



1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 **2010**

# Berliner Effektengesellschaft AG

## Summarised Annual Report 2010





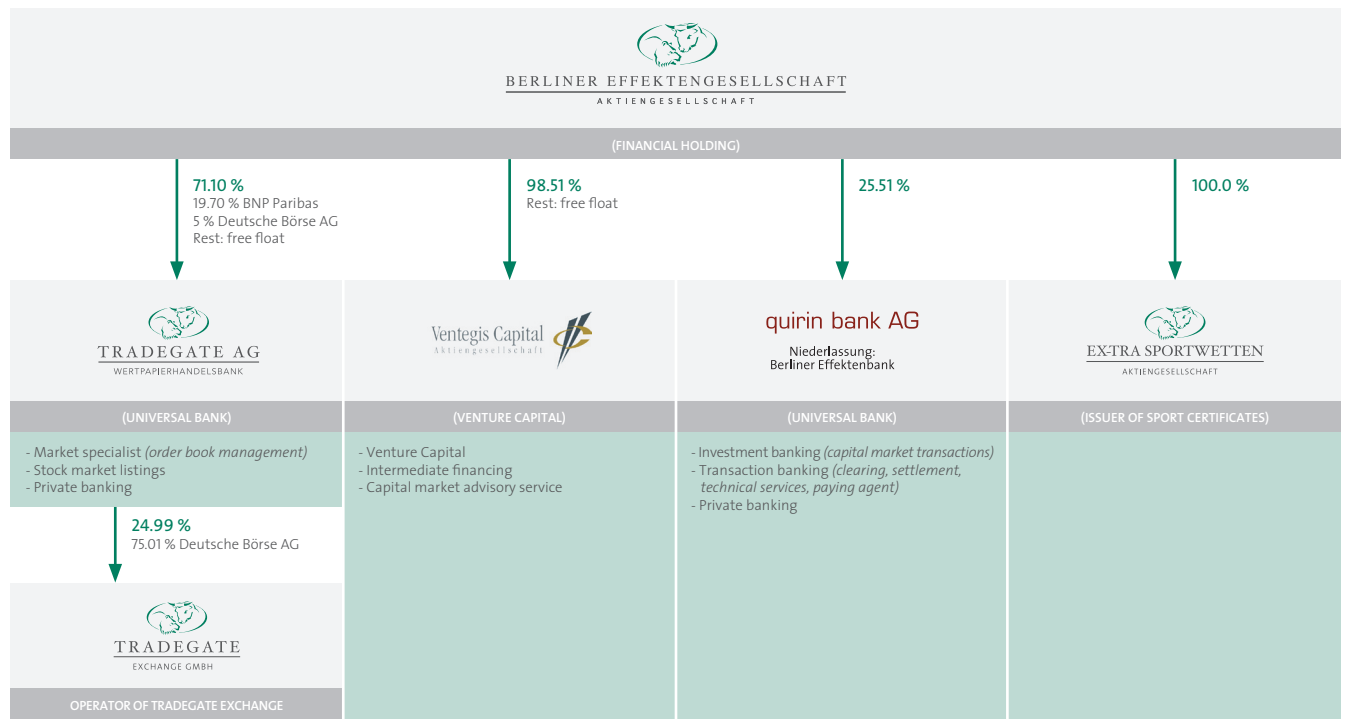
BERLINER EFFEKTEGESELLSCHAFT

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AKTIENGESELLSCHAFT



## GROUP STRUCTURE (31.03.2011)



## WKN 522 130, ISIN DE0005221303 (quoted in Entry Standard)

### SHAREHOLDERS' STRUCTURE AS AT 31 DECEMBER 2010

36.08%	H.T.B. Unternehmensbeteiligungen GmbH
44.83%	Holger Timm
19.09%	Free float

### COMPANY DATA AS AT 31 DECEMBER 2010

Market capitalisation:	89,477,000 €
Number of shares:	13,872,337
Free float:	19.09% = 2,647,653
Financial accounting:	IFRS
Balance sheet total:	73,079,000 €
Number of employees:	97

### KEY FIGURES AS AT 31 DECEMBER 2010

Result per share:	0.20 €
Dividend*:	0.15 €
Interest surplus/gross profit:	2.7%
Commission surplus/gross profit:	- 20.7%
Trading result/gross profit:	118.0%
Cost/Income-Ratio:	89.8%
Equity ratio:	88.9%

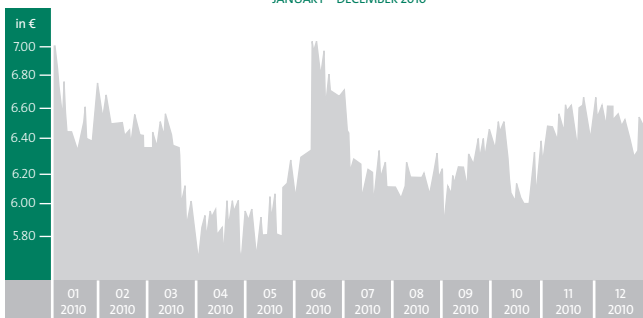
### KEY FIGURES AS AT 31 DECEMBER 2009

Result per share:	0.13 €
Dividend:	0.12 €
Interest surplus/gross profit:	2.6%
Commission surplus/gross profit:	- 26.7%
Trading result/gross profit:	124.2%
Cost/Income-Ratio:	108.9%
Equity ratio:	92.3%

## SHARE PRICE DEVELOPMENT

BERLINER EFFEKTTENGESELLSCHAFT AG (WKN 522 130, ISIN DE0005221303)

JANUARY – DECEMBER 2010



## „NET-ASSET-VALUE“

OF THE LISTED GROUP COMPANIES AND HOLDINGS OF THE BERLINER EFFEKTTENGESELLSCHAFT AG AS AT 30 DECEMBER 2010

	Number of shares BEG holds 30 · 10 · 2010	Share price in Frankfurt 30 · 12 · 2010	Calculative value 30 · 12 · 2010
Tradegate AG	17,173,295	5.72 €	98,231,247 €
quirin bank AG	10,996,373	2.17 €	23,862,129 €
Ventegis Capital AG	3,516,136	5.01 €	17,615,841 €
Number of BEG shares as at 30.12.2010			13,872,337
Calculative value of the three listed group companies/holdings 30.12.2010			139,709,217 €
Calculative value of each BEG share 30.12.2010			10.07 €
Price of the BEG share on 30.12.2010			6.45 €

## MANAGING BOARD AND SUPERVISORY BOARD

As at: 01.05.2011

**Managing Board**  
Holger Timm, Chairman  
Karsten Haesen, Member

**Supervisory Board**  
Prof. Dr. Jörg Franke, Chairman  
Dr. Andor Koritz, Deputy Chairman, Lawyer  
André Dujardin, Businessman

## CALENDAR OF EVENTS

16 June 2011 | 2 pm

Annual General Meeting in Berlin

9 December 2011 | 5 pm

Shareholders' Forum in Berlin





BERLINER EFFEKTENGESELLSCHAFT  
AKTIENGESELLSCHAFT

GROUP FINANCIAL STATEMENT

08 ASSETS

09 EQUITY AND LIABILITIES

10 GROUP INCOME STATEMENT

GROUP MANAGEMENT REPORT

<b>GROUP BALANCE SHEET: ASSETS</b> BERLINER EFFEKTENGESELLSCHAFT AG, Berlin as at 31 December 2010	in € 31 · 12 · 2010	in € 31 · 12 · 2009	in € difference	in % difference
Cash reserves	654,084.51	7,777.13	646,307.38	8,310.4
Receivables from banks	40,115,406.26	33,138,262.70	6,977,143.56	21.1
Receivables from customers	1,082,605.73	2,327,751.07	- 1,245,145.34	- 53.5
Provision for risk	-	- 345,778.81	345,778.81	- 100.0
Trading assets	3,417,173.81	2,126,460.60	1,290,713.21	60.7
Investments and securities	12,221,842.70	14,110,171.71	- 1,888,329.01	- 13.4
Participatory investments in associated companies	11,786,138.94	10,980,470.85	805,668.09	7.3
Long term assets available for sale	-	594,005.71	- 594,005.71	- 100.0
Intangible assets	1,140,627.36	966,456.81	174,170.55	18.0
Tangible fixed assets	168,238.00	327,015.00	- 158,777.00	- 48.6
Income tax claims	2,084,886.69	2,393,438.56	- 308,551.87	- 12.9
Other assets	373,828.79	227,887.73	145,941.06	64.0
Deferred taxes	33,854.55	371,014.35	- 337,159.80	- 90.9
<b>Total</b>	<b>73,078,687.34</b>	<b>67,224,933.41</b>	<b>5,853,753.93</b>	<b>8.7</b>





<b>GROUP BALANCE SHEET: EQUITY AND LIABILITIES</b> BERLINER EFFEKTEGESELLSCHAFT AG, Berlin as at 31 December 2010	in € 31 · 12 · 2010	in € 31 · 12 · 2009	in € difference	in % difference
Liabilities to banks	1,614,009.67	915,336.60	698,673.07	76.3
Liabilities to customers	688,937.34	80,566.19	608,371.15	755.1
Trading liabilities	1,959,581.83	558,843.63	1,400,738.20	250.6
Provisions and accruals	471,504.65	831,705.67	- 360,201.02	- 43.3
Tax on income	825,327.37	444,002.42	381,324.95	85.9
Other liabilities	2,456,404.76	2,160,117.05	296,287.71	13.7
Deferred taxes	86,811.07	98,048.56	- 11,237.49	- 11.5
Long term liabilities available for sale	-	106,137.63	- 106,137.63	- 100.0
Own funds	64,976,110.65	62,030,175.66	2,945,934.99	4.7
Minority interests	11,132,690.13	8,973,801.99	2,158,888.14	24.1
Stock capital	13,815,537.00	13,802,378.00	13,159.00	0.1
Capital reserves	33,428,026.97	33,266,413.42	161,613.55	0.5
Retained earnings	2,323,817.33	2,154,321.51	169,495.82	7.9
Revaluation surplus	1,432,451.21	1,909,879.89	- 477,428.68	- 25.0
Group profit	2,843,588.01	1,923,380.85	920,207.16	47.8
<b>Total</b>	<b>73,078,687.34</b>	<b>67,224,933.41</b>	<b>5,853,753.93</b>	<b>8.7</b>



<b>GROUP INCOME STATEMENT</b> BERLINER EFFEKTEGESELLSCHAFT AG, Berlin from 1 January to 31 December 2010	in € 1 · 1 – 31 · 12 · 2010	in € 1 · 1 – 31 · 12 · 2009	in € difference	in % difference
Interest earned	650,849.53	872,625.67	- 221,776.14	- 25.4
Interest paid	- 70,464.86	- 85,644.79	- 15,179.93	- 17.7
Interest surplus	580,384.67	786,980.88	- 206,596.21	- 26.3
Net provision for risk in credit transactions	- 18,633.72	- 408,404.12	- 389,770.40	- 95.4
Interest surplus after provision for risk	561,750.95	378,576.76	183,174.19	48.4
Commissions received	3,681,569.92	2,989,421.85	692,148.07	23.2
Commissions paid	- 7,948,108.98	- 6,944,949.94	1,003,159.04	14.4
Commissions surplus	- 4,266,539.06	- 3,955,528.09	311,010.97	7.9
Result from hedge accounting	-	-	-	0.0
Income from trading transactions	63,216,786.50	58,724,625.24	4,492,161.26	7.6
Expenses from trading transactions	- 38,880,755.93	- 40,356,663.91	- 1,475,907.98	- 3.7
Trading result	24,336,030.57	18,367,961.33	5,968,069.24	32.5
<b>Gross earning</b>	<b>20,631,242.46</b>	<b>14,791,010.00</b>	<b>5,840,232.46</b>	<b>39.5</b>
Result from investments and securities (available-for-sale)	744,533.56	527,070.56	217,463.00	41.3
Result from investments (held-to-maturity)	-	-	-	0.0
Result from companies valued at-equity	187,884.97	- 2,076,039.28	2,263,924.25	-
Administration expenses	- 18,522,357.92	- 16,101,812.07	2,420,545.85	15.0
<b>Operating result</b>	<b>3,041,303.07</b>	<b>- 2,859,770.79</b>	<b>5,901,073.86</b>	<b>-</b>
Other operating revenue	2,266,393.71	6,198,080.58	- 3,931,686.87	- 63.4
Other operating expenses	- 127,364.37	- 674,942.42	- 547,578.05	- 81.1
Other operating result	2,139,029.34	5,523,138.16	- 3,384,108.82	- 61.3
<b>Result before tax</b>	<b>5,180,332.41</b>	<b>2,663,367.37</b>	<b>2,516,965.04</b>	<b>94.5</b>
Income and revenue taxes	- 1,275,574.55	- 396,216.02	879,358.53	221.9
<b>Result after tax</b>	<b>3,904,757.86</b>	<b>2,267,151.35</b>	<b>1,637,606.51</b>	<b>72.2</b>
Profit/loss owed to shareholders outside the group	- 1,061,169.85	- 343,770.50	717,399.35	208.7
<b>Group profit/loss for the year</b>	<b>2,843,588.01</b>	<b>1,923,380.85</b>	<b>920,207.16</b>	<b>47.8</b>
Basic earnings per share	0.20	0.13	0.07	53.8
Diluted earnings per share	0.20	0.13	0.07	53.8



PROFIT APPROPRIATION	in € 1 · 1 – 31 · 12 · 2010	in € 1 · 1 – 31 · 12 · 2009	in € difference	in % difference
Group profit for the year	2,843,588.01	1,923,380.85	920,207.16	47.8
Profit/loss brought forward from last year	1,923,380.85	- 2,696,979.31	4,620,360.16	-
Dividend payment	-	-	-	0.0
Transfer from capital reserves	-	-	-	0.0
Transfer from revenue reserves	-	-	-	0.0
Allocations to revenue reserves	- 1,923,380.85	2,696,979.31	- 4,620,360.16	-
<b>Group profit</b>	<b>2,843,588.01</b>	<b>1,923,380.85</b>	<b>920,207.16</b>	<b>47.8</b>



## MANAGEMENT REPORT OF THE BERLINER EFFEKTENGESELLSCHAFT AG GROUP FOR THE YEAR ENDED 31 DECEMBER 2010

### 1. Business and strategy

#### 1.1. Organisation and business areas

The Berliner Effektengesellschaft AG acts as a financial holding without its own operational business. Through the five majority-held group subsidiaries it offers services of various kinds around the capital markets, in particular banking and financial services.

The individual operational subsidiaries are:

- **Tradegate AG Wertpapierhandelsbank, Berlin;** holding 70.6 % (Group Accounts according to IFRS), licensed as a deposit bank. The company's main business is securities trading, especially on the TRADEGATE EXCHANGE, and order book management on the Frankfurt and Berlin stock exchanges,
- **Ventegis Capital AG, Berlin;** holding 98.51 %, venture capital business providing mainly early phase investments and general financial and structuring advice,
- **Ex-tra Sportwetten AG, Vienna, Austria,** holding 100 %, issuer of sport certificates with a licence for sports betting.
- The Berliner Effektengesellschaft AG holds the majority of shares in the BEG Fonds 1 Nordinvest (63.4 %). The management of the fund is supported by Tradegate AG Wertpapierhandelsbank. According to IFRS regulations it must therefore be included in the Group Accounts within the scope of a full consolidation.

The liquidation of the BEG Fondsberatung GmbH, Berlin, was completed at the end of the year.

In addition to the majority-held group companies, the company can also enter into minority holdings in national and foreign companies that supply banking or financial services, or in companies that offer supporting services for this business field. The aim of such investments is the initiation, consolidation and enhancement of the business connections of the companies belonging to the Group.

The Berliner Effektengesellschaft AG holds a 25.5 % share of the quirin bank AG. According to IFRS regulations the quirin bank AG is an affiliated company of the BEG Group.

On 8 January 2010 75 % plus one share of the indirect holding in the Tradegate Exchange GmbH, Berlin was sold to the Deutsche Börse AG. The Berliner Effektengesellschaft now holds only 124,999 of the 500,000 shares in the operating company of the TRADEGATE EXCHANGE via the Tradegate AG Wertpapierhandelsbank.

Where necessary, the company also supports the subsidiaries in the central business areas of personnel, administration, organisation, accounting and controlling.

The main office of the company and its administrative departments are based in Berlin. The company branch in Frankfurt am Main was closed at the beginning of 2010.

The management of the company comprises two board members (Mr. Karsten Haesen and Mr. Holger Timm) who work closely with one another in the areas of strategic planning, guidance of the operational subsidiaries and investment controlling. Although three subsidiaries operate as public companies and the independence of each management board is protected, a higher-level strategy and supervision is ensured particularly through the overlap in the structure of the management bodies in all companies. Mr. Timm is responsible for accounting, controlling and business administration. The latter especially concerns the personnel administration of the subsidiaries and certain areas of the buying-in of material and services. Besides this, Mr. Timm is the Chairman of the Board of the Tradegate AG Wertpapierhandelsbank, Chairman of the Supervisory Board of the quirin bank AG and Member of the Supervisory Board of Ventegis Capital AG. Mr Haesen coordinates the activities of the Group regarding capital market transactions and is responsible for the representation of the company on the capital market. Furthermore, he is the Managing Director of the Ventegis Capital AG and a member of the supervisory board of Tradegate AG Wertpapierhandelsbank.

#### 1.2. Competitive position and general conditions

As a financial holding the company combines, supports and optimises the activities of its individual subsidiaries. The competitive position is therefore largely dependent on the competitive position of the subsidiaries. Nevertheless, the comprehensive range of services offered by the Group can also contribute to the improvement of the competitive position of all individual companies, especially as there is no other structurally comparable competitor on the market.

Once again, the competitive position of the most important subsidiary, the Tradegate AG Wertpapierhandelsbank, improved notably last year following the establishment of the company-developed trading system TRADEGATE as a new stock exchange, TRADEGATE EXCHANGE, and the new strategic partnership with the Deutsche Börse AG. The overall market conditions of the capital market industry also improved in 2010 so that last year by gaining market share an absolute and a relative growth was recorded.

#### 1.3. Goals and strategies, listing on the stock exchange

The Berliner Effektengesellschaft AG supports its operational companies in the development of their business areas and accompanies the necessary processes of coordination. The higher-level consolidated Group and the diverse business activities of the operational subsidiaries permit a highly extensive range of services around the capital markets and, on account of the higher name



recognition of the Berliner Effektengesellschaft AG, can be of help to the individual companies in building a customer base. On the other hand, the clear segregation of different business areas – and especially of business risks – helps to win strategic partners or shareholders for the individual areas.

This multiple strategic set-up has already been tried and tested in past years and allows all companies the necessary flexibility for the development of their own business. In the current difficult and consolidating market environment, the Berliner Effektengesellschaft AG attaches great importance to developing its business activities carefully and for the long term, backed by a solid capital resources structure.

The Berliner Effektengesellschaft AG, along with its group companies, distinguishes itself by a high level of flexibility and propensity for innovation. Even in years of an extremely gloomy market environment it has searched and found opportunities in niche markets. The established group structure allows the individual companies to complement one another perfectly and enables the longest possible value chain within the Group. At the same time, any risks and dependencies through third parties are avoided as far as possible.

After many years listed on the Regulated Market of the Frankfurt Stock Exchange on 1 August 2008 the company switched to the Open Market/Entry Standard in Frankfurt and is also listed in the Regulated Unofficial Markets of the Berlin Stock Exchange and TRADEGATE EXCHANGE.

#### 1.4. Business development and general conditions

From the Group's point of view, business development is made up of the development of its individual business areas.

After several years of significant loss in turnover, general conditions for banks and the financial service industry improved for the first time in 2010, especially with regard to private investors. The number of shareholders in Germany is still low but at least the share trading activity of private investors has increased considerably to the benefit of all business areas of the company.

In 2010 the segment order book management / proprietary trading showed a gain in turnover in all business areas and achieved a much better result. For the first time since the year 2000 when the company began developing and running TRADEGATE the critical amount of turnover for profitable trading could be reached in all twelve months of the year and even in the traditionally quiet summer months a small profit was recorded. The weakest turnover was in August and the highest in November. The withholding tax introduced on 1 January 2009 ceased to have any noticeable negative effect on business in 2010, if anything it now possibly accounts

for a more frequent restructuring of share portfolios since there are no longer any tax exemptions for longer holding periods. The introduction of a so called transaction tax which would certainly lead to a serious decline in revenue has fortunately not yet been implemented unilaterally by Germany but is still being demanded by several politicians.

Following the dramatic reduction in the number of contract notes resulting from order book management on the Frankfurt and Berlin stock exchanges in the last two years (in both years a reduction of over 60%) in 2010 the number could be increased by ca. 25.4% (443,959 contract notes compared with 354,063 last year). Nevertheless, traditional exchanges have lost further market share to electronic exchanges or trading systems such as XETRA or TRADEGATE EXCHANGE.

In 2010 the number of transactions on the TRADEGATE EXCHANGE could once again be increased for the ninth year running to 3,115,526 share transactions. Following the very modest increase in 2009 this year's growth of just over 31% was a significant improvement. The average trading volume of individual share trades also rose more sharply in 2010 to 5,443.00 € (average 2009: 4,395.00 €). At the height of the financial crisis with its correspondingly low turnover of shares (October 2008 to March 2009), the average trading volume of private investors fell to below 3,400.00 €. Overall the 2010 trading volume for shares and ETFs in the role as Specialist on the TRADEGATE EXCHANGE increased above average by about 60% from 10.45 billion € in 2009 to around 16.96 billion €.

If one takes into account that one ordinary trade made by a single customer on the stock exchange usually generates three contract notes, then strictly only about 147,986 order book trades in Frankfurt and Berlin should be compared with the 3,115,572 individually counted trades made on the TRADEGATE EXCHANGE. This means that in 2010 the TRADEGATE EXCHANGE generated 95.47 % of all trades of the company, the tendency becoming more noticeable towards the end of the year.

Trading in several unprofitable order books was therefore stopped, resulting in a reduction in the total number of order books from 10,503 to 9,796 categories of securities as at 31 December 2010. In contrast, the number of securities traded in the role as Specialist on the TRADEGATE EXCHANGE (shares and ETFs) was increased in 2010 from 4,070 to 5,635.



In 2010 the business area venture capital concentrated on the successful development of its existing investment portfolio. The investment portfolio has developed much as expected. There were no significant new investments or stake sales during the last business year as none were planned, so overall a loss was made in the business area. At the moment the business area is covered by the group company Ventegis Capital AG but in the medium term the Group plans to concentrate the investment business in the Berliner Effektengesellschaft to reduce general administrative costs. At the end of the year the share of the Berliner Effektengesellschaft AG in Ventegis Capital AG was already 98.51 % so it is expected that the investment business within the Group can be restructured in the next two years.

The other business areas of the Group contain the smaller subsidiaries, the BEG Fondsberatung GmbH (in liquidation) and the Ex-tra Sportwetten AG, Vienna. The liquidation of the BEG Fondsberatung GmbH was completed at the end of the year. The Ex-tra Sportwetten AG made a profit for the first time in 2010 aided by the big sporting event, the World Cup. The profit will be used partly to cover the accumulated loss carried forward.

The quirin bank AG is an affiliated company of the Group and performed well over the last year. The private banking and investment banking departments of the business developed positively and especially the earnings grew considerably in comparison with last year. In 2010 the area Business Process Outsourcing concentrated on optimising processes. Due to improved procedures and more advantageous economic circumstances the positive result of last year could be developed further.

The number of employees in the Group remained constant in 2010 counting 97 employees as at 31 December 2010. The average age is about 39.4 years. The average job tenure is 8.4 years.

Even during less profitable times the Group attaches great importance to retaining well-trained and qualified employees. The flexible increase or reduction of personnel according to the amount of business, especially in the business of order book management / proprietary trading, is difficult in the industry and not desired by the company. Through flexible remuneration models the company prefers to ensure that, on the one hand no unacceptably high fixed salaries endanger results in difficult economic situations, and on the other that during economically successful periods the employees, who are ultimately responsible for this success, have a suitable share in the company's profit and are compensated for possible weaker periods.

As far as they perform their services directly for the Berliner Effektengesellschaft AG, the members of the managing board receive a fixed payment from the company. If they are also employed as a member of the managing board of a subsidiary they receive the payment agreed in the contract of employment of the respective subsidiary. The fixed remuneration is supplemented by participation in a share option scheme of the Berliner Effektengesellschaft AG or Tradegate AG Wertpapierhandelsbank and performance related bonuses. The bonuses are based on the results of the respective subsidiary and the Group.

The supervisory board members receive a fixed basic salary and a variable bonus depending on the amount of the dividend.

#### The number of employees in detail:

Berliner Effektengesellschaft AG	9
Tradegate AG Wertpapierhandelsbank	84
Tradegate Börsenservice GmbH	6
Ventegis Capital AG	5
BEG Fondsberatung GmbH (in liquidation)	0
Ex-Tra Sportwetten AG	3

As some board members have a double function the total number of employees in the Group is 97.

## 2. Development of assets, financial position and results

### Development of assets

The net assets position of the Berlin Effektengesellschaft AG Group is marked by liquid assets and investments on the asset side and a good equity base on the liabilities side.

Alongside the assets held in securities, the receivables from banks represent the largest positions in assets. The table below shows the development of assets over the last two years.



	in € 31.12.2010	in € 31.12.2009
Cash reserves	654,084.51	7,777.13
Receivables from banks	40,115,406.26	33,138,262.70
Receivables from customers	1,082,605.73	2,327,751.07
Provision for risk	-	- 345,778.81
Trading assets	3,417,173.81	2,126,460.60
Investments and securities	12,221,842.70	14,110,171.71
Participatory investments in affiliated companies	11,786,138.94	10,980,470.85
Long term assets available for sale	-	594,005.71
Intangible assets	1,140,627.36	966,456.81
Tangible fixed assets	168,238.00	327,015.00
Profits tax claims	2,084,886.69	2,393,438.56
Other assets	373,828.79	227,887.73
Deferred taxes on assets side	33,854.55	371,014.35
<b>Total</b>	<b>73,078,687.34</b>	<b>67,224,933.41</b>



	in € 31 · 12 · 2010	in € 31 · 12 · 2009
Liabilities to banks	1,614,009.67	915,336.60
Liabilities to customers	688,937.34	80,566.19
Trading liabilities	1,959,581.83	558,843.63
Provisions and accruals	471,504.65	831,705.67
Profits tax	825,327.37	444,002.42
Other liabilities	2,456,404.76	2,160,117.05
Deferred taxes on liabilities side	86,811.07	98,048.56
Long term liabilities available for sale	-	106,137.63
Own funds	64,976,110.65	62,030,175.66
Minority interests	11,132,690.13	8,973,801.99
Stock capital	13,815,537.00	13,802,378.00
Capital reserves	33,428,026.97	33,266,413.42
Retained earnings	2,323,817.33	2,154,321.51
Revaluation surplus	1,432,451.21	1,909,879.89
Group (loss) / profit	2,843,588.01	1,923,380.85
<b>Total</b>	<b>73,078,687.34</b>	<b>67,224,933.41</b>

The fall in receivables from banks is due to the dividend payment of the Tradegate AG Wertpapierhandelsbank and the repurchase by the Berliner Effektengesellschaft of its own shares. Trading assets are also declining. Especially the brisk trading activity on the TRADEGATE EXCHANGE and the resulting balance of sales and purchases contributed to this. The quirin bank AG reported a profit for the past year which is represented proportionately in the result of participatory investments in affiliated companies. After the completion of the transaction with the Deutsche Börse AG the share in the Tradegate Exchange GmbH is likewise shown under investments in affiliated companies. During the reporting year the Berliner Effektengesellschaft AG swapped a small number of its own shares for shares in Ventegis Capital AG. The decrease in deferred taxes is due mainly to the use of deferred taxes on losses brought forward of the Tradegate AG Wertpapierhandelsbank.

Trading liabilities increased compared with last year commensurate with the rise in trading assets. The other liabilities contain predominantly accruals for deliveries and services not yet settled, and social security and income tax still payable.

#### Financial position

The Group is financed mainly by its own equity. Included in the liabilities are the liabilities to banks and other liabilities of larger significance. The liabilities to banks are predominantly open accounts from order book management and a KfW-loan for refinancing of an investment. The largest positions in other liabilities are the liabilities for services purchased.

The assets are mostly invested with banks and in securities. Apart from short term receivables from banks of € 35,799,000.00 (previous year € 33,138,000.00) the liquidity reserves contain trading assets and securities available for sale in the amount of € 8,297,000.00 (previous year € 9,066,000.00).

According to the cash flow statement for the Group the cash flow from operating activities is € 22,000.00 (previous year € 907,000.00). In the course of investment activities net assets from payments of € 4,187,000.00 (previous year € 12,692,000.00) were reported which mainly come from the sale of investments or certain securities.





The cash flow of financing activities amounted to € -1,531,000.00 (previous year € -15,167,000.00). The outflow was used to pay a dividend. The amount of net assets rose from € 28,502,000.00 to € 30,526,000.00.

### Results

The result after tax improved in the business year by € 1,638,000.00 from € -2,267,000.00 to € 3,905,000.00. The important positions in the group income statement are the trading result and the administration expenses. The development of the income statement of the last two years is shown in the table below.

	in € 2010	in € 2009
Interest earned	650,849.53	872,625.67
Interest paid	- 70,464.86	- 85,644.79
Interest surplus	580,384.67	786,980.88
Net provision for risk in credit transactions	- 18,633.72	- 408,404.12
Interest surplus after provision for risk	561,750.95	378,576.76
Commissions received	3,681,569.92	2,989,421.85
Commissions paid	- 7,948,108.98	- 6,944,949.94
Commission surplus	- 4,266,539.06	- 3,955,528.09
Net result on hedge accounting	0.00	0.00
Income from trading transactions	63,216,786.50	58,724,625.24
Expenditure from trading transactions	- 38,880,755.93	- 40,356,663.91
Trading result	24,336,030.57	18,367,961.33
<b>Gross earning</b>	<b>20,631,242.46</b>	<b>14,791,010.00</b>
Result from investments and securities (available-for-sale)	744,533.56	527,070.56
Result from financial assets	0.00	0.00
Result from companies valued at equity	187,884.97	- 2,076,039.28
Administration expenses	- 18,522,357.92	- 16,101,812.07
<b>Operating result</b>	<b>3,041,303.07</b>	<b>- 2,859,770.79</b>
Other operating result	2,139,029.34	5,523,138.16
<b>Result before tax</b>	<b>5,180,332.41</b>	<b>2,663,367.37</b>
Income and profit taxes	- 1,275,574.55	- 396,216.02
<b>Result after tax</b>	<b>3,904,757.86</b>	<b>2,267,151.35</b>
Profit / loss from shareholders outside the Group	- 1,061,169.85	- 343,770.50
<b>Group profit / loss</b>	<b>2,843,588.01</b>	<b>1,923,380.85</b>



The reduction in the amount of assets at disposal and the lower interest rate resulted in less interest surplus. The receivables loaned within the investment business had only an insignificant effect on the interest income.

The fall in commission surplus was due mainly to fees for clearing and settlement services in stock exchange trading. The commission surplus fell by € 311,000.00 to € -4,267,000.00.

The trading result comes predominantly from trading activity on the TRADEGATE EXCHANGE and this increased noticeably from € 18,368,000.00 to € 24,336,000.00.

According to IFRS accounting standards, the quirin bank AG reported a profit for the year which is included pro rata in the result from companies valued at-equity. The results of the Tradegate Exchange GmbH and ThinFilm Solar Fonds GmbH & Co. KG are also included here.

Due to a rise in personnel expenses, in particular for variable costs, the administration expenses increased to € 18,522,000.00 (last year € 16,102,000.00). General office expenses rose as a result of stock exchange fees which are dependent on the amount of turnover.

The other operating result of € 2,134,000.00 (previous year € 5,523,000.00) includes the proceeds from the sale of shares in Tradegate AG Wertpapierhandelsbank. Last year this item contained the profit of € 4,177,000.00 from the sale of shares in Tradegate AG Wertpapierhandelsbank and € 918,000.00 as a result of the deconsolidation in the course of a reduction in the share of the quirin bank AG and its subsidiaries. A detailed breakdown can be found in the Notes.

### 3. Analysis of financial performance indicators

The relation of administration expenses to gross earnings improved due to the positive development in gross earnings, falling from 108.9 % to 89.8 %. As at December 31, 2010 the equity ratio of the Group stood at 88.9 %, following 92.3 % at the closing date of the previous year. The basic earnings per share rose from € 0.13 to € 0.20. The underlying data for this evaluation can be found in the Notes.

To summarise, the Group's development in the past year and its current position can be seen as satisfactory.

### 4. Situation at time of writing

During the first three months of the new business year, the business segment order book management/proprietary trading proved to be positive.

### 5. Supplementary report

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

## 6. Risk report

### Risk management policy and strategy

As a financial holding group, the Berliner Effektengesellschaft Group's activities focus on order book management / proprietary trading and venture capital. In these business areas risk control is the responsibility of the operationally active companies.

In principle, risk is understood to be the negative difference between actual incidents and expected incidents. The basis of the risk management system is the classification into counterparty default risks, liquidity risks, market price risks, operational risks and other risks.

The risk management system differentiates between the areas most exposed to risk, risk management in the narrower sense and risk control which monitors the risk situation and supports risk management, in particular with information on assumed risks. The controlling department is also largely responsible for the further development of the risk management system.

The risk situation of the Berliner Effektengesellschaft Group is also affected significantly by the development of the subsidiaries and their general conditions. Each company determines a risk strategy which is most suitable for its own activities. Here, recognising aberrations and tackling them at an early stage is the most important goal of risk management.

By virtue of the Group's business areas, the development on the German and European stock exchange scene in particular plays an important role in the situation of risk. In this respect, the observation of the basic conditions which are relevant for each business area is necessary.

### Counterparty default risk

The counterparty default risk is the danger that liabilities are fulfilled too late, incompletely or not at all. Such risks pertaining to the Berliner Effektengesellschaft Group come mainly from the receivables from banks and from investments and securities. The bank accounts are mainly with domestic banks, where the likelihood of default is presumed to be very small. Apart from these bank accounts, which are used for payment transactions and cash deposits, the company holds Federal Government securities, fixed interest securities from banks and other companies, shares in money market funds and shares in equity and investment funds. The BEG Fonds 1 Nordinvest is fully consolidated. The individual components of the fund, which is managed by the Pioneer Investments Kapitalanlagegesellschaft, flow into the group consolidated accounts at their daily value. The fund makes transactions in international investments in shares and other securities. Bank deposits, money market instruments and investment certificates are also possible. Derivative products can also be traded for investment and hedging purposes. The management of the fund is supported by the Group's own Tradegate AG Wertpapierhandelsbank. With this type of stock there is a risk of counterparty default which depends on the issuer and the form of the investment, and receivables from customers who are at risk of defaulting.



A particular characteristic of the counterparty default risk is the investment or shareholder risk. Apart from the holding of the Berliner Effektengesellschaft AG in the quirin bank AG, the investment risk lies predominantly with Ventegis Capital AG. The value of the shareholding may drop due to developments which occur within the investment. So, for example, worsening economic circumstances, negative public reporting, tightened legal regulations or new technical developments are all indications for a closer examination of the valuation. In order to be able to make a timely evaluation of the risk, the company belonging to the Group, insofar as it holds investments, carries out regular and timely inspections of economic developments. This is supplemented by communication with the management of the associated company. If questions arise from the presented data or from known changes in circumstances, they are discussed with the respective company and clarified. Furthermore, if need be, a member of the supervisory board of the associated company is made available. New investments are entered into only after careful examination.

At the same time, the risk of counterparty default exists in the form of settlement risk and advance payment risk, especially in trading transactions. Settlement risk is the danger that the respective delivery commitments are fulfilled too late, incompletely or not at all. Consequently, an appropriate backup transaction, possibly at worse terms and conditions, has to be concluded. In the case of advance payment risk, the Group has already fulfilled its duty, the counterparty, however, has not. In the Group, settlement risk comes to bear mainly in the course of securities trading. Due to the admission requirements and, as a rule, state supervision, transactions finalised on a stock exchange are seen to be at very little risk. With off-exchange trading, however, counterparties must be judged by their reliability. Off-exchange transactions, especially those in East Europe, are monitored closely.

The maximum default risk is reflected in the book value of the financial assets shown in the accounts (€ 63,285,000.00 / last year € 69,171,000.00). At the balance sheet date there was no undertaking to reduce the maximum default risk.

As the financial holding group is subject to the rules and regulations of the German Banking Act a concentration of risk is restricted by the regulations on large credits. Except for the receivables from banks the Group has no large credits. The quirin bank, in particular, should be mentioned here on which more details will be given later on. The rules on granting large credits require that all counterparty default risks with regard to any one debtor be reported to the higher level institution as soon as they reach a certain amount in relation to the equity capital of the company.

#### • Credits and receivables:

The category of credits and receivables contain primarily deposits at banks, receivables from brokers from trading securities on the stock exchange and receivables from the investment business. In our opinion, the receivables from banks do not represent any noteworthy risk of default as long as the bank is a domestic institution (€ 39,894,000.00 / last year € 30,387,000.00). The largest single exposure is with the quirin bank AG, where at the balance sheet date a deposit of € 25,039,000.00 (last year € 20,040,000.00) was held. The receivables from foreign banks are with institutes of first class rating (€ 221,000.00 / last year € 2,751,000.00).

The receivables from brokers from trading securities on the stock exchange amount to € 163,000.00 (last year € 103,000.00). These receivables do not pose any appreciable risk of default because in the course of the admission to trading the stock exchange conducts a credit assessment and the receivables are covered by providing security for the respective stock exchange.

The receivables incurred within the scope of a venture capital investment are predominantly dormant holdings. The nature of the business brings with it a high risk of counterparty default. At the balance sheet date these receivables amounted to € 853,000.00 (last year € 346,000.00). None of the new receivables were regarded as having depreciated in value and appropriate allowances for bad debts were formed. At the balance sheet date last year no receivables were regarded as having depreciated in value or had to be value adjusted.

Receivables from the tax authorities amount to € 2,085,000.00 (last year € 2,393,000.00). These are receivables from the state of Berlin, i.e. the Federal Republic of Germany, which in our opinion are not at risk of defaulting.

The receivables do not contain any receivables that were due before the balance sheet date. There were no value-adjusted receivables at the balance sheet date (last year € 346,000.00). A receivable is considered to be devalued if

- the debtor is in serious financial difficulty,
- a breach of contract occurs (non payment, delay in interest or amortisation payments),
- concessions are made which would not normally be made by the Group as creditor to the credit user, on the grounds of economic or legal circumstances in connection with financial difficulties of the credit user,
- there is a high probability of bankruptcy or other need of financial restructuring of the debtor,
- depreciation costs for the asset concerned have been recorded in a previous reporting period,
- the disappearance of an active market for these financial assets occurs due to financial difficulties,
- it can be concluded from experience of collection of debts in the past, that the total value of a debt portfolio cannot be elicited.



Direct depreciation takes place if, regardless of the point in time, repayment is considered to be very unlikely.

Security for receivables was not obtained.

• **Financial assets measured at fair value through profit or loss:**

Trading assets are shown in this category. The risk of counterparty default depends on the one hand on the domicile of the issuer and on the other on his economic circumstances. If markets function properly, these influences and prospects of development are contained in the prices. Based on the default probability of domiciles according to Hermes (loan insurance company), the risk is € 00.00 (last year € 6,000.00).

• **Financial assets available for sale and affiliated companies:**

The financial assets available for sale contain investments and securities in the liquidity reserves. The investments are separated into strategic investments that complement or support the business areas of the Group and investments that are assigned to the business area venture capital. The strategic investment in the quirin bank AG (€ 11,125,000.00, last year € 10,980,000.00) is included in a monthly report which is made to the chairman of the supervisory board, who is also CEO of the Berliner Effektengesellschaft AG. This makes the continuous observation of the development of the economic situation possible. The investments of the venture capital business have a high default probability. Such investments are measured according to economic developments and circumstances and on the achievement of goals. New investments are made following intensive checks. At the moment the Group holds investments to the value of € 7,921,000.00 (last year € 7,171,000.00).

The Group mainly buys securities from issuers with a good credit rating.

At the balance sheet date none of the financial assets belonging to this category were overdue. The financial assets available for sale are considered in the Group to be depreciated in value if the fair value is 25 % lower than the acquisition costs. If the value of the financial assets falls continually for six months, it can be presumed that a permanent depreciation exists. At the balance sheet date the amount of depreciated financial assets stood at € 1,196,000.00 (last year € 1,430,000.00).

**Liquidity risk and cash flow risk**

Liquidity risk is understood to be the danger that payment obligations might be made not at all, too late or incompletely, or that due to illiquid markets assets cannot be sold, or sold at the expected price.

The control of payment reserves is made via liquidity planning and other methods suitable for the respective business area. During the reporting year, as far as companies belonging to the Group were subject to the terms of the Liquidity Regulation which regulates the minimum liquidity of institutes, the rules were adhered to. Last year, the index numbers of the Tradegate AG Wertpapierhandelsbank moved between 56.92 and 61.04, the minimum figure being 1. This value is not calculated for the Group.

As no depreciation could be determined at the balance sheet date, fixed-interest securities of € 3,672,000.00 (last year € 4,699,000.00) are considered to be sellable at any time without loss.

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

The financial liabilities have the following maturity structure:

	in '000 € up to 1 month	in '000 € from 1 month to 3 months	in '000 € from 3 months to 1 year	in '000 € more than 1 year to 5 years	in '000 € more than 5 years	in '000 € without maturity
Liabilities to banks	1,358.2	-	-	255.8	-	-
Liabilities to customers	688.9	-	-	-	-	-
Trading liabilities	-	-	39.1	-	-	1,920.5



### Market price risks

Market price risks are understood to be the negative differences of the expected market price development. Market prices are interest rates, stock prices and foreign exchange rates. Any change brings about changes in the value of the financial instruments within the portfolio such as stocks, bonds or bank balances in foreign currency, which can lead to write-offs affecting results. Market price risks are of primary importance to the Berliner Effektengesellschaft Group as the order book management / proprietary trading department forms a large part of the Group's result. Since a focal point of our business activities lies in the trading and relaying of transactions of stocks of foreign companies, especially US-American securities, an indirect foreign currency risk also has an effect. For example, in an ideal market, changes in the US-\$ exchange rate bring about corresponding changes in the stock price in €. In the context of the risk management system of securities trading, this risk arising from securities transactions is considered to be implicit in the share price risk. Basically, the control of market price risks is decentralised and occurs in the operationally active companies.

In the division order book management / proprietary trading a special risk control system is used. On the one hand there are internal trading limits which provide timely and close market control and supervision of transactions, and on the other controlling limits are in place which are monitored by an independent risk control system. On the basis of the expected results for 2010 and the capital resources an absolute upper loss limit for all transactions was set by the company's management board. One part of this upper loss limit was divided as a control limit between the trading areas overseas, domestic and Frankfurt am Main. Using these control limits, pending losses from open positions were limited. The pending losses are calculated from the value of the open position and the current value on the basis of a reference price. This reference price is determined on an ongoing basis and entered into the control system. In 2010 the mostly only marginally used limit was exceeded occasionally for a short period of time. In nearly all cases, the reason for exceeding the limit was that the monitoring system was provided with incorrect reference prices. If risk control notifies a limit exceedance, the cause is investigated and the board member responsible for controlling is informed accordingly. The board member responsible for controlling discusses the steps to be taken with the board member responsible for trading and informs risk control of the result. If losses are actually incurred which exceed a certain threshold value, the limit concerned is lowered automatically. In a subsequent comparison of the actual and planned result of the segment order book management / proprietary trading a decision is made on the retention or change of the limit alignment. In 2010 no adjustments were made to the control limits for securities trading.

The assets in the liquid reserves are dealt with separately. In the past business year and in the course of the financial markets crisis, the controlling limits of the Tradegate AG Wertpapierhandelsbank for these stocks were raised. The assessment of the amount of risk is handled analogue to the observation of trade securities. In the case of the limit being exceeded the board member of the Tradegate AG Wertpapierhandelsbank is informed immediately, who then decides on the further handling of the securities in the liquid reserves.

The securities holding of the BEG Fonds 1 Nordinvest also contains market price risks. These are monitored and controlled by the fund's management and its advisor, Tradegate AG Wertpapierhandelsbank. The fund contains fixed interest securities of € 3,394,000.00 which are subject to the risk of a change in interest rate. Equity instruments of € 1,483,000.00 are also included here.

In the other companies of the Group the market price risks from share prices are of secondary importance.

Exchange rate risk is handled restrictively. No significant amount of foreign currency is held. At the balance sheet date the deposits in foreign currency at banks amounted to € 33,000.00. In addition the BEG Fonds 1 Nordinvest holds foreign bonds to the value of € 478,000.00.

Investments in liquid assets of the companies are predominantly of short term duration, mostly up to three months, so the risk of interest rate changes is of secondary importance. Within the BEG Fonds 1 Nordinvest a large number of fixed interest securities with longer fixed-rate interest periods was purchased. No liabilities with fixed-rate interest periods stand against these, so, if the market rate should change, this could result in a change to the market value and possibly devaluation of the securities. The risk from changes in interest rate are monitored and controlled by the fund's management and its advisor.

Based on the number of securities, a change in the interest level of one basis point would have an effect on the result at the balance sheet date of € 1,000.00 (last year € 2,000.00). The equity capital would change by € 1,000.00 (last year € 2,000.00).

To assess the exchange risk of shares a sensitivity analysis is used to classify the domicile of the issuer into a risk category. Changes in the share price within a trading day are allocated to these risk categories. These changes are estimated by examining historical data, for example from the DAX®. In the case of the securities trading book, including positions from name-to-follow transactions of the business area order book management / proprietary trading, a loss of € 271,000.00 (last year € 216,000.00) could occur at the balance sheet date. This would affect the equity capital and the group profit for the year.



### Operational risks

Operational risks are understood to be such risks arising out of inappropriate or faulty company operations or those caused by employees, systems or external occurrences, legal risks included.

In the individual companies of the Group, risk inventories were carried out and risk matrices put in place. These are checked regularly, at least once a year. In order to obtain an overview of any damages occurring, employees are required to report all damages to the risk control department in their company. No reports of significant damages were made in the year 2010.

### Reporting

Reporting is decentralised and takes place in each of the operative units. The board members of Tradegate AG Wertpapierhandelsbank receive a risk report every day which also fulfils the minimum requirements for risk management. In particular, the reports contain the results from trading, the current risk position, the assigned limits and their utilisation. Due to the small amounts involved and their involvement in day-to-day business the board members of the other companies are continuously informed of the risk situation. Additionally, the board members of the parent company receive a report on the economic development of the Group. In the course of its activities in the subsidiaries and involvement in the respective reporting system the board is kept informed of all other risk situations.

### Institutional supervision

As a financial holding group, the Berliner Effektengesellschaft Group is subject to supervision by the Federal Financial Supervisory Authority. Accordingly, every month a consolidated monthly return, summarised quarterly reports for the Solvency Regulation and reports on any large loans and loans in millions must be submitted. If any unusual events occur, these are to be announced separately. The obligation to report was adhered to in 2010. From January to December 2010, the reported ratio of the Solvency Regulation lay between 86.55 % and 99.72 %.

## 7. Outlook

At the moment the Group is not planning to make any significant changes to its business strategy but will continue to operate as a financial holding without its own operative business and as an investment company. The outsourcing of various operative business areas with their different risks, different permit needs and different capital requirements, which from time to time can be covered by the admission of new shareholders, has proved to be correct and practicable.

The success of the company's strategy has been confirmed by the obtainment in past years of important strategic partners, particularly for the group company Tradegate AG Wertpapierhandelsbank. The shareholders of this company are now BNP Paribas with 19.8 % and the Deutsche Börse AG, which in a first step on 8 January 2010 bought an initial stake of 5 %. Depending on the achievement of fixed sales parameters the investment of the Deutsche Börse AG may increase to 20 % in the next few years. At the same time, on 8 January 2010, Tradegate AG sold 75 % plus one share of its subsidiary Tradegate Exchange GmbH to the Deutsche Börse AG. With this new strategic partner to aid the expansion of the TRADEGATE EXCHANGE as a European retail exchange, the chances of winning market share will improve significantly and Tradegate AG will continue to be the most important company within the Berliner Effektengesellschaft Group.

In the first quarter of 2011 the Tradegate AG Wertpapierhandelsbank reported considerable increases in turnover and profit and in those three months has already exceeded the total result of business activities for the year 2010. It is therefore expected that even if the situation on the markets deteriorate once more, the result for the business year 2011 will show a significant improvement.



It remains very difficult to predict the outlook for the group company Ventegis Capital AG as it depends on how well the individual investments of this venture capital company can be sold successfully in each business year. Since Ventegis is a somewhat smaller company the investment portfolio is not very big, so there are no continuous earnings to be made from possible exits, particularly as it is usual to fix the duration of single investments to about five years. Ventegis Capital AG is planning the exit of at least two investments during 2011 and 2012. In the past two years, the Berliner Effektengesellschaft has increased its share to 98.45 % and will endeavour to purchase 100 % of the shares without resorting to a complicated squeeze out procedure. Due to the lack of liquidity the separate listing of Ventegis Capital AG on the stock exchange is no longer viable, either for the company or for the remaining free shareholders.

The third significant investment of the Berliner Effektengesellschaft is the quirin bank AG. In 2010 the bank announced its break even ahead of schedule and, for the first time since the implementation of its unique business concept offering a fee-based advisory service, the bank as a whole was able to report a profit in the area private banking. To what extent the growth rate in private banking and the positive business development in investment banking can be maintained in coming years remains to be seen. The quirin bank has an ambitious business plan for expanding its business, which means that no dividends are to be expected from this investment for the next few years. Nevertheless, if the implementation of the business concept is successful the growth of this investment has enormous potential.

In 2010, thanks to the big sporting event, the Football World Cup, the group company Ex-tra Sportwetten AG in Vienna was able to report a fair profit for the first time since its foundation. A slight drop in turnover is expected in 2011 due to the lack of big sporting events.

The Berliner Effektengesellschaft AG itself does not need capital inflow for the realisation of its medium and long term strategic goals and is not planning any capital increase. As in the past, the available assets and possible inflow of assets in 2011 will be used to make constant or increased dividend payments, repurchase shares at a favourable price or to make attractive new investments.

With its subsidiaries and investments in the financial sector the company remains to a large extent dependent on a positive capital markets environment. As long as this environment does not deteriorate again, the operating earnings in the business years 2011 and 2012 should continue to improve.

Berlin, 29 April 2011

Berliner Effektengesellschaft AG

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