1997 1998 1999 2000 2001 2002 2003 **2004**

Berliner Effektengesellschaft AG
Annual Report 2004

BERLINER EFFEKTENGESELLSCHAFT

AKTIENGESELLSCHAFT


Kowloon
HONG KONG
(U.K.)

BERLINER EFFEKTENGESELLSCHAFT AG
WKN: 522 130
ISIN: DE 000 522 1303

December 31, 2004	
Stock capital	16,311,203.00 € = 16,311,203 individual stocks
Free float	16.77%, 2,735,389 individual stocks
Balance sheet total	95,654,561.83 €
Stockholders' equity	61,141,658.46 €
Stock price at the close of the year	3.64 €
Group result	- 896,295.48 €
Proposed dividend	-
Number of employees in the Group	129


Holger Timm


Dr. Jörg Franke

Dear shareholders, business partners and friends of the Berliner Effektengesellschaft AG

The Germans are suffering from “equality sickness”. That was the verdict from Udo Steiner, judge at the highest German court of law, the Federal Constitutional Court, on his experience of almost ten years of work at this court. What is more, the Germans have the wrong idea about the purpose of a social state: everyone tries to get as much out of the state system as they can.

Indeed, we have social envy (as the outpouring of excessive demands for equality) on the one hand, caused by the tendentious reporting in particular of the boulevard press; depletion of the social state on the other hand, caused by the absence of a willingness to perform and by the failure of the state to crack down on “sinners”. The state and society have thus been paralysed for years; half-heartedness (that, too, is a form of “equality sichness” robs the young shoot of renewed enterprising spirit (the number of independent handicraft businesses has increased conspicuously of late) of the air to breathe. More than ever, the essential “jolt through society”, which former Federal President Herzog called for almost a decade ago, is still missing.

Can we, at the Berliner Effektengesellschaft AG, avoid this? Yes and no. We are embedded in the economic and social surroundings afforded to us by the state and society, to a certain extent we are affected by them. Last year we felt at first hand the existence and non-existence of the expected economic upswing, more longed for than real. Positive business figures in the autumn of 2003 and the beginning of 2004, along with rising stock exchange prices, stimulated stock market turnover. Once again, private investors seemed to venture onto the markets more readily than in previous years. That had an immediate positive effect on the results of our financial services subsidiary, the Berliner Freiverkehr (Aktien) AG.

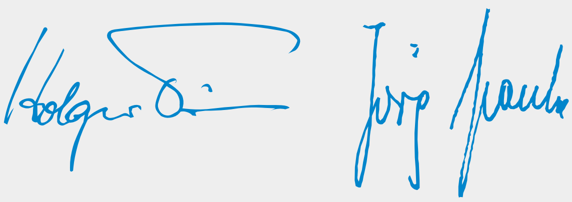
Unfortunately, the élan came to an end as soon as April and up until autumn turnover just trickled along. Only at the end of the year did the market liven up a little, giving rise to hope for the year 2005.

Our subsidiary bank, the Consors Capital Bank AG, has adopted a new route. The once very promising IPO business, which five years ago was the reason behind the comprehensive reorganisation of the company law and structure of the bank, suffered from the debacle of the Neuer Markt and only now, dependent on the prevailing circumstances, is slowly coming back to life.

Strategic alternatives, enabling the bank to pick up speed regardless of what happens on the stock market, were searched for and found: the business of settlement has potential. Through an alliance with the setis-bank AG, a bank which focuses on this business and is a subsidiary of the State Bank of Saxony, opportunities were identified – with a little restructuring – for synergies and a better use of systems. A plan for a merger was hatched. This plan was worked on intensively in the second half of 2004 and chances are that it can be implemented in the first half of this year.

Ventegis Capital AG also showed an ambitious streak. On the whole, the climate for venture capital improved in 2004. Here, above all, the still low initial evaluations, the continued large demand for investment capital, the high quality of the presented business plans and the increasing innovative propensity of the company all played a part. An improvement in the exit situation was not in evidence last year, but the prospects for 2005 are optimistic. The consultancy service also developed positively in 2004 and, although it was not able to achieve the turnover of the year 2003, has become a firm component of Ventegis' business.

As you can see, we are endeavouring to fight back against debilitating conditions and to make a stand against widespread complaining and lethargy by "rolling up our sleeves". Keep your fingers crossed, that we will be successful!



事成于谋

"In all things, success depends on previous preparation."
Confucius

In the year 1604, the Chinese emperor Yijun Zhu asked Pope Clemens VIII for his niece's hand in marriage. In the emperor's letter to Rome it read, "Father and friend, by complying with our wish you will establish an alliance and everlasting friendship between your kingdoms and our powerful country. Our laws will be united just as the climbing plant nestles to the tree ...."

The approximation of the two cultures was initiated by Matteo Ricci, a Jesuit from Macerata, a province of the then papal state in middle Italy. He lived between 1601 and 1610 in the emperor's court in Peking and there he impressed not only the emperor with his knowledge of mathematics and astronomy – he was the first import of the then superior "western" technical know-how.

Unfortunately, nothing came of the wedding; Clemens VIII died the following year. What a shame, when one thinks what might have come out of the alliance if things had gone the way Emperor Zhu had wished. Perhaps the fear and at the same time admiration of the Chinese economy witnessed today would not be an issue, and maybe the Chinese stock exchanges would be more integrated into the "western" standard than they are at the moment. In other words, China might be less mystical for the "long-noses".

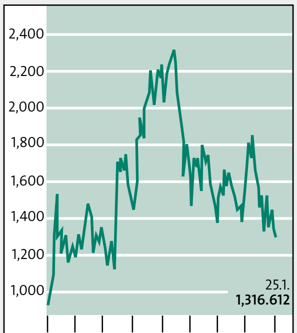
FACTORS OF THE CHINESE ECONOMY: STILL DIFFICULT TO UNDERSTAND FOR STRANGERS

To western eyes, much that happens in mainland China is mystical or at least difficult to understand. Recent comments in the press (the German press included) mirror this: "Greed unleashed", reads the headline of an article in the Frankfurter Allgemeine Zeitung from 16th February 2005 on the cause of the mining accident in China in which over 200 miners lost their lives; "China's Economy Growing at Record Speed", is the rather more admiring headline in the Financial Times Deutschland from 26th January 2005 when the Chinese National Statistic Department published the GDP figures for the last quarter of 2004; other newspapers were similarly euphoric. Early capitalistic circumstances in some areas of the Chinese economy are the reasons for these varying reactions.

In the light of the continuing economic boom, especially in the Chinese coastal region, it is hard to understand the development of the stock market in mainland China which has been treading a downward path for three and a half years, albeit for other reasons.

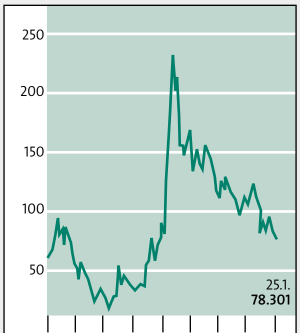
AS THE ECONOMY IS TO THE STOCK MARKET, SO SPRING IS TO AUTUMN

For a few years now the Chinese stock market, at least outside Hong Kong and Taipei, has not pleased investors. The charts show a clear downward trend (see fig. 1 and 2). The Handelsblatt newspaper announced, "Investors Avoid China's Stock Market" (2.2.2005) and the paper Die Welt declared, "Professionals Give China the Cold Shoulder" (10.1.2005). The article in the Handelsblatt says that in a poll of Chinese investors carried out last summer, only 17% claimed to have earned anything on their share investment and "Die Welt" warns that the icy winter for shares from the mainland is not yet over.



Shanghai A-Shares
Closing price in points

Fig. 1

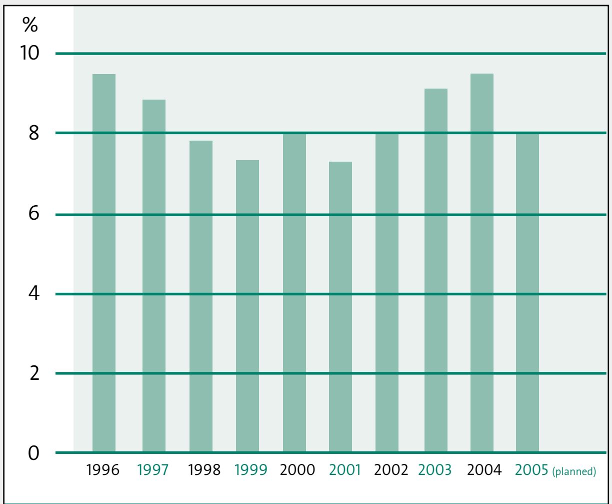


Shanghai B-Shares
Closing price in points

Fig. 2

There are other opinions, though. Under the heading "Take Strategic Action – Chinese Stock Market Becomes the Non Plus Ultra for Investors" (Handelsblatt from 4.2.2005) the recommendation is, "Whoever thinks strategically and therefore long-term should already have come to the conclusion that China offers investors the chance of the century." As justification, the author points to the "enormous growth which has shaped the Chinese economy for years

Much has been speculated on the reasons for the anomaly between economic boom and share price development on the stock markets in Shanghai and Shenzhen.



Economic Growth in China
Average 1951 to 2000: 6.9% | Average 1980 to 1996: 10.1%
Source: Frankfurter Allgemeine Zeitung, 26 January 2005, Pg. 11

Fig. 3

and will probably continue to do so in the future." Indeed, the growth appears to be unimpeded. In 2004, China's GDP grew by an average of 9.5%, the quickest rate for eight years (see fig. 3). The average of the last nine years lies at 8.5%. This year the tempo is supposed to be curtailed, in March 8% was estimated for the year.

Much has been speculated on the reasons for the anomaly between economic boom and share price development on the stock markets in Shanghai and Shenzhen. It is agreed that it is not a case of fear of the Chinese economy overheating and subsequently crashing that is being reflected by the stock market, which allegedly identifies oncoming economic developments at an early stage; Chinese investors are much too short-term orientated for that. Whether the rate of market return plays a role, at 30 still higher than average despite price losses and along with Japan's the highest in Asia, appears to be rather doubtful according to some experts. After all, in 1999 a similarly high P/E ratio did not deter anyone from getting into the stock market which then boomed so well over the next two years that, at its peak, up to 100% price gains were to be had.

If anything, it is rather the structure of the Chinese capital market and stock markets which is the reason for the scepticism and the investors' current behaviour. Lack of transparency, too strong a state influence on the primary market and obscure insider relationships allow for price manipulation and it all gets passed off as "untradeable stocks". Even the most distinctive peculiarity of the Chinese capital market, the division into different classes according to the tradeability of the shares, is under scrutiny.

This is a novelty: it is not the technical assessment or the fundamental analysis which is influencing the stock market, but the market structure and its rules. Even among other "emerging markets", for that is what China still is, this is unusual at least in its dimension. A look at the structure of the stock markets and their supervision is necessary to be able to understand the scene.

THE RACE OF THE STOCK MARKETS: THE STATE COUNCIL FAVOURS SHANGHAI

Mainland China, as the Chinese People's Republic without Hong Kong is still called, offers two securities exchanges and three futures exchanges (see fig. 4). The securities exchanges in Shanghai and Shenzhen are not only in competition with the exchanges in Hong Kong and Taipei, but also with each other. The same goes, too, for the futures exchanges in Shanghai, Dalian and Zhengzhou which developed at the end of the nineties from an original fifty (!) different commodity futures exchanges. These exchanges are still pure commodity exchanges that have divided the market up between themselves; in Shanghai copper, aluminium, rubber and fuel oil are traded, in Dalian soy flour and corn and in Zhengzhou cotton and wheat. But in the expectation that financial futures products (options and futures on shares, indices and bonds) will be accredited (the stock markets have been pushing for this for a long time), they compete directly with one another; each stock exchange would like to be ***the*** financial futures market. In this race, the Shanghai Futures Exchange is a nose ahead – not least because of its proximity to the securities exchange (both exchanges are based in Shanghai's new business quarter, Pudong). It is primarily the management of this exchange which has time and again called vehemently upon the government to finally give the go-ahead for a forward securities market.

In the competition between the two securities exchanges Shanghai and Shenzhen, Shanghai had a head start from the beginning, although in Shenzhen the initiative for the

In the middle of the eighties local state companies discovered a new means, at least by Chinese standards, of raising capital through the sale of stocks and bonds.

foundation of a stock market was evident a little earlier. While the local government in Shenzhen had already decided in November 1989 to establish a stock exchange, the State Council in Peking approved the application of Shanghai but not that of Shenzhen, whereupon on 1st December 1990 the Shenzhen local government decided of its own accord to start up the exchange "as an experiment". The State Council didn't actually approve the existence of the exchange in Shenzhen until July 1991, whereas the exchange in Shanghai, due to its approval in September, was able to begin official trading already at the end of 1990.

So the Chinese stock exchanges originated locally but were ultimately dependent on the approval of the central government. The idea of introducing such stock markets arose before the beginning of the nineties. Although the subject was problematic ideologically, already in the middle of the eighties local state companies discovered a new means, at least by Chinese standards, of raising capital through the sale of stocks and bonds. Local government authorities supported these first steps towards a capital market. Soon after, the first local state investment companies were created, accompanied by the first regulations on stock flotations and stock trading.

Even after the creation of the stock exchanges in Shanghai and Shenzhen, in the eyes of the public these state securities trading houses had a standing which went beyond their real function. Back in 1994, when a delegation from Frankfurt led by the then mayor travelled to the twin town of Frankfurt, Guangzhou (Canton), a "visit to the stock exchange of Guangzhou" stood on the agenda. By German understanding, there was no stock exchange there at all. The delegation was shown round one of the securities trading companies which – with a deliberate blurring of the boundaries between its activities and the activities in Shanghai and Shenzhen – simply called itself a "stock exchange".

Such fuzziness is not surprising if one considers that the existence of both stock exchanges in Shanghai and Shenzhen had always been a contentious subject among the political leadership of the central government. Up until the middle of the nineties, both exchanges were seen as mere "pilot schemes" and only later were freed from the taint of being temporary set-ups.

Stock exchanges in China

Fig. 4

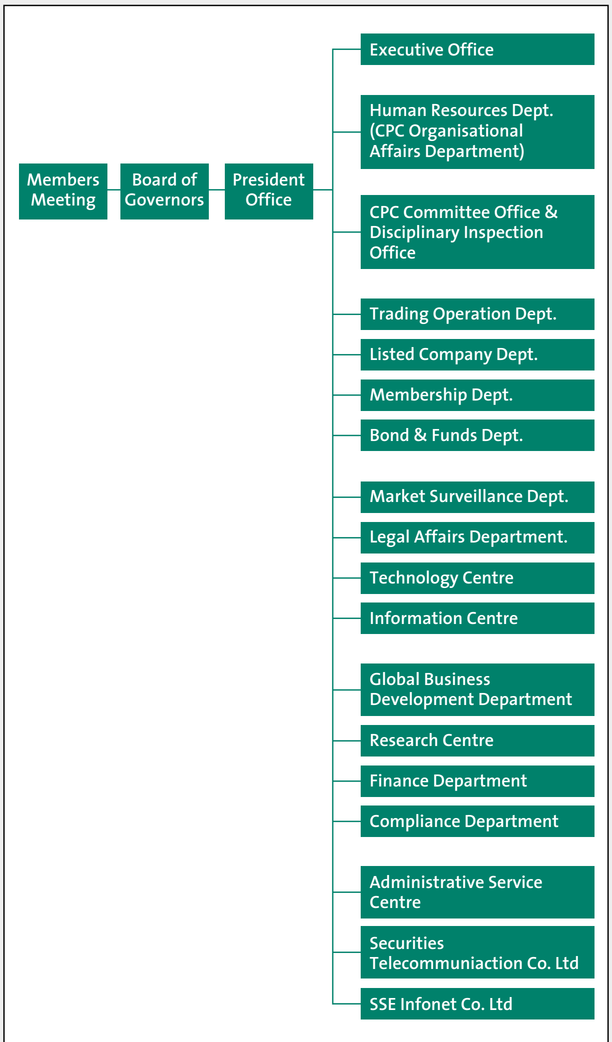
How do the two stock exchanges present themselves today? On the Shanghai Stock Exchange's website (SSE) – which unfortunately has not been updated since February 2003 – it says, among other things, "The Shanghai Stock Exchange (SSE) was founded on 26th November, 1990 and went into operation on 19th December of the same year. It is a non-profit-making membership institution directly governed by the China Securities Regulatory Commission (CSRC). The SSE bases its development on the principles of "legislation, supervision, self-regulation and standardisation" to create a transparent, open, safe and efficient marketplace. The SSE endeavours to realise a variety of functions: providing marketplace and facilities for the trading of securities;

"The SSE has committed itself with great confidence to the goal of reforming the state-owned industrial enterprises and developing Shanghai into an international financial centre."

formulating business rules; accepting and arranging listings; organising and monitoring securities trading; regulating members and listed companies; managing and disseminating market information.
After eleven years' operation, the SSE has become the most pre-eminent stock market in Mainland China in terms of the number of listed companies, number of shares listed, total market value, tradeable market value, securities turnover in value, stock turnover in value and the T-bond turnover in value. December 2002 ended with over 35.6 million investors and 715 listed companies. The total market capitalisation of SSE hit RMB 2.5 trillion. In 2002, capital raised from the SSE market surpassed RMB 61.4 billion. A large number of companies from key industries, infrastructure and high-tech sectors have not only raised capital, but also improved their operation mechanism through listing on the Shanghai stock market.
Entering the new century, the SSE is faced with great opportunities as well as challenges to further boost the market construction and regulation. Combining the cutting-edge hardware facilities, favourable policy conditions in Pudong and the exemplary role of the Shanghai economy, the SSE has commited itself with great confidence to the goal of reforming the state-owned industrial enterprises and developing Shanghai into an international financial centre."

The Shenzhen Stock Exchange (which, interestingly, first had the same abbreviation in English, SSE – in the meantime one also sees SZSE) is rather more modest in its internet representation. "It is one of two stock exchanges in Mainland China. Domiciled in the beautiful and dynamic area of the "City of Shenzhen", the SSE (SZSE) has, since the beginning, set itself the goal of organising a fair and efficient market. The development of the stock exchange mirrors the Chinese stock market. The SSE (SZSE) is defined by the entrepreneurial spirit of the town in which it is based; during the past twelve years the stock exchange has developed from a regional into a national market with listed companies and accredited members who come from all over the land. It makes up a significant part of the whole national stock market with regards to the companies listed there, market capitalisation and trading volume and currently plays an important role in the national economy and will continue to do so in the future."

The organisational structure of the two exchanges is similar (see fig. 5), although the exchange in Shanghai originally followed the concept of an American exchange, while the exchange in Shenzhen took Hong Kong as its model. They hardly differ at all from other exchanges of the world. For example, both the exchanges in Shenzhen and Shanghai have their own market monitoring department which supervises the daily trading and, if nothing else, acts as a formal guarantee for a fair and orderly market.



Organisation Structure of the SSE
Source: Shanghai Stock Exchange

Fig. 5

With the "Asia crisis" the maintenance of security in financial concerns moved towards the centre of political attention.

REGIONAL AND CENTRAL: THE BATTLE FOR CONTROL OF THE STOCK MARKET

This is not the Chinese market's real problem. To understand that, one must take a short look into the past and see the Chinese circumstances for what they ***are not***: they do not show a path of consequent privatisation of former exclusively state-owned firms, but rather express the attempt to use capitalistic economic reforms in order to make those companies which are still listed and still mainly state-owned more lucrative (in the broader sense) for the majority shareholders. Therefore, the effort of step-by-step implementation of rigid state capitalistic structures into "western" ones is making more hesitant progress – and is not without backlash – than appears at first sight with the creation of a stock market and two stock exchanges. This goes for the form of regulation expertise in securities trading as well as the influence of the state on the companies traded on the stock exchanges.

In the initial phase of the stock exchanges their regulation[1] was incumbent on several state elements which, to some extent, were in competition with one another. Back then, the central bank was primarily responsible for supervision, however it sometimes had strong differences with the State Commission for Economic Structural Reform which was in charge of the changes of public companies. Moreover, the local governments in Shanghai and Shenzhen which, after all, had achieved the creation of both stock exchanges were claiming authority within the scope of administrative control. The result of this "multitudinous regulation" (Heilmann I, Pg. 12) was not, unfortunately, particularly intensive supervision but rather a lack of it; it is well known that too many cooks spoil the broth.

This unsatisfactory situation was ended in 1992/93, not least brought about by an incident in Shenzhen in August 1992 when, because of supposed or actual manipulation in connection with the allocation of newly issued shares, the people went onto the streets (The Economist, 15.8.1992 Pg. 46). As a result, soon after a standardised state commission for the supervision and regulation of securities (China Securities Regulatory Commission, CSRC) was founded. The CSRC was set up as a relatively independent state body; the chairman is now on an equal level with a minister. He is appointed by the State Council.

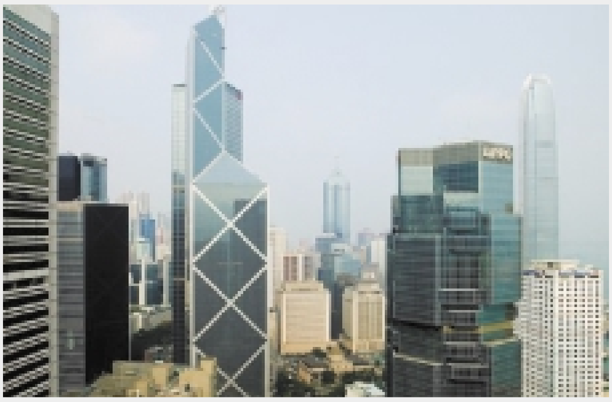
It is customary within the structure of a communist (indeed, of any authoritarian) state that, alongside professional bodies, others are also created which have the job of ensuring political control and coordination. As a result, along with the CSRC came the State Council Commission for Securities. The skirmish over competencies for the supervision and regulation of securities trading and those involved was, therefore, not eliminated. The old socialistic bureaucrats (central bank, planning commission) did not allow themselves to be simply pushed aside by the newly created regulatory bodies. So the central bank continued to be responsible for trading participants and securities trading houses and the stock exchanges were still subject to the directives of the respective town government which, only formally, was responsible to the CSRC. The State Planning Commission, the Authority for the Administration of State Assets and the State Commission for Structural Reform all interfered in the conversion of state enterprises into marketable companies and even in initial public offerings.

Another outside occurrence – much more serious and far-reaching than the "rebellion" of the potential investors on the streets of Shenzhen in August 1992 – brought about further change and a marked improvement in the supervision and regulation of the Chinese capital market: the Asian capital markets' crisis in 1997/98.

With the "Asia crisis" the maintenance of security in financial concerns moved towards the centre of political attention (Heilmann I, Pg. 15). A (further) centralisation of the supervision of securities was agreed and so the regulatory body was organised anew.

In April 1998, one of the results of the work of the Central Committee's Finance Commission was the integration of the State Council Commission for Securities into the CSRC and the significant expansion of this authority's competence. This included particularly the transfer of the supervisory capacity over securities trading participants from the central bank to the authority and the assignment of the stock exchanges Shanghai and Shenzhen (including personnel matters) directly under its control. Furthermore, the numerous sub-national supervisory authorities of the CSRC

1) The description of the history and forms of the Chinese capital market regulations are essentially taken from the essay of Sebastian Heilmann, "The Stock Market of the People's Republic of China I and II" (China Analysis No. 3 of the Center for East Asia and Pacific Studies, University of Trier, May 2001).



were assigned and allocated to the subordinated bodies of the central authority in several "main towns". The whole thing was approved with the adoption of the securities legislation at the end of 1998.

CENTRAL STATE SUPERVISION: BETWEEN THE CADRE SYSTEM AND MARKETABILITY

Despite this legal coverage, the CSRC is still not totally free of criticism. It has been objected that the authority has, in the meantime, accumulated too much power (including that governing the volume of share issues and listings) and that in many cases regulation falls back into the old ways of the cadre system. On the other hand, it has also been acknowledged that the authority is one of the most "enlightened" of the state organisations and has given up part of its overall power, for example by implementing market orientated licensing procedures. (Heilmann I, Pg. 22)

The reason for the CSRC's ambivalent nature lies in the fact that – besides not being able to free itself completely of the old cadre – on the one hand the Chinese leadership is looking to achieve political credibility in the setting up of stock exchanges by forming an independent regulatory body, but on the other hand would still like to keep the political control over it with the help of communist party elements (Heilmann I, Pg. 25). It is not surprising, then, that in view of this constellation the supervision of securities trading which takes place at the stock exchanges (see fig. 5) carries hardly any weight. In the last years, these stock exchange bodies have only very seldom made an appearance with candid investigatory activities or even penalty measures (Heilmann I, Pg. 22). The real on the spot control is therefore carried out by the subordinated bodies of the CSRC which, however, also use the services of the stock exchanges' supervisory departments themselves.

It is clear from the structure and conceptual formation of the Chinese regulatory body that the government does not wish to forego political influence, and even more so when it comes to individual intervention in the capital market. In new issues of state-owned enterprises (new issues of already private companies are a rarity), the most powerful political players battle with each other to siphon off profits from the state assets which they themselves control before the general public can get hold of the shares made available by the initial public offering.

All the same, the Chinese stock market is old enough to be strongly criticised more than once in public whenever irregularities occur due to such activities. If such criticism is disagreeable enough for the supervisory bodies and political leadership then it results in reactions – in most cases initiated not by the regulatory authority but by the highest government offices – which become manifest in more drastic measures against market manipulation. Curiously, this does not lead to an increase in trust from the Chinese investors. In fact they become rather afraid that the state no longer wants to support the stock market, which is taken as an indication to flee the market. As a result, the government sees itself prompted to restore the investors' trust in the state's favourable attitude towards the market by way of politically supported advertising efforts (examples in Heilmann I, pg. 26 ff).

It lies in the nature of the system that in the still partly planned economy like structure of the capital market the initial offering of shares is not totally free of state influence.

Both in the implementation of economic reforms in general and in intervention against market manipulation, the state uses old political methods. This leads to the paradoxical result that the (communist) state avails itself of Leninist methods in order to introduce liberal market reforms in general and, in particular, to enforce more justice in the stock market (Heilmann I, Pg. 31).

The state's will to assert itself has proven particularly strong in crises which have arisen through scandals or speculative overheating of the market. However, in "normal" situations the Leninist supervisory institutions play a markedly small role. The relations between supervisors and important trading participants are "settled" in formal consultations but also in informal and personal agreements. This favours the individual interests of certain influential market players and is a permanent breach of the principle of the "level playing field". (Heilmann I, Pg. 31).

IPOS:
THE STATE GETS IN ON THE ACT

It lies in the nature of the system that in the still partly planned economy like organisation of the capital market the initial offering of shares is not totally free of state influence. In the quantification, the admission procedure and the (administrative!) determination of the issuing price the state and supervisory authorities hold responsibility for the regulation and implementation.

The negative influence of the planned economy IPO procedure was particularly evident in the years before the crisis of 1997/98. For many, the inflexible structure and the exorbitant increase of share issues in a bullish market are seen to be the reason behind the stock market crisis of those years. If one considers further, that all possible administrative and party functionaries are, in one way or another, involved in the admission procedure and personally hold large-sized blocks of shares which they often put hastily back onto the market in order to take advantage of the sometimes considerable price gains of the first days after issue, then it is surprising that there are still so many small shareholders to be found on the marketplace at all. Maybe the Chinese people's passion for gambling plays a decisive role here.

In numerous public companies (also listed ones) the government or government-like organisations have majority holdings.

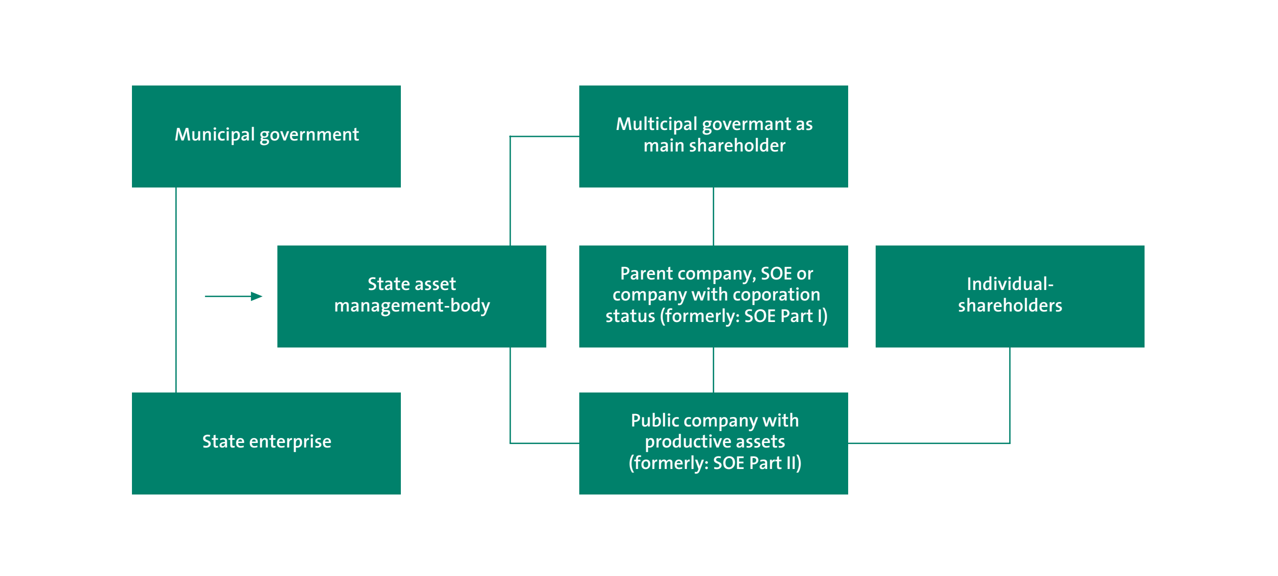
Rivalries between the different central and local government offices play a part too – not when it comes to regulation as such, but to contingents and quotes. Here, the local governments appropriate at times considerable financial means from public authorities to companies which have been selected for an IPO, or grant them other advantages such as tax reduction, allocation of low-interest loans and more favourable valuation of assets in order to improve their financial statements prior to the offering.

If it is not market forces but politics that determine IPO procedure then it is not surprising that not the most economically suited companies are chosen to go public, but those which, from the government offices' point of view, have the greatest need of capital, guarantee jobs and offer good chances of "skimming off" for party and government officials (Heilmann II, Pg. 9).

At least the government reacted to this dubious situation. In September 1999 a new committee was formed within the CSRC which was charged with the independent scrutiny of applications for quotation, the so-called examination board for stock issues whose members come mostly not from politics, but from the securities industry and the economy.

The deficit in the supervision of securities, which still exists despite reforms, is mirrored in the structure of the listed companies[2)] and the type of shares traded in Shanghai and Shenzhen. Although over the course of the last ten years the number of companies belonging 100 % to the state or to state organisations has dropped to 15 or 16 % of the major enterprises in industrial output, in numerous public companies (also listed ones) the government or government-like organisations still have majority holdings, so it can be assumed that only 30 to 40 % of industrial output comes from the private sector (Green, Pg. 5).

The companies listed on the stock exchange are an important but only small part of the total Chinese industry. For state investments the above applies for the whole industrial sector. Ownership structures are still in the development stage and are the subject of active discussion. Most of the current 1,377 listed Chinese companies were originally 100% under state ownership (so-called SOEs, state-owned enterprises). Usually, not long before flotation, the state enterprises are transformed into a parent company and a subsidiary. The parent company, which to all intents and purposes can remain state-owned, is responsible for all the company's debts and holds the assets coming from outside the production process (Green, Pg. 7). The subsidiary is made



Transformation of an SOE into a public company
Source: Green, Deutsche Bank Research, July 2004

Fig. 6

2) The description of the process in connection with IPOs is taken from Stephen Green's essay "Company reform and stock market development in China", Deutsche Bank research, July 2004.

public. The parent company holds – often through a special legal person (LP) – shares in the listed subsidiary (see fig. 6). But these so-called LP-shares cannot be traded on the stock market. In many companies they account for over 50% of the total share capital and increasingly represent a great burden on the Chinese stock market.

A further, inflexible part of the share capital of listed companies is held directly by the state. As a rule it is "fixed" and can only be transferred by means of a multi-stage authorisation procedure. Since February 2003, a commission called the SASAC (State-Owned Assets and Supervision Administration Commission) has been charged with the administration and supervision of such state interests. All in all, the share of stock held in companies traded on stock exchanges in mainland China and controlled in one form or another by the state is probably over 2/3 (Green, Pg. 8). Insofar, this seems to indicate that comprehensive privatisation of the stock market organisation is not planned.

The fact that the state holds investments in (listed) companies does not necessarily have to be detrimental. A majority holding and an interest of the majority shareholder in the well-being of the company can by all means have positive effects on the development of that company. Admittedly, it is crucial that the majority shareholder is not able to do just as he pleases at his own discretion but should comply with control mechanisms, and that the minority shareholders are protected. On mainland China it is not discernable whether such control and protection mechanisms exist (Green, Pg. 10).

Studies have shown that in most cases the performance of companies subject to this type of constellation suffers. Often, a clear downward trend in the return on equity and the profit margin of the company becomes noticeable after stock market listing. In many cases, the highest level of return on equity is reached one year before or one year after flotation. Exceptions prove the rule: evidently, there prevails a positive development in companies in the public services, transport and financial services sectors – a relatively new and aspiring business area (Green, Pg. 11/12). Along with the manifestly irksome factor of (direct and indirect) state involvement, it is also the practice by listed companies of extending and guaranteeing loans to their parent or sister company which puts a strain on the company results. In many cases, namely, the loans which are granted thus are either not paid back or are amortised without the use of cash (Green, Pg. 13).

A further cumbering instant is the dividend payment. While this is normally a sign of the well-being of a company, for Chinese companies it represents rather a disadvantage in view of the large quota of LP-shares: although LP-shareholders obtain their shares at a much cheaper price than outside shareholders who buy their shares by public placement, all shareholders receive the same dividends, so, to a great extent, the positive effect of a cash dividend is rendered useless.

CORPORATE GOVERNANCE: GREETINGS FROM CONFUCIUS

Whether the Chinese leadership gives Confucius serious thought will indeed be difficult to find out. However, since it permits and practises a limited kind of economic liberalism through which, admittedly, it wants to consolidate rather than change the existing form of government, it might well be possible that Confucius' world of thought – so far it is of use to the state – has been included. That is to say, Chinese history shows that the type of cosmopolitan societies initiated by Chinese leaders – such as in the eighth century – could just as well be traced back to Confucius' doctrine as those which were dedicated to conservatism and separation.

Be that as it may, the concept of a new understanding of business management which appears to be evident recently could be one of Confucius' "categorical imperatives": "If those in power stick to the rules, then the nation will be easy to govern!" Under the keywords "compliance with successful Corporate Governance" – the rules of those 'in power' in a company – a series of measures have been introduced which are supposed to take a slow, but certainly positive effect on the market.

With the implementation of a Corporate Governance Standard, the Chinese government is trying to increase trust in the market.

These measures (Green Pg. 16 ff) rest on the assumption that a generally accepted and applied Corporate Governance Standard has a positive effect on the profitability, share price and lasting investment of shareholders – a realisation that has only recently become accepted to its full extent in the western stock markets. With its implementation, the Chinese government is trying to increase trust in the market. This includes:

Strengthening of independent management
The CSRC is anxious to increase the number of directors in the management who are independent of major shareholders. In most companies the fraction of independent board members has been raised to one third. However, in many cases there is still a shortage of suitable, especially experienced people.

Performance-related pay
Up until now, the management boards of listed companies have been paid fixed salaries. Since only very few managers own shares or share options of the companies they direct, there has been hardly any incentive for them to make any particular commitment. At least now, with option-related salary components, the CSRC and other government bodies are making an effort to increase the dependence of the financial welfare of managers on the ups and downs of their companies. Several models have been introduced so far – as a rule, however, only on an "experimental basis".

Criminal offence (penal provisions) for breach of law in connection with corporate action of a company
The penalty in cases of manipulation of financial statements and share prices as well as false information regarding new issues has been put under new legislation and the penalty limits have been raised. This has had positive results: at least the number of incidents of share price manipulation has dropped noticeably of late.

De-listing rule
In 2002 the supervisory authority announced that companies which show only losses for three consecutive years will have their listing revoked. The shares can continue to be traded, but not on the official market. A kind of unofficial regulated on the stock market in Shenzhen serves as a trading platform.

Small shareholders' right to sue the board and top management
In western countries, too, this rule is still the subject of fierce discussion. The Chinese Supreme Peoples Court has assigned small investors in China the right within a class action to call the management of a company to account for manipulating financial statements. However, this right – theoretically in accordance with the new western standard – is not easily enforced. The provincial courts are obviously not very willing to convict local companies or their management.

THE STOCK MARKET: DIVERSITY IS NO ADVANTAGE

In future, the improvement of the structure of the stock markets ought also to apply to the restricted and, for outsiders, strange system of access authorisation for purchasing shares quoted on the stock markets in Shanghai and Shenzhen (see fig. 7). This restriction was brought about by the fact that, originally, certain share groups could only be purchased by the Chinese, others only by foreigners. Even though the procedure has been relaxed during the last three years, it still hinders the free development of the stock market in mainland China.

Understandably, hailing from state capitalism, the initiators of the Chinese stock markets did not want to leave them immediately at the mercy of a power which, presumably, they did not fully understand themselves; probably they were also afraid of "poaching" by the more experienced "foreign devils" on their young markets. Whatever the case may be, for a decade only individuals and institutes of the

The public companies listed in Shanghai and Shenzhen alone feature up to four different share categories.

Chinese mainland were able to buy the so-called A-shares, whereas foreign organisations and individuals only had access to the so-called B-share market which, according to the number of companies, amounted to about 1/10 and, in terms of available capital, just under 1/5 of the A-market.

As recently as February 2001, the right to buy A-shares was extended to include foreign, so-called QF II-companies, companies which were given special authority to trade in this market. The conditions under which such companies are authorised and the regulations on how much they can trade are, however, very restrictive. The companies must show assets of over 10 billion US dollars in the last business year; the investment funds among them must be in existence for at least five years, insurance companies and securities trading houses at least thirty years.

The amounts to be invested are also limited. The SAFE (State Administration of Foreign Exchange) allocates every QF II-company a certain quota, a dollar amount that has to be changed into RMB, which can, but does not have to be used to invest in shares, investment funds and bonds. Since summer 2004 this has led to criticism of the government since some of the top QF II-companies are speculating on a change in the exchange rate between the dollar and RMB and are holding back their share commitments accordingly. As an "antidote", SAFE is considering lifting the quota restriction on those who show themselves to be active on the stock market. At present, (middle of March 2005) SAFE has authorised a quota of 4 billion US dollar for all QF II-companies, of which 3.65 billion US dollar has been accessed.

Another limit is put on the amount of A-shares that each QF II-company is allowed to hold per listed company, namely 10%, and the amount of A-shares held by all QF II-companies cannot exceed 20% of the free float of a company. Although the number of these "privileged" companies rose distinctly between the end of 2003 and the end of 2004 (from 15 to 26), it is still relatively small. The biggest among them are UBS, Citigroup, Morgan Stanley, Nikko Asset Management and the Deutsche Bank.

Yet a further constraint came in November 2002: from then on the local Chinese were able to purchase B-shares, a measure which temporarily fired the market to such an extent that it was severely criticised for the windfall profit which came out of it for the existing (foreign) shareholders. The B-shares are still traded in foreign currencies, and even this is not standardised: in Shanghai they trade in US dollars, in Shenzhen in Hong Kong dollars.

	LEGAL TRANSFERABILITY	LISTED ON STOCK EXCHANGE	CURRENCY	DOMICILED IN	FOCUS OF ACTIVITY OF THE COMPANY	QUALIFYING INVESTOR GROUPS
STATE-OWNED SHARES	Possible after a 3-tiered authorisation procedure	No	RMB	Mainland China	Mainland China	State, state-owned institutions
LP-SHARES	Usually only to other "legal persons", but rules are "loosening up"	No	RMB	Mainland China	Mainland China	"Legal Persons", in some recent cases also foreigners
A-SHARES	Unrestricted in the primary and secondary market	Shanghai (over 40 m RMB "free float") Shenzhen (over 40 m RMB "free float")	RMB RMB	Mainland China	Mainland China	Domestic private companies; domestic institutions; foreign QFII-companies
B-SHARES	Unrestricted in the primary and secondary market	Shanghai and Shenzhen	USD HKD	Mainland China	Mainland China	Domestic private companies; foreign, private companies and institutions based in China
H-SHARES	Unrestricted in the primary and secondary market	Hong Kong	HKD	Mainland China	Mainland China	No restrictions
RED CHIPS	Unrestricted in the primary and secondary market	Hong Kong	HKD	Hong Kong	Mainland China	No restrictions

Fig. 7

About 95% of the public companies listed on the domestic Chinese markets are former state-owned enterprises.

If one includes the state-owned shares and the LP-shares shares which, in general, are only transferable to other legal persons, the public companies listed in Shanghai and Shenzhen alone feature up to four different share categories.

If that wasn't enough, a number of Chinese listed companies also have a Hong Kong connection: that is to say, they are also or in some cases even exclusively listed on the stock exchange there (so-called H-shares). So-called "red chips" prove to be another peculiarity: these are shares of companies which are operationally active in mainland China, but are registered in Hong Kong. Their shares are traded only in Hong Kong. And finally, a set of smaller public companies from the Chinese motherland have, in the meantime, dared to make the leap over the (economic) border: they are traded, either exclusively or alongside their listing in Shanghai or Shenzhen, on the GEM of the Hong Kong Stock Exchange, a special market for small and middle-sized firms. The markets in mainland China are completely separate from those in Hong Kong, arbitrage business is not possible.

In principle, the public company itself decides what kind of shares it wants to issue. Of course, generally, for an issue they need the authorisation from the CSRC which also has a say in the amount of shares to be issued and the price of the initial offering. However, for a fairly long time now, there has been a "decreed" division of the new issue market between the stock markets in Shanghai and Shenzhen: all issues with over 40 million shares available for trading can only be listed in Shanghai, all others must be listed in Shenzhen. With H-shares, the authorisation process is reduced to a statement from the supervisory authority that they have no objections to an issue of this kind ("no obstacles").

About 95% of the public companies listed on the domestic Chinese markets are former state-owned enterprises. For those companies which have been privately owned from the outset an initial public offering is usually difficult to achieve because, through its authorisation practice regarding share issues and official quotations, the state favours its own businesses. As in the management of the conversion of state enterprises, private companies are also obliged to put a certain number of shares at the disposal of the former owners. These shares may not be put onto the market.

One consequence of the high proportion of untradeable shares is the fact that the amount of shares available for trading on the stock market is relatively small. For years, the proportion of market capitalisation of tradeable shares to all shares has been more or less 30% and in December 2004, compared with March of the same year, it forfeited over 1/4 of its volume.

The table illustrating the historical statistics (fig. 8) shows further interesting developments of both stock markets: for years the percentage increase of H-shares has been significantly greater than all other shares (even though it is hardly more than 10%). The relation of B-shares to A-shares is changing at the expense of the B-shares – obviously a result of the opening up of the A-share group to certain foreigners.

The turnover of both stock markets fell drastically from 2000 to 2002 (the year 2000 was, however, an exception) but since then has risen noticeably despite a slump in prices. The number of companies traded has risen continually. Up until the year 2000 the number of companies listed on the two stock markets hardly differed at all. Thereafter, Shanghai "won" – most certainly as a result of the government decision to concentrate the "big" values (over 40 million free float) in Shanghai and the smaller ones in Shenzhen.

The number of investors (private and institutional) appears enormous – that is if one goes by the number of depots; this exceeds 72 million. However this figure must be put into perspective. A large number of private investors have a depot at both stock exchanges and many of these depots do not (yet) hold any securities (Heilmann II Pg. 5). More significant is the number of members of both stock exchanges: in the last ten years this has withered to a third of what it used to be. This could have something to do with the fact that over the last decade the wheat has been separated from the chaff. And if the efforts of the government and

After a long bidding procedure, in November 2004 the Shanghai Stock Exchange acquired a licence for the Deutsche Börse's system, Xetra.

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
TOTAL NO. OF COMPANIES LISTED ON STOCK EXCHANGE IN SHANGHAI/SHENZHEN	8/6	29/24	106/77	171/120	188/135	293/237	383/362	438/465	484/465	572/516	646/508	715/508	780/505	837/536
AS A-SHARES ONLY	14	53	140	227	242	431	627	727	822	955	1,023	1,085	1,146	1,236
AS B-SHARES ONLY	0	0	6	4	12	16	25	26	26	28	24	24	24	24
AS A AND B-SHARES TOGETHER	0	18	34	54	58	69	76	80	82	86	88	87	87	86
AS A AND H-SHARES TOGETHER	0	0	3	6	11	14	17	18	19	19	22	29	29	30
TOTAL NO. OF H-SHARES LISTED IN HONG KONG	0	0	6	15	18	25	42	43	46	52	60	75	93	111
TOTAL NO. OF DEPOTS (IN MILLIONS, AS OF 1992)	367	2.17	7.78	10.59	12.43	23.07	33.33	39.11	44.81	57.97	66.50	68.84	70.25	72.11
IN SHANGHAI	n/a	n/a	4.24	5.75	6.85	12.08	17.13	19.99	22.81	29.79	34.84	35.65	36.41	37.44
IN SHENZHEN	n/a	n/a	3.54	4.84	5.57	10.99	16.20	19.12	22.01	28.18	31.66	33.19	33.84	34.67
MEMBERS OF THE STOCK EXCHANGES IN SHANGHAI AND SHENZHEN	44	348	907	1,046	1,085	1,066	840	659	628	632	545	436	382	350
MARKET CAPITALISATION OF ALL SHARES (BN. YUAN RMB)	10.9	104.8	353.1	369.1	347.4	984.2	1,752.9	1,950.6	2,647.1	4,809.1	4,352.22	3,832.91	4,245.77	3,705.56
MARKET CAPITALISATION OF TRADEABLE SHARES (BN. YUAN RMB)	4.1	21.8	86.2	96.9	93.8	286.7	520.4	574.6	821.4	1,608.8	1,446.32	1,248.46	1,317.85	1,168.86
SHARE TRADING VOLUME (BN. YUAN RMB)	n/a	68.1	366.7	812.8	403.6	2,133.2	3,072.2	2,354.4	3,132.0	6,082.7	3,830.52	2,799.05	3,211.53	4,233.40

Source: Shenzhen Stock Exchange
Fig. 8

the CSRC to put a quick end to dubious and ramshackle securities firms become reality (see Pg. 21), then the number will sink even further – until the foreigners come.

THE STOCK EXCHANGES: ELECTRONIC TRADING ON THE FLOOR, LUNCH BREAKS AND WIDENING HORIZONS

As far as trading in A and B shares is concerned, on the stock exchanges in mainland China they use – just like all modern stock exchanges – electronic trading systems. However, there are a few peculiarities: up until well into the nineties of last century, many Asian stock exchanges (e.g. Hong Kong, Seoul, some in Japan) offered a strange mix of electronic and floor trading. Although electronic matching systems were available very early on, they did not want to dispense with the trading room. Here, trading participants sat together with stock exchange employees who, from this room, put their orders, made on the telephone or otherwise, into the electronic system. They could have done this just as well from an office, but a trading room seemed to them to be an important element of a stock exchange. Hong Kong and Seoul, like the Japanese stock exchanges, have in the meantime dispensed with this practice. In Shanghai and

On the unofficial regulated market of the Berlin Stock Exchange over 1,000 H-Shares are traded – for the most part introduced and looked after by the Berliner Freiverkehr (Aktien) AG, subsidiary of the Berliner Effektengesellschaft AG.

Shenzhen, however, one can still find a trading floor and on its website the stock exchange in Shanghai refers proudly to its 3,600 m² trading room, supposedly the largest in the Asian/pacific area.

Another typical Asian idiosyncrasy is the lunch break: trading takes place in the mornings from 9.30 to 11.30 a.m. and afternoons from 1 to 3 p.m. At weekends and holidays the market is closed.

The current trading system at the Shanghai Stock Exchange – according to the website it processes up to 8,000 transactions per second – is going to be replaced. After a long bidding procedure (there were tenders from twelve software companies including the systems of the exchanges OMX in Stockholm and Euronext in Paris) and exhaustive negotiations, in November 2004 the Shanghai Stock Exchange acquired a licence for the Deutsche Börse's system, Xetra.

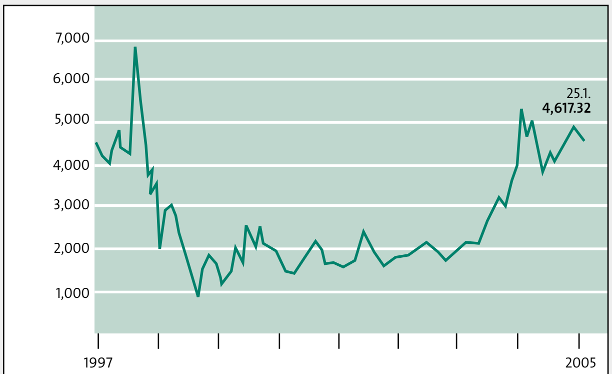
There is a particular story behind this deal: several years earlier the Shanghai Stock Exchange had already looked at the Xetra system and, back then, negotiated exclusively with the Deutsche Börse. However, the latter did not appear to be very interested, at least not at the then discussed terms of payment. Thereupon, the exchange in Shanghai sent a "request for proposal" to various system providers and deliberately omitted the Deutsche Börse. There were eleven offers. The Xetra system was considered only later on, proposed not by the Deutsche Börse but by the management consultancy firm Accenture, naturally with the agreement of the licenser.

At the moment, the Xetra system is being adapted to the Chinese circumstances; from experience, it will take a while before it can be deployed. Other connections (especially trading) are not linked with the licence agreement, neither are they intended. The Shanghai Stock Exchange has signed a series of cooperation agreements with stock exchanges worldwide, larger ones included, (recently, in autumn 2003, even with the New York Stock Exchange); but these agreements are aimed at no more than an exchange of information and personnel. The legally and politically limited elbow-room of the stock exchanges in mainland China does not allow much more at the moment, even though agreements of the CSRC with other supervisory authorities (such as that with the then German Federal Securities Supervisory Office – BaWe – in 1998) rendered much more possible (e.g. a "remote membership", a stock exchange membership in foreign countries).

The stock exchange in Shenzhen is also searching for a new trading system; but no decision has been made yet. Like its big sister in Shanghai, it is looking to make contact with other stock exchanges in Asia and elsewhere. The latest agreements were signed in the late summer of 2004 with the Osaka Stock Exchange and the Berlin Stock Exchange. The contact with the Berlin Stock Exchange came about in May of the same year through a visit of the exchange's representatives to Shenzhen and to the CSRC in Peking. During the visit to the regulatory authority, the Berlin team was backed by politicians (State Secretary Ditmar Staffelt from the Federal Ministry of Economics and the retired State Secretary Dr. Dieter Flämig, formerly of the Minister-President's Office). The motivation behind the Berlin Stock Exchange's visit was the fact that over 1,000 Chinese H-shares are traded on its unofficial regulated market – for the most part introduced and looked after by the Berliner Freiverkehr (Aktien) AG, subsidiary of the Berliner Effektengesellschaft AG. The expansion of trade to include A and B shares is an attractive prospect. The implementation, however, depends on the further development of the Chinese capital market.

FUTURE PROSPECTS: A CLOUDY START, CHEERING UP LATER ON

In the meantime, the Chinese political leadership has realised that the reasons for the slump in prices on the Shanghai and Shenzhen stock exchanges are "homegrown"; the much better development of mainland Chinese shares in Hong Kong (see fig. 9) is just one indication of this.



Hong Kong H-Shares
Closing price in points

Fig. 9

"It is not enough to come to the river wanting to catch fish; you have to bring a net, too."

The plans to remedy this cover several aspects. For one thing, the rights of small shareholders are to be strengthened, for example with new rules on the determination of issuing prices which should prevent small shareholders in particular from being disadvantaged from the start. What is more, "ailing" securities trading firms are to be reformed, merged and, if necessary, closed down. The state wants to grant "healthy" firms the opportunity to take out a bank loan for refinancing, which up to now had been almost impossible (the banks themselves accomplished their own reform back in the year 2003: to improve their capital base the central bank provides them with assets in foreign currency).

And finally, large investors will be systematically supported. In 2004 alone, 55 new funds were set up by a total of 52 investment companies, some of which were established as a joint venture between foreign and Chinese unit-holders. Above all, it was recognised that keeping out foreigners does not do the capital market any good. Already at the end of 2002 certain rules were relaxed which forbade foreigners the purchase of LP-shares. Since then, together with the purchase of A-shares of the same company, it is even possible for them – at least theoretically – to obtain the majority of shares. And if the most recently announced plans to increase the manoeuvrability of QF II-companies are actually carried out, because the state accepts that its "original rules and regulations were rather strict" and that by relaxing them it wants to "secure a well-regulated capital inflow" (according to the director general responsible for the supervision of fund management at the CSRC, see "Die Welt of 2.3.2005), then perhaps large investors might be stimulated into action, which would support the Chinese stock market.

Naturally, the CSRC knows that it is not only the restrictions applicable to foreigners which harm the market. As mentioned, plans are at hand to improve other things, to reduce manipulation and to increase transparency; they "just" have to be successfully implemented. Here, too, it is worth considering the old Chinese proverb: "It is not enough to come to the river wanting to catch fish; you have to bring a net, too." It is to be hoped that the Chinese leaders not only bring a net, but that they cast it in the right waters in order to catch the right fish. And if what prime minister Wen Jiabao announced in the middle of March this year is made to happen, namely that the link of the Chinese currency with the dollar will very soon be loosened – an old demand made by the international finance world –, then that would already be one net cast in the right direction.
J.F.

Report of the Board 2004
Our Company

Following the Board's landmark decisions at the end of 2003 regarding the future shareholders' structure of the Berliner Effektengesellschaft AG (BEG) and an expedient, success orientated structure for the group, the task in 2004 was then to ensure a consistent and efficient implementation of these decisions to set the stage for a profitable operational business in all group companies in a permanently changing market environment.

In January 2004, through the realisation of the resolutions made at the shareholders' meeting in 2003, around € 30 million of capital reserves were distributed to shareholders. With the statutory offer of the majority shareholder, Mr. Holger Timm, to the outside shareholders there arose a slight change in the ownership of the BEG. At that point, the BEG held a ca. 68.5 % share of the votes in the group's subsidiary, Ventegis Capital AG. Since Ventegis Capital AG was the only group subsidiary with its own listing in the unofficial regulated market and access to widely-spread shares, it seemed right and important to explain to the outside shareholders what the future role of Ventegis Capital AG within the BEG-Group would be, and to offer them an exchange of their shares for BEG shares at a fair price. The aim was also to give those members of BEG's management who possessed shares in both companies the opportunity to concentrate on the BEG in order, at the outset, to avoid any potential future conflicts of interest.

The transfer of Ventegis shares into BEG shares carried out in June/July 2004 was well accepted by Ventegis share-holders, so that the share in Ventegis Capital AG increased to 93.73 % and the company's share structure changed once more by the capital increase of the 351,044 BEG shares necessary for the transfer.

Thus, at the end of the business year 2004, the following shareholders' structure was in place:

Shareholders' structure

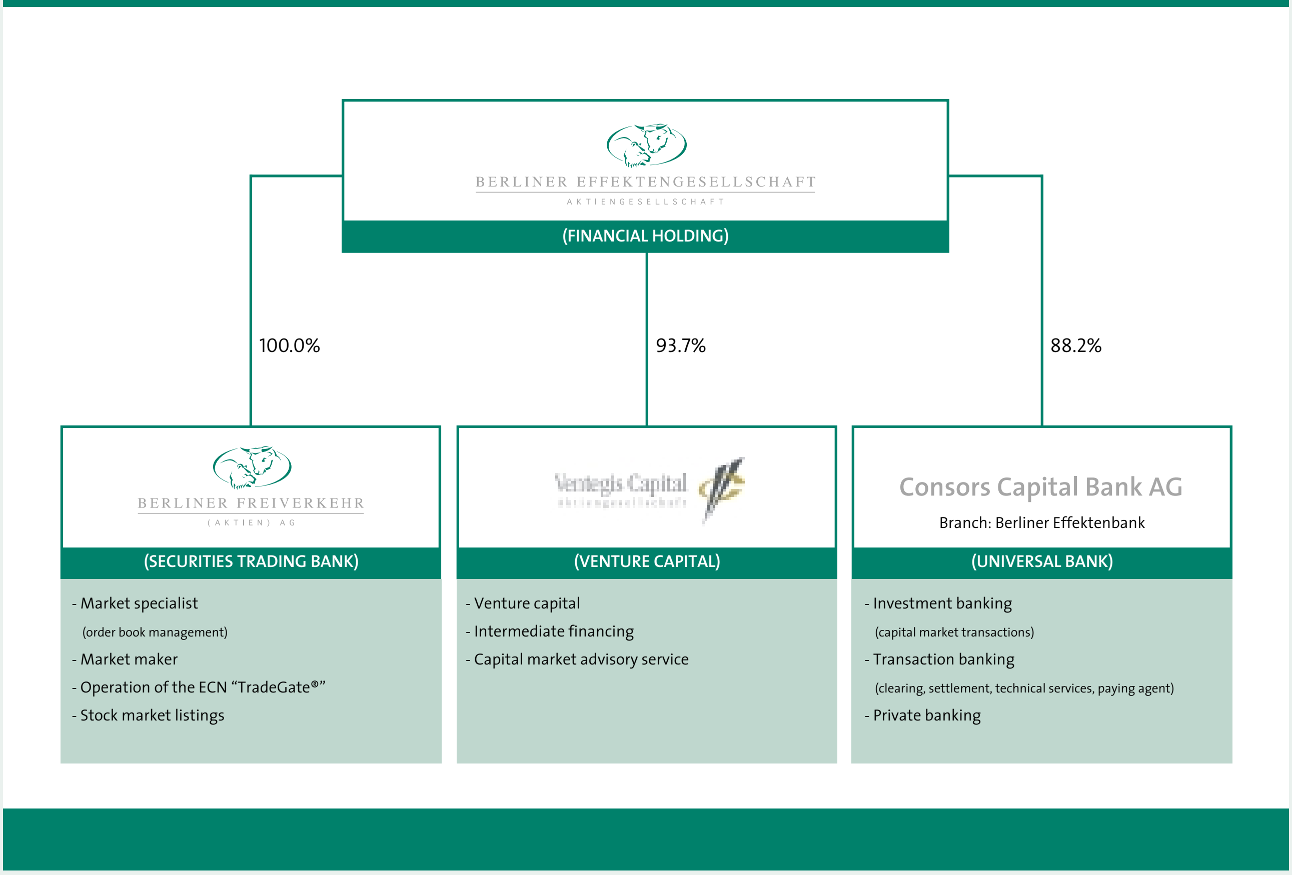
(dark blue)	H.T.B. Unternehmensbeteiligungen GmbH (100% Holger Timm)	5,695,872 shares	34.92 %
(light blue)	Mr. Holger Timm	5,485,458 shares	33.63 %
(red)	Cortal Consors S.A.	2,394,484 shares	14.68 %
(grey)	Free float	2,735,389 shares	16.77 %
		16,311,203 shares	100.00 %

The group structure arising from the majority acquisition of the Consors Capital Bank AG in 2003, the majority acquisition of Ventegis Capital AG in the same year as well as the transfer of shares in 2004 once again shows a clear picture and proves that the business activity of the BEG group rests on the three supporting pillars of the operationally independent public companies. In 2004, shares of the Consors Capital Bank AG were sold to the management with the aim of achieving still stronger entrepreneurial involvement through the related risk/reward profile and newly structured management contracts. Subsequently, at the end of 2004 the BEG group structure looked like this:

The group structure chosen by the BEG, a pure financial holding without its own operational business, may raise questions among shareholders because it is associated with certain disadvantages. Here, we would like to briefly explain the reasoning behind this choice.

Basically, as an alternative to the holding structure, a single, operational stock market listed universal bank could be considered, which would then have to cover all business areas of the three individual companies. Such a solution would be accompanied by certain disadvantages which are generally associated with a financial holding; however, in the BEG these are either non-existent or present only to a very slight extent.

Organisational structure (as at December 31, 2004)



1. Our chosen structure leads to four individual financial statements and one group financial statement so, ostensibly, the costs of accounting and auditing would be estimated to be higher. However, these additional costs can be disregarded since the financial statements of a highly diversified individual bank with extremely variable risks would, because of the complexity of the audit, hardly be any cheaper. Other extra costs are not incurred as sundry central services, such as group accounting and human resources, are performed for all group companies within the current structure of the holding or the individual companies.

2. The structure of a financial holding hides the danger that the independent individual companies might have their "own agenda" and, in the worst case, stand in competition with each other. We counteract this danger by ensuring the close co-operation of those who hold mandates in the group (the Board and Supervisory Board) and maintaining a consistent group management which attaches great importance to the fact that the business areas divided among all three subsidiaries endorse and complement one another – this is an advantage when it comes to acquiring customers.

3. The biggest potential disadvantage for shareholders of our company in particular is the fact that, traditionally, holding companies are not very highly estimated on the stock exchange because, for the investor, the potential yield is not immediately discernable as it resides virtually one step further down in the different individual companies. This fact has prompted us to always hold on to the 100 % share in our best earning subsidiary, the Berliner Freiverkehr (Aktien) AG. The reason for the recently most unsatisfying price development of our share is not, however, to be found in the structure of the holding. In fact, the BEG is equated with this subsidiary and is still to be found in the so-called peer group of the former stock broker companies. This branch, however, is currently fighting enormous problems and is confronted with a heavy market shakeout. We have been predicting the expected problems of the branch for years and have communicated them openly. That is why the BEG has diversified and, with its three subsidiaries and various licences, has constructed a so far unique structure in Germany. Now it is the task of the board to elaborate on the unique features of the company and to convey the potential of the two other subsidiaries to the investor.

These – theoretical rather than actual – disadvantages of a financial holding are, in the opinion of the Board, more than offset in the long-term by the considerable advantages of our chosen solution. With the three subsidiaries, centres of competence have been developed and the respective management can, on its own responsibility, concentrate on promising market niches. Thanks to a very wide range of services, none of the group's companies are reliant on third parties to carry out their operational business activities and the group as a whole can continue to develop strategically and act self-sufficiently. This is illustrated by two examples:

1. The Berliner Freiverkehr (Aktien) AG is the only securities trading bank (brokerage company) that processes the settlement of its numerous securities transactions within its own group, i.e. via the Consors Capital Bank AG. This has not yet brought any cost savings, but in the course of the increasing shift of stock market transactions onto electronic trading platforms like Xetra, many competitors have a potential Achilles heel and are subject to high risk on the settlement side, all of which our company can avoid.

2. The boom of new issues experienced in the years 1999 and 2000 has shown that a successful investment banking business can be better operated in connection with a venture capital company or, using own capital resources, via the

intermediary financing of potential candidates for flotation. The Consors Capital Bank AG should not and can not, for good reasons, enter into any investment risk, but should focus on investment banking and other business areas. The know-how and risk/reward profiles of the Consors Capital Bank AG and Ventegis Capital AG complement each other within the group ideally.

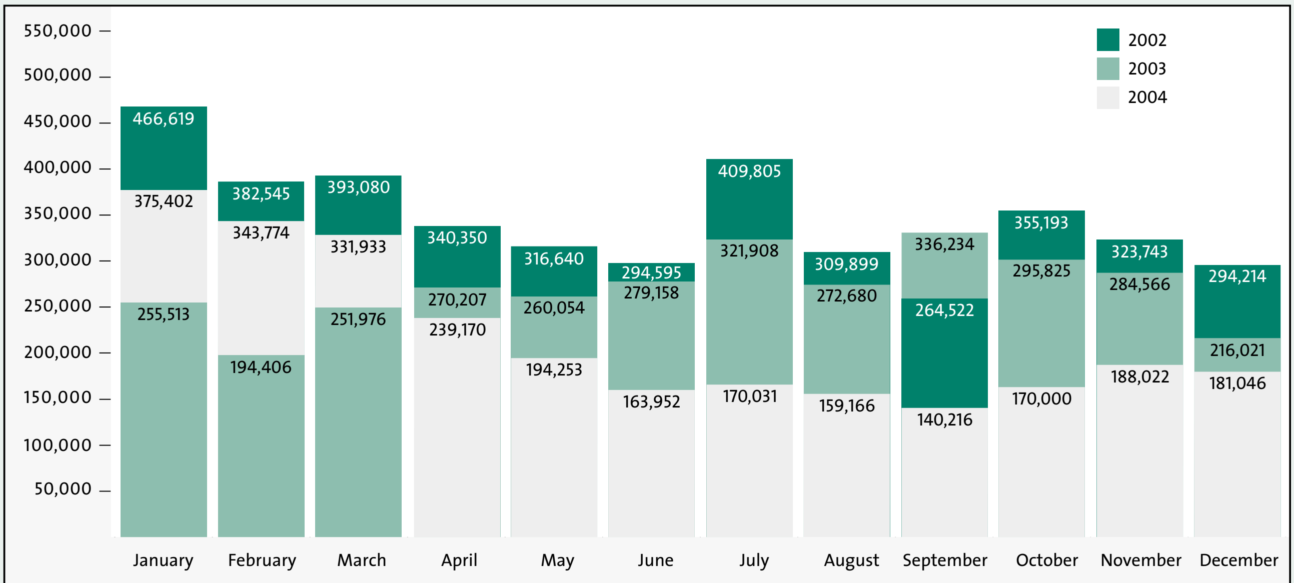
The clear separation of risks in different business areas, through which we are also complying with legal requirements, is the decisive advantage of our chosen group structure; with this set-up, the BEG is in a position to find strategic partners and co-partners for individual areas of the group at any time. This is currently shown, for example, in the acquisition of the former setis-bank AG within the scope of the planned capital increase of Consors Capital Bank AG. This kind of transaction can move forward the business of individual subsidiaries and it would be hard to imagine it happening if the BEG were a single mixed company. As a rule, potential partners only come into question for single business areas; special situations, such as the majority take-over of the BEG and the simultaneous majority acquisition of the former Berliner Effektenbank by the Consors Discount-Broker AG, will remain the exception.

In this context, it is and will remain the task of the group's Board to do its utmost to support and encourage the business activities of the operational subsidiaries. This includes – alongside the provision of capital necessary for investments – creating the best conditions for business development. Working together, all three subsidiaries have the potential to achieve success in the coming years.

In order to guarantee the continuity of the group's management and to further improve business potential, two changes will be made to the managing bodies of the BEG in the current year which are supported and have already been approved by the Supervisory Board. At the shareholders' meeting it will be suggested that on the expiry of his Board contract at the end of the year, Dr. Jörg Franke should be elected to the company's Supervisory Board. Especially in a financial holding which is without its own operational business, the Supervisory Board, along with the Managing Board, has more than the usual amount of responsibility to guide the skills of the company with foresight. In our company's Supervisory Board this has always been provided for by six people who have specific expertise at hand which is of benefit to our company. Following the sudden and unexpected death of Dr. Günter Rexrodt, we believe that Dr. Franke's transfer from the Board into the Supervisory Board is the ideal solution. A team made up of Mr. Timm as Chairman of the Board and Dr. Franke as active Chairman of the Supervisory Board will ensure that the BEG continues to follow its adopted path - sound, but always innovative and ready to make investments.

Newly appointed to the Board is Mr. Karsten Haesen. At the same time he is the sole board member of Ventegis Capital AG and will remain active in this role. His assignment will be the internal coordination of the group's capital market transactions, the improvement of its external representation and the expansion of the customer base for this business area of the BEG.

Although the first quarter of 2004 began very successfully, operationally, the past business year once again held several disappointments for the BEG. Details of the business development in general can be found in the comprehensive summarised management report. In order to give our shareholders a somewhat clearer overview, illustrated below – as every year – is a chart showing the number of transactions executed by the subsidiary, the Berliner Freiverkehr (Aktien) AG.



Number of transactions completed – a monthly comparison 2002/2003/2004

The number of completed transactions cannot be conveyed directly in the income statement of the Berliner Freiverkehr (Aktien) AG or, for that matter, in that of the other two group companies. However, the figures do give a reliable indication of how the market environment and investment behaviour have developed in the securities business. Bearing in mind that we look after a total of about 8,000 share categories as order book manager in Berlin and Frankfurt as well as the connection of 500,000 Consors customers, these figures always give a good mirror image of the market as a whole, even if comparative figures of competitors are not available to us.

The chart shows that in the first quarter of 2004 there was initially a clear increase in the number of transactions compared with the previous year. This gave cause for optimism, but as all following months fell short of the previous year's figures this optimism could not be ratified. The years 2003 and 2004 did not turn out as anticipated, which proves once again that the earnings side of our business is rather unpredictable. The figures also show, however, that for the moment there can be no talk of private investor initiated growth in share trading in Germany. Prudence is called for and we must be prepared for further difficult years ahead. One more reason to continue improving our relatively good competitive position in the market and to open up new business areas within the group for the BEG.

One weighty contribution to the enhancement in value of the BEG will be delivered by the Consors Capital Bank AG which is to be newly positioned this year with considerable investment for the future. In the mid-term, this will have a negative effect on the group's consolidated income statement. However, for the long-term our banking subsidiary is the only company in the group which offers the opportunity to generate a value for the BEG that can be defined outside the pure calculation of profits, for example by the number of customers.

On the other hand, with Ventegis Capital AG there is already a mid-term possibility of realising excellent profits. These are, however, not exactly foreseeable and will result from potential so-called exits from investments entered into in the past.

In view of the still hapless business environment one can by all means be satisfied with the past year's results of the individual group companies. The Berliner Freiverkehr (Aktien) AG's annual profit, resulting from the first quarter, came to € 532,000. The Consors Capital Bank AG's result, just in the black, lay well above the group's internal planning and only Ventegis Capital AG had to accept a disappointing result of € - 579,000 due to a postponed investment sale. The group loss of around € 829,000 came mainly from planned goodwill write-offs of the subsidiary Berliner Freiverkehr (Aktien) AG.

Even though the Board has followed the negative development of the market environment during the past four years with a certain anxiety, it does not see itself as the administrator of a process of "healthy shrinkage", but prefers, as ever, to practise a forward thinking strategy. The BEG will continue to invest using its own fit and strong capital resources and is also prepared to take new business risks. As entrepreneurs we owe this to the location Germany, to our employees and not least to our shareholders.

Corporate timetable for the remaining business year	
Report on the first quarter 2005	May 16, 2005
Shareholders' meeting in Berlin	June 23, 2005
Report on the first half year 2005	August 12, 2005
Report on the third quarter 2005	November 11, 2005
Shareholders' convocation in Berlin	December 2, 2005

BALANCE SHEET

BERLINER EFFEKTENGESELLSCHAFT AG | as at December 31, 2004

ASSETS	in € 2004	in € 2004	in € 2004	in € 2003
A. Fixed assets				
I. Intangible assets				
1. Tariff-quota, industrial property rights and similar rights and values as well as licences for such rights and values			108,759.00	163,971.79
II. Tangible fixed assets				
1. Other assets, furniture and office equipment			40,134.00	51,008.00
III. Financial assets				
1. Stocks in affiliated companies		49,875,555.79		66,513,359.49
2. Participatory investments		1.00	49,875,556.79	1.00
			50,024,449.79	66,728,340.28
B. Current assets				
I. Receivables and other current assets				
1. Trade accounts payable		10,058.78		35,400.90
2. Receivables from affiliated companies		26,307.43		30,634.42
3. Other current assets		619,076.18	655,442.39	510,465.88
II. Securities				
1. Other securities			5,112,310.00	15,186,912.50
III. Cash on hand, bank balances			1,285,231.42	22,789,163.12
			7,052,983.81	38,552,576.82
C. Accrued items			5,347.22	2,346.22
Total assets			**57,082,780.82**	**105,283,263.32**

EQUITY AND LIABILITIES	in € 2004	in € 2004	in € 2004	in € 2003
A. Capital resources				
I. Stock capital		16,311,203.00		15,960,159.00
II. Capital reserve		40,488,058.32		90,717,819.76
III. Revenue reserves				
1. Statutory reserve		-		25,564.59
IV. Net loss		-	56,799,261.32	- 32,343,249.96
B. Provisions and accruals				
I. Tax provisions and accruals		-		304,000.00
II. Other provisions and accruals		225,188.00	225,188.00	504,068.00
C. Liabilities				
I. Trade accounts payable		3,709.86		55,690.43
II. Amounts due to affiliated companies		11,289.66		1,979.61
III. Other liabilities		38,293.21	53,292.73	30,057,231.89
of which for taxes	*23,323.87*			*27,159.06*
of which for social security contributions	*6,316.84*			*8,650.24*
D. Deferred income			5,038.77	
Total equity and liabilities			**57,082,780.82**	**105,283,263.32**

INCOME STATEMENT

BERLINER EFFEKTENGESELLSCHAFT AG | from January 1, 2004 to December 31, 2004

	in € 01-01 – 12-31-2004	in € 01-01 – 12-31-2004	in € 01-01 – 12-31-2003
1. Other operating profits		1,297,124.82	658,407.16
2. Personnel expenses			
a) Wages and salaries	- 848,090.96		- 931,488.52
b) Social security payments and expenses for pensions	- 84,955.42	- 933,046.38	- 90,736.52
of which for pensions		*- 9,405.82*	*- 9,628.80*
3. Write-offs on intangible assets under fixed assets and on tangible fixed assets		- 70,733.93	- 28,384.92
4. Other operating expenses		- 1,847,781.30	- 1,825,349.01
5. Other interest and similar profits		125,217.30	2,088,368.08
of which from affiliated companies		*52,280.46*	*434,768.22*
6. Write-offs on financial assets and on securities under current assets		- 18,398,514.30	- 1,711,239.88
7. Interest and similar expenses		- 12,767.49	- 14,000.00
of which from affiliated companies		-	
8. Result from ordinary activities		**- 19,840,501.28**	**- 1,854,423.61**

	in € 01-01 – 12-31-2004	in € 01-01 – 12-31-2004	in € 01-01 – 12-31-2004
9. Extraordinary expenses	-		-
10. Extraordinary result		-	-
11. Income and profit taxes		43,318.93	398,416.29
12. Other taxes		-	3.62
13. Loss for the year		**- 19,797,182.35**	**- 1,456,003.70**
14. Loss brought forward from the previous year		- 32,343,249.96	- 30,863,021.13
15. Withdrawals from the capital reserve		52,114,867.72	-
16. Appropriation to the capital reserve		-	- 836,857.00
17. Expenses for the withdrawal of own stocks		-	- 4,647,399.68
18. Profit from capital reduction		-	836,857.00
19. Withdrawals from revenue reserves			
a) from restricted reserves	25,564.59		
b) from the reserve for own stocks	-	25,564.59	4,647,399.68
20. Appropriation to revenue reserves			
a) to the reserve for own stocks		-	- 24,225.13
21. Retained earnings		**-**	**- 32,343,249.96**

A. GENERAL INFORMATION ON THE CLASSIFICATION OF THE ANNUAL FINANCIAL STATEMENTS AND ON ACCOUNTING AND VALUATION METHODS

Preparation of the annual financial statements
The annual financial statements of the Berliner Effektengesellschaft AG, Berlin, for the year ended December 31, 2004 were prepared in accordance with the provisions of the Handlsgesetzbuch (HGB) – (German Commercial Code). The provisions of the Aktiengesetz (AktG) – (Stock Corporation Act) were observed. Regarding the German Corporate Governance Code, a declaration was made and published on the company's website on December 7, 2004.

The balance sheet was prepared according to the provisions laid down in Section 264 HGB and classified according to Section 266 Subsections 2 and 3 HGB.

The income statement was prepared according to the production costs (total output) method in accordance with Section 275 Subsection 2 HGB.

The annual financial statements were prepared in €.

The Berliner Effektengesellschaft AG is not included in any annual financial statements for the year ended December 31, 2004. Mr. Holger Timm is the majority shareholder of the Berliner Effektengesellschaft AG. He owns 68.5 % of the voting rights, 34.9 % of which directly via the H.T.B. Unternehmensbeteiligungen GmbH.

Accounting and valuation principles
The annual financial statements contain all assets, debts, expenses and profits. Items on the assets side have not been offset against items on the equity and liabilities side, and expenses have not been offset against profits.

The financial assets which contain "stocks in affiliated companies" and "participatory investments" are recorded at acquisition costs, considerably diminished by write-offs to the lower applicable value.

"Intangible assets" and "tangible fixed assets" have been valued at acquisition or production costs and, where depreciable, as write-offs using the straight-line method under consideration of the provision of regular commercial laws. In the business year, the software listed in previous years under tangible fixed assets was switched to intangible assets. Low-value fixed assets are written off in full in the year of acquisition and booked out.

"Receivables and other current assets" as well as "bank balances" are stated at their acquisition costs or at their nominal value. Securities under current assets are stated observing strictly the principle of lower cost or market, for each type of security, at the continuously determined average values or lower values on the balance sheet date.

Liabilities are stated at their repayment amount.

Recognisable risks are accounted for with provisions and accruals.

Proportionate interest determined at the balance sheet date is shown under the underlying receivables or liabilities.

Foreign currency exchange
The items of fixed assets denominated in foreign currency were exchanged at the acquisition rates and considerably diminished by write-offs to the lower applicable value. There were no other assets or debts in foreign currency at the balance sheet date. Expenses and profits denominated in the foreign currency were exchanged at the daily exchange rate.

B. EXPLANATIONS TO THE BALANCE SHEET AND CAPITAL

Classification of remaining terms
The receivables and liabilities have, as last year, a remaining term of less than one year.

Receivables from and amounts due to affiliated companies
"Receivables from banks" include a total of 891,000.00 € (previous year 20,711,000.00 €) due from the Consors Capital Bank AG, Berlin. In addition, the receivables include 26,000.00 € (previous year 31,000.00 €) due from the Berliner Freiverkehr (Aktien) AG, Berlin, derived from the relationship between taxable entities. In return, there are liabilities towards the Berliner Freiverkehr (Aktien) AG to the amount of 11,000.00 € (previous year 2,000.00 €).

Development of fixed assets
For the development of the fixed assets at historical acquisition rates and the accumulated write-offs, reference is made to the separate fixed assets schedule.

Following the take-over bid to the outside shareholders of the Ventegis Capital AG, the "stocks in affiliated companies" increased by 2,300,000.00 €. From the take-over bid, the Berliner Effektengesellschaft AG received 877,610 of Ventegis Capital AG shares. As at December 31, 2004, the Berliner Effektengesellschaft AG holds 93.7 % of the shares of Ventigis Capital AG. At the end of the business year the company sold 1,146,495 shares of Consors Capital Bank AG to the board members of this subsidiary. Therefore, the amount of holding in Consors Capital Bank AG has dropped by 10.4 % to 88.2 %. The book value of the holding in the Berliner Freiverkehr (Aktien) AG was much higher than the reported capital resources. On the basis of the results of the last years and the difficult business environment, a write-off to the amount of 18,398,514.30 € was made.

From the convertible capital note issued by Ladenburg Thalmann Financial Services Inc., New York, USA and written off in full in past years, the company received a payment of 1 million US-$. This sum is shown in the income statement under the position "other operating profits".

The financial assets in foreign currency were written off completely in previous years. Their acquisition costs, exchanged at historical rates, amounted to the equivalent of 8,604,000.00 €.

Other current assets
"Other current assets" comprise items which cannot be subsumed under other balance sheet items on the assets side. These pertain to receivables from the tax authorities, a holding of historical securities and the remainder of computing equipment which was purchased from the Consors Capital Bank AG in 2002. These assets were written off to the value of 1,000.00 €.

Stock capital
As at December 31, 2004 the stock capital amounted to 15,960,159.00 €. At the shareholders' meeting on June 16, 2003 it was resolved that no change should be made to the stock capital. On July 1, 2004 a voluntary conversion offer was made to shareholders of Ventegis Capital AG. The offer comprised 1 Ventegis Capital AG share for 0.4 shares of the Berliner Effektengesellschaft AG. Within the scope of this offer the company received 877,610 Ventegis Capital AG shares. Correspondingly, 351,044 new shares of the Berliner Effektengesellschaft AG were issued. As at December 31, 2004 the stock capital amounted to 16,311,203.00 €, divided into 16,311,203 non-par individual shares.

In the past business year no announcements regulated by Section 21 Subsection 1 of the Wertpapierhandelsgesetz (WpHG) – (Securities Trading Law) were received.

Approved capital
An increase of 351,044.00 € was implemented from the approved capital of 7,980,079.50 €. This was to serve the former shareholders of Ventegis Capital AG who had accepted the take-over bid. Henceforth, on the basis of the resolution of the shareholders' meeting on June 16, 2003, the Board, with the consent of the Supervisory Board, is authorised until June 16, 2008 to increase the nominal capital of the company once or more than once by issue of individual stocks against cash or non-cash contribution up to the amount of 7,629,035.50 €.

Contingent capital
The shareholders' meeting of June 15, 1999 had resolved to contingently increase the stock capital by 600,000.00 € for an employee stock option scheme (contingent capital I) and by 5,940,000.00 € for the issue of stock option warrants without bonds (contingent capital II). On the basis of the contingent capital increase and in exploitation of the contingent capital II, a total of 527,802 stocks with a computed value of 1.00 € were issued up to December 31, 2003. At the shareholders' meeting on June 28, 2002 a further contingent capital increase of 600,000.00 € was resolved (contingent capital III). This entitles the Board to issue convertible bonds and/or subscription rights without bonds to the members of the Board and employees of companies affiliated under the terms of Section 15 ff AktG. As a result

of the capital increase, the amounts of contingent capital increase in proportion to the nominal capital of the company. Accordingly, contingent capital I is 1,728,000.00 €, contingent capital II is 15,219.52 € and contingent capital III is 1,728,000.00 €.

Capital reserve
As at December 31, 2003 the capital reserve stood at 90,717,819.76 €. In the course of the increase in share capital 1,885,106.28 € was added to the capital reserve. In order to balance out the loss carried forward and the loss for the year, the Board decided to take 52,114,867.72 € out of the capital reserve. As at December 31, 2004 the capital reserve came to 40,488,058.32 €.

Revenue reserves
As at December 31, 2003 the legal revenue reserves were 25,564.59 €. As at December 31, 2004 the Board dissolved this sum completely in order to balance out the loss carried forward and the loss for the year.

Retained earnings
The loss carried forward from the previous year of 32,343,249 € is, like the loss for the year, balanced out by withdrawing the amount from the legal revenue reserves and the capital reserve. Thus, a net profit of 0.00 € is declared.

Own stocks
On June 16, 2003 the shareholders' meeting authorised the Board pursuant to Section 71 Subsection 1 Number 8 AktG to acquire own stocks for the purpose of sale or withdrawal. This authorisation is valid until December 16, 2004 and limited to 10 % of the nominal capital of June 16, 2003, this being 1,596,015 shares.

On June 22, 2004 the shareholders' meeting revised the authorisation. It is now valid until December 22, 2005 and limited to 10 % of the nominal capital of June 22, 2004, this being 1,596,015 shares.

The resolution of the shareholders' meeting on June 22, 2004 authorised the Board, with the consent of the Supervisory Board, to either partly or completely withdraw the stocks acquired on the basis of this authorisation. This authorisation may be used in part or to the full and on one or several occasions.

In 2004, the authorisation to purchase own stocks was not utilised.

Provisions and accruals
Other provisions and accruals are mainly made up of the following:

Provisions and accruals for	in '000€ 31.12.2004	in '000€ 31.12.2003
annual financial statements	177	171
personnel expenses	31	47
compensation for damages	-	250
impending losses	-	23
contributions to the Chamber of Industry and Commerce	-	6
other	17	7
Total	**225**	**504**

Amounts due to affiliated companies
The "amounts due to affiliated companies" include allocations payable resulting from the purchase tax refund of the tax return of 2003.

C. NOTES TO THE INCOME STATEMENT

According to the articles of association, the purpose of our company is the relaying of securities transactions of all kinds and in particular the determination of prices and quotations on the unofficial regulated market and the regulated markets of the Berlin and other stock exchanges. Furthermore, the company advises and accompanies businesses on their way to flotation on national or international stock exchanges and in this context puts all manner of technical and financial services at their disposal. The company itself does not need

to be active in the aforementioned areas; it can fulfil the denoted purpose of the company by becoming a shareholder of the dependent group companies which are directly involved in the businesses areas mentioned. Proceeds are made through the outsourcing of operational activities to group companies, mainly from charges for services, profits from participatory investments and from the investment of liquidity funds.
"Other operating profits" include the following:

	in '000€ 2004	in '000€ 2003
Income from written-off receivables	821	-
Cost charge-outs in the Berliner Effektengesellschaft AG Group	362	256
Other profits relating to other periods	64	21
Releases of other provisions and accruals	17	23
Other cost charge-outs	16	114
Profits from the sale of computing equipment	13	106
Income from the sale of investment shares	-	134
Other profits	4	4
Total other operating profits	**1,297**	**658**

In the past business year, personnel expenses fell by 89,000.00 € from 1,022,000.00 € to 933,000.00 €. This is due mainly to the reduction in the number of personnel in the business year 2004.

The write-offs concern mainly software for the purpose of statutory registration in line with the banking supervisory authority, the use of which is billed to the Berliner Freiverkehr (Aktien) AG. The exact split of the write-offs can be found in the asset analysis.

The ongoing operating expenses are shown under "other operating expenses". The significant amounts are broken down as follows:

	in '000€ 2004	in '000€ 2003
Expenses for the services of Consors Capital Bank AG	623	-
Losses from the disposal of stocks in affiliated companies	302	-
Occupancy costs	191	175
Costs of annual financial statements	184	171
Costs for the services of the Berliner Freiverkehr (Aktien) AG	87	86
Remuneration of the Supervisory Board	75	75
Costs of the shareholders' meeting	66	88
Costs of computing equipment to be sold	13	132
Expenses from tax charge-outs	11	412
Contributions to associations (also relating to other periods)	2	2
Compensation for damages	-	250
Foreign exchange losses from disposal of assets	-	134
Other expenses	294	300
Total other operating expenses	**1,848**	**1,825**

The costs for the services of the Berliner Freiverkehr (Aktien) AG concern the personnel at reception and the employees in IT-Operations as well as the banking services of the Consors Capital Bank AG.

"Other interest and similar profits" are made up of interest from cash investments and interest profits from financial assets. Investment of liquidity funds in overnight funds and fixed-term deposits brought interest profits of 70,000.00 €. Investment of liquidity funds in several commercial papers and in a money market fund brought a profit of 47,000.00 €. On the grounds of the tax refunds resulting from the company audit, interest profits of 8,000.00 € were made.

In the business year, of the write-offs made in previous years none were cancelled by write-ups. For the nominal 1,990,000.00 US-$ convertible capital note issued by Ladenburg Thalmann Financial Services Inc. we have received a compensation payment of 1,000,000.00 US-$. Since this had been written off in previous years, a profit to the equivalent amount of 821,000.00 € was realised and booked under other operating profits. As the Berliner Freiverkehr (Aktien) AG has had negative results in the last years and currently finds itself in a difficult business environment, the respective value was written off. The assumptions which led to the write-offs of further financial assets continue to exist.

In the provisions and accruals for the results of the company audit the sum of 54,000.00 € was allowed for interest payments. As a result of the assessment the provisions were called upon to the amount of 46,000.00 €, while 8,000.00 € could be dissolved. The tax authorities paid the company 8,000.00 € in interest. On the other hand, there were no provisions for the 13,000.00 € interest expenses resulting from the tax assessments. This sum represents the interest costs for this business year.

The company audit for the years 1997 to 1999 was completed in 2003. Tax assessments based on the company audit were received in the past business year. Provisions were called upon to the amount of 203,000.00 €, while 47,000.00 € could be dissolved. The company received a refund of 43,000.00 € which was not accounted for in receivables. In return, 55,000.00 € had to be booked as additional tax expenses because the amount of tax payable exceeded the provisions. No further tax expenses occurred.

D. OTHER INFORMATION

Interests held

The following information relates to December 31, 2004 or the business year 2004, unless otherwise specified.

Berliner Freiverkehr (Aktien) AG, Berlin

Nominal capital:		23,000,000.00 €
Interest held:	100%	23,000,000.00 €
Stockholders' equity:		35,343,621.61 €
Profit for the year:		532,986.08 €

Consors Capital Bank AG, Berlin

Nominal capital:		10,994,463.00 €
Interest held:	88.2%	9,693,647.00 €
Stockholders' equity:		10,171,646.92 €
Profit for the year:		89,417.40 €

Online Securities Holding Inc., Delaware, USA

Nominal capital:		230,004.12 US-$
Interest held:	28.0%	60,303.03 US-$
Stockholders' equity as at December 31, 2001:		2,025,120.00 US-$
Loss for the year 2001:		2,323,600.00 US-$

Ventegis Capital AG, Berlin

Nominal capital:		3,487,520.00 €
Interest held:	93.7%	3,268,925.00 €
Stockholders' equity:		8,475,452.25 €
Loss for the year:		579,846.93 €

Other financial obligations

Significant contingent liabilities or financial obligations which are not evident in the annual financial statements do not exist.

Employees

The number of employees developed as follows:

	Female	Male	Total
Average for the year			
Board members	0.0	2.0	2.0
Other employees	3.3	2.3	5.6
Total	**3.3**	**4.3**	**7.6**
of which part-time employees (headcount)	0.5	2.0	2.5
of which part-time employees (in terms of full-time positions)	0.3	1.1	1.4
As at December 31, 2004			
Board members	0.0	2.0	2.0
Other employees	2.0	2.0	4.0
Total	**2.0**	**4.0**	**6.0**
of which part-time employees (headcount)	0.0	2.0	2.0
of which part-time employees (in terms of full-time positions)	0.0	1.1	1.1

Corporate bodies of the Berliner Effektengesellschaft AG
According to Section 285 Number 10 HGB listed below as at December 31, 2004 are the members of the Board and the members of the Supervisory Board as well as their memberships in supervisory boards and comparable managing bodies in domestic and foreign business establishments. For those Supervisory Board members who resigned from office early, the listed mandates and the occupation practised refer to the time of the respective resignation.

Members of the Board

Dr. Jörg Franke, Frankfurt am Main
Speaker of the Board

Chairman of the Supervisory Board
RTS Realtime Systems (Deutschland) AG, Frankfurt am Main
Chairman of the Stock Exchange Council
Berlin-Bremen Stock Exchange, Berlin and Bremen
Deputy Chairman of the Supervisory Board
Berliner Börse AG, Berlin
Member of the Supervisory Board
Mummert Consulting AG, Hamburg
Member of the Board
(Bundesverband der Wertpapierfirmen an den deutschen Börsen, Berlin and Frankfurt am Main
(Federal Association of Financial Intermediaries
on the German Stock Exchanges, Berlin and Frankfurt am Main)
Member of the Advisory Board
Hauck & Aufhäuser, Privatbankiers KGaA, Frankfurt am Main
Industrie- und Handelsunion Dr. Wolfgang Boettger GmbH & Co. KG, Berlin

Holger Timm, Berlin
Speaker of the Board
Chairman of the Board of Berliner Freiverkehr (Aktien) AG

Chairman of the Supervisory Board
Consors Capital Bank AG, Berlin
Ventegis Capital AG, Berlin
Member of the Supervisory Board
EuroChange AG, Berlin

Members of the Supervisory Board

Andrä Dujardin, Berlin
Entrepreneur

Wolfgang Hermanni, Berlin (Chairman)
Businessman

Chairman of the Supervisory Board
Berliner Freiverkehr (Aktien) AG, Berlin
EuroChange AG, Berlin
Member of the Supervisory Board
Consors Capital Bank AG, Berlin
Ventegis Capital AG, Berlin

Jean-Philippe Huguet, Neuilly-sur-Seine, France
Chief Operating Officer and
General Secretary of Cortal Consors S.A.

Dr. Andor Koritz, Berlin
Lawyer
Deputy Chairman

Member of the Supervisory Board
Berliner Freiverkehr (Aktien) AG, Berlin
Consors Capital Bank AG, Berlin

Detlef Prinz, Berlin
Entrepreneur

Member of the Supervisory Board
Hansa Luftbild Arabia E.C., Manama, Bahrain
Member of the Advisory Board
Dräger-Stiftung, Munich/Lübeck

Dr. Günter Rexrodt (†), Berlin
(until August 19, 2004)
Member of the Board of WMP EuroCom AG, Berlin

Chairman of the Supervisory Board
AGIV Real Estate AG, Hamburg
Member of the Supervisory Board
AWD Holding AG, Hannover
DTZ Zadelhoff Holding GmbH, Frankfurt am Main
Landau Media AG, Berlin

Remuneration of corporate bodies
Dr. Jörg Franke received fixed remuneration of 370,000.00 € from the Berliner Effektengesellschaft AG. 63,000.00 € of this was in contributions to a pension fund and benefits in kind in the form of a company car. Mr. Holger Timm received fixed remuneration of 77,000.00 € from the Berliner Effektengesellschaft AG. The Board did not receive any variable remuneration in the past business year. The remuneration of the Supervisory Board amounted to 75,000.00 € and was split as follows:

	Remuneration in €
Wolfgang Hermanni	23,200.00
Dr. Andor Koritz	17,400.00
Detlef Prinz	11,600.00
Dr. Günter Rexrodt	11,600.00
Andrä Dujardin	11,600.00

Payments or benefits for personally rendered services were not made to the Board members or Supervisory Board members.

Stock ownership / trading in company stocks by members of the corporate bodies
In the last business year Dr. Jörg Franke neither purchased nor sold any shares. Mr. Holger Timm purchased a total of 943,979 shares of the Berliner Effektengesellschaft AG. 850,000 shares were bought by the H.T.B. Unternehmens-beteiligungen GmbH. As at December 31, 2004 the Board members held 11,180,900 shares, including the indirectly held shares, and 235,000 option rights on shares of the company. Of these, 5,485,048 shares and 75,000 option rights fell to Mr. Holger Timm, 5,695,852 shares fell to the H.T.B. Unternehmensbeteiligungen GmbH which are assigned to Mr. Timm in full and 240,000 option rights fell to Dr. Jörg Franke.

In the past business year the members of the Supervisory Board neither purchased nor sold any shares. As at December 31, 2004 Mr. Hermanni held 165,003 shares of the Berliner Effektengesellschaft AG (1 %). Other members of the Supervisory Board received neither shares of the company nor option rights on shares of the company.

Corporate Governance Code
The Board submitted the Declaration of Conformity pursuant to the German Corporate Governance Code and made it accessible to shareholders on the internet (www.effektengesellschaft.de).

Proposal on the allocation of profits
The Board proposes to the shareholders' meeting that the retained earnings of 0.00 € be brought forward to the new balance sheet.

Berlin, March 1, 2005

Berliner Effektengesellschaft AG

Holger Timm *Dr. Jörg Franke*

Fixed assets schedule pursuant to Section 264 HGB as at December 31, 2004

	in € Acquisition costs	in € Additions in the business year	in € Disposals in the business year	in € Book transfers	in € Write-offs in total	in € Write-offs in the business year	in € Residual book value at 12-31-2003	in € Residual book value in prior year
Intangible assets								
Software	84,379.38	6,094.64	-	120,799.59	102,514.61	61,307.43	108,759.00	43,172.20
Payments on intangible assets	120,799.59	-	-	- 120,799.59	-	-	-	120,799.59
Total intangible assets	205,178.97	6,094.64	-	-	102,514.61	61,307.43	108,759.00	163,971.79
Tangible fixed assets								
Business and office equipment	89,202.21	51.00	3,258.87	-	45,860.34	9,426.50	40,134.00	51,008.00
Payments on assets and assets under construction	-	-	-	-	-	-	-	-
Total tangible fixed assets	89,202.21	51.00	3,258.87	-	45,860.34	9,426.50	40,134.00	51,008.00
Financial assets								
Stocks in affiliated companies	77,884,217.05	2,300,291.68	1,041,606.59	-	29,267,346.35	18,398,514.30	49,875,555.79	66,513,359.49
Participatory investments	11,694,167.03	-	-	-	11,694,166.03	-	1.00	1.00
Loans to companies with which there is a participatory relationship	2,346,247.86	-	2,346,247.86	-	-	-	-	-
Total financial assets	91,924,631.94	2,300,291.68	3,387,854.45	-	40,961,512.38	18,398,514.30	49,875,556.79	66,513,360.49
Totel fixed assets	**92,219,013.12**	**2,306,437.32**	**3,391,113.32**	**-**	**41,109,887.33**	**18,469,248.23**	**50,024,449.79**	**66,728,340.28**

In the German version of the annual report the auditors' report is printed here. This report confirms the unreserved validation by the PwC Deutsche Revision AG Wirtschaftsprüfergesellschaft, Berlin, of the annual financial statements of the Berliner Effektengesellschaft AG.

GROUP BALANCE SHEET

BERLINER EFFEKTENGESELLSCHAFT AG | as at December 31, 2004

ASSETS	in € 2004	in € 2004	in € 2004	in T€ 2003
1. Cash reserves				
a) Cash balance		59,445.35		142
b) Balances held at central banks		2,073,791.32	2,133,236.67	1,245
including: at the Deutsche Bundesbank 2,073,791.32 €				
2. Receivables from banks				
a) due daily		25,227,838.30		27,740
b) other receivables		19,479,213.00	44,707,051.30	46,603
3. Receivables from customers			10,107,031.98	10,214
including: secured by charges on properties -.- -				
loans to municipalities -.- -				
from financial services institutions 420,158.04 €				
4. Bonds and other fixed-interest securities				
a) Money market papers				
aa) from other issuers	4,492,723.72	4,492,723.72		0
including: lendable from the Deutsche Bundesbank -.- -				
b) Loans and bonds				
ba) from public-sector issuers	14,997,226.67			14,994
including: lendable from the Deutsche Bundesbank 14,997,226.67 €				
bb) from other issuers	0.00	14,997,226.67	19,489,950.39	9,996
including: lendable from the Deutsche Bundesbank -.- -				
5. Stocks and other non-fixed interest securities			11,364,171.68	10,375
6. Participatory investments			1,512,467.94	1,569
including: in banks -.- -				
in financial services institutions -.- -				
7. Stocks in associated companies			108,675.00	0
including: in banks -.- -				
in financial services institutions -.- -				
8. Intangible assets			2,879,150.40	3,119
9. Tangible fixed assets			1,137,556.79	2,523
10. Other current assets			1,896,849.75	1,134
11. Prepaid and deferred expenses			318,419.93	34
Total assets			**95,654,561.83**	**129,688**

EQUITY AND LIABILITIES	in € 2004	in € 2004	in € 2004	in '000€ 2003
1. Liabilities to banks				
a) due daily		1,015,393.23		1,622
b) with agreed term or period of notice		217,470.00	1,232,863.23	2,394
2. Liabilities to customers				
a) Other liabilities				
aa) due daily	16,497,844.59			16,285
ab) with agreed term or period of notice	11,760,168.11	28,258,012.70	28,258,012.70	10,286
3. Other liabilities			795,644.37	31,370
4. Prepaid and deferred expenses			2,661.47	7
5. Provisions and accruals				
a) Provisions and accruals for pensions and similar obligations		0.00		301
b) Tax provisions and accruals		39,951.67		397
c) Other provisions and accruals		2,051,457.48	2,091,409.15	2,241
6. Stockholders' equity				
a) Stock capital		16,311,203.00		15,960
b) Capital reserve		44,830,455.46		71,752
c) Revenue reserves				
ca) statutory reserve	0.00			25
cb) other revenue reserves	0.00	0.00		4,359
d) Difference resulting from the consolidation of capital		397,613.75		2,037
e) Retained earnings		0.00		- 32,343
f) Adjusted items for the shares of other shareholders		1,734,698.70	63,273,970.91	2,995
Total equity and liabilities			**95,654,561.83**	**129,688**
1. Contingent liabilities				
a) Liabilities from guaranties and warranty contracts		828,793.44	828,793.44	717
2. Other obligations				
a) Irrevocable loan agreements		3,356,888.88	3,356,888.88	3,667

GROUP INCOME STATEMENT

BERLINER EFFEKTENGESELLSCHAFT AG | from January 1, 2004, to December 31, 2004

	in € 01-01 – 12-31-2004	in € 01-01 – 12-31-2004	in € 01-01 – 12-31-2004	in '000€ 01-01 – 12-31-2003
1. Interest profits from				
a) Loan and money market transactions	1,452,513.86			1,225
b) Fixed-interest securities and bonds issued in book-entry form	409,049.97	1,861,563.83		292
2. Interest expenses		- 508,444.72	1,353,119.11	- 126
3. Current profits from				
a) Stocks and other non-fixed interest securities		186,711.70	186,711.70	10
4. Result from associated companies			0.00	83
5. Profits from profit pools, shifting of profits or part shifting of profits			5,461.39	0
6. Commissions received			9,959,808.22	5,711
including: courtage profits	4,817,613.73			*(4,367)*
7. Commissions paid			- 4,947,333.93	- 2,794
including: courtage expenses	- 2,500,100.93			*(- 2,056)*
8a. Profit from financial transactions			18,698,620.07	19,236
of which: aa) securities	46,269.99			(6)
ab) price differences on name-to-follow transactions	18,321,417.72			*(19,087)*
8b. Expenses from financial transactions			- 11,457,374.35	- 13,472
of which: ba) securities	41,743.00			*(74)*
bb) price differences on name-to-follow transactions	11,153,941.02			*(13,041)*
9. Other operating profits			2,150,960.73	4,630
10. Profits from the release of special items partly with reserve character			0.00	2
11. General administrative expenses				
a) Personnel expenses				
aa) wages and salaries	- 7,339,606.01			- 4,935
ab) social security payments and expenses for pensions	- 1,055,946.67	- 8,395,552.68		- 824
including: for pensions 39,429.86 €				
b) Other administrative expenses		- 7,261,956.64	- 15,657,509.32	-5,877

	in € 01-01 – 12-31-2004	in € 01-01 – 12-31-2004	in € 01-01 – 12-31-2004	in '000€ 01-01 – 12-31-2003
12. Write-offs and value adjustments on intangible assets and tangible fixed assets			- 1,798,236.40	- 1,812
13. Other operating expenses			- 1,047,188.21	- 817
14. Write-offs and value adjustments on receivables and certain securities as well as allocations to provisions and accruals in credit business		0.00	0.00	- 348
15. Profits from the write-up to receivables and certain securities and from the release of provisions in credit business		631,563.86	631,563.86	0
16. Write-offs and value adjustments on participatory investments, stocks in affiliated companies and securities treated as fixed assets		- 495,198.28	- 495,198.28	- 1,831
17. Result from ordinary activities			**- 2,416,595.41**	**- 1,647**
18. Extraordinary expenses		- 1,091.61		- 48
19. Extraordinary result		- 1,091.61	- 1,091.61	
20. Income and profit taxes			55,382.45	508
21. Other taxes, unless recorded under item 13			- 7,180.35	- 1
22. Profits from the release of debit differences resulting from the consolidation of capital			1,473,189.44	1,183
23. Net loss			**- 896,295.48**	**- 5**
24. Outside shareholders' shares in net loss			48,379.29	183
25. Loss brought forward from previous year			- 32,343,249.96	- 30,863
26. Withdrawals from the capital reserve			28,806,359.27	0
27. Expenses from withdrawal of own stocks			0.00	- 4,647
28. Withdrawal from revenue reserves				
a) from the statutory reserves		25,564.59		0
b) from the reserves for own stocks		0.00		4,647
c) from other revenue reserves		4,359,242.29	4,384,806.88	0
29. Profit from capital reduction			0.00	837
30. Appropriation to the capital reserve compliant with the rules for simplified capital reduction			0.00	- 837
31. Appropriation to the revenue reserves				
a) to the reserve for own stocks		0.00		- 24
b) to other revenue reserves		0.00	0.00	- 1,634
32. Net loss			**0.00**	**- 32,343**

A. GENERAL BACKGROUND

Basis of consolidation
The Berliner Effektengesellschaft AG, Berlin, is the parent company of the Berliner Effektengesellschaft AG Group. Besides the parent company, three subsidiaries are included in the group financial statements.

The Berliner Effektengesellschaft AG is not included in any consolidated financial statements for the year ended December 31, 2004. Mr. Holger Timm is the majority shareholder of the Berliner Effektengesellschaft AG. He owns 68.5 % of the voting rights, 34.9 % of which directly via the H.T.B. Unternehmensbeteiligungen GmbH.

B. GENERAL INFORMATION ON THE CLASSIFICATION OF THE GROUP FINANCIAL STATEMENTS AND ON ACCOUNTING AND VALUATION METHODS

Preparation of the group financial statements
The group financial statements of the Berliner Effektengesellschaft AG for the year ended December 31, 2004 were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB) – (German Commercial Code) and the Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute (RechKredV) – (Bank Accounting Directive), as last amended on December 11, 1998.

The classification of the financial statements is in accordance with the RechKredV; the vertical form has been chosen for the income statement.

The subsidiaries included were consolidated according to the book value method pursuant to Section 301 Subsection 1 Clause 2 Number 1 HGB. The consolidation is carried out according to Section 301 Subsection 2 Clause 1 first alternative at the respective time of purchase of shares. Thereby, purchases of only a few shares were combined with considerable purchase transactions. The book values of the participatory investments were each offset against the stockholders' equity relating to them at the time of acquisition of shares. The hidden reserves and encumbrances revealed in the course of the consolidation of capital as well as the acquired goodwill were carried forward from the time of purchase. Thus, the inclusion in the group financial statements is depicted as if it were carried out at the time of purchase.

The Berliner Freiverkehr (Aktien) AG, Berlin has been included in the group financial statements since December 31, 1998. The Consors Capital Bank AG, Berlin has been a subsidiary of the Berliner Effektengesellschaft AG since October 2, 2003. For reasons of simplification it is, within the scope of a full consolidation, included in the group financial statements with effect from October 1, 2003. Until November 18, 2003 Ventegis Capital AG, Berlin was shown in the group financial statements at equity, under the book value method pursuant to Section 312 Subsection 1 Number 1 HGB. Since then, due to the acquisition of the majority of the shares, a full consolidation has been carried out.

For the period of full consolidation, receivables and liabilities between companies included in the group financial statements were eliminated, as too were expenses and profits.

In view of the subordinate importance for the net assets, financial position and profitability, four associated companies are included in the group balance sheet at acquisition costs, diminished by write-offs to the lower applicable value, instead of at equity. They are shown under the item "participatory investments".

The annual financial statements were prepared in €.

Accounting and valuation principles
Accounting and valuation principles correspond with the statutory regulations.

Receivables from banks and customers are shown at their nominal value. Securities are defined in Section 7 RechKredV; in the balance sheet we show them under the items "bonds and other fixed-interest securities", "stocks and other non-fixed interest securities", "participatory investments" and "associated companies". In stating profits/expenses we distinguish in the case of securities between fixed assets, trading stocks and stocks of the liquidity reserve (securities which are treated neither as fixed assets nor as part of the trading stock). In the latter two cases, these are current assets which are stated strictly observing the principle of lower of cost or market, for each type of security, at the continuously determined average values or lower values on the balance sheet date. We have recorded securities which are shown under "participatory investments" and "associated companies" as fixed assets. They were, where necessary, written off at their lowest value. Temporary reductions in value of these assets do not exist, so use has not been made of the option to write-off fixed assets only within the scope of continuing value reductions.

Recognisable risks have been accounted for with value adjustments, provisions and accruals.

Financial assets have been recorded at acquisition costs, taking into account probable permanent reductions in value. We have valued intangible assets and tangible fixed assets at acquisition or production costs and, where possible, allowed for book depreciation on a straight-line basis. The software shown under fixed assets in previous years was this year moved to intangible assets. Low-value fixed assets are written off in full in the year of acquisition and booked out.

A deferred tax item for deferred tax assets, in accordance with the provisions of Section 274 Subsection 2 HGB, was not established.

Liabilities are stated at their repayment amount.

We have formed provisions and accruals for taxes, uncertain liabilities and impending losses from pending transactions to the amount of their probable utilisation on the basis of reasonable commercial judgement.

Proportionate interest determined at the balance sheet date is shown under the underlying receivables or liabilities.

Currency exchange
The valuation of assets and debts denominated in foreign currency has been made in accordance with the provisions of Section 340 h HGB. A variance occurs for those stocks quoted on a stock exchange in € and whose nominal value or computed nominal value (for example individual shares) is denominated in a foreign currency. These might be stocks of US-American companies whose capital is denominated in US-$. We have recorded these securities, observing the

principle of lower of cost or market, at their acquisition costs or at the closing rates determined in € on a German stock exchange.

All other assets and debts denominated in foreign currencies were converted at reference rates of the European Central Bank or, in cases where no reference rates were available, at the average rates on the foreign exchange market on the balance sheet date. For the balance sheet items, the method of simply covered assets and debts was applied and use was made of the option of realising profits to balance out losses from currency conversion pursuant to Section 340 h Subsection 2 Number 3 HGB. For some balance sheet items and the open term money transactions connected with them, all profits were realised within the scope of their particular coverage. Swap positions from split forward rates were defined in the net income.

C. NOTES TO THE BALANCE SHEET

Change in the basis of consolidation

The basis of consolidation has not changed since December 31, 2003.

Classification of remaining terms

The **classification of remaining terms** is as follows:

	in € 2004	in € 2003
Other receivables from banks		
a) in less than three months	19,479,213.00	46,602,894.05
b) more than three months and less than one year	0.00	0.00
c) more than one year and less than five years	0.00	0.00
d) more than five years	0.00	0.00
	19,479,213.00	46,602,894.05
Receivables from customers		
a) in less than three months	3,613,552.75	5,218,810.07
b) more than three months and less than one year	4,537,582.97	3,043,669.95
c) more than one year and less than five years	296,435.77	0.00
d) more than five years	0.00	0.00
e) of indefinite term	1,659,460.49	1,951,379.32
	10,107,031.98	10,213,859.34

The Berliner Effektengesellschaft AG and the Berliner Freiverkehr (Aktien) AG keep a large part of their receivables from banks at the Consors Capital Bank AG. Since the Consors Capital Bank AG is a subsidiary of the Berliner Effektengesellschaft AG, these are consolidated against the respective liabilities to banks and customers of the Consors Capital Bank AG and no longer shown in the group balance sheet.

Total amount of all assets and debts denominated in foreign currency

The amounts represent the sums of the equivalents in € of the most variable currencies. The difference does not indicate any exposed foreign currency positions.

	in '000€ 2004	in '000€ 2003
Assets	5,298	6,837
Debts	504	2,628

Of the stock exchange marketable investments not listed on a stock exchange, associated companies with a book value of 281,000.00 € were stated at December 31, 2003. In 2004 the balance sheet item "associated companies" was reclassified. Of the securities held, four, with a total book value of 251,000.00 €, are not marketable on a stock exchange. The remaining securities are marketable on a stock exchange. Stocks listed on the unofficial regulated market of a German stock exchange are considered as not listed according to RechKredV. The group of the Berliner Effektengesellschaft AG holds shares in a money market fund with a book value of 9,953,000.00 €, shown under stocks and other non-fixed interest securities.

Securities marketable on the stock exchange

	in '000€ 2004	in '000€ 2003
Listed on a stock exchange		
Bonds and other fixed-interest securities	14,997	14,994
Stocks and other non-fixed interest securities	823	273
Participatory investments	0	0
Stocks in affiliated companies	0	0
Not listed on a stock exchange		
Bonds and other fixed-interest securities	4,493	9,996
Stocks and other non-fixed interest securities	10,541	10,102
Participatory investments	1,261	1,268
Stocks in affiliated companies	0	0
Stocks in associated companies	109	0
Total of securities marketable on a stock exchange		
Bonds and other fixed-interest securities	19,490	24,990
Stocks and other non-fixed interest securities	11,364	10,375
Participatory investments	1,261	1,268
Stocks in affiliated companies	0	0
Stocks in associated companies	109	0

Goodwill

The consolidation of the subsidiaries existing as at December 31, 2004 resulted initially in debit differences of 10,391,915.65 €. On the grounds of the sale of shares to Consors Capital Bank AG, this amount was reduced on the balance sheet date to 10,205,794.61 €.

The write-off on goodwill arising from the purchase of the Berliner Freiverkehr (Aktien) AG (formerly Diederich Freimakler GmbH) is taking place over a period of ten years as of September 30, 1998. The goodwill arising from the first consolidation at the time of the purchase of Consors Capital Bank AG will be written off retrospectively over four years from January 1, 1999 and the goodwill from Ventegis Capital AG will be written off over 15 years from April 27, 2001, or October 17, 2001 respectively. In addition, since the goodwill is no longer recoverable, special write-offs were made in line with the inclusion at equity for the business years 2001 to 2003.

This results in the following development of goodwill:

Company	in '000€ Goodwill 12-31-2004	in '000€ Cumulated write-offs	in '000€ Residual book value 12-31-2004
Berliner Freiverkehr (Aktien) AG	6,295	3,934	2,361
Consors Capital Bank AG	1,574	1,574	-
Ventegis Capital AG	2,337	2,337	-
Total	**10,206**	**7,845**	**2,361**

Development of fixed assets

	in '000€ Acquisition costs	in '000€ Additions in the business year	in '000€ Disposals in the business year	in '000€ Rebookings	in '000€ Proportionate changes in stockholders' equity
Financial assets					
Stocks in associated companies	-	-	-	7,704	-
Stocks in affiliated companies	-	-	-	-	-
Participatory investments	20,067	230	893	- 7,704	-
Total financial assets	20,067	230	893	-	-
Intangible economic assets					
Intangible assets	681	31	269	5,290	-
Goodwill	10,392	-	186	-	-
Payments on intangible economic assets	-	46	-	-	-
Total intangible economic assets	11,073	77	455	5,290	-
Tangible fixed assets					
Business and office equipment	10,801	125	339	- 5,148	-
Payments on assets and assets under construction	131	11	-	- 142	-
Total tangible fixed assets	10,932	136	339	- 5,290	-
Total fixed assets	**42,072**	**443**	**1,687**	**-**	**-**

During the business year, all the associated companies which are included in the group financial statements at book-value were disclosed under “associated companies” instead of “participatory investments”.

Other current assets
The position “other current assets” contains those items which cannot be subsumed under other balance sheet items on the assets side. They relate to receivables from the tax authorities amounting to 1,650,000.00 € and revenue entitlements of 71,000.00 €.

Other liabilities
The position “other liabilities” contains those items which cannot be subsumed under other balance sheet items on the equity and liabilities side. Of the 796,000.00 €, 260,000.00 € relate to liabilities to wage taxes and social security payments not yet paid, 242,000.00 € to the share in the costs of the former Bundesaufsichtsamt für das Kreditwesen (Federal Banking Supervisory Office), 158,000.00 € to trade accounts payable, 69,000.00 € to the tax authorities and 17,000.00 € to the adjusted items on foreign exchange valuation.

Provisions and accruals
Under provisions and accruals, items have been placed which belong in the income statement for the business year 2004 or earlier, but do not yet have a fixed amount or date of maturity. The company audit for the years 1997 to 1999, begun in June 2002 by the Finanzamt für Körperschaften I von Berlin (Corporation Tax Authority in Berlin), was completed in the business year 2003. On the basis of the now completed tax assessments, back duties including interest became due and were paid in the business year

in ’000€ Change in the basis of consolidation	in ’000€ Write-offs in total	in ’000€ Write-offs in the business year	in ’000€ Residual book value at 12-31-2004	in ’000€ Residual book value in prior year
-	7,595	173	109	-
-	-	-	-	-
-	10,188	5	1,512	1,569
-	17,783	178	1,621	1,569
-	5,261	532	472	129
-	7,845	629	2,361	2,990
-	-	-	46	-
-	13,106	1,161	2,879	3,119
-	4,301	637	1,138	2,392
-	-	-	-	131
-	4,301	637	1,138	2,523
-	**35,190**	**1,976**	**5,638**	**7,211**

2003. The provisions and accruals existing as at December 31, 2003 were partly used and partly dissolved.

Other provisions and accruals are mainly made up of the following items:

Provisions and accruals for	in '000€ 12-31-2004	in '000€ 12-31-2003
other business expenses	642	391
compensation for damages	500	250
annual financial statements	413	447
personnel expenses	264	322
occupancy costs	123	138
impending losses	45	64
remuneration to the Supervisory Board	25	33
share in the costs of the banking supervisory authorities	11	423
contributions to the Chamber of Industry and Commerce	5	11
contract note and settlement charges	-	142
other provisions and accruals	24	20
Total	**2,052**	**2,241**

Stock capital
As at December 31, 2004 the stock capital amounted to 15,960,159.00 €. At the shareholders' meeting on June 16, 2003 it was resolved that no change should be made to the stock capital. On July 1, 2004 a voluntary conversion offer was made to shareholders of Ventegis Capital AG. The offer comprised 1 Ventegis Capital AG share for 0.4 shares of the Berliner Effektengesellschaft AG. Within the scope of this offer the company received 877,610 Ventegis Capital AG shares. Correspondingly, 351,044 new shares of the Berliner Effektengesellschaft AG were issued. As at December 31, 2004 the stock capital amounted to 16,311,203.00 €, divided into 16,311,203 non-par individual shares.

In the past business year no announcements regulated by Section 21 Subsection 1 of the Wertpapierhandelsgesetz (WpHG) – (Securities Trading Law) were received.

Approved capital
An increase of 351,044.00 €, was implemented from the approved capital of 7,980,079.50 €. This was to serve the former shareholders of Ventegis Capital AG who had accepted the take-over bid. Henceforth, on the basis of the resolution of the shareholders' meeting on June 16, 2003, the Board, with the consent of the Supervisory Board, is authorised until June 16, 2008 to increase the nominal capital of the company once or more than once by issue of individual stocks against cash or non-cash contribution up to the amount of 7,629,035.50 €.

Contingent capital
The shareholders' meeting of June 15, 1999 had resolved to contingently increase the stock capital by 600,000.00 € for an employee stock option scheme (contingent capital I) and by 5,940,000.00 € for the issue of stock option warrants without bonds (contingent capital II). On the basis of the contingent capital increase and in exploitation of the contingent capital II, a total of 527,802 stocks with a computed value of 1.00 € were issued up to December 31, 2003. At the shareholders' meeting on June 28, 2002 a further contingent capital increase of 600,000.00 € was resolved (contingent capital III). This entitles the Board to issue convertible bonds and/or subscription rights without bonds to the members of the Board and employees of companies affiliated under the terms of Section 15 ff AktG. As a result of the capital increase, the amounts of contingent capital increase in proportion to the nominal capital of the company. Accordingly, contingent capital I is 1,728,000.00 €, contingent capital II is 15,219.52 € and contingent capital III is 1,728,000.00 €.

Capital reserve
As at December 31, 2003 the capital reserve stood at 71,751,708.45 €. In the course of the increase in share capital against the take-over of shares of Ventegis Capital AG 1,885,106.28 € was added to the capital reserve. In order to balance out the group's loss carried forward and the loss for the year, 28,806,359.27 € was taken out of the capital reserve. As at December 31, 2004 the capital reserve came to 44,830,455.46 €.

Revenue reserves
As a result of the sum withdrawn for the purpose of loss compensation, the revenue reserves fell by 4,385,000.00 €.

Differences resulting from consolidation of investments
From the consolidation of the shares bought in the Consors Capital Bank AG and Ventegis Capital AG, differences resulted from the consolidation of investments amounting to a total of 5,481,000.00 €. In the previous year, these differences fell to 2,037,000.00 € due to claims for the settlement of accumulated losses and receipts. In the business year 2004 the differences rose slightly by 18,000.00 € as a result of the addition of Ventegis Capital AG shares. In return, shares of the Consors Capital Bank AG were sold so that the not yet used differences of 184,000.00 € could be debited. From the remaining differences the subsidiaries' losses of 1,473,000.00 € were equalised. The remaining amount of 398,000.00 € is shown in the group's shareholders' equity.

Own stocks
On June 28, 2002 the shareholders' meeting authorised the Board, pursuant to Section 71 Subsection 1 Number 8 AktG, to acquire own stocks for the purpose of sale or withdrawal. This authorisation is valid until December 16, 2004 and limited to 10 % of the nominal capital of June 16, 2003, this being 1,596,015 shares.

On June 22, 2004 the shareholders' meeting revised the authorisation. It is now valid until December 22, 2005 and limited to 10 % of the nominal capital of June 22, 2004, this being 1,596,015 shares.

The resolution of the shareholders' meeting on June 22, 2004 authorised the Board, with the consent of the Supervisory Board, to either partly or completely withdraw the stocks acquired on the basis of this authorisation. This authorisation may be used in part or to the full and on one or several occasions.

In 2004, the authorisation to purchase own stocks was not utilised.

Adjusted items for outside shareholders' shares
As at December 31, 2004, two subsidiaries in which third party interests exist will be included in the group financial statements within the scope of a full consolidation. The shares of the stockholders' equity of the respective companies which are apportioned to third parties are accounted for here.

D. EXPLANATIONS TO THE INCOME STATEMENT

Profits and expenses from financial transactions
The profits and expenses from financial transactions are income or losses which arise from the purchase and sale of financial instruments, especially securities, as a result of market price fluctuations. Write-offs on trading stocks are dealt with separately. They are shown under "profit" or "expenses from financial transactions a) securities". Furthermore, differences on name-to-follow transactions are shown here under the sub-item b). In the past business year there were no profits or expenses from futures or options. The results from foreign exchange positions arising in connection with trading stocks in securities are included in the total amount.

Other operating profits
The position "other operating profits" is a compound item, under which profits arising from ordinary activities are shown which do not belong anywhere else.

	in '000€ 2004	in '000€ 2003
Reclaim of turnover tax	835	199
Releases of other provisions and accruals	691	175
Refund of costs of banking supervisory authority	231	-
Other cost charge-outs	76	331
Profits from the sale of computer hardware	13	106
Interest on tax refunds	19	1,415
Profits from first consolidation	-	2,244
Income from the disposal of tangible fixed assets	-	-
Other profits	286	159
Total other operating profits	**2,151**	**4,629**

Personnel expenses
Included in the personnel expenses are supplementary grants and bonuses of 784,000.00 €. This represents a total increase in supplementary grants and bonuses of 635,000.00 € compared with last year.

Other administrative expenses
Shown under the position "other administrative expenses" are all expenses of a business nature, such as occupancy costs, contributions to the banking supervisory authorities and audit costs. The breakdown for the group appears as follows:

	in '000€ 2004	in '000€ 2003
Expenses for stock exchange information services	1,432	1,181
Occupancy costs	1,346	1,095
Computing expenses	1,180	695
Stock exchange charges for contract notes, Xetra	663	817
Legal and consultancy fees	488	195
Expenses for data lines	316	315
Contributions to associations and banking supervisory authorities	202	429
Other administrative expenses	1,635	1,150
of which expenses relating to other periods	-	*63*
Total other administrative expenses	**7,262**	**5,877**

Other operating expenses
The position "other operating expenses" is a compound item, under which expenses arising from ordinary activities are shown which do not belong anywhere else. In line with the reduction of 10.4 % of the nominal interest in Consors Capital Bank AG, a final consolidation of this investment became necessary. The comparison of the sales revenue with the proportional shareholders' equity and its apportionable debit difference resulted in a loss.

	in '000€ 2004	in '000€ 2003
Compensation for damages	512	255
Losses from final consolidation	337	-
Losses from the disposal of tangible fixed assets	32	8
Utilisation of supplied collateral	-	150
Foreign exchange losses from financial assets	-	134
Interest on back duties	22	44
Other expenses	144	226
Total other operating expenses	**1,047**	**817**

Write-offs and value adjustments on participatory investments
The write-offs on participatory investments were carried out observing strictly the principle of lower of cost or market. The market value or the applicable value was used as a benchmark. The applicable value was determined either by assessing the profit capacity value, the current stockholders' equity provisions and the profitability, or by current capital measures and the resulting evaluations. The write-offs were necessary in line with the venture capital business.

Extraordinary expenses
The low extraordinary expenses resulted from the repayment of investment subsidies.

Income and profit taxes
The Berliner Effektengesellschaft AG Group received refunds on the submitted tax assessments for the assessment periods 2000 and 2001. The company audit for the years 1997 to 1999 was completed in 2003. Tax assessments based on the company audit have all now been completed. The tax refunds on income and profit shown in the income statement at a balance of 55,000.00 € are calculated from dissolved provisions and accruals of 73,000.00 €, tax refunds of 7,000.00 € and back payments of 25,000.00 €.

E. OTHER INFORMATION

Forward transactions
On the basis of customer orders during the business year 2004, foreign currency forward transactions attributed to the ledger were processed and settled for reasons of risk hedging and liquidity management. No such transactions occurred in the context of own-account trading. Alongside this, for consumer banking in the asset ledger which carries other price risks (share price, share index and interest-related transactions), contracts with congruent offsetting transactions were agreed with banks on behalf of the customer.

During the entire business year there were no own-account transactions for contracts subject to interest rate risks.

All forward transactions were subject to the rules and regulations for the operation of trading transactions, providing for the daily calculation and control according to the market valuation method by risk control. The credit equivalence amounts and margin usages in customer trading were monitored daily. All derivative transactions were carried out with banks of first class credit rating.

Forward transactions in foreign currencies
Transactions not yet due at the balance sheet date pertain to short-term forward transactions for the implementation and coverage of liquidity for customer trading. The transactions are classified as trading transactions according to trading ledger criteria. The forward transactions are almost all to serve the coverage of items on the balance sheet.

Forward transactions with other price risks
Under transactions with other price risks standardised stock options, stock index options and bund futures, all with offsetting transactions, are declared on behalf of the customer as at the balance sheet date.

Derivative transactions Representation of volume	in '000€ nominal value 31.12.2004	in '000€ nominal value 31.12.2003	in '000€ positive market value 12-31-2004	in '000€ negative market value 12-31-2004
Currency risks	4,697	4,065	13	83
Transactions with other price risks	31,031	28,964	330	330
Total	**35,728**	**33,029**	**343**	**413**

Derivative transactions Classification of remaining terms Nominal values	in '000€ share and other price risks 12-31-2004	in '000€ share and other price risks 12-31-.2003	in '000€ currency risks 12-31-2004	in '000€ currency risks 12-31-2003	in '000€ interest rate risks 12-31-2004	in '000€ interest rate risks 12-31-2003
Up to one year	18,698	28,964	4,697	4,065	-	-
Up to 5 years	-	-	-	-	-	-
Over 5 years	-	-	-	-	12,333	-
Total	**18,698**	**28,964**	**-**	**4,065**	**12,333**	**-**

Derivative transactions Classification of counterparts	in '000€ nominal value 12-31-2004	in '000€ nominal value 12-31-2003	in '000€ positive market value 12-31-2004	in '000€ negative market value 12-31-2004
OECD-banks	20,129	18,547	342	84
Banks outside OECD	-	-	-	-
Customers	15,516	14,482	1	329
Public entities	-	-	-	-
Total	**35,645**	**33,029**	**343**	**413**

Derivative transactions Trading transactions	in '000€ nominal value 12-31-2004	in '000€ nominal value 12-31-2003	in '000€ positive market value 12-31-2004	in '000€ negative market value 12-31-2004
Interest contracts	-	-	-	-
Currency contracts	4,697	4,065	13	83
Share contracts	-	-	-	-
Total	**4,697**	**4,065**	**13**	**83**

Other financial obligations
Obligations of 4,734,000.00 € exist for rental, leasing and servicing contracts. They relate mainly to rental contracts for office premises.

The Berliner Effektengesellschaft AG Group has taken out guarantee credits from various banks. The total amount is 829,000.00 €. The guarantee credits serve mainly as a deposit for rental contracts. We have pledged fixed deposits to the value of 107,000.00 € for the guarantee credits. At the balance sheet date further deposits, which had only been used to a small extent for corresponding liabilities of 15,173,000.00 € to cover the cash clearing of securities transactions and margin obligations arising from customer trading by the Consors Capital Bank AG, were transferred to banks.

Interests held
The following information relates to December 31, 2004 or the business year 2004, unless otherwise specified.

Affiliated companies included in the group financial statements:

Berliner Freiverkehr (Aktien) AG, Berlin

Nominal capital:		23,000,000.00 €
Interest held:	100%	23,000,000.00 €
Stockholders' equity:		35,343,621.61 €
Profit for the year:		532,986.08 €

Consors Capital Bank AG, Berlin

Nominal capital:		10,994,463.00 €
Interest held:	88.2%	9,693,647.00 €
Stockholders' equity:		10,171,646.92 €
Profit for the year:		89,417.40 €

Ventegis Capital AG, Berlin

Nominal capital:		3,487,520.00 €
Interest held:	93.7%	3,268,925.00 €
Stockholders' equity:		8,475,452.25 €
Loss for the year:		579,846.93 €

The associated companies are:

Ableton AG, Berlin

Nominal capital:		91,983.00 €
Interest held:	20.1%	18,500.00 €
Stockholders' equity		
as at December 31, 2003:		- 1,298,977.37 €
Loss for the year 2003:		18,386.07 €

Cybernet Internet Services International, Inc., Delaware, USA

Nominal capital:		26,445.66 US-$
Interest held:	21.8%	5,760.00 US-$
Stockholders' equity		
as at December 31, 2002:		- 137,994,000.00 €
Loss for the year 2002:		38,458,000.00 €

Hecaron

Nominal capital:		96,963.00 €
Interest held:	44.5%	43,175.00 €
Stockholders' equity		
as at December 31, 2002:		- 570,927.53 €
Loss for the year 2002:		747,737.01 €

Online Securities Holding Inc., Delaware, USA

Nominal capital:		230,004.12 US-$
Interest held:	34.6%	79,655.30 US-$
Stockholders' equity		
as at December 31, 2001:		2,025,120.00 US-$
Loss for the year 2001:		2,323,600.00 US-$

The associated companies are of subordinate importance for the group financial statements. If included in the annual financial statements, there would be no substantial impact because of their balance sheet totals and results.

Employees

The number of employees developed as follows:

	Female	Male	Total
Average of the year			
Board members	1.0	6.0	7.0
Traders	5.3	27.8	33.1
Other employees	34.8	34.3	69.1
Maternity leave	5.0	-	5.0
Student trainees	1.8	15.0	16.8
Trainees	-	-	-
Total	**47.9**	**83.1**	**131.0**
of which part-time employees and students (headcount)	11.3	18.0	29.3
of which part-time employees and students (in terms of full-time positions)	7.2	7.1	14.3
As at December 31, 2004			
Board members	1.0	6.0	7.0
Traders	6.0	27.0	33.0
Other employees	34.0	34.0	68.0
Maternity leave	6.0	-	6.0
Student trainees	1.0	14.0	15.0
Trainees	-	-	-
Total	**48.0**	**81.0**	**129.0**
of which part-time employees and students (headcount)	10.0	17.0	27.0
of which part-time employees and students (in terms of full-time positions)	6.4	6.8	13.2

Corporate bodies of the Berliner Effektengesellschaft AG

According to Section 285 Number 10 HGB listed below as at December 31, 2004 are the members of the Board and the members of the Supervisory Board as well as their memberships in supervisory boards and comparable managing bodies in domestic and foreign business establishments. For those Supervisory Board members who resigned from office early, the listed mandates and the occupation practised refer to the time of the respective resignation.

Members of the Board

Dr. Jörg Franke, Frankfurt am Main
Speaker of the Board

Chairman of the Supervisory Board
RTS Realtime Systems (Deutschland) AG, Frankfurt am Main
Chairman of the Stock Exchange Council
Berlin-Bremen Stock Exchange, Berlin and Bremen
Deputy Chairman of the Supervisory Board
Berliner Börse AG, Berlin
Member of the Supervisory Board
Mummert Consulting AG, Hamburg
Member of the Board
(Bundesverband der Wertpapierfirmen an den deutschen Börsen, Berlin and Frankfurt am Main
(Federal Association of Financial Intermediaries on the German Stock Exchanges, Berlin and Frankfurt am Main)
Member of the Advisory Board
Hauck & Aufhäuser, Privatbankiers KGaA, Frankfurt am Main
Industrie- und Handelsunion Dr. Wolfgang Boettger GmbH & Co. KG, Berlin

Holger Timm, Berlin
Speaker of the Board
Chairman of the Board of Berliner Freiverkehr (Aktien) AG

Chairman of the Supervisory Board
Consors Capital Bank AG, Berlin
Ventegis Capital AG, Berlin
Member of the Supervisory Board
EuroChange AG, Berlin

Members of the Supervisory Board

Andrä Dujardin, Berlin
Entrepreneur

Wolfgang Hermanni, Berlin (Chairman)
Businessman

Chairman of the Supervisory Board
Berliner Freiverkehr (Aktien) AG, Berlin
EuroChange AG, Berlin
Member of the Supervisory Board
Consors Capital Bank AG, Berlin
Ventegis Capital AG, Berlin

Jean-Philippe Huguet, Neuilly-sur-Seine, France
Chief Operating Officer and
General Secretary of Cortal Consors S.A.

Dr. Andor Koritz, Berlin
Lawyer
Deputy Chairman

Member of the Supervisory Board
Berliner Freiverkehr (Aktien) AG, Berlin
Consors Capital Bank AG, Berlin

Detlef Prinz, Berlin
Entrepreneur

Member of the Supervisory Board
Hansa Luftbild Arabia E.C., Manama, Bahrain
Member of the Advisory Board
Dräger-Stiftung, Munich/Lübeck

Dr. Günter Rexrodt (†), Berlin
(until August 19, 2004)
Member of the Board of WMP EuroCom AG, Berlin

Chairman of the Supervisory Board
AGIV Real Estate AG, Hamburg
Member of the Supervisory Board
AWD Holding AG, Hannover
DTZ Zadelhoff Holding GmbH, Frankfurt am Main
Landau Media AG, Berlin

Remuneration of corporate bodies

Dr. Jörg Franke received fixed remuneration of 370,000.00 € from the fully consolidated companies. 63,000.00 € of this was in contributions to a pension fund and benefits in kind in the form of a company car. Mr. Holger Timm received fixed remuneration of 199,000.00 €. The Board did not receive any variable remuneration in the past business year. The remuneration of the Supervisory Board amounted to 83,000.00 € for the group and was split as follows:

	Remuneration in €
Wolfgang Hermanni	29,312.32
Dr. Andor Koritz	18,512.33
Detlef Prinz	11,600.00
Dr. Günter Rexrodt	11,600.00
Andrä Dujardin	11,600.00

Payments or benefits for personally rendered services were not made to the Board members or Supervisory Board members.

Stock ownership / trading in company stocks by members of the corporate bodies

In the last business year Dr. Jörg Franke neither purchased nor sold any shares. Mr. Holger Timm purchased a total of 943,979 shares of the Berliner Effektengesellschaft AG. 850,000 shares were bought by the H.T.B. Unternehmensbeteiligungen GmbH. As at December 31, 2004 the Board members held 11,180,900 shares, including the indirectly held shares, and 235,000 option rights on shares of the company. Of these, 5,485,048 shares and 75,000 option rights fell to Mr. Holger Timm, 5,695,852 shares fell to the H.T.B. Unternehmensbeteiligungen GmbH which are assigned to Mr. Timm in full and 240,000 option rights fell to Dr. Jörg Franke.

In the past business year the members of the Supervisory Board neither purchased nor sold any shares. As at December 31, 2004, Mr. Hermanni held 165,003 shares of the Berliner Effektengesellschaft AG (1 %). Other members of the Supervisory Board received neither shares of the company nor option rights on shares of the company.

Corporate Governance Code

The Board submitted the Declaration of Conformity pursuant to the German Corporate Governance Code and made it accessible to shareholders on the internet (www.effektengesellschaft.de).

Stock option scheme

In 2000, for the first time, the Berliner Effektengesellschaft AG started a stock option scheme for the employees of all companies belonging to the group. In each of the years from 2000 to 2003 employees were offered 200,000 option rights. For each option the bearer is entitled to buy one individual share of the company, which corresponds to one share of the nominal capital at 1.00 €. The condition for exercising the option rights allocated for the years 2000 to 2002 is an increase of at least 5.0 % in the closing price of the stock of the Berliner Effektengesellschaft AG on the Berlin Stock Exchange, compared with the average closing price of the company's stock of the last 20 trading days before conceding the option right. The condition for exercising the option rights allocated in 2003 and 2004 is, at the time of exercising the option, an increase of at least 6.0 % in the closing price of the stock of the Berliner Effektengesellschaft AG on the Berlin Stock Exchange in each year of maturity, compared with the average closing price of the company's stock of the last ten trading days before conceding the option right. Further details on the stock option scheme as at December 31, 2004 are summarised below:

Year of allocation	Options offered	Options accepted	Option rights still existing	Exercise period	Exercise price	Exercise obstacle
2000	200,000	186,500	74,000	03-01-2002 – 02-28-2005	25.120 €	27.29 €
2001	200,000	194,000	167,500	03-01-2003 – 02-28-2006	25.120 €	24.55 €
2002	200,000	196,500	188,500	03-01-2004 – 02-28-2007	8.470 €	8.84 €
2003	200,000	196,500	196,500	03-01-2005 – 02-28-2008	1.452 €	1.56 €
2004	298,600	292,300	292,300	03-25-2006 – 03-25-2009	5.500 €	6.15 €

Group segment report

The group segment report was drawn up according to Deutscher Rechnungslegungsstandard Nr. 3 (German Accounting Standard Number 3) in conjunction with Deutscher Rechnungslegungsstandard Nr. 3-10 (German Accounting Standard Number 3-10), which contains supplementary regulations for banks.

In the last business year, both the banking activities and the venture capital business were accounted for in their respective companies. In 2004 the Berliner Freiverkehr (Aktien) AG did not carry out any transactions which might have come under the additionally allowed banking activities. Therefore, the operational segments are: order book management/securities trading, banking activities and venture capital. The separation of the operational segments is made according to the operational function of the companies within those segments. The business area order book management/securities trading is not divided further. Within the scope of the order book management and the stockbrokerage business, transactions in securities are either relayed directly, placed with a time limit (name-to-follow transactions) or passed on to the relative order book manager. A useful and arbitrary-free restriction of these activities is not possible, mainly because of expenses and profits. Since a trader administers these tasks for certain securities in parallel the splitting of his job, for example by means of timing, is also ruled out. The allocation of expenses and profits to the segment is carried out on the basis of responsibility. If direct allocation is not possible, a suitable distribution code is used. The group result is shown as a summary of segment data and data of central divisions and consolidation.

The central divisions cover tasks which serve the general control and management of the business and cannot be assigned directly to one operational segment. These include, for example, the tasks of the group's accounts department together with the integration of the accounts department/controlling of the Berliner Freiverkehr (Aktien) AG, the activities of the Board and the support of the IT-infrastructure and IT-development. The services exchanged between the segments have been documented using their accounted for values.

The result of interest profits/expenses which does not arise from the activities of the Consors Capital Bank AG is made up of the profits from investments in liquidity funds. This business is run at central division so that profits are allocated accordingly. The commissions received and paid, comprising mainly brokers' fees, are allocated to the segments which actually carried out the underlying business. Commissions paid in connection with payment transactions and guarantees arranged for the group are shown in the central division. The result from financial transactions, comprising mainly the differences on name-to-follow transactions, is also added to the segment responsible for operations. The results from the valuation of foreign currency balances held at banks contained herein are, on principle, accounted for by central division. The basic principle of allocating administrative expenses to the segments is that they should pay for the expenses they incur. Higher level items, for example the provision of IT-structure, are included in the central division. An arithmetical charge-out to individual segments is not carried out at present.

The segment assets and segment liabilities contain the equity assets or liabilities of those segments assigned to the operationally active companies, as well as the equity assets or liabilities arising from the trading activities of the Berliner Freiverkehr (Aktien) AG. The current account balances held at banks, which mainly serve payment transactions and investments in liquidity funds, are shown under central division.

The risk positions are the risk assets and the market risk positions at each segment level according to Grundsatz I (Principle I). The equity capital was divided on the basis of differentiated benchmarks. The basis of the breakdown is a risk oriented approach. The risk positions flow into the division along with existing limitations and the allocation of the amount from the commission surplus and the result from the financial transactions and personnel expenses. The return on allocated capital is the ratio calculated from the result after provision for risks per segment and the allotted capital. The cost/income ratio is the ratio from administrative expenses and the sum of profits according to the classification of the income statement.

Cash flow statement

The cash flow statement was drawn up according to the Deutscher Rechnungslegungsstandard Nr. 2 (German Accounting Standard Number 2) in conjunction with Deutscher Rechnungslegungsstandard Nr. 2-10 (German Accounting Standard Number 2-10), which contains supplementary regulations for banks.

On account of the activities of the companies in the group, cash and cash equivalents contain the cash balances as well as the balances held at central banks of all companies included in the group financial statements and the daily current account balances held at banks for the Berliner Effektengesellschaft AG, the Berliner Freiverkehr (Aktien) AG and Ventegis Capital AG. The cash flow from operating activities includes the changes in the overnight funds and fixed-term deposits of these companies.

Minority shareholders of Ventegis Capital AG and Consors Capital Bank AG neither made capital contributions nor received distributions.

The capital increase of the Berliner Effektengesellschaft AG occurred within the scope of a conversion offer. For the new shares, shares of Ventegis Capital AG were invested. Further significant transactions resulting in profit or loss did not occur in 2004.

Stockholders' equity schedule
The stockholders' equity schedule for the group financial statements was drawn up according to the Deutscher Rechnungslegungsstandard Nr. 7 (German Accounting Standard Number 7). Important changes are shown under remaining changes in the investments of minority shareholders. Shown here is the reduction of minority shareholders' investment in Ventegis Capital AG shares as a result of the conversion offer and the increase in the minority shareholders' investment in Consors Capital Bank AG shares following the reduction of the Berliner Effektengesllschaft AG's investment by 10.4 %.

Berlin, March 1, 2005

Berliner Effektengesellschaft AG

Holger Timm *Dr. Jörg Franke*

GROUP SEGMENT REPORT **BERLINER EFFEKTENGESELLSCHAFT AG**	Order book management/ Securities trading		Banking activities		Venture capital		Central divisions/ Consolidation		Group	
	in 'ooo€ 2004	in 'ooo€ 2003	in 'ooo€ 2004	in 'ooo€ 2003	in 'ooo€ 2004	in 'ooo€ 2003	in 'ooo€ 2004	in 'ooo€ 2003	in 'ooo€ 2004	in 'ooo€ 2003
Interest surplus	45	12	551	145	172	50	772	1,194	1,540	1,401
Profits from profit pools, shifting of profits or part shifting of profits	-	-	-	-	5	-	-	-	5	-
Result from associated companies	-	-	-	-	-	-	-	83	-	83
Commission surplus	2,071	2,283	3,623	710	2	- 2	- 684	- 75	5,012	2,916
Result from financial transactions	7,040	5,714	214	21	- 11	- 64	- 2	94	7,241	5,765
Total profits	**9,156**	**8,009**	**4,388**	**876**	**168**	**- 16**	**86**	**1,296**	**13,798**	**10,165**
General administrative expenses (including write-offs)	- 5,481	- 5,646	- 5,703	- 1,451	- 751	- 303	- 5,734	- 6,048	- 17,669	- 13,448
Other expenses/profits	22	- 2	1,324	315	164	18	- 406	3,482	1,104	3,813
Result before provision for risks	**3,697**	**2,361**	**9**	**- 260**	**- 419**	**- 301**	**- 6,054**	**- 1,270**	**- 2,767**	**530**
Total provision for risks	- 5	-	101	- 491	- 5	- 64	541	207	632	- 348
Result after provision for risks	**3,692**	**2,361**	**110**	**- 751**	**- 424**	**- 365**	**- 5,513**	**- 1,063**	**- 2,135**	**182**
Segment assets	**1,020**	**1,438**	**47,788**	**71,586**	**7,057**	**7,103**	**1,776**	**6,060**	**57,641**	**86,187**
Cash reserve assets	-	-	2,131	1,386	2	1	-	-	2,133	1,387
Receivables from banks	208	1,242	36,838	60,920	5,891	6,621	1,770	5,560	44,707	74,343
Receivables from customers	195	125	8,819	9,280	1,087	309	6	500	10,107	10,214
Trading assets	617	71	-	-	77	172	-	-	694	243
Segment liabilities	**243**	**1,170**	**53,216**	**76,204**	**217**	**-**	**- 24,185**	**- 46,787**	**29,491**	**30,587**
Liabilities to banks	35	950	20,172	24,283	217	-	- 19,191	- 21,217	1,233	4,016
Liabilities to customers	208	220	33,044	51,921	-	-	- 4,994	- 25,570	28,258	26,571
Securitised liabilities	-	-	-	-	-	-	-	-	-	-
Trading liabilities	-	-	-	-	-	-	-	-	-	-
Risk Positions	8,261	16,765	46,705	81,634	9,171	10,377	15,347	17,026	75,707	118,391
Risk assets	710	1,943	46,104	80,515	8,683	9,286	16,309	18,067	71,806	109,811
Market risk positions	3,776	7,411	601	1,119	488	1,091	- 963	- 1,041	3,901	8,580
Equity capital (without retained earnings)	25,767	30,710	10,173	11,751	8,476	9,055	14,596	45,613	59,012	97,129
Average number of employees (including student trainees and trainees)	48.5	50.4	35.8	9.3	4.5	1.0	37.0	39.9	125.8	100.6
Return on allocated capital	14.3%	7.7%	1.1%	- 6.4%	- 5.0%	- 4.0%	- 37.8%	- 2.3%	- 3.6%	0.2%
Expenses/profit ratio	59.7%	70.5%	-	-	-	-	-	-	-	-

Return = result after provision for risks/equity capital

GROUP CASH FLOW STATEMENT BERLINER EFFEKTENGESELLSCHAFT AG	in '000€ 2004	in '000€ 2003
Net loss for the year	- 896	- 5
Non-cash items contained in the loss for the year and reconciliation to the cash flow from operational activities	-	-
Write-offs, value adjustments and write-ups on financial and tangible fixed assets	1,976	3,524
Changes in provisions and accruals	- 848	70
Change in non-cash items	- 31,436	27,024
Income/loss from the sale of financial and tangible fixed assets	- 154	141
Other adjustments (balance)	29,854	- 30,011
Subtotal	- 1,504	743
Changes in net assets and liabilities from operational activities after correction for non-cash components		
Receivables		
from banks	29,483	- 8,955
from customers	165	234
Securities (unless financial assets)	4,212	- 9,933
Other asset items from operational activities	- 679	32,755
Liabilities		
to banks	- 2,989	111
to customers	1,979	- 3,478
Securitised liabilities	-	-
Other equity and liability items from operational activities	- 391	- 6,714
Extraordinary payments received	-	-
Extraordinary payments made	-	-
Cash flow from operating activities	30,276	4,763
including: interest and dividends received	2,150	2,907
interest paid	- 578	- 199
payments of profit tax	- 324	26,538
Payments received from the sale of		
financial assets	1,062	427
tangible fixed assets	7	1
Payments made for the purchase of		
financial assets	- 230	- 4,859
tangible fixed assets	- 258	- 192
Effects from the change in the basis of consolidation		
Payments received from the sale of consolidated companies and other business units	-	-
Payments made for the purchase of consolidated companies and other business units	- 19	-
Changes in funds from other investment activities (balance)	-	-
Cash flow from investment activities	562	- 4,623
Payments received from capital increases	-	456
Dividend payments	- 30,005	-
Purchase and sale of own stocks	-	- 24
Changes in funds from subordinated capital as well as other hybrid capital (balance)	-	-
Payments received from financial loans taken up	-	-
Payments made for the redemption of financial loans	-	-
Cash flow from financing activities	- 30,005	432
Cash holdings at the end of the previous period	5,300	4,252
of which cash reserve assets	*1,388*	*1*
of which receivables from banks, due daily	*3,912*	*4,251*
Cash flow from operating activities	30,276	4,763
Cash flow from investment activities	562	- 4,623
Cash flow from financing activities	- 30,005	432
Changes in cash and cash equivalents on account of exchange rates, basis of consolidation and valuation	-	476
Cash holdings at the end of the period	6,133	5,300
of which cash reserve assets	*2,133*	*1,388*
of which receivables from banks, due daily	*4,000*	*3,912*

GROUP STOCKHOLDERS' EQUITY SCHEDULE
BERLINER EFFEKTENGESELLSCHAFT AG

	in '000€ 01-01-2004	in '000€ Capital increase	in '000€ Withdrawal for balance of loss carried forward & net loss for the year	in '000€ Remaining changes	in '000€ Group profit/loss for the year	in '000€ Rest of the group result	in '000€ Total group result	in '000€ 12-31-2003
Stock capital of the parent company	15,960	351	-	-	-	-	-	16,311
Capital reserve	71,752	1,885	- 28,806	-	-	-	-	44,831
Group stockholders' equity earned	- 27,958	-	28,806	-	- 848	-	- 848	-
Own stocks appointed for withdrawal	-	-	-	-	-	-	-	-
Cumulated rest of the group result as far as applicable to the shareholders of the parent company	2,037	-	-	- 166	- 1,473	-	- 1,473	398
Stockholders' equity of parent company according to the group balance sheet	61,791	2,236	-	- 166	- 2,321	-	- 2,321	61,540
Own stocks not appointed for withdrawal	-	-	-	-	-	-	-	-
Stockholders' equity of parent company	61,791	2,236	-	- 166	- 2,321	-	- 2,321	61,540
Stockholders' equity of minority shareholders								
Minorities' capital	5,640	-	-	- 1,212	- 48	-	- 48	4,380
Cumulated result for the rest of the group as far as applicable to minority shareholders	- 2,645	-	-	-	-	-	-	- 2,645
Stockholders' equity of minority shareholders	2,995	-	-	- 1,212	- 48	-	- 48	1,735
Group stockholders' equity	**64,786**	**2,236**	**-**	**- 1,378**	**- 2,369**	**-**	**- 2,369**	**63,275**

Summarised management report of the Berliner Effektengesellschaft AG for the year ended December 31, 2004

Preface

In anticipation of the changes to the management report which will become valid in the next business year 2005 and pursuant to the law for the introduction of international financial reporting standards, the company has changed the structure of the management report and partly follows the 15 stipulated regulations of the German Accounting Standards adopted by the German Accounting Standards Committee e.V. which are not yet published nor legally binding.

1. Business and strategy

1.1. Organisation and business areas

The Berliner Effektengesellschaft AG acts as a financial holding without an own operational business. Through its three majority-held group subsidiaries it offers services of various kinds to do with the capital market, in particular banking and financial services.

The individual operational subsidiaries are:

Berliner Freiverkehr (Aktien) AG, Berlin;
Holding 100 %, authorised as a securities trading bank, securities trading, in particular order book management on the Frankfurt stock exchange and the Berlin-Bremen stock exchange,

Consors Capital Bank AG, Berlin;
Holding 88.2 %, authorised as a universal bank, business areas are private banking, investment banking and financial market services (securities settlement),

Ventegis Capital AG, Berlin;
Holding 93.7 %, venture capital business providing mainly early phase investments and general financial and structuring advice.

In addition to the majority-held group companies, the company can also enter into minority holdings in national and foreign companies that supply banking or financial services or in companies that offer supporting services for this business field. The aim of such investments is the initiation, consolidation and enhancement of the business connections of the companies belonging to the group. The holdings still existing in foreign companies were completely written off in the past.

The company also supports the subsidiaries where necessary in the central business areas of personnel, administration, organisation and accounting and controlling.

The main office of the company and its administrative departments are based in Berlin. The company has a branch in Frankfurt am Main.

The management of the company comprises two board members (Dr. Jörg Franke and Mr. Holger Timm) who work closely with one another in the areas of strategic planning, guidance of the operational subsidiary and investment controlling. Although all three subsidiaries operate as public companies and the independence of each management board is protected, a higher-level strategy and supervision is ensured, particularly through the overlap in the structure of the management bodies in all companies. Mr. Timm is responsible for accounting, controlling, auditing and business administration. The latter concerns especially the personnel administration of the subsidiaries and certain areas of the buying-in of material and services. Alongside this, Mr. Timm is the Chairman of the Berliner Freiverkehr (Aktien) AG and Chairman of the Supervisory Board of Consors Capital Bank AG and Ventegis Capital AG. Dr. Franke is mainly responsible for investor and public relations and from his post in Frankfurt he keeps in close contact with the Deutsche Börse AG, as well as national and international stock exchanges and financial service companies. Besides this, he is a member of the Supervisory Board of the Berliner Freiverkehr (Aktien) AG and assumes an important role for the company in the management of the umbrella association of financial service providers and of the Berlin-Bremen stock exchange.

1.2. Competitive position and general conditions

As a financial holding the company combines, supports and optimises the activities of its individual subsidiaries. The competitive position is therefore largely dependent on the competitive position of the subsidiaries. Nevertheless, the comprehensive range of services offered by the group can also contribute to the improvement of the competitive position of all individual companies, especially as there is no other structurally comparable competitor on the market. The already close co-operation and alliance between all group companies is to be organisationally strengthened further in the future by the appointment to the board of an additional member from the board members of the subsidiaries.

At present, the most important focus of the operational business is the activity of the Berliner Freiverkehr (Aktien) AG, which is one of the bigger securities trading banks and brokerage companies remaining in Germany. The competition in this area and the drastic changes in the business environment are of particular significance for the company. A big influencing factor here is the future of the so-called order book management of the old style trading floor system. In the opinion of the board, this business area offers no long-term future perspectives. Therefore, the company is concentrating on electronic exchanges and trading systems and has, with TradeGate®, developed its own so-called ECN (Electronic Commercial Network) which is operated with increasing success, thereby reducing the dependence on third party providers such as stock exchanges.

The Consors Capital Bank AG, with its main business areas of private banking, investment banking and financial market services covers the banking business of the group. The bank stands in an extremely difficult competitive position due to its small size. In order to be able to implement new business concepts in the area of private banking and to quicker reach the critical mass in the number of transactions in the area of financial market services, the company has decided, with the support of the Berliner Effektengesellschaft AG, to take over the former setis-bank AG, Leipzig, a subsidiary of the Sachsen LB (State Bank of Saxony) by way of a capital increase in the form of an investment in kind.

The third subsidiary, Ventegis Capital AG, provides risk capital at various stages and advises companies in questions of financing. The company's economic situation is heavily influenced by the development of its investment portfolios and by the market climate for participatory investments in general.

1.3. Goals and strategies

The Berliner Effektengesellschaft AG supports the operational companies in the development of their business areas and accompanies the necessary processes of coordination. The higher-level consolidated group and the diverse business activities of the operational subsidiaries permit a very extensive range of services around the capital market and can, on account of the higher name recognition of the Berliner Effektengesellschaft AG, be of help to the individual companies in building a customer base. On the other hand, the clear segregation of different business areas – and especially of business risks – helps to win strategic partners or shareholders for the individual areas.

This three-part strategic set-up has already been tried and tested in the past years and allows all companies the necessary flexibility for the development of their own business. In the current difficult and consolidating market environment, the Berliner Effektengesellschaft AG attaches great importance to developing its business activities carefully and for the long term, backed by a solid capital resources structure. The universal bank and the securities trading bank in particular should not be burdened with risks which might compromise the licenses needed in the medium-term. Leverage for above average chances of profits in a better market environment comes from the venture capital company Ventegis Capital AG which, of course, has to first put out the corresponding risk capital. This company works, just as all group companies, mainly with its own capital resources.

The Berliner Effektengesellschaft AG, with its group companies, distinguishes itself by a high level of flexibility and propensity for innovation and even in years of an extremely gloomy market environment has searched and found opportunities in niche markets. The established group structure allows the individual companies to complement one another perfectly and enables the longest possible value chain within the group. At the same time, any risks and dependencies through third parties are avoided as far as possible.

1.4. Business development and the development of general conditions

In the first quarter of the business year 2004, all business areas showed a very positive business development and state of earnings which, unfortunately, could not be confirmed in the further course of the year. In view of the negative development of the market environment, especially in the summer months, the operational annual result which, after all, showed a profit has to be seen as satisfactory. For instance, the results of the Consors Capital Bank AG actually lay well above expectations. The only negative result came from Ventegis Capital AG because the sale of one of its investments (an exit) planned for 2004 could not be realised. The results of this company, however, are not planable as they mostly arise from the sale of investments and the relatively small portfolio of 4 to 5 year investments does not yet allow regular exits.

The number of employees in the group remained constant. None of the group companies has any great fluctuation. A regular build-up or cutback of employees depending on business development is, in view of the employees' high qualifications, neither useful nor possible and is not desired by any of the individual management bodies. The number of employees in detail:

Berliner Effektengesellschaft AG	6
Berliner Freiverkehr (Aktien) AG	81
Consors Capital Bank AG	38
Ventegis Capital AG	5

Mr. Timm is a member of the board of both the Berliner Effektengesellschaft AG and the Berliner Freiverkehr (Aktien) AG, so in total 129 employees are employed by the group.

In 2004 the necessary initial investments for tangible fixed assets and software were made. They came to 213,000.00 €. Alongside this, programmes used in particular by the Berliner Freiverkehr (Aktien) AG were further developed by our own IT-development, or new software was programmed especially for the areas of trading support and settlement.

2. Development of results

2.1. Berliner Effektengesellschaft AG

Since the Berliner Effektengesellschaft AG does not engage in any operational activities, it does not generate any turnover. Revenues from activities for the group's companies are recorded under other operating profits. In comparison with previous years, the costs have fallen slightly because in 2004 the marketing of one of the subsidiaries was taken on in-house. Furthermore, contained in other operating profits is an asset of 821,000.00 € coming from the part repayment of the fully written off convertible capital note of Ladenburg Thalmann Financial Services Inc., New York, USA.

During the last year extra employees were temporarily needed for projects. With the completion of these projects the number of employees was reduced and with it the personnel expenses. In December 2003 the company had purchased software for the processing of banking supervisory authority registrations and, for a fee, put it at the disposal of the Berliner Freiverkehr (Aktien). Since the software was used as of 2004, appropriate write-offs became due which have led to the marked increase of the corresponding position in the income statement. The increase in other operating expenses of last year was not repeated. However, expenses did remain at the same level. Although the special costs resulting from the audits no longer existed, in their place there were costs for the settlement of securities transactions.

Last year, the position “other interest and similar profits” contained a one-off interest on tax payments of 1,413,000.00 €. The continued reduction is due to the distinct fall in the liquid funds of the company. In January 30,005,000.00 € was paid out to the shareholders, so accordingly, less money could be invested for interest-bearing purposes. As the Berliner Freiverkehr (Aktien) AG clearly shows less equity capital than is shown in the inclusion in the financial statement of the Berliner Effektengesellschaft AG and a withdrawal from the disclosure in the financial statement of the Berliner Effektengesellschaft AG appeared appropriate, a write-off to the amount of 18,399,000.00 € was effected. With the large write-offs of previous years, the valuations of the investments held which were not included in the group financial statements of the company were adjusted completely. Signs of an improvement in the economic situation of the individual investments held were not evident, so neither further write-offs nor write-ups were undertaken. As a result of the withdrawal of the inclusion of the Berliner Freiverkehr (Aktien) AG, the loss for the year has increased notably.

Berliner Effektengesellschaft AG	in '000€ 12-31-2002	in '000€ 12-31-2003	in '000€ 12-31-2004
Other operating profits	870	658	1,297
Personnel expenses	- 912	- 1,022	- 933
Write-offs	- 22	- 28	- 70
Other operating expenses	- 1,001	- 1,825	- 1,848
Other interest and similar profits	1,059	2,088	125
Write-offs on financial assets and securities under current assets	- 21,151	- 1,711	- 18,398
Interest and similar expenses	- 40	- 14	- 13
Result from ordinary activities	**- 21,197**	**- 1,854**	**- 19,840**
Extraordinary result	- 1,153	-	-
Income and profit taxes	- 90	398	43
Other taxes	- 10	-	-
Net income	**- 22,450**	**- 1,456**	**- 19,797**

2.2. Berliner Effektengesellschaft Group

The important positions in the group’s income statement are the net commission income and the result from financial transactions. The development of these components is the main deciding factor in the development of the group’s results. After a steady decline in past years, this year the net commission income showed an increase of 2,096,000.00 € to 5,013,000.00 €. The result from financial transactions, i.e. the balance of profits and expenses from financial transactions, could be increased to 7,241,000.00 € against last year. Due to the positive development in the results from financial transactions and general administrative expenses, the profitability of the group improved. The positive effect coming from the receipt of differences from the consolidation of capital without loss for the respective company was not repeated in 2004. The other operating profits decreased accordingly. The profits from write-ups on receivables instead of allocation to value adjustments led to an improvement in the result of 979,000.00 € compared with last year. However, the higher results from current business were more than used up by the increased administrative expenses, so that the normal business activity and the net loss for the year deteriorated. The table below shows the development of the income statement over the last three years.

Berliner Effektengesellschaft AG Group	in '000€ 12-31-2002	in '000€ 12-31-2003	in '000€ 12-31-2004
Interest profits	1,629	1,517	1,861
Interest expenses	- 72	- 126	- 508
Current profits	21	10	187
Result from associated companies	- 4,199	83	-
Profits from profit pools or shifting of profits	-	-	5
Commissions received	5,942	5,711	9,960
Commissions paid	- 2,208	- 2,794	- 4,947
Profit from financial transactions	24,371	19,236	18,699
Expenses from financial transactions	- 19,614	- 13,472	- 11,458
Other operating profits	865	4,629	2,151
Profits from the release of special items partly with reserve character	2	2	-
General administrative expenses	- 11,206	- 11,636	- 15,658
Write-offs and value adjustments on intangible assets and tangible fixed assets	- 1,617	- 1,812	- 1,798
Other operating expenses	- 69	- 817	- 1,047
Write-offs and value adjustments on receivables and certain securities as well as allocations to provisions and accruals in credit business	- 5,302	- 347	-
Profits from write-ups on receivables and certain securities as well as from the dissolution of provisions and accruals in credit business	-	-	632
Write-offs and value adjustments on participatory investments, stocks in affiliated companies and securities treated as fixed assets	- 12,617	- 1,831	- 495
Result from ordinary activities	**- 24,074**	**- 1,647**	**- 2,416**
Extraordinary result	- 1,153	- 48	- 1
Income and profit taxes	- 107	508	55
Other taxes, unless recorded under other operating expenses	- 10	- 1	- 7
Dissolution of debit differences	-	1,183	1,473
Net loss	**- 25,344**	**- 5**	**- 896**

3. Development of financial position

3.1. Berliner Effektengesellschaft AG

Following the payout of the capital reduction resolved in 2003, the liabilities of the company are low. The largest position is that of provisions and accruals. A breakdown of the provisions and accruals is shown below. In order to adjust the information shown on shareholders' equity, the board decided to offset the loss carried forward and the net loss for the year by withdrawals from the reserves.

Berliner Effektengesellschaft AG	in '000€ 12-31-2002	in '000€ 12-31-2003	in '000€ 12-31-2004
Stock capital	16,797	15,960	16,311
Reserves	124,535	90,743	40,488
Retained earnings	- 30,863	- 32,343	-
Provisions and accruals	666	808	225
Trade accounts payable	19	56	5
Amounts due to affiliated companies	7,004	2	11
Other liabilities	33	30,057	38
Prepaid and deferred expenses	-	-	5
Total equity and liabilities	**118,191**	**105,283**	**57,083**

3.2. Berliner Effektengesellschaft Group

The liabilities of the group are characterised by the business of the Consors Capital Bank AG. The liabilities to customers arise almost exclusively from the investment business of the banking transactions division. The high amount of other liabilities as at 31.12.04 contained the liabilities to the shareholders of the Berliner Effektengesellschaft AG from the capital reduction resolution of 2003. In January 2004 the payout of 30,005,000.00 € took place and the liabilities were reduced accordingly. The next table shows the development of equity and liabilities over the last three years:

Group Berliner Effektengesellschaft AG	in '000€ 12-31-2002	in '000€ 12-31-2003	in '000€ 12-31-2004
Liabilities to banks	602	4,016	1,233
Liabilities to customers	148	26,571	28,258
Other liabilities	318	31,370	796
Prepaid and deferred expenses	-	7	3
Provisions and accruals	1,703	2,939	2,091
Special item partly with reserve character	2	-	-
Stockholders' equity	93,382	59,753	61,143
Debit differences from consolidation of capital	-	2,037	398
Outside shareholders' interests	-	2,995	1,733
Total equity and liabilities	**96,155**	**129,688**	**95,655**

4. Development of net assets position

4.1. Berliner Effektengesellschaft AG

By virtue of its function as a holding, the net assets position of the Berliner Effektengesellschaft AG is affected by the financial assets. Following the take-over bid to the outside shareholders of Ventegis Capital AG, the holdings in affiliated companies have increased. Against this, the sale of the shares in Consors Capital Bank AG was of a lesser volume, so the shares in affiliated companies shown in the balance sheet were increased. The other securities and receivables from banks were much less, compared with last year. The reason is the already mentioned distribution of the capital reduction which was resolved at the shareholders' meeting in 2003. The table below shows the development of the last three years.

Berliner Effektengesellschaft AG	in '000€ 12-31-2002	in '000€ 12-31-2003	in '000€ 12-31-2004
Intangible assets	-	164	109
Tangible fixed assets	109	51	40
Financial assets	60,001	66,513	49,876
Receivables and other current assets	26,542	577	656
Own stocks	4,623	-	-
Other securities	5,055	15,187	5,112
Cash on hand, bank balances	21,861	22,789	1,285
Prepaid and deferred expenses	-	2	5
Total assets	**118,191**	**105,283**	**57,083**

4.2. Berliner Effektengesellschaft Group

The net assets position of the Berliner Effektengesellschaft Group is marked by relatively high solvency. Alongside the assets in securities held in the liquidity reserve, the receivables from banks represent the largest positions in assets. The distinct drop in the amount of receivables from banks in the past business year is due to the distribution of the capital reduction which was resolved at the shareholders' meeting in 2003. The table below shows the development of assets over the last three years.

Group Berliner Effektengesellschaft AG	in '000€ 31.12.2002	in '000€ 31.12.2003	in '000€ 31.12.2004
Cash reserve assets	1	1,388	2,133
Receivables from banks	45,077	74,343	44,707
Receivables from customers	89	10,214	10,107
Bonds and other fixed-interest securities	-	24,990	19,490
Stocks and other non-fixed interest securities	9,859	10,375	11,364
Participatory investments	1,711	1,569	1,621
Stocks in affiliated companies	243	-	-
Stocks in associated companies	1,922	-	-
Intangible assets	3,746	3,118	2,879
Tangible fixed assets	2,381	2,523	1,138
Own stocks or interests	4,623	-	-
Other current assets	26,478	1,134	1,897
Prepaid and deferred expenses	25	34	319
Total assets	**96,155**	**129,688**	**95,655**

5. Supplementary report

On February 16, 2005 the Consors Capital Bank AG made an agreement with the Sachsen LB (State Bank of Saxony) with the aim of taking over the former setis-bank AG. No other noteworthy events occurred between the end of the business year and the completion of the financial statement.

6. Risk report of the Berliner Effektengesellschaft AG

6.1. Risk management policy and strategy

Due to its function as a financial holding, the Berliner Effektengesellschaft AG is confined primarily to controlling the operationally active companies. It sees itself as a higher-level entity with the purpose of coordinating activities among the individual business areas and lending support to the subsidiaries, if required. If necessary, minority holdings can be entered into in order to support the strategy of the group.

In principle, risk is understood to be the negative difference between actual incidents and expected incidents. The basis of the risk management system is the classification into counterparty default risks, liquidity risks, market price risks, operational risks and other risks.

The risk management system differentiates between the areas most exposed to risk, risk management in the narrower sense and risk control which monitors the risk situation and supports risk management, in particular with information on assumed risks. The controlling department is also largely responsible for the further development of the risk management system.

The risk situation of the Berliner Effektengesellschaft AG is significantly affected by the development of the subsidiaries and their general conditions. The careful choice of investments and business areas as well as realtime information on the development of the economic situation and general conditions form the core of the risk strategy. Here, recognising aberrations and tackling them at an early stage is the most important goal of risk management.

Losses incurred by subsidiaries lead directly to fewer or omitted distributions for the parent company. Under certain circumstances, even corrections to the valuations of this company have to be made. At the same time, among other things, the development on the German and European stock exchange scene plays an important role. In this respect, realtime reporting from the subsidiaries, representation in the supervisory body and the monitoring of general conditions relevant for each business area are all essential.

6.2. Counterparty default risks

The counterparty default risk is the danger that liabilities are fulfilled either too late, incompletely or not at all. The Berliner Effektengesellschaft AG has predominantly receivables from banks. The most important bank connection, where a large part of the investments in liquidity funds are made, is that with the Consors Capital Bank AG which belongs to the affiliated companies. On the basis of its capacity as an affiliated company, any deposits made here are not subject to a deposit guarantee. However, as it is also a subsidiary which is integrated into the monthly reports and a personal integration exists (Mr. Timm is a member of the Supervisory Board of the bank), sufficient realtime information on the economic situation is always available. In addition, accounts also exist at another domestic bank. Apart from these bank accounts which are used for payment transactions and cash deposits, shares are held in a money market fund, and receivables from tax repayments exist along with negligible receivables from affiliated companies and the IHK (Chamber of Commerce and Industry) in Frankfurt am Main. Because of the money market fund's structure and its supervision by the Federal Financial Supervisory Authority, the company considers it to carry only a very slight risk of failure.

A particular characteristic of the counterparty default risk is the investment or shareholder risk. The value of the shareholding may drop due to developments which lie in the investment. So, for example, worsening economic circumstances, negative public reporting, tightened legal regulations or new technical developments are all indications for a closer examination of the valuation. In order to be able to make a timely evaluation of the risk, monthly reports are produced by the companies majority-owned by the Berliner Effektengesellschaft AG. Basically, these reports contain the balance sheet and the operating income statement. If questions arise from the presented data or from known changes in circumstances, they are discussed with the respective subsidiary and clarified. Furthermore, if appropriate, a member of the Supervisory Board of the parent company is made available. New investments are entered into only after careful examination and in consultation with the Supervisory Board. In 2004 the holding in Ventegis Capital AG was increased by a voluntary take-over bid. The aim was to revise the shareholders' structure and to enable the outside shareholders of Ventegis Capital AG to participate in the extensive activities of the group of the Berliner Effektengesellschaft AG.

6.3. Liquidity risk
Liquidity risk is understood to be the danger that payment obligations might be made not at all, too late or incompletely, or that due to illiquid markets assets cannot be sold, or sold at the expected price.

Control of solvency occurs within a plan of payments received and payments outgoing over the following twelve months. The first quarter is reported on a monthly basis, thereafter reports are made on a quarterly basis. If there are certain shortfalls, reports are made more often than usual. In the last year there were no shortfalls of the self-imposed limits.

Due to the money market fund's size and structure and to prevailing supervisory regulations, it is considered to be sellable at any time without loss.

6.4. Market price risks
Market price risks are understood to be the negative differences of the expected market price development. Market prices are interest rates, stock prices and foreign exchange rates. Any change brings about changes in the value of the financial instruments within the portfolio such as stocks, bonds or bank balances in foreign currency which can lead to write-offs affecting results. Market price risks are of secondary importance to the Berliner Effektengesellschaft AG. Under securities, shares in a money market fund to the value of 5,112,000.00 € are shown. The value of the shares in the fund is mainly dependent on the development of the money market interest rate. Since the fund only invests in short-term interest-bearing assets and is in Euro, the risk of interest rate change and exchange rate risk can be ignored.

6.5. Operational risks
Operational risks are understood to be such risks arising out of inappropriate or faulty company operations or those caused by employees, systems or external occurrences, legal risks included.

No adjustments were made to the existing risk matrix. In order to obtain an overview of any damages occurring, employees are required to report all damages to risk control. No reports were made in the year 2004.

6.6. Reporting
All board members receive a monthly report which shows the development of the group, the parent company and the subsidiary companies. The report also contains an analysis of the development. In addition, in their capacity as supervisory board members, all board members are informed directly by the subsidiary companies of any important developments.

6.7. Institutional supervision
As a company of the financial holding Berliner Effektengesellschaft Group, the Berliner Effektengesellschaft AG is subject to supervision by the Federal Financial Supervisory Authority. Accordingly, monthly reports for a consolidated monthly statement, the consolidated principle I and quarterly reports on any large loans and loans in millions must be submitted to the Berliner Freiverkehr (Aktien) AG which acts as a higher-level institute. If any unusual events occur, these are to be announced separately to the banking supervisory authorities.

7. Risk report of the Berliner Effektengesellschaft Group

7.1. Risk management policy and strategy
As a financial holding group, the Berliner Effektengesellschaft Group's activities focus on order book management/securities trading, consumer banking, securities settlement and venture/risk capital. In these business areas risk control is the responsibility of the operationally active companies.

In principle, risk is understood to be the negative difference between actual incidents and expected incidents. The basis of the risk management system is the classification into counterparty default risks, liquidity risks, market price risks, operational risks and other risks.

The risk management system differentiates between the areas most exposed to risk, risk management in the narrower sense and risk control which monitors the risk situation and supports risk management, in particular with information on assumed risks. The controlling department is also largely responsible for the further development of the risk management system.

The risk situation of the Berliner Effektengesellschaft Group is also affected significantly by the development of the subsidiaries and their general conditions. Each company determines a risk strategy which is most suitable for its own activities. Here, recognising aberrations and tackling them at an early stage is the most important goal of risk management.

By virtue of the group's business areas, the development on the German and European stock exchange scene in particular plays an important role in the situation of risk. In this respect, the observation of the basic conditions which are relevant for each business area is necessary.

7.2. Counterparty default risk

The counterparty default risk is the danger that liabilities are fulfilled either too late, incompletely or not at all. Such risks pertaining to the Berliner Effektengesellschaft Group are mainly with the Consors Capital Bank AG. Receivables from banks make up the largest position. The accounts are mainly with domestic banks, where the likelihood of default is presumed to be very small. Apart from these bank accounts which are used for payment transactions and cash deposits, Federal Government securities, shares in a money market fund and commercial papers in a domestic bank are held. These assets are also at very slight or no risk at all of defaulting. Receivables from customers who are likely to default are almost exclusively handled within the scope of the credit business of the Consors Capital Bank AG. A regular assessment is made of the credit-worthiness of the borrower and the risk of default and, if required, steps are introduced to reduce this risk. Additionally, the minimum requirements of the Federal Financial Supervisory Authority were applied to the credit business of the banks.

A particular characteristic of the counterparty default risk is the investment or shareholder risk. The investment risk lies predominantly with Ventegis Capital AG. The value of the shareholding may drop due to developments which occur within the investment. So, for example, worsening economic circumstances, negative public reporting, tightened legal regulations or new technical developments are all indications for a closer examination of the valuation. In order to be able to make a timely evaluation of the risk the company belonging to the group, insofar as it holds investments, carries out regular and timely inspections of economic developments. This is supplemented by communication with the management of the associated company. If questions arise from the presented data or from known changes in circumstances, they are discussed with the respective company and clarified. Furthermore, if need be, a member of the Supervisory Board of the associated company is made available. New investments are entered into only after careful examination.

At the same time, the risk of counterparty default exists in the form of settlement risk and advance payment risk, especially in trading transactions. Settlement risk is the danger that the respective delivery commitments are fulfilled either too late, incompletely or not at all. Consequently, an appropriate backup transaction, possibly at worse terms and conditions, has to be concluded. In the case of advance payment risk, the group has already fulfilled its duty, the counterparty, however, has not. In the group, settlement risk comes to bear mainly in the course of securities trading. Due to the admission requirements and, as a rule, state supervision, transactions finalised on a stock exchange are seen to be at very little risk. With off the board trading, however, counterparties must be judged by their reliability. In 2004, one contract arranger did not fulfil his delivery commitment; although in the past trades made with him were settled satisfactorily. The Consors Capital Bank AG is entitled to delivery, but can claim against the Berliner Freiverkehr (Aktien) AG for any damages which might arise. For this purpose, a provision of 500,000.00 € has been made within the group. Measures to improve the risk management system were introduced.

7.3. Liquidity risk

Liquidity risk is understood to be the danger that payment obligations might be made not at all, too late or incompletely, or that due to illiquid markets assets cannot be sold, or sold at the expected price.

The control of payment reserves is made via liquidity planning and other methods suitable for the respective business area. During the reporting year, as far as companies belonging to the group were subject to Principle II which regulates the minimum liquidity of institutes, the rules were adhered to. Last year, the index numbers of the Berliner Freiverkehr (Aktien) AG moved between 39.8 and 139.3, those of the Consors Capital Bank AG between 1.31 and 2.27, the minimum figure being 1.

Both the fixed-interest securities held and the shares in the money market are considered to be sellable at any time without loss.

7.4. Market price risks

Market price risks are understood to be the negative differences of the expected market price development. Market prices are interest rates, stock prices and foreign exchange rates. Any change brings about changes in the value of the financial instruments within the portfolio such as stocks, bonds or bank balances in foreign currency which can lead to write-offs affecting results. Market price risks are of primary importance to the Berliner Effektengesellschaft Group as the division order book management/securities trading accounts for a large part of the group's result. Since a focal point of business activities lies in the trading and relaying of transactions of stocks of foreign companies, especially US-American securities, an indirect foreign currency risk also has an effect. For example, in an ideal market, changes in the US-$ exchange rate bring about corresponding changes in the stock price in €. In the context of the risk management system of securities trading, this risk arising from securities transactions is considered to be implicit in the share price risk. Basically, the control of market price risks is decentralised and occurs in the operationally active companies.

In the division order book management/securities trading of the Berliner Freiverkehr (Aktien) AG a special risk control system is used. On one side there are internal trading limits which serve the timely and close to the market control and supervision of transactions. Alongside this, controlling limits are in place, which are monitored by an independent risk control system. On the basis of the expected results for 2004 and the assigned capital resources, an absolute upper loss limit for all transactions was set by the company's management board. One part of this upper loss limit was divided as a control limit between the trading areas overseas, domestic and Frankfurt am Main. Using these control limits, pending losses from open positions were limited. The pending losses are calculated from the value of the open position and the current value on the basis of a reference price. This reference price is determined on an ongoing basis and entered into the control system. In 2004 the set limits, mostly only used to a small capacity, were exceeded 60 times to a total of 910,000.00 €. In nearly all cases, the reason for exceeding the limit was that the monitoring system was provided with incorrect reference prices.

Occasionally, the supplying systems deliver incorrect prices, often with the decimal point in the wrong place. Among other things, this can be caused by traders on the reference markets making incorrect entries which are then corrected immediately. As a rule, these incorrect prices are replaced immediately by new, correct ones. When risk control is notified that a set limit has been exceeded, checks are made as to whether this can be ascribed to one particular class. Usually, in the case of incorrect prices, this works well. If obviously an incorrect reference price has been entered for the evaluation, the board member of the Berliner Freiverkehr (Aktien) AG responsible for controlling receives the appropriate information. Apart from the correction of the reference price, no further action is necessary. If the anticipated losses are due to real price differences, the board member of the Berliner Freiverkehr (Aktien) AG responsible for controlling discusses the steps to be taken with the board member of the Berliner Freiverkehr (Aktien) AG responsible for trading and informs risk control of the result. If losses are actually incurred which exceed a certain threshold value, the limit concerned is reduced automatically. In a subsequent comparison of the actual and planned result of the Berliner Freiverkehr (Aktien) AG, a decision is made on the retention or change of the limit alignment. In 2004 no adjustments were made to the control limits for the division securities trading/order book management of the Berliner Freiverkehr (Aktien) AG.

The assets in liquid reserve are dealt with separately. In the past business year, due to unfavourable developments, the control limit of the Berliner Freiverkehr (Aktien) AG for these stocks was raised. The assessment of the amount of risk is handled analogue to the observation of trade securities. In the case of the limit being exceeded, the board member of the Berliner Freiverkehr (Aktien) AG is informed immediately, who then decides on the further handling of the securities in the liquid reserve.

In the other companies of the group the market price risks from share prices are of secondary importance. They arise in a few cases as a result of the incorrect settlement of customer transactions or from executions in the context of securities settlement.

Foreign exchange risk is handled restrictively. As a rule, foreign exchange positions from the consumer banking of the Consors Capital Bank AG are largely secured by appropriate, sometimes off the balance sheet back-to-back transactions such as swaps. The settlement of securities transactions demands that certain currency holdings be kept which are also largely balanced out by off the balance sheet back-to-back transactions and uncompleted securities transactions.

Since only short term, at most three month investments are made in liquid assets, no noteworthy term transformation is operated and the risk of interest rate changes is of secondary importance for the group.

7.5. Operational risks

Operational risks are understood to be such risks arising out of inappropriate or faulty company operations or those caused by employees, systems or external occurrences, legal risks included.

In the individual companies of the group, risk inventories were carried out and risk matrices put in place. These are checked regularly, at least once a year. In order to obtain an overview of any damages occurring, employees are required to report all damages to the risk control department in their company. No reports of significant damages were made in the year 2004.

7.6. Reporting

In the companies Consors Capital Bank AG and Berliner Freiverkehr (Aktien) AG, the board members receive a risk report every day which also fulfils the minimum requirements for the operation of trading businesses and the minimum requirements for credit business in banks. In particular, the reports contain the results from trading, the current risk position, the assigned limits and their utilisation. In addition, the bank prepares daily stress scenarios for foreign currency risk and reports these to the board. Due to the small amounts involved and their involvement in day-to-day business the board members are continuously informed of the risk situation.

7.7. Institutional supervision

As a financial holding group, the Berliner Effektengesellschaft Group is subject to supervision by the Federal Financial Supervisory Authority. Accordingly, every month a consolidated monthly return, a consolidated principle I and quarterly reports on any large loans and loans in millions must be submitted. If any unusual events occur, these are to be announced separately. In 2004 the obligation to report was adhered to. From January to December 2004 the reported ratio of Principle I lay between 164.7 % and 196.8 %.

8. Outlook

For the Berliner Effektengesellschaft AG the year 2005 will be marked by formidable investments and the reconstruction and reorganisation of business areas in both subsidiaries, the Berliner Freiverkehr (Aktien) AG and Consors Capital Bank AG.

In the opinion of the managing boards of both subsidiaries and the group, there is no avoiding this partial repositioning of both companies in order to be successful in the long term and to once again increase the value of the Berliner Effektengesellschaft AG.

By the end of April, the Consors Capital Bank AG will carry out an increase in capital through the investment in kind of the former setis-bank AG. At the same time the name will be changed and the preparatory steps for the expansion of future business areas will begin. The net operating profit will be heavily burdened with high migration costs and new developments in software. A fully operational start of the implementation of new concepts can be realistically expected in the business year 2006.

The Berliner Freiverkehr (Aktien) AG also plans to completely change its transaction processing in co-operation with the Consors Capital Bank AG in order to improve or enable the cost effective acquisition of new customers via electronic trading platforms such as XETRA, or our own system TradeGate. To achieve profitability, considerably larger quantity structures than we have at the moment are needed in terms of the number of transactions. These new investments are not anticipated to take effect until the last quarter, so with the continued order book management business and the unchanged poor general conditions on the market, we only expect a balanced net operating profit this year.

Ventegis Capital AG is planning two sales this year which, if successfully completed, will allow an extremely positive result for the year.

On the whole, the management does not have high expectations for this year with regard to the general possible growth in the capital market, but is prepared for a practically unchanged low level of business. All planned investments in the group can continue to be generated mainly from the cash flow or the good liquidity of all companies.

The group's accounting policy remains solid and conservative. A large part of past investments in infrastructure, especially in the area of IT-systems, is not shown in the financial statements. Over the last few years risks from minority holdings were allowed for completely by writing off the investment, so that currently no valuation risks arise. Property risks did not and do not exist in the group.

The Berliner Effketengesellschaft AG will continue to work hard for a good starting position in order to be able to profit from an improvement in the capital markets by gaining a large share in the market.

Berlin, March 1, 2005

Holger Timm *Dr. Jörg Franke*

In the German version of the annual report the auditors' report is printed here. This report confirms the unreserved validation by the PwC Deutsche Revision AG Wirtschaftsprüfergesellschaft, Berlin, of the group's annual financial statements of the Berliner Effektengesellschaft Group.

REPORT OF THE SUPERVISORY BOARD

Throughout the business year 2004, in four meetings with the Board of the Berliner Effektengesellschaft AG, the Supervisory Board was informed extensively by oral and written reports of the development of the group and the companies belonging to the group. A variety of important business issues of both a general and particular nature were discussed and, after careful consideration and continual dialogue, decisions were made. The Supervisory Board fulfilled all its incumbent duties as required by the Aktiengesetz (AktG) – (Stock Corporation Act) and the articles of association.

Main discussion points
The discussions focused on the course of business activities, the economic position of the company, its perspectives, its strategic orientation in a difficult market and competitive environment, the necessary measures taken in investments and acquisitions and also the set-up of seminal structures to ensure the existence of the Group long-term.

Risk management
The members of the Supervisory Board made sure that the Board of the company takes suitable measures and maintains a monitoring system whereby any developments endangering the continuity of the company can be recognised at an early stage (Section 91 Subsection 2 AktG). In its function as a financial holding, the company has an efficient controlling system at its disposal and compiles monthly consolidated figures of comparison. In particular, risk control in the wholly owned operative subsidiary, the Berliner Freiverkehr (Aktien) AG, was further improved and an independent internal auditor was appointed. In the opinion of the Supervisory Board, the existing risk monitoring system fulfils all the statutory requirements and enables the Supervisory Board to carry out its supervisory obligations promptly.

Corporate Governance and Declaration of Conformity
In its meeting on December 7, 2004, the Supervisory Board dealt extensively with the latest recommendations of the Government Commission German Corporate Governance Code dated May 21, 2003, as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette (Bundesanzeiger), and principally agreed upon their implementation at the Berliner Effektengesellschaft AG except for three items. On the same day and thereby within the deadline, the Board and the Supervisory Board published its third Declaration of Conformity according to Section 161 Aktiengesetz (Stock Corporation Act) and made it permanently accessible to the shareholders on the company's website. All members of the Board and the Supervisory Board of the Berliner Effektengesellschaft AG undertook anew the obligation to personally follow the recommendations and, to the greatest possible extent, the proposals of the Government Commission German Corporate Governance Code. The Board and the Supervisory Board of the Berliner Effektengesellschaft AG are convinced that they have complied with the recommendations and, to the greatest possible extent, the proposals of the Government Commission German Corporate Governance Code during the reporting period and intend to continue to do so in the future.

Committees' activities
The recommendations of the Government Commission German Corporate Governance Code advise the formation of committees. A financial and a personnel committee were already formed in the business year 2002. The financial committee, represented by Mr. Wolfgang Hermanni, Mr. Jean-Philippe Huguet and Dr. Günter Rexrodt (†), focused in particular on the individual and group financial statements, dealt with the quarterly reports, issued the audit assignment to the auditors and defined the focal point of the audit as

well as the amount of payment. In the personnel committee, represented by Mr. Wolfgang Hermanni and Mr. Andrä Dujardin, the most important topics were the structure and amount of the Board's remuneration and the acceptance of external supervisory board mandates by the two Speakers of the Board of the Berliner Effektengesellschaft AG.

Election of the Supervisory Board

On August 19, 2004, our long-serving and deserving Supervisory Board Member, Dr. Günter Rexrodt, passed away. We will always remember him with honour. His committed service to our company, his professional expertise, but most of all the man Günter Rexrodt himself will be very much missed. The election of a suitable person will be suggested earliest at the coming shareholders' meeting, as the five remaining members of the Supervisory Board are capable of acting in full.

Annual Group Financial Statements

The annual financial statements for the business year 2004 including the accounting and the management reports, compiled by the Board in accordance with the provisions of the Handelsgesetzbuch (HGB) – (German Commercial Code) and the Aktiengesetz (AktG) – (Stock Corporation Act), were examined and certified without reservation by the external auditors PwC Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Lise-Meitner-Straße 1, 10589 Berlin, who were appointed at the shareholders' meeting on June 22, 2004. The Supervisory Board examined the annual financial statements and the management report and, together with the Board and the external auditor, discussed and endorsed both at the meeting on March 15, 2005, thus officially approving the annual financial statements. We are in agreement with the Board on their proposal for the application of the accumulated loss.

The Board also submitted to the Supervisory Board the consolidated financial statements and the Group management report for the year 2004, both compiled in accordance with the provisions of the Handelsgesetzbuch (HGB) – (German Commercial Code) and the Aktiengesetz (AktG) – (Stock Corporation Act) and, in addition, the audit report certified without reservation by the external auditors of the Group, PwC Deutsche Revision Aktiengesellschaft, Wirtschaftsprüfungsgesellschaft, Lise-Meitner-Straße, 10589 Berlin, who were appointed at the shareholders' meeting on June 22, 2004. The Supervisory Board examined the consolidated financial statements and the Group management report and, together with the Board and the external auditor, discussed and approved them at the meeting on March 15, 2005.

The Supervisory Board would like to express its thanks and appreciation to both Speakers of the Board, Mr. Holger Timm and Dr. Jörg Franke, and to the employees of all Group companies for the responsibility and dedication shown in their work during the last year.

Berlin, March 15, 2005

Wolfgang Hermanni
Chairman of the Supervisory Board

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Berliner Effektengesellschaft AG
Kurfürstendamm 119
10711 Berlin

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BERLINER EFFEKTENGESELLSCHAFT AG
Kurfürstendamm 119
D-10711 Berlin
Telephone: +49 (0)30-890 21-100
Fax: +49 (0)30-890 21-199

Internet:
www.effektengesellschaft.de
E-mail:
info@effektengesellschaft.de

Branch:
Goethestraße 13
D-60313 Frankfurt/Main
Telephone: +49 (0)69-913 324-10
Fax: +49 (0)69-913 324-19

BERLINER FREIVERKEHR (AKTIEN) AG
Kurfürstendamm 119
D-10711 Berlin
Telephone: +49 (0)30-890 21-100
Fax: +49 (0)30-890 21-199

Internet:
www.effektengesellschaft.de
www.tradegate.de
E-mail:
info@effektengesellschaft.de
info@freiverkehr.de
info@tradegate.de

Branch:
Goethestraße 13
D-60313 Frankfurt/Main
Telephone: +49 (0)69-913 324-0
Fax: +49 (0)69-913 324-33

CONSORS CAPITAL BANK AG
Kurfürstendamm 119
D-10711 Berlin
Telephone: +49 (0)30-890 21-300
Fax: +49 (0)30-890 21-321

Internet:
www.consors-capital.de
E-mail:
private.banking@consors-capital.de

VENTEGIS CAPITAL AG
Kurfürstendamm 119
D-10711 Berlin
Telephone: +49 (0)30-890 436-0
Fax: +49 (0)30-890 436-29

Internet:
www.ventegis-capital.de
E-mail:
info@ventegis-capital.de

BERLINER EFFEKTENGESELLSCHAFT

AKTIENGESELLSCHAFT