

Berliner Effektengesellschaft AG
Annual Report 2000



BERLINER EFFEKTENGESELLSCHAFT
AKTIENGESELLSCHAFT



Results and
Strategies

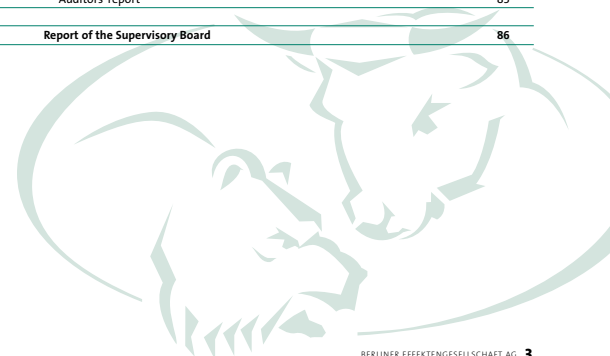


At a glance

December 31, 2000	
Stock capital	16,796,985 € = 16,796,985 individual stocks
Free float	22.02 %, 3,698,696 individual stocks
Balance sheet total	203,392,353.03 €
Stockholders' equity	190,640,831.72 €
Price of the stock at the close of the year	25.50 €
Group result	50,140,298.01 €
Company result	18,461,965.17 €
Proposed dividend	0.60 € per stock
Number of employees in the Group	87

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Preface

TO OUR VALUED STOCKHOLDERS AND BUSINESS PARTNERS

"Imagination is part of the deal," is our motto. Looking back at the events of last year, the variation "Imagination for change is part of the deal," would not be entirely out of place – true to the principle that "Whoever holds fast to what must be changed, loses all."

What had to be changed?

One aspect of importance is the change in our corporate structure. Whereas in 1999 basically three subsidiaries, Berliner Freiverkehr (Aktien) AG, Berliner Effektenbank AG and Berliner Effektenbeteiligungsgesellschaft AG, operated within the Holding Berliner Effektengesellschaft AG, in the course of 2000 we departed from this structure in favor of a more future-oriented model.

Across the world the stock exchange landscape is in flux. This trend was already perceptible in 1999 and in the past year it has accelerated. We have always endeavored to be an active participant in change, rather than "being changed" by others. That is also the logic behind the alliance with Consors Discount-Broker AG, which was announced in May 2000.

When the founder of a Spanish Internet portal sold his company, he gave as an explanation that this was the only way to convey to his stockholders the value behind it. This statement is applicable for us, too, both before and after the majority takeover by Consors.

Berliner Effektengesellschaft AG remains an independent and publicly quoted company, while our conception of ourselves as a

successful, innovative provider of financial services continues undiminished. We are reverting to our original business field as a market maker and liquidity provider; our aim is to provide this service for as many stocktrading places as possible and – to participate in shaping the stock exchanges of tomorrow.

We thank you, our stockholders, who have accompanied us in this strategy over the past year and will continue to do so, for your loyalty and trust. For 1999, in view of the upcoming alliance with Consors Discount-Broker AG, we passed on the entire profit to the existing stockholders, distributing a dividend of 1.38 € per individual stock certificate. At the stockholders' meeting this year on July 3, 2001, we will propose for the past financial year a dividend on the now increased capital of 0.60 € per stock, which will enable us to further strengthen the company's reserves and finance our extensive and necessary investment projects.

Yours sincerely
Berliner Effektengesellschaft AG

The Board

Berlin, May 2001



The Board of the
Berliner Effektengesellschaft AG
(from the left):

Holger Timm
Dr. Wolfgang Janka
Dr. Jörg Franke



“As long as stock exchanges have to do with people, it is worth looking at what has happened in the past. History repeats itself.”

Michael Schmolinski,
Middle office



A look back into the future – the history of stock exchanges

As far back as 1111, supply and demand for commodities were regularly brought together in a chosen location at Lucca in Tuscany. It was merchants from Italy, the leading trading country of the Middle Ages, too, who in 1409 bestowed the first features of a stock exchange on the pre-eminent marketplace of northern Europe, Bruges in Flanders, known at the time as “Brugense.” And it is from this period that the name “Bourse” originates. Some say that the word goes back to a merchant family named “van der Beurse,” while others see the origin solely in the Latin word “bursa” for a purse.

The 15th century was the era of conquests, the discovery of “New Worlds,” and as such it witnessed a hitherto unparalleled trade. After opening up the sea route to India at the beginning of the 16th century, Portugal controlled the supply of spices. The Italians lost their pre-eminence, and trading centers such as Venice declined. To keep prices as high as possible, Portugal directed its specially lucrative pepper trade in northern Europe centrally through a single town: this was the beginning of Antwerp as a commercial center. The first stock exchange properly speaking emerged, for other than in Bruges it was not only Italian merchants who met at Antwerp, but traders from the whole of Europe. Antwerp became the central trading venue.

The monopoly of the Portuguese was not to be of long duration. Soon envy made itself manifest in the form of property claims: Antwerp could only be reached via the River Scheldt, the estuary of which the Italian Prince Parma blockaded in 1585 until the entire trade of the competitor had been

strangled. Nineteen thousand traders moved from Antwerp to Amsterdam, the next European trading center, and what is now the world’s oldest stock exchange emerged. In the same year, incidentally, the “Burs” was founded in Frankfurt/Main, described by Martin Luther as a “hole of silver and gold.”

OF MEDIEVAL MARKETPLACES AND TULIP BULBS

The seafaring powers England, Spain, Portugal and Holland fought for colonial hegemony. From their voyages of conquest they brought back to Europe exotic products. The expansion was defined not only in terms of territory, but also through the size of the fleets, to build which considerable funds were needed. For an individual merchant neither easy nor free of risk, since in those times trading journeys were perilous. If a merchant had sent his single ship to the Spice Islands and it had sunk in a storm or been seized by pirates, he would inevitably have been faced with financial ruin. Not so, if the merchant was one of many owners of a large fleet. And so the early joint-stock companies came about, and stocks were also issued to the wider populace, as for the first time in Holland in 1602 with the establishment of the East India Company (V.O.C.), in which six previously competing trading ventures combined. Now anyone could subscribe to the stockholders’ book with any sum of money and take a stake in the stock corpo-

ration. Investments were made jointly and the risk spread. It was now distributed among many owners. The stock certificates were much sought after, good profits could be made from their resale, and so they quickly made their way to the stock exchange: as stocks.

"Money has often been a cause of the delusion of multitudes. Sober nations have all at once become desperate gamblers, and risked almost their existence upon the turn of a piece of paper. Men, it has been well said, think in herds. It will be seen that they go mad in herds, while they only recover their senses slowly and one by one." This quotation is found in the 1852 preface to Charles Mackay's "Extraordinary popular delusions and the madness of crowds" but it was equally true in the beginnings of the stock exchange – as if the leaning to speculation lay in the human genes ...

On our journey through time, let us stay a while in Amsterdam. The merchants had come to prosperity, and symbols of luxury and status were needed. They were found quickly enough: Dutch flower growers began to cross the exotic though until then somewhat unappealing tulips, and came up with completely new creations of the lily plant – the tulip as a cult object: the more extravagant, the better. This specialty had its price, and the price formed a superb object for speculation. More and more market participants got involved, and wanted their share of the "tulip cake," they bought contracts which entitled them to buy the tulip bulbs at a specific price three, six or nine months later: these were the first options. The speculation fever, which even Rembrandt could not resist, was in full flood. The prices became astronomical, in Gouda in the south of Holland the average price for tulip bulbs increased sixtyfold in just three years. The much desired bulb



"Semper Augustus" (ever happy) cost up to 30,000 guilders, ten times as much as a house in Amsterdam's best quarter. It seemed no end was in sight, until in 1634 the bubble burst. The prices fell beyond bound, speculators were obliged to fulfill contracts which no longer had any value, the crisis laid low the entire economy of Holland – Rembrandt and many of his contemporaries, too, falling victim to the slump. His prosperity was followed by financial ruin. The times were past of which Don Joseph de la Vega, one of the first to recognize the epoch-making importance of the stock exchange, wrote: "Who once trades in stocks, does so often ... where these people stand and go, their stocks are the constant object of their thought and speech. When they eat, stocks are the topic of the dinner conversation, and even in sleep they dream of them!"

BERLIN STOCK EXCHANGE PROFITS FROM THE BOOM YEARS OF INDUSTRIALIZATION

But now to a more agreeable topic, the splendor and glory of Prussia. Relatively late, only in 1685, did the Berlin Stock Exchange come into being through an edict of Friedrich Wilhelm, the Elective Prince of Brandenburg, also known as the Great Elective Prince. It was however only much later that Berlin, as the center of power of

"The 19th century American philosopher Henry David Thoreau wrote 'Find out where your strongest roots lie and do not strive for other worlds' – that fits us."

Katja Beyer,
Stock exchange trader



the Hohenzollern dynasty, came to supplant Frankfurt/Main as a trading and exchange center.

The first joint-stock companies on German territory had come into being: in 1682, the "Handels-Compagnie auf den Küsten von Guinea" (Trading Company on the Coasts of Guinea) and shortly afterwards the "Brandenburgisch-Afrikanische Compagnie" (Brandenburg-Africa Company). The dawn of the era of industrialization could just be made out. In 1719, the Habsburgs started the "Orientalische Gesellschaft" (Oriental Company), the Hanseatic cities now had their own insurance companies, in Prussia the Berliner Assekuranz, an insurance corporation, was formed in 1765, followed in 1770 by two sugar refineries, the "Private Breslauer Zucker-Raffinerie," and in 1793 the "Berliner Zuckersiederei." It was with the advent of the railways in the 19th century that stocks really took off in Germany. By 1870, a hundred and ninety companies were listed on the Berlin Stock Exchange. Prussia had ended the requirement for joint-stock companies to be approved by the state, and so given the starting signal for the legendary "Gründerzeit," the years of rapid industrial expansion. In only five years, more than nine hundred joint-stock companies emerged, and almost 4.5 billion marks were invested privately, twenty years after, in 1850, the Prussian minister of state Rother had put out the word: "The capitalists here are not inclined to honor industrial enterprises properly." Economic expansion was in full swing and the compensation paid to the German Reich by France following its defeat in the 1870/71 war gave additional impetus to the domestic economy. A contemporary chronicler describes the mood in the country euphorically: "From

the New Year contemplation of an upright founder: another ten such years as 1872, and I shall be rolling in millions!"

But the house of cards made of a "glut of liquidity and a surfeit of speculation" collapsed: instead of continuing economic upswing came years of severe depression and the crash of Germany's "Gründerzeit."

Change of scene. It was also the railway companies which in the late 19th century brought expansion to the New York Stock Exchange and dominated it – the first American stock index was called simply "Railroad Average," published by the same Charles Henry Dow who twelve years later, in 1896, was to launch the Dow Jones. It is scarcely imaginable that, at the time the stock exchange there was founded, in 1793, today's most important financial center was an unassuming town of 30,000 inhabitants which had shortly before lost its status as state capital to Philadelphia. The meeting place for those engaged in stock exchange business was just in front of 68 Wall Street, whose name goes back to the wooden wall erected by the governor Peter Stuyvesant in 1653 for protection from Indians and which settlers had made into a street in 1693. It is here that since 1863 the "New York Stock Exchange" with the enduring abbreviation NYSE has been located.

The 19th century was coming to an end, and in Germany in 1896 the Börsengesetz (Stock Exchange Law) was enacted, the essence of which continues to apply. In the next hundred years, the stock exchanges in the truest sense of the word were under fire – the political and armed conflicts were not without their effects on the fledgling financial world. When at the beginning of 1904 the Russo-Japanese War broke out, the European stock exchanges reacted with panic. In the following years, the prices on the metals markets were firm, reflecting the increases in military expenditure. The

financial situation of most countries was very strained, with each nation trying to claim as large as possible a share of the world market and so meet the increasing interest burden. A struggle that issued in the First World War: international trade relations of every kind were terminated, the gold standard was suspended, and the prices of securities fell. Within a few days all European stock exchanges and the New York Stock Exchange closed. Creditors around the globe stormed the banks to obtain as much ready cash as possible.

WORLD WARS, CURRENCY REFORMS AND STOCK EXCHANGE CRISES

With the reparation payments, the Treaty of Versailles imposed various financial burdens on Germany, while the Entente had problems of their own. In order to finance the war, the participating countries had incurred additional debts of immense proportions, debts which now threatened to torpedo any lasting stability. One outcome of the First World War was a global shift in power from Europe to the other side of the Atlantic: New York emerged as the world's financial center, pushing London into second place.

Interest payments, redemption of debt and reparation payments were a heavy burden on the budget of the German government at the beginning of the 1920s. The government of the Weimar Republic tried to master the situation by taking up more and more credit through the Reichsbank, the central bank, and printing bank notes. Primary deposits grew to 500 trillion marks, and cash in circulation to almost the same amount. Three hundred paper factories and a hundred and fifty printing shops were engaged in manufacturing banknotes with ever higher face values. The purchasing power of the German money plummeted, while the exchange rate of the US \$ soared.

There was a flight of capital to safe harbors such as tangible assets and immovable property. Storekeepers brought their money to the bank as soon as they could in order to exchange it for foreign currency. Inflation was so severe that wages were paid out twice daily. Eventually money completely lost its function as a means of payment, and the stock exchanges, too, suspended stocktrading.

The inevitable currency reform came on November 15, 1923. A billion marks were exchanged for one "rentenmark," and the exchange rate to the US \$ was set at 4.2. The new money was a transitional currency to be replaced on October 11, 1924, by the freely convertible reichsmark, which was backed by gold.

The currency situation seemed to have stabilized, the mood was optimistic. From 1924, stock prices in the USA began to rise, and all classes in the USA seemed to believe in eternal prosperity. At the high point of the speculation, Herbert Hoover declared, in his speech for nomination as the Republican presidential candidate, that the USA stood shortly before the final victory over poverty, and that the poorhouse was a thing of the past. Investors ignored setbacks, and the stock exchange report was top of the news each day. Between January and September 1928 the Dow Jones rose by 88 %. Meanwhile the Federal Reserve Bank endeavored to limit the credit granted on stocks as security, long-term loans were revoked. Investors switched to even more risky short-term debt, and interest rates climbed to 20 %. Would it not be best not to sell when rates fell since the setback would be made good quickly enough? Things went a different way. October 18 saw the onset of massive sales, culminating a week later on "Black Friday," October 25, with price collapses of



“The rapid structural change in the financial markets brings fresh wind to the legal framework of market participants and institutions.”

Ansgar Limprecht,
Corporate Lawyer

over 90 %. The other stock exchanges across the world fell, too, and the global economic crisis with deflation followed: corporations and banks became insolvent, prices collapsed, and unemployment soared.

In 1931 the German government imposed a bank moratorium, closed the stock exchanges and introduced exchange controls. Great Britain devalued the pound – and thirty-four other countries, including the USA, devalued their currencies in turn. After the wave of mistrust on the stock markets through the fall and winter, Germany and its creditors signed a moratorium and the reparation payments were suspended. Nonetheless, the Great Depression got worse.

In 1934 the gold standard was abandoned and the value of the US \$ fell, triggering a price explosion on the equities markets.

STATE “COORDINATION” PUTS AN END TO STOCKTRADING

A year later the number of the German stock exchanges was reduced from twenty-one to nine – the remaining stock exchanges were Berlin, Breslau, Düsseldorf, Frankfurt/Main, Hamburg, Hannover, Leipzig, Munich and Stuttgart. Behind the scenes, preparations for war were under way, culminating on September 1, 1939, with the invasion of Poland by German troops and the outbreak

of the Second World War. Initially the stock exchanges across the world reacted relatively calmly, remaining open, even in Germany. It was only in 1941 that the commotion of the Third Reich finally hit home: stocktrading with continuous listing was terminated, the stock exchange as an ideal market, as defined by economists, in which the “right” price is formed by supply and demand, was henceforth distorted by state intervention: the minister of economics of the Reich reserved the right to fix stock prices.

In the words of the Prussian general and military theorist, Carl von Clausewitz, “war is the continuation of politics with other means.” When in 1945 Germany, its economy and the entire trade in stocks lay in ruins, Schiller's words rung true: “War is a rough, violent trade.” The new beginning was protracted and hard. The Hamburg Stock Exchange was the first at which in 1945 transactions revived very modestly. In Frankfurt/Main, the allies allowed stocktrading, but initially only in over-the-counter trade.

“ECONOMIC MIRACLE” BRINGS STOCK BOOM

The rationing of all consumer goods which had been introduced during the war was continued by the occupying powers. But often even the rations which were shown on the ration cards were not available, and the black market became an important factor in surviving day-to-day. Tangible assets were exchanged for food, while American cigarettes came to replace the reichsmark as a currency. The western allies, under the leadership of the USA, prepared the establishment of a new currency which would fulfill its proper function as a means of exchange. The D-Mark was introduced, and the reichsmark became invalid on June 20, 1948. A uniform West German currency and economic area emerged, and the division of Germany was cemented. Frankfurt/Main became the headquarters of the unified economic area of the American, British and French zones and also of the “Bank deutscher Länder” (Bank of German States), which implemented the currency reform. Although in 1949 Frankfurt/Main had lost the competition for the choice as the provisional seat of government, as the seat of the Deutsche Bundesbank (Federal Bank of Germany) from 1957 it developed to become the leading financial and stocktrading center in Germany. In the same year, the new Frankfurt Stock Exchange floor at the Börsenplatz replaced the old premises, which had been destroyed by bombing in 1941.

The outbreak of the Korean War at the end of June 1950 revived armaments production. Shortages occurred of many goods, and prices of raw materials rose. In part triggered in Germany by the Kapitalmarktförderungsgesetz (Capital Market Promotion Act), a bull market began on the

stock exchanges, which, with brief interruptions, was to last for twelve years. The German economy got going again. Full employment, price stability, currency reserves, production growth – everything was achieved. The “Times” of London coined the expression of the German “Economic Miracle,” the father of which was indisputably the federal minister for economics of the time, Ludwig Erhard, a staunch advocate of the social market economy. While the Germans enjoyed their newly-found affluence, the German stock exchange landscape with its now eight regional stock exchanges was adjusted in 1952 to the federal constitution of the young Federal Republic of Germany. The number of listed companies rose, and state companies were privatized. Erhard issued the slogan “A stock for every German,” and so the term of the “Volksaktie” (People’s Stock) quickly went round, beginning with Preussag in 1959. The stock certificates were issued to private persons in order to spread productive capital more broadly and to convince households of the benefits of saving in the form of stocks, the “312-Mark-Gesetz” (first wealth formation law) came into force in 1961 and supported this aim for the first time at the legislative level. But the central political event of the year was the building of the Berlin Wall.

After the years of the “Economic Miracle,” with a decrease in the unemployment rate to 0.7%, unimaginable today, federal minister for economics Erhard warned that the economy was overheating in the wake of inflation and wage demands. In March he directed his appeals for moderation to the population, thereby attenuating his previous policy of unrestrained consumption. The brakes were applied elsewhere, too, with governments taking sharp deflationary measures to slow down their economies. At the end of May 1962 the stock prices in

“The developments on the Neuer Markt of the last year were not so novel as the name of this stock market segment may suggest.”

Dr. Wolfgang Janka,
Member of the Board



New York fell, and the next day the European stock exchanges followed suit. Barely had a recovery set in, then the Cuban missile crisis at the end of October triggered renewed price collapses. A year later, in November 1963, the assassination of the US President John F. Kennedy sent a further shudder through the (financial) world. The New York Stock Exchange was closed immediately, and elsewhere the markets reacted with losses.

The first major upset in the financial markets in the 1970s was caused by Bernie Cornfield. Right at the beginning of the

new decade, his Investors Overseas Services (IOS), which was heavily committed in funds of funds, dragged many other companies into the crisis and shook the confidence of countless private investors worldwide. Stocks on the New York Stock Exchange responded with the biggest price falls since “Black Friday” in 1929, while the US \$ weakened and triggered an international currency crisis. In October 1973 Syria and Egypt attacked Israel. While the western world sided with Israel, resistance built up in the Arab League. The oil exporting countries in OPEC imposed an embargo on the West, and within a few months the oil prices climbed from 3 US \$ to 12 US \$ a barrel. Across the world, the central banks undertook efforts to overcome the crisis over “Black Gold” with a liquidity glut.

OIL CRISES AND “BLACK MONDAY” ON THE WORLD’S STOCK EXCHANGES

The Sundays without road traffic had become a thing of the past when in September 1980 the Gulf War between Iraq and Iran broke out. Oil prices, which had already risen markedly since the revolution in Iran, soared. Whereas in 1978 the price per barrel had been 14 US \$, in 1981 it peaked at 35 US \$. A stock exchange adage goes: “A bull market is born in pessimism. It grows in skepticism. It ages in optimism, and dies in euphoria.” This is an apt description of the years following the outbreak of the Gulf War, in which stocks knew only one direction: upwards. The overvaluation eventually corrected itself, ending the longest bull market of the post-war period; on “Black Monday,” October 19, 1987, the stock markets collapsed internationally, and the Hong Kong Stock Exchange even closed for a week. The Dow Jones lost 23 % on this day, a price collapse which was accelerated by computer-aided selling programs.

GLOBAL POLITICAL EVENTS GOVERN THE MOOD

Following 1929 and 1987, October had become a specter on the stock exchange. In 1989, too, October harbored nothing good: in New York, the Dow Jones lost some 7% on Friday 13th. Across the world, prices recovered quickly, while in Europe the fall of the Berlin Wall gave stock prices an extra boost. The "Sick Man" was the Japanese Stock Exchange: At the height of the boom, at the end of December, the Nikkei 225 index reached a peak of nearly 39,000 points; shortly afterwards the house of cards collapsed. The country fell into a deep recession which basically has continued until today.

At the beginning of 1990, Iraqi troops invaded Kuwait. The crisis threw a shadow on the financial markets, and prices turned volatile. "Buy when the cannons thunder and sell when the bells of peace ring," again did the rounds as a macabre stock exchange wisdom, and did so again a year later when the Serbian army first invaded Slovenia and then Croatia, bringing civil war to Yugoslavia.

On our journey through history of the stock exchanges, we have almost arrived at the present time. History has shown that there was usually economic crisis or war in the background when there was turbulence on the international financial markets. The path from the meetings on bumpy lanes to computerized high-tech stock exchanges such as on Wall Street, in Tokyo, London, or Frankfurt/Main has been long. One companion was always there: exuberance in – sometimes overheated – speculation: in 1632 the objects were the tulip bulbs, and in 2000 the high-tech markets.

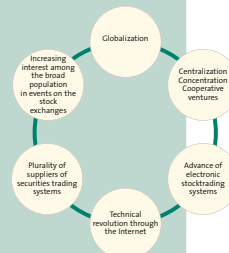


"The coming years will be those of the providers of financial services."

Zoran Milinkovic,
Stock exchange trader



SIX PRINCIPAL TRENDS WILL DECIDE THE FUTURE OF THE STOCK EXCHANGES



GLOBALIZATION PROMOTES COMPETITION BETWEEN STOCK EXCHANGES

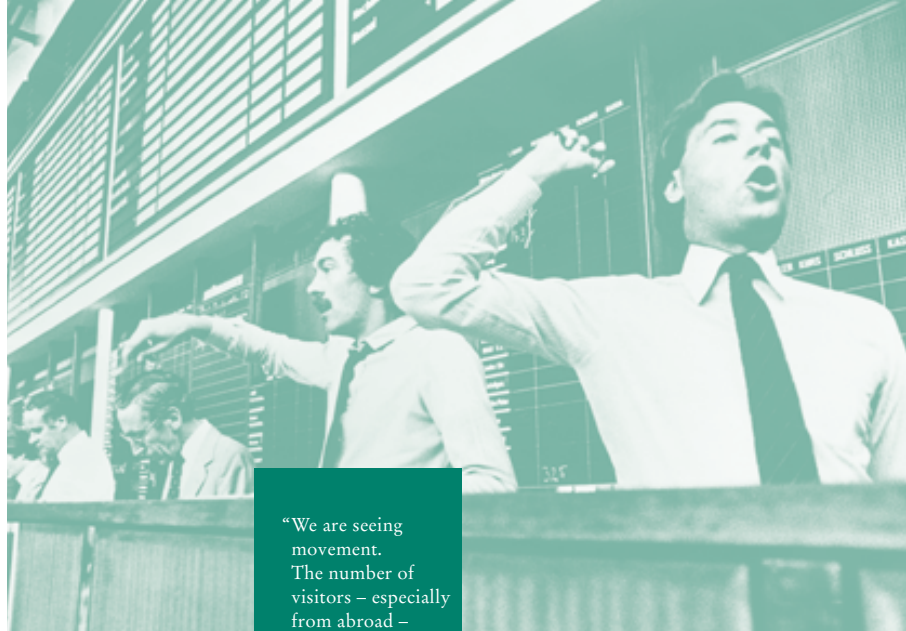
On the global stocktrading scene of the 1990s, a number of influences arose which have become megatrends, dominant and interdependent:

The stock exchanges are growing together internationally. Strategic decisions made by individual market participants generally influence the structure worldwide. Globalization generates international alliances, stock exchanges are merging or at least plan to. The European capital market, with more than thirty independent stock exchanges, national structures and different technical standards is still very heterogeneous. To simplify trade and settlement, a consolidation wave has begun, with markets increasingly networked. The way there is the concentration of liquidity, but in the case of many projects only with the implicit goal of "fully electronic stocktrading platform for blue chips and institutional clients" – supply, processes and costs are oriented on the needs of the banks and other major investors that have additionally always enjoyed an information advantage. It is only in the past fifteen years that private investors have been able to read the prices of the prior day in the newspapers and on that basis made their dispositions. Orders in small denominations or for less widely-held stocks could only be placed in the morning and were invoiced at a cash settlement rate which was determined once daily, some days later the confirmation on the receipt of securities would arrive in the mail. Those times are past, the technical revolution through the Internet has reached the financial markets – on both the supply and demand side.

NEW GERMAN STOCKHOLDER CULTURE STILL LOOKING FOR ITS MEASURE

Only five years ago, stockholders in Germany were relatively rare. There were not many stocks on offer, and the stocktrading possibilities left little scope for individuality. That changed fundamentally at the end of the 1990s. The IPO of Deutsche Telekom AG in 1996 is generally seen as the opening shot for the "new German stockholder culture," which was continued in the creation of the Neuer Markt (New Market) in 1997. The fundamental idea of this segment for growth companies is right, but the exaggerations of the past year have done a great deal of harm. Some companies which arguably were not yet mature for the move were introduced to the stock exchange. Fundamentals counted for little, their stocks were gobbled up avidly. In the words of the federal minister for economics, Werner Müller: "For a long time it was simpler to obtain money on the stock exchange than a small loan for a new couch." Stockholder culture seemed to be a question of quantity, though it should rather be measured in terms of quality and acceptance.

Here a great deal has changed. First example: stocktrading times. Whereas formerly German stock exchanges were open for just three hours around noon, investors can meanwhile place orders from 9 a.m. to 8 p.m. In addition, there are the off-floor stocktrading systems which offer scope before and after the official hours to respond to market developments in stock exchanges on other continents. Second example: transparency. All the desired information is available over the Internet at a mouse click – for private and institutional



"We are seeing movement. The number of visitors – especially from abroad – is increasing."

Uta Simon,
Reception



investors alike: "On the web all are equal." The Berlin Stock Exchange has gone a step further and ushered in a new era for retail investors: it has opened the order book, until now the best-kept secret on the stock exchanges. Formerly, indeed, until only very recently, professional investors alone were privy here, now anyone can take their bearings via the Internet. What were the latest prices of the chosen stock, which long/short positions at which prices and limits have been taken? Only when these figures can be integrated in the calculation

an order really can be placed in line with the market. Third example: transaction costs. High charges and outside fees have long taken the attraction out of buying stocks beyond national boundaries. However, since numerous foreign stocks have been introduced to Germany, too, investing in these stocks has become much cheaper and hence of interest for private investors as well. In Berlin alone, the offer of foreign stocks in the over-the-counter segment meanwhile comprises more than 10,300 stocks from over 60 countries. It is also the

stock exchange in the German capital that has got things moving costwise. In April 2001 it halved the broker's fee, which is now 0.4 %.

CONCENTRATION PROCESS IS INEVITABLE

The private investor is the target group that has been rediscovered for the stock exchange present and future. Traditional stock exchanges have identified the private investor, as, too, the fully electronic off-floor stocktrading systems originating in the USA: ECNs (Electronic Communication Networks) and ATS (Alternative Trading Systems). Competition is in full flower, with the initiatives of the stock exchanges and ECN operators currently competing for market share. Each day one can read of new but still similar alliances with different participants, all of whom want to have their cut of the "retail cake." The innovation cycles are becoming ever shorter, while the speed at which copycat moves are made has increased.

In the short term this trend can certainly not be stopped, in the medium to longer term, however, a concentration leading to just a few suppliers may be expected. When there are too many competing stocktrading systems, some of which are supplied with liquidity only by their operators, there is a fragmentation of volumes leading eventually to a drying up of trade.

Only those will succeed who have an edge in price quality, speed of order execution, transparency, and, above all, in liquidity.

Our company



“2000 was a very, very good year for us – not only with respect to our business success, our earnings, but precisely with regard to the long-term strategic positioning. We did everything right.”

In this annual report we take a look back at several centuries of stock exchange history. In the light of what the future might bring and the trends that are already in full flower, a thought-provoking history – especially with regard to changing stock exchange structures.

The coming years will see revolutionary changes. Merger and alliance projects, and the emergence of ever new platforms point the way. The current competition between stock exchanges and ECNs with different collaborative partners is only the beginning. The fundamental idea is good: no longer an exclusive orientation on trade with institutional clients, but increasing focus on private investors.

Nothing new for us. Our company goal has always been to offer the now much canvassed retail investors the scope of information and action that institutional investors have long had a monopoly of. However, private investors can only use

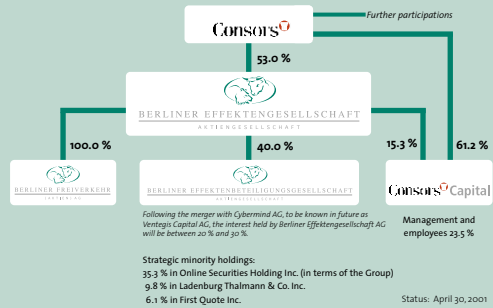
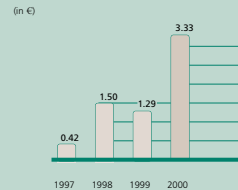
these opportunities effectively if they can act on platforms which assemble a high level of liquidity. Meanwhile there is a danger of the existing liquidity being fragmented – in the face of the multivarious initiatives which are announced to the public almost daily. A consolidation here is inevitable. What is certain for us is that when the concentration process has reached its conclusion we will continue to be players in the changing national and international stock exchange landscape. Imagination is part of the deal.

The Holding Berliner Effektengesellschaft AG holds the reins of the Group, even if since last year Holger Timm has ceased to be the majority stockholder. We are and remain an independent and publicly quoted company. Because in future we will concentrate even more on our original core business field of market making and liquidity providing, we have completely restructured our investment portfolio. The alliance with Consors Discount-Broker AG has made a considerable change to our corporate structure. The contracts which preceded the alliance were exceedingly complex, but involved the following main stages:
 Step 1: Consors guaranteed a capital increase of 5% and exercised all the available warrants in the first strike period; this amounted to a capital increase of 5%, in other words, cash of about 40 million €.

Step 2: An exchange of stocks based on the mean prices of the two corporations between Berliner Effektengesellschaft AG and Consors, from approved capital and under exclusion of the subscription right. The exchange ratio was based on independent valuations for both parties to the contract.

Step 3: To keep the dilution for the stockholders as low as possible, Holger Timm, at the time the biggest single stockholder in Berliner Effektengesellschaft AG, exchanged as many of his stocks for Con-

DVFA/SG RESULTS PER STOCK



Holger Timm at the stockholders' convocation on December 1, 2000

sors stocks as necessary to attain the target amount of 53 % for the new majority stockholder. The exchange ratio here was worse than that for the outside stockholders, who were offered one Consors stock for 2.7 stocks of Berliner Effektingesellschaft AG. In the three months prior to announcement of the alliance, the highest closing price of the Berliner Effektingesellschaft AG stock at the Berlin Stock Exchange, which, as stipulated by the takeover code of the Neuer Markt, formed the basis for the exchange ratio, was 37,40 €.

*The changes in the stock capital:
(The relevant figures are those entered in the commercial register, which in the case of contingent capital may differ in time from the issue of stocks to stockholders.)*

Number of stocks
at December 31, 1999,
and June 30, 2000: 13,256,312

Capital increase from the subscription
rights offering,
August 1, 2000: + 662,815

Number of stocks entered in the
commercial register as
at September 30, 2000: 13,919,127

Capital increase from
contingent capital
(exercise of warrants),
October 23, 2000: + 527,771

Capital increase pursuant to
§ 6 subsection 2 of the articles of associa-
tion (exchange of stocks with Consors),
October 23, 2000: +2,350,087

Number of stocks
entered in the commercial register as at
September 30, 2000, and
December 31, 2000: 16,796,985

2,268,193 stocks and 1,821,000 subscription
rights from stocks in Berliner Effekte-
ngesellschaft AG were submitted for exchange,
i.e. in total 16.33 % of the stocks in Berliner
Effektingesellschaft AG. Of the now exist-



Bull and bear, which we have incorporated in our company logo, are as much a part of the stock exchange as Dow Jones and DAX. Their symbolism is undisputed: the bear represents the pessimist who reckons with falling prices on the stock exchange, the bull has the optimists on his side.

Their story is almost four hundred years old, and begins in London where traders met in cafés. Among them were speculators who put stocks onto the market that they did not even own in the hope that prices would fall. According to an idiom of the time, they sold the bearskin before the animal had been shot.

When fighting, the bear pounces with his paws downward. The bull is more forward-looking, he likes to attack his rival and pushes him upward with his horns. This is something the London brokers of the period could continuously observe in their favorite pastime, betting on bull and bear fights.

Hence the two sparring partners were soon adopted as metaphors for ups and downs on the stock exchange, and made their way from the banks of the River Thames to the global financial markets. In 1886, the "New York Times" wrote about events on Wall Street: "The stock exchange was the scene of a battle which had never before happened there. Bulls and bears stood pitted against each other, both desperately courageous. The bears were stronger."

Sometimes one has the upper hand, and sometimes the other – then as now. In the long term, the bull has always been able to defeat the bear and has had more endurance.

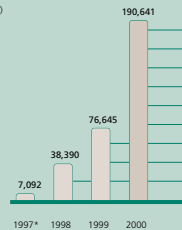
"In comparison
with 1999, when
it was 53.4 %,
our equity in the
Group now
constitutes 93.7 %
of the balance
sheet total."

Heike Noack,
Investor and public relations



DEVELOPMENT OF EQUITY

(in '000 €)



*Equity of the Holding.
Figures from 1998 to 2000 are Group figures.

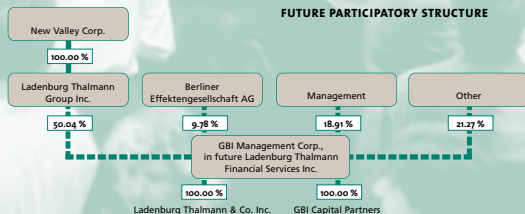
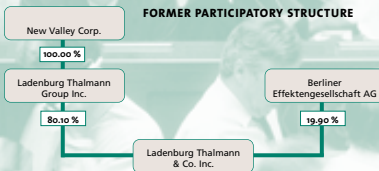
ing 16,796,985 stocks, Consors Discount-Broker AG holds 53 %, 24.98 % are held by Holger Timm, and the remaining 22.02 % are in free float.

We have often been asked why all this was done. Why the majority takeover by Consors Discount-Broker AG, is that the sellout of Berliner Effektingesellschaft AG? The answer is a clear no. We had worked deliberately for years to make such a merger possible.

Since our IPO in 1997 we have consistently developed and extended the business fields in the individual business units so as to set up a retail stock exchange, such as we now plan jointly with our partner Consors in Berlin. Ourselves coming originally from the stockbroker area, any kind of alliances with other market participants were never considered as a strategic option. That would have been short-term, horizontal growth. Instead it was our goal to expand vertically and organically, to make the company "fit for the future" in the long term for our stockholders, and to direct as substantial order volumes as possible to the stockbrokerage company – Consors, who was in any case the biggest client, was the ideal partner for the project, and the same was true mutandis mutandis for us as a profitable company.

The central feature of the concept is a future-oriented online stock exchange for retail investors.

The symbiosis is a completely natural one: the retail financial center in the German capital, Berliner Effektingesellschaft AG as its most important market participant and Consors Discount-Broker AG as our most important client. The goal is to attract as much liquidity as possible to the ECN platform, in order to be able to ensure fair prices at all times – across Europe one of the first stock exchanges for private investors, with the emphasis on online brokerage. A network which covers everything from placing of orders through to investment products while, in contrast to the



To show the participatory relationships more precisely, the figures are to two decimal places.

usual definition of an ECN, observing the strict regulations of the Stock Exchange Supervisory Agency. With cost advantages which, until now, were the prerogative of institutional clients. In addition, transparency, fairness and speed head the priority list of the alliance partners. The opening of the order book as from February 1, 2001, is only the beginning.

LADENBURG THALMANN FINANCIAL SERVICES INC.

Ladenburg Thalmann & Co. Inc., to use its former name, continued consolidating and expanding in the past year its good position as a US investment bank and brokerage business. Whereas last year we held 19.9 % in an unlisted company, we succeeded in restructuring this investment at the beginning of 2001. We will hold 9.78 % in a larger, then listed company.

The previous stockholders sold the outstanding stocks for 10 million US \$ and medium-term warrant-linked bonds with a nominal value of 10 million US \$ to GBI Capital Management Corp., from whom they also received 18,181,818 stocks in common stock in return.

New Valley Corp. has acquired a majority participation of 50.04 % in GBI and its operating subsidiary GBI Capital Partners, which is a securities trading house with more than four hundred brokers for private clientele. The next step is a change of name to Ladenburg Thalmann Financial Services, Inc. The company takeover brings together Ladenburg's corporate finance, research and asset management capacities and the private client brokerage area of GBI, thereby increasing the strategic value of our participation.

“We successfully maintained our leading role as exclusive market specialist in 2000.”

Michael Hiller,
Senior trader



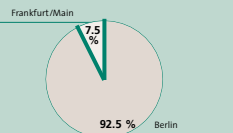
BERLINER FREIVERKEHR (AKTIEN) AG

In the publication of our provisional figures for the past financial year, the two CEOs of Berliner Effektengesellschaft AG, Holger Timm and Dr. Jörg Franke, summarized the strategy of the year 2000 and specified the direction for the coming years: “In future we will concentrate more on our original core business fields of market making and liquidity providing.”

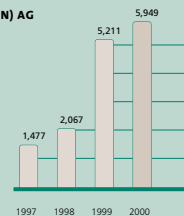
“He who fails to honor the past, loses the future. He who destroys his roots is unable to grow” – these words were uttered many years ago by the Austrian painter Friedensreich Hundertwasser. The trade segment is and remains the nucleus of Berliner Effektengesellschaft AG. In 2000, Berliner Freiverkehr (Aktien) AG was able to further develop its market position as Germany's most important stock-brokerage company. The 100 % subsidiary acts as exclusive market specialist for almost 6,000 domestic and foreign stocks, which are quoted mainly in over-the-counter stocktrading of the Berlin and Frankfurt Stock Exchanges or on the Neuer Markt. It is also admitted to the Baden-Württembergische Börse zu Stuttgart (Baden-Württemberg Stock Exchange in Stuttgart), the Bayerische Börse zu München (Bavarian Stock Exchange in Munich) and, since last year, also to the Börse Düsseldorf (Düsseldorf Stock Exchange).

At the end of the year 2000, as designated sponsor in the electronic stocktrading system XETRA, Berliner Freiverkehr (Aktien) AG met the criteria for the highest performance classification with the top rating of AA. The first letter stands for the duration of the quotation: the designation A is awarded for making purchase and selling prices for longer than eight hours per day. The second letter represents the margin between purchase and selling price, i.e. the spread. Sponsors are rated with A if overall

**BERLINER FREIVERKEHR (AKTIEN) AG
ORDER BOOK CAPITAL BERLIN**



**DEVELOPMENT OF NUMBER OF
ELECTRONIC ORDER BOOKS MANAGED
BY BERLINER FREIVERKEHR
(AKTIEN) AG**



they have quoted at least one quarter narrower than the maximum permissible spread.

We implement our honored understanding as market maker and liquidity provider on other platforms, too – such as NEWEX, which was formed in November 2000 to deal in eastern European equities. The stock exchange landscape is meanwhile too wide-ranging for us to be able to offer only limited services. Hybrid market models belong to the future, the blend of different stocktrading systems, enabling the wishes of private investors to be fulfilled, for whom as a rule it is often more important for an order to be executed immediately than to place limited orders in the order book.

We continue to consider ourselves bound to the Berlin Stock Exchange, here necessary innovations can be implemented quickly and flexibly. Hence mention may be made of the extensions of the stocktrading times or the abolition of the minimum lot for variable price trading. The halving of the broker's fee from 0.8 % to 0.4 % was on the agenda for April 1, 2001. The private investor can now use the selection of much more than 10,300 stocks from more than sixty countries in the Berlin over-the-counter segment at even lower cost. A first step in the right direction, since the broker's fee is a relic from old stock exchange times, is unknown in global stocktrading structures, and puts domestic markets at a disadvantage.

In two or three years, the broker's fee will be abolished – of this we are convinced, and we are already acting accordingly at TradeGate. In August 1999, too, when we were the first with an Internet platform for off-floor information and stocktrading. We used the year 2000 to make the system even more user-friendly. It is often only after the stock exchange has closed that company news become available, and that recommendations to buy or sell by analysts or stock exchange information services are

published. It is only outside the stocktrading hours that many investors have enough time and the opportunity to attend to their securities portfolio.

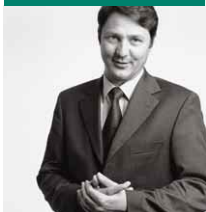
TradeGate makes available to all private investors who are interested comprehensive information on the current market situation and also the off-floor trade in selected German and international stocks. The system is available at times in which there is no trading at a German securities exchange, i.e. on weekdays from 8 a.m. to 9 a.m. prior to the stock exchange opening, and after stock exchange hours from 8 p.m. to 10 p.m. – that at any rate was the status until the end of April. From May 2001, the "trade gates" are open throughout the day from Monday to Friday.

In the past, we already traded stocks from German IPOs from 8 a.m. to 10 p.m. on all stocktrading days. TradeGate stands for a maximum of transparency: for each selected stock, under www.tradegate.de, the entire market depth of existing, limited offers to buy or sell may be inspected, including the firm price sales actually made. A novelty in stocktrading on issue of current IPOs: until now investors had to make their subscription decision on the basis of so-called gray market prices, without being able to determine which real orders or turnover were in fact behind the price indicators.

"The profit should not be the basis, but the result of the service." Henry Ford was right. With its services as market maker and liquidity provider, Berliner Freiverkehr (Aktien) AG is the main source of earnings: the increase in the Group profit after taxes in 2000 by 204 % from 16.48 million € to 50.15 million € is substantially attributable to the 100 % subsidiary of the Holding.

"Private investors do not only want to order, they also want to trade online. To be able to accept and make offers in any time in real time – that is the thrill."

Thilo Wessely,
Senior project manager



TradeGate: Our Internet platform for off-floor information and stocktrading – with an open order book



BERLINER EFFEKTENBANK AG, NOW CONSORS CAPITAL BANK AG

Since its formation as a private investment bank in 1998, Berliner Effektenbank AG, in which the Holding formerly had a 40 % stake, has made itself a good name as "small but select." It was always aware of its strength, and has focused on its core competencies corporate finance and private banking. The clients in the two sectors appreciated from the outset the flexibility of the young company.

Corporate finance

We have been a competent partner for the companies we have accompanied on their flotation, and in every phase of the IPO, from the creation of the prerequisites under company law through to the activities following the offer and placement of the stocks. In the year 2000, as Berliner Effektenbank AG, we managed the following capital market transactions, constituting an overall volume of roughly 61 million €:

- IPO Eichborn AG
- IPO Umweltkontor Renewable Energy Aktiengesellschaft
- IPO InfoGenie Europe AG
- Cash capital increase of Mologen Holding AG
- Two capital increases and a change of segment to the Geregelter Markt (Regulated Market) of PEH Wertpapier AG
- Capital increases of Berliner Effektengesellschaft AG.

Without dispute, the most successful IPO of the stock exchange year 2000 was that of Umweltkontor Renewable Energy Aktiengesellschaft, which was accompanied by Berliner Effektenbank AG. This company from the Rhineland is a specialist in power stations which use renewable

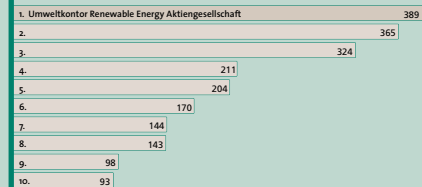
“Our balance sheet total has increased further – although Consors Capital Bank AG belongs no longer to the companies consolidated.”

Gaby Losensky,
Accounting



PROUD VICTOR

The best issue of the year 2000
(Price change to the issue price in %, status: January 31, 2001)



Source: OnVista, "manager magazin" 3/2001

MARCH THROUGH

"WirtschaftsWoche" ranking of the underwriting banks 2000

Rank Prior year Bank

1.	()
2.	()
3.	()
4.	()
5.	(29) Berliner Effektenbank AG
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32.	()

Source: "WirtschaftsWoche" 4/2001

THE VALUE CREATORS

Underwriting banks subdivided into the categories "value destroyers" and "value creators"

1.	
2.	
3.	
4.	
5.	Berliner Effektenbank AG
6.	

Source: OnVista, "Capital" 3/2001

energy – the range is from project development, realization, financing and sale to operational management and administration. The focus continues to be on wind energy, but the production of electric power from biomass, water power, solar radiation and geothermia is increasingly the subject of the company strategy.

We could of course have continued in our role as a solid value creator. The alternative was to tap into additional business potential – and this is the decision we have taken by linking up with Consors Discount-Broker AG. We have succeeded in integrating Berliner Effektenbank AG in the mutual interest of both companies in the contracts with Consors Discount-Broker AG.

The newly created Consors Capital Bank AG, abbreviated to Consors Capital, can thus utilize the existing structures of an established investment bank. "Online brokerage meets investment banking": The clients of the pioneer period with their

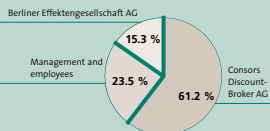
technological orientation and keenness to trade are joined by new target groups who look for an expanded product offering – for example, in the subscription of new issues. With the consortium leaderships it seeks to win, Consors Capital aims to shape the allotment opportunities more attractively for private investors in interesting IPOs. “Investment banking with the e-component,” is the strategy, and the goal is to become the leading investment bank in the online area.

“I have always had a strong relationship to the Neuer Markt,” says Alfred Möckel, CEO of Consors Capital and also a member of the Board of Consors Discount-Broker AG – and hence he and his team are placing the focus on the market segment in which 70 % of the European growth stocks are represented. The principle is to combine the best from the two worlds, old and new economy. In contradistinction to the USA, the German investment banking market is very largely made up of universal service providers – there are no banks in Germany which are specialized in growth companies and the Neuer Markt. This is a niche which Consors Capital hopes to exploit – the first IPOs are in preparation.

With this organizational constellation, Consors Capital wishes to orient its business strategy on four core business areas:

- IPO lead mandates,
- Stocktrading for own account,
- Consultancy, and
- Settlement.

PARTICIPATORY STRUCTURE CONSORS CAPITAL BANK AG



Status: April 30, 2001

In the first year, start-up costs in the magnitude of single digit million € are expected, in 2002 the break-even point should have been passed. Initially equipped with an equity of about 40 million €, the bank has kept open its option of a flotation over the long term.

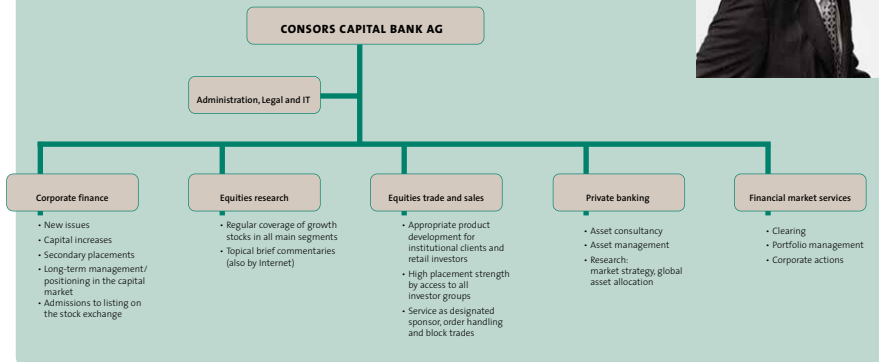
Private banking

Consors Capital is located in Frankfurt/Main, while the base in the German capital has the official name “Berliner Effektenbank, branch of Consors Capital Bank AG.” The familiar name therefore remains intact for the clients of asset consultancy and asset management – and hence too the maxim: individuality in providing advice and orientation on the needs of private investors who are interested in stock markets.



“The result which Berliner Effektengesellschaft AG will receive from its participation in Consors Capital Bank AG will be about 2.3 million euro after tax.”

Frank R. Gärtner,
Project manager corporate finance



“We do not want to tell any stories, but the truth.”

Claus Vogt,
Research



Performance is everything: the customer magazine keeps the private clientele well informed.

The strength of the private banking team lies in its experience. In the past year, one of the further strong points was sound information for the customers. Since February 2000, the monthly customer magazine “Performance” has been offering macro-economic observations and assessments of the global capital markets as a tool for personal investment strategies.

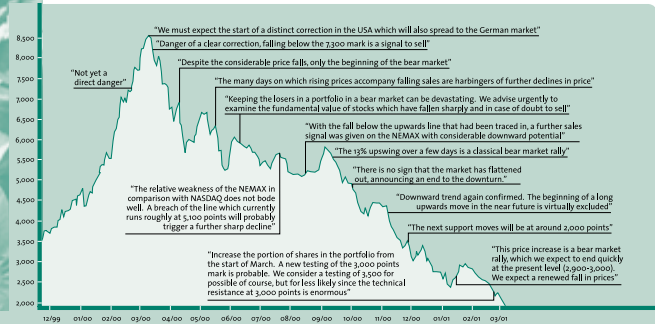
The financial markets function in a cyclic up and down, both over very long and over short periods. So as not to be at the mercy of the changeable fortunes of the market, we aim with our forecast model at early recognition of medium to long-term trends on the stock exchanges. We advise against an all-or-nothing strategy and recommend instead a distribution of the assets on a variety of investment instruments – in accordance with the investment horizon, the individual risk proclivity, and the current asset situation of the client. In the context of an

asset allocation derived in this way, our model allows for tactical adjustments. The numerous influences which determine events on the stock exchanges can be divided into the following key categories:

- Background monetary conditions,
- Market sentiment,
- Fundamental valuation,
- Market technicalities.

The model we use is based on the first three factors. We regard market technicalities merely as an auxiliary function, whose interpretation is determined by the other components.

In 2000, we were the prophets in the wilderness with our analysis findings, which deviated strongly from the majority opinion, and predicted the situation on the stock markets at the beginning of 2001.



The development of the Neuer Markt Index and the predictions made in the customer magazine "Performance."

It was and remains our concern to provide an objective analysis of events on the stock markets, and the value of that analysis is measurable in terms of the forecasts it generates. It is to this end only that we have laid on ourselves the corset of our overall model. To use the words of the Swiss writer Friedrich Dürrenmatt: "Our task is not to be positive, but to be honest!"

Financial market services

This twelve-man team is a service provider for the settlement of the entire securities trading business of Berliner Freiverkehr (Aktien) AG and in future also of Consors Capital Bank AG.

The cost-efficient service spectrum ranges from clearing through portfolio management to corporate actions.

Transactions in the securities settlement are complex – and costly. Annually in Germany more than 1.5 billion € are expended for securities services, and this represents a market of the future. And so it is logical to offer the settlement services to outside parties, too. Against the background of increasing competitive pressure, there is more than enough demand from other market participants, so that nothing should stand in the way of a further development of this area as an independent profit center.

E*TRADE GERMANY AG

After Consors Discount-Broker AG assumed a 60 % majority in the Berliner Effektenbank AG, as it was known at the time, the bank's 35 % interest in the joint venture E*Trade Germany AG lost its strategic importance. In September the parent company, E*Trade Group Inc. USA bought back the stocks held by the bank. A brief, but economically successful investment.

"Berliner Effektenbank AG had established structures – these will be used by Consors Capital in order to become a recognized name concerning the topic capital market concepts."

Marek Gutsch,
Financial market services



BERLINER EFFEKTENBETEILIGUNGSGESELLSCHAFT AG

The changes in our organizational structures have raised the question of the future direction of Berliner Effektenbeteiligungsgesellschaft AG. Its previous task within the Group, bridge financing in close coordination with the corporate finance projects of Berliner Effektenbank AG, is no longer pertinent. The 40 % participation will be merged with Cybermind AG, which is listed in the over-the-counter segment, to form Ventegis Capital AG. Its purpose will be to invest in the early development phases of growth companies in all sectors in Germany.

Following the merger with Cybermind AG, to be known in future as Ventegis Capital AG, the interest held by Berliner Effektengesellschaft AG will be between 20 % and 30 %.

PRICE DEVELOPMENT OF OUR STOCK

Securities identification number 52130, officially listed in Berlin and Frankfurt/Main

The price of our stock developed favorably until the middle of August, more than doubling in this period. Then, in the second half of the year, it lost the major part of these price gains, ending the year at 25.50 €. This represents a plus over the price at the beginning of the year of 27 % and a performance well in excess of the reference index SDAX. Of positive note is also the fact that the stock was listed throughout the year well above its lows of the year 1999. Nonetheless, in our opinion the price fails to reflect the more than positive development of our company.

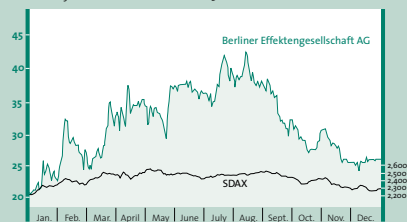
Obviously our stock, too, was hit by the general downturn which dominated the second half of 2000. The important decisions for the future that the management of Berliner Effektengesellschaft AG took in the year 2000 were overshadowed by the generally pessimistic mood.

With a price-earnings ratio in single digits, we consider our stock to be very favorably valued. Our strategic positioning in the face of the rapidly changing financial market structures is solid, and our prospects are positive.

Especially at the end of the year we made extensive use of the authorization to repurchase own stocks resolved by our stockholders at the stockholders' meeting 2000. We see this instrument expressly not as one of price regulating intervention but of stabilizing the shareholder value for our stockholders. This instrument can be applied effectively, as in our case, only from a position of strength, i.e. when there is sufficient liquidity within the company.

STOCK PRICE DEVELOPMENT IN COMPARISON WITH SDAX

January 1, 2000, until December 31, 2000



CORPORATE TIMETABLE FOR THE REMAINING FINANCIAL YEAR

July 3, 2001
10 a.m. Stockholders' meeting in Berlin

August 9, 2001
Report on the first half year 2001

November 8, 2001
Report on the third quarter 2001

December 7, 2001
5 p.m. Stockholders' convocation in Berlin

Status: April 30, 2001



DR. JÖRG FRANKE

Born on January 7, 1941,
in Halle/Saale

- Study of science of law in Bonn, Kiel, Freiburg and Cologne
- Graduation: First state examination in law, 1966
- Post-graduate judicial service traineeship
- Graduation: Second state examination in law, 1969
- Friedrich-Wilhelm University of the Rhine, Bonn
- Award of doctorate (Dr. jur.) in 1971

Professional career:

- Westdeutsche Landesbank Girozentrale, Düsseldorf
- In his final position, departmental director for the equities underwriting business, 1970–1984
- Berlin Stock Exchange, Berlin
- Managing director, 1984–1988
- Berliner Kassenverein AG-Wertpapiersammelbank, Berlin
- Member of the Board, 1984–1989
- Deutsche Terminbörse (DTB), Frankfurt/Main
- Managing director, 1989–1998
- Deutsche Börse AG, Frankfurt/Main
- Member of the Board, 1993–2000
- Frankfurter Wertpapierbörse (FWB), Frankfurt/Main
- Managing director, 1995–2000
- EUREX Zürich AG, Zürich, Switzerland
- Chairman of the Management, 1999–2000
- EUREX Frankfurt AG, Frankfurt/Main
- Chairman of the Board, 1998–2000
- Chairman of the Supervisory Board of ENEX AG, Salzburg, Austria (since May 2001)
- Member of the Supervisory Board of EUREX Bonds GmbH, Frankfurt/Main (since February 2001)
- Lecturer at the University of Karlsruhe (since summer semester 1999)
- Induction to the Hall of Fame of Derivatives, New York (in February 1999)

“In football jargon, the double head Timm/Franke is an attacking team, and we regard it as such: our different realms of experience, built up over many years, will complement each other well.”

Interview with **DR. JÖRG FRANKE**,
since February 1, 2001,
CEO of Berliner Effektengesellschaft AG

Dr. Franke, at the latest with the formation of the Deutsche Terminbörse (DTB) – (German Futures Exchange), in 1990 and the merger with its Swiss equivalent, SOFFEX, in 1998, to form the most successful futures exchange in the world, EUREX, your name has become known in the German and international financial world. What keeps you going?

Franke: The stock exchanges have always fascinated me. Their history, of which this annual report relates, is interesting enough, the future will be at least as exciting. My principle is to take an active part in shaping the change.

Is that the reason that you moved to Berliner Effektengesellschaft AG?

Franke: Certainly. The company has repeatedly demonstrated its innovative power in its still young history and has initiated pioneering changes in German stocktrading. Whether this was the extension of the stocktrading times, the huge expansion in the offer of foreign securities on the Berlin Stock Exchange or the Internet platform for off-floor information and stocktrading, TradeGate – this was all due to the initiative of my colleague Holger Timm and his team.

All matters which are of benefit to private investors.

Franke: Exactly. Whereas others have only just begun to discover the retail market, Berliner Effektengesellschaft AG has from the outset thrown its weight behind a “democratization” of stocktrading: equal opportunities for all, without cost or information advantages for institutional investors.

You say it yourself: the private investors are the “discovery” of recent years, and they have made their mark as a force for stability. Only in these terms it is possible to explain the platforms of different collaboration partners which are emerging almost daily. How do you see the development?

Franke: At the moment somewhat critically. It is certainly good that the “stone age” is past and that increasingly private investors have the possibilities which were formerly the prerogative of institutional investors. But private investors will only be able to make headway if the transaction costs are low and there is a high level of liquidity, in small stocks, too.

Meanwhile the retail investors are in the comfortable situation that they can choose whatever they consider to be the best stock exchange or the best ECN. But, which location is really “the best”? The answer to this question depends on the interests of the private investors concerned. Is it the liquidity, the cheapest execution, the “immediacy,” the transparency? With the increase in the number of execution forms and venues, the investor has to decide. Here the task is to provide thorough information about all the possibilities.

With the announcement of a “leading stock exchange for private investors” as a joint project with the Berlin Stock Exchange and the majority stockholder Consors Discount-Broker AG, Berliner Effektengesellschaft AG caused a sensation in the past financial year. Where do you see the concept at the end of the concentration movement that you expect?

Franke: First of all, a word on the importance of our project. How right it is, is shown by the number of initiatives which were published following our own announcement. I continue to see our

company on the road to victory. The technological battle is not new. It was no different in my DTB and EUREX times, we believed early on in the feasibility of fully electronic, networked stocktrading systems and also implemented them with determination. This trend has strengthened in recent times. We are speaking with the right partners so as to be prepared as best as possible. To use the Sunzi quotation that Holger Timm used in his speech to the stockholders’ meeting 2000: “If you know the enemy and yourself, you do not need to fear the outcome of a hundred battles.”

The management consultancy Frost & Sullivan expects that the investment volume for the technology of the electronic stocktrading platforms of 2.6 billion US \$ in 1999 will grow almost tenfold by 2006 to 24 billion US \$. Do you share this estimate?

Franke: Yes. We recognized this development early and have gone for technology for our company. In Germany, our subsidiary Berliner Freierkehr (Aktien) AG is the most important exclusive market specialist, with some 6,000 electronic order books, most of which we manage in Berlin. Since 1998, the presence of our traders has been transferred from a physical to a virtual one. We may nostalgically share the regret which is sometimes expressed about the demise of the stocktrading floor, with jobbers gesticulating and shouting, but looking at realities not. “The abandonment of the stocktrading floor” is not the end of the stockbrokers, as it is often put about. On the contrary, it is simply that their tasks will change. Certainly, electronic stocktrading systems can bring together similar orders automatically; in the case of the major part of the stocks, however, brokers must first bring about liquidity in a stock: market making and liquidity providing are the key terms for the future, and we consider that we have done our homework. In the USA we are seeing something of a renaissance of hybrid systems, and that will not be different in Germany. However, the market models there cannot be transferred one-to-one to Germany; a lot remains to be done with respect to regulations and the settlement systems.

Would a "single world stock exchange" then be the solution?

Frank: Theoretically yes, but it is not practical – the national interests diverge too sharply. But what I do believe is that in the next five years the platforms which emerge after the concentration process will be networked worldwide to form 24-hour stock trading on 365 days a year. If you ask me what role we play in this concert, I can only say: we are thinking globally and plan great things. Jules Verne wrote: "Everything a man can imagine will be realized by other men." Only in this way can we in the long term do justice to our claim to be a leading provider of financial services with the focus on active market making in different stock exchanges and ECNs.

Leading provider of financial services is a good phrase. In the 1999 annual report it was said about the Berliner Effektengesellschaft AG, "At home in Berlin – active throughout the world." For you, who was once described as a "world market operator," that applies to your return to Berlin exactly as for your goals: in your time as managing director of the Berlin Stock Exchange, 1984–1988, you were a strong advocate of transparent and networked markets for all participants. In which areas do you want to implement that for Berliner Effektengesellschaft AG?

Frank: My focus will be on strategic planning, European integration and the expansion of our company as well as the areas investor and public relations. I will operate from Frankfurt/Main, but am pleased to come to my favorite town Berlin as often as possible.



Report of the Board

An extremely turbulent stocktrading year lies behind us, with highs and lows of remarkable magnitude, which are also reflected directly in the result of Berliner Effektingesellschaft AG. The first record-breaking quarter of the year 2000, in which not only all stock market indexes but also the sales activities on the financial markets reached an all-time high, produced below the line a Group result of 50 million € after tax. The management can only claim partial credit for this unusual business success of our company, namely to the extent that in past years it took the right strategic decisions. Therefore our thanks are extended here to our enthusiastic and committed employees who in the past year went to the limits of their physical and psychological capacities and to our competent Supervisory Board, which in the last year in particular was greatly in demand, when once again fundamental decisions on the direction of the Berliner Effektingesellschaft AG had to be made.

The general market situation deteriorated in the course of the year. Our company was one of the first to counsel caution when at the beginning of the year 2000 it became clear that there was an extreme overvaluation in the growth markets,

especially NASDAQ and Neuer Markt. We were well aware that sooner or later we would have to pay for the unexpected windfall profits with a corresponding crash, and, accompanying it, considerable falls in turnover. The intensity and scope of the market correction which has been underway for more than a year is menacing, with the most various unwelcome accompaniments, and the consequences at present cannot be gauged. Today no one can rule out the possibility that we will enter a long correction phase and lateral movement with extremely low turnover, which at its worst could trigger a real economic crisis.

Already at the last stockholders' meeting, the Board expressed the conviction that the market we are active in is a growth one, namely the global capital market, but that we must also be prepared for setbacks, possibly over a number of years. Stock market cycles cannot be predicted reliably. To this extent we are convinced that we must not allow these cycles to determine the strategic orientation and management of the company.

The central question for the management in the past year, too, was, how capital market structures will change in future and what implications this has for the way we seek to position our company. Our reflections led eventually to the majority takeover of Berliner Effektingesellschaft AG by Consors Discount-Broker AG and consequently to a restructuring of our Group and its complete repositioning, a restructuring process which is still underway. The effects will only become fully clear in the coming years. In view of the significance of this decision, which had a forceful impact on the past year and which is to be seen as decisive for the future of Berliner Effektingesellschaft AG, the Board wishes to explain to its stockholders at least the main features of the decision process.

Over the last several years the word "globalization" has been much in vogue – often used only as a cliché, but in its core nonetheless absolutely right, at any rate as far as the international capital markets are concerned. Capital does not know any borders. The capital market has always been worldwide, the close interdependence however is becoming stronger and is made evident to us daily.

Seen in an international light, the German stocktrading scene is protectionist and structurally antiquated. Not much imagination is needed to conjure up what changes are necessarily due here, if the international competition is to be withstood. In the financial area, global all-finance groups are emerging, and as so often a look to the USA is opportune, where the heart of the capital market beats. From the perspective of the Berliner Effektingesellschaft AG, with its core business field in stockbrokerage, it was urgently necessary to achieve a vertical integration to the order flows of the future, and to do so in good time before the market structures change. For service

CHRONICLE OF THE YEAR 2000

JANUARY 2000

The leading international Internet provider America Online (AOL) and the US media group Time Warner announce their merger.

BERLINER EFFEKTINGESSELLSCHAFT AG
Stockbrokerage:
Record turnover.

FEBRUARY 2000

After a spectacular takeover battle, Mannesmann AG and the British mobile phone group Vodafone AirTouch agree on a merger.

BERLINER EFFEKTINGESSELLSCHAFT AG
Holding:
Announcement of the provisional Group figures for 1999 – Group result before taxes of approx. 33.85 million €.

MARCH 2000

Peak of the Neuer Markt and IPO euphoria, Germany in "stock-buying fever."

BERLINER EFFEKTINGESSELLSCHAFT AG
Holding and bank:
Inclusion of bank in talks with Consors Discount-Broker AG.



providers such as we are, turnover and the profits they produce can only be generated in the long term from a substantial order flow.

Financial companies which have won a large number of clients, in some cases with high investments, and which in the near future will control the resulting order flows, will without exception labor fervently to extend their value creation chains.

A situation in which independent service providers downstream siphon off a large part of the value is hard to imagine and certainly only a temporary phenomenon – the situation in the telecommunications market provides a good example of this. With regard to our core business field, this means that the independent stockbroker of the old school equipped with only a little equity has no chance of survival in the medium term.

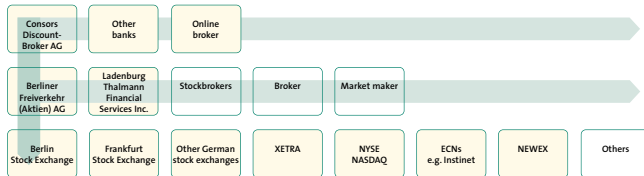
With the majority takeover of the Berliner Effektingesellschaft AG by Consors Discount-Broker AG, we have succeeded in taking the first step towards vertical integration. Simultaneously,

pean growth, Consors Discount-Broker AG was and is the ideal partner for Berliner Effektingesellschaft AG.

For Berliner Effektingesellschaft AG, the practical preconditions for the transaction as a whole were that, in the interests of the principle of shareholder value, the capital dilution was to be kept as low as possible, while as much equity was to be provided to the company as possible in order to be well equipped for the upcoming investments and market model changes. These two aims have been largely realized with the contractual structures whose numerous and various transaction steps are certainly not easy to understand for the stockholders.

Hence, in the past year, the preconditions were created which should ensure long-term growth and competitiveness also against major international market players. In order to be able to exploit the advantages of our vertical integration to the full, numerous measures are required which often must be realized in trouble-

HORIZONTAL GROWTH BY VERTICAL INTEGRATION



through the consolidation in the Group balance sheet, account has also been taken of our strategic partner's goal of extending the value creation chain. As an outstanding and positive example of the new economy with a high customer base and rapid Euro-

some and protracted negotiations with the most various partners.

Our company will concentrate on its core business fields. Individual company participations no longer make any long-term sense in the more narrow Group area

since they are already covered in the more extended Group. Our company is continuing to accompany and promote the structural changes in the German stocktrading scene and the competition between stock exchanges and off-floor platforms. Within the company, too, we must prepare ourselves intensively for the capital market of the future. We are providing training programs to our traders and engaging in considerable costs for development and other investment in IT. There may also be a need to find competent international partners. In view of the numerous challenges facing us, it is a great gain for the company to have engaged in Dr. Jörg Franke an internationally recognized expert and experienced additional CEO, who not only shares our visions, but also through his many years of activity as member of the Board of EUREX and the Deutsche Terminbörse (DTB) – (German Futures Exchange), has demonstrated that he can put pioneering ideas into practice.

Corresponding to the re-orientation of the company and in particular the accompanying sale of the majority interest in the former Berliner Effektenbank AG, last year Dr. Guido G. R. Sandler left the Board of Berliner Effektingesellschaft AG at his own request, and with the end of the stockholders' meeting this year Dr. Wolfgang Janka will also leave the Board at his own request. We extend our thanks to these two long-serving colleagues for the work performed, in particular for the relegation of their personal interests for the benefit of the company and its stockholders. Holger Timm and Dr. Jörg Franke will cover as a dual management head all business areas.

The balance sheet structure for the year 2000 was for the Board a challenge especially with regard to finding a long-term optimal solution for the stockholders. For example the book profits from the sale

APRIL 2000

Deutsche Bank and Dresdner Bank break off their negotiations, which would have led to the formation of the world's biggest bank.

BERLINER EFFEKTINGESellschaft AG

Holding:
Publication of the Group figures for the first quarter 2000. With a pre-tax Group profit of roughly 34.26 million €, the Group result for the entire year 1999 has already been exceeded.

MAY 2000

Against the background of the intended participation of Greece in the common European currency, the € falls for the first time below 0.90 US \$. Since the beginning of 1999, it has lost a quarter of its value.

BERLINER EFFEKTINGESellschaft AG

Holding:
A majority interest in the Holding and bank are assumed by Consors Discount-Broker AG; the alliance is completed in several steps.

Holding:
Announcement of the 50 % increase in the dividend.

Bank:
Accompaniment of IPO of Eichborn AG.

JUNE 2000

On Ascension Day, the German stock exchanges open on a public holiday for the first time.

BERLINER EFFEKTINGESellschaft AG

Bank:
Cash capital increase of Mologen Holding AG.

JULY 2000

The Bundesrat (federal council) approves the tax reform of the red-green federal government.

BERLINER EFFEKTEGENESCHAFT AG

Holding:

Stockholders' meeting on July 6 in Berlin.

Holding:

First strike period for the bonus warrants issued in October 1999.

Bank:

First quotation of the most successful IPO of the year 2000: Umweltkontor Renewable Energy Aktiengesellschaft.

AUGUST 2000

The auction of the UMTS licenses for mobile telephony ends with the record receipt of 50.52 billion € for the federal cash office.

BERLINER EFFEKTEGENESCHAFT AG

Holding:

The result of the public exchange offer of Consors Discount-Broker AG to stockholders of Berliner Effektengesellschaft AG becomes known: a total of 2,268,193 stocks and 1,821,000 subscription rights (subscription ratio 20:1) from stocks in Berliner Effektengesellschaft AG were submitted for exchange, i.e. in total 16.33 % of the stocks in Berliner Effektengesellschaft AG.

Stockbrokerage:

Name changed to Berliner Freiverkehr (Aktien) AG.

SEPTEMBER 2000

The planned merger of the Frankfurt and London Stock Exchanges is called off. The reason for the failure of iX is the hostile takeover bid of the Swedish stock exchange operator OM Gruppen issued to the London stockholders.

of a portion of the former Berliner Effektenbank AG as well as the book profits from the accompanying sale of the participation in E*Trade Germany AG were carried forward since under the latest version of the tax reform such profits from the sale of participations can as from 2002 be received as revenues exempt of tax. For our stocks in Consors Discount-Broker AG, too, a tax-optimized solution was found in which the stocks were contributed at the end of the year to the equity of our operating subsidiary Berliner Freiverkehr (Aktien) AG.

This produces a considerable "divergence" between the individual financial statements according to Handelsgesetzbuch (HGB) – (German Commercial Code) and the consolidated annual financial statements, but in the final analysis supplies the company with considerable liquidity. The bitter pill arising from this for the stockholders is a reduction in the dividend. It should be borne in mind, however, that last year – exclusively on account of the majority takeover by Consors Discount-Broker AG – a full profit distribution was resolved for 1999 in order to give all existing stockholders the gains made in the past and which we considered they were entitled to. In view of the tasks ahead of us, there was in any case no question of a full profit distribution for the year 2000, and in the final analysis the shareholder value principle is better observed by using the liquidity gained for the repurchase of own stocks at an attractive price.

A welcome point of note is that in the year 2000 all Group companies made a contribution to our good year's result. First and foremost, mention must be made here of Berliner Freiverkehr (Aktien) AG, but also of Berliner Effektenbeteiligungsgesellschaft AG and the renamed Consors Capital Bank AG, which however on account of the stock having been reduced to 23.1 % was not fully consolidated as at December 31, 2000, but only accounted for at equity.

The year 2000 will go down in our still short corporate history as the year of decisions. The course has been set. Ahead of us we have considerable work on the restructuring of the company. The presently unfavorable stocktrading climate does not facilitate our work. We venture the forecast that the year 2001 will be in every respect the year of consolidation and market adjustment. All market participants in the financial area will be affected by this. New structures and constellations will emerge and in this process there will, as always, be winners and losers.

We are confident that, as in the past, Berliner Effektengesellschaft AG will be on the winning side, and as each year we ask you, our stockholders, for your trust and constructive accompaniment.

Berliner Effektengesellschaft AG

The Board

BERLINER EFFEKTEGENESCHAFT AG

Bank:

Sale of the 35 % interest in E*Trade Germany AG.

Restructuring of the Board.

OCTOBER 2000

The first German soccer stock, Borussia Dortmund, starts with price losses.

BERLINER EFFEKTEGENESCHAFT AG

Holding and bank:

Conclusion of, and entry in, the commercial register of all transactions connected with the takeover by Consors Discount-Broker AG.

Bank:

Accompaniment of the IPO of InfoGenie Europe AG and of the segment change of PEH Wertpapier AG.

NOVEMBER 2000

In the USA, the 43rd presidential election closes with five weeks of "drama" as votes are counted and recounted.

BERLINER EFFEKTEGENESCHAFT AG

Stockbrokerage:

Relaunch of TradeGate, the first Internet platform for off-floor information and stocktrading.

DECEMBER 2000

The € stabilizes above the mark of 0.93 US \$ thereby regaining its level of the end of July.

BERLINER EFFEKTEGENESCHAFT AG

Holding:

Second stockholders' convocation in Berlin.

Bank:

Change of name to Consors Capital Bank AG completed.

Annual financial statements

BALANCE SHEET

BERLINER EFFEKTEGESELLSCHAFT AG, BERLIN
as at December 31, 2000

ASSETS	in €	in €	in €	in €
	2000	2000	2000	1999
A. Fixed assets				
I. Tangible assets			88,754.00	42,868.00
II. Financial assets				
1. Stocks in affiliated companies	50,024,261.49			25,991,982.42
2. Participatory investments	12,803,797.59			16,979,054.63
3. Loans to companies with there is a participatory relationship	261,650.81	63,089,709.89		240,155.46
		63,178,463.89		43,254,060.51
B. Current assets				
I. Receivables and other current assets				
1. Receivables from affiliated companies	30,358,786.94			18,138,485.33
2. Other current assets	28,215,021.31	58,573,808.25		9,853,054.87
II. Securities				
1. Own stocks	3,765,759.56			528,684.28
2. Other securities	-	3,765,759.56		2,070.24
III. Cash on hand, bank balances		35,836,460.31		200,290.95
		98,176,028.12		28,722,585.67
C. Prepaid and deferred expenses			2,171.55	-
Total assets		161,356,663.56		71,976,646.18

EQUITY AND LIABILITIES	in €	in €	in €	in €
	2000	2000	2000	1999
A. Stockholders' equity				
I. Stock capital		16,796,985.00		13,256,312.00
II. Capital reserve		119,884,976.68		34,108,254.19
III. Revenue reserves				
1. Statutory reserve	25,564.59			25,564.59
2. Reserve for own stocks	8,606,727.01			528,684.28
3. Other revenue reserves	1,686,454.34	10,318,745.94		1,336,662.26
IV. Retained earnings		10,078,191.00	157,078,898.62	18,071,557.44
B. Provisions and accruals				
I. Tax accruals		1,142,592.66		2,294,102.28
II. Other provisions and accruals		201,364.59	1,343,957.25	50,612.92
C. Liabilities				
I. Liabilities				
to banks		100.00		-
II. Trade accounts				
payable		11,632.74		59,725.32
III. Amounts due to				
affiliated companies		2,905,996.95		2,245,170.90
IV. Other liabilities		16,078.00	2,933,807.69	-
Total equity and liabilities		161,356,663.56		71,976,646.18

INCOME STATEMENT

BERLINER EFFEKTEGESELLSCHAFT AG, BERLIN
for the period from January 1, 2000, to December 31, 2000

	in €	in €	in €
	1-1 – 12-31-2000	1-1 – 12-31-1999	
1. Other operating income	7,288,487.24	6,511,506.79	
2. Personnel expenses			
a) Wages and salaries	-638,643.80	-101,554.83	
b) Social security payments and expenses for pensions	-65,854.10	-704,497.90	-16,164.81
3. Write-offs		-16,479.97	-5,404.59
4. Other operating expenses	-32,452,812.87	-2,347,725.86	
5. Income from participatory investments	57,483,543.90	31,587,008.81	
<i>Of which from affiliated companies</i>	57,483,543.90	31,587,008.81	
6. Other interest and similar income	800,802.10	165,324.43	
<i>Of which from affiliated companies</i>	694,522.29	158,269.20	
7. Write-offs on financial assets and securities under current assets	-209,811.02	-127,952.75	
8. Interest and similar expenses	-39,440.80	-71,448.89	
<i>Of which from affiliated companies</i>	-39,440.80	-71,448.89	

	in €	in €	in €
	1-1 – 12-31-2000	1-1 – 12-31-1999	
9. Result of ordinary activities	32,149,790.68	35,593,588.30	
10. Extraordinary income	-	-	
11. Extraordinary expenses	-	-	-1,839,124.23
12. Extraordinary result		-	-1,839,124.23
13. Income taxes	-13,687,765.73	-15,160,564.22	
14. Other taxes		-59.78	-
15. Net income	18,461,965.17	18,593,899.85	
16. Profit brought forward from prior year		44,060.04	
17. Withdrawals from the revenue reserves			
a) From other revenue reserves	-	-	6,341.87
18. Appropriation to the revenue reserves			
a) To the statutory reserve	-	-	-
b) To the reserve for own stocks	-8,078,042.73		-528,684.28
c) To other revenue reserves	-394,791.48	-8,427,834.21	-
19. Retained earnings	10,078,191.00	18,071,557.44	

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR 2000

BERLINER EFFEKTENGESELLSCHAFT AG, BERLIN

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 for the year ended December 31, 2000, were prepared in accordance with the provisions of the Handelsgesetzbuch (HGB) – (German Commercial Code). The provisions of the Aktiengesetz (AktG) – (Stock Corporation Act) were observed.

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

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

The financial statements were prepared in €.

The Group Berliner Effektengesellschaft AG is included in the consolidated financial statements of Consors Discount-Broker AG, Hof/Saale, which are prepared in accordance with US-GAAP, and of SchmidtBank KGaA, Hof/Saale, (the ultimate Group company) which are prepared in accordance with the provisions of the HGB, in conjunction with the Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute (RechKredV) – (Bank Accounting Directive), each set of financial statements being published in the Bundesanzeiger (Federal Gazette) and deposited at the Local Court of Hof/Saale.

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, "stocks in affiliated companies," "participatory investments," and "loans to companies with which there is a participatory relationship" are recorded at acquisition cost.

We have valued tangible assets at acquisition or production costs and, when depreciable, less normal fiscally permitted write-off using 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 under 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 date.

Liabilities are stated at their repayment amount.

Recognizable risks are accounted for with provisions.

Accrued interest 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 balance sheet 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 have a remaining term of 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 translate at 13,065,000 €.

Other current assets

Other current assets comprise items which cannot be subsumed under other balance sheet items on the assets side. They relate in the amount of 27,989,000 € to receivables from the tax authority on account of corporation tax and in the amount of 222,000 € to receivables from a stockholder.

Stock capital

At December 31, 1999, the capital was 13,256,312 €. On June 15, 1999, the stockholders' meeting authorized the Board to increase the stock capital by up to 3,270,000 € against cash contribution. Under this authorization, in July 2000, the stock capital was increased by 662,815 €. To take up stocks in Berliner Effektengesellschaft AG, now renamed Consors Capital Bank AG, the subscribed capital was increased by an additional 773,955 €. As a further capital increase, an exchange of stocks was undertaken with Consors Discount-Broker AG, in connection with which 1,576,132 individual stocks of no-par value with an arithmetical value of 1,576,132 € were issued. The bonus warrants issued in 1999 provided entitlement in July 2000 to a subscription of stocks in Berliner Effektengesellschaft AG. Of the maximum of 654,000 individual stocks of no-par value, 52,771 were subscribed. At December 31, 2000, the stock capital was therefore 16,796,985 €, divided into 16,796,985 non-par individual stocks.

We have received the reports prescribed by Section 21 Subsection 1 of the Wertpapierhandelsgesetz (WpHG) – (Securities

Trading Law) in the wake of the changes in the composition of the stockholders and made the publications in a national journal for statutory stock market advertisements in accordance with Section 25 Subsection 1 of the WpHG. These notifications state that Consors Discount-Broker AG holds 53.0 % and Holger Timm 24.98 % of the stocks in Berliner Effektengesellschaft AG.

Approved capital

Two capital increases were performed from the existing tranches of approved capital. The above-described capital increase against cash contribution was from approved capital I, whilst the exchange of stocks with Consors Discount-Broker AG was from approved capital II. Following these capital increases, the remaining approved capital I amounted to 2,607,185 € and the remaining approved capital II was 743,601 €. The Board was authorized by the stockholders' meeting of July 6, 2000, to increase the stock capital until July 5, 2005, with the consent of the Supervisory Board, by issue of new individual stocks against cash or non-cash contribution once or more than once by a total of up to 6,628,156 €. The previous authorization and the distinction between approved capital I and approved capital II were thereby terminated.

Contingent capital

The stockholders' meeting of June 15, 1999, had resolved to increase contingently the stock capital by 600,000 € for an employee option scheme (contingent capital I) and by 5,940,000 € for the issue of stock option warrants without bonds (contingent capital II). On the basis of the contingent capital increase 13,080,000 warrants were issued.

In July 2000, the exercise of subscription rights for one stock at 30 € for 20 warrants

was possible. The options were exercised for 527,771 stocks. The warrants issued also grant further entitlement to subscription of one stock at 36 € for 20 warrants in July 2001.

Capital reserves

A total of 85,776,722.49 € was allocated to the capital reserves from the different capital measures in 2000.

Revenue reserves

We allocated 349,792.08 € to the "other revenue reserves." We comment on the "reserve for own stocks" in the following paragraph.

Own stocks

On June 15, 1999, the stockholders' meeting authorized us, pursuant to Section 71 Subsection 1 number 8 AktG, to acquire own stocks for the purpose of sale or for withdrawal from circulation of up to 10 % of the nominal capital. On July 6, 2000, the stockholders' meeting revised the authorization. It is now limited in time until December 1, 2001, and to 10 % of the nominal capital of July 6, 2000, i.e. 1,325,631 stocks.

Since September 1999, these authorizations have been made use of by selling stocks. The table opposite shows the number of stocks traded by calendar month. The purchases were made exclusively through the stock exchange. In 2000, Berliner Effektingesellschaft AG and the subsidiaries acquired 227,334 stocks (of which, 150,422 stocks acquired by Berliner Effektingesellschaft AG) for 6,131,000 € (of which, 4,110,000 € paid by Berliner Effektingesellschaft AG).

Moreover, 76,212 stocks were transferred to us in December without charge. From the sale of 67,456 stocks (of which, 27,812 Berliner Effektingesellschaft AG), proceeds were obtained totalling 1,992,000 € (of which 847,000 € Berliner Effektingesellschaft AG). The result of Berliner Effekten-

gesellschaft AG contains profits of 167,000 € from the sale of own stocks. The portfolio remaining in the company at December 31, 2000, had to be written down by 210,000 € on account of strict adherence to the principle of lower of cost or market. A reserve for own stocks is to be recorded in the balance sheet in the amount of the residual book value of the own stocks of 3,766,000 €. Taking into account the reserve formed at December 31, 1999, 3,231,000 € were allocated to the reserve from the net income for 2000 as at December 31, 2000. Furthermore, in the year 2000 the company acquired stocks in Consors Discount-Broker AG, which at December 31, 2000, held 53.0 % of the stocks in Berliner Effektingesellschaft AG, for which a reserve was formed for stocks in a controlling company from the net income for the year in the amount of the book value of 4,841,000 €. The reserve is stated in the balance sheet under "reserve for own stocks."

We have 25,645 warrants with a value of 10,000 € in the portfolio. As at December 31, 2000, we had not sold any warrants.

C. EXPLANATIONS TO THE INCOME STATEMENT

The purpose of our company is participation in companies offering financial services, in particular in connection with trade in securities and underwriting new issues. Consequently, revenue is obtained from income from participatory investments and charges levied for services to subsidiaries. Income from affiliated companies was received in 2000 in the amounts of 36,900,000 € from Berliner Freiverkehr (Aktien) AG, which operates as exclusive market specialist, 1,001,000 € from Berliner Effektenbeteiligungsgesellschaft AG, and 2,338,000 € from Berliner Effektenbank AG. These amounts

Month	Number of stocks purchased/ transferred	Number of stocks sold/disclosed	Proportion of nominal capital
Brought forward	25,813	-	0.20 %
January 2000	18,090	9,098	0.14 %
February 2000	13,508	10,030	0.10 %
March 2000	7,000	-	0.05 %
April 2000	-	3,000	0.00 %
May 2000	-	10,340	0.00 %
June 2000	-	-	0.00 %
Sub-total			
Authorization 1999	64,411	32,468	0.49 %
July 2000	9,888	15	0.07 %
August 2000	2,000	-	0.02 %
September 2000	19,297	24,229	0.15 %
October 2000	21,683	-	0.16 %
November 2000	51,684	10,744	0.39 %
December 2000	160,396	-	1.21 %
Total			
Authorization 2000	264,948	34,988	2.00 %
Grand total	329,359	67,456	2.48 %

are increased each time by the corporation tax credit of three-sevenths of the distribution amount.

"Other operating income" includes 4,974,000 € relating to trade tax recharged to Berliner Freiverkehr (Aktien) AG.

The company received stocks in Consors Discount-Broker AG as a result of an exchange of stocks. These were given to Berliner Freiverkehr (Aktien) AG in December as a non-cash contribution pursuant to Section 272 Subsection 2 number 4 HGB. In connection with this contribution, the stocks were valued at their current market value, and a loss in the amount of 29.6 million € resulted.

Staff was hired in the past financial year for the areas of organization and personnel. Personnel expenses increased correspondingly from 118,000 € to 704,000 €. The result from ordinary activities is charged by taxes amounting to 13,688,000 €. In terms of the pre-tax result of 32,150,000 € this represents a tax rate of 43.0 %.

D. OTHER INFORMATION

Interests held

The following information relates to December 31, 2000, or the financial year 2000, unless otherwise specified.

Berliner Effektenbeteiligungsgesellschaft AG, Berlin

Nominal capital: 2,556,459.41 €
Interest held: 40.0 % 1,022,583.76 €
Equity: 7,408,531.31 €
Net income: 4,172,599.73 €

Berliner Freiverkehr (Aktien) AG, Berlin

Nominal capital: 5,000,000.00 €
Interest held: 100.0 % 5,000,000.00 €
Equity: 69,796,848.58 €
Net income: 36,909,156.54 €

Employees

The number of employees has developed as follows:

	Female	Male	Total
Average of the year			
Board members	0	3	3
Other employees	2	2	4
Total	2	5	7
As at December 31, 2000			
Board members	0	2	2
Other employees	3	2	5
Total	3	4	7

Consors Capital Bank AG, Frankfurt/Main (formerly Berliner Effektenbank AG, Berlin)

Nominal capital: 10,000,000.00 €
Interest held: 23.1 % 2,314,815.00 €
Equity: 22,608,655.99 €
Net income: 10,708,654.47 €

Online Securities Holding Inc., Delaware, USA

Nominal capital: 221,651.05 US \$
Interest held: 27.2 % 60,303.03 US \$
Equity as at December 31, 1999: 3,919,879.00 US \$
Net income 1999: 128,514.00 US \$

Other financial commitments

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

Corporate bodies of Berliner Effektengesellschaft AG (Status: April 30, 2001)

Members of the Board:

Dr. Jörg Franke, Frankfurt/Main (since February 1, 2001)

CEO
Chairman of the Supervisory Board: ENEX AG, Salzburg, Austria (from May 2001)
Member of the Supervisory Board: EUREX Bonds GmbH, Frankfurt/Main (since February 1, 2001)

Dr. Wolfgang Janka, Berlin

Member of the Board of Consors Capital Bank AG, Frankfurt/Main (until March 31, 2001)
Chairman of the Supervisory Board: FBBI Free Zone Berlin-Brandenburg International AG, Berlin
Member of the Supervisory Board: COR AG Insurance Technologies, Leinfelden-Echterdingen
InfoGenie Europe AG, Berlin
Member of the Board: Ladenburg Thalmann & Co. Inc., New York, USA

Dr. Guido G. R. Sandler, Berlin (until September 30, 2000)

Member of the Board of E*Trade Germany AG, Berlin
Chairman of the Supervisory Board: Hezaron AG, Munich
PROCEO Holding AG, Berlin
Member of the Supervisory Board: FQR. Equity Technology Capital AG, Berlin
musicmusicmusic Inc., Delaware, USA

Holger Timm, Berlin

CEO
Chairman of the Board of Berliner Freiverkehr (Aktien) AG, Berlin
Member of the Board of Berliner Effektenbeteiligungsgesellschaft AG, Berlin
Chairman of the Supervisory Board: Cybermind AG, Berlin
Member of the Supervisory Board: Consors Capital Bank AG, Frankfurt/Main
EuroChange AG, Berlin
Member of the Board: Ladenburg Thalmann & Co. Inc., New York, USA

Members of the Supervisory Board:

Christian Graf von Bassewitz, Düsseldorf, Chairman (until November 30, 2000)

Chairman of the Supervisory Board: Concor Versicherungen AG, Hamburg
Optima Versicherungen AG, Hamburg
Deputy Chairman of the Supervisory Board: DePa Deutsche Pfandbriefbank AG, Wiesbaden
DePa Holding Verwaltungsgesellschaft mbH, Frankfurt/Main
Member of the Supervisory Board: Deutscher Ring Krankenversicherungsverein e.G., Hamburg
familia Handels-Zentralgesellschaft mbH & Co. KG, Heidelberg
Universal-Investment-Gesellschaft mbH, Frankfurt/Main
Member of the Administration Board: Lampebank International S.A., Luxemburg

André Dujardin, Berlin, entrepreneur

Member of the Supervisory Board: Berliner Effektenbeteiligungsgesellschaft AG, Berlin

Carl-Thomas Epping, Hamburg, entrepreneur (until April 2, 2001)

Deputy Chairman of the Supervisory Board: Geoo AG, Hamburg
Member of the Supervisory Board: Berliner Effektenbeteiligungsgesellschaft AG, Berlin
CDNR Holding AG, Düsseldorf
Qualimed AG, Cologne

Dr. Reto Francioni, Hof/Saale (Chairman since January 29, 2001)

CEO of Consors Discount-Broker AG, Hof/Saale
Chairman of the Supervisory Board: Consors Capital Bank AG, Frankfurt/Main
Member of the Supervisory Board: Conrad Holding GmbH, Hirschau
Consors España SVS S.A., Madrid, Spain
Consors Online Broker SIM S.p.A., Milan, Italy
Consors Schweiz AG, Zurich, Switzerland
ONBanca S.p.A., Milan, Italy

Wolfgang Herrmanni, Berlin, businessman (Deputy Chairman since January 29, 2001)

Chairman of the Supervisory Board: Berliner Effektenbeteiligungsgesellschaft AG, Berlin
Berliner Freiverkehr (Aktien) AG, Berlin
EuroChange AG, Berlin
Member of the Supervisory Board: Cybermind AG, Berlin

Dr. Andor Koritz, Berlin, lawyer (since April 2, 2001)

Member of the Supervisory Board: Berliner Freiverkehr (Aktien) AG, Berlin

Detlef Prinz, Berlin, entrepreneur

Dr. Günter Rexrodt, Berlin, member of the Bundestag (federal parliament), former federal minister for economics

Chairman of the Supervisory Board: Deutsche Real Estate AG, Bremerhaven
ggcco.net AG, Berlin
Member of the Supervisory Board: AWD AG, Hannover
DTZ Zedlhoff Holding GmbH, Frankfurt/Main
Euro Ratings AG, Frankfurt/Main
Factumedia AG, Berlin
IhrPreis.de AG, Düsseldorf

AUDITORS' REPORT

Remuneration of the corporate bodies

The members of the Board did not receive any remuneration from Berliner Effektengesellschaft AG. The remuneration of the Supervisory Board amounted to 91,000 €.

Proposal on application of profits

The retained earnings of 10,078,191 € result from the net income for the year of 18,461,965.17 €, account having been taken of the appropriations made to the "reserve for own stocks" in the amount of 3,237,075.28 €, the "reserve for stocks in a controlling company" in the amount of 4,840,967.45 €, and allocations to "other revenue reserves" in the amount of 349,792.08 €. The Board proposes to the stockholders' meeting a dividend payment of 0.60 € per stock.

Berlin, April 2, 2001
Berliner Effektengesellschaft AG

Holger Timm

Dr. Jörg Franke

Dr. Wolfgang Janka

MOVEMENTS ON FIXED ASSETS PURSUANT TO SECTION 264 HGB AS AT DECEMBER 31, 2000

	Acquisition costs in €	Additions in the financial year in €	Disposals in the financial year in €	Write-offs in total in €	Write-offs in the financial year in €	Net book value at 12-31-2000 in €	Net book value in prior year in €
Tangible fixed assets							
Business and office equipment	46,837.87	62,365.97	495.17	19,954.67	16,479.97	88,754.00	42,868.00
Total tangible assets	46,837.87	62,365.97	495.17	19,954.67	16,479.97	88,754.00	42,868.00
Financial assets							
Stocks in affiliated companies	25,991,982.42	81,264,543.94	57,232,264.87	-	-	50,024,261.49	25,991,982.42
Participatory investments	16,979,054.63	-	4,175,257.04	-	-	12,803,797.59	16,979,054.63
Loans to companies with which there is a participatory relationship	240,155.46	21,495.35	-	-	-	261,650.81	240,155.46
Total financial assets	43,211,192.51	81,286,039.29	61,407,521.91	-	-	63,089,709.89	43,211,192.51
Total fixed assets	43,258,030.38	81,348,405.26	61,408,017.08	19,954.67	16,479.97	63,178,463.89	43,254,060.51

We have audited the annual financial statements of Berliner Effektengesellschaft AG, including the accounting and the management report for the company and the Group for the business year from January 1, 2000, to December 31, 2000. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with HGB are the responsibility of the company's Board. Our responsibility is to express an opinion, based on our audit, on the annual financial statements, the bookkeeping system and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Section 317 HGB and the generally accepted standards for audits of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Accountants). Those standards require that we plan and perform the audit such that material misstatements affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German accounting principles and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and evaluations of possible misstatements have been taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and the management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the annual financial statements give a true and fair view of the net assets, financial position and results of operations of Berliner Effektengesellschaft AG in accordance with generally accepted principles of accounting. On the whole, the management report provides a suitable understanding of the company's position and suitably presents the risks of future development.

Berlin, April 2, 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Otte *Schaenfeld*
Wirtschaftsprüfer Wirtschaftsprüfer
(Accountant) (Accountant)

Consolidated annual financial statements

GROUP BALANCE SHEET

BERLINER EFFKTENGESELLSCHAFT AG, BERLIN
as at December 31, 2000

ASSETS

	in € 2000	in € 2000	in € 2000	in '000 € 1999	in '000 € 1999 (adjusted scope of consolidation)
1. Cash reserve assets					
a) Cash on hand		2,583.41		145	8
b) Balances held at central banks		0.00		1,718	0
Including: at the Deutsche Bundesbank ---					
c) Balances held at Postbank		0.00	2,583.41	0	0
2. Receivables from banks					
a) Due daily		17,769,854.35		28,299	11,410
b) Other receivables		64,817,400.44	82,587,254.79	36,020	12,825
3. Receivables from customers			996,376.81	19,492	127
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	0
Including: eligible as collateral for the Deutsche Bundesbank ---					
ab) From other issuers	0.00	0.00		0	0
Including: eligible as collateral for the Deutsche Bundesbank ---					
b) Loans and bonds					
ba) From public-sector issuers	0.00			153	153
Including: eligible as collateral for the Deutsche Bundesbank ---					
bb) From other issuers	197,867.55	197,867.55		214	214
Including: eligible as collateral for the Deutsche Bundesbank ---					
c) Own bonds		0.00	197,867.55	0	0
Nominal amount ---					
5. Stocks and other non-fixed interest securities			8,897,705.12	18,806	12,456
6. Participatory investments			13,553,797.59	17,979	16,979
Including: in banks 9,678,958.10 €					
in financial services institutions ---					
7. Stocks in affiliated companies			57,232,264.87 €	0	0
Including: in banks 57,232,264.87 €					
in financial services institutions ---					
8. Stocks in associated companies			6,564,974.97	0	8,327
Including: in banks 6,564,974.98 €					
in financial services institutions ---					
9. Intangible assets			5,751,404.59	10,110	6,659
10. Tangible assets			3,195,158.00	2,277	1,726
11. Own stocks or interests			4,697,459.56	529	529
Nominal amount/computed value 261,903.00 €					
12. Other current assets			19,280,943.65	7,150	5,490
13. Prepaid and deferred expenses			58,085.61	42	42
14. Deferred tax assets			376,476.51	563	326
Total assets			203,392,353.03	143,497	77,271

EQUITY AND LIABILITIES

	in € 2000	in € 2000	in € 2000	in '000 € 1999	in '000 € 1999 (adjusted scope of consolidation)
1. Liabilities to banks					
a) Due daily		142,329.52		6,119	1,078
b) With agreed term or period of notice		0.00	142,329.52	5,512	1,283
2. Liabilities to customers					
a) Savings deposits					
aa) With agreed notice of three months	0.00			0	0
ab) With agreed notice of more than three months	0.00	0.00		0	0
b) Other liabilities					
ba) Due daily	583,975.97			28,058	20
bb) With agreed term or period of notice	0.00	583,975.97	583,975.97	20,903	0
3. Other liabilities			740,366.60	1,126	974
4. Prepaid and deferred expenses			0.00	0	0
5. Provisions and accruals					
a) Provisions for pensions and similar obligations		0.00		186	0
b) Tax accruals		8,184,546.60		2,622	2,622
c) Other provisions and accruals		3,093,804.62	11,278,351.22	2,297	1,761
6. Special item partly with reserve character			6,498.00	28	28
7. Stockholders' equity					
a) Stock capital		16,796,985.00		13,256	13,256
b) Capital reserve		119,884,976.68		34,108	34,108
c) Revenue reserves					
ca) Statutory reserve	107,371.29			129	80
cb) Reserve for own stocks	31,803,168.01			529	529
cc) Reserves required by the articles of association	0.00			0	0
cd) Other revenue reserves	8,017,579.26	39,928,118.56		1,470	1,518
d) Retained earnings		10,078,191.00		18,072	18,072
e) Minority interests		3,952,560.48	190,640,831.72	9,082	1,942
Total equity and liabilities			203,392,353.03	143,497	77,271
1. Contingent liabilities					
a) Contingent liabilities from rediscounted discounted bills of exchange	0.00			0	0
b) Liabilities from sureties and guarantee contracts	0.00			40	0
c) Liability from the furnishing of collateral for third-party liabilities	0.00	0.00		0	0
2. Other obligations					
a) Redemption obligations from spurious repurchase deals	0.00			0	0
b) Placing and takeover obligations	0.00			0	0
c) Irrevocable loan agreements	0.00	0.00		7,874	0

GROUP INCOME STATEMENT

BERLINER EFFEKTENGESellschaft AG, BERLIN
for the period from January 1, 2000, to December 31, 2000

	in €	in €	in €	in '000 €	in '000 €
	1-1-12-31-2000	1-1-12-31-2000	1-1-12-31-2000	1-1-12-31-1999	1-1-12-31-1999 (adjusted scope of consolidation)
1. Interest income from					
a) Loan and money market transactions	3,303,561.58			2,672	607
b) Fixed-interest securities and bonds issued in book-entry form	25,134.24	3,328,695.82		4	4
2. Interest expenses		-949,355.35	2,379,340.47	-1,086	-41
3. Current earnings from					
a) Stocks and other non-fixed interest securities		192,104.21		69	64
b) Participatory investments		0.00		0	0
c) Stocks in affiliated companies		3,767,936.42	3,960,040.63	0	-589
4. Commissions received			27,995,505.17	21,059	15,406
Including: brokerage income	25,426,356.71				
brokerage income from pooling settlement	0.00				
5. Commissions paid			-1,359,729.38	-1,104	-305
Including: brokerage expenses	-789,247.97				
brokerage expenses from pooling settlement	0.00				
6a. Income from financial transactions					
Of which: aa) Securities	7,777,278.67			3,891	2,259
ab) Futures	11,020.00			0	0
ac) Options	0.00			0	0
ad) Price differences on name-to-follow transactions	120,607,975.90	128,396,274.57		93,684	93,684
6b. Expense from financial transactions					
Of which: ba) Securities	-4,718,118.92			-10,008	-7,413
bb) Futures	-51,515.00			0	0
bc) Options	-203.70			0	0
bd) Price differences on name-to-follow transactions	-67,653,113.40	-72,422,951.02		-54,793	-54,793
7. Other operating income		3,008,596.00		566	584
8. Income from the release of special items partly with reserve character		21,517.87		2	2
9. General administrative expenses					
a) Personnel expenses					
aa) Wages and salaries	-12,219,405.05			-8,426	-6,759
ab) Social security payments and expenses for pensions	-801,623.04	-13,021,028.09		-760	-412
Including: for old-age pensions € 207,409.33					
b) Other administrative expenses	-11,661,690.35	-24,682,718.44		-8,637	-7,311
10. Write-offs, amortization and write-downs on intangible assets and tangible assets		-2,197,458.50		-2,703	-1,442
11. Other operating expenses		-185,108.80		-202	-283

	in €	in €	in €	in '000 €	in '000 €
	1-1-12-31-2000	1-1-12-31-2000	1-1-12-31-2000	1-1-12-31-1999	1-1-12-31-1999 (adjusted scope of consolidation)
12. Write-offs and adjustments on receivables and certain securities as well as allocations to accruals for possible loan losses		0.00		-574	-92
13. Income from write-ups on receivables and certain securities as well as from release of accruals in credit business	4,760,323.41	4,760,323.41		0	0
14. Write-offs and adjustments on participatory investments, stocks in affiliated companies and securities treated as fixed assets		-33,096.08		0	0
15. Income from write-ups on participatory investments, stocks in affiliated companies and securities treated as fixed assets	0.00	-33,096.08		0	0
16. Appropriations to special item with reserve character		-200.56			
17. Result of ordinary activities		69,640,355.34	33,654	33,170	
18. Extraordinary income	0.00			0	0
19. Extraordinary expenses	0.00			0	0
20. Extraordinary result	0.00	0.00			
21. Income taxes		-19,499,012.23		-17,168	-16,918
22. Other taxes, unless recorded under item 11		-1,025.10		-2	-2
23. Net income		50,140,298.01	16,484	16,250	
a) Outside stockholders' share of net income		2,305,320.39	233	0	
b) Outside stockholders' share of net loss		0.00	-965	-965	
24. Profit brought forward from prior year		44,060.64	927	927	
a) Outside stockholders' share of profit/loss carry-forward		0.00	0	0	
25. Withdrawals from the capital reserve		0.00	0	0	
26. Withdrawals from the revenue reserves					
a) From the statutory reserve	0.00		0	0	
b) From the reserve for own stocks	0.00		0	0	
c) From reserves required by articles of association	0.00		0	0	
d) From other revenue reserves	0.00	0.00	34	457	
27. Appropriation to the revenue reserves					
a) To the statutory reserve	-27,178.90		-10	0	
b) To the reserve for own stocks	-31,274,483.73		-97	-529	
c) To reserves required by articles of association	0.00		0	0	
d) To other revenue reserves	-6,499,184.63	-37,800,847.26	0	0	
28. Retained earnings		10,078,191.00	18,070	18,070	

NOTES TO THE GROUP FINANCIAL STATEMENTS FOR THE YEAR 2000

A. GENERAL BACKGROUND

Companies included in the consolidation

Berliner Effektengesellschaft AG, Berlin, is the parent company of the Berliner Effektengesellschaft AG Group. Besides the parent company, the two subsidiaries, both of them domestic companies, are included in the consolidation of the Group financial statements. With effect at May 24, 2000, Consors Discount-Broker AG, Hof/Saale, assumed the majority in the former Berliner Effektenbank AG, Berlin, now Consors Capital Bank AG, Frankfurt/Main. Since May 25, 2000, Berliner Effektengesellschaft AG, Berlin, has held only 23.1 % so that Consors Capital Bank AG, which was included fully in the consolidation as at the end of the prior year, has been included since May 25, 2000, and as at December 31, 2000, only at equity. For purposes of comparison, we reproduce the figures of the prior year additionally with the adjusted scope of consolidation.

The Group Berliner Effektengesellschaft AG is included in the consolidated financial statements of Consors Discount-Broker AG, Hof/Saale, which are prepared in accordance with US-GAAP, and of SchmidtBank KGaA, Hof/Saale, (the ultimate Group company) which are prepared in accordance with the provisions of the Handelsgesetzbuch (HGB) – (German Commercial Code), in conjunction with the Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute (RechKredV) – (Bank Accounting Directive), each set of financial statements being published in the Bundesanzeiger (Federal Gazette) and deposited at the Local Court of Hof/Saale.

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

Preparation of the Group financial statements

The Group financial statements of Berliner Effektengesellschaft AG for the year ended December 31, 2000, were prepared in accordance with the provisions of the HGB and the RechKredV as last amended on December 11, 1998.

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

The subsidiaries included, which were first consolidated in the Group financial statements as at December 31, 1998, were consolidated according to the purchase 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 income of Berliner Effektenbeteiligungsgesellschaft AG which are not attributable to the Group, a balancing item was formed in the Group balance sheet under equity as "minority interests." Consors Capital Bank AG is included in the Group financial statements under the purchase method pursuant to Section 312 Subsection 1 Number 1 HGB.

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 position and results of operation, two associated companies are included in the Group balance sheet at acquisition cost instead of at equity. They are shown under the item "participatory investments." The financial statements were prepared in €.

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 RechKredV, in the balance sheet we show them under the items "bonds and other fixed-interest securities," "stocks and other non-fixed interest securities," "stocks in associated companies," "stocks in affiliated companies," 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" and "stocks in affiliated companies" as fixed assets. The write-offs which were not made for this reason amount to 7191,000 €.

Detectable risks have been accounted for by provisions and accruals.

Financial assets have been recorded at acquisition cost, taking account of probably permanent diminutions in value. We have valued tangible assets at acquisition or production costs and, where subject to wear and tear, deducted normal, fiscally permitted write-off using 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, which we have adopted from the financial statements of a subsidiary.

Liabilities are stated at their repayment amount.

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 judgment. Provisions 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.

Translation of currency

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 stocks which are quoted on a stock exchange in € and whose nominal value or computed nominal value (e.g. non-par stocks) is denominated in foreign currency. These might be, for example, stocks in US companies whose capital is denominated in US \$. 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 € 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 sole 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 € 2000	in € 1999	in € 1999 adjusted
Other receivables from banks			
a) In less than three months	64,817,400.44	36,019,677.10	12,824,765.80
b) More than three months and less than one year	0.00	0.00	0.00
c) More than one year and less than five years	0.00	0.00	0.00
d) More than five years	0.00	0.00	0.00
	64,817,400.44	36,019,677.10	12,824,765.80
Receivables from customers			
a) In less than three months	0.00	7,935,628.01	0.00
b) More than three months and less than one year	0.00	9,484,389.00	0.00
c) More than one year and less than five years	737,463.00	0.00	0.00
d) More than five years	0.00	0.00	0.00
e) Of indefinite term	258,913.81	2,071,796.52	127,297.20
	996,376.81	19,491,813.53	127,297.20
Liabilities to banks			
With agreed term or period of notice			
a) In less than three months	0.00	4,228,534.95	0.00
b) More than three months and less than one year	0.00	8,680.63	8,680.63
c) More than one year and less than five years	0.00	0.00	0.00
d) More than five years	0.00	1,275,000.00	1,275,000.00
	0.00	5,512,215.58	1,283,680.63
Other liabilities to customers			
With agreed term or period of notice			
a) In less than three months	0.00	20,853,385.46	0.00
b) More than three months and less than one year	0.00	50,062.25	0.00
c) More than one year and less than five years	0.00	0.00	0.00
d) More than five years	0.00	0.00	0.00
	0.00	20,903,447.71	0.00

Receivables from and liabilities to affiliated companies

The receivables from banks include 40,006,000 € receivables from Consors Capital Bank AG. There are no other receivables from affiliated companies or liabilities to affiliated companies.

Total amount of all assets and debts denominated in foreign currency

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

	in '000 € 2000	in '000 € 1999	in '000 € 1999 adjusted
Assets	15,719	19,150	13,045
Debts	5	6,441	900
Securities marketable on the stock exchange			
	in '000 € 2000	in '000 € 1999	in '000 € 1999 adjusted
Quoted on the stock exchange			
Bonds and other fixed-interest securities	0	154	154
Stocks and other non-fixed interest securities	4,802	2,787	2,787
Participatory investments	0	0	0
Stocks in affiliated companies	57,232	0	0
Stocks in associated companies	0	0	0
Not quoted on a stock exchange			
Bonds and other fixed-interest securities	198	214	214
Stocks and other non-fixed interest securities	2,987	16,019	9,669
Participatory investments	13,554	17,979	16,979
Stocks in affiliated companies	0	0	0
Stocks in associated companies	7,564	0	8,327
Total of listed investments			
Bonds and other fixed-interest securities	198	368	368
Stocks and other non-fixed interest securities	7,789	18,806	12,456
Participatory investments	13,554	17,979	16,979
Stocks in affiliated companies	57,232	0	0
Stocks in associated companies	7,564	0	8,327

The securities in the portfolio are all listed on stock exchanges. Stocks which are quoted in the over-the-counter market of a German stock exchange do not qualify as listed on a stock exchange in the meaning of the RechKredV. No amounts are due from the bonds and other fixed-interest securities in less than one year.

Goodwill

In the consolidation of the subsidiaries existing at December 31, 2000, there resulted an asset difference (goodwill) of 7,829,203.23 €. This is made up as follows: Berliner Freiverkehr (Aktien) AG

6,295,327.59 €.

Berliner Effektenbeteiligungsgesellschaft AG
1,533,875.64 €.

The goodwill of Berliner Freiverkehr (Aktien) AG is being amortized over ten years, whilst the goodwill of Berliner Effektenbeteiligungsgesellschaft AG is being amortized over four years. Goodwill totalling 5,645,816.58 € was shown at December 31, 2000.

This item at December 31, 1999, also includes the goodwill of Consors Capital Bank AG. It was determined in the initial consolidation in the Group financial statements as at December 31, 1998. Since 42.1 % of the interest in Consors Discount-Broker AG was divested, the amount is reduced from 4,601,626.93 € to 2,662,078.76 €. With the change in the participatory ratio to 23.1 %, Consors Capital Bank AG is now included in the Group financial statements at equity under "stocks in associated companies." In this connection, the remaining goodwill, which at December 31, 2000, amounts to 1,331,489.38 €, account having taken of write-offs of 1,331,000 €, has been reclassified from intangible assets to the item "stocks in associated companies."

The additions to "stocks in associated companies" in the financial year include solely the stocks in the result of Consors Capital Bank AG relating to the Group.

The amounts in the column "change in scope of consolidation" derive from the move from full to at equity inclusion of Consors Capital Bank AG. The write-offs are the total amount of write-offs in the goodwill from January 1, 1999, to December 31, 2000, which was still in the books at December 31, 2000. Under the write-offs in the financial year, the write-offs in the period of the full consolidation and of the at equity inclusion are given in total. In the amount of 338,000 € they relate to

the period of the at equity inclusion and are included in the income statement under the item 3. c) "current earnings from stocks in affiliated companies." The portion relating to the period of full consolidation in the amount of 278,000 € is included under 10. "write-offs, amortization and write-downs on intangible assets and tangible assets."

The item "stocks in affiliated companies" shows interests in Consors Discount-Broker AG, the controlling company.

The write-offs shown under securities of fixed assets were made on account of a probable lasting diminution of value.

Development of fixed assets

	Acquisition costs in '000 €	Additions in the financial year in '000 €	Disposals in the financial year in '000 €	Change in scope of consolidation in '000 €	Write-offs in total in '000 €	Write-offs in the financial year in '000 €	Net book value at 12-31-2000 in '000 €	Net book value in prior year in '000 €	Net book value in prior year (adjusted) in '000 €
Financial assets									
Stocks in associated companies	0	2,479	0	5,417	1,331	666	6,565	0	6,659
Stocks in affiliated companies	0	57,232	0	0	0	0	57,232	0	8,327
Participatory investments	17,979	750	5,175	0	0	0	13,554	17,979	0
Securities of fixed assets	2,525	1,351	2,408	0	33	33	1,435	2,525	2,525
Total financial assets	20,504	61,812	7,583	5,417	1,364	699	78,786	20,504	17,511
Tangible fixed assets	3,070	3,809	2,442	0	1,242	699	3,195	2,277	1,726
Intangible economic assets									
Intangible fixed assets	0	113	2	0	6	6	105	0	0
Goodwill	12,431	0	1,939	-2,663	2,183	1,214	5,646	10,110	6,659
Total intangible assets	12,431	113	1,941	-2,663	2,189	1,220	5,751	10,110	6,659
Total fixed assets	36,005	65,734	11,966	2,754	4,795	2,618	87,732	32,891	25,896

Other current assets

"Other current assets" comprise items which cannot be subsumed under other balance sheet items on the assets side. They relate mainly to receivables from the tax authority. The item also includes 261,000 € receivables from associated companies which are due in 2001 as well as 220,000 € receivables from a stockholder.

Deferred tax assets

The Steuerverlastungsgesetz (Tax Relief Law) 2000/2001/2002 includes a new regulation of write-offs to discounted values. For us, the new regulation has effects on the fiscal computation of write-offs on securities of current assets. For the stock prices which have risen in the period up to the preparation of the balance sheet, the commercial write-offs effected as at December 31, 2000, of some stocks of the trading portfolio may not be taken into account fiscally. The sale of these stocks 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. The amount was taken from the individual financial statements of a subsidiary.

Other liabilities

"Other liabilities" comprise items on the equity and liabilities side which cannot be subsumed under other balance sheet items. Of the 740,000 €, 580,000 € relate to trade accounts payable and 157,000 € to payroll-deducted wages tax and social insurance contributions which have still to be paid.

Provisions and accruals

"Other provisions and accruals" comprise principally amounts for the bonuses which are probably payable for 2000.

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 (FördGG) – (Regional Aid Act). They are released regularly over the useful life of the fixed assets and the amounts allocated to income.

In 2000, write-backs were made in the amount of 21,517.87 €. Additional provisions in the amount of 200,56 € were made in the financial year on account of excessive write-backs in the past.

Stock capital

At December 31, 1999, the capital was 13,256,312 €. On June 15, 1999, the stockholders' meeting authorized the Board to increase the stock capital by up to 3,270,000 € against cash contribution. Under this authorization, in July 2000, the stock capital was increased by 662,815 €. To take up stocks in Berliner Effektenbank AG, now renamed Consors Capital Bank AG, the stock capital was increased by an additional 773,955 €. As a further capital increase, an exchange of stocks was undertaken with Consors Discount-Broker AG, in connection with which 1,576,132 individual stocks of no-par value with an arithmetical value of 1,576,132 € were issued. The bonus warrants issued in 1999 provided entitlement in July 2000 to a subscription of stocks in Berliner Effektengesellschaft AG. Of the maximum of 654,000 individual stocks of no-par value, 527,771 were subscribed. At December 31, 2000, the stock capital was therefore 16,796,985 €, divided into 16,796,985 individual stocks of no-par value.

We have received the reports prescribed by Section 21 Subsection 1 of the Wertpapierhandelsgesetz (WpHG) – (Securities Trading Law) in the wake of the changes in the composition of the stockholders and made the publications in a national journal for

statutory stock market advertisements in accordance with Section 25 Subsection 1 WpHG. These notifications state that Consors Discount-Broker AG holds 53.0 % and Holger Timm 24.98 % of the stocks in Berliner Effektengesellschaft AG.

Approved capital

Two capital increases were performed from the existing tranches of approved capital. The above-described capital increase against cash contribution was from approved capital I, whilst the exchange of stocks with Consors Discount-Broker AG was from approved capital II. Following these capital increases, the remaining approved capital I amounted to 2,607,185 € and the remaining approved capital II was 743,601 €. The Board was authorized by the stockholders' meeting of July 6, 2000, to increase the stock capital until July 5, 2005, with the consent of the Supervisory Board, by issue of new individual stocks against cash or non-cash contribution once or more than once by a total of up to 6,628,156 €. The previous authorization and the distinction between approved capital I and approved capital II were thereby terminated.

Contingent capital

The stockholders' meeting of June 15, 1999, had resolved to increase contingently the stock capital by 600,000 € for an employee option scheme (contingent capital I) and by 5,940,000 € for the issue of stock option warrants without bonds (contingent capital II). On the basis of the contingent capital increase 13,080,000 warrants were issued.

In July 2000, the exercise of subscription rights for one stock at 30 € for 20 warrants was possible. The options were exercised for 527,771 stocks. The warrants issued also grant further entitlement to subscription to one stock at 36 € for 20 warrants in July 2001.

Capital reserves

A total of 85,776,722 € was allocated to the capital reserves from the different capital measures in 2000.

Revenue reserves

A total of 37,800,847 € was allocated to the revenue reserves in the Group. Of this amount 31,274,484 € relate to the reserve for own stocks. The reserve is lower than the own stocks, since the stocks of outside parties are shown in the balance sheet item of the reserve formed in a subsidiary. 27,664,728 € of the amount relate to the reserve for own stocks in Consors Discount-Broker AG, the controlling company. The amounts correspond to those in the individual financial statements.

Balancing item for minority interests

The balancing position for "minority interests" relates to Berliner Effektenbeteiligungsgesellschaft AG.

It is made up as follows:	
Stock capital:	1,533,875.65 €
Capital reserves:	30,677.51 €
Revenue reserves:	
Statutory reserve:	122,710.05 €
Reserve for own stocks:	559,020.00 €
Other revenue reserves:	1,436,896.66 €
Retained earnings:	269,380.62 €

Own stocks

On June 15, 1999, the stockholders' meeting authorized us, pursuant to Section 71 Subsection 1 Number 8 Aktiengesetz (AktG) – (Stock Corporation Act), to acquire own stocks for the purpose of sale or for withdrawal from circulation of up to 10 % of the nominal capital. On July 6, 2000, the stockholders' meeting revised the authorization. It is now limited in time until December 1, 2001, and to 10 % of the nominal capital of July 6, 2000, i.e. 1,325,631 stocks.

Since September 1999, these authorizations have been made use of by selling stocks. The following table shows the number of stocks traded by calendar month. The purchases were made exclusively through the stock exchange. In 2000, Berliner Effektengesellschaft AG and the subsidiaries acquired 227,334 stocks (of which, 150,422 acquired by Berliner Effektengesellschaft AG) for 6,131,000 € (of which, 4,110,000 € paid by Berliner Effektengesellschaft AG). Moreover, 76,212 stocks were transferred to us in December without charge. From the sale of 67,456 stocks (of which, 27,812 Berliner Effektengesellschaft AG), proceeds were obtained totalling 1,992,000 € (of which 847,000 € Berliner

Effektengesellschaft AG). The result of the Group contains profits of 241,000 € from the sale of own stocks. The portfolio remaining in the Group at December 31, 2000, had to be written down by 210,000 € on account of strict adherence to the principle of lower of cost or market. We have already commented above on the formation of the reserve for own stocks.

The portfolio of 261,903 own stocks existing at December 31, 2000, corresponds to 1,56 % of the stock capital on the balance sheet date.

We have 25,645 warrants with a value of 10,000 € in the portfolio. As at December 31, 2000, we had not sold any warrants.

Month	Number of stocks purchased/ transferred	Number of stocks sold/dispensed	Proportion of nominal capital
Brought forward	25,813	-	0.20 %
January 2000	18,090	9,098	0.14 %
February 2000	13,508	10,030	0.10 %
March 2000	7,000	-	0.05 %
April 2000	-	3,000	0.00 %
May 2000	-	10,340	0.00 %
June 2000	-	-	0.00 %
Sub-total			
Authorization 1999	64,411	32,468	0.49 %
July 2000	9,888	15	0.07 %
August 2000	2,000	-	0.02 %
September 2000	19,297	24,229	0.15 %
October 2000	21,683	-	0.16 %
November 2000	51,684	10,744	0.39 %
December 2000	160,396	-	1.21 %
Total			
Authorization 2000	264,948	34,988	2.00 %
Grand total	329,359	67,456	2.48 %

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).

Other operating income

Of the "other operating income" amounting to 3,009,000 €, 1,645,000 € relate to profits from the sale of participatory investments, 851,000 € relate to cost charge-outs and 292,000 € to the profit from the sale of a part of Consors Capital Bank AG.

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.

Derivative financial instruments – According to volume –

	Nominal value 12-31-2000	Nominal value 12-31-1999	Credit risk equivalent 12-31-2000
in '000 €			
Transactions with other price risks	-	84,114	-
Total	-	84,114	-

Other operating expenses

The "other operating expenses" in the amount of 185,000 € are due mainly to losses from the sale of participatory investments.

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 was one transaction for own account in a contract subject to a price risk.

There were no forward transactions outstanding at the balance sheet date. The prior year figures relate to Consors Capital Bank AG.

Derivative financial instruments – According to terms –

Nominal value in '000 €	Stock and other price risks		Currency risks		Interest risks	
	12-31-2000	12-31-1999	12-31-2000	12-31-1999	12-31-2000	12-31-1999
Less than one year	-	84,114	-	-	-	-
One to five years	-	-	-	-	-	-
Over five years	-	-	-	-	-	-
Total	-	84,114	-	-	-	-

Derivative financial instruments – According to contracting parties –

in '000 €	Nominal value	Nominal value	Credit risk
	12-31-2000	12-31-1999	equivalent 12-31-2000
OECD banks	-	42,057	-
Non-OECD banks	-	-	-
Clients (incl. exchange-traded contracts)	-	42,057	-
Public sector	-	-	-
Total	-	84,114	-

Other financial commitments

The Group has obligations of 2,332,000 € from rental, leasing and servicing contracts.

They relate mainly to rental contracts for office premises.

Berliner Freiverkehr (Aktien) AG has taken up guarantee lines from various banks. The total amount is 9,283,000 €. 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. We have pledged balances and securities with a value of 4,783,000 € for the surety credits.

Interests held

The following information relates to December 31, 2000, or the financial year 2000, unless otherwise specified.

Affiliated companies included in the Group financial statements:

Berliner Effektenbeteiligungsgesellschaft AG, Berlin

Nominal capital: 2,556,459.41 €
Interest held: 40.0% 1,022,583.76 €
Equity: 7,408,531.31 €
Net income: 4,172,599.73 €

Berliner Effektenbeteiligungsgesellschaft AG is under the uniform management of Berliner Effektengesellschaft AG.

Berliner Freiverkehr (Aktien) AG, Berlin

Nominal capital: 5,000,000.00 €
Interest held: 100.0% 5,000,000.00 €
Equity: 69,796,848.58 €
Net income: 36,909,156.54 €

The associated companies are:

Consors Capital Bank AG, Frankfurt/Main (formerly Berliner Effektenbank AG, Berlin)

Nominal capital: 10,000,000.00 €
Interest held: 23.1% 2,314,815.00 €
Equity: 22,608,655.99 €
Net income: 10,708,654.47 €

Online Securities Holding Inc., Delaware, USA

Nominal capital: 221,651.05 US \$
Interest held: 34.0% 75,454.55 US \$
Equity: 3,919,879.00 US \$
Net income 1999: 128,514.00 US \$

Hecaron AG, Munich

Nominal capital: 800,000.00 €
Interest held: 21.8% 174,400.00 €

Employees

The number of employees has developed as follows:

	Female	Male	Total
Average of the year			
Board members	2	4	6
Traders	12	26	38
Other employees	14	21	35
Total	28	51	79
As at December 31, 2000			
Board members	1	3	4
Traders	13	29	42
Other employees	16	25	41
Total	30	57	87

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

The associated companies Online Securities Holding Inc. and Hecaron AG 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.

Corporate bodies of Berliner Effektengesellschaft AG (Status: April 30, 2001)

Members of the Board:

Dr. Jörg Franke, Frankfurt/Main
(since February 1, 2001)

CEO

Chairman of the Supervisory Board:
EINX AG, Salzburg, Austria (from May 2001)
Member of the Supervisory Board:
EUREX Bonds GmbH, Frankfurt/Main
(since February 1, 2001)

Dr. Wolfgang Janka, Berlin

Member of the Board of Consors Capital Bank AG,
Frankfurt/Main (until March 31, 2001)
Chairman of the Supervisory Board:
FBFI Free Zone Berlin-Brandenburg International
AG, Berlin
Member of the Supervisory Board:
COR AG Insurance Technologies, Leinfelden-
Echterdingen
InfoGenie Europe AG, Berlin
Member of the Board:
Ladenburg Thalmann & Co. Inc., New York, USA

Dr. Guido G. R. Sandler, Berlin

(until September 30, 2000)

Member of the Board of E*Trade Germany AG, Berlin
Chairman of the Supervisory Board:
Hecaron AG, Munich
PROCEO Holding AG, Berlin
Member of the Supervisory Board:
EQR Equity Technology Capital AG, Berlin
musicmusicmusic Inc., Delaware, USA

Holger Timm, Berlin

CEO
Chairman of the Board of Berliner Freiverkehr (Aktien)
AG, Berlin
Member of the Board of Berliner Effektenteilungsgesellschaft AG, Berlin
Chairman of the Supervisory Board:
Cybermind AG, Berlin
Member of the Supervisory Board:
Consors Capital Bank AG, Frankfurt/Main
EuroChange AG, Berlin
Member of the Board:
Ladenburg Thalmann & Co. Inc., New York, USA

Members of the Supervisory Board:

Christian Graf von Bassewitz, Düsseldorf,

banker (until November 30, 2000)

Chairman of the Supervisory Board:
Condor Versicherungen AG, Hamburg
Optima Versicherungen AG, Hamburg
Deputy Chairman of the Supervisory Board:
DePa Deutsche Pfandbriefbank AG, Wiesbaden
DePa Holding Verwaltungsgesellschaft mbH,
Frankfurt/Main
Member of the Supervisory Board:
Deutscher Ring Krankenkassenvereine a.G.,
Hamburg
Familia Handels-Zentralgesellschaft mbH & Co. KG,
Heidelberg
Universal-Investment-Gesellschaft mbH,
Frankfurt/Main
Member of the Administration Board:
Lampbank International SA, Luxemburg

Andra Dujardin, Berlin, entrepreneur

Member of the Supervisory Board:
Berliner Effektenteilungsgesellschaft AG, Berlin

Carl-Thomas Epping, Hamburg,

entrepreneur (until April 2, 2001)

Deputy Chairman of the Supervisory Board:
Geco AG, Hamburg
Member of the Supervisory Board:
Berliner Effektenteilungsgesellschaft AG, Berlin
CDRB Holding AG, Düsseldorf
Qualimed AG, Cologne

Dr. Reto Francioni, Hof/Saale

(Chairman since January 29, 2001)

CEO of Consors Discount-Broker AG, Hof/Saale
Chairman of the Supervisory Board:
Consors Capital Bank AG, Frankfurt/Main
Member of the Supervisory Board:
Conrad Holding GmbH, Hirschau
Consors España S.V.S.A., Madrid, Spain
Consors OnLine Broker SIM S.p.A., Milan, Italy
Consors Schweiz AG, Zurich, Switzerland
ONBanca S.p.A., Milan, Italy

Wolfgang Hermanni, Berlin, businessman

(Deputy Chairman since January 29, 2001)

Chairman of the Supervisory Board:
Berliner Effektenteilungsgesellschaft AG, Berlin
Berliner Freiverkehr (Aktien) AG, Berlin
EuroChange AG, Berlin
Member of the Supervisory Board:
Cybermind AG, Berlin

Dr. Andor Koritz, Berlin, lawyer

(since April 2, 2001)

Member of the Supervisory Board:
Berliner Freiverkehr (Aktien) AG, Berlin

Detlef Prinz, Berlin, entrepreneur

Dr. Günter Rexrodt, Berlin, member of the

Bundestag (federal parliament), former
federal minister for economics

Chairman of the Supervisory Board:
Deutsche Real Estate AG, Bremerhaven
gecco.net AG, Berlin
Member of the Supervisory Board:
AWD AG, Hannover
DTZ Zadelhoff Holding GmbH, Frankfurt/Main
Euro Ratings AG, Frankfurt/Main
Factumedia AG, Berlin
IhrPreis.de AG, Düsseldorf

Remuneration of members of corporate bodies of Berliner Effektengesellschaft AG

The members of the Board received for their activity for Berliner Effektengesellschaft AG and its subsidiaries remuneration in the amount of 1,726,000 €. The remuneration of the members of the Supervisory Board was 98,000 €.

Group segment reporting

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

The Berliner Effektengesellschaft 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 stockbrokerage business, which is operated by Berliner Freiverkehr (Aktien) AG. The purchase and sale of securities are arranged through the stockbrokerage business. From the transactions arranged, commission income is obtained and trading profits obtained from the short-term assumption of own securities portfolio. The banking transactions, which focus on new issues and investment advice, are handled by Consors Capital Bank AG. Since the bank's activities are focused on services, income here 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. The bank was fully consolidated in the Group financial statements for the period from January 1, 2000, until May 24, 2000. From May 25 the inclusion was at equity, so that the result relating to this period is shown in the column "group" under "interest in equity." Finally, the provision of venture capital is located at Berliner Effektenteilungsgesellschaft AG. The results obtained from the investment in participations and the subsequent placing of the stocks in the market or with other investors are shown under "result from financial transactions." Berliner Effektengesellschaft AG supports the subsidiaries in meeting their business goals and external requirements. Besides

the income from participatory interests and the tax recharges, which must be eliminated from the Group result as part of the consolidation, only interest income is obtained here from the placement of liquid funds. On account of the separation of the segments between individual companies, the figures of the individual income statements have been adopted without modification. In the bridge, the consolidation items are shown alongside the totals of the segments to give the Group figures.

GROUP SEGMENT REPORTING

BERLINER EFFEKTEGENESCHAFT AG, BERLIN

	Group management		Stockbrokerage business		Private banking/ Corporate finance		Venture capital		Total		"Consolidation item"		Group	
	in '000 €		in '000 €		in '000 €		in '000 €		in '000 €		in '000 €		in '000 €	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
Interest income	58,245	31,681	1,399	507	400	1,026	11	33	60,055	33,247	-53,716	-31,588	6,339	1,659
Commission income	-4	-3	24,661	15,195	2,239	6,149	-260	-92	26,636	21,249	-	-1,294	26,636	19,955
Result from financial transactions	-	-128	52,571	35,309	1,891	-963	1,511	-1,443	55,973	32,775	-	-	55,973	32,775
Total	58,241	31,550	78,631	51,011	4,530	6,212	1,262	-1,502	142,664	87,271	-53,716	-32,882	88,948	54,389
General administrative expenses														
(including write-offs)	-3,460	-2,343	-18,111	-12,452	-2,473	-5,113	-1,350	-126	-25,394	-20,034	-1,486	-492	-26,880	-20,526
Other expenses/income	-22,589	6,387	479	306	43	429	11	-	-22,056	7,122	24,880	-6,756	2,824	366
Result before provision for risks	32,192	35,594	60,999	38,865	2,100	1,528	-77	-1,628	95,214	74,359	-30,322	-40,130	64,892	34,229
Total provision for risks	-43	-	-1,641	-92	-1,048	-483	7,492	-	4,760	-575	-	-	4,760	-575
Result after provision for risk	32,149	35,594	59,358	38,773	1,052	1,045	7,415	-1,628	99,974	73,784	-30,322	-40,130	69,652	33,654
Segment assets	35,837	200	45,638	32,065	-	80,396	5,799	800	87,274	113,461	-	-12,742	87,274	100,719
Cash reserve	1	1	2	7	-	1,855	-	-	3	1,863	-	-	3	1,863
Due from banks	35,836	199	43,772	23,799	-	52,591	2,979	237	82,587	76,826	-	-12,508	82,587	64,318
Due from clients	-	-	258	127	-	19,599	739	-	997	19,726	-	-234	997	19,492
Trading assets	-	-	1,606	8,132	-	6,351	2,081	563	3,687	15,046	-	-	3,687	15,046
Segment liabilities	-	-	731	1,761	-	70,886	-	1,284	731	73,931	-	-12,675	731	61,256
Due to banks	-	-	142	1,078	-	9,269	-	1,284	142	11,631	-	-	142	11,631
Due to clients	-	-	584	20	-	61,617	-	-	584	61,637	-	-12,675	584	48,962
Debt securities in issue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Trading liabilities	-	-	5	663	-	-	-	-	5	663	-	-	5	663
Risk positions	104,736	59,943	24,294	10,480	-	34,835	27,097	3,359	156,127	108,617	-43,100	-42,583	113,027	66,034
Risk assets	104,475	59,924	15,456	9,791	-	33,821	9,122	3,207	129,053	106,743	-43,100	-42,453	85,953	64,290
Market risks positions	261	19	8,838	689	-	1,014	17,975	152	27,074	1,874	-	-130	27,074	1,744
Equity capital														
(without retained earnings)	146,778	49,256	32,897	10,064	-	11,900	6,139	2,863	185,814	74,083	-9,426	-15,510	176,388	58,573
Average number of employees	7	2	73	51	-	18	-	-	80	71	-1	-	79	71
Return on allocated capital	21.9 %	72.3 %	180.4 %	385.3 %	-	8.8 %	120.8 %	-56.9 %	53.8 %	99.6 %	321.7 %	258.7 %	39.5 %	57.5 %
Expense/income ratio	9.7 %	6.2 %	22.9 %	24.3 %	54.1 %	77.0 %	106.0 %	-8.4 %	-	-	-	-	-	-

Return = Result after provision for risks/share of equity capital

Group cash flow statement

The following Group cash flow statement was drawn up according to Deutscher Rechnungslegungsstandard Nr. 2 (German Accounting Standard Number 2) in conjunction with Deutscher Rechnungslegungsstandard Nr. 2-10 (German Accounting Standard Number 2-10), which contains supplementary regulations for banks. The Group cash flow statement contains the payment flows of Consors Capital Bank AG for the period from January 1, 2000, to May 24, 2000.

On account of the activities of the companies in the Group, cash and cash equivalents contain the cash balances of all companies, the balances held at the Deutsche Bundesbank (Federal Bank of Germany) and the call money held at banks by Berliner Effekten-gesellschaft AG, Berliner Freiverkehr (Aktien) AG and Berliner Effekten-beteiligungsgesellschaft AG. We have classified the call balances held at banks, which are maintained by Consors Capital Bank AG, under operating business. As the bank ceased to be consolidated at May 24, 2000, cash holdings are reduced by the amounts held by Consors Capital Bank AG. The balances kept with the bank by the consolidated companies are now recorded under total cash and cash equivalents. The cash flow from current operating activities includes the changes in the overnight loans and fixed-term deposits of Berliner Effektingesellschaft AG, of Berliner Freiverkehr (Aktien) AG and of Berliner Effektenbeteiligungsgesellschaft AG. At the balance sheet date, there were overnight funds amounting to 4.5 million € and fixed-term funds totalling 64.8 million €. We have classified a loan taken up by Berliner Effektenbeteiligungsgesellschaft AG from Kreditanstalt für Wiederaufbau (German Reconstruction Loan Corporation) under financing activity. It was repaid prior to maturity.

Minority stockholders have not made any capital contributions. They did not receive any distributions.

The Group cash flow statement does not include the capital increases which occurred in connection with the participation of the Consors Group, nor does it include the addition of the participation in Consors Discount-Broker AG. Since in this case use was made of the authorization to raise capital against contribution in kind, this is a non-cash event in terms of the cash flow account. There were no other non-cash events of significance in 2000.

Berlin, April 2, 2001
Berliner Effektingesellschaft AG

Holger Timm

Dr. Jörg Franke

Dr. Wolfgang Janka

GROUP CASH FLOW STATEMENT

BERLINER EFFEKTEGENESCHAFT AG, BERLIN

	in '000 €	in '000 €
	2000	1999
Net income	50,140	16,484
Non-cash items and reconciliation to the cash flow from operating activities contained in the net income		
Write-offs, adjustments and write-ups on tangible and financial assets	2,619	2,703
Changes in provisions and accruals	5,976	-5,393
Change in non-cash items	-8,625	-5,395
Profit/loss from the sales of financial and tangible assets	-1,811	-
Other adjustments (balance)	-4,449	3,954
Sub-total	43,850	12,353
Changes in net assets and liabilities from operating activities after correction for non-cash components		
Receivables		
from banks	-89,367	7,614
from customers	-3,443	-9,801
Securities (unless financial assets)	2,461	-13,097
Other asset items from operating business activity	4,367	-3,469
Liabilities		
to banks	-1,116	6,915
to customers	34,401	-4,952
Securitized liabilities	-	-
Other liability items from operating business activity	-2,236	-94
Extraordinary payments received	-	-
Extraordinary payments made	-	-
Cash flow from current operating activities	-11,083	-4,531
Including: interest and dividends received	64,909	2,679
Interest paid	-887	-1,045
Payments of income tax	-35,028	-50,562
Payments received from the sale of		
Financial assets	5,820	-
Tangible fixed assets	148	46
Payments made for the purchase of		
Financial assets	-2,101	-13,989
Tangible fixed assets	-3,865	-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 (balance)	-	-
Cash flow from investment activity	2	-15,283
Payments received from capital increases	35,718	29,048
Dividend payments	-18,027	-12,038
Purchase and sale of own stocks	-4,217	856
Changes in Funds from subordinated capital as well as other hybrid capital (balance)	-	-
Loans taken up	-	1,275
Payments made for the redemption of loans	-1,275	-
Cash flow from financing activity	12,199	19,141
Total cash and cash equivalents at end of the prior period	9,929	10,602
Of which cash reserve	1,863	5,733
Of which receivables from banks due daily	8,066	4,869
Cash flow from current operating activities	-11,083	-4,531
Cash flow from investment activity	2	-15,283
Cash flow from financing activity	12,199	19,141
Changes in cash and cash equivalents on account of exchange rates, scope of consolidation and valuation	-367	-
Total cash and cash equivalents at end of period	10,680	9,929
Of which cash reserve	3	1,863
Of which receivables from banks due daily	10,677	8,066

SUMMARIZED MANAGEMENT REPORT AND GROUP MANAGEMENT REPORT OF BERLINER EFFEKTEGENESCHAFT AG TO THE ANNUAL FINANCIAL STATEMENTS AND GROUP FINANCIAL STATEMENTS FOR THE YEAR 2000

1. GENERAL COMMENTS ON THE ECONOMIC ENVIRONMENT

The year 2000 began with an extraordinarily high business volume in the areas in which the Berliner Effektengesellschaft AG Group is active. The Group was able to profit from this. In particular, after only the first quarter, the 100 % subsidiary Berliner Freiverkehr (Aktien) AG was able to report a tripling of its sales and earnings over the corresponding quarter in the prior year.

This very welcome first quarter of the financial year 2000 was followed by a somewhat muted second quarter and an extraordinarily negative environment in the whole of the second half of 2000, which became even more marked in the last two months.

The following table summarizes the development of the main indexes which are of significance for the activity of the Berliner Effektengesellschaft AG Group:

	1-3-2000	3-31-2000	6-30-2000	9-30-2000	12-29-2000
DAX	6,750.76	7,599.39	6,898.21	6,798.12	6,433.61
NEMAX 50	5,136.34	7,382.70	6,601.17	5,195.99	2,859.28
NEMAX All Share	4,656.68	6,707.05	5,343.49	4,852.04	2,729.86
NASDAQ	4,131.15	4,572.83	3,966.11	3,672.82	2,470.52

2. THE MERGER WITH CONSORS DISCOUNT-BROKER AG

Substantial changes in the wake of the globalizing capital markets, in particular new technological developments and new competitors, already came into view in 1999. It was therefore the declared aim of the Board for the financial year 2000 to find as soon as possible partners for a strategic participation, who would be able to support and strengthen the business of the Group. The Board was also concerned to find means and ways to maintain the Berlin location for the business fields of the Group. These reflections led to exploratory talks with Consors Discount-Broker AG (referred to hereafter as "Consors") from the end of the year 1999, the negotiations

finally culminating in the conclusion of a comprehensive contract which was signed jointly on May 24, 2000. The principal details of the agreement may be summarized as follows:

- Consors takes over a majority (initially 67 %, after employee participation 60 %) of the nominal capital in Consors Capital Bank AG (formerly Berliner Effektenbank AG), and
- Consors takes over 53 % of Berliner Effektengesellschaft AG.

The majority participation by Consors in Berliner Effektengesellschaft AG brought about the strategically desirable deep vertical integration whilst the order flows of the leading European online broker were integrated long-term into the core business

field of the Group. Through its takeover of the majority in Consors Capital Bank AG, Consors acquired an already operational platform for the establishment of its own investment bank.

To strengthen the equity basis of the Group, two cash capital increases were implemented, which were guaranteed by Consors as part of the overall contract.

In addition, in two separate transactional steps an exchange of stocks with Consors took place from the approved capital of the two companies under exclusion of the subscription right. The focus of the deal related to the former majority stockholder of the Group, Holger Timm, who in the wake of the transaction transferred his controlling stockholder influence in Berliner Effekten-gesellschaft AG to Consors. Consors submitted to outside stockholders in the company an exchange offer in conformity with the regulations of the Neuer Markt.

The transaction had a positive effect on the business development of Berliner Freiverkehr (Aktien) AG, especially in the second half of 2000.

3. COURSE OF BUSINESS

a) Berliner Effektengesellschaft AG

The financial statements of Berliner Effektengesellschaft AG are substantially influenced by the profit distributions of the subsidiaries and of Consors Capital Bank AG as well as by the loss arising from the contribution of stocks in Consors Discount-Broker AG to Berliner Freiverkehr (Aktien) AG. The net income for the year 2000 amounts to 18,462,000 € (prior year 18,594,000 €). Following the capital increases, the balance sheet total rose to 161,357,000 €. Of this amount, 97.3% relates to equity, which amounts to 157,079,000 €. This is an increase of 89,752,000 € over the prior year.

At the beginning of the financial year 2000, Berliner Effektengesellschaft AG made use of its contingent capital for an employee option scheme. The members of the Board and the other employees in the Group were offered a total of 200,000 options to purchase stocks in Berliner Effektengesellschaft AG. Of the 186,500 options which were accepted, 127,500 were still outstanding at December 31, 2000.

The term of the options is five years, the exercise price is 27 €. The options can be exercised from March 2002 at the earliest.

After the agreement was signed with Consors on May 24, 2000, it formed the main subject of the stockholders' meeting on July 6, 2000. In the report of the Board to the stockholders' meeting, the advantages of the transaction for the company were explained and were commented on favorably by stockholders who were present.

In July 2000, the exercise of the bonus options issued one year earlier led to an increase in equity of 15.8 million €, while the capital increase with subscription right contributed in July 2000 a further increase in equity of 20.0 million €. Parallel to this, a number of stockholders accepted the public exchange offer made by Consors. In total, 2,359,243 individual stocks in Berliner Effektengesellschaft AG were submitted for exchange for Consors stocks in a ratio of 2.7:1.

In the course of the transaction with Consors, Berliner Effektengesellschaft AG assumed two tranches of Consors stocks. It received one tranche for the order routing of outside stocks as well as the passing on of own stocks to Consors Capital Bank AG. The three individual stockholders from the Board of Consors Capital Bank AG had first contributed substantial shares of the participation held by them in Consors Capital Bank AG to Berliner Effektengesellschaft AG

and in the course of this transaction paid all outstanding preference dividends including interest in favor of Berliner Effektengesellschaft AG. The latter transferred the stocks so obtained in Consors Capital Bank AG as well as further own stocks in Consors Capital Bank AG to Consors. The transfer was at book values. Hence no profits were recorded in the annual financial statements from the sale of the stocks in Consors Capital Bank AG. The second tranche originated from an exchange of stocks, which had been agreed by Consors Discount-Broker AG and Berliner Effektengesellschaft AG. In each case, new stocks from approved capital were exchanged under exclusion of the subscription right.

The exchange ratio was based on the average stock prices of the two companies prior to the conclusion of the contract as well as on a "fairness opinion" drawn up by the auditors. This package of Consors stocks was contributed in December to Berliner Freiverkehr (Aktien) AG. The equity of Berliner Freiverkehr (Aktien) AG was strengthened and, on account of the lower price on the day of the Consors stock, a loss was recorded by Berliner Effektengesellschaft AG.

In its financial statements for the year ended December 31, 2000, Berliner Effektengesellschaft AG accounts simultaneously for the participatory income from three companies in which it has interests.

b) Berliner Freiverkehr (Aktien) Handel AG, now

Berliner Freiverkehr (Aktien) AG

The year 2000 was characterized for the company by at times extreme market situations on the world stock exchanges, and especially on the "technology stock exchanges" NASDAQ and Neuer Markt, which are of special importance for the

stockbrokerage business. The sales and index levels reached an all-time high in the first quarter, while the further three quarters were marked by a continuous slide in prices, which was also reflected in considerable declines in turnover.

The competitive situation between national and international stock exchanges, but in particular through an increasing number of off-floor stocktrading platforms, has intensified, leading to an increasing fragmentation of the markets and of liquidity. New competitors from the stockbrokerage business continue to press forward to the core area of exclusive market specialist and market making. As a consequence of the intensified competition, there is pressure on stocktrading margins and fees of every kind in the financial market.

The most important participants in the capital markets for the company remain private investors, who mainly process their orders through various online brokers. Since the major online brokers are increasingly engaged in reflections on extending their value creation chain and in some cases have considered establishing their own stockbrokerage firms, or have announced this – up to a point where they formed own proprietary market places – it was for the company extremely important to guarantee a better tie-in of major clients. Hence the majority takeover announced in May of the parent company Berliner Effektengesellschaft AG by Consors Discount-Broker AG was very important for the further development of the company. The company is now integrated vertically through to the final customer and has a reliable link to substantial order flows.

The company has been able to maintain its leading role as an exclusive market specialist in the over-the-counter segment. However, in contrast with the prior year, in which several thousand new securities

were introduced in Germany, there has not been any notable further increase in the number of order books managed. One factor is that the company has meanwhile refocused on its core competence of stock-broking, resigning several hundred order books from the warrant area since these could no longer be managed economically, while another factor was that, as a result of company takeovers and mergers in the USA, there have been several hundred delistings of NASDAQ stocks. The declines on the one side were compensated for by a corresponding number of new stocks from different parts of the world for which the company applied for a listing in Germany. Hence at the end of the year the company was exclusive market specialist for a total of about 6,000 joint-stock companies, as before, on the Berlin and Frankfurt/Main Stock Exchanges.

The Internet platform for off-floor information and stocktrading, TradeGate, was completely re-designed and equipped with additional functions. Since November 2000, in a test phase, a defined group of users, namely the "star traders" of Consors Discount-Broker AG, has been linked fully electronically, and been able to make deals via TradeGate prior to and after stock exchange hours.

In the middle of the year, the company moved into new and technically better equipped trading premises at its headquarters at Kurfürstendamm 19, Berlin, thereby meeting the requirements arising from an increase in personnel and the extension of stocktrading times.

The net income for the year of Berliner Freiverkehr (Aktien) AG rose to 36.9 million € (+43.2%). The two most important income components were the surplus from the broker's fees and the result from financial transactions, especially from the name-to-follow transactions.

c) Berliner Effektenbeteiligungsgesellschaft AG

The earnings situation of Berliner Effektenbeteiligungsgesellschaft AG has developed particularly favorably. After a deficit in the financial year 1999 in the amount of 1,607,770 €, in 2000 there was a net income for the year of 4,172,599.73 €. A major portion of the result comes from the realization of hidden reserves. Also the short-term acquisition and sale of securities led under the line to a positive contribution to the company's profits. Berliner Effektenbeteiligungsgesellschaft AG will distribute a portion of the net income for the year. The remaining amounts will be retained and carried forward into the next business year.

Following the transaction with Consors Discount-Broker AG, the parallel stockholder structure of the former Berliner Effektenbank AG and Berliner Effektenbeteiligungsgesellschaft AG no longer exists. Therefore the originally intended division of tasks between these two companies is no longer feasible. Berliner Effektenbeteiligungsgesellschaft AG will create its own organizational structures to operate the investment business on a professional basis.

d) Berliner Effektenbank AG, now Consors Capital Bank AG

In the first half of 2000, Berliner Effektenbank AG, which changed name in the fourth quarter to Consors Capital Bank AG, turned in a good result. The second half of 2000 was marked by the upcoming structural changes and the consequent expenses. In the same period, the bank sold its participation in E*Trade Germany AG, making a substantial profit.

By the middle of the year 2000, the company, now known in its business transactions as Consors Capital Bank AG, had

succeeded in setting up its third area, namely securities settlement. This business area was operated actively from July. Since the beginning of the fourth quarter, further business fields have been under formation at Consors Capital Bank AG. These are a stocktrading department and a department for institutional sales. It was also decided to restructure the small department corporate finance and to increase its personnel three- to four-fold. The research department, which had consisted of only two members of staff, was similarly upgraded. By the end of 2000, Consors Capital Bank AG had hired seven more people for the business field equity research.

In total, the affiliated company Consors Capital Bank AG had thirty-seven employees at the year end. Prior to the end of the financial year 2000, it concluded forty employment contracts with new employees, all of whom will have taken up their activities by July 1, 2001.

Despite the considerable costs of development and extension, Consors Capital Bank AG succeeded in making a pre-tax profit of roughly 19.0 million €. The major part of this result will be distributed, so that the contribution to results that Berliner Effektenbank AG has from its remaining participation in Consors Capital Bank AG, will be roughly 2.3 million € after tax.

Following the completion of all corporate transactions, the participation of Berliner Effektengesellschaft AG in Consors Capital Bank AG declined from 40.0 % to 23.15 %. Consors Capital Bank AG will implement a capital increase which will be subscribed exclusively by Consors. As a result of the dilution from this unilateral capital increase and of a capital increase currently under way for employees, the participation of Berliner Effektengesellschaft AG in Consors Capital Bank AG will fall to 15.3 % in 2001.

4. CHANGES IN THE BALANCE SHEET STRUCTURE AND DISTRIBUTION POLICY

The changes in the balance sheet structure of the Group balance sheet as at December 31, 2000, demonstrate the success of the strategic expansion which the management pursued in the year 2000. Notwithstanding the departure of Consors Capital Bank AG from the companies included in the consolidation, the balance sheet total rose from 143.5 million € to 203.4 million €. Special note must be made of the equity situation. In the previous Group financial statements, equity was 76.6 million €, making out 53.4 % of the balance sheet total. In the Group financial statements for the year ended December 31, 2000, it had increased to 190.6 million €, or 93.7 % of the balance sheet total.

The difference in the results recorded in the individual financial statements of Berliner Effektengesellschaft AG and in the Group financial statements of Berliner Effektengesellschaft AG results from the measures commented elsewhere to increase the equity of Berliner Freiverkehr (Aktien) AG through the contribution of a tranche of Consors stocks and the simultaneously recorded book losses. From the Group perspective, this transaction is irrelevant since it is an unrealized intra-Group loss, but not from the perspective of the individual financial statements of Berliner Effektengesellschaft AG.

It is the net income for the year recorded in the individual financial statements that is relevant for the distribution behavior of Berliner Effektengesellschaft AG. Since this is charged with the book loss, only a limited distribution potential is available. This is further restricted by the portfolio of own stocks which Berliner Effektengesellschaft

AG has re-acquired on the basis of the approving resolution of the stockholders' meeting of July 6, 2000, and of the Consors stocks held in the portfolio as controlling company, for which amounts must be appropriated to the revenue reserves.

5. RISK MANAGEMENT

a) General information

Through the divestment of considerable parts of the participation in Consors Capital Bank AG and the integration in the Consors Group, the Berliner Effektingesellschaft AG Group is released of the obligation to submit summarized reports for the finance Holding group in the meaning of the Gesetz über das Kreditwesen (Banking Law). The finance Holding group is now included in the summarized reports of SchmidtBank KGaA, Hof/Saale, as majority stockholder of Consors Discount-Broker AG.

The area accounting/controlling in the Group was further expanded in the year 2000. Systems had partly to be reorganized, partly expanded, since the new Group parent company of Berliner Effektingesellschaft AG, Consors Discount-Broker AG, prepares its Group financial statements according to US-GAAP. The accounting system of the Group is able to fulfill these requirements. Alongside this external accounting system, a separate reporting system has been established for management and the members of the Supervisory Board. The members of the management are informed about substantial business events and developments. Detailed reports are prepared monthly, and reports are made to the Supervisory Board each quarter.

Through the change in the structure of the Group Berliner Effektingesellschaft AG, the earlier plan to fulfill the position of internal audit with own employees has been abandoned. At the time the manage-

ment report was being prepared, the ideal structure of an internal auditing department was in the final stages of agreement with the competent authorities. In the case of Berliner Freiverkehr (Aktien) AG, the auditing continues to be performed by an independent auditing company. This company is also instructed to observe other fields in the Group as a whole and to report any findings of note. The management has therewith established a further security element so as to be informed directly about any risk potential.

The principle operating risks of the Group include, as before, its dependence on EDP. The planned outsourcing of the computer center operation to an external service provider and the establishment of alternative data lines have taken place. Risk-monitoring systems from the EDP perspective, firewalls and other systems to repel unauthorized data transfer or data destruction, are updated continually. To this end, the Group has meanwhile an EDP department consisting of eight persons. The reliability of handling and security in the EDP area has proved to be successful when the move was made by the large stocktrading room of Berliner Freiverkehr (Aktien) AG within the company building.

The professional monitoring of the business decisions within the Group has been fine-tuned by structural measures from a commercial perspective. At the level of the parent company in the Group, Berliner Effektingesellschaft AG, a commercial department was set up to oversee the main operational measures (personnel, acquisitions and running costs). In the past year, its activities concentrated on the control and monitoring of the expansion of the stocktrading center of Berliner Freiverkehr (Aktien) AG and of the tasks related to the employment of new personnel. This department is also the location of the central contracts administration. The establishment of this business department,

small in terms of staff, within Berliner Effektingesellschaft AG makes possible an additional control of important costly measures within the Group.

b) Special risks of the providers of 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 his liabilities. Such risks of counterparty default are of subordinate significance in the Berliner Effektingesellschaft AG Group. They occur mainly as risks of deterioration in the creditworthiness of issuers and of participations following prolonged negative business developments.

• Market price risk

Market price risks are risks arising from changes in stock prices or in currency and interest rates. In the Group, fluctuations in the prices for over-the-counter stocks are of relevance. Since these include many foreign stocks, the developments in the home markets and fluctuations of the € against the home currencies, primarily the USA and the US \$, play an important role. The market price risks exist mainly for Berliner Freiverkehr (Aktien) AG. There, control is effected on the basis of the nominal amounts and the current market prices. A new limit system with corresponding technical support is currently being established.

• Liquidity risk

By liquidity risk, in the Group, is meant primarily the risk of not being able to close or only being able 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 liabilities, or only being able to meet them late, is understood under liquidity risk. Observation and control are effected within the individual companies.

6. DECLARATION PURSUANT TO SECTION 312 AKTG

According to Section 312 AktG, the Board of Berliner Effektingesellschaft AG has submitted a report on the relationships with affiliated companies for the year 2000. The final declaration of this report is:

"Apart from the legal transactions and measures stated above, no legal transactions were undertaken in the period under review, nor were any measures known, which would have to be reported.

The Board of Berliner Effektingesellschaft AG, Berlin, declares, in accordance with Section 312 AktG, that for each legal transaction with the controlling company and the companies affiliated with the controlling company, and for each measure taken or refrained from in their interest, the company received an appropriate consideration. The judgment was made in each case on the basis of the circumstances at the time the legal transaction was concluded or the measure taken or refrained from."

7. SITUATION OF THE GROUP AND OUTLOOK

The consolidated financial statements as at December 31, 2000, provide an overview of the situation of the company in a business field which is much affected by restructuring, in which the Group operates. The transaction with Consors Discount-Broker AG was of great significance for the orientation of the Group. Here the Board is cognizant of the fact that the transaction with Consors Discount-Broker AG has permanently changed the original constellation of the Holding company. The Board will examine the further necessity of the Holding structure critically and make any changes which are deemed necessary or appropriate.

For the year 2001, the Group management intends to continue the strategic orientation of the Group. It is intended to intensify the collaboration with Consors Discount-Broker AG. The existing liquidity situation and the strong growth in equity allow considerable investments to be made and create the basis for business models adapted to the changes which can be observed in the capital markets.

At the beginning of the year 2001, the business developments in the Group were restrained on account of the continuing poor market environment. The Group management expects a difficult business year, which may be marked by falls in the volume of stockbroking, pressure on margins and increasing competition. Through major international market makers who are seeking to enter the German market, competition in the core business of the most important subsidiary, Berliner Freiverkehr (Aktien) AG, could intensify or even seriously menace this business, since these companies enjoy a technological lead which would be difficult to catch up with in the medium term even with major software investments. Therefore the Board has taken up negotiations with conceivable international partners that have as their aim close cooperation, and possibly a company link-up.

In accordance with the orientation of the Group, a new member of management has been won in the person of Dr. Jörg Franke. He took up his activity on February 1, 2001, in the branch office of the company in Frankfurt/Main.



Berlin, April 2001

Berliner Effektengesellschaft AG

Holger Timm

Dr. Jörg Franke

Dr. Wolfgang Janka

AUDITORS' REPORT

We have audited the consolidated annual financial statements of Berliner Effektengesellschaft AG, including the accounting and the management report for the company and the Group for the business year from January 1, 2000, to December 31, 2000. The maintenance of the books and records and the preparation of the consolidated annual financial statements and management report for the company and the Group in accordance with HGB are the responsibility of the company's Board. Our responsibility is to express an opinion, based on our audit, on the consolidated annual financial statements, the bookkeeping system and the management report for the company and the Group based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with Section 317 HGB and the generally accepted standards for audits of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Accountants). Those standards require that we plan and perform the audit such that material misstatements affecting the presentation of the net assets, financial position and results of operations in the consolidated annual financial statements in accordance with German accounting principles and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the company and evaluations of possible misstatements have been taken into account in the determination of audit procedures. The effectiveness of the internal control system and the evidence supporting the disclosures in the books and records, the consolidated annual financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in the consolidated annual financial statements, the eligibility of the companies for consolidation, the scope of the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated annual financial statements and the management report for the company and the Group. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with generally accepted principles of accounting. On the whole, the management report for the company and the Group provides a suitable understanding of the Group's position and suitably presents the risks of future development.

Berlin, April 3, 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Otte

Wirtschaftsprüfer
(Accountant)

Butte

Wirtschaftsprüfer
(Accountant)

Report of the Supervisory Board

1. The Supervisory Board informed itself during 2000 about the management and development of Berliner Effektengesellschaft AG in detail. The Supervisory Board discussed with the 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 markets was considered in the context of the general economic development. The Supervisory Board also debated in detail the strategic direction of the company for the future.

During the period under review, the 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 Board in its sessions.

2. The members of the Supervisory Board took care that the 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 AktG.

In its function as 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 Board. Technical facilities for this have been put into operation. In the estimate of the members of the Supervisory Board, the risk-monitoring system corresponds to and fulfills the statutory requirements.

3. The Supervisory Board held scheduled meetings on February 10, 2000, and on May 3, 2000. At the last-named ordinary Supervisory Board meeting, the annual financial statements of the company were adopted and the consolidated annual financial statements of the Berliner Effektengesellschaft AG were approved. On May 24, 2000, a comprehensive contractual agreement was concluded through which the majority holding in Berliner Effektengesellschaft AG changed hands from Holger Timm to Consors Discount-Broker AG. In connection with the implementation of the contracts, the members of the Supervisory Board passed two resolutions between meetings, one of which related to the approval of the concluded contract, and one of which related to the necessary capital measures.

After the ordinary stockholders' meeting on July 6, 2000, the Supervisory Board met with representatives of the new majority stockholder.

For the further realization of the agreement with Consors Discount-Broker AG, there was in the month of August a further resolution of the Supervisory Board between sessions through which approval was granted for the relevant amendments to the articles of association for the capital measures which had been resolved.

Further ordinary meetings of the Supervisory Board were held on September 27, 2000, and December 1, 2000. In a letter dated November 24, 2000, the member of the Supervisory Board, Christian Graf von Bassewitz, resigned his appointment as had been agreed, and, by resolution of the Local Court of Berlin-Charlottenburg on January 12, 2001, Dr. Reto Francioni, who had already been present at the session held on December 1, 2000, was appointed as a replacing member.

4. The annual financial statements for the financial year 2000 prepared by the 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 Board and its proposal for the application of the retained earnings. 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 Board. These statements are therefore adopted. We support the proposal of the Board on the application of the retained earnings.

5. The Board has also submitted to the Supervisory Board the consolidated annual financial statements for the year 2000 and the Group management report as well as the audit report issued with the unqualified audit opinion of the external auditors of the Group. The Group auditors were KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt/Main.

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

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

Berlin, March 8, 2001



Dr. Reto Francioni
Chairman of the Supervisory Board



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Imagination is part of the deal



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