



World Trade Center for Chips

Annual Report

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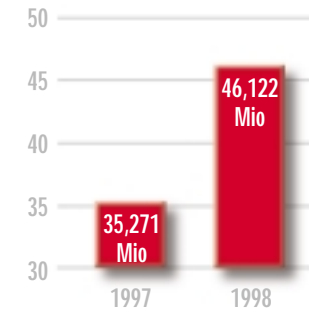
The Company's Key Figures

At a Glance

	1998 Mio	Previous year Mio
Revenue	46,122	35,271
EBIT	8,104	4,213
Revenue per employee	2,05	1,59
Net profit for the year	2,337	2,899
Subscribed capital	7,5	1,25
Equity	40,441	11,154
Employees	22,5	22,25

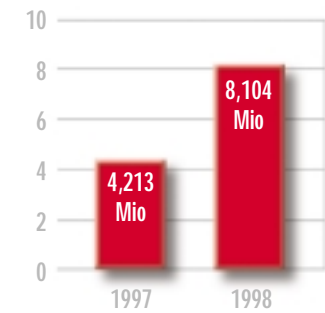
Revenue

ce Consumer Electronic AG business increased 31% over previous year



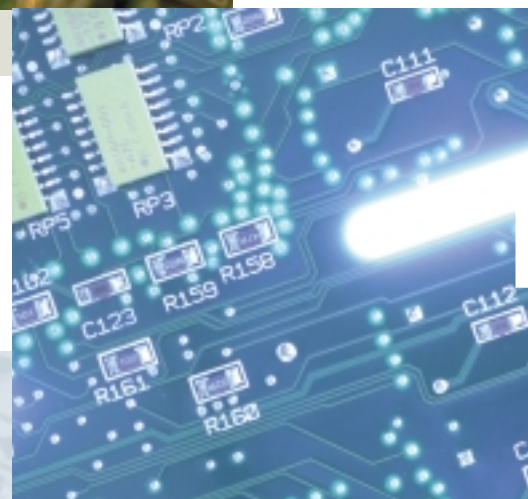
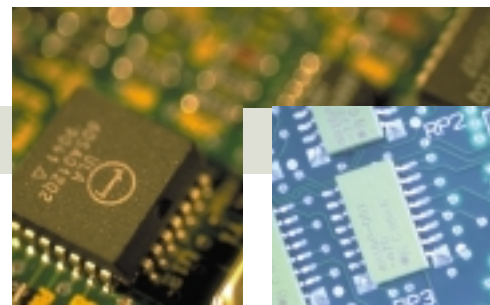
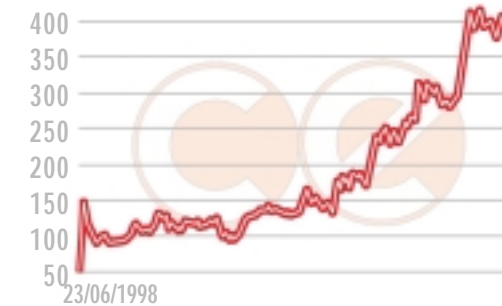
EBIT

Increasing efficiency leads to higher profits



Stock market success

Since its IPO, the equity price of ce Consumer Electronic AG (WKN 508220) has risen more than 750 percent

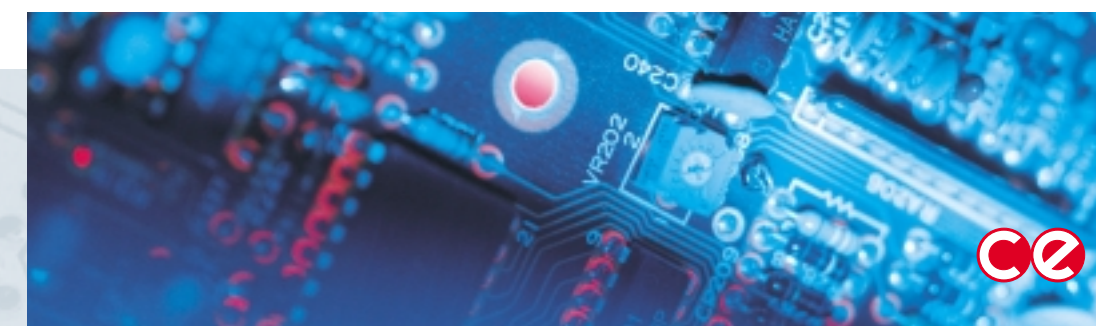




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Introduction

ENTREPRENEUR OF THE YEAR 1999

ce CONSUMER ELECTRONIC AG

Ladies and Gentlemen, Dear Shareholders,

The 1998 business year was not simply a successful and outstanding period for ce CONSUMER ELECTRONIC AG. Our initial public offering (IPO) in June 1998 attracted the greatest interest world-wide capital markets have ever shown in a German company (oversubscription rate: 120 times). In the initial months after our going public, we more than justified the interest placed in us. The value of our Company has increased almost ten-fold since it was offered the first time on the stock exchange. To cut a long story short: we do not think this is an exaggerated assessment - and we are by far not the only ones to share this judgement.

At the same time, the year 1998 marked the beginning of a new entrepreneurial dimension for ce CONSUMER ELECTRONIC AG. As you may gather from the present reports and accounts, we succeeded in coming up to your expectations for the year under review in three aspects: first, with consistent conviction, we continued to expand our unrestricted market position as Europe's leading trading firm dealing in electronic components. Second, with consistent discipline, we surpassed all key figures specified in plans and forecasts. And third, based on extremely far-sighted, well-scheduled and effective investments, we opened for our Company the gateway to a completely new path neither our competitors nor any other enterprise have followed so far: the path leading to the exclusive and fully electronic commercial platform for the entire world trade.

The starting point of this expansion of our strategic mission, which may very well be regarded as a revolutionary one, was our equity participation in the software house and E-commerce provider Technologies Interactives Mediagrif Inc., Montreal, Canada. That step marked ce CONSUMER ELECTRONIC AG's entry into the chip market. The next manoeuvre consisted of acquiring the majority share in the Internet exchange VCE (Virtual-Chip-Exchange). This unique exchange for electronic components will not only revolutionise the world-wide trade in semiconductors, but the entire world-wide trade as such.

The market for chips - which is the generic term for electronic components, processors and semiconductors - alone is now one of the world's biggest marketplaces showing the highest growth rates. As early as today, its volume reaches over US\$ 150 bn, and by 2002, it is expected to total more than US\$ 220 bn. **Today, life has become inconceivable without chips on our planet - and beyond.**

Several hundreds of participants use the Virtual Chip Exchange, and every day their number increases. A strategic alliance between ce CONSUMER ELECTRONIC AG and one of the world's leading semiconductor companies is about to be concluded. At the same time, negotiations are conducted with several major enterprises regarding this new electronic marketplace deemed as a unique opportunity to extend their market position in their respective industrial sector.



The 1998 ce CONSUMER ELECTRONIC AG business year inspired our Management and employees. This extremely positive and productive atmosphere was reflected by the entrepreneurial priorities. We effected major investments in the most important asset of a brokerage firm, namely its creativity and determinedness of its present and future employees. They were successfully integrated into the current efficient and highly motivated team embodying the vision of ce CONSUMER ELECTRONIC AG in the true sense of the word. The spirit of these staff members reaches our clientele, our suppliers, and more and more often also you, our dear Shareholders. Our market position and the strategic expansion of ce CONSUMER ELECTRONIC AG as licensor for open commercial platforms throughout the entire world market provide for opportunities even we have so far not dreamt of to come true. Through our new virtual distribution channel, we may overproportionately participate in substantially more than "only" the market volume of US\$ 150 bn for chips. In the current business year, we will consistently extend our activities on the electronic Internet trading centre to other marketplaces.

On behalf of the Board of Management and our employees we would like to express our thanks for the trust you placed in our idea. We will keep on surprising you both in the year 1999 and in the periods ahead. To implement this success, we work today, tomorrow and in the future. Long live the ce CONSUMER ELECTRONIC AG vision!

Munich, Germany, 31/12/1998

ce CONSUMER ELECTRONIC AG

Erich J. Lejeune
Chairman

Herbert E. Graus
Logistics Director

Irène Lejeune
Financial Director

LETTER FROM THE CHAIRMAN

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ce CONSUMER ELECTRONIC AG

LETTER FROM THE CHAIRMAN

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ce CONSUMER ELECTRONIC AG





Report of the Supervisory Board

Members of the Supervisory Board:

DIETRICH WALTHER *Management Consultant, Iserlohn, Germany, Chairman*
 ROLF BARON VON HOHENHAU *President of Bund der Steuerzahler in Bayern e.V. Augsburg*, Deputy Chairman*
 BERNHARD DORN *Management Consultant, Leonberg, Germany*

During the preceding financial year, the Supervisory Board performed the duties assigned to the Board pursuant to German Law and the Articles of Association and supervised the management of the Company's affairs. The Supervisory Board was informed at regular intervals about the economic situation as well as the development of ce CONSUMER ELECTRONIC AG and discussed major topics in the course of various individual meetings with the Board of Management. Moreover, a total of five joint meetings, including the accounts conference, were held during the 1998 fiscal year.

In particular, the preparation and implementation of the initial public offering, the acquisition of strategic investments, as well as the world-wide conception for the Virtual Chip Exchange constituted the subject matter of the consultations to further strengthen the Company's market position. The Supervisory Board is convinced that the pursued strategy will come up to the market's challenges and create the groundwork for achieving the medium- and long-term objectives of the enterprise.

BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft audited the Financial Statements at 31/12/1998 as well as the Management Report of ce CONSUMER ELECTRONIC AG by including the Company's accounting records. ce CONSUMER ELECTRONIC AG was given an unqualified auditors' report by the aforementioned accounting firm.

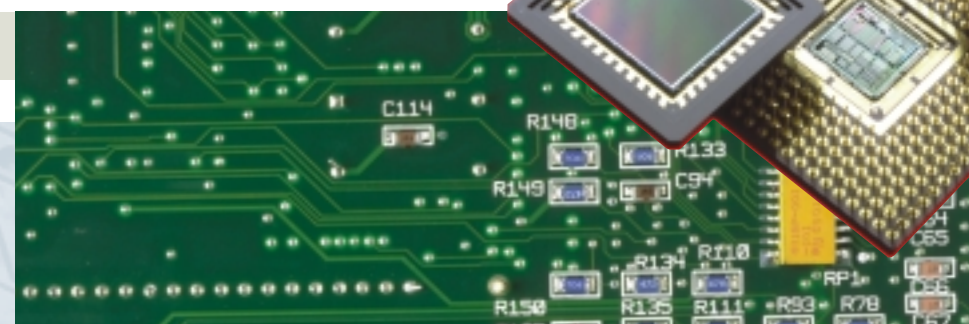
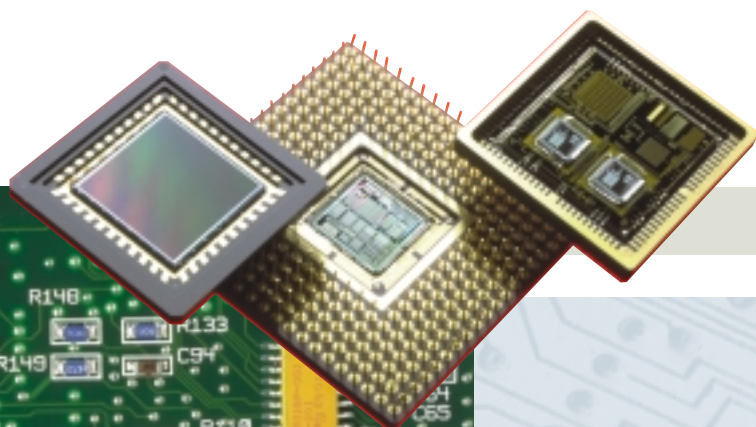
The Supervisory Board, too, reviewed the Financial Statements as well as the Management Report of ce CONSUMER ELECTRONIC AG and discussed them with the Board of Management in the accounts conference in the presence of the auditor. The members of the Supervisory Board did not raise any objections and consented to his reports. Further, the Supervisory Board approved the annual accounts as prepared by the Board of Management and thus adopted them. Following another review on the part of the Supervisory Board, the latter also concurred with the Board of Management in the proposed appropriation of profit.

The committed implementation of the demanding company objectives created anew prime requirements to be met by the Management and the staff members. The Supervisory Board would like to express its thanks and special recognition to the Board of Management and the employees for their commitment and their successful activities in the preceding business year.

Munich, Germany, May 1999

The Supervisory Board
 Dietrich Walther
 Chairman

* Bavarian Tax Payers' Association, Augsburg



The Company

CE Comp.Eq. (F/n)	153,50	152,00	100,00	130,00
CE Consumer (F/n)	405,00	400,00	420,00	153,00
CEAG (F/a)	137,00 G	134,50	190,00	128,00
Genit AG Syst. (F/n)	178,00	168,00	265,50	136,00
Centrotec (F/n)	49,00	50,00	74,00	45,00



Das Unternehmen

VORSTAND:



Erich J. Lejeune,
verantwortlich für Vertrieb und Unternehmensbeteiligungen
(Vorstandsvorsitzender)



Irène Lejeune,
verantwortlich für Administration und Finanzen



Herbert E. Graus,
verantwortlich für Einkauf und Logistik

AUFSICHTSRAT:

Dietrich Walther,
(Aufsichtsratsvorsitzender)
Rolf Baron Vielhauer von Hohenhau
Bernhard Dorn

ADRESSE:

ce CONSUMER ELECTRONIC AG
World Trade Center for Chips
Denninger Straße 15
81679 München
Tel.: +49 89 9971-0
Fax: +49 89 9971-1999
E-mail: info@consumer.de
Internet: www.consumer.de

The Company

MANAGEMENT BOARD:

Erich J. Lejeune,
Chairman of the Board: marketing and acquisitions
Irène Lejeune,
Administration and finance
Herbert E. Graus,
Procurement and logistics

SUPERVISORY BOARD:

Dietrich Walther,
Chairman of the Supervisory Board
Rolf Baron Vielhauer von Hohenhau
Bernhard Dorn

Eine Vision erobert die Welt

SO EINFACH WIE GENIAL

In einer Münchner Dreizimmerwohnung gründete **Erich J. Lejeune** 1976 mit seiner Frau Irène und Herbert E. Graus die ce CONSUMER ELECTRONIC. Sie konnten sich kein Lager leisten, machten aus ihrer Not eine Tugend und erfanden das Chip-Brokering – ein Maklersystem für Chips ohne Lagerhaltung. Damit etablierte sich ce schnell als dritte Kraft im Markt zwischen Herstellern und Kunden.

DEM FREIEN MARKT VERPFLICHTET

Keinem Hersteller exklusiv verpflichtet, orientiert sich ce ausschließlich am Gesetz von Angebot und Nachfrage. Die für den Kunden jeweils günstigsten Preise werden im globalen Markt gesucht und gefunden.

VON MÜNCHEN IN DIE WELT

Heute ist ce über seine eigenes Intranet mit weltweit 2600 Lieferanten verbunden, hat Zugriff auf 20 Millionen elektronische Bauelemente und beliefert 3000 Kunden. Seit der Gründung schrieb das Unternehmen noch nie rote Zahlen.



A Vision conquers the world

AS SIMPLE AS IT IS INGENIOUS

Erich J. Lejeune, together with his wife, Irène, and Herbert E. Graus, founded ce CONSUMER ELECTRONIC in a three-room Munich apartment in 1976. From meager beginnings as a fledgling company unable to afford storage space, these partners forged a chip-brokering system that requires no warehousing. With this idea, ce rapidly has established itself as an indispensable middleman between computer chip manufacturers and consumers.

FREE MARKET ORIENTATION

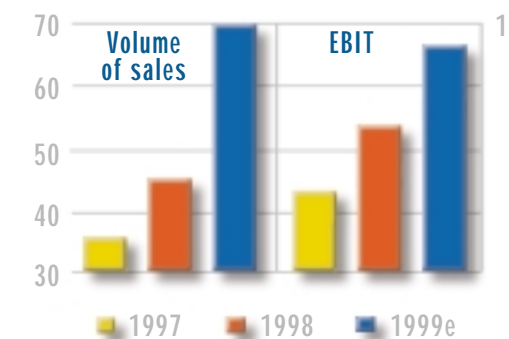
ce established itself purely on the market principles of supply and demand, without exclusive obligation to any one manufacturer. ce reaches globally to find and negotiate the lowest prices for its customers.

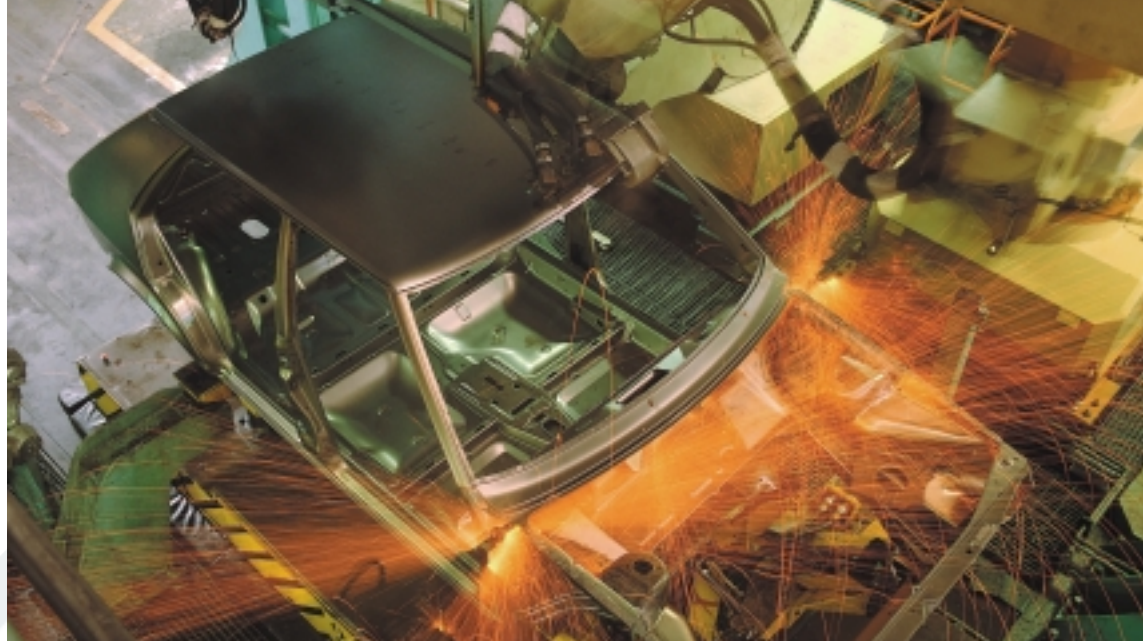
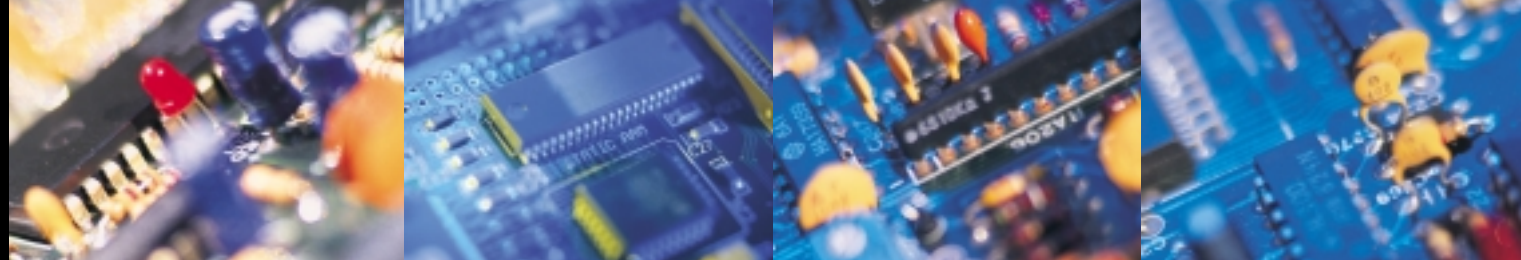
FROM MUNICH TO THE WORLD

Today ce connects via the Internet with 2,600 suppliers worldwide, has access to 20 million different types of chips, and provides service to 3,000 customers. Since its founding, ce has never been in the red.

Company Figures

ce's EBIT shows an annual growth of 70 percent





Kunden sind unser Kapital

WELTWEITER SERVICE

Der **Elektronikmarkt** wird von Herstellern aus Fernost und den USA dominiert. Europa hat sich weitgehend aus der Chipproduktion verabschiedet, verbraucht aber 23 Prozent aller Bauteile. Darin liegt die Chance für ce: Unternehmen, die über keine eigene Herstellung verfügen, brauchen professionelles Beschaffungs-Know-how.

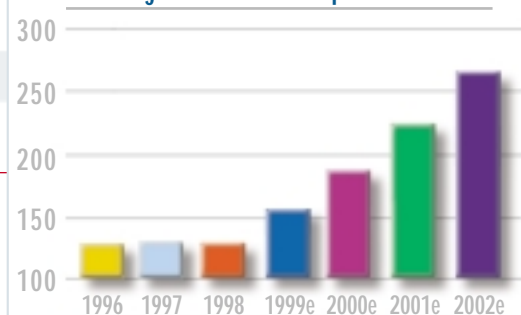
GRENZENLOSES WACHSTUM

ce agiert in dem Wachstumsmarkt par excellence. Nach einer Dataquest-Prognose wird sich das Volumen des Chipmarktes bis 2002 auf 265 Milliarden US-Dollar fast verdoppeln.

NO RISK, MORE FUN

Da die ce ausschließlich im Auftrag ihrer Kunden handelt, geht das Unternehmen kaum Risiken ein und ist weitgehend unabhängig von den Preiszyklen des Chipmarktes. Hinter jeder Order steht ein fester Auftrag. Das Unternehmen vermeidet Währungsrisiken, indem es Chips grundsätzlich in der gleichen Währung ein- und verkauft.

Annual growth of the chip market



Customers are our capital

WORLDWIDE SERVICE

Companies from Asia and the USA reign over the **electronics market**, while Europe seems to have dismissed itself from the race for dominance in chip production. Europe, however, consumes 23 percent of electronic parts sold worldwide. Therein lies ce's opportunity: Companies rely on ce's professional procurement know-how.

UNLIMITED GROWTH POTENTIAL

ce operates in the most rapidly developing of markets. Industry analyst Dataquest has said the worldwide semiconductor market volume will nearly double to \$265 billion within the next four years.

NO RISK, MORE FUN

Because ce acts exclusively on behalf of its customers, the company enjoys immunity from fluctuations in the chip market. Behind every order stands a contract. ce buys chips in the same currency in which it sells them, so it assumes no currency exchange risk.

Das Feuerwehrgeschäft

ZEIT IST GELD

Der bedeutendste und zugleich profitabelste Geschäftsbereich ist das „Feuerwehrgeschäft“. ce springt bei kurzfristigen Lieferengpässen ein oder beschafft Bauteile, die am Markt kaum noch verfügbar sind. Die Kunden vermeiden **Produktionsstillstände** oder Konventionalstrafen für Terminüberschreitungen.

NICHTS IST UNMÖGLICH

Durch Zugriff auf weltweit 2600 Lieferanten kann ce fast jedes elektronische Bauteil binnen kürzester Zeit liefern – auch solche, die schon längst nicht mehr produziert werden. Da die Kunden bei solchen Chips wenig preissensibel sind, kann ce für diese Dienstleistung extrem hohe Margen erzielen.

AN DER QUELLE

Auf der Beschaffungsseite bestehen keine Abhängigkeiten: ce bezieht seine Chips aus den USA (41 %), Asien (33 %) und Europa (26 %). Zu den Hauptlieferanten bestehen jahrzehntelange Verbindungen.

The "crisis control" business

TIME IS MONEY

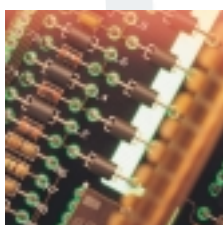
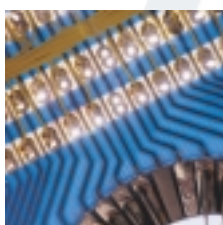
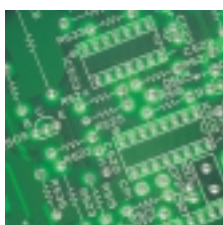
Through ce's most meaningful and profitable business endeavor, "crisis control," the company steps in when tight delivery situations arise. ce through its contacts has access to products not normally available on the market. Because of this, ce customers avoid expensive **production standstills** or contract penalties resulting from failing to meet deadlines.

NOTHING IS IMPOSSIBLE

With access to over 2,600 suppliers worldwide, ce delivers any electronic part in the shortest possible time, including those that are no longer manufactured. ce realises exceptionally high profit through such marketing because customers seeking these types of chips have proven less sensitive to costs.

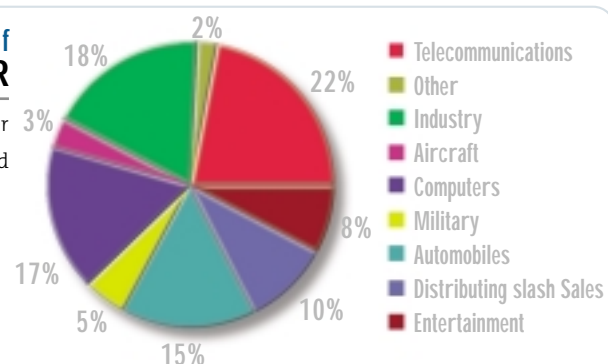
AT THE SOURCE

ce maintains a high level of independence from any single geographical market by obtaining its chips in the USA (41%), Asia (33%), and Europe (26%). ce and its main suppliers have formed bonds that have lasted decades.



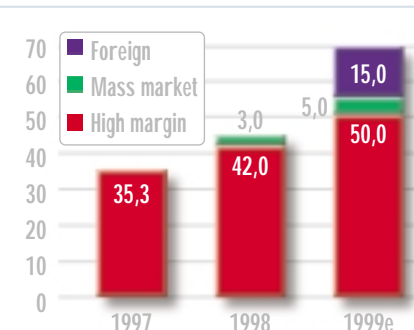
Customers of ce CONSUMER

ce's customer base is well diversified

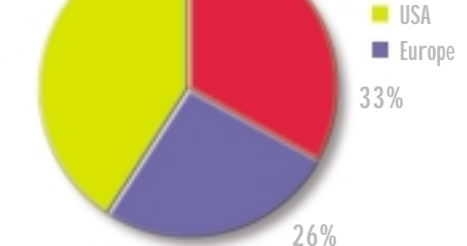


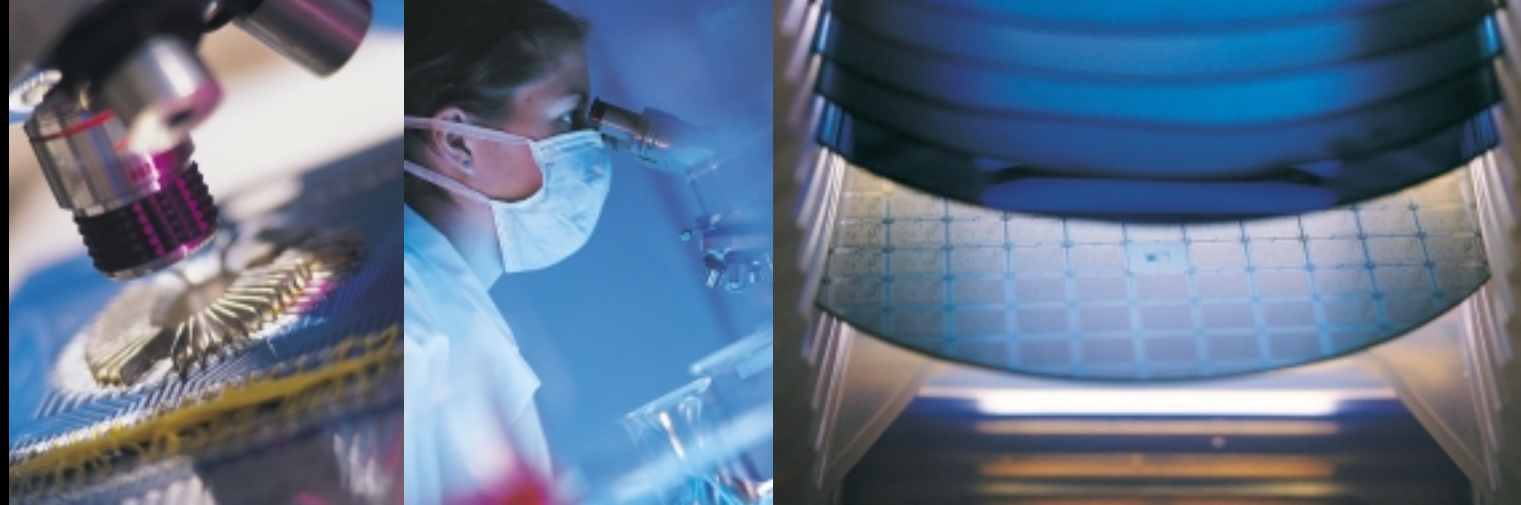
Buy low sell high

ce CONSUMER's business is a high profit margin venture



Chip sources





Massengeschäft

NEUE DIMENSIONEN

Nach den Erfolgen im Feuerwehrgeschäft ist ce mittlerweile auch ins Massengeschäft eingestiegen. Hier sind zwar die Margen kleiner, aber die Volumina deutlich höher. Wenn etwa ein Autohersteller seine Produktion drosseln muß und weniger Chips verbraucht als geplant, springt ce ein und sucht für die überschüssige Ware anderweitig Abnehmer.

ZUSÄTZLICHES UMSATZPOTENTIAL

Durch den rasanten technologischen Fortschritt unterliegen Chips immer kürzeren Produktlebenszyklen und werden dadurch zur schnell verderblichen Ware. Durch das Chip-Brokering von ce vermeiden Kunden Verluste. Das Angebot der ce, die Überkapazitäten der Kunden zu vermarkten, stößt deshalb auf außerordentlich großes Interesse der Industrie. Das zusätzliche Umsatzpotential liegt im hohen zweistelligen Millionenbereich.

Mass marketing

NEW DIMENSIONS

Following its success in the "crisis control" business, ce now has set its sights on assisting large corporations with annual contracts. Here, while profit margins are lower, volume is higher. Large corporations, for instance automobile manufacturers who must lower production costs, need ce's services. Such a corporation, finding itself with an excess of chips can count on ce to seek out other takers for those leftover products.

ADDITIONAL POTENTIAL

In these times of technological advances and ever shorter product life cycles computer chips become quickly obsolete. ce customers avoid losses through ce's approach - marketing the excess capacity of its customers. This approach has generated exceptionally strong interest in the industry. ce's earning potential could increase double digits.



VERLÄSSLICHER PARTNER

Eine weitere Ertragsquelle des Massengeschäfts sind langfristige Großaufträge von Kunden - das sogenannte Long-term-business. Aufgrund exzellenter internationaler Verbindungen kann ce interessante Weltmarktpreise bieten und selbst bei Marktempässen liefern. ce ist deshalb ein gefragter, weil verlässlicher Partner.

CONSULTING

Neben der Funktion als reines Handelshaus liefert ce ihren Kunden aktuelle Marktinformationen und unterstützt sie mit der Beratung über Verkaufs- und Marketingmöglichkeiten für ihre Produkte.

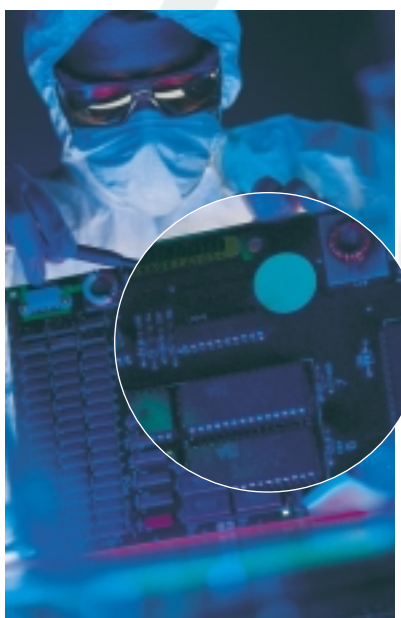
Diese Dienstleistung wird gegenwärtig zu einem eigenständigen Geschäftsfeld (Management- and Technology-Consulting) ausgebaut. Mit der Siemens AG wurde 1998 bereits ein Beratervertrag abgeschlossen.

RELIABLE PARTNER

A substantial source of ce's profits lies in reliable major contracts with customers in long-term business. While conventional distributors promise fixed delivery dates, which often cannot be met, ce has become a widely sought-after, reliable partner. ce's international connections give the company the capability to deliver, even in tight market supply conditions.

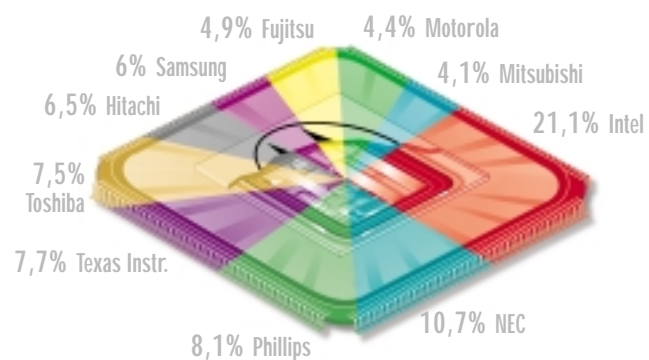
CONSULTING

ce does more than act as a trading house. ce supplies its customers with up-to-date market information, offering support and consultation services. ce currently is expanding this service into an independent arm of ce - Management and Technology Consulting. ce has already signed a consulting contract with Siemens AG.



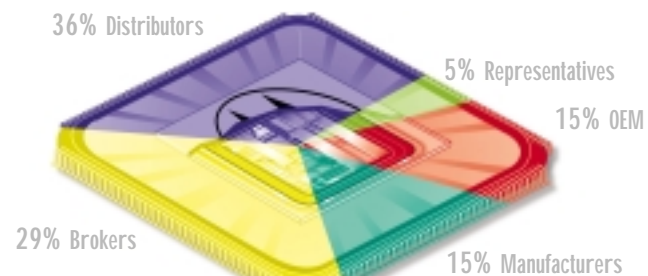
Chip producers

Companies in Asia and the USA dominate chip production



The sources of supply

ce has no exclusive obligation to particular manufacturers or customers.



1998: ce eröffnet weltweite elektronische Börse für Chips

TRANSATLANTISCHES BÜNDNIS

Für den 157 Milliarden Dollar Chip-Markt gibt es bisher keine **Börse** und keinen Internet-Handel. Eine einmalige Chance für ce. In einem Joint-Venture mit dem kanadischen Softwarehaus Mediagrip Interactive Technologies initiierte ce im August 1998 die Virtual Chip Exchange (VCE) – ein Handelssystem, das den hochkomplexen Markt für Chiphersteller, Distributoren, Broker, Lieferanten und Kunden erstmals völlig transparent macht.

CHIPS PER MAUSKLICK

Seit Anfang 1999 können sich ce-Kunden mit einer entsprechenden Software namens „echip 99“ auf die VCE-Homepage im Internet ein-klicken und dort nach den benötigten Mikrochips suchen beziehungsweise ihre Lagerbestände zum Kauf anbieten.

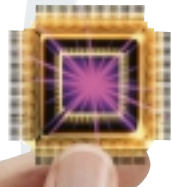
1998: ce opens the world-wide electronic chip exchange

TRANSATLANTIC ALLIANCE

Until now there existed neither a **stock exchange** nor Internet trade for the world's US\$157 billion chip market – a unique opportunity for ce. Through a joint venture with the Canadian software house Mediagrip Interactive Technologies, ce in August 1998 created the Virtual Chip Exchange (VCE) – a business system that, for the first time, provides real-time, industry-wide pricing information in the highly complex chip market – information vital to chip manufacturers, distributors, brokers, suppliers and consumers.

CHIPS WITH A MOUSE CLICK

Since early in 1999, ce customers using "echip 99" software have been able to click on the VCE home page to search for microchips they require or to offer for sale their own on-hand stock.



GROSSE AKZEPTANZ

Derzeit nutzen bereits rund 500 Unternehmen diesen weltweit einzigartigen Service. Jeder User zahlt eine einmalige Eintritts- und eine monatliche Nutzungsgebühr. Dafür erhalten die Kunden die absolute Transparenz über Angebot und Nachfrage auf dem weltweiten Chipmarkt.

HOHE HANDELS- UND PROVISIONSVOLUMINA

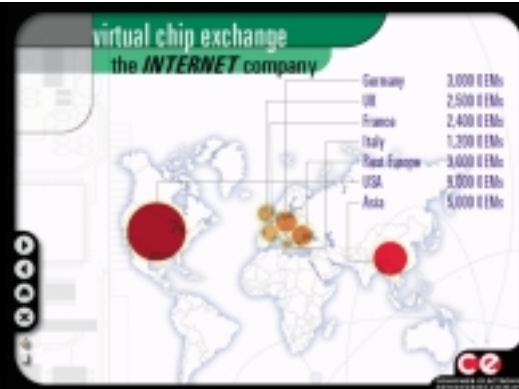
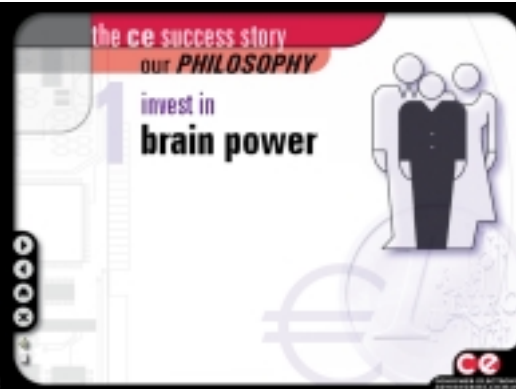
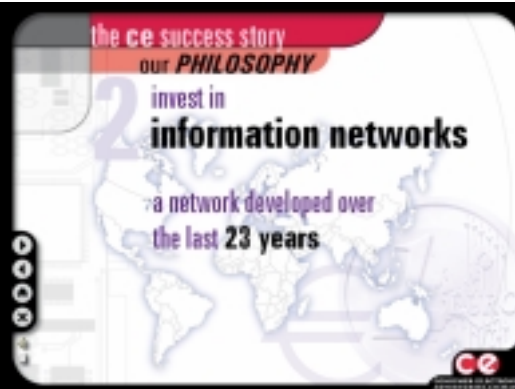
Kommt über die **Virtuelle Chip-Börse** ein Geschäft zustande, erhält VCE eine Maklerprovision. Diese Provision erhöht sich entsprechend, wenn die ce unterstützend eingreift und bei Angebots- oder Nachfrageüberhängen über ihre eigene Datenbank Käufer oder Verkäufer sucht.

HIGH ACCEPTANCE

Already over 500 companies use this globally unique service. Each user pays an initial sign-on fee, then a monthly user fee. In return, ce customers receive worldwide information on supply and demand in the chip market.

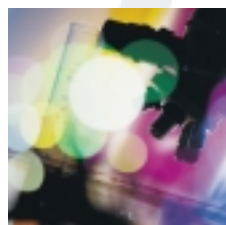
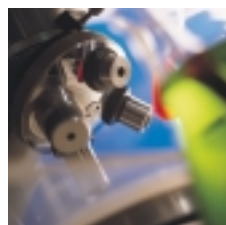
STRONG REVENUES AND COMMISSIONS

Virtual Chip Exchange takes a broker's commission on any contract agreed to through its services. The profit increases incrementally if ce becomes actively involved in a transaction by searching its own data base for either buyers or sellers.



Word-wide Connections

ce is connected via Internet with 2600 suppliers worldwide, has access to 20 million modules and provides service to 3000 customers.



VÖLLIG NEUE DIMENSIONEN WERDEN ERSCHLOSSEN

Bereits nach wenigen Monaten ist die Akzeptanz auf Kunden und Lieferantenseite gesichert – und nicht nur dort. ce verhandelt derzeit mit einem der Weltmarktführer über eine weitreichende Kooperation bei der Vermarktung der Virtuellen Chip Exchange.

LIZENZEN FÜR ANDERE INDUSTRIEN: ce ELEKTRONISIERT DEN WELTHANDEL

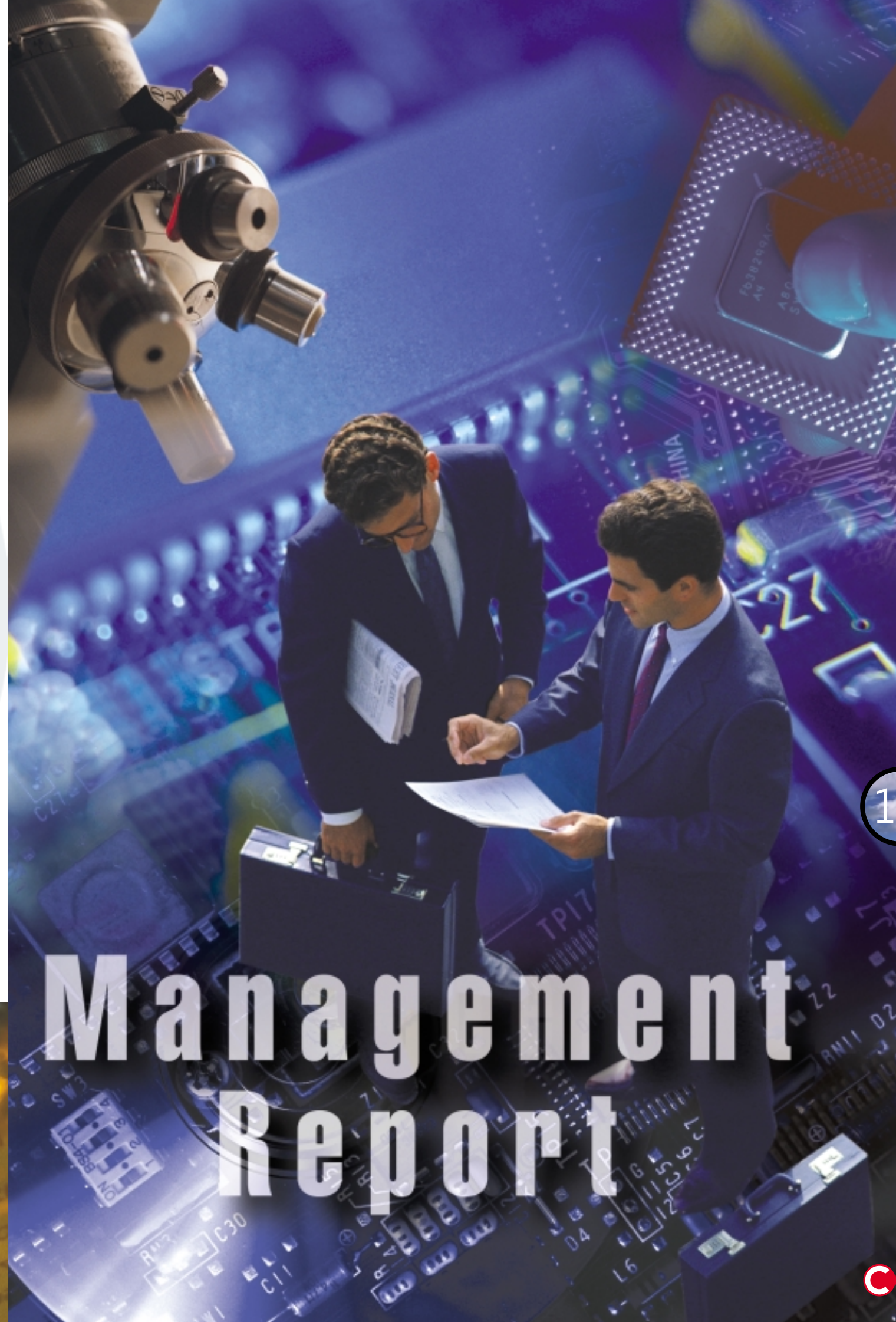
Was im Bereich der Mikrochips bereits erfolgreich gestartet ist, könnte künftig auch andere Handelsbereiche revolutionieren. So ist das System beispielsweise kompatibel für den Internet-Handel mit **Chemie**-, Pharmazie-, Auto-, Telekommunikations- und Medizinprodukten. Namhafte Großunternehmen bekundeten bereits ihr Interesse.

ce HAS OPENED THE DOOR TO COMPLETELY NEW DIMENSIONS OF GROWTH

Already, after only a few months on-line, VCE has gained acceptance from customers and suppliers alike. The praise keeps coming. ce presently is negotiating with one of the world market leaders over a long-range cooperation for the marketing of the Virtual Chip Exchange.

LICENCES FOR OTHER VERTICAL MARKETS: ce ELECTRIFIES WORLDWIDE TRADE

What already has proven successful in the field of semiconductors could in the future revolutionise other industries as well. The system could, for example, prove compatible to support trading in **chemical**, pharmaceutical, automobile, telecommunications and medical products. Large, renowned corporations already have shown interest.



Management Report





Management Report

1. DEVELOPMENT OF BUSINESS AND STATUS OF THE COMPANY

In the year under review - just like in the preceding years -, the Company distributed active and passive electronic parts and system components.

The 1998 total turnover amounted to DM 46.1 m; compared to the prior-year figures of DM 35.2 m, the Company's total turnover increased by DM 10.9 m (30.96 percent).

Without intra-EU deliveries and other services as well as without proceeds from affiliated companies, the 1998 turnover share of exports amounted to DM 9.2 m (19.95 percent of total turnover), in 1997, it reached DM 7.2 m (20.45 percent of total turnover).

In the year under review, the Company effected investments totalling DM 2,334,316.66. A share of these investments was spent on the establishment of a branch in the US and on the participation in VCE, Canada (Virtual Chip Exchange).

The unique development of the virtual chip trade strengthened the Company's position on the world market. Further, the enterprise was the only one to take new market positions. After deducting taxes and the non-recurrent IPO costs, the net profit for the 1998 financial year amounted to DM 2,337,020.76; the profit realised in 1997 totalled DM 2,898,641.72. The one-time IPO expenses of DM 3,686,095.27 affected the result of the 1998 fiscal year; in the past year, such expenditures did not accrue at all.

Due to the increase in capital from Company funds in the amount of DM 4.75 m on 22/04/1998, the IPO in last year's June, as well as the capital increase of another DM 1.5 m resulting therefrom, the Company now shows a total subscribed capital of DM 7.5 m. Hence, our enterprise significantly augmented its liquidity and, at the same time, created the groundwork for sustained growth.

2. MAJOR OBJECTIVES AFTER THE COMPLETION OF THE BUSINESS YEAR

In 1999, the Company intends to further expand its business activities, to acquire promising enterprises, as well as to invest in other undertakings. Moreover, the Company projects to introduce a new warehouse management and financial software and to purchase new hardware in the total amount of DM 0.75 m. Further, the Company has taken measures aiming at extending its Internet exchanges. In this context, the Company - in co-operation with Technologies Interactives Mediagrif Inc., Canada - will offer development, realisation, maintenance and operation services to manufacturers, OEM's and distributors throughout the world-wide market for the Internet-based chip exchange

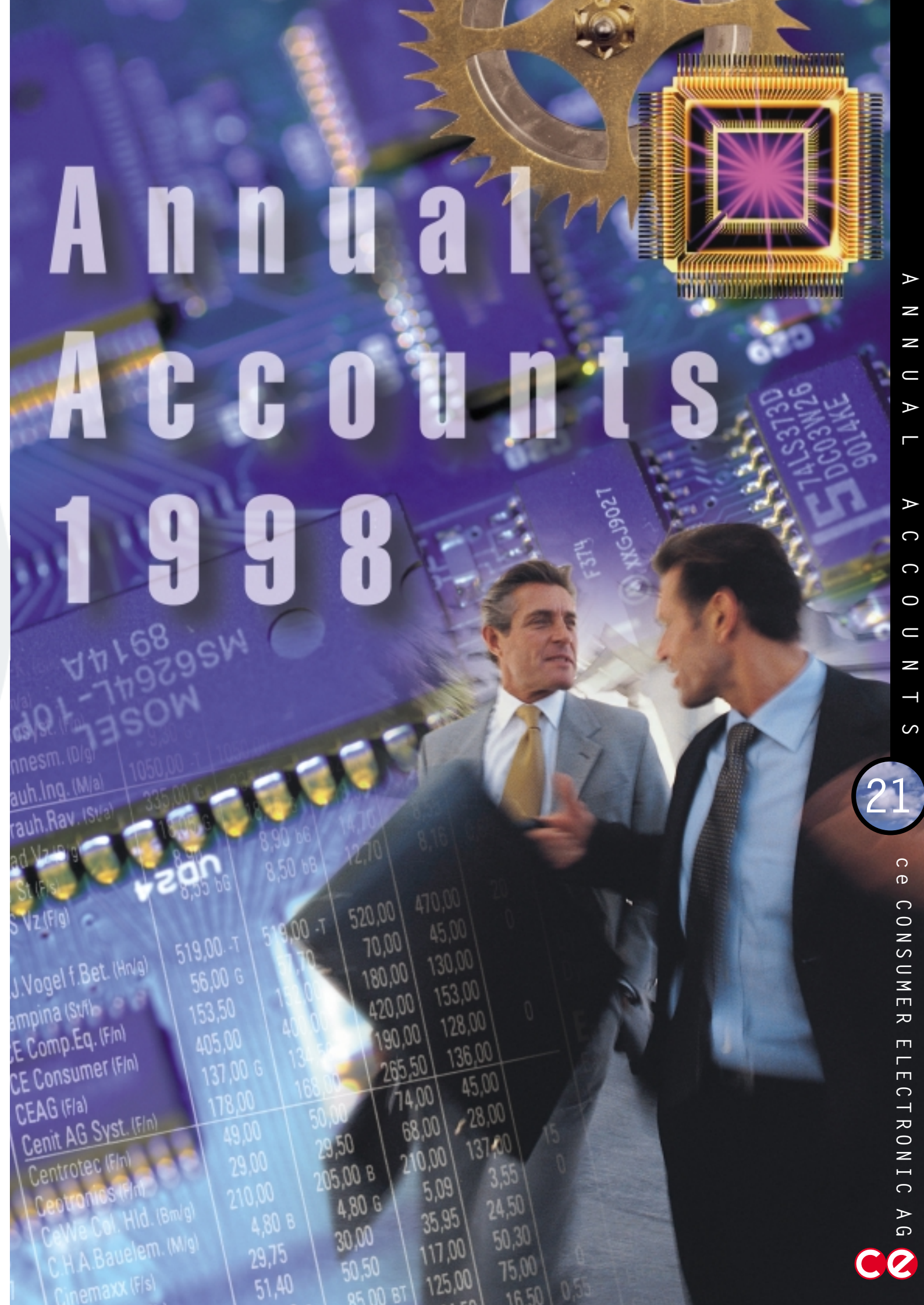
3. THE EXPECTED DEVELOPMENT OF THE COMPANY

Due to substantial cost reductions - particularly in the field of personnel expenses - the Company succeeded in realising a sustained growth in profit on business activities from DM 4,213,397.70 in 1997 by DM 3,890,950.37 to a 1998 total of DM 8,104,348.07 (92.3 percent).

In the new financial year, the Company will effect further investments in forward-looking technologies (Internet trading with chips and granting of licences to other industrial sectors) and focus on acquiring enterprises operating in this business area.

The investment in internal software and hardware will excellently contribute to cope with the forecast growth in business volume. Against that background, we expect our world-wide market position to be strengthened, our customer and supplier relations intensified and thus a sustained positive turnover and profit development.

Annual Accounts 1998





Assets

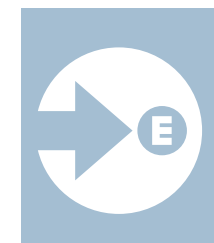
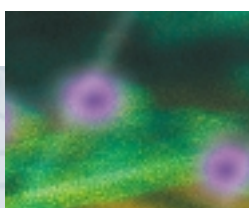
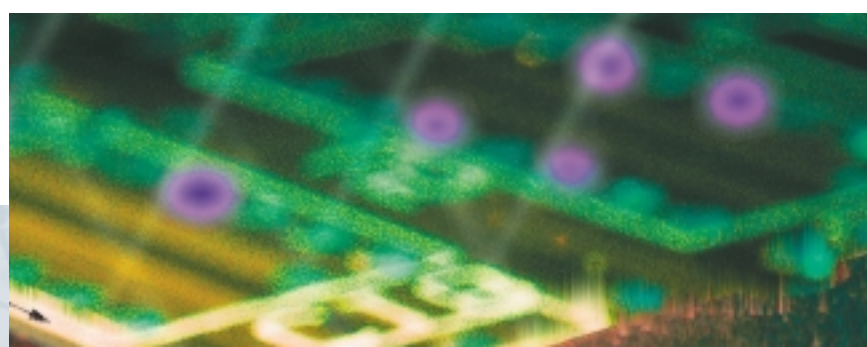
	31/12/1998 DM	DM	Previous year DM	DM
A. FIXED ASSETS				
I. INTANGIBLE ASSETS				
1. Concessions, industrial property and similar rights and assets and licences in such rights and assets	96.083,00		63.390,00	
II. TANGIBLE ASSETS				
1. Land, land rights and buildings including buildings on third-party land	442.541,90		458.934,90	
2. Other equipment, operating and office equipment	684.415,00		724.760,00	
		1.126.956,90		1.183.694,90
III. FINANCIAL ASSETS				
1. Shares in affiliated companies	1.208.324,00		250.000,00	
2. Shares in associated companies	852.575,00		0,00	
		2.060.899,00		250.000,00
B. CURRENT ASSETS				
I. INVENTORIES				
1. Finished goods and merchandise		251.775,79		283.310,15
II. DEBTORS AND OTHER ASSETS				
1. Trade debtors - thereof with more than one year to maturity: DM 0,00 (previous year: DM 0,00)	4.754.179,46		1.220.580,21	
2. Debtors from affiliated companies - thereof with more than one year to maturity: DM 0,00 (previous year: DM 0,00)	405.944,93		15.064,52	
3. Debtors from associated companies - thereof with more than one year to maturity: DM 0,00 (previous year: DM 0,00)	481.064,44		0,00	
4. Debtors from shareholders - thereof with more than one year to maturity: DM 0,00 (previous year: DM 0,00)	0,00		732.033,98	
5. Other assets - thereof with more than one year to maturity: DM 5.294,65 (previous year: DM 11.978,48)	551.516,95		1.746.739,73	
		6.192.705,78		3.714.418,44
III. Cheques cash-on-hand, postal giro and bank balances		35.552.856,16		11.049.570,95
C. PREPAID EXPENSES		34.330,34		12.238,69
D. DEFERRED TAX ASSETS		18.933,00		21.337,00
		45.334.539,97		16.577.960,13

Equity and Liabilities

	31/12/1998 DM	DM	Previous year DM	DM
A. EQUITY				
I. SUBSCRIBED CAPITAL		7.500.000,00		1.250.000,00
II. CAPITAL SURPLUS		30.250.000,00		5.000.000,00
III. NET BALANCE SHEET RESULT		2.691.428,59		4.904.407,83
B. PROVISIONS				
1. Provisions for pensions and similar obligations	601.877,00		963.693,00	
2. Provision for taxes	847.524,00		321.767,00	
3. Other provisions	264.853,66		1.400.688,66	
		1.714.254,66		2.686.148,66
C. LIABILITIES				
1. Liabilities to banks - thereof with less than one year to maturity: DM 339.560,48 (previous year: DM 7.744,53)	660.616,50		277.074,98	
2. Payments received on account of orders	0,00		1.339,36	
3. Trade creditors - thereof with less than one year to maturity: DM 2.301.289,75 (previous year: DM 1.346.286,07)	2.301.289,75		1.346.286,07	
4. Payable to affiliated companies - thereof with less than one year to maturity: DM 173.382,99 (previous year: DM 0,00)	173.382,99		0,00	
5. Payable to shareholders - thereof with less than one year to maturity: DM 0,00 (previous year: DM 706.831,90)	0,00		706.831,90	
6. Other liabilities - thereof with less than one year to maturity: DM 39.981,04 (previous year: DM 402.333,42) - thereof taxes: DM 488,74 (previous year: DM 177.738,61) - thereof for social security: DM 639,41 (previous year: DM 44.158,17)	43.567,48		405.871,33	
		3.178.856,72		2.737.403,64
		45.334.539,97		16.577.960,13

ANNUAL ACCOUNTS

ANNUAL ACCOUNTS



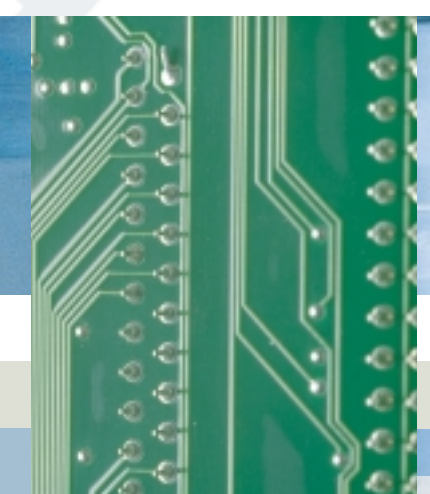


Development of Fixed Assets

	Acquisitions and manufacturing costs				Accumulated depreciation				Net book values	
	01/01/98 DM	Additions DM	Disposals DM	31/12/98 DM	01/01/98 DM	Additions DM	Disposals DM	31/12/98 DM	31/12/98 DM	Previous year DM
I. INTANGIBLE ASSETS										
1. Concessions, industrial property right and similar titles and assets and licenses in such rights and assets	327.988,26	131.570,00	1.357,23	458.201,03	264.598,26	98.723,00	1.203,23	362.118,03	96.083,00	63.390,00
	327.988,26	131.570,00	1.357,23	458.201,03	264.598,26	98.723,00	1.203,23	362.118,03	96.083,00	63.390,00
II. TANGIBLE ASSETS										
1. Land, land rights and buildings including buildings on third-party land	482.158,90	0,00	0,00	482.158,90	23.224,00	16.393,00	0,00	39.617,00	442.541,90	458.934,90
2. Other equipment, operating and office equipment	2.191.250,17	391.847,66	328.538,92	2.254.558,91	1.466.490,17	421.748,66	318.094,92	1.570.143,91	684.415,00	724.760,00
	2.673.409,07	391.847,66	328.538,92	2.736.717,81	1.489.714,17	438.141,66	318.094,92	1.609.760,91	1.126.956,90	1.183.694,90
III. FINANCIAL ASSETS										
1. Shares in affiliated companies	250.000,00	958.324,00	0,00	1.208.324,00	0,00	0,00	0,00	0,00	1.208.324,00	250.000,00
2. Shares in associated companies	0,00	852.575,00	0,00	852.575,00	0,00	0,00	0,00	0,00	852.575,00	0,00
	250.000,00	1.810.899,00	0,00	2.060.899,00	0,00	0,00	0,00	0,00	2.060.899,00	250.000,00
	3.251.397,33	2.334.316,66	329.896,15	5.255.817,84	1.754.312,43	536.864,66	319.298,15	1.971.878,94	3.283.938,90	1.497.084,90

ANNUAL ACCOUNTS

ANNUAL ACCOUNTS



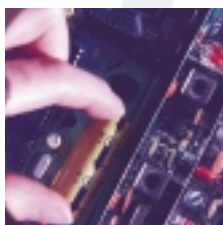


Annual Accounts of ce CONSUMER ELECTRONIC AG

Profit and Loss Account as of 31/12/1998

	31/12/1998		Previous year	
	DM	DM	DM	DM
I. Turnover	46.122.056,96		35.271.021,20	
II. Other operating income	1.546.634,39		1.283.980,09	
		47.668.691,35		36.555.001,29
III. Cost of materials				
a) Cost of raw materials, consumables and supplies	33.464.908,64		24.112.870,53	
b) Cost of purchased merchandise	69.553,59		24.397,76	
		33.534.462,23		24.137.268,29
IV. Personnel expenses				
a) Wages and salaries	3.509.718,97		4.632.281,93	
b) Social security and other pension costs - thereof for old age pensions: DM 59.231,00 (previous year: DM 91.535,00)	444.770,80		521.809,76	
		3.954.489,77		5.154.091,69
V. Depreciation on intangible and tangible assets		536.864,66		487.792,67
VI. Other operating expenses		3.395.831,38		2.732.259,82
VII. Other interest and similar income - thereof from affiliated companies: DM 818,66 (previous year: DM 947,86)	1.957.957,14		247.195,37	
VIII. Interest and similar expenses	100.652,38		77.386,49	
		1.857.304,76		169.808,88
IX. Profit from ordinary business activities		8.104.348,07		4.213.397,70
X. Extraordinary expenses	3.686.095,27		0,00	
XI. Extraordinary result		3.686.095,27		0,00
XII. Taxes on income		2.078.059,48		1.262.664,63
XII. Other taxes		3.172,56		52.091,35
XIV. Net profit for the year		2.337.020,76		2.898.641,72
XV. Retained profits brought forward from the previous year		354.407,83		2.005.766,11
XVI. Net balance sheet result		2.691.428,59		4.904.407,83





1. GENERAL PRINCIPLES

The annual accounts of ce CONSUMER ELECTRONIC AG, Munich, Germany, were prepared in keeping with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Law (AktG). Additionally, we considered the principles of the International Accounting Standards Committee (IASC) as applicable on the accounts closing date. To the extent the indication of the prior-year figures in keeping with IAS standards would lead to changes in presentation, we outlined the required modifications in the present notes to provide for a basis of comparison.

In the period under review from 1 January to 31 December 1998, ce CONSUMER ELECTRONIC AG, Munich, concentrated in particular on distributing and trading in high-quality electronic components, devices and systems.

The Company is a medium-sized corporation as defined in sect. 267 subsect. 2 HGB. The provisions for major corporations as set forth in sect. 267 subsect. 3 sent. 2 HGB were not applicable. The structure of the balance sheet and the profit and loss accounts is based on sect. 266 subsect. 2 and sect. 275 subsect. 2 HGB (expenditure type of presentation).

2. ACCOUNTING AND VALUATION PRINCIPLES

Intangible and tangible fixed assets were recorded at their acquisition costs reduced by scheduled depreciation through use. Repair costs were directly absorbed as expenses. Acquisition costs were allocated to the useful service life expectancy amounting to 25 years for buildings and 3 - 10 years for office equipment. Depreciation of buildings, operating and office equipment is based on the equal-installment depreciation method. Low-value assets are fully written off in the year of acquisition and treated as disposals.

The shares in affiliated companies and interests are reported at acquisition costs. Inventories are valued at acquisition costs. To the extent that current values were lower on the balance sheet closing day, such values were reported.

Debtors were balanced at their nominal amounts. Discernible risks were considered on the basis of individual value adjustments. A lump-sum valuation adjustment was effected as to discounts expected to be taken by customers.

Other assets include accrued debtors (accrued net interest income, tax refunds) in the amount of DM 284,882.69 (previous year: DM 945,393.10) at the balance sheet closing date.

Liquid assets were reported at their nominal amounts.

Pension provisions were balanced in keeping with IAS principles. Obligations arising from direct pension commitments were calculated - instead in keeping with the going-concern value method as defined in German tax law - in line with the present-value pension expectancy method by considering future remuneration and pension adjustments.

CALCULATION BASES AND PARAMETERS:

- INTEREST RATE FOR ACCOUNTING PURPOSES 7 %
- PENSION TREND 2.0 %

The current old age pension expenses result from the scheduled development of expectancy provisions. Amounts differing from the present actuarial value of pension expectancies at the end of the year are distributed among the persons entitled to a pension over the average remaining working life. Differences in present-value pension amounts were written off immediately and thus affected the 1998 operating result.

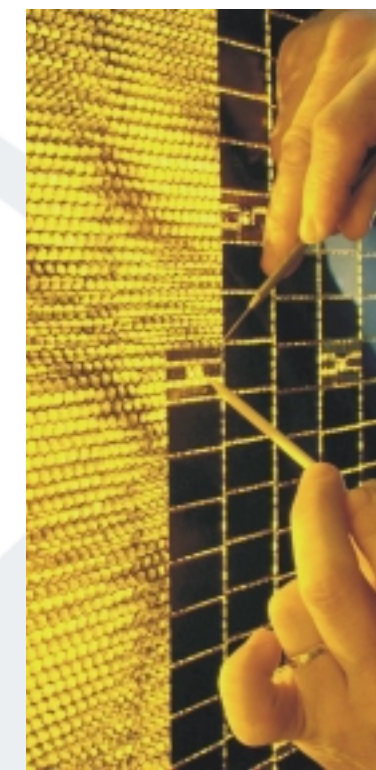
The item "Other provisions" includes all discernible risks and contingent liabilities.

Liabilities were reported at amounts repayable.

Expenses and income of the 1998 business year - irrespective of the point of time of payment - were taken into account when realised. Revenues from services were regarded as realised as soon as the services owed were rendered. Periodic expenses and income were considered only when realised within the financial year.

Tax accruals and deferrals were effected on differences between the tax-based and commercial result of the Company to the extent that the differing tax expenses were expected to be compensated in subsequent business years. Accruals and deferrals were formed in the amount of the tax relief envisioned for ensuing financial years. Tax credits from accruals and deferrals were considered only when their realisation was deemed as sufficiently assured. Possibly existing favourable or unfavourable deferred taxes were netted out.

In the present financial statements, debtors, liabilities and liquid assets in foreign currencies were converted on the basis of the exchange rates on the balance sheet closing date.





Notes to the Balance Sheet

1 INTANGIBLE ASSETS	Industrial property and similiar rights DM
ACQUISITION COSTS	
01/01/1998	327.988,26
Additions	131.570,00
Disposals	- 1.357,23
31/12/1998	458.201,03
AMORTIZATION	
01/01/1998	264.598,26
Additions	98.723,00
Disposals	- 1.203,23
31/12/1998	362.118,03
Book values 31/12/1998	96.083,00
Book values 31/12/1997	63.390,00

Additions relate to software purchase, disposals to obsolete software

2 TANGIBLE ASSETS	Land, rights and buildings including buildings on third-party land DM	Operating and office equipment DM	Total DM
ACQUISITION COSTS			
01/01/1998	482.158,90	2.191.250,17	2.673.409,07
Additions	0,00	391.847,66	391.847,66
Disposals	0,00	- 328.538,92	- 328.538,92
31/12/1998	482.158,90	2.254.558,91	2.736.717,81
AMORTIZATION			
01/01/1998	23.224,00	1.466.490,17	1.489.714,17
Additions	16.393,00	421.748,66	438.141,66
Disposals	0,00	- 318.094,92	- 318.094,92
31/12/1998	39.617,00	1.570.143,91	1.609.760,91
Book values 31/12/1998	442.541,90	684.415,00	1.126.956,90
Book values 31/12/1997	458.934,90	724.760,00	1.183.694,90

Additions relate to hardware upgrades, office equipment and low-value assets.

The gross book value of fully written-down assets used for business purposes (not including low-value assets) amounts DM 641.734,83

3 FINANCIAL ASSETS	Shares in affiliated companies DM	Shares in associated companies DM	Total DM
ACQUISITION COST			
01/01/1998	250.000,00	0,00	250.000,00
Additions	958.324,00	852.575,00	1.810.899,00
Disposals	0,00	0,00	0,00
31/12/1998	1.208.324,00	852.575,00	2.060.899,00
AMORTIZATION			
01/01/1998	0,00	0,00	0,00
Additions	0,00	0,00	0,00
Disposals	0,00	0,00	0,00
31/12/1998	0,00	0,00	0,00
Book values 31/12/1998	1.208.324,00	852.575,00	2.060.899,00
Book values 31/12/1997	250.000,00	0,00	250.000,00

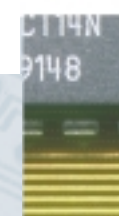
The additions result from the increase in capital stock of ce Media Management Consulting GmbH - formerly ce Consulting GmbH - (DM 950,000), from the acquisition of 50 percent of the interests in VCE Virtual Chip Exchange Inc., Montreal, Canada (DM 853,000), as well as from the foundation of ce Las Vegas Inc. Las Vegas, USA (DM 8,000).

4 INVENTORIES	31/12/1998 DM	Previous year DM
Merchandise	251.775,79	283.310,15

The inventories disclosed at December 31, are valued at their cost of acquisition. There was no requirement for write-down to adjust values to lower market values.

5 . TRADE DEBTORS	31/12/1998 DM	Previous year DM
Trade debtors	4.754.179,46	1.220.580,21

The debtors show a remaining time to maturity of less than one year.





Notes to the Balance Sheet

6 OTHER RECEIVABLES AND ASSETS	31/12/1998 DM	Previous year DM
Debtors from affiliated companies	405.944,93	15.064,52
- thereof with more than one year to maturity	(0,00)	(0,00)
Debtors from associated company	481.064,44	0,00
- thereof with more than one year to maturity	(0,00)	(0,00)
Debtors from shareholders	0,00	732.033,98
- thereof from members of the executive bodies of the company	(0,00)	(731.853,98)
- thereof with more than one year to maturity	(0,00)	(0,00)
Other assets	551.516,95	1.748.739,73
- thereof from members of the executive bodies of the company	(214.123,33)	(0,00)
- thereof with more than one year to maturity	(5.294,65)	(11.978,48)
	1.438.526,32	2.495.838,23

Receivables from members of the executive bodies of the Company relate to short-term loans to the members of the Board of Management. Interest at the rate of 3% over the Deutsche Bundesbank's discount rate is charged for these loans.

7 LIQUID FUNDS	31/12/1998 DM	Previous year DM
Cash-on-hand	2.677,06	378,64
Postal giro	21.775,77	26.609,29
Bank balances	35.528.403,33	11.022.583,02
	35.552.856,16	11.049.570,95

The market value of the liquid funds at December 31, corresponds to the book value disclosed.

8 DEFERRED TAX ASSETS, PREPAID EXPENSES	31/12/1998 DM	Previous year DM
Tax deferral	18.933,00	21.337,00
Other	34.330,34	12.238,69
	53.263,34	33.575,69

The deferred tax items relate principally to taxes on valuation differences from pension obligations. Any deferred tax liabilities on lower values admissible only under tax law are deducted from this item.

9 SUBSCRIBED CAPITAL

As at the balance sheet closing date, the fully paid-up capital stock of ce CONSUMER ELECTRONIC AG amounted to DM 7,500,000. It is subdivided into 1,500,000 bearer shares (individual share certificates). The Board of Management is authorised to increase the capital stock of the Company by up to DM 3,750,000 by 31 March 2003 with the consent of the Supervisory Board by issuing, in one or more steps, new bearer shares to be obtained against payment in cash or contribution in kind (approved capital).

	Shares	%	DM
Members of the Board	778.600	51,9	3.893.000
Employees	85.920	5,73	429.600
Other	635.480	42,37	3.177.400
	1.500.000	100,00	7.500.000

10 STATEMENT OF EQUITY	Ordinary share capital DM	Capital surplus DM	Net balance sheet result DM	Total DM
01/01/1998	1.250.000,00	5.000.000,00	4.904.407,83	11.154.407,83
Capital increase by IPO	1.500.000,00	0,00	0,00	1.500.000,00
Increase in capital stock from corporate funds	4.750.000,00	- 4.750.000,00	0,00	0,00
Contributions	0,00	30.000.000,00	0,00	30.000.000,00
Dividends	0,00	0,00	- 4.550.000,00	- 4.550.000,00
Net profit for the year	0,00	0,00	2.337.020,76	2.337.020,76
31/12/1998	7.500.000,00	30.250.000,00	2.691.428,59	40.441.428,59

The Company is forecasting a total dividend of DM 2.250.000 and to bring forward DM 441.428,59 DM to the next year.

11 PROVISIONS FOR PENSIONS	31/12/1998 DM	Previous year DM
Provisions for pensions and similar obligations	601.877,00	963.693,00
	601.877,00	963.693,00

The pension provision was set up for three direct pension commitments. The beneficiaries renounce 50% of their claims as of 31/12/1998.

The old age pension expense from the pension commitment consists of the personnel expense offset in the expenses for old age pensions and the interest expense disclosed under net interest income.





Notes to the Balance Sheet

	31/12/1998 DM	Previous year DM
Personnel expense	59.231,00	56.948,00
Interest expense	60.203,00	54.733,00
Total	119.434,00	111.681,00

The provisions for pensions were valued in accordance with IAS.

12 OTHER PROVISIONS	31/12/1998 DM	Previous year DM
Provisions for		
taxes	847.524,00	321.767,00
personnel expenses	50.200,00	657.538,66
warranties	23.000,00	486.000,00
other provisions for contingencies	191.653,66	257.150,00
	1.112.377,66	1.722.455,66

Due to improved Quality Management methods the provisions for warranties were adjusted.

13 LIABILITIES	With less than one year to maturity DM	Total 1998 DM	Previous year DM
Liabilities to banks	399.560,48	660.616,50	277.074,98
- thereof secured by charges on property	(261.059,02)	(269.330,45)	(277.074,98)
Payments received on account of orders	0,00	0,00	1.339,36
Trade creditors	2.301.289,75	2.301.289,75	1.346.286,07
Payable to affiliated companies	173.382,99	173.382,99	0,00
Payable to shareholders	0,00	0,00	708.831,90
- thereof due to members of the Company's executive bodies	(0,00)	(0,00)	(700.000,00)
Tax liabilities	488,74	488,74	177.738,61
Social security liabilities	639,41	639,41	44.158,17
Other liabilities	38.852,89	42.439,33	183.974,55
- thereof secured by charges on property	(0,00)	(0,00)	(0,00)
- thereof due to members of the Company's executive board	(0,00)	(0,00)	(0,00)
	2.914.214,26	3.178.856,72	2.739.403,64

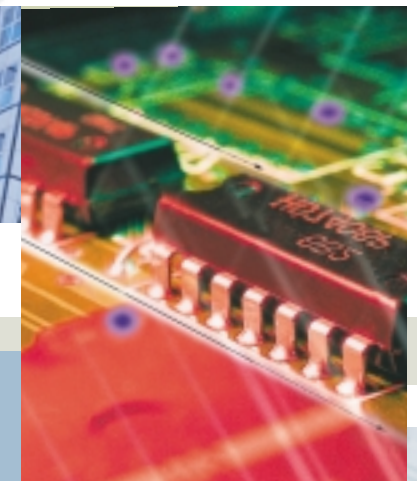
Liabilities to banks relate exclusively to long-term liabilities under the terms of an annuity loan to finance commercial real property, on which interest is payable at the rate of 6,6% per annum.

MATURITY STRUCTURE OF LONG-TERM LIABILITIES	DM
1999	8.271,43
2000	8.834,15
2001	9.435,18
2002	10.077,09
2003	10.762,68
later	221.949,92
	269.330,45

14 AGGREGATE AMOUNT OF SECURED LIABILITIES

The aggregate amount of secured liabilities (relating exclusively to charges on property) as of 31/12/1998 was DM 269.330,45 (previous year DM 277.074,98)

15 CONTINGENT LIABILITIES AND OTHER FINANCIAL OBLIGATIONS	31/12/1998 DM	Previous year DM
Contingent liabilities	122.000,00	105.000,00
Liabilities from rental and leasing contracts		
due 1999	728.613,65	672.642,32
due 2000-2003	573.072,59	1.268.325,40
Other financial obligations	85.000,00	155.020,06
Total	1.508.686,24	2.200.987,78





Notes to the Profit and Loss Account

16 REVENUE	31/12/1998 DM	Previous year DM
National turnover	33.747.152,44	25.891.534,96
EU turnover	2.310.047,27	2.024.558,96
Rest of world	9.204.945,62	7.251.352,49
Turnover of affiliated companies	742.431,13	0,00
Other turnover	117.480,50	103.574,79
According to profit & loss account	46.122.056,96	35.271.021,20

17 OTHER OPERATING INCOME	31/12/1998 DM	Previous year DM
Recognition of capitalised insurance claim	77.251,00	527.105,30
Income from the reversal of provisions	1.173.654,00	104.000,00
Income of global value adjustment	0,00	12.000,00
Income from exchange rate differences	100.784,92	497.240,69
Other	194.944,47	104.706,72
	1.546.634,39	1.245.052,71

18 PERSONNEL	31/12/1998 DM	Previous year DM
Personnel expenses		
Wages and salaries	3.509.718,97	4.632.281,93
Social security contributions	378.411,80	421.442,76
Costs of pension provisions	66.359,00	85.780,00
	3.954.489,77	5.139.504,69

Total remuneration paid to the Board of Management for their activities during the year under review amounted to DM 1.597.330,00 (previous year DM 2.257.426,90)

	1998	Previous year
Employees (annual average)		
Management Board members	3	3
Salaried employees	18,5	18,25
Industrial workers	1	1
	22,5	22,25

The personnel expenses (without profit sharing bonus) per employee decreased about 10,9%.

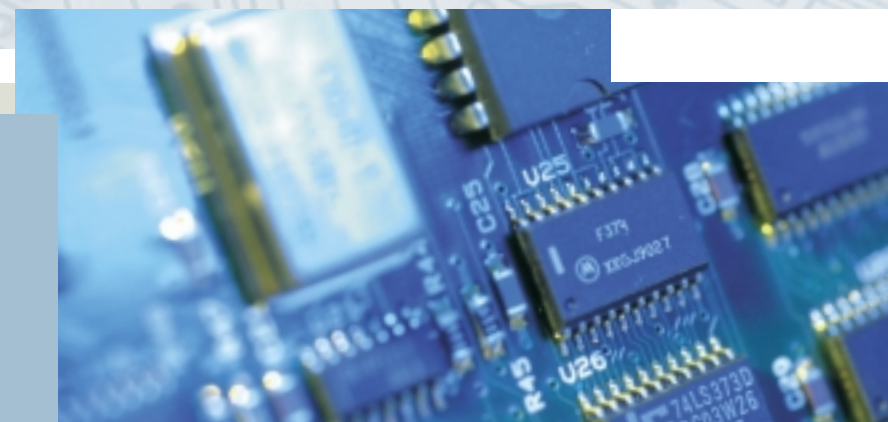
19 OTHER OPERATING EXPENSES	31/12/1998 DM	Previous year DM
Expenses for premises	451.046,00	580.281,07
Vehicle costs	342.700,79	398.573,16
Advertising and travel expenses	916.869,14	531.626,91
General administrative expenses	953.900,93	710.920,77
Selling expenses	141.027,63	152.452,60
Incidental personnel costs	392.944,59	143.939,22
Other	197.342,30	234.456,09
	3.395.831,38	2.752.249,82

A provision of 58.330,00 DM for the work of the Supervisory Board formed in 1998.

20 FINANCIAL RESULT	31/12/1998 DM	Previous year DM
Net interest income		
Other interest and similar income	1.957.957,14	247.198,37
Interest and similar expenses	-40.449,38	-22.853,49
Net interest balance	1.917.507,76	224.344,88
Interest share in additions to pension provisions	-60.203,00	-54.733,00
Total	1.857.304,76	169.611,88

21 EXTRAORDINARY EXPENSES
Extraordinary expenses in the amount of DM 3,686,095.27 incurred in the 1998 fiscal year due to the initial public offering as implemented on 23 June 1998. This expenditure includes the listing and selling commissions (DM 1,965,000) as well as the costs for the conception and preparation of the offering prospectuses and the company report, the consulting fees and the advertising costs.

22 TAXES ON INCOME	31/12/1998 DM	Previous year DM
Actual tax expense	2.078.059,48	1.273.040,63
Percentage tax burden	47,1%	30,4%





Notes to the Profit and Loss Account

23 STATEMENT OF SOURCES AND APPLICATION OF FUNDS	31/12/1998 DM	Previous year DM
Net profit/net loss for the year	2.337	2.898
Depreciation	537	488
Additions to long-term provisions	120	147
Other non-cash expenses (+) and income (-)	- 1.173	- 454
Cash flow	1.821	3.079
Decrease (prev. year: iIncrease) in inventories	31	- 55
Increase (prev. year: decrease) in debtors and other current assets	- 2.558	1.092
Increase (prev. year: Decrease) in trade creditors and other short-term liabilities	1.669	- 1.844
Inflow/outflow of funds from operating activities (a)	963	2.272
Investments in:		
Intangible assets, tangible assets	- 523	- 31
Financial assets	- 1.811	- 250
Income from disposal of assets	1	14
Increase (+)/decrease (-) in investment liabilities	- 8	- 7
Inflow/outflow of funds from investing activities (b)	- 2.341	- 274
Contributions of shareholders	31.500	5.250
Dividend payments	- 5.250	- 1.960
Bonus payments to Management Board members	- 376	- 1.017
Repayments of employee loans	7	6
Inflow/outflow of funds from financing activities (c)	25.881	2.279
Change in liquid assets (total a-c)	24.503	4.277
Liquid assets at the start of the year	11.050	6.773
Liquid assets at the close of the year	35.553	11.050

The inflow of funds from ongoing operating activities includes interest income of DM 1.957.957,14 (previous year: DM 247.195,37) and interest expenses of DM 40.449,38 (previous year: DM 22.653,49).

Payments for income taxes amounted to DM 2.075.655,48 (previous year DM 1.262.666,43). For the acquisition of further shares in ce Media Management Consulting GmbH an amount of DM 950.000,00 was paid; for the acquisition of shares in ce Las Vegas Inc. DM 8.000,00 and for the acquisition of shares in VCE Inc. DM 853.000,00.



24 SEGMENT REPORTING

Our Company operates in only one segment, namely the trade in active and passive components, hence reporting by segments is not required.

25 EXECUTIVE BODIES

The following members of the Company's Board of Management have sole and exclusive power of representation:

MR ERICH J. LEJEUNE, BUSINESSMAN, MUNICH, GERMANY, CHAIRMAN
MR HERBERT E. GRAUS, BUSINESSMAN, MUNICH
MRS IRÈNE LEJEUNE, BUSINESSWOMAN, MUNICH

The members of the Board of Management are exempted from the restrictions as set forth in section 181 of the German Civil Code.

The following three persons are members of the Company's Supervisory Board:

MR DIETRICH WALTHER, MANAGEMENT CONSULTANT, ISERLOHN, GERMANY, CHAIRMAN
ROLF BARON VIELHAUER VON HOHENHAU, BUSINESSMAN, MUNICH, DEPUTY CHAIRMAN
MR BERNHARD DORN, MANAGEMENT CONSULTANT, LEONBERG, GERMANY

26 RELATED PARTY TRANSACTIONS

As at the closing date, the Company held interests in the following enterprises:

	Share in capital in percent	Capital stock in DM 'ooo	Result in DM 'ooo
ce Media Management Consulting GmbH	100	50	0
ce Las Vegas, Inc.	100	8	-7
VCE Virtual Chip Exchange Inc	50	1.669	-275

27 TRANSACTIONS BETWEEN AFFILIATED AND ASSOCIATED COMPANYS AND MEMBERS OF EXECUTIV BOARD

ce CONSUMER ELECTRONIC AG is in possession of a 100 percent share in ce Media Management Consulting GmbH. Due to an increase in capital as resolved in the year under review, ce CONSUMER ELECTRONIC AG acquired another company share in the amount of DM 950,000.

In the 1998 business year, the Company established ce Las Vegas Inc., Las Vegas, U.S.A., equipped with a converted capital of about DM 800,000 on 25 September 1998.

Based on an agreement concluded on 14 August 1998, the Company acquired an interest of 50 percent in the capital of VCE Virtual Chip Exchange Inc., Montreal, Canada, in a converted amount of DM 853,000.

The revenue generated by the associated companies amounts to DM 742,000 in the year under review. Additionally, the shareholders granted short-term measures to back up liquidity.

Liabilities from short-term accounts granted to Messrs Erich Lejeune and Herbert E. Graus, both members of the Company's Board of Management, were reported in the total amount of DM 214,123.33. These liabilities bear interest at a rate of 3 percent above the discount rate of the Deutsche Bundesbank.

In March 1998, the distribution of profits in the amount of DM 4,550,000 was resolved and implemented.

CE CONSUMER ELECTRONIC AG

Munich, Germany

The Board of Management





We audited the annual accounts at 31 December 1998 as well as the statement of sources and application of funds for the business year of ce CONSUMER ELECTRONIC AG, Munich, Germany. The preparation and contents of the present financial statements falls within the scope of responsibilities of the Company's Board of Management. It is our task to give our opinion on the present accounts on the basis of the audit we conducted.

We carried out our audit in keeping with the International Standards on Auditing of the International Federation of Accountants (IFAC). These principles require auditors to plan and conduct their audits of annual accounts in such way that a sufficiently reliable opinion may be given on whether audited accounts are free of incorrect statements. The audit of financial accounts includes a sample-assisted audit of the records for the accounts and statements in the year-end accounts. Furthermore, it encompasses the audit of the applied accounting and valuation principles, the essential assessments of the Board of Management, as well as an evaluation of the overall statement of the annual accounts. In our view, the audit as conducted by us constitutes a reliable basis for our audit opinion.

We arrived at the conclusion that the annual accounts as well as the statement of sources and application of funds appropriately reflect in all substantial aspects the net worth and financial position of the Company as at 31 December 1998, as well as the profit situation and the cash flow of the elapsed fiscal year, and that they were prepared in compliance with the principles of the International Accounting Standards Committee (IASC).

The financial statements of ce CONSUMER ELECTRONIC AG, Munich, as at 31 December 1998 also comply with the German Commercial Code. Hence, we herewith certify the Company's unqualified audit opinion as follows:

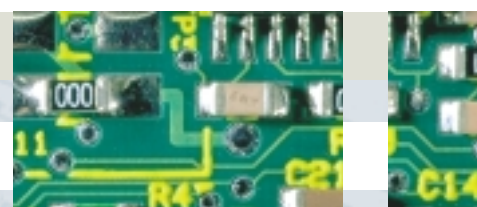
"Based on an audit performed in accordance with our professional duties, the financial statements comply with the legal regulations. The financial statements present, in compliance with required accounting principles, a true and fair view of the net worth, financial position and results of the company. The Management Report is in agreement with the financial statements."

Munich, Germany, 9 April 1999

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Goppelt
Auditor

Geese
Auditor



Facts for Investors

- @ Mehr als 20 Jahre Erfahrung im **Chip-Brokering**
- @ Exzellente und langjährige Beziehung zur Großindustrie
- @ Weltweit einmalige Datenbank für Halbleiter
- @ Unabhängig von Herstellern und Lieferanten
- @ Hochprofitables Kerngeschäft
- @ Stabile Margen auch bei Preisschwankungen im Halbleitermarkt
- @ Revolutionäres Brokerage-System für Chips VCE (Virtual Chip Exchange)
- @ Branchenübergreifende Internet-Lizenzen möglich

Facts for Investors

- @ More than 20 years of experience in **chip brokering**
- @ Excellent long-term connections with top customers
- @ Globally unique data base for semiconductors
- @ Independence from manufacturers and suppliers
- @ High profitability
- @ Stability of profit margin in spite of price fluctuations in the semiconductor market
- @ Revolutionary brokerage system for chips - VCE (Virtual Chip Exchange)
- @ Internet licenses possible for other industries

