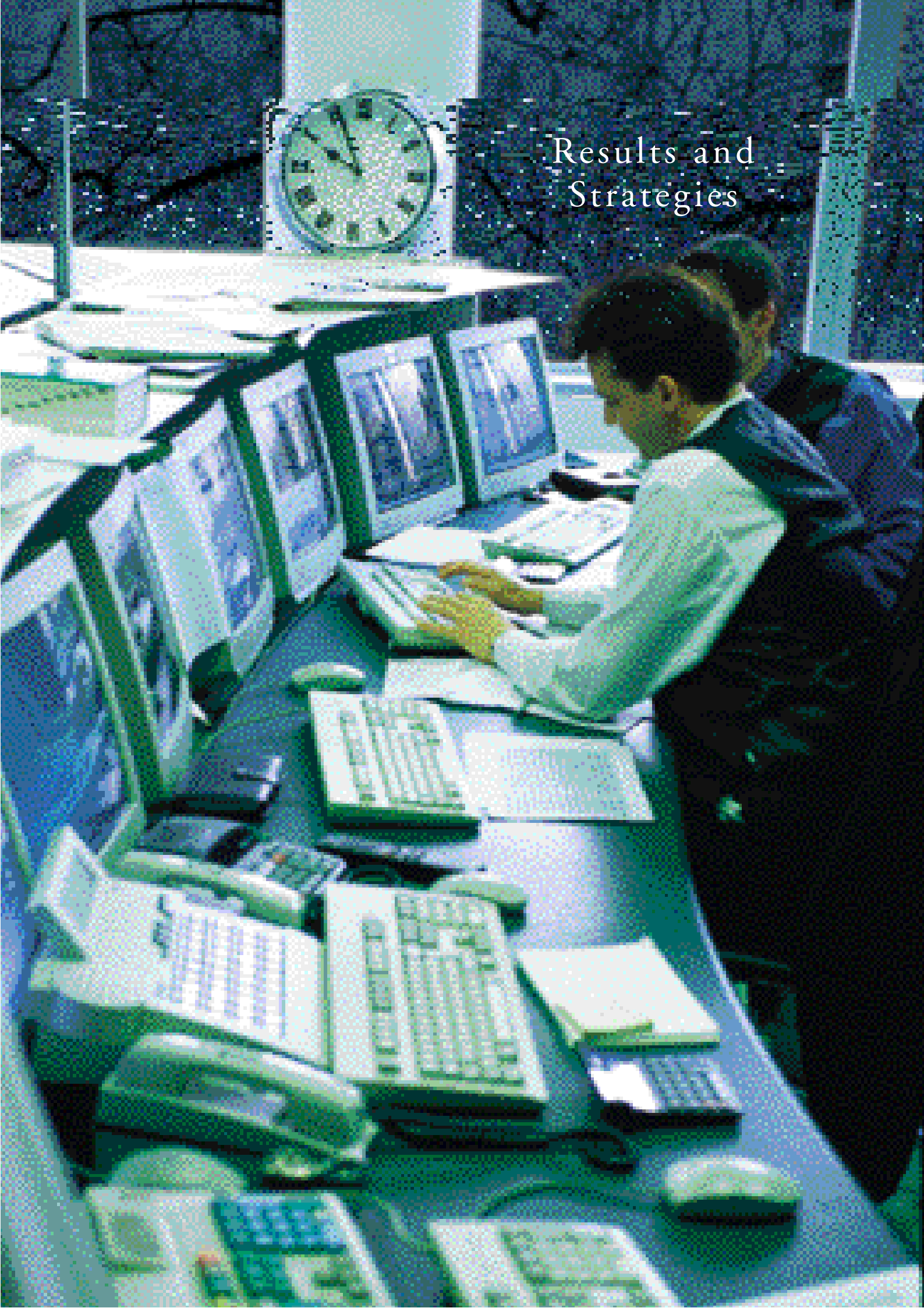


Berliner Effektengesellschaft AG
Annual Report 1999



BERLINER EFFEKTENGESELLSCHAFT
AKTIENGESELLSCHAFT

Results and
Strategies



At a glance

31 December 1999	
Capital stock	€ 13,256,312 = 13,256,312 individual shares
Free float	approx. 30 %; 3,976,894 individual shares
Balance sheet total	€ 143,496,630.29
Equity	€ 76,644,954.93
Price of the share at the close of the year	€ 20.10 (following split 1:10 on 23 July 1999)
Group yield	€ 16,484,465.75
Company yield	€ 18,071,557.44
Suggested dividend	€ 1.38 per share
Number of employees in the group	87



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Terms emphasized in light green are explained in the glossary on the bookmark.

Imagination is part of the deal

It is axiomatic that imaginative motifs are vital ingredients in our company mix. We hope you will enjoy the special supplement dedicated to these designs, in the back cover pocket.

You will also share their summer unveiling with us in the business media, but the photographs of their genesis, shown as "movie strips" interspersed with the text, may serve to whet your appetite.

Preface

TO OUR VALUED SHAREHOLDERS AND BUSINESS PARTNERS

“Imagination is part of the deal” – and in your hands you hold a company report representing both a part and an expression of our new market presence. From the time of our company’s origins, we have lived by this business philosophy, beginning with the corporate structure we first introduced to you in 1998. The Berliner Freiverkehr (Aktien) AG, as we were then called, consisted primarily of the three main business components represented by our subsidiaries Berliner Freiverkehr (Aktien) Handel AG, the Berliner Effektenbank AG, and the Berliner Effektenbeteiligungsgesellschaft AG.

In 1999, you were presented with the new company name “Berliner Effektengesellschaft AG” as well as the names of those companies brought under the holding company’s umbrella through joint ventures or strategic acquisitions of minority interests. The last year also brought, for the first time, a temporary decline in the value of our shares. This may have been attributable to an occasional lack of transparency related to the following questions: what were the reasons behind the individual decisions to increase the holding; how do they benefit the company; what are the overall goals?

As global financial markets continue to overlap, as both the markets and their main actors undergo transformations, and as electronic processing increasingly dominates worldwide stock market transactions, we are determined to be an active force shaping these changes – a requisite to keeping us at the forefront in the future. In 1999, we were not spared certain rumors deliberately spread amongst the general public in order to tarnish our reputation; rumors that – without exception – were proven to be completely unfounded. Nonetheless, this experience makes it imperative for us to use the years

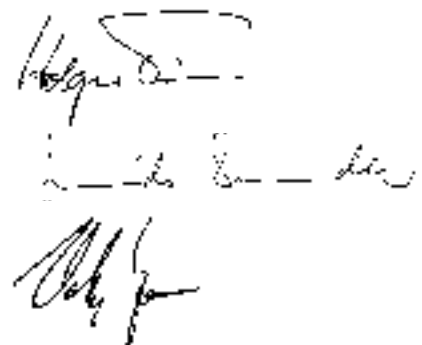
2000 and beyond to achieve the following: generating positive headlines through newsworthy accomplishments; consolidating our position as a successful and innovative service provider between the issuer and the capital market; gaining trust and confidence; and leading the way in the financial world.

Of equal importance is our heartfelt “thank you” to you for keeping your faith with us throughout this very eventful and sometimes difficult business year of 1999, and for continuing to join us in our vision of a corporation that will remain successful in the long term. In the past year, our primary focus has been on forward-looking investments, for – without them – progress and planning ahead are impossible in our growth industry. It follows that the company’s balance sheet cannot reflect our actual turnover growth; nevertheless, we again chose this year to use profits to benefit our shareholders. Following the dividend of € 0.92 per share in the previous year (after the conversion of the share capital to euro and a 1:10 split), for the past business year we propose a dividend of € 1.38 per share on the increased capital.

Yours sincerely,
Berliner Effektengesellschaft AG

The Board

Berlin, May 2000



The board of the Berliner Effektengesellschaft AG (from the top):

Holger Timm
Dr. Guido G. R. Sandler
Dr. Wolfgang Janka



Our Corporation

AT HOME IN BERLIN – ACTIVE THROUGHOUT THE WORLD

In order to remain a step ahead of the pack, it takes imagination to turn visions into reality. And that is our goal.

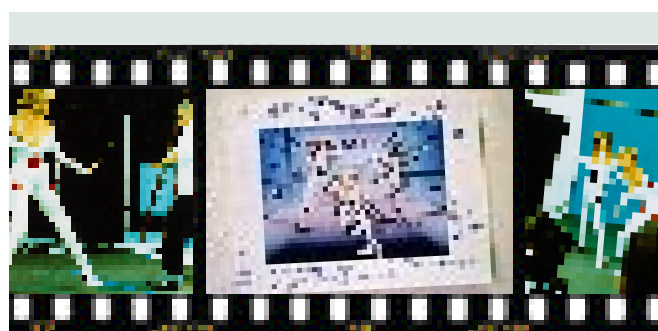
Our Berlin location is a key corporate strength. Since our 1986 beginning as a company, the German capital as a stock exchange location has been central to all phases of company history. In the words of an old African proverb, “two smart people won’t choose the same path.” When we apply this wisdom to a stock market scene in fundamental flux, we find that no single strategy allows for the adjustments needed to meet these upheavals. Consequently, while the Deutsche Börse AG (German Stock Exchange) in Frankfurt/ Main has chosen to focus on large institutional customers and blue chip trading, the Berliner Wertpapierbörse (Berlin Stock Exchange) has successfully catered to the private customer – by exploiting niches in the market, specializing in foreign shares, and consistently expanding over-the-counter transactions.

With the boom in stock trading in 1999, it is now plain to see the phenomenon that Berlin had early recognized: Germany is no longer a society whose sole watchword is financially secure investment. Instead, the trend is away from savings books and building society savings contracts, and towards shares. According to surveys of the Deutsches Aktieninstitut (German Shares Institute), the joint-stock company (quoted on the stock exchange) is becoming more and more attractive for companies, while, at the same time, the number of people investing as shareholders is steadily increasing.

Globalization, concentration, and the technological revolution of the Internet – these are the mega-trends shaping our times. Today’s “new” shareholders see far beyond the narrow confines of national borders and know how to use modern

technology. And, as a rule, their time is at a premium. These new shareholders are well informed, invest internationally, and want to conduct their financial business after-hours, as an adjunct to the more typical day job. For stock issuers, too, the approach has become more innovative and global and the Berliner Effektengesellschaft AG incorporates these developments into its various business components while always focusing on Berlin as a stock exchange site.

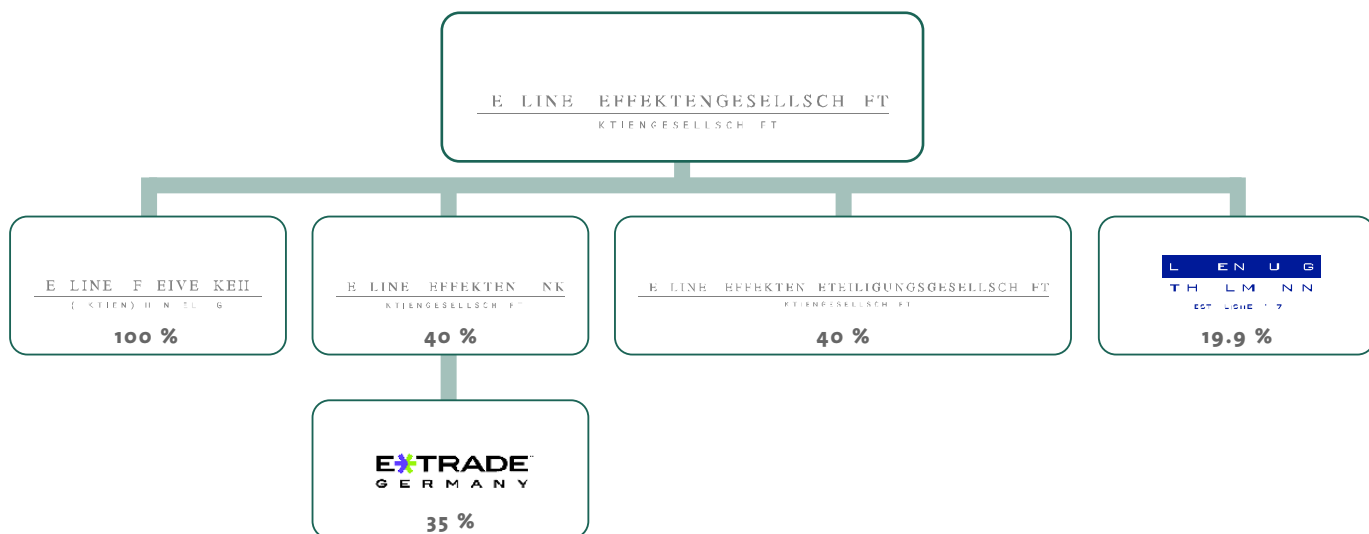
As floor trading gives way to the exclusively electronic processing of security transactions, the Berlin Stock Exchange has established an excellent starting position.



campaign motif “four aces”
(making of)

As the dominant unit, the holding company ties together the business operations of its subsidiaries. In a card game, *one ace is not a bad hand. We, however, hold four, representing our central business sections: Market Specialist, Private Banking, Corporate Finance, and Bridge Financing.*

The Berliner Freiverkehr (Aktien) Handel AG acts as the Market Specialist, the Berliner Effektenbank AG concentrates on the Private Banking and Corporate Finance sectors, while the Berliner Effektenbeteiligungsgesellschaft AG symbolizes Bridge Financing.



The Darwinian tenet of the “survival of the fittest” is particularly valid in our financial services industry, and whoever has the ability to recognize and adjust to major trends as they crystallize will not only survive but prosper. Such is the case with our share in Ladenburg Thalmann & Co. Inc., creating advantages in all company sectors. In the same fashion, we are also entering the future market of online discount brokerage with the newly established E*Trade Germany AG, tied to the Berliner Effektenbank AG within our corporate structure.

We hold strategic minority shares in the following companies:

- 32.2 percent in Online Securities Inc., a company that routes orders from institutional customers such as the Berliner Freiverkehr (Aktien) Handel AG via the Internet
- 6.1 percent in First Quote Inc. (previously Virtual Telecom Inc.), specializing in internet-based trading and information systems, primarily for private investors.



“We are working for one of Germany’s leading brokerages.”

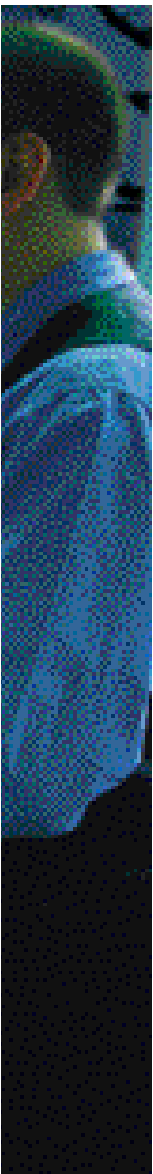
Senior trader Oliver Schade (top center) comes from the ‘old’ Berliner Freiverkehr (Aktien) Handel AG, Senior trader Carsten Sommerfeld (right) from the former Diederich Freimakler GmbH. On 1 January 1999, these two companies merged to become the ‘new’ Berliner Freiverkehr (Aktien) Handel AG, no longer operating from the building of the Berlin Stock Exchange, but – as of mid-1999 – based at the holding company headquarters at 119 Kurfürstendamm in Berlin.





“At a time when nobody else took online trading seriously, we took the initiative. In TradeGate, we have created Germany’s first internet-based over-the-counter information and trading base.”

Marco Schlemm
(foreground), stockbroker



campaign motif “bull market”

(making of)

BERLINER FREIVERKEHR (AKTIEN) HANDEL AG: WORLDWIDE SELECTION

The Market Specialist business sector is represented by a very American motif – with good reason. Between the end of July and the middle of August 1999, the Berliner Freiverkehr (Aktien) Handel AG introduced approximately 3,200 titles from the U.S. NASDAQ high-tech index to the Berlin Stock Exchange.

A singular feat of strength for a brokerage, this gives the private investor the opportunity of avoiding high transaction costs and investing in overseas technology values. The newly listed companies benefit by increasing their profile and becoming better known, while the stock exchange in the capital city greatly enhances its competitive strength. Since last year, the Berlin Stock Exchange has had the most extensive selection worldwide: the over-the-counter sector alone lists more than 7,600 securities from over 60 countries, amongst them a wealth of Eastern European shares including 120 from 12 different countries such as Russia and Kazakhstan.

As a private investor, you have the luxury of a wide selection – but when do you have the time to take care of your portfolio? Usually in the evening, which would also allow you to react in real time to market developments in the USA. without having to wait until the following morning. These factors gave us the impetus to install the first internet-based over-the-counter information and trading platform – “TradeGate,” launched on 2 August 1999. The main objective was to extend trading times, initially from 5:30 p.m. to 10 p.m. Since 20 September 1999, which saw the closing time for the stock market expanded to 5:30 p.m., TradeGate has operated from 6 p.m. to 10 p.m. (local time) on every trading day.

Stock quotes and orders including market volume and trades, showing the time they were effected, are available to all Internet users at www.tradegate.de. Orders to buy or to sell can be placed by every private investor through one of the 127 brokerages admitted to the Berlin Stock Exchange; they are then passed on via the telephone or electronically to the Berliner Freiverkehr (Aktien) Handel AG, which also provides for the required market liquidity of the traded Neuer Markt (New Market) and foreign titles.

campaign motif “bear market”

(making of)



“Even though 1999 was a very successful year, with corporate profits before tax of more than 34 million euros, in the first quarter of the year 2000 we have already exceeded the results of the entire previous year.”

Kerstin Timm,
Board member of the
Berliner Freiverkehr (Aktien) Handel AG

As the exclusive market specialist for more than 5,000 stocks, the fully owned subsidiary is at the forefront of German stockbrokers, is an active market maker in those stocks it deals in, offers a narrow band of buying and selling rates and, with its international partners and electronic dealing systems, helps contribute to market liquidity and fair prices. Our focus is solely on the over-the-counter segments of the stock exchanges in Frankfurt/Main and Berlin as well as on the New Market. Moreover, the Berliner Freiverkehr (Aktien) Handel AG is admitted to the Baden-Württembergische Börse zu Stuttgart (Baden-Württemberg Stock Exchange in

Stuttgart) and the Bayerische Börse zu München (Bavarian Stock Exchange in Munich), and is also designated sponsor in the electronic stock trading system XETRA. As demonstrated by both the volume and quality of all the past year's activities, the brokerage – the nucleus from which today's Berliner Effektesgesellschaft AG developed – is still at the heart of our financial service corporation. The lion's share of our profits is generated by the Berliner Freiverkehr (Aktien) Handel AG.

It is difficult to be exact in forecasting future profits, but it is clear that the capital markets as a whole will continue their turbulent growth, and that Germany in particular, compared to other countries, is not even close to having exhausted its full growth potential. Because of this volatility, turnover and profits in stock trading fluctuate widely on a monthly or quarterly basis. While volatile markets, with their main focus on the NASDAQ and New Market technology sectors, have a particularly advantageous effect on our profits, lateral trends with low turnover, such as those that occurred in the third quarter of last year, work to reduce profits.



BERLINER EFFEKTENBANK AG: BUILDING ON KEY STRENGTHS

Within our corporation, additional profit potential comes from the corporate finance and private banking business sectors. They are united in the Berliner Effektenbank AG, in operation since 1 July 1998. Since the Bundesaufsichtsamt für das Kreditwesen (Federal Banking Supervisory Authority) gave it the full bank license, the Berliner Effektenbank AG, a 40 percent-owned subsidiary of the holding company, is permitted to engage in all banking activities. However, as is so often true in life, the secret behind a successful concept is the art of self-restraint. Thus, the Berliner Effektenbank AG concentrates on its two main elements, Corporate Finance and Private Banking.

Corporate Finance

The Corporate Finance segment of the Berliner Effektenbank AG includes initial stock market offerings, participating with the issuers in each step of the way to the stock market listing, as well as carrying out transactions following the initial offering.

The first step towards preparing the initial stock market issue is creating the legal preconditions, which usually means transforming the company into a joint-stock company. In conjunction with the stock market candidate and its auditors, tax consultants, and lawyers, the Berliner Effektenbank AG shares in every step of this restructuring process. Since future shareholders need to know where they are investing their money, the bank's corporate finance team is a partner of vital importance in drawing up a business plan, usually designed to cover a three-year period. Besides formulating the company's equity position, the plan sets out to answer two key questions: what is the company's story and what kind of "music" is in the shares?



“While other banks are merging, we are placing our trust in individuality.”

Anja Peinelt,
Corporate Finance



Another main decision relates to choosing the appropriate stock market niche for each individual company. After an issue concept is decided on and drawn up, the next item on the agenda is providing complete technical support and implementation, always taking into account the requirements of different market segments and stock exchanges, both nationally and internationally. With the stock market introduction of Cybernet Internet Services International Inc. in the New Market in 1998, for example, the Berliner Effektenbank AG carried out the first dual listing in Germany. Finally, our palette of services is completed by the full range of services after the Initial Public Offering (IPO), so that our support does not end with the IPO itself. The bank, for example, provides assistance during preparations for

- issue of the BZV-certificates, new in Germany
- capital increase of the Achterbahn AG
- private placement of Marine Shuttle Operations Inc.
- capital increase and placement of shares of Lobster Technology Holding AG on the New Market
- capital increase and placement of shares of COR AG Insurance Technologies on the New Market
- IPO* DV-Job AG
- IPO* musicmusicmusic Inc.
- IPO* LIPRO Holding AG
- naked warrants for the Berliner Effektengesellschaft AG

* IPO: Initial Public Offering

For the year 2000, several interesting issue possibilities are in the pipeline and



campaign motif “gold factory”
(making of)

the general shareholders’ meeting, in areas such as capital increases or the introduction of stock option programs.

In 1998, the Berliner Effektenbank AG had participated in ten new stock market issues, with a total volume of more than €102 million. For 1999, the balance sheet for transactions in the capital market is as follows:

- capital increase of the Berliner Freiverkehr (Aktien) AG, now Berliner Effektengesellschaft AG

currently under feasibility review. This year, with the Eichborn AG, the Berliner Effektenbank AG accompanied the first general publishing house on its way to the stock market. The issue was clearly over-subscribed and, at €12, was placed at the upper end of the bookbuilding range.

Securities ident. No.: 518370
Market segment: SMAX
Subscription period: 3 – 5 May 2000
Initial listing: 9 May 2000
Emission volume: 1 million € denominated non-par-value shares



“In 1999, we were the most successful new issue of the Berliner Effektenbank AG – we started at five euros and achieved top prices of up to 53 euros.”

Dr Dieter Küchler,
chairman of the board,
LIPRO Holding AG, Berlin

At the beginning of the year 2000, the Corporate Finance sector completed the formation of a research department, set up to also support the Private Banking section. This serves three key customer needs. In the first place, the analysts' expertise can be drawn upon to assess potential IPO candidates. Second, an initial listing on the stock market through the Berliner Effektenbank AG is made more attractive for those companies that, in the interest of professional capital market communication, place great value on regular and independent analysis. And third, financial management is strengthened, in particular for small companies that generally lack a research capability.

Private Banking

In this sector, too, our motto is self-restraint. We concentrate on investment management and counseling, including the purchase of shares, for a customer base that now far exceeds 1,000.

Investment Counseling

One area that we focus on in our business with private customers is investment counseling. Through dialogue, our advisors gain a clear picture of the investors' experience and goals in the securities business as well as their financial capacity. In close cooperation with the customer, the foundation is laid for optimum personalized investment counseling. Our highly experienced investment specialists take these specific profiles into account in order to make investment suggestions tailored specifically for each individual. Through continuous observation of the capital markets and use of state-of-the-art technical resources, the bank's advisors are able to react to current market developments in close coordination with the customer. Independent recommendations made by the investment counselors cover both German and international markets for shares and fixed securities, investment funds and options. During 1999 in particular, the wide variety of creative possibilities offered by forward transactions were significant. In addition, the Berliner Effektenbank AG specializes in the development and management of comprehensive individual investment portfolios and the complete administration of large fortunes.

Trading-oriented investors also appreciate the fact that orders are processed immediately and subsequently confirmed by telephone.

“Private banking is one of our main strengths.”

Andreas Köhler,
Director Private Banking



Investment Management – Investment Strategies

Before we receive an investment management commission, an investment strategy is mapped out in a private conversation with the customer. He or she can choose among different options, depending primarily on the individual willingness to accept certain risks. With the aid of state-of-the-art technology, our experienced team continuously analyzes and evaluates the capital markets and constantly adjusts the portfolio with regard to market risks and opportunities. These adjustments, however, are not the result of short-term considerations; rather, successful investment management is oriented towards the medium and long term. In addition, investment decisions are not compromised by any conflicts of interest. Customers are also informed of all sales and acquisitions and receive semi-annual performance reports.

To summarize, the advantages of investment management are:

- time and energy saving – customers do not have to deal directly with the capital markets themselves
- customers can delegate decisions – often difficult to make – concerning the acquisition or sale of securities
- increased flexibility, since the investment advisors are able to act at any time
- constant and proven investment success

In both investment counseling and investment management, our maxim is individualized attention and a focus on the wishes of private investors interested in the stock market.

You are now familiar with our two traditional business sectors, Corporate Finance and Private Banking. In October of last year, we added a third: the Internet discount brokerage – the handling of bank business with particular emphasis on securities transactions via the Internet.

“From Retail to E-tail”

A milestone in our bank's history was reached in October 1999, when the joint venture E*Trade Germany AG was announced publicly. It is 60 percent owned by E*Trade Group Inc. USA, the second-largest Internet discount broker in the USA with about 2.5 million current customers, while the Berliner Effektenbank AG holds a 35 percent interest. Our American partners are in the process of establishing a worldwide network with strong partnerships in what they consider to be the markets of the future. Within Europe, Germany presently has the greatest potential for development in the brokerage market, with tremendously dynamic growth. In mid-1999, roughly ten million Germans used the Internet, a mere 12 percent of the total population; this number, however, is growing by thousands daily. Leading research institutes predict that the number of Germans with Internet access will increase to more than 27 million by the end of the year 2002. In spite of that jump in usage, it is projected that, even with this growth, only three million Germans will handle all of their banking transactions exclusively via the Internet. When compared to US numbers, these projections represent a significant need to catch up.

Within the global network of E*Trade Group Inc. USA, the E*Trade Germany AG will offer comprehensive financial services for the private customer in Germany. Bank and, particularly, securities transactions around the clock and around the world in all stock market locations will no longer be a pipe dream but reality – made possible by the expansion strategy of two strong partners.

“In the early days, fully electronic trading was restricted exclusively to professional traders, but today more and more private investors enjoy the same opportunities.”

Mandy Zander,
stockbroker



The new Internet discount brokerage is based in Berlin. Since October of last year, organizational preparations have been underway, with operations expected to begin in the fall of 2000.

And there are even more new business options available to our customers. Since the end of 1999, the Berliner Effektenbank AG has worked towards completion of its 'Financial Market Services' section, another link in its expanded chain of business offerings. Within the corporation, the bank is exceptionally well qualified for this particular segment of securities handling, and operations have already begun in this area. As our customer options expand, the Berliner Effektenbank AG plans to offer its Financial Market services to external stockbrokers as well as to existing customers, and has already entered into negotiations to this end. Speed and flexibility, as well as the bank's position as a neutral institution – an intermediary and reliable partner for financial service providers – will bring clear competitive advantages, particularly within Europe.

The bank's equity capital is currently €10 million. It is a member of the following institutions:

- Bundesverband deutscher Banken e.V. (Federal association of German banks)
- Einlagensicherungsfonds des Bundesverbandes deutscher Banken e.V. (Permanent insurance fund of the federal association of German banks)
- Bankenverband mittel- und ostdeutscher Länder e.V. (Association of banks in Central and East German locations)

Moreover, the Berliner Effektenbank AG is also a partner company to the New Market. Going public requires expertise in a wide range of fields. For a number of potential issuers in the New Market, such as small and medium-sized companies, there are major advantages to close coop-

eration with a team of external specialists in pre-public offering stages. These specialists might include investment and public relations agencies or advertising agencies as well as credit institutions accompanying the initial offering.

Through this vehicle, as a network of partner companies, the issuer is provided with a forum to establish contacts and exchange information on all aspects of going public.

BERLINER EFFEKTENBETEILIGUNGSGESELLSCHAFT AG: BUILDING BRIDGES

This brings us to the fourth central business sector within the holding company: Bridge Financing, represented by the Berliner Effektenbeteiligungsgesellschaft AG, a subsidiary of which, the Berliner Effektengesellschaft AG, owns 40 percent. Because its activities are closely connected to the Corporate Finance operations of the Berliner Effektenbank AG, the Berliner Effektenbeteiligungsgesellschaft AG does not operate independently in the market.

On occasion, the process of going public may take longer than expected, possibly requiring bridge financing to cover the interim period between initial issue and availability of profits generated by the stock market listing. Depending on the situation, it may also make sense for us to buy an interest in a company. As a rule, however, these venture capital services are required only when the previous investors end their involvement.

A STRONG HOLDING COMPANY AS A COMPREHENSIVE NETWORK

It is the task of the holding company to hold all of its these business entities together – this is where all the threads

converge. The subsidiaries are not ends in themselves, but form vital and mutually complementary parts of an interconnected group.

A strong parent company is particularly advantageous if it helps us to establish a leading market position – in our case, it puts us in the vanguard nationally. The forces of globalization, however, shape the financial markets, so why not strengthen our position internationally?

Globally, the USA still sets the tone. Through the acquisition of a 19.9 percent interest in the American company Ladenburg Thalmann & Co. Inc., an investment bank and brokerage steeped in tradition, we have gained our first foothold in the world's most important financial market. Originating from German roots, the US company celebrated its first 120 years of operation in 1999. At its founding, it was numbered among the charter members of the New York Stock Exchange. Today it enjoys membership on the major US stock exchanges and operates as the active market maker for selected stock market securities listings. With approximately 300 employees at its headquarters in New York and branches in Boston, Cleveland, and Boca Raton, Ladenburg Thalmann & Co. Inc. offers its customers a complete range of services as an investment bank and brokerage. Since the company's internal structure is very similar to ours, our activities mesh smoothly and effectively. This includes such advantages as going public on the stock markets in both the USA and Germany, and dual listings (new business opportunities for the corporate finance sector of the Berliner Effektenbank AG). This partnership also enables cooperation in research (offering perspectives for the Berliner Freiverkehr (Aktien) Handel AG, which trades NASDAQ titles, and for the research unit of the Berliner Effektenbank AG). It is in the area of research in particular that Ladenburg, Thalmann & Co. Inc. excels, giving it pride of place among its

Ladenburg Thalmann Outperforms Top 15 Brokerage Firms In Stock Picks For 1999

NEW YORK – Ladenburg Thalmann & Co. Inc., the investment banking and brokerage firm, announced that its Focus List Performance for 1999, outperformed the nation's top 15 brokerage firms, according to Zacks Investment Research.

Ladenburg Thalmann's focus list picks resulted in a return of 62.10%. Prudential Securities, which was the leading performer of major brokerage houses, had a return of 51.20%; Credit Suisse First Boston was at 50.30%; and Lehman Brothers was at 42.9%. Zacks Investment Research rates the performance for each firm as a time-weighted average versus the Dow Jones Industrials, S&P 500, Russell 2000 and NASDAQ Composite.

According to Victor M. Rivas, Chairman and CEO of Ladenburg Thalmann: "This ranking further demonstrates Ladenburg's commitment to providing clients with superior service, sound advice and innovative investment perspectives."

Founded in 1876 and a NYSE member since 1879, Ladenburg Thalmann is a full service investment banking and brokerage firm based in New York, with regional offices in Los Angeles, Boca Raton and Cleveland. The Research

division's strategic focus is on the Cable, Media, Entertainment, Technology/Internet, Telecom, CLECs and Retail sectors. Ladenburg Thalmann's corporate finance department specializes in middle market companies and emerging growth businesses. The firm's retail brokerage division, Private Client Services, is supported by the firm's research, and its asset management capabilities.

BROKERAGE FIRM – TOTAL RETURN

LADENBURG THALMANN	62.10%
PRUDENTIAL SEC.	51.20
CREDIT SUISSE F.B.	50.30
LEHMAN BROS.	42.90
FIRST UNION SEC.	37.80
U.S. BANCORP PIPER J.	33.40
GOLDMAN SACHS	32.70
J.P. MORGAN SEC.	27.30
BEAR STEARNS	22.70
MERRILL LYNCH	22.20
MORGAN STANLEY D.W.	19.30
PAINWEBBER	15.10
EDWARD JONES	14.10
A.G. EDWARDS	13.70
SALOMON SMITH BARNEY	4.60
RAYMOND JAMES	- 7.60

Source: The Wall Street Journal, February 3, 2000/Zacks Investment Research

New York peers and taking it routinely to the top echelon of rankings with other companies.

Furthermore, our American compatriots are specialists in the structuring and placement of all kinds of financing for middle market companies, especially those in the Internet, telecommunications, health, and entertainment industry sectors. The initial portion of the US acquisition was purchased with cash and the issuance of shares. At the same time, an option was negotiated to acquire up to 51 percent of the current company shares under the same conditions within a time frame of three years.

PRICE HISTORY OF OUR SHARE

Securities identification number 522130, quoted officially in Berlin und Frankfurt

The price history of our stock over the course of the last year does not do full justice to either the business development or the excellent future prospects of the Berliner Effektengesellschaft AG. Experts and analysts are basically left in a quandary over reasons for the poor performance and falling stock prices of financial service providers in particular. In the context of rapidly changing stock markets, investors evidently found it difficult to assess our company's future prospects. In this sense, our company seemed to be part of the "old economy," by and large neglected in last year's stock market. We can, however, give a very simple answer to the skeptics: worldwide, the financial and stock markets are currently undergoing cataclysmic changes – they are the first in line in the so-called globalization. Anything is possible. The stock markets are in competition with private, over-the-counter trading and handling systems. New holding structures are coming into being, as are alliances that would have seemed utopian or impossible as recently as two years ago. Such an environment offers tremendous opportunities to those willing to participate and become a part of these changes. We have this self-confidence and courage to aspire to pre-eminence. The following listing demonstrates how this is represented in the investments of the holding company and its individual subsidiaries in the last year:

LISTING OF ALL INVESTMENTS (in '000 €)

After consolidation	BEG	BFVH	BEB	BEBG	TOTAL
Intangible fixed assets	-	-	-	-	-
Office and business equipment	47	1,135	201	-	1,383
Prepayments on office and business equipment	-	110	-	-	110
Total tangible assets	47	1,245	201	-	1,493
Participatory interests	16,227	-	1,000	-	17,227
Securities of fixed assets	-	-	-	2,418	2,418
Total financial assets	16,227	-	1,000	2,418	19,645
Grand total	16,274	1,245	1,201	2,418	21,138

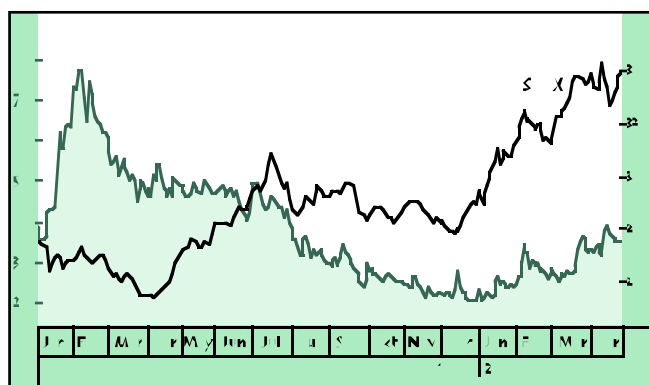
BEG = Berliner Effektengesellschaft AG
BFVH = Berliner Freiverkehr (Aktien) Handel AG
BEB = Berliner Effektenbank AG
BEBG = Berliner Effektenbeteiligungsgesellschaft AG

Buoyed by the general euphoria for financial securities, the price of our share was pushed from € 30 to a peak of € 74 at the beginning of 1999, only to become caught up in an equally dramatic change in the investors' mood and suffer an unjustified decline for the remainder of the year. Having reached a stable bedrock level, the share finally succeeded in rising again in early 2000. In March, against a backdrop of increasing turnover, the upward movement broke through the 200-day average. In our opinion, the stock price development since the beginning of 2000 reflects the extraordinarily positive company results, and we expect to resume the long-term upward trend. When we adopt a longer view and take the price development since 1997 into account, the temporary decline, which lasted for approximately 18 months – from mid-1998 to the end of 1999 – appears in a much different light. After the stock price rose rapidly in the first twelve months subsequent to the issue, the following correction phase was not inordinately long. It came to a halt at approximately € 20, thus still well above the range of € 14 to 17.

Since our corporation is fundamentally extremely sound, we regard the share's renewed positive development as long overdue.

STOCK PRICE DEVELOPMENT COMPARED TO THE SDAX

1 January 1999 – 30 April 2000



INCREASING THE STOCK PRICE IS A MAIN GOAL

Within the framework of our investor relations work, we actively seek contact with participants in the capital markets. Talks with analysts and representatives of institutional investors raise the awareness for our company and our stock. In the last year, we saw a remarkable rise in private investors' interest in our investor relations activities. This manifests itself not only in the number of requests for information about the Berliner Effektengesellschaft AG, but also in the increased use of our web site at www.effektengesellschaft.de. We are a member of the Deutscher Investor Relations Kreis (German Investor Relations Circle) and actively contribute to the promotion of this organization's goals. Qualitatively, our overriding aim for the near future is to consolidate and increase our stock price. Through additional investor and public relations activities as well as specific marketing measures, we intend to create better understanding of our business objectives and to position ourselves even more firmly within the purview of our target audience. Central to all of these activities is a comprehensive and widely distributed image-boosting campaign under the heading "Imagination is part of the deal".

POSITIVE PERSPECTIVES ON THE PRIMARY BUSINESS SECTORS

Berliner Freiverkehr (Aktien) Handel AG

The stock market boom of 1999 and early 2000 may have been exaggerated, and in the long run, we can expect that these sometimes irrational overvaluations will be corrected and fundamental data will regain their importance. Wide sections of the population, however, have demonstrated their serious interest in stocks as a form of investment. At the forefront of this upsurge are not only the

blue chips, but often also both national and foreign second-tier securities. Our brokerage manages the stock records of a large portion of these titles, mainly in Berlin. Therefore, the Berliner Freiverkehr (Aktien) Handel AG is in an excellent position to directly profit from this development, provided that the stock markets develop a corresponding dynamic and do not move laterally with low turnover.

As a fully held subsidiary of the holding company, the Berliner Freiverkehr (Aktien) Handel AG is strengthening its position as a exclusive market specialist of national importance. To this end it is constantly seeking out companies in interesting growth sectors, with a view towards introducing their stock primarily in over-the-counter operations in Frankfurt/Main or Berlin.

Berliner Effektenbank AG

The Berliner Effektenbank AG will continue to grow in importance as one of the corporation's most profitable pillars. The corporate finance sector will build on its top performance as a leading underwriter, while the private banking sector will maintain its emphasis on individuality in customer service. With start-up costs in the millions, E*Trade Germany AG is ideally positioned to succeed in establishing its position in the highly competitive brokerage market.

Berliner Effektenbeteiligungsgesellschaft AG

The company presently plays a discreet background role in its direct link to the corporate finance activities of the Berliner Effektenbank AG. However, in order to tap additional business potential within the corporate structure of the Berliner Effektenbeteiligungsgesellschaft AG and its sister companies, a more active market presence as a venture capital unit is a possibility for the future.



Report of the Board

1997 – the year of our listing on the stock exchange, tempestuous profit growth, and internal establishment of a joint stock company

1998 – the year of corporate restructuring to become a comprehensive financial service company with the launch of the Berliner Effektenbank AG

1999 – the year of strategic partnerships and holdings, plus internal consolidation

We can thus succinctly summarize the relatively short history of the Berliner Effektengesellschaft AG in the capital market. From the board's perspective, the year 1999 can be regarded as extraordinarily successful, since we managed to realize all the strategic goals that we had set for ourselves, while occasionally entering into extremely protracted and complex negotiations concerning holdings, acquisitions and cooperative ventures. Moreover, we implemented various internal and structural changes and made future-oriented investments in both the expansion of existing business sectors and the creation of new ones. Our shareholders, however, will only be able to reap the benefits of the year 1999 in the current business year 2000 and subsequent years. Therefore, the disappointment expressed by many shareholders with the price development of our stock in 1999 is completely understandable. The main focus of investor attention in 1999 was unquestionably on stocks making up the so-called "new economy," generally listed in the NASDAQ index or in the New Market. With some of these stocks posting extraordinary stock price gains of several hundred percent, it is easy to see how solid, profitable, and shareholder-friendly companies such as the Berliner Effektengesellschaft AG came to be relegated to the background.

In addition to this phenomenon, management had exercised great restraint in its investor and public relations.

Consequently, in December of 1999, at our first meeting for shareholders outside of an annual meeting, it was gratifying to hear many stockholder expressions not only of fundamental approval of and confidence in the management, but also constructive criticism of this public reticence coupled with positive suggestions for the future. Therefore, the board wishes to thank all of our long-term partners and to assure them that their proposals are being incorporated into our policies. In the current year, we intend to establish an aggressive and confident public presence. Today more than ever before, the Berliner Effektengesellschaft AG is an innovative financial service company exhibiting strong growth and extremely good future prospects. We are in a much better position than virtually the entire competition to profit from the rapid and dramatic structural change of capital markets worldwide. In this respect, we are more than a match for the representatives of the so-called "new economy" in such sectors as the Internet and biotechnology, since we are already achieving the profits today that other sectors can only project into an optimistic future. It is the role of management to make correct and timely strategic decisions and then to invest in those business sectors that hold the greatest promise for success. This often requires not only courage and the willingness to make decisions, but persistence and diligence. In past years, the Berliner Effektengesellschaft AG has demonstrated its ability to act in a timely and decisive manner, and we can only ask our shareholders to continue to put their trust in us. Every business plan has to prove itself in practice, and this, in turn, depends on the individual contribution of all employees. We therefore thank both our longstanding and our many new employees for their extraordinary effort,

CHRONICLE OF THE YEAR 1999

JANUARY 1999

The age of the euro begins; the European Central Bank (ECB) assumes responsibility for European interest policy.

BERLINER EFFEKTINGESELLSCHAFT AG

Trading:

The two brokerages, Berliner Freiverkehr (Aktien) Handel AG and Diederich Freimakler GmbH, merge to become the "new" Berliner Freiverkehr (Aktien) Handel AG, the Market Specialist for approximately 5,000 national and foreign securities.

FEBRUARY 1999

The euro does not get off to a good start: for the first time, it plunges below the mark of US \$ 1.1 .

BERLINER EFFEKTINGESELLSCHAFT AG

Holding:

Capital increase: 50,000 shares are placed at € 594; utilization of the BZV certificate

MARCH 1999

The federal finance minister, Oskar Lafontaine, resigns; the DAX posts the year's biggest one-day percent increase.

For the first time, the Dow Jones breaks through the 10,000 point barrier.

BERLINER EFFEKTINGESELLSCHAFT AG

Holding:

In the first quarter, profits jump by 202 percent compared to the previous year's period.

APRIL 1999

The first stage of the tax reform and the eco tax go into effect.

Introduction of the SMAX.

BERLINER EFFEKTINGESELLSCHAFT AG

Bank:

The next Corporate Finance issue project is announced.

great loyalty, will to succeed, and the discipline necessary to achieve our goals.

Through their hard work and intelligent creativity, it is they who breathe life into management's strategic guidelines and decisions on fundamental principles. Our "thank you" also goes to the board of directors, whose individual and collective expertise supports the corporate management through constructive criticism.

Through the Berliner Effektengesellschaft AG or its individual subsidiaries, 1999 was the year of strategic cooperative ventures. Paramount among them were the acquisition of a share in the investment bank Ladenburg Thalmann & Co. Inc., and the German joint venture with E*Trade Group Inc., USA. Both holdings are primarily strategic in nature and readily understood in the light of capital market globalization. An ongoing mystery, however, is the market's continuing failure to recognize the importance of these mergers. In 1999, in addition to these two key investments, the Berliner Effektengesellschaft AG gained an additional important strategic holding and negotiated various cooperative ventures.

More detailed information on these moves will be made available in the current business year. Besides having achieved good positioning and a strategic starting point for the future, we can also be well-satisfied with the operational course of the business year 1999. However, because of the restructuring as a finance holding and the so-called goodwill write-offs on our interests, necessary for the first time, our group's yield of € 33.6 million before tax cannot readily be compared to the results of the previous year without some qualifications. For a better understanding, a closer look at the individual companies in the group is merited. As far as profit is concerned, the Berliner Freiverkehr (Aktien) Handel AG, a fully held subsidiary of the Berliner Effektengesellschaft AG, is still the main support of the holding company.

It managed to achieve an operational profit before tax of € 38.7 million, and additionally a so-called merger profits of € 3.8 million. This represents an increase in profit of 50 and 63 percent respectively, compared to the accumulated results of the old Berliner Freiverkehr (Aktien) Handel AG and the Diederich Freimakler GmbH in the previous year. This increase is all the more remarkable when we consider that over a period of five months in 1999, the volume of stocks traded was on a continuous decline, and the third quarter in particular cannot be described as satisfactory. The Berliner Effektenbank AG contributed a profit before tax of € 1.1 million to the group's yield. Thus, in its first complete business year, the bank's business activity has already developed in an extremely positive manner. This result is marked by large-scale investments going into expansion of the various business sectors. For the Berliner Effektenbeteiligungsgesellschaft AG, management decided in 1999, in view of the announced revision of tax regulations for holding companies, not to realize any of the accumulated hidden reserves, but only to make the permissible value adjustments. As a result, a loss of approximately € 1.5 million appears on the consolidated balance sheet. The finance holding Berliner Effektengesellschaft AG, which does not have its own proceeds from turnover, incurred costs totalling approximately € 2.5 million, which were largely a result of the acquisitions made and the group's restructuring. Furthermore, we initiated the so-called goodwill write-off of our subsidiaries, which amounted to roughly € 2.2 million in 1999.

None of the other interests are included in the group's results. Since there have been no further changes in the group's structure, the results for the year will show

MAY 1999

The Dow Jones achieves another milestone by rising above 11,000 points.

BERLINER EFFEKTINGESELLSCHAFT AG

Bank:

Change of market segments and capital increase of

Lobster Technology Holding AG

JUNE 1999

The war in Kosovo puts pressure on the euro, which reaches a new low of US \$ 1.02.

BERLINER EFFEKTINGESELLSCHAFT AG

Holding:

Annual meeting in Berlin on 15 June.

JULY 1999

The end of Duty Free within the European Union

BERLINER EFFEKTINGESELLSCHAFT AG

Holding:

Change of name; stock split 1:10.

Trading:

Introduction and trading of all NASDAQ titles begins.

AUGUST 1999

At 4,365 points, the DAX reaches its lowest level of the year.

BERLINER EFFEKTINGESELLSCHAFT AG

Trading:

Launch of the first Internet-based over-the-counter information and trading platform: TradeGate.

Berlin Stock Exchange is trading site for all NASDAQ titles.

SEPTEMBER 1999

Because of the wealth of new issues, the Neuer Markt index NEMAX falls to the year's low.

BERLINER EFFEKTINGESELLSCHAFT AG

Holding:

The Berliner Effektengesellschaft AG uses its authorization to buy back stock.

Holding:

Acquisition of a 19.9 percent share in the US-American investment bank and brokerage, Ladenburg Thalmann & Co. Inc.

a marked improvement over the previous year. In the first quarter of 2000, the strategic and operative investments started in 1999 have already begun to yield remarkable results, and after only three months, we were able to equal the entire group yield for 1999. For the remainder of the year, therefore, the company is working exclusively for profit growth. Though there are signs that the current year will see a period of weakness comparable to 1999 in terms of stock market turnover, viewed by management as a highly likely movement towards the normalization and consolidation of markets, we are confident that the Berliner Effektengesellschaft AG will be able to achieve undiminished profit growth. In the past year as in those before, the company has placed great value on its innovative strength and in the principle of shareholder value. In addition to the shareholder-friendly dividend, this is demonstrated in the free issue of two products, listed separately on the stock market, that are new in Germany: the **BZV certificate** in the spring of 1999, and, in the fall of 1999, the **naked warrants** with two periods for exercising them, in the years 2000 and 2001.

In only one business year, therefore, the shareholders received three distributions of profit from the company. The previous years were described briefly at the beginning of the board's report. In the next year, how will the year 2000 for the Berliner Effektengesellschaft AG be defined?

The year of decisions and investments

How are you, the shareholders, to interpret this prognosis? Over the past years, the Berliner Effektengesellschaft AG has established itself in a unique position in Germany as a financial service company. It operates in a number of very profitable sectors and has decisively contributed to

An eventful year

There was no shortage of fundamental factors justifying a lasting upward movement of the stock price. In October of 1999, these factors were also sufficient reason for us to issue free stock purchase warrants (naked warrants) to our shareholders, with the following:

Issue price:

The stock purchase warrants were issued to the company's shareholders free of charge at a ratio of one warrant for every share held on 9 November 1999.

Option ratio:

During the two exercise periods, one bearer non-par share for 20 warrants; it is not possible to exercise a lower number of warrants or a number of remaining warrants not divisible by 20.

Price of the option:

€ 30 per share in the first time span that it can be used, and € 36 in the second time span.

Period of time in which the option can be exercised:

Two time spans of ten bank business days each, beginning on 3 July 2000, and 2 July 2001, respectively.

Flotation on the stock market:

In the over-the-counter sector of the Berlin stock exchange.

Securities identification number:

522139

Highest and lowest price:

€ 1.30/€ 0.03



shaping them. It is active in all the important national and international financial centers and has met the challenge of globalization through cooperative ventures and holdings. Much more so than our competitors, we are able to profit from the increasing computerization of stock exchange trading, and we have always regarded the changes of the capital markets as an opportunity rather than a threat. In the finance industry, the wave of mergers and the redistribution of the markets has been a relatively recent development. These trends can only strengthen. Those with the courage to make decisions and large investments today will dominate tomorrow. The Berliner Effektengesellschaft AG, with its clear legal structure and appropriate operational differentiation among the various business sectors that organically complement each other within the holding company, has become a most attractive partner for both national and international groups. As a result, for the past six months the management has been engaged in intensive negotiations with potential new shareholders, resulting in the joint development of a long-term company business model that holds great promise for the future. It is our goal to continue to realize visions and to actively participate in the ever-accelerating restructuring of international financial centers. "To act and not to react" was and is a motto of the Berliner Effektengesellschaft AG. In this, imagination is part of the deal! This is our conviction as management, and we hope that our shareholders will continue to place their trust in us and accompany us into the future.

Berliner Effektengesellschaft AG
The Board

OCTOBER 1999

The question of extended market opening times provokes a stormy debate in Germany.

BERLINER EFFEKTINGESSELLSCHAFT AG

Trading:

From 1 October, OTC bulletin board titles are available via TradeGate.

Bank:

Joint venture E*Trade Germany AG is announced.

NOVEMBER 1999

For the first time in its history, the NASDAQ Composite, the US index for technology securities, closes above the 3,000 point mark.

BERLINER EFFEKTINGESSELLSCHAFT AG

Holding:

9 November: deadline for the allocation of the free stock purchase warrants.

15 November: first listing of the stock purchase warrants in the Berlin over-the-counter sector.

DECEMBER 1999

The DAX narrowly fails to clear the 7,000 point mark.

BERLINER EFFEKTINGESSELLSCHAFT AG

Holding:

First shareholders' meeting with approximately 120 participants.

Annual financial statements

BALANCE SHEET

BERLINER EFFEKTEGESELLSCHAFT AG, BERLIN
for the year ended 31 December 1999

	in €	in €	in €	in €
ASSETS	1999	1999	1999	1998
A. Fixed assets				-
I. Tangible assets			42,868.00	
II. Financial assets				
1. Shares in affiliated companies		25,991,982.42		25,059,733.71
2. Participatory investments		16,979,054.63		752,486.67
3. Loans to companies with which there is a participatory relationship		240,155.46	43,211,192.51	-
			43,254,060.51	25,812,220.38
B. Current assets				
I. Receivables and other assets				
1. Receivables from affiliated companies		18,138,485.33		10,332,454.13
2. Other current assets		9,853,054.87	27,991,540.20	3,858,802.15
II. Securities				
1. Own shares		528,684.28		-
2. Other securities		2,070.24	530,754.52	-
III. Cash on hand, bank balances			200,290.95	-
			28,722,585.67	14,191,256.28
Total assets			71,976,646.18	40,003,476.66

	in € 1999	in € 1999	in € 1999	in € 1998
EQUITY AND LIABILITIES				
A. Stockholders' equity				
I. Subscribed capital		13,256,312.00		3,343,848.90
II. Capital reserve		34,108,254.19		11,610,899.21
III. Revenue reserves				
1. Statutory reserve	25,564.59			25,564.59
2. Reserve for own shares	528,684.28			-
3. Other revenue reserves	1,336,662.26	1,890,911.13		1,343,004.13
IV. Retained earnings		18,071,557.44	67,327,034.76	12,037,856.05
B. Provisions and accruals				
I. Tax accruals		2,294,102.28		-
II. Other provisions and accruals		50,612.92	2,344,715.20	38,346.89
C. Liabilities				
I. Trade accounts payable		59,725.32		-
II. Amounts due to affiliated companies		2,245,170.90	2,304,896.22	11,603,956.89
Total equity and liabilities			71,976,646.18	40,003,476.66

INCOME STATEMENT

BERLINER EFFEKTEGESELLSCHAFT AG

Income statement

for the period from 1 January 1999 to 31 December 1999

	in € 01.01. – 31.12.1999	in € 01.01.–31.12.1998
1. Other operating income	6,511,506.79	3,864,849.20
2. Personnel expenses		
a) Wages and salaries	-101,554.83	-
b) Social security payments and expenses for pensions	-16,164.81	-117,719.64
3. Write-offs		-5,404.59
4. Other operating expenses		-2,347,725.86
5. Income from participatory investments		31,587,008.81
<i>Of which from affiliated companies</i>		31,587,008.81
6. Other interest and similar income		165,324.43
<i>Of which from affiliated companies</i>		158,269.20
7. Write-offs on financial assets and securities of current assets		-127,952.75
8. Interest and similar expenses		-71,448.89
<i>Of which from affiliated companies</i>		-71,448.89
		-81,342.79

	in €	in €	in €
	01.01. – 31.12.1999	01.01. – 31.12.1998	01.01. – 31.12.1998
9. Result on ordinary activities		35,593,588.30	23,020,808.91
10. Extraordinary income	-		-
11. Extraordinary expenditure	-1,839,124.23		-
12. Extraordinary result		-1,839,124.23	-
13. Taxes on income and earnings		-15,160,564.22	-9,829,238.54
14. Net income for the year		18,593,899.85	13,191,570.37
15. Retained earnings from prior year			189,289.81
16. Withdrawals from the revenue reserves			
a) From other revenue reserves		6,341.87	-
17. Appropriation to the revenue reserves			
a) To the statutory reserve		-	-
b) To the reserve for own shares		-528,684.28	-
c) To other revenue reserves		-	-1,343,004.13
18. Retained earnings		18,071,557.44	12,037,856.05

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 1999

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

Preparation of the annual financial statements

The financial statements of Berliner Effektengesellschaft AG (BEG) for the year ending 31.12.1999 were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB) – (Commercial Code). The provisions of the Aktiengesetz (Stock Corporation Act) were observed.

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

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

The annual financial statements have been prepared for the first time in euros, and the prior year figures have been translated to euros.

Accounting and valuation methods

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

The financial assets, which consist of shares in affiliated enterprises and participatory investments, are stated at acquisition cost.

We have valued tangible assets at acquisition or production costs and, when depreciable, deducted normal fiscally permitted write-off on the straight-line method. Low value assets are written off in full in the year of acquisition and retired.

Receivables and other assets are stated at their acquisition cost or their nominal

value. Securities of current assets are stated observing strictly the principle of lower of cost or market, for each type of security, at the moving average values or lower values on the balance sheet cut-off date.

Liabilities are stated at their repayment amount when they bear interest. Any liabilities which are not subject to interest are stated at their cash values.

Recognizable risks are accounted for with provisions.

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

Translation of foreign currency

The items of fixed assets denominated in foreign currency were translated at the rates on the acquisition day. There were no other assets or debts in foreign currency at the cut-off date. Expenses and income denominated in foreign currency were translated at the rate on the day.

B. EXPLANATIONS TO THE BALANCE SHEET AND CAPITAL

Classification of remaining terms

All receivables and liabilities are due in less than one year.

Development of fixed assets

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

The total financial assets in foreign currency translates at € 13,044,000.

Other current assets

Other current assets comprise items which cannot be subsumed under other balance sheet items on the assets side. They relate exclusively to receivables from the tax authorities on account of corporation tax.

Subscribed capital

The capital of Berliner Effektengesellschaft AG at 31.12.1998 was DM 6,540,000.00. On 15.06.1999 the stockholders' meeting resolved a capital increase from the capital reserves by DM 19,042,256.40 to DM 25,582,256.40 and the conversion of the nominal capital to € 13,080,000.00, divided into 13,080,000 non-par bearer shares. On the basis of the authorization granted pursuant to Section 6 Subsection 2 of the statutes, the nominal capital was increased by a further € 176,312.00 against contribution in kind. The shares from this capital increase carry dividend rights for 1999 of one-twelfth. The capital increase was entered in the commercial register on 27.12.1999. At 31.12.1999 the subscribed capital was € 13,256,312.00, divided into 13,256,312 non-par bearer shares.

Approved capital

The board of Berliner Effektengesellschaft AG is authorized to increase the subscribed capital in the period until 14.06.2004, with the consent of the supervisory board, by issue of new bearer shares against cash contribution once or more than once by up to € 3,270,000 (approved capital I) and by issue of new bearer shares against cash contribution or contribution in kind once or more than once by up to € 3,270,000 (approved capital II). From the approved capital II, the capital increase of € 176,312.00 listed under subscribed capital was implemented against contribution in kind, so that the remaining amount of the approved capital at 31.12.1999 was € 3,093,688.

Contingent capital

The stockholders' meeting of 15.06.1999 resolved to increase contingently the subscribed capital by € 600,000 for an employee option scheme (contingent capital I) and by € 5,940,000 for the issue of share warrants without bonds (contingent capital II). On the basis of the contingent capital increase, 13,080,000 warrants were

issued. Each 20 warrants give entitlement in July 2000 to subscription of one share at € 30 as well as to subscribe a further share in July 2001 at € 36.

Capital reserves

Shares from a capital increase of Berliner Effektengesellschaft AG resolved and implemented in 1998 were assumed initially by Berliner Effektenbank AG on the condition that they be offered for subscription to a broad public. The placement of the shares was postponed from 1998 to 1999 on account of the stock exchange climate. In February 1999, 46,749 shares were placed with a premium totaling € 27,649,000, which was appropriated to the capital reserve. A part of the capital reserves was converted to nominal capital by resolution of the stockholders' meeting. From the capital increase arising from capital I which was created by the stockholders' meeting at 15.06.1999, premiums in the amount of € 4,584,000 were allocated to the capital reserves.

Revenue reserves

We have taken € 6,341.87 from the other revenue reserves. We comment on the reserve for own shares in the following paragraph.

Own shares

On 15.06.1999 the stockholders' meeting authorized us, pursuant to Section 71 SubSection 1 number 8 Aktiengesetz (Stock Corporation Act), to acquire own shares for the purpose of sale or for recovery of up to ten percent of the nominal capital of 15.06.1999. Since September 1999, this authorization has been made use of by selling the shares. The following table shows the number of shares traded by calendar month. The purchases were made exclusively through the stock exchange. All disposals of the financial year from this portfolio were at book value, this being a publicity measure. The portfolio

remaining at 31.12.1999 had to be written down by € 127,000 on account of strict adherence to the principle of lower of cost or market. We formed a reserve for own shares from the 1999 net income in the amount of the residual book value of € 529,000. In November, our stockholders were issued with bonus warrants. In accordance with the portfolio of own shares, we obtained 25,645 warrants. Since the warrants arose from the old shares, they must be attributed a computed value of

€ 10,000, taking into account the book value of the underlying shares and the subscription ratio. As at 31.12.1999 we had not sold any warrants.

Month	Number of shares purchased	Number of shares sold/disposed	Proportion of nominal capital
September 99	25,773	30	0.20 %
October 99	30	128	0.00 %
November 99	74	58	0.00 %
December 99	223	71	0.00 %
Total	26,100	287	0.20 %

C. EXPLANATIONS TO THE INCOME STATEMENT

The purpose of our company is participation in companies offering financial services, in particular with trade in securities and their issue. Consequently, revenue is obtained from income from participatory investments and contributions levied for services to subsidiaries. In 1999, € 21,500,000 in receipts were collected by Berliner Freiverkehr (Aktien) Handel AG, which is active as an exclusive market specialist, and € 115,000 by Berliner Effektenbank AG as income from affiliated enterprises. A revised distribution resolution of Berliner Effektenbeteiligungsgesellschaft AG for 1998 produced a dividend of € 495,000. These amounts are increased each time by the corporation tax credit of three-sevenths of the distribution amount.

Other operating income includes € 6,488,000 relating to municipal trade tax recharged to Berliner Freiverkehr (Aktien) Handel AG.

With the appointment of employees for investor relations and accounting, there were personnel expenses in the financial year totaling € 118,000.

The extraordinary expenses result from the revocation of the distribution resolution of Berliner Effektenbeteiligungsgesellschaft AG for 1998. The income was accounted for in the financial statements of the prior year.

The result from ordinary business activity and the extraordinary result are charged by taxes amounting to € 15,161,000. In terms of the pre-tax result of € 33,755,000, this represents a tax charge of 45 %.

D. OTHER INFORMATION

Interest held

Berliner Effektenbeteiligungs- gesellschaft AG, Berlin

Nominal capital:	€ 2,556,459.41
Interest held: 40 %	€ 1,022,583.76
Equity:	€ 3,235,931.58
Annual deficit 1999:	€ 1,607,898.27

Berliner Effektenbank AG, Berlin

Nominal capital:	€ 10,000,000.00
Interest held: 40 %	€ 4,000,000.00
Equity:	€ 12,015,758.86
Net income 1999:	€ 503,880.40

Berliner Freiverkehr (Aktien)

Handel AG, Berlin

Nominal capital:	€ 5,000,000.00
Interest held: 100 %	€ 5,000,000.00
Equity:	€ 31,563,931.04
Net income 1999:	€ 25,780,274.26

Online Securities Holding Inc., Delaware

Nominal capital:	9,320,100 Individual shares
Interest held: 32.19 %	3,000,000 Individual shares
Equity:	US \$ 3,919,879
Net income 1999:	US \$ 128,514

Other financial commitments

There are no significant contingent liabilities or financial obligations which are not evident from the financial statements.

Employees

The number of employees has developed as follows:

	female	male	total
Average of the year	1	1	2
at 31.12.1999	1	1	2

Members of the board of directors

Sabine Dujesiefken, Berlin (until 24.08.1999)

Member of the board of Berliner Freiverkehr (Aktien) Handel AG

Dr Wolfgang Janka, Berlin

General executive officer of Berliner Effektenbank AG

Member of the supervisory board:

COR AG Insurance Technologies, Leinfelden-Echterdingen

DV-Job AG, Berlin

FFBI Free Zone Berlin-Brandenburg International, Berlin

Ladenburg Thalmann & Co. Inc., USA

Klaus-Gerd Kleversaat, Krummensee (until 24.08.1999)

Member of the board of Berliner Effektenbank AG

Member of the supervisory board:

EuroChange AG, Berlin

IVU Traffic Technologies AG, Berlin

Dr Guido G. R. Sandler, Berlin

Member of the board of Berliner Effektenbank AG

Member of the supervisory board:

E*Trade Germany AG

LIPRO Holding AG, Berlin

musicmusicmusic Inc., USA

SOLO AG für Solartechnik, Berlin

Chairman of the supervisory board:

PROGEO Holding AG, Berlin

Holger Timm, Berlin

Chairman of the board of Berliner Freiverkehr (Aktien) Handel AG

Member of the supervisory board:

EuroChange AG, Berlin

Paraworld AG, Dieburg

Members of the supervisory board

Christian Graf von Bassewitz, Düsseldorf, banker

Member of the administration board:

Lampebank International S.A., Luxemburg

Member of the supervisory board:

familia Handels-Zentralgesellschaft mbH & Co. KG, Heidelberg

Deutscher Ring Krankenversicherungsverein a.G., Hamburg

Universal-Investment-Gesellschaft mbH, Frankfurt/Main

Deputy chairman of the supervisory board:

DePfa Bank AG, Berlin

DePfa Deutsche Pfandbriefbank AG, Wiesbaden

DePfa Holding Verwaltungsgesellschaft mbH, Frankfurt/Main

Chairman of the supervisory board:

Condor Versicherungen AG, Hamburg

Optima Versicherungen AG, Hamburg

Andrä Dujardin, Berlin, entrepreneur

Member of the supervisory board:

Berliner Effektenbank AG, Berlin

Berliner Effektenbeteiligungsgesellschaft AG, Berlin

Carl-Thomas Epping, Hamburg, entrepreneur

Member of the supervisory board:

CDRB Holding AG, Essen

Qualimedica AG, Cologne

Wolfgang Hermanni, Berlin (Chairman), businessman

Chairman of the supervisory board:

Berliner Effektenbank AG, Berlin

Berliner Freiverkehr (Aktien) Handel AG, Berlin

Berliner Effektenbeteiligungsgesellschaft AG, Berlin

EuroChange AG, Berlin

Cybermind Interactive Europe AG, Berlin

Detlef Prinz, Berlin, entrepreneur

Dr. Günter Rexrodt, Berlin, MdB (Member of the "Bundestag"), Bundesminister für Wirtschaft a. D. (former Federal Minister for the Economy)

Member of the supervisory board:

AWD AG, Hannover

Euro Ratings AG, Frankfurt/Main

Factumedia AG, Berlin

Chairman of the supervisory board:

Deutsche Real Estate AG, Hamburg

gecco.net AG, Berlin

Remuneration of the corporate bodies

The members of the board did not receive any remuneration from BEG. The remuneration of the supervisory board amounted to € 59,000.

Proposal on application of profits

The balance sheet profit of € 18,071,557.44 is made up of the net income for the year of € 18,593,899.85, account having been taken of the appropriations to the reserve for own shares of € 528,684.28, and releases from other revenue reserves of € 6,341.87. The board proposes to the stockholders' meeting a dividend payment of € 1.38 per share.

Berlin, 25 April 2000

Berliner Effektengesellschaft AG

Holger Timm

Dr Guido G. R. Sandler

Dr Wolfgang Janka

MOVEMENTS ON FIXED ASSETS PURSUANT TO SECTION 264 COMMERCIAL CODE AS AT 31.12.1999

	Acquisition costs	Additions in the financial year	Disposals in the financial year	Write-offs in total	Write-offs in the financial year	Net book value at 31.12.	Net book value in prior year
in €							
Tangible fixed assets							
Business and office equipment	-	48,272.59	1,434.72	3,969.87	5,404.59	42,868.00	-
Total tangible assets	-	48,272.59	1,434.72	3,969.87	5,404.59	42,868.00	-
Financial assets							
Interests held in affiliated companies	25,059,733.71	932,248.71	-	-	-	25,991,982.42	25,059,733.71
Participatory investments	752,486.67	16,226,567.96	-	-	-	16,979,054.63	752,486.67
Loans to companies with which there is a participatory relationship	-	240,155.46	-	-	-	240,155.46	-
Total financial assets	25,812,220.38	17,398,972.13	-	-	-	43,211,192.51	25,812,220.38
Total fixed assets	25,812,220.38	17,447,244.72	1,434.72	3,969.87	5,404.59	43,254,060.51	25,812,220.38

AUDIT OPINION

We have examined the financial statements, including the accounting records and the management report, of Berliner Effektengesellschaft AG, Berlin, for the financial year from 1 January 1999 to 31 December 1999. The accounting records and the preparation of the annual financial statements and of the management report according to German commercial regulations are the responsibility of the Company's Board of Managing Directors. It is our task, on the basis of the audit conducted by us, to give a judgement on the annual financial statements including the accounting records and the management report.

We performed our audit of the annual financial statements pursuant to § 317 Commercial Code observing the principles on the orderly auditing of financial statements issued by the Institut der Wirtschaftsprüfer (Institute of accountants). These state that the audit is to be planned and performed so as to obtain reasonable assurance that inaccuracies and violations are recognized which significantly affect the presentation of the assets, liabilities, financial position and results of the company as conveyed by the financial statements in compliance with generally accepted accounting principles and by the management report. In determining the audit measures, account is taken of the business activity and the economic and legal environment of the company as well as expectations as to possible errors. Within the scope of the audit, the effectiveness of the internal control system as well as evidence about the information given in the accounts, annual financial report and management report is judged mainly on the basis of random checks. The audit includes assessing the accounting principles used and significant estimates

made by the Board of Managing Directors, as well as evaluating the overall presentation of the financial statements and of the management report. We are of the opinion that our audit forms a sufficiently certain basis for our judgement.

Our audit did not give rise to any objections.

We are of the opinion that the annual financial statements present a true and fair view of the net worth, financial position and results of Berliner Effektengesellschaft AG, Berlin in accordance with generally accepted accounting principles. The management report gives overall an accurate presentation of the situation of the company and represents the risks of future development appropriately.

Berlin, 25 April 2000
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Otte

Wirtschaftsprüfer
(Certified public accountant)

Butte

Wirtschaftsprüfer
(Certified public accountant)

Consolidated annual financial statements

GROUP BALANCE SHEET

BERLINER EFFEKTEGESELLSCHAFT AG, BERLIN
for the year ended 31 December 1999

ASSETS

	in € 1999	in € 1999	in € 1999	in '000 € 1998
1. Cash reserve assets				
a) Cash in hand		145,440.20		29
b) Balances held at central banks		1,717,663.69		5,469
Including: at the Deutsche Bundesbank € 1,717,663.69				
c) Balances held at Post Office Banks		0.00	1,863,103.89	235
2. Receivables from financial institutions				
a) Due daily		28,298,540.21		14,070
b) Other receivables		36,019,677.10	64,318,217.31	52,762
3. Receivables from customers			19,491,813.53	10,026
Including: secured by charges on properties --				
Loans to municipalities ---				
4. Bonds and other fixed-interest securities				
a) Money market securities				
aa) From public sector issuers	0.00			0
Including: eligible as collateral for the Deutsche Bundesbank --				
ab) From other issuers	0.00	0.00		0
Including: eligible as collateral for the Deutsche Bundesbank --				
b) Loans and bonds				
ba) From public-sector issuers	153,157.48			153
Including: eligible as collateral for the Deutsche Bundesbank € 153,157.48				
bb) From other issuers	214,329.61	367,487.09		634
Including: eligible as collateral for the Deutsche Bundesbank --				
c) Own bonds		0.00	367,487.09	0
Nominal amount --				
5. Shares and other non-fixed interest securities			18,806,407.10	7,121
6. Participatory investments			17,979,054.63	752
Including: in banks € 9,678,958.10				
in financial services institutions € 4,175,257.04				
7. Investments in associated companies			0.00	0
Including: in banks --				
in financial services institutions --				
8. Intangible assets			10,110,038.45	12,306
9. Tangible fixed assets			2,276,557.03	1,524
10. Own shares or interests			528,684.28	1,080
Nominal amount / computed value € 25,813.00				
11. Other current assets			7,150,125.46	206
12. Prepaid expenses			42,459.67	43
13. Deferred tax assets			562,681.85	0
Total assets			143,496,630.29	106,410

	in €	in €	in €	in '000 €
	1999	1999	1999	1998
EQUITY AND LIABILITIES				
1. Liabilities to financial institutions				
a) Due daily		6,118,533.10		1,485
b) With agreed term or period of notice		5,512,215.58	11,630,748.68	1,966
2. Liabilities to customers				
a) Savings deposits				
aa) With agreed notice of three months	0.00			0
ab) With agreed notice of more than three months	0.00	0.00		0
b) Other liabilities				
ba) Due daily	28,058,445.77			14,553
bb) With agreed term or period of notice	20,903,446.71	48,961,892.48	48,961,892.48	39,264
3. Other liabilities			1,126,304.69	225
4. Accruals and deferred income			0.00	0
5. Provisions and accruals				
a) Provisions for pensions and similar obligations		186,426.73		33
b) Tax accruals		2,621,799.88		6,109
c) Other provisions and accruals		2,296,687.59	5,104,914.20	4,355
6. Special item partly with reserve character			27,815.31	30
7. Equity				
a) Subscribed capital		13,256,312.00		3,344
b) Capital reserve		34,108,254.19		11,611
c) Revenue reserves				
ca) Statutory reserve	128,995.01			119
cb) Reserve for own shares	528,684.28			432
cc) reserves required by the articles of association	0.00			0
cd) Other revenue reserves	1,469,592.16	2,127,271.45		1,504
d) Unappropriated retained earnings		18,071,557.44		12,965
e) Minority interests		9,081,559.85	76,644,954.93	8,415
Total equity and liabilities			143,469,630.29	106,410
1. Contingent liabilities				
a) Contingent liabilities from rediscounted discounted bills of exchange		0.00		0
b) Liabilities from sureties and guarantee contracts		40,159.69		32
c) Liability from the furnishing of collateral for third-party liabilities		0.00	40,159.69	0
2. Other obligations				
a) Redemption obligations from spurious repurchase deals		0.00		0
b) Placing and takeover obligations		0.00		0
c) Irrevocable loan agreements		7,874,442.00	7,874,442.00	4,604

GROUP INCOME STATEMENT

BERLINER EFFEKTENGESELLSCHAFT AG

Income Statement

for the period from 1 Januar 1999 to 31 December 1999

	in €	in €	in €	in '000 €
		01.01. – 31.12.1999		01.01. – 31.12.1998
1. Interest income from				
a) Loan and money market transactions	2,672,312.26			757
b) Fixed interest securities and bonds issued in book-entry form	3,750.08	2,676,062.34		40
2. Interest expenses		-1,085,704.06	1,590,358.28	-355
3. Current earnings from				
a) Shares and other non-fixed interest securities		68,986.65		153
b) Participatory investments		0.00		0
c) Interests in affiliated companies		0.00	68,986.65	0
4. Commissions received			21,058,935.52	12,177
Including: Brokerage income	14,813,036.84			
Brokerage income from pooling settlement	0.00			
5. Commissions paid			-1,104,002.88	-571
Including: Brokerage expenses	-3,557.07			
Brokerage expenses from pooling settlement	0.00			
6a. Incomes from financial transactions				
Of which: aa) Securities		3,891,397.61		123,810
ab) Futures		0.00		0
ac) Options		0.00		655
ad) Price differences on name-to-follow transactions		93,684,384.62	97,575,782.23	19,891
6b. Expense from financial transactions				
Of which: ba) Securities		-10,008,470.79		-111,534
bb) Futures		0.00		0
bc) Options		0.00		-683
bd) Price differences on name-to-follow transactions		-54,792,674.97	-64,801,145.76	-185
7. Other operating income			565,836.89	224
8. Income from the release of special items partly with reserve character			2,163.27	5
9. General administrative expenses				
a) Personnel expenses				
aa) Wages and salaries	-8,425,733.64			-6,916
ab) Social security costs and expenditures for retirement plans and related benefits	-760,690.16	-9,186,423.80		-282
including: for old-age pensions € 207,409.33				
b) Other administrative expenses		-8,636,511.46	-17,822,935.26	-4,171
10. Write-offs and adjustments on intangible assets and tangible assets			-2,703,377.56	-449
11. Other operating expenses			-202,397.30	-3

	in €	in €	in €	in Tsd. €
		01.01. – 31.12.1999		01.01. – 31.12.1998
12. Write-offs and adjustments on receivables and certain securities as well as Allocations to accruals for possible loan losses		-574,286.33		-179
13. Income from write-ups on receivables and certain securities as well as from release of accruals in credit business		0.00	-574,286.33	0
14. Write-offs and adjustments on participatory investments, interests in affiliated companies and securities treated as fixed assets		0.00		0
15. Income from write-ups on participatory investments interests in affiliated companies and securities treated as fixed assets		0.00	0.00	0
16. Result on ordinary activities			33,653,917.75	32,384
17. Extraordinary income		0.00		0
18. Extraordinary expenditure		0.00		0
19. Extraordinary result		0.00	0.00	
20. Taxes on income and earnings			-17,167,849.61	-15,299
21. Other taxes, unless recorded under item 11			-1,602.39	-1
22. Net income for the year			16,484,465.75	17,084
a) Outside stockholders' share of net income for the year			232,873.84	2,218
b) Outside stockholders' share of net loss for the year			-964,738.97	0
23. Retained earnings from prior year			927,371.22	165
a) Outside stockholders' share of retained earnings/loss carry-forward			0.00	36
24. Withdrawals from the capital reserve			0.00	0
25. Withdrawals from the revenue reserves				
a) From the statutory reserve		0.00		0
b) From the reserve for own shares		0.00		0
c) From reserves required by articles of association		0.00		0
d) From other revenue reserves		34,476.19	34,476.19	0
26. Appropriation to revenue reserves				
a) To the statutory reserve		-10,077.61		-94
b) To the reserve for own shares		-96,543.24		-432
c) To reserves required by articles of association		0.00		0
d) To other revenue reserves		0.00	-106,620.85	-1,504
27. Unappropriated retained earnings			18,071,557.44	12,965

NOTES TO THE GROUP FINANCIAL STATEMENTS 1999

A. GENERAL BACKGROUND

Companies included in the consolidation

Berliner Effektengesellschaft AG is the parent company of the Berliner Effektengesellschaft AG Group. Besides the parent company, three further domestic companies are included in the scope of consolidation of the Group financial statements. They are all the subsidiaries. At 01.01.1999, Berliner Freiverkehr (Aktien) Handel AG was merged with Diederich Freimakler GmbH, so that there is one less company included in the Group financial statements than in the prior year. However, there were no changes in the valuation or in the assets and debts included in the group financial statements as a result of the merger, and consequently there is no need to adjust to the prior year figures.

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

Preparation of the annual financial statements

The Group financial statements of Berliner Effektengesellschaft AG for the year ending 31.12.1999 were prepared in accordance with the provisions of the Commercial Code (HGB) and the Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute (Bank Accounting Directive) as last amended on 11.12.1998.

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

The subsidiaries included have been consolidated according to the purchase (book value) method pursuant to Section 301 Subsection 1 Number 1 HGB. The book values of the participatory investments

were offset against the equity relating to them at the time of the acquisition of the interests. For the shares in equity and profits of subsidiaries which are not attributable to the Group, a balancing item was formed in the Group balance sheet under equity as "Minority interests".

Receivables and liabilities between the companies included in the Group financial statements were eliminated, as too were expenses and income.

In view of their subordinate importance for the net assets, financial situation and earnings, no valuation at equity has been made for the associated companies in the Group balance sheet. They are shown under the item participatory investments.

The annual financial statements have been prepared for the first time in euros, and the prior year figures have been converted to euros.

Accounting and valuation methods

The accounting and valuation methods correspond with the statutory regulations.

Receivables from banks and customers are shown at their nominal value. Securities are defined in section 7 of the Bank Accounting Directive; in the balance sheet we show them under the items "Bonds and other fixed-interest securities," "Shares and other non-fixed-interest securities," and "Participatory investments." In stating income/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 observing strictly 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 as fixed assets.

Detectable risks have been accounted for by adjustments and accruals.

We have recorded financial assets at acquisition cost. We have valued tangible assets at acquisition or production costs and, when depreciable, deducted normal fiscally permitted write-offs on the straight-line method. Low value assets are written off in full in the year of acquisition and retired.

For deferred tax assets, we have established a deferred tax item in accordance with the provisions of Section 274 Subsection 2 HGB.

Liabilities are stated at their repayment amount when they bear interest. Any liabilities which are not subject to interest are stated at their cash values.

We have formed the provisions and accruals for taxes, uncertain liabilities and impending losses from pending transactions in the amount of their probable utilization on the basis of reasonable commercial judgement. Accruals for impending losses have been formed for pending name-to-follow transactions.

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

In calculating the taxes on income and earnings, the new provisions of the tax relief law of 1999/2000/2002 have been taken into account.

Currency translation

The valuation of items of fixed assets and debts denominated in foreign currency has been made in accordance with the provisions of Section 340 h HGB. There was a deviation for shares which are quoted on a stock exchange in euros and whose nominal value or computed nominal value (e.g. non-par shares) is denominated in foreign currency. These might be, for example, shares in US companies whose capital is denominated in US dollars. We have recorded these securities, observing the principle of lower of cost or market, at

their acquisition cost or at the closing rates determined in euros on a German stock exchange.

All other assets and debts denominated in foreign currencies were translated at reference rates of the European Central Bank or, in cases where no reference rates were available, at the average rates on the currency market on the balance sheet date.

For the balance sheet items, the method of simply secured assets and debts and the option of exclusive realisation (recognition) of losses from currency translation pursuant to Section 340 h HGB were applied.



C. NOTES ON THE BALANCE SHEET

Classification of remaining terms

The classification of remaining terms is as follows:

	in € 1999	in € 1998
Other receivables from financial institutions		
a) In less than three months	36,019,677.10	52,762,436.24
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
	36,019,677.10	52,762,436.24
Receivables from customers		
a) In less than three months	7,935,628.01	2,587,012.03
b) More than three months and less than one year	9,484,389.00	7,438,630.06
c) More than one year and less than five years	0.00	0.00
d) More than five years	0.00	0.00
e) Of indefinite term	2,071,796.52	0.00
	19,491,813.53	10,025,642.09
Liabilities to financial institutions		
With agreed term or period of notice		
a) In less than three months	4,228,534.95	3,451,440.81
b) More than three months and less than one year	8,680.63	0.00
c) More than one year and less than five years	0.00	0.00
d) More than five years	1,275,000.00	0.00
	5,512,215.58	3,451,440.81
Other liabilities to customers		
With agreed term or period of notice		
a) In less than three months	20,853,385.46	53,816,884.23
b) More than three months and less than one year	50,061.25	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
	20,903,446.71	53,816,884.23

**Total amount of all assets and debts
denominated in foreign currency**

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

	in '000 € 1999	in '000 € 1998
Assets	19,149	5,181
Debts	6,441	2,915

Securities marketable on the stock exchange

	in '000 € 1999	in '000 € 1998
Quoted on the stock exchange		
Bonds and other fixed-interest securities	153	787
Shares and other non-fixed interest securities	2,787	3,860
Participatory investments	0	0
Not quoted on a stock exchange		
Bonds and other fixed-interest securities	214	0
Shares and other non-fixed interest securities	16,019	435
Participatory investments	17,979	752

The securities in the portfolio are all listed on stock exchanges. We have in the portfolio € 367,000 in listed bonds and other fixed-interest securities, € 18,806,000 listed shares and other non-fixed-interest securities as well as 12,224 listed participatory investments in the portfolio. Shares which are quoted on the New Market or in over-the-counter market of a German stock exchange do not qualify as listed on a stock exchange in the meaning of the Bank Accounting Directive. In the prior year, a profit-sharing certificate in the portfolio was stated under bonds and other

fixed-interest securities. This year the disclosure is made under shares and other non-fixed-interest securities pursuant to section 17 of the Bank Accounting Directive. Of the bonds and other fixed-interest securities, € 153,000 are due in less than one year.

Goodwill

An asset difference of €12,430,830.16 arose on consolidation. This is made up as follows:

Berliner Freiverkehr (Aktien) Handel AG	€ 6.295.327,59
Berliner Effektenbank AG	€ 4.601.626,93
Berliner Effektenbeteiligungsgesellschaft AG	€ 1.533.875,64

As a result of the merger of Berliner Freiverkehr (Aktien) Handel AG with Diederich Freimakler GmbH, the goodwill was transferred to Berliner Effektengesellschaft AG. Amortization is over ten years. The goodwills of the two other companies are being amortized over four years, beginning in 1999. At 31.12.1999 a goodwill of €10,110,038.45 is recorded.

Development of fixed assets

	in '000 € Acquisition costs	in '000 € Additions in the financial year	in '000 € Disposals in the financial year	in '000 € Write-offs in total
Financial assets				
Participatory investments	752	17,227	0	0
Securities of fixed assets	1,235	2,418	1,128	0
Total financial assets	1,987	19,645	1,128	0
Tangible fixed assets	2,019	1,493	442	793
Intangible economic assets				
Intangible fixed assets	9	0	9	0
Goodwill	12,431	0	0	2,321
Total intangible assets	12,440	0	9	2,321
Total fixed assets	16,446	21,138	1,579	3,114

In the financial statements for 1998, software in the amount of €18,537.40 with acquisition costs in the amount of €26,104.27 was shown under intangible fixed assets. However, since this was exclusively standard software, the disclosure is made under business and office equipment.

in '000 € Write-offs in the financial year	in '000 € Net book value at 31.12.1999	in '000 € Net book value, prior year
0	17,979	752
0	2,525	1,235
0	20,504	1,987
538	2,277	1,553
1	0	4
2,163	10,110	12,273
2,164	10,110	12,277
2,702	32,891	15,817

Other current assets

Other current assets comprise items which cannot be subsumed under other balance sheet items on the assets side. They relate above all to receivables from the tax authority and from third parties arising from the sale of business and office equipment. The latter have meanwhile been settled. The item also includes € 240,000 receivables from associated companies which are due in 2000.

Deferred tax assets

The Tax Relief Law 1999/2000/2002 includes a new regulation of write-offs to discounted values. For us, the new regulation has effects on the fiscal computation of write-off on securities of current assets. For the share prices which have risen in the period up to the preparation of the balance sheet, the commercial write-offs effected as at 31.12.1999 of some shares of the trading portfolio may not be taken into account fiscally. The sale of these shares in the subsequent year leads to results under commercial law which do not arise under tax law. Since the results and the taxes relating to them will balance out, we form, in application of Section 274 Subsection 2 HGB, a deferred asset in the amount of the probable tax relief in the following financial years.

Other liabilities

Other liabilities comprise items on the equity and liabilities side which cannot be subsumed under other balance sheet items. Of the figure of € 1,092,000, € 894,000 relate to trade accounts payable.

Provisions and accruals

Other provisions and accruals comprise principally amounts for the bonuses which are probably payable for 1999.

Special item partly with reserve character

The special item partly with reserve character records the special write-offs pursuant to Sections 1 to 4 Fördergebietsgesetz (Support Region Act). They are released regularly over the useful life of the fixed assets and the amounts allocated to income. No new formations have been made.

Subscribed capital

The capital of Berliner Effektengesellschaft AG at 31.12.1998 was DM 6,540,000.00. On 15.06.1999, the stockholders' meeting resolved a capital increase from the capital reserves by DM 19,042,256.40 to DM 25,582,256.40 and the conversion of the nominal capital to € 13,080,000.00, divided into 13,080,000 non-par bearer shares. On the basis of the authorization granted pursuant to Section 6 Subsection 2 of the statutes, the nominal capital was increased by a further € 176,312.00 in exchange for contributions in kind. The shares from this capital increase carry dividend rights for 1999 of one-twelfth. The capital increase was entered in the commercial register on 27.12.1999. At 31.12.1999 the subscribed capital was € 13,256,312.00, divided into 13,256,312 non-par bearer shares.

Approved capital

The board of Berliner Effektengesellschaft AG is authorized to increase the subscribed capital in the period until 14.06.2004, with the consent of the supervisory board, by issue of new bearer shares against cash contribution once or more than once by up to € 3,270,000 (approved capital I) and by issue of new bearer shares against cash contribution or contribution in kind once or more than once by up to € 3,270,000 (approved capital II). From the approved capital II, the capital increase of € 176,312.00 listed under subscribed capital was implemented against contribution in

kind, so that the remaining amount of the approved capital at 31.12.1999 was € 3,093,688.

Contingent capital

The stockholders' meeting of Berliner Effektengesellschaft AG held on 15.06.1999 resolved to increase contingently the subscribed capital by € 600,000 for an employee option scheme (contingent capital I) and by € 5,940,000 for the issue of warrants (contingent capital II). On the basis of the contingent capital increase 13,080,000 warrants were issued. Each 20 warrants give entitlement in July 2000 to subscription of one share at € 30 as well as to draw a further share in July 2001 at € 36.

Capital reserves

Shares from a capital increase of Berliner Effektengesellschaft AG resolved and implemented in 1998 were assumed initially by Berliner Effektenbank AG on the condition that they be offered for subscription to a broad public. The placement of the shares was postponed from 1998 to 1999 on account of the stock exchange climate. In February 1999, 46,749 shares were placed with a premium totalling € 27,649,000, which was appropriated to the capital reserve. A part of the capital reserves was converted to nominal capital by resolution of the stockholders' meeting. From the capital increase arising from capital I, which was created by the stockholders' meeting at 15.06.1999, premiums in the amount of € 4,584,000 were allocated to the capital reserves.

Revenue reserves

The individual portions of the revenue reserves have developed in different ways. We have taken € 34,000 from other revenue reserves. There were allocations to the statutory reserve (€ 10,000) and the reserve for own shares (€ 96,000).

Balancing item for minority interests

The balancing item for minority interests relates to Berliner Effektenbank AG and Berliner Effektenbeteiligungsgesellschaft AG.

It is made up as follows:

Subscribed capital:	€ 7,533,875.65
Capital reserves:	€ 61,355.03
Revenue reserves:	
Statutory reserve:	€ 155,145.63
Other revenue reserves:	€ 1,107,565.32
Retained earnings:	€ 223,618.22

Own shares

Of the shares in Berliner Effektengesellschaft AG which were held in the portfolio of Berliner Effektenbank AG at 31.12.1998, 46,749 were placed in the market in February 1999. The remaining 2,782 shares were in the trading portfolio. In the period until October 1999, a further 3,581 shares were purchased. The initial portfolio and the shares which were purchased later had been sold on the stock exchange by the end of October. The highest portfolio of own shares in Berliner Effektenbank AG during 1999 was 49,531. This corre-

sponds to 3.8 percent of the subscribed capital of Berliner Effektengesellschaft AG.

On 15.06.1999, the stockholders' meeting authorized Berliner Effektengesellschaft AG, pursuant to Section 71 Subsection 1 number 8 Aktiengesetz (Stock Corporation Act), to acquire own shares for the purpose of sale or for recovery of up to ten percent of the nominal capital of 15.06.1999. Since September 1999, this authorization has been made use of by selling the shares. The following table shows the number of shares traded by calendar month. The purchases were made exclusively through the stock exchange. All disposals of the financial year from this portfolio were at book value, this being a publicity measure. The portfolio remaining at 31.12.1999 had to be written down by €127,000 on account of strict adherence to the principle of lower of cost or market. We formed a reserve for own shares from the annual surplus 1999 in the amount of the residual book value of €529,000.

Month	Shares purchased	Shares sold/ disposals	Percent of equity capital
September 99	25,773	30	0.20 %
October 99	30	128	0.00 %
November 99	74	58	0.00 %
December 99	223	71	0.00 %
Total	26,100	287	0.20 %

In November, bonus warrants were issued to the stockholders of Berliner Effektengesellschaft AG. In accordance with the portfolio of own shares, Berliner Effektengesellschaft AG received 25,645 warrants. Since the warrants arose from the old shares, they must be attributed a computed value of €10,000 taking into account the book value of the underlying shares and the subscription ratio. As at 31.12.1999, we had not sold any warrants.

D. EXPLANATIONS TO THE INCOME STATEMENT

Income and expense from financial transactions

The income and expense from financial transactions are profits or losses which arise from purchase and sale of securities as a result of fluctuations in the market price. Write-offs on trading portfolios are dealt with separately. They are shown under income or expenses from financial transactions a) securities. Differences from name-to-follow transactions are shown here under the sub-item d).

Until the end of the prior year, Berliner Freiverkehr (Aktien) Handel AG and Diederich Freimakler GmbH did not have the possibility of tracking the profits and losses through the data-processing system. Since on account of the high number of transactions a retrospective manual determination was not possible, instead of the profits, the sales proceeds, after elimination of the increase in the portfolio, and instead of the losses, the expenses from purchases together with write-offs on securities of the trading portfolio were specified. The difference in the disclosure does not have any effect on income.

Other operating income

Of the other operating income in the amount of €566,000, €113,000 relate to income from vehicle use, €87,000 to

income from release of accruals, and €42,000 to income from the capitalization of claims from reinsurance policies for pension commitments.

Other administrative expenses

The other administrative expenses comprise especially expenditure for news and information services, stock exchange fees, legal and consultancy fees and costs of stock exchange services.

Other operating expenses

The other operating expenses in the amount of €202,000 are attributable mainly to out-of-period expenses.

Extraordinary expenditure

The extraordinary expenses are attributable to the revocation of the profit application resolution of Berliner Effektenbeteiligungsgesellschaft AG for 1998.

Taxes

The taxes on income and earnings relate to ordinary business activity. The tax expense is attributable to the formation of deferred tax assets on the commercial balance sheet.

E. OTHER INFORMATION

Forward transactions

During the financial year, there were no own transactions in contracts subject to interest, currency and other price risks.

The forward transactions which were not due at the balance sheet date result from contracts of Berliner Effektenbank AG with other price risks on behalf of customers, which are filed in the investment ledger.

Forward transactions with other price risks

The item forward transactions with other price risks records share options, share index options and share index futures at the balance sheet date.

All forward transactions are subject to daily monitoring using the market valuation method. The credit equivalent amounts and the margin utilization are monitored daily. All contracts in derivatives were concluded with a bank with first-class credit rating.

Derivative financial instruments – According to volume –

in '000 €	Nominal value 31.12.1999	Nominal value 31.12.1998	Credit risk equivalent 31.12.1999
Transactions with other price risks	84,114	14,904	8,416
Total	84,114	14,904	8,416

Derivative financial instruments – According to terms –

Nominal value in '000 €	Share and other price risks		Currency risks		Interest risks	
	31.12.1999	31.12.1998	31.12.1999	31.12.1998	31.12.1999	31.12.1998
Less than one year	84,114	14,904	–	–	–	–
One to five years	–	–	–	–	–	–
Over five years	–	–	–	–	–	–
Total	84,114	14,904	–	–	–	–

Derivative financial instruments – According to contracting parties –

in '000 €	Nominal value 31.12.1999	Nominal value 31.12.1998	Credit risk equivalent 31.12.1999
OECD banks	42,057	7,452	4,208
Non-OECD banks	–	–	–
Clients (incl. exchange-traded contracts)	42,057	7,452	4,208
Public sector	–	–	–
Total	84,114	14,904	8,416

Other financial commitments

The Group has obligations of €3,484,000 from rental, leasing and servicing contracts. They relate mainly to rental contracts for office premises, which have been concluded for a period of three years.

Berliner Freiverkehr (Aktien) Handel AG has taken up guarantee lines from various banks. The total amount is €6,335,000. The surety credits serve above all as collateral pursuant to the Börsengesetz (Stock Exchange Law) for the risks arising from the processing of name-to-follow transactions and from price differences.

Interests held

Affiliated enterprises included in the Group financial statements:

Berliner Effektenbeteiligungsgesellschaft AG, Berlin

Nominal capital:	€	2,556,459.41
Interest held: 40 %	€	1,022,583.76
Equity:	€	3,235,931.58
Annual deficit 1999:	€	1,607,898.27

Berliner Effektenbank AG, Berlin

Nominal capital:	€	10,000,000.00
Interest held: 40 %	€	4,000,000.00
Equity:	€	12,015,758.86
Net income 1999:	€	503,880.40

Berliner Freiverkehr (Aktien)

Handel AG, Berlin

Nominal capital:	€	5,000,000.00
Interest held: 100 %	€	5,000,000.00
Equity:	€	31,563,931.04
Net income 1999:	€	25,780,274.26

Berliner Effektenbank AG and Berliner Effektenbeteiligungsgesellschaft AG are under the uniform management of Berliner Effektengesellschaft AG.

The associated companies are:

Online Securities Holding Inc., Delaware

Nominal capital:	9,320,100	Individual shares
Interest held: 32.19 %	3,000,000	Individual shares
Equity:	US \$	3,919,879
Net income 1999:	US \$	128,514

E*Trade Germany AG, Berlin

Nominal capital:	€	2,000,000.00
Interest held: 35.0 %	€	700,000.00

For the abbreviated financial year 1999 of this company, which was formed in October 1999, annual financial statements are not available so that no information can be given on equity and results.

Design.Net AG i.Gr., Frankfurt/Main

Nominal capital:	€	275,000.00
Interest held: 36.4 %	€	100,000.00

The share of 20 % is temporary since it will fall to below 10 % shortly as a result of a capital increase.

The associated companies are of subordinate importance for the Group financial statements. If included in the annual financial statements, they would not have any substantial impact because their balance sheet totals and results are immaterial. Moreover, the two last named companies have not yet taken up operating activities.

Employees:

The number of employees has developed as follows:

	female	male	total
Average of the year			
Management	2	5	7
Traders	7	20	27
Other employees	19	18	37
Total	28	43	71
at 31.12.1999			
Management	2	5	7
Traders	8	23	31
Other employees	24	25	49
Total	34	53	87

Corporate bodies of Berliner Effektengesellschaft AG

Members of the board of directors

Sabine Dujesiefken, Berlin (until 24.08.1999)

Member of the board of Berliner Freiverkehr (Aktien) Handel AG

Dr Wolfgang Janka, Berlin

General executive officer of Berliner Effektenbank AG

Member of the supervisory board:

COR AG Insurance Technologies, Leinfelden-Echterdingen

DV-Job AG, Berlin

FFBI Free Zone Berlin-Brandenburg International, Berlin

Ladenburg Thalmann & Co. Inc., USA

Klaus-Gerd Kleversaat, Krummensee (until 24.08.1999)

Member of the board of Berliner Effektenbank AG

Member of the supervisory board:

EuroChange AG, Berlin

IVU Traffic Technologies AG, Berlin

Dr Guido G. R. Sandler, Berlin

Member of the board of Berliner Effektenbank AG

Member of the supervisory board:

E*Trade Germany AG

LIPRO Holding AG, Berlin

musicmusicmusic Inc., USA

SOLON AG für Solartechnik, Berlin

Chairman of the supervisory board:

PROGEO Holding AG, Berlin

Holger Timm, Berlin

Chairman of the board of Berliner

Freiverkehr (Aktien) Handel AG

Member of the supervisory board:

EuroChange AG, Berlin

Paraworld AG, Dieburg

Members of the supervisory board

Christian Graf von Bassewitz, Düsseldorf, banker

Member of the administration board:

Lampebank International S.A., Luxemburg

Member of the supervisory board:

famila Handels-Zentralgesellschaft mbH & Co. KG, Heidelberg

Deutscher Ring Krankenversicherungsverein a.G., Hamburg

Universal-Investment-Gesellschaft mbH, Frankfurt/Main

Deputy chairman of the supervisory board:

DePfa Bank AG, Berlin

DePfa Deutsche Pfandbriefbank AG, Wiesbaden

DePfa Holding Verwaltungsgesellschaft mbH, Frankfurt/Main

Chairman of the supervisory board:

Condor Versicherungen AG, Hamburg

Optima Versicherungen AG, Hamburg

Andrä Dujardin, Berlin, entrepreneur

Member of the supervisory board:

Berliner Effektenbank AG, Berlin

Berliner Effektenbeteiligungsgesellschaft AG, Berlin

Carl-Thomas Epping, Hamburg, entrepreneur

Member of the supervisory board:

CDRB Holding AG, Essen

Qualimedica AG, Cologne

Wolfgang Hermanni, Berlin (Chairman), businessman

Chairman of the supervisory board:

Berliner Effektenbank AG, Berlin

Berliner Freiverkehr (Aktien) Handel AG, Berlin

Berliner Effektenbeteiligungsgesellschaft AG, Berlin

EuroChange AG, Berlin

Cybermind Interactive Europe AG, Berlin

Detlef Prinz, Berlin, entrepreneur

Dr. Günter Rexrodt, Berlin, MdB (Member of the "Bundestag"), Bundesminister für Wirtschaft a. D. (former Federal Minister for the Economy)

Member of the supervisory board:

AWD AG, Hannover

Euro Ratings AG, Frankfurt/Main

Factumedia AG, Berlin

Chairman of the supervisory board:

Deutsche Real Estate AG, Hamburg

gecco.net AG, Berlin

Remuneration of members of corporate bodies of Berliner Effektingesellschaft AG

The members of the board received for their activity for Berliner Effektingesellschaft AG and its subsidiaries remuneration in the amount of € 2,679,000. The remuneration of the members of the supervisory board amounted to € 91,000.

Segment reporting

The segment report attached as an appendix was drawn up according to the Deutscher Rechnungslegungsstandard Nr. 3 (German Accounting Standard Number 3) in conjunction with the German Accounting Standard Number 3-10, which contains supplementary regulations for credit institutions. In accordance with the transitory regulation we do not specify any values of the previous period.

The Berliner Effektingesellschaft AG Group is organized in accordance with its segments. Each of the companies which is operationally active covers one segment. We have the following business segments in the Group: First there is the brokerage business, which is operated by Berliner Freiverkehr (Aktien) Handel AG. Purchase and sales of securities are arranged through the brokerage business. From the transactions arranged, commissions income is obtained and trade profits obtained from the short-term assumption of own securities stocks. The bank transactions with as the main activities handling of issues and investment advice are located at Berliner Effektenbank AG. Since the focus of the bank products is in services, here income is generated mainly from commissions. The credit and deposit business is offered only as a supplementary service, so that the interest surplus is of secondary importance. Finally, the provision of risk capital is located at Berliner Effektenbeteiligungsgesellschaft AG. The results obtained from the assumption of participatory investments and the subsequent placing of the shares in the market of in the other investors are shown under the result from financial transactions.

Berliner Effektingesellschaft AG supports the subsidiaries in meeting their business goals and external requirements. Besides the income from participatory interests that is eliminated from the Group result in the consolidation, no income of significance is obtained here. On account of the separation of the segments between individual companies, the figures of the individual income statements were assumed without modification. In the reconciliation, the elimination items from the totals of the segments to the Group figures are specified.

GROUP SEGMENT INFORMATION

BERLINER EFFEKTEGESELLSCHAFT AG

	in '000 € 1999	in '000 € 1999	in '000 € 1999	in '000 € 1999	in '000 € 1999	in '000 € 1999	in '000 € 1999
	Group- Manage- ment	Trading Activities	Private Banking/ Corporate Banking	Venture Capital	Total	“Consolida- tion item”	Group
Interest income	31,681	507	1,026	33	33,247	-31,588	1,659
Commission income	-3	15,195	6,149	-92	21,249	-1,294	19,955
Result from financial transactions	-128	35,309	-963	-1,443	32,775	-	32,775
Total	31,550	51,011	6,212	-1,502	87,271	-32,882	54,389
General operating							
expense (including write-offs)	-2,343	-12,452	-5,113	-126	-20,034	-492	-20,526
Other expense/income	6,387	306	429	-	7,122	-6,756	366
Result before provision for risks	35,594	38,865	1,528	-1,628	74,359	-40,130	34,229
Total provision for risks	-	-92	-483	-	-575	-	-575
Result after provision for risk	35,594	38,773	1,045	-1,628	73,784	-40,130	33,654
Segment assets	200	32,065	80,396	800	113,461	-12,742	100,719
Cash reserve	1	7	1,855	-	1,863	-	1,863
Due from banks	199	23,799	52,591	237	76,826	-12,508	64,318
Due from clients	-	127	19,599	-	19,726	-234	19,492
Trading assets	-	8,132	6,351	563	15,046	-	15,046
Segment liabilities	-	1,761	70,886	1,284	73,931	-12,675	61,256
Due to banks	-	1,078	9,269	1,284	11,631	-	11,631
Due to clients	-	20	61,617	-	61,637	-12,675	48,962
Debt securities in issue	-	-	-	-	-	-	-
Trading liabilities	-	663	-	-	663	-	663
Risk positions	59,943	10,480	34,835	3,359	108,617	-42,583	66,034
Risk assets	59,924	9,791	33,821	3,207	106,743	-42,453	64,290
Market risks positions	19	689	1,014	152	1,874	-130	1,744
Equity capital							
(without profit for the period)	49,256	10,064	11,900	2,863	74,083	-15,510	58,573
Average number of employees	2	51	18	-	71	-	71
Return on allocated capital	72.3 %	385.3 %	8.8 %	-56.9 %	99.6 %	258.7 %	57.5 %
Expense/income	6.2 %	24.3 %	77.0 %	-8.4 %			
Return = Result after provision for risks/share of equity capital							

Cash flow statement

The cash flow statement attached as an appendix was drawn up for the first time according to the German Accounting Standard Number 2 in conjunction with the German Accounting Standard Number 2-10, which contains supplementary regulations for credit institutions. In accordance with the transitory regulation, we do not specify any values of the pre-period.

On account of the activities of the companies in the Group, cash and cash equivalents contains the cash balances of all companies, the balances held at the Bundesbank (Federal Bank of Germany) and the call money held at banks by Berliner Effektengesellschaft AG, Berliner Freiverkehr (Aktien) Handel AG and Berliner Effektenbeteiligungsgesellschaft AG. We have classified the call balances held at banks of Berliner Effektenbank AG under operating business. We have classified a loan taken up by Berliner Effektenbeteiligungsgesellschaft AG from Kreditanstalt für Wiederaufbau under financing activity.

Minority stockholders have made deposits of DM 2,734,980.00, equivalent to € 1,398,373.07. They have not received any distributions.

The cash flow account does not include the capital increase of December 1999, which was made on account of the participation Ladenburg Thalmann & Co. Inc., nor does it include the addition of the participation. Since in this case use was made of the authorization to raise capital against contribution in kind, this even is a non-cash event in terms of the cash flow account. There were no other non-cash events of significance in 1999.

Berlin, 25 April 2000
Berliner Effektengesellschaft AG

Holger Timm

Dr Guido G. R. Sandler

Dr Wolfgang Janka

GROUP CASH FLOW STATEMENT

BERLINER EFFEKTENGESELLSCHAFT AG

in '000 €

1999

Net income for the year	16,484
Non-cash items and reconciliation to the cash flow from operating activities contained in the net income for the year	
Write-offs, adjustments and revaluations on tangible and financial assets	2,703
Changes in accruals	-5,393
Change in non-cash items	-5,395
Profit/loss from the sales of financial and tangible assets	-
Other adjustments (on balance)	3,954
Sub-total	12,353
Changes in net assets and liabilities from operating activities after correction for non-cash components	
Receivables	
From banks	7,614
From customers	-9,801
Securities (unless financial assets)	-13,097
Other asset items from operating business activity	-3,469
Liabilities	-
To banks	6,915
To customers	-4,952
Securitized liabilities	-
Other liability items from operating business activity	-94
Extraordinary payments received	-
Extraordinary payments made	-
Cash flow from current operating activities	-4,531
Including: - interest and dividends received	2,679
- interest paid	-1,045
- payments of tax on earnings	-50,562
Payments received from the sale of	
Financial assets	-
Tangible fixed assets	46
Payments made for the purchase of	
Financial assets	-13,989
Tangible fixed assets	-1,340
Effects from the change in the scope of consolidation	
Incoming payments from the sale of consolidated companies and other business units	-
Outgoing payments for the acquisition of consolidated companies and other business units	-
Changes in funds from other investment activity (on balance)	-
Cash flow from investment activity	-15,283
Payments received from capital increases	29,048
Dividend payments	-12,038
Purchase and sale of own shares	856
Changes in funds from subordinated capital as well as other hybrid capital (balance)	-
Loans taken up	1,275
Cash flow from financing activity	19,141
Total cash holdings at end of the prior period	10,602
<i>Of which cash reserve</i>	<i>5,733</i>
<i>Of which receivables from banks due daily</i>	<i>4,869</i>
Cash flow from current operating activities	-4,531
Cash flow from investment activity	-15,283
Cash flow from financing activity	19,141
Changes in cash and cash equivalents on account of exchange rates, scope of consolidation and valuation	-
Total cash holdings at end of period	9,929
<i>Of which cash reserve</i>	<i>1,863</i>
<i>Of which receivables from banks due daily</i>	<i>8,066</i>

GROUP MANAGEMENT REPORT

1. GENERAL COMMENTS ON THE ECONOMIC ENVIRONMENT

The year 1999 was characterized by a generally positive environment for the business activity of the Berliner Effektengesellschaft AG Group. Two factors in particular benefited the positive business development: Firstly, IPOs reached nationally, but also internationally a new peak. The IPOs were especially technology shares of NASDAQ and the New Market. Secondly, in the course of 1999 the so-called "online brokers" or major direct banks won new customers who trade in considerable volume in the secondary shares which we deal in. The Group Berliner Effektengesellschaft AG was therefore able to profit in different business areas from these developments.

The individual activities of the Group Berliner Effektengesellschaft AG are situated in a market environment characterized by a high degree of dynamism. This competition takes place between different national and international platforms and systems. The development of the Internet has contributed to a fundamental change in the structures of the business fields in which the Group is active. This change will have effects on the individual companies within the Group.

2. SITUATION OF THE GROUP

In the financial year 1999 the legal structuring of the company was successfully concluded. Although unannounced, the Group management had already envisaged in its plans to enter into a cooperative arrangement in the world's biggest national capital market, namely the USA. This goal, too, was realized in 1999. In September 1999, the Group took up a

participatory investment, initially of 19.9 %, in Ladenburg Thalmann & Co. Inc., New York.

The rapid development of the Group is reflected in the figures that the Group had achieved at 31.12.1999. The balance sheet total of the Group rose by 35 % from € 106.4 million to € 143,5 million. As a result of the capital measures enacted in 1999, equity was strengthened, leaving out of account minority interests, by 125 % from € 30.0 million to € 67.6 million, and equity as a whole from € 38.4 million to € 76.6 million.

Consequently, the Berliner Effektengesellschaft AG Group was able to begin the year 2000, with a stable net worth and financial situation.

The strengthened position of Berliner Effektengesellschaft AG is mirrored in an increase in numbers of staff. From 63 employees at the beginning of the 1999 financial year, by the end of the year the workforce had increased to 87. The growth in staff is continuing and is being driven by the steady business development in the separate Group companies. In March 2000 the workforce exceeded 100.

3. COURSE OF BUSINESS

a) Berliner Effektengesellschaft AG

At the beginning of 1999, the two companies in the trading area, Berliner Freiverkehr (Aktien) Handel AG and Diederich Freimakler GmbH were merged to form Berliner Freiverkehr (Aktien) Handel AG.

In February 1999, the 46,749 shares remaining from the capital increase of August 1998 were successfully placed by Berliner Effektenbank AG. The placing occurred in a favorable stock exchange environment and was completed ahead of schedule. The revenue from the placement enabled the Group, apart from developing further its traditional business, to plan further acquisitions, which were subsequently implemented in the course of the year 1999.

The stockholders' meeting of 15.06.1999 had resolved comprehensive changes to the statutes of the company as well as on the capital structure of the ultimate parent company. First, as announced, the name of the ultimate parent company was changed to Berliner Effektengesellschaft AG. This was to reflect the fact that, under the umbrella of the holding company, there are various companies with different business orientations which cannot be classified simply in the brokerage area. The currency stated in the articles of association was changed to the euro and a share split resolved in a ratio of 1:10.

In September 1999, Berliner Effektengesellschaft AG acquired an interest of 19.9 % in Ladenburg Thalmann & Co. Inc., a medium-sized investment bank in New York. Berliner Effektengesellschaft AG obtained the right to purchase a further 31.0 % in the investment bank under certain conditions and so to assume the position of majority stockholder. The aim of the participation is to develop and extend the international business of all sectors of the Group. Hence it is intended that Berliner Freiverkehr (Aktien) Handel AG will obtain through Ladenburg Thalmann und Co. Inc. access to new NASDAQ shares for which it applies for the exclusive market specialist. Berliner Effektenbank AG will process with Ladenburg Thalmann & Co Inc. individual projects in the corporate finance area. The companies of Berliner Effektengesellschaft AG use the research potential of Ladenburg Thalmann & Co. Inc., which has received a number of awards, for their own purposes.

In October 1999, the ultimate parent company issued bonus warrants to its stockholders. At 30 June of each of the years 2000 and 2001, 20 options give entitlement to subscribe one share at € 30 or € 36. These are "naked warrants", which were issued for the first time by a German

company on the basis of the new Section 192 of the Aktiengesetz (Stock Corporation Act).

The basis in company law was created by a resolution of the ordinary stockholders' meeting which granted the corresponding contingent capital.

The ordinary stockholders' meeting held in June 1999 also resolved a contingent capital for an employee participation program.

This employee participation program was worked out by the top management of the Group in the second half of 1999 and approved by the executive board and supervisory board of Berliner Effektengesellschaft AG in December 1999. A total of 200,000 options were issued to those with entitlement. The allocation to Group employees took place in January and February 2000.

b) Berliner Freiverkehr (Aktien) Handel AG

In July 1999 Berliner Freiverkehr (Aktien) Handel AG introduced over 3,000 further NASDAQ stocks to the over-the-counter trade of the Berlin Stock Exchange, thereby becoming, in terms of number of settlements, the biggest exclusive market specialist in Germany.

Since August 1999 Berliner Freiverkehr (Aktien) Handel AG has been offering over-the-counter stock trading until 10 p.m. (local time) on the Internet platform TradeGate.

With lucrative business and a net income for the year of € 25.8 million, Berliner Freiverkehr (Aktien) Handel AG contributed the major part of the group profit.

c) Berliner Effektenbank AG

Berliner Effektenbank AG successfully handled ten capital market transactions in the period under review. These included four companies which were launched on the New Market.

The private business has developed steadily. At the end of the 1999 financial year, the amount handled had already exceeded the mark of DM 1.2 billion.

In October 1999, Berliner Effektenbank AG and E*Trade Group Inc., Menlo Park, USA, together with a further minority stockholder formed the company E*Trade Germany AG.

This company will develop and operate the discount broker business of the E*Trade network in Germany. Berliner Effektenbank AG holds an equity share of 35 % in the company. Against the background of its current costs for developing the bank operation, Berliner Effektenbank AG turned in a net income for the year of only € 0.5 million.

d) Berliner Effektenbeteiligungsgesellschaft AG

The transactions of the company during the 1999 financial year break down into small transactions with a maximum volume of € 1.0 million each and a number of major transactions.

In June 1999 the company subscribed the capital increase of Lobster Technology Holding AG and of COR AG Insurance Technologies and participated until into the month of October 1999 before stock trading commenced in the companies LIPRO Holding AG and musicmusicmusic Inc.

After a number of transactions in the months August to November 1999 which did not have any substantial impact on the company's earnings, in December, Berliner Effektenbeteiligungsgesellschaft AG deliberately realized losses by selling individual interests. The loss realization was resolved in response to the text of the draft decree of the Bundesministerium der Finanzen (Federal Ministry for Finance), which was later published in definitive form on 29.02.2000 in connection with the reform of write-offs to discounted values pursuant to Section 6 Clause 1 Numbers 1 and 2 Income Tax Law.

It later emerged in December 1999 that commercially necessary amortization of share portfolios is not recognized fiscally. In order to avert a drifting apart of the commercial and fiscal balance sheets and to avoid a higher taxation on earnings, the management of Berliner Effektenbeteiligungsgesellschaft AG resolved to realize the loss in individual papers. However, silent reserves were raised by this measure.

Since the company had not realized any corresponding earnings through sales, the company ended the year overall with a negative result.

The utilization of liquid funds, in particular through the subscriptions in June 1999, meant that the resolution which had originally been passed in the stockholders' meeting of 12.04.1999 to distribute the 1998 profit in full was not implemented. This resolution was revoked in the stockholders' meeting of 18.08.1999. Only the advance dividend to the holding company was distributed in accordance with the final version of the profit application resolution of 10.12.1999.

e) Other companies

The participation in Ladenburg Thalmann & Co. Inc. – the company concluded the year 1999 with a profit – has not been included in the consolidation of the Group financial statements. The same applies to the other minority participatory investments subscribed by Berliner Effektengesellschaft AG. Meanwhile, considerable silent reserves have formed here, in particular in the participatory investment in First Quote Inc.

4. PROSPECTS

Berliner Effektengesellschaft AG

The Berliner Effektengesellschaft AG Group prepared itself in the 1999 financial year for comprehensive structural changes in the capital market. The new media, and in particular the Internet, are transforming fundamentally the environment in which the Group companies operate.

The increasing institutionalization and professionalization of the capital market give rise to the expectation on the part of the ultimate parent company, Berliner Effektengesellschaft AG, that there will be a permanent shift in the stockholder structure from free float to institutional investors. Whereas in past years Berliner Effektengesellschaft AG, as a newcomer share and forerunner of new movements in the capital market, was primarily attractive for retail customers, it will now be necessary to demonstrate to institutional investors the broadened spectrum of the Group's activities and the steadiness of its earnings power.

To this end, the ultimate parent company has made a beginning on revamping its image in the public eye and in the perception of institutional investors.

The Group management commenced these activities by developing an investor and public relations department in the middle of the year 1999.

With increasing business volume, the Group Berliner Effektengesellschaft AG is also preparing to increase its personnel. For this reason, Berliner Freiverkehr (Aktien) Handel AG has rented new business premises, and Berliner Effektengesellschaft AG will do likewise in the first quarter of 2000. At present, an expansion in personnel of about 50 % is expected during the year 2000. The new employees will be mainly deployed in the business areas which Berliner Effektenbank AG is developing and in the traditional business fields of Berliner Freiverkehr (Aktien) Han-

del AG. The investments for the furnishing of the premises where the new employees will work consist mainly in acquisition costs for computer hardware and software. Technical implementation work and installation work can be performed by the Group's own personnel. Computing center performances are generally outsourced.

The business development of the Group was mainly favorable at the beginning of the year 2000, a fact which gives rise to the prospect of the financial year 2000 being even more successful than 1999. On the basis of present findings, the Group result of the year 1999 was already exceeded in the first quarter. This circumstance is favored by the extraordinarily positive stock exchange environment of the first quarter of 2000. The individual companies have been able to make up for write-offs which were recorded at 31.12.1999 and to realize corresponding profits.

5. RISK MANAGEMENT

a) Operating and other risks

The extension of the activities of the individual companies in the Group to different business fields makes an independent management by the Group's top management imperative. A component of this management, alongside the integration of the personnel, is the risk management system. The Group, Berliner Effektengesellschaft AG, is a financial holding structure in the meaning of the regulations of the Kreditwesengesetz (Banking Act). Since Berliner Effektengesellschaft AG, as the financial holding company, cannot be the dominant enterprise in the meaning of the Banking Act, the Bundesaufsichtsamt für das Kreditwesen (Federal Banking Supervisory Authority) has determined, in agreement with us, that Berliner Freiverkehr (Aktien) Handel AG shall be the dominant enterprise in the meaning of the Banking Act.

It is hence responsible for the observance of the corresponding regulations for the Group, in particular the regulations for the collateralization of risks with equity and the limitation of risks with any one counter-party.

Among the operational risks, by which is meant the disturbance or interruption of operating processes, particular mention must be made of our dependence on the electronic data processing system. By the transfer of the computing center operation to external service providers and the development of alternative data lines to the important external systems, above all in stock exchange trade, adequate measures have been taken to lower the risk. The security concept is examined regularly and adapted whenever required.

In the area of accounting, the appointment has been made of a manager of the Group accounting function, and a department has been built up with additional employees. The head of the Group accounting is also responsible for the transmission of reports by the Group and Berliner Freiverkehr (Aktien) Handel AG to the Landeszentralbank (State Central Bank) and the Bundesaufsichtsamt für das Kreditwesen (Federal Banking Supervisory Authority). Besides the central accounting and reporting system, a separate reporting system has been established for management and the members of the supervisory board. It has been agreed that the members of management will receive monthly detailed reports; they may also, on a daily basis, peruse the status of the financial statements of the individual Group companies. Members of the supervisory board are reported to in detail on a quarterly basis.

The Group management has taken the decision to no longer have the Group's internal audits performed by external third

parties, as has been the practice in the past, but to have these audits conducted by own staff. A detailed concept is being drawn up and agreed with the supervisory authorities. It is intended that technical advice will be obtained also from third parties for the different disciplines of the individual Group companies, but that the responsibility for the internal auditing will be kept within the company.

Besides the development of a Group accounting system, a central reporting system and the development of an internal audit department, at the end of the year 1999 the Group management began work on a business administration department in Berliner Effektengesellschaft AG in its function as holding company of the participations. The task of a business administration department is to coordinate and monitor important cost-sensitive measures such as the conclusion of rental contracts, the hiring of personnel, the implementation of investments and supervision of other matters relevant to the budget. The existence of a business administration department will increase transparency especially with respect to costs and investments.

b) Special risks of the financial services

• Risk of counterparty default

Risks of counterparty defaults are risks which arise when a debtor is illiquid and is no longer able to service its liabilities. Such risks of counterparty default exist in the Group Berliner Effektengesellschaft AG almost exclusively in the private banking business of Berliner Effektenbank AG. The relevant risks there are observed carefully.

• Market price risk

Market price risks are risks arising from changes in rates for shares or currencies and interest. In the Group, fluctuations in the prices for over-the-counter shares are decisive. Since these include many foreign shares, the developments in the home markets and fluctuations of the euro

AUDIT OPINION

against the home currencies, primarily the USA and the US dollar, play an important role. The market price risks exist mainly for Berliner Freiverkehr (Aktien) Handel AG. There control is effected on the basis of the nominal amounts and the current market prices. A new limit system is being developed and tested.

• Liquidity risk

By liquidity risk, in the Group, is meant primarily the risk of not being able to close or only being to close on unfavorable terms trading transactions on account of insufficient market depth or on account of market disturbances. Similarly, the danger of not being able to meet, or only being able to meet late, liabilities is understood under liquidity risk. Observation and control are effected within the individual companies.

Berlin, 25 April 2000

Berliner Effektengesellschaft AG
Group Management

Holger Timm

Dr Guido G. R. Sandler

Dr Wolfgang Janka

We have examined the Group financial statements and the Group management report for the financial year from 1 January 1999 to 31 December 1999 prepared by Berliner Effektengesellschaft Aktiengesellschaft, Berlin. The preparation of the Group financial statements and of the Group management report according to German commercial regulations are the responsibility of the Company's Board of Managing Directors. Our responsibility is to express an opinion, based on our audit, on the Group financial statements and the Group management report.

We performed our audit of the Group financial statements pursuant to § 317 Commercial Code observing the principles on the orderly auditing of financial statements issued by the Institut der Wirtschaftsprüfer (Institute of Accountants). These state that the audit is to be planned and performed so as to obtain reasonable assurance that inaccuracies and violations are recognized which significantly affect the presentation of the assets, liabilities, financial position and results of the Group as conveyed by the financial statements in compliance with generally accepted accounting principles and by the Group management report. In determining the audit measures, account is taken of the business activity and the economic and legal environment of the company as well as expectations as to possible errors. Within the scope of the audit, the effectiveness of the internal control system as well as evidence about the information given in the Group financial statement and Group management report is judged mainly on a test basis. The examination comprises an assessment of the annual financial statements of the companies included in the Group financial statements, the definition of the scope of consolidation, the accounting and consolidation methods applied and the principal estimates of management as well as an assessment of the overall picture conveyed by the Group financial statements and the Group management report. We are of the opinion that our audit forms a sufficiently certain basis for our judgement.

Our audit did not give rise to any objections.

We are of the opinion that the Group financial statements present a true and fair view of the Group's net worth, financial position and results in accordance with generally accepted German accounting principles. The Group management report gives overall an accurate presentation of the situation of the Group and represents the risks of future development appropriately.

Berlin, 25 April 2000
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Otte

Wirtschaftsprüfer
(Certified public accountant)

Butte

Wirtschaftsprüfer
(Certified public accountant)

Report of the Supervisory Board

1. The supervisory board informed itself during 1999 about the management and development of Berliner Effektengesellschaft AG in detail. The supervisory board discussed with the executive board a large number of important business matters of both a general and particular nature. In these discussions, the development of the company with regard to the German and the international capital market was considered against the background of the general economic development. The supervisory board also debated in detail the strategic orientation of the company for the future.

During the period under review, the executive board informed the members of the supervisory board regularly about the circumstances of the company and the main business events orally and in writing. The supervisory board discussed the reports of the executive board in its sessions.

2. The members of the supervisory board took care that the executive board of the company took suitable measures to establish a monitoring system such that any developments endangering the continuation of the company be recognized early, in accordance with Section 91, Subsection 2, Aktiengesetz (Stock Corporation Act).

In the new function of the holding company, the risk monitoring system consists mainly in the development of a powerful controlling system and the possibility of preparing consolidated figures for comparison during the year. The corresponding personnel in the company has been provided by the executive board. Technical facilities for this have been put into operation.

3. The supervisory board of the company, in its former composition, met prior to the ordinary stockholders' meeting of 15.06.1999 for two sessions, on 23.02.1999 and 13.04.1999. In addition, in connection

with the merger of Diederich Freimakler GmbH and Berliner Freiverkehr (Aktien) Handel AG, a resolution between sessions was passed in February 1999.

At the ordinary stockholders' meeting of 15.06.1999 the supervisory board was expanded from three to six members.

Following the ordinary stockholders' meeting, the first constitutive session of the supervisory board in its new composition was held. Further sessions of the supervisory board were held on 24.09.1999, on 22.10.1999 and on 03.12.1999. Between the sessions, three further resolutions were passed (repurchase of shares, registration of contingent capital, issue of bonus warrants).

4. The financial statements for the financial year 1999 prepared by the executive board, together with the accounts and the management report of the company, were examined by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt/Main. The latter issued an unqualified audit opinion. The report was submitted to us. We in turn examined the annual financial statements, the management report of the executive board and its proposal for the application of the balance sheet profit.

The external auditor took part in the discussions on the annual financial statements. On the basis of our own examination, we agree with the result of the examination of the annual financial statements by the external auditor.

According to the final result of our audit, we have no objections to raise. We approve the annual financial statements prepared by the executive board. These statements are therefore adopted. We support the proposal of the executive board on the application of the balance sheet profit.

5. The executive board has also submitted to the supervisory board the Group financial statements and the Group management report as well as the audit report issued with the unqualified audit opinion of the external auditor of the Group. The Group auditor was KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt/Main.

We in turn have examined the Group financial statements and the Group management report of the executive board. At our request, the external auditor participated in the discussions on the examination. On the basis of our own examination, we agree with the result of the examination of the Group financial statements by the external auditor.

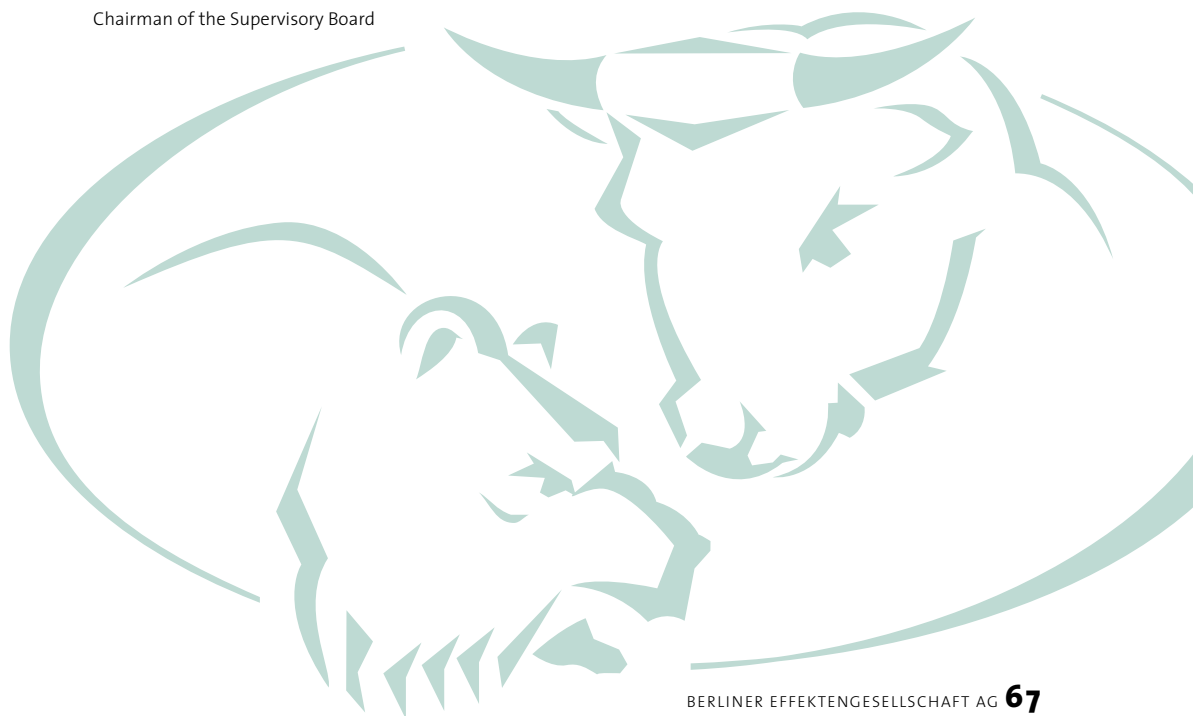
According to the final result of our audit we have no objections to raise. We approve the Group financial statements prepared by the executive board.

Berlin, 3 May 2000



Wolfgang Hermanni

Chairman of the Supervisory Board



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

BERLINER FREIVERKEHR (AKTIEN) HANDEL AG

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

Internet:

www.freiverkehr.de

www.tradegate.de

E-Mail:

info@freiverkehr.de

info@tradegate.de

Branch office:

Goethestrasse 13
D-60313 Frankfurt/Main
Telephone: +49 (0)69-91 33 24-0
Fax: +49 (0)69-91 33 24-33

BERLINER EFFEKTEBANK AG

Kurfürstendamm 119
D-10711 Berlin
Telephone: +49 (0)30-890 21-300
Fax: +49 (0)30-890 21-399

Bank code: 101 106 00

Internet:

www.effektenbank.de

E-Mail:

info@effektenbank.de

Representative office:

Goethestrasse 13
D-60313 Frankfurt/Main
Telephone: +49 (0)69-91 33 24-0
Fax: +49 (0)69-91 33 24-33

BERLINER EFFEKTEBETEILIGUNGSGESELLSCHAFT AG

Trabener Strasse 12
D-14193 Berlin
Telephone: +49 (0)30-890 21-200
Fax: +49 (0)30-890 21-299

www.ladenburg.com

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BERLINER EFFEKTINGESELLSCHAFT

AKTIENGESELLSCHAFT

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

www.effektengesellschaft.de