ThinkTools

Annual Report & Accounts 2000

Contents

Letter to Shareholders

Dramatic change characterises the year that lies behind us. Both, internally and externally, almost everything has changed.

When we went public at the end of March 2000, we had just over a dozen employees; we had just ended a year with about CHF 10 million in revenues and the market conceded us a valuation of more than CHF 2 billion. That was the time when the markets thought – and we all were happy to agree – that only the sky was the limit.

Today we are about 50 employees, we continue to pursue fast growing turnover, but our valuation is roughly a tenth of what it was a year ago. Many large companies, even "new economy blue-chips", saw comparable revaluations.

The markets changed their minds as they had never done before. What has happened? Were we all irrational in our hopes, expectations and forecasts? That is probably one part of the answer. Another reason for these dramatic swings might be the unprecedented interconnectivity of global markets with its non-linear feedback loops. These circumstances caused the actors to behave as they did – i.e. what we saw was much more a feature of the system than a consequence of individual irrationality.

But dramatic change also took place internally: To steer a company through continuous growth requires a permanent readaptation of strategies, structures, processes, and most importantly, skill profiles. The year 2000 taught us that the team that led us through the pre-IPO period was not the right one to define and implement the structures and processes we needed for the future. Many young and rapidly growing companies fail because the founders and other "first generation" people – often visionaries and innovators – stay too long in their initial positions, and I include myself here.

Combine this with a few wrong appointments, add inconsistent and restrictive corporate communication in speculative markets – and you get what you've seen: a phase of turbulent change bordering on chaos.

And now?

Learning the lessons with our experiences and implementing the corrections required are the prerequisites for future success. That is what we did.

A new leadership team is being established and the necessary structures and processes are being put into place. The new managers will have proven track records of growth management. I will step down as chairman, making room for a successor who is experienced in corporate growth strategies.

I am not resigning from the company I founded, love and believe in. I am just concentrating my energies in the areas of research and development where I can contribute the most.

To sum up:

- We went through a phase of dramatic change that might have endangered a lot of companies. Thanks to the effort and esprit of our team, many of whom have joined the company only recently, we have been able to cope with internal and external stress and lay the foundations for the next phase of our development.
- At the same time, the underlying transformation of the global economy into one increasingly based on the generation and utilisation of knowledge, is a reality.
- Think Tools will continue to develop and market methodologies and instruments for a knowledge-based economy.

With many thanks to all those who continued to believe in us, even when times got tough,

Yours sincerely

Albrecht von Müller
Chairman

Review of the Business Year 2000

The year 2000 was marked by growth of the Company's client base and revenues after an initial public offering. Following the first phase of a strategic review to refocus the Company to address the challenge of sustained growth, the management team was restructured. Further changes will follow. Think Tools is well positioned in a rapidly growing market and is staffed by a team of skilled young professionals. It has a strong financial base for further expansion and continues to generate cash from its operations. In addition to pursuing its core business, the company entered into three joint ventures in 2000. One of these was subsequently cancelled. These have taught management and staff valuable lessons and enabled the Company to demonstrate to clients the value of exploiting its core reasoning methodologies in different industries.

Financial

The financial year was characterized by an initial public offering (IPO) substantial growth in sales and an EBIT of over 40%.

On March 24, 2000, Think Tools launched its initial public offering on the SWX New Market in Zurich at an issue price of CHF 270. The share started trading at CHF 700 and closed at CHF 1050 at the end of the first trading day. The IPO realised CHF 96.2 million for the company, net of IPO costs. Think Tools has the financial means to grow its business.

The fall in technology stocks on all global markets affected Think Tools like all others in the latter half of 2000. After settling at around CHF 700, the share price declined sharply in the last quarter of the year and closed at CHF 330 on December 29, 2000 (last trading day of the year), falling still further thereafter due to certain events. We believe that the financial markets will reward Think Tools' operational performance off this low base as 2001 evolves.

In 2000, Think Tools increased its turnover by 139% from CHF 10.6 million to 25.3 million. License sales of CHF 19.7 million constituted the main source of income.

Operating costs increased by 169% to CHF 15.0 million mainly due to the hiring of qualified people, the opening of a Research and Development Center in Munich and new offices in New York and Singapore. In addition, Think Tools launched Europe-, US- and Asia-based marketing campaigns including brand building programs and started a consulting assignment to evaluate and identify potential acquisition candidates. Despite this expansion, the Company's EBIT (earnings before interest and taxes) increased by 108% from CHF 5.0 million in 1999 to CHF 10.5 million in 2000. The EBIT margin was 41%.

The financial result of Think Tools was negatively influenced by an extraordinary write-off of its investment in y-o-u Swiss Private Banking AG amounting to CHF 25 million. A further provision in the amount of CHF 6.6 million has been recorded. The majority shareholder of y-o-u Swiss Private Banking AG decided to abandon the y-o-u Bank project when it became clear that the time and cost to market would be substantially longer than had been represented to it. Think Tools wrote off the investment and recorded the provision noted above, although the Company will do everything possible to recover the invested amount. In addition, falling markets as well as a weak Euro currency led to a net financial loss amounting to CHF 4.1 million. This is due to mainly unrealised revaluation losses on a capital protected financial investment for which a market valuation was made at year-end. Although the quantum of this loss has been determined according to market valuation on December 31, 2000, in accordance with IAS, the true extent of the loss will be substantially lower at maturity on May 11, 2001 due to the 98% capital protection provision in the investment.

The net loss was CHF 19.8 million compared to a net profit of CHF 3.9 million in 1999. If one excludes the extraordinary write-off of the y-o-u Swiss Private Banking AG investment and provision, the Group would have recorded a net profit of CHF 6.4 million yielding a 25% net profit margin.

In CHF	Revenues CHF million	EBIT CHF million	EBIT margin %	Net income CHF million	Profit margin %
1997	2.729	1.222	44.8%	0.788	28.9%
1998	5.273	3.914	74.2%	3.471	65.8%
1999	10.596	5.020	47.4%	3.917	37.0%
2000	25.318	10.450	41.3%	–19.829	n/a

Making Think Tools business critical

In client projects, we have observed that more companies and governments are coming to understand that knowledge is the most under-utilised resource at their disposal and that the ability to use knowledge effectively is becoming the most important core competence. As Think Tools is a leading methodology provider in this arena, this wider understanding is encouraging.

While the provision of consulting services and license sales were Think Tools' two original growth pillars, standard setting joint ventures with benchmark partners emerged as the third in 2000. Substantial efforts were directed into joint ventures with leading companies, applying proprietary methodologies to improve the knowledge interface between them and their customers.

The aim is to use Think Tools' methodologies to set new industry standards. The emphasis is on interactive reasoning platforms that enable companies to serve their clients more effectively through knowledge interfaces on the Internet. Think Tools' interactive reasoning platforms will move the Internet from a medium of information exchange to one of knowledge generation.

Success in joint ventures of this sort can create substantial shareholder value in future. Each is intended to set new standards in its respective industry. As the experience with y-o-u Bank has shown, however, circumstances outside the control of Think Tools can prevent success.

The first joint venture was conceived, with Bank Vontobel AG, as y-o-u Swiss Private Banking AG, a new departure in Swiss private banking. Through y-o-u Bank, the partners aimed to give on-line customers a unique opportunity for effective knowledge interaction with fund managers and markets, permitting investors to understand and take charge of their investment portfolios. This would have been the first time that a financial institution had used tool-based reasoning to help its customers manage complex investment decisions through the Internet.

As an on-line bank, y-o-u would have melded traditional private banking services with state-of-the-art knowledge, communication technologies and tool-based reasoning. Think Tools integrated its methodology, adapted to support and empower the reasoning process underlying investment decisions and to enable performance-based portfolio optimisation, in a complex bank-client server environment. This makes the reasoning of the portfolio managers transparent and shows the resulting investment decisions, thereby enabling a customer to challenge any assumption with which he or she disagrees and to see the results of his own assessment. Performance-based optimisation and knowledge sharing between customers is possible and customisation of portfolio allocation based on personal choice and judgement is made available on the Internet.

y-o-u Bank was to have been launched in German-speaking Europe in the first quarter of 2001 with the aim of serving 13,000 customers within 3 months and 1.4 million in 2005. In February 2001, however, the Vontobel Group, the majority shareholder, decided to abandon the project when it became clear that, for reasons unrelated to Think Tools, the time and cost to market would be substantially longer than had been represented to it. All components delivered by Think Tools to the project are fully functional and fulfil all predefined requirements.

Invoices for work performed for y-o-u Bank in the amount of CHF 6.6 million have not yet been paid although y-o-u Bank has acknowledged its indebtedness in this amount. In view of the decision to liquidate y-o-u Bank, the amount that will be recovered is unclear and an appropriate provision in the full amount has been made. The Company is taking all necessary steps to secure payment in full.

Think Tools originally held 25% of the share capital of y-o-u Bank. After two capital increases, in which Think Tools did not participate, our equity stake was reduced to 18.18% (19.05% at the end of the year 2000). Due to possible impairment of value, Think Tools has written off its investment in y-o-u Bank in the 2000 financial year, but is taking all steps to recover this in due course.

The second joint venture is A-Knowledge, a company incorporated with SGS Société Générale de Surveillance. A-Knowledge will lead the way towards effective measurement and certification of the knowledge efficiency of organisations. It will help companies assess, measure and improve their knowledge efficiency and will certify the effectiveness of knowledge used by corporations and governments. The emergence of a knowledge-based economy means that the efficiency by which a company generates, uses and shares knowledge will become a crucial indicator of its future growth and profit potential.

A-Knowledge's offering uses innovative assessment tools developed by Think Tools for this venture. Think Tools holds a 46.5% stake in the new venture. A-Knowledge is completing its pilot projects and expects to enter the market in the second quarter of 2001.

The third (still unincorporated) venture is in the area of on-line management consulting services. This is a venture with A.T. Kearney, the management consultant firm, which is the consulting subsidiary of global IT services leader EDS. The service offering will include innovative on-line management consultancy, supported by interactive reasoning frameworks and techniques. The applications and software tools will enable a new level of interactivity, speed and cost-efficiency and will bring tailored advice and insight, through a web-enabled approach, to Internet-ready client companies that have never hired traditional consultants. Selected services are to be made available to target industries and clients by the end of 2001.

Clients

Think Tools' management faced challenges in the market in 2000 and reacted promptly. When it became apparent that the multiplier sales strategy on which projected revenue growth for the year had been premised would not meet the targets set, management refocused on direct sales of licenses and services and also into joint ventures with selected partners.

Corporations

Some clients have already moved from first-level usage of the tools for strategic reasoning to more comprehensive use in knowledge capturing and sharing. This is encouraging, as it establishes a more deeply integrated, business-critical application. The purchase of company-wide license packages by new customers demonstrates the willingness of leading companies to move to broader application of tool-based reasoning. On average, clients bought larger licenses in 2000 than we had previously expected.

World-class companies in financial services, life sciences, telecommunications, IT and mining adopted the Think Tools methodology in 2000.

Government

A number of government departments also employed Think Tools licenses and services:

- In the US, the Department of the Navy in the Pentagon acquired Think Tools for use in future planning.
- In Singapore, one of the largest ministries acquired an organisation-wide Think Tools license to support strategic and policy planning.
- In Austria, the Ministry of the Future is using Think Tools systematically to facilitate the transformation process of Austrian universities.
- In Germany, the Federal Chancellery and the Press Office used Think Tools in developing its communication strategy. The GTZ (Technical Cooperation Agency) is using Think Tools extensively in providing policy support to developing countries.
- The South African Government continues to use Think Tools for policy development and coordination.

Consulting

With the signature of an agreement with ICME, a new level of strategy consulting firm became a strategic partner. This high-end, mid-sized consulting firm will offer Think Tools products and services to new markets and customer segments. Discussions were initiated with a number of other strategic partners, both large and medium-sized firms.

On balance, however, it has become clear that the acquisition of new clients for consulting services and traditional licenses will depend more on sales efforts by Think Tools' staff than on indirect sales through strategic consulting partners. This has had an important impact on the Company's strategy, the results of which will become clear in 2001. The multiplier agreement with Boston Consulting Group has been terminated, while those with Bain and Company and Arthur D. Little continue.

World Economic Forum

The World Economic Forum (WEF) is the foremost global partnership of business, political, intellectual and other thought leaders committed to improving the state of the world. Members, constituents and collaborators have a unique opportunity, through their association with the World Economic Forum, to develop and share ideas, opinions and knowledge on key issues of the global agenda.

Think Tools participated in the WEF Annual Summit in 2000 in Davos (with presentations on "Moving from Strategy to Strategizing", "The e-Business Option Space", "The Corporate IQ", "Globally Competitive Governance", etc.).

Towards the end of the year, the company supported the World Economic Forum in developing an architectural backbone for the Global Agenda. This allows us to help business, government and civil society leaders from around the world address the most important challenges now facing the world. We will continue to support the WEF in analysing the impact of global drivers on regional and local economies in WEF regional summits in Europe, Asia-Pacific, Africa and the Americas.

In this partnership, Think Tools provides the methodological framework for addressing complex challenges to global development. At the 2001 WEF Summit in Davos, Think Tools helped the World Economic Forum develop the content of the Forum's Global Agenda. This project identified the seven key components of the Global Agenda and enabled the consolidation of the knowledge of participants in the Summit – including the Forum's Governors and members, Forum Fellows and leading political figures – in a comprehensive systemic architecture. This will help the WEF define future roles for itself and its constituents in addressing these challenges.

Geographic developments

Germany and Switzerland are still our best markets. The Company benefited greatly from the IPO success and the publicity given to it in German-speaking markets and was able to capitalise on this.

First results from Asia and the US after a very brief period of operations confirm that Think Tools products and services have a high potential in Asian and North American markets. Think Tools opened offices in New York and Singapore in the course of the year to help penetrate these two vital geographic areas.

Marketing and PR

In addition to distinctive marketing and PR activities like seminars for specific client groups and knowledge leaders, at the end of 2000, Think Tools launched a brand building exercise based on a change in corporate design. This was intended to support a new business strategy to effect rapid global market penetration and standard setting. Central to the new brand is the logo communicating the ethos of Think Tools. It consists of a human head, with the eye and brain depicted as the main elements of effective thinking, surrounded by shapes symbolising complexity. This reflects a focus on effective business applications of sophisticated cognitive processes. The logo expresses the core concept of Think Tools: A visual reasoning language leveraging human ability to address complexity, create knowledge and develop insight and foresight – the keys to competitive advantage in the markets of the present and the future.

The aim of the global advertising campaign was to increase brand awareness and recognition and to communicate Think Tools' methodologies to the market. Advertisements were placed in the most influential international publications. The feedback was encouraging. Think Tools will address more targeted audiences in 2001 through specialised channels.

Tripling of talent base in 2000

Think Tools needs exceptional people to grow its business in providing services to high-level corporate and government clients while achieving operational excellence in new product development. In the most basic way, Think Tools' people are its most important assets. New structures and processes to ensure their motivation and cost-effective deployment have to be developed while providing superior customer service.

Think Tools has proven to be an attractive environment for high-potential individuals in the second stage of their professional careers and experienced managers from multinational companies. The staff tripled since the end of 1999, as the recruitment target for 2000 was met and a pipeline of candidates established to sustain growth in 2001.

Recruiting efforts were focused on:

- Sales/Marketing
- Consulting
- Partnerships
- Software development, IT project management
- Technical support
- Administration

To ensure early skills transfer, internal training in Think Tools' methodology is essential. New employees are drawn into current client projects where they assist more experienced employees, enabling a fast learning curve. Talent management is essential to ensure that all employees are effective, motivated and committed. Periodic staff gatherings ensure wider knowledge exchange and enhance the working atmosphere.

All employees participate in the company Stock Option Plan and are members of the pension fund.

The reinforcement of the Think Tools senior management team was another major goal in 2000. Mr Christian Neugebauer joined Think Tools from Xerox in October 2000 as Chief Operating Officer. Mr Neugebauer has over 20 years' experience in software development and in developing and managing both established and new businesses. His appointment speeded up our evolution towards operational excellence by bringing in an experienced software product manager to improve the quality of project management in parallel product development.

Klaus Schwab, founder and President of the World Economic Forum, resigned as a member of the Board of Directors in September to concentrate his efforts on the further development of the WEF. Klaus Schwab played a most important role in the early development of Think Tools AG.

In September 2000, the Board of Directors was restructured. The Swiss Government granted Think Tools AG an exemption, permitting it to have a majority of foreign nationals on the Board of Directors. As a consequence, Ms Catherine Crowden and Messrs Stephan Berndt, Lukas Hering, Martin Janz and Hans Rosenberger stepped down as members of the Board. The Board was formally reconstituted as follows:

- Albrecht von Müller, Chairman of the Board, Switzerland
- Thomas Schmidheiny, Chairman and Chief Executive Officer of Holderbank Finance Glaris Ltd, Switzerland
- Peter Friedli, President of Friedli Corporate Finance, Switzerland
- Flavio Cotti, former Swiss Federal Councillor, Switzerland
- Orit Gadiesh, Chairman of the Board of Bain & Company Inc., USA
- Kemal Siddique, Advisor to the Government of Singapore and Special Advisor to the Maritime and Port Authority, Singapore
- Yvonne Vértes von Sikorsky, Executive Director, UBS Private Banking, Switzerland

At the end of the year, the former CEO, Marc-Milo Lube, and Fabrizio Verdiani, the CFO, left the Company. They had steered the Company to the initial public offering and carried it forward through the first growth phase thereafter. They understood that different skills were required to manage the next phase of the Company's growth and stepped aside to allow a new CEO, Serge Roux-Levrat, and Christian Neugebauer, as COO, to define the parameters of the Company's third growth phase: with the goals of global market penetration and standard setting in key strategic areas. In line with the reallocation of management tasks that followed, Dirk Müller and Christina Pfeifer also stepped down as members of the management.

Our appreciation is due to those persons who have made great contributions to Think Tools' growth and development since its incorporation.

Reflection and outlook

The past year saw the Company progress from a small, start-up characterised by energy, enthusiasm and a unique methodology to a more mature, though still small, listed Company serving a wider range of demanding customers. It gave management and staff the opportunity to test the business models selected before the IPO and to learn from their experiences. Like all new technology companies, Think Tools saw its market capitalisation fall sharply as realism overtook the euphoria that had earlier characterised these markets. Unlike most such companies, Think Tools has strong earnings and generates cash.

Mistakes were made in 2000 as they surely will be in the future. There is no established paradigm or proven business model in the field. Think Tools has set itself the challenge of standard-setting in complex reasoning. This demands innovation and experimentation followed by standardisation of the products and methodologies that pass the test. It calls for continuous improvement, operational excellence, superior customer service and a strong research and development pipeline delivering new and exciting products.

Despite mistakes, important strides have been made towards these goals without reducing topline earnings or EBIT growth. The Company has refocused its efforts on delivering business-critical applications of its core methodologies and building relationships with leading institutions interested in taking these applications to broader markets. It is further strengthening its management team and integrating the knowledge and experience of its Board.

Research & Development

Software development

The growth of the development division and the finalisation of version 2.0 of the Think Tools Strategy Suite as a full 32-bit version were important targets in 2000. Version 2.0 will be released in April 2001.

The new Tool Suite will embody substantial improvements in utility and ease of use. It will be fully compatible with all Windows operating systems, enabling the user to focus on the strategic issues under consideration while employing the enhanced visualisation and computational functions provided by the new version. The XML standard is now used as the data format, allowing further integration and data exchange with other applications. Help and Wizard functions have been improved.

The software is now being developed for full integration into client/server, web-enabled environments, facilitating its broader use in Internet and Intranet applications.

Backward compatibility will be ensured, thus enabling clients to use the strategy processes and the knowledge developed with earlier versions. The Strategy Suite is also being redeveloped in a modular format, enabling implementation and adaptation in any environment by utilising existing software codes.

The quality of the software architecture and the technical and process documentation have been improved by migrating to a new development platform. In addition, the necessary infrastructure and process modifications for industrial software engineering have been introduced.

This is the key to well-planned development on a predetermined release plan and to effective integration into other applications. It lays the foundations for the implementation of major projects and enables industry-specific applications based on the Company's proprietary tool-based methodologies.

Apart from further development of the core software modules, the development division and selected outside teams undertook the integration of Think Tools' methodologies into the joint venture projects. An investment reasoning and portfolio allocation platform was built for the y-o-u Bank. Several interactive tool-based products were developed for A-Knowledge. Mock-ups were also created for other proposed projects, both purely visually and with prescribed functionality. All these developments were completed, compliant with specifications, on schedule, within budget and to the satisfaction of our internal and external customers.

The capacity of the development division has been improved in the key areas of IT project management, development, testing and customer support. Think Tools will see continuing improvements in the quality of its operational standards and customer focus.

Center for Advanced Thinking

The business of true Knowledge Management requires continuous innovation and the development of new applications if the Company is to capture market share and grow competitive advantage. A significant percentage of earnings are thus employed in basic and applied research. To provide a forum for individual and joint activities to support advances in understanding and managing the Knowledge Economy, Think Tools AG established a Center for Advanced Thinking (CAT) in 2000.

The CAT is intended to initiate and coordinate research and communication about thinking, knowledge generation, representation and utilisation, and complexity management. Among the challenging questions of concern in the Knowledge Economy are:

- How can the information available in companies be systematically transformed into knowledge?
- How can knowledge be cost-effectively captured, stored, retrieved and utilised?
- How can knowledge be most effectively represented in all its inherent complexity?
- How can knowledge be cost-effectively communicated in global companies among the tens of thousands of employees in different locations around the world?

The CAT aims to stimulate and support scientific research on complexity management, advanced thinking and the generation, representation and utilisation of knowledge, initiate exchanges between the academic and the corporate world, and enhance insight into developments in the Knowledge Economy.

In the past year, CAT published two scientific articles ("Visual and Verbal Cognitive Capacities in Complex Problem-Solving" and "Solving Problems and Making Decisions: Cognitive Operations in an Uncertain World"). The CAT also organised a seminar on "Knowledge Representation – Complexity Management – Thinking and Decision-Making" at Tarrytown, New York, from December 14 – 16, 2000. New contacts among academics and knowledge professionals were established and new ideas for research and development were developed.

Infrastructure

A professional infrastructure is an essential basis for sustained growth. Think Tools moved into new offices in Zurich in December 2000 to house its larger staff, and installed an effective IT infrastructure enabling superior information and knowledge management within the Company.

By mid-year, the office in Genferstrasse was too small to allow all staff in Zurich to work in the same location. A second office was rented nearby for some months, while the Company looked for a larger suitable office in Zurich. By the end of the year the staff were relocated in a new office at Mühlebachstrasse 162.

Financial Review

Years and period ended December 31, 2000 and 1999. The Group's financial year is the calendar year.

Sales

Sales increased to CHF 25.3 million in 2000 from CHF 10.6 million in 1999. The Group made sales amounting to CHF 19.2 million through Think Tools AG, CHF 4.4 million through Think Tools (Schweiz) AG and CHF 1.7 million through the other Think Tools operations in Munich, New York and Singapore.

The top three clients contributed 77% of total turnover. Principal new license and consulting customers in the year 2000 included financial institutions, telecommunications, pharmaceutical and mining companies and governments.

In 2000, the Company made multiplier sales to ICME, Switzerland and Corporate Performance System, UK.

License sales in 2000 contributed CHF 19.7 million to total sales (78%) compared to 7.8 million (74%) in 1999. Consulting sales amounted to CHF 5.6 million (22% of total sales) compared to CHF 2.4 million (23%) in 1999.

Operating expenses

Operating expenses mainly comprising of staff costs, travel and accommodation costs, office and administration expenses, consulting and legal fees and marketing expenses amounted to CHF 15 million in 2000 and CHF 5.6 million in 1999. Staff costs were CHF 5.7 million (23% of sales), compared to CHF 1.7 million (16% of sales) in 1999. This increase was mainly attributable to the opening of the software development centre in Munich where seven developers were employed as well as the further expansion of the Group in Singapore and New York. Travel and accommodation costs were CHF 1.9 million (8% of sales), compared to CHF 1.1 million (10% of sales) in 1999. Office and administration expenses increased from CHF 0.7 million (7% of sales) to CHF 1.9 million (8% of sales). Consulting and legal fees were CHF 1.9 million (8% of sales), compared to CHF 0.7 million (7% of sales) in 1999. This increase is due to a consulting assignment to evaluate and identify candidates for acquisition. Marketing expenses were CHF 1 million (4% of total sales), compared to CHF 0.1 million (1% of total sales) in 1999. This significant increase is due to marketing and branding campaigns in Europe, US and Asia.

Operating profit

Operating profit for 2000 was CHF 10.5 million yielding a 41% operating margin against CHF 5 million (47% operating margin) in 1999. This decrease in operating margin as a percentage of sales was largely due to the acquisition screening consulting assignment and the brand building program.

Other income/expenses

Financial income represented bank interest earned on the Group's cash at bank and short-term deposits (CHF 1.1 million) as well as revaluation gains on marketable securities (CHF 0.5 million). The Group's cash at bank and short-term deposits stood at CHF 28.1 million at December 31, 2000 (CHF 3.6 million at December 31, 1999).

Financial expenses of CHF 30.6 million include CHF 25 million write-off of the investment in y-o-u Swiss Private Banking AG and CHF 5.6 million other financial expenses. On February 26, 2001, the majority shareholder of y-o-u Swiss Private Banking AG decided to abandon the y-o-u Bank project when it became clear that, for reasons wholly unrelated to Think Tools, the time and cost to market would be substantially longer than had been represented to it. Think Tools has written off the investment due to possible impairment of value. The Company is making every effort to recover the investment in due course.

Other financial expenses of CHF 5.6 million (CHF 0.02 million in 1999) were the result of difficult market conditions as well as a weak Euro currency. The unrealised revaluation loss on the financial investment amounted to CHF 2.3 million (1999 – nil). This financial investment represents a 98% capital protected index instrument with a fixed maturity date of May 11, 2001. In line with International Accounting Standards (IAS) it has been valued at market value. During the lifetime the value of the investment may fall below the protected capital amount of 98%. At December 31, 2000, the market value is below the capital protected amount and has consequently been revalued in the income statement. Furthermore, an unrealised foreign exchange loss of CHF 1.9 million was recorded on translation of the financial investment held in Euro (1999 – nil). Unrealised revaluation loss on other marketable securities was CHF 1.1 million (1999 – nil). Interest and bank charges amount to CHF 0.3 million (1999 – 0.02 million). At year-end, the group recorded an extraordinary provision of CHF 6.6 million in respect of outstanding invoices to y-o-u Bank for services rendered.

Income before taxation

As a result of these factors, the Group incurred a loss before taxation of CHF 25.0 million (1999 – profit before taxation CHF 5.3 million). Without the extraordinary write-off of the y-o-u Swiss Private Banking AG investment of CHF 25 million and the CHF 6.6 million provision, the income before taxation would have amounted to CHF 6.5 million.

Taxation

In 2000, tax credit was CHF 5.2 million compared to tax expense of CHF 1.3 million in 1999. The tax credit is due to the recording of deferred tax asset in connection with the extraordinary write-off and provision of y-o-u Swiss Private Banking AG. In addition initial public offering (IPO) expenses as well as the effect of the purchase of treasury shares influenced taxation – those costs were directly charged to equity under International Accounting Standards (IAS).

Net loss/income

The Group incurred a net loss of CHF 19.8 million against a net profit of CHF 3.9 million in 1999. Without the extraordinary write-off of the y-o-u Swiss Private Banking AG investment of CHF 25 million and the CHF 6.6 million provision, the Group would have recorded a net profit of CHF 6.4 million yielding a 25% net profit margin. Accumulated losses on December 31, 2000, were CHF 14.4 million (1999 – retained earnings of CHF 5.5 million).

Liquidity and capital resources

On March 24, 2000, the Company's shares were listed on the SWX New Market, Zurich, in a public offering generating CHF 96.2 million in net proceeds after commissions, stamp taxes and expenses. At December 31, 2000, the Group had approximately CHF 18.3 million of cash and cash equivalents as well as CHF 81.3 million in a capital protected investment and marketable securities totalling to CHF 99.6 million. Net cash flows from operating activities increased to CHF 6.5 million in the twelve months ended December 31, 2000, from CHF 3.2 million in 1999 as a result of an increase in working capital requirements.

The capital requirements of the Group depend on various factors such as further sales expansion, the resources the Group devotes to developing, marketing and selling its products, geographical expansion and other factors. The Group expects to devote capital resources to hire staff and expand its sales, marketing and software development activities and for other general corporate activities including acquisitions.

Investments

y-o-u Swiss Private Banking AG

Think Tools originally held 25% of the share capital of y-o-u Bank. After two capital increases, in which Think Tools did not participate, our equity stake was reduced to 18.18% (being 19.05% at the end of the year 2000).

Due to the cancellation of the project, the Board decided to write-off the CHF 25 million investment and to make a provision of CHF 6.6 million on the receivable. It is expected to recover this in due course.

A-Knowledge Ltd.

On December 12, 2000, the Group acquired 46.45% of A-Knowledge Ltd., Switzerland, for a purchase price of CHF 2.3 million. A-Knowledge Ltd. offers assessment and rating services in the field of Knowledge Management.

Shareholders' equity

At December 31, 2000, shareholders' equity amounted to CHF 96.2 million (1999 – 5.6 million).

The share capital increased from CHF 0.1 million to CHF 24 million consisting of 2,400,000 bearer shares with a nominal value of CHF 10 each.

On March 24, 2000, the Company's shares were listed on the SWX New Market. IPO proceeds amounted to CHF 104 million. The costs of the IPO in the amount of CHF 7.8 million including bank commissions, stamp duties and other costs directly related to the IPO were deducted from the additional paid-in capital. During the year, the Company purchased 55,142 treasury shares (1999 – nil) and sold 40,165 treasury shares (1999 – nil). The cost of the 14,977 treasury shares on hand amounted to CHF 10.8 million (1999 – nil). The realised gain on the purchase and sale transaction amounted to CHF 1.1 million (1999 – nil). The treasury shares transaction totalling to CHF 9.7 million was directly recorded through equity. Accumulated losses on December 31, 2000, amounted to CHF 14.4 million compared to retained earnings of CHF 5.5 million in 1999.

Consolidated financial statements for the year ended December 31, 2000 of the Think Tools Group

Consolidated income statement for the year ended December 31, 2000

In CHF	NOTES	2000		1999	
SALES	4	**25,318,246**		**10,596,475**	
CHANGES IN WORK IN PROGRESS		**155,133**		**–**	
		25,473,379		**10,596,475**	
OPERATING EXPENSES					
Staff costs	5	5,745,553		1,675,895	
Sub-contracting expenses		948,613		395,159	
Rent and maintenance		662,566		188,116	
Office and administration		1,852,274		708,967	
Consulting and legal fees		1,895,350		663,533	
Travel and accommodation		1,882,508		1,053,415	
Marketing expenses		1,033,005		52,034	
Depreciation and amortisation	4/19	424,457		188,172	
Miscellaneous expenses	6	578,242		651,449	
Total operating expenses		**15,022,568**	**59%**	**5,576,740**	**53%**
OPERATING INCOME		**10,450,811**	**41%**	**5,019,735**	**47%**
OTHER (EXPENSES)/INCOME					
Financial income	7	1,577,076		75,068	
Financial expenses	8	(30,628,392)		(22,117)	
Foreign exchange (loss)/gain		(37,874)		205,414	
Other (expenses)/income	9	(6,404,256)		(17,434)	
Total other (expenses)/income		**(35,493,446)**		**240,931**	
(LOSS)/INCOME BEFORE TAXATION	4/10	**(25,042,635)**		**5,260,666**	
Taxation	10	5,214,232		(1,345,540)	
(NET LOSS)/INCOME BEFORE MINORITY INTEREST		**(19,828,403)**		**3,915,126**	
Minority interest		(871)		1,862	
(NET LOSS)/INCOME AFTER MINORITY INTEREST		**(19,829,274)**		**3,916,988**	
(LOSS)/EARNINGS PER SHARE	24	**(8.31)**		**1.63**	

See notes to the consolidated financial statements

Consolidated balance sheet at December 31, 2000

ASSETS	NOTES	2000	1999
In CHF			
CURRENT ASSETS			
Cash and cash equivalents	11	28,098,954	3,566,703
Marketable securities	12	81,287,701	–
Trade receivables	13	2,465,391	2,956,703
Other receivables	14	1,552,027	611,884
Inventories	15	182,248	–
Total current assets		**113,586,321**	**7,135,290**
NON-CURRENT ASSETS			
Investment in associate	16	2,322,500	–
Other investment	17	–	–
Loan to third party	18	470,207	–
Intangible assets	19	498,212	–
Property and equipment	19	3,353,968	1,729,900
Deferred tax asset	10	5,000,000	–
Total non-current assets		**11,644,887**	**1,729,900**
TOTAL ASSETS	4	**125,231,208**	**8,865,190**
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank overdrafts	20	9,802,909	–
Trade and other payables	21	17,808,167	1,367,679
Tax liabilities		954,251	1,390,064
Provisions	22	300,000	77,966
Total current liabilities		**28,865,327**	**2,835,709**
NON-CURRENT LIABILITIES			
Provisions	22	160,000	460,000
Total non-current liabilities		**160,000**	**460,000**
Total liabilities	4	**29,025,327**	**3,295,709**
SHAREHOLDERS' EQUITY			
Issued capital	23	24,000,000	100,000
Share premium	23	96,156,973	–
Treasury shares	23	(9,633,638)	–
Translation reserve		4,993	3,526
(Accumulated losses)/Retained earnings		(14,377,032)	5,452,242
Total capital and reserves		**96,151,296**	**5,555,768**
Minority interest		54,585	13,713
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**125,231,208**	**8,865,190**

See notes to the consolidated financial statements

Consolidated statement of changes in shareholders' equity for the year ended December 31, 2000

In CHF	Notes	Share capital	Share premium	Treasury shares	Translation reserve	Retained earnings and reserves	Total
Balance at January 1, 1999	23	100,000	–	–	–	1,535,254	1,635,254
Net profit for the year		–	–	–	–	3,916,988	3,916,988
Exchange differences arising on translation of overseas operations		–	–	–	3,526	–	3,526
Balance at January 1, 2000	23	**100,000**	**–**	**–**	**3,526**	**5,452,242**	**5,555,768**
Issue of share capital net of issuance costs	23	23,900,000	96,156,973	–	–	–	120,056,973
Treasury shares	23	–	–	(9,633,638)	–	–	(9,633,638)
Net loss for the year		–	–	–	–	(19,829,274)	(19,829,274)
Exchange differences arising on translation of overseas operations		–	–	–	1,467	–	1,467
Balance at December 31, 2000	23	**24,000,000**	**96,156,973**	**(9,633,638)**	**4,993**	**(14,377,032)**	**96,151,296**

See notes to the consolidated financial statements

Consolidated statement of cash flow for the year ended December 31, 2000

In CHF	Notes	2000	1999
Cash flow from operating activities			
(Loss)/Income before taxes/after minority interest		(25,043,506)	5,207,715
Depreciation		424,457	188,172
Provision for losses on accounts receivable		400,000	64,000
Gain on sale of property and equipment		(9,282)	(12,573)
Interest income		(1,052,017)	–
Interest expense		254,785	–
Unrealised loss and exchange difference on financial investment		4,128,761	–
Write-off of other investment		25,000,000	–
Change in provision		(77,966)	617,368
Operating cash flow before working capital changes		**4,025,232**	**6,064,682**
Decrease/(Increase) in trade receivables		91,312	(2,267,815)
Increase in other receivables		(907,211)	(591,534)
(Increase)/Decrease in inventories		(182,248)	130,152
Increase in trade and other payables		4,582,335	788,362
Cash generated from operations		**7,609,420**	**4,123,847**
Income taxes paid		(862,556)	(933,974)
Interest paid		(254,785)	(22,117)
Net cash flow from operating activities		**6,492,079**	**3,167,756**
Cash flow from investing activities			
Purchase of property, equipment and software development	19	(2,667,340)	(421,884)
Sale of property and equipment		119,267	116,033
Purchase of marketable securities		(77,978,000)	–
Sale of investment to minority		40,000	–
Loan to third party		(470,207)	–
Purchase of other investment	17	(12,500,000)	–
Purchase of associate company		(2,322,500)	–
Interest received		1,019,085	75,068
Net cash used in investing activities		**(94,759,695)**	**(230,783)**
Cash flow from financing activities			
Net proceeds from share capital increase (IPO)		120,056,973	–
Purchase of treasury shares		(42,586,879)	–
Sale of treasury shares		32,953,241	–
Loan repaid by employee		–	54,034
Capital paid in by minority shareholders		–	15,575
Impact of foreign currency translation		12,085	2,388
Net cash flow from financing activities		**110,435,420**	**71,997**
Net increase in cash and cash equivalents		**22,167,804**	**3,008,970**
Cash and cash equivalents at beginning of year		3,566,703	557,733
Cash and cash equivalents at end of year	11	**25,734,507**	**3,566,703**

See notes to the consolidated financial statements

Notes to the consolidated financial statement for the years ended December 31, 2000 and 1999

1. PRESENTATION OF FINANCIAL STATEMENTS

The consolidated financial statements of Think Tools AG, Zurich, and its subsidiaries (the "Group") have been prepared in accordance with International Accounting Standards (IAS) and the provisions of the Swiss Code of Obligations under the historical cost convention.

These financial statements are prepared in Swiss Francs (CHF) since that is the currency in which the majority of the Group's transactions are denominated.

Certain prior year amounts have been reclassified in order to improve presentation of some items in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted remain unchanged from the previous year and are set out below.

Basis of consolidation

The consolidated financial statements of the Group include Think Tools AG, Zurich, and the companies which it controls (subsidiaries). Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Control is normally evidenced when the Group owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between group companies are eliminated on consolidation.

Investments in associates

Investments in associates are accounted for by the equity method of accounting. An associate is an enterprise over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Foreign currencies

Transactions in currencies other than Swiss Francs are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are revalued at the exchange rates ruling on the balance sheet date. Profits and losses arising on exchange are recorded in the income statement.

On consolidation the assets and liabilities of the Group's overseas operations are translated into Swiss Francs at the exchange rates ruling on the balance sheet date. Income statements are translated at the average exchange rates for the year. Translation differences resulting from the above method are classified as equity and transferred directly to the Group's translation reserve.

The following exchange rates were used:

Country	Foreign currency	Balance sheet Dec. 31, 2000	Balance sheet Dec. 31, 1999
	Euro	1.5216	n/a
Germany	DEM	77.80	82.10
Singapore	SGD	93.20	n/a
USA	USD	1.6207	n/a

Country	Foreign currency	Income statement 2000	Income statement 1999
	Euro	1.5551	n/a
Germany	DEM	79.57	81.85
Singapore	SGD	95.00	n/a
USA	USD	1.6944	n/a

Financial instruments

Financial assets

The Group's principal financial assets are cash and cash equivalents, marketable securities, trade and other receivables and financial investments.

The carrying amount of cash and cash equivalents, trade and other receivables approximate their fair values due to their short-term nature.

Marketable securities held for the shortterm are carried at market value at the balance sheet date. Increases or decreases in the carrying amount of marketable securities are recognised as income or expense of the period.

Other investments where the Group is not in the position to exercise significant influence or joint control are stated at cost less impairment losses recognised, where the investment's carrying amount exceeds its estimated recoverable amount.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Principal financial liabilities include trade and other payables and interest-bearing bank loans and overdrafts.

Trade and other payables are stated at their nominal value.

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs.

Financial risk management

Financial instruments which potentially subject the Group to concentration of credit risk consist principally of cash and cash equivalents, marketable securities and accounts receivable. The Group maintains cash and cash equivalents and marketable securities with substantial financial institutions and individually significant receivable balances with large customers.

Off-balance sheet derivative instruments

The Group did not enter into contracts for derivative financial instruments during the periods presented.

Cash and cash equivalents – Cash includes cash on hand, postal and bank accounts as well as current and deposit accounts with a maximum maturity of 90 days.

Trade receivables and other receivables – Trade receivables and other receivables are stated net of the necessary provisions for doubtful accounts.

Inventories – Inventories consist of protection devices for the Think Tools software as well as work-in-progress. Inventories are stated the lower of cost or net realisable value.

Property and equipment – Property and equipment are valued at acquisition costs less depreciation. Depreciation is based on the estimated useful lives of the assets using the straight-line method.

Estimated useful lives are as follows:

Property	25 years
Furniture, equipment and software	2 to 5 years
Motor vehicles	5 years

Intangible assets (computer software development costs) – Generally, costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred. However, costs that are directly associated with identifiable and unique software products controlled by the Group and have probable economic benefit exceeding the cost beyond one year, are recognised as intangible assets. Direct costs include staff costs of the software development team and an appropriate portion of relevant overheads and/or third party costs. Computer software development costs recognised as assets are amortised using the straight-line method over their useful lives, not exceeding a period of 3 years.

Provisions – Provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Taxation – The Group provides for all taxes estimated to be payable on income earned to date, based on the individual Group companies' financial statements.

The Group provides for deferred taxes using the comprehensive liability method. Provisions are made for all temporary differences arising between the tax values of assets and liabilities and their values in the consolidated financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statements, except when it relates to items credited or charged directly to equity, in which case the deferred tax is dealt with in equity.

Revenue recognition – Revenue from license contracts is recognised upon delivery of products and customer acceptance, if any, or on the performance of services. Commission income is recorded according to the accrual method.

Retirement benefit costs – Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Group companies domiciled in Switzerland are affiliated with legally independent pension funds. The net assets of these pension funds are not included in the consolidated balance sheet. In accordance with the contributory principle, the annual contributions to these pension schemes are paid partly by the employee and the employer on the basis of employee contracts. As a general rule, Group companies domiciled outside of Switzerland do not belong to legally independent pension schemes but to state pension schemes.

Share capital – External costs directly attributable to the issue of new shares, other than on a business combination, are shown as deduction in equity from the proceeds.

Where the Company or its subsidiaries purchases the Company's equity share capital, the consideration paid including any attributable transaction costs is deducted from total shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

3. GROUP ORGANISATION

Scope of consolidation – The following companies are included in the scope of consolidation on December 31, 2000.

Name of Company	Activity	2000 %	1999 %
Think Tools AG Zurich, Switzerland	Holding	100%	100%
Think Tools GmbH Possenhofen, Germany	Consulting	100%	100%
European School of Governance (EUSG) Gemeinnützige GmbH Erfurt, Germany	Consulting	61.2%	61.2%
Think Tools (Schweiz) AG Zurich, Switzerland	Consulting	100%	100%
Think Tools Innovation Lab AG Zurich, Switzerland	Holding	100%	100%
Think Tools Media AG Lachen, Switzerland	Consulting	60%	100%
Think Tools Asia Pte Ltd. Singapore	Consulting	100%	100%
Think Tools Inc. New York	Consulting	100%	–
IR Tools AG Zurich	Consulting	100%	–
Knowledge Tools AG Zurich	Consulting	100%	–

In June 1999, Think Tools GmbH invested DEM 29,924 in a 61.2% stake of European School of Governance (EUSG) Gemeinnützige GmbH, Erfurt, Germany which was founded on June 9, 1999, in order to provide education facilities for future recruitment purposes.

On July 1, 1999, Think Tools (Schweiz) AG, Zurich, Switzerland was incorporated by a contribution in kind from the Company.

On September 17, 1999, Think Tools Media AG, Lachen, Switzerland was incorporated. Think Tools Media AG is fully owned by Think Tools Innovation Lab AG. During 2000, 40% of Think Tools Media AG was sold to a third party at book value.

On September 24, 1999, Think Tools Innovation Lab AG, Zurich, Switzerland was incorporated. Think Tools Innovation Lab AG is fully owned by Think Tools AG.

On October 15, 1999, Think Tools Asia Pte Ltd., Singapore was incorporated. Think Tools Asia Pte Ltd. is fully owned by Think Tools AG.

On February 18, 2000, Think Tools Inc., New York, USA was incorporated. Think Tools Inc. is fully owned by Think Tools AG.

On May 26, 2000, IR Tools AG, Zurich, Switzerland was incorporated. IR Tools AG is fully owned by Think Tools Innovation Lab AG.

On May 25, 2000, ECP European Construction Portal AG, Zurich, Switzerland was incorporated and subsequently renamed Knowledge Tools AG, Zurich, Switzerland. Knowledge Tools AG is fully owned by Think Tools Innovation Lab AG.

4. SEGMENT INFORMATION

Geographical segments

The Group operates in four geographical areas. The Group's operations are located in Germany, Switzerland, Singapore and New York. Consulting and sale of software operations are carried out in all locations. In the prior year, the Group's operations were located in Germany and Switzerland only.

The following table provides an analysis of Group operations, assets and liabilities by geographical segment according to location of each subsidiary.

In CHF					
2000	**Switzerland**	**Europe**	**USA**	**Asia**	**Consolidated**
Total sales	**23,580,505**	**1,171,641**	**423,600**	**142,500**	**25,318,246**
Result					
Segment result before write-off of investment	7,568,838	(259,011)	(488,112)	(279,975)	6,541,740
Write-off of investment	(25,000,000)				(25,000,000)
Extraordinary expense	(6,584,375)				(6,584,375)
Segment result	**(24,015,537)**	**(259,011)**	**(488,112)**	**(279,975)**	**(25,042,635)**
Other information					
Capital additions	2,431,471	28,534	51,312	156,023	2,667,340
Depreciation and amortisation	373,182	41,369	1,901	8,005	424,457
Balance sheet					
Assets					
Segment assets	123,674,123	635,698	566,784	354,603	125,231,208
Liabilities					
Segment liabilities	28,588,243	324,989	103,987	8,108	29,025,327
Employees	**24**	**9**	**3**	**4**	**40**

In CHF					
1999	**Germany**	**Switzerland**	**Other**	**Elimination**	**Consolidated**
External sales	1,651,400	8,945,075	–	–	10,596,475
Intersegment sales	410,000	–	–	–410,000	–
Total sales	**2,061,400**	**8,945,075**	**–**	**–410,000**	**10,596,475**
Result					
Segment result	581,793	4,678,873	–	–	5,260,666
Other information					
Capital additions	154,525	267,359	–	–	421,884
Depreciation and amortisation	71,729	116,443	–	–	188,172
Balance sheet					
Assets					
Segment assets	1,492,299	7,372,891	–	–	8,865,190
Liabilities					
Segment liabilities	1,027,583	2,268,126	–	–	3,295,709
Employees	**3**	**7**	**–**	**–**	**10**

Business segments

The Group's business is concentrated in two areas, consulting and supply and installation of intelligent software for qualitative reasoning and business assessment analysis.

The following table provides an analysis of the Group's sales, by business segment as well as an analysis of sales by sales destination. As all subsidiaries are involved in both business areas it is not practical to allocate assets and operating profit to business segments.

Revenue

Business segment

In CHF	2000	1999
Consulting	5,629,189	2,447,562
Software	19,663,504	7,829,156
Other	25,553	319,757
	25,318,246	**10,596,475**

Geographic segment

In CHF	2000	1999
United States	425,000	4,700,967
Europe	23,248,436	4,115,591
Asia	1,644,810	–
Rest of the world	–	1,779,917
	25,318,246	**10,596,475**

5. STAFF COSTS

In CHF	2000	1999
Salary	4,599,147	1,485,526
Social security costs	273,582	149,653
Pension costs – defined contribution plan	109,273	40,716
Other staff cost	763,551	–
	5,745,553	**1,675,895**

Group companies domiciled in Switzerland are affiliated with legally independent pension funds. The net assets of these pension funds are not included in the consolidated balance sheet. In accordance with the contributory principle, the annual contributions to these pension schemes are paid partly by the employee and the employer on the basis of employee contracts.

As a general rule, Group companies domiciled outside of Switzerland do not belong to legally independent pension schemes but to state pension schemes.

Other staff cost mainly comprises headhunting and recruitment costs.

Liabilities towards pension institutions amount to:

In CHF	2000	1999
Pension liabilities (included in other current liabilities)	**–**	**15,107**

6. MISCELLANEOUS EXPENSES

In CHF	2000	1999
Bad debt expenses	400,000	64,000
Other miscellaneous expenses	178,242	127,449
Organisation and restructuring expenses	–	460,000
	578,242	**651,449**

7. FINANCIAL INCOME

In CHF	2000	1999
Revaluation gain on marketable securities	525,059	–
Interest income	1,052,017	75,068
	1,577,076	**75,068**

8. FINANCIAL EXPENSES

In CHF	2000	1999
Write-off of other investment (Note 17)	25,000,000	–
Unrealised revaluation loss on financial investment (Note 12)	2,263,821	–
Unrealised foreign exchange loss on financial investment (Note 12)	1,864,940	–
Revaluation loss on marketable securities	1,150,696	–
Interest expense	254,785	–
Bank charges	94,150	22,117
	30,628,392	**22,117**

Write-off of other investment:

On October 27, 2000, the Group acquired 25% of y-o-u Swiss Private Banking AG, Zurich. A subsequent capital increase where the Group did not participate leaves the Group an ownership interest of 19.05% on December 31, 2000.

On February 26, 2001, the majority shareholder decided to abandon the project when it became clear that, for reasons wholly unrelated to Think Tools, the time and cost to market would be substantially longer than had been expected. All components delivered by Think Tools are fully functional and fulfill all predefined requirements.

After a second capital increase in 2001, in which Think Tools again did not participate, the equity stake was reduced to 18.18%. The Board decided to write off the investment in line with the principle of prudence, however, it is expected to recover this in due course.

9. OTHER (EXPENSES)/INCOME

In CHF	2000	1999
Extraordinary expenses (Note 13)	6,584,375	–
Other (income)	(180,119)	17,434
	6,404,256	**17,434**

Extraordinary expenses consist of provision on trade receivables recorded in relation to the abandon of the y-o-u Bank project.

10. TAXATION

In CHF	2000	1999
Current	(214,232)	1,345,540
Deferred taxation	(5,000,000)	–
	(5,214,232)	**1,345,540**

The tax on the Group's profit differs from the theoretical amount that would arise using the basic tax rate of the home country of the Group as follows:

In CHF	2000	1999
(Loss)/Profit before taxation	(25,042,635)	5,260,666
Tax calculated at a tax rate of 17.5% (25%)	(4,382,461)	1,315,167
Expenses not deductible for tax purposes	–	134,876
Income not subject to tax	–	(181,098)
Tax effect on expenses directly charged to equity under IAS	(1,108,214)	–
Reversal of prior year overprovision	(194,589)	–
Effect of losses for which no deferred tax has been provided	474,548	–
Effect of different tax rate of subsidiaries operating in other jurisdictions	(3,516)	76,595
	(5,214,232)	**1,345,540**

At the balance sheet date, the Group has unutilised tax losses of CHF 31,375,283 (1999: 0) available for offset against future profits. A deferred tax asset has been recognised in respect of CHF 28,667,082 (1999: 0). No deferred tax asset has been recognised for CHF 2,708,201 (1999: 0) due to the unpredictability of future profit streams.

11. CASH AND CASH EQUIVALENTS

In CHF	2000	1999
Cash at bank and in hand	3,351,029	1,446,563
Short-term bank deposits	24,747,925	2,120,140
	28,098,954	**3,566,703**

The interest rate on short-term deposits varies from 3% to 5% (1999: 2% to 5%) depending on the currency. The carrying amounts of these assets approximate their fair value.

For the purposes of the cash flow statement, the period end cash and cash equivalents comprise the following:

In CHF	2000	1999
Cash and bank balances	28,098,954	3,566,703
Bank overdrafts (Note 20)	(9,802,909)	–
Marketable securities (Note 12)	7,438,462	
	25,734,507	**3,566,703**

12. MARKETABLE SECURITIES AND FINANCIAL INVESTMENT

In CHF	2000	1999
Marketable securities (Note 11)	7,438,462	–
98% capital protected financial investment	73,849,239	–
	81,287,701	**–**

Marketable securities represent short-term investments in listed equity securities and bonds which present the Group opportunity for return through dividend income and trading gains. The market value of these securities approximates their fair values.

In CHF	2000	1999
98% capital protected financial investment:		
At beginning of year	–	–
Investment at cost	77,978,000	–
Provision for unrealised loss (Note 8)	(2,263,821)	–
Unrealised exchange differences (Note 8)	(1,864,940)	–
At end of year	**73,849,239**	**–**

The financial investment represents a 98% capital protected index instrument with a fixed maturity date of May 11, 2001. It has been valued at market value. During the lifetime the value of the investment may fall below the protected capital amount of 98%. At December 31, 2000, the market value is below the capital protected amount and has consequently been revalued in the income statement. The management has the intent and ability to hold to maturity.

13. TRADE RECEIVABLES

In CHF	2000	1999
Trade receivables	9,449,766	3,020,703
Less: Provision for bad and doubtful debts	(6,984,375)	(64,000)
	2,465,391	**2,956,703**

The Group maintains individually significant receivable balances with large customers. The Group's historical experience in collection of trade receivables falls within the recorded allowances.

14. OTHER RECEIVABLES

In CHF	2000	1999
Receivables from associate company	63,175	–
Accrued commission income	–	300,000
Shareholders' current account	9,342	37,750
Prepaid expenses	42,075	139,677
Security deposits	379,764	53,614
VAT receivable	662,290	28,133
Other current assets	395,381	52,710
	1,552,027	**611,884**

15. INVENTORIES

In CHF	2000	1999
Software protection devices	27,115	–
Work-in-progress (at cost)	155,133	–
	182,248	**–**

16. INVESTMENT IN ASSOCIATE COMPANY

In CHF	2000	1999
Cost of investment	**2,322,500**	**–**

On December 12, 2000, the Group acquired 46.45% of A-Knowledge Ltd., Geneva, Switzerland.

Details of the Group's associate at December 31, 2000 are as follows:

Name of associate	A-Knowledge Ltd.
Place of incorporation and operation	Switzerland
Nominal capital (CHF)	5,000,000
Proportion of ownership interest	46.45%
Proportion of voting power held	46.45%
Principal activity	Offering assessment and rating services in the field of Knowledge Management

17. OTHER INVESTMENT

In CHF	2000	1999
Cost of investment	25,000,000	–
Write-off of investment (Note 8)	(25,000,000)	–
	0	**–**

On October 27, 2000, the Group acquired 25% of y-o-u Swiss Private Banking AG, Zurich. A subsequent capital increase where the Group did not participate leaves the Group an ownership interest of 19.05% on December 31, 2000.

Impact for cash flow purposes

In CHF	2000	1999
Cost of investment	25,000,000	–
Due to majority shareholder of y-o-u Swiss Private Banking AG (Note 21)	(12,500,000)	–
Cash outflow for investment	**12,500,000**	**–**

18. LOAN TO THIRD PARTY

This loan is made to an unrelated third party in the field of Knowledge Management and bears interest at 5.5%. Repayment terms are not defined. The loan has been subordinated. The credit risk has been covered by a repayment guarantee from a shareholder of the Group.

19. INTANGIBLE ASSETS, PROPERTY AND EQUIPMENT

In CHF **2000**	**Intangible assets (software development costs)**	**Land and buildings**	**Vehicles**	**Furniture, equipment and software**	**Total**
At cost or valuation					
Balance at beginning of year	–	1,380,242	123,047	554,407	2,057,696
Additions	498,212	31,551	79,020	2,058,557	2,667,340
Disposals		–	(123,048)	(76,583)	(199,631)
Exchange difference		(1,372)	1	(18,171)	(19,542)
Balance at end of year	**498,212**	**1,410,421**	**79,020**	**2,518,210**	**4,505,863**
Accumulated depreciation					
Balance at beginning of year	–	(81,709)	(38,094)	(207,993)	(327,796)
Charge for the year	–	(55,652)	(19,771)	(349,034)	(424,457)
Disposals		–	53,933	35,713	89,646
Exchange difference		67	–	8,857	8,924
Balance at end of year	**–**	**(137,294)**	**(3,932)**	**(512,457)**	**(653,683)**
Net book value at January 1, 2000	**–**	**1,298,533**	**84,953**	**346,414**	**1,729,900**
Net book value at end of period	**498,212**	**1,273,127**	**75,088**	**2,005,753**	**3,852,180**
Net book value at end of period excluding intangible assets	**–**	**1,273,127**	**75,088**	**2,005,753**	**3,353,968**

Software development costs principally comprise expenditure on development costs on major projects where it is reasonably anticipated that the costs will be recovered through future commercial activity. As these costs were activated at year-end no depreciation has been provided.

In CHF **1999**	**Land and buildings**	**Vehicles**	**Furniture and equipment**	**Total**
At cost or valuation				
Balance at beginning of year	1,380,242	149,018	273,663	1,802,923
Additions		135,698	286,186	421,884
Disposals		(162,129)	(7,387)	(169,516)
Exchange difference		460	1,945	2,405
Balance at end of year	**1,380,242**	**123,047**	**554,407**	**2,057,696**
Accumulated depreciation				
Balance at beginning of year	(27,604)	(48,549)	(128,260)	(204,413)
Charge for the year	(54,105)	(48,655)	(85,412)	(188,172)
Disposals		59,294	6,762	66,056
Exchange difference		(184)	(1,083)	(1,267)
Balance at end of year	**(81,709)**	**(38,094)**	**(207,993)**	**(327,796)**
Net book value at January 1, 1999	**1,352,638**	**100,469**	**145,403**	**1,598,510**
Net book value at end of year	**1,298,533**	**84,953**	**346,414**	**1,729,900**

20. BANK OVERDRAFTS

The weighted average effective interest rate at the balance sheet date was 3.3% (1999: –).

21. TRADE AND OTHER PAYABLES

In CHF	2000	1999
Prepayment for products and services (Note 17)	12,500,000	–
Trade payables	1,892,064	100,042
Social security and personnel related taxes	515,405	329,630
Amounts due to shareholder	56,430	234,117
VAT and other tax payable	735,903	131,305
Accrued expenses	1,509,711	84,643
Deferred income	352,180	
Payables to directors	–	14,799
Other current liabilities	246,474	473,143
	17,808,167	**1,367,679**

22. PROVISIONS

In CHF	Warranty provision	Other provision	Total
At January 1, 2000	11,061	526,905	537,966
Additional provision for the year	–	–	–
Utilisation of provision	(11,061)	(66,905)	(77,966)
At December 31, 2000	**–**	**460,000**	**460,000**

Analysis of total provisions

In CHF	2000	1999
Non-current	160,000	460,000
Current	300,000	77,966
Total	**460,000**	**537,966**

Other current and non-current provision represents provision in relation to the organisation and restructuring of the Group in 1999 and 2000. The balance at December 31, 2000, is expected to be utilised mainly in 2001.

23. SHAREHOLDERS' EQUITY

Share capital

The number of authorised, issued and fully paid shares can be detailed as follows:

In CHF	Number of shares	Par value	Ordinary shares
On January 1, 2000	100	1,000	100,000
Share split	10,000	10	100,000
Issue of shares	1,990,000	10	19,900,000
Issue of shares	400,000	10	4,000,000
On December 31, 2000	**2,400,000**	**10**	**24,000,000**

In connection with the initial public offering, the Extraordinary General Meeting of the Company of March 17, 2000, resolved to split the 100 bearer shares with a nominal value of CHF 1,000 each into 10,000 bearer shares with a nominal value of CHF 10 each.

On March 17, 2000, the Extraordinary General Meeting resolved to increase the share capital of the Company by CHF 19,900,000 to a total of CHF 20,000,000 through the issue of 1,990,000 new shares with a nominal value of CHF 10 each.

On March 17, 2000, the Extraordinary General Meeting resolved to increase the share capital by CHF 4,000,000 from CHF 20,000,000 to CHF 24,000,000 by issuing 400,000 bearer shares with a nominal value of CHF 10 each.

On March 24, 2000, the Company's shares were listed on the SWX New Market. The additional paid-in capital amounted to CHF 104,000,000. The costs of the initial public offering (IPO) in the amount of CHF 7,843,027, including bank commissions, stamp duties and other costs directly related to the IPO, were deducted from the additional paid-in capital.

Treasury shares

In CHF	Number of shares	Par value	Ordinary shares	Purchase value
On January 1, 2000	–	–	–	–
Purchase of treasury shares	55,142	10	551,420	42,586,878
Sale of treasury shares at cost	40,165	10	401,650	31,807,338
Realised gain on treasury shares sold	–	–	–	(1,145,902)
Cost of treasury shares on hand	–	–	–	10,779,540
On December 31, 2000	**14,977**	**10**	**149,770**	**9,633,638**

On December 31, 2000, the Group holds 0.62% of its share capital (1999: –).

Conditional share capital

In CHF	Number of shares	Par value	Ordinary shares
On January 1, 2000	–	–	–
Approval of conditional share capital	120,000	10	1,200,000
Issued at December 31, 2000	–	–	–

On March 17, 2000, the shareholders' meeting of the Company approved a conditional capital of CHF 1,200,000, i.e. 120,000 bearer shares with a nominal value of CHF 10 each. The preemptive rights of the shareholders were excluded. The exclusive purpose of this conditional share capital is to grant option rights to the members of the Board of Directors, executive management and employees of Think Tools (see "Stock option plan").

Stock option plan

On March 24, 2000, the Group implemented a stock option plan (SOP). The purpose of the SOP is to enable the directors, employees and the members of the Board of the Company to participate in the potential growth of the Company. Finally an instrument to assist the Company in recruiting and retaining qualified employees shall be made available.

Options are granted as at the entry date at an option price of CHF 270. One third of the options granted can be exercised after a vesting period of 2 years as from granting date. (First possible exercise date: March 23, 2002.) The second third of the options can be exercised 3 years after granting date and the last third in the 4th year. The option period ends on March 23, 2006.

On December 31, 2000, 45,610 options have been granted to directors, employees and members of the Board of Directors. All options are vested.

The Group does not account for the share options until the participants exercise their share options.

24. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share is based on the following data:

Loss/earnings

In CHF	2000	1999
(Net loss)/Net profit for the year	**(19,829,274)**	**3,916,988**

Number of shares

In CHF	2000	1999
Number of ordinary shares excluding treasury shares	2,385,023	100
Number of ordinary shares used for comparison	2,385,023	2,400,000
Basic (loss)/earnings per share	**(8.31)**	**1.63**

25. CAPITAL COMMITMENTS

Operating lease commitments:

The future minimum lease payments are as follows (relates to future office rental payments):

In CHF	2000	1999
Not later than 1 year	801,692	–
Later than 1 year and not later than 5 years	2,977,980	–
Later than 5 years	1,388,589	–
Total	**5,168,261**	**–**

26. CONTINGENT LIABILITIES

On December 31, 2000, the Group had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Group has given guarantees amounting to CHF 400,000 (1999: –). Consequently, as at December 31, 2000, CHF 400,000 of the cash position are pledged to the bank.

In consideration for the award of any contract by the USA General Services Administration, Think Tools AG, Zurich has guaranteed to provide Think Tools Inc. USA all the financial resources necessary for the satisfactory completion of contracts and also to be legally liable in case of default or termination not at the convenience of the government.

27. RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties:

Cost recharge

In CHF	2000	1999
A-Knowledge Ltd., Geneva, Switzerland	63,175	–
Total	**63,175**	**–**

The above costs recharged are made at arm's length conditions.

Receivables from related parties

In CHF	2000	1999
A-Knowledge Ltd., Geneva, Switzerland	63,175	–
Total	**63,175**	**–**

Shareholders' and directors current accounts

In CHF	2000	1999
Shareholders current account (net)	(47,088)	(196,367)
Directors current account	–	(14,799)
Total	**(47,088)**	**(211,166)**

Management remuneration

In 2000, the total remuneration of the directors was CHF 2.0 million (1999: CHF 1.2 million).

Remuneration to the Board of Directors

In 2000, remuneration to members of the Board of Directors of Think Tools AG for services rendered as Board members totalled CHF 25,000 (1999: CHF 28,935).

Board members who are shareholders do not receive remuneration for services rendered.

As from March 24, 2000, Board members are beneficiaries under the stock option plan implemented by the Company on March 24, 2000.

28. MAJOR SHAREHOLDERS

According to the Company's best knowledge, the following major shareholders own more than 5% of the voting rights of Think Tools AG at December 31, 2000:

Dr. Albrecht von Müller	1,350,490 bearer shares	56.3%
World Communications Development AG	151,200 bearer shares	6.3%
Venturetec Inc.	149,310 bearer shares	6.2%

29. SUBSEQUENT EVENT

The Board of Directors approved the consolidated financial statements on March 17, 2001. The event that took place between the year-end date and March 17, 2001 – the cancellation of the y-o-u Bank project – has been addressed in the financial year 2000 (Notes 8 and 9). There were no other events that took place that would require adjustments to amounts recognised in these consolidated financial statements or otherwise disclosure in accordance with IAS 10.

Report of the Group auditor

To the General Meeting of the Shareholders of Think Tools AG, Zurich

As auditors of the Group we have audited the consolidated financial statements (balance sheet, income statement, statement of changes in shareholders' equity, statement of cash flow and notes) of Think Tools AG, Zurich for the year ended December 31, 2000. Certain financial statements of subsidiaries included in the consolidation have been audited by other auditors.

These consolidated financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards recognised by the Swiss profession and with the International Standards on Auditing issued by the International Federation of Accountants, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of other auditors, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flow in accordance with International Accounting Standards and are in accordance with the provisions of the Swiss law and the accounting principles of the Listing Rules of the Swiss Stock exchange.

We recommend that the consolidated financial statements submitted to you be approved.

DELOITTE & TOUCHE EXPERTA AG

Gerhard Ammann	Carmen Fitzi Gordon
Auditor in charge	

Zurich, March 17, 2001

Enclosures:
Consolidated financial statements (balance sheet, income statement, statement of changes in shareholders' equity, statement of cash flow and notes)

Deloitte & Touche

Financial statements for the year ended December 31, 2000 of Think Tools AG

Income statement for the year ended December 2000

In CHF	Notes	2000	1999
NET SALES		**20,033,070**	**6,102,446**
OPERATING EXPENSES			
Staff costs		–	364,218
Sub-contracting expenses		2,961,387	247,064
Rent and maintenance		42,000	47,819
Office and administration		760,598	183,995
Consulting and legal fees		1,307,598	608,245
Travel and accommodation		10,542	376,572
Marketing expenses		733,557	–
Depreciation and amortisation	3	1,772,688	80,252
Bad debt expenses		400,000	29,596
Total operating expenses		**7,988,370**	**1,937,761**
OPERATING INCOME		**12,044,700**	**4,164,685**
OTHER (EXPENSES)/INCOME			
Write-off of investments	2	(27,000,000)	–
Extraordinary expenses	2	(4,300,000)	–
Marketable securities expenses		(8,105,745)	–
Marketable securities income		530,845	–
Interest and bank expenses		(339,053)	(3,251)
Interest income		741,668	28,344
Foreign exchange (loss)/gain		(1,955,122)	9,666
Total other (expenses)/income		**(40,427,407)**	**34,759**
(LOSS)/INCOME BEFORE TAXATION		**(28,382,707)**	**4,199,444**
Taxation		(120,426)	(1,144,738)
NET (LOSS)/INCOME FOR THE YEAR		**(28,503,133)**	**3,054,706**
AVAILABLE EARNINGS, BEGINNING OF YEAR		**6,851,745**	**3,797,039**
(ACCUMULATED LOSSES)/ACCUMULATED EARNINGS, END OF YEAR		**(21,651,388)**	**6,851,745**

See notes to the financial statements

Balance sheet at December 31, 2000

In CHF	Notes	2000	1999
Assets			
Current assets			
Cash and cash equivalents		23,906,948	–
Marketable securities		86,230,111	–
Trade receivables			
Third parties		2,355,320	652,952
Related parties		463,223	545,304
Other receivables			
Third parties		271,920	6,704
Related parties		6,313,548	44,969
Prepaid expenses		104,477	300,000
Inventories		27,115	–
Total current assets		**119,672,662**	**1,549,929**
NON-CURRENT ASSETS			
Investments	2	4,950,295	4,529,000
Loan to third party		470,207	–
Intangible assets		498,212	–
Property and equipment	3	1,335,529	1,339,516
Total non-current assets		**7,254,243**	**5,868,516**
TOTAL ASSETS		**126,926,905**	**7,418,445**

Balance sheet at December 31, 2000

In CHF	Notes	2000	1999
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank overdrafts		9,802,909	25
Trade payables			
Third parties		629,643	–
Related parties		922,699	101,725
Prepayments – third parties		12,500,000	–
Other payables			
Third parties		300,000	174,651
Related parties		526,638	–
Accrued expenses and deferred income		1,180,260	–
Tax provision		830,959	156,599
Total current liabilities		**26,693,108**	**433,000**
SHAREHOLDERS' EQUITY			
Share capital	1, 6	24,000,000	100,000
General legal reserve		87,105,645	33,700
Reserve for treasury shares	4	10,779,540	–
(Accumulated losses)/available earnings		(21,651,388)	6,851,745
Total shareholders' equity		**100,233,797**	**6,985,445**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**126,926,905**	**7,418,445**

See notes to the financial statements

Notes to the financial statements for the year ended December 31, 2000

1. GENERAL

Think Tools AG, Zurich, Switzerland was incorporated on August 21, 1996.

The share capital is divided into 2,400,000 bearer shares of CHF 10 each, fully paid (1999: 100 bearer shares of CHF 1,000 each).

In connection with the initial public offering (IPO) the Company increased its share capital from CHF 100,000 to CHF 24,000,000 on March 17, 2000.

The shares are listed at the SWX New Market since March 24, 2000.

2. INVESTMENTS

Company	Activity	Nominal share capital	% Dec. 31, 2000	% Dec. 31, 1999
Think Tools GmbH, Possenhofen, Germany	Consulting	DEM 50,000	100%	100%
Think Tools Schweiz AG, Zurich, Switzerland	Consulting	CHF 100,000	100%	100%
Think Tools Innovation Lab AG, Zurich, Switzerland	Consulting	CHF 100,000	100%	100%
Think Tools Asia Pte Ltd., Singapore	Consulting	USD 100,000	100%	100%
Think Tools Ltd., New York, USA	Consulting	USD 2,000	100%	–
y-o-u Swiss Private Banking AG, Zurich, Switzerland*	e-Banking	CHF 21,000,000	19.048%	–
A-Knowledge Ltd., Geneva, Switzerland	Certification	CHF 2,322,500	46.45%	–

On July 1, 1999, Think Tools Schweiz AG, Zurich, Switzerland was incorporated by a contribution in kind. The contribution consisted of all the assets and liabilities on June 30, 1999 of Think Tools AG, Zurich except its investment in Think Tools GmbH, Possenhofen, Germany and its real estate including furniture and equipment.

On September 24, 1999, Think Tools Innovation Lab AG, Zurich, Switzerland was incorporated.

On October 15, 1999, Think Tools Asia Pte Ltd., Singapore was incorporated.

On February 18, 2000, Think Tools Ltd., New York, USA was incorporated.

Think Tools AG purchased the investment in A-Knowledge Ltd., Geneva, Switzerland on December 5, 2000.

Due to first year losses, an amount of CHF 2,000,000 has been provided against the investment in Think Tools (Schweiz) AG.

*** Write-off of y-o-u Swiss Private Banking AG**

On October 27, 2000, the Company acquired 25% of y-o-u Swiss Private Banking AG, Zurich. A subsequent capital increase where the Company did not participate leaves the Company an ownership interest of 19.05% on December 31, 2000. After a second capital increase in 2001, in which the Company did not participate, the equity stake was reduced to 18.18%.

On February 26, 2001, the majority shareholder decided to abandon the project when it became clear that, for reasons wholly unrelated to Think Tools, the time and cost to market would be substantially longer than had been represented to it. All components delivered by Think Tools to the project are fully functional and fulfill all predefined requirements.

The Board decided to write off the investment in line with the principle of prudence, however, it is expected to recover this in due course.

In addition an extraordinary provision on trade receivables in relation to the cancellation of the y-o-u Bank project in the amount of CHF 4,300,000 was recorded.

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following

In CHF	Dec. 31, 2000	Dec. 31, 1999
Land and buildings	1,380,244	1,380,244
Furniture, equipment and software	120,583	51,232
Total at cost	**1,500,827**	**1,431,476**
Less: accumulated depreciation	(165,298)	(91,960)
Total fixed assets	**1,335,529**	**1,339,516**

The fire insurance value of the fixed assets as at December 31, 2000 amounts to CHF 0 (1999: CHF 0).

Think Tools has depreciated the capital increase costs in relation to the IPO in the amount of CHF 1,699,350 in full in 2000 (1999: –).

4. TREASURY SHARES

In CHF	Number of shares	Par value	Ordinary share capital	Value
Purchase of treasury shares in 2000	55,142	10	551,420	42,586,878
Sale of treasury shares in 2000	40,165	10	401,650	31,807,338
Cost of treasury shares on hand (reserve on December 31, 2000)	**14,977**	**10**	**149,770**	**10,779,540**
Unrealised revaluation loss on treasury shares on December 31, 2000				5,837,130
Market value at December 31, 2000	**14,977**	**10**	**149,770**	**4,942,410**

The treasury shares are held mainly for market making purposes at the SWX New Market. On December 31, 2000, the realised profit on the treasury shares transactions amounted to CHF 1,145,902.

On December 31, 2000, the Company held 0.62% of its share capital (1999: –).

5. CONTINGENT LIABILITIES

On December 31, 2000, the Company had contingent liabilities in respect of bank and other guarantees and other matters arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Group has given guarantees amounting to CHF 75,000 (1999: –). Consequently, as at December 31, 2000, CHF 75,000 of the cash position are pledged to the bank.

In consideration for the award of any contract by the USA General Services Administration, the Company has guaranteed to provide Think Tools Inc. USA all the financial resources necessary for the satisfactory completion of contracts and also to be legally liable in case of default or termination not at the convenience of the government.

6. CONDITIONAL SHARE CAPITAL

At December 31, 2000, the outstanding amount of the capital increase subject to a condition amounts to CHF 1,200,000.

On March 17, 2000, the shareholders' meeting of the Company approved a conditional capital of CHF 1,200,000, i.e. 120,000 bearer shares with nominal value of CHF 10 each. The preemptive rights of the shareholders were excluded. The exclusive purpose of this conditional share capital is to grant option rights to the members of the Board of Directors, executive management and employees of Think Tools.

7. MAJOR SHAREHOLDERS

According to the Company's best knowledge, the following major shareholders own more than 5% of the voting rights of Think Tools AG at December 31, 2000:

Dr. Albrecht von Müller	1,350,490 bearer shares	56.3%
World Communications Development AG	151,200 bearer shares	6.3%
Venturetec Inc.	149,310 bearer shares	6.2%

8. SUBSEQUENT EVENT

The event that took place between the year-end date and March 17, 2001 – the cancellation of the y-o-u Bank project – has been addressed in the financial year 2000 (Note 2). There were no other events that took place that would require adjustments to amounts recognised in these financial statements.

Report of the statutory auditor

To the General Meeting of Think Tools AG, Zurich

As statutory auditors we have audited the accounting records and the financial statements (balance sheet, income statement and notes) of Think Tools AG, Zurich for the year ended December 31, 2000.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

DELOITTE & TOUCHE EXPERTA AG

Gerhard Ammann Auditor in charge	Roland Müller

Zurich, March 17, 2001

Enclosures:
Financial statements (balance sheet, income statement and notes)

Deloitte & Touche

Organisation

Members of the Board of Directors

- Albrecht von Müller *, Chairman of the Board, Switzerland
- Thomas Schmidheiny *, Deputy Chairman of the Board, Chairman and Chief Executive Officer of Holderbank Finance Glaris Ltd., Switzerland
- Peter Friedli *, President of Friedli Corporate Finance, Switzerland
- Flavio Cotti, former Swiss Federal Councillor
- Orit Gadiesh, Chairman of the Board of Bain & Company Inc., USA
- Kemal Siddique, 'Roving Ambassador' of Denmark, Finland, Norway and Sweden and Special Advisor to the Maritime and Port Authority of Singapore
- Yvonne Vértes von Sikorsky, Executive Director for UBS Private Banking, Switzerland

* also member of the Strategy Committee of the Board of Directors

Members of the Management

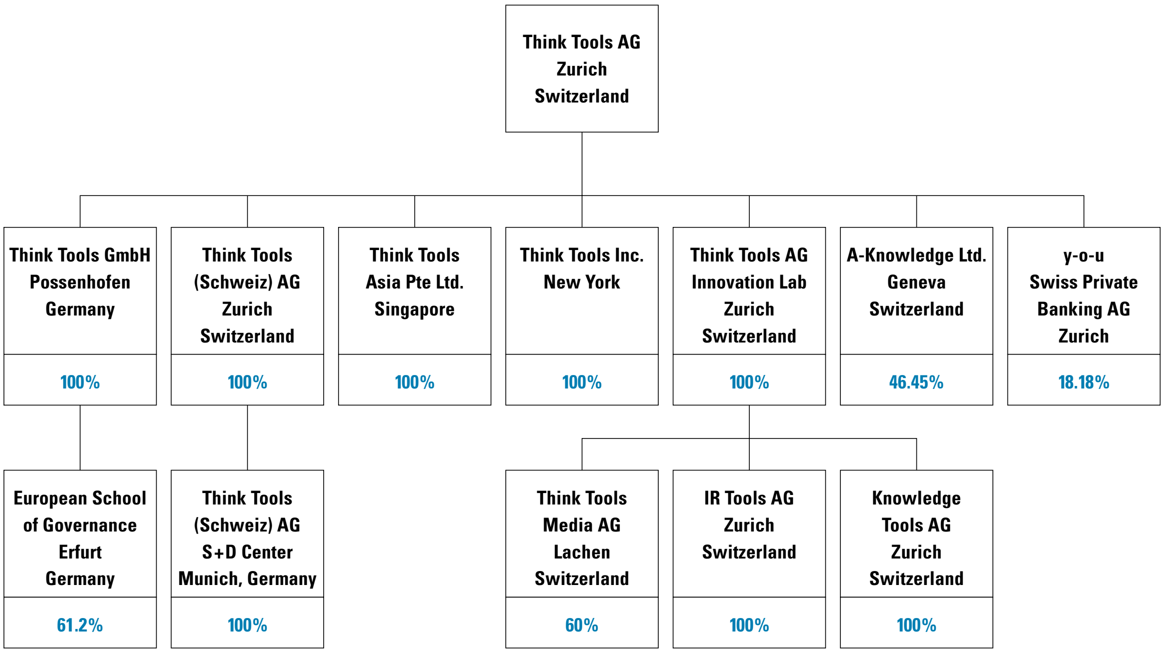
- Chief Executive Officer: vacant
- Christian Neugebauer, Chief Operating Officer
- Chief Financial Officer: vacant
- Sean Cleary: Management Team Spokesman and Head of Business Development

Auditor

- Deloitte & Touche Experta AG, Zurich

as of March 17, 2001

Subsidiaries and holdings



Corporate Structure and Addresses

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http://www.thinktools.com

Additional Information for Shareholders

Electronic information

Think Tools attaches a high importance to investor relations. For this purpose, Think Tools produces various corporate information on the company website: i.e. three Interim Reports and the Annual Report (Annual Report supplementary as printed document); plus, when relevant, information for the media and financial analysts and press releases.

http://www.thinktools.com
investor.relations@thinktools.com

In addition to that, you can subscribe to the electronic delivery service provided by HUGIN Online:

www.huginonline.ch/TTO

Corporate calendar 2001

- March 28: publication of the Annual Report 2000
- May 8: Annual Shareholders' Meeting
- May 23: Publication of the first quarter report
- August 15: Publication of the semi-annual report
- August 22: Last day of lock-up (see below)
- November 14: Publication of the third quarter report

Dividend policy

The Company has never paid cash dividends on its shares and does not anticipate paying any cash dividends in the foreseeable future. The Company intends to retain its earnings to finance the development of its business. Payment of dividends in the future will depend upon its earnings and financial condition, and such other factors as the directors may consider or deem appropriate at the time. In the event the Company declares dividends, such dividends will be paid in CHF.

Annual General Shareholders' Meeting (AGM)

The next AGM will take place on May 8, 2001 at 4:00 p.m. in Zurich (Widder-Saal, Augustinergasse 24).

The invitation and agenda for the AGM will be published in mid April 2001 in the Swiss Commercial Gazette ("Schweizerisches Handelsamtsblatt"). A short version will be published in parallel in leading Swiss newspapers. As a consequence of the nature of bearer shares, shareholders will not receive an invitation directly.

A legally signed Statement of Confirmation by a bank with a lock-up clause until the day after the AGM will qualify as an entitlement to participate and vote. The shareholders are requested to present the Statement of Confirmation at the registration desk at the entrance to the AGM before entry.

This Annual Report for the financial year 2000 is available for inspection at the Company's office, Think Tools AG, Mühlebachstrasse 162, 8034 Zurich. If so requested, the business report will be sent to shareholders.

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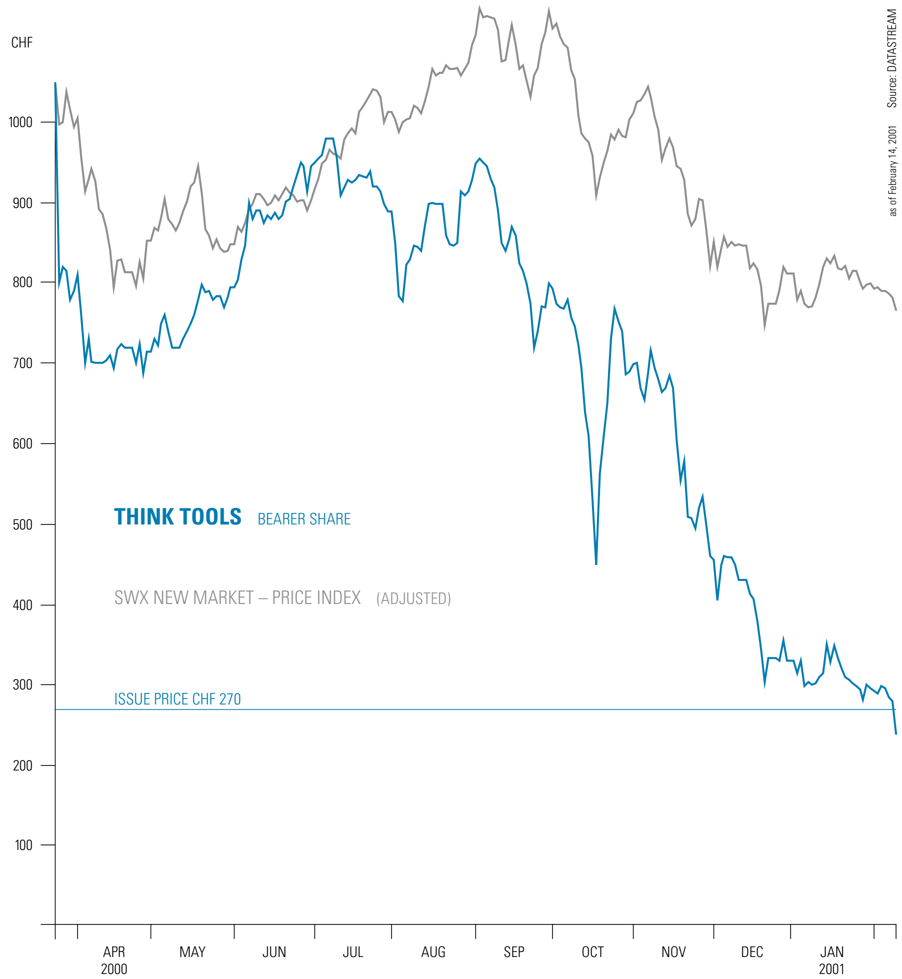

Stock Exchange Trading

Think Tools bearer shares with a nominal value of CHF 10 each are listed on the SWX New Market, Zurich (Swiss security number: 1049771, share symbol: TTO, ISIN code: CH0010497714). In addition to that, Think Tools shares can also be ordered via exchanges in Germany (WKN: 936376). Everyone can purchase bearer shares through any bank; the minimum quantity being one share. The shares cannot be physically delivered as they are electronically settled. Please contact your bank or broker in order to trade shares.

Think Tools AG has issued 2,400,000 bearer shares with a nominal value of CHF 10. The free-float currently amounts to 33.7% of total share capital. Until and including August 22, 2001, 66.3% of the shares (1,591,835 shares), held by Dr Albrecht von Müller, Mr Thomas Schmidheiny, Mr Peter Friedli and World Communications Development AG, cannot be traded due to a lock-up agreement dated February 23, 2001. The agreement permits the transfer of shares to employees as well as strategic partners and investments.

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