

ANNUAL REPORT 2005
(abridged)

Gutmann

PRIVATE BANKERS

SUPERVISORY BOARD

Alexander Kahane, Chairman
Patricia Kahane, Deputy Chairman
Herbert Schimetschek, Deputy Chairman
Wolf-Dieter Arnold
Walter Dawid
Alarich Fenyves
Rupert Hambro
Marie-Rose Kahane (until 31. December 2005)
Ferdinand Lacina
Manfred Leo Mautner Markhof
David John Verey

BOARD OF MANAGEMENT

Rudolf F. Stahl, Chairman
Anton Fink (until 31 July 2005)
Frank W. Lippitt
Josef G. Maier

STATE COMMISSIONERS

Josef Nickerl
Robert Pauser

MANAGEMENT COMMITTEE

Rudolf F. Stahl, Chairman
Matthias Albert
Anton Fink (until 31 July 2005)
Gordian F. Gudenus
Adolf Hengstschläger
Richard Igler
Frank W. Lippitt
Josef G. Maier
Wolfgang Neuhaus
Martina Pistori
Friedrich Strasser

REPORT OF THE BOARD OF MANAGEMENT

for the Financial Year 2005 of Bank Gutmann Aktiengesellschaft
and Consolidated Accounts 2005

Business and Shareholders

Bank Gutmann is an Austrian private bank specialising in asset management services for private and institutional clients. The Bank has its headquarters in Vienna and offices in Prague and Budapest and serves both domestic and international clients. Investment policy is determined in cooperation with selected international financial specialists.

Bank Gutmann's principal shareholder is the Kahane family via Gutmann Holding AG. Selected senior managers are also partners in the Bank. This partnership approach ensures continuity and a high level of commitment to our clients.

Business in 2005

Due to the positive economic environment in the past year the funds our customers invested with us increased significantly. At the end of 2005, the total assets under management of Gutmann stood at € 8.5 billion. All client sectors, including institutional, private, international and domestic, contributed to this increase.

In our various client portfolios, we achieved returns of between 6.5% and 14.5% while maintaining a cautious investment policy. The Bank's client advisory and portfolio management teams were given top marks by distinguished international rating agencies.

The assets under management by Gutmann KAG increased from € 2.4 billion to € 3.2 billion. It now administers 98 funds.

In the Gutmann group, there was a 23.4% overall increase in the operating revenues to € 26.4 million. Despite heavy investments in personnel and technology - the number of staff increased from 128 to 137 - there was an increase in operating profit by 46.4% to € 8.1 million. The cost-income ratio was 60%.

The consolidated annual profit was 5.5 million higher than that of 2004 (€ 3.6 million). The Bank's capital and reserves are € 28.2 million and ROE was 25.4 %.

Risk Report

The Bank's business model is very focused with limited exposure to financial risk. In 2005 the solvency ratio of 36.2% was significantly above the legal requirement of 8%. The Bank makes very limited use of derivatives.

The Bank has approximately 500 clients, with no client representing more than 5% of the Bank's annual business.

The majority of custody accounts managed by Bank Gutmann are held either in the name of the Bank or on the account of our customers at selected international depositaries with the highest degrees of creditworthiness.

Individual clients hold cash and liquid investments with Bank Gutmann. These customer deposits are mainly invested in liquid government stocks or stocks of other issuers of best solvency. Only a small group of selected top-institutes serves as third-party banks.

The Bank's credit business is relatively limited. Bank Gutmann offers credits which are collateralized by securities held in deposits at the Bank. Credit limits are conservatively in line with the historical volatility of the particular securities.

The Bank trades' in securities for its own account are limited in volume and short-term. Last year the Bank began the establishment of a medium term diversified investment-portfolio. Besides increase in profitability, the goal of these investments is to expand the international network of investment-experts.

Prospects for 2006

The positive results from the first quarter make us cautiously optimistic. The continuous growth in all sectors of the private and institutional wealth management, together with the fund and custody business, raises our expectations of good performance.

The Board of Management would like to take this opportunity to thank all partners and staff for their commitment and achievements over the past year.

Vienna, March 2006

Rudolf F. Stahl
m.p.

Frank W. Lippitt
m.p.

Josef G. Maier
m.p.

Explanatory Notes to the Balance Sheet

Assets

Cash and cash equivalent amount to € 34.4 million, due from Banks to € 86.9 million, Securities (non-fixed and fixed interest) increased from € 288.7 million to € 297.4 million. Loans to customers increased to € 41.8 million. Tangible and intangible fixed assets increased from € 4.3 million to € 4.4 million. Other Assets representing deferred taxes, clearing items etc. amount to € 12.6 million.

Liabilities

Saving Deposits are € 13.8 million. Other Deposits increased from € 382.8 million to € 411 million. Due to Banks decreased from € 9 million to € 7.6 million. Provisions comprise pension provisions of € 1.5 million, provisions for severance payments of € 0.9 million, tax provisions of € 5.2 million and other provisions of € 3.4 million.

Capital

The Statutory Capital is defined in § 23 of the Banking Act and is as follows:

	31.12.2005
	€ '000
Share capital	12,131
Reserves from retained earnings	9,480
Capital reserves	1,471
Reserves pursuant to § 23 (6) Banking Act	1,914
Reserves for treasury shares	2,651
External parts	4,438
Less immaterial assets	-1,095
Non-consolidated subsidiary	-108
Treasury shares	-2,651
Statutory Capital Funds pursuant to § 23 Banking Act (Consolidated)	28,231

Appropriation of Net Profit
Net Profit of the Business Year 2005 (after allocation to reserves) € 5,541,121.71

The Board of Management proposes to the Annual General Meeting
to pay a dividend on the share capital of € 11,785,872.00 of € 5,000,000.00
and to carry forward € 541,121.71

Vienna, March 2006

The Board of Management

Rudolf F. Stahl
m.p.

Frank W. Lippitt
m.p.

Josef G. Maier
m.p.

Balance Sheet December 31, 2005 (Consolidated)

ASSETS

	EUR	EUR	Vergleichs- zahlen 2004 TEUR
1. Cash in hand and balances with central bank			
a) cash in hand	277,045.78		200
b) balances with central bank	<u>34,113,882.55</u>		<u>26,420</u>
		34,390,928.33	26,620
2. Securities issued by Public Authorities, which are certified for refinancing with central bank		4,478,681.91	59,560
3. Receivables from credit institutions	68,852,745.44		71,122
a) thereof payable on demand	<u>18,024,288.65</u>		<u>10,157</u>
b) other demands		86,877,034.09	81,279
4. Receivables from customers		41,829,561.06	36,093
5. Bonds and other fixed-interest bearing securities	151,045,183.50		123,723
a) from public issuers	<u>129,484,829.38</u>		<u>92,968</u>
b) from other issuers		280,530,012.88	216,691
6. Shares and other non-fixed-interest bearing securities		12,394,870.82	12,454
7. Participating interests	3,451,797.00		0
a) in associated enterprises	<u>108,032.99</u>		<u>0</u>
b) in other enterprises		3,559,829.99	2,061
8. Interests in group enterprises		1,654,643.31	1,751
9. Intangible fixed assets		1,094,940.81	903
10. Tangible fixed assets (equipment)		3,311,335.65	3,398
11. Treasury shares		2,651,000.00	0
12. Other Assets		12,601,963.07	8,536
13. Accrued income		142,847.53	3
Total of assets		<u>485,517,649.45</u>	<u>449,349</u>
Foreign assets		369,589,338.73	271,448

LIABILITIES

	EUR	EUR	Vergleichs- zahlen 2004 TEUR
1. Liabilities to credit institutions			
a) repayable on demand	7,406,502.31		9,008
b) subject to prior notice	<u>230,026.19</u>		<u>0</u>
		7,636,528.50	9,008
2. Liabilities to customers			
a) saving deposits			
aa) repayable on demand	4,215,217.80		2,467
bb) subject to prior notice	9,538,627.46		11,157
	13,753,845.26		13,624
b) other liabilities			
aa) repayable on demand	269,912,706.48		258,439
bb) subject to prior notice	<u>141,073,799.18</u>		<u>124,391</u>
	<u>410,986,505.66</u>		<u>382,830</u>
		424,740,350.92	396,454
3. Other Liabilities		4,487,377.14	2,665
4. Accrued expenses		19,729.51	4
5. Provisions			
a) provisions for severance payments	938,892.00		815
b) provisions for pensions	1,513,086.78		1,425
c) tax provisions	5,172,140.00		4,628
d) other	<u>3,405,450.00</u>		<u>2,950</u>
		11,029,568.78	9,818
6. Share capital		12,130,872.00	12,131
7. Capital reserves		1,470,909.67	1,471
8. Retained earnings			
a) statutory reserve	1,003,569.61		1,004
b) other (free) reserves	8,476,812.75		11,314
c) reserves for treasury shares	<u>2,651,000.00</u>		<u>0</u>
		12,131,382.36	12,318
9. Liability reserve pursuant to § 23 Banking Act (BWG)		1,913,942.84	1,914
10. External parts			
a) of capital	4,135,614.93		0
b) of profit	<u>302,103.91</u>		<u>0</u>
		4,437,718.84	0
11. Net profit (after changes in reserves)		5,519,268.89	3,566
Total of liabilities		<u>485,517,649.45</u>	<u>449,349</u>
1. Contingent liabilities		3,402,995.74	3,577
therof:			
arising from securities and guarantees:			
EUR 3,402,995.74 (31.12.2004: TEUR 3,577)			
2. Liabilities arising from fiduciary transactions		46,665,669.80	31,023
3. Own funds as defined in § 23 BWG		28,230,851.91	26,241
4. Necessary own funds pursuant § 22 BWG		6,224,599.24	6,023
5. Foreign liabilities		218,962,882.69	180,644

Profit and Loss Account 2005 (Consolidated)

	EUR	EUR	Vergleichs- zahlen 2004 TEUR
1. Interest receivable and similar income		17,830,705.79	8,891
2. Interest payable and similar expenses		<u>-11,711,276.29</u>	<u>-4,349</u>
I. NET INTEREST INCOME		6,119,429.50	4,542
3. Income from securities and participating interests			
a) Income from shares, other participating interests and from non fixed-interest bearing securities	291,749.03		99
b) Income from participating interests	<u>5,214.04</u>		<u>5</u>
		296,963.07	104
4. Commissions receivable		18,292,340.69	16,615
5. Commissions payable		-746,417.85	-832
6. Income / expenses from financial transactions		1,169,258.20	-130
7. Other operating income		<u>1,220,661.30</u>	<u>1,056</u>
II. OPERATING INCOME		26,352,234.91	21,355
8. General administrative expenses			
a) Personnel expenses			
aa) salaries	-6,182,285.19		-5,422
bb) performance-related bonuses	-2,698,100.00		-2,150
cc) expenses for statutory social securities and payroll-related expenses	-1,550,695.47		-1,259
dd) other expenses for employee benefits	-193,329.60		-181
ee) Pension expenses	-235,931.49		-230
ff) allocation to the provisions for pensions	-87,981.35		-50
gg) allocation to the provisions for severance payments	<u>-347,966.55</u>		<u>-130</u>
	-11,296,289.65		-9,422
b) Other administrative expenses	<u>-6,199,014.37</u>		<u>-5,726</u>
		-17,495,304.02	-15,148
9. Valuation adjustments of assets shown in balance sheet items 9 and 10		<u>-784,367.02</u>	<u>-693</u>
III. OPERATING EXPENSES		-18,279,671.04	-15,841
IV. OPERATING PROFIT		8,072,563.87	5,514
10. Income from the reversal of valuation adjustments of debtors		0.00	14
11. Valuation adjustment of interests in group enterprises		<u>-96,000.00</u>	<u>0</u>
V. RESULTS FROM ORDINARY ACTIVITIES		7,976,563.87	5,528
12. Taxes on income		-1,919,519.94	-1,408
13. Other taxes		<u>-1,404.07</u>	<u>-3</u>
VI. ANNUAL PROFIT BEFORE CHANGES IN RESERVES		6,055,639.86	4,117
14. Changes in reserves		-300,000.00	-551
15. External profit share		<u>-302,103.91</u>	<u>0</u>
VII. PROFIT FOR THE YEAR		5,453,535.95	3,566
16. Profit carried forward		<u>65,732.94</u>	<u>0</u>
VIII. NET PROFIT		<u>5,519,268.89</u>	<u>3,566</u>

Medieninhaber (Verleger): Bank Gutmann Aktiengesellschaft
1010 Wien, Schwarzenbergplatz 16
Hersteller: Stiepan Druck, 2544 Leobersdorf

