



1997 1998 1999 2000 2001 2002 2003 2004 **2005**

Berliner Effektengesellschaft AG Summarised Annual Report 2005



BERLINER EFFEKTENGESELLSCHAFT
AKTIENGESELLSCHAFT



BERLINER EFFEKTENGESELLSCHAFT
AKTIENGESELLSCHAFT

Berliner Effektengesellschaft AG

WKN 522130, ISIN DE0005221303

December 31, 2005

Stock capital	16,453,903 € = 16,453,903 shares
Free float	17.5 % = 2,878,993 shares
Balance sheet total	118,115,000 €
Stockholders' equity	73,531,708.46 €
Share price at the close of the year	5.04 €
Group result	3,148,824.95 €
Proposed dividend	0.10 €
Number of employees in the group	168

04	Report of the Board/ Our company
08	Group financial statement
08	Group income statement
09	Group balance sheet as at December 31, 2005
09	Assets
09	Equity and liabilities
10	Group management report
20	Imprint

Report of the Board for the year 2005

Our Company

Following the significant changes in the shareholders' structure of the Berliner Effektengesellschaft AG in 2004, the last business year saw only a minimal change in the capital stock and the shareholding ratio. This was due to employees exercising their option rights for the first time.

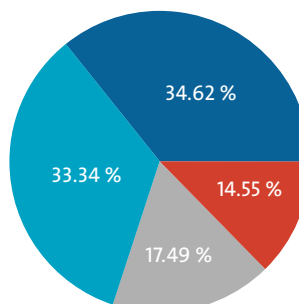
In the organisational structure of the Berliner Effektengesellschaft financial holding important changes took place in particular with regard to the group's subsidiary, the CCB Bank AG. While the share in the Berliner Freiverkehr (Aktien) AG remained unchanged at 100 % at the end of the year, and the share in the stock exchange listed subsidiary Ventegis Capital AG increased slightly through the purchase of shares on the stock market from 93.7 to 93.9 %, the share in the CCB Bank AG fell during the year from 88.2 to the current 51.7 %, as shown in the diagram below.

The main reason for the dilution of equity is the investment in kind by the former setis-bank AG (now Sachsen LB Business Support AG) in the CCB Bank AG, which occurred in April 2005. Out of this capital increase by investment in kind came the Sachsen LB's (state bank of Saxony's) current investment of 31.51 % in the CCB Bank AG. The name of the former setis-bank AG was changed because on integration into the CCB Bank AG the company gave back its banking licence. A further reduction of the share in the CCB Bank AG arose from a capital increase for cash made by the management in which the existing shareholders did not take part. The capital increase was undertaken in order to ensure that those who are the key figures for the bank's economic success in the next years are adequately involved in the business risk.

In the current business year of 2006 further changes in the organisational structure of our company are expected. The formation has already been announced of the BEG Fondsmanagement GmbH, which begins business operations on April 1 and plans to distribute the first mutual fund initiated by the company (BEG Fonds 1 Nordinvest) as of May. Besides the economic success aimed for by this 100 % subsidiary, the existing and future-planned mutual funds should improve the liquidity management and the optimisation of earnings in the group, and separate the own funds and long term trade securities from the operational business of other group companies in a legally orderly manner. Last year preparatory steps were also taken for the formation of a new company to open up an additional business area within the group. However, this company will undertake activities which require approval and several administrative decisions from the authorities are still outstanding.

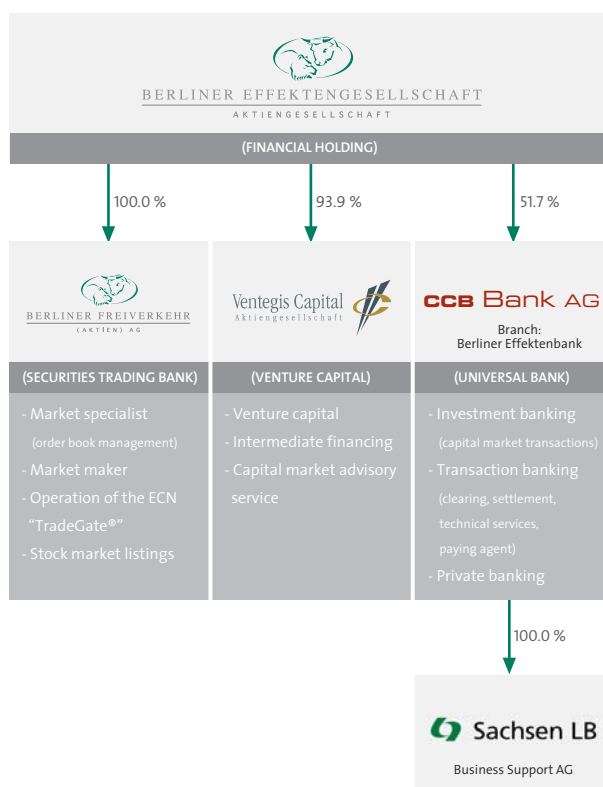
Furthermore, it was recently disclosed in an ad-hoc announcement that the Berliner Freiverkehr (Aktien) AG has changed its name to TRADEGATE AG, WERTPAPIERHANDELSBANK (securities trading bank) and in the course of this year aims to be quoted separately in the Entry Standard of the Frankfurt Stock Exchange. For this purpose the capital will be increased by up to 5 % within the scope of a private placement.

Shareholders' structure



H.T.B. Unternehmensbeteiligungen GmbH (100% Holger Timm)	5,695,852 shares	34.62 %
Mr. Holger Timm	5,485,048 shares	33.34 %
Cortal Consors S.A.	2,394,010 shares	14.55 %
Free Float	2,878,993 shares	17.49 %
	16,453,903 shares	100.0 %

Organisational structure



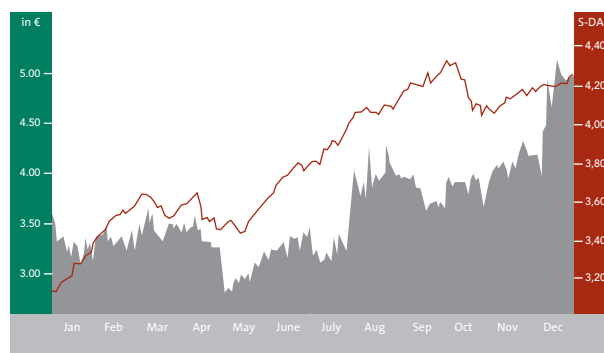
Since we assume that this subsidiary of the Berliner Effektengesellschaft AG currently represents significant assets in the group, all shareholders of the Berliner Effektengesellschaft will be able to participate in the private placement at a ratio of 20:1. The management expects several positive effects to come from this step. Firstly, it is clear that the Berliner Freiverkehr (Aktien) AG of today is no longer simply a traditional stock broking company, but has continually developed its business towards operating its own off-exchange information and trading platform. The change of name and the IPO (initial public offering) will generate marketing effects for TRADEGATE AG almost gratis. At the same time, the hidden assets of the Berliner Effektengesellschaft will also become more obvious.

Particularly the price development of our share in 2005 shows that there is sometimes no realistic assessment of value made by the stock exchange or the investor. In May 2005 the price fell to a low of 2.80 €, well below the proportional equity capital. Even though the share price rallied by almost 100 % during the course of the year and the trend continued at the beginning of the new business year it is still essential, on behalf of our shareholders, to aim for a permanently better value rating on the market. In order to avoid future fluctuations in evaluation, besides the group's profit and loss account and equity capital, an easier determination of the so called net asset value is necessary. Such an evaluation can only be meaningful if determined by the market itself, and therefore the separate exchange quotation of the main group subsidiaries seems to be an appropriate step to take. In extreme market situations it also allows the group's management to intervene by selling or buying shares of individual subsidiaries or own shares.

Certainly the financial statement for 2005 made for the first time according to IFRS, which is now obligatory for companies listed in the General Standard, has not particularly contributed to a better evaluation of our company. This is simply because the companies incorporated in the group's consolidation are very different. While the Berliner Freiverkehr (Aktien) AG, with its established business model, is already showing respectable earnings again after a few slack years, the CCB Bank AG finds itself in the middle of setting up new business areas. The high investments planned up to and including 2007 obscure the profit contribution of the existing business areas. This applies even more so for our subsidiary Ventegis Capital AG which, as a venture capital company, sometimes engages in consolidation-liable investments of over 20 % in often very young companies in totally different branches of industry. Such important and promising investments can then burden the group's profit and loss account with significant losses until a profitable sale becomes possible.

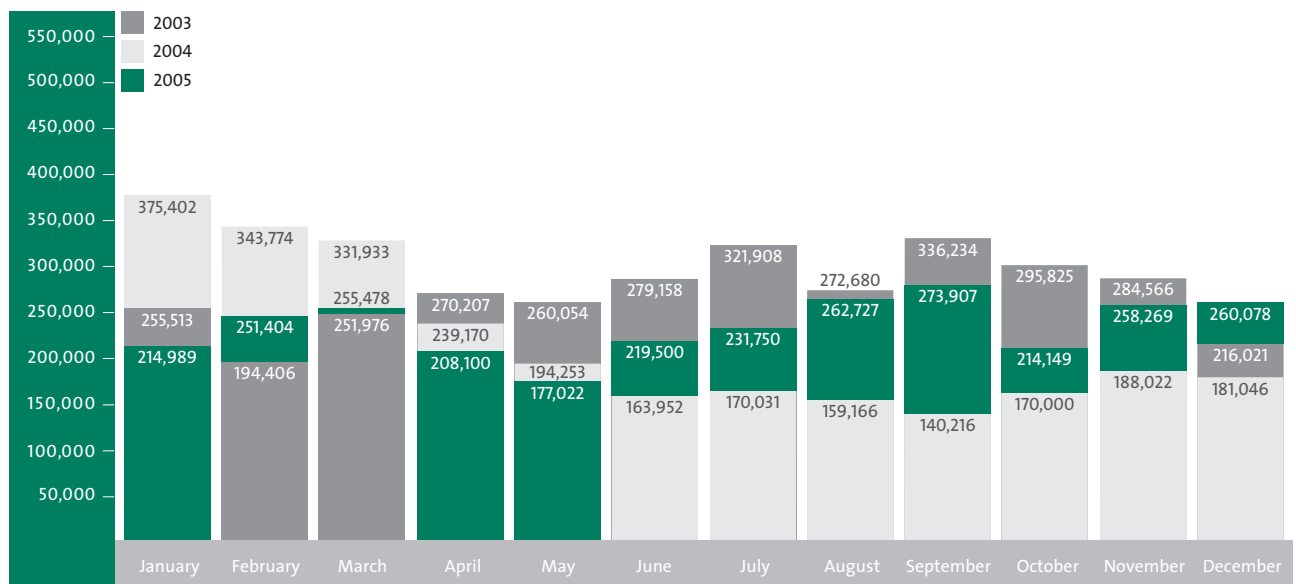
The extensive management reports in the individual companies' and the group's financial statements and the numerous explanatory notes in the appendix to the IFRS group financial statement have made this year's annual report rather bulky. For a better understanding it is worth taking a quick look at the individual financial statements of the group companies, which are compiled according to the HGB (German Commercial Code).

Price development of Berliner Effektengesellschaft AG
January 2005 to December 2005



In every year's Board Report we like to illustrate the Berliner Freiverkehr (Aktien) AG's business development of the last few years. The diagram below gives an account of the number of transactions in a monthly comparison.

Number of transactions completed - a monthly comparison 2003/2004/2005



The diagram shows that in the first five months of the business year the number of transactions fell compared with the previous year, while in the last seven months the number of transactions increased compared with the same months in the previous year. The overall result was a growth of 6 % with 2,827,373 individual transactions. The company's profit before tax calculated according to HGB increased by 193 % from 545,168.00 € to 1,595,117.00 €. This is due to the fact that, in 2005, business was spread relatively evenly over the twelve months, enabling profitable business thanks to the required critical mass being available in nearly every month. In contrast, the year 2004 was marked by a very good first quarter followed by a dramatic collapse in the number of transactions for the rest of the year.

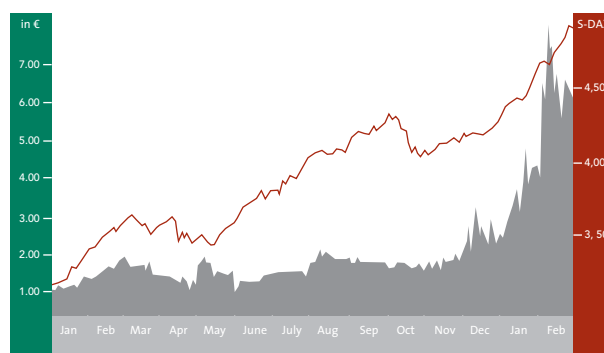
The profit of 1,286,357.00 € of Ventegis Capital AG, calculated according to HGB, also comes as good news after the loss of 579,846.00 € in the previous year. This profit is mainly as a result of the successful sale of an investment at the end of the year and shows once more that, with smaller venture capital companies, quarterly figures are not very meaningful. Following the ad-hoc announcements of Ventegis Capital AG, the share price of the company, which is listed on the third market, has clearly more than recovered from its low point in January 2005, with an increase of over 400 % by February 2006. Accordingly, at the end of February 2006 the calculative value of our shareholding came to almost 20 million €.

The business year of the CCB Bank AG was characterised by the integration of the former setis-bank AG and the change to the accompanying clearing system ITREX, as well as numerous preparatory measures and investments for a new private banking business which is planned to start operating from the middle of the current year. Favourable results could also be delivered last year by the very successful, reactivated investment banking business which benefited from the much improved situation on the capital markets. From the group's point of view, the losses in the bank's individual financial statement have roughly been balanced out by the profit-bringing positive effects from the integration of the former setis-bank AG.

With regard to the number of transactions and the generally brighter prospects on the capital market the current business year has started very positively for the Berliner Effektengesellschaft AG. Even though, once again, some evaluations of the smallest companies bring to mind the excesses of the Neuer Markt and are certainly a cause for worry, in our opinion the upward trend on the markets has consolidated somewhat. With the planned steps for further diversification of the business areas in the group and our good positioning in the ever rapidly changing capital market, our hopes for a successful year for our company are not unfounded.

The management of the group and the group's companies would like to thank our dedicated employees and also our shareholders who have supported us in difficult times and, with their trust, have demonstrated their entrepreneurial courage.

Price development of Ventegis Capital AG From January 2005 to February 2006



Group income statement
 Group balance sheet assets
 Group balance sheet equity and liabilities

GROUP INCOME STATEMENT BERLINER EFFEKTEGENESCHAFT AG, Berlin as at December 31, 2005	in € 01-01 – 12-31-2005	in € 01-01 – 12-31-2004	Percentage change
Interest earned	1,981,596.30	1,966,276.34	0.8
Interest paid	- 515,550.84	- 505,581.01	2.0
Interest surplus	1,466,045.46	1,460,695.33	0.4
Net provision for risk in credit transactions	- 65,626.22	572,174.72	-
Interest surplus after provision for risk	1,400,419.24	2,032,870.05	- 31.1
Commissions received	16,536,418.74	10,097,015.09	63.8
Commissions paid	-10,248,906.13	- 5,181,235.45	97.8
Commissions surplus	6,287,512.61	4,915,779.64	27.9
Income from trading transactions	23,917,680.42	18,639,830.32	28.3
Expenditure from trading transactions	- 15,205,217.43	- 11,483,768.14	32.4
Trading result	8,712,462.99	7,156,062.18	21.7
Gross earning	16,400,394.84	14,104,711.87	16.3
Results from investments and securities (available for sale)	1,608,557.17	- 808,380.54	-
Results from companies valued at equity	- 12,253.45	198,516.46	-
Administration expenses	- 21,437,727.19	- 16,516,760.69	29.8
Operating result	- 3,441,028.63	- 3,021,912.90	13.9
other operating revenue	5,874,328.42	1,950,256.12	201.2
other operating expenses	- 364,812.18	- 1,258,162.74	- 71.0
Other operating result	5,509,516.24	692,093.38	696.1
Result before tax	2,068,487.61	- 2,329,819.52	-
Income and revenue taxes	- 140,341.90	81,379.39	-
Result after tax	1,928,145.71	- 2,248,440.13	-
Profit/loss owed to shareholders outside the group	1,220,679.24	62,066.15	1866.7
Group profit/loss	3,148,824.95	- 2,186,373.98	-

Group income statement
Group balance sheet assets
 Group balance sheet equity and liabilities

GROUP BALANCE SHEET: ASSETS BERLINER EFFEKTEGESELLSCHAFT AG, Berlin as at December 31, 2005	in € 12-31-2005	in € 12-31-2004	Percentage change
Cash reserves	869,540.45	2,133,236.67	- 59.2
Receivables from banks	60,031,164.51	44,702,539.01	34.3
Receivables from customers	8,172,215.39	12,864,084.60	- 36.5
Provision for risk	- 2,498,980.50	- 2,675,159.79	- 6.6
Trading assets	3,313,283.04	1,108,945.82	198.8
Investments and securities	41,289,172.52	31,739,158.33	30.1
Participatory investments in associated companies	397,072.17	307,191.46	29.3
Intangible assets	1,902,115.84	759,433.68	150.5
Tangible fixed assets	1,435,447.23	1,137,556.79	26.2
Income tax claims	632,452.76	845,093.20	- 25.2
Other assets	2,313,949.18	1,315,272.28	75.9
Deferred taxes on assets side	257,925.10	268,665.52	- 4.0
Total	118,115,357.69	94,506,017.57	25.0

GROUP BALANCE SHEET: EQUITY AND LIABILITIES BERLINER EFFEKTEGESELLSCHAFT AG, Berlin as at December 31, 2005	in € 12-31-2005	in € 12-31-2004	Percentage change
Liabilities to banks	5,302,633.00	1,232,564.37	330.2
Liabilities to customers	33,948,656.98	28,258,012.70	20.1
Trading liabilities	954,459.02	343,624.57	177.8
Provisions and accruals	1,819,464.60	1,720,917.45	5.7
Tax on income	230,158.81	71,556.81	221.6
Other liabilities	1,848,107.58	951,896.32	94.2
Deferred taxes on liabilities side	480,169.24	584,444.00	- 17.8
Own funds	73,531,708.46	61,343,001.35	19.9
Minority interests	10,309,535.04	1,764,174.09	484.4
Stock capital	16,453,903.00	16,311,203.00	0.9
Capital reserves	40,906,699.99	40,756,633.39	0.4
Retained earnings	2,502,711.35	3,194,577.59	- 21.7
Revaluation surplus	307,241.40	104,119.21	195.1
Group profit	3,051,617.68	- 787,705.93	- 487.4
Total	118,115,357.69	94,506,017.57	25.0

MANAGEMENT REPORT OF THE BERLINER EFFEKTEGENESCHAFT AG GROUP FOR THE YEAR ENDED DECEMBER 31, 2005

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,

CCB Bank AG, Berlin; holding 51.7 %, authorised as a universal bank, business areas are private banking, investment banking and financial market services (securities settlement),

Ventegis Capital AG, Berlin; holding 93.9 %, venture capital business providing mainly early phase investments and general financial and structuring advice.

Sachsen LB Business Support AG, Leipzig; 100 % subsidiary of the CCB Bank AG since April 21, 2005. Trading settlement service for Sachsen LB and third parties.

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. Currently, no strategically relevant investments exist. In the past, holdings still existing in foreign companies were completely written off.

Where necessary, the company also supports the subsidiaries 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 three board members (Prof. Dr. Jörg Franke, Mr. Karsten Haesen and Mr. Holger Timm) who work closely with one another in the areas of strategic planning, guidance of the operational subsidiaries 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 especially concerns the personnel administration of the subsidiaries and certain areas of the buying-in of material and services. Besides this, Mr. Timm is the Chairman of the Board of the Berliner Freiverkehr (Aktien) AG, Chairman of

the Supervisory Board of the CCB Bank AG and Member of the Supervisory Board of Ventegis Capital AG. Prof. Dr. Franke, who switched to the supervisory board of the company on February 1, 2006, was mainly responsible for investor and public relations and from his post in Frankfurt he kept in close contact with the Deutsche Börse AG, as well as national and international stock exchanges and financial service companies. In addition, he is Chairman of the Supervisory Board of Ventegis Capital AG and of the Berliner Freiverkehr (Aktien) AG and continues to assume an important role for the company on the board of the umbrella association of financial service providers and of the Berlin-Bremen Stock Exchange. Mr. Haesen coordinates the activities of the group regarding capital market transactions and is responsible for the representation of the company on the capital market.

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 further organisationally strengthened 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. For the future, the company will concentrate exclusively on electronic trading platforms such as XETRA and invest in new trading and settlement software to reduce the processing costs of these mainly automated services. In order to avoid mid-term dependence on a monopoly-like exchange system such as XETRA, further emphasis will be put on the development of our own off-exchange information and trading system, TradeGate®. TradeGate® is a so-called ECN, an electronic communication network. In the past years ECNs have achieved a large market share in the USA. For share trading in Germany there is currently no competitor of any relevance operating an ECN. In Germany, ECNs have only been able to achieve significant market share in the area of warrants and certificates.

From February 15, 2005, in line with its strategic reorientation, the CCB Bank AG took over the Sachsen LB Business Support AG (formerly setis-bank AG) according to the contract of participation and cooperation drawn up between the state bank of Saxony in Leipzig (Sachsen LB) and the CCB Bank AG. With the acquisition of the Business Support AG the range of services offered by the bank has thus been extended by an own trading settlement service. Here, the focus is set on the settlement of structured products, own issues and interest rate derivatives.

At the same time the bank took the decision to migrate to a new, comprehensive banking system. The migration was carried out as planned, thus laying the foundation for the further expansion of private banking with particular emphasis on asset management and client services. These areas of business are now consolidated on one IT-platform.

For the comprehensive banking service of the CCB Bank AG a well-known bank could be gained as an outsourcing partner and was integrated in the fourth quarter of 2005.

The investment banking market revived somewhat in 2005 and this positive development was mirrored in the corresponding business area of the group. A particular advantage lay in the fact that, in the past, many competitors have ceased their activities in investment banking. In our group, however, the experienced team for this market has been retained. Corporate finance is organised as a project business within the CCB Bank AG and, on the grounds of low fixed costs, is able to generate revenue accordingly. Among the services offered are project management assignments, company evaluations and stock exchange listings with emphasis on medium-sized businesses.

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

From the group's point of view, business development is made up of the development of its individual business areas. In the area of order book management / proprietary trading an important indicator is the number of securities transactions which in the past few years – since the boom market in 2000 – have fallen continually. This downward trend could be stopped for the first time in 2005 with a slight increase compared with the previous year of 2.8 million to 2.867 million transactions. The further good news was that the transactions in this business segment were spread more evenly over the whole year, so that except for the low turnover months of April and May, all other months in the area of order book management and proprietary trading were profitable. In contrast, the previous year was marked by a very strong first quarter followed by seven months of loss and a distinct summer slump. For the first time in several years business received a noticeable boost from new issues in Germany and other countries and from the return of private investors onto the securities market. This can also be seen in the sharp increase in the number of securities looked after by the subsidiary Berliner Freiverkehr (Aktien) AG, from ca. 8,000 in the previous year to around 10,000 in 2005. The difference between this number and the total number of securities of 10,740 is explained by the double listing of the company in Frankfurt and Berlin. In the business of shares the group continues to face increasing competition from countless derivative products such as warrants and certificates. In Germany the number of transactions in these products is now probably larger than the number of transactions in shares. Since the group has not, up to now, acted as issuer for such products it does not benefit from this type of sales volume. The group considers trading products of the issuers to be too risky.

The business segment private banking also benefited from the upturn in the capital markets and was able to increase its net commission income. The reorientation also covered the institutional investment business and this, along with the activity in client services, brought the expected profit contribution. The segment corporate finance, which successfully accompanied 27 capital companies as lead manager, achieved positive results commensurate with its business structure.

In 2005 the area of venture capital was able to further strengthen its position in the German venture capital market. The investment portfolio has developed as expected. The investments which were already rated as promising at the end of 2004 continue to develop positively. In addition, two new investments were made which will advance the quality oriented expansion of the investment portfolio. Following successful exits, there are currently seven investments being held of which five are developing in line with expectations.

In April of last year, the number of employees in the group increased following the inclusion of further companies in the consolidation. The group's companies do not have a high employee turnover. 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	8
Berliner Freiverkehr (Aktien) AG	79
CCB Bank AG	55
Sachsen LB Business Support AG	27
Ventegis Capital AG	5

Some board members have a double function, so there is a total of 168 employees in the group.

In 2005 the necessary initial investments for tangible fixed assets and software were made. 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

For the business year, the result after tax has improved by 4,176,000 € from -2,248,000 € to 1,928,000 €. 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.

	in € 2005	in € 2004
Interest earned	1,981,596.30	1,966,276.34
Interest paid	- 515,550.84	- 505,581.01
Interest surplus	1,466,045.46	1,460,695.33
Net provision for risk in credit transactions	- 65,626.22	572,174.72
Interest surplus after provision for risk	1,400,419.24	2,032,870.05
Commissions received	16,536,418.74	10,097,015.09
Commissions paid	- 10,248,906.13	- 5,181,235.45
Commission surplus	6,287,512.61	4,915,779.64
Income from trading transactions	23,917,680.42	18,639,830.32
Expenditure from trading transactions	- 15,205,217.43	- 11,483,768.14
Trading result	8,712,462.99	7,156,062.18
Gross earning	16,400,394.84	14,104,711.87
Result from investments and securities (available for sale)	1,608,557.17	- 808,380.54
Result from companies valued at equity	- 12,253.45	198,516.46
Administration expenses	- 21,437,727.19	- 16,516,760.69
Operating result	- 3,441,028.63	- 3,021,912.90
Other operating result	5,509,516.24	692,093.38
Result before tax	2,068,487.61	- 2,329,819.52
Income and profit taxes	- 140,341.90	81,379.39
Result after tax	1,928,145.71	- 2,248,440.13
Profit / loss due to shareholders outside the group	1,220,679.24	62,066.15
Group profit / loss	3,148,824.95	- 2,186,373.98

Compared with the previous year the interest rate and the interest-bearing business volume have essentially remained unchanged, so the interest surplus amounts to the same as last year. The increase of the net provision for risk in credit transactions to 66,000 € (in the previous year the net release was 572,000 €) is mainly due to the special circumstances of last year, whereby the unexpected return of already depreciated receivables led to income. This has resulted in a reduction of interest surplus after provision for risk from 2,033,000 € to 1,400,000 €.

The noticeable increase in commissions received of 6,439,000 € or 63.8 % to 16,536,000 € comes mainly from the upturn in the business of the Berliner Freiverkehr (Aktien) AG which has led to a marked increase in business volume in this segment. The commissions paid have increased by 5,068,000 € or 97.8 % to 10,249,000 € accordingly. Furthermore, the favourable corporate finance business of the CCB Bank AG has played a positive role. The commission surplus amounts to 6,288,000 € (4,916,000 € in the previous year).

In line with the improved situation on the capital markets the trading result has increased from 7,156,000 € to 8,712,000 €. The upturn in the business area order book management / securities trading was noticeable here, too.

Due to the inclusion of further companies in the consolidation in the course of the reporting year and the changeover of the EDV-system in the CCB Bank AG, the administration expenses increased to 21,438,000 € (previous year 16,517,000 €). The increase in the number of employees and the associated expenses can be ascribed mainly to the expansion of the consolidation by the Sachsen LB Business Support AG.

The other operating result of 5,510,000 € (previous year 692,000 €) reflects mainly the success of the final consolidation in line with the reduction of the share in the CCB Bank AG to the amount of 2,826,000 €. A further large position of 1,381,000 € is the cost allocations from the area Financial Market Services. A detailed breakdown can be found in the appendix.

3. Development of financial position

The group's liabilities are affected by the business of the CCB Bank AG. The liabilities to customers arise almost exclusively from the investment business in the segment private banking. The next table shows the development of equity and liabilities over the past year.

	in € 12-31-2005	in € 12-31-2004
Liabilities to banks	5,302,633.00	1,232,564.37
Liabilities to customers	33,948,656.98	28,258,012.70
Trading liabilities	954,459.02	343,624.57
Provisions and accruals	1,819,464.60	1,720,917.45
Profits tax	230,158.81	71,556.81
Other liabilities	1,848,107.58	951,896.32
Deferred taxes on liabilities side	480,169.24	584,444.00
Own funds	73,531,708.46	61,343,001.35
Minority interests	10,309,535.04	1,764,174.09
Stock capital	16,453,903.00	16,311,203.00
Capital reserves	40,906,699.99	40,756,633.59
Retained earnings	2,502,711.35	3,194,577.59
Revaluation surplus	307,241.40	104,119.21
Group profit	3,051,617.68	- 787,705.93
Total	118,115,357.69	94,506,017.57

In line with the increase in business volume the liabilities to banks have increased from 1,233,000 € to 5,303,000 €. The liabilities to customers have also increased from 28,258,000 € to 33,949,000 € due to the CCB Bank AG gaining new customers.

The other liabilities contain predominantly accruals for deliveries and services not yet settled and social security and income tax still payable.

Alongside the group profit of 3,052,000 €, the increase in own funds to 73,532,000 € (previous year 61,343,000) is mainly the result of a capital increase carried out by the CCB Bank AG and the simultaneous incorporation of additional shareholders. The state bank of Saxony brought in today's Sachsen LB Business Support AG and in return received about a third of the shares.

4. Development of net assets position

The net assets position of the Berliner Effektengesellschaft Group is marked by relatively high solvency. Alongside the assets held in securities, the receivables from banks represent the largest positions in assets. The table below shows the development of assets over the last two years.

The marked increase of 15,328,000 € or 34.3 % in receivables from banks is due to higher customer investments, lower receivables from customers and the increased clearing balance, especially in the settlement of securities.

Despite the increase in business volume the receivables from customers fell from 12,864,000 € to 8,172,000 €. The reason for this development was the reduction of the credit business of the CCB Bank AG.

The notable increase in the amount of immaterial assets is due to the acquisition and expansion of the banking system.

The increase in other assets is due mainly to the receivables from the sale of an investment to the value of 1,400,000 € in the business segment venture capital.

	in € 12-31-2005	in € 12-31-2004
Cash reserves	869,540.45	2,133,236.67
Receivables from banks	60,031,164.51	44,702,539.01
Receivables from customers	8,172,215.39	12,864,084.60
Provision for risk	- 2,498,980.50	- 2,675,159.79
Trading assets	3,313,283.04	1,108,945.82
Investments and securities	41,289,172.52	31,739,158.33
Participatory investments in associated companies	397,072.17	307,191.46
Intangible assets	1,902,115.84	759,433.68
Tangible fixed assets	1,435,447.23	1,137,556.79
Profits tax claims	632,452.76	845,093.20
Other assets	2,313,949.18	1,315,272.28
Deferred taxes on assets side	257,925.10	268,665.52
Total	118,115,357.69	94,506,017.57

5. Analysis of financial performance indicators

The administration expenses in relation to gross earnings have increased from 117.1 % to 130.7 %. This development was due mainly to the amount of preparatory costs for the reorientation of the CCB Bank AG. As at December 31, 2005 the equity ratio of the group stood at 62.3 % following 64.9 % at the closing date of the previous year. If one does not consider the minority interests in the calculation the figures are 53.5 % for 2005 and 63 % for 2004. The result per share has developed well, moving from -0.14 € to 0.19 €. The underlying data for this evaluation can be found in the appendix.

To summarise, the group developed positively last year and its situation can be described as satisfactory.

6. Situation at the time of writing

In the first quarter, the development of the segment order book management / proprietary trading was very successful. The business areas of the CCB Bank AG have developed as planned and are moving forward with their reorientation. In the segment venture capital one exit from 2005 was processed completely.

7. Supplementary report

No noteworthy events occurred between the end of the business year and the completion of the financial statement.

8. Risk report

8.1. Risk management policy and strategy

As a financial holding group, the Berliner Effektengesellschaft Group's activities focus on order book management/securities trading, financial market services, private banking, corporate finance and venture 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.

8.2. 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 CCB 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 CCB Bank AG. The credit business of the CCB Bank AG (with the exception of credit cards) is carried out on the basis of individual decisions and in line with the investment advisory service and asset management. Beyond this, no active sale of credit products occurs. The customer's creditworthiness is assessed and rated on a scale from 1 (best rating) to 5 (worst rating). The assessment is carried out regularly using requested documents such as annual reports, business assessments, personal information, income tax returns / statements, summary of assets with corresponding proof, such as abstract of title and securities account statement along with the security provided. If necessary, steps to reduce risk of default are taken. The bank does not put emphasis or limitation on certain industries, since allocation of loans is made chiefly to private individuals and individual enterprises. The credit business is paramount in the regional and national market. The minimum requirements issued by the Federal Financial Supervisory Authority are also implemented in the banking industry's credit business.

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. Following the experiences of the business year 2004 off-exchange transactions, especially those in East Europe, were closely monitored.

8.3. Liquidity risk and cash flow 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 CCB 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.

The group is financed primarily by its own funds. If future cash flow should vary as a result of a change in the interest rate, this would have only a minimal effect on the group's assets because in most cases any changes in the influx or outflow of interest balance themselves out.

8.4. 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 Effektesgesellschaft Group as the division order book management/securities trading accounts form 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 2005 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 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 2005 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 CCB 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.

8.5. 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 2005.

8.6. Reporting

In the companies CCB 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.

8.7. 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 2005 the obligation to report was adhered to. From January to December 2005 the reported ratio of Principle I lay between 161.9 % and 209.1 %.

9. Outlook

Over the next two years the consolidated group result will be affected predominantly by the operational business areas of the three current majority-held and fully consolidated group subsidiaries.

During the last year the present 100 % subsidiary Berliner Freiverkehr (Aktien) AG once again made a good profit and was able to benefit from a positive capital markets environment and the improved trading activity of private investors. With its business segments of order book management on the stock exchanges in Berlin and Frankfurt and the operation of the off-exchange information and trading platform TradeGate®, the company is ideally positioned and well prepared for the future. Apart from performance related personnel costs, in the next two years costs will not increase seriously since a much larger trading volume can be absorbed by the existing personnel und IT-infrastructure. Depending on the future development of the capital markets considerable opportunities exist to increase results significantly. However, past years have shown that the business volume of each year and even of individual months can fluctuate dramatically, so that results are very difficult to predict. Nevertheless, especially the first few months of the new business year indicate that essentially the company is active in a growing market.

The group also holds a significant 93.9 % share in Ventegis Capital AG for which the business results for the next two years are likewise difficult to estimate. With an advisory service as an additional business the company just about breaks even. The result of the investment business depends on the possibility of realising a part or complete sale of existing investments. Following the good result of last year it is expected that in the coming business year 2 to 4 lucrative exits should be possible. After the restrictive and conservative evaluation of existing investments in the last two years larger depreciations of the investment portfolio are not in evidence at the moment. Problematic – from the group's point of view – are all investments that lie above the "at-equity consolidation limit" of 20 %. As a rule, shareholdings of this size are only possible or necessary for so called early phase investments. In the early stages of still young and promising companies the largest investments, and therefore starting losses, occur. These have to be consolidated in the Berliner Effektengesellschaft Group without being linked directly to the company's core business areas "around the capital market". It is also difficult to include the IFRS-figures for young companies in group accounting. In the future, therefore, Ventegis Capital AG will, for reasons of transparency, avoid investments of over 20 % where possible.

The company currently holds a 51.7 % share of the third subsidiary, the CCB Bank AG. The figures from the three main business areas of this company are included in the business results. In the next two years, very positive results are expected in corporate finance /

investment banking. This segment has particularly benefited from the much improved conditions on the capital market, and the prospects for the current business year with regard to capital market transactions in the broadest sense (capital increases, private placements, stock exchange listings, etc.) remain positive. In the other segment financial market services, with its very high ongoing IT costs, breakeven is aimed for. This can be achieved with the existing customers and an increasing number of individual transactions. To increase profit, however, it is essential to make better use of the system's capacity; this can only be achieved by increasing the customer base.

In the next two years the result of the CCB Bank AG will largely be affected by the reorientation and the national expansion of the private banking business. Since, in the future, the bank's customers should be offered a fair and transparent asset management service, considerable preliminary investments in infrastructure and particularly in qualified personnel is necessary. These scheduled starting losses, up to the end of 2007, cannot be counterbalanced by other business areas of the bank and so will influence the consolidated group result of the Berliner Effektengesellschaft significantly.

In order to advance the CCB Bank AG's business concept as quickly as possible with the necessary certitude, a capital increase for this company may be considered. A conceivable and meaningful capital increase can only be carried out with the agreement of all major

shareholders and the management. Should a capital increase be conducted for the CCB Bank AG within the next two years it could have significant implications for the group result of the Berliner Effektengesellschaft AG, insofar as the company, as a result of a dilution to less than 50 %, will no longer be consolidated fully but according to the then given percentage share.

To enable the company and the concern to develop new midterm and long term business activities and potential earnings, the formation of two further subsidiaries is currently being considered and prepared. Preparatory investments and measures have already been made for this purpose. The timing of the completion of both company start-ups cannot yet be determined, as they depend on the approval procedure of the authorities. Significant results or starting losses are therefore not expected in the first year of business.

On the whole, the management is optimistic that with a continuing favourable business environment the group can be steered onto a course for growth. In view of the extremely complicated group balance sheet rules the management is examining additional steps which, in terms of shareholder value, might be appropriate in clearly portraying a fair evaluation of the company's shares.

Berlin, March 2006

Holger Timm

Dr. Jörg Franke

Karsten Haesen



BERLINER EFFEKTEGESELLSCHAFT 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



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

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

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

CCB Bank AG

CCB 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 21-180
 Fax: +49 (0)30-890 21-189

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

Imprint

Editing: Catherine Hughes | Design and production: ADDEDVALUE, Berlin

All rights reserved. Reproduction and copying only with the permission of the publisher:
 Berliner Effektengesellschaft AG, Kurfürstendamm 119, 10711 Berlin

Please consider that the German version of the Annual Report 2005 is the authoritative one.



