not made.

Liabilities

In accordance with §253 para. 1 HGB, liabilities are shown at their full redemption amount. Liabilities in foreign currency are valued in accordance with the principle of unequal treatment of losses and income at the higher of the historical exchange rate or that ruling on the balance-sheet date.

3. Changes in scope of consolidation

The scope of the consolidation changed as follows compared with the previous year:

- Pixelpark UK Ltd./London was formed with effect from July 1, 1999.
- Pixelpark took over a 100% stake in Furrer & Partner AG, Zurich with effect from July 1, 1999.
- Pixelpark took over a 75% stake in Pixelpark Austria GmbH, formerly Uselt!-multimedia Dokumentationsysteme GmbH, with effect from July 1, 1999. The holding was topped up to 100% with effect from April 1, 2000.
- The remaining 25% of Pixelpark MMK AG, Basle was taken over with effect from October 1, 1999.
- Furrer & Partner AG was merged into Pixelpark MMK AG and the latter's name was changed to Pixelpark Schweiz AG on October 1, 1999.
- Pixelpark took over a 75% stake in Pixelpark CEE Holding AG, formerly east-europe.com AG, with effect from April 1, 2000.
- Pixelpark took over a 62.7% stake in Venturepark Incubator AG, formerly GrizzlyFarm AG, with effect from April 1, 2000.
- Pixelpark took over a 100% stake in Pixelpark Latam S.A., Spain, on June 30, 2000.

This resulted in the following Group structure at June 30, 2000:

(in €k)	Share of equity	Equity	Result for 1999/2000	Method of consolidation
Pixelpark Inc., Delaware	100 %	536	-2,702	full
Pixelpark Schweiz AG, Basle	100 %	4,455	2,667	full
Pixelpark Austria GmbH, Vienna	100 %	559	192	full
Pixelpark France S.A.R.L., Paris	100 %	2	0	full
Pixelpark UK Ltd., London	100 %	666	-758	full
Pixelpark CEE Holding AG, Vienna	75 %	1,714	-107	full
Venturepark Incubator AG, Berlin	62.7 %	2,500	0	full
Venturepark GmbH, Berlin	47.6 %	21	1	at equity
Scopo Intermediale Gestaltung GmbH, Basle (via Pixelpark Schweiz AG)	100 %	0	-78	at cost
Pixelpark Latam S.A., Madrid	100 %	60	-	full

Our purchase of the Zentrum für Logistik und Unternehmensplanung GmbH Group and K2 S.A. had not yet taken place as of June 30, 2000. Acquisition of ZLU is subject to approval of post-formation acquisition of capital goods from the shareholders at the Annual General Meeting in November 2000.

To facilitate comparison of the year's consolidated results with those for the previous year, pro-forma figures are provided below for 1998/1999.

These include data for Furrer & Partner AG and Pixelpark Köln GmbH

(formerly bitlab Köln GmbH) from the period prior to their acquisition.

Other companies were not taken into consideration as they would have had only a marginal effect on comparability of consolidated results for the two fiscal years.

Changing the scope of the consolidation as in the year ended June 30, 2000 would have had the following impact on the figures for the previous year:

(in €k)	Actual results 06-30-1999	Pro-forma results 06-30-1999	Difference
Consolidated balance sheet			
Fixed assets	7,252	10,770	3,518
Current assets	24,202	24,872	670
Accrued expenses	1,800	1,954	154
Liabilities	15,082	20,758	5,676
Consolidated statement of income			
Revenues	21,666	27,840	6,174
Cost of materials	6,963	9,183	2,220
Personnel costs	11,680	14,523	2,843
Depreciation and amortization	1,768	2,502	734
Other operating expenses	5,075	6,009	934
Net interest	-531	-682	-151

4. Consolidation policies

Capital consolidation

Capital consolidation is carried out using the book value method as per §301 para. 1, clause 2, no. 1 HGB, under which the book value of the investment is set off against the parent company's share of net equity at the point of initial consolidation. Initial consolidation occurs at the time of acquisition, i.e. at the time of transfer of shares or the time the purchase price is paid. Any excess of acquisition costs over shareholder's equity is capitalized as goodwill and written off on a straight-line basis over 7 years.

Elimination of debt, revenues, expense and profit

All intercompany receivable and payable balances and all intercompany revenues and expenses are eliminated on consolidation. Elimination of intercompany profit in inventory was not necessary during the year ended June 30, 2000 as there were no unfinished intercompany projects at the balance-sheet date.

Foreign currency translation

Balance sheets relating to foreign subsidiaries were translated on the basis of the exchange rate on the balance-sheet date. Statements of income for foreign operations were translated using the average exchange rate for the fiscal year. Differences that arise from translating the results of foreign subsidiaries using each of two methods are recognized as other operating income or other operating expenses, as the case may be.

5. Notes to the statement of income

1 Revenues

A regional breakdown of revenues is provided below.

		€ k
Germany	59%	34,746
Europe	40%	23,376
North America	1%	588
	100%	58,710

2 Change in inventory of unfinished projects

With the sharp increase in project volumes there was also a significant increase in the inventory of unfinished projects. The change in the inventory of unfinished projects amounted to €9,014k compared with €733k the previous year.

3 Other operating income

Other operating income essentially consisted of grants for EU research and development projects (€1,497k). It also contained allowances received by Pixelpark AG from Sirius GmbH, the owners of our new Berlin premises, as well as costs passed on.

4 Other operating expenses

(in €k)	1999/2000	1998/1999
Operating costs	4,276	630
Administrative costs	10,086	2,687
Distribution costs	7,933	1,758
	22,295	5,075

Operating costs include assets written off as a result of our move to a new address in Berlin.

Administrative expenses include one-off marketing and PR measures related to the IPO (€2,118k).

5 Depreciation and amortization

(in €k)	1999/2000	1998/1999
Depreciation on property, plant and equipment	2,684	953
Depreciation on intangible assets (excluding goodwill)	301	158
Amortization of goodwill	1,531	657
Amortization of financial assets	79	0
	4,595	1,768

6 Exceptional expenses

As a result of the flotation, Pixelpark had exceptional expenses during the fiscal year, amounting to €3,642k (1998/1999: €0k). They included bankers' fees for the emission and IPO-related legal fees and consulting costs.

7 Taxes

(in €k)	1999/2000	1998/1999
Local trade taxes (Germany)	1,480	290
Foreign taxes	-767	-402
Deferred taxes	0	-26
	713	-139

For local trade tax purposes, Pixelpark AG is integrated in the Bertelsmann Multimedia Vertriebs GmbH Group of companies. As a result of this, Pixelpark benefits from redistribution of tax income/loss within the Group.

Of the net result for income taxes, €167k relates to ordinary business activities (1998/1999: €139k) and €546k to the exceptional, IPO-related result (1998/1999: €0k).

6. Notes on the balance sheet

1 Fixed assets

Fixed asset activity in the 1999/2000 fiscal year is shown in the consolidated statement of changes in fixed assets, which is to be found on pages 86 and 87 of this report. One particular result of expanding the scope of the consolidation was an appreciable increase in goodwill.

There were additions to goodwill in Switzerland (25% of Pixelpark MMK AG and 100% of Furrer & Partner), in Germany (the remaining 25% of Pixelpark Köln) and in Austria (the remaining 25% of Pixelpark Austria) as well as - to a lesser extent - through acquisition of a 75% holding in Pixelpark CEE Holding AG.

At the close of the fiscal year, goodwill was distributed as follows.

	€ k
Pixelpark Schweiz AG	8,212
Pixelpark Köln GmbH	500
Pixelpark Austria GmbH	1,448
Pixelpark CEE Holding AG	334
	10,494

Growth also generated a substantial increase in property, plant and equipment - from €2,819k to €6,007k. The elevated figure for disposals (€1,542k compared with €109k the previous year) was primarily attributable to our transfer to new business premises in Berlin. In the course of relocation, fixtures (booked under leasehold improvements) were dismantled and demolished in our previous office space. Pixelpark is being compensated by its new landlord, Sirius GmbH, in the form of an allowance equal to the residual book value of assets destroyed. This allowance is reported under other operating income.

2 Inventories

(in €k)	06-30-2000	06-30-1999
Unfinished projects	10,683	1,465
Finished goods	591	0
Advance payments	2,142	0
	13,416	1,465

Strong growth and generally higher project volumes meant that the inventory of unfinished projects rose from €1,465k in 1998/1999 to €10,683k. The projects involve software licenses which are to be resold to clients. Advance payments from clients relate to normal project business at Pixelpark.

3 Receivables and other assets

a) Receivables

(in €k)	06-30-2000	06-30-1999
Trade accounts receivable	18,054	5,435
Due from related companies	1,110	528
	19,164	5,964

All trade accounts receivable are due within one year.

b) Other assets and prepaid expenses

(in €k)	06-30-2000	06-30-1999
Tax claims	707	97
Other assets	2,146	115
Prepaid expenses	3,377	180
	6,230	392

Other assets include entitlement to an allowance from Sirius GmbH, the owners of the property occupied by Pixelpark AG in Berlin, amounting to €1,160k.

Prepaid expenses include prepayments for rents etc. and signing-on bonuses for certain key members of staff.

4 Equity

The fully subscribed capital of the parent company, Pixelpark AG, amounts to €18,601k and is divided into 18,601,172 individual shares of no par value. Shareholdings in the parent company at June 30, 2000 were as follows:

	06-30-2000	06-30-1999
Bertelsmann Multimedia Vertriebs GmbH	57.9 %	71.2 %
Bertelsmann AG	0 %	3.8 %
Paulus Neef	19.3 %	25 %
Rolf Brugger/Michael Bornhäuser	1.2 %	0 %
Gustav Furrer	0.4 %	0 %
Freefloat	21.2 %	0 %

At the Annual General Meeting in September 1999, it was decided to create authorized capital for the planned initial public offering. Prior to the IPO, the capital was increased by 3,182,025 shares including the over-allotment option. The pre-emptive rights of shareholders were excluded. At the Extraordinary General Meeting on September 29, 1999 the capital was

increased by a further 298,547 shares for contributions in kind in order to purchase the remaining 25% holding in Pixelpark MMK AG and to acquire Furrer & Partner AG.

At the Annual General Meeting in September 1999, the Management Board was also authorized to increase the share capital of the company, subject to the approval of the Supervisory Board, on one or several occasions at any time through September 15, 2004 by up to €1,512,050 in exchange for cash or non-cash consideration ("Authorized Capital I"). The pre-emptive rights of shareholders to subscribe may be excluded. We will be making use of this instrument in the 2000/2001 fiscal year for the acquisition of the Zentrum für Logistik- und Unternehmensplanung GmbH Group and for acquisition of K2 S.A.; no use was made of it in 1999/2000.

As a result of these measures, additional paid-in capital has developed as follows:

	€ k
Balance July 1, 1999	15,891
Increase	34,052
Balance June 30, 2000	49,943

The increase in additional paid-in capital includes €29,872k from the IPO and €4,180k from capital increases related to acquisitions.

5 Accrued expenses

(in €k)	06-30-2000	06-30-1999
Personnel costs	3,902	719
Warranties	651	160
Auditing costs	142	104
Invoices not yet received	1,636	187
Grants	403	0
Taxes	1,091	353
Other	324	277
	8,149	1,800

6 Liabilities

In the following table, liabilities are broken down by remaining term at end of year.

(in €k)	06-30-2000	thereof with a remaining term of			06-30-1999
		Less than 1 year	1-5 years	more than 5 years	
Liabilities to credit institutions	1,446	1,446	0	0	300
Advance payments from customers	11,022	11,022	0	0	945
Trade accounts payable	4,995	4,995	0	0	1,178
Due to related companies	635	635	0	0	10,789
thereof to shareholders	635	635	0	0	10,072
Other liabilities	3,113	3,113	0	0	1,870
	21,212	21,212	0	0	15,082

In the course of the fiscal year, Pixelpark repaid shareholder loans from Bertelsmann AG and Paulus Neef ahead of time.

7 Other financial commitments

As at June 30, 2000 future financial commitments arising from leases were as follows:

	€ k
1 year	2,979
2-5 years	10,189
> 5 years	11,020

Pixelpark AG negotiated a 10-year lease with Sirius GmbH, a subsidiary of Hypovereinsbank AG, in November 1999 with additions to the contract in July 2000. According to the provisions of §52 AktG (German Companies Act) the lease can only come into effect once the Annual General Meeting has approved the required post-formation acquisition of capital goods and the corresponding entry in the commercial register has been made.

No contingent liabilities as per §251 HGB obtained as at June 30, 2000.

7. Notes to the consolidated statement of cash flows

1 Cash flows from operating activities

The Pixelpark Group registered a substantial increase of €29,148k in operating assets (inventories, receivables and other assets) in the 1999/2000 fiscal year. This was due to a distinct increase in the size and duration of projects as well as a very high workload in May and June. Operating liabilities rose only €13,739k. This increase was based on the expansion of our operations. The increase in operating liabilities was considerably lower than in operating assets with personnel costs making up a substantial portion of total costs. There was also an increase in accrued expenses (+€6,131k). This reflects, above all, our payroll growth; accrued expenses relate primarily to personnel and to bills not yet received.

2 Cash flows from investing activities

Despite the acquisitions mentioned above, cash paid for acquisitions has gone down from €4,068k to €1,682k. Large-scale capital measures either involved an increase in capital or cash was acquired when companies were

purchased. There was a sharp, growth-driven increase in investment in property, plant, equipment and software. Capital expenditure in this area rose from €2,566k to €7,203k, the main increase being in the equipment area.

A breakdown of these investments is provided below:

(in €k)	1999/2000	1998/1999
Software	718	238
Leasehold improvements	140	182
Other property, plant and equipment	5,663	1,827
Advance payments	682	320
	7,203	2,566

3 Cash flows from financing activities

The Pixelpark share was first listed on the German stock exchange on October 4, 1999. The emission price was €15. This resulted in contributions of €47,730k. Part of the issue proceeds was used to cover the costs of flotation, which amounted to €3,642k. A further part - totaling €10,160k net - was used to repay loans from shareholders, Bertelsmann AG and Paulus Neef.

Notes on segments

In keeping with the organization of our system of internal financial reporting, segment reporting is based on regions in the Pixelpark Group. For the sake of completeness and clarity, all regions have been included in the tables below, even if they cannot be considered segments in terms of size. The amounts shown are those prior to consolidation measures. They are consistent with the Group accounts.

All figures are based on the Group's accounting policies, i.e. are in keeping with the requirements of the HGB.

(in €k)	Germany	Switzerland	Austria
Revenues	36,218	16,463	2,762
Total output	44,107	18,188	2,789
thereof with third parties	43,006	17,699	2,789
thereof with other segments	1,101	489	0
EBITDA	-4,572	3,655	369
Depreciation and amortization	-2,454	-350	-117
EBIT	-7,026	3,305	252
Exceptional income/loss	-3,642	0	0
Net interest	954	55	-56
Taxes	1,479	-753	-4
Net income	-8,235	2,607	192
Assets	68,025	14,313	2,976
Investments	22,479	639	422
Debts/liabilities	14,133	5,726	1,677

(in €k)	France	UK	USA
Revenues	1,896	2,612	1,143
Total output	1,965	3,450	1,107
thereof with third parties	1,933	3,326	588
thereof with other segments	32	124	519
EBITDA	39	-654	-2,308
Depreciation and amortization	-22	-42	-74
EBIT	17	-696	-2,382
Net interest	-9	-68	-210
Taxes	-8	0	0
Net income	0	-764	-2,592
Assets	1,247	3,509	947
Investments	120	296	56
Debts/liabilities	1,165	2,095	106

9. Other information

Payroll

Pixelpark had a total of 726 permanent employees at June 30, 2000.

The average size of the payroll in the 1999/2000 fiscal year was

501 compared with 221 the previous year.

No. of employees	06-30-2000	06-30-1999
Germany	527	204
Switzerland	93	32
Austria	35	0
UK	30	0
France	31	12
USA	8	17
Austria (CEE, Vienna)	2	0
	726	265

The Management and Supervisory Boards

The total remuneration of the members of the Management Board amounted to €542k in the 1999/2000 fiscal year. No remuneration was agreed for the Supervisory Board.

The Management Board of Pixelpark AG consists of:

Paulus Neef (Chairman) Chief Executive Officer, Berlin	Member of the Supervisory Board of Venturepark Incubator AG and Sportgate AG i.Gr.
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Dr. Jan Kantowsky Chief Financial Officer and Chief Operations Officer, Berlin	Member of the Supervisory Boards of Venturepark Incubator AG and 4Content AG
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The Supervisory Board consists of:

Dr. Klaus Eierhoff Member of the Executive Board, Bertelsmann AG, Gütersloh	(Chairman)
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Prof. Dr. Helmut Thoma (Vice-Chairman) Chief Executive Officer, Sportgate AG i.Gr., Cologne	Member of the Supervisory Boards of Mobilcom AG, Etlink AG, Femag AG, Taifun AG, Hunzinger AG and Europe Online S.A.
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Dr. Peter Zencke Member of the Executive Board, SAP AG, Walldorf	Member of the Supervisory Board of IXOS AG
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Consolidated financial reporting

Pixelpark AG prepares consolidated financial statements for the sub-group Pixelpark. Companies consolidated in this sub-group are included in the consolidated accounts of Bertelsmann AG, which constitutes the parent group. Bertelsmann AG is based in Gütersloh, Germany. Consolidated financial statements for the Bertelsmann Group can be obtained from there.

Events after the end of the fiscal year

On August 16, 2000 the shareholders of Venturepark Incubator AG, in which Pixelpark had a 62.7% holding, voted for a capital increase. This increase reduces Pixelpark's share of the overall capital of the company to roughly 40%. Therefore, with effect from July 1, 2000, Venturepark Incubator AG will no longer be consolidated. No financing requirements arise for Pixelpark.

Prior to the end of this calendar year, a tax audit will be conducted at Pixelpark AG, covering the years 1995 to 1998.

Berlin, August 25, 2000

Paulus Neef Chairman of the Management Board, CEO	Dr. Jan Kantowsky Member of the Management Board, CFO and COO
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Auditors' report

We have audited the consolidated financial statements and management report of Pixelpark AG for the year ended June 30, 2000. It is the responsibility of the company's executive/management board to prepare the consolidated financial statements and management report in accordance with the requirements of German commercial law (and the supplementary provisions in the company statutes). Our responsibility is to express an opinion on the consolidated financial statements and management report based on our audit.

We conducted our audit in accordance with §317 HGB (German Commercial Code) and the auditing standards laid down by the German Institute of Auditors (IDW). These standards require that we plan and perform our audit so to obtain reasonable assurance that consolidated financial statements and management reports are prepared in accordance with sound accounting principles and are free of any misstatement and irregularity that might materially affect the picture of the company's net worth, financial situation and earnings position they provide. In planning our audit, knowledge of a company's business operations as well as its economic circumstances and legal situation is taken into account, as is the probability of errors in the accounts. In the course of our audit, we assess the effectiveness of internal

controlling systems and examine, primarily on the basis of random samples, the evidence supporting the amounts and disclosures in the financial statements and management report. Our audit included examination of the financial statements of companies included in the consolidated financial statements, evaluation of the accounting and consolidation policies applied, consideration of the definition and scope of the consolidation and appraisal of significant estimates made by the company's legal representatives as well as evaluation of the overall view of the company presented in the consolidated financial statements and management report. We believe that our audit provided a sufficiently sound basis for our opinion.

Our audit provided no grounds for qualification of our report. In our opinion, the consolidated financial statements were prepared in accordance with sound accounting principles and present an accurate picture of the company's net worth, financial situation and earnings position in the period under review. The management report is wholly consistent with the company's position and sets out accurately the risks attending future developments.

Berlin, August 25, 2000

KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Quitmann
Public Auditor

Metscher
Public Auditor

Report of the Supervisory Board

for the year ended June 30, 2000

Throughout fiscal 1999/2000, the Supervisory Board was kept regularly informed by the Management Board - both orally and in writing - of business trends, the status of the company, and major investments planned. The Supervisory Board discussed important business events with the Management Board and continuously monitored the conduct of business. In addition, the members of the Supervisory Board were in close contact with the Management Board and consulted each other on the company's plans. Decisions were sometimes made without meeting in person. The Supervisory Board held three meetings in the course of the year.

The Pixelpark AG's financial and consolidated financial statements for the year ended June 30, 2000 were audited by KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft and given an unqualified audit certificate. Financial statements, management report and auditors' report were submitted to the Supervisory Board, who were also given a thorough outline and explanation of the details of the reports. The Supervisory Board noted the results of the audit and approved the annual accounts prepared by the Management Board. Hence, the accounts have been adopted.

Aside from Pixelpark's IPO, the last year was typified by a further progressive rise in growth rates and rapid international expansion. In addition, a corporate culture that is always ready to embrace new ideas gives Pixelpark a very attractive image in the fiercely competitive market for highly qualified staff.

Building on its already successful activities in Germany and Switzerland, Pixelpark considerably broadened its European base in the 1999/2000 fiscal year, entering the market in Austria, the UK and France. Moreover, collaborating with very highly regarded partners, Pixelpark has established an outstanding platform from which to enter the emerging markets of Eastern Europe and Latin America as well as Spain.

By setting up Venturepark, Pixelpark has tapped business in another very attractive field; and, subject to the approval of the AGM, the company's core competencies will be significantly expanded by acquisition of the logistics and supply chain management consultants, ZLU. This acquisition will put Pixelpark in an excellent position in the European market for Internet services.

The Supervisory Board would like to thank the Management Board and all members of staff for their superb performance and their remarkable commitment over the last fiscal year.

Berlin, September 11, 2000

Dr. Klaus Eierhoff (Chairman)



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